

**Evaluation of Waivers Granted  
Under WIA**

Final Report

September 2012

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Policy Research

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Task Order: DOLU101A21599  
BPA Number: DOLQ091A20941

Mathematica Reference Number:  
06851.404

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## **DISCLAIMER**

This project has been funded, either wholly or in part, with Federal funds from the U.S. Department of Labor, Employment and Training Administration under Contract Number [DOLU101A21599]. The contents of this publication do not necessarily reflect the views or policies of the Department of Labor, nor does mention of trade names, commercial products, or organizations imply endorsement of same by the U.S. Government.

## **ACKNOWLEDGEMENTS**

The study team would like to thank the many individuals who contributed to the development of this report. Most importantly, this study would not have been possible without the patience and generosity of the state and local area administrators and staff members who participated in the study's telephone calls and site visits.

A number of staff at the U.S. Department of Labor, Employment and Training Administration provided valuable input and guidance throughout the duration of this study. We especially appreciate the support offered by Savi Swick, the evaluation project officer. Heather Fleck from the program office provided valuable input and support from the start of the study through the review of the findings.

At Mathematica, Karen Needels provided helpful feedback as the Quality Assurance Reviewer. Amanda Bernhardt provided editorial assistance, and LaTia Downing contributed secretarial support to the study. Special thanks to Robin Dion who directed the study during the first phase of data collection.

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## ABSTRACT

The Workforce Investment Act of 1998 (WIA) is the largest source of employment and training services in the country, serving over eight million participants in program year (PY) 2010. The U.S. Department of Labor (DOL) administers the program and provides funding to states and local areas to deliver a variety of services to adults, dislocated workers, and youth. The program's statutory requirements are determined by Congress, and the regulations that govern state policy are established by DOL; in addition, each state and local area can develop policies that are consistent with federal regulations. Because the need for services is not uniform across states and local areas, states are able to apply for waivers of WIA and its regulations. These waivers may affect the allocation of resources, administration of programs, or types of employment and training services available to various groups.

DOL approved over 700 state-requested waivers between PYs 2008 and 2010. These waivers provide state and local areas with flexibility to more efficiently administer the program and serve clients as needs shift throughout a given year. Although waivers are widely available, it is not clear how or to what extent they play a role in helping states and local areas respond to the needs of their workforce or employers. DOL has contracted with Mathematica Policy Research to conduct an evaluation of selected waivers approved in PYs 2009 and 2010 (PY 2008 is studied as a point of comparison). Mathematica reviewed federal and state documentation related to waiver use for 20 selected states and conducted telephone interviews with state and local-level administrators in those states. Mathematica then conducted in-depth site visits to 12 of these local areas. This report provides a descriptive analysis of the findings, discussing the reasons for waiver requests and implementation of waivers at the state and local level, the successes and challenges of these efforts, and lessons that can be learned from these states and local areas' waiver use.

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## EXECUTIVE SUMMARY

The Workforce Investment Act of 1998 (WIA) is the largest source of employment and training services in the country, serving over eight million participants in program year (PY) 2010 (U.S. Department of Labor, Employment and Training Administration 2011c). The U.S. Department of Labor (DOL) administers the program and provides funding to states and local areas to deliver a variety of services to unemployed adults, adults at risk of layoffs, and youth.<sup>1</sup> The program's statutory requirements are determined by Congress, and the regulations that govern state policy are established by DOL; in addition, each state and local area can develop policies that are consistent with federal regulations. Because the need for services is not uniform across states and local areas, state governors are able to apply to DOL for waivers of WIA and its regulations. These waivers may affect the allocation of resources, the administration of programs, or the types of employment and training services available to various groups.

DOL approved over 700 state-requested waivers between PY 2008 and 2010. These waivers provide state and local areas with flexibility to more efficiently administer the program and serve clients as needs shift throughout a given year. For instance, by using waivers, administrators can reallocate funds to funding streams most in need, provide employers with more generous incentives to stimulate training and hiring in the community, and address unexpected events such as natural disasters and regional economic downturns. Although waivers are widely available, it is not clear how or to what extent they play a role in helping states and local areas respond to the needs of their workforce or employers. There has been little research to date on how they affect the workforce system, particularly at the local level. For example, the frequency of waiver take-up at the local level, the process by which local areas seek approvals for them, and the ways local areas combine various waivers to achieve specific goals are not well documented.

The Employment and Training Administration (ETA) at DOL has contracted with Mathematica Policy Research to conduct an evaluation of select waivers approved in program years (PYs) 2009 and 2010 to better understand the waiver process and implementation at the state and local level (PY 2008 was used as a point of comparison). The study examines the reasons for waiver requests, and identifies which and how waivers were implemented at state and local levels. It also explores how waiver implementation may have affected the workforce system and the services delivered. The study included two phases of research: (1) review of federal and state documentation related to waiver use for 20 selected states, and telephone interviews with state and local-level administrators in those states, and (2) site visits to one local area using waivers within 12 selected states. Findings from the first phase of data collection are presented in “The Evaluation of Waivers Granted Under WIA: Findings from Interviews with 20 States Final Interim Report” (Rowe et al. 2012), and state profiles of the 12 local areas visited during phase two are presented in “The Evaluation of Waivers Granted Under WIA: Profiles of

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<sup>1</sup> Throughout the report, we use the term “state” to refer to the 50 states, the District of Columbia, and U.S. territories. In addition, states are divided into one or more Workforce Investment Areas, also called ‘local areas’, that are organized to support the local delivery of workforce services and may represent local labor market areas or a group of contiguous counties.

12 Sites” (Sattar et al. 2012). This report summarizes findings from all activities conducted under the study during both phases of the research.

## **A. Study Background and Purpose**

Most states have requested and been approved for some type of waiver over the last five years; however, the extent to which these waivers are implemented across states is not known. Because there is little publicly available information on which local areas have implemented waivers or how the request and approval process works at the local level, this study explores how waivers are used generally across a sample of 20 states and local areas, with in-depth analysis of waiver use in one local area in each of 12 states. The study focuses on eight specific waivers (described below) approved in PYs 2009 and 2010 (PY 2008 is studied as a point of comparison). This time period is particularly important because during those years most states were experiencing an economic downturn and serving many more clients than in past years. At the same time, in TEGL 26-09, DOL significantly changed its policies for reviewing and approving waivers, as well as the approval criteria for several waivers (U.S. Department of Labor 2010a). These PY 2009 policy changes were in part a reaction to the economic climate, and focused on helping states to maximize workforce training opportunities and employment outcomes, particularly among the unemployed and those that are hard to serve (having multiple barriers to employment), while balancing the importance of state and local area interests and accountability. It is important to understand how states and local areas chose to use waivers during this time to determine whether changes in economic conditions and waiver policies affected states’ choices.

The purpose of this study is to examine how waiver implementation has affected the workforce system and the services delivered. The main focus of the study is to provide a descriptive analysis of the effects of waivers, such as shifts in resource allocation, frequency of take-up at local levels, access to and provision of various employment and training strategies; other direct effects on the workforce system, such as participation of businesses in WIA programs; and the extent to which layoffs might have been averted as a result of waivers. The study is not focused on determining the effectiveness of various training strategies or participant outcomes under the waivers, but instead on determining the waivers’ effectiveness in meeting the perceived needs of states and local areas.

To understand how waiver implementation may affect the workforce system, both broadly and by waiver type, the study will center on a wide range of topics. There are three broad sets of topics driving the study: the motivation for applying for waivers and coordination, waiver implementation, and waiver-specific details of implementation. These will be addressed throughout the report.

## **B. Waivers of Interest**

For this study, DOL is interested in learning about the effects of eight specific waivers for which states have applied. Two of the waivers generally provide local areas with flexibility, four are used to enhance business processes, and two are related to serving youth. The following provides brief descriptions of each waiver; more details about the requirements and scope of each waiver are provided in Chapter IV.

## 1. Waivers Providing States and Local Areas with Flexibility

**Adult-dislocated worker transfer (A-DWT waiver).** This waiver allows local areas to transfer up to 50 percent of funds between the adult and dislocated worker funding streams, rather than the 30 percent transfer rate permitted without the waiver.<sup>2</sup> This higher transfer rate enables local areas to better respond to changes in demand for WIA services by different types of customers.

**Workforce flexibility plan (work-flex).**<sup>3</sup> Although not technically a waiver, states apply to DOL to receive waiver authority through work-flex. It provides a state governor with blanket authority to waive certain provisions of federal WIA policy for local areas as needed, without applying to DOL for individual waivers. A state could choose to allow local areas to implement any of the waivers available to states through the DOL waiver request process, or to waive any other provisions of WIA that have not been explicitly excluded from work-flex authority.

## 2. Waivers That Engage Employers

**Local funds for incumbent-worker training as a statewide activity (IWT waiver).** This waiver allows local areas to use funds from local adult and dislocated worker funding streams to avert layoffs by training incumbent workers, an activity typically supported through statewide discretionary funds. With the waiver, local areas may use up to 20 percent of dislocated worker funds, or up to 10 percent of dislocated worker funds and 10 percent of adult funds, for this type of training.

**Rapid Response funds for incumbent-worker training as a statewide activity (IWTS waiver).** This waiver allows states to use funds allocated to their Rapid Response programs to train incumbent workers in the context of layoff aversion (the prevention of layoffs). Normally, Rapid Response funds are used to respond to layoffs or for management and oversight of incumbent worker training (IWT), not for the training itself. Under the waiver, states can use up to 20 percent of the funds allocated to the Rapid Response programs to provide IWT.

**Employer contribution for customized training (CT waiver).** This waiver allows local areas to subsidize customized training (CT) programs that teach new skills to adults or dislocated workers at a higher rate than is allowed under WIA. The subsidization rate (50, 75, or 90 percent) is determined by the size of the business and is meant to incentivize small and medium-sized businesses (with fewer than 250 employees) to implement CT programs.

**Employer reimbursement for on-the-job training (OJT waiver).** This waiver allows local areas to reimburse employers that participate in on-the-job training (OJT) for WIA customers at a higher rate than is allowed under WIA. The reimbursement rate (50, 75, or

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<sup>2</sup> WIA allows local areas to transfer 20 percent of funds between the adult and Dislocated Workers funding streams; a provision in the Fiscal Year 2009 Omnibus Appropriations Act permits an additional 10 percent for the life of the funds for a total transfer of up to 30 percent, as described in TEGL 14-08, Change 1 (U.S. Department of Labor 2009).

<sup>3</sup> Although work-flex is not technically a waiver, we include it as one of the eight waivers of interest referenced throughout this report.

90 percent) is determined by the size of the business and is meant to incentivize small and medium-sized businesses to provide OJT.

### 3. Waivers Serving Youth

**Competitive procurement for youth elements (CPYE waiver).** This waiver allows local areas to maintain the continuity of youth services by contracting with American Job Centers (formerly known as One-Stop Career Centers) or partner programs to provide 3 of the 10 required youth services without going through a competitive bidding process. The three services are paid and unpaid work experience, support services, and 12-month follow-up services.

**Youth individual training accounts (ITA waiver).** This waiver allows local areas to offer individual training accounts (ITAs) to older and out-of-school youth for the purchase of employment-related skills training. Without the waiver, only youth who are also enrolled in the adult or dislocated worker programs can receive ITAs.

## C. Methodology

The study included two phases of site selection and data collection. In the first phase of the study, Mathematica selected 20 states for broad analysis using a set of criteria we developed and DOL reviewed. For those states, we collected and reviewed publicly available information, as well as that provided by DOL, related to the waivers of interest for each state. We also conducted telephone interviews with staff at the state WIA boards and/or agencies to collect additional information about the use of waivers at the state and local levels. Although the data collected in phase one mainly focused on state-level data, we used suggestions from the state contacts to conduct telephone calls to 20 local areas using waivers. In the second phase of the study, we selected 12 of these local areas and conducted site visits to collect in-depth information on the waiver process, implementation, and outcomes. Details of these efforts are provided below. The states and local areas selected for the study are listed in Table 1.

### 1. Data Considerations

When considering the findings discussed in the remainder of the report, it is important to keep a few issues in perspective.

- Data are not necessarily representative of the entire state or nation.
- The information presented is the opinion of staff interviewed.
- There were some differences in what was learned in the field visit versus our understanding from the documentation research or telephone interviews.
- What “waiver” means was not always clear to all respondents.
- Respondents’ comments about policy or process improvements to the program may not be within DOL’s authority to implement.
- The American Recovery and Reinvestment Act (ARRA) may have impacted waiver use.

**Table 1. Local Areas Included in the Study, by State**

State	Site Visit	Name of Local Area	Largest City Served by Local Area
Alaska	X	One local area	Statewide
California	X	Riverside	Riverside
Florida		Region 14/15	St. Petersburg and Tampa
Georgia	X	Heart of Georgia	Dublin
Hawaii		Oahu WorkLinks	Oahu
Kansas	X	Area 4	Wichita
Kentucky	X	Cumberlands	Campbellsville and Somerset
Louisiana		LWIA #60	Jonesville and Marksville
Maryland		Western Maryland	Cumberland and Hagerstown
Massachusetts		Hampden	Springfield
Michigan	X	South Central Michigan	Jackson
Minnesota		South Central WSA	Mankato
Mississippi	X	South Central MS Works	Jackson
New Mexico	X	NM Central	Albuquerque
North Carolina		Lumber River	Lumberton
Ohio	X	Lorain County	Elyria and Lorain
Pennsylvania	X	Philadelphia	Philadelphia
South Carolina	X	WorkLink	Anderson and Clemson
Virgin Islands		One local area	Statewide
West Virginia	X	Region 2	Huntington

#### D. The Waiver Process and Motivations

One of the purposes of the study was to gain an understanding of how states request certain waivers, their goals for using them, and the role local areas play in the waiver request and implementation process. The general process for applying for waivers is the same across states. The state may submit a waiver request to DOL as part of its annual state plan or as a separate request at any time. Approved waivers are considered active for the timeframe specified in DOL’s waiver approval letter but not longer than the expiration date of the state’s current WIA State Plan.<sup>4</sup> All requests must come from the state, so any local area interested in requesting a waiver must coordinate with the state agency.

Although states, rather than local areas, apply for WIA waivers from DOL, many local areas are extremely proactive in the process. State and local administrators from 7 of the 20 study states explained that local areas consistently look for ways to innovate their programs to better serve their customers and improve outcomes. Local area staff in many states have been the catalyst for applying for specific waivers.

Although states sometimes apply for waivers based on requests from specific local areas, meeting the needs of one area was not usually the primary reason for requesting waivers. Rather, state officials cited their need to provide all of their local areas with flexibility. State administrators from half of the states interviewed described waivers as tools in their service toolkit. Certain waivers may suit the needs of one of their local areas more than the others;

<sup>4</sup> Program years run from July 1 to June 30.

however, officials commented on the importance of having many waivers available to these areas, should they have an unforeseen occasion to use them.

## E. Waiver Implementation

As of PY 2010, the majority of study states had approval to use six of the eight waivers of interest. Although approval of these waivers at the state level was widespread, their implementation in the study local areas was less common. States often apply for waivers to give local areas options throughout the year, if needed. Not all local areas will need to use all of the available waivers in a given year. In addition, some states indicated that they apply for waivers at the behest of a particular local area. Demand for a waiver in one local area may not mean it is needed in all areas.

### 1. Waivers Providing State and Local Areas with Financial and Administrative Flexibility

WIA waivers generally provide states and local areas with flexibility to better serve their clients and administer their program. However, two of the waivers of interest—A-DWT and work-flex—focus specifically on providing state and local areas with increased financial and administrative flexibility. A-DWT allows local areas with state approval to transfer funds to meet customer demand, whereas work-flex grants a state’s governor the authority to waive certain WIA provisions for local areas as needed, without requesting individual, narrowly focused waivers from DOL.

**Adult-Dislocated Worker Transfer (A-DWT).** The A-DWT waiver was the most widely requested and implemented waiver of interest during the PY 2008 to PY 2010 period. In PY 2008, 18 of the 20 study states requested and were approved for the waiver and by PY 2010 all of the states received the waiver. However, through in-depth site visits to 12 local areas, we learned that the number of local areas using the waiver may be overstated. Although many of the local areas we spoke with reported using the waiver during the period of interest, only nine local areas actually requested transfers exceeding the 30 percent authorized without the waiver. The percentage of funds that local areas transferred varied significantly across local areas and years. Transfers authorized through the waiver ranged in size from 37 percent to 100 percent of funds across the years of interest.<sup>5</sup>

Although the A-DWT waiver was widely implemented between PY 2008 and PY 2010, the direction of transfers varied across the 12 local areas visited. Of the nine local areas that reported using waiver authority to transfer funds between PY 2008 and PY 2009, six transferred funds from the dislocated worker program to the adult program. These local areas noted that serving customers as adults decreased the documentation requirements and as a result case managers were able to enroll and serve customers more quickly. Staff from local areas also indicated that many dislocated workers require substantial retraining to enter new fields. Although the available services are the same for adults and dislocated workers, the goals of the adult program are typically better aligned with the needs of dislocated workers who have long-

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<sup>5</sup> Before November 2009, local areas could request transfers of up to 100 percent of funds between the adult and dislocated workers programs. After 2009, states could request transfers of up to 50 percent of funds.

term training needs. Three local areas transferred funds from the adult program to the dislocated worker program.

Overall the waiver allows local areas to serve as many customers as possible seeking their services, regardless of which of the two funding streams they fall under. Study local areas noted that the waiver allowed them to better handle and serve the massive influx of customers caused by the recession. However, staff in some local areas interviewed suggested that transfers exceeding 30 percent are not always necessary because, (1) additional funds were available under ARRA; (2) the 30 percent transfer meets their needs; and (3) some local areas received alternative sources of funding, such as National Emergency Grants (NEG) or Temporary Assistance to Needy Families (TANF) employment funds.

**Work-flex.** Three of the study states—Louisiana, Michigan, and Mississippi—received work-flex authority between PY 2008 and PY 2009. However, only Michigan actively used it. Officials from Louisiana and Mississippi noted that the states were granted work-flex authority in the wake of Hurricane Katrina in order to respond to the needs of the clients following the natural disaster. Respondents in the states indicated that they did not use work-flex to make changes to policies and procedures because they did not need the additional authority or did not fully understand how it could be used. Mississippi noted that the state’s existing waivers provided sufficient flexibility and policy options.

On the other hand, Michigan actively sought work-flex authority due to the flexibility and administrative efficiencies available through it. State officials noted that work-flex allowed the state to respond quickly to local economic conditions, particularly those related to the decline in the auto industry. Of the 40 waivers available to local areas in Michigan under work-flex, local areas across the state requested seven different types of waivers—six types in PY 2008 and five in PY 2009. Of these waivers, five were similar to the waivers of interest included in this study: A-DWT, CT, IWT, IWTS, and OJT. Among the waivers authorized under work-flex, the IWT waiver was the most widely requested; 16 local areas used it in PY 2008 and 14 used it in PY 2009 (Table IV.4). In PY 2009, Michigan distributed Rapid Response funds to all 25 local areas using the IWTS waiver.

Through work-flex, Michigan staff indicated that they maximized local area flexibility and created administrative efficiencies. State respondents asserted that the main benefit afforded through work-flex is time, meaning that the state did not have to spend time preparing federal waiver requests. However, they were also frustrated by work-flex’s five-year time limit and by the fact that states can apply only once. State officials suggested that work-flex should be available to states on an ongoing basis, but that the duration of work-flex authority could be shortened.

## 2. Waivers That Engage Employers

Four of the waivers of interest affect how local areas engage with employers and serve adult and dislocated worker customers: the IWT, IWTS, CT, and OJT waivers. All four of these waivers provide flexibility in how WIA formula funds for the adult and dislocated worker programs are used, and specifically affect how funds are used for the training of WIA participants. The waivers are designed to encourage employers to engage with their local workforce agencies and take advantage of the services their local area can provide to support and enhance their businesses.

**Incumbent Worker Training with Local and Rapid Response Funds (IWT and IWTS Waivers).** Two waivers of interest are related to training for incumbent workers—the IWT and IWTS waivers. In PY 2010, 15 of the 20 states in the study received approval for the IWT waiver, and 13 of the 20 states received approval for the IWTS waiver. Among the 12 local areas visited for the study, both approval and implementation of the IWT and IWTS waivers increased between PY 2008 and PY 2010, although the change was small. In PY 2008 and PY 2009, nine states visited were approved for the IWT waiver and seven for the IWTS. An additional state was approved for both waivers in PY 2010. Only four local areas implemented the IWT waiver in PY 2008, but this number increased to five in PY 2009 and to six by PY 2010. Over the three-year period, only two local areas that were visited for the study reported implementing the IWTS waiver.

Data received from local areas on the extent of training provided under IWT and IWTS waivers show that the waivers were more heavily used in PY 2008 and PY 2009 than in PY 2010. Use decreased substantially in PY 2010; staff in local areas believed the decrease was due to the requirement that training be tied to layoff aversion. The trainings conducted under the IWT and IWTS waivers in the local areas visited were spread across many different industries, including manufacturing, telemarketing, and health care. Most of the trainings conducted under these waivers in the visited sites were short-term trainings that lasted less than six months. A smaller portion lasted between six months and a year, and only a handful lasted longer than a year. The short-term nature of the trainings is consistent with the reports from local staff that many of the trainings resulted in industry- or occupation-specific certificates, which usually take less than six months to complete. The average cost per participant of IWT varies by employer, industry, and training program, but staff in several local areas estimated that IWT was generally less expensive than other WIA training services such as an adult ITA. Previous trainings have cost from \$500 to \$5,000 per participant.

Respondents reported that waivers provide useful tools for helping workers retain jobs or gain new skills and have enabled local areas to serve new customers, both workers and employers. However, there have been several challenges with using waivers for IWT as well: (1) the layoff aversion requirement has limited the scope of IWT, (2) finding eligible employers is difficult, (3) incumbent workers are often given lower priority in the workforce system, and (4) other sources of funding may be available and more flexible.

**Employer Contribution for Customized Training Waiver (CT waiver).** In PY 2010, 15 of the 20 states had received approval for the CT waiver. Interest in the CT waiver appeared to grow over time, with 10 states holding the waiver in PY 2008, 14 in PY 2009, and 15 in PY 2010. Although many states chose to apply for the CT waiver, implementation at the local level was limited. None of the local areas in the study implemented it in 2008, and by 2010, just two local areas reported doing so. While the data collection approach may not capture the full extent of implementation in all local areas, the state respondents noted that use of the CT waiver generally was low. Similarly, among the smaller group of 12 local areas visited for the study, many were approved for the CT waiver between PY 2008 to PY 2010, but only one local area implemented the waiver.

The local area in Pennsylvania that implemented the CT waiver in PY 2009 and PY 2010, served 842 participants. The local area typically provides trainings in the health care, logistics, transportation, warehousing, and manufacturing industries, reaching a diverse group of large and small employers. The duration of the trainings varies by occupation and employer, and can

range anywhere from a few weeks to six months. The local WIB requires any training conducted to be for jobs that pay at least \$13 per hour, with the hope that jobs will both pay well and offer upward mobility. The local area reported a placement rate of 96 percent and training costs that range between \$2,500 and \$5,000 per person, which are lower than the local average for the ITA program.

While Pennsylvania staff noted the waiver offered a cost-effective training strategy, other states found the waiver difficult to implement. Staff noted that there was a lack of guidance in implementing the waivers and there was often a lack of funds to fully implement CT and the waiver. A number of local areas chose not to use the CT waiver when it was available because they either did not have an established CT program, conducted training using other funding, or did not feel the need to change their employer contribution rates for businesses with 250 or fewer employees.

**Employer Reimbursement for On-the-Job Training Waiver (OJT waiver).** The OJT waiver enables local areas to increase reimbursements to employers who train workers through OJT. In PY 2010, all 20 states had received approval for a waiver to offer higher reimbursement rates for OJT, with 8 of the 20 local areas implementing it. Similarly, the popularity of the OJT waiver grew considerably over the three-year period between PY 2008 and PY 2010 in the states and local areas visited for the study. Although only 5 of the states visited had requested and been approved for the OJT waiver in PY 2008, all 12 had the waiver by PY 2010. In addition, local implementation of the waiver in study sites increased from one site in PY 2008 to six sites in PY 2010.

Participation in OJT increased over time in three of the six local areas, by an average of 115 participants per area. The average length of trainings under the waiver varied by local area, but most were less than six months. Although OJTs are generally short term, the duration of any particular training could be determined by a number of factors, including the extent of skills participants needed to learn, the employer's proposed training plan, the participants' previous training experience, and the industry. More-technical industries and occupations tended to require longer training periods, especially those with mandatory certification classes. Longer trainings are considered more likely to result in higher wages and better retention, and also more likely to secure the participation of employers. Local area staff reported completion rates around 90 percent overall and estimated that most trainees were hired by their OJT employer after the training ended. OJTs were spread across various industries in the six sites, though common ones include manufacturing and customer service. Activities can include an orientation to the job, hands-on or classroom training, industry- or employer-specific certifications, and mentoring from other employees. Industries where much of the training needs to happen on the job are ideal for OJT. Local staff cited the solar industry, electrician training, welding, and machinery operation as some examples of jobs well suited to OJT. Overall, most local staff estimated that the average cost of trainings under OJT was in the range of \$2,000-\$3,000 per participant.

Most respondents found the OJT waiver to be an effective tool to engage employers and improve outcomes for employees. However, staff also noted that using a lower employer investment could sometimes affect retention and recruiting employers was sometimes difficult. In addition, some local areas noted that they did not implement the OJT waiver because they wanted to keep reimbursement rates for OJT consistent across employers, as to not incite competition among local areas. They also noted that changing reimbursement rates would reduce the length of training, due to caps on total training costs.

### 3. Waivers for Serving Youth

The two waivers of interest that relate to youth programs, the CPYE waiver and ITA waiver, give service providers more flexibility and tools to serve youth in their local area.

**Competitive Procurement for Youth Elements (CPYE waiver).** The CPYE waiver allows local areas to maintain the continuity of youth services by contracting with American Job Centers or partner programs to provide certain activities without a competitive bid. In PY 2010, 5 of the 20 study states received approval for the CPYE waiver. Most of the local areas chose to implement the waiver, with four of the five local areas using it. The distribution of CPYE use was similar among the 12 sites selected for site visits. In PY 2008, three of the 12 states selected for site visits requested and received approval for the CPYE waiver. Of the local areas we visited in those states, two chose to implement the waiver. In PY 2009 and PY 2010, two states again requested and received approval for the waiver, and the local areas that we visited in each state implemented it. In all three program years, both local areas used the waiver to waive the competitive procurement process for support services and 12-month follow-up services, and one local area also chose to waive the process for paid and unpaid work experience.

The CYPE waiver enabled local areas to take better control of their youth program, implement cost-savings efforts, and better serve local youth. Despite these successes, one local area suggested that the waiver could be improved and youth programs could be better executed if the American Job Centers could provide nearly all program services with the exception of occupational training. According to the local area, providing more elements in-house would allow for a higher, more consistent standard of service quality across the youth program. Additionally, another local area recently lost its CPYE waiver and described its difficulty in returning to competitive procurement. The area noted that after requests for proposals are released, “it’s like crickets chirping” because there are very few organizations competing for the contracts. The local area found that potential providers are discouraged from going through the bid process, particularly because—even if they win the contract—they are not guaranteed a certain number of participants or funding, both of which depend on variable client needs.

**Youth Individual Training Accounts (ITA waiver).** The youth ITA waiver allows local areas to offer ITAs to older and out-of-school youth for the purchase of employment-related skills training. In PY 2010, 19 of the 20 states received approval for a waiver to use youth funding for ITAs. Most of the local areas chose to implement the waiver, with 13 of the 19 offering ITAs for youth. Interest in the ITA waiver appeared to grow over time, with more states receiving the waiver each year and a larger number of local areas implementing it. In PY 2008, 10 of the 12 site visit states received approval for a waiver to use youth funding for ITAs, but only five of the local areas chose to implement it. State interest in the ITA waiver grew slightly over time, with more states receiving approval for the waiver each year; however the number of local areas in our study implementing it remained consistent.

