

U.S. Department of Labor

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



September 30, 2026

The Honorable Abigail Spanberger
Governor of the Commonwealth of Virginia
P.O. Box 1475
Richmond, VA 23218

Dear Governor Spanberger:

Thank you for your waiver request submission to the U.S. Department of Labor regarding certain statutory and regulatory provisions of the Workforce Innovation and Opportunity Act (WIOA). The waiver requests were received on July 13, 2026. This letter provides the Employment and Training Administration's (ETA) official response to your request and memorializes that the Commonwealth of Virginia (Commonwealth) will meet the outcomes and implement the measures identified in its plan to ensure accountability agreed to by the Commonwealth and ETA. This action is taken under the Secretary of Labor's authority to waive certain requirements of WIOA Title I, Subtitles A, B, and E, and Sections 8–10 of the Wagner-Peyser Act in WIOA Section 189(i).

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

ETA Response: ETA approves, through June 30, 2028, the Commonwealth's waiver request for the WIOA Title I Adult, Dislocated Worker, and Youth formula funds. ETA reviewed the Commonwealth's waiver request and plan and has determined that the requirements requested to be waived impede the ability of the Commonwealth to implement its plan to improve the workforce development system. Existing statutory authority permits the Commonwealth and its local workforce areas to increase the reimbursement rate for OJT contracts up to 75 percent. The Commonwealth may also reimburse up to 90 percent for OJT for businesses with 50 or fewer employees. ETA expects the utilization of OJT to increase in the Commonwealth as a result of this waiver.

Requested Waiver: Waiver associated with the requirement at WIOA Section 129(a)(4)(A) and 20 CFR 681.410 that the Commonwealth 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 2027, which includes the entire time period for which states are authorized to spend each of those PY fund allotments, the Commonwealth's request to waive the requirement that the Commonwealth expend 75 percent of Governor's reserve youth funds on OSY. ETA reviewed this waiver request and plan and has determined that the requirements requested to be waived impede the ability of the Commonwealth to implement its plan to improve the workforce development system. The

Commonwealth may lower the expenditure requirement of Governor's reserve funds to 50 percent for OSY.

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

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

ETA Response: ETA approves, for PYs 2026 and 2027, the Commonwealth's request to waive the requirement limiting ITAs to only OSY, ages 16–24. In addition to these OSY, the Commonwealth may use ITAs for ISY, ages 14–21. ETA reviewed the Commonwealth's waiver request and plan and has determined that the requirements requested to be waived impede the ability of the Commonwealth to implement its plan to improve the workforce development system.

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

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

Sincerely,

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

Marek Laco
Acting Assistant Secretary

cc: Melissa Smith, Director, Virginia Employment Commission
Nicole Overley, Commissioner of Virginia Works
Jennifer Friedman, Regional Administrator, ETA
Jake Blanch, Federal Project Officer, ETA

Virginia Waiver Requests

Waiver Request 1: Increase On-the-Job Training (OJT) Reimbursement up to 90% for Small Employers (<50 Employees)

Statutory and/or regulatory requirements to be waived

Virginia requests a waiver of **WIOA §134(c)(3)(H)(i) and 20 CFR 680.720** to allow Local Workforce Development Boards (LWDBs) to reimburse eligible small employers (fewer than 50 employees) up to 90% of the wage rate of OJT participants rather than the current 50%. This request is consistent with prior ETA waivers.

Background

Virginia is seeking a waiver to provide greater reimbursement to offset the cost of providing OJT. to support the adoption of registered apprenticeship, work-based learning, and Workforce Pell Grants for businesses in Virginia with fewer than fifty employees.

Virginia plans to use a sliding scale reimbursement model to ensure employer partners maintain high retention rates for individuals completing OJT. The sliding scale will be determined in the upcoming Virginia Workforce Letter, which will also outline waiver application instructions.

