

U.S. Department of Labor

Employment and Training Administration
200 Constitution Avenue, N.W.
Washington, D.C. 20210



August 21, 2026

The Honorable Jenniffer González-Colón
Governor of Puerto Rico
P.O. Box 9020082
San Juan, PR 00902

Dear Governor González-Colón:

Thank you for your waiver request submission to the U.S. Department of Labor (Department) regarding certain statutory and regulatory provisions of the Workforce Innovation and Opportunity Act (WIOA) and the accompanying plan to improve the statewide workforce development system (enclosed). The waiver requests were received on June 16, 2026, outside the WIOA State Plan modification period. This letter provides the Employment and Training Administration's (ETA) official response to your requests and memorializes that the Commonwealth of Puerto Rico will meet the outcomes and implement the measures identified in its plan to ensure accountability agreed to by the Commonwealth and ETA. This action is taken under the Secretary of Labor's authority to waive certain requirements of WIOA Title I, Subtitles A, B, and E, and Sections 8–10 of the Wagner-Peyser Act in WIOA Section 189(i).

Requested Waiver: Waiver associated with the requirement at WIOA Section 129(a)(4)(A) and 20 CFR 681.410 that the State and local areas expend 75 percent of Governor's reserve youth funds and local formula youth funds on out-of-school youth (OSY).

ETA Response: ETA approves, for Program Years (PYs) 2026 and PY 2027, which includes the entire time period for which states are authorized to spend each of those PY fund allotments, the Commonwealth's request to waive the requirement that the Commonwealth expend 75 percent of Governor's reserve youth funds on OSY. ETA reviewed the Commonwealth's waiver request and plan and has determined that the requirements requested to be waived impede the ability of Commonwealth to implement its plan to improve the workforce development system. The Commonwealth may lower the expenditure requirement of Governor's reserve funds to 50 percent for OSY.

In addition, ETA approves, for PYs 2026 and 2027, which includes the entire time period for which states are authorized to spend each of those PY fund allotments, the Commonwealth's request to waive the requirement that local areas expend 75 percent of local youth formula funds on OSY. The Commonwealth may lower the local youth funds expenditure requirement to 50 percent for OSY.

Requested Waiver: The Commonwealth is requesting a waiver of WIOA Section 134(c)(3)(H)(i) and 20 CFR 680.720(b) in order to increase on-the-job training (OJT) employer reimbursement up to 90 percent for businesses with 50 or fewer employees.

ETA Response: ETA approves the Commonwealth's waiver request through June 30, 2027, for the WIOA Title I Adult, Dislocated Worker, and Youth formula funds. ETA reviewed the Commonwealth's waiver request and plan and has determined that the requirements requested to be waived impede the ability of Commonwealth to implement its plan to improve the workforce development system. Existing statutory authority permits the Commonwealth and its local workforce areas to increase the reimbursement rate for OJT contracts up to 75 percent. The Commonwealth may also reimburse up to 90 percent for OJT for businesses with 50 or fewer employees. ETA expects the utilization of OJT to increase in the Commonwealth as a result of this waiver.

The Commonwealth is reminded that WIOA Title I waivers may not be used for any discriminatory purposes. All activities and waiver plan provisions must comply with Section 188 of WIOA, the implementing regulations at 29 CFR Part 38, and all applicable federal nondiscrimination laws.

The Commonwealth must report its waiver outcomes and implementation of the approved waivers in the WIOA Annual Report. ETA will use this information to assess continued waiver approval and to identify promising practices that may be adopted more widely. ETA is available to provide technical assistance to you in support of your goals. If you have questions, feel free to contact my office at (202) 693-2772.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Marek Laco', with a stylized flourish at the end.

Marek Laco,
Acting Assistant Secretary

Enclosure

cc: Mariamelia Sueiro-Alvarez, Director, Department of Economic Development and Commerce
Danielle-Worthen Ramos, Regional Administrator, ETA
Marisol Lopez, Federal Project Officer, ETA

RE-NEWED Waiver Submissions

WAIVER FOR 50% FUNDING FOR OSY

1. Statutory/Regulatory Requirements to be Waived

The Commonwealth of Puerto Rico is seeking a waiver of the requirement under WIOA 129(a)(4), and consistent with 20 CFR 681.410, that states and local areas must expend a minimum of 75 percent of their Youth formula funds on youth workforce activities for out-of-school youth (OSY).

