

U.S. Department of Labor

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



July 27, 2026

The Honorable Bill Lee
Governor of Tennessee
600 Dr. Martin L. King, Jr. Boulevard
Nashville, TN 37243

Dear Governor Lee:

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 request was received on April 29, 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 Tennessee will meet the outcomes and implement the measures identified in its plan to ensure accountability agreed to by Tennessee 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 the requirements found at WIOA Section 128(a)(2) and 20 CFR 683.120 to allow increased flexibility in the use of funds reserved by the Governor to provide alternative service delivery to Tennessee youth who do not meet the eligibility requirements for WIOA Title I Youth Services.

ETA Response: ETA recognizes that the statute includes language that can be confusing about the use of Youth funds reserved for statewide activities. For instance, WIOA Section 129(a)(4) states that 75 percent of the funds available for statewide activities shall be used to provide youth workforce investment activities. However, WIOA Section 129(a)(2) specifies that funds reserved by the Governor for statewide youth activities may also be used for the statewide employment and training activities authorized under Section 134, regardless of whether those funds originated from the youth, adult, or dislocated worker funding streams. This same flexibility appears in WIOA Section 128(a)(2), which states that regardless of whether reserved amounts were allotted under the Youth, Adult, or Dislocated Worker allotments, the Governor may use the reserved amounts to carry out statewide activities listed in either Sections 129(b) or 134(a); both lists of statewide activities are illustrative, and statewide activities are not limited to the activities named there. Therefore, a waiver is not required for a state to use any Governor's Reserve funds to support activities under Section 134 that serve youth and young adults, and states are not required to conduct WIOA eligibility determinations for participants served with these statewide funds.

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 Program Year fund allotments, the State's request to waive the requirement that the State expend 75 percent of Governor's Reserve and local youth formula funds on OSY. 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. The State may eliminate the OSY expenditure requirements of Governor's Reserve and local youth formula funds.

ETA expects the state to continue to serve OSY and that performance accountability outcomes for overall WIOA Youth (including both ISY and OSY) will remain steady or increase for the majority of the WIOA Youth performance indicators. As a reminder, Tennessee must continue to report expenditures for youth, including both in-school and out-of-school youth expenditures, as required in the 9130 financial reporting.

Requested Waiver: Waiver of the reallocation provisions at WIOA Sections 128(c)(3) and 133(c)(3) to allow the state workforce development board to develop different criteria than required by statute for the reallocation of recaptured funds among local workforce areas.

ETA Response: ETA approves, for PYs 2026 and 2027, Tennessee's request to waive the reallocation provisions at WIOA Sections 128(c)(3) and 133(c)(3). Tennessee may reallocate recaptured funds according to State-developed criteria. ETA reviewed Tennessee's waiver request and plan and has determined that the requirements requested to be waived impede its ability to implement its plan to improve the workforce development system. Under this waiver, Tennessee has the discretion to consider additional factors described in its waiver plan in determining local workforce development area eligibility for reallocation of recaptured funds.

Requested Waiver: Waiver of the discretionary allocation formula requirements at WIOA Sections 128(b)(3) and 133(b)(3) to allow the state to establish alternative allocation formulas.

ETA Response: This request falls outside of the Secretary's waiver authority and, therefore, ETA cannot approve Tennessee's request to waive the allocation provisions in WIOA Sections 128(b)(3) and 133(b)(3). WIOA Section 189(i)(3)(A)(i) and 20 CFR 679.610 prohibit the Department from waiving any provision related to the allocation of funds to local areas. However, ETA notes that WIOA provides the Governor direct statutory authority to establish the State's own allocation formulas in the two critical areas:

- Dislocated worker funds (Section 133(b)(2)(B)): The statute directs that dislocated worker funds be allocated to local areas "based on an allocation formula prescribed by the Governor of the State," which the Governor may amend once per program year. No waiver is needed for the state to develop and apply its own DW formula.
- Of the Title I Adult funds not distributed to local areas using the statutory formula factors in Sections 128(b)(2) and 133(b)(2)(A), the Governor has authority under paragraph to

distribute the remaining (up to 30 percent) discretionary share using a formula of the State's own design, developed in consultation with the state workforce development board and consistent with 20 CFR 683.120.

Requested Waiver: Waiver of WIOA Section 134(d)(2) and 20 CFR 680.910 to allow the use of supportive services for participants within 12 months of exit for employment retention.

ETA Response: ETA approves, through June 30, 2028, the State's request to waive the requirement that prohibits the use of Adult and Dislocated Worker funds for provision of supportive services during the 12 months following participant exit and entry into employment. With this waiver, the State can provide targeted supportive services to participants who have exited from the program and entered employment, including recipients of public assistance, to ease temporary barriers that may impede job retention.

Requested Waiver: Waiver for WIOA Section 134(c)(3)(F)(i) and (G) and 20 CFR 680.320(a) and 680.340(a) to allow for all training services to be provided through training contracts.

ETA Response: ETA approves, through June 30, 2028, the State's request to allow contract for services to be used instead of Individual Training Accounts (ITAs). 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. ETA acknowledges the State's intention to maintain ITAs as a training option, but to deploy training contracts as the primary mechanism for delivering training services where contracted models better ensure alignment with employer demand and direct employment outcomes.

Requested Waiver: Waiver to modify the business services provisions at 20 CFR 678.435, to classify certain standardized assessment and skill validation activities as business services.

ETA Response: Tennessee may provide skill assessments as a business service, as described in its request, without a waiver. The regulations at 20 CFR 678.435(c) provide that, "[l]ocal areas may also provide other business services and strategies that meet the workforce investment needs of area employers, in accordance with partner programs' statutory requirements and consistent with Federal cost principles." The non-exhaustive list that follows at 20 CFR 678.435(c)(3) includes "certification for recognized postsecondary credential or other employer use," as one example of an allowable activity.

When an employer initiates the request by having a specific arrangement and directly referring workers for assessment, these activities should be treated as business services. These workers are excluded from eligibility determination and performance reporting. In all other instances, states must report individuals who receive standardized assessments or skill validation activities as participants receiving individualized career services, even when these services are also offered to employers.

Requested Waiver: Waiver of the requirement at WIOA Section 107(i)(1)(B) that alternate entities may carry out the functions of a local workforce development board if they were in existence the day before the enactment of the Workforce Investment Act of 1998 (WIA).

ETA Response: ETA approves the State's request to waive the requirement at WIOA Section 107(i)(1)(B) that alternative entities may carry out the functions of a local workforce development board only if they were in existence the day before the enactment of WIOA.

WIOA Section 107(i)(1)(B) allows a Governor to designate an alternative entity to perform the functions of a local board only if that entity meets the statutory criteria, including having existed before the enactment of WIOA. ETA approves a waiver of this timing requirement, and that the alternative entity serves the service delivery area that most closely corresponds to the local areas. All other statutory criteria for alternative entities remain applicable. The State must ensure that any regional workforce council designated under this waiver meets the requirements of Section 107(i)(1)(C).

In implementing the waiver, the State must:

- Allocate funds by formula to local workforce development areas; and
- Continue to solicit local input, including chief elected official consultation and feedback, into the activities of the regional planning council.

Requested Waiver: Waiver of the performance requirements at WIOA Section 116(c) to allow the State to modify the performance measures used to negotiate local workforce development board performance.

ETA Response: WIOA Section 116(b)(2)(B) allows the State to incorporate State-determined key performance indicators and supplemental workforce system evaluations when assessing the effectiveness of local workforce development areas including information related to:

- Regional labor force participation trends;
- Workforce pipeline development in high-demand industries;
- Impact of workforce initiatives on employer hiring outcomes;
- Wage progression and job retention attributable to workforce services;
- Effectiveness of sector partnerships and employer engagement strategies; and
- Reduction of workforce participation barriers among target populations.

Therefore, a waiver is not necessary.

The State's request indicated that it would use the State-developed indicators and evaluations to inform determinations of subsequent designation of local workforce development areas. Please note that the State may only use the following factors when considering such subsequent designation, as provided by WIOA Section 106(b)(3):

- Successful performance,
- Sustained fiscal integrity, and
- Regional planning compliance.

Requested Waiver: Waiver of WIOA Section 116(b) and 20 CFR 677.155 to exclude WIOA participants referred from the Supplemental Nutrition Assistance Program (SNAP) from WIOA reporting requirements.

ETA Response: ETA does not approve the State's request. As communicated in Training and Employment Guidance Letter (TEGL) No. 05-25: *Maximizing Opportunity in Workforce Innovation and Opportunity Act Programs*, "ETA will not support waiver requests that do not advance the administration's key priorities, such as waivers of performance outcomes of participants and training providers." In addition, ETA notes that WIOA's statistical adjustment model is specifically designed to correct for changes in the characteristics of participants served, including those receiving or eligible for public assistance, such as SNAP. At the end of each program year, the model recalculates expected levels of performance using actual participant characteristics and actual economic conditions experienced during the year. This includes variables directly tied to barriers to employment and receipt of public assistance. As a result, any increase or decrease in the number of SNAP-involved participants is automatically incorporated into the adjustment process, ensuring that states are not disadvantaged by shifts in referral sources or participant characteristics.

Further, the State may also raise anticipated changes in the population served, such as a substantial increase in SNAP-referred participants, during the performance negotiation process. When negotiating levels of performance with ETA, states can incorporate expected shifts in participant characteristics into the discussion that establishes the initial negotiated levels, rather than relying only on the statistical adjustment model to reconcile those changes at the end of the program year. ETA encourages the State to bring this information forward during its next negotiation cycle so that anticipated changes in the SNAP-referred population are reflected in the negotiated targets.

Requested Waiver: Waiver associated with the requirement at WIOA Section 121(d)(2)(A) and 20 CFR 678.605(b) and 20 CFR 678.610 to allow the State to select one-stop operators (OSO) independent of non-competitive procurement requirements.

ETA Response: This request falls outside of the Secretary's waiver authority and, therefore, cannot be approved. WIOA 189(i)(3)(A)(i) prohibits the Secretary from waiving the establishment and functions of local workforce development boards.

Requested Waiver: Waiver associated with the requirement at WIOA Section 121(e) and 20 CFR 678.300(c) to establish and maintain a comprehensive American Job Center (AJC) in each of the State's local workforce development areas.

ETA Response: ETA approves, through June 30, 2028, the State's request to waive the requirement that each local area maintain a comprehensive AJC. 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. Before implementing this waiver, the State must provide ETA with the following information:

- Specify which local areas will not maintain a comprehensive AJC; and

- Explain the reasoning and anticipated benefits behind using alternative models, such as hub-and-spoke, affiliate sites, mobile units, or remote service technology, to enhance access in comparison to the current approach.

Requested Waiver: Waiver associated with the infrastructure funding agreement requirements at WIOA Section 121(h) and 20 CFR 678.700-678.755, to allow the State to use a state-governed allocation model for these costs.

ETA Response: This request falls outside of the Secretary's waiver authority and, therefore, cannot be approved. WIOA 189(i)(3)(A)(i) prohibits the Secretary from waiving requirements related to the funding of infrastructure costs for one-stop centers, which would include requirements related to the infrastructure funding agreements that govern the sharing of infrastructure costs. The Department encourages the State to consider the potential of a Workforce Flexibility Plan (Workflex) in meeting the State's goals.

Under a Workflex plan, the State may waive certain statutory or regulatory requirements applicable to local areas. With an approved Workflex plan, the State may approve local area waivers directly, rather than submitting waivers to the Secretary for approval. With this authority, the State can review and approve waivers to local areas, such as a local area request to waive requirements related to the funding of infrastructure costs for AJCs.

The approved waivers are conditioned on the following: 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 State 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,



Marek Laco.
Acting Assistant Secretary

Enclosures

cc: Buddy Hoskinson, Deputy Commissioner, Tennessee Department of Labor & Workforce Development
Renata Adjibodou, Atlanta Regional Administrator, ETA
Elizabeth G. Warner, Federal Project Officer, ETA

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2026 Tennessee Waiver Requests (4/29/2026)

Tennessee will request to leverage WIOA waiver authority to advance the flexibility and innovation pillar of *America's Talent Strategy: Building the Workforce for the Golden Age*. The following are Tennessee's proposed waiver requests- implementation is pending USDOL approval.

For PYs 2025, 2026, and 2027, Tennessee requests the following waivers organized by impacting programs, systems, performance and structure:

A. Waivers impacting Tennessee Workforce Programs:

1. Waiver of the requirements found at WIOA § 128(a)(2) to allow increased flexibility in the use of funds reserved by the Governor to provide alternative service delivery to Tennessee Youth who do not meet the eligibility requirements for WIOA Title 1 Youth Services.
2. Waiver from the OSY expenditure requirements found at WIOA § 129(a)(4)(A) to reduce or remove the 75% Out of School Youth (OSY) expenditure mandate, allowing local areas more flexibility to allocate Youth funds across ISY and OSY populations based on local needs, labor-market realities, and programmatic capacity.

B. Waivers impacting Tennessee Workforce System:

3. Waiver of the reallocation provisions set forth by WIOA § 128(c)(3) and 133(c), to allow Tennessee to develop different criteria than those required by statute for the reallocation of recaptured funds among local workforce areas.
4. Waiver of discretionary formula allocation requirements set forth by 20 CFR 683.120 to allow greater discretion and flexibility in addressing specific local workforce needs.
5. Waiver of WIOA § 134(d)(2) and 20 CFR 680.910 to allow greater flexibility in the use of supportive services for eligible WIOA participants who have exited the program and are recipients of public assistance, when such services are specifically designed to mitigate benefit cliffs and support sustained employment and earnings progression.

6. Waiver of WIOA § 134(c)(3)(F)(i) and (G) and 20 CFR 680.320(a) and 680.340(a) to allow training contracts to be utilized as the primary delivery mechanism for WIOA Title I training.
7. Waiver of the business services provisions found at 20 CFR 678.435(b), in order to expand the scope of allowable business services to include providing certain standardized assessment and skill validation activities, such as the National Career Readiness Certificate (NCRC) and similar employer-recognized assessments, even when individuals receiving the assessment are not enrolled participants under WIOA Title I.
8. Waiver to modify the alternative entity requirements set forth by WIOA § 107(i)(1)(B) to allow Tennessee to designate Regional Planning Councils (RPCs) to serve as the entities responsible for carrying out the functions assigned to Local Workforce Development Boards.

C. Waivers impacting Tennessee Workforce Performance:

9. Waiver in relation to the performance accountability provisions outlined in WIOA § 116(b)(2)(B) to allow the State to incorporate state-determined key performance indicators (KPIs) and supplemental workforce system evaluations when assessing the effectiveness of local workforce development areas.
10. Waiver of WIOA § 116(b) performance accountability provisions and associated regulations at 20 CFR Part 677 and 20 CFR 679.560–679.570 to allow the temporary exclusion of certain Supplemental Nutrition Assistance Program (SNAP) participants from WIOA Title I performance accountability calculations.

D. Waivers impacting Tennessee Workforce Structure:

11. Waiver of the requirements relating to the competitive procurement of One Stop Operators set forth by WIOA § 121(d)(2)(A), 20 CFR 678.605(b) and 20 CFR 678.610, granting Tennessee the authority to select qualified One Stop Operators, independent of any non-competitive procurement requirements set forth by WIOA and OMB Uniform Guidance, resulting in a faster and more efficient selection process.
12. Waiver of the requirements at WIOA § 121(e)(1) and 20 CFR 678.300(c) to establish and maintain a comprehensive American Job Center (AJC) in each of the State's local workforce development areas.
13. Waiver of the requirements at WIOA Section 121(h) and associated federal regulations, allowing Tennessee to implement a transformational state-directed, integrated American Job Center (AJC) funding model.

WAIVER REQUEST 1:

Waiver of the requirements found at WIOA § 128(a)(2) and 20 CFR 683.120 to allow increased flexibility in the use of funds reserved by the Governor to provide alternative service delivery to Tennessee youth who do not meet the eligibility requirements for WIOA Title 1 Youth Services.

The statutory and/or regulatory requirements the State would like to waive

Tennessee is seeking a waiver of the requirements found at WIOA § 128(a)(2) and 20 CFR 683.120 to allow flexibility in the use of funds reserved by the Governor.

