



August 20, 2021

The Honorable Gretchen Whitmer
Governor of Michigan
P.O. Box 30013
Lansing, MI 48909

Dear Governor Whitmer:

Thank you for your waiver request submissions to the U.S. Department of Labor (Department) regarding certain statutory and regulatory provisions of the Workforce Innovation and Opportunity Act (WIOA) and the accompanying plan to improve the statewide workforce development system (enclosed). The waiver requests were received on June 16, 2021. This letter provides the Employment and Training Administration's (ETA) official response to your requests and memorializes that Michigan will meet the outcomes and implement the measures identified in its plan to ensure accountability agreed to by Michigan and ETA. This action is taken under the Secretary's authority to waive certain requirements of WIOA Title I, Subtitles A, B, and E, and Sections 8–10 of the Wagner-Peyser Act in WIOA Section 189(i).

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

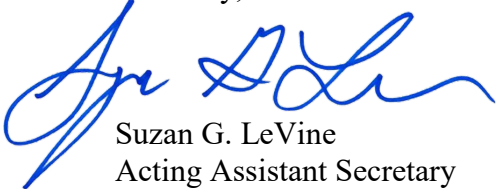
ETA Response: ETA approves for Program Year (PY) 2021, which includes the entire time period for which states are authorized to spend PY 2021 funds, the State's request to waive the requirement that the local area expend 75 percent of local youth formula funds on OSY. ETA reviewed the State's waiver request and plan and has determined that the requirements requested to be waived impede the ability of Michigan to implement its plan to improve the workforce development system. Michigan may lower the local youth funds expenditure requirement to 50 percent for OSY. As a result of this waiver, ETA expects that the number of in-school youth (ISY) served will increase and that performance accountability outcomes for overall WIOA Youth (including both ISY and OSY) will remain steady or increase for the majority of the WIOA Youth performance indicators.

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

ETA Response: ETA approves for PY 2021, which includes the entire time period for which states are authorized to spend PY 2021 funds, the State's request to eliminate the requirement that the State expend 75 percent of Governor's reserve youth funds on OSY. ETA reviewed the State's waiver request and plan and has determined that the requirements requested to be waived impede the ability of Michigan to implement its plan to improve the workforce development system.

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

Sincerely,



Suzan G. LeVine
Acting Assistant Secretary

Enclosure

cc: Stephanie Beckhorn, Director, Michigan Department of Labor and Economic
Opportunity
Rose Zibert, Chicago Acting Regional Administrator, Employment and
Training Administration
Carl Stahlheber, Federal Project Officer, Employment and Training Administration



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LABOR AND ECONOMIC OPPORTUNITY
LANSING

SUSAN CORBIN
ACTING DIRECTOR

June 16, 2021

The Honorable Marty Walsh, Secretary of Labor
U.S. Department of Labor (USDOL)
200 Constitution Avenue, NW
Washington, DC 20210

Dear Secretary Walsh:

The State of Michigan is submitting a modification request to our Workforce Innovation and Opportunity Act (WIOA) Unified State Plan. This request is submitted in accordance with Section 189(i)(3) and the WIOA Final Regulations at 20 Code of Federal Regulations 679.600 through 679.640. The enclosed document details the waiver requested by the State of Michigan.

This statutory waiver will assist the State to further develop our workforce investment system while continuing to focus on promoting a demand-driven system. Under this waiver, Michigan will be better positioned to equitably serve our state's vulnerable youth by eliminating the minimum Out-of-School Youth expenditure percentage mandate for Statewide Activities funding and lowering the minimum for young persons funded with WIOA Youth formula dollars. This waiver will allow maximum flexibility of funding to support evidence-based special projects that meet the vision and mission of the State and align with USDOL priorities. Additionally, this waiver request will maximize the impact of WIOA dollars, as well as provide greater flexibility and increased capacity to respond to participant needs. This request is being made under the Secretary's authority at WIOA Section 189(i)(3) to waive certain requirements of WIOA Title I.

If you have any questions or would like to discuss this further, please contact me at BeckhornS@michigan.gov. We appreciate your consideration of this request and look forward to a quick and positive response. Thank you.

Sincerely,

Stephanie Beckhorn, Director
Workforce Development

SB:CM:ph
Enclosure

cc: Stacy O'Keefe
Danielle Waddell
Mike Wurmlinger

Krista Johnson
Chelsea Mates
Carl Stahlheber

Michigan Department of Labor and Economic Opportunity Workforce Innovation and Opportunity Act (WIOA) Waiver Request

The Michigan Department of Labor and Economic Opportunity, Workforce Development (LEO-WD) seeks approval of the following statutory waiver in accordance with the federal WIOA of 2014 at Section 189(i)(3) and the WIOA Final Regulations at 20 Code of Federal Regulations (CFR) 679.600 thru 679.640. This waiver request will assist Michigan to further develop and strengthen its demand-driven workforce development system.

