U.S. Department of Labor

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

SEP 30 2013

The Honorable Rick Snyder
Governor of Michigan
P.O. Box 30013
Lansing, Michigan 48909

Dear Governor Snyder:

The Employment and Training Administration (ETA) is pleased to respond to your requests for waivers of statutory and regulatory requirements under the Workforce Investment Act (WIA). This action is taken under the Secretary's authority to waive certain requirements of WIA Title I, Subtitles B and E, and sections 8-10 of the Wagner-Peyser Act. The requests were written in the format identified in WIA section 189(i)(4)(B) and 20 CFR 661.420(c), and meet the standard for approval at 20 CFR 661.420(e). The following is the disposition of the State's waiver requests (copy enclosed).

Waiver of WIA Section 134(a)(2)(B)(ii) and 20 CFR 665.200(d) to exempt the State from the requirement to conduct evaluations.

The State has requested an extension of the waiver of the requirement to conduct evaluations of workforce investment activities for adults, dislocated workers, and youth in order to establish and promote continuous improvement of the statewide workforce investment system. The State is granted an extension of this waiver through June 30, 2014. The State must continue to measure customer satisfaction as described in WIA Section 136(b)(2)(B).

Waiver of WIA Section 134(a)(2)(B)(iii) and 20 CFR 665.200(e) to exempt a State from the requirement to provide local workforce investment area incentive grants.

The State is requesting a waiver of the requirement to provide local workforce investment areas incentive grants to reward regional cooperation, local coordination of activities, and exemplary performance. The State is granted this waiver through June 30, 2014.

Waiver of WIA Section 129(b)(2)(C) and 20 CFR 665.200(h) to exempt the state from the requirement to provide additional assistance to local areas that have a high concentration of eligible youth.

The State is requesting a waiver of the requirement to provide additional assistance to local areas that have a high concentration of eligible youth. The State is granted this waiver through June 30, 2014.

Waiver of WIA Section 133(b)(4) to increase the allowable transfer amount between Adult and Dislocated Worker funding streams allocated to a local area.

The State was previously granted a waiver to permit an increase in the amount a state is allowed to transfer between the Adult and Dislocated Worker funding streams. Under the previously granted waiver, the transfer authority was limited to 50 percent. To help mitigate the effects of funding reductions in many local areas, the State is now requesting to increase the transfer authority to 75 percent. The State is approved to transfer up to 75 percent between the Adult and Dislocated Worker funding streams through June 30, 2014. After that date, unless a new waiver is put in place, the State's allowable transfer amount will revert to a limit of 50 percent, the level of its previously approved waiver, which extends to June 30, 2017.

Waiver of WIA Section 101(31)(B) to increase the employer reimbursement for on-the-job training.

The State requested a waiver of the required 50 percent employer contribution for on the job training to permit the use of a sliding scale for the employer contribution based on the length of the participant's unemployment. The State is granted approval of this waiver for a sliding scale based on the length of unemployment through June 30, 2017. Under the waiver, the following reimbursement amounts will be permitted: 1) up to 90 percent employer reimbursement where on-the-job training is provided to individuals unemployed for 52 weeks or more, and 2) up to 75 percent employer reimbursement where on-the-job training is provided to individuals unemployed for 16 – 51 weeks. Where on-the-job training is provided to individuals unemployed for less than 16 weeks, the current statutory requirements (50 percent reimbursement) will continue to apply. This scale may be used as an alternative to the sliding scale based on size of employer, for which the State was previously granted a waiver until June 30, 2017.

When determining the funding source for on-the-job training, the State must use the appropriate program funds for the appropriate WIA-eligible population. The State and local areas may provide on-the-job training to individuals age 18 or older with WIA Adult funds and must provide priority to low-income individuals when funds are limited; the State and local areas may provide on-the-job training to dislocated workers with WIA Dislocated Worker funds. On-the-job training provided with statewide funds must serve WIA eligible individuals.

The approved waivers are incorporated by reference into the State's WIA Grant Agreement, as provided for under paragraph 3 of the executed Agreement, and this constitutes a modification of the State Plan. A copy of this letter should be filed with the State's WIA Grant Agreement and the approved State Plan. In addition, as required by TEGL No. 29-11, the State should address the impact these waivers have had on the State's performance in the WIA annual performance report, due on October 1 of each year.

We look forward to continuing our partnership with you and achieving better workforce outcomes. If you have any questions related to the issues discussed above, please contact Malcom Jackson, the Federal Project Officer for Michigan, at 312-596-5414 or Jackson.Malcom@dol.gov.

Sincerely,

Eric M. Seleznow
Acting Assistant Secretary

Enclosure

cc: Byron Zuidema, Regional Administrator, ETA Chicago Regional Office
Malcom Jackson, Federal Project Officer for Michigan

RICK SNYDER
GOVERNOR

Michigan WDA
WORKFORCE DEVELOPMENT AGENCY

CHRISTINE QUINN
DIRECTOR

E-mailed: 07/18/13 (tk)

July 18, 2013

Mr. Byron Zuidema, Regional Administrator
Employment & Training Administration
U.S. Department of Labor
230 South Dearborn Street, Room 628
Chicago, Illinois 60604

Dear Mr. Zuidema:

The State of Michigan is submitting a modification request to our Workforce Investment Act (WIA)/Wagner-Peyser State Plan. Specifically, we are seeking:

- An extension to our existing Program Year 2012 waiver from the requirement to conduct evaluations of the WIA activities for the Adult, Dislocated Worker, and Youth Programs, as described in 20 CFR 665.200 (d);

- A waiver for exemption from the requirement to utilize statewide activity funds to provide incentive grants to Local Workforce Investment Areas, as described in 20 CFR 665.200 (e);

- A waiver for exemption from the requirement to provide additional assistance to local areas that have high concentrations of youth, as described in 20 CFR 665.200 (h);

- A waiver of the 50 percent limitation on employer reimbursements for On-the-Job Training to allow employer reimbursements to be based on the length of time of the participant's dislocation from the workforce, as described in 20 CFR 663.710; and

- A waiver of the funds transfer limitation for the Adult and Dislocated Worker funding streams to allow transfers of up to 75 percent, as described in the WIA Section 133(b)(4).

Prior to the anticipated reductions in Program Year 2013 WIA allotments, as required by the Balanced Budget and Emergency Deficit Control Act of 1985, Michigan had seen an 80 percent reduction in Governor's Reserve funds since 2009. With the additional reductions for Program Year 2013, Michigan's ability to effectively fund and carry out required statewide workforce investment activities is now severely limited.

Victor Office Center | 201 North Washington Square, 5th Floor | Lansing, Michigan 48913
517.335.5858 | TTY 888.605.6722

WDA is an equal opportunity employer/program. Auxiliary aids, services, and other reasonable accommodations are available upon request to individuals with disabilities.

The aforementioned waiver requests will ensure that Michigan may prioritize the use of Governor's Reserve funds for the required activities deemed most essential to the basic functions of the workforce investment system. This request is made under the Secretary's authority at WIA Section 189(i) to waive certain requirements of WIA Title I, Subtitles B and E, and Sections 8-10 of the Wagner-Peyser Act. Additionally, the statutory waiver requests will maximize the impact of reduced WIA dollars, as well as provide greater flexibility and increased capacity to respond to employers' and participants' training needs.

I am confident this waiver request meets the prescribed requirements of the U.S. Department of Labor (USDOL) and I look forward to your approval.

If you have questions, please contact me by telephone at (517) 241-3278 or by e-mail at quinnc1@michigan.gov.