WIOA § 128(a)(2) confines Governors in using state reserve funds for:

1. Statewide activities under [WIOA](#) § 129(b), and
2. Statewide employment and training activities under [WIOA](#) § 134(a)

Tennessee is specifically requesting a waiver to modify and expand the permitted use of state reserve funds to include providing alternative service delivery to Tennessee youth who do not meet statutory eligibility requirements for WIOA Title 1 Youth Services.

Actions the state has undertaken to remove state or local statutory or regulatory barriers

There are no state or local statutory or regulatory barriers that would impede implementation of the requested waiver.

A description of the state's strategic goal(s)

Reason for the Request:

Under the leadership of Governor Bill Lee, Tennessee seeks to lead the nation in workforce development by utilizing innovative strategies to meet the needs of the state's dynamic and growing labor market. In furtherance of this vision, one of the key operational goals set forth in Tennessee's Combined State Plan is to strengthen the state's labor force through engagement strategies with Tennessee's Youth population. Investing in work-based learning opportunities for Tennessee Youth provides these individuals with meaningful work experience and skills, which improves talent pipelines for employers and results in a stronger overall Tennessee workforce.

Tennessee continues to successfully serve many of its youth through its WIOA Title 1 Youth Service Programs. Tennessee Department of Labor and Workforce Development's (TDLWD) data system indicates that an average of over 3,700 participants received Title 1 Youth Services during PY 2024.

Tennessee has also taken great strides at the state level to reinforce its strategic focus on engaging more youth in Tennessee's workforce system. One example of this is demonstrated by Tennessee's innovative creation and implementation of its Youth Employment Program (YEP). Launched in April 2024, Tennessee's YEP is a state-funded youth employment program,

which uses funds to cover the costs of wages or wage reimbursement for employers. Under this initiative, any youth ages 14-24 can apply and earn up to \$3,500. And in alignment with the state's goals, this program allows these youth to develop valuable workforce skills, including a mix of practical, interpersonal, and professional skills. This program also benefits employers by allowing them to build their talent pipelines and provide targeted skills training, while the state covers wage costs. In its first year of implementation, the program served over 4,000 youth who were employed by more than 1,200 employers statewide.

While Tennessee remains committed to investing in its youth population through both WIOA Title 1 Youth Service Programs, and through innovative state initiatives, such as YEP, Tennessee has identified several barriers that serve to undermine its strategic focus on increasing access to youth work experience and participation. Primarily, due to the low-income threshold for In-School Youth and Out-of-School Youth set forth in 20 CFR 681.250, a significant percentage of Tennessee youth, who might otherwise benefit from workforce programs and training, are automatically disqualified for WIOA Youth Services. And while innovative state programs, such as YEP, have been designed to bridge this gap, thousands of work-ready youths are still unable to participate in these programs due to limited state funding. For example, there is currently a wait list of over 2,300 youth who wish to participate in Tennessee's YEP.

Consequently, Tennessee envisions this proposed waiver as a viable solution in reducing these barriers. This waiver will provide Tennessee with the flexibility to expand alternative service delivery access to a greater percentage of Tennessee youth, regardless of their income classification or other limiting eligibility conditions. This additional flexibility in use of funds would also allow Tennessee to continue investing in innovative youth workforce initiatives, such as YEP, which would ultimately result in more pathways for Tennessee Youth to connect with employers and increase the state's labor force participation rate.

Alignment with federal policy priorities:

1. This waiver will support employer engagement by promoting service-delivery designs that are based on employer and participant needs.
2. This waiver aligns with the Industry Driven Strategies pillar set forth in the Comprehensive Worker Investment and Development Strategy developed under President Trump's Executive Order 14278 (Preparing Americans for High-Paying Skilled Trade Jobs of the Future).
3. This waiver also aligns with the Flexibility and Innovation strategic pillar set forth in the Comprehensive Worker Investment and Development Strategy developed under President Trump's Executive Order 14278 (Preparing Americans for High-Paying Skilled Trade Jobs of the Future).

WIOA focuses on serving individuals with barriers to employment and seeks to ensure access to quality services for these populations. This waiver aligns with this goal by providing more

disadvantaged youth with opportunities to obtain valuable work-based experience. Throughout Tennessee's Combine Plan are examples of initiatives demonstrating the importance of ensuring career and work readiness at all levels and how the state is moving toward strategies that tie investment in youth employment to workforce development. Increasing access for participation in innovative state workforce programs, such as YEP, will also allow more youth to become better informed of potential careers that match their interest, and prepare them for future employment and success.

On April 23, 2025, President Trump issued Executive Order 14278 titled Preparing Americans for High-Paying Skilled Trade Jobs of the Future. Under the Comprehensive Worker Investment and Development Strategy developed under this executive order, the Administration set forth five strategic pillars for America's workforce system which include: Industry-Driven Strategies, Worker Mobility, Integrated Systems, Accountability, and Flexibility and Innovation. This waiver would align with the Industry-Driven Strategies pillar by prioritizing the needs of local employers while simultaneously benefiting a key sector of Tennessee's workforce: Tennessee youth. The flexibility provided by the waiver would help employers steer investments toward the roles and credentials that propel an even larger percentage of Tennessee youth into secure, well-paying, and high-demand jobs.

This waiver would also support the Flexibility and Innovation pillar by providing Tennessee and its local communities with more control to tailor solutions to existing workforce participation barriers without being constrained by outdated or unnecessarily burdensome program rules or processes.

Projected outcomes following waiver implementation

Approval of this waiver request would improve outcomes and provide other tangible benefits for Tennessee youth and employers as follows:

1. Increase in the number of youths that enter the workforce.
 1. TDLWD was able to provide work experience to 4,800 youth in 2024 and would expect that number to increase if waiver is approved.
 2. TDLWD anticipates the addition of at least 2,300 additional youth entering the workforce as evidenced by current YEP waitlist metrics
 3. TDLWD currently has a target number for Q3 FY 2025 of serving 3,750 youth.
2. Increase the labor force participation rate among teens.
 1. In 2023, the labor force participation rate for teens was 41.3%
3. Increase investment in innovative strategies and work-based learning opportunities for Tennessee youth.

1. By connecting young people with real-world opportunities, youth work experience programs can ease staffing challenges in industries facing labor shortages — creating a stronger, more prepared future workforce.

Individuals, groups, or populations benefitting, or otherwise impacted by the waiver from the waiver

Tennessee intends for this waiver to benefit any job-seeking youth, as it will provide a greater percentage of Tennessee youth access to work based experience and employment opportunities, which they may not otherwise be eligible for. This includes justice involved youth, homeless youth, youth with disabilities, and youth transitioning from foster care. Furthermore, it will benefit employers by allowing them to build their future talent pipelines and will also ensure the likelihood of a more qualified and skilled state workforce.

How the state plans to monitor waiver implementation, including collection of measurable waiver outcome information

TDLWD will continuously monitor implementation of this waiver on a quarterly basis, analyzing the ability of the State to achieve its strategic goals.

As part of the monitoring and performance accountability process, TDLWD will collect data on waiver outcomes which will be included in the Tennessee WIOA Annual Report. Any waiver renewal requests will include the most recent available outcomes data.

Assurance of state posting of the request for public comment (including the dates that the state made the draft request available for public comment) and notification to affected local workforce development boards

Tennessee assures transparency by posting this waiver request for 30-day public comment on the Tennessee Department of Labor and Workforce Development's website. In addition, electronic copies of the waiver were sent via email to all strategic partners.

WAIVER REQUEST 2:

Waiver of the OSY expenditure requirements found at WIOA § 129(a)(4)(A) to reduce or remove the 75% Out of School Youth (OSY) expenditure mandate, allowing local areas more flexibility to allocate Youth funds across ISY and OSY populations based on local needs, labor-market realities, and programmatic capacity.

The statutory and/or regulatory requirements the State would like to waive

Tennessee is seeking a waiver of the OSY expenditure requirements found at WIOA § 129(a)(4)(A) and 20 CFR 681.410.

WIOA § 129(a)(4)(A) requires:

1. States and local areas to expend a minimum of 75 percent of WIOA Youth funds on direct services to Out-of-School Youth.

Tennessee is specifically requesting a waiver to reduce or remove the 75% OSY expenditure requirement in order to provide local areas more flexibility in allocating Youth funds across ISY and OSY populations based on local needs and conditions.

Actions the state has undertaken to remove state or local statutory or regulatory barriers

There are no state or local statutory or regulatory barriers that would impede implementation of the requested waiver.

A description of the state's strategic goal(s)

Reason for the Request:

Under the leadership of Governor Bill Lee, Tennessee continues to emphasize the importance of strengthening its labor force through engagement strategies with Tennessee's Youth population. Investing in work-based learning opportunities for Tennessee Youth provides these individuals with meaningful work experience and skills, which improves talent pipelines for employers and results in a stronger overall Tennessee workforce.

Tennessee continues to successfully serve many of its youth through its WIOA Title 1 Youth Service Programs. Tennessee Department of Labor and Workforce Development's (TDLWD) data system indicates that an average of over 3,700 participants received Title 1 Youth Services during PY 2024.

While WIOA Title 1 Youth funding is instrumental in providing valuable work opportunities and experiences for Tennessee's Youth, the minimum 75% expenditure requirement for OSY has prevented Tennessee from being able to fully utilize this resource by limiting the way LWDAs can respond to local youth needs and labor market realities.

In order to better serve their youth populations, local areas have long expressed a particular need for more flexibility in the application of their youth funds due to the already difficult nature of youth participation. For example, local youth program participation is often periodic, sporadic, and highly variable due to a variety of circumstances, such as varying seasonal and school-year patterns; competing programs, activities, and services available through community partners; enrollment fluctuations tied to transportation, housing instability, and family situations; and differences in labor-market demand for young workers across rural, suburban, and urban regions. These conditions often create a mismatch between the rigid OSY funding requirements and actual local service needs.

Tennessee has also identified several issues with the current OSY expenditure requirement:

1. Limits the ability of LWDAs to serve In-School Youth who may be at risk of dropout, disengagement, or becoming OSY in the near future;

2. Reduces program responsiveness during times when OSY recruitment is lower or when ISY engagement opportunities arise;
3. Constrains strategic co-enrollment efforts with Perkins V, Adult Education, TANF, community-based programs, and school-based initiatives; and
4. Forces local areas to prioritize compliance over the most effective youth service strategies.

As a result, Tennessee is specifically requesting a waiver to reduce or remove the 75% Out of School Youth (OSY) expenditure requirement. By waiving this requirement, local areas will be granted additional flexibility to allocate Youth funds across ISY and OSY populations based on local needs, labor-market realities, and programmatic capacity. This will help direct resources to youth participants with the greatest need and help ensure the success and growth of Tennessee's Youth workforce.

Alignment with federal policy priorities:

1. This waiver aligns with the Industry Driven Strategies pillar set forth in the Comprehensive Worker Investment and Development Strategy developed under President Trump's Executive Order 14278.
2. This waiver also aligns with the Flexibility and Innovation strategic pillar set forth in the Comprehensive Worker Investment and Development Strategy developed under President Trump's Executive Order 14278.

If approved, this waiver would be in alignment with the Industry-Driven Strategies pillar. As pointed out in a recent federal plan drafted by multiple federal agencies, "the workforce system must transform into a reliable pipeline of American talent led by industry and aligned with America's economic priorities...The current system is not positioned to prioritize industry needs and align federal workforce programs with private sector training investments and evolving skill demands." (See *America's Talent Strategy: Building the Workforce for the Golden Age*). Presently, the existing OSY funding requirements do not allow local areas to provide the most effective service delivery to Tennessee Youth. In many cases, these existing requirements can even potentially hinder the service delivery process and detract from participant and local needs. As a result, Tennessee believes the flexibility afforded by this waiver will allow for its LWDAs to better serve its youth population, consistent with their unique demographic and economic characteristics.

This waiver would also support the Flexibility and Innovation pillar by providing Tennessee and its local communities with more control to tailor solutions to existing workforce participation barriers without being constrained by outdated or unnecessarily burdensome program rules or processes (TEGL 05-25).

Projected outcomes following waiver implementation

Approval of this waiver request would improve outcomes and provide other tangible benefits for Tennessee Youth as follows:

1. Improve Youth Service Outreach
 1. Allow local areas to serve both ISY and OSY populations more effectively based on actual local needs.
2. Promote ISY Early Intervention
 1. Enable local areas to invest in In-School Youth interventions that prevent future disconnection and support long-term career pathways.
3. Enhance Local Innovation
 1. Facilitate partnerships with K–12 systems, CTE programs, community-based organizations, and employers by removing funding barriers.
4. Increase Overall Enrollment and Performance
 1. A more flexible funding structure will lead to:
 1. Increased youth participation
 2. More successful measurable skill gains and credential attainment
 3. Stronger employment and education outcomes
5. Increase investment in innovative strategies and work-based learning opportunities for Tennessee youth.

Individuals, groups, or populations benefitting, or otherwise impacted by the waiver from the waiver

Approval of this waiver will benefit local area staff by providing them with the flexibility to implement a more responsive youth funding structure, which would subsequently help local areas address specific local workforce needs.

In addition, this waiver would improve outcomes and provide multiple benefits for Tennessee Youth by increasing opportunities and funding for work-based learning programs and initiatives.

Other potential groups benefiting from this waiver include:

1. ISY at risk of disengagement who currently cannot be served at scale.
2. OSY who will continue receiving services based on proportional local need.
3. Local Workforce Development Boards seeking to design responsive youth strategies.
4. Community partners wishing to braid services without expenditure constraints.

How the state plans to monitor waiver implementation, including collection of measurable waiver outcome information

TDLWD will continuously monitor implementation of this waiver on a quarterly basis, analyzing the ability of the State to achieve its strategic goals. This includes tracking and reporting youth outcomes disaggregated by ISY/OSY status.

As part of the monitoring and performance accountability process, TDLWD will collect data on waiver outcomes which will be included in the Tennessee WIOA Annual Report. Any waiver renewal requests will include the most recent available outcomes data.

Assurance of state posting of the request for public comment (including the dates that the state made the draft request available for public comment) and notification to affected local workforce development boards

Tennessee assures transparency by posting this waiver request for 30-day public comment on the Tennessee Department of Labor and Workforce Development's website. In addition, electronic copies of the waiver were sent via email to all strategic partners.

WAIVER REQUEST 3:

Waiver to modify the requirements set forth by WIOA § 128(c)(3) and 133(c), relating to the reallocation of funds among local workforce development areas.

The statutory and/or regulatory requirements the State would like to waive

Tennessee is seeking a waiver of the requirements found at WIOA § 128(c)(3) and 133(c), and 20 CFR 683.140 to modify the criteria governing the recapture and reallocation of youth, adult, or dislocated worker funds among local workforce development areas.

20 CFR 683.140 currently restricts states to using the following reallocation procedures:

1. For the youth, adult and dislocated worker programs, the amount to be recaptured from each local area for purposes of reallocation, if any, must be based on the amount by which the prior year's unobligated balance of allocated funds exceeds 20 percent of that year's allocation for the program, less any amount reserved (up to 10 percent) for the costs of administration. Unobligated balances must be determined based on allocations adjusted for any allowable transfer between funding streams. The amount to be recaptured, if any, must be separately determined for each funding stream. The term "obligation" is defined at 2 CFR 200.71.
2. To be eligible to receive youth, adult or dislocated worker funds under the reallocation procedures, a local area must have obligated at least 80 percent of the prior program year's allocation, less any amount reserved (up to 10 percent) for the costs of

administration, for youth, adult, or dislocated worker activities, as separately determined. A local area's eligibility to receive a reallocation must be separately determined for each funding stream.

A description of the state's strategic goal(s)

Reason for the Request:

Tennessee is requesting this waiver to support the State's goal of ensuring that funds are effectively recaptured and reallocated to local areas most in need. Tennessee believes that this waiver will grant it additional flexibility in efficiently reallocating funds to local areas, which will further promote maximum service provision and program performance.

If this waiver is approved, Tennessee will utilize a new methodology for recapturing funds from local areas that will consider factors in addition to the obligations that meet the definition in 2 Code of Federal Regulations (CFR) 200.1, such as:

1. Funds that have been earmarked for anticipated Individual Training Account (ITA) expenditures; and
2. Funds that local workforce development boards (LWDBs) must retain for training services provided through ITAs where successful job placement triggers the final payment to training providers of at least 10 percent.