Actions the state has undertaken to remove state or local barriers:

- Virginia is a leading state in the implementation of OJT and this proposed waiver would build on that success. There are no State or Local Barriers to implementing the provisions requested with this proposed waiver.

A description of the state's strategic goals and how the waiver aligns with those goals

This waiver is central to Virginia's vision of a workforce ecosystem that both equips workers with skills and enables employers to attract, grow, and retain them, particularly in small businesses that anchor local and rural economies.

It advances the following goals as articulated in the WIOA State Plan:

Goal 1: Pre, y Virginian for Quality Careers: Equip Virginians with the technical and durable skills and credentials needed to access and advance in career pathways that provide competitive, family-sustaining wages & benefits; a safe and healthy working environment; and a visible trajectory for continuous learning and meaningful skill use, with particular focus on high-demand industries and populations facing structural barriers.

- Higher OJT reimbursement for small employers enables more adults and dislocated workers – especially individuals with barriers to employment and skill gaps – to enter earn-and-learn roles that quickly lead to in-demand skills and higher wages.

Goal 2: Connect Virginia’s Employers to Top Talent: Directly connect Virginia businesses to a workforce with skills matched to their needs and enable businesses to effectively attract, develop, and retain Virginians in quality careers.

- Small employers often lack internal training capacity. By reimbursing up to 90% of wages being paid to a participant of an OJT program, the workforce system helps employers hire and train workers in high-demand roles in targeted high-demand industries that provide opportunities for Virginia’s workers and helps ensure that workers earn wages while they are learning a trade or occupation.

Goal 3: Lead the Nation in Work-Based Learning and Registered Apprenticeship: Scale Registered Apprenticeship, on-the-job training, paid internships, and other work-based learning models to serve as primary pathways to employment and reemployment, meeting Governor Spanberger’s commitment to expanding earn-and-learn opportunities for every Virginian.

- By increasing OJT reimbursement, the commonwealth can increase work-based learning opportunities by expanding into new sectors and regions.

Quantifiable projected programmatic outcomes resulting from implementation of the waiver:

In PY 2024, the most recent data available at the time of this draft, a total of 57 employers provided OJT to 148 participants in the Adult and Dislocated Worker Programs. During this period, LWDBs spent a total of \$556,979 to support OJT and businesses contributed \$461,934 for their portion of the OJT. Within two program years of waiver implementation, Virginia projects:

- A 50% increase in the number of small employers (<50 employees) utilizing OJT compared to the pre-waiver baseline.
- A 30% increase in the number of WIOA Adult and Dislocated Worker participants in OJT with small employers.
- Employment in the 2nd and 4th quarters after exit for OJT participants will exceed the statement Adult and Dislocated Worker employment rate by at least 3 % points.
- At least 50% of OJT participants at small businesses will be individuals with barriers to employment (i.e. low-income, long-term unemployed, justice-involved, public assistance recipients, etc.).
- At least 60% of OJT participants placed with small businesses will remain employed with the same employer or in the same industry 2 quarters after exit.

Individuals, groups, or populations benefiting, or otherwise impacted by the measurable waiver outcome information

Benefiting groups include:

- Jobseekers who are low-income, receiving unemployment or public assistance, reentering the workforce, or needing to earn while learning. This will particularly impact those in rural areas that have a high concentration of small businesses, increasing training and employment opportunities in those communities.
- Small employers, especially in rural and small-metro areas, who require higher wage reimbursement to offset training costs and perceived high risk.
- Priority industry sectors that face chronic shortages and need customized, job-specific training.

Monitoring waiver implementation and measuring outcomes

Virginia will:

- Track OJT expenditures and participants by employer size, sector, and target population in partnership with LWDBs.
- Continue to track OJT and work-based learning outcomes and services
- Require local boards to report on OJT business feedback and barriers via annual employer surveys
- Conduct program monitoring to ensure that training plans are related to the job and not displacing existing workers and that wages meet or exceed local prevailing wage and wage-and-hour standards.