Sincerely,

SIGNED

Christine Quinn, Director
Workforce Development Agency

Attachment
CQ:JC:pv

cc: Adele Gagliardi, USDOL
Malcom Jackson, Federal Project Officer, USDOL
Mike Pohnl, Director, Strategic Opportunities
Gary Clark, Director, Talent Development Services
Mike Wurmlinger, Director, Audit and Financial Compliance
Stephanie Beckhorn, Manager, WIA Section
Janice Cooper, WIA Specialist
Chelsea Mates, WIA Analyst

The State of Michigan seeks approval of statutory waivers in accordance with the WIA Section 189(i)(4)(B) and the WIA Regulations at 20 CFR 661.420(c) for Program Years 2013 through 2017. These waiver requests will assist Michigan to further develop our workforce investment system while continuing to align our workforce development efforts. These requests are made under the Secretary's authority at the WIA Section 189(i) to waive certain requirements of the WIA Title I, Subtitles B and E, and Sections 8-10 of the Wagner-Peyser Act.

Statutory and/or regulatory requirements to be waived:

WIA Section 101(31)(B) and the WIA Regulation at 20 CFR 663.710

Michigan requests a waiver of the 50 percent limitation on employer reimbursements for On-the-Job Training. This waiver would allow employer reimbursements to be based on the length of time of the participant's dislocation from the workforce.

Actions undertaken to remove state or local statutory or regulatory barriers:

Currently, no state or local statutory or regulatory barriers exist.

Waiver goals and outcomes:

The requested On-the-Job Training waiver would permit employer reimbursement on an updated, graduated scale based on the length of time of the individual's dislocation from the workforce.

Since the end of the recession in June 2009, the number of unemployed individuals has fallen in Michigan, as well as nationally. Michigan's annual unemployment rate for 2012 was 9.1 percent compared to 8.1 percent nationally. As of May 2013, Michigan's 2013 unemployment rate was 8.4 percent, compared to 7.3 percent nationally. However, the long-term unemployed as a share of total unemployment has risen to near historical highs. Based on information provided by Michigan's Bureau of Labor Market Information and Strategic Initiatives, the average duration of unemployment in Michigan was approximately 42 weeks during 2012, which is still among the highest recorded level. In 2012, the number of unemployed workers in Michigan for 15 weeks or more was 241,000.

The unemployment figure does not include "discouraged workers, marginally attached workers, and individuals working part-time but wanting full-time work." The Bureau of Labor Statistics estimates that Michigan's 2012 Current Population Survey jobless rate of 9.1 percent would be 16.6 percent if all of the discouraged workers, marginally attached workers, and those working part-time but wanting full-time work were counted.

Through April 2013, prolonged unemployment was defined as 16 weeks or more and included half of Michigan's unemployed workers. From June 2011 through March 2012, 157,000 individuals had been out of work for more than 52 weeks. As the data identified long-term unemployed as 16 weeks or more, the state has aligned its graduated scale in similar fashion.

Thus, under the requested waiver, the following employer reimbursement amounts would be permitted: (1) up to 90 percent employer reimbursement for individuals dislocated from the workforce for 52 weeks, or more; (2) up to 75 percent employer reimbursement for individuals dislocated from the workforce for 16 – 51 weeks, and (3) for individuals dislocated from the workforce for less than 16 weeks, the current statutory requirements would continue to apply.

Current economic conditions and excessive long-term unemployment throughout Michigan has resulted in a reduction in the state's workforce, a perpetual decline in business productivity, and significant business restructuring and/or closures. This waiver allows local Workforce Investment Boards to provide additional assistance to area employers in creating jobs and attachment to the workforce for long-term dislocated workers. While Michigan's economy has seen some improvement, the state still continues to experience significant layoffs, with job creation at a minimum. Since long-term unemployed individuals have a proven work history, but lack the necessary skills employers require due to their extended absence from the workforce, compensation to offset the additional time needed to acquire or learn skills and their lower productivity due to equipment upgrades or changing job requirements is being offered until they can be brought back up to full productivity. This waiver provides assistance to employers by moving the benefit of job creation sooner, rather than later, by reimbursing the costs of training newly-hired workers, and by assisting longer-term dislocated workers by incentivizing employers to hire them.

This waiver aligns with Michigan's strategic plan, which calls for retaining, attracting, and matching our exceptional talent base with guidance from the needs of Michigan's growing employers. This is accomplished by improving talent matching (employment), and developing, attracting, and retaining talent through training.

Individuals impacted by the waiver:

This waiver may potentially impact all service delivery areas and their WIA participants.

Monitoring progress and implementation:

Annual WIA on-site programmatic reviews include an evaluation of how local waivers are being utilized and ensure programmatic goals and outcomes are being met. Fiscal monitoring is provided by the Workforce Development Agency's Office of Audit and Financial Compliance.

The WIA state coordinators, dedicated to the administration of the WIA programs, will continually examine the effectiveness of waivers throughout the program year. This strategy will ensure that the goals of the waiver, as well as those outlined in the existing state and local WIA and Wagner-Peyser strategic plans, are consistent with the established objectives of the WIA and federal and state regulations.

Notice to local boards and public comment:

In accordance with the WIA Regulations at 20 CFR 661.230(d), which provides requirements for public review and comment, Michigan's waiver request is posted at

http://www.michigan.gov/wda/0,5303,7-304-64178---,00.html for comment and review by local Workforce Investment Boards and the general public.

Copies of this waiver request were provided to all local boards and their association. Any comments received will be forwarded to the USDOL and included as a modification to the State's Comprehensive Five-Year Plan.

Statutory and/or regulatory requirement to be waived:

WIA Section 133(b)(4)

Michigan requests a waiver from the existing funds transfer limitation governing transfers between the Adult and Dislocated Worker funding streams.

The requested waiver will increase the allowable transfer amount for the Adult and Dislocated Worker funding streams for funds allocated to local areas. The waiver will allow local areas to transfer up to 75 percent of funds between the Adult and Dislocated Worker funding streams.

Actions undertaken to remove state or local statutory or regulatory barriers:

Currently, no state or local statutory or regulatory barriers exist.

Waiver goals and outcomes:

This waiver will maximize the impact of the WIA dollars, which have been significantly reduced, by allowing both the Adult and Dislocated Worker programs to more efficiently and effectively respond to changing demands for training and by increasing their capacity to respond to individual participant training needs. Responsiveness and funding flexibility in the workforce investment system has become a necessity in Michigan's current economic climate.

Goals and outcomes for this waiver include:

- Improving the ability of local Workforce Investment Boards to develop workforce strategies that align with economic realities within their service delivery areas;
- Increasing local flexibility over program delivery;
- Improving the ability of local Workforce Investment Boards to design programs in response to the needs of their customers; and
- Enhancing local Workforce Investment Boards' ability to respond to fluctuating needs for training services.

This waiver aligns with our state's mission to provide the tools and environment necessary to drive job creation and investment, which will be accomplished by continuing to focus on a

demand-driven employment strategy, reorganizing around major industries, and leveraging resources to provide better employment services.

Individuals impacted by the waiver:

This waiver may potentially impact all service delivery areas and their WIA participants. During Program Year 2012, seventeen of the twenty-five local areas requested and received a waiver to transfer funds between the Adult and Dislocated Worker programs in excess of the 30 percent statutory maximum allowed under the WIA.

Monitoring progress and implementation:

Annual WIA on-site programmatic reviews include an evaluation of how local waivers are being utilized and ensure programmatic goals and outcomes are being met. Fiscal monitoring is provided by the Workforce Development Agency's Office of Audit and Financial Compliance.

The WIA state coordinators, dedicated to the administration of the WIA programs, will continually examine the effectiveness of waivers throughout the program year. This strategy will ensure that the goals of the waiver, as well as those outlined in the existing state and local WIA and Wagner-Peyser strategic plans, are consistent with the established objectives of the WIA, federal and state regulations.

Notice to local boards and public comment:

In accordance with the WIA Regulations at 20 CFR 661.230(d), which provides requirements for public review and comment, Michigan's waiver request is posted at http://www.michigan.gov/wda/0,5303,7-304-64178---,00.html for comment and review by local Workforce Investment Boards and the general public.

Copies of this waiver request were provided to all local boards and their association. Any comments received will be forwarded to the USDOL and included as a modification to the State's Comprehensive Five-Year Plan.

