

U.S. Department of Labor

Assistant Secretary for
Employment and Training
Washington, D.C. 20210



July 20, 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 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 April 30, 2026, as part of your recent WIOA State Plan modification submission. This letter provides the Employment and Training Administration's (ETA) official response to your request and memorializes that Puerto Rico will meet the outcomes and implement the measures identified in its plan to ensure accountability agreed to by Puerto Rico 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 of WIOA Section 134(d)(2) and 20 CFR 680.910 to allow to use supportive services for participants within 12 months of exit for employment retention.

ETA Response: ETA approves, through June 30, 2028, the Commonwealth's request to waive the requirement that prohibits the use of Adult and Dislocated Worker funds to be used during the 12 months of exit for employment retention. With this waiver, the Commonwealth can, as described in its request, provide targeted supportive services to participants who have exited and are recipients of public assistance, to temporarily replace benefits as the exited participant secures higher earnings through employment.

Requested Waiver: Waiver of 20 CFR 681.550 to allow WIOA individual training accounts (ITAs) for in-school youth (ISY).

ETA Response: ETA approves, for Program Years 2026 and 2027, which includes the entire time period for which states are authorized to spend each of those Program Year fund allotments, the Commonwealth's request to waive the requirement limiting ITAs to only out-of-school youth (OSY), ages 16–24. In addition to these OSY, the State may use ITAs for ISY, ages 16–21. ETA reviewed the State's waiver request and plan and has determined that the requirements requested to be waived impede the ability of the State to implement its plan to improve the workforce development system.

Requested Waiver: Waiver of the requirement that local youth programs make available each of the 14 youth programs elements required under WIOA Section 129(c)(2).

ETA Response: ETA approves, through June 30, 2028, the Commonwealth's request to waive the requirement that local youth programs make available each of the 14 youth program elements listed in WIOA Section 129(c)(2) and 20 CFR 681.460. Under this approval, local areas are not required to make available all 14 program elements. ETA reviewed the Commonwealth's request and plan and determined that the requirements requested to be waived impede the Commonwealth's ability to implement its plan to improve youth workforce development service delivery.

Requested Waiver: The Commonwealth is requesting a waiver of WIOA 134(d)(4) and 20 CFR 680.800(a) to allow local areas to reserve more than 20 percent of Adult and Dislocated Worker funds for incumbent worker training (IWT).

ETA Response: ETA approves the Commonwealth's waiver, through June 30, 2028, to permit local areas to increase the allowable threshold available for IWT from 20 to 35 percent. ETA reviewed the Commonwealth's waiver request and plan and has determined that the requirements requested to be waived impede the ability of the Commonwealth to implement its plan to improve the workforce development system.

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 that reads "Henry Mack". The signature is written in a cursive, flowing style.

Henry Mack, Ed.D.
Assistant Secretary

Enclosures

cc: Mariamelia Sueiro-Álvarez, Deputy Assistant Secretary, Puerto Rico Department of Economic Development
Danielle Worthen Ramos, Regional Administrator, ETA
Marisol Lopez, Federal Project Officer, ETA

I. WAIVER TO ALLOW USE OF SUPPORTIVE SERVICES

1. Statutory/Regulatory Requirements to be Waived

The Commonwealth of Puerto Rico is seeking a waiver from the requirements outlined in WIOA Section 134(d)(2) and 20 CFR 680.910 to allow use of supportive services.

2. Removal of State or Local Barriers

While there are no known state-level, local statutory, or regulatory barriers in Puerto Rico related to implementing the requested waiver, federal program design constraints limit Puerto Rico's ability to effectively provide supportive services to participants who would otherwise benefit from such assistance.