Serving OSY is widely considered the most difficult mandate in the WIOA portfolio. Since these youth are not in the school system and are not connected to employment, they are notoriously difficult to find and enroll. To compound this issue, WIOA measures success based on specific indicators that are often at odds with the reality of an OSY's life. OSY is required to obtain a recognized postsecondary credential. However, for a young person who hasn't finished high school, the path to a recognized credential is long.

Our local boards often struggle to hit their performance threshold because OSY participants are more likely to have neutral or negative exits due to life crises. In addition, WIOA requires tracking employment and earnings for up to a year after the youth leave the program. OSY are a highly mobile population, making it difficult for case managers to find them 12 months later to record a success. By reducing the percentage to 50 percent, this can allow for more robust ISY programming and can create a more predictable and high-quality talent pipeline for the island's high-stakes industrial reshoring efforts.

2. Removal of State or Local Barriers

There are no known state-level, local statutory, or regulatory barriers in Puerto Rico related to implementing the requested waiver.

3. Puerto Rico's Strategic Goals

This waiver request supports Puerto Rico's five strategic pillars:

- A. Build a Talent-Ready Puerto Rico: Aligning workforce development with long-term economic growth and reshoring opportunities.

Serving ISY allows for earlier specialization. In Puerto Rico's competitive landscape, talent readiness requires more than just a diploma; it requires technical literacy. By integrating WIOA services into high schools, PR can align

11th and 12th-grade curricula with the exact skills needed for reshoring. This ensures that upon graduation, these students are ready for the workforce rather than needing months of remedial training.

- B. Establish a Workforce Reshoring Model: PRDEDC launched the Puerto Rico Workforce Reshoring Fund initiative, designed to assess workforce readiness and strengthen talent pipelines for priority industries such as pharmaceutical manufacturing, advanced manufacturing, medical devices, biotechnology, IT and aerospace.

Priority industries like Pharmaceuticals, Biotechnology, and Aerospace have strict compliance and safety standards. ISY programs can act as a pre-screening and vetting tool for the Workforce Reshoring Fund. By utilizing ISY resources to provide certifications (like OSHA-30 or basic Lean Six Sigma) while students are still in school, we can create a verified talent pool. This reduces the risk for local companies like Amgen or Eli Lilly when they decide to expand their local footprint.

- C. Leverage Funding: Braiding WIOA resources, particularly state reserve funds—with new workforce initiatives to scale training programs that demonstrate strong employment outcomes.

ISY programs are uniquely positioned for braiding because they already have a base funding source (the Department of Education). We can use WIOA Youth Funds to pay for specialized equipment or industry-certified instructors that the standard school budget doesn't cover. Because the school provides the facilities and core staff, our WIOA dollars will go significantly further, allowing us to scale the Reshoring Workforce Fund initiatives across more municipalities.

- D. Expanding Apprenticeships & Work-Based Learning: Scaling Apprenticeship and other work-based learning models across priority industries.

Increasing ISY services allows for Youth Pre-Apprenticeship models. We are exploring models that let students spend their mornings in class and their afternoons at a medical device plant. This early immersion will create a seamless bridge into adult Registered Apprenticeships, securing the long-term pipeline for aerospace and IT firms that require deep technical expertise.

- E. Create Sustainable Workforce Financing: Exploring innovative financing models, including a revolving workforce development fund, to ensure long-

term sustainability and allow successful training initiatives to be reinvested and expanded.

A revolving workforce development fund relies on successful outcomes and employer buy-in to stay funded. As ISY graduates enter high-paying reshoring jobs, the return on investment (in terms of tax base and reduced social service costs) provides the data needed to justify and expand the revolving fund model for the next generation.