The State of Michigan seeks approval of statutory waivers in accordance with the WIA Section 189(i)(4)(B) and the WIA Regulations at 20 CFR 661.420(c) for Program Year 2013. The waiver requests will ensure that Michigan can prioritize the use of Governor's Reserve funds for the required activities deemed most essential to the basic functions of the workforce investment system. These requests are made under the Secretary's authority at the WIA Section 189(i) to waive certain requirements of the WIA Title I, Subtitles B and E, and Sections 8-10 of the Wagner-Peyser Act.

Statutory and/or regulatory requirements to be waived:

WIA Section 134(a)(2)(B)(ii) and 20 CFR 665.200(e)

Amended Request

The State of Michigan seeks approval of a statutory waiver in accordance with the Workforce Investment Act (WIA) Section 189(i)(4)(B) and the WIA Regulations at 20 CFR 661.420(c) for Program Year (PY) 2013. This waiver request will assist Michigan to further develop our workforce investment system while continuing to align our workforce development efforts. This request is made under the Secretary's authority at the WIA Section 189(i) to waive certain requirements of the WIA Title I, Subtitles B and E, and Sections 8-10 of the Wagner-Peyser Act.

Statutory and/or regulatory requirement to be waived:

WIA Section 133(b)(4)

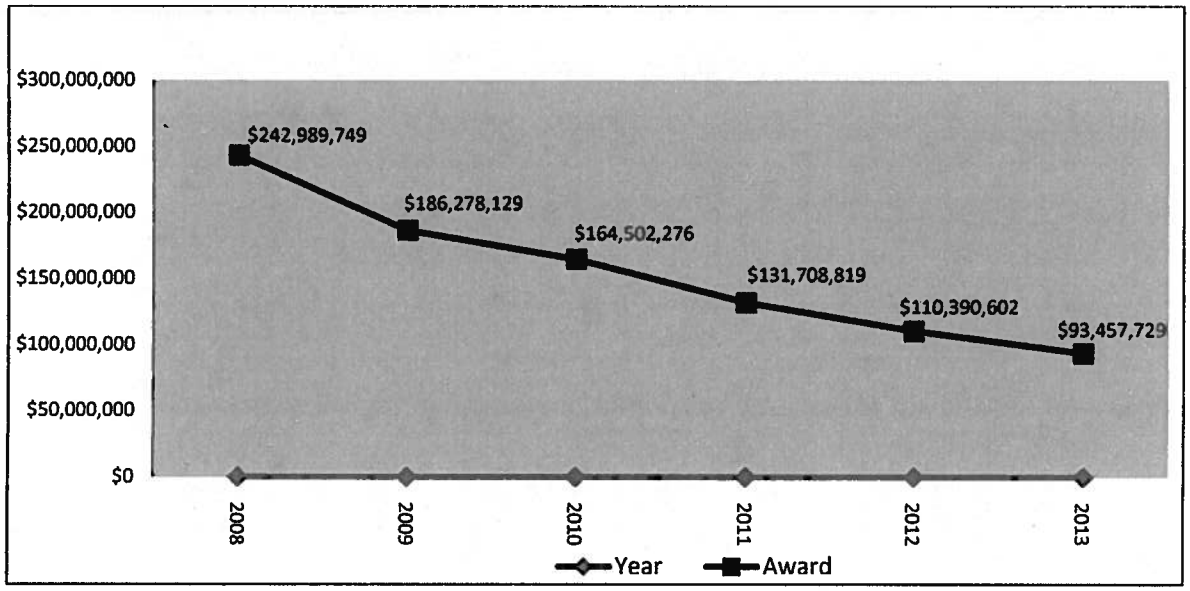
Michigan requests a waiver from the existing funds transfer limitation governing transfers between the Adult and Dislocated Worker (DW) funding streams.

The requested waiver will increase the allowable transfer amount for the Adult and DW funding streams for funds allocated to local areas. The waiver will allow local areas to transfer up to 75 percent of funds between the Adult and DW funding streams.

Waiver goals and outcomes:

The State of Michigan is seeking this waiver due to reductions in PY 2013 WIA allotments, as required by the Balanced Budget and Emergency Deficit Control Act of 1985. Since PY 2008, Michigan's formula allocation has steadily declined by -57 percent, resulting in decreased allocations to all of our Michigan Works! One-Stop centers.

The following graph depicts the yearly decline in funding from PY 2008 through PY 2013.



The following chart depicts the WIA State funding reductions as a percentage over the previous five years.

Year	Award	Decrease from Prior Year
2008	$242,989,749	
2009	$186,278,129	-23%
2010	$164,502,276	-12%
2011	$131,708,819	-20%
2012	$110,390,602	-16%
2013	$93,457,729	-15%

For Program Year 2013, Michigan's base allocation for the Adult program was $593,052 and $2,279,977 for the Dislocated Worker program. Local areas, especially areas with large numbers of participants, are unlikely to have sufficient base funds to meet the demand for services during the initial quarter, and would need to transfer significant funding between funding streams to meet local needs.

For example, the Detroit Employment Solutions Corporation, which covers City of Detroit, received a base allocation of only $98,234 to serve 6,297 Adult participants and only $436,594 to serve 1,548 Dislocated Worker participants during the initial quarter of the current Program Year. This level of funding is not enough to cover even basic core services for participants located in one of Michigan's hardest-hit areas, with overall employment exceeding ten percent. Having the flexibility to transfer as much as 75 percent of the funds between funding streams based on local need, will help to resolve some of the funding shortfall issues, depending on each areas mix of participants.

When funds are received, the state applies its formulas to distribute each grant to the local areas. The factors in the state's formulas (similar to the national formulas applied to the states' allotments), results in some local areas gaining or losing funds from one year to the next. The effect can be especially severe in the Dislocated Worker program, where no hold harmless provision is built into the formula. The state-level formula effects, coupled with the overall cuts in funding described above, (-57 percent over five years) have further exacerbated funding reductions within all of our local areas.

For some local areas, the transfer limitation of 50 percent allowed during Program Year 2012 when compared to a requested transfer limitation of 75 percent in Program Year 2013, demonstrates that the even with the ability to transfer funds at the 75 percent level, there are still fewer funds that can be transferred between the two programs. Ottawa County Michigan Works! Dislocated Worker program allocation provides an example, as detailed below.

PY 2012 Total Dislocated Worker Allocation	Dislocated Worker Transfer Limitation at 50%	PY 2013 Total Dislocated Worker Allocation	Dislocated Worker Transfer Limitation at 75%
$767,103	$383,552	$427,603	$320,702

For Program Year 2013, funding in all of the local areas was reduced, as detailed in the table below. The table summarizes the allocations of Adult and Dislocated Worker funding for each local area in PY 2012 compared to PY 2013, with those areas facing cuts at or above the statewide average within each funding stream highlighted in bold. At a minimum, these are the areas anticipated to require the greatest flexibility to transfer funds between the two funding sources.