This waiver will also allow Tennessee to consider when one or more of the following circumstances may warrant an exception to the states decision to recapture funds:

1. The LWDB was impacted by a natural disaster or other emergency that resulted in a reduced demand for workforce services;
2. The LWDB received non-WIOA funds that impacted the utilization of WIOA formula funds;
3. There were significant issues that impacted the local economy;
4. The LWDB was a direct provider of workforce services and, therefore, was unable to meet obligation requirements due to a lack of contractual obligations.

By redistributing recaptured funds based on the reallocation procedures established in 20 CFR 683.140, as well as factors established by TDLWD, Tennessee will ensure that funds are reallocated to local areas with the greatest need. As part of this process, Tennessee will determine the amounts to be redistributed to local areas based on factors such as:

1. Requested amount;

2. Demonstrated need for and ability to use additional funds to serve low-income individuals, public assistance recipients, dislocated workers, and unemployment insurance claimants;
3. Demonstrated capacity to expend the formula funds; and
4. Performance in the current and prior program year.

Further, this will allow Tennessee to redistribute WIOA funds to local areas that have not only achieved targeted obligation and expenditure levels, but who have also successfully established performance targets. The redistribution of funds based solely on whether a workforce area achieves its expenditure target does not address performance issues, such as whether the workforce area has met employers' needs for a highly skilled and job-ready workforce.

Alignment with federal policy priorities:

1. This waiver would help provide more efficient and greater access to quality service delivery.
2. This waiver aligns with the Flexibility and Innovation pillar set forth in the Comprehensive Worker Investment and Development Strategy developed under President Trump's Executive Order 14278 (Preparing Americans for High-Paying Skilled Trade Jobs of the Future).

WIOA focuses on serving individuals with barriers to employment and seeks to ensure access to quality services for these populations. This waiver request aligns with this focus by ensuring the State has an effective mechanism for recapturing and reallocating funds to local areas most in need for the specific purpose of serving low-income individuals, public assistance recipients, dislocated workers, and unemployment insurance claimants.

If approved, this waiver would also support the Flexibility and Innovation strategic pillar since it would provide Tennessee and its local communities with more control to tailor solutions to existing workforce participation barriers without being constrained by outdated or unnecessarily burdensome program rules or processes.

Projected outcomes following waiver implementation

The State expects to achieve the following goals and programmatic outcomes as a result of this waiver:

1. Ensure the State has an effective methodology for recapturing and reallocating funds;
2. Ensure funds will be more effectively and efficiently managed for maximum service provision and program performance; and
3. Enhance the quality of services in those local areas that have demonstrated consistent performance outcomes.

While approval of this waiver request may not result in significantly higher performance outcomes, it will provide the opportunity for recaptured funds to be redistributed to local areas where the greatest potential impact may be realized. Further, it will grant the State the flexibility to consider extenuating circumstances faced by LWDBs that may impact the recapture or reallocation of funds.

If TDLWD applied the federal requirements for reallocating WIOA funds for PY 2024, of the nine (9) local boards:

1. Adult funds would have been recaptured from two local boards.
 1. 2 of 9 local boards serve as direct providers of workforce services.
 2. 7 of 9 local boards would be eligible to be reallocated Adult funds.
2. Dislocated worker (DW) funds would have been recaptured from two local boards.
 1. 2 of 9 local boards serve as direct providers of workforce services.
 2. 7 of 9 local boards would be eligible to be reallocated DW funds.
3. Youth funds would have been recaptured from one local board.
 1. 1 of 9 local boards serve as direct providers of workforce services.
 2. 8 of 9 local boards would be eligible to be reallocated Youth funds.

Individuals, groups, or populations benefitting, or otherwise impacted by the waiver from the waiver

Workforce areas that provide quality services will have access to additional resources to meet the needs of employers, job seekers, and incumbent workers.

Additionally, the waiver will allow TDLWD to continue to promote the cost benefits of improved administrative efficiencies, encouraging Boards to further leverage resources within the workforce areas. As a result, TDLWD will increase services provision for disadvantaged populations and individuals with multiple barriers to employment.

Other individuals, groups, or populations affected by this waiver include:

1. Low-income individuals
2. Public assistance recipients
3. Dislocated workers
4. Reemployment Assistance claimants

How the state plans to monitor waiver implementation, including collection of measurable waiver outcome information

Upon USDOL's approval of this waiver request, TDLWD, in coordination with the State Workforce Development Board, will establish and communicate an administrative policy for recapturing and reallocating funds. TDLWD will monitor progress under this waiver by monitoring the obligation and expenditure levels of LWDBs no less than monthly, providing technical assistance to LWDBs with obligations and expenditures that are trending low, hosting regularly scheduled calls with LWDB executive directors, and using TDLWD's monitoring and performance accountability system. TDLWD will report waiver outcomes in the State's WIOA Annual Report.

Assurance of state posting of the request for public comment (including the dates that the state made the draft request available for public comment) and notification to affected local workforce development boards

Tennessee assures transparency by posting this waiver request for 30-day public comment on the Tennessee Department of Labor and Workforce Development's website. In addition, electronic copies of the waiver were sent via email to all strategic partners.

WAIVER REQUEST 4:

Waiver to modify both the adult and youth discretionary formula allocation requirements set forth by 20 CFR 683.120 to allow greater discretion and flexibility in addressing specific local workforce needs.

The statutory and/or regulatory requirements the State would like to waive

Tennessee is seeking a waiver to modify both the adult discretionary allocation formula requirements found at 20 CFR 683.120(d)(2) and the youth discretionary allocation formula requirements found at 20 CFR 683.120(c)(2), to allow for increased flexibility in how it allocates its funding to local areas.

Pursuant to 20 CFR 683.120, both the adult and youth discretionary allocation formulas restrict states to establishing alternative formulas that only incorporate additional factors relating to:

1. Excess (youth) poverty in urban, rural and suburban local areas; and
2. Excess unemployment above the State average in urban, rural and suburban local areas.

Tennessee is specifically requesting a waiver to modify these requirements so that it would be able to develop discretionary formulas that incorporate additional factors not limited solely to excess poverty and excess unemployment.

Actions the state has undertaken to remove state or local statutory or regulatory barriers

There are no state or local statutory or regulatory barriers that would impede implementation of the requested waiver.

A description of the state's strategic goal(s)

Reason for the Request:

Tennessee is requesting a waiver of the current statutory adult and youth discretionary formula requirements set forth by 20 CFR 683.120. If approved, this waiver would allow for greater discretion and flexibility in addressing specific local workforce needs and ensure that funding is more efficiently tailored to better serve target populations.

This waiver will also assist Tennessee in one of its key operational goals: increasing the labor force participation rate. Under Governor Lee, Tennessee aims to increase labor force participation rates among all populations, including the justice involved, individuals with barriers, and the economically disadvantaged. Granting the state the flexibility to consider additional criteria when developing its discretionary formula would allow for funding to benefit more programs, initiatives, and participants which may fall outside the scope of the current discretionary funding formula requirements. And in turn, these programs and initiatives could help add more individuals to the labor force.

Alignment with federal policy priorities:

1. This waiver will support employer engagement by promoting service-delivery designs that are based on employer and participant needs.
2. This waiver will help strengthen the workforce system and increase the labor force participation rate.
3. This waiver aligns with the Industry Driven Strategies pillar set forth in the Comprehensive Worker Investment and Development Strategy developed under President Trump's Executive Order 14278.
4. This waiver also aligns with the Flexibility and Innovation strategic pillar set forth in the Comprehensive Worker Investment and Development Strategy developed under President Trump's Executive Order 14278.

WIOA focuses on serving individuals with barriers to employment and seeks to ensure access to quality services for these populations. By allowing flexibility in Tennessee's discretionary funding allocation formula, the state can better address the unique needs of various local communities. This approach not only targets traditional job seekers but also focuses on

underrepresented groups, including those involved in the justice system, individuals facing barriers to employment, and economically disadvantaged populations.

This waiver would also reinforce USDOL's emphasis on improving labor force participation rates. The ability to modify the discretionary funding allocation formula would allow Tennessee to serve a broader target population, ensuring that more individuals can access vital resources and training that lead to sustainable employment. Overall, this strategy supports a key goal of increasing labor force participation, reflecting a commitment to both economic growth and community development.

This waiver would align with the Industry-Driven Strategies pillar. As outlined in TEGl 05-25, "the public workforce system can support this (Industry-Driven Strategies) pillar by prioritizing Registered Apprenticeships and other high-quality work-based learning models and aligning eligible training programs to career pathways within the state or regional economy." If approved, the flexibility in funding allocation allowed by this waiver would align with the same goals of this strategic pillar by creating more opportunities that would support initiatives, such as apprenticeships, re-entry programs, and other in-demand training opportunities. This waiver would also contribute to an increase in career upskilling and ensure that more workers are equipped for secure, well-paying, and in demand American jobs.

Finally, this waiver would align Flexibility and Innovation pillar by providing Tennessee and its local communities with more control to tailor solutions to existing workforce participation barriers without being constrained by outdated or unnecessarily burdensome program rules or processes.

Projected outcomes following waiver implementation

The State expects to achieve the following goals and programmatic outcomes as a result of this waiver:

1. Ensure the State has an effective discretionary formula for allocating funds;
2. Increase the labor force participation rate; and
3. Ensure funds will be more effectively and efficiently managed for maximum service provision and program performance.

While approval of this waiver request may not result in significantly higher performance outcomes, it will provide the opportunity for funds to be allocated to local areas where the greatest potential impact may be realized.

Individuals, groups, or populations benefiting, or otherwise impacted by the waiver from the waiver

Approval of this waiver will allow the state the flexibility to implement a more responsive discretionary funding allocation formula, which would subsequently help address specific local workforce needs.

In addition, this waiver would improve outcomes and provide multiple benefits for Tennessee workers and employers by increasing opportunities for work-based learning programs and initiatives.

How the state plans to monitor waiver implementation, including collection of measurable waiver outcome information

TDLWD will continuously monitor implementation of this waiver on a quarterly basis, analyzing the ability of the State to achieve its strategic goals.

As part of the monitoring and performance accountability process, TDLWD will collect data on waiver outcomes which will be included in the Tennessee WIOA Annual Report. Any waiver renewal requests will include the most recent available outcomes data.

Assurance of state posting of the request for public comment (including the dates that the state made the draft request available for public comment) and notification to affected local workforce development boards

Tennessee assures transparency by posting this waiver request for 30-day public comment on the Tennessee Department of Labor and Workforce Development's website. In addition, electronic copies of the waiver were sent via email to all strategic partners.

WAIVER REQUEST 5:

Waiver of WIOA § 134(d)(2) and 20 CFR 680.910 to allow flexibility in the provision of targeted supportive services to eligible WIOA participants who have exited the program and are recipients of public assistance, when such services are specifically designed to mitigate benefit cliffs and support sustained employment and earnings progression.

The statutory and/or regulatory requirements the State would like to waive

Tennessee is seeking a waiver of the requirements found at WIOA § 134(d)(2) and 20 CFR 680.910 to allow flexibility in the provision of supportive services.

WIOA § 134(d)(2) restricts supportive services to participants who are:

1. Participating in career or training services as defined in [WIOA](#) § 134(c)(2) and (3), and
2. Unable to obtain supportive services through other programs providing such services.

Tennessee is specifically requesting a waiver to modify and expand the permitted use of supportive services to eligible WIOA participants who have exited the program and are recipients

of public assistance, when such services are specifically designed to mitigate benefit cliffs and support sustained employment and earnings progression.

Actions the state has undertaken to remove state or local statutory or regulatory barriers

There are no state or local statutory or regulatory barriers that would impede implementation of the requested waiver.

A description of the state's strategic goal(s)

Reason for the Request:

Tennessee's workforce system has made great strides in assisting individuals secure employment. However, many participants experience a temporary financial destabilization upon program exit as earned income increases and public assistance benefits are reduced or lost before wages are fully realized. This benefit cliff, where modest increases in earnings trigger abrupt losses of public assistance, can undermine job retention, limit advancement, and discourage continued participation in the workforce—particularly for individuals transitioning into higher-wage employment with variable hours or delayed pay cycles.

Research indicates that a significant share of low-wage workers receiving public benefits experience benefit cliffs, and in some cases the effective marginal tax rate on additional earnings exceeds 100 percent, leaving individuals financially worse off despite increased wages. These impacts are most acute immediately following program exit, when earnings may be delayed, variable, or insufficient to fully replace lost benefits. According to a recent Needs Assessment survey conducted by the Tennessee Alliance for Economic Mobility in partnership with the Martha O'Bryan Center, 85 percent of surveyed families in Middle Tennessee reported experiencing the benefits cliff. Survey results indicate that benefit loss concerns directly influenced employment and education decisions, including limiting work hours (63 percent), declining higher-paying employment (50 percent), postponing postsecondary education (33 percent), and refusing pay increases (25 percent).

Under this waiver, Tennessee proposes to provide time-limited, targeted supportive services to exited WIOA participants who are recipients of public assistance, when such services are necessary to temporarily replace lost benefits and support the individual's adjustment to employment and earnings cadence. These supportive services would be directly tied to employment retention and may include, but are not limited to, transportation assistance, temporary living expenses, and childcare support.

Supportive services provided under this waiver would be narrowly tailored, time-bound, and conditioned on demonstrated need related to benefit loss resulting from increased earnings. This process would involve participant-centered coaching, ideally coordinated through the same staff that had worked previously with the individual, paired with resource navigation and technical assistance following a participant's WIOA exit.

Services would not constitute ongoing income support, but rather a short-term bridge to stabilize employment outcomes, reduce the risk of job loss, and promote long-term self-sufficiency. Tennessee envisions implementing a type of phasedown benefit approach that would help offset the loss of assistance for individuals entering high demand industries and exiting public assistance. This approach would be informed by a front-end analysis of target career pathways to ensure that resources will be adequate and properly timed to enable an individual to successfully move up the ladder within an allotted timeframe.

Approval of this waiver will also allow TDLWD to advance several of its own state goals and initiatives:

TN Benefits Cliff Pilot

In 2025, the Tennessee State Workforce Development Board advanced a strategic pilot designed to address the obstacles imposed by benefits cliffs. To confront this challenge, the State Workforce Development Board recently announced the launch of a Benefits Cliff Pilot in partnership with the Federal Reserve Bank of Atlanta and the Northern Middle Local Workforce Development Board. The pilot integrates the Atlanta Fed's CLIFF Dashboard into services delivered through Tennessee's American Job Centers (AJCs), enabling a more transparent, data-informed approach to career planning. The dashboard models how changes in wages, job roles, or hours may affect a participant's income and eligibility for public benefits, allowing counselors and jobseekers to clearly see and plan for the impacts of wage progression.

The pilot has several core objectives. It equips AJC career counselors with a powerful data-driven tool to support individualized guidance and helps participants strategically navigate benefits loss as they advance in the workforce. It promotes long-term participant stability by identifying career pathways that move individuals toward financial independence rather than short-term earnings gains. The initiative also provides valuable insights to inform statewide workforce programs and policy development. Additionally, employers are engaged to better understand how benefits cliffs influence worker retention and advancement. Serving as a readiness phase for future statewide deployment, the pilot will launch in Davidson County in January 2026 with staff training and process development already underway.

The pilot will be utilized to design a full-scale launch in all Tennessee AJCs by summer 2026, enabling consistent financial modeling using the CLIFF tool statewide. The tool is designed to assist two key populations: individuals currently receiving public assistance, who benefit from increased awareness of cliff risks and strategies for building long-term earning power; and individuals not receiving benefits but unaware of available supports that could help stabilize their career path. In both cases, the pilot strengthens Tennessee's ability to deliver personalized, outcome-driven career coaching.

The Tennessee State Workforce Development Board is leading the state's efforts to confront benefits cliffs by integrating innovative tools and strengthening career planning within the AJC

system. At the same time, the Board is intentionally aligning its work with state agencies, community partners, employers, and national experts already engaged in this space. Consultative support from partners at the TN Department of Human Services and the Martha O'Bryan Center will ensure the pilot is informed by, and builds upon, Tennessee's TANF [\[RW1\]](#) . Through this collaborative, forward-looking approach, the SWDB is helping build a more transparent and supportive workforce system—one that empowers Tennesseans to advance in their careers without risking their financial stability.

Alignment with federal policy priorities:

1. This waiver aligns with the Worker Mobility strategic pillar set forth in the Comprehensive Worker Investment and Development Strategy developed under President Trump's Executive Order 14278.
2. This waiver also aligns with the Flexibility and Innovation pillar set forth in the Comprehensive Worker Investment and Development Strategy developed under President Trump's Executive Order 14278.