Statutory and/or Regulatory Requirement(s) to be Waived

The State of Michigan is seeking a waiver from the WIOA Section 129(a)(4)(A) and 20 CFR Part 681.410, which require not less than 75 percent of funds allotted to states under Section 127(b)(1)(C), reserved under Section 128(a), and available for statewide activities under subsection (b), and not less than 75 percent of funds available to local areas under subsection (c), shall be used to provide youth workforce investment activities for Out-of-School Youth (OSY). The state of Michigan is requesting:

- 1) to lower the minimum OSY expenditure requirement to 50 percent for formula funding at both the state and local levels; and
- 2) to eliminate the minimum OSY expenditure requirement for WIOA Statewide Activities funding when providing direct services to youth.

Every local Michigan Works! Agency is meeting or exceeding the previously approved 50 percent OSY expenditure minimum for Appropriation Years 2019 and 2020 WIOA Youth funding in compliance with the waivers approved in January of 2018 and June of 2020.

The State tracks these expenditures quarterly and annually in the Management of Awards to Recipients System. Should any area be identified as at-risk following a quarterly review, technical assistance is available and immediately provided.

Actions Undertaken to Remove State or Local Statutory or Regulatory Barriers

There are currently no state or local statutory or regulatory barriers to implementing the requested waiver. Current State of Michigan laws, regulations, and policies follow federal law, regulations, and guidance.

State Strategic Goals

Via implementation of this waiver, the State seeks to achieve the following strategic goals.

Increase flexibility of WIOA Statewide Activities and formula funding to support:

- The implementation of evidence-based programs and strategies;
- Progress toward closing the economic inequity gap;
- Meeting Governor Gretchen Whitmer's statewide post-secondary education goal of 60 percent of Michigan residents completing a post-secondary certificate or degree by the year 2030;
- Placing more of Michigan's citizens on the path to high-wage skills; and
- Increased college readiness.

These strategic goals align with Governor Gretchen Whitmer's priorities and the State's WIOA Unified Plan.

Alignment with U.S. Department of Labor (USDOL) Policy Priorities

This waiver request aligns with the following USDOL policy priorities, as found in the USDOL Fiscal Year 2018 – 2022 Strategic Plan and the WIOA law and federal regulations:

- The USDOL Employment and Training Administration (ETA) has a strategic objective to create customer-focused workforce solutions for American workers, including development of a strong youth pipeline;
- The ETA has prioritized improvement of the effectiveness and efficiency of workforce development programs, including supporting state and local flexibilities to enable these entities to effectively tailor their workforce strategies to meet their needs;
- The ETA focuses on programs that support work-based learning, skills development, and work readiness while promoting training strategies that lead to credential attainment and closing the skills gap;
- The ETA has prioritized implementation of evidence-based programs and strategies, including adoption of proven programs and strategies;
- The WIOA places a strong emphasis on work experience for youth participants, requiring that 20 percent of WIOA Youth funding be expended on this element;
- The WIOA promotes strong partnerships to leverage resources and increase opportunities for youth; and
- The WIOA prioritizes participant success, as measured by skill gains, entry into and retention of employment or post-secondary attendance, and achievement of an industry recognized credential.

Quantifiable Projected Programmatic Outcomes Resulting from Implementation of the Waiver

Support for Evidence-based Dropout Prevention and Re-engagement Programming

In Michigan, approximately 10,000 youth drop out of high school every year according to the Center for Educational Performance and Information. According to the American Community Survey, without a diploma, they are 93 percent more likely to be unemployed and 88 percent more likely to live below the poverty line. Moreover, 88 percent of the jobs in Michigan require a minimum of a high school education. It is crucial to the future of our state's youth to engage them prior to disconnecting from an educational institution. The expected quantitative outcome of the approval of this waiver request is the ability to provide up to an additional 2,000 young adults with dropout prevention and recovery services.

Michigan can no longer rely on school counselors to keep students connected. According to the American School Counselor Association, Michigan has a ratio of 671 students to one counselor, the second worst ratio in the country. The Association recommends a ratio of 250 to one. To help address this dilemma, the State of Michigan is requesting increased flexibility of WIOA Statewide Activities funding to implement a statewide program focused on providing a comprehensive set of services designed to keep In-School Youth (ISY) attached to the education system to improve their rate of success in achieving educational and career goals.