Adult and DW Allocations
Program Year 2012 versus Program Year 2013

Local Area		Adult Allocation PY 2012	Adult Allocation PY 2013	% Reduction	DW Allocation PY 2012	DW Allocation PY 2013	% Reduction
ACSET		**$ 1,851,338**	**$ 1,569,599**	-15%	**$ 1,828,354**	**$ 1,271,237**	**-30%**
Berrien		$ 949,959	$ 814,875	-14%	$ 884,528	$ 707,234	-20%
Calhoun		**$ 692,417**	**$ 588,688**	-15%	**$ 662,991**	**$ 472,467**	**-29%**
Capital Area		$ 1,203,698	$ 1,046,869	-13%	$ 1,084,655	$ 877,751	-19%
Central Area	*	$ 836,310	$ 749,428	-10%	$ 673,727	$ 626,895	-7%
DESC	*	**$ 5,894,496**	**$ 4,921,911**	**-16%**	$ 4,072,783	$ 3,636,310	-11%
Eastern UP	*	**$ 297,154**	**$ 233,144**	**-22%**	$ 196,408	$ 165,617	-16%
Genessee/Shiawassee	*	$ 1,719,212	$ 1,464,292	-15%	**$ 1,508,338**	**$ 1,178,662**	**-22%**
Great Lakes		$ 1,211,345	$ 1,036,251	-14%	$ 1,022,038	$ 884,841	-13%
Job Force		$ 546,255	$ 582,100	7%	**$ 446,330**	**$ 354,158**	**-21%**
Kalamazoo		**$ 878,813**	**$ 714,694**	**-19%**	**$ 782,619**	**$ 620,678**	**-21%**
Livingston	*	$ 403,990	$ 385,602	-5%	**$ 453,538**	**$ 351,895**	**-22%**
Macomb		$ 3,101,368	$ 2,904,167	-6%	**$ 3,360,988**	**$ 2,631,247**	**-22%**
Muskegon		$ 747,842	$ 670,388	-10%	$ 605,611	$ 487,505	-20%
Northeast		**$ 630,273**	**$ 494,550**	**-22%**	$ 480,205	$ 437,960	-9%
Northwest		$ 990,056	$ 907,494	-8%	**$ 1,142,147**	**$ 761,573**	**-33%**
Oakland		$ 3,224,639	$ 2,906,797	-10%	$ 3,279,775	$ 2,704,249	-18%
Ottawa	*	**$ 583,197**	**$ 477,512**	**-18%**	**$ 767,103**	**$ 427,603**	**-44%**
Region 7B	*	$ 581,675	$ 518,472	-11%	$ 473,157	$ 405,510	-14%
SEMCA		**$ 3,271,783**	**$ 2,296,713**	**-30%**	**$ 3,599,024**	**$ 2,377,389**	**-34%**
South Central		**$ 1,297,139**	**$ 901,783**	**-30%**	**$ 878,040**	**$ 664,799**	**-24%**
Thumb	*	$ 772,268	$ 706,545	-9%	**$ 846,727**	**$ 655,782**	**-23%**
Washtenaw	*	**$ 740,945**	**$ 578,111**	**-22%**	$ 586,398	$ 508,067	-13%
West Central	*	$ 533,048	$ 471,350	-12%	$ 480,264	$ 423,290	-12%
Western UP		$ 318,757	$ 287,130	-10%	$ 244,447	$ 241,254	-1%
Total		**$ 33,277,977**	**$ 28,228,465**	**-15%**	**$ 30,360,195**	**$ 23,873,973**	**-21%**

** Denotes local areas that currently have approved waivers to transfer up to 50 percent of their funds between Adult & DW.*

With the additional reductions for PY 2013, Michigan's ability to effectively fund and carry out required workforce investment activities is now severely limited. Funding reductions have affected all areas of the State. Between PY 2008 through PY 2013, Michigan's total WIA funding has decreased by -57 percent, with local areas experiencing significant funding reductions ranging anywhere between -40 and -67 percent.

This waiver will maximize the impact of the WIA dollars, which have been significantly reduced, by allowing both the Adult and DW programs to more efficiently and effectively respond to changing demands for training and by increasing their capacity to respond to individual participant training needs. The challenge that Adult and DW program participants face each year varies from region to region and over the course of a Program Year. Responsiveness and funding flexibility in the workforce investment system has become a necessity in Michigan's current economic climate.

Goals and outcomes for this waiver include:

- Allowing local Workforce Investment Boards to continue their obligations to participants enrolled in training prior to the rescissions made by Congress in order to complete their training activities;

- Allowing local Workforce Investment Boards to use available funding to increase services to specific populations as needs are identified and to redirect resources where demand is greatest; thereby providing a more efficient use of available resources;

- Providing Local Workforce Investment Boards the flexibility to respond to changes in their local labor markets and helps ensure that WIA funds are used in a way that maximizes customer service, while ensuring consistency with the levels of funding appropriate for WIA Adult and Dislocated Worker programs;

- Improving the ability of local Workforce Investment Boards to develop workforce strategies that align with economic realities within their service delivery areas;

- Increasing local flexibility over program delivery;

- Allowing local Workforce Investment Boards to design innovative programs and be responsive to businesses in a demand-driven environment;

- Improving the ability of local Workforce Investment Boards to design programs in response to the needs of their customers; and provide delivery of services to priority populations affected by the rescission; and

- Enhancing local Workforce Investment Boards' ability to respond to fluctuating needs for training services and to respond to employer needs for workers trained in employer specific skills.

This waiver aligns with our State's mission to provide the tools and environment necessary to drive job creation and investment, which will be accomplished by continuing to focus on a demand-driven employment strategy, reorganizing around major industries, and leveraging resources to provide better employment services.

Individuals impacted by the waiver:

This waiver may potentially impact all local service delivery areas and their WIA participants. During PY 2012, seventeen of the twenty-five local areas requested and received a waiver to transfer funds between the Adult and DW programs in excess of the 30 percent statutory maximum allowed under the WIA. Currently, thirteen of our local areas have requested waivers for PY 2013 through PY 2016, but it is anticipated that all twenty-five of our local areas will request this waiver prior to the end of the current program year.

Michigan requests a waiver from the requirement to provide incentive grants to Local Workforce Investment Areas.

Actions undertaken to remove state or local statutory or regulatory barriers:

Currently, no state or local statutory or regulatory barriers exist.

Waiver goals and outcomes:

Congressional action decreased the percentage of Governor's Reserve funding from 15 to 5 percent for Program Year 2012. Additionally, discretionary funding reductions for Program Year 2013, as required by Section 251A of the Balanced Budget and Emergency Deficit Control Act, as amended, further negatively impacted funding for the WIA and Wagner-Peyser Act programs. Consequently, funding is now severely limited while state-level administrative costs for our fiscal management and accountability system, program and fiscal monitoring, and technical assistance to the One-Stop delivery system continue to rise, further restricting the ability to effectively fund and carry-out all of the required statewide workforce investment activities. The current funding level for this program year and the anticipated funding levels for future program years are insufficient to cover the costs of providing incentive grants. Our goal in seeking this waiver is to ensure that the state can prioritize the use of limited Governor's Reserve funds for the required activities deemed most essential to the basic functions of the workforce investment system.

Justification and estimated costs to carry out the required activity:

Michigan has seen an 80 percent reduction in Governor's Reserve funds since Program Year 2009. The state has implemented cost saving measures and significantly reduced costs associated with maintaining the state's list of eligible training providers and the capturing of customer satisfaction information from customers and employers, as required under the WIA performance measures. Funding utilized for incentive grants and other statewide activities has also been proportionately reduced.

Additional funding reductions further restrict Michigan's ability to effectively fund and carry out all of the required statewide workforce investment activities; severely limit the state's ability to provide support to programs targeting Michigan's hard-to-serve populations and those deemed essential to the basic functions of the workforce investment system; and significantly reduces support for workforce reinvention strategies specifically targeted toward our youth and other priority populations.

The State of Michigan is seeking this waiver because the state is unable to provide any meaningful incentives within the constraints of our current funding and with the further funding reductions due to sequestration. Historically, Michigan has set aside anywhere from $300,000 to $1,000,000 to provide incentives to high-performing Michigan Works! Agencies. For Program Years 2011 and 2012, incentive funds to high-performing Michigan Works! Agencies were reduced to $50,000. With the reduction in Governor's Reserve funds from 15 percent to 5 percent, along with the sequestration reductions, maintaining even the Program Year 2012 level of commitment to award incentives now represents an even greater portion of our total statewide

activity funds. While the reduction meets the letter of the law, the incentive awards are no longer meaningful, as the majority of Michigan's Michigan Works! Agencies continue to meet or exceed their performance measures. In Program Year 2012, twenty (out of a total of twenty-five) Michigan Works! Agencies received incentive awards, ranging from $650 to $8,250.

This waiver will provide the state with flexibility in directing the Governor's Reserve funds to those activities and priorities that best preserve the federally mandated functions of the statewide workforce investment system while meeting key actions outlined by the Governor. The cost savings associated with the waiver will help to offset further reductions in the WIA services funded with statewide activity funds, including services targeted to priority and hard-to-serve populations, as well as continue funding in support of Michigan's One-Stop delivery system.