Many states found that older youth do not have the training and skills needed to increase their employment and earning prospects. Through the ITA waiver, local areas are provided flexibility in their youth program to help older and out-of-school youth earn credentials, gain experience, and find meaningful employment. The number of ITAs offered across sites varied widely, from 3 to 154 in any given year. The number depends greatly on the funding available for youth services and the local area’s ability to strike a balance between serving the needs of all youth customers and providing training to a few. Local areas often noted that training can be

expensive, which limited the number of accounts the providers could allocate. A few local areas have chosen to use youth ITAs to fund higher education. While Pell Grants can usually fund some expenses, the grants are not always large enough to cover all of a student's tuition, fees, and other expenses (such as books, child care, and gas). The ITA can therefore bridge the gap between tuition and related expenses and what can be covered through a Pell Grant. Other local areas chose to focus on using ITAs to purchase occupational training for employment. In particular, youth were directed to priority industries, including health care and early childhood education.

Almost all local areas that implemented the waiver reported that more youth received ITAs than before it was implemented. Some areas also noted that the waiver increased the number of adults served through ITAs because training dollars previously spent on co-enrolled youth could be reallocated. The local areas that chose not to offer youth ITAs, most often believed that ITAs were not the best service approach for their targeted youth population and youth program initiatives or did not have sufficient funds to implement the new program.

## **F. Successes and Challenges of the Waiver Process**

During telephone and in-person interviews, respondents from states and local areas were asked about their experiences in implementing waivers and how the process could be improved. Staff pointed to several outcomes from implementing waivers that strengthened the ability of the overall workforce system to serve its business and worker customers. They also identified factors that made using or continuing to use waivers a challenge. The following section details these administrative and implementation successes and challenges. It includes the opinions of both state and local respondents collected from the telephone calls with WIA staff in 20 states and local areas, and from the visits with WIA staff and employers across 12 local areas.

### **1. Successes**

Each state and local area was able to point to specific benefits of the individual waivers, and several themes emerged about the overall success of WIA waiver administration and implementation. Respondents indicated that the locally focused waiver process enhanced communication between states and local areas. Implementing the waivers also provided local areas with the ability to serve more clients, become more efficient, strengthen connections with employers, and serve youth in meaningful ways. Overall, local areas felt that the waivers enhanced their ability to use a “demand-driven” service strategy, tailored to the needs of their customers.

### **2. Challenges**

Although state and local areas found many benefits from the waivers, they described challenges in the current waiver application and implementation process. These challenges include administrative challenges, such as lengthy waiver application processes, understanding what waivers are acceptable, and which waivers DOL is most likely to award. They also reported challenges related to implementing the waivers, including difficulty recruiting businesses, continuity of waivers, and budget constraints.

## G. Lessons from Sites on the Waiver Process

Respondents interviewed throughout the study discussed not only how the waiver process worked but also how well it worked and what they learned from the process. Using the information collected from the telephone calls with staff from 20 state and local areas and the 12 site visits with local administrators, providers, and employers, we identified several observations from respondents that could improve how waivers are administered and implemented. The observations include:

- Streamline the waiver request process and waiver-related paperwork requirements.
- Share information and guidance on waivers and their potential uses.
- Approve waivers for longer periods of time.
- Change guidance on the IWT waivers to eliminate layoff aversion.
- Adopt certain waivers (like A-DWT and ITA) as standard practice.<sup>6</sup>

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<sup>6</sup> Note that DOL does not have the authority to change WIA or its regulations. Congressional legislation would be required to incorporate any waiver policies into the act or its regulations.

## I. INTRODUCTION

The Workforce Investment Act of 1998 (WIA) is the largest source of employment and training services in the country, serving over eight million participants in program year (PY) 2010 (U.S. Department of Labor, Employment and Training Administration 2011). The U.S. Department of Labor (DOL) administers the program and provides funding to states and local areas to deliver a variety of services to unemployed adults, adults at risk of layoffs, and youth.<sup>7</sup> The program's statutory requirements are determined by Congress, and the regulations that govern state policy are established by DOL; in addition, each state and local area can develop policies that are consistent with federal regulations. Conditions can differ among states and local areas. To provide greater flexibility in serving the specific needs of local populations, state governors are able to apply to DOL for waivers of WIA and its regulations. These waivers may affect the allocation of resources, the administration of programs, or the types of employment and training services available to various groups.

DOL approved over 700 state-requested waivers between PY 2008 and 2010. These waivers provide state and local areas with flexibility to more efficiently administer the program and serve clients as needs shift throughout a given year. For instance, by using waivers, administrators can reallocate funds to areas most in need, provide employers with more generous incentives to stimulate training and hiring in the community, and address unexpected events such as natural disasters and regional economic downturns. Although waivers are widely available, it is not clear how or to what extent they play a role in helping states and local areas respond to the needs of their workforce or employers. There has been little research to date on how they affect the workforce system, particularly at the local level. For example, the frequency of waiver take-up at the local level, the process by which local areas seek approvals for them, and the ways local areas combine various waivers to achieve specific goals are not well documented.

Finding answers to questions about local use of waivers can be challenging due to limited data availability at the federal and state levels. The degree to which states track implementation at the local level varies, as monitoring and reporting requirements are limited for certain waivers. How local areas receive approval to implement waivers also varies—some states require each local area to apply to the state WIA agency, whereas others extend approval received at the state level to all local areas without requiring an application. Even if a local area applies for a waiver and receives approval, it might not actually implement the waiver.<sup>8</sup> The state agency thus might have limited information about implementation, requiring additional research to gain insights about experiences with the waiver in each local area in the state.

The Employment and Training Administration (ETA) at DOL has contracted with Mathematica Policy Research to conduct an evaluation of select waivers approved in program

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<sup>7</sup> Throughout the report, we use the term “state” to refer to the 50 states, the District of Columbia, and U.S. territories. In addition, states are divided into one or more Workforce Investment Areas, also called ‘local areas’, that are organized to support the local delivery of workforce services and may represent local labor market areas or a group of contiguous counties.

<sup>8</sup> For the purposes of this report, “implementation” means that the local area has taken the action prescribed by the waiver (for example, funds were transferred or expanded, or sliding scales were used for on-the-job training).

years (PYs) 2009 and 2010 to better understand the waiver process and implementation at the state and local level (PY 2008 is studied as a point of comparison). The study examines the reasons for waiver requests, and identifies which and how waivers were implemented at state and local levels. It also explores how waiver implementation may have affected the workforce system and the services delivered. The study included two phases of research: (1) review of federal and state documentation related to waiver use for 20 selected states, and telephone interviews with state and local-level administrators in those states, and (2) site visits to one local area using waivers within 12 selected states. Findings from the first phase of data collection are presented in “The Evaluation of Waivers Granted Under WIA: Findings from Interviews with 20 States Final Interim Report” (Rowe et al. 2012), and state profiles of the 12 local areas visited during phase two are presented in “The Evaluation of Waivers Granted Under WIA: Profiles of 12 Sites” (Sattar et al. 2012). This report summarizes findings from all activities conducted under the study during both phases of the research.

## A. Study Background

The federal government provides states with three separate WIA funding streams, one each for WIA’s adult, dislocated worker, and youth programs. Funding allocated to these individual funding streams must be used for services related to the clients specified in each group. The Workforce Investment Act of 1998 (PL 105-220) defined these groups as the following:

- **Adults.** An individual must be at least 18 years of age to be eligible for WIA adult funding. Low-income customers receive priority for adult intensive and training services.
- **Dislocated workers.** An individual must be either terminated or laid off from employment without cause, working at a business in which the employer has announced a facility closure within 180 days, or be previously self-employed but currently unemployed.
- **Youth.** An individual must be between the ages of 14 and 21 and face at least one of six defined barriers to employment: (1) have a basic skills deficiency; (2) be a high school dropout; (3) be homeless, a runaway, or a foster child; (4) be pregnant or a parent; (5) have committed a criminal offense; or (6) require additional assistance to complete an educational program or to secure and maintain employment. WIA funds can be used to serve both in-school and out-of-school youth, but at least 30 percent of youth funds must be spent on out-of-school youth. Youth ages 18 to 21 may be co-enrolled in programs serving adults and dislocated workers. Often this is so that youth can receive training available only to adult or dislocated workers, such as individual training accounts (ITAs), which customers use to access training through an eligible training provider.

There are three successive levels of services provided to adults and dislocated workers: core, intensive, and training (U.S. Department of Labor, Employment and Training Administration n.d.[a]). Core services are available to all job seekers and include labor market information and general assistance in searching for jobs. Intensive services include more comprehensive assessments of customers’ individual qualifications and needs, and can involve counseling and assistance with career planning. When core and intensive services are not sufficient to fulfill a customer’s needs, they can be linked to training programs in occupational or basic skills to help them to obtain suitable job opportunities.

DOL allocates funds for each stream to states using a formula based on the state's proportion of economically disadvantaged and unemployed individuals.<sup>9</sup> Each state then distributes funds to the local areas based on a similar formula. (Figure I.1 shows the distribution process from DOL down to the local level.) Until PY 2011, states could retain up to 15 percent of funds from each funding stream for statewide activities. As of PY 2011, states can retain only up to 5 percent of WIA funds for statewide activities, as described in Training and Employment Guidance Letters (TEGLs) 26-10 and 9-11 (U.S. Department of Labor, Employment and Training Administration 2011a, 2011b). They also can retain up to 25 percent of dislocated worker program funds for the state's Rapid Response activities, which are used to help employers at risk of laying off workers; these are described in more detail later in this report (U.S. Government Accountability Office 2003). States received a total of \$2.5 billion in WIA funds in PY 2011, with \$769 million allocated to the adult program, \$1.06 billion allocated to the dislocated worker program, and \$811 million allocated to the youth program as described in TEGL 26-10 (U.S. Department of Labor, Employment and Training Administration 2011b).<sup>10</sup>

Formula allocations are based on historic patterns that reflect the needs of the states and local areas; however, these patterns sometimes do not perfectly predict current needs. When the economy is stable, allocations tend to be more accurate, but in more volatile economies, the correct allocations can be more difficult to predict. Local areas within a state could experience fluctuations in the population or have economic events during the year that affect the demand for WIA services by different groups of clients. For instance, the funding allocated to adults and dislocated workers may not be distributed sufficiently if a major employer in the area closes; if that happens, the number of dislocated workers could significantly increase, requiring more dislocated worker funding. Alternatively, in a sustained period of high unemployment, a local area might have less need for dislocated worker funds but need more adult funds to serve the growing unemployed population. Also, there is a lag in the data used to determine the allocations, so the funding generally is based on data that are at least a year behind current conditions. To minimize these types of funding mismatches, some states have applied for waivers. Waivers provide states and local areas with the flexibility to deal with changing circumstances and choose an approach to service delivery that will maximize their ability to meet performance outcomes.<sup>11</sup>

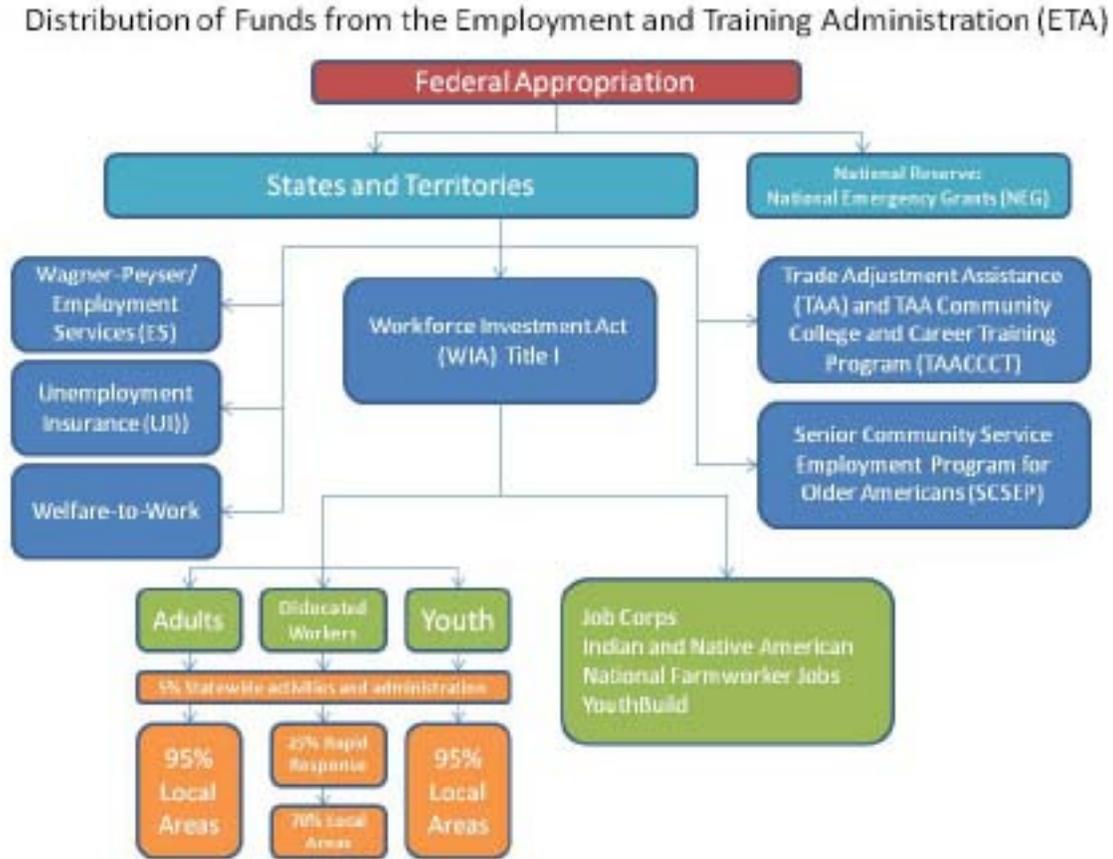
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<sup>9</sup> The formula used to determine allocations is available on the DOL website at <http://www.doleta.gov/budget/docs/WIAFormDescR.pdf>.

<sup>10</sup> WIA funding figures cited represent only what is provided to states and do not include funding for outlying areas, Native Americans, or the National Reserve.

<sup>11</sup> State and local areas are responsible for achieving performance targets on outcomes such as post-service employment and earnings measures.

Figure I.1. The Flow of WIA Funds from DOL to Participants



Most states have requested and been approved for some type of waiver over the last five years; however, the extent to which these waivers are implemented across states is not known. Because there is little publicly available information on which local areas have implemented waivers or how the request and approval process works at the local level, this study explores how waivers are used generally across a sample of 20 states and local areas, with in-depth analysis of waiver use in one local area in each of 12 states. The study focuses on eight specific waivers (described later in this chapter) approved for PYs 2009 and 2010. This time period is particularly important because during those years most states were experiencing an economic downturn and serving many more clients than in past years. At the same time, in TEGL 26-09, DOL significantly changed its policies for reviewing and awarding waivers, as well as the requirements for several waivers (U.S. Department of Labor 2010a). These PY 2009 policy changes were in part a reaction to the economic climate, and focused on helping states to maximize workforce training opportunities and employment outcomes, particularly among the unemployed and those that are hard to serve (having multiple barriers to employment), while balancing the importance of state and local area interests and accountability. The study looks at how waivers were used during this period as well as during PY 2008, which preceded significant policy changes for certain waivers and could serve as a point of comparison. It is important to understand how states and local areas chose to use waivers during this time to determine whether changes in economic conditions and waiver policies affected states' choices.

## B. Waivers of Interest

For this study, DOL is interested in learning about the effects of eight specific waivers for which states have applied. Two of the waivers generally provide local areas with flexibility, four are used to enhance business processes, and two are related to serving youth. The following provides brief descriptions of each waiver; more details about the requirements and scope of each waiver are provided in Chapter IV.

### 1. Waivers Providing States and Local Areas with Flexibility

**Adult-dislocated worker transfer (A-DWT waiver).** This waiver allows local areas to transfer up to 50 percent of funds between the adult and dislocated worker funding streams, rather than the 30 percent transfer rate permitted without the waiver.<sup>12</sup> This higher transfer rate enables local areas to better respond to changes in demand for WIA services by different types of customers.

**Workforce flexibility plan (work-flex).**<sup>13</sup> Although not technically a waiver, states apply to DOL to receive waiver authority through work-flex. It provides a state governor with blanket authority to waive certain provisions of federal WIA policy for local areas as needed, without applying to DOL for individual waivers. A state could choose to allow local areas to implement any of the waivers available to states through the DOL waiver request process, or to waive any other provisions of WIA that have not been explicitly excluded from work-flex authority.

### 2. Waivers That Engage Employers

**Local funds for incumbent-worker training as a statewide activity (IWT waiver).** This waiver allows local areas to use funds from local adult and dislocated worker funding streams for incumbent worker training (IWT), an activity typically supported through statewide discretionary funds. With the waiver, local areas may use up to 20 percent of dislocated worker funds, or up to 10 percent of dislocated worker funds and 10 percent of adult funds, for IWT. Training provided under the waiver must relate to averting layoffs.

**Rapid Response funds for incumbent-worker training as a statewide activity (IWTS waiver).** This waiver allows states to use funds allocated to their Rapid Response programs to train incumbent workers in the context of layoff aversion. Normally, Rapid Response funds are used to respond to layoffs or for management and oversight of IWT, not for the training itself. Under the waiver, states can use up to 20 percent of the funds allocated to the Rapid Response programs to provide IWT.

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<sup>12</sup> WIA allows local areas to transfer 20 percent of funds between the adult and dislocated workers funding streams; a provision in the Fiscal Year 2009 Omnibus Appropriations Act permits an additional 10 percent for the life of the funds for a total transfer of up to 30 percent, as described in TEGE 14-08, Change 1 (U.S. Department of Labor 2009).

<sup>13</sup> Although work-flex is not technically a waiver, we include it as one of the eight waivers of interest referenced throughout this report.

**Employer contribution for customized training (CT waiver).** This waiver allows local areas to subsidize customized training (CT) that teaches new skills to adults or dislocated workers at a higher rate than is allowed under WIA. The subsidization rate (50, 75, or 90 percent) is determined by the size of the business and is meant to incentivize small and medium-sized businesses (with fewer than 250 employees) to implement CT.

**Employer reimbursement for on-the-job training (OJT waiver).** This waiver allows local areas to reimburse employers that participate in on-the-job training (OJT) for WIA customers at a higher rate than is allowed under WIA. The reimbursement rate (50, 75, or 90 percent) is determined by the size of the business and is meant to incentivize small and medium-sized businesses to provide OJT.

### 3. Waivers Serving Youth

**Competitive procurement for youth elements (CPYE waiver).** This waiver allows local areas to maintain the continuity of youth services by contracting with American Job Centers (formerly known as One-Stop Career Centers) or partner programs to provide 3 of the 10 required youth services without going through a competitive bidding process. The three services are paid and unpaid work experience, support services, and 12-month follow-up services.

**Youth individual training accounts (ITA waiver).** This waiver allows local areas to offer individual training accounts (ITAs) to older and out-of-school youth for the purchase of employment-related skills training. Without the waiver, only youth who are also enrolled in the adult or dislocated worker programs can receive ITAs.

## C. Purpose of this Study

The purpose of this study is to examine how waiver implementation has affected the workforce system and the services delivered. The main focus of the study is to provide a descriptive analysis of the effects of waivers, such as shifts in resource allocation, frequency of take-up at local levels, access to and provision of various employment and training strategies; other direct effects on the workforce system, such as participation of businesses in WIA programs; and the extent to which layoffs might have been averted as a result of waivers. The study is not focused on determining the effectiveness of various training strategies or participant outcomes under the waivers, but instead on determining the waivers' effectiveness in meeting the perceived needs of states and local areas.

### 1. Research Topics

To understand how waiver implementation may affect the workforce system, both broadly and by waiver type, the study will center on a wide range of topics. There are three broad sets of topics driving the study: the motivation for applying for waivers and coordination, waiver implementation, and waiver-specific details of implementation. Below, we list the topics for each of the main themes guiding the study's data collection and cross-cutting analysis at both the state and local levels.

#### a. Motivation and State-Local Coordination

- State and local areas' reasons for seeking a waiver

- Level of input by local areas into the state’s decision to request a waiver
- Process used by local areas to request a waiver from the state
- Relationship/communication between state and local levels regarding the waiver

**b. Waiver Implementation (applies to each waiver)**

- Degree to which local areas implement the approved waiver
- Effects on duration, type, intensity, and focus of the services provided
- Client participation in waiver services
- Cost of services provided under the waiver
- Effects of waiver implementation on other spending resources
- Lessons learned; challenges and successes regarding waiver implementation
- Process used by the state to monitor local area waiver implementation
- Unintended effects of the waiver

**c. Implementation by Waiver**

- **A-DWT:** Level and direction of funds transfer; changes in the type, intensity, or duration of services offered to adults and dislocated workers
- **Work-flex:** Type of waivers approved for local areas; process and criteria for approving local area waiver requests; process for monitoring local waiver implementation
- **IWT:** Proportion of local adult or dislocated worker formula funds used for IWT; perceived effectiveness of IWT as a layoff aversion strategy; change in type, intensity, or duration of IWT services; number of participants receiving IWT
- **IWTS:** Proportion of Rapid Response funds used for statewide IWT activities; perceived effectiveness of IWT as a layoff aversion strategy; change in type, intensity, or duration of IWT services; number of participants receiving IWT
- **CT:** Level of employer contributions by business size; change in number of small and medium-sized businesses participating in CT; type of employers offering CT; type, intensity, and duration of CT services; number of participants receiving CT
- **OJT:** Level of employer reimbursement by business size; change in number of small and medium-sized businesses participating in OJT; type of employers participating in OJT; type, intensity, and duration of OJT services; number of participants receiving OJT
- **CPYE:** Differences in the procurement process; administrative or cost efficiencies; changes in type, intensity, or duration of services offered to youth; number of youth receiving the three types of services exempted from competitive procurement
- **Youth ITA:** Type, duration, and intensity of services accessed using ITAs; number of youth receiving ITAs; eligibility requirements for youth receiving ITAs

**2. Purpose of Report**

Drawing from the two previous study reports and additional analysis, this final report summarizes the findings from all phases of data collection under the study. We present the broad analysis from phase one collected through telephone calls with administrators in 20 selected states, and supplement those finding with detailed waiver implementation information collected from the site visits to local areas in 12 states during phase two. This report is a stand-alone document that encapsulates the entire study and answers all research questions posed by DOL.

In the remainder of this report, we outline the methodology for selecting states and local areas that participated in the study and detail the data collection process. We also present findings on the process for requesting and implementing waivers, motivations for requesting waivers, detailed information about each waiver of interest, and lessons learned from the waiver process.

## II. METHODOLOGY

The study included two phases of site selection and data collection. In the first phase of the study, Mathematica selected 20 states for broad analysis using a set of criteria we developed and DOL reviewed. For those states, we collected and reviewed publicly available information, as well as that provided by DOL, related to the waivers of interest for each state. We also conducted telephone interviews with staff at the state WIA boards and/or agencies to collect additional information about the use of waivers at the state and local levels. Although the data collected in phase one mainly focused on state-level data, we used suggestions from the state contacts to conduct telephone calls to 20 local areas using waivers. In the second phase of the study, we selected 12 of these local areas and conducted site visits to collect in-depth information on the waiver process, implementation, and outcomes. Details of these efforts are provided below. The topics discussed with state and local entities in both phases of the study are included in Appendix A of this report.

### A. Phase One Research

In phase one, we selected 20 states for broad analysis of waiver policies and implementation. Although most of the waivers of interest are administered at the local level, data on local waiver implementation were extremely limited in public documents. In addition, DOL requires that state agencies apply for waivers, so even when a local area wants to implement a waiver, the state ultimately must apply for it. Thus, state-level data provided the best approximation of waiver use available and all of our selection criteria were at the state level. Although the level of detail was limited, the data provided contextual information about the basic structure of WIA in each state and the extent of waiver use in each state and local area.

#### 1. Phase One Site Selection

Site selection in phase one was primarily based on the number of waivers approved in each state. We began by reviewing the approved waivers of interest for all 50 states, the District of Columbia, and the territories. Most received approval for multiple waivers of interest between PYs 2008 and 2010. Excluding work-flex (for which none of the states had approval in PY 2010), 185 waivers of interest were approved in PY 2008 (Table II.1), 193 in PY 2009 (Table II.2), and 209 in PY 2010 (Table II.3)—an increase of 24 waivers per year over the three-year period.

In PY 2010, 31 states and territories were approved for at least four of the eight waivers of interest, with two states (Massachusetts and Ohio) receiving approval for all seven waivers (not including work-flex). Because most states had obtained numerous approved waivers, it was important to select those with a range of waivers to understand why some states chose not to apply for them. Selecting states approved for one or more waivers for the first time during 2008–2010 was also important in understanding what new circumstances prompted the request and approval of the additional waivers. In addition, states that had waivers in one year and discontinued them in subsequent years could provide information about the sustainability of these waivers.

Table II.1. Approved Waivers by State for PY 2008

	Adults and Dislocated Workers					Youth	
	A-DWT	Local Funds for IWT	Rapid Response Funds for IWT	OJT Employer Reimbursement	CT Employer Contribution	Youth ITAs	CPYE
Alabama	X	X	X	X	X		
Alaska	X			X	X	X	
American Samoa							
Arizona	X				X		
Arkansas	X	X		X	X	X	X
California	X	X			X	X	
Colorado	X	X					X
Connecticut		X				X	X
Delaware							
District of Columbia	X	X					
Federated States of Micronesia							
Florida	X	X	X			X	
Georgia	X					X	
Guam	X				X		X
Hawaii	X				X		
Idaho		X	X			X	X
Illinois		X		X		X	X
Indiana	X	X				X	
Iowa	X			X	X		
Kansas	X	X	X	X		X	X
Kentucky	X	X	X		X	X	
Louisiana	X	X	X	X	X	X	X
Maine							
Marshall Islands							
Maryland	X	X				X	
Massachusetts	X	X	X			X	X
Michigan		X	X				
Minnesota	X	X	X		X	X	
Mississippi	X	X		X	X	X	X
Missouri	X	X	X	X	X	X	X
Montana		X					
Nebraska	X	X					
Nevada	X						
New Hampshire	X						
New Jersey	X	X			X	X	
New Mexico	X	X				X	
New York	X	X	X			X	X
North Carolina	X	X	X				
North Dakota							X
Northern Mariana Islands							
Ohio	X	X	X		X	X	X
Oklahoma		X			X	X	
Oregon		X	X			X	
Palau							
Pennsylvania	X	X	X	X	X	X	
Puerto Rico	X	X	X		X	X	X
Rhode Island					X	X	X
South Carolina	X	X	X	X	X		
South Dakota	X						
Tennessee	X		X			X	X
Texas	X	X	X	X	X	X	
Utah	X	X				X	
Vermont							X
Virgin Islands	X		X	X	X	X	
Virginia	X	X	X			X	
Washington							X
West Virginia	X					X	
Wisconsin	X	X					X
Wyoming	X						
<b>Total</b>	<b>41</b>	<b>35</b>	<b>22</b>	<b>13</b>	<b>22</b>	<b>32</b>	<b>20</b>

Source: Workforce Investment Act Waiver Summary Report provided by the U.S. Department of Labor, Employment and Training Administration, 2010.