Statewide Activities funding will augment youth formula funds to implement a robust drop-out prevention and re-engagement program. The program is targeted to the most at-risk and disadvantaged youth in danger of dropping out of school and those who already have dropped out of school. "At risk of dropping out" includes students who are credit deficient, have repeated a class, maintain a grade point average at or below a cumulative 1.5, score poorly on assessment tests, are often truant from school, are involved in the court system, are currently involved in gang activity or are likely to join a gang, as defined by local authorities.

The ultimate goal is for youth to receive a high school diploma or recognized equivalent, secure a quality entry-level job in the workforce, pursue post-secondary education, and/or seek career advancement opportunities. By retaining and re-engaging youth in education, this waiver request is consistent with Governor Whitmer's statewide post-secondary education goals to achieve 60 percent of Michigan residents completing a post-secondary certificate or degree by the year 2030 and to increase college readiness for Michigan's next generation of talent.

Jobs for Michigan's Graduates (JMG) is a proven partner in this effort. As the state affiliate of the national Jobs for America's Graduates organization, the programming has over 40 years of demonstrated outcomes in ensuring our country's most at-risk youth graduate from high school, enter post-secondary education, and/or transition into meaningful employment. In Program Year (PY) 2019-2020, JMG served 3,292 Michigan youth hailing from 293 Michigan cities, villages, and towns. Of the youth served, 59 percent were minorities, 85 percent were potential first-generation college students, and 83 percent were economically disadvantaged.

The JMG program boasts the following successes that show tremendous potential to positively impact youth:

- Nine consecutive years of graduation rates that are 90 percent or higher for all dropout prevention services, with a 92 percent graduation rate from the Class of 2020.
- 85 percent or more of graduates going on to employment, post-secondary education, or the military annually since 2013-2014.
- An average statewide graduation rate that exceeds the state average by 15 percent over a five-year period.

For Michigan to remain competitive nationally in job retention and growth, it must continue to address the low graduation, post-secondary education attainment, and employment rates of youth within the state. The JMG program equips youth with the skills to overcome their barriers and succeed in education, employment, and in life. The JMG specialists deliver engaging and outcome-based services to youth, giving them a reason to stay in or return to school. Core program components include competency education, leadership development, mentoring, post-secondary education and training placement, and follow-up services. JMG has proven a strong complement to WIOA Youth programming, providing a service delivery model that drives positive outcomes for Michigan's most in-need youth.

Support for Young Professionals Programming

Michigan aligns with the WIOA in support of an increased focus on work experience for youth and envisions a public-private partnership designed to reduce youth unemployment by introducing under-represented young adults ages 14-24 to the world of work while providing participants and their families with income. Combined services place young adults on the right path to gain the skills necessary to achieve life-long economic self-sufficiency. As such, Michigan piloted a statewide summer youth employment program in 2020. Increased flexibility

of Statewide Activities dollars resulted in improved efficiency and effectiveness of services to at-risk youth in our local communities in the height of the COVID-19 pandemic, despite their educational status. Local programs quickly pivoted to prioritize health and safety concerns of young adults and employers by decreasing on-site placements and increasing virtual opportunities for career exploration, preparation, and placement. As a result of the previous flexibility provided, the quantitative outcome of this waiver in PY 2020 enabled services to over 600 young adults statewide. WD projects subsequent approval of this waiver will support services to an additional 100 young adults with a no-cost increase resulting in over 700 youth receiving services through this initiative in PY 2021. Additionally, WD has extended this initiative to provide year-round placements and services.

Local programs will provide career services and employment opportunities in partnership with American Job Centers and under the direction of local Workforce Development Boards. Business Service Teams will play a crucial role in recruitment of employers, with a focus on key in-demand industries, such as Information Technology, Construction, Healthcare, and Manufacturing. Resources will be leveraged with additional funding partners, such as Wagner-Peyser funding to assist with activities such as recruitment, resume assistance, career preparation, and job fairs.

Data from the American Community Survey states the national unemployment rate for young adults aged 16 to 24 for the five-year period of 2015 to 2019 was 13.0 percent. Michigan's youth unemployment rate for individuals aged 16 to 24 was slightly higher at 13.4 percent during the five-year period of 2015 to 2019. Non-metro counties have an average youth unemployment rate of 13.3 percent, while metro counties have an average youth unemployment rate of 13.2 percent. For the five-year time period, Michigan was ranked 30th nationally in youth joblessness. While youth joblessness has moderated, the rate was still more than double the state's overall rate of 5.9 percent. This data reflects a significant need for progress in the creation and expansion of opportunities for youth employment in Michigan.