How statewide funds are being used and prioritized to carry out required activities:

The state's reduced funds are currently being used to cover the required activities outlined under the WIA Regulations at 20 CFR 665.200:

- Required rapid response activities, as described in Section 665.310;
- Disseminating:
    - The state's list of eligible providers of training services (including those providing non-traditional training services) for adults and dislocated workers;
    - Information identifying eligible providers of On-the-Job Training and customized training;
    - Performance and program cost information about these providers, as described in 20 CFR 663.540; and
    - The list of eligible providers of youth activities, as described in WIA Section 123.
- Providing technical assistance to local areas that fail to meet local performance measures;
- Operating a fiscal and management accountability system, based on guidelines established by the Secretary after consultation with the Governors, chief elected officials, and One-Stop partners, as required by the WIA Section 136(f); (the WIA Sections 129(b)(2), 134(a)(2), and 136(e)(2)).

Even with the cost savings already achieved, continued funding of incentive grants further reduces funding for the WIA-mandated activities identified above. The state will continue to capture and report performance outcome information for the WIA participants.

How statewide funds are being used to carry out allowable activities:

In addition to funding the above-referenced WIA-mandated activities, Governor's Reserve funds are being used for those activities deemed most essential to the basic functions of the workforce investment system, including oversight of the local Workforce Investment Boards and the WIA programs. Governor's Reserve funds are used to support programs targeting Michigan's hard-to-serve populations and to support projects under the Michigan Industry Cluster Approach.

Carry-over funds in the amount of $5,962,039 from Program Years 2011 and 2012 are obligated for the following allowable activities during Program Year 2013:

- Earn and Learn Initiative. Michigan's Earn and Learn Initiative is a public-private partnership which offers comprehensive transitional job programs to low-income, disconnected, at-risk youth (ages 18-24) – especially young minority males, returning citizens, and other chronically unemployed adults residing in five of the state's most distressed urban areas.

- Support for local projects to support demand-driven strategies under the Michigan Industry Cluster Approach. A demand-driven workforce development system contributes to the state's economic vitality though the provision of workforce training and services that meet the needs of targeted business sectors and employers. Collaboration among the Workforce Development Agency, Michigan Works! Agencies, education and training providers, and industry is key to maximizing resources. The Capital Area Manufacturing Council is a project funded under the Michigan Industry Cluster Approach.

- Capacity Building and Professional Development Funds to Michigan Works! Agencies. Activities supported by these funds assist in addressing the goals of local strategic plans and the needs of local employers for a trained workforce. The funding is awarded regionally but benefits the entire workforce investment system. Funds may be utilized for, but not limited to, supporting state and local partnerships, developing and improving local program performance and goals, and assisting ongoing system development and proficiency, including professional development and technical assistance.

- Military to Medic to Paramedic (M2P) Training Program for Returning U.S. Veterans. Recognized as a national model, the program addresses business and employer demand for paramedics, while also addressing the major unemployment of returning U.S. veterans, some of whom have served as military medics. The project will demonstrate and evaluate the ability to implement a modified curriculum to assess the training and experience of a military medic against the currently required curriculum for licensure as a paramedic in Michigan.

Extent to which current level of funding is insufficient – financial analysis:

Our budget covering state-level administration is running at a deficit. The state is not filling vacant positions within the WIA section and has also curtailed travel as a means of further reducing costs. We are utilizing technology when and wherever possible to provide training and

technical assistance to our Michigan Works! Agencies. Even with these cost saving measures in place, our ability to conduct program reviews and fiscal monitoring, maintain our One-Stop Management Information System, and to provide training and technical assistance is severely limited. The state has eliminated duplication and has streamlined administrative processes to maintain as much funding as possible to provide services to the WIA-eligible participants.

Table 1 provides a detailed financial analysis of funding obligations and activities.

Anticipated impact of not funding the activity:

Funds are put to a better and more proven use by allowing the state to continue providing technical assistance and training to the entire workforce investment system and to provide continued funding in support of Michigan's One-stop delivery system. Michigan continuously provides technical assistance and training to all Michigan Works! Agencies and service providers, as well as individual technical assistance and training targeted towards each. We are utilizing technology at the state level when, and wherever possible, to provide training and technical assistance to our Michigan Works! Agencies.

Continued funding to support Michigan's One-Stop delivery system will allow Michigan Works! Agencies to provide high-quality services through the One-Stop delivery system via enhanced technologies. Decisions about how we invest our workforce dollars to provide services to both employers and jobseekers should be based on up-to-date data. Access to quality and timely data allows in-depth analysis and on-going monitoring of workforce and economic trends, thereby allowing the One-Stop delivery system to be even more responsive to employers' and jobseekers' needs.

Enhanced technologies will result in cost savings over the long-term, by allowing the One-Stop delivery system to conserve limited resources by reducing the amount of travel between One-Stop Centers and by allowing access to web-based training and meetings. Use of enhanced technology and automated systems will allow for the establishment of electronic data connectivity to support information sharing and electronic transfer of program-specific data into individual reporting systems for the entire Michigan Works! system.

Currently, the funding that each Michigan Works! Agency receives as an incentive is insignificant in comparison to the value and positive impact of technical assistance and training provided to the entire One-Stop system, with the end result being positive programmatic performance outcomes. This waiver will provide greater flexibility by allowing the State to redirect Governor's Reserve funds to maintain the current level of technical assistance provided directly to the entire workforce system, resulting in improved service delivery to our WIA-eligible participants.

Individuals impacted by the waiver:

The ability to maintain, rather than reduce, the current level of training for our service providers, particularly the individuals working directly with participants, is important and extremely valuable. It not only improves services to participants, but it ensures that the state is following

all applicable rules and regulations. Enhanced technology allows increased accessibility to training by the entire One-Stop delivery system.

Monitoring progress and implementation:

The state monitors progress and ensures accountability for federal funds in connection with this waiver by reviewing quarterly expenditure, performance, and other reports, through regular contact with Employment and Training Administration Regional Office liaisons, and through its' monitoring and performance accountability system.

Notice to local boards and public comment:

In accordance with the WIA Regulations at 20 CFR 661.230(d), which provides requirements for public review and comment, Michigan's waiver request is posted at http://www.michigan.gov/wda/0,5303,7-304-64178---,00.html for comment and review by local Workforce Investment Boards and the general public.

Copies of this waiver request were provided to all local boards and their association. Any comments received will be forwarded to the USDOL and included as a modification to the State's Comprehensive Five-Year Plan.

Statutory and/or regulatory requirements to be waived:

WIA Section 129(B)(2)(C) and 20 CFR 665.200(h) to exempt the state from the requirement to provide additional assistance to local areas that have a high concentration of eligible youth

Michigan requests a waiver from the requirement to provide additional assistance to local areas that have high concentrations of eligible youth.

Actions undertaken to remove state or local statutory or regulatory barriers:

Currently, no state or local statutory or regulatory barriers exist.

Waiver goals and outcomes:

Congressional action decreased the percentage of Governor's Reserve funding from 15 to 5 percent for Program Year 2012. Additionally, discretionary funding reductions for Program Year 2013, as required by Section 251A of the Balanced Budget and Emergency Deficit Control Act, as amended, further negatively impacted funding for the WIA and Wagner-Peyser Act programs. Consequently, funding is now severely limited while state-level administrative costs for our fiscal management and accountability system, program and fiscal monitoring, and technical assistance to the One-Stop delivery system continue to rise, further restricting the ability to effectively fund and carry-out all of the required statewide workforce investment activities. Current and anticipated funding levels for this, and future program years, are insufficient to cover the full cost of providing grants to local areas with high concentrations of eligible youth. Our goal in seeking this waiver is to ensure that the state can prioritize the use of

limited Governor's Reserve funds for the required activities deemed most essential to the basic functions of the workforce investment system.