Table II.2. Approved Waivers by State for PY 2009

	Adults and Dislocated Workers					Youth	
	A-DWT	Local Funds for IWT	Rapid Response Funds for IWT	OJT Employer Reimbursement	CT Employer Contribution	Youth ITAs	CPYE
Alabama	X	X	X	X			
Alaska	X			X	X	X	
American Samoa							
Arizona	X				X		X
Arkansas	X					X	
California	X	X			X	X	
Colorado	X	X		X	X	X	X
Connecticut		X		X	X	X	X
Delaware	X			X			
District of Columbia	X	X					
Federated States of Micronesia							
Florida	X	X	X	X	X	X	
Georgia	X	X	X			X	
Guam	X				X		X
Hawaii	X				X		X
Idaho						X	X
Illinois		X				X	X
Indiana	X		X			X	
Iowa	X			X			
Kansas	X	X	X	X		X	X
Kentucky	X	X	X	X	X	X	
Louisiana	X	X	X	X	X	X	X
Maine							
Marshall Islands							
Maryland	X			X	X	X	
Massachusetts	X	X	X		X	X	X
Michigan			X				
Minnesota	X	X	X	X	X	X	
Mississippi	X	X		X		X	
Missouri	X			X		X	X
Montana							
Nebraska	X						
Nevada	X			X	X	X	
New Hampshire							
New Jersey	X	X		X	X	X	
New Mexico	X	X				X	
New York			X			X	X
North Carolina	X	X	X				
North Dakota						X	
Northern Mariana Islands	X						
Ohio	X	X	X		X	X	X
Oklahoma		X	X	X	X	X	
Oregon		X	X			X	
Palau							X
Pennsylvania	X	X	X	X	X	X	
Puerto Rico		X	X	X	X	X	X
Rhode Island					X	X	
South Carolina	X			X	X	X	
South Dakota	X						
Tennessee	X	X	X			X	X
Texas	X	X	X	X	X	X	
Utah	X					X	
Vermont							X
Virgin Islands	X	X	X	X	X	X	
Virginia	X	X	X			X	
Washington						X	X
West Virginia	X			X	X	X	
Wisconsin	X	X		X	X		X
Wyoming	X						
<b>Total</b>	<b>40</b>	<b>27</b>	<b>21</b>	<b>24</b>	<b>25</b>	<b>37</b>	<b>19</b>

Source: Workforce Investment Act Waiver Summary Report provided by the U.S. Department of Labor, Employment and Training Administration, 2010.

**Table II.3. Approved Waivers by State for PY 2010**

	Adults and Dislocated Workers					Youth	
	A-DWT	Local Funds for IWT	Rapid Response Funds for IWT	OJT Employer Reimbursement	CT Employer Contribution	Youth ITAs	CPYE
Alabama	X	X	X				
Alaska	X			X	X	X	
American Samoa				X			
Arizona	X				X		X
Arkansas	X					X	
California	X	X	X	X	X	X	
Colorado	X	X		X	X	X	X
Connecticut		X		X	X	X	X
Delaware	X						
District of Columbia	X	X					
Federated States of Micronesia							
Florida	X	X	X	X	X	X	
Georgia	X	X	X	X		X	
Guam	X				X		X
Hawaii	X			X	X	X	X
Idaho				X		X	X
Illinois		X				X	X
Indiana	X		X			X	
Iowa	X						
Kansas	X	X	X	X		X	X
Kentucky	X	X	X	X	X	X	
Louisiana	X			X	X	X	X
Maine							
Marshall Islands							
Maryland	X			X	X	X	
Massachusetts	X	X	X	X	X	X	X
Michigan	X	X	X	X	X	X	
Minnesota	X	X	X	X	X	X	
Mississippi	X	X		X		X	
Missouri	X			X		X	
Montana							
Nebraska	X						
Nevada	X	X		X	X	X	
New Hampshire							
New Jersey	X	X		X	X	X	
New Mexico	X	X		X		X	
New York		X	X	X	X	X	X
North Carolina	X	X	X	X			
North Dakota						X	
Northern Mariana Islands	X						
Ohio	X	X	X	X	X	X	X
Oklahoma		X	X	X	X	X	X
Oregon		X	X			X	
Palau							
Pennsylvania	X	X	X	X	X	X	
Puerto Rico		X	X	X	X	X	X
Rhode Island					X	X	X
South Carolina	X	X	X	X	X	X	
South Dakota	X						
Tennessee	X	X	X			X	X
Texas	X	X	X		X	X	
Utah	X					X	
Vermont							X
Virgin Islands	X	X	X	X	X	X	
Virginia	X	X	X			X	
Washington						X	X
West Virginia	X			X	X	X	
Wisconsin	X	X		X	X		X
Wyoming	X						
Total	41	30	22	31	27	39	19

Source: Workforce Investment Act Waiver Summary Report provided by the U.S. Department of Labor, Employment and Training Administration, 2010.

We used additional criteria for site selection, including the state percentage of national formula allocation, the number of WIA local areas in the state, the state percentage of national WIA participants, and the DOL region of the country. The final selections ensured representation of a mix of states across each of these criteria. Table II.4 presents information for all states across these selection criteria and identifies the 20 states that were selected for the study.

The 20 states and territories identified in Table II.4 vary in the number of waivers approved across the three-year period. On average, states had four to five approved waivers in each year. They also had, on average, four waivers in place in all years from PY 2008 to PY 2010. Fifteen of the 20 proposed states added one or more waivers from PY 2008 to PY 2010.

The study areas also vary in the proportion of WIA formula funding allocated to them, the number of local WIA areas in their state, and their share of national WIA participants. The majority of states received moderate or large shares of funding. They had 15 local areas on average, and the percentage of WIA participants in these states—1.9 percent on average—was the same as the national average. About 35 percent of the selected states had low shares of the number of national WIA participants, and only 25 percent had high shares. The study states represent each of the six DOL regions, although Regions 1, 4, and 6 are slightly underrepresented and Region 3 is overrepresented.

## 2. Phase One Data Collection

During the first phase of the study, data were collected from two sources: a document review and telephone interviews. Initially, we collected and reviewed WIA documentation related to waivers. After that process was complete, we conducted a short telephone interview with state and local officials in each state. The purpose of the calls was to fill in missing information, learn about implementation in local areas, and gather additional data.

**Document review.** The document review gathered background information for each of the 20 selected states from federal and state sources for PYs 2008 through 2010. Some of the data were available publicly, as part of federal reporting requirements, whereas other information was obtained directly from DOL or state and local areas. The documents reviewed for all selected states included:

- **States' five-year plans and plan modifications.** WIA requires each state and territory to submit a detailed five-year plan for its use of WIA funding. We used the PY 2005 through PY 2009 (ending June 30, 2010) plans. They describe states' overall approaches and priorities, including service delivery strategies for adults, dislocated workers, and youth. They also discuss the waivers being requested for the planning cycle and how the waivers fit into the state's overall strategy.
- **Waiver requests and approval letters for PY 2009 and PY 2010.** States must request approval for waivers, including extensions of waivers approved in previous years. States' waiver requests include several elements, such as the purpose and goal of each one being requested, expected programmatic outcomes, how each waiver will affect participants, plans to monitor implementation, and processes for obtaining public feedback.

- **States' annual reports.** States are required to report on their use of WIA funding on an annual basis, including specific performance measures. Annual reports typically provide this information by local area. Some states include information on waiver use in their annual reports, although the level of detail varies widely. Most states merely discuss which waivers they requested that year and the motivation for requesting them.

The information collected for each state and local area, to the degree available, included:

- State overview information
  - Number of WIA participants served
  - Funding allotment
  - Number of local WIA areas
  - DOL region
  - WIA organizational structure
- Waiver overview
  - Total number of waivers, by year
  - Specific waivers in place, by year
- For each waiver of interest
  - Process for obtaining waiver
  - Goals for waiver
  - Outcomes
  - Monitoring/reporting requirements for local areas

The level of detail regarding waivers provided in these documents varied considerably from state to state. Overall, the documents did not provide much detail related to the specific waivers of interest. However, the document review was a starting point for the telephone calls to the states, as it often provided useful background information on the organization of state WIA programs.

**Table II.4. Characteristics of the Study States**

State	Study State	Number of Waivers in Place				Work-flex in 2008, 2009, or 2010	Range Designation <sup>a</sup>			Region
		2008	2009	2010	In All Years		State Percentage of National Allotment <sup>b</sup>	Number of WIA Local Areas	State Percentage of National WIA Participants <sup>c</sup>	
Alabama		5	3	3	3	X	Medium	Low	Low	3
Alaska	X	4	4	4	4		Low	Low	Low	6
American Samoa		0	0	1	0		Low	Low	--	6
Arizona		2	3	3	2		Medium	Medium	Medium	6
Arkansas		6	2	2	2		Medium	Medium	Medium	4
California	X	4	4	6	4		High	High	High	6
Colorado		3	6	6	3		Medium	Medium	Medium	4
Connecticut		3	5	5	3		Medium	Medium	Medium	1
Delaware		0	1	1	0		Low	Low	Medium	2
Dist. of Columbia		2	2	2	2		Low	Low	Low	2
Federated States Of Micronesia		0	0	0	0		--	Low	--	6
Florida	X	4	6	6	4		High	High	Medium	3
Georgia	X	2	4	5	2		High	High	Low	3
Guam		3	3	3	3		Low	Low	--	6
Hawaii	X	2	3	5	2		Low	Medium	Low	6
Idaho		4	2	3	2		Medium	Low	High	6
Illinois		4	3	3	3		High	High	Medium	5
Indiana		4	3	3	3		High	Medium	High	5
Iowa		3	2	1	1		Medium	Medium	Medium	5
Kansas	X	6	6	6	6		Medium	Medium	Medium	5
Kentucky	X	5	6	6	5		Medium	Medium	High	3
Louisiana	X	7	7	5	5	X	Medium	High	High	4
Maine		0	0	0	0		Medium	Medium	Low	1
Marshall Islands		0	0	0	0		--	Low	--	6
Maryland	X	3	4	4	2		Medium	Medium	Medium	2
Massachusetts	X	5	6	7	5		Medium	High	Low	1
Michigan	X	2	1	6	1	X	High	High	High	5
Minnesota	X	5	6	6	5		Medium	High	Low	5
Mississippi	X	6	4	4	4	X	Medium	Medium	Medium	3
Missouri		7	4	3	3	X	Medium	Medium	High	5
Montana		1	0	0	0		Low	Low	Medium	4
Nebraska		2	1	1	1		Low	Medium	Low	5
Nevada		1	4	5	1		Medium	Low	Medium	6
New Hampshire		1	0	0	0		Low	Low	Low	1
New Jersey		4	5	5	4		High	High	Medium	1
New Mexico	X	3	3	4	3		Medium	Medium	Medium	4
New York		5	3	6	3		High	High	High	1
North Carolina	X	3	3	4	3		High	High	Medium	3
North Dakota		1	1	1	0		Low	Low	Medium	4
Northern Mariana Islands		0	1	1	0		Low	Low	--	6
Ohio	X	6	6	7	6		High	High	High	5
Oklahoma		3	5	6	3	X	Medium	Medium	Medium	4
Oregon		3	3	3	3		Medium	Medium	High	6
Palau		0	1	0	0		Low	Low	--	6
Pennsylvania	X	6	6	6	6		High	High	Medium	2
Puerto Rico		6	6	6	5		High	Medium	Medium	1
Rhode Island		3	2	3	2		Medium	Low	Low	1
South Carolina	X	5	4	6	3		Medium	Medium	Medium	3
South Dakota		1	1	1	1		Low	Low	Low	4
Tennessee		4	5	5	4		High	Medium	Medium	3
Texas		6	6	5	5		High	High	High	4
Utah		3	2	2	2		Medium	Low	High	4
Vermont		1	1	1	1		Low	Medium	Low	1
Virgin Islands	X	5	6	6	5		Low	Low	Low	1
Virginia		4	4	4	4		Medium	Medium	Medium	2
Washington		1	2	2	1		Medium	Medium	High	6
West Virginia	X	2	4	4	2		Medium	Medium	Low	2
Wisconsin		3	5	5	3		Medium	Medium	Low	5
Wyoming		1	1	1	1		Low	Low	Low	4

Source: Data provided by U.S. Department of Labor, Employment and Training Administration, 2010.

<sup>a</sup> The ranges are based on the quartiles for each distribution (rounding was used for cleaner breaks).

Formula Allocation: Low: 0–0.29%; Medium: 0.3–2%; High: over 2%.  
 Local Area: Low: 1–2; Medium: 3–15; High: over 15.  
 WIA Participants: Low: 0–0.34%; Medium: 0.35–2.5%; High: over 2.5%.

### 3. Telephone Interviews

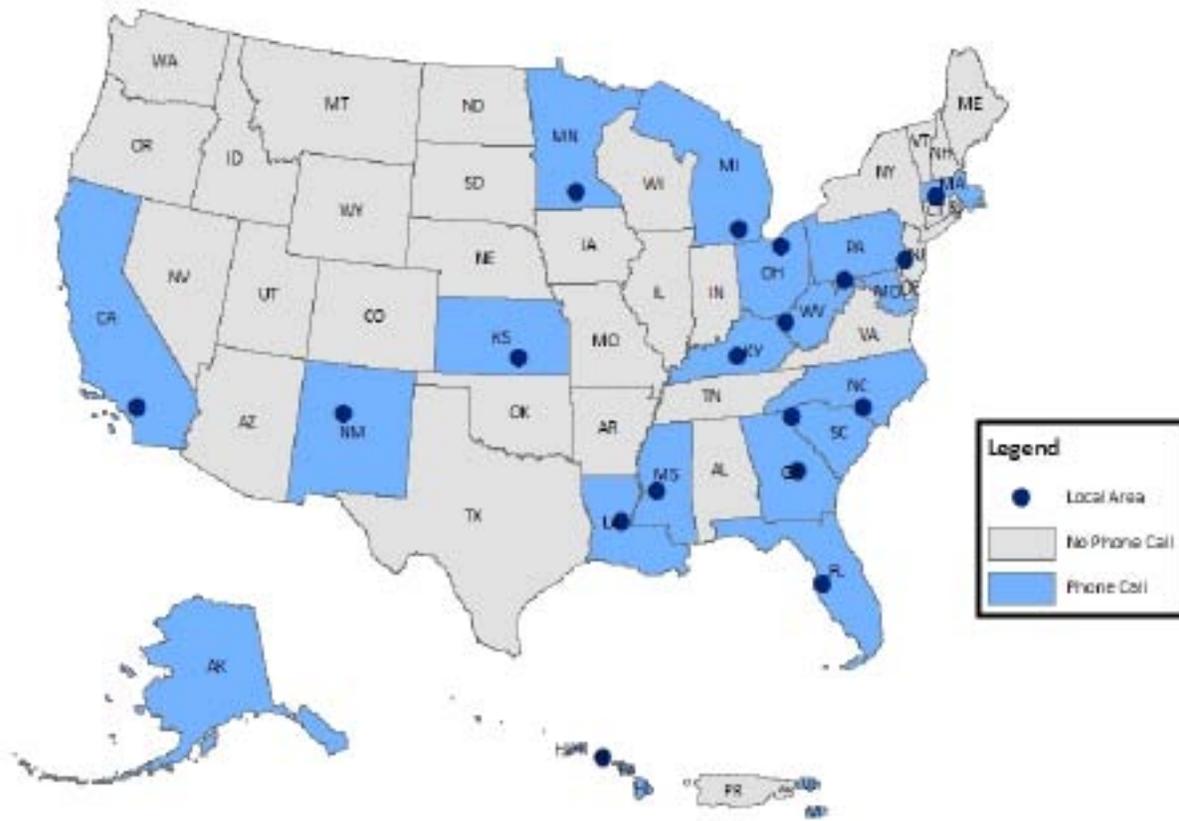
After the document review was completed for each state, we conducted telephone interviews with staff from the state Workforce Investment Board (WIB) and/or state DOL agency to confirm information from the document review, collect additional information on state-level waiver strategies and potential effects, and obtain contacts in the local areas using waivers.

During the state calls, staff were asked about which local areas made the most extensive use of the approved waivers. Some states were tracking waiver use at the local level and could identify which areas had used waivers extensively, whereas other states did not know if, or to what degree, most waivers were implemented at the local level. In cases where states did not know the degree to which local areas implemented waivers, the state was asked to suggest a sample of local areas that could be contacted for more information. We sent an email with the list of waivers of interest to this sample to determine which areas were implementing each waiver. Based on those results, we selected the local area in each state that was implementing the most waivers of interest for participation in the study. We contacted the local workforce director who administers WIA for the selected area and interviewed him or her about the waivers of interest in place between PY 2008 and 2010. Figure II.1 identifies the states interviewed and the general area of the state in which the local area was located.

All telephone calls lasted for approximately an hour and often included more than one staff person from the state or local area. For both the state and local calls, the interviews had the following three main objectives:

1. Confirm and gather missing information from the document review
2. Collect information on waiver strategies and potential effects, including:
  - WIA organization and background
  - Implementation of approved waivers
  - Workforce systems and services
  - Program resources
  - Workforce system monitoring
  - Successes, challenges, and lessons
  - Availability of administrative data for tracking waivers
3. Explore the utility and feasibility of site visits

**Figure II.1. States and Local Areas Interviewed by Telephone in Phase One**



Note: Alaska and the Virgin Islands each have only one local area statewide.

## B. Phase Two Research

In phase two, we used the data collected in phase one from the 20 states and local areas as criteria for selecting 12 sites for in-depth site visits. Although some state-level factors were included in determining the sites, most of the criteria used were based on local-level data, as described below.

### 1. Phase Two Site Selection

For site selection in phase two, we used the information collected during telephone interviews with the 20 states and local areas to determine the 12 most promising local areas for in-depth site visits. As with the site selection in phase one, the number and type of waivers implemented in each local area was the primary factor in selecting sites. However, additional criteria were used to account for variation in the types of local areas selected. Data included the region of the country, the number of American Job Centers, and the approximate number of clients served by the local area. Some non-quantifiable information about sites was included as notes to provide additional context. These notes contained information such as the extent of waiver use and any interesting aspects of that use.

Table II.5 displays a comparison of local areas along the factors used to determine site selection. In general, the local areas fell into a natural ranking. The ones using the most waivers over the past three years were identified first. Five of the 20 sites reported actively using only one waiver of interest during the period. We eliminated those sites as we felt that they would not provide enough additional information on waiver use to warrant a site visit. Of the remaining 15 sites, 10 local areas had implemented at least three of the eight waivers at some point. These 10 were selected for site visits as they provided a good mix of the various waivers of interest, and some—such as Lake Cumberland, Kentucky—had implemented several waivers but then discontinued use, providing the study with additional information about why local areas used waivers and chose to discontinue. We also wanted to ensure that we included sites that had used work-flex in the past and were implementing the CT waiver (for which few states were approved). For the final two sites, we targeted local areas that had implemented at least two waivers and were very actively using those waivers. The Heart of Georgia represents the largest geographic area in the state and it reported tripling the number of OJT contracts in the local area after it implemented the OJT waiver. Central Mississippi was also included because it reported heavy use of the ITA waiver to serve out-of-school youth.

Most of the 12 local areas selected served smaller, more rural populations; however, two larger urban areas were represented: Philadelphia, Pennsylvania, and Riverside, California. The sites represented all regions with the exception of Region 1. Local areas in Region 1 in the contiguous U.S. did not meet our selection criteria; instead, the local area in West Virginia (in Region 2) was selected because it was very actively using and promoting the OJT waiver.

**Table II.5. Characteristics of Local Areas for Phase Two Site Selection**

State	Name of Local Area	Sites Selected for Visit	State-Approved Waivers 2010	Local Waivers Implemented 2010	Waivers Implemented in 2010 <sup>a</sup>							Program Size PY 2010 (i) (ii)				
					A-DWT	IWT	IWTS	OJT	CT	ITA	CPYE	DOL Region	No. of AJCs	Adults	Dislocated Workers	Youth
Alaska	1 Statewide Local Area	X	4	2 (a)	(b)			X		X		6	24	636	409	932
California	Riverside	X	6	3	X			X		X		6	10	15,000	15,000	800
Florida	Region 14/15		6	1		X						3	9	4,200	4,200	1,460
Georgia	Heart of Georgia	X	4	2	X			X				3	17	485	485	314
Hawaii	Oahu WorkLinks		5	1							X	6	3	300	300	400
Kansas	Area 4	X	6	3 (a)	X	X				X	(b)	5	4	32,121	1,633	n.a.
Kentucky	Lake Cumberland	X	6	1 (a)	X	(b)		(b)				3	4	350	350	325
Louisiana	LWIA #60		5	2	X						X	4	6	100	100	n.a.
Maryland	Western Maryland		4	1						X		2	3	183	267	323
Massachusetts	Hampden		7	1						X		1	2	551	676	626
Michigan	South Central Michigan Works!	X	6	3	X	X	X					5	3	1,199	888	360
Minnesota	South Central WSA		6	1						X		5	3	200*	780*	217*
Mississippi	Central Mississippi	X	4	2	X					X		3	10	7,030	4,925	1,947
New Mexico	NM Central	X	4	3	X			X		X		4	4	500	600	600
North Carolina	Lumber River		4	2			X	X				3	4	535	209	591
Ohio	Lorain County	X	7	3		X				X	X	5	1	350	50	150
Pennsylvania	Philadelphia	X	6	3 (a)	X	X	(b)		X			2	5	3,250*	4,982*	1,409*
South Carolina	WorkLink	X	6	3 (a)	X	(b)		X		X		3	3	2,010	1,154	268
Virgin Islands	1 Statewide Local Area		6	6	X	X	X	X	X	X		1	2	2,351	300	292
West Virginia	Region 2, Southwest	X	4	2	X			X				2	7	69	116	109
Number of Sites Using Waiver					12	6	3	8	2	11	3					

Source: State and local telephone interviews.

<sup>a</sup> No states were approved for work-flex in PY 2010.

X = Waiver was implemented in PY 2010.

(a) = Area implemented additional waivers in PY 2008 and/or PY 2009.

(b) = Area implemented waiver in PY 2008 and/or PY 2009.

(i) = Some data are approximations.

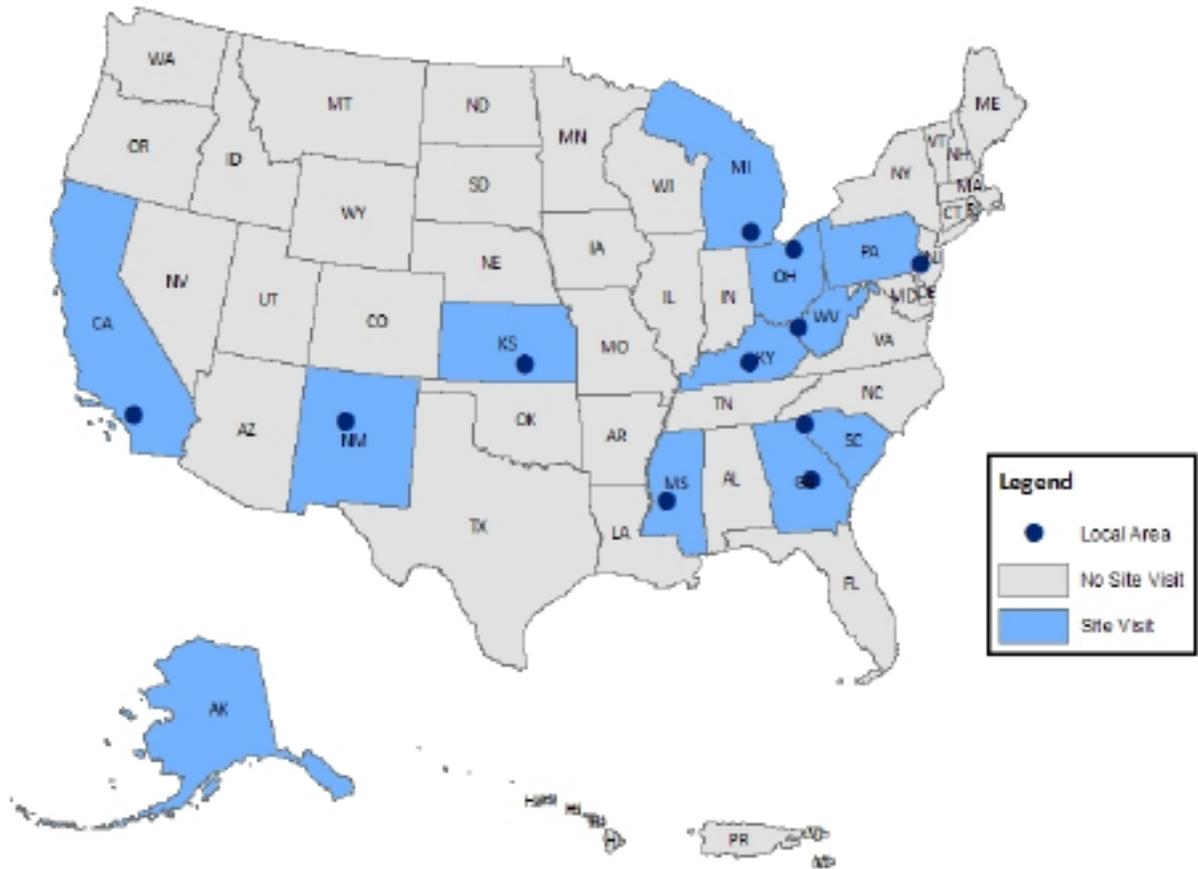
(ii) = Data from PY 2009 noted with an asterisk (\*).

n.a. = not applicable.

**2. Phase Two Data Collection**

In phase two of the study, we collected data for the 12 local areas (see Figure II.2) through in-person site visits. Two-person site-visit teams spent two days on site in each local area meeting with local area staff, employers, and training providers. The purpose of the site visits was to investigate how and why local areas implemented waivers, to discuss the successes and challenges of using the waivers of interest, and to gather multiple perspectives on the usefulness of waivers. The 12 site visits were conducted during February and March 2012.

**Figure II.2. States and Local Areas Visited in Phase Two**



Note: Alaska has only one local area statewide.

The site visitors met with multiple types of respondents at each site to ensure the study represented different perspectives on how waivers affected the workforce system. Similar topics were discussed across respondent types, although the focus of the discussion varied by respondent type because of the unique roles of each in the waiver process and the workforce system. The types of respondents interviewed in each local area also varied depending on which waivers the local area implemented. Respondents and discussion topics included:

- 1. Director and policy staff of the Workforce Investment Board (WIB) or operating agency.** Site visitors interviewed the head of the agency responsible for overseeing policy and implementation for WIA in each local area to understand the economic

situation in the region and what motivated the local area to use waivers. Directors and policy staff provided insight into the process for requesting or choosing to implement waivers, how waivers fit into the local area's overall workforce development approach, and their strategies for individual waivers.

2. **WIA program managers and staff.** Local area staff responsible for overseeing the adult, dislocated worker, and youth programs were able to provide information on how the implementation of waivers affected the operation of these programs and how changes ultimately affected the provision of WIA services and relationships with workforce partners. Often, these staff had participated in the planning that resulted from decisions to implement waivers in the local area and could discuss this process in detail.
3. **American Job Center managers and frontline staff.** When the local area implemented waivers that affected service provision through the American Job Centers, staff and supervisors in the American Job Centers were able to describe their experience with the changes caused by waivers and how it affected both their day-to-day operations and the ways they worked with customers, employers, and other workforce partners. The study team typically spoke with staff at one or two American Job Centers in the area.
4. **WIA fiscal and management information system (MIS) staff.** The study sought to understand whether and how states and local areas tracked data on the use of waivers. Fiscal staff were able to discuss how waivers affected WIA funding, particularly the A-DWT waiver. Site visitors also discussed data tracking and reporting for WIA and WIA waivers with MIS staff in each local area.
5. **Employers.** Employers of WIA customers enrolled under the OJT, CT, IWT, and IWTS waivers provided their perspectives on how waivers affected the workers and businesses that participated in training under the waivers, the perceived benefits of those waivers, and how waivers could better serve the needs of employers. The study team spoke with one or two employers selected by the local area.
6. **Training providers.** Discussions with training providers focused on how waivers affected providers' work and provided insight into how training providers perceive changes in customer participation in training that might be attributed to waivers. The study team typically spoke with one training provider identified by the local area.

We asked all respondents to identify what they considered to be the achievements or challenges of waivers and any lessons they learned from participating in the waiver process. In all cases, we tailored questions from a common protocol to the waivers implemented in the local area, with some discussion of why certain waivers approved for use at the state level were not implemented locally.

