U.S. Department of Labor

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

MAR 1 8 2013

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

Dear Governor Snyder:

We are pleased to be able to respond to your request for a waiver of statutory and regulatory requirements under the Workforce Investment Act (WIA). This request is written in the format identified in WIA Section 189(i)(4)(B) and 20 CFR 661.420(c), and appears to meet the standard for approval at 20 CFR 661.420(e). The following is the disposition of the State's submission (copy enclosed). This action is taken under the Secretary's authority to waive certain requirements of WIA Title I, Subtitles B and E, and Sections 8-10 of the Wagner-Peyser Act.

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

The State is requesting a waiver to exempt it from conducting evaluations of workforce investment activities for adults, dislocated workers, and youth in order to establish and promote continuous improvement of the statewide workforce investment system. The State is granted this waiver effective July 1, 2012 through June 30, 2013.

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

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

Sincerely,

Jane Oates

Jane Oates
Assistant Secretary

Enclosure

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

PURE MICHIGAN®

February 13, 2013

E-mailed: 2/13/2013 (tk)

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

Dear Mr. Zuidema:

The State of Michigan is submitting a modification request to our recently approved Workforce Investment Act (WIA)/Wagner-Peyser State plan. Specifically, we are seeking approval of a statutory waiver in accordance with the WIA 189(i)(4)(B) and the WIA regulation at 20 CFR 661.420(c) for Program Years 2012 through 2016. This waiver request will assist Michigan to further develop our workforce investment system while continuing to align workforce development efforts. This request is taken under the Secretary's authority at WIA Section 189(i) to waive certain requirements of WIA Title I, Subtitles B and E, and Sections 8-10 of the Wagner-Peyser Act.

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

If you have questions, please contact me at (517) 335-5858 or quinnc1@michigan.gov.

Sincerely,

SIGNED

Christine Quinn, Director
Workforce Development Agency

CQ:JC:tk
Attachment
cc: Malcom Jackson, Federal Project Officer USDOL
Gary Clark, Director, Office of Talent Development Services
Stephanie Beckhorn, Manager, WIA Section
Janice Cooper, WIA Specialist

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

The State of Michigan seeks approval of a statutory waiver in accordance with the Workforce Investment Act (WIA) 189(i)(4)(B) and the WIA regulation at 20 CFR 661.420(c) for Program Years 2012 through 2016. The waiver request will assist Michigan to further develop our workforce investment system while continuing to align workforce development efforts. This request is taken under the Secretary's authority at the WIA Section 189(i) to waive certain requirements of the WIA Title I, Subtitles B and E, and Sections 8-10 of the Wagner-Peyser Act.

Statutory and/or regulatory requirements to be waived
WIA Section 134(a)(2)(B)(ii) and 20 CFR 665.200(d)

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

Actions undertaken to remove State or local statutory or regulatory barriers
Currently, no State or local statutory or regulatory barriers exist.

Waiver goals and outcomes
The reduction to five percent in the WIA allotment for Program Year (PY) 2012 Governor's Reserve funds, and further reductions anticipated for subsequent PYs through 2016 restricts the State's ability to effectively fund and carry-out all of the required statewide workforce investment activities. The current and anticipated funding levels for future Program Years is insufficient to cover the cost of evaluations. Our goal in seeking this waiver is to ensure that the State may prioritize the use of the Governor's Reserve funds for the required activities deemed most essential to the basic functions of the workforce investment system.

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

Based on costs associated with previous evaluations, it is estimated that evaluation costs would range anywhere between $500,000 and $800,000, or approximately 15 percent of the available Governor's Reserve funds. Even with the cost savings already achieved, continued funding of the evaluation component will significantly reduce or eliminate funds for incentive grants, areas with high concentrations of youth, and the operation of one-stops; three areas that the State has strategically targeted and prioritized.

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

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

How statewide funds are being used and prioritized to carry out required activities
Keeping our youth here in Michigan is a key strategy for Governor Snyder. Ensuring areas with high concentrations of youth have the funding necessary to serve eligible youth and connect them to our workforce is key to our State's reinvention. Additionally, we recognize the importance of continuous improvement within the workforce system and the need to reward those areas meeting and exceeding performance by providing incentive grants on a yearly basis. Finally, Michigan continues to face higher than average levels of un-employment, resulting in high usage of our One-Stop system. Funding for our One-Stop delivery system must continue to be provided to meet both employer and jobseeker needs in order to continue to grow our economy, and create more and better jobs as outlined in the Governor's reinvention strategy.