Allowing targeted, time-limited supportive services for WIOA participants after exit directly advances the statutory purposes of WIOA as set forth in section 2(b) of the Act (29 U.S.C. § 3101), including helping individuals obtain and retain employment, increase earnings, and achieve economic self-sufficiency, while meeting the skill needs of employers.

If approved, this waiver would also support the Worker Mobility strategic pillar. The premise behind this strategic pillar is summarized by TEGL 05-25 (Maximizing Innovation in Workforce Innovation and Opportunity Act Programs), which states that, “individuals returning to the workforce or seeking better career opportunities should be able to take tangible steps that lead to upward mobility and long-term economic independence.” In alignment with that goal, by expanding the use of supportive services to help mitigate the benefit cliffs faced by recent program exiters, Tennessee would ultimately be supporting and strengthening the employment retention and long-term economic independence of its workforce.

If approved, this waiver would also support the Flexibility and Innovation strategic pillar since it would provide Tennessee with more control to tailor solutions to existing workforce participation barriers without being constrained by outdated or unnecessarily burdensome program rules or processes.

Projected outcomes following waiver implementation

Approval of this waiver request would improve outcomes and provide other tangible benefits for more Tennessee workers, including transportation assistance, temporary living expenses, and childcare support.

Expanding the use of supportive services would also help Tennessee better align WIOA services with real-world employment transitions, strengthen employment retention outcomes, and support

WIOA's core purpose of helping individuals advance in the labor market while reducing reliance on public assistance over time.

Individuals, groups, or populations benefiting, or otherwise impacted by the waiver from the waiver

This waiver is intended to benefit all recent WIOA program exiters who may be currently facing the challenges imposed by benefit cliffs. By expanding their eligibility and access to the supportive services offered under WIOA, these individuals will be better equipped to handle these hurdles, ultimately resulting in higher employment retention and sustained labor force attachment and career progression.

How the state plans to monitor waiver implementation, including collection of measurable waiver outcome information

Upon approval of this request, Tennessee will evaluate the effectiveness of this waiver using WIOA primary indicators of performance under section 116(b)(2)(A) (29 U.S.C. § 3141(b)(2)(A)) and corresponding ETA reporting requirements. Specifically, Tennessee will assess outcomes related to employment in the second quarter after exit, employment in the fourth quarter after exit, median earnings in the second quarter after exit, and credential attainment, where applicable.

The State will also examine rates of employment retention and wage progression and monitor re-entry into public assistance programs as a supplemental outcome measure. These metrics will be compared to outcomes for similarly situated participants who do not receive transitional support to determine whether the waiver improves sustained employment and earnings while reducing long-term reliance on public assistance.

As part of the monitoring and performance accountability process, TDLWD will collect data on waiver outcomes which will be included in the Tennessee WIOA Annual Report. Any waiver renewal requests will include the most recent available outcomes data.

Assurance of state posting of the request for public comment (including the dates that the state made the draft request available for public comment) and notification to affected local workforce development boards

Tennessee assures transparency by posting this waiver request for 30-day public comment on the Tennessee Department of Labor and Workforce Development's website. In addition, electronic copies of the waiver were sent via email to all strategic partners.

WAIVER REQUEST 6:

Waiver of WIOA § 134(c)(3)(F)(i) and (G) and 20 CFR 680.320(a) and 680.340(a) to allow training contracts to be utilized as the primary delivery mechanism for WIOA Title I training.

The statutory and/or regulatory requirements the State would like to waive

Tennessee is seeking a waiver of the requirements found at WIOA § 134(c)(3)(F)(i) and (G) and 20 CFR 680.320(a) and 680.340(a) to allow flexibility in the delivery mechanism for WIOA Title 1 training.

WIOA § 134(c)(3)(F) and (G) currently requires that all Title 1 training services must be provided through the use of individual training accounts (ITAs), after an eligible participant, in consultation with a career planner, selects an eligible provider from the Eligible Training Provider List (ETPL).

Further, 20 CFR 680.320(a) only allows contracts for services to be used in lieu of ITAs when one or more of the following five exceptions apply, and the local area has fulfilled the consumer choice requirements of § 680.340:

1. When the services provided are on-the-job-training (OJT), customized training, incumbent worker training, or transitional jobs.
2. When the Local WDB determines that there are an insufficient number of eligible training providers in the local area to accomplish the purpose of a system of ITAs. The determination process must include a public comment period for interested providers of at least 30 days, and be described in the Local Plan.
3. When the Local WDB determines that there is a training services program of demonstrated effectiveness offered in the area by a community-based organization or another private organization to serve individuals with barriers to employment, as described in paragraph (b) of this section. The Local WDB must develop criteria to be used in determining demonstrated effectiveness, particularly as it applies to the individuals with barriers to employment to be served.
4. When the Local WDB determines that it would be most appropriate to contract with an institution of higher education (*see* WIOA sec. 3(28)) or other provider of training services in order to facilitate the training of multiple individuals in in-demand industry sectors or occupations, provided that the contract does not limit consumer choice.
5. When the Local WDB is considering entering into a Pay-for-Performance contract, and the Local WDB ensures that the contract is consistent with § 683.510 of this chapter.

Tennessee is specifically requesting a waiver to permit states and local areas to deliver training services primarily through outcome-based training contracts rather than through the Individual Training Accounts and the Eligible Training Provider List framework.

Tennessee believes this approach will improve system effectiveness, reduce administrative burden, strengthen employer engagement, and ensure training investments result in employment,

credential attainment, and wage progression in high-demand occupations. Approval of this waiver will also help Tennessee target several of its strategic workforce goals.

Actions the state has undertaken to remove state or local statutory or regulatory barriers

There are no state or local statutory or regulatory barriers that would impede implementation of the requested waiver.

A description of the state's strategic goal(s)

Reason for the Request:

Tennessee's workforce strategy prioritizes demand-driven training aligned with clearly defined career pathways in industries critical to the state's economic growth, including nuclear energy, information technology, advanced manufacturing, and healthcare. While the ITA and ETPL framework supports broad consumer choice, Tennessee has also identified several flaws with the current delivery model. For one, the ITA model disperses limited training resources across a large and fragmented inventory of programs. With more than 2,000 approved programs statewide, the current structure limits the state's and local areas' ability to concentrate investments in pathways with demonstrated employer demand, hiring commitments, and wage potential. Furthermore, because of the variances in quality of training programs on state eligible training provider lists across different regions, the current ITA model often hinders effective service delivery and quality training. Second, due in part to its rigid rules and requirements, the ITA model results in heavy administrative burdens for local boards, staff, and participants. In addition, these rigid requirements (funding caps, exclusion of supportive services, strict performance metrics) often stifle innovation and restrict how flexible Tennessee can adapt to changing industry needs. Finally, the current ITA model can contribute to limited economic mobility for participants. Because of its emphasis on short-term labor market attachment, the ITA model succeeds in helping participants secure employment but often fails to account for long term indicators of success, such as career advancement.

In contrast, this waiver will allow Tennessee to intentionally curate and invest in a targeted portfolio of training programs through contracts that:

1. Are aligned with state and local priority industries and career pathways,
2. Are validated by employers or industry partnerships,
3. Include defined performance expectations, such as credential attainment, placement, retention, or wage benchmarks, and
4. Integrate classroom, cohort-based, and work-based training approaches as appropriate.

Under this waiver, local workforce development areas would use training contracts as the primary mechanism for delivering training services to WIOA Adult, Dislocated Worker, and eligible Youth participants. Contracts may be used to support a range of training modalities,

including occupational skills training, cohort-based instruction, pre-apprenticeship, registered apprenticeship, on-the-job training, customized training, and incumbent worker training.

Training contracts will be structured to ensure transparency, equity, and accountability through:

- Clear eligibility criteria for participants and training providers
- Defined training objectives and skill outcomes
- Documented employer engagement and hiring commitments, where applicable
- Fiscal and programmatic monitoring to ensure reasonable costs and performance outcomes

Participants will continue to receive individualized career services, assessment, and counseling to ensure appropriate placement within priority training pathways aligned to their skills, interests, and labor market opportunities.

Thus, by shifting from a predominantly voucher-based model to a contract-driven model, Tennessee will be better positioned to deploy training resources strategically, scale sector partnerships, and ensure training leads directly to employment outcomes.

Alignment with Workforce Pell Grant Implementation

The State of Tennessee intends to align implementation of this waiver with the forthcoming Workforce Pell Grant to create a coordinated, braided funding approach that maximizes federal investments while avoiding duplication of costs.

Workforce Pell expands access to short-term, workforce-relevant credential programs by enabling eligible participants to use federal student aid to cover tuition and instructional costs. This waiver complements Workforce Pell by allowing Tennessee to deploy WIOA Title I funds through training contracts that focus on completion, work-based learning, and employment outcomes rather than duplicating tuition payments that may be covered by Pell.

Under this approach:

1. Workforce Pell will serve as the primary funding source for tuition and required instructional costs for eligible credentials.
2. WIOA Title I training contracts will be used to support:
 1. Employer engagement and pathway design
 2. Cohort coordination and contextualized instruction enhancements
 3. Supportive services, navigation, and placement activities
 4. Work-based learning components, including on-the-job and customized training and pre-apprenticeships and registered apprenticeships

3. Training contracts will include clear cost-allocation requirements to ensure WIOA funds are used only for allowable, non-duplicative expenses and to maintain fiscal integrity.

This braided model will allow Tennessee to align education and workforce funding within employer-validated career pathways while preserving participant access to education through Pell and strengthening accountability for employment outcomes through WIOA contracts.

By integrating Workforce Pell with a contract-based WIOA training delivery system, Tennessee will reduce administrative complexity, increase return on federal investment, and ensure that workforce training leads directly to credential attainment, employment, and wage progression in high-demand occupations.

Alignment with federal policy priorities:

1. This waiver aligns with the Industry Driven Strategies pillar set forth in the Comprehensive Worker Investment and Development Strategy developed under President Trump's Executive Order 14278.
2. This waiver aligns with the Worker Mobility strategic pillar set forth in President Trump's Executive Order 14278.
3. This waiver also aligns with the Flexibility and Innovation pillar set forth in the Comprehensive Worker Investment and Development Strategy developed under President Trump's Executive Order 14278.

This waiver would align with Executive Order 14278's Industry-Driven Strategies pillar. As pointed out in a recent federal plan drafted by multiple federal agencies, "the workforce system must transform into a reliable pipeline of American talent led by industry and aligned with America's economic priorities...The current system is not positioned to prioritize industry needs and align federal workforce programs with private sector training investments and evolving skill demands." (See *America's Talent Strategy: Building the Workforce for the Golden Age*). As previously highlighted, the current ITA model does not always result in the most effective service delivery for participants. However, Tennessee believes that switching to a contract-driven service delivery model will improve system effectiveness, reduce administrative burden, strengthen employer engagement, and ensure training investments result in employment, credential attainment, and wage progression in high-demand occupations.

In addition, this waiver would support the Worker Mobility strategic pillar. The premise behind this strategic pillar is summarized by TEGL 05-25 (Maximizing Innovation in Workforce Innovation and Opportunity Act Programs), which states that, "individuals returning to the workforce or seeking better career opportunities should be able to take tangible steps that lead to upward mobility and long-term economic independence." In alignment with that goal, switching to a contract-driven service delivery model with more flexible performance measures would

provide more Tennesseans with the opportunity for career upskilling and advancement, which could ultimately result in better paying and more fulfilling jobs.

Finally, this waiver would align with the Flexibility and Innovation pillar by providing Tennessee and its local communities with more control to tailor solutions to existing workforce participation barriers without being constrained by outdated or unnecessarily burdensome program rules or processes (TEGL 05-25).

Projected outcomes following waiver implementation

Tennessee expects the waiver to result in improved alignment between training investments and labor market demand, leading to measurable improvements in WIOA performance outcomes, including:

1. Increased credential attainment and measurable skill gains through pathway-aligned training
2. Higher employment and retention rates due to training tied directly to employer needs
3. Increased median earnings as participants enter higher-wage, in-demand occupations
4. Expanded use of work-based training strategies integrated into structured career pathways

The state also anticipates improved system efficiency through reduced administrative complexity, clearer training pathways for participants, and stronger accountability for training providers and employer partners.

Individuals, groups, or populations benefiting, or otherwise impacted by the waiver from the waiver

Tennessee intends for this waiver to benefit state and local workforce area staff, who will be able to utilize this waiver to implement more efficient service delivery system. Tennessee also expects both employers and job seekers to benefit from this waiver, since it will encourage and promote service delivery designs that focus on customer and employer needs.

How the state plans to monitor waiver implementation, including collection of measurable waiver outcome information

Upon approval of this request, Tennessee will evaluate the effectiveness of this waiver through a combination of data analysis, fiscal oversight, and programmatic review.

Monitoring and Reporting

State staff will monitor implementation of this waiver through:

- Monthly tracking of Adult, Dislocated Worker, and Youth training expenditures.

- Quarterly monitoring utilization of training contracts and work-based training strategies through the statewide data management system.
- Quarterly review of participant outcomes related to credentials, employment, and wages.

Programmatic and Fiscal Oversight

Annual WIOA on-site and remote programmatic reviews will include evaluation of:

- How local areas are utilizing the waiver to support priority industries and career pathways.
- Alignment of training contracts with employer demand and documented hiring outcomes.
- Progress toward achieving performance and participation targets.

Continuous Improvement

Monitoring results will inform technical assistance, policy guidance, and continuous improvement efforts. The state will use performance data to assess the effectiveness of the waiver and make adjustments as needed to ensure alignment with WIOA requirements and USDOL expectations.

TDLWD will continuously monitor implementation of this waiver on a quarterly basis, analyzing the ability of the State to achieve its strategic goals.

As part of the monitoring and performance accountability process, TDLWD will collect data on waiver outcomes which will be included in the Tennessee WIOA Annual Report. Any waiver renewal requests will include the most recent available outcomes data.

Assurance of state posting of the request for public comment (including the dates that the state made the draft request available for public comment) and notification to affected local workforce development boards

Tennessee assures transparency by posting this waiver request for 30-day public comment on the Tennessee Department of Labor and Workforce Development's website. In addition, electronic copies of the waiver were sent via email to all strategic partners.

WAIVER REQUEST 7:

Waiver to modify business services provisions found at 20 CFR 678.435, in order to classify certain standardized assessment and skill validation activities, such as the National Career Readiness Certificate (NCRC) and similar employer-recognized assessments, as business services, even when individuals receiving the assessment are not enrolled participants under WIOA Title I.

The statutory and/or regulatory requirements the State would like to waive

Tennessee is seeking a waiver to expand the scope of business services pursuant to 20 CFR 678.435.

20 CFR 678.435 requires that certain career services must be made available to local employers and provides a non-exhaustive list of potential customized business services that may be provided to employers, employer associations, or other such organizations.

Tennessee is specifically requesting a waiver to expand the scope of business services to include certain standardized assessment and skill validation activities, such as the National Career Readiness Certificate (NCRC) and similar employer-recognized assessments, even when individuals receiving the assessment are not enrolled participants under WIOA Title I.

Actions the state has undertaken to remove state or local statutory or regulatory barriers

There are no state or local statutory or regulatory barriers that would impede implementation of the requested waiver.

A description of the state's strategic goal(s)

Reason for the Request:

Standardized assessment and skill validation activities, such as the National Career Readiness Certificate (NCRC), are widely recognized industry tools used to systematically measure and assess an individual's abilities through objective methods like performance-based tasks (simulations, work samples, coding challenges), knowledge tests, 360-degree feedback, and KPI analysis. These methods focus on job-relevant competencies to identify gaps, guide development, and ensure accuracy for hiring, training, or credentialing.

These activities can provide significant benefits to prospective employers by allowing them to identify skill gaps of prospective job applicants, reduce bias in hiring, guide targeted training and career pathing, and ensure that they hire applicants with skills that best align with their business needs.

Current statutory interpretation requires these services to be treated as individualized career services, limiting access to only Title I eligible individuals. However, if approved, this waiver would allow Local Workforce Development Boards (LWDBs) and American Job Centers (AJCs) to classify these assessments as business services and provide them more broadly when they are delivered to meet documented employer demand, support sector strategies, or address regional workforce needs.