### C. Data Considerations

When considering the findings discussed in the remainder of the report, it is important to keep a few issues in perspective.

1. **Data are not necessarily representative of the entire state or nation.** Although information collected during the telephone calls is representative of the waiver use of the local areas interviewed, the data should not be interpreted to represent all local

areas in the state or in the nation. The study included a single local area in each state, which may or may not have implemented all available waivers in that state. We did not choose these local areas at random; areas selected were often those implementing the most waivers available in the state or implementing certain waivers extensively. The sample of local areas will not perfectly represent the full extent of local area waiver implementation, but the pattern of implementation in these local areas is generally consistent with the qualitative information from interviews with state respondents when they discussed the extent of implementation across the state.

2. **The information presented is the opinion of staff interviewed.** The observations made by local staff on how the waivers could better serve their needs are strictly the opinions of the staff interviewed for the study. Their opinions do not represent the perspectives of other local areas, nor do they necessarily reflect the opinions of state representatives with regard to waivers. The 12 local areas visited in the course of this study are only a small share of the hundreds of local workforce investment areas across the country that might have had different opinions about waiver use.
3. **There were some differences in what was learned in the field visit versus our understanding from the documentation research or telephone interviews.** In a few instances, site visitors discovered that a local area had not actually implemented a waiver, even though staff had reported doing so during phase one data collection. There appeared to be some confusion among local area staff regarding the distinction between what constitutes use of a waiver and what is standard WIA policy. This occurred most often with the A-DWT waiver. Under standard WIA policy, local areas can transfer up to 30 percent of their adult or dislocated worker funds to the other program, whereas under the waiver they currently can transfer up to 50 percent of funds between programs. A few local areas reported using the A-DWT waiver, but they were actually transferring less than the allowable 30 percent limit. This was clarified when site visitors verified actual percentages of funds transferred in each year while on site. The tables in Chapter IV of this report that identify the waivers approved for the state and locally implemented are based on the study team's determination of whether the local area actually conducted activities that required the use of a waiver. Thus, the data in those tables vary slightly from what is shown in Table II.5 (the criteria used to select local areas to visit), because more details emerged during the site visits.
4. **What "waiver" means was not always clear.** Although waivers are referenced throughout this report, that term and its meaning was not familiar to all respondents interviewed during the in-depth site visits to local areas. Employers are typically unaware that their services are expanded through use of a waiver. Even within the administration of WIA, some staff are unaware of the existence of waivers or their impact on the workforce system. Compared with WIB and WIA management staff, The American Job Center staff involved in this study were generally more removed from the policy discussions surrounding the selection and implementation of waivers and were less likely to be familiar with them. To account for this range of familiarity with waivers, site visitors approached interviews with employers and some other respondents from the perspective of the changes that occurred due to waivers, without referencing the waivers themselves. This was the most effective way to determine how some respondents felt about waivers even though they were unaware of the terminology normally used to refer to them.

5. **Respondents' comments about policy or process improvements to the program may not be within DOL's authority to implement.** Some of the respondents' recommendations for improving the waiver process are not within DOL's control. Some of the comments would require federal legislative changes. Others are within the state's control—but local areas may not realize these are state and not federal policies. Where appropriate, we note those suggestions that are not within DOL's authority.
6. **The American Recovery and Reinvestment Act (ARRA) may have impacted waiver use.** During the study period (PYs 2008–2010), states and local areas were also involved in activities related to ARRA. ARRA provided additional funds for adults, dislocated workers, and youth. Although states and local areas generally reported that ARRA did not affect their decisions to use waivers in the study years, there were some instances in which ARRA may have had an impact. For example, in the years when additional funding was available through ARRA for adults and dislocated workers, local areas might have felt less need to use the A-DWT waiver. As ARRA ends and states and local areas have fewer funds and less flexibility, their waiver choices could change.

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### III. THE WAIVER PROCESS

One of the purposes of the study was to gain an understanding of how states request certain waivers, their goals for using them, and the role local areas play in the waiver request and implementation process. This chapter presents an overall picture of how administrators from the 20 states work together with local areas to request and implement waivers. Information collected from the 12 local areas during sites visits provides context and examples for these processes.

#### A. Process for Requesting Waivers

The general process for applying for waivers is the same across states. The state may submit a waiver request to DOL as part of its annual state plan or as a separate request at any time. Approved waivers are considered active for the timeframe specified in DOL's waiver approval letter, but not longer than the expiration date of the state's current WIA state plan.<sup>14</sup> All requests must come from the state, so any local area interested in requesting a waiver must coordinate with the state agency. At a minimum, the waiver requests must describe the following elements:

- Statutory and/or regulatory requirements to be waived
- Actions undertaken to remove state or local barriers
- Goals and expected programmatic outcomes of the waiver (and how the waiver will achieve these)
- Individuals affected by the waiver
- Process for monitoring progress in implementation
- How local boards were notified of the waiver request and allowed to comment
- How the public was notified of the waiver request and allowed to comment

For each waiver requested, the state must provide notice to any local WIA board affected by the waiver and to the general public, including business and organized labor. The local WIA boards and the public must also be given an opportunity to comment on the notice. After the comment period, the waiver request and any comments received are submitted to DOL for review. DOL then makes a decision about approval within 90 days of receipt. The overall process can take several months from the planning stage to final approval.

#### 1. State Process for Seeking Waivers from DOL

Administrators from 20 study states and local areas described the process of applying for waivers as iterative and involving substantial state and local area collaboration. During telephone calls, three local areas indicated that they did not know much about available waivers or the process for acquiring them; however, all other state and local staff outlined processes in which states and local areas work together to determine which waivers will help local areas improve services for employers and job seekers. These administrators explained that they meet

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<sup>14</sup> Program years run from July 1 to June 30.

together on a quarterly or even monthly basis. During these meetings, local areas update the state about service delivery challenges, employer and job seeker needs, and any performance outcome concerns; together, the state and its local areas discuss possible solutions to these issues, including waivers. Although these meetings are rarely dedicated solely to the discussion of waivers, state and local administrators describe them as an excellent opportunity for local areas to provide input regarding waivers for which the state should apply. Officials from four states—Louisiana, Minnesota, Mississippi, and South Carolina—also ask their local areas to provide written comments on how useful they think the waiver might be for their programs.

State and local administrators explained that waiver discussions typically are confined to regular state/local area meetings, but California and Pennsylvania also convene separate working groups that discuss the waivers and provide recommendations on those for which the states should apply. California's WIB, for example, has an Issues and Policies Committee that includes representatives from the state WIB as well as a subset of local boards; the committee solicits waiver ideas, reviews requests, issues waiver notifications for public comment, and reviews comments. Weighing all of this information, the committee makes recommendations to California's WIB regarding the waivers for which it should apply. Pennsylvania convened a similar working group when it was developing its last WIA five-year plan. Like California's Issues and Policies Committee, Pennsylvania's working group included representatives from both state and local areas, and determined which waivers the state should pursue.

Although states, rather than local areas, apply for WIA waivers from DOL, many local areas are extremely proactive in the process. State and local administrators from 7 of the 20 study states explained that local areas consistently look for ways to innovate their programs to better serve their customers and improve outcomes. To that end, they look at available WIA waivers and determine if any of them could enhance their services. The local area in New Mexico described the significant role that it played in New Mexico's decision to apply for the ITA waiver. To address a persistent problem with youth having difficulty fulfilling the youth program's occupational skills requirement, the administrators wrote a letter to the state asking them to request the waiver, which was approved. They have continued to work with the state in this manner by writing letters to the state when they think a waiver will improve their program operations.

Similarly, a pair of local areas in Georgia encouraged the state to apply for the OJT and IWT waivers. These areas provided the state with formal, written requests for both waivers; in the case of the OJT waiver, the state used text directly from the local area's request in its submission to DOL. In addition, staff in West Virginia reported that a proactive OJT coordinator had urged the state to apply for the OJT waiver; after discussion, the state applied for and received the waiver.

State and local administrators in several states noted that they review the types of waivers that other, similar states have received, to generate ideas for their own waiver requests. Administrators from Alaska explained that their federal project officer notifies them about which other states and local areas are using waivers, and provides guidance regarding whether or not those waivers might also benefit them. Administrators from three states also cited the waivers database on DOL's website as an excellent resource for waiver request and approval information, noting that they used the site to look closely at which waivers other states in their DOL region were using.

## 2. Process for Local Areas to Receive Approval from States for Waivers

With the exception of the A-DWT waiver, few states require local areas to apply to use approved waivers. Instead, the majority of study states simply notify their local areas when the state has been approved for a waiver and give local areas permission to use it as they deem necessary. The A-DWT waiver does require prior approval in most states, however, because states allocate WIA funds to their local areas and must track changes in funding. Administrators from seven states and six local areas reported that local areas had to request the state to move the funds and provide a rationale for the transfer. An eighth state, North Carolina, described a more rigorous transfer application process than other states. It requires local areas to outline the reasons for the transfer, prove that it will not result in the local area underserving the customers in the program from which they are transferring funds, and establish a specific date by which the state must transfer the funds. One local area explained that they would have to apply to transfer funds even in the absence of the waiver; another noted that their state has never denied a transfer request.<sup>15</sup>

Although less common, some states require local areas to apply for other waivers as well. Generally, states require applications for only certain available waivers, like OJT, ITA, or IWT, because they want to assure that local areas are implementing waiver-specific requirements fully. However, five of the study states—Massachusetts, Michigan, Minnesota, South Carolina, and West Virginia—require local areas to complete a rigorous waiver application process to use any of the waivers for which they have been approved. Michigan requires its local areas to follow a process for requesting all waivers that closely mirrors the one DOL requires the state to follow. Local administrators must (1) communicate to the state in writing what they want waived, (2) describe the outcomes they hope to achieve as a result of having the waiver, (3) indicate how they plan to monitor progress toward these goals, and (4) provide a period for public comment on the waiver requests, and submit to the state any supporting and dissenting comments they receive. Massachusetts, Minnesota, and West Virginia ask local areas to provide similar information about their intentions to use a waiver in their annual plans. When local areas in Minnesota decide they want to implement a waiver, they must send the state a modification to their local plans with their final implementation strategy. It is not until the state approves this modification that the local area can begin to use the waiver.

### B. Motivations for Requesting and Implementing Waivers

Although states sometimes apply for waivers based on requests from specific local areas, meeting the needs of one area was not usually the primary reason for requesting waivers. Rather, state officials cited their need to provide all of their local areas with flexibility. State administrators from half of the states interviewed described waivers as tools in their service toolkit. Although certain waivers may suit the needs of one of their local areas more than the others, these officials commented on the importance of having many waivers available to these areas, should they have an unforeseen occasion to use them.

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<sup>15</sup> Local workforce investment areas are able to transfer up to 30 percent of their adult or DWP allocations between those programs under regular WIA rules without having an A-DWT waiver in place.

All local areas interviewed agreed that flexibility to tailor WIA adult, dislocated worker, and youth program services to meet the unique needs of their job seekers and employers is the primary reason that they use WIA waivers. They explained that whereas services offered in accordance with WIA and its regulations meet most customers' needs, each of the country's workforce investment areas serves different types of job seekers and employers, all with their own distinct regional needs. Furthermore, local area administrators explained that they are constantly looking for ways to innovate within their programs, improve WIA performance outcomes, and offer cost-effective, demand-driven services to their customers. Although a few state officials and local area administrators described a targeted waiver-by-waiver approach for requesting WIA waivers, officials and administrators from most sites described waivers as one way of achieving their broad program goals of obtaining more flexibility as needed and having tools to innovate. The following sections discuss the individual state and local area goals of each waiver of interest.

### **1. Adult-Dislocated Worker Transfer**

States and local areas alike frequently cited the A-DWT waiver as one of the best ways to adjust local area services in response to customer needs and fluctuations in local economic conditions. States that applied for the A-DWT waiver explained that although local areas may not necessarily need to transfer funds from their adult program to their dislocated worker program every year (or vice versa), they can do so quickly under the waiver should their region be suddenly affected by an event like a mass layoff or plant closure. Administrators from the sites that implemented the waiver explained that each year's WIA adult and dislocated worker allocation is based on data for unemployment and other factors from two years prior. Because economic conditions can shift quickly, the available funds do not always align with customer demand. For example, local administrators from West Virginia explained that they traditionally serve more adults than dislocated workers; however, in PY 2010 the demand for dislocated worker services far exceeded those for adults, perhaps due to recession-related layoffs. To send these dislocated workers to training to update their skills and improve their workforce marketability, the local area had to transfer funds from its adult to its dislocated worker program.

### **2. Work-flex**

Michigan, the only study state to implement work-flex, used the authority to increase overall flexibility and to enable the state and local areas to address needs quickly. According to state administrators, the process of applying for waivers, informing local areas about waiver approvals, and approving local area use of waivers could be somewhat burdensome and time-consuming. Work-flex authority allowed the state to forgo this process altogether and use waivers to quickly respond to economic changes in its local areas. For instance, the state could use work-flex to quickly respond to the large dislocations of workers from the auto industry during the recent recession—by either attempting to use Rapid Response funds for IWT and layoff aversion or shifting funds from the adult program to the dislocated worker program to address the influx of workers. Using the work-flex authority allowed them to quickly respond to local area needs, and provided continuity of services due to the longer period of implementation.

### **3. Incumbent Worker Training, with Local Formula and State Rapid Response Funds**

During interviews, all state and local area administrators emphasized that employers, not jobseekers, are their primary customers. Seven of the nine states that applied for the IWT and

IWTS waivers described IWT as an excellent way to engage employers and assure that they, too, benefit from WIA services. WIA-funded IWT is one way of accomplishing this and is only possible with the waiver. Through IWT programs, employers train their employees to use new processes or technologies; this not only helps businesses stay productive and competitive, it may even prevent them from having to lay people off or to close their doors altogether. The IWT and IWTS waivers could be used to encourage their local areas to broaden connections with local businesses. Through their strong partnerships with businesses, local areas are better able to connect unemployed workers to job openings. As an administrator from Michigan noted, IWT not only aids employers, it also benefits employees.

Respondents also discussed implementing the waivers for cost-saving purposes. They believe that serving employed workers is much more cost-effective than serving unemployed job seekers, and the IWT and IWTS waivers address this. One local area director explained that it is critical not only to help unemployed job seekers find work during difficult economic times, but also to ensure that the area's employed workforce remains employed. He said, "In the economy that we are in, we need to train people to *keep* their jobs; this is just as important as finding people a job."

#### **4. Customized Training**

As with the IWT and IWTS waivers, many states viewed the CT waiver as a way to incentivize employers to train and hire additional workers by increasing the reimbursement employers receive for the cost of training—which employs more WIA clients and also makes the company more competitive. The CT waiver is particularly beneficial to small, medium-sized, newly launched, or specialized businesses. An administrator from one of the four states that requested CT to improve employer services explained that smaller and newer companies typically lack the resources necessary to provide employees with customized training. Furthermore, as trainings become more specialized or customized, they also become more expensive. Therefore, even paying 50 percent of training costs might be cost-prohibitive for small or new companies. These states hope that CT offered under the waiver will help alleviate the cost burden associated with some customized trainings.

#### **5. On-the-Job Training**

Administrators from many states and local areas noted that small and medium-sized businesses represent substantial shares of their economies. They described the OJT waiver as a way to engage these employers in the workforce development system by offering employees-in-training at a lower cost, and achieve a fundamental objective of WIA programs: getting people jobs. Administrators from these same states and local areas commented that OJT is an exceptional workforce development strategy, not only because it connects job seekers with job openings, but because it gives employers an opportunity to determine if an employee is going to be a good fit for their business and gives job seekers the chance to try a new industry, occupation, and employer. The waiver provides an additional incentive to make it even easier for employers to participate. Respondents also pointed out that the OJT waiver may have ripple effects. As employers see how working with the local WIA office can be beneficial, they may return when looking for staff in the future (not just under a waiver), which opens a door to additional clients in need of jobs.

## 6. Competitive Procurement for Youth Elements

State and local administrators used the CPYE waiver because providers are often difficult to find in rural areas. Staff in Ohio and Kansas explained that in rural regions it can be very difficult to find youth providers to offer all 10 of the required WIA youth program elements. Whereas Ohio's urban regions have enough youth providers to competitively procure youth services, Kansas struggles to find good youth providers in even its largest city. The waiver allows local areas to bypass the competitive process and provide certain services through American Job Centers or through contracts with partner programs. Both Ohio and Kansas applied for the CPYE waiver to provide the flexibility to offer certain youth services in-house. In comparison, Mississippi applied for the waiver in PY 2008 but not in PY 2009 or PY 2010 after its local areas were able to successfully procure their youth program services through competition and contracts with community colleges.

## 7. Individual Training Accounts for Youth

According to state administrators, long-term occupational skills training is an effective way to help youth, especially older and out-of-school youth, earn a certificate or credential that improves their long-term employment prospects. This training can be provided through an ITA, which is not available through a local area's youth program without a waiver. The ITA waiver, therefore, greatly increases access to these services specifically for older and out-of-school youth. Local areas that tended to use the waiver had large groups of out-of-school youth under age 18 in need of training. In addition, the waiver saves adult program resources and administration for adults who cannot be co-enrolled in the youth and adult programs. States viewed the ITA waiver as a way to address these challenges and ultimately improve youth outcomes. These goals were shared by all 13 of the local areas that implemented the waiver.

## C. Process for Implementing Waivers

Primarily because their local areas are involved in decisions to apply for waivers, few states provide local areas with much waiver implementation guidance beyond what is provided to the state by DOL. All but one of the study states simply notify their local areas when the state has been approved for a waiver and give the local areas permission to use or not use it as they deem necessary.<sup>16</sup> Typically, this notification is in an email that includes DOL's waiver approval letter, as well as any additional DOL policy or implementation guidance. At least two states, Kansas and Pennsylvania, also post waiver approvals on their website.

Only one local area in the study mentioned receiving any implementation guidance from a state beyond DOL's waiver approval letter; but staff added that the guidance was minimal and included forms to use when implementing OJT or applying for a transfer under A-DWT. Administrators from the other local areas reaffirmed that they had been very involved in their state's waiver application decisions and thus were well versed in each waiver's rules by the time their state was approved to use it. All but one local area also mentioned discussing waiver

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<sup>16</sup> Two additional states in the sample, Alaska and the Virgin Islands, are single local area states. Therefore, local areas in these states do not apply to use approved waivers and the states do not need to issue policy guidance to their local areas.

approvals and implementation guidance at their monthly or quarterly meetings with the state. They added that, if necessary, they could contact their state administrators for additional implementation guidance on a waiver-by-waiver basis.

Once states notify local areas about the waiver approval, local areas are able to implement most of the waivers quickly with minimal planning time, few policy changes, and little staff training. Administrators indicated that they are seldom adding new services to their programs as the result of a waiver, but are more commonly making slight modifications to the way that they provide services that they have been offering for many years. For example, local areas are able to provide on-the-job training in the absence of the waiver. Administrators from some areas with the OJT waiver noted that once the waiver was in place, they simply updated their forms and notified small and medium-sized businesses about the new reimbursement rates. One local area noted that they anticipated waiver approval when drafting their local area annual plans; as a result, they already had a plan in place when the state distributed waiver approvals.

Although local areas implemented some waivers almost instantaneously and with relative ease, some local areas described more intense processes for implementing certain waivers. Youth staff in New Mexico, for example, had never provided youth with ITAs prior to the local area's decision to use the ITA waiver. The area's administrators said that these staff needed training on how to establish and execute an ITA, noting that there was "a significant learning curve." Two other local areas said that they had to do a lot of planning before implementing CPYE. In one of these areas, the local area administrator became the provider of some of the youth program elements under the waiver. Similarly, in Alaska, implementation of the OJT waiver required policy changes and form revisions. American Job Center provider staff in Alaska added that they had not previously emphasized OJT as a service option for customers and therefore needed to learn how to set up training contracts.

Most state administrators reported that they do not systematically track the use or impact of waivers in their local areas but they do use their regular WIA monitoring tools—local area annual plans, annual on-site monitoring, and state management information systems (MIS)—to get a sense of how local areas are using the waivers. Administrators from seven of the study states explained that it is standard operating procedure to discuss OJT, CT, IWT, and ITA activities with local areas during their annual WIA monitoring visits, and some also noted that they collect data on these activities in their state MIS. If a local area is using waivers that affect these activities, monitors will ask them about implementation, successes, and challenges while on-site, and use their MIS data to help get a sense of whether a waiver seems to be affecting program outcomes. Other states, such as Minnesota and North Carolina, also require their local areas to document waiver activities in their WIA annual plans. Other state administrators said they also periodically survey or otherwise "check in" with their local areas to gauge waiver usage.

None of the local areas consistently or systematically track waiver-specific data; however, many areas track data related to certain aspects of their waivers via their MIS, financial records, Excel spreadsheets, and other internal databases. For example, all of the sites that implement OJT noted that they are required to track job seeker participation in OJT, regardless of the waiver, including things like training industry, duration, and training outcomes. These sites vary, however, with regard to how they track employer information connected to these trainings. Some document data such as employer size and reimbursement rates via individual hard-copy training contracts, whereas others use internal Excel spreadsheets to track these items. Finance

staff from local areas that implement the A-DWT waiver said that all WIA spending is meticulously tracked via spreadsheets and state/local area tracking databases. This includes any transfers between the adult and dislocated worker programs, as well as aggregate spending on different types of training (that is, OJT, IWT, CT, and ITAs).

## IV. WAIVER IMPLEMENTATION

In this chapter, we take a closer look at each of the waivers of interest and examine waiver approval and implementation at the state and local area levels. We also describe ways states and local areas are using or have used waivers of interest to provide greater flexibility, engage employers, and better serve youth customers.

### A. Overview of Approved and Implemented Waivers

Most of the study states requested and received approval to use most or all of the waivers of interest with the exception of work-flex and the CPYE waiver. As of PY 2010, all 20 states were approved for the A-DWT and OJT waivers (Table IV.1). Nineteen states had received approval to provide ITAs with youth funds. Fifteen states had the CT waiver, 15 states could provide IWT using local WIA formula funds, and 13 states could provide IWT with state Rapid Response funds. The only waivers of interest not commonly held were the CPYE waiver and the work-flex authority. Five states had the youth procurement waiver, whereas only three had work-flex authority during the PY 2008–2010 period; no states had work-flex authority in PY 2010.

**Table IV.1. Approved Waiver Requests by State, PY 2010**

	A-DWT	Work-Flex	IWT	IWTS	CT	OJT	ITA	CPYE
Alaska	X				X	X	X	
California	X		X	X	X	X	X	
Florida	X		X	X	X	X	X	
Georgia	X		X			X	X	
Hawaii	X				X	X	X	X
Kansas	X		X	X		X	X	X
Kentucky	X		X	X	X	X	X	
Louisiana	X				X	X	X	X
Maryland	X				X	X	X	
Massachusetts	X		X	X	X	X	X	X
Michigan	X		X	X	X	X	X	
Minnesota	X		X	X	X	X	X	
Mississippi	X		X	X		X	X	
New Mexico	X		X			X	X	
North Carolina	X		X	X		X		
Ohio	X		X	X	X	X	X	X
Pennsylvania	X		X	X	X	X	X	
South Carolina	X		X	X	X	X	X	
Virgin Islands	X		X	X	X	X	X	
West Virginia	X				X	X	X	
<b>Total</b>	<b>20</b>	<b>0</b>	<b>15</b>	<b>13</b>	<b>15</b>	<b>20</b>	<b>19</b>	<b>5</b>

Source: State-specific waiver decision letters issued by the U.S. Department of Labor, Employment and Training Administration, 2009.

Although the majority of states received approval to use these waivers, waiver implementation in the local areas studied was less common (Table IV.2). States often apply for waivers to give local areas options throughout the year; however, not all local areas needed to use all available waivers in a given year. In addition, some states indicated that they apply for waivers at the behest of a particular local area. Demand for a waiver in one local area may not mean it is needed in all areas. Only one local area in each state was included in this study. Other areas could be using more or fewer waivers of interest; even if the local area discussed in this report did not implement a waiver, other areas around the same state could be using it. For the local areas studied, the waivers most commonly implemented were the A-DWT and youth ITA waivers. The CT waiver was the least implemented waiver among the local areas studied, and none of the local areas reported using work-flex authority.

**Table IV.2. Waiver Implementation by Local Area, PY 2010**

	A-DWT	Work-Flex <sup>a</sup>	IWT	IWTS	CT	OJT	ITA	CPYE
Alaska						X	X	
California	X					X	X	
Florida			X	X				
Georgia						X		
Hawaii								X
Kansas	X		X					X
Kentucky	X		X	X				
Louisiana	X					X		X
Maryland							X	
Massachusetts							X	
Michigan			X	X				
Minnesota							X	
Mississippi	X						X	
New Mexico						X	X	
North Carolina				X		X		
Ohio			X				X	X
Pennsylvania	X		X		X			
South Carolina	X		X			X		
Virgin Islands	X				X		X	
West Virginia						X		
<b>Total</b>	<b>8</b>	<b>0</b>	<b>7</b>	<b>4</b>	<b>2</b>	<b>8</b>	<b>9</b>	<b>4</b>

Source: Local area phone interviews and site visits.

<sup>a</sup> Louisiana, Michigan, and Mississippi had work-flex authority until PY 2009, after which work-flex authority expired for all states.

**The duration of implementation varied by site and waiver.** State respondents indicated that certain waivers were in place prior to PY 2008 and continued through the study period. In particular, many states requested and were approved for the A-DWT and ITA waivers prior to PY 2008, and those waivers are now considered part of their standard operating procedures. For other waivers, the number of states receiving waiver approval and the number of local areas implementing waivers increased during the PY 2008 to PY 2010 period. For example, in PY 2008, eight states received approval for the OJT waiver and one local area implemented it. By PY 2010, all of the study states received approval for the OJT waiver and eight local areas

implemented it. States tended to continue to request waivers each year even if no local areas implemented a particular waiver, in order to provide continued flexibility. However, some states chose to stop requesting certain waivers. Florida and Mississippi discontinued use of the CPYE waiver once ARRA expired and the summer youth program concluded. Louisiana and Maryland also stopped requesting the IWT and IWTS waivers, due in part to the layoff aversion requirement; some states formally stopped requesting these waivers, whereas others discouraged local areas from implementing them.

## **B. Waivers Providing State and Locals Areas with Financial and Administrative Flexibility**

WIA waivers generally provide states and local areas with flexibility to better serve their clients and administer their program. However, two of the waivers of interest—A-DWT and work-flex—focus specifically on providing state and local areas with increased financial and administrative flexibility. A-DWT allows local areas with state approval to transfer funds to meet customer demand, whereas work-flex grants a state’s governor the authority to waive certain WIA provisions for local areas as needed, without requesting individual, narrowly focused waivers from DOL.