Specifically, current requirements under WIOA Section 134(d)(2) and 20 CFR 680.910 restrict the provision and flexibility of supportive services to circumstances that do not fully account for the realities of participants engaged in longer-term training, work-based learning, or employment retention pathways. These constraints create operational limitations for Local Workforce Development Boards (LWDBs), particularly in addressing intermittent or unexpected needs, such as transportation disruptions, childcare for non-traditional work hours, or essential work-related equipment, that directly impact a participant's ability to complete training or remain employed.

This could result, in otherwise eligible and progressing participants to be unable to continue in training or sustain employment due to short-term financial barriers that cannot be addressed under current program parameters. This limitation is particularly impactful in priority sectors requiring extended training timelines or non-standard work schedules, including advanced manufacturing, healthcare, and aerospace.

The requested waiver would remove these federal programmatic constraints by allowing greater flexibility in the timing, scope, and application of supportive services, thereby enabling Puerto Rico's workforce system to respond more effectively to participant needs, improve retention in training and employment, and align service delivery with the Commonwealth's broader workforce and economic development strategies.

3. Puerto Rico's Strategic Goals

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

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

High-growth industries require certifications that can take months to earn. Extending supportive services prevent employed individuals from dropping out due to a single life emergency, like a car breakdown or utility shut-off, ensuring a steady pipeline of talent. In addition, by covering services such as transportation or equipment, we can ensure that a talent-ready pool is drawn from the entire island, not just those living in urban centers near training facilities.

2. 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 pharmaceutical and aerospace manufacturing requires a workforce capable of working in highly regulated, 24/7 environments. Extending childcare supportive services specifically for non-traditional hours is essential for parents to participate in these priority reshoring sectors.

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

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

Supportive services provide a financial cushion during the early stages of an apprenticeship. This allows participants to stay in the program until they reach the journey-level wages that lead to self-sufficiency. Priority industries like aerospace and advanced manufacturing require expensive specialized tools or safety gear. Extending supportive services to cover these costs removes the upfront financial burden from the apprentice.

5. 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.

Innovative models like revolving funds depend on successful employment outcomes - participants getting jobs and generating tax revenue. Data shows that participants with access to supportive services have significantly higher job placement and retention rates. By investing in supportive services, we will be supporting higher employment retention rates which leads to the sustainable reinvestment needed to scale the model island-wide.

4. Quantifiable Programmatic Outcomes

DEDC would establish a goal of shifting the Employment Rate (2nd and 4th Quarter after Exit) upwards by 5 percent.

5. Benefiting individuals and groups

The requested waiver will benefit a broad range of participants served under the WIOA Title I programs, including Adult, Dislocated Workers, and Youth populations seeking employment. It will provide significant benefits to individual facing barriers to employment including low income, individuals' participants in training programs and those engage in workspace learning models such Registered Apprenticeships. Youth participants will benefit the most by providing a solution to transportation challenges, childcare responsibilities, and lack of access to necessary tools or equipment that may hinder their ability to remain engage in program activities or complete training.

Additionally, the waiver will benefit employers by supporting a more stable and reliable work force pipeline. By reducing participant attrition and improving completion rates business will have

access to better papered individuals who are able to successfully enter and remain in employment with priority Industries sector.

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 a supportive services policy 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 comment in conjunction with the WIOA State Plan Modification

II. WAIVER TO ALLOW LOCAL AREAS to PROVIDE ISY WITH ITAS

1. Statutory/Regulatory Requirements to be Waived

The Commonwealth of Puerto Rico is seeking a waiver from the requirements outlined in 20 CFR 681.550 to allow local areas to provide In-School Youth (ISY) with individual training accounts (ITAs).

2. Removal of State or Local Barriers

While there are no known state-level, local statutory, or regulatory barriers in Puerto Rico related to implementing the requested waiver, federal regulatory limitation restrict the ability of Local Workforce Development Boards to provide individual training accounts to In-School Youth

20 CFR 681.550 states that ITAs are primarily authorized for Out-of-School Youth (OSY), which limits the flexibility of local areas to use this proven training mechanism for ISY participants. This restriction creates a programmatic barrier by preventing LWDBs from offering demand-driven, participant-centered training options to in-school youth who are ready and able to engage in occupational skills training aligned with in-demand industry sectors.