If this waiver is approved, the State of Tennessee will take several actions to ensure waiver implementation is aligned with industry and employer needs. These actions include:

- Issuing statewide policy guidance identifying eligible assessment and skill validation activities that may be provided as business services.
- Requiring that such services be tied to employer engagement, recruitment, or sector-based workforce strategies.
- Establishing parameters to ensure fiscal accountability and consistent service delivery across Local Workforce Development Areas.
- Monitoring implementation through existing oversight and reporting mechanisms.

Approval of this waiver will also help Tennessee target several of its strategic workforce goals. These include:

1. Establishing innovative solutions to workforce participation barriers tailored to employer needs: Expanding the scope of business services to encompass standardized assessment and skill validation activities will benefit employers by providing them with greater access to effective tools used for hiring and advancement. It will also increase the capabilities of AJCs to respond to hard-to-fill occupations and regional labor market needs.
2. Supporting Program Participation and Employer Engagement: This waiver will help Strengthen the one-stop delivery system's value proposition to employers by allowing greater flexibility in service design. It will also enhance service delivery access for jobseekers who are not yet WIOA-enrolled but are actively seeking employment.

Alignment with federal policy priorities:

1. This waiver aligns with the Flexibility and Innovation Strategies pillar set forth in the Comprehensive Worker Investment and Development Strategy developed under President Trump's Executive Order 14278.

This waiver would support the Flexibility and Innovation pillar by providing Tennessee and its local communities with more control to design a new workforce delivery system to address existing workforce participation barriers without being constrained by outdated or unnecessarily burdensome program rules or processes.

Projected outcomes following waiver implementation

If approved, Tennessee anticipates this waiver will result in:

1. Increased employer utilization of AJCs.
2. Expanded access to skill validation tools for jobseekers.

3. Improved alignment between workforce services and regional economic development strategies.
4. More efficient talent matching and hiring outcomes.

Individuals, groups, or populations benefiting, or otherwise impacted by the waiver from the waiver

Tennessee intends for this waiver to benefit Tennessee employers since it will provide them with greater access to tools which allow for more effective hiring of qualified candidates with validated skills.

This waiver will also indirectly benefit Tennessee job seekers since it will expand access to assessment services for jobseekers, including individuals who may not meet WIOA eligibility requirements but are needed to fill employer demand.

How the state plans to monitor waiver implementation, including collection of measurable waiver outcome information

TDLWD will continuously monitor implementation of this waiver on a quarterly basis, analyzing the ability of the State to achieve its strategic goals.

As part of the monitoring and performance accountability process, TDLWD will collect data on waiver outcomes which will be included in the Tennessee WIOA Annual Report. Any waiver renewal requests will include the most recent available outcomes data.

Assurance of state posting of the request for public comment (including the dates that the state made the draft request available for public comment) and notification to affected local workforce development boards

Tennessee assures transparency by posting this waiver request for 30-day public comment on the Tennessee Department of Labor and Workforce Development's website. In addition, electronic copies of the waiver were sent via email to all strategic partners.

WAIVER REQUEST 8:

Waiver to modify the alternative entity requirements set forth by WIOA § 107(i)(1)(B) to allow Tennessee to designate Regional Planning Councils (RPCs) to serve as the entities responsible for carrying out the functions assigned to Local Workforce Development Boards.

The statutory and/or regulatory requirements the State would like to waive

Tennessee respectfully requests a waiver of the requirement contained in WIOA Section 107(i)(1)(B) that an alternative entity used to perform Local Workforce Development Board (LWDB) functions must have "been in existence on the day before August 7, 1998."

In accordance with WIOA § 107(i), a Governor may designate an alternative entity to carry out the functions of a Local Workforce Development Board if the entity:

1. Is established to serve the local area or service delivery area that most closely corresponds to the local area;
2. Was in existence on the day before August 7, 1998; and
3. Includes representatives of business, labor organizations, or other employee representatives in the local area.

Tennessee is specifically seeking to waive only the requirement contained in Section 107(i)(1)(B) regarding the entity's existence prior to August 7, 1998. All other statutory requirements for an alternative entity under Section 107(i) will continue to be met.

In waiving this requirement, Tennessee will have the ability to designate Regional Planning Councils (RPCs) to serve as the entities responsible for carrying out the statutory functions assigned to Local Workforce Development Boards under WIOA.

Actions the state has undertaken to remove state or local statutory or regulatory barriers

There are no state or local statutory or regulatory barriers that would impede implementation of the requested waiver.

A description of the state's strategic goal(s)

Reason for the Request:

The statutory requirement that an alternative entity must have existed prior to August 7, 1998 is reflective of a grandfather clause originally intended to preserve governance structures that existed under the Workforce Investment Act (WIA). However, workforce systems and labor markets have evolved significantly since that time. One key aspect of that evolution is that modern labor markets often function at a regional level, with employers recruiting across multi-county labor sheds. As a result, workforce development strategies have increasingly centered around regional industry clusters.

Although it was established with past labor market realities in mind, the requirement that alternative entities be in existence before 1998 unintentionally restricts Tennessee's ability to modernize its governance structure in a manner consistent with WIOA's emphasis on regional planning, sector partnerships, and industry-aligned workforce strategies.

Specifically, if this waiver is approved, it would allow Tennessee to designate Regional Planning Councils (RPCs) to serve as the entities responsible for carrying out the statutory functions assigned to Local Workforce Development Boards under WIOA. In short, this will allow Tennessee to implement a governance model that more effectively advances the goals of WIOA by aligning workforce decision-making with regional labor markets and economic development strategies.

Tennessee's Regional Planning Councils currently meet all other existing statutory requirements to be classified as an alternative entity, including the requirements that it have:

- representation from business
- representation from labor or worker organizations
- representation from workforce partners
- alignment with regional workforce service areas

In accordance with WIOA Section 107(i), references in WIOA to LWDBs would include references to the alternate entity. Therefore, under the proposed governance structure:

- Regional Planning Councils will perform the statutory responsibilities currently assigned to Local Workforce Development Boards.
- Existing Local Workforce Development Boards would transition into regional advisory councils that provide local insight, stakeholder engagement, and strategic input into regional workforce priorities.

By implementing this mode, Tennessee would be able to preserve local engagement while strengthening regional governance and coordination of its workforce strategies.

Waiver Rationale:

Tennessee's *State Workforce Development Board One-Stop System Design Policy* divides Tennessee's workforce system into three Grand Regions: West, Middle, and East. These Grand Regions were designated as part of a LWDA redesignation effort and were intentionally aligned with Tennessee's Economic and Community Development service regions to promote regional workforce and economic alignment. Within the policy, Regional Planning Councils (RPCs) were established to serve as "regionally collaborative entities consisting of stakeholders from all three LWDA's within the Grand Planning Region working to create regional workforce system

solutions.” Per Tennessee’s policy, RPCs must consist of regional representation from each of the local One-Stop System required partners and should also consist of One-Stop additional partners under the local MOU.” RPCs also include regional stakeholders from business and industry, labor organizations and sector groups, education and training institutions, economic development organizations, local workforce boards, and workforce system partner agencies.

Tennessee’s *One-Stop System Design Policy* defines the roles and responsibilities of the RPC, which include the following:

- Conduct regional strategic planning as part of each WIOA planning cycle
- Set regional goals supporting State Plan priorities
- Facilitate industry-led regional sector strategies and initiatives
- Align regional LWDA business outreach and services
- Meet quarterly to advise and recommend action plans for LWDA performance and track progress towards regional planning goals.

Operating in these roles, Tennessee’s RPCs have demonstrated their ability to convene stakeholders and advance regional workforce strategies. Regional Planning Councils already serve as the primary entities responsible for developing regional workforce strategies and coordinating planning activities across Tennessee’s workforce regions. Expanding their role to include governance responsibilities represents a logical evolution of Tennessee’s workforce system and reflects the increasing importance of regional labor markets in workforce development strategy.

Further, the only statutory requirement that Tennessee’s RPCs do not meet is the requirement that the entity must have existed prior to 1998. As previously provided, Tennessee’s Regional Planning Councils currently meet all other existing statutory requirements to be classified as an alternative entity.

This waiver request is consistent USDOL’s waiver authority because:

- it does not eliminate required stakeholder representation
- it does not reduce accountability or oversight
- it does not limit access to workforce services

- it maintains all other statutory requirements for alternative entities.

In short, the waiver would simply remove a historical grandfather provision that currently serves as hurdle for states to implement modern governance structures aligned with regional labor markets. Approval of this waiver would fall squarely within the Secretary’s authority to approve waivers that promote innovation, efficiency, and improved workforce outcomes. Approval of this waiver would allow Tennessee to demonstrate how regional workforce governance can strengthen industry alignment, improve workforce outcomes, and enhance system efficiency, while maintaining all required stakeholder representation and accountability.

Alignment with federal policy priorities:

1. Employer-Driven Workforce Systems:

Regional Planning Councils align workforce governance with regional industry clusters and employer needs.

2. Skills-Based Talent Development:

Regional coordination strengthens partnerships between employers, workforce programs, and training providers to build industry-recognized credential pathways.

3. Worker Mobility and Opportunity:

Regional workforce strategies support worker mobility across labor sheds and increase access to training and employment opportunities.

4. Data-Driven Workforce System Performance

Regional governance allows Tennessee to leverage labor market information and performance data to guide workforce investments and measure system impact

5. Alignment with the Flexibility and Innovation strategic pillar:

This waiver would also support the Flexibility and Innovation pillar by providing Tennessee the ability to modernize its workforce governance structure so it can better reflect the realities of regional labor markets.

Projected outcomes following waiver implementation

The primary goal of this waiver is to help Tennessee modernize its workforce system to align workforce governance with regional labor markets and industry ecosystems.

Expected programmatic outcomes include:

1. Stronger alignment between training investments and industry workforce needs
2. Expanded sector-based workforce partnerships
3. More consistent policies for Individual Training Accounts (ITAs) and supportive services across regions
4. Improved employer engagement through regionally coordinated workforce strategies.

Regional governance will also allow Tennessee to implement standardized employer engagement models, including:

1. Regional On-the-Job Training (OJT) agreements
2. Regional Incumbent Worker Training (IWT) programs
3. Coordinated sector partnership initiatives.

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Individuals, groups, or populations benefiting, or otherwise impacted by the waiver from the waiver

Tennessee intends for this waiver to benefit job seekers through improved access to regional career pathways, more consistent workforce services across counties, and training aligned with regional industry demand.

This waiver will also benefit employers through streamlined engagement with workforce programs, simplified training agreements across multiple counties, and regionally coordinated workforce strategies.

How the state plans to monitor waiver implementation, including collection of measurable waiver outcome information

TDLWD, in conjunction with the Tennessee State Workforce Development Board, will continuously monitor implementation of this waiver on a quarterly basis, analyzing the ability of the State to achieve its strategic goals. Additionally, the SWDB will conduct quarterly reviews of regional workforce strategies and sector partnerships and monitor workforce outcomes and employer engagement.

As part of the monitoring and performance accountability process, TDLWD will collect data on waiver outcomes which will be included in the Tennessee WIOA Annual Report. Any waiver renewal requests will include the most recent available outcomes data.

Assurance of state posting of the request for public comment (including the dates that the state made the draft request available for public comment) and notification to affected local workforce development boards

Tennessee assures transparency by posting this waiver request for 30-day public comment on the Tennessee Department of Labor and Workforce Development's website. In addition, electronic copies of the waiver were sent via email to all strategic partners.

WAIVER REQUEST 9:

Waiver in relation to the performance accountability provisions outlined in WIOA § 116(b)(2)(B) to allow the State to incorporate state-determined key performance indicators (KPIs) and supplemental workforce system evaluations when assessing the effectiveness of local workforce development areas.

The statutory and/or regulatory requirements the State would like to waive

Tennessee requests a waiver in relation to the provisions of WIOA § 116(b)(2)(B) to allow the State to incorporate state-determined key performance indicators (KPIs) and supplemental workforce system evaluations when assessing the effectiveness of local workforce development areas.

Under this waiver, Tennessee will continue to fully implement, report, and negotiate all federally required primary indicators of performance under WIOA. However, the State seeks flexibility to supplement those indicators with additional evaluations and state-determined performance measures when the Governor considers the designation or redesignation of local workforce development areas.

This approach will allow Tennessee to maintain federal accountability requirements while also assessing whether local workforce strategies are producing meaningful economic and workforce system outcomes.

Actions the state has undertaken to remove state or local statutory or regulatory barriers

There are no state or local statutory or regulatory barriers that would impede implementation of the requested waiver.

A description of the state's strategic goal(s)

Reason for the Request:

Tennessee has consistently met or exceeded federal WIOA performance indicators and has implemented additional state-level metrics to assess the performance of local workforce development boards.

However, the Tennessee State Workforce Development Board recently conducted a comprehensive year-long assessment of local board performance and regional workforce outcomes in partnership with the University of Tennessee Center for Industrial Services. The findings revealed a critical insight: while local workforce development boards consistently met federal and state performance indicator metrics, these indicators did not sufficiently measure whether workforce strategies were producing measurable economic impact in regional labor markets.

All local boards reviewed had achieved required performance levels—such as employment or credential attainment rates—yet struggled to demonstrate how their strategies were meaningfully improving labor force participation, addressing employer talent shortages, or shifting regional workforce outcomes. For the Tennessee Department of Labor and Workforce Development and the State Workforce Development Board, this assessment highlighted a strategic limitation in relying solely on performance indicator metrics, which measure outputs and short-term outcomes but do not determine whether workforce interventions are causing meaningful change in the regional workforce system.

To address this gap, Tennessee seeks flexibility to supplement required performance metrics with targeted evaluations of workforce system impact and effectiveness. As part of Tennessee's WIOA Combined State Plan modifications, the Tennessee Department of Labor and Workforce Development and the State Workforce Development Board have prioritized workforce system innovation, industry alignment, and economic impact.

Shifting from a compliance-driven model to a results-driven framework that aligns workforce investments with regional economic outcomes supports Tennessee's modernization efforts. Allowing the State to incorporate impact-focused evaluations and state-determined KPIs when the Governor considers designation or redesignation of local workforce development areas will strengthen statewide accountability while preserving federal performance reporting requirements.

Proposed Use of the Waiver

Under this waiver, Tennessee will maintain all federally required primary indicators of performance while implementing supplemental evaluations and state-determined key performance indicators designed to assess the broader effectiveness of local workforce systems.

These evaluations may assess:

- Regional labor force participation trends

- Workforce pipeline development in high-demand industries
- Impact of workforce initiatives on employer hiring outcomes
- Wage progression and job retention attributable to workforce services
- Effectiveness of sector partnerships and employer engagement strategies
- Reduction of workforce participation barriers among target populations

These evaluations will provide additional insight into whether workforce investments are generating measurable improvements in regional economic outcomes, not simply meeting required output targets.

In addition to providing the Governor with a broader analysis when considering local area designation or redesignations, the Tennessee State Workforce Development Board could also utilize these supplemental evaluations to:

- Evaluate the effectiveness of local workforce development strategies
- Inform statewide workforce policy decisions
- Support pay-for-performance contracting models

This enhanced framework ensures that workforce investments are aligned with measurable economic impact and regional workforce needs while maintaining full compliance with federal performance accountability requirements.

Implementation Plan:

Upon approval of this waiver, Tennessee will implement a phased approach to incorporating supplemental workforce system evaluations and state-determined KPIs into local workforce system oversight. Implementation will include:

- Development of standardized evaluation frameworks and methodologies
- Integration of evaluation measures into existing state monitoring processes
- Training and technical assistance for local workforce development boards
- Use of labor market and workforce system data to support evidence-based evaluation

The State will work closely with local workforce development boards to ensure that evaluation criteria are transparent, consistent, and aligned with regional economic priorities. This approach will allow Tennessee to strengthen accountability while continuing to meet all federal performance reporting requirements.

Alignment with state strategic priorities:

Supplementing federally required performance metrics with state-determined indicators and evaluations will significantly strengthen workforce system effectiveness in Tennessee.

This approach will:

- Improve strategic decision-making using data-driven analysis
- Increase accountability for workforce investments
- Encourage innovation among local workforce development boards
- Strengthen employer engagement and workforce pipeline development
- Provide policymakers with deeper insight into regional workforce dynamics

Most importantly, this approach will ensure that the workforce system is evaluated not only on whether services are delivered, but also on whether those services are producing meaningful economic results.