### **1. Adult-Dislocated Worker Transfer (A-DWT)**

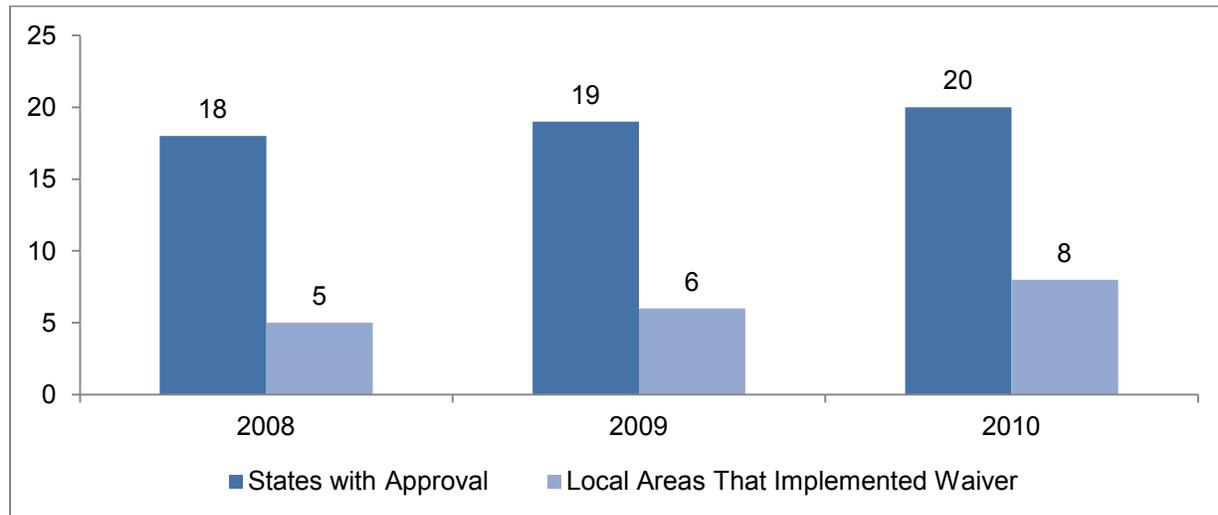
The A-DWT waiver permits local areas to transfer up to 50 percent of funds from the adult funding stream to the dislocated worker funding stream and vice versa. In PY 2008, the waiver allowed local areas to transfer 100 percent of funds between programs; in PY 2009, DOL capped the transfer amount at 50 percent. In the absence of the waiver, local areas are authorized to transfer up to 30 percent of each year’s funding stream between the adult and dislocated worker programs, with the approval of the state’s governor. The waiver’s higher transfer rate allows local areas to better respond to the particular needs of their customers and labor markets while allowing states to accommodate regional differences in the need for adult and dislocated worker services.

The state and local areas using this waiver discussed several reasons for and advantages of implementing the waiver. Respondents noted that the WIA funding formula may not reflect current economic conditions in their local areas and lagged behind the reality on the ground. It is difficult to predict if there will be plant closures requiring more dislocated worker funds, or if the local economy will stabilize and fewer dislocated worker funds will be needed. The A-DWT waiver creates administrative efficiencies by allowing local areas to move funds to where they are most need, which in turn allows local area to serve the population in need. As one local area staff member indicated, “It is very hard, if not impossible, to determine the mix of adults and dislocated workers up front; the waiver makes it possible to serve whoever shows up.”

For these reasons, and in conjunction with state and local areas’ desire to increase flexibility, the A-DWT waiver was the most widely requested and implemented waiver of interest during the PY 2008 to PY 2010 period. In PY 2008, 18 of the 20 study states requested and were approved for the waiver and by PY 2010 all of the states received the waiver (Figure VI.1). However, through in-depth site visits to 12 local areas, we learned that the number of local areas using the waiver may be overstated. Although many of the local areas we spoke with reported using the waiver during the period of interest, only nine local areas actually requested transfers exceeding the 30 percent authorized under WIA. Typically, local areas do not differentiate

between transfers authorized by WIA versus transfers authorized by the A-DWT waiver. For local areas, the process for requesting a transfer across funding streams remains the same whether authorized by WIA or authorized by the waiver; states require local areas to request funds to be transferred between the funding streams regardless of the amount to be transferred.

**Figure IV.1. Number of States with Approval and Local Areas That Implemented A-DWT Waivers, PY 2008–PY 2010**



Source: State and local area telephone interviews and local area site visits.

Note: Twenty states and 20 local areas (one in each state) were included in the first phase of the study.

Although the A-DWT waiver was widely implemented between PY 2008 and PY 2010, the direction of transfers varied across the 20 local areas in the study. Of the nine local areas that reported using waiver authority to transfer funds between PY 2008 and PY 2009, six transferred funds from the dislocated worker program to the adult program. These local areas noted that serving customers as adults decreased the documentation requirements and as a result case managers were able to enroll and serve customers more quickly. Staff from local areas also indicated that many dislocated workers require substantial retraining to enter new fields. Although the available services are the same for adults and dislocated workers, the goals of the adult program are typically better aligned with the needs of dislocated worker who have long-term training needs. Three local areas transferred funds from the adult program to the dislocated worker program. One local area in Kentucky noted that prior to PY 2008, funds were typically transferred from the dislocated worker program to the adult program. However, the impact of the recession during the period of interest and the increase in unemployment in the region required the local area to transfer funds from the adult program to the dislocated worker program.

The percentage of funds that local areas transferred varied significantly across local areas and years. Transfers authorized through the waiver ranged in size from 37 percent to 100 percent of funds across the years of interest.<sup>17</sup> One local area in California transferred

<sup>17</sup> Before November 2009, local areas could request transfers of up to 100 percent of funds between the adult and dislocated worker programs.

100 percent of funds to the adult program in PY 2008, did not transfer any funds in PY 2009, and then transferred the maximum 50 percent in PY 2010. As evidenced by the variation in transfer size, local areas may not always need to transfer funds using the waiver, but having the waiver in place provides them with the flexibility to transfer funds should an unexpected need arise. Table IV.3 provides details about the transfer amounts by site.

**Table IV.3. Description of Transfers Authorized Under the A-DWT Waiver, PY 2008–PY 2010**

	PY 2008	Transfer Direction	PY 2009	Transfer Direction	PY 2010	Transfer Direction
California Local Area	100%	DW to A	NA	NA	50%	DW to A
Kansas Local Area	NA	NA	NA	NA	48%	DW to A
Kentucky Local Area	NA	NA	NA	NA	37%	A to DW
Mississippi Local Area	42%	DW to A	39%	DW to A	38%	DW to A
South Carolina Local Area	NA	NA	72%	DW to A	45%	DW to A
West Virginia Local Area	NA	NA	39%	A to DW	NA	NA

Source: Data provided by local workforce agencies in visited sites.

Note: This table includes only those sites that provided complete data on waiver use. Three additional local areas in Pennsylvania, Louisiana, and the Virgin Islands also reported using the waiver to transfer funds from the dislocated worker to adult program during each program year of interest. However, the sites were unable to provide the percentage transferred.

A = Adult program, DW = Dislocated Workers program, NA = Not applicable.

The A-DWT waiver allows local areas to serve as many customers as possible seeking their services, regardless of which of the two funding streams they fall under. Study local areas noted that the waiver allowed them to better handle and serve the massive influx of customers caused by the recession. Without the ability to transfer more than 30 percent of funds, some local areas indicated that adults in particular would have been placed on waiting lists rather than receiving services immediately. In general, study local areas asserted that the waiver ensured that they were able to serve as many customers as possible, regardless of their designation as an adult or dislocated Worker.

Staff from most local areas we spoke with appreciated the availability of the waiver but suggested that transfers exceeding 30 percent are not always necessary. Local area staff provided the following reasons for not implementing the waiver in a given year:

- **Additional, temporary funds were available.** Staff from two local areas (California and Alaska) stated that the influx of funds available under ARRA reduced the need to transfer funds between the adult and dislocated worker programs. However, as those funds have expired, staff felt that the waiver may have become more necessary. A number of local areas also received National Emergency Grants (NEG) because of significant dislocations in their area. With NEGs, dislocated workers could be served without relying on WIA formula funds.
- **Availability of TANF as an alternative funding source.** Staff from some local areas reported that many adult customers were also recipients of Temporary Assistance to Needy Families (TANF) employment funds. In one local area, the TANF Employment Support Program was providing a paid one-year work experience for all adult program WIA customers co-enrolled in TANF. TANF funds reduced budget pressures on the WIA adult program, limiting the need to transfer funds from the dislocated worker program.

- **Thirty percent transfer meets their needs.** A number of local areas (Ohio, New Mexico, and Michigan) suggested that the 30 percent transfer available under WIA is sufficient to meet their needs. In many cases, local areas were unaware of the difference between transferring funds under WIA versus transferring funds under the A-DWT waiver.

In addition to the underlying economic and policy environment, the use of the A-DWT waiver appeared to be affected by the enrollment practices of the local areas. Several areas described needing to transfer funds from the dislocated worker to adult programs because customers were not being correctly classified as dislocated workers. In some cases, the local areas attributed this classification failure to a misunderstanding or to a desire to avoid the documentation requirements for dislocated worker status. One state indicated that, with the waiver, “local staff do not have to worry as much about making the adult versus dislocated worker determination.” In other cases, the misclassification appeared to be a strategic decision to take advantage of the adult program’s emphasis on longer-term training.

## 2. Work-flex

Work-flex provides a state governor with blanket authority to waive certain provisions of federal WIA policy for local areas as needed, without applying to DOL for individual waivers. The governor can waive WIA provisions except for “requirements relating to the basic purposes of this title, wage and labor standards, grievance procedures and judicial review, nondiscrimination, eligibility of participants, allocation of funds to local areas, establishment and functions of local areas and local boards, review and approval of local plans, and worker rights, participation, and protection” (U.S. Department of Labor n.d.). States receive work-flex authority for a five-year period and can only receive it once. Generally, governors’ waivers are similar to the ones that DOL approves with its state waivers. For instance, if a local area had a large influx of dislocated workers due to a plant closing, using work-flex the state governor could immediately allow the local area to transfer up to 50 percent of its adult funds to the dislocated worker program without having the A-DWT waiver. Work-flex provides states with more flexibility to manage the workforce system as problems arise and without the delay of the waiver application process.

Some states have sought work-flex when facing a special situation, such as a natural disaster or failing economy. To apply for work-flex, a state must submit a plan describing its strategy for improving employment and training outcomes. There is a lifetime limit of five years on the work-flex authority and an increased focus on accountability regarding states that receive it. The five year approval period provides administrative efficiencies to states. They do not have to submit annual waiver requests, and local areas can implement waivers without potential service disruptions.

Three of the study states—Louisiana, Michigan, and Mississippi—received work-flex authority between PY 2008 and PY 2009. However, only Michigan actively used it. Officials from Louisiana and Mississippi noted that the states were granted work-flex authority in the wake of Hurricane Katrina in order to respond to the needs of the clients following the natural disaster. Respondents in the states indicated that they did not use work-flex to make changes to policies and procedures because they did not need the additional authority or did not fully understand how it could be used. Mississippi noted that the state’s existing waivers provided sufficient flexibility and policy options.

On the other hand, Michigan actively sought work-flex authority due to the flexibility and administrative efficiencies available through it. State officials noted that work-flex allowed the state to respond quickly to local economic conditions, particularly those related to the decline in the auto industry. Michigan was granted work-flex authority from PY 2005 to PY 2009. Of the 40 waivers available to local areas in Michigan under work-flex, local areas across the state requested seven different types of waivers—six types in PY 2008 and five in PY 2009. Of these waivers, five were similar to the waivers of interest included in this study: A-DWT, CT, IWT, IWTS, and OJT. In addition, local areas requested two other waivers, the Eligible Training Provider List (ETPL) Initial Eligibility waiver, which provides a waiver of the time limit on the period of initial eligibility for training providers, and the ETPL for Providers Adding Programs waiver, which waives the eligible training provider application process for already approved providers who wish to add approved programs. Among the waivers authorized under work-flex, the IWT waiver was the most widely requested; 16 local areas used it in PY 2008 and 14 used it in PY 2009 (Table IV.4). In PY 2009, Michigan distributed Rapid Response funds to all 25 local areas using the IWTS waiver.

**Table IV.4. Number of Michigan Local Areas Implementing Waivers Under Work-Flex, PY 2008–PY 2009**

Waiver	PY 2008	PY 2009
Adult-Dislocated Worker Funds Transfer (ADWT)	11	11
Customized Training-Employer Contribution (CT)	1	1
ETPL Initial Eligibility	1	0
ETPL for Providers Adding Programs	1	0
Local Funds for IWT and Other Statewide Activities (IWT)	16	14
OJT Employer Reimbursement (OJT)	1	1
Rapid Response Funds for IWT (IWTS)	0	25

Source: Data provided by the Michigan Workforce Development Agency.

ETPL = Eligible Training Provider List.

Local areas in Michigan were required to complete a waiver request mirroring the state-level waiver request submitted to DOL to receive approval for waivers. Local areas had to describe their goals and outcomes for the waiver and provide data justifying the need for it. Requests could be submitted by email and were reviewed and approved within a few days by state officials. Michigan kept this process in place after work-flex expired; however, the timing changed. State officials noted that under work-flex, “the waiver process took days rather than weeks.”

Through work-flex, Michigan maximized local area flexibility and created administrative efficiencies. State respondents asserted that the main benefit afforded through work-flex is time, meaning that the state did not have to spend time preparing federal waiver requests. Additionally, under work-flex authority, local areas knew that the same waiver options would be available for a five-year period. As a result, local areas could confidently implement services, such as IWT, without worrying that the services would be discontinued in the next program year. Local areas were also exempt from the federal policy change in PY 2009 capping A-DWT at 50 percent; under work-flex, local areas could continue to transfer up to 100 percent of funds. Work-flex allowed Michigan officials to nimbly respond to changing local circumstances.

Michigan officials described an overwhelmingly positive experience using work-flex authority. However, they were also frustrated by work-flex's five-year time limit and by the fact that states can apply only once. State officials suggested that work-flex should be available to states on an ongoing basis, but that the duration of work-flex authority could be shortened. Following the expiration of work-flex, Michigan has requested the same waivers used under work-flex and has maintained the local area waiver request process. However, without work-flex authority, the same time efficiencies cannot be realized.

### C. Waivers That Engage Employers

Four of the waivers of interest affect how local areas engage with employers and serve adult and dislocated worker customers: the IWT, IWTS, CT, and OJT waivers. All four of these waivers provide flexibility in how WIA formula funds for the adult and dislocated worker programs are used, and specifically affect how funds are used for the training of WIA participants. The waivers are designed to encourage employers to engage with their local workforce agencies and take advantage of the services their local area can provide to support and enhance their businesses. In this section we describe each of these four waivers, discuss their use across the 20 states in the study, and report the overarching perspectives on this group of waivers as a whole.

#### 1. Incumbent Worker Training with Local and Rapid Response Funds (IWT and IWTS Waivers)

Two waivers of interest are related to training for incumbent workers—the IWT and IWTS waivers. The IWT waiver allows local areas to use funds from local adult and dislocated worker formula funding streams to avert layoffs by training incumbent workers. Layoff aversion at the local level is an activity typically supported through statewide discretionary funds. The waiver helps businesses cultivate existing employees and enables states and local areas to preemptively address the circumstances that create layoffs, rather than finding employment for dislocated workers after they have been laid off. Without the waiver, local areas are prohibited from using adult and dislocated worker funding for this purpose, and it is difficult for them to finance training for incumbent workers because of additional requirements the workers must meet, such as eligibility criteria related to being in a low-income household. With the waiver, local areas may use up to 20 percent of dislocated worker funds or up to 10 percent of dislocated worker funds and 10 percent of adult funds for IWT.

The IWTS waiver allows states to use funds allocated to their Rapid Response programs to train incumbent workers and potentially avert layoffs. Rapid Response programs are administered by the state and are designed to respond to layoffs and plant closings by quickly coordinating services and providing immediate aid to companies and their affected workers. Rapid Response staff work with employers to maximize public and private resources quickly to minimize disruptions associated with job loss. Normally, Rapid Response funds are used to respond to layoffs or for management and oversight of IWT, but not for the training itself. The waiver enables states to design training strategies as well as to fund training as part of their broader response to potential dislocations. Under the waiver, states can use up to 20 percent of the funds allocated to the Rapid Response program for IWT. States that use Rapid Response funds for other statewide activities under the waiver must demonstrate a very narrow focus for the funds, targeted at serving dislocated workers. Funds spent on IWT must be used as part of a documented strategy to avert layoffs, with training focused on enhancing workers' qualifications

or building their skills. States must also provide DOL with a comprehensive plan for how the funds will be used, and are required to report performance outcomes in WIASRD for any incumbent worker served under the waiver. In some cases, states provide funding for training by request or as needed to local areas and employers, whereas other states distribute the funds to all local areas to use as needed on training.

DOL implemented several important policy changes for using the IWT and IWTS waivers in PY 2009 that remain in place. First, adult funds must be used for lower-income adults. Second, funds may be used only to train incumbent workers as part of a documented strategy to avert layoffs. Training must focus on skill attainment, and must benefit the worker directly by enhancing his or her qualifications and/or building skills related to new product lines or processes. Third, local areas must continue to conduct their required employment and training activities for adult and dislocated workers. Finally, states are required to report performance outcomes for incumbent workers served under the waiver in DOL's WIASRD.<sup>18</sup>

#### **a. Degree of Use Across Sites**

In PY 2010, 15 of the 20 states in the study received approval for the IWT waiver, and 13 of the 20 states received approval for the IWTS waiver (Figures IV.2 and IV.3). Although the guidance for the waivers changed significantly in PY 2009, as discussed above, this did not significantly affect the number of states applying for the waiver or the number of states and local areas implementing it. While the number of local areas implementing the IWT waiver increased, local area respondents reported that the amount of training provided under the waiver declined.

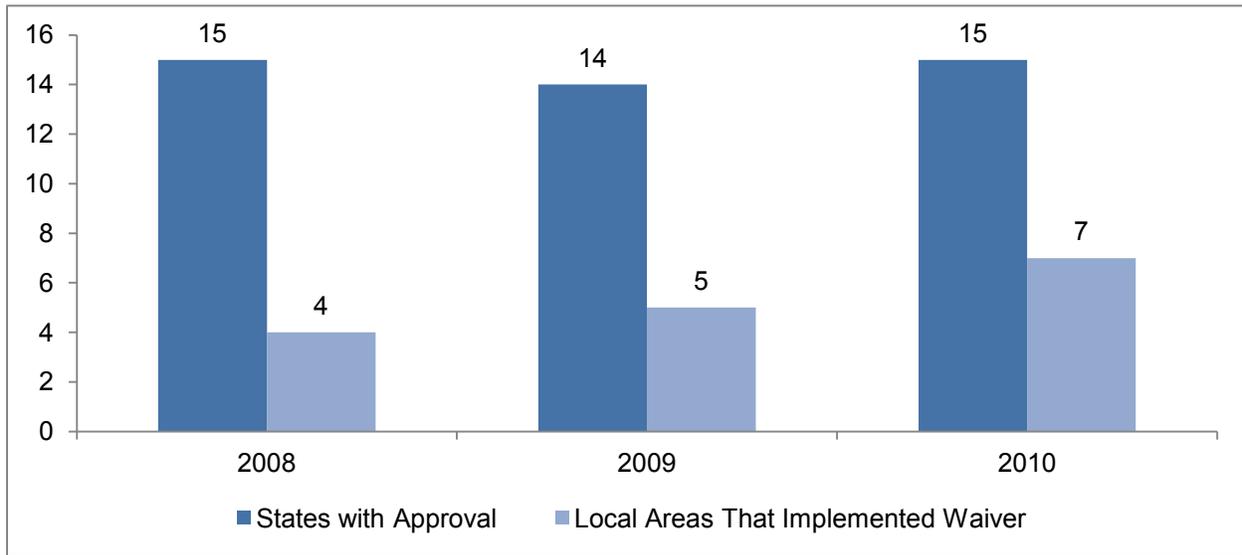
Among the 12 local areas visited for the study, both approval of the IWT waiver for the state and implementation of the IWT waiver at the local level increased between PY 2008 and PY 2010, although the change was small. In PY 2008 and PY 2009, nine states visited for the study were approved for the IWT waiver. An additional state was approved for the waiver in PY 2010. Only four local areas implemented the IWT waiver in PY 2008, but this number increased to five in PY 2009 and to six by PY 2010.

Similarly, there was a small increase over the three-year period in the number of states that had approval for the IWTS waiver among the 12 sites visited for the study. In PY 2008, seven of the local areas in the study had approval at the state level to use the IWTS waiver, and in PY 2010 that number was eight. However, there was a dip in PY 2009; only five of the sites had approval for the IWTS waiver at the state level in PY 2009. Two states that had approval for the waiver in PY 2008 did not have approval in PY 2009: South Carolina and Mississippi. South Carolina's request for the waiver was denied in PY 2009 for insufficient information, but was approved the following year. It is not clear why Mississippi did not have approval for the waiver in PY 2009.

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<sup>18</sup> The requirement to report outcomes for IWT waiver participants was clarified with the introduction of a new WIASRD layout beginning in PY 2010; data before this time might be ambiguous or inconsistent.

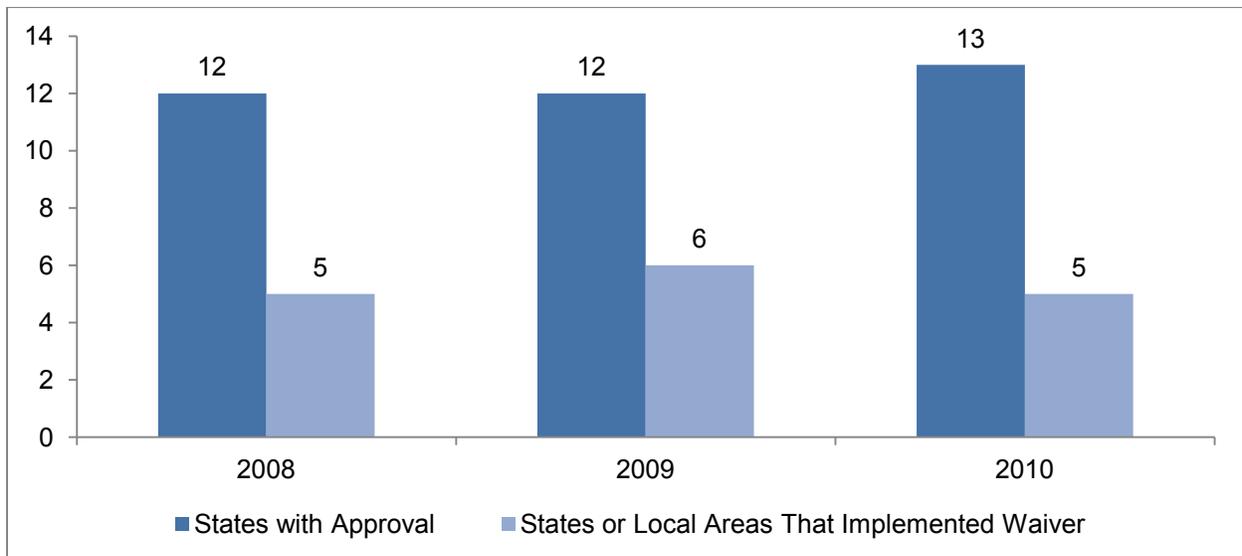
**Figure IV.2. Number of States with Approval and Local Areas Included in the Study That Implemented IWT Waivers, PY 2008–PY 2010**



Source: State and local area telephone interviews and local area site visits.

Note: Twenty states and 20 local areas (one in each state) were included in the first phase of the study.

**Figure IV.3. Number of States with Approval and Local Areas Included in the Study That Implemented IWTS Waivers, PY 2008–PY 2010**



Source: State and local area telephone interviews and local area site visits.

Note: Twenty states and 20 local areas (one in each state) were included in the first phase of the study.

Over the three-year period, only two local areas that were visited for the study (in Kentucky and Michigan) reported implementing the IWTS waiver to provide training through IWT for local businesses using Rapid Response funds. The local area in Michigan implemented the waiver in all three years, whereas the local area in Kentucky implemented the waiver for the first time in PY 2010.

Unlike the other waivers, the IWTS waiver for state Rapid Response funds can be implemented at the state level or the state can allocate Rapid Response funds to local areas and allow them to implement the training. Of the eight states visited that were approved for the IWTS waiver and could use Rapid Response funds for IWT in PY 2010, four allow local areas to request and use Rapid Response funds to train incumbent workers (Kentucky, Ohio, Pennsylvania, and South Carolina). Two of the eight states (California and Michigan) use a formula to allocate Rapid Response funds to local areas that they can use for IWT. The remaining two states (Kansas and Mississippi) conduct training under the IWTS waiver only at the state level. It is possible that some businesses or local areas did benefit from the IWTS waiver, even if the local areas did not request or use Rapid Response funds directly. We did not examine differences between state and local implementation of the IWTS waiver.

Local areas identified employers for training in myriad ways, including day-to-day networking efforts, referrals from partner organizations, and notifications about potential employer layoffs. Three local areas mentioned using ads or marketing campaigns to create awareness of IWT among employers (in South Carolina, Ohio, and Kentucky); however, the local area in Ohio stopped marketing IWT because they felt the layoff aversion provision was too prohibitive for most employers to qualify. A number of local areas have a business services unit that seeks out employers who might be eligible and offers them the opportunity to participate in IWT.

Data received from local areas on the extent of training provided under IWT and IWTS waivers show that the waivers were more heavily used in PY 2008 and PY 2009 than in PY 2010 (see Table IV.5). Use decreased substantially in PY 2010; staff in local areas believed the decrease was due to the requirement that training be tied to layoff aversion. The local area in Ohio had the highest number of participants under the waivers overall and in each year, though use in that area also dropped dramatically in PY 2010. The data also suggest that the proportion of trainings used for layoff aversion increased over the time period. Some sites reported trainings with goals other than layoff aversion in PY 2009, though local staff reported that these were because of contracts carried over from the previous year, before the requirement for layoff aversion was stipulated.

The trainings conducted under the IWT and IWTS waivers in the local areas visited were spread across many different industries. Some industries were common across sites, such as manufacturing and health care. One local area in Ohio invested heavily in training in the telemarketing industry, whereas other areas were less focused on one particular industry. The local area in Pennsylvania had two significant potential layoffs that led to trainings for incumbent workers in the education and child care industries. Staff in Kansas mentioned targeting small businesses with fewer than 30 employees, and also noted that many of their trainings were conducted for highly-skilled occupations in the automotive, construction, information technology, and manufacturing industries.

Trainings may have been determined more by circumstance in some local areas than by efforts to target a specific industry. Staff in three local areas visited (in South Carolina, Pennsylvania, and Michigan) described factors external to businesses or the economy that created a need for training. In South Carolina, the state implemented a new law that required ambulance drivers to obtain a specific license in order to keep working. To prevent ambulance companies from laying off workers or going out of business, the local area provided licensure training for a number of employees. Staff in Pennsylvania shared a similar experience with a

change in regulations in the child care industry that required workers in a number of daycare settings to update their credentials in order to keep working. The local area was able to step in by hiring a contractor to exclusively manage cases and training programs for each of the employees being offered IWT in that industry.

**Table IV.5. IWT and IWTS Waiver Characteristics by Program Year (PYs 2008, 2009, and 2010) in Visited Sites**

	PY 2008	PY 2009	PY 2010
<b>Participants Under IWT Waiver</b>			
Kansas	35	108	0
Kentucky	2	11	0
Ohio	1,099	668	20
Pennsylvania	0	187	0
South Carolina	211	79	0
<b>Participants Under IWTS Waiver</b>			
Kentucky	84	9	0
<b>Total</b>	<b>1,431</b>	<b>1,062</b>	<b>20</b>
<b>Training Goal</b>			
Lay-Off Aversion	51	368	18
Other	1,380	688	2
<b>Total</b>	<b>1,431</b>	<b>1,056</b>	<b>20</b>
<b>Industry</b>			
Manufacturing	276	436	18
Healthcare	83	10	0
Telemarketing	637	0	0
All Other Industries	349	422	2
<b>Total</b>	<b>1,345</b>	<b>868</b>	<b>20</b>
<b>Completion</b>			
Completed training	1,367	845	20
<b>Training Duration</b>			
Less than 6 months	1,236	705	20
6 months to 1 year	189	150	0
More than 1 year	6	0	0
<b>Total</b>	<b>1,431</b>	<b>855</b>	<b>20</b>

Source: Data provided by local workforce agencies in visited sites.

Note: Data included in this table are from the local areas that were able to provide the requested data. Not every local area was able to provide all of the requested information for every participant (e.g., training goal and completion). Therefore, the data provided in each subheading does not sum to the total number of IWT participants for each program year.

Of the data received from sites, 95 percent of participants receiving training under the waivers in the site visit areas completed their training in PY 2008, 80 percent completed in PY 2009, and all participants completed training in PY 2010. Data were not available for all sites and may not be accurately representative of the overall completion rate; however, local staff concurred that participants generally complete their training. It is unclear what proportion of those trainees stay employed with the same employer after the training is complete.