As a result, ISY participants may face limited access to industry-recognized credential programs available through the Eligible Training Provider List (ETPL), particularly those that provide direct pathways to high-growth, high-wage occupations. This limitation reduces the ability of the workforce system to accelerate skill development and early labor market attachment for youth.

Hence, this waiver will expand access to high-quality training opportunities, enhancing alignment with labor market demand, and improving outcomes related to credential attainment, employment, and career pathways for youth.

3. Puerto Rico's Strategic Goals

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

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

Providing ITAs to ISY represents a positive strategic shift in workforce policy. Extending them to youth in Puerto Rico provides a faster-track to high-demand technical careers. ITAs empower students to move beyond the traditional education path and gain industry-recognized credentials while still in high school or early college. By providing ITAs, Puerto Rico aligns the career interests of its youngest workers with the island's long-term economic growth sectors, i.e. aerospace and biosciences. This strategy also shortens the time between education and employment, creating a "talent-ready" workforce that can meet the immediate needs of companies reshoring to the island.

2. 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 pharmaceutical and medical device manufacturing require highly specific technical skills. ITAs allow In-School Youth to choose specialized training programs—such as those vetted by the Workforce Reshoring Fund—ensuring the youth pipeline is not just educated, but technically proficient in priority sectors. Because ITAs are used for programs on the Eligible Training Provider List (ETPL), they ensure that youth are only spending resources on curricula that have been validated by the very industries Puerto Rico is looking to reshore.

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

Providing ITAs to Youth maximizes our return on investment. ITAs are performance-based. By focusing these funds on programs with demonstrated employment outcomes, Puerto Rico ensures that braided federal and state dollars are only supporting the most successful training providers.

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

ITAs can serve as the classroom component of a Registered Apprenticeship. For ISY, an ITA can fund the pre-apprenticeship training required to enter a high-level aerospace or IT apprenticeship. ITAs also reduces the financial burden on employers. If an ITA covers the cost of the Related Technical Instruction (RTI), small and medium-sized advanced manufacturing firms are more likely to take on young apprentices, as the training costs are already subsidized.

5. 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.

ITAs provide the perfect data-tracking mechanism for innovative financing models like revolving funds. Because ITAs are tracked individually in systems like PRIS, the state can measure the exact return on Investment for every youth participant. When youth trained via ITAs enter high-paying reshoring industries, the economic boost (through taxes or direct reinvestment models) feeds back into the workforce fund. This creates a sustainable cycle where the success of today's youth graduates funds the ITAs for the next generation of Puerto Rican students.

4. Quantifiable Programmatic Outcomes

DEDC would establish a goal of shifting the Employment Rate (2nd and 4th Quarter after Exit) upwards by 5 percent.

5. Benefiting individuals and groups

The requested waiver will primarily benefit ISY participants by expanding access to industry-recognized training opportunities aligned with Puerto Rico's in-demand and high-wage industry sectors, including advanced manufacturing, healthcare, information technology, and life sciences. By allowing the use of Individual Training Accounts (ITAs), youth will be able to pursue targeted occupational skills training earlier in their career pathways, reducing the time between education and employment. Particularly this waiver will benefit youth facing barriers to employment, including low-income individuals and those with limited access to postsecondary training opportunities. Increased access to ITAs will support improved outcomes in credential attainment, measurable skill gains, and employment placement.

Additionally, the waiver will benefit employers by strengthening the talent pipeline and ensuring access to a more skilled and job-ready workforce. By aligning training investments with labor market demand, business will have access to qualified candidates prepared to meet the technical requirements of priority Industries sector.