Alignment with federal policy priorities:

This waiver directly supports the priorities outlined in America's Talent Strategy: Building the Workforce for the Golden Age, which calls for modernizing workforce systems to better align with economic growth and employer demand.

Specifically, the waiver advances the strategy's pillars by:

1. **Strengthening Employer-Driven Talent Pipelines:** Impact evaluations will measure how effectively workforce programs are addressing employer skill shortages.
2. **Modernizing Workforce System Accountability:** Supplemental evaluations will improve transparency and accountability by measuring workforce system effectiveness and return on investment.
3. **Increasing Workforce Participation:** Evaluations will assess whether workforce strategies are successfully expanding participation among individuals facing barriers to employment.
4. **Advancing Data-Driven Workforce Governance:** Evidence-based evaluations will provide policymakers with deeper insights into workforce system outcomes.

5. **Strengthening Cross-System Coordination:** Impact evaluations will examine how effectively workforce, education, and economic development partners are collaborating to achieve regional workforce goals.

Projected outcomes following waiver implementation

The waiver will support improved statewide workforce outcomes through several measurable objectives, including:

- Increased workforce participation across Tennessee regions
- Improved alignment between workforce training programs and employer workforce needs
- Stronger sector partnership outcomes and industry-led workforce strategies
- Enhanced regional talent pipeline development in high-demand industries
- Reduction in skill shortages

By evaluating workforce system impact alongside federal performance indicators, the State will be able to identify high-performing strategies and scale successful workforce models across different regions.

Individuals, groups, or populations benefiting, or otherwise impacted by the waiver from the waiver

Tennessee intends for this waiver to benefit state and local workforce area staff, who will be able to utilize this waiver to implement more efficient, accurate, and accessible workforce system. Tennessee also expects both employers and job seekers to benefit from this waiver, since it will encourage and promote service delivery designs that focus on customer and employer needs.

How the state plans to monitor waiver implementation, including collection of measurable waiver outcome information

Oversight of the supplemental evaluation framework will be led by the Tennessee State Workforce Development Board in coordination with TDLWD.

Monitoring activities will include:

- Quarterly and Annual review of local workforce system impact evaluations
- Integration of evaluation findings into state oversight reviews
- Continuous technical assistance to local workforce development boards

The State will maintain all federal reporting requirements and negotiated performance levels. Supplemental evaluations will not replace federal WIOA performance indicators, but will provide additional analysis to support statewide accountability and informed decision-making regarding local workforce system effectiveness.

As part of the monitoring and performance accountability process, TDLWD will collect data on waiver outcomes which will be included in the Tennessee WIOA Annual Report. Any waiver renewal requests will include the most recent available outcomes data.

Assurance of state posting of the request for public comment (including the dates that the state made the draft request available for public comment) and notification to affected local workforce development boards

Tennessee assures transparency by posting this waiver request for 30-day public comment on the Tennessee Department of Labor and Workforce Development's website. In addition, electronic copies of the waiver were sent via email to all strategic partners.

WAIVER REQUEST 10:

Waiver of WIOA § 116(b) performance accountability provisions and associated regulations at 20 CFR Part 677 and 20 CFR 679.560–679.570 to allow the temporary exclusion of certain Supplemental Nutrition Assistance Program (SNAP) participants from WIOA Title I performance accountability calculations.

The statutory and/or regulatory requirements the State would like to waive

Tennessee is requesting a waiver from WIOA § 116(b) performance accountability provisions and associated regulations at 20 CFR Part 677 and 20 CFR 679.560–679.570 to allow the temporary exclusion of a defined cohort of participants from inclusion in the primary indicators of performance calculations under WIOA Title I Adult and Dislocated Worker programs.

Specifically, the State seeks authority to exclude from performance calculations individuals who:

1. Are co-enrolled in SNAP Employment & Training (E&T);
2. Are participating in Title I services to meet newly expanded SNAP federal work requirements

The waiver does not request modification or waiver of SNAP statutes or regulations, which is administered under separate federal authority. This waiver solely addresses how WIOA performance accountability is to be calculated and applied in relation to WIOA participants who are concurrently subject to federally mandated participation requirements under SNAP. This exclusion waiver is only meant to apply to WIOA performance reporting calculations for PY 26, and would not alter service eligibility, priority of service requirements, or reporting obligations to USDA Food and Nutrition Service (FNS).

Alternatively, if a waiver to temporarily exclude this specific population from performance calculations is not granted, Tennessee would respectfully request a waiver granting increased flexibility in how WIOA performance accountability requirements are applied to this population.

Actions the state has undertaken to remove state or local statutory or regulatory barriers

There are no state or local statutory or regulatory barriers that would impede implementation of the requested waiver.

A description of the state's strategic goal(s)

Reason for the Request:

Recent modifications to SNAP federal work requirements have led to an increase in the number of individuals required to engage in qualifying work or training activities, including participation in SNAP E&T. As a result of these changes, Tennessee anticipates a substantial influx in participant referrals with respect to WIOA Title I Adult services, which could subsequently impact WIOA performance reporting.

Tennessee has identified several potential challenges that these new changes may pose. For one, many of the participants that fall into this category will likely have multiple barriers to employment. Further, many of these individuals will likely require extended engagement before employment outcomes are realized. Consequently, immediate inclusion of this population into calculations relating to WIOA primary indicators of performance (employment rate Q2/Q4, median earnings, credential attainment, measurable skill gains, and effectiveness in serving employers) could materially distort statewide and local performance outcomes.

This waiver would allow a one-year demonstration period to:

1. Quantify performance impacts;
2. Evaluate service design adjustments;
3. Inform future performance negotiations under WIOA Section 116(b)(3)(A).

Goals and Objectives:

The goals of this waiver are to:

1. Maintain the integrity and stability of negotiated WIOA performance levels during a significant federal policy transition.
2. Allow the State and Local Workforce Development Areas (LWDAs) time to design and implement appropriate service strategies for the anticipated influx of SNAP-mandated participants.
3. Conduct a one-year demonstration period to evaluate performance impacts and inform future negotiations with USDOL.
4. Ensure continued high-quality services to individuals with substantial barriers to employment without creating unintended performance penalties for workforce areas.

Implementation Plan:

If approved, Tennessee will:

1. Modify state performance reporting systems to track this cohort separately.
2. Provide technical assistance to LWDAs on tracking and documentation.
3. Continue to report required participant-level data to USDOL.
4. Collect and analyze outcome data for excluded participants during the waiver period

The waiver will be implemented statewide and applied consistently across all Local Workforce Development Areas.

Alignment with federal policy priorities:

1. This waiver aligns with the Accountability strategic pillar set forth in the Comprehensive Worker Investment and Development Strategy developed under President Trump's Executive Order 14278.
2. This waiver aligns with the Flexibility and Innovation Strategies pillar set forth in the Comprehensive Worker Investment and Development Strategy developed under President Trump's Executive Order 14278.

If this waiver is approved, it would align with the Accountability pillar set out by America's Talent Strategy: Building the Workforce for the Golden Age. Specifically, this waiver would enable Tennessee's workforce systems to sustain participant engagement in employment and training activities aligned with employer demand, without unintended performance impacts arising from external federal participation requirements. By ensuring that WIOA performance accountability accurately reflects real engagement, states are better positioned to prioritize services that respond to industry needs and support employer-driven talent pipelines.

This waiver would also support the Flexibility and Innovation pillar set forth by America's Talent Strategy: Building the Workforce for the Golden Age, by granting Tennessee the authority to address performance accountability challenges that arise in integrated service environments.

Projected outcomes following waiver implementation

During the one-year demonstration period, the State expects to:

1. Quantify the measurable impact of SNAP-mandated enrollment increases on WIOA performance indicators.
2. Develop enhanced service strategies tailored to this population.
3. Strengthen interagency coordination between SNAP E&T and WIOA Title I programs.
4. Inform future performance negotiations with empirical data.

Individuals, groups, or populations benefiting, or otherwise impacted by the waiver from the waiver

Tennessee anticipates that this waiver would have a potential impact on the following groups:

- SNAP E&T participants referred due to expanded federal work requirements;
- Local Workforce Development Areas experiencing increased enrollment volume;
- Workforce staff responsible for performance management.

Participants will continue receiving full access to WIOA services. The waiver only affects performance cohort calculations.

The waiver will not reduce access to services for veterans or other priority populations.

How the state plans to monitor waiver implementation, including collection of measurable waiver outcome information

TDLWD will continuously monitor implementation of this waiver on a quarterly basis, analyzing the ability of the State to achieve its strategic goals.

As part of the monitoring and performance accountability process, TDLWD will collect data on waiver outcomes which will be included in the Tennessee WIOA Annual Report. Any waiver renewal requests will include the most recent available outcomes data.

Alternative Request:

Alternatively, if a waiver to temporarily exclude this specific population from performance calculations is not granted, Tennessee would respectfully request a waiver granting increased flexibility in how WIOA performance accountability requirements are applied to this population.

In accordance with this waiver, states would be permitted to apply WIOA performance accountability requirements with flexibility for participants concurrently enrolled in SNAP including, but not limited to, the following areas:

1. Participation Timing and Attribution: Flexibility in how participation periods, sequencing, and exit timing are interpreted for performance purposes when engagement patterns are influenced by federally required participation under another program.
2. Recognition of Allowable Engagement: Ability to recognize certain allowable employment, education, or training activities required or verified under SNAP as evidence of WIOA engagement for performance accountability purposes, where consistent with WIOA regulations.
3. Fair Application of Performance Indicators: Flexibility in the application or interpretation of performance indicators to ensure outcomes accurately reflect participant engagement when individuals are navigating multiple federally mandated participation frameworks.
4. Prevention of Performance Disincentives: Protection against unintended adverse performance impacts that may otherwise discourage workforce programs from fully serving individuals who are concurrently enrolled in SNAP.
5. Streamlined Documentation: Allowance for shared or cross-program documentation to satisfy WIOA performance reporting requirements when participation or engagement has already been verified under another federal program.
6. Performance Reporting Flexibility: Flexibility in performance reporting methods or clarifications to better reflect integrated service delivery without changing statutory performance indicators or negotiated performance levels.

Assurance of state posting of the request for public comment (including the dates that the state made the draft request available for public comment) and notification to affected local workforce development boards

Tennessee assures transparency by posting this waiver request for 30-day public comment on the Tennessee Department of Labor and Workforce Development's website. In addition, electronic copies of the waiver were sent via email to all strategic partners.

WAIVER REQUEST 11:

Waiver to modify the requirements relating to the competitive procurement of One Stop Operators set forth by WIOA Section 121(d)(2)(A), 20 CFR 678.605(b) and 20 CFR 678.610, granting Tennessee the authority to select qualified One Stop Operators, independent of any non-

competitive procurement requirements set forth by WIOA and OMB Uniform Guidance, resulting in a faster and more efficient selection process.

The statutory and/or regulatory requirements the State would like to waive

Tennessee is seeking a waiver of the requirements relating to the state's ability to procure One Stop Operators (OSO) set forth by WIOA Section 121(d)(2)(A), 20 CFR 678.605(b) and 20 CFR Part 678.610.

Pursuant to 20 CFR Part 678.610, the following requirements apply to a state's procurement of an OSO:

1. States may select a one-stop operator through sole source selection when allowed under the same policies and procedures used for competitive procurement with non-Federal funds, while other non-Federal entities including subrecipients of a State (such as local areas) may select a one-stop operator through sole selection when consistent with local procurement policies and procedures and the Uniform Guidance set out at 2 CFR 200.320.
2. In the event that sole source procurement is determined necessary and reasonable, in accordance with § 678.605(c), written documentation must be prepared and maintained concerning the entire process of making such a selection.
3. Such sole source procurement must include appropriate conflict of interest policies and procedures. These policies and procedures must conform to the specifications in § 679.430 of this chapter for demonstrating internal controls and preventing conflict of interest.
4. A Local WDB may be selected as a one-stop operator through sole source procurement only with agreement of the chief elected official in the local area and the Governor. The Local WDB must establish sufficient conflict of interest policies and procedures, and these policies and procedures must be approved by the Governor.

Although states have statutory authority to select OSOs on behalf of local areas, their authority is restricted by the non-competitive procurement requirements found at 20 CFR 678.605(b) and 20 CFR 200.320. As such, states are confined to a rigid and limited set of circumstances for which they can noncompetitively procure one stop operators. However, this waiver would expand Tennessee's ability to select one stop operators outside of these limited scenarios, which would ultimately result in a quicker, more efficient, and better informed selection process of capable one stop operators.

Tennessee is specifically requesting to waive these non-competitive procurement provisions restricting a state's ability to select an OSO, which would subsequently allow Tennessee the authority to designate qualified OSOs through a faster, more efficient selection process.

Actions the state has undertaken to remove state or local statutory or regulatory barriers

There are no state or local statutory or regulatory barriers that would impede implementation of the requested waiver.

A description of the state's strategic goal(s)

Reason for the Request:

WIOA requires each local area or state to competitively procure a one stop operator to oversee and carry out a state's one stop delivery system. While this model is no doubt intended to promote accountability and strengthen service delivery, Tennessee has identified several obstacles imposed by the current procurement process. For one, this process has led to an increase in administrative burdens and fiscal strain placed on local areas required to conduct these formal one stop operator procurements every four years. This process detracts from the resources and time that local areas could otherwise be committing to increasing service delivery in their respective areas. Second, Tennessee has identified a wide discrepancy in the quality, capacity, and consistency across different local operator entities. As a result, Tennessee has noticed a rise in operational fragmentation resulting from external vendors operating independently from state-employed WIOA leadership.

To address these issues, Tennessee believes that in certain situations, the state is in the most optimal position to ensure the selection of qualified one stop operators. Tennessee has both the knowledge and expertise to determine which entities are most likely to succeed. Tennessee also is better equipped to select one stop operators that will ensure local areas are aligned with Tennessee's strategic workforce goals.

If this waiver is approved, and Tennessee is granted the authority to select qualified one stop operators free from any of the burdens imposed by the current procurement and sole source requirements, Tennessee believes that this will result in improvements in regional governance, partner alignment, program integration, and accountability systems.

Should this waiver request be granted, Tennessee shall:

1. Eliminate the requirement for Local Workforce Development Boards to competitively procure a One-Stop Operator.
2. Establish a written process for TDLWD when determining the selection of qualified One-Stop Operators.

In addition, if approved, Tennessee would assure the following:

1. All services will comply with WIOA Section 188 and 29 CFR Part 38.
2. Accountability, reporting, and monitoring systems will remain intact and state-managed.
3. The waiver will not reduce service quality, access, or availability in any community.

Approval of this waiver request will allow TDLWD to meet the following state strategic goals:

1. Streamline One-Stop governance by replacing the burdensome local procurement of One-Stop Operators with informed state appointed One-Stop Operators.
2. Enhance consistency in service delivery, policy implementation, partner integration, and compliance across all regions.
3. Reduce administrative and procurement burden on Local Boards.
4. Improve accountability by placing system coordination under direct State supervision.
5. Align operational leadership with Tennessee's statewide workforce strategy, priorities, and performance goals.

Alignment with federal policy priorities:

1. This waiver aligns with the Integrated Systems Strategies pillar set forth in the Comprehensive Worker Investment and Development Strategy developed under President Trump's Executive Order 14278.
2. This waiver aligns with the Accountability Strategies pillar set forth in the Comprehensive Worker Investment and Development Strategy developed under President Trump's Executive Order 14278.
3. This waiver aligns with the Flexibility and Innovation Strategies pillar set forth in the Comprehensive Worker Investment and Development Strategy developed under President Trump's Executive Order 14278.

If approved, this waiver would support Executive Order 14278's Integrated Systems Strategies pillar. Pursuant to TEGL 05-25, "the workforce system must be unified, navigable, and built around the needs of its users... the public workforce system can support this pillar by working to integrate disparate funding streams; improve service delivery through shared eligibility standards across programs..." This waiver aligns with the purpose of this pillar by creating a streamlined One Stop Operator state selection process to reduce administrative burdens on local areas while simultaneously enhancing consistency in service delivery.