4. Quantifiable Programmatic Outcomes

The data from the annual narrative report presents the data of the youth served by the local boards who requested the use of this waiver. Based on the quarterly report data gathered by the WDP, a simple linear projection was made for the PY 2026 and 2027.

The following table shows a forecast of the youth expected to be served under this waiver. The expected outcomes are more than four thousand youth delivery of service under the waiver in the two program years, in an average of 13 local areas that will request the use of it.

						Projected	Projected
	2021	2022	2023	2024	2025	2026	2027
ISY	1,148	2,124	2,777	3,041	3,899	2,024	2,024
OSY	926	1,145	2,425	1,726	1,938	2,024	2,024
Total	2,074	3,269	5,202	4,767	5,837	4,047	4,049
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5. Benefiting individuals and groups

The waiver will benefit all Youth within the 15 local workforce development areas. It will also benefit businesses seeking a talented workforce.

6. Monitoring of Waiver Implementation

Several entities within Puerto Rico's Department of Economic Development & Commerce (DEDC) will monitor the waiver implementation in Puerto Rico:

- DEDC's Monitoring and Compliance Unit will monitor Local Areas to ensure compliance with the new waiver requirements; and,

- DEDC's performance unit will stay abreast of waiver impact, and all Youth outcomes will be included in the WIOA Annual Report.

7. Assurance of Posting for Public Comment

DEDC will be posting this waiver for public comments in conjunction with the WIOA State Plan Modification

8. The most recent data available regarding the results and outcomes observed through implementation of the existing waiver, in cases where the State seeks renewal of a previously approved waiver

This waiver was aproved in May 30, 2024 and is effective until June 30, 2026. The chart below, details the use of the same by the participating LWDA's. Puerto Rico continues its efforts to provide employment and education services for out-of-school youth (OSY). Given the economic rising that the island is experiencing, it is necessary to promote the holistic development of youth to foster their economic self-sufficiency to the extent that barriers to employment and access to education to OSY and ISY population.

During PY 2024, Puerto Rico operated under a waiver that allowed the reduction of the Out-of-School Youth (OSY) expenditure requirement to 50% for both the Governor's Reserve Youth Funds and Local Youth Funds.

Local Area	In School	Total Spending IN	Out School	Total Spending OUT
Bayamón/Comerio	166	\$231,478	236	\$241,397
Caguas/Guayama	124	\$108,594	98	\$171,165
Carolina	286	\$108,958	515	\$327,069
Guaynabo/Toa Baja	106	\$199,853	207	\$136,818
La Montaña	133	\$27,860	94	\$94,687
Mayagüez	168	\$160,307	141	\$268,632
North Central	467	\$641,959	416	\$525,015
Northeast	630	\$137,229	248	\$57,316
Northwest	328	\$369,479	98	\$206,302
Ponce	323	\$303,491	295	\$494,980
San Juan	416	\$135,615	181	\$204,854
South Central	624	\$331,115	252	\$230,768
Southeast	342	\$361,475	156	\$92,176
Southwest	443	\$438,377	302	\$515,388
Total	4,556	\$3,555,790	3,239	\$3,566,567

The waiver has had a notable impact on increasing youth program participation across the island. In PY 2024, thirteen (13) Local Workforce Development Areas utilized the waiver, collectively reporting expenditures totaling \$7,122,356.90. The expenditure on funds was balanced with 50.07% to OSY and 49.93% to (ISY).

Puerto Rico remains committed to delivering comprehensive employment and education services to in and out-of-school youth. Recognizing that new generations face evolving challenges, the Commonwealth is focused on promoting economic self-sufficiency through innovative and holistic approaches. These efforts aim to equip young people with the skills needed to overcome barriers to employment and ensure equitable access to education and workforce opportunities for both in-school and out-of-school youth.

WAIVER TO INCREASE OJT REIMBURSEMENT UP TO 90%

1. Statutory/Regulatory Requirements to be Waived

The Commonwealth of Puerto Rico is seeking a waiver of WIOA Section 134(c)(3)(H)(i) and 20 CFR 680.720(b) to increase on-the-job training (OJT) employer reimbursement up to 90 percent for businesses with 50 or fewer employees.