Assurance of Commonwealth posting for public comment

Virginia Works posted this waiver on June 18, 2026 for three weeks of public comment. The waiver was hosted on the Virginia Works agency website and publicized via our social media channels and newsletters.

Waiver Request 2: Reduction of Out-of-School Youth (OSY) Minimum Expenditure from 75% to 50%

Statutory and/or Regulatory Requirements to Be Waived

Virginia requests a waiver of **WIOA Section 129(a)(4)(A)** and **20 CFR §681.410**, which requires that **not less than 75 percent** of funds allotted to states and local areas under

WIOA Title I Youth be expended on **Out-of-School Youth (OSY) in order to reallocate limited resources to provide greater services to In-School Youth (ISY).**

Virginia is requesting the following waivers to this statutory and regulatory provision:

1. **A waiver of the requirement to expend 75 percent of WIOA Title I Youth funds on the OSY population**, requesting that this minimum expenditure requirement be reduced to **50 percent**.
2. **A waiver of the requirement that local area funding be used to meet the 75 percent OSY minimum expenditure requirement**, requesting that this percentage be reduced to **50 percent** to align with the statewide target.
3. **A waiver of the requirement to expend 75 percent of Statewide Activities funding on the OSY population**, requesting that this percentage be reduced to **50 percent** to allow flexibility to support statewide initiatives aligned with Virginia's workforce vision, including pre-apprenticeship, work-based learning, and Registered Apprenticeship pathways for youth.

Background

Virginia continues to experience strong demand from employers for skilled, work-ready talent while simultaneously facing workforce participation challenges, demographic shifts, and regional population stagnation. While Virginia maintains relatively strong high school graduation rates, many students graduate without clear connections to postsecondary education, training, or employment pathways.

Employers across the Commonwealth consistently report difficulty filling positions due to insufficient work readiness, lack of exposure to industry environments, and limited access to early career pathway opportunities. At the same time, K-12 school systems face capacity constraints that limit their ability to provide intensive career counseling, work-based learning coordination, and individualized transition planning for students—particularly those with barriers to employment.

Local Workforce Development Boards (LWDB) report that the current **75% OSY expenditure requirement restricts their ability to respond to increased demand** from K-12 systems, Career and Technical Education (CTE) programs, and employers seeking to **engage in-school youth (ISY)**, especially juniors and seniors, in structured work experiences, pre-apprenticeships, and Youth and Student Registered Apprenticeship programs. Currently, LWDBs find there is increased demand for ISY programming that requires far more than 25% of total youth allocations; additionally, it is difficult to spend down OSY funds, as this population is very difficult to serve. Virginia will use the flexibility allowed by this waiver to focus on in-school

workforce programming designed to help young people before they leave school, providing pathways to quality careers for all of Virginia's young people.

Early intervention before students exit the K-12 system is crucial in preventing disconnection and facilitating smoother transitions into postsecondary education, training, or employment. Virginia will continue to monitor this waiver's success by monitoring graduation rates for ISYs that use an ITA.

Actions the state has undertaken to remove state or local barriers

- Virginia has no barriers to implementing this waiver.

A description of the state's strategic goals and how the waiver aligns with those goals

This waiver aligns with Virginia's commitment to ensure every Virginian is equipped with the skills they need to obtain good jobs with family-sustaining wages and opportunities for career advancement. This waiver supports the following goals, as articulated in the WIOA State Plan:

Goal 1: Prepare Every Virginian for Quality Careers: Equip Virginians with the technical and durable skills and credentials needed to access and advance in career pathways that provide competitive, family-sustaining wages & benefits; a safe and healthy working environment; and a visible trajectory for continuous learning and meaningful skill use, with particular focus on high-demand industries and populations facing structural barriers.

- Investing in training for ISY gives companies access to a large employee pool. They can work with young people to train them directly in the skills they need, while investing in the young person's future.
- Employers can create curricula in partnership with training experts that respond to AI and other technologies that are shifting the way we work. ISY often have existing skills in those areas.

