ARIZONA DEPARTMENT OF COMMERCE

JANE DEE HULL
GOVERNOR

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DIRECTOR

May 10, 2002

The Honorable Emily Stover DeRocco
Assistant Secretary
U.S. Department of Labor
200 Constitution Avenue, NW
Washington, DC 20210

Dear Assistant Secretary DeRocco:

The Governor of the State of Arizona formally submitted a request to waive P.L. 105-220 of the Workforce Investment Act (WIA) of 1998, Section 122(c)(5)(A), and WIA Regulations §663.530 related to eligible training provider provisions. This request was made to allow postponement of subsequent eligibility requirements of training providers until June 30, 2003. The Governor's Council on Workforce Policy, at its meeting on May 7, 2002, voted unanimously to support this request

Demographically, Arizona has two large metropolitan areas with the remainder of the state being rural in nature. Arizona is a diverse state with diverse training needs and there is a necessity for a broad spectrum of training options. The Workforce Investment Act of 1998, as one of its many goals, meant to provide the consumer with choice of training and personal empowerment. The reporting requirements for the Eligible Trainer Provider List (ETPL), which are not funded, are complex, labor intensive and costly for many providers. Because of these issues, many of the providers may no longer be able to participate. Without this waiver, job seekers in Arizona will, in many instances, have limited choice of training and individual empowerment will be lost.

The Governor's Council on Workforce Policy appreciates your consideration and prompt attention to this important request for a waiver to postpone subsequent eligibility of training providers until June 30, 2003.

Sincerely,

Wayne Allcott

Wayne Allcott
Chairman, Governor's Council on Workforce Policy
State of Arizona

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JANE DEE HULL
GOVERNOR
STATE OF ARIZONA

May 6, 2002

The Honorable Emily Stover DeRocco
Assistant Secretary
U.S. Department of Labor
200 Constitution Avenue, NW
Washington, DC 20210

Dear Assistant Secretary DeRocco:

The State of Arizona formally submits the attached request to waive P.L. 105-220 of the Workforce Investment Act (WIA) of 1998, Section 122(c)(5)(A), and WIA Regulations §663.530 related to eligible training provider provisions. This request is made to allow postponement of subsequent eligibility requirements of training providers until June 30, 2003.

As with most western states, the bulk of Arizona's population is clustered around a few large urban centers with the balance residing in more rural areas. The Workforce Investment Act of 1998, as one of its many goals, was meant to provide the consumers with choice of training and personal empowerment. Delivering diverse and relevant training to our most rural citizens requires a broad spectrum of training options.

The reporting requirements for the Eligible Trainer Provider List (ETPL) are complex, labor intensive and costly for many providers, especially those rural and small providers who may not achieve economies of scale to justify the initial or ongoing costs associated with meeting the ETPL tracking requirements. Without this waiver, many training providers who currently provide necessary and in demand training options to Arizona citizens will no longer be able to participate and thus limit consumer choice.

I am aware that the waiver is merely a short-term solution to this ongoing problem, however we are already taking steps to address the long-term viability of the ETPL. The Arizona Department of Economic Security, Arizona's fiscal agent for WIA, has developed a four-step solution process to facilitate resolving

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these issues and to meet the needs of local workforce investment areas as they establish meaningful and productive ETPL. These steps include:

- The implementation of a new internet-based ETPL application system;
- A self-reporting program to complement the existing required submittal of student data for Unemployment Insurance matching;
- Development and access to ongoing, computer-based learning related to WIA for all One-Stop staff along with a marketing strategy specifically targeting community colleges, universities and apprenticeships currently not participating as eligible training providers;
- Better communication between those who administer the ETPL process and the local boards that provide oversight and review of workforce development activities.

I am confident that when these solutions are in place, the reporting challenge faced by Arizona providers will be significantly reduced and the ETPL will provide a plethora of training opportunities for the citizens of the State of Arizona. Until that time, the State of Arizona appreciates your consideration and prompt attention to this important request for a waiver to postpone subsequent eligibility requirements of training providers until June 30, 2003.

Sincerely,

JANE DEE HULL
Governor

STATE OF ARIZONA

WAIVER REQUEST
WORKFORCE INVESTMENT ACT (WIA): EXTENSION OF INITIAL ELIGIBILITY FOR ALL TRAINING PROVIDERS ON THE STATEWIDE ELIGIBLE TRAINING PROVIDER LIST

The Arizona Department of Economic Security (ADES), the state administrative entity for the Workforce Investment Act, requests a waiver to allow initial eligibility for all approved training providers to remain in effect until June 30, 2003. This request comes in light of serious challenges the state has encountered from training providers attempting to comply with the performance mandates related to subsequent eligibility, which are jeopardizing consumer choice, individual empowerment, and increased provider accountability. As of March 15, 2002, 167 providers were approved to the state's ETPL representing 1097 training programs.

Statutory and Regulatory Citations to be Waived

P.L.105-220 Workforce Investment Act of 1998, Section 122(c)(5)(A), and WIA Regulations at §663.530 relative to the time limit for initial eligibility.