2. Removal of State or Local Barriers

There are no known state-level, local statutory, or regulatory barriers in Puerto Rico related to implementing the requested waiver.

3. Puerto Rico's Strategic Goals

Businesses with 50 or fewer employees represent approximately 96 percent of all employers in Puerto Rico. These employers often lack dedicated human resources or training departments. This makes On-the-Job Training (OJT) and Work-Based Learning even more vital, as these small firms cannot afford to train new talent entirely on their own.

This waiver request supports Puerto Rico's five strategic pillars:

- A. Build a Talent-Ready Puerto Rico: Aligning workforce development with long-term economic growth and reshoring opportunities.

Small employers often have the most specialized needs but the smallest budgets for training. This waiver would allow small shops to hire for potential rather than just existing experience. By lowering the cost of new hire wages to only 10% during the training period, we enable small businesses to align their local hiring with long-term growth sectors. It turns every small machine shop or IT firm into a "mini-academy" for the island's talent.

- B. Establish a Workforce Reshoring Model: PRDEDC launched the Puerto Rico Workforce Reshoring Fund initiative, designed to assess workforce readiness and strengthen talent pipelines for priority industries such as pharmaceutical manufacturing, advanced manufacturing, medical devices, biotechnology, IT and aerospace.

Reshoring industries (Pharma, Aerospace, BioTech) require high-level certifications that are expensive to teach on the job. The increased OJT reimbursement rate acts as a bridge for the supply chain. While a large pharmaceutical company may only need a 50-rate reimbursement, the small local suppliers they rely on (specialized labs, component manufacturers) need the 90 percent rate to afford the extraordinary costs of training workers to meet global manufacturing standards. It strengthens the entire ecosystem, not just the large anchors.

- C. Leverage Funding: Braiding WIOA resources, particularly state reserve funds—with new workforce initiatives to scale training programs that demonstrate strong employment outcomes.

By braiding WIOA funding with state level Workforce Reshoring funds, we can target the most vulnerable yet vital sector of the economy—small businesses that are the backbone of local employment.

- D. Expanding Apprenticeships & Work-Based Learning: Scaling Apprenticeship and other work-based learning models across priority industries.

This reimbursement makes it feasible to scale group Apprenticeships. A pharmaceutical association can recruit 20 small businesses, knowing that the 90% reimbursement makes the work-based learning model financially feasible even for a 5-person firm.

- E. Create Sustainable Workforce Financing: Exploring innovative financing models, including a revolving workforce development fund, to ensure long-

term sustainability and allow successful training initiatives to be reinvested and expanded.

High reimbursement rates lead to higher retention. When an employer only pays 10% of the training wage, they are more likely to invest in the *quality* of the training, leading to better-skilled workers who stay longer.

4. Quantifiable Programmatic Outcomes

State Law 62-2014, ***Ley de Apoyo a la Microempresa, al Pequeño y Mediano Comerciante***; defines microbusiness (PYMES by its Spanish acronym) as a business that generates a gross income of less than \$500,000 annually, with seven employees or less, and small merchant as someone who generates less than \$3 million gross per year and employs 25 people or less. Also defined are the medium-sized businesses that generate an annual gross revenue of less than \$10 million and employ fifty or fewer employees.

According to the Center for Economic Research of the Economic Development Bank for Puerto Rico (BDE), the five industries with the most private business operating with fewer than 50 employees are:

- retail trade, with 8,408 establishments;
- health and social assistance services, with 7,380;
- professional, scientific and technical services, with 5,142;
- accommodation and food services, with 4,671;
- other services with 3,349 businesses.
- and construction came in sixth place, with 2,233 establishments.

Puerto Rico is proposing a sliding scale of reimbursement to the employer based on its size and capability. Under this waiver, the following scale will be implemented:

- up to 90% reimbursement for employers with 50 or less employees.
- up to 75% reimbursement for employers with a workforce between 51 and 250 employees.
- For employers with 251 employees or more, the statutorily defined 50% limit will continue to apply.