Goal 2: Connect Virginia's Employers to Top Talent: Directly connect Virginia businesses to a workforce with skills matched to their needs and enable businesses to effectively attract, develop, and retain Virginians in quality careers.

- ISY, particularly those who are at risk of disconnection, need opportunities to develop skills through targeted, responsive career pathway development. This waiver will allow Virginia to develop those programs that respond to employer needs while providing options to young people in the education system.
- Registered Apprenticeships and other training programs give young people credentials they can use to get jobs immediately or to build upon through continuing education.

Goal 4: Operate an Accessible, Responsive, and Innovative Workforce System: Reduce structural, administrative, geographic, and technology barriers that can prevent Virginians from accessing services, with the Virginia Works network of partners integrating and collaborating across programs and service models. Pilot and implement innovative and data-driven programs, services, and initiatives that allow for a continuously learning system with people at its center.

- This waiver fosters integration between Virginia’s workforce, K-12 education, and postsecondary education systems by creating comprehensive, responsive pathways for young people in the school system.

Goal 5: Expand Outreach, Engagement, and Workforce Resilience: Increase access, engagement, and outcomes in Virginia’s workforce system for underserved populations, job seekers facing systemic barriers, and individuals impacted by industry disruption, including former federal workers and contractors, through specialized outreach, navigation, and wraparound supports.

- This waiver allows schools to support ISY that face systemic barriers and are at risk of leaving the educational system. By giving them opportunities for credential attainment and skill-building, this program enhances those ISY’s workforce resilience and engagement.

Quantifiable projected programmatic outcomes resulting from implementation of the waiver

Within two program years of waiver implementation, Virginia projects:

- A decrease in number of individuals who do not receive a high school diploma across the Commonwealth, dependent on local factors
- An increase in youth services of 5%
- An increase in employment for Youth program participants of 10%

Individuals and Populations Impacted by the Waiver

Populations benefiting from this waiver include:

- In-school youth, particularly those with barriers to employment;
- Out-of-school youth, through improved system integration and referral pathways;
- Employers seeking early-pipeline talent;
- School divisions, CTE programs, and postsecondary partners;
- American Job Centers and youth service providers.

Monitoring Progress and Implementation

Virginia will ensure strong oversight and accountability through:

- Annual WIOA on-site programmatic reviews that assess waiver utilization and outcomes;
- Monthly and quarterly monitoring of Youth enrollment, services, expenditures, and performance data;
- Regular meetings with LWDB Youth Directors to review progress and address challenges;
- Targeted technical assistance to ensure OSY services remain robust and equitable.

These strategies will ensure that waiver implementation aligns with WIOA objectives, state workforce goals, and federal performance requirements.

Assurance of Commonwealth posting for public comment

Virginia Works posted this waiver on June 18, 2026 for three weeks of public comment. The waiver was hosted on the Virginia Works agency website and publicized via our social media channels and newsletters.

Waiver Request 3: Allow In-School Youth (ISY) To Receive Individual Training Accounts (ITA)

Statutory and/or Regulatory Requirements to Be Waived

Virginia requests a waiver of **20 CFR §680.551** to allow ITAs for ISY as well as Out-of-School Youth.

Background

Virginia's workforce system continues to invest in training for its young people, both in and out of school. While Virginia maintains relatively strong high school graduation rates, many students graduate without clear connections to postsecondary education, training, or employment pathways. This situation is exacerbated by increasingly large K-12 student bodies and a lack of dedicated career counselors for each school.

Virginia knows that providing young people with multiple career pathway opportunities starting in high school not only prepares them for future careers but also that students that are engaged in and motivated by their schoolwork are less likely to drop out. ITAs allow schools to connect students with valuable training programs outside of their Career and Technical Education programs, often paid, that lead to workforce success while helping a student support

themselves and their family. By providing students with the opportunity to enroll in training programs on the Eligible Training Provider List, youth, parents, and schools can trust they are receiving high-quality training experiences. These young people can learn valuable skills, earn income, and still earn their high school credentials, setting them up for future success.