The bulk of training conducted during this time period under the waiver in the visited sites were reported to be short-term trainings that lasted less than six months. About 15 percent lasted between six months and a year, and less than 1 percent lasted longer than a year. The local area in Kansas mentioned a preference for one- to two-week off-site trainings, whereas staff in the local area in Michigan reported that trainings lasted anywhere from one week to three months. In Pennsylvania, staff indicated that the length of training varied by the educational background of the employee. Some employees completed a 12-week early childhood education training program, whereas other employees with advanced coursework were able to complete their two- and four-year degrees through IWT.

The generally short-term nature of the trainings is consistent with the reports from local staff that many of the trainings resulted in industry- or occupation-specific certificates, which usually take less than six months to complete. Common certificates include International Organization for Standardization (ISO) and Occupational Safety and Health Administration (OSHA) certifications, as well as certifications in information technology and the health care field. Many trainings are classroom based and held at local community colleges, but this varies by employer. Two local areas reported that some trainings funded under the waivers used the “train the trainer” model, in which the local area paid for the certification of employees who could then train other employees in the required skills.

The average cost per participant of training under the IWT and IWTS waivers varies by employer, industry, and training program, but staff in several local areas estimated that IWT was generally less expensive than other WIA training services such as an adult ITA. Previous trainings have cost from \$500 to \$5,000 per participant.

#### **b. Successes of Waiver Implementation**

**Waivers provide needed assistance to the workforce.** Although IWT-related waiver use among the states included in this study has declined over the years, staff in all of the local areas that implemented the IWT and IWTS waivers agreed that the waivers have been useful tools for helping workers retain jobs or gain new skills. The training programs have also introduced employees to the workforce system that would not normally have taken advantage of the services offered by the local area.

**Waivers enable local areas to serve new customers.** Before the waivers were available, many local areas were unable to conduct training for incumbent workers because of limited funding. With the waiver they were able to serve a new sector of businesses and workers through the program. According to staff in one local area, employers that participate in IWT tend to be higher risk than employers that use other workforce services because of the requirement for layoff aversion. As a result, the waivers broadened the local area’s pool of participating employers. Although allocating funds for IWT diverted funds from the traditional adult and dislocated worker programs, staff did not report any negative effects on other services of implementing the waivers.

#### **c. Challenges with Waiver Implementation**

**The layoff aversion requirement limits the scope of IWT.** Even as staff highlighted the benefits of the IWT and IWTS waivers, they also expressed concern that the layoff aversion requirement for both waivers was burdensome and reduced the effectiveness of the waivers.

Five of the six local areas that reported using the IWT or IWTS waivers felt that the layoff aversion requirement made it more difficult to conduct IWT. Staff from local areas that did not implement the waivers expressed similar views, and the local area visited in Mississippi said the requirement was a factor in their decision not to implement the waivers.

According to study respondents, employers are generally unwilling to acknowledge publicly or in writing that they intend to lay off workers. When an employer does announce an imminent layoff, there may not be enough time to implement training for workers, especially if Rapid Response funds for the training need to be requested from the state. Staff also commented that it is difficult to determine how to document layoff aversion or define it in a way that does not disqualify many employers. At least two local areas reported that training activity under the waivers had slowed to a halt as a result of the layoff aversion requirement, and other local areas felt that removing the requirement would enable them to expand IWT and benefit more employers.

**Paperwork interferes with employer participation.** Local staff noted that employers value expediency and dislike red tape. In response to employer complaints, many local areas have made efforts to streamline the documentation needed to establish trainings. Nevertheless, some employers were reluctant to participate in training due to the burden of paperwork required. In addition to filling out contracts and collecting employee registration documents (such as social security cards, birth certificates, and drivers' licenses), the employer may need to generate additional paperwork to bill the local area for training costs—which at least one employer felt was not worth the staff time that it involved. Another employer felt that the local area did not provide sufficient guidance on how to process reimbursements for training costs, which placed the burden on employers to maneuver the system.

**Finding eligible employees is difficult.** Another challenge in conducting training under the waivers is finding eligible employees. Local areas found that employed workers did not often qualify as low-income—a requirement for the use of adult formula funds. One local area wanted to work with a call-center business to train its employees but could only find one or two WIA-eligible workers among hundreds of employees.

**Incumbent workers are often given lower priority.** In many states and local areas, higher priority is given to providing services to unemployed workers, rather than incumbent workers. This limits funding available for training incumbent workers in state and local budgets. Both local staff and employers in the sites visited felt that incumbent workers deserved equal focus. As one staff member noted, “In the economy that we are in, we need to train people to *keep* their jobs; this is just as important as finding people a job.”

**Other sources of funding are used for this purpose.** Some states have chosen to devote non-WIA resources to training incumbent workers, and at least two local areas did not implement the waivers because other sources of funding for training incumbent workers were available. Local areas in California and Mississippi both stated that state-level (non-WIA) funding for incumbent worker training was sufficient for their needs. Two additional local areas in Kentucky and Pennsylvania mentioned that they used non-WIA funding from the state in conjunction with WIA formula funds to serve incumbent workers. In Pennsylvania, state funding was targeted toward training that would update the skills of current employees and was not intended for layoff aversion.

## 2. Employer Contribution for Customized Training Waiver (CT waiver)

The CT waiver enables local areas to incentivize small and medium-sized businesses to implement CT that teaches new skills to adults or dislocated workers. Without this waiver, employers of all sizes are required to pay at least 50 percent of the costs of such trainings; this can be especially burdensome for smaller businesses. The waiver addresses this issue by allowing local areas to use a sliding scale to determine the subsidy for training costs:

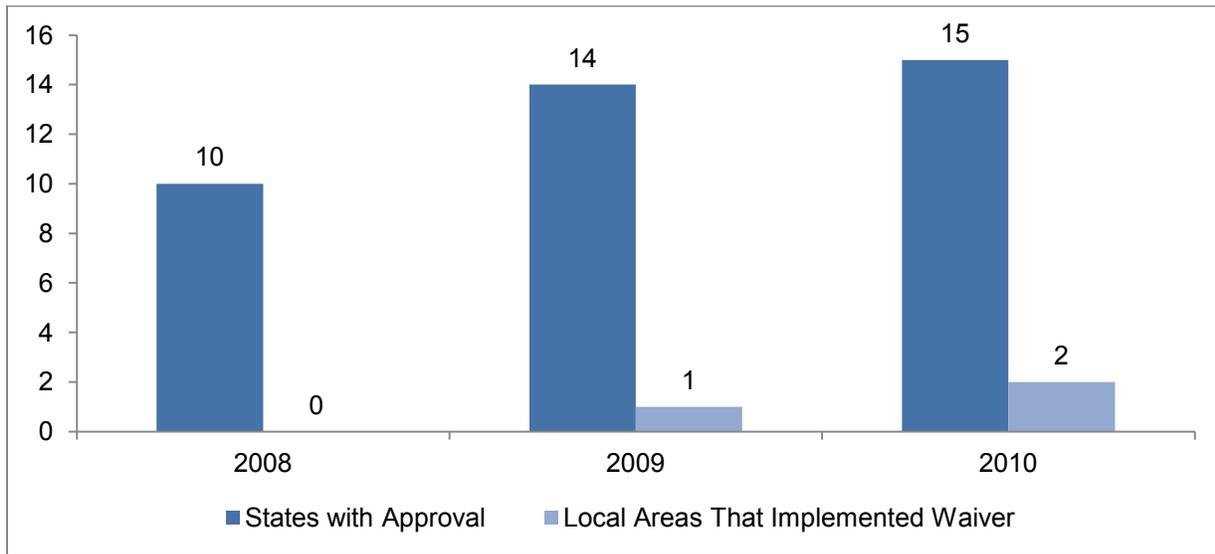
- Up to 90 percent paid for employers with 50 or fewer employees
- Up to 75 percent paid for employers with 51 to 250 employees
- Up to 50 percent paid for employers with more than 250 employees (the statutory requirement without the waiver)

CT is designed to meet the special requirements of an employer or group of employers who commit to hiring (or continuing to employ) participants who successfully complete the training. Unemployed individuals who complete CT are expected to gain new skills and jobs, whereas incumbent workers are expected to gain new skills and continued employment.

### a. Degree of Use Across Sites

In PY 2010, 15 of the 20 states had received approval for the CT waiver. Interest in the CT waiver appeared to grow over time, with 10 states holding the waiver in PY 2008, 14 in PY 2009, and 15 in PY 2010 (Figure IV.4). Although many states chose to apply for the CT waiver, implementation at the local level was limited. None of the local areas in the study implemented it in 2008, and by 2010, just two local areas reported doing so. While the data collection approach may not capture the full extent of implementation in all local areas, the state respondents noted that use of the CT waiver generally was low.

Similarly, among the smaller group of 12 local areas visited for the study, many were approved for the CT waiver between PY 2008 to PY 2010, but only one local area implemented the waiver. In PY 2008, five of the states were approved for the CT waiver, with seven receiving it in PY 2009, and eight receiving it by PY 2010. None of the local areas visited implemented the waiver in PY 2008, and only the local area in Pennsylvania implemented it in PY 2009 and 2010. A number of local areas chose not to use the CT waiver when it was available because they either did not have an established CT program, conducted training using other funding, or did not feel the need to change their employer contribution rates for businesses with 250 or fewer employees. Two local areas (in Michigan and Mississippi) conducted customized training through other funding sources and not through WIA. Staff in California reported that they had a small CT program, but that because the program was not extensive, they did not feel the need to change reimbursement levels from the existing 50 percent match.

**Figure IV.4. Number of States with Approval and Local Areas Included in the Study That Implemented Employer Contributions for CT Waivers, PY 2008–PY 2010**

Source: State and local area telephone interviews and local area site visits.

Note: Twenty states and 20 local areas (one in each state) were included in the first phase of the study.

The local area in Pennsylvania implemented the CT waiver in PY 2009 and PY 2010, serving 842 participants under the CT waiver. In PY 2009, 472 clients received training under the waiver; 370 received training in PY 2010. The local area typically provides trainings in the health care, logistics, transportation, warehousing, and manufacturing industries, reaching a diverse group of large and small employers. The duration of the trainings varies by occupation and employer, and can range anywhere from a few weeks to six months. The local WIB requires any training conducted to be for jobs that pay at least \$13 per hour, with the hope that jobs will both pay well and offer upward mobility. The local area has adopted the CT waiver's sliding scale in negotiating contracts with employers for CT, and offers employers the maximum subsidy allowable for their business size. The local area reported a placement rate of 96 percent and training costs that range between \$2,500 to \$5,000 per person, which are lower than the average for ITAs.

The local area has a business services unit whose staff regularly network and meet with area employers to assess their needs and offer the services of the workforce agency. Employers who could benefit from CT are often identified through those meetings, as well as by referrals from other workforce partners or agencies. The local area's approach to CT has evolved in the past few years. Before the waiver, contracts for CT were often developed with training providers and not employers. The training providers would provide training to eligible WIA participants and were then expected to place the trainees in jobs. In PY 2009, the first year the waiver was implemented, the local area began to require training providers to submit a training curriculum and letters from an employer guaranteeing employment before awarding funds for CT. More recently, the local area has focused on negotiating CT contracts directly with employers instead of with training providers to ensure the best placement opportunities for customers.

The American Job Centers in the local area are responsible for finding WIA-eligible clients who meet the criteria of skills or experience established by the training provider or employer. Education requirements are often a challenge for clients who would like to participate in CT, and

they must pass certain skill assessments as a prerequisite for training. A list of potential candidates is submitted for review to the training provider or employer, and they have the opportunity to screen and interview candidates before making a final selection. After training begins, the local area's retention unit conducts site visits, collects trainees' timesheets, and conducts follow-up to track completion and retention for CT participants.

#### **b. Successes of Waiver Implementation**

**Waivers offer a cost-effective training strategy.** The implementation of the CT waiver in PY 2009 in Pennsylvania coincided with an increase in the local area's budget for training funds for CT. The local area hoped that the CT waiver would help them improve their job placement rates and connect more customers to employment. Staff in the local area believed that CT and OJT were more cost-effective than ITAs because they are generally less expensive and have higher placement rates. In addition, because employers design the curriculum and choose their trainees in CT, the strategy serves the needs of the local area's employers and customers. The implementation of higher reimbursement rates through the sliding scale and changes to the local area's strategy for identifying employers for CT were both identified as factors in the success of CT in recent years.

#### **c. Challenges with Waiver Implementation**

**States lack guidance in implementing the waiver.** Staff in the local area in Pennsylvania did not identify any specific challenges in implementing the CT waiver, but two other local areas visited for the study discussed unsuccessful attempts to implement it. The local area in South Carolina mentioned an earlier attempt to set up customized training with the help of a local technical college (prior to PY 2008); they eventually abandoned the training because they could not work out how to apply the waiver to their particular CT structure. This local area conducted CT through training providers and technical colleges, who received funds from the local area to pay for training. The local area attempted to implement the waiver a second time after a bedding and bath products manufacturer closed down in the area, but again lacked the guidance to develop a program that would fit within the guidelines of the CT waiver.

Another local provider in Alaska had intended to use the waiver to set up trainings in response to a potential gas pipeline construction project in development in their area. The waiver would have been used to train workers in specific skills needed for the project so that companies could hire and contract locally. The pipeline project did not progress on schedule, and the local area has yet to have the opportunity to utilize the waiver. They are considering other possible uses for the waiver on the horizon, but are also restricted by a lack of sufficient funding in the adult and dislocated worker programs for CT.

### **3. Employer Reimbursement for On-the-Job Training Waiver (OJT waiver)**

The OJT waiver enables local areas to increase reimbursements to employers who train workers through OJT. The amount of reimbursement is based on a sliding scale that, like the CT waiver, is more generous for small and medium-sized businesses.

Local areas often find OJT to be particularly useful for individuals with significant barriers to employment—such as public welfare recipients or individuals with low basic skills—whom businesses might be reluctant to hire. OJT provides training under a contract with an employer

in either the public or private sectors. Through the contract, employers provide training to individuals while they earn a wage, in exchange for a reimbursement of a portion of the wage to compensate for the employer’s extra costs sustained in providing the training. These costs include supervision and the temporary lower productivity of OJT participants compared with other employees.

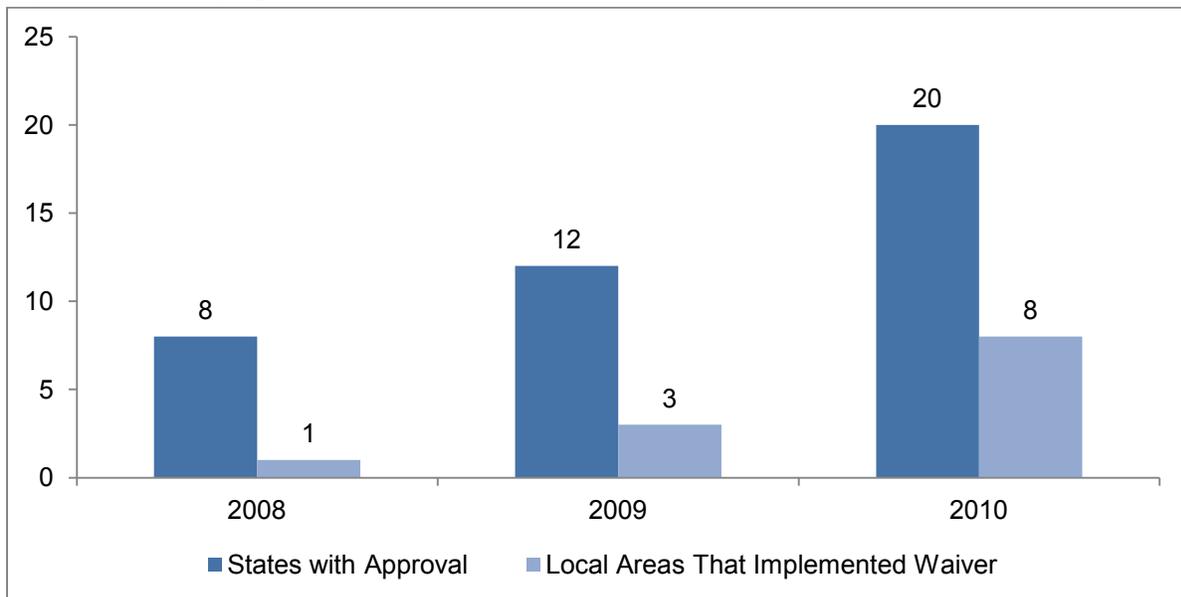
Without the OJT waiver, employers of any size can be reimbursed for up to 50 percent of wages paid to participants in OJT. The waiver allows local areas to use a sliding scale to increase the reimbursement provided to employers based on employer size, as follows:

- Up to 90 percent for employers with 50 or fewer employees
- Up to 75 percent for employers with 51 to 250 employees
- Up to 50 percent for employers with more than 250 employees (the statutory requirement without the waiver)

**a. Degree of Use Across Sites**

In PY 2010, all 20 states had received approval for a waiver to offer higher reimbursement rates for OJT (Figure IV.5). Forty percent of the local areas in that year had chosen to implement the waiver, with 8 out of the 20 local areas using it to offer sliding-scale reimbursement rates for small employers. The popularity of the OJT waiver appeared to be growing. In PY 2008, only eight of the 20 states had received approval for this waiver, with four more adding it in PY 2009. The observed local implementation followed a similar pattern. In PY 2008, only one of the local areas reported using the higher OJT reimbursement rates available under the waiver. The number of local areas reporting implementation increased to three areas in PY 2009 and eight areas in PY 2010.

**Figure IV.5. Number of States with Approval and Local Areas Included in the Study That Implemented Employer Reimbursement for OJT Waivers, PY 2008–PY 2010**



Source: State and local area telephone interviews and local area site visits.

Note: Twenty states and 20 local areas (one in each state) were included in the first phase of the study.

Similarly, the popularity of the OJT waiver grew considerably over the three-year period between PY 2008 and PY 2010 in the states and local areas visited for the study. Although only 5 of the states visited had requested and been approved for the OJT waiver in PY 2008, in PY 2009 7 were approved for the waiver, and by PY 2010 all 12 states had been approved for the OJT waiver. In addition, local implementation of the waiver in study sites increased from one site in PY 2008 and two sites in PY 2009 to six sites in PY 2010.

Several local areas in the study chose not to implement the OJT waiver for various reasons. Three local areas wanted the reimbursement rates for OJT to remain consistent across employers in their area as well as across local area lines in their state. One of the areas said that they would consider using the waiver if a special circumstance warranted its use, but it did not want to advertise higher rates because they feared it would create unnecessary competition between counties in the state for the same employers.

One local area visited did not feel the need to change existing reimbursement rates because their OJT program was considered highly robust and one of the largest in the country. They also feared that new rates would confuse employers who were already very familiar with the program. Another area decided that lengthening the duration of OJT was a better enticement to employers to hire their trainee than increasing reimbursement rates. The additional funding to the employer would be the same in either case, but they felt that a longer training period would give the employer a bigger investment in the participant and increase the chances that the participant would be hired. Two local areas did not implement OJT because of a lack of sufficient funding. Because the areas could only afford a limited amount of OJT, they felt it did not make sense to change reimbursement levels, especially if the changes would require more financial investment from the local area.

Participation in OJT increased over time in three of the six local areas, by an average of 115 participants per area (Table IV.6). Only South Carolina saw a yearly decrease in the number of OJT participants, though the local area linked the overall decrease in program participation to budget and staffing cuts and not to the waiver.

All but one of the local areas implemented the sliding scale suggested by DOL. In the areas that did use DOL's suggested scale, the maximum reimbursement was not offered to every employer. Staff and employers in three local areas (in Alaska, California, and New Mexico) reported that a number of factors, not just employer size, were considered when determining the reimbursement. Local area staff considered the duration of the training, any policies on spending limits for individual trainees, internal budgets for training, and the industry and occupation involved. The local area in South Carolina did not use the DOL sliding scale; instead, it offered both small- and medium-sized businesses (that is, those with fewer than 250 employees) reimbursement of up to 75 percent, unless the employer was eligible for an NEG, in which case the local area reimbursed the business up to 90 percent. Larger businesses were offered the traditional 50 percent reimbursement rate.

**Table IV.6. OJT Waiver Characteristics by Program Year (PYs 2008, 2009, and 2010) in Visited Sites**

OJT Participants	PY 2008	PY 2009	PY 2010
<b>Alaska</b>			
Adults	22	22	18 <sup>a</sup>
Dislocated Workers	15	14	19 <sup>a</sup>
<b>California</b>			
Adults	0	30 <sup>a</sup>	42 <sup>a</sup>
Dislocated Workers	0	13 <sup>a</sup>	52 <sup>a</sup>
<b>Georgia</b>			
Adults	0	0	80 <sup>a</sup>
Dislocated Workers	0	0	25 <sup>a</sup>
<b>New Mexico</b>			
Adults	30 <sup>a</sup>	86 <sup>a</sup>	78 <sup>a</sup>
Dislocated Workers	19 <sup>a</sup>	66 <sup>a</sup>	116 <sup>a</sup>
<b>South Carolina</b>			
Adults	289	103 <sup>a</sup>	0 <sup>b</sup>
Dislocated Workers	39	16 <sup>a</sup>	0 <sup>b</sup>
<b>Total</b>	<b>414</b>	<b>350</b>	<b>430</b>
<b>Completion</b>			
No. completed training	349	128	170
No. retained in unsubsidized employment by OJT employer	276	109	139
<b>Training Duration</b>			
Less than 6 months	328	119	155
6 months to 1 year	0	0	0
More than 1 year	0	0	0
<b>Total</b>	<b>328</b>	<b>119</b>	<b>155</b>

Source: Data provided by local workforce agencies in visited sites.

Note: Data included in this table are from the local areas that were able to provide the requested data. Not every local area was able to provide all of the requested information for every participant (e.g., training duration and completion). Therefore, the data provided in each subheading do not sum to the total number of IWT program participants for each program year.

<sup>a</sup> Includes both participants funded by WIA and participants funded by other sources (ARRA, NEG, and state sources).

<sup>b</sup> South Carolina's local area funded training for 78 OJT program participants (adults and dislocated workers) through sources other than WIA in PY 2010.

Data received from a subset of the local areas indicates that all OJT in those local areas lasted for less than six months. Interviews of staff in all local areas indicated that the average length of trainings under the waiver varied by local area, but most were less than six months. Alaska and the local area in Georgia capped the length of training at six months or 960 hours. The local area in Georgia also mentioned that the minimum duration for OJT was 200 hours. Although OJT is generally short term, the duration of any particular training could be determined by a number of factors. It could depend on the extent of skills participants needed to learn, the employer's proposed training plan, the participants' previous training experience, and the industry. More-technical industries and occupations tended to require longer training periods, especially those with mandatory certification classes. Longer trainings are considered more

likely to result in higher wages and better retention, and also more likely to secure the participation of employers. The staff in Alaska indicated that their use of higher reimbursement rates has decreased the duration of OJT, but that they are still seeing successful employment and high retention in their program.

Local area staff reported completion rates around 90 percent overall and estimated that most trainees were hired by their OJT employer after the training ended. Cases where trainees were not hired were considered rare, possibly due to the intensive screening process that most local staff used to vet employers and their OJT training plans, and the ability of employers to interview and select their own OJT candidates from a pool of clients.

OJTs were spread across various industries in the six sites. Some of the more common ones included manufacturing and customer service (Table IV.7). Local areas encouraged staff and providers to target employers in high-growth industries and in industries with apprenticeship tracks. Staff in most local areas noted that OJT was also largely targeted to small and medium-sized businesses, even though large businesses also participated. Staff in Alaska, California, and West Virginia reported targeting and working with small employers to conduct OJT both before and after the waiver, but felt that the higher reimbursement rates available through the OJT waiver were most attractive to small employers.

**Table IV.7. Characteristics of Employers and Participants in the OJT program in Visited Sites**

	Employers			Participants		
	PY 2008	PY 2009	PY 2010	PY 2008	PY 2009	PY 2010
<b>Industry</b>						
Manufacturing	NA	NA	7	208	49	27
Customer Service	NA	NA	0	105	65	50
Hospitality	NA	NA	0	5	1	1
Transportation	NA	NA	4	0	0	0
Retail	NA	NA	8	0	0	0
All Other Industries	NA	NA	21	10	4	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>40</b>	<b>328</b>	<b>119</b>	<b>78</b>
<b>Employer Size (# of Employees)</b>						
< 51	NA	NA	4	46	20	37
51-250	NA	NA	4	282	99	77
> 250	NA	NA	32	0	0	69
<b>Total</b>	<b>0</b>	<b>0</b>	<b>40</b>	<b>328</b>	<b>119</b>	<b>183</b>
<b>Employer Reimbursement Rates</b>						
0-50%	NA	NA	32	282	99	123
51-75%	NA	NA	4	46	20	40
76-90%	NA	NA	4	0	0	20
<b>Total</b>	<b>0</b>	<b>0</b>	<b>40</b>	<b>328</b>	<b>119</b>	<b>183</b>

Source: Data provided by local workforce agencies in visited sites.

Note: Data included in this table are from the local areas that were able to provide the requested data. Not every local area was able to provide all of the requested information for every participant (e.g., training duration and completion). Therefore, the data provided in each subheading do not sum to the total number of IWT program participants for each program year.

<sup>a</sup> NA = Data not available.

The types of OJT activities and training that are involved with or without the waiver depends heavily on the employer and industry where the training is taking place. Activities can include an orientation to the job, hands-on or classroom training, industry- or employer-specific certifications, and mentoring from other employees. Industries where much of the training needs to happen on the job are ideal for OJT. Local staff cited the solar industry, electrician training, welding, and machinery operation as some examples of jobs well suited to OJT. A local fire department in Alaska described their participation in OJT as critical to the operation of their department because firefighter training academies do not exist in their area. Their OJT trainees have helped the department meet public expectations in a way that would not have been possible without the local area's assistance. In general, training plans are developed with the assistance of staff from the local workforce agency, and staff try to create an OJT experience that will leave participants with a transferable skill set or credential.

Overall, most local staff estimated that the average cost of OJT was in the range of \$2,000-\$3,000 per participant. Three sites (in Alaska, California, and West Virginia) indicated that these costs were generally less expensive than their ITA programs, but more expensive than some alternatives, such as vocational skills training. However, New Mexico staff estimated that a typical OJT contract there could cost between \$8,000 and \$10,000, whereas ITA contracts were capped at \$2,500.

#### **b. Successes of Waiver Implementation**

**Higher reimbursement is an effective marketing tool.** The higher reimbursement rates available under the OJT waiver were instrumental in enhancing the marketing power of OJT and engaging more small- and medium-sized businesses in the training and hiring of WIA customers. OJT itself is already used as a tool to encourage businesses to hire new employees or less-qualified ones from the workforce system; if an employer is considering four candidates for a job and one of them is eligible for OJT, that candidate has an advantage over the others because hiring him or her can save the employer a significant amount in wages.

The potential for higher reimbursement makes it even more likely that employers will consider a WIA customer for their company. One small business owner in California stated that his business was more willing to hire unskilled workers and train them because of the higher rates being offered for OJT. The workforce board in Georgia decided to change their mission statement to explicitly mention OJT after the waiver became available, to emphasize it as a central part of their strategy to help people find work and involve employers in the workforce system.

**Reluctant business owners are convinced to hire.** The OJT waiver was credited for encouraging small businesses to hire even in difficult economic times, according to staff in at least one local area (California). Even as the economy improved in their area, businesses were still reluctant to expand because they felt uncertain about the market. The increase in reimbursement was the push many employers needed to take on OJT participants and expand their business. Another local area reported that employers from outside of their workforce area were approaching them to take advantage of the new higher reimbursement rates being offered (Georgia). Local areas shared that the number of employers and trainees participating in OJT increased considerably with the waiver.