The waiver is requested to be used with all WIOA formula funds: Adult, Dislocated Worker, Youth, National Dislocated Worker Grants, as well as other Discretionary grants, as appropriate. The state board developed the public policy **WIOA-PP-**

04-22, Requirements for Workbase Training Activities targeting that in On-the-Job Training activities, priority is given to training aimed at companies committed to the registered apprenticeship program (RAP).

The waiver allows Puerto Rico's businesses to rapidly adapt to technological and general marketplace changes by improving their capacity to expand and remain competitive with affordable OJT options uniquely designed to achieve their specific development goals. The reduced match requirement for employers, particularly new start-ups and small to medium-sized businesses, provide an attractive and cost-effective financial incentive, increasing the opportunity to utilize the OJT model for hiring and training new workers. From an economic development standpoint, increasing the number and quality of the labor force stimulates the competence and competitiveness of Puerto Rico's economy.

5. Benefiting individuals and groups

Expanding the OJT waiver to all 15 local areas ensures a positive economic impact, aligning regional workforce initiatives with the broader strategic goals of the island's reshoring economy.

6. Monitoring of Waiver Implementation

Several entities within Puerto Rico's Department of Economic Development & Commerce (DEDC) will monitor the waiver implementation in Puerto Rico:

- DEDC will provide guidance to the local areas on ensuring compliant OJT policies and evaluate the impact implementing the waiver has on Puerto Rico's performance goals;
- DEDC's Monitoring and Compliance Unit will monitor Local Areas to ensure compliance with the new waiver requirements; and,
- DEDC's performance unit will stay abreast of waiver impact, and all outcomes will be included in the WIOA Annual Report.

7. Assurance of Posting for Public Comment

DEDC will be posting this waiver for public comments in conjunction with the WIOA State Plan Modification

8. The most recent data available regarding the results and outcomes observed through implementation of the existing waiver, in cases where the State seeks renewal of a previously approved waiver

This waiver remains in effect through June 30, 2026, and has proven to be a valuable tool in supporting Local Workforce Development Boards in attracting new employers and expanding workforce opportunities.

Local Area	Adults	Dislocated Workers	Investment
Caguas/Guayama	33	121	\$531,625
Carolina	61	23	\$760,946
Guaynabo/Toa Baja	35	12	\$343,402
La Montaña	5	13	\$129,961
Manatí/Dorado	98	87	\$1,037,856
Mayagüez	14	49	\$436,022
North Central	25	6	\$106,294
Northwest	34	54	\$550,395
Ponce	20	100	\$1,576,340
San Juan	7	94	\$2,302,292
South Central	22	18	\$223,723
Southeast	21	148	\$1,284,233
Southwest	3	194	\$582,766
Total	378	919	\$9,865,855

During Program Year (PY) 2024, thirteen (13) local boards utilized the waiver, resulting in services provided to 176 employers and 1,297 employees. Of the participants served, 29% were adults and 71% were dislocated workers. The total investment in workforce was \$9,865,855.

The waiver has significantly contributed to increased participation from both employers and employees, yielding highly satisfactory outcomes. To ensure compliance, the State Workforce Development Program implemented a public policy on Work-Based Training (WBT) activities, which prioritizes the Registered Apprenticeship Program (RAP) as a preferred training model.

This flexibility has enabled Puerto Rico's businesses to better adapt to technological advancements, and evolving market demands by offering affordable, customized on-the-job training (OJT) solutions aligned with their specific workforce development goals. The reduced employer match requirement, particularly beneficial for start-ups and small to mid-sized enterprises, served as a compelling financial incentive, encouraging broader adoption of the OJT model for hiring and training new talent.

From an economic development perspective, the waiver has played a key role in enhancing the quality and availability of the labor force, thereby strengthening the competitiveness of Puerto Rico's economy.

Given the positive outcomes observed, the waiver has also supported job creation, skills development, and business sustainability across multiple economic regions. As a result, for PY 2025, an increase is anticipated in:

- Employer participation
- Engagement of adults, dislocated workers, and youth
- Overall investment in workforce development funds