Statement of Problem

I. Throughout PY 2000 and PY 2001, providers have voiced serious concerns about the time and research involved in gathering student data as an unfunded mandate of WIA. The most compelling concerns have come from our university and community college administrators who must report on large numbers of students within multiple training programs. This matter has drawn a great deal of attention, particularly in local workforce investment areas (LWIAs) where the community college system serves as the primary source of occupational and academic training.

A case in point is the Maricopa Community College District (MCCD), the largest single provider of post-secondary education in Arizona, comprised of ten colleges and two skill centers. Of the 12 institutions represented by the college district, only 5 are listed on the state ETPL, offering 120 occupational programs out of a possible 738 such programs. The principal rationale for the lack of listings given by MCCD, as well as other providers with large student populations, is that the number of WIA participants placed in training does not justify setting up costly data collection and reporting systems for <u>all</u> students, when, in some cases only one or two WIA students are enrolled in a training program in any given year. Also pervasive among providers of programs with both large and small student populations, is a general reluctance to report the social security numbers of non-WIA students, fearing violation of the students' right to privacy. This concern persists, even after providers have received state assurance of their ability to provide such information based on the Family Educational Rights and Privacy Act (FERPA). Without social security numbers, determinations of program

performance through UI wage record matching cannot be accomplished. Ultimately, then, the Consumer Report System designed to allow those seeking training to compare program performances, does not contain all of the essential data needed for such comparisons.

II. In Arizona, the apprenticeship training system is a voluntary, industry-driven system of employment and related technical instruction approved by the state and sponsored by employers, employer associations, and labor committees. The system is governed by the State Apprenticeship Council, a subcommittee of the Governor's Council on Workforce Policy, and operates under the standards and regulations of the Bureau of Apprenticeship and Training, USDOL. Through a series of meetings held throughout PY 2000 and 2001 with apprenticeship sponsors and the state director of apprenticeship, ADES has determined that the majority of apprenticeship sponsors find that ETP performance requirements for subsequent eligibility do not lend themselves to the framework within which apprenticeships are established and regulated. There are approximately 124 registered apprenticeship programs in the state, only about 30 of which are currently on the state ETPL. Among the reasons presented for the lack of ETPL participation by apprenticeship programs are these: (1) By definition, an apprenticeship must include no less than 2,000 hours of paid work experience which begins on the first day of training. Therefore, from the first day, 100% of apprentices are in unsubsidized employment in an occupation related to training. (2) WIA Individual Training Accounts (ITAs) are unnecessary for apprentices because sponsors of registered apprenticeship programs fund the training. (3) Two-thirds of the state's apprenticeship sponsors have fewer than five apprentices in training at any one time. Therefore, aggregating their student data to determine program performance does not diminish the risk of violating student confidentiality because of the small number of apprentices in a given program. (4) Apprenticeship training lasts from one to five years; therefore, program completion rates and rates of licensure for many apprenticeship programs will be 0% for multiple WIA program years. This lack of performance data for the state's Consumer Report System, may result in some ITA customers equating lack of data with poor or low performance. (5) An apprenticeship routinely includes supervised correspondence or self-study courses through a variety of trade and educational institutions, all of which may not qualify for inclusion on the state ETPL.

III. Demographically, Arizona's LWIAs include large metropolitan areas; rural, remote areas that rely on industries currently in dramatic decline (i.e. mining and farming); as well as areas distinguished by cultural multiplicity that necessitate a broad spectrum of training options. Failure of currently approved providers to recertify their training programs, coupled with a disinclination among non-participating providers to seek inclusion on the ETPL, creates the potential for a protracted list of providers that will not reflect the quality or the variety of training actually available in the state.

Arizona's Current Subsequent Eligibility Requirements

To qualify for recertification as an approved provider on the state ETPL, an institution or entity must meet verifiable performance requirements based on the following statutory provisions concerning its student universe:

Section 122 (d)(1)(A)(i)

- Percentage of all students enrolled who completed the applicable program of training
- Percentage of all students enrolled who obtained unsubsidized employment
- Percentage of all completers of the applicable program of training who obtained unsubsidized employment
- Percentage of all students enrolled who completed the applicable program of training and obtained unsubsidized employment in an occupation related to the program of training
- Average hourly wages at placement in employment of all students participating in the applicable program of training

Likewise, each provider must submit the following performance information specific to WIA participants, based on the following statutory provisions in the Act:

Section 122(d)(1)(A)(ii)

- Percentage of participants who have completed the applicable program of training and who are placed in unsubsidized employment
- Percentage of participants who have completed the applicable program of training and remained in unsubsidized employment for six months after the first day of employment
- Average hourly wage of participants who remained in unsubsidized employment for six months after the first day of employment
- Rates of licensure or certification, academic degree, or other measure of skills of the graduates of the applicable program of training

Proposed Solutions Based Upon Waiver Approval

(1) In January 2002, Arizona completed development of a new internet-based ETP application system, which fully automates all aspects of initial training program eligibility. The new system now makes it possible for providers to submit ETP applications electronically to the state's LWIBs, and for LWIBs to communicate results of their application reviews immediately to the state Department of Education (ADE). The ADE may then conduct its final reviews and place approved providers on the state list within a much shorter period of time. Having realized the success of a simpler, more efficient initial application process, the state's LWIAs and its providers are urging development of a simpler, automated process for subsequent eligibility.