6. Monitoring of Waiver Implementation

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

- DEDC's performance unit will stay abreast of waiver impact and all outcomes will be included in the WIOA Annual Report. Since ITAs are intended for talent-ready certification, the performance team will track the Credential Attainment Rate specifically tied to the ETP (Eligible Training Provider) list.
- DEDC's Performance Team will also track the Measurable Skill Gains (MSG) during the training, such as passing a technical exam or completion of a specific reshoring training module. This will allow the team to intervene if a specific training provider has low MSG rates.
- The Workforce Development Unit at DEDC will also analyze and map these credentials against the Reshoring Fund priorities to determine success in feeding the reshoring pipeline.

- The Workforce Development Unit will also work with the PRIS administrator, Softec, to create a “Youth-ITA” in the PRIS system to track specific youth outcomes.

7. Assurance of Posting for Public Comment

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

III. WAIVER FOR LOCAL AREAS TO PROVIDE ALL 14 YOUTH PROGRAM ELEMENTS

1. Statutory/Regulatory Requirements to be Waived

The Commonwealth of Puerto Rico is seeking a waiver from the requirements outlined in WIOA section 129(c)(2) and 20 CFR 681.460 which requires each local area to make all 14 youth program elements available to eligible youth.

2. Removal of State or Local Barriers

While there are no known state-level, local statutory, or regulatory barriers in Puerto Rico related to implementing the requested waiver federal statutory and regulatory limitations create a programmatic constraint by requiring that all 14 youth program elements be made available in each local area.

Although, these elements collectively support comprehensive service delivery framework, this requirement limit the ability of Local Workforce Development Board (LWDBs) to strategically prioritize and tailor service delivery based on regional labor market demands, participant needs, and available resources. This can result in the allocation of limited resources across all elements, rather than focusing investment on those services that have the greatest impact on employment outcome, such work-based learning, occupational skills training, and Registered Apprenticeships.

This requirement also presents operational challenges for smaller or resource-constrained local areas, which may not have the capacity to effectively deliver all 14 elements at the same level of quality or scale. Therefore, constraining efforts to implement innovative, sector-driven strategies aligned with high-growth industries and workforce reshoring initiatives.

The requested waiver would provide LWDBs with the flexibility to prioritize, sequence, and deliver youth program elements in a manner that is responsive to local economic conditions and participant needs, while continuing to ensure access to the full range of required services through coordination with partners where appropriate. This flexibility will enable more efficient use of resources, strengthen alignment with labor market demand, and improve overall program effectiveness and outcomes for youth participants.

3. Puerto Rico’s Strategic Goals

A cornerstone of Puerto Rico’s workforce and business engagement strategy is the transformation of Registered Apprenticeship (RA) from a traditional training model into an engine for industrial growth. By leveraging WIOA funds, the DEDC is creating a labor pool tailored for the global reshoring movement.

Under the leadership of Governor González-Colón, apprenticeships are being institutionalized as a standard workforce solution for the Puerto Rican business community. More than \$11 million in WIOA 2025 Governor Reserve funds have been strategically deployed to scale RA frameworks across the Island. As of early 2026, DEDC oversees 140 Registered Apprenticeship Programs, with a record-breaking 51 programs established in 2025 alone. Puerto Rico currently supports a robust ecosystem of over 2,200 active apprentices, with 324 graduates recently attaining industry-recognized credentials that serve as a gold standard for technical proficiency. The administration is aggressively diversifying the apprenticeship portfolio to move beyond traditional trades into high-complexity, high-wage technical sectors.

To support youth, DEDC has recently entered into an agreement with the Department of Education and the Association of Restaurants (ASORE) in Puerto Rico to establish a pre-apprenticeship program for youth. DEDC has also engaged in a partnership with the Pharmaceutical Industry Association of Puerto Rico (PIA) to align training programs with the specific technical skills needed for positions in meditech and life sciences. Lastly, DEDC has proactively engaged local and external **non-profits entities such as the Boys & Girls Club and Raices Cyber, as well as for profits entities such as the Polytechnic University of Puerto Rico**, [MV1]

While the standard WIOA Youth Program elements (such as alternative secondary school services and postsecondary preparation) provide a necessary academic foundation, they often lack the immediate, tangible connection to the labor market that high-growth industries require.