Justification and estimated costs to carry out the required activity:

Michigan has seen an 80 percent reduction in Governor's Reserve funds since Program Year 2009. The state has implemented cost saving measures and significantly reduced costs associated with maintaining the state's list of eligible training providers and the capturing of customer satisfaction information from customers and employers, as required under the WIA performance measures. Funding utilized to provide additional assistance to local areas that have high concentrations of eligible youth has also been proportionally reduced.

Additional funding reductions further restrict Michigan's ability to effectively fund and carry out all of the required statewide workforce investment activities; severely limit the state's ability to provide support to programs targeting Michigan's hard-to-serve populations and those deemed essential to the basic functions of the workforce investment system; and significantly reduce support for workforce reinvention strategies specifically targeted toward our youth and other priority populations.

The reduction in funds has greatly affected the state's ability to provide meaningful grants to areas with high concentrations of eligible youth. Historically, Michigan has set aside anywhere from $100,000 to $300,000 to provide grants for areas with high concentrations of eligible youth. For Program Year 2012, Michigan only was able to set aside $42,000 for these grants. With the reduction in Governor's Reserve funds from 15 percent to 5 percent, along with the sequestration reductions, maintaining even the Program Year 2012 level of commitment now represents an even more significant portion of available funds. For Program Year 2012, the state raised the percentage of concentrated youth in our distribution formula from 2.0 to 3.7 percent, resulting in grants to just four local areas, with grants ranging from $6,000 to $21,600. Previously, grants for high concentrations of youth were awarded to no less than twelve (out of a total of twenty-five) Michigan Works! Agencies. The State of Michigan is seeking this waiver because the state cannot continue to provide meaningful grants within the constraints of our current funding levels and further reductions due to sequestration.

Based on the formula allocation factor that allocates one-third of Michigan's youth funds on the basis of the relative number of disadvantaged youth, funds are already being directed at Local Workforce Investment Areas with high concentrations of eligible youth. Additional funds are also provided for specific programs targeted toward hard-to-serve youth, such as Michigan's Earn and Learn Initiative. Local areas also have the option to focus on hard-to-serve youth by increasing expenditures for out-of-school youth above the 30 percent threshold, thus ensuring that the youth most in need are prioritized.

This waiver will provide the state with flexibility in directing the Governor's Reserve funds to those activities and priorities that best preserve the federally mandated functions of the statewide workforce investment system while meeting key actions outlined by the Governor. The cost savings associated with the waiver would help offset further reductions in the WIA services

funded with statewide activity funds, including services targeted to priority and hard-to-serve populations and continued funding to support Michigan's One-Stop delivery system.

How statewide funds are being used and prioritized to carry out required activities:

The state's reduced funds are currently being used to cover the required activities outlined under the WIA Regulations at 20 CFR 665.200:

- Required rapid response activities, as described in Section 665.310;
- Disseminating:
    - The state's list of eligible providers of training services (including those providing non-traditional training services) for adults and dislocated workers;
    - Information identifying eligible providers of On-the-Job Training and customized training;
    - Performance and program cost information about these providers, as described in 20 CFR 663.540; and
    - The list of eligible providers of youth activities, as described in the WIA Section 123.
- Providing technical assistance to local areas that fail to meet local performance measures;
- Operating a fiscal and management accountability system, based on guidelines established by the Secretary after consultation with the Governors, chief elected officials, and One-Stop partners, as required by the WIA Section 136(f); (the WIA Sections 129(b)(2), 134(a)(2), and 136(e)(2)).

Even with the cost savings already achieved, continued funding for grants to provide additional assistance to areas with high concentrations of youth further reduces funding for the WIA-mandated activities identified above. The state will continue to capture and report performance outcome information for the WIA participants.

How statewide funds are being used to carry out allowable activities:

In addition to funding the above-referenced WIA-mandated activities, Governor's Reserve funds are being used for those activities deemed most essential to the basic functions of the workforce investment system, including oversight of the local Workforce Investment Boards and the WIA programs. Governor's Reserve funds are used to support programs targeting Michigan's hard-to-serve populations and to support projects under the Michigan Industry Cluster Approach.

Carry-over funds in the amount of $5,962,039 from Program Years 2011 and 2012 are obligated for the following allowable activities during Program Year 2013:

- Earn and Learn Initiative. Michigan's Earn and Learn Initiative is a public-private partnership which offers comprehensive transitional job programs to low-income, disconnected, at-risk youth (ages 18-24) – especially young minority males, returning citizens, and other chronically unemployed adults residing in five of the state's most distressed urban areas.

- Support for local projects to support demand-driven strategies under the Michigan Industry Cluster Approach. A demand-driven workforce development system contributes to the state's economic vitality though the provision of workforce training and services that meet the needs of targeted business sectors and employers. Collaboration among the Workforce Development Agency, Michigan Works! Agencies, education and training providers, and industry is key to maximizing resources. The Capital Area Manufacturing Council is a project funded under the Michigan Industry Cluster Approach.

- Capacity Building and Professional Development Funds to Michigan Works! Agencies. Activities supported by these funds assist in addressing the goals of local strategic plans and the needs of local employers for a trained workforce. The funding is awarded regionally, but benefits the entire workforce investment system. Funds may be utilized for, but not limited to, supporting state and local partnerships, developing and improving local program performance and goals, and assisting ongoing system development and proficiency, including professional development and technical assistance.

- Military to Medic to Paramedic (M2P) Training Program for Returning U.S. Veterans. Recognized as a national model, the program addresses business and employer demand for paramedics, while also addressing the major unemployment of returning U.S. veterans, some of whom have served as military medics. The project will demonstrate and evaluate the ability to implement a modified curriculum to assess the training and experience of a military medic against the currently required curriculum for licensure as a paramedic in Michigan.

Extent to which current level of funding is insufficient – financial analysis:

Our budget covering state-level administration is running at a deficit. The state is not filling vacant positions within the WIA section and has also curtailed travel as a means of further reducing costs. We are utilizing technology when, and wherever possible, to provide training and technical assistance to our Michigan Works! Agencies. Even with these cost saving measures in place, our ability to conduct program reviews and fiscal monitoring, maintain our One-Stop Management Information System, and our ability to provide training and technical assistance is severely limited. The state has eliminated duplication, and has streamlined administrative processes, to maintain as much funding as possible to provide services to the WIA-eligible participants.

Table 1 provides a detailed financial analysis of funding obligations and activities.
Anticipated impact of not funding the activity:

Funds are put to a better and more proven use by allowing the state to continue providing technical assistance and training to the entire workforce investment system and to provide continued funding in support of Michigan's One-Stop delivery system. Michigan continuously provides technical assistance and training to all Michigan Works! Agencies and service providers, as well as individual technical assistance and training targeted towards each. We are utilizing technology at the state level when and wherever possible to provide training and technical assistance to our Michigan Works! Agencies.

Continued funding to support Michigan's One-Stop delivery system will allow Michigan Works! Agencies to provide high-quality services through the One-Stop delivery system via enhanced technologies. Decisions about how we invest our workforce dollars to provide services to both employers and jobseekers should be based on up-to-date data. Access to quality and timely data allows in-depth analysis and on-going monitoring of workforce and economic trends, thereby allowing the One-Stop delivery system to be even more responsive to employers' and jobseekers' needs.

Enhanced technologies will result in cost savings over the long-term by allowing the One-Stop delivery system to conserve limited resources by reducing the amount of travel between One-Stop centers and by allowing access to web-based training and meetings. Use of enhanced technology and automated systems will allow for the establishment of electronic data connectivity to support information sharing and electronic transfer of program-specific data into individual reporting systems for the entire Michigan Works! system.

Currently, the funding that areas with high concentrations of youth receive is insignificant in comparison to the value and positive impact of technical assistance and training provided to the entire One-Stop system, with the end result being positive programmatic performance outcomes. This waiver will provide greater flexibility by allowing the state to redirect Governor's Reserve funds to maintain the current level of technical assistance provided directly to the entire workforce system, resulting in improved service delivery to our WIA-eligible participants.