In addition, this waiver would align with the Accountability pillar, which emphasizes the importance of enhancing data linkages to produce valid and transparent data that assesses efficient return on investment. In accordance with TEGl 05-25, the public workforce system can support this pillar by identifying and eliminating ineffective spending and performance models, such as removing ineffective providers. As previously pointed out, under the current system, Tennessee has identified a wide discrepancy in the quality, capacity, and consistency across different local One Stop Operators. This system has also led to a rise in operational fragmentation resulting from external vendors operating independently from state-employed WIOA leadership. By streamlining the selection of One Stop Operators, Tennessee would be effectively supporting this pillar since it would result in improvements in both regional governance and accountability systems (functional and performance oversight).

Finally, this waiver would also support the Flexibility and Innovation pillar by providing Tennessee and its local communities with more control to tailor solutions to existing workforce participation barriers without being constrained by outdated or unnecessarily burdensome program rules or processes.

Projected outcomes following waiver implementation

Approval of this waiver request would improve outcomes and provide other benefits for Tennessee workers, employers, and One Stop staff as follows:

1. More consistent application of policy and service delivery across local areas.
2. Improved integration of Title I, Title III (Wagner-Peyser), and partner services.
3. Increased efficiency in oversight, performance management, and monitoring.
4. Reduced administrative costs associated with procurement and contract management.
5. Stronger alignment between State, regional, and local workforce strategies.
6. Enhanced customer experience through unified system management.

This request is for a waiver that is administrative, rather than programmatic. While TDLWD believes that WIOA participants will benefit from this waiver, the benefit is indirect; therefore, specific programmatic outcomes cannot be identified.

Individuals, groups, or populations benefiting, or otherwise impacted by the waiver from the waiver

This waiver is intended to benefit:

1. Jobseekers, through consistent service delivery statewide.
2. Employers, through more coordinated business services.
3. Rural and underserved communities, which will receive more equitable service quality.

4. Local Workforce Development Boards, by eliminating costly and complex operator procurement cycles.
5. Required partner programs, through strengthened integration and shared accountability.

How the state plans to monitor waiver implementation, including collection of measurable waiver outcome information

TDLWD will continuously monitor implementation of this waiver on a quarterly basis, analyzing the ability of the State to achieve its strategic goals.

As part of the monitoring and performance accountability process, TDLWD will collect data on waiver outcomes which will be included in the Tennessee WIOA Annual Report. Any waiver renewal requests will include the most recent available outcomes data.

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Assurance of state posting of the request for public comment (including the dates that the state made the draft request available for public comment) and notification to affected local workforce development boards

Tennessee assures transparency by posting this waiver request for 30-day public comment on the Tennessee Department of Labor and Workforce Development's website. In addition, electronic copies of the waiver were sent via email to all strategic partners.

WAIVER REQUEST 12:

Waiver of the requirements at WIOA Section 121(e)(1) and 20 CFR 678.300(c) to establish and maintain a comprehensive American Job Center (AJC) in each of the State's local workforce development areas.

The statutory and/or regulatory requirements the State would like to waive

Tennessee is requesting to waive the requirements outlined in WIOA sec. 121 (e)(1) and 20 CFR 678.300 (c) to establish a comprehensive one-stop delivery system.

Tennessee is specifically asking to remove the requirement that each local workforce development area maintain at least one physical comprehensive one-stop center. This waiver is intended to provide Tennessee with increased flexibility to modernize and restructure its workforce delivery model by transitioning to a more agile system of virtual access points, mobile service units, and regional centers. If this waiver is approved, it will allow Tennessee to significantly reduce its infrastructure costs, and reallocate those resources more efficiently towards service delivery for both participants and employers.

Actions the state has undertaken to remove state or local statutory or regulatory barriers

There are no state or local statutory or regulatory barriers that would impede implementation of the requested waiver.

A description of the state's strategic goal(s)

Reason for the Request:

As Tennessee hopes to transition to a more regionally focused one stop model, maintaining rigid requirements for physical comprehensive AJCs presents operational and strategic challenges that limit flexibility, increase administrative burdens, and constrain employer-focused service delivery.

The cost factors associated with the infrastructure maintenance and co-location requirements for numerous comprehensive AJCs often creates barriers to effective service delivery by taking away from the already limited pool of federal funding. Further, it is often shown that more cost-effective alternative delivery methods, such as virtual/mobile AJCs or a network of affiliated sites, can just as adequately provide the workforce needs that would be expected of a physical comprehensive AJC. In many regions, particularly rural areas, the maintenance of a full-scale comprehensive center is an inefficient use of resources that prioritizes physical facility-based compliance rather than a streamlined customer experience.

If this waiver is approved, Tennessee believes that removing these requirements will lead to more optimal outcomes, such as reducing infrastructure and maintenance costs, reducing annual overhead costs, and allowing Tennessee to redirect these resources toward direct service delivery to employers and participants.

This waiver will also assist Tennessee as it moves towards a regionally anchored, functionally integrated service delivery model. By waiving this requirement, the State can develop additional physical and virtual access points to the one-stop system that allow participants to access all six core programs. This model will emphasize service availability, quality, and outcomes rather than facility-based compliance.

Alignment with federal policy priorities:

1. This waiver aligns with the Accountability strategic pillar set forth in the Comprehensive Worker Investment and Development Strategy developed under President Trump's Executive Order 14278.
2. This waiver aligns with the Flexibility and Innovation Strategies pillar set forth in the Comprehensive Worker Investment and Development Strategy developed under President Trump's Executive Order 14278.

This waiver would align with the Accountability pillar, by ensuring that spending on direct training and worker mobility initiatives is prioritized over high overhead costs associated with

underutilized physical facilities. A more flexible delivery model allows the State to ensure that infrastructure funding is used to support an efficient workforce development system.

In addition, this waiver would also support the Flexibility and Innovation pillar by providing Tennessee and its local communities with more control to design a new workforce delivery system to address existing workforce participation barriers without being constrained by outdated or unnecessarily burdensome or costly program rules or processes.

Alignment with state strategic goals:

This waiver supports Tennessee's strategic goals by allowing it to modernize its workforce system and align service delivery with the realities of a high-technology, rapidly changing economy. If this waiver is approved, Tennessee gains flexibility to deploy virtual platforms, mobile service units, and regional based hubs, expanding access to services while reducing costly and underutilized infrastructure. The waiver allows Tennessee to redirect resources from facility maintenance to direct participant services, such as skills training, credential attainment, and career advancement in high-wage, in-demand industries. It also supports statewide goals related to innovation, efficiency, and equitable access, ensuring services reach individuals where they live and work while strengthening the system's ability to respond to employer needs and evolving labor market demands.

Actions taken to remove barriers:

Tennessee is currently in the process of conducting a statewide assessment of its one-stop network to identify locations where virtual or mobile service delivery would better serve the community than a fixed physical center. Furthermore, the State is developing standardized intake and case management protocols that ensure there is no loss of service quality during this transition.

Projected outcomes following waiver implementation

Approval of this waiver is expected to:

1. Strengthen employer engagement and satisfaction at the regional level.
2. Improve alignment between workforce services and regional economic priorities.
3. Reduce administrative and facility-related costs and expenditures.
4. Expand access through flexible, technology-enabled service delivery.
5. Improve performance outcomes under WIOA primary indicators.

Individuals, groups, or populations benefiting, or otherwise impacted by the waiver from the waiver

Tennessee intends for this waiver to benefit state and local workforce area staff, who will be able to utilize this waiver to implement a more efficient service delivery system. Tennessee also expects both employers and job seekers to benefit from this waiver, since it will lead to an increase in federal funds being redirected to service delivery.

How the state plans to monitor waiver implementation, including collection of measurable waiver outcome information

TDLWD will continuously monitor implementation of this waiver on a quarterly basis, analyzing the ability of the State to achieve its strategic goals.

As part of the monitoring and performance accountability process, TDLWD will collect data on waiver outcomes which will be included in the Tennessee WIOA Annual Report. Any waiver renewal requests will include the most recent available outcomes data.

Assurance of state posting of the request for public comment (including the dates that the state made the draft request available for public comment) and notification to affected local workforce development boards

Tennessee assures transparency by posting this waiver request for 30-day public comment on the Tennessee Department of Labor and Workforce Development's website. In addition, electronic copies of the waiver were sent via email to all strategic partners.

WAIVER REQUEST 13:

Waiver of the requirements at WIOA Section 121(h) and associated federal regulations, allowing Tennessee to implement a transformational state-directed, integrated American Job Center (AJC) funding model.

The statutory and/or regulatory requirements the State would like to waive

Tennessee is requesting to waive the Infrastructure Funding Agreement (IFA) requirements outlined in WIOA sec. 121 (h) and associated regulations at 20 CFR 678.700-678.755.

These provisions require that the State Funding Mechanism (SFM) may only be used when local partners fail to reach an agreement on the methods of sufficiently funding the infrastructure costs of one-stop centers.

This waiver would allow the State to move directly to a state-governed allocation model for these costs, regardless of whether a local impasse has occurred. In short, Tennessee will be able to utilize the SFM regardless of whether local WDBs, local one-stop partners, and CEO(s) are able to reach a consensus on methods of sufficiently funding a one-stop center's infrastructure costs.

Through this request, Tennessee seeks authority to:

- Replace the local consensus-based IFA negotiation framework with a state-directed infrastructure funding methodology.
- Implement a unified, statewide American Job Center (AJC) funding structure.
- Designate Title I and Title III funds as primary drivers of AJC infrastructure sustainability, where allowable.
- Establish predictable and equitable infrastructure contributions that protect partner programs operating under strict administrative caps, including Titles II and IV.
- Streamline or where appropriate, eliminate annual local IFA renegotiations in lieu of a state-administered model.

Together, these changes would allow Tennessee to transition from a fragmented, negotiation-heavy cost-sharing model to a more efficient, integrated, state-governed infrastructure system aligned with modern workforce delivery principles.

Actions the state has undertaken to remove state or local statutory or regulatory barriers

There are no state or local statutory or regulatory barriers that would impede implementation of the requested waiver. The constraints addressed in this request arise solely from federal statutory and regulatory requirements governing infrastructure funding agreements.

A description of the state's strategic goal(s)

Reason for the Request:

Tennessee is in the midst of a comprehensive modernization and transformation of its workforce system. The goal of this transformative redesign is to establish a unified, regionally aligned, and industry-driven service delivery model that responds to today's economic realities.

While the current IFA framework was designed to promote shared responsibility among required partners, its practical application has revealed persistent challenges. In Tennessee's experience, the existing structure:

- Requires repetitive and resource-intensive local negotiations.
- Diverts leadership focus from system performance to cost allocation debates.
- Creates structural instability across regions.
- Places disproportionate financial strain on required partners subject to federal administrative caps.
- Undermines full-service integration in co-located environments.

Under the current statutory requirements, the State and local areas spend months in complex negotiations that often result in inconsistent funding levels across different regions.

In addition, Titles II (Adult Education) and IV (Vocational Rehabilitation) operate under federally imposed administrative cost limitations. When these programs must contribute to infrastructure costs through rigid local negotiation processes, their ability to provide direct services to participants can be diminished.

In short, the current IFA structure is not only administratively burdensome but also compliance-driven rather than performance-driven. It measures agreement on cost distribution not system effectiveness.

Tennessee therefore seeks not just incremental adjustment to the current funding model, but actual transformational and structural reform. Tennessee's objective is not merely administrative relief, but long-term system alignment. The State proposes to fundamentally redesign how AJCs are funded and governed by transitioning to a state-directed infrastructure model that:

- Stabilizes funding across all regions.
- Prioritizes direct service delivery over administrative negotiation.
- Aligns infrastructure investment with statewide workforce strategy.
- Enables integrated staffing and operational models.
- Protects the integrity of partner programs.
- Advances measurable workforce outcomes.

By allowing Tennessee the flexibility to transition to a unified state-directed model, the negotiation heavy nature of the current funding model is eliminated and replaced with a transparent, more efficient funding framework.

This waiver request supports Tennessee's strategic goals of maximizing Service Delivery Integration and Financial Integration. By waiving the existing funding model requirements, Tennessee will be able to modernize its funding structure to reflect contemporary workforce realities. Ultimately, this modernization effort will allow Tennessee to invest more resources into optimizing service delivery.

Implementation of the Waiver

If approved, Tennessee will establish and implement a state-directed integrated funding model built on four core components:

1. Statewide Infrastructure Governance

1. The Tennessee Department of Labor and Workforce Development (TDLWD) will establish and administer a uniform statewide infrastructure allocation methodology to ensure:

1. Consistency across all local workforce development areas.

2. Fiscal transparency.
 3. Predictable annual cost structures.
 4. Direct alignment with statewide strategic workforce priorities.
2. This centralized model will replace fragmented local negotiations with a coherent, performance-aligned funding structure.
2. Strategic Deployment of Title I and Title III Funds
 1. Title I (Adult, Dislocated Worker, Youth) and Title III (Wagner-Peyser) funds will serve as primary infrastructure stabilizers, where allowable and appropriate.
 2. These funds will support:
 1. Shared facility costs.
 2. Integrated intake and navigation systems.
 3. Unified staffing structures.
 4. Operational continuity in rural and underserved areas.
 5. Employer engagement hubs.
 3. All expenditures will remain fully compliant with federal cost principles under 2 CFR Part 200.
3. Protection of Partner Service Capacity
 1. Infrastructure contributions from Titles II and IV will be structured to:
 1. Avoid erosion of direct service capacity.
 2. Respect federal administrative caps.
 3. Prevent disproportionate fiscal burdens.
 2. The intent is to balance shared responsibility without compromising program integrity.
4. Elimination of Redundant Negotiation Cycles
 1. Where a state-directed methodology is implemented, annual local IFA renegotiations will be streamlined or eliminated. This change alone will significantly reduce administrative overhead and redirect energy toward service delivery and system improvement.

Alignment with federal policy priorities:

1. This waiver aligns with the Integrated Systems Strategies pillar set forth in the Comprehensive Worker Investment and Development Strategy developed under President Trump's Executive Order 14278.
2. This waiver aligns with the Accountability Strategies pillar set forth in the Comprehensive Worker Investment and Development Strategy developed under President Trump's Executive Order 14278.
3. This waiver aligns with the Flexibility and Innovation Strategies pillar set forth in the Comprehensive Worker Investment and Development Strategy developed under President Trump's Executive Order 14278.

If approved, this waiver would support the Integrated Systems Strategies pillar. Pursuant to TEGL 05-25, "the workforce system must be unified, navigable, and built around the needs of its users... the public workforce system can support this pillar by working to integrate disparate funding streams; improve service delivery through shared eligibility standards across programs..." This waiver aligns with the purpose of this pillar by creating a streamlined funding stream that is tied to system-wide performance rather than local negotiation outcomes. The current Local Funding Mechanism (LFM) creates a local area level cost allocation approach, in which partners frequently only provide minimal support. Therefore, this waiver would allow Tennessee to transition from this fragmented and poorly funded system to a more efficient unified statewide funding framework.

In addition, this waiver would align with the Accountability pillar. Under current law, the LFM is the only tool for enforcing one-stop certification standards. Institutionalizing the SFM statewide provides the State with the opportunity to ensure consistent standards and customer service quality are embedded in one-stop centers and the system overall. In addition, this waiver would allow Tennessee to centralize oversight to improve fiscal transparency and align infrastructure spending with performance outcomes.

Finally, this waiver would also support the Flexibility and Innovation pillar by providing Tennessee and its local communities with more control to tailor solutions to existing workforce participation barriers without being constrained by outdated or unnecessarily burdensome program rules or processes. Specifically, this waiver would allow Tennessee to modernize its funding structure to reflect contemporary workforce realities.

Projected outcomes following waiver implementation

Implementation of this waiver is expected to yield measurable system improvements, including:

1. A reduction in administrative time devoted to IFA negotiations.
2. Increased staff capacity for direct service delivery and employer engagement.
3. Stabilized AJC operations across all regions.

4. Improved sustainability of co-located service models.
5. Increased integrated service delivery metrics.
6. Greater fiscal predictability for partner programs.
7. Strengthened rural service access.
8. Improved participant navigation across programs.

Over time, Tennessee anticipates broader system benefits as well, such as:

1. Stronger employment outcomes.
2. Improved participant retention.
3. Greater employer satisfaction.
4. Enhanced system-wide accountability.

This waiver represents a deliberate shift from compliance-focused cost allocation to performance-focused system design.

Individuals, groups, or populations benefitting, or otherwise impacted by the waiver from the waiver

Tennessee intends for this waiver to benefit state and local workforce area staff, who will be able to utilize this waiver to reduce time and resources required to manage fiscal negotiations. This waiver is also intended to impact employers and job seekers by creating a more reliable and unified service delivery system.