For Puerto Rico's specific goals of Workforce Reshoring and Talent Readiness, shifting the focus toward Registered Apprenticeships (RAs) and Pre-Apprenticeships offers several distinct advantages not directly available via the Youth Program Elements.

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

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

Traditional elements like postsecondary preparation focus on getting a student *to* the next stage of education. In contrast, Apprenticeships act as an options multiplier. Youth in RAs see the immediate relevance of their classroom learning by applying it in a pharmaceutical lab or an aerospace hangar. This significantly reduces dropout rates compared to traditional alternative secondary school settings where the connection to a career can feel abstract.

Apprenticeships often lead to both a nationally recognized credential and college credit, effectively achieving the goals of postsecondary transition while the student is already earning a paycheck. Pre-apprenticeship and RA models provide direct skill alignment where the training matches specific machine/software needs of reshoring firms.

2. 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.

Pre-apprenticeships serve as a feeder for reshoring industries. They provide the basic technical and professional skills needed to pass entry exams for advanced manufacturing, making them more effective than general workforce preparation activities. Work Based Learning programs provide the opportunity for technical immersion since youth would gain cleanroom (manufacturing) or aerospace experience while finishing education.

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

WIOA Youth elements that focus on education concurrently with workforce preparation often struggle to keep youth engaged because the workforce component is usually unpaid or simulated. Registered Apprenticeships provide a guaranteed wage progression. For youth in Puerto Rico, this immediate income can be the deciding factor in staying in a program versus entering the informal or low-wage economy.

Pre-apprenticeships serve as a feeder for reshoring industries. They provide the basic technical and professional skills needed to pass entry exams for advanced manufacturing, making them more effective than general workforce preparation activities.

Industry-specific work experiences build a direct relationship between the youth and the employer. This reduces the risk of training for a job that doesn't exist, which can occur in more academic-heavy postsecondary transition activities.

5. 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.

The transition from preparation to immersion is the key benefit. By prioritizing Pre-Apprenticeships and Registered Apprenticeships, Puerto Rico ensures that its youth are not just preparing for a future career—they are active participants in the island's economic resurgence. This creates a workforce that is not only talent-ready but already talent-deployed. High completion and high wages of apprentices lead to a better pay-back into a revolving fund.

4. Quantifiable Programmatic Outcomes

DEDC would establish a goal of increasing Pre-Apprenticeship, Registered Apprenticeship and Work-Based Learning experiences by 5 percent.

5. Benefiting individuals and groups

The requested waiver will primarily benefit Youth participants by enabling Local Workforce Development Board (LWDBs) to deliver services in a more targeted and strategic manner, aligned with Puerto Rico's in-demand and high-wage industry sectors, including advanced manufacturing, healthcare, information technology, and life sciences. By allowing flexibility in the provision of program elements, local areas will be able to prioritize high impact services, such as work-based learning, occupational skills training, and Registered Apprenticeships that more directly support employment outcomes.

Particularly this waiver will benefit youth facing barriers to employment, including low-income individuals and those with limited work experience, and those at risk of disengagement from education or the workforce. A more service delivery approach will improve participation, retention, and completion rates, as well as outcomes related to measurable skill gains, credential attainment, and employment.

Additionally, the waiver will benefit employers by strengthening the talent pipeline and ensuring access to a more skilled and job-ready workforce. By aligning youth services with labor market demand and industry needs, business will have access to qualified candidates equipped with the skills and competencies required to succeed in priority Industries sector.