A higher-than-average jobless rate for 16- to 24-year-olds is expected and reflects a combination of factors including competition from older, more experienced workers and structural challenges like skills mismatches. From 2015 to 2019, 63.3 percent of Michigan youth were participating in the labor market which was slightly higher than the national youth participation rate of 59.1 percent. However, this number is bolstered by older youth aged 20 to 24, with a participation rate of 77.7 percent in Michigan. As expected, younger youth ages 16 to 19 were less active in the labor market, with participation rates just under 45 percent. One important reason that explains why so many youth are not participating in the labor market is engagement in educational activities. Flexibility of Statewide Activities funding will allow Michigan to serve more youth who may benefit from valuable summer youth employment while expecting to return to school in the fall.

More recently, over the 12-month period of April 2020 – March 2021, data has shown significant increases to Michigan youth (16 to 24 years old) jobless rates and drastic declines in youth participation rates. In total, this group had a jobless rate of 20.0 percent and a participation rate of 57.6 percent. Among Michigan population 16 to 19 years old, jobless rates were 23.2 percent over the period while participation rates were 39.7 percent. Those in the state who were 20 to 24 years old had a higher participation rate of 72.2 percent and a lower jobless rate of 18.6 percent over the 12-month period.

The ability to reach more youth while they are still attached to an educational institution gives LEO-WD the chance to reduce the impact of high-risk factors, including poverty, while providing

an opportunity to earn valuable wages for youth and their families. Flexibility of funding will increase Michigan's ability to provide equitable resources to meet the needs of all youth populations to ensure they have access to quality career exploration and work experience opportunities. Approval of this waiver will provide greater opportunity to serve youth who are struggling on the path to finish high school and encourage continuation on a pathway toward multiple career and educational opportunities, such as entering a Registered Apprenticeship program, earning an associate's and/or a bachelor's degree, and obtaining self-sustaining employment.

The current statutory 75 percent OSY expenditure minimum mandate is a disincentive for funding additional innovative initiatives that are targeted to serve Michigan's vulnerable youth populations despite their school status, including those outlined above.

In the PY 2020 request for identical waivers, Michigan projected a quantifiable outcome of increasing the percentage of ISY participating in a work experience from 40 percent in PY 2019 to 50 percent in PY 2020. Due to the pandemic and prioritization of health and safety of participants, service center staff, and employer partners, Michigan did not meet this goal, but impressively maintained a rate of 40 percent of ISY engaging in a work experience activity to date. In recognition of ongoing health and safety concerns coupled with experience gained over the past year and continued efforts to provide high quality work experiences to youth, Michigan is adjusting our expected outcome to 45 percent engagement in work experience activities for ISY in PY 2021.

Additionally, in the PY 2020 request, Michigan projected a quantifiable outcome of increasing the percentage of ISY participating in tutoring, study skills, and dropout prevention services (including JMG) from 29 percent in PY 2019 to 35 percent in PY 2020. To date, Michigan has engaged 24 percent of ISY in these services and fully expects to meet the goal of 35 percent by the end of the PY. In recognition of difficulties with virtual education and a heightened need for dropout prevention and reengagement, Michigan is adjusting our expected outcome to 38 percent engagement in the tutoring, study skills, and dropout prevention services element for ISY in PY 2021.

Individuals, Groups, or Populations Affected by the Waiver

This waiver will ultimately impact Michigan's at-risk young adult population. American Job Center and subcontracted service provider staff, workforce development partners, employers, parents, and school counselors will also benefit from the waiver.

Plans for Monitoring Implementation and Collecting Waiver Outcome Information

WIOA programmatic reviews will include an evaluation of how local waivers are being utilized to ensure programmatic goals and outcomes are being met. The WIOA State Coordinators dedicated to the administration of the WIOA Youth program will continually examine the effectiveness of waivers throughout the PY, including quarterly desk reviews. This strategy ensures that the objectives described above, as well as those outlined in the existing state and local WIOA plans, are consistent with established objectives of the WIOA, and federal and state regulations.

Notice to Local Boards and Public Comment

In accordance with WIOA Section 102(c)(3) and the WIOA Final Regulations at 20 CFR 676.135, the Michigan Department of Labor and Economic Opportunity is submitting this waiver request as a modification to its current WIOA Unified State Plan, which is subject to the requirements outlined in the WIOA Final Regulations at 20 CFR 676.130(d) regarding public

review and comment. As such, this waiver request is posted on our [website](#) for review and comment by required parties and the general public for 21 days. A copy of this waiver request was provided to all local workforce development boards and their association.