Other groups benefiting from this waiver include:

- Jobseekers, through uninterrupted access to fully integrated services.
- Employers, through consistent and coordinated workforce engagement.
- Rural and underserved communities, through stabilized service infrastructure.
- Adult Education and Vocational Rehabilitation participants, through preserved direct service funding.
- Workforce staff, through simplified and predictable funding structures.
- Local Workforce Development Boards, through reduced administrative burden and strengthened strategic alignment.

How the state plans to monitor waiver implementation, including collection of measurable waiver outcome information

TDLWD will continuously monitor implementation of this waiver on a quarterly basis, analyzing the ability of the State to achieve its strategic goals.

TDLWD will implement a comprehensive oversight framework to ensure responsible implementation and continuous improvement. This framework will include:

- An annual statewide infrastructure cost review.
- Fiscal audits to ensure cost allowability and allocability.
- Tracking of administrative cost ratios.
- Measurement of integrated service delivery indicators.
- Evaluation of co-location stability.
- Employer engagement metrics.
- Participant access metrics in rural and high-barrier regions.

As part of the monitoring and performance accountability process, TDLWD will collect data on waiver outcomes which will be included in the Tennessee WIOA Annual Report. Any waiver renewal requests will include the most recent available outcomes data.

Assurance of state posting of the request for public comment (including the dates that the state made the draft request available for public comment) and notification to affected local workforce development boards

Tennessee assures transparency by posting this waiver request for 30-day public comment on the Tennessee Department of Labor and Workforce Development's website. In addition, electronic copies of the waiver were sent via email to all strategic partners.

2026 Tennessee Waiver: Submission of Additional Information (6/4/2026)

Waiver 2 - OSY 75% Expenditure Requirement Reduction/Elimination

- a. Confirm whether the state is seeking this waiver request for Governor's Reserve and/or Local Youth Funds.

Response: The waiver request is for both Governor's Reserve and Local Youth Funds allotted under WIOA sections 128(a)(1) and 128(b)(1), respectively.

- b. Projected Outcomes: Provide quantitative targets for the expected programmatic outcomes provided. Tying to WIOA indicators is preferred.

Response: Tennessee is requesting this waiver to give local areas flexibility to serve both In-School Youth and Out-of-School Youth based on local need, labor-market realities, and program capacity. The waiver request already explains that the current 75% OSY expenditure requirement limits the ability of LWDA's to serve ISY who may be at risk of dropout, disengagement, or future disconnection.

Tennessee's goal is not to reduce services to OSY, but to allow earlier intervention for ISY so they can access structured career pathways before they become disconnected from education or the workforce. With this flexibility, local areas will expand services to ISY through career exploration, preferred career pathways, occupational skills training, paid work experience, apprenticeship, pre-apprenticeship, supportive services, and employer-connected training in high-demand occupations.

Proposed quantitative targets:

Measure	PY 2026 Target	PY 2027
Increase in ISY served	10% over PY 2025	15% over PY 2025 Baseline
OSY service level	Maintain no less than 70% of PY 2025 baseline, unless local data supports a lower level based on need	
ISY/OSY outcomes reported separately	100% quarterly reporting	

Tennessee will also tie waiver outcomes to the negotiated WIOA Youth performance indicators. The signed PY 2026 and PY 2027 performance levels for WIOA Youth are: Employment Rate Q2 at 80.6% for both years, Employment Rate Q4 at 80.2% for both years, Median Earnings Q2 at \$4,776 for both years, Credential Attainment at 65% in PY 2026 and 66% in PY 2027, and Measurable Skill Gains at 61% in PY 2026 and 61.5% in PY 2027.

Approval of this waiver will allow Tennessee to strengthen early intervention strategies for ISY while continuing to serve OSY based on demonstrated local need. Tennessee will prioritize ISY who are at risk of disengagement and connect them to preferred career pathways in high-demand occupations through occupational skills training, youth apprenticeship, pre-apprenticeship, paid work experience, supportive services, and employer-connected learning. The State expects this approach to increase youth participation, improve measurable skill gains, increase credential attainment, and support stronger employment and education outcomes. The waiver request

already identifies these outcomes as core goals, including improved youth outreach, ISY early intervention, increased youth participation, stronger measurable skill gains and credential attainment, and stronger employment and education outcomes.

For the portion of the waiver request seeking a reduction of OSY expenditure requirement: as this is a renewal, provide evidence that the State achieved its goals by providing reported outcomes to projected outcomes from the prior waiver request in a table.

Response:

Prior goal	PY 2022 reported	PY 2023 reported	PY 2024 reported	Status
Maintain Youth service access	4,139 served	3,815 served	3,824 served	Met
Improve coordination/partnerships	44.1% co-enrolled	49.6% co-enrolled	60.3% co-enrolled	Met
Improve credential attainment	63.20%	63.80%	65.20%	Met
Maintain employment/education outcomes	Q2 82.6%; Q4 81.6%	Q2 78.1%; Q4 81.3%	Q2 77.5%; Q4 78.1%	Substantially maintained
Improve measurable skill gains	57.70%	61.10%	54.80%	Improvement target set

Waiver 3 - Modified Reallocation Criteria for Recaptured Funds

- a. Provide an explanation of the state's proposed methodology for recapture and reallocation.

Response: Tennessee proposes to implement a modified methodology for the recapture and reallocation of Workforce Innovation and Opportunity Act (WIOA) Adult, Dislocated Worker, and Youth formula funds that builds upon the requirements established in WIOA Sections 128(c) and 133(c) and 20 CFR 683.140. The proposed methodology is designed to ensure that funds are directed to local workforce development areas (LWDAs) with the greatest demonstrated need, strongest capacity to utilize additional resources, and proven ability to achieve positive workforce outcomes.

Under the current federal requirements, recapture determinations are based solely on whether a local area has obligated at least 80 percent of its prior year allocation, excluding allowable administrative costs. Tennessee's proposed methodology would continue to consider obligation levels as a primary indicator of fund utilization but would also recognize certain documented commitments that reflect legitimate planned expenditures that may not yet meet the federal definition of an obligation.

Specifically, Tennessee would calculate an "Adjusted Obligation Rate" that includes both federally recognized obligations and approved training commitments, such as Individual Training Accounts (ITAs) that have been authorized but not fully enrolled, employer-sponsored cohort training agreements, and performance-based training contracts where final payments are contingent upon participant employment outcomes. This approach more accurately reflects actual program commitments and ensures that local areas are not disadvantaged when implementing participant-centered training strategies.

Prior to making any recapture determination, the Tennessee Department of Labor and Workforce Development (TDLWD) would review whether exceptional circumstances contributed to a local area's inability to meet obligation requirements. Such circumstances may include natural disasters, public health emergencies, significant economic disruptions, receipt of supplemental

non-WIOA funding that reduced reliance on formula funds, state system implementation challenges, procurement delays, or direct-service delivery models that rely less heavily on contractual obligations. Local areas would be provided with an opportunity to submit supporting documentation for consideration before funds are recaptured.

Funds identified for recapture would be placed into a statewide reallocation pool. To receive reallocated funds, a local area would be required to demonstrate fiscal responsibility, satisfactory expenditure performance, compliance with monitoring requirements, and the capacity to utilize additional funds effectively.

Unlike the current methodology, which primarily reallocates funds based on labor market information, Tennessee proposes to distribute recaptured funds through a weighted scoring model that incorporates four primary factors:

1. Demonstrated Need (35 percent)
 - Unemployment insurance claimant activity
 - Poverty levels
 - Public assistance participation
 - Dislocated worker activity
 - Individuals with barriers to employment
 - Regional labor market conditions
2. Capacity to Utilize Funds (25 percent)
 - Prior-year expenditure rates
 - Timeliness of obligations
 - Historical utilization of reallocated funds
 - Fiscal monitoring results
 - Program enrollment trends
3. Performance Outcomes (25 percent)
 - Employment Rate, 2nd Quarter After Exit
 - Employment Rate, 4th Quarter After Exit
 - Median Earnings
 - Credential Attainment
 - Measurable Skill Gains
 - Employer Services and Business Engagement Outcomes
4. Strategic Funding Request (15 percent)
 - Demonstrated need for additional funding
 - Proposed activities and target populations
 - Projected participant outcomes
 - Ability to expend funds within established timelines

Each eligible local area would receive a composite score based on these factors. Reallocated funds would then be distributed proportionally according to each area's share of the total statewide score.

In addition, Tennessee may reserve a portion of recaptured funds as a Performance Excellence Reserve to reward local areas that exceed negotiated performance targets while maintaining strong fiscal stewardship and compliance standards.

This methodology strengthens accountability while providing flexibility to recognize legitimate training commitments and operational realities. It promotes the efficient use of federal funds, encourages strong performance outcomes, and ensures that recaptured resources are invested in local areas where they are likely to have the greatest impact on employers, job seekers, low-income individuals, public assistance recipients, dislocated workers, and other populations with barriers to employment.

- b. Provide quantitative targets for the state's projected programmatic outcome goals.

Response: To assess waiver performance, track and report annually the following 10 key indicators:

Recapture

1. Statewide adjusted obligation rate
2. Total funds recaptured
3. Percentage of funds recaptured
4. Number of approved exceptions
5. Number of direct-provider adjustments

Reallotment

6. Total funds reallotted
7. Additional participants served
8. Additional participants trained
9. Percentage of reallotted funds awarded to high-performing LWDA's
10. Employment rate and credential attainment of participants served with reallotted funds

These outcomes provide a defensible framework showing that the new policy:

- Improves fiscal accountability,
- Recognizes legitimate training commitments,
- Rewards performance,
- Directs resources to areas of greatest need,
- Expands services to priority populations, and
- Supports the objectives described in Tennessee's waiver request.

Waiver 5 - Post-Exit Supportive Services for Benefit Cliff Mitigation

- a. Provide quantitative targets for the projected programmatic outcomes described.

Response: Tennessee will use PY 2025 as an implementation and baseline year and will use PY 2026 and PY 2027 to measure increased throughput, employment retention, and wage progression among eligible WIOA exiters receiving public assistance. The waiver already describes Tennessee's partnership with the Federal Reserve Bank of Atlanta and the Northern Middle Local Workforce Development Board to integrate the Atlanta Fed's CLIFF Dashboard into AJC services, with statewide deployment planned after the Davidson County pilot.

Tennessee's objective is to increase the number of participants who can move through employment, earnings progression, and benefit transition without losing employment due to a temporary financial destabilization.

Tennessee proposes the following targets:

Measure	PY 2026 Target	PY 2027 Target
Increase in eligible exiters receiving CLIFF-informed screening/coaching	15% over PY 2025 baseline	25% cumulative over PY 2025 baseline
Participants with documented cliff risk receiving time-limited transition support, subject to need and funding	60%	70%
Employment retention improvement for supported exiters, measured by Employment Rate Q4 after exit	+3 percentage points over PY 2025	+5 percentage points over PY 2025

Supportive services will remain time-limited, documented, and tied directly to employment retention and benefit cliff mitigation. Allowable supports may include transportation assistance, temporary living expenses, childcare support, work-related costs, and other transitional supports necessary to help the participant remain employed while adjusting to increased earnings and reduced public assistance. The waiver language already emphasizes that these services are intended as a short-term bridge, not ongoing income support.

Tennessee expects this waiver to expand CLIFF-informed coaching and transition planning, while improving retention by at least five percentage points by PY 2027 for supported exiters compared to the PY 2025 baseline or a similarly situated comparison group.

Waiver 6 - Training Contracts as Primary WIOA Training Delivery Mechanism

- a. Explain the state's planned "eligibility criteria for participants and training providers".

Response: Tennessee will maintain all applicable WIOA participant eligibility, priority of service, nondiscrimination, procurement, fiscal, and monitoring requirements. Participants may be referred to contract-funded training when the pathway is appropriate based on assessment,

career counseling, supportive-service needs, and the participant's individual employment plan or service strategy.

Training providers and pathways will be selected using transparent criteria, including alignment with in-demand occupations, employer or industry validation, credential value, reasonable cost, provider capacity, accessibility, and ability to report outcomes.

- b. Provide quantitative targets for the projected programmatic outcomes described.

Response: Tennessee will use existing WIOA performance data where available and will establish first-year implementation baselines for newly tracked measures, including employer validation, work-based learning connections, interview or hiring commitments, and other contract-specific features not currently captured in the ITA/ETPL structure. Tennessee will track contract-funded pathways against comparable non-contract WIOA outcomes, with the intent to achieve measurably higher outcomes in credential attainment, MSG, employment, and wages from the contract-funded strategy. Targets include:

Outcome measure	PY 2026 target	PY 2027 target
Work-based learning participation	baseline	20% increase from baseline
Credential attainment / MSG / Employment Q2 after exit	5% above comparable non-contract WIOA outcomes where available	10% above comparable non-contract WIOA outcomes where available
Median earnings Q2 after exit	5% above comparable non-contract WIOA outcomes where available	10% above comparable non-contract WIOA outcomes where available
Contracts including interview, hiring, work-based learning, apprenticeship, or comparable employment linkages	75%	75%
Contracts aligned with priority sectors	100%	100%
Contracts contingent on documented employer or industry validation	100%	100%
Contracts containing defined performance and reporting requirements	100%	100%

- c. Explain to what extent the state will maintain the ETPL.

Response: Tennessee will maintain the ETPL as a statewide transparency, accountability, and consumer-information tool. The waiver is not intended to eliminate the ETPL; the state will continue to operate the list, apply initial and continued eligibility procedures, publish provider and program information, and allow ITAs where appropriate. In addition, the state intends to strengthen the ETPL to better focus on regional industry demands. We will analyze the list of providers and programs by region and by industry, in conjunction with soon-to-be-implemented Workforce Pell programs, to determine where there are training deserts that the state needs to prioritize.

This waiver will allow training contracts to be used as a primary (or additional) mechanism for selected employer-validated pathways to directly address training deserts while preserving the ETPL to support consumer choice and training transparency.

Waiver 12 - Waiver of Comprehensive Physical AJC Requirement per Local Area

- a. Provide quantitative targets for the projected programmatic outcomes described.

Response: Tennessee's goal under Waiver 12 is not to reduce access to services, but to shift resources from underutilized physical infrastructure into direct participant and employer services. The waiver request already explains that Tennessee intends to reduce infrastructure costs and redirect resources toward service delivery through a more flexible model that includes regional centers, affiliate sites, mobile services, virtual access points, and staff-assisted virtual services.

Upon approval, TDLWD will require each impacted region to complete an infrastructure cost baseline and reinvestment plan before any comprehensive center is closed, consolidated, or converted. The cost baseline will identify current facility-related costs, including lease or rent, utilities, maintenance, security, shared operating costs, equipment, technology, and other overhead costs tied to maintaining a physical comprehensive center. TDLWD will compare those costs against the cost of the proposed alternative delivery model and identify the net recurring savings available for reinvestment.

Tennessee will reinvest at least 75% of documented net infrastructure savings into direct participant and employer services within the impacted region, unless a lower amount is justified by access, compliance, or transition costs. Reinvested funds will be prioritized for services that directly impact participants, including occupational skills training, Individual Training Accounts or cohort-based training, industry-recognized credentials, On-the-Job Training, Incumbent Worker Training, customized training, Registered Apprenticeship and pre-apprenticeship, youth apprenticeship, supportive services, career navigation, and work-based learning opportunities. This approach aligns with the waiver's stated goal of prioritizing direct training and worker mobility over high overhead costs associated with underutilized physical facilities.

Proposed quantitative targets:

Measure	Proposed Target
Net infrastructure savings reinvested into direct participant/employer services	At least 75%
Non-direct participant cost	Remaining 25%
Impacted communities retaining access to staff-assisted services through regional, affiliate, mobile, virtual, or kiosk access points	100%
Quarterly review of access, expenditures, enrollments, and outcomes	100% of impacted regions

Tennessee will monitor this reinvestment quarterly to ensure that cost savings are not absorbed into general administration but are redirected toward participant-facing services that improve training access, credential attainment, employment retention, wage progression, and employer responsiveness.

For all waivers, please confirm the date(s) of public comment and provide a copy of any comments received. Please also provide confirmation of notice to local boards.

Public comment period was from March 23, 2026 – April 23, 2026