6. Monitoring of Waiver Implementation

Puerto Rico's Department of Economic Development & Commerce (DEDC) performance team will monitor the waiver in coordination with the Workforce Development Unit and Local Workforce Development Boards (LWDBs) to ensure compliance, accountability, and effective service delivery::

- The Performance Team will track key Youth program outcomes, including measurable skill gains (MSG), credential attainment, placement in employment or education, and retention, to assess the impact of increased flexibility in the delivery of youth program elements.
- The Workforce Development Unit will monitor how LWDBs prioritize and deliver youth program elements, including the extent to which services are provided directly or through partner coordination, ensuring that all required elements remain accessible to participants.
- Data will be collected and analyzed through the Puerto Rico Information System (PRIS) and applicable federal reporting systems to evaluate program performance and identify areas for improvement.
- DEDC's Monitoring and Compliance Unit will monitor local areas to ensure compliance with program requirements, proper documentation of services, and alignment with local labor market needs and strategic priorities.
- To the extent that youth participants engage in work-based learning activities, including Registered Apprenticeships, relevant data may be tracked through systems such as RAPIDS; however, such tracking will complement, not replace, the broader monitoring of youth program outcomes.
- DEDC will establish internal benchmarks and provide technical assistance or corrective actions, as needed, to ensure that the flexibility provided under this waiver results in improved outcomes for youth participants without reducing access to essential services.

7. Assurance of Posting for Public Comment

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

IV. WAIVER TO INCREASE FUNDS AVAILABLE FOR INCUMBENT WORKER TRAINING (IWT)

1. Statutory/Regulatory Requirements to be Waived

The Commonwealth of Puerto Rico is seeking a waiver from the requirements outlined in WIOA Section 134(d)(4)(A)(i) and 20 CFR 680.770, which limits a Local Board to using no more than twenty (20) percent of its combined Adult and Dislocated Worker funds for Incumbent Worker Training (IWT).

The Commonwealth requests a waiver to increase the allowable limit for IWT to thirty-five **(35) percent** of combined Adult and Dislocated Worker formula funds. This will allow Local Workforce Development Boards (LWDBs) more flexibility to support business retention and worker upskilling in priority sectors.

2. Removal of State or Local Barriers

While there are no known state-level, local statutory, or regulatory barriers in Puerto Rico related to implementing the requested waiver federal statutory and regulatory limitations restrict the ability of Local Workforce Development Board (LWDBs) to fully utilize Incumbent Worker Training (IWT) as a strategic workforce development tool.

Specifically, WIOA Section 134(d)(4)(A)(i) and 20 CFR 680.770 limit the amount of Adult and Dislocated Worker funds that may be used for IWT to no more than twenty (20) percent. Therefore, this cap constrains the ability of local areas to respond effectively to employer demand for upskilling existing workers, particularly in high-growth and high-skill industry sectors.

In Puerto Rico, where economic development strategies are increasingly focused on workforce reshoring and the expansion of advanced industries such as pharmaceutical manufacturing, medical devices, aerospace, and information technology, employers require rapid and targeted upskilling of their current workforce. The existing funding limitation creates a programmatic barrier by restricting the scale at which IWT can be deployed to support these needs.

As a result, Local Workforce Development Boards may be unable to meet employer demand for training or fully leverage IWT as a tool to prevent layoffs, support business retention, and strengthen career pathways for incumbent workers.

The requested waiver would allow increased investment in IWT activities, thereby enhancing the ability of LWDBs to support employer-driven training, improve worker retention and advancement, and align workforce development efforts with Puerto Rico's economic priorities.

3. Puerto Rico's Strategic Goals

IWT funds have served as a powerful tool for businesses to both retain their current talent and strengthen the Registered Apprenticeship (RA) pipeline in Puerto Rico. While the Commonwealth leverages On-the-Job Training (OJT) to support the RA model, IWT is specifically designed to upskill existing employees.

IWT serves are part of our business engagement and economic development strategy since IWT funds act as a risk-reduction mechanism that allows business to modernize their workforce without bearing the full financial burden.