**Participant outcomes improve.** Local staff in a number of sites also felt that the OJT waiver was positively affecting their performance outcomes. One area (Alaska) expected their overall job retention rate to rise after the waiver because of the higher share of trainings being completed through OJT. According to staff in Georgia, small business owners are more likely to mentor and carefully supervise OJT participants because they have fewer employees to oversee; with the increase in small business participation in OJT after the waiver and the tripling in the number of OJT participants served, the local area expected to see better outcomes for their customers in general. The local area in South Carolina reported that their completion rate for OJT increased from 70 percent before the waiver to 79 percent after the waiver was implemented.

### c. Challenges of Waiver Implementation

**Lower employer investment can affect retention.** Some staff felt that the 90 percent reimbursement rate for small businesses may be too high. California reported that their trainee retention rates were lower with businesses receiving the maximum reimbursement rates. Businesses who were only receiving a 50 percent reimbursement rate seemed more likely to keep employees at the company after the training period ended. The staff believed that a very high reimbursement rate does not encourage the employer to hire the OJT participant, because the employer has not invested much of its own resources in that participant. A reimbursement rate of 75 or 80 percent was considered to be more reasonable and might give the employer a sense of having invested in the participant's training.

**Recruiting employers can be difficult.** Although local areas that implemented the OJT waiver reported considerable success using the new sliding scale, staff still reported that recruiting employers was sometimes challenging. Many employers are hesitant to participate in a government-sponsored program. They find it difficult to believe that the government would offer businesses "something for nothing," and assume that it will involve too much paperwork. Some employers are also concerned about the effect that government intervention could have on their business. Staff in one local area thought that the state could play an effective role in easing employers' fears about the program by promoting OJT across the state. The state could also help to disseminate best practices for dealing with employers among the local area staff.

**Paperwork drives away employers.** Employers are also discouraged from participating by the paperwork burden. Paperwork is required to finalize the contract or financial agreement, document the training plan, verify workers compensation coverage, set up an e-Verify system, and bill the local area for participant wages. Staff suggested simplifying the paperwork requirements for the program, especially because they often deal with senior-level business people who are often too busy to be mindful of the technicalities of participating in OJT. In one site, staff reported that an employer decided to hire a potential OJT candidate without the training to avoid having to fill out forms for the program.

## 4. Overarching Perspectives on Using the IWT, IWTS, CT, and OJT Waivers

Respondents identified several benefits to employers, workers, the workforce system, and the economy offered by these four waivers, which are structured to encourage employer engagement in the workforce development system. The waivers have helped companies create jobs and stay in business in a weak economy, increased access to training and employment opportunities for low-income and unemployed workers, and helped to improve relationships

between workforce agencies and local businesses. One local area noted that the benefits of using the OJT waiver in their area were trifold: the employee earns a wage while upgrading his or her skills, the employer is subsidized for the cost of training an employee, and the government eventually receives some of the money back in taxes. Although each waiver had a unique purpose, the study found that these waivers collectively helped local areas to better serve employers and WIA participants.

The local areas visited did not indicate overall that there were drawbacks to using the waivers, or that the waivers negatively impacted their local area in any way. Although some areas faced challenges in implementing the waivers to the extent they would like (discussed above), all of the areas agreed that the waivers in general were beneficial to their efforts to serve their customers. The local workforce staff and employers interviewed for the study highlighted several specific ways in which the waivers benefited them and other members of the workforce system:

**Helping companies stay competitive and expand.** The IWT, IWTS, CT, and OJT waivers provide additional financial assistance to employers to create jobs or upgrade and customize the skills of current employees. The waivers are helpful for employers who need to make changes in their business to stay competitive in the market, but cannot afford to train their existing workers in the necessary skills. They enable local areas to offer subsidized training for existing employees to match what the employer needs. For example, a cabinetmaking company in one local area in Kentucky was hit hard by a decline in homebuilding during the recession and wanted to switch to mass production to stay in business. Their existing workers did not have the skills for mass production, but the local area was able to secure Rapid Response funds to train their employees under the IWTS waiver.

The waivers are also used to assist companies that want to expand but are unable to hire new workers at a nonsubsidized wage rate in the short term. The higher reimbursement rates offered by the CT and OJT waivers are enticing to employers who are considering adding new employees. The local area can offer a business an employee whose wages are heavily subsidized and who can learn the skills for the job at minimal cost to the employer. A small business owner in California noted that hiring OJT participants under the waiver to do some of the work he currently did enabled him to devote his time to networking and generating new business instead of day-to-day tasks.

Employers in fairly new industries such as solar and green energy often lack an established workforce with the right type of skills; waivers can provide these employers with the opportunity to train workers with the skills needed for their businesses. The higher reimbursement rates offered by the OJT and CT waivers are especially helpful for small- and medium-sized businesses in these industries, which welcome any assistance in a tough economy. One employer in New Mexico was able to expand into solar panel installation and grow his business 300 percent as a result of his participation in OJT under the waiver. Employers can also invest the money they save from wages during the training period back into their business. In the local area in Georgia, a small manufacturing company took on four trainees under the OJT waiver and was able to free up capital for marketing and increasing production to meet growing demand.

**Opening entry-level positions for other job seekers.** Waivers also create vacancies for other job seekers when an entry-level employee is trained for a higher-level position. At least four local areas (in Georgia, Kansas, Kentucky, and Michigan) mentioned this as a specific goal

for trainings conducted under the IWT and IWTS waivers; staff work to ensure that trainings will result in raises or promotions for trainees and that employers return to the local workforce agency to fill new vacancies created by the training. The local area in Michigan included a clause to this effect in contracts with employers for IWT. According to the contract, an employer must work with the local area to fill an opening created by IWT. In Georgia, staff suggested that this “upgrade and backfill” strategy should be required as a condition of receiving training under the IWT waiver.

**Serving workers more efficiently while they are employed, rather than unemployed.** Local workforce staff felt that the IWT and IWTS waivers in particular were effective strategies for averting layoffs and that conducting trainings for incumbent workers was easier than finding jobs for workers who have been dislocated from a plant closure or other layoff. One staff member in Michigan described the IWT and IWTS waivers as providing better “bang for your buck,” because they keep workers off unemployment insurance, potentially create jobs for other WIA participants, and keep employers in business.

**Providing staff development for businesses in need.** All of the local areas in the study described the 2008–2010 period as a time of struggle for local businesses and the economy in general. During economic downturns, employers face difficult choices in allocating limited resources across competing demands. Often training for employees or hiring new staff is put aside in favor of more urgent needs. The waivers allow business owners to meet their human resource goals and still have enough resources to expand their business or remain competitive. A salon owner in Alaska reported that participating in OJT program helped her business withstand the economic downturn while other businesses faltered. Because of the high turnover in her industry, it is often difficult to find trained staff to step in when others leave. By participating in OJT, the owner had a pool of workers in training who kept her business going even with high staff turnover.

**Engaging employers in the workforce development system more broadly.** The availability of training subsidies made possible through waivers has engaged more local employers and helped local areas cultivate relationships between employers and local workforce agencies. Often these employers are introduced to the workforce system through the services that local areas are able to provide with waivers, and then they continue to engage with the system in ways that benefit their companies and workers. A number of employers who had used waivers said that they now go to the local workforce agency first when looking for potential candidates to fill any job openings. They found that the local agency offered valuable services in locating and screening candidates, and even in creating job descriptions. One local area in Kansas described their role as a “human resource department” for small businesses who could not afford to find their own ideal candidates. An employer in West Virginia indicated that he valued the human resources assistance even more than the wage reimbursement provided through OJT.

#### D. Waivers for Serving Youth

The two waivers of interest that relate to youth programs, the CPYE waiver and ITA waiver, give service providers more flexibility and tools to serve youth in their local area. The following section describes these waivers and provides an overview of how local areas use them, as well as the successes and challenges associated with waiver implementation.

### 1. Competitive Procurement for Youth Elements (CPYE waiver)

The CPYE waiver allows local areas to maintain the continuity of youth services by contracting with American Job Centers or partner programs to provide certain activities without a competitive bid. Without the waiver, WIA requires local areas to award contracts for youth services on a competitive basis. The competitive selection process requires the local areas to select youth service providers who can best serve local youth needs, after considering recommendations from local youth councils. The contracts with youth service providers may last for up to five years, but include a clause stating that the contract may be canceled based on performance and funding availability. The waiver allows local areas to procure and provide 3 of the 10 required youth services without a competitive bidding process:<sup>19</sup>

- Paid and unpaid work experience
- Support services
- Twelve-month follow-up services

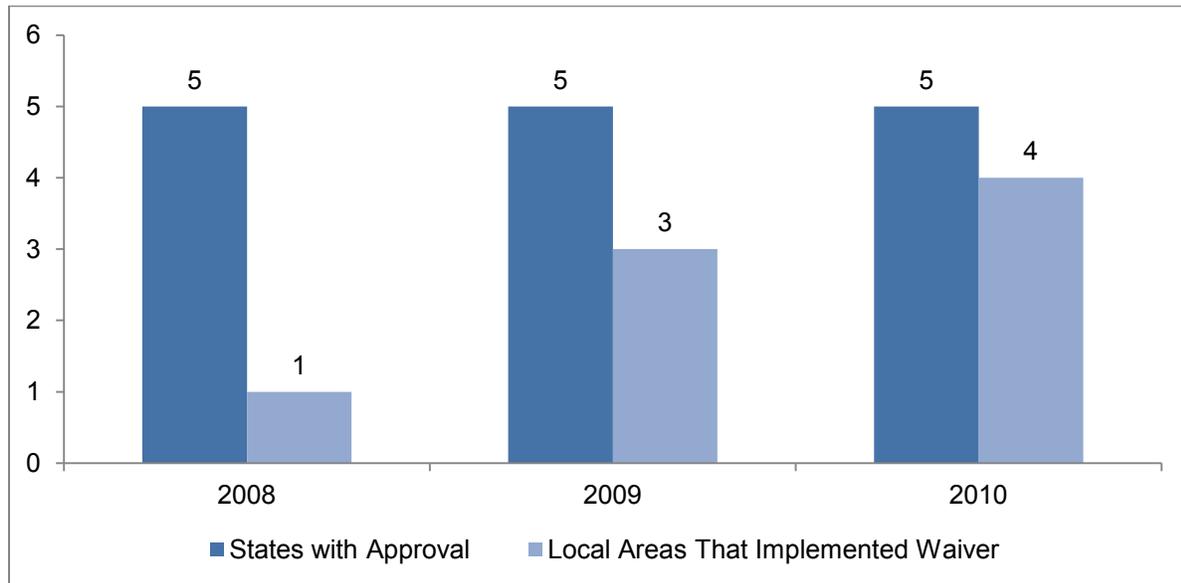
Local areas that utilize the waiver may contract with their local American Job Center operator or its partners to provide these services. Use of the waiver is restricted to these three services to ensure regular competition for other youth services and encourage high-quality providers to enter and stay in a local area. The waiver applies only to regular WIA youth funds (not to ARRA funds).<sup>20</sup>

In PY 2010, 5 of the 20 study states received approval for the CPYE waiver. Most of the local areas chose to implement the waiver, with four of the five local areas using it. While there was no change in the number of states with approved CPYE waivers between PY 2008 and PY 2010, local implementation of the waiver increased each year (Figure IV.6). In PY 2008, only one of the local areas reported using the CPYE waiver, but by PY 2010, four of the five local areas with access to the CPYE waiver chose to use it.

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<sup>19</sup> The 10 services are (1) tutoring, student skills, training, and dropout prevention strategies; (2) alternative secondary schools; (3) summer employment opportunities; (4) paid and unpaid work experience, including job shadowing; (5) occupation and skills training; (6) leadership development opportunities, such as community service; (7) supportive services; (8) adult mentoring for at least 12 months; (9) follow-up services for at least 12 months; and (10) comprehensive counseling, including referrals for drug and alcohol abuse.

<sup>20</sup> Different waivers were approved for summer youth employment activities funded by ARRA in the summer of 2009. For those funds, states could request a waiver to extend existing contracts with providers, or one that would allow them to procure services through a limited competitive bid between selected providers. The waivers were not extended for ARRA funds used in summer 2010.

**Figure IV.6. Number of States with Approval and Local Areas That Implemented CPYE Waivers, PY 2008–PY 2010**

Source: State and local telephone interviews and local area site visits.

Note: Twenty states and 20 local areas (one in each state) were included in the first phase of the study.

The distribution of CPYE use was similar among the 12 sites selected for site visits. In PY 2008, three of the 12 states selected for site visits requested and received approval for the CPYE waiver (Kansas, Mississippi, and Ohio). Of the local areas we visited in those states, two chose to implement the waiver (Kansas and Ohio). In PY 2009 and PY 2010, Kansas and Ohio again requested and received approval for the waiver, and the local areas that we visited implemented it. In all three program years, both local areas used the waiver to waive the competitive procurement process for support services and 12-month follow-up services, and one local area also chose to waive the process for paid and unpaid work experience. The following discussion focuses on waiver implementation in the sites visited for this evaluation.

Local areas visited that implemented the CPYE waiver stressed their need for the waiver because of difficulty in finding good youth service providers, particularly in rural areas. A respondent in Kansas noted that the “competitive procurement process wasn’t actually all that competitive,” because there was a lack of providers in the area. Both local areas actually used the LWIA administrative entity to provide some services. In Ohio, the waiver enabled them to hire an in-house coordinator who coordinated all of the work experiences for youth through the American Job Centers. The American Job Centers also provided soft skills workshops for youth, focusing on topics such as career exploration, resume writing, job readiness, and interviewing skills. In Kansas, the LWIA administrative entity provided case management services for youth. Additionally, because of the flexibility provided by the CPYE waiver, they were able to identify service providers that were doing a good job serving youth clients and simply extend their contracts.

Local areas that used the CPYE waiver believed that the procurement flexibility it gave them improved the quality of youth services and their performance. The local area in Kansas used the CPYE waiver to bring follow-up services in-house. The staff had been concerned about the performance measures for older, out-of-school youth not being met and believed that with better follow-up they could increase retention and skill and certification attainment, as well as

better understand and serve their youth customers. They reported that the intensity of services was positively impacted by the CPYE waiver and that, under the waiver, staff maintain better contact with the youth. The waiver also has allowed this local area to unify service delivery across funding streams (youth, adult, and dislocated worker). The local area in Ohio used the waiver to bring youth work experience in-house. It reported that none of its existing youth service providers were focused on work experience and that this lack of focus was evident in its performance measures. After moving the work-experience services in-house, the local area saw a significant improvement in performance; it passed all three performance measures in PY 2009 after failing two out of three in the previous year.

Local areas that implemented the CPYE waiver also reported saving money through administrative and cost efficiencies. The elimination of the procurement process resulted in direct cost savings. Staff noted that they no longer needed to advertise procurements in the newspaper or spend time managing the procurement process. Instead, they reported having more time to focus on the delivery of individually focused youth services and outcomes. One local area added a new staff position to work directly with youth and still reported cost savings.

Local areas noted that bringing the youth program work in-house required limited additional planning. In fact, the additional planning was not much different than what was currently done for existing programs. One site did note receiving some pushback from community organizations that felt entitled to WIA youth funds, requiring some additional effort on the local area's part to manage public relations.

The CYPE waiver enabled local areas to take better control of their youth program, implement cost-savings efforts, and better serve local youth. Despite these successes, one local area suggested that the waiver could be improved and youth programs could be better executed if the American Job Centers could provide nearly all program services with the exception of occupational training. According to the local area, providing more elements in-house would allow for a higher, more consistent standard of service quality across the youth program. Additionally, the local area in Kansas recently lost its CPYE waiver and described its difficulty in returning to competitive procurement. The area noted that after requests for proposals are released, "it's like crickets chirping" because there are very few organizations competing for the contracts. The local area found that potential providers are discouraged from going through the bid process, particularly because—even if they win the contract—they are not guaranteed a certain number of participants or funding, both of which depend on variable client needs.

## **2. Youth Individual Training Accounts (ITA waiver)**

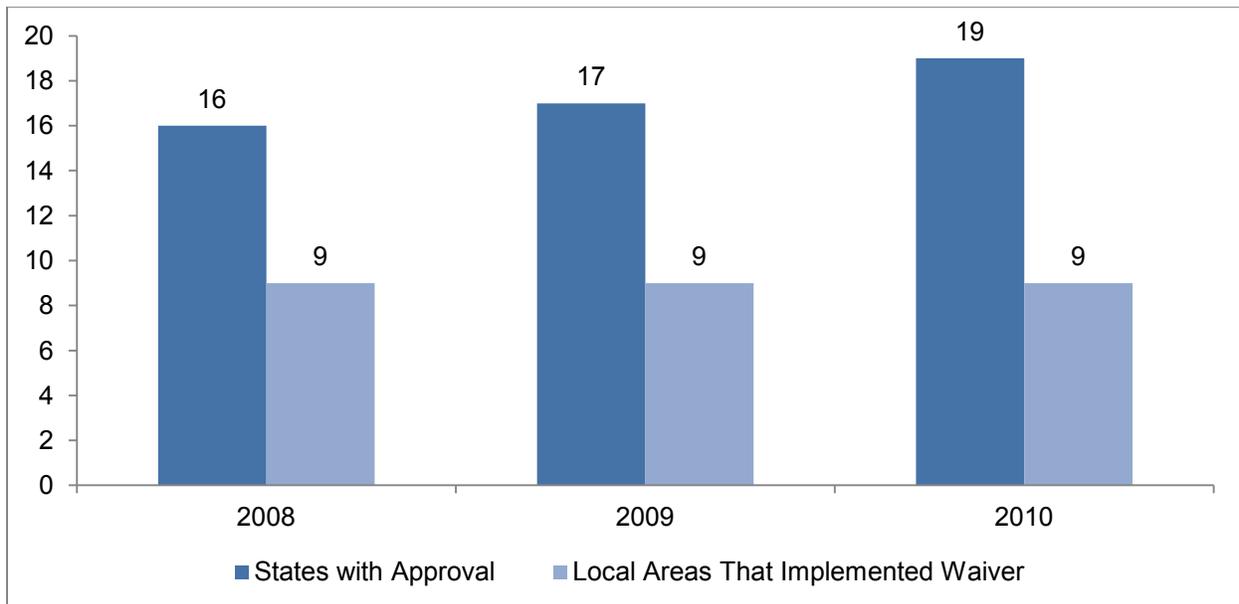
The ITA waiver allows local areas to offer ITAs to older and out-of-school youth for the purchase of employment-related skills training. It waives the prohibition on the use of ITAs for certain youth, letting local areas include ITAs as an option when they determine the most appropriate training services for youth based on their individual needs assessments.

An ITA is a voucher provided to WIA participants to purchase skills training for employment. Participants are given guidance and support by case workers in the American Job Centers system to help them decide which eligible training provider to choose for their training program. ITAs provide access to the eligible training provider list, which may include programs better suited to certain youth in terms of content, availability, and scheduling than what may be available through the WIA youth program. Without the waiver, youth must be co-enrolled in the

WIA adult or dislocated worker program to be eligible for an ITA, which means that they must be at least age 18 and meet the adult or dislocated worker program criteria. The waiver frees local areas from duplicating efforts in co-enrolling older youth and from using limited adult and dislocated worker funds for youth clients. States are required to track the funds used for youth ITAs. Case workers also must document the use of ITAs in each youth’s individual service strategy, which contains the goals and objectives for the youth’s participation in WIA as well as the service plan selected for him or her.

In PY 2010, 19 of the 20 states received approval for a waiver to use youth funding for ITAs. Almost half of the local areas chose to implement the waiver, with 9 of the 19 offering ITAs for youth that year. Interest in the ITA waiver appeared to grow since PY 2008, with more states receiving approval for the waiver each year, though local implementation in the sites visited for the study remained steady (Figure IV.7).

**Figure IV.7. Number of States with Approval and Local Areas That Implemented Youth ITA Waivers, PY 2008–PY 2010**



Source: State and local telephone interviews and local area site visits.

Note: Twenty states and 20 local areas (one in each state) were included in the first phase of the study.

In PY 2008, 10 of the 12 site visit states received approval for a waiver to use youth funding for ITAs (Alaska, California, Georgia, Kansas, Kentucky, Mississippi, New Mexico, Ohio, Pennsylvania, and West Virginia), but only five of the local areas visited chose to implement it (Alaska, California, Mississippi, New Mexico, and Ohio). State interest in the ITA waiver grew slightly over time, with more states receiving approval for the waiver each year; however the number of local areas in our study implementing it remained consistent. The following discussion focuses on waiver implementation in the states and sites visited for this evaluation.

States indicated various reasons for requesting the ITA waiver, but the most common was a desire to connect out-of-school youth to the WIA training services for which they are otherwise ineligible. Many states found that older youth do not have the training and skills needed to increase their employment and earning prospects. Through the ITA waiver, local areas are

provided flexibility in their youth program to help youth earn credentials, gain experience, and find meaningful employment.

The number of ITAs offered across sites varied widely, from 3 to 154 in any given year (Table IV.8). The number depends greatly on the funding available for youth services and the local area's ability to strike a balance between serving the needs of all youth customers and providing training to a few. Local areas often noted that training can be expensive, which limited the number of accounts the providers could allocate.

A few local areas have chosen to use youth ITAs to fund higher education. New Mexico and Ohio, for example, described using ITAs as an incentive for students focused on a four-year college education. While Pell Grants can usually fund some expenses, the grants are not always large enough to cover all of a student's tuition, fees, and other expenses (such as books, child care, and gas). The ITA can therefore bridge the gap between tuition and related expenses and what can be covered through a Pell Grant.

Other local areas chose to focus on using ITAs to purchase occupational training for employment. In particular, youth were directed to the priority industries identified by the local WIB. Many of the local areas described approving ITAs for training in the health care industry and early childhood education because work in these fields typically requires certifications and credentials. In one local area, an oil refinery had a large demand for workers with pipefitting skills, and both youth and adults used ITAs to complete a pipefitting training program and obtain the necessary certifications.

Each local area noted the importance of using the ITA to be able to serve youth within the youth program, which is focused on the unique needs and requirements of the youth population in a way that the adult and dislocated worker programs are not.

Sites that have chosen to implement the ITA waiver were very enthusiastic about the opportunities it created, and described numerous advantages to using the waiver. These include:

- **Ease in navigating WIA services.** Although it is possible for older out-of-school youth to co-enroll in the WIA adult program, local areas reported that the adult program was difficult for many youth to navigate. The local area in California persuaded its state to apply for the waiver after observing that youth were "having difficulty accessing services from the adult program and becoming discouraged because there was no one to help them navigate the process." One potential cause of the disconnect between the youth and adult programs is that some local areas have contracted out the provision of youth services, so youth may be used to receiving their services at a separate center and have very little interaction with the American Job Center.
- **Availability of youth WIA funding.** All local areas reported high demand for adult training fund dollars. Under the waiver, the area can use youth funds for the ITA, reserving adult funds for other adult trainees.

**Table IV.8. Youth ITA Waivers Implemented in Visited Sites, PY 2008–PY 2010**

	PY 2008	PY 2009	PY 2010
Total Number of ITAs	197	202	122
Alaska State/Local Area	NA	49	27
California Local Area	NA	15	8
Mississippi Local Area	154	82	69
New Mexico Local Area	39	48	15
Ohio Local Area	4	8	3
<b>ITA Recipient School Status</b>			
In-School Youth	22	22	29
Out-of-School Youth (w/diploma or GED)	21	49	17
Out-of-School Youth (w/o diploma or GED)	154	82	49
<b>Total</b>	<b>197</b>	<b>153</b>	<b>95</b>
<b>ITA Industries</b>			
Healthcare	1	84	53
Construction	0	16	0
Truck Driving	0	6	8
All Other Industries	3	48	19
<b>Total</b>	<b>4</b>	<b>154</b>	<b>80</b>
<b>ITA Completion<sup>a</sup></b>			
# completed training	29	111	78
# earned certificate, credential, or diploma	29	111	78
Total	58	222	156
<b>ITA Training Duration</b>			
Less than 6 months	11	96	68
6 months to 1 year	9	13	23
1 year to 2 years	23	35	11
<b>Total</b>	<b>43</b>	<b>144</b>	<b>102</b>

Source: Data provided by local workforce agencies in visited sites.

Note: Data included in this table are from the five local areas that implemented youth ITAs and were visited for the study (Alaska, California, Mississippi, New Mexico, and Ohio). Not every local area was able to provide all of the requested information for every participant (such as ITA recipient school status and ITA training duration). Therefore, the data provided in each subheading do not sum to the total number of youth ITAs for each program year. Specifically, the Alaska local area was not able to provide the total number of ITAs for PY 2008, nor was it able to provide the ITA recipient school status, industries, completion, and training duration data for any of the program years. The Mississippi local area was not able to provide ITA industries, completion, and training duration for PY 2008.

<sup>a</sup> In some instances, completion of the ITA resulted in earning a credential, certificate, or diploma. Therefore, the sum may be greater than the total number of ITAs for any given PY.

NA = Not available.

- **Easier to serve younger out-of-school youth.** Without the waiver, local areas generally are unable to provide an ITA to a 16- or 17-year-old who has already obtained his or her GED or high school diploma. Because the youth is younger than 18, co-enrollment in the adult program is not possible. The waiver allowed local areas to address this important gap in the workforce system while focusing on the workforce development of these youth rather than on additional education options.
- **Accommodates for shortage of training providers in rural areas.** Respondents from rural local areas described very limited choices in available training programs. ITAs provided youth with many more training options, including allowing them to enroll in classes with training providers that might not have responded to or won a competitive procurement. For example, one local area found that potential service providers do not respond to competitive procurements for youth services because even if they win the contract, they are not guaranteed a certain level of funding, as youth services are based on enrollment and those figures fluctuate from year to year. However, these same providers are on the eligible training provider list, which youth with ITAs can access. In this way, the ITA program allows youth a greater number of options for training than they would have under the traditional youth program.

Almost all local areas that implemented the waiver reported that more youth received ITAs than before it was implemented. The local area in New Mexico described the youth ITA waiver as an “initiative to deal with a structural flaw in WIA” by introducing more flexibility into youth service delivery. Some areas also noted that the waiver increased the number of adults served in the ITA program because training dollars previously spent on co-enrolled youth could be reallocated.

Some local areas chose not to offer youth ITAs, even though their states had received approval. The reasons varied by site, but the common theme was that most did not think ITAs were the best service approach for their targeted youth population and youth program initiatives. For example, two local areas (Kentucky and Michigan) noted that their programs preferred to serve older youth as adults. Two other local areas (Pennsylvania and West Virginia) also described having a case management service strategy inconsistent with offering ITAs. One respondent believed that the long-term training options available through ITAs were generally inappropriate for youth clients, because youth have a hard time committing to long training periods and may not know at a young age what career path to choose. Another local area wanted to implement the ITA waiver but did not have sufficient funding for youth services.

## V. SUCCESSES AND CHALLENGES OF THE WAIVER PROCESS

During telephone and in-person interviews, respondents from 20 states and 20 local areas (one in each state) were asked about their experiences in implementing waivers and how the process could be improved. Staff pointed to several outcomes from implementing waivers that strengthened the ability of the overall workforce system to serve its business and worker customers. They also identified factors that made using or continuing to use waivers a challenge. The following section details these administrative and implementation successes and challenges. It includes the opinions of both state and local respondents collected from the telephone calls with WIA staff in 20 states and local areas, and from the visits with WIA staff and employers across 12 of these 20 local areas.

### A. Successes

Each state and local area was able to point to specific benefits of the individual waivers, and several themes emerged about the overall success of WIA waiver administration and implementation. Respondents indicated that the locally focused waiver process enhanced communication between states and local areas. Implementing the waivers also provided local areas with the ability to serve more clients, become more efficient, strengthen connections with employers, and serve youth in meaningful ways. Overall, local areas felt that the waivers enhanced their ability to use a “demand-driven” service strategy, tailored to the needs of their customers. The following section details the overall administrative and implementation successes articulated by states and local areas.