Individuals impacted by the waiver:

The ability to maintain, rather than reduce, the current level of training for our service providers, particularly the individuals working directly with participants, is important and extremely valuable. It not only improves services to participants but it ensures that the state is following all applicable rules and regulations. Enhanced technology allows increased accessibility to training by the entire One-Stop delivery system.

Monitoring progress and implementation:

The state monitors progress and ensures accountability for federal funds in connection with this waiver by reviewing quarterly expenditure, performance, and other reports, through regular

contact with Employment and Training Administration Regional Office liaisons, and through its monitoring and performance accountability system.

Notice to local boards and public comment:

In accordance with the WIA Regulations at 20 CFR 661.230(d), which provides requirements for public review and comment, Michigan's waiver request is posted at http://www.michigan.gov/wda/0,5303,7-304-64178---,00.html for comment and review by local Workforce Investment Boards and the general public.

Copies of this waiver request were provided to all local boards and their association. Any comments received will be forwarded to the USDOL and included as a modification to the State's Comprehensive Five-Year Plan.

The State of Michigan seeks approval to extend a statutory waiver in accordance with the WIA Section 189(i)(4)(B) and the WIA Regulations at 20 CFR 661.420(c) for Program Year 2013. The waiver will assist Michigan to further develop our workforce investment system while continuing to align our workforce development efforts. This request is made under the Secretary's authority at the WIA Section 189(i) to waive certain requirements of the WIA Title I, Subtitles B and E, and Sections 8-10 of the Wagner-Peyser Act.

Statutory and/or regulatory requirements to be waived:

WIA Section 134(a)(2)(B)(ii) and 20 CFR 665.200(d)

Michigan requests a waiver from the requirement to conduct evaluations of the WIA activities for the Adult, Dislocated Worker, and Youth programs.

Actions undertaken to remove state or local statutory or regulatory barriers:

Currently, no state or local statutory or regulatory barriers exist.

Waiver goals and outcomes:

Congressional action decreased the percentage of Governor's Reserve funding from 15 to 5 percent for Program Year 2012. Additionally, discretionary funding reductions for Program Year 2013, as required by Section 251A of the Balanced Budget and Emergency Deficit Control Act, as amended, further negatively impacted funding for the WIA and Wagner-Peyser Act programs. Consequently, funding is now severely limited while state-level administrative costs for our fiscal management and accountability system, program and fiscal monitoring, and technical assistance to the One-Stop delivery system continue to rise, further restricting the ability to effectively fund and carry-out all of the required statewide workforce investment activities. The current and anticipated funding levels for this, and future program years, is insufficient to cover the full cost of conducting evaluations of the WIA activities. Our goal in seeking this waiver is to ensure that the state can prioritize the use of limited Governor's Reserve funds for the required activities deemed most essential to the basic functions of the workforce investment system.

Justification and estimated costs to carry out the required activity:

Michigan has seen an 80 percent reduction in Governor's Reserve funds since Program Year 2009. Funding utilized for incentive grants and for providing additional assistance to local areas that have high concentrations of eligible youth has also been reduced proportionately. Additionally, the state has implemented cost saving measures, significantly reducing costs associated with maintaining the state's list of eligible training providers and with the capturing of customer satisfaction information for customers and employers, as required under the WIA performance measures.

Based on costs associated with previous evaluations, it is estimated that evaluation costs would range anywhere between $500,000 and $850,000, or approximately 18 percent of available Governor's Reserve funds. Even with the cost savings already achieved, continued funding of the evaluation component would significantly reduce funding for One-Stop operations, one of the areas that the state has strategically targeted and prioritized.

Funding reductions restrict Michigan's ability to effectively fund and carry out all of the required statewide workforce investment activities; severely limit our ability to provide support to programs targeting Michigan's hard-to-serve populations and those deemed essential to the basic functions of the workforce investment system; and further reduce support for workforce reinvention strategies specifically targeted towards our youth.

This waiver will provide the state with more flexibility in directing Governor's Reserve funds to those activities and priorities that best preserve the functions of the statewide workforce investment system while meeting key actions outlined by the Governor. The cost savings associated with this waiver would help offset further reductions in the WIA services funded with statewide activity funds.

How statewide funds are being used and prioritized to carry out required activities:

The state's reduced funds are currently being used to cover the required activities outlined under the WIA Regulations at 20 CFR 665.200:

- Required rapid response activities, as described in Section 665.310;
- Disseminating:
    - The state's list of eligible providers of training services (including those providing non-traditional training services) for adults and dislocated workers;
    - Information identifying eligible providers of On-the-Job Training and customized training;

- Performance and program cost information about these providers, as described in 20 CFR 663.540; and

- The list of eligible providers of youth activities, as described in the WIA Section 123.

- Providing technical assistance to local areas that fail to meet local performance measures;

- Operating a fiscal and management accountability system, based on guidelines established by the Secretary after consultation with the Governors, chief elected officials, and One-Stop partners, as required by the WIA Section 136(f); (the WIA Sections 129(b)(2), 134(a)(2), and 136(e)(2)).

Even with the cost savings already achieved, utilization of funds to conduct evaluations further reduces funding for the WIA-mandated activities identified above. Michigan continues to face higher than average levels of unemployment, resulting in high usage of our One-Stop system.

An extension of this waiver will provide the state with flexibility in directing the Governor's Reserve funds to those activities and priorities that best preserve the federally mandated functions of the statewide workforce investment system, while meeting key actions outlined by the Governor. The cost savings associated with the waiver will help to offset further reductions in the WIA services funded with statewide activity funds, including services targeted to priority and hard-to-serve populations, and provide continued funding in support of Michigan's One-Stop delivery system. Funding for our One-Stop delivery system must continue to be provided to meet both employer and jobseeker needs, in order to continue to grow our economy and create more and better jobs, as outlined in the Governor's reinvention strategy.

The State will continue to capture and report performance outcomes for the WIA participants.

How statewide funds are being used and prioritized to carry out allowable activities:

In addition to funding the above-referenced activities, Governor's Reserve funds are being used for those activities deemed most essential to the basic functions of the workforce investment system, including oversight of the local Workforce Investment Boards and the WIA programs. Governor's Reserve funds are utilized to support programs targeting Michigan's hard-to-serve populations and to support projects under the Michigan Industry Cluster Approach.

Carry-over funds in the amount of $5,962,039 from Program Years 2011 and 2012 are obligated for the following allowable activities during Program Year 2013:

- Earn and Learn Initiative. Michigan's Earn and Learn Initiative is a public-private partnership which offers comprehensive transitional job programs to low-income, disconnected, at-risk youth (ages 18-24) – especially young minority males, returning citizens, and other chronically unemployed adults residing in five of the state's most distressed urban areas.

- Support for local projects to support demand-driven strategies under the Michigan Industry Cluster Approach. A demand-driven workforce development system contributes to the state's economic vitality though the provision of workforce training and services that meet the needs of targeted business sectors and employers. Collaboration among the Workforce Development Agency, Michigan Works! Agencies, education and training providers, and industry is key to maximizing resources. The Capital Area Manufacturing Council is a project funded under the Michigan Industry Cluster Approach.

- Capacity Building and Professional Development Funds to Michigan Works! Agencies. Activities supported by the funding assist in addressing the goals of local strategic plans and the needs of local employers for a trained workforce. The funding is awarded regionally but benefits the entire workforce investment system. Funds may be utilized for, but not limited to, supporting state and local partnerships, developing and improving local program performance and goals, and assisting ongoing system development and proficiency, including professional development and technical assistance. In addition, a portion of the funds may be used to support LEAN training.

- Military to Medic to Paramedic (M2P) Training Program for Returning U.S. Veterans. Recognized as a national model, the program addresses business and employer demand for paramedics, while also addressing the major unemployment of returning U.S. veterans, some of whom have served as military medics. The project will demonstrate and evaluate the ability to implement a modified curriculum to assess the training and experience of a military medic against the currently required curriculum for licensure as a paramedic in Michigan.