Goal: Extending initial eligibility would allow the state more time to create an automated subsequent eligibility process and, more importantly, provide time for developing training materials, conducting statewide training sessions, and ensuring broad communication of the new system capabilities among all parties concerned with initial *and* subsequent eligibility.

(2) Given the current lack of data in the state's Consumer Report System, Arizona has recently drafted a plan formally urging all training providers to ***self-report*** the program performance requirements that are mandated under statute, as indicated on Page 3 of this waiver request. Self-reporting is *intended as a supplement to the mandated reporting of student data for UI matching,* and will allow providers to account for program participants who became employed, but who may be among those routinely excluded from UI wage records (e.g. out-of-state employees, military personnel, federal employees, self-employed, and tribal employees). The self-reporting document will be in the form of an attestation and all performance data supplied by each provider would be subject to verification on demand by the state Department of Education or the approving LWIB.

The state's Workforce Development Administration and the Employment Security Administration are currently in discussions with national representatives regarding Arizona's participation in the Wage Record Interchange System (WRIS). The state is investigating to what extent WRIS participation would facilitate the exchange of UI wage data with other states, allowing Arizona to capture, for ETP performance reporting, a greater number of training program participants who otherwise would be excluded from the state's UI records.

Goal: Extending initial eligibility would ensure adequate time for development and implementation of the self-reporting system. It would also afford the state an opportunity to investigate and adequately weigh the merits of WRIS participation, as a way to more accurately reflect each provider's employment-related performance.

(3) Arizona's process for certifying its One-Stop Centers throughout the state, includes a capacity building strategy for One-Stop staff that focuses on improved service to eligible training providers and employers. To prevent a further decline in the number of providers taking part in the ETP process, Arizona will make available ongoing, computer-based learning related to WIA for all One-Stop staff, and ensure that special emphasis in such training be given to staff's role in keeping training providers and employers up to date regarding ETP processes statewide. Arizona will also develop a marketing strategy specifically targeting community colleges, universities, and apprenticeships that currently are not participating as eligible training providers. This strategy will include on-site visits by DES Workforce Development and Department of Education liaisons.

Goal: The state seeks to showcase training providers that have been successful in recruiting WIA and non-WIA students as a result of the ETPL. In addition, the state intends to communicate to all stakeholders the improved ETPL web site capabilities that permit timely, unencumbered submittal of initial and subsequent eligibility documentation. Extending the initial eligibility time period through June 30, 2003 would allow the state to garner the endorsement of a greater number of providers and other stakeholders.

(4) Arizona has identified a disconnect relative to those who administer the ETP process in LWIAs, and the local boards who provide oversight and review of workforce development activities. Beginning in October 2001, the state acted to bring key individuals representing both groups together, along with a diverse mix of training providers. This step was taken to ensure that a common understanding of Arizona's current ETP processes was in place, and to develop necessary strategies to improve them. In light of recent discussions concerning subsequent eligibility occurring at the national level, the state will ensure that the formal dialogue begun last October will continue, so that federal updates may be responded to decisively and that Arizona may continue to build confidence in the efficacy of the ETP system among all those impacted by it.

Goal: Extending initial eligibility would facilitate expanding and normalizing understanding of the state's ETP processes among local board members, training providers, case managers, and participant customers.

Providing Notice of Waiver and Monitoring Progress Among the State's LWIAs

The state will update and monitor all LWIAs regarding implementation of the waiver requested, through documentation posted on the state's ETP web site (www.ade.az.gov/arizonaheat) and the state Workforce Development Administration (WDA) web site (www.de.state.az.us/oscc). This documentation will also be mailed to each LWIA. In addition, quality assurance liaisons from the WDA will be present at all LWIB meetings throughout the state to report on the state's progress regarding waiver implementation. Liaisons will also be available to provide on-site technical assistance to the LWIAs as needed.

PUBLIC COMMENT:

(1) A series of public forums took place across the state in November and December 2001, facilitated by the state Workforce Development Administration and the Department of Education. These forums or "road shows" were attended by currently approved and prospective training providers, board members and board staff from the state's fifteen LWIAs, One-Stop staff from each LWIA, and other interested parties.

The solutions proposed in the preceding pages are the direct result of suggestions fielded from forum attendees, as well as members of the state's ETP Work Group (See Item 4, page 5.).

(2) During March 2002, a draft of this waiver request was distributed to the state's ETP Work Group and to all program directors in each of the state's 15 LWIAs, urging solicitation of additional input. No comments or suggestions were received during the comment period that ended April 8, 2002.