This waiver request supports Puerto Rico's strategic pillars:

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

Increasing IWT funding ensures that the talent already in the system remains competitive, preventing layoffs and maintaining a high-skilled labor pool. As companies move operations (like semiconductor or advanced pharma) back to Puerto Rico, IWT funds will allow existing employees to learn the complex new processes required, making the island a more attractive destination for global firms.

2. 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.

Increased IWT funding allows for deeper assessments of current worker skills. If an aerospace firm needs workers trained in specific composite materials, IWT funds bridge that gap immediately. By subsidizing the cost for companies to train their own staff in advanced manufacturing, the government lowers the entry cost for companies considering reshoring.

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

IWT funds are increasingly being used to convert traditional jobs into Registered Apprenticeships in Puerto Rico. Instead of only using apprenticeships for new hires, IWT funds allow a company to place a current junior worker into an apprenticeship to become a journey worker. IWT funding also supports the time senior workers spend mentoring, which is critical for scaling these models in high-complex sectors like Medical Devices and Aerospace.

4. 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.

By upskilling current workers, we increase their earning potential and tax contributions, which can eventually feed into revolving development funds.

4. Quantifiable Programmatic Outcomes

DEDC would establish a goal of increasing the percentage of workers who earn a recognized industry certification or state license by 5 percent.

5. Benefiting individuals and groups

The requested waiver will benefit incumbent workers by supporting employment retention, career advancement, and increased wages through access to targeted upskilling opportunities aligned with employer needs. By expanding the use of Incumbent Worker Training (IWT), workers will be better positioned to adapt to evolving job requirements, particularly in high-growth and high-skill industry sectors.

Specifically, this waiver will be beneficial to workers at risk of displacement due to technological changes, industry shifts, or evolving skill demands, as it enables timely training interventions that strengthen job stability and long-term employability. Additionally, it will benefit employers by providing greater flexibility to invest in the development of their existing workforce, reducing turnover, increasing productivity, and supporting business retention and expansion. A more skilled workforce will enhance the competitiveness of businesses operating in Puerto Rico, particularly in priority sectors such as advanced manufacturing, life sciences, and information technology.

Finally, the waiver will support broader economic development efforts in the Commonwealth by strengthening the alignment between workforce development investments and industry needs, contributing to a more resilient, competitive, and talent-ready economy.

6. Monitoring of Waiver Implementation

Puerto Rico's Department of Economic Development & Commerce (DEDC) Workforce Development Unit will oversee the implementation of the waiver in coordination with the Performance Team and Local Workforce Development Boards (LWDBs) to ensure compliance, accountability, and effective use of funds::

- Since Registered Apprenticeship sits under the DEDC umbrella, incumbent workers serving as apprentices will be tracked via the Registered Apprenticeship Partners Information Data System (RAPIDS).
- The Workforce Development Unit will monitor the use of IWT funds, including the percentage of Adult and Dislocated Worker funds allocated to IWT activities, to ensure alignment with the approved waiver threshold and applicable federal and state policies.
- The Workforce Development Unit will establish internal benchmarks and conduct evaluations to assess the effectiveness of the waiver. Where performance outcomes fall below established expectations, corrective actions and technical assistance will be provided to ensure continuous program improvement.
- The Workforce Development Unit will also work with the Performance Team to track key outcome indicators associated with IWT, including employment retention, measurable skill gains (MSG), credential attainment, and, where applicable, wage progression of incumbent workers receiving training.
- Data will be collected and analyzed through the Puerto Rico Information System (PRIS), as well as required federal reporting systems, to assess program performance and measure the impact of increased IWT investment.
- DEDC's Monitoring and Compliance Unit will monitor Local Areas to ensure compliance with the program requirements, proper documentation of training activities, and alignment with employer needs and in-demand industry sectors.

7. Assurance of Posting for Public Comment

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