#### 1. Administrative Successes

States and local areas noted two administrative areas where the waiver process was particularly successful:

- **Better communication between states and local areas.** States reported that the waiver process allowed them to demonstrate their commitment to being responsive to the needs of local areas. State staff in West Virginia described how waivers have allowed, “locals [to see] that we are their champions and that we are looking for every opportunity to give them more flexibility and tools at the local level.”

When requesting waivers, all states and local areas reported a collaborative process between state and local officials in determining which waivers should be requested from DOL. This sometimes opened up new lines of communication and developed new relationships. Numerous local areas cited the benefit of states’ communication through phone calls, in-person meetings, and emails. Although not all calls and meetings focused on waivers, they were perceived to be a valuable opportunity for local area staff to ask questions related to waiver usage. Many local areas also received email updates and additional guidance from the state on a regular basis.

- **Increased flexibility and program efficiency.** Local areas reported that waivers enabled them to bring administrative and program implementation work in-house, streamline eligibility decisions, and work more closely with customers. For youth waivers in particular, local areas saw an increase in program efficiency, with reported

cost declines, higher rates of follow-up, and better performance on targeted indicators.

## 2. Implementation Successes

Local areas were able to point to five implementation-related successes of the waiver process:

- **Providing new services and serving new customers.** The waivers increased the number of tools local areas had available to meet customers' needs, enabling them to support customers by providing new services and making services available to more customers. For example, several local areas pointed to the A-DWT waiver as a way to serve more customers and better address the changing needs of their customer population during a volatile economic period. Similarly, some local areas noted that the CPYE waiver enabled them to better serve the youth population in their region, whereas ITAs helped expand the services available to youth. Local areas achieved their goal of better serving their customers and communities, which in turn helped more customers to gain employment and independence.
- **Enhanced relationships with employers.** Waivers for IWT, CT, and OJT enhanced local areas' relationships with employers. Many local areas noted that these waivers enabled them to reach out to more small- and medium-sized businesses and encourage such businesses to participate in the workforce system. Three local areas pointed to this as a particular benefit because small- and medium-sized businesses are the backbone of their local economies.

Employers were also pleased with the enhanced relationship. A number of employers commented that, as a result of the waivers, they learned to go first to the local workforce agency when looking for potential candidates to fill a job opening. Employers also cited the services of the local agencies in creating job descriptions and locating and screening job candidates as being extremely valuable.

- **Employers satisfied with the benefits of workforce involvement.** Employers were generally positive about the benefits afforded them by waivers. Aside from saving valuable financial resources, the provision of services under the waivers enabled many employers to stay competitive, expand in size, or explore new ventures. The OJT and CT waivers also alleviated the burden of training new employees, in addition to lowering the risk to the employer of hiring an individual who lacks certain skills. Two employers and multiple local areas noted that using funds for skill upgrades for existing employees often opened up entry-level positions that could be filled with other WIA customers. One small-business owner in the California local area also noted that hiring participants under the OJT waiver enabled him to devote his time to networking and building up his new business instead of spending it on day-to-day training and tasks.
- **More strategic youth service delivery.** Respondents reported that the competitive procurement and ITA waivers allowed local areas to be more strategic about their youth service delivery (for example, by matching youth needs with appropriate programs and providers) and to improve their performance measures. Two local areas (in New Mexico and Ohio) noted that youth have different needs than other WIA customers and often need intensive case management to ensure their success. In

addition, when youth were provided the services they need, local areas found that “the outcomes followed.” Providers indicated that youth who complete their training and service programs are better prepared for the job market and less likely to need further public assistance.

## B. Challenges

Although state and local areas saw many benefits from the waivers, they described challenges in the current waiver application and implementation process. These challenges affect the relationship between the workforce system and employers, and can limit the flexibility and creativity of the workforce system. The following section details the overall administrative and implementation challenges articulated by states and local areas.

### 1. Administrative Challenges

States and local areas pointed to three administrative challenges associated with the waiver process:

- **Narrowed scope of acceptable waivers.** Some state respondents believed that although the federal government has increased the transparency of the waiver application process, the scope of waivers has narrowed. One state felt that the current administration “has been much more restrictive.... what they are going to accept is what they are going to accept and that’s pretty much it.” Respondents feared that DOL’s clarification of what is acceptable regarding the implementation of waivers may result in less experimentation and could end up limiting the creativity of the workforce system.
- **Lengthy waiver application and implementation process.** At the local level, implementing a waiver can be fairly simple if it fits within existing program structures. However, waivers that require significant changes to service delivery are more challenging because of the lengthy waiver application and implementation process. Multiple respondents reported that by the time a state applied for and was approved to use a waiver, it was too late for the local area to implement the waiver for the current program year. One local area noted: “If you ask for a waiver when you need it, it’s too late.”
- **Potentially conflicting messages and limited communication between DOL, states, and local areas.** There was sometimes confusion among states and local areas about seemingly conflicting messages from DOL regarding waiver applications. Some states reported receiving pressure from DOL to request only those waivers they actually needed and intended to implement. These states suggested that even if a waiver was not implemented immediately, they wanted to have it in order to have flexibility for local-level implementation in the future, if needed. They do not believe that failing to use a waiver means the state should give up that flexibility. By contrast, other states discussed their understanding that DOL does not mind if waivers are unused and their belief that DOL wants states and local areas to have every tool available to them. They felt that DOL understood that the right situation for a waiver could occur at any time, and without the ability to implement the waiver, a local area might not be able to capitalize on the opportunity.

Staff in three local areas also mentioned that they often felt that the information communicated to them from federal and state authorities could be more comprehensive and frequent, ensuring that local areas are aware of the rules that govern waivers and can make educated decisions about their use in a local context. For these reasons, and because waivers are implemented at the local level, one local area stated a desire for more autonomy to communicate directly with DOL about waiver applications and implementation.

Local area staff in at least four sites also indicated that they would benefit from more information about how other local areas across the country have used waivers, as well as more communication from DOL and state administrators on what waivers are available and how they can be implemented in their local areas. Local staff in two sites expressed a desire to know how waivers have been successfully (or unsuccessfully) utilized in local areas with challenges similar to theirs to guide their decisions on which waivers to use and how to implement them effectively.

## 2. Implementation Challenges

Local areas were able to point to three implementation-related challenges associated with the waiver process:

- **Recruiting businesses and youth to participate in WIA programs.** In a majority of local areas, staff noted that employers tended to lose interest in WIA programs when they discovered the amount of paperwork required to become involved with OJT, CT, or IWT waivers. Local staff believed that excessive paperwork put an undue burden on potential employers and deterred them from participating in local workforce services that could be beneficial to their company. Employers value expediency and less paperwork and red tape. Similarly, one local area mentioned that it could not find enough eligible applicants to fully utilize the ITA waiver because youth were unwilling to go through the arduous process of applying for the ITA program. Even the additional incentives offered under the waivers were sometimes not enough to get the employers through the door. Many local areas discussed the range of outreach needed to recruit employers, including conducting marketing and media campaigns, developing business service units to seek out employers, participating in networking events, and “cold calling” employers to share program information.

Local areas also struggled to recruit employers because of skepticism about involvement in government-funded programs. Some employers did not believe the waiver training programs would provide them with “something for nothing.” Other employers were skeptical about involving government in their employment and training processes, particularly when such involvement meant sharing employee documentation with the local area WIA office.

The requirement for layoff aversion made it particularly difficult for local areas to use IWT and IWTS waivers extensively. In fact, several local areas reported that the number of employers who participated in the IWT program dropped sharply or fell to zero after implementation in PY 2009 of the policy that IWT must be used to avert layoffs. Staff noted that employers are often unwilling to announce publicly that they are considering laying off workers; therefore, by the time the local area learns of

potential layoffs, there is not enough time to conduct employee training that will save jobs or prevent a business from closing.

- **Annual waiver renewal process and program continuity.** When determining which waivers to implement, local areas described the challenge of trying to establish training programs and relationships with customers and businesses based on waivers that may last for only one year. This uncertainty is particularly high later in the program year, when the waiver expiration date approaches, and can make the implementation process “stop and go.” For some areas, the waiver-renewal process made it difficult to provide services without interruption, because there was a gap between when a waiver expired and when it was renewed by DOL. Local areas were not clear what to do with customers already enrolled under waived services during the gap.

Some local areas were also concerned about using a waiver as standard practice, even after utilizing it for multiple years, because policies could change or end. For example, state and local respondents referenced the PY 2009 changes in guidance requiring the IWT waiver be used for layoff aversion only. After the change, some local businesses no longer qualified for IWT. Local areas seek to develop long-term relationships with employers; if the local area is not able to offer consistent benefits, there is concern that employers will not be inclined to partner with them.

- **Budget constraints at state and local levels.** A number of local areas reported that budget constraints hindered their ability to maximize the benefits of waivers. Staff reported budget issues specifically related to both the ITA and IWT waivers. Two local areas mentioned that funding for youth was too limited to allow them to provide an ITA program to youth, although they felt that such a program would provide valuable training opportunities. A third area felt that in order to utilize the ITA waiver fully it had to market the program to area youth, but could not use available funding for that purpose. Budgeting for IWT was also an issue at some sites. One local area noted that the need for training in its local area far exceeded the level of funding it could allocate for that purpose according to the waiver guidelines. The area needed far more than 20 percent of its adult and dislocated worker formula allocation for IWT.

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## VI. LESSONS FROM SITES ON THE WAIVER PROCESS

Respondents interviewed throughout the study discussed not only how the waiver process worked but also how well it worked and what they learned from the process. Using the information collected from the telephone calls with staff from 20 state and local areas and the 12 site visits with local administrators, providers, and employers, we identified several observations from respondents that could improve how waivers are administered and implemented.

**Streamline the waiver request process and waiver-related paperwork requirements.** Many of the respondents suggested that the waiver request process could be simplified and streamlined. State staff asked for the ability to submit waiver requests using a simple online application that makes the universe of possible waivers easy to determine. They also wanted to shorten the public comment period and the waiver approval time.<sup>21</sup>

Most of the local areas visited also expressed a concern about the amount of paperwork necessary to satisfy the requirements of training programs, including filling out contracts, collecting employee registration documents (such as social security cards, birth certificates, and drivers' licenses), and invoicing for reimbursements. Although these issues are not specific to waivers, they can hinder their effectiveness if employers are unwilling to participate due to burden. Local areas suggested that state and federal agencies review the requirements and look for ways to simplify or eliminate unnecessary paperwork.

**Share information and guidance on waivers and their potential uses.** Local area staff in one-third of the sites visited indicated that they would benefit from more information about how other local areas across the country have used waivers, as well as more communication from DOL and state administrators on what waivers are available and how they can be implemented in their local areas. Staff expressed a desire to know how waivers were successfully (or unsuccessfully) utilized in local areas, particularly those in states with similar challenges to their own. Many respondents were interested in having as much information as possible to guide their decisions on which programs and waivers to implement.

**Approve waivers for longer periods of time.** Although there is variation in the length of waiver approval periods, DOL requests that states apply for most of the waivers of interest annually. Local area respondents believed that waivers that last for more than one year would help to create consistency in the implementation of waiver-facilitated training programs and other policies. Currently, local areas are hesitant to initiate waiver-dependent IWT, CT, or OJT near the end of the year because they do not know whether their state's next waiver request will be approved, or whether DOL guidance on implementation will change.

**Change guidance on the IWT waivers.** As mentioned above, previously some states and local areas were troubled by the 2009 change in the IWT waiver guidance. While some states

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<sup>21</sup> The DOL regulation does not specify a set comment period, but asks states to propose a "reasonable" time frame to ensure all appropriate stakeholders have had a chance to comment. Some states may have legislatively determined minimum comment periods, however, or may require additional comment periods and processes.

believed that layoff aversion was a worthy goal, all of them found the requirement challenging to define, implement, and monitor. Most would suggest eliminating the layoff aversion requirement. This would allow states and local areas to use IWT to facilitate worker movement up the career ladder, thus opening up more entry-level positions for other workers.

**Adopt certain waivers as standard practice.**<sup>22</sup> Some waivers have become so widespread and longstanding that states and local areas asked for the waiver language to be adopted as part of the basic regulations. In particular, states suggested that the A-DWT and youth ITA waivers should become a standard part of WIA or its regulations. This change would reduce the burden of the waiver application process and its associated uncertainty. In addition, several sites that have used the A-DWT waiver for years suggested that the federal government reinstate the 100 percent transfer. Although not every local area uses the maximum 50 percent, there are high-demand areas that could benefit from moving money between the two programs freely.

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<sup>22</sup> Note that DOL does not have the authority to change WIA or its regulations. Congressional legislation would be required to incorporate any waiver policies into the act or its regulations.

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## **APPENDIX A**

### **STATE AND LOCAL AREA WAIVER DISCUSSION QUESTIONS**

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## Appendix A. State and Local Area Waiver Discussion Questions

	Waiver Documents (5-Year Plan, Annual Report, Contracts, Budget, and so on)	State DOL Staff	State WIB Executive Director and Lead Staff	State WIA Planning, Budget, and Compliance Staff	Local WIB Staff	American Jobs Centers/ Provider Staff	Employers
<b>State-Level Waiver Strategy and Potential Effects</b>							
<b>1. Waiver Purpose, Local Area Implementation, and Expected Outcomes</b>							
a.	What waivers did the state request in PY 2009 and PY 2010?	X	X				
b.	Which of the eight waivers of interest were requested and approved in PY 2009 and 2010?	X	X				
c.	Which of the approved eight waiver types were renewals of waivers granted in PY 2008, and which were new requests?	X	X				
d.	What was the state hoping to achieve with the set of waivers it requested? What problem/s did it expect to address with the waivers?	X	X	X	X		
e.	What outcomes did the state expect or desire as a result of implementing the waivers? Have the outcomes been achieved?	X	X	X	X		
f.	How do states and local areas decide upon and coordinate submissions of waiver requests?	X	X		X	X	
g.	How widespread is the use of specific waivers among local areas?	X	X		X	X	
h.	For what reasons did local areas decide to implement or not implement the approved waivers?		X		X	X	
i.	Are there characteristics of local areas that correlate with their likelihood to implement provisions of the various waivers?		X		X		
<b>2. Workforce System and Services</b>							
a.	How has waiver implementation affected the relationships between the state and local workforce entities?		X		X	X	
b.	In what ways has waiver implementation affected training and service delivery?		X			X	X
c.	Has the implementation of certain waivers led to the availability of more services—or fewer services—for specific target groups (such as unemployed adults, dislocated workers, and youth)? If so, which groups and which waivers?		X		X	X	X
d.	How, if at all, has waiver implementation affected the type and intensity of services available to unemployed adults, dislocated workers, and youth?		X			X	X

	Waiver Documents (5-Year Plan, Annual Report, Contracts, Budget, and so on)	State DOL Staff	State WIB Executive Director and Lead Staff	State WIA Planning, Budget, and Compliance Staff	Local WIB Staff	American Jobs Centers/ Provider Staff	Employers
<b>3. Program Resources</b>							
a.	How did the implementation of waivers affect American Recovery and Reinvestment Act (ARRA) spending? How did it affect spending for the adult, dislocated worker, and youth programs?		X	X	X		
b.	Did waiver implementation affect the use of discretionary or other grants? If so, how?		X	X	X		
<b>4. Workforce System Monitoring</b>							
a.	What was the state's plan for monitoring waiver implementation?	X		X			
b.	Has this monitoring achieved its desired goals?		X	X			
<b>5. Program Participation</b>							
a.	What proportion of the state/local area's WIA population received services under each of the eight waivers of interest?	X		X	X		
b.	Who participated under a waiver—that is, what are their demographics compared with those of the state/local area's overall population of WIA participants?	X		X	X	X	
c.	How has waiver implementation affected the state's and local areas' ability to achieve targeted performance outcomes?	X		X	X		
<b>7. Lessons Learned</b>							
a.	Have specific challenges emerged? If so, what are they and how have states and localities addressed them?	X		X	X	X	
b.	What has been the most promising aspects of implementing the waivers?	X		X	X	X	
c.	What aspects of waiver policy or process could be changed to better facilitate waiver use?	X		X	X	X	
<b>Waiver-Specific Questions</b>							
<b>1. Adult—Dislocated Worker Transfer (A-DWT): Permits local areas to transfer up to 50 percent of funds between the adult funding stream and the dislocated worker funding stream, as they deem necessary to serve the local population</b>							
a.	What goals did you have for this waiver?	X	X	X	X	X	
b.	When was this waiver implemented for the first time? Was it in place continuously since the first implementation?	X	X		X		
c.	How was the decision made to request the waiver, and based on what criteria?	X		X	X		
d.	What proportion of the WIA population was affected by this waiver?	X		X	X		
e.	What input did local areas have in the state's decision to request this waiver?	X		X	X		
f.	What proportion of funds was transferred, and in what direction did they tend to go (from adults to dislocated worker or from dislocated worker to adults)?	X	X	X	X		

	Waiver Documents (5-Year Plan, Annual Report, Contracts, Budget, and so on)	State DOL Staff	State WIB Executive Director and Lead Staff	State WIA Planning, Budget, and Compliance Staff	Local WIB Staff	American Jobs Centers/ Provider Staff	Employers
g. What criteria did the local areas use to determine whether a transfer was needed?		X		X	X		
h. Did state governors routinely approve local areas' transfer requests? What criteria, if any, did the states use to review such requests?		X	X	X	X		
i. Did local areas experience changes in service levels (for example, number of clients served, types of services provided) that may be attributed to the waiver?		X		X	X		
j. Were any clients not served because funds that would have been used to serve them were transferred? For the stream funds are transferred from, is there any evidence of that population not receiving services after transfer?		X		X	X	X	
k. For the funding stream receiving the transfer, was there a subsequent increase in that population being served?		X		X	X		
l. Do think believe this waiver was useful or not useful? Why or why not? Do you plan to request approval for this waiver in the future?		X		X	X	X	
<b>2. Local Funds for Incumbent Worker Training (IWT Waiver): Permits local areas to use a portion of local Adult and/or Dislocated Worker funds to avert layoffs by training incumbent workers, an activity normally authorized only at the state level</b>							
a. What goals did you have for this waiver?		X	X	X			
b. When was this waiver implemented for the first time? Was it in place continuously since first implementation?		X		X	X		
c. How was the decision made to request the waiver, and based on what criteria? What level of input did local areas have in the state's decision to request this waiver?		X		X	X		
d. What percentage of dislocated worker funds versus adult funds were used for IWT?	X	X		X	X		
e. What proportion of local areas implemented this waiver?		X		X			
f. Did the waiver help avert layoffs at the local level? Across the state?		X		X	X	X	
g. Approximately how many individuals received IWT as a result of this waiver?		X		X	X		
h. What proportion of the LWIA's population received services under this waiver?					X	X	
i. Did states or local areas put in place a policy on the use of IWT for layoff aversion? How was this policy communicated to local areas?		X		X	X		
j. How do states and local areas identify potential layoffs with regard to this waiver?		X		X	X		
k. How were employers identified for the IWT waiver? How were workers identified for participation under the waiver?		X			X	X	X
l. In what industries was the IWT waiver most common?		X			X	X	X
m. How often did the IWT waiver include the attainment of industry-recognized certificates or credentials? What were the most common ones?		X			X	X	X
n. What types of skill attainment activities are being provided under this waiver? How many of these activities provide occupation-specific skills to participants?		X			X	X	X

	Waiver Documents (5-Year Plan, Annual Report, Contracts, Budget, and so on)	State DOL Staff	State WIB Executive Director and Lead Staff	State WIA Planning, Budget, and Compliance Staff	Local WIB Staff	American Jobs Centers/ Provider Staff	Employers
o. What was the typical duration and intensity of IWT provided through waivers? How did this vary by industry, local area, employer, and so on?					X	X	X
p. Did the IWT provided under this waiver support classroom training from a proprietary vendor or community organization, or did it support employer-specific customized training?		X			X	X	X
q. What other workforce system services were offered to the employees under this waiver?					X	X	X
r. What is the average cost per IWT waiver participant by local area, industry, employer size, and so on? How does it compare with the cost per participant of other WIA services?		X		X	X		
s. Do you believe that IWT is effective as a layoff aversion strategy? Why or why not?		X	X	X	X	X	
<b>3. Rapid Response Funds for IWT (IWTS Waiver): Permits states to use a portion of their Rapid Response funds to avert layoffs by training incumbent workers</b>							
Same as for IWT waiver, except:							
a. What percentage of Rapid Response funds was used for IWT?		X		X	X		
<b>4. Customized Training (CT)—Employer Contribution: Permits local areas to make it more cost-effective for small- and medium-sized businesses to implement customized training programs. Employers who provide CT focus on teaching new skills and agree to hire or continue to employ participants</b>							
a. What were the state's goals in pursuing this waiver?	X	X	X	X			
b. When was the waiver implemented for the first time? Was it in place continuously since first implementation?		X		X	X		
c. How was the decision made to request the waiver, and based on what criteria? What level of input did local areas have in the decision to request this waiver?		X		X	X		
d. What proportion of the state's local areas implemented this waiver?		X		X			
e. Do you have data on the number of participants receiving CT under this waiver? Has this number increased?		X		X	X		
f. Has this waiver increased the number of small- and medium-sized businesses implementing CT strategies?		X		X	X		
g. Has this waiver affected the types of employers providing CT? What are the characteristics of industries, occupations and employers that implemented CT under this waiver?		X		X	X	X	
h. What percentage of CT costs do businesses contribute to the cost of CT under this waiver (does it vary from the minimum for the business size?)	X				X		X
i. What publicity and dissemination efforts did states and local areas undertake to inform small/medium businesses about CT? Did these efforts increase after the waiver went into effect?		X		X	X		
j. What is the size distribution of businesses utilizing CT? What effects, if any, did implementation of the waiver have on this distribution?		X		X	X	X	

	Waiver Documents (5-Year Plan, Annual Report, Contracts, Budget, and so on)	State DOL Staff	State WIB Executive Director and Lead Staff	State WIA Planning, Budget, and Compliance Staff	Local WIB Staff	American Jobs Centers/ Provider Staff	Employers
k. Although CT can be provided to both adult and dislocated workers, is there any evidence that the implementation of this waiver resulted in shifting resources away from training unemployed workers?		X		X	X	X	
l. Do local areas adopt the scale approved in the waiver letter or do they use a different scale within the permissible bounds?		X		X	X		
m. What is the duration, intensity, and cost of CT under the waiver?		X		X	X	X	
n. Has the waiver encouraged or facilitated the use of CT as a workforce strategy at the case worker level?		X		X	X	X	
o. Do you believe this waiver was useful or not useful? Why or why not? Do you plan to request approval for this waiver in the future?		X		X	X	X	X
<b>5. Employer Reimbursement for On-the-Job Training (OJT Waiver): Allows local areas to increase the reimbursement rate provided to employers for OJT on a sliding scale that is more cost-effective for small- and medium-size businesses</b>							
a. What were the goals of this waiver?		X	X	X	X		
b. When was the waiver implemented for the first time? Was it in place continuously since first implementation?		X		X			
c. How was the decision made to request the waiver, and based on what criteria? How much input did local areas have in the state's decision to request this waiver?		X		X	X		
d. What proportion of the state's local areas implemented this waiver?		X		X			
e. What was the reimbursement rate that businesses received for participating in OJT under the waiver?	X	X		X	X		
f. Did the waiver increase the number of small- and medium-sized businesses participating in OJT?		X		X	X		
g. Is there evidence this waiver increased the number of individuals participating in OJT? Is this information available by employer size, local area, industry?		X		X	X		
h. What guidance did the state issue to local areas on implementing this waiver?		X			X		
i. What effects has the waiver had on the type, intensity, or duration of OJT, if any?		X		X	X		X
j. What is the size distribution of businesses providing OJT? How did this change as a result of the waiver?		X		X	X		
k. In what industries is OJT most common? Did this change as a result of the waiver?		X		X	X		
l. What was the duration of OJT, by local area and by industry? How did this change as a result of the waiver, if at all?		X		X	X		
m. Did the states and/or local areas have procedures in place for selecting employers under the waiver? If so, what selection criteria did they use?		X			X	X	X
n. How many employers planned to hire OJT waiver participants for unsubsidized employment?		X		X	X	X	X
o. What were the characteristics of OJT waiver participants?		X		X	X	X	

	Waiver Documents (5-Year Plan, Annual Report, Contracts, Budget, and so on)	State DOL Staff	State WIB Executive Director and Lead Staff	State WIA Planning, Budget, and Compliance Staff	Local WIB Staff	American Jobs Centers/ Provider Staff	Employers
p. As a share of total participants receiving OJT, what was the representation of adult workers and dislocated workers?		X			X	X	
q. Do you believe this waiver was useful or not useful? Why or why not? Do you plan to request approval for this waiver in the future?		X		X	X		
<b>6. Competitive Procurement for Youth Elements (CPYE): Allows local areas to contract with existing youth providers for a select group of activities without a competitive bid, to ensure continuity of youth services</b>							
a. What were the goals of this waiver?		X	X	X	X		
b. When was the waiver implemented for the first time? Was it in place continuously since first implementation?		X		X	X		
c. How was the decision made to request the waiver, and based on what criteria? How much input did local areas have in the state's decision to request this waiver?		X	X	X	X		
d. What proportion of the state's local areas implemented this waiver?		X		X			
e. How did your procurement process change under this waiver?				X	X	X	
f. Has this waiver led to administrative and cost efficiencies? If so, what are those efficiencies and how have they affected service delivery?	X	X		X	X	X	
g. Has the waiver affected the capacity of the American Job Center operators to deliver these three types of youth services? If so, how?					X	X	
h. Has the waiver changed the types of services delivered to youth or the number of youth that received services?		X		X	X		
i. Has the waiver affected the quantity or intensity of services delivered to youth? If so, how?					X	X	
j. Do you believe this waiver was useful or not useful? Why or why not? Do you plan to request approval for this waiver in the future?		X		X	X		
<b>7. Youth Individual Training Accounts (ITA Waiver): Allows local areas to offer ITAs to older and out-of-school youth, for the purchase of employment-related skills training</b>							
a. What were the goals of this waiver?		X	X	X			
b. When was the waiver implemented for the first time? Was it in place continuously since first implementation?		X		X			
c. How was the decision made to request the waiver, and based on what criteria? How much input did local areas have in the state's decision to request this waiver?		X	X	X	X		
d. What proportion of the state's local areas implemented this waiver?		X		X		X	
e. Does the waiver appear to better meet the needs of certain participants? If so, which ones?					X	X	
f. What processes did local areas use to determine eligibility for youth ITAs?				X	X	X	
g. In what training activities do youth served under the ITA waiver engage? Are any of these not available through the traditional youth program?					X	X	
h. What types of training are offered to youth receiving ITAs?					X	X	

	Waiver Documents (5-Year Plan, Annual Report, Contracts, Budget, and so on)	State DOL Staff	State WIB Executive Director and Lead Staff	State WIA Planning, Budget, and Compliance Staff	Local WIB Staff	American Jobs Centers/ Provider Staff	Employers
i. Do you believe this waiver was useful or not useful? Why or why not? Do you plan to request approval for this waiver in the future?		X		X	X		
<b>8. Work-Flex: A granting of authority that allows the state's governor to waive certain provisions of WIA for local areas without approval from the Secretary of Labor for a period of five years</b>							
a. What did the state seek to accomplish by receiving work-flex authority?	X	X	X	X			
b. How was the decision made to request the waiver, and based on what criteria? How much input did local areas have in the state's decision to request this waiver?		X		X	X		
c. How many and what proportion of local areas requested waivers from the state under work-Flex?		X		X			
d. What types of waivers did local areas request from the state? Were they similar to waivers offered by DOL to states? Did the waivers that were granted differ from the limitations that ETA places on its waivers? If so, how?	X	X	X			X	
e. In what other ways did states and local areas take advantage of work-flex authority?		X	X	X	X		
f. How did states measure and assess the efforts of local areas with waivers, if at all?		X		X	X		

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