Actions the state has undertaken to remove state or local barriers

- Virginia has no barriers to implementing this waiver.

A description of the state's strategic goals and how the waiver aligns with those goals

This waiver aligns with Virginia's commitment to ensure every Virginian is equipped with the skills they need to get good jobs with family-sustaining wages and opportunities for career advancement. This waiver supports the following goals, as articulated in the WIOA State Plan:

Goal 1: Prepare Every Virginian for Quality Careers: Equip Virginians with the technical and durable skills and credentials needed to access and advance in career pathways that provide competitive, family-sustaining wages & benefits; a safe and healthy working environment; and a visible trajectory for continuous learning and meaningful skill use, with particular focus on high-demand industries and populations facing structural barriers.

- This waiver allows Virginia's young people to earn meaningful, stackable credentials that allow them to access career pathways that lead to quality careers. By expanding the use of ITAs to ISY, more students can engage in career exploration and training and graduate ready to work.

Goal 2: Connect Virginia's Employers to Top Talent: Directly connect Virginia businesses to a workforce with skills matched to their needs and enable businesses to effectively attract, develop, and retain Virginians in quality careers.

- ISY, particularly those who are at risk of dis need opportunities to develop skills through targeted, responsive career pathway development. This waiver will allow Virginia to develop those programs that respond to employer need while providing options to young people in the education system.

Goal 4: Operate an Accessible, Responsive, and Innovative Workforce System: Reduce structural, administrative, geographic, and technology barriers that can prevent Virginians from accessing services, with the Virginia Works network of partners integrating and collaborating across programs and service models. Pilot and implement innovative and data-driven programs, services, and initiatives that allow for a continuously learning system with people at its center.

- This waiver fosters integration between Virginia’s workforce, K-12 education, and postsecondary education systems by creating comprehensive, responsive pathways for young people in the school system.

Goal 5: Expand Outreach, Engagement, and Workforce Resilience: Increase access, engagement, and outcomes in Virginia’s workforce system for underserved populations, job seekers facing systemic barriers, and individuals impacted by industry disruption, including former federal workers and contractors, through specialized outreach, navigation, and wraparound supports.

- This waiver allows schools to support ISY that face systemic barriers and are at risk of leaving the educational system. By giving them opportunities for credential attainment and skill-building, this program enhances those ISY’s workforce resilience and engagement.

Quantifiable projected programmatic outcomes resulting from implementation of the waiver

Within two program years of waiver implementation, Virginia projects:

- A decrease in number of people without high school diplomas across the Commonwealth, dependent on local factors
- An increase in youth services of 5% across the board
- An increase in use of ITAs for youth

Individuals and Populations Impacted by the Waiver

Populations benefiting from this waiver include:

- In-school youth, particularly those with barriers to employment;
- Out-of-school youth, through improved system integration and referral pathways;
- Employers seeking early-pipeline talent;
- School divisions, CTE programs, and postsecondary partners;
- American Job Centers and youth service providers.

Monitoring Progress and Implementation

Virginia will ensure strong oversight and accountability through:

- Annual WIOA on-site programmatic reviews that assess waiver utilization and outcomes;
- Monthly and quarterly monitoring of Youth enrollment, services, expenditures, and performance data;

- Regular meetings with LWDB Youth Directors to review progress and address challenges; and
- Close partnership with training providers to provide support and answer questions about working with youth.

These strategies will ensure that waiver implementation aligns with WIOA objectives, state workforce goals, and federal performance requirements.

Assurance of Commonwealth posting for public comment

Virginia Works posted this waiver on June 18, 2026 for three weeks of public comment. The waiver was hosted on the Virginia Works agency website and publicized via our social media channels and newsletters.