Extent to which current level of funding is insufficient – financial analysis:

Our budget covering state-level administration is running at a deficit. The state is not filling vacant positions within the WIA section and has also curtailed travel as a means of further reducing costs. We are utilizing technology when and wherever possible to provide training and technical assistance to our Michigan Works! Agencies. Even with these cost saving measures in place, our ability to conduct program reviews and fiscal monitoring, maintain our One-Stop Management Information System, and to provide training and technical assistance is severely limited. The state has eliminated duplication and has streamlined administrative processes to maintain as much funding as possible to provide services to the WIA-eligible participants.

Table 1 provides a detailed financial analysis of funding obligations and activities.

Anticipated impact of not funding the activity:

Michigan anticipates that there will be no negative impact on programs or participants as a result of not funding this activity. This waiver impacts formal evaluations and will not affect our results on the WIA and Wagner-Peyser USDOL performance measures.

The State of Michigan conducts evaluations under the WIA Section 136(e) of workforce investment activities for adults, dislocated workers, and youth in order to establish and promote

methods for continuously improving such activities to achieve high-level performance within, and high-level outcomes from, the statewide workforce investment system. Evaluations include analysis of customer feedback, outcome and process measures for the workforce investment system, as required. Such evaluations are conducted in coordination with federal evaluations under the WIA Section 172, as practicable to the maximum extent.

Evaluation is a critical component of program services. Michigan will continue to evaluate the effectiveness of local programs by conducting comprehensive programmatic reviews for the entire Michigan Works! system. The WIA programmatic reviews ensure that the Michigan Works! system achieves quality program outcomes that meet the requirements and objectives of the WIA, and federal and state regulations. The WIA programmatic reviews provide guidance and direction to local programs in order to assist in providing quality workforce development services to our customers and provide a framework for continuous improvement efforts under the WIA. Program reviews also offer the opportunity for disseminating information about effective program practices to the entire Michigan Works! system.

The state uses the WIA performance accountability system established by the USDOL/Employment Training Administration to assess the effectiveness of local areas in achieving continuous improvement of workforce investment activities, in order to optimize the return on investment of the WIA funds. Reports detailing performance on all 17 measures are published quarterly for all local areas. These reports allow the state and local areas to monitor performance outcomes in order to establish trends and identify measures requiring corrective action. Furthermore, performance data is available at the contractor level. The WIA program staff monitors performance, identifies issues, and provides technical assistance, as needed.

In addition to utilizing the WIA performance accountability system, Michigan is investing time and resources to analyze existing workforce data through utilization of a dashboard system. The Michigan Talent Dashboard (http://www.michigan.gov/midashboard/0,4624,7-256-59624---,00.html) includes information on our employment, environmental, and other key initiatives related to our workforce investment system. The Michigan Works! System Dashboard provides information on key performance measures in aggregate form and then, further broken out by each of our local service delivery areas.

Michigan will continue to conduct the federally-mandated customer satisfaction surveys. The contract requires that 70 percent of 5,100 records containing information for both employers and participants be surveyed annually, exceeding USDOL's requirement of 500 surveys for each. Michigan Works! Agencies may request copies of the surveys to conduct follow-up, or to conduct analysis, on services provided through their contractors.

Individuals impacted by the waiver:

We anticipate limited to no impact by not funding the evaluation component. Since progress and outcomes of employers and jobseekers served through our workforce investment system will continue to be evaluated through the statutory WIA and Wagner-Peyser performance measures, the elimination of the evaluation component will not directly affect the WIA participant services. Through the strategic expenditure of statewide activity funding, funding to support programs

targeting Michigan's hard-to-serve populations will be maintained, rather than reduced. Funding for technical assistance and training for the entire workforce investment system, along with funding for advanced technologies for our One-Stop delivery system, will allow Michigan Works! Agencies to continue providing high-quality services to both employers and jobseekers. These identified activities offer the greatest positive impact on services to the WIA participants.

Monitoring progress and implementation:

The state monitors progress and ensures accountability for federal funds in connection with this waiver by reviewing quarterly expenditure, performance, and other reports, through regular contact with Employment and Training Administration Regional Office liaisons, and through its monitoring and performance accountability system.

Notice to local boards and public comment:

In accordance with the WIA Regulations at 20 CFR 661.230(d), which provides requirements for public review and comment, Michigan's waiver request is posted at http://www.michigan.gov/wda/0,5303,7-304-64178---,00.html for comment and review by local Workforce Investment Boards and the general public.

Copies of this waiver request were provided to all local boards and their association. Any comments received will be forwarded to the USDOL and included as a modification to the State's Comprehensive Five-Year Plan.

One hundred percent of Michigan's Governor's Reserve funds, including carry-forward funds from PYs 2011 and 2012, are obligated. The following tables provide an analysis of funding obligations (committed funds) through the end of Program Year 2012. Currently, funding levels are insufficient for continuation of state projects that assist targeted populations. For Program Year 2013, the Workforce Development Agency projects a shortfall of $942,000. The anticipated impact of not approving the waiver requests would be a significant funding reduction for One-Stop operations resulting in reduced hours of operation and additional One-Stop Service Center closures causing less services provided to businesses, the WIA program participants, and to individuals served through other co-located programs, such as Temporary Assistance to Needed Families. An additional impact would include the discontinuation of one or more key statewide projects, including projects targeted towards veterans and hard-to-serve populations. (**Note:** All remaining Program Year 2010 funding was obligated and expended prior to the end of Program Year 2012.)

Required Statewide Activities – Financial Analysis	
• Program Year 2013 Governor's Reserve (5%) funds set aside for contractual and state-level administrative commitments	$ 4,672,886
• Amount of carry-over funds from PYs 2011 and 2012 **	$ 5,962,039
• Total Governor's Reserve funding	$10,634,925
• Obligations for required activities including state-level administrative functions	$ 9,928,758
• Obligations for allowable activities	$ 706,167
• Total obligations for required state-level administration and allowable activities	$10,634,925
• Current Program Year 2013 Shortfall	$ 942,000
• Available Governor's Reserve Funds for Required/Allowable Activities	$ 0
Cost for evaluation, high concentration of youth, and incentive waiver requests	**$ 942,000**

*** Costs are taken from MAIN (the state's fiscal system).*

***Note:** Information is based on actual cash draws through May 13, 2013.*

The following tables depict Program Year 2011 and Program Year 2012 carry-forward, and Program Year 2013 funding obligations.

Program Year 2011 Activity	**Amount**
• State-Level Administration (State Admin Function)	$1,238,086
• Incentive Awards to Michigan Works! Agencies (Required)	$ 8,526
• Earn & Learn (Allowable)	$ 450,085
• Capital Area Manufacturing Council (Allowable)	$ 26,250
• Department of Information Technology (State Admin Function)	$ 100,000
• High Concentration of Youth (Required)	$ 8,308
Program Year 2011 Total Obligations:	**$1,831,255**

Table 1

Program Year 2012 Activity	Amount
• State-Level Administration (State Admin Function)	$1,586,998
• MIS Staff Costs (State Admin Function)	$ 890,423
• Customer Satisfaction Survey (Required)	$ 45,600
• Career Education Consumer Report (Required)	$ 127,980
• Michigan Works! Service Centers (Required)	$ 366,392
• Incentive Awards to Michigan Works! Agencies (Required)	$ 48,015
• Department of Information Technology (State Admin Function)	$ 331,971
• Capacity Building Program Year 2013 (Allowable)	$ 300,000
• Michigan Industry Cluster Approach (Allowable)	$ 137,765
• CECR for Program Year 2013(Required)	$ 170,640
• Customer Satisfaction for Program Year 2013 (Required)	$ 75,000
• LCC Veterans Project (Allowable)	$ 50,000
Program Year 2012 Total Obligations	**$4,130,784**

Program Year 2013 Activity	Amount
• State-Level Administration (State Admin Function)	$1,542,053
• MIS Staff Costs (State Admin Function)	$ 600,000
• Department of Information Technology (State Admin Function)	$1,000,000
• Michigan Works! Service Centers (Required)	$1,530,833
Program Year 2013 Total Obligations	**$4 ,672,886**