The State's reduced funds are being used to cover the required activities under the WIA 20 CFR 665.200:

- Required rapid response activities as described in Section 665.310;
- Disseminating:
  - The State's list of eligible providers of training services (including those providing non-traditional training services), for adults and dislocated workers;
  - Information identifying eligible providers of On-the-Job Training and customized training;
  - Performance and program cost information about these providers, as described in 20 CFR 663.540; and
  - The list of eligible providers of youth activities, as described in the WIA Section 123.
- Providing incentive grants for:
  - Regional cooperation among local boards, as described in 20 CFR 561.290;
  - Local coordination of activities carried out under the WIA; and
  - Exemplary performance by local areas on the performance measures.
- Providing technical assistance to local areas that fail to meet local performance measures;

- Assisting in the establishment and operation of One-Stop delivery systems in accordance with the strategy described in the State Workforce Investment Plan (WIA Section 112(b)(140));

- Providing additional assistance to local areas that have high concentrations of eligible youth; and

- Operating a fiscal and management accountability system, based on guidelines established by the Secretary after consultation with the Governors, chief elected officials, and One-Stop partners, as required by the WIA Section 123(f), (WIA Sections 129(b)(2), 134(a)(2), and 136(e)(2)).

Performance outcomes will continue to be captured and reported for the WIA participants.

How statewide funds are being used and prioritized to carry out allowable activities
In addition to funding the above-referenced activities, Governor's Set Aside funds are also utilized as support to programs targeting Michigan's hard to serve populations and to support projects under the Michigan Industry Cluster Approach. Carry over funds in the amount of $5,598,685 from PYs 2010 and 2011 are obligated for the following allowable activities during PY 2012:

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

- Southeast Michigan Talent Enhancement Program. The program delivers training and education to adults, 18-24 years of age through the Center for Advanced Technology operated by Focus: HOPE. The program integrates hands-on training and academic learning to educated youth and adults in advanced manufacturing engineering in the machining and information technology fields. The rigorous training curriculum leads to an industry-recognized credential or certificate and is required to increase the employment, retention and earnings of WIA-eligible participants.

  In keeping with our statewide strategy to work with businesses, support is provided to expand existing workforce development programs operating collaboratively with local businesses and education, linking low-income, unemployed, and dislocated workers with new market industries, entrepreneurial training, and to spur development of small businesses under the guidelines of the WIA.

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

resources. The Michigan Nursing Corps and the Capital Area Manufacturing Council are projects funded under the Michigan Industry Cluster Approach.

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

One hundred percent of Michigan's reserve funds, including carry-forward funds from PY 2010 and 2011 are obligated. The following tables provide an analysis of funding obligations (committed funds) through the end of PY 2012. Currently, funding levels are insufficient for continuation of State projects that assist targeted populations. For PY 2012, the Workforce Development Agency projects a shortfall of $800,000. The anticipated impact of not approving the waiver request would be the discontinuation of one or more key statewide projects, targeted towards hard to serve populations.

Required Statewide Activities – Financial Analysis	
PY 2012 Governor's Set Aside (5%) funds	$ 4,709,069
Amount of carry-over funds from PY 2010 and 2011 **	$ 5,598,685
Total Governor's Set Aside funding	$10,307,754
Obligations for required activities including state level administrative functions	$ 8,943,758
Obligations for allowable activities	$ 2,163,996
Total obligations for required State level administration and allowable activities	$11,107,754
Current PY 2012 Shortfall	($ 800,000)
Available Governor's Set Aside for Required and Allowable Activities	0
Cost for conducting evaluations (waiver request)	$ 800,000

*** Costs are taken from MAIN, (the State's fiscal system). Note: The information is based on actual cash draws through February 4, 2013. Second Quarter expenditure reports were not yet available at the time of the initial waiver request.*

The following tables depict PY 2010, 2011, and 2012 carry forward and new year funding obligations.

Program Year 2010 Activity	**Amount**
• State Level Administration (State Admin Function)	$ 2,350,961
• Department of Information Technology (State Admin Function)	$ 330,840
• MIS Staff Costs (State Admin Function)	$ 420,279
• Michigan Nursing Corps (Allowable – MICA activity)	$ 21,180
• Michigan Works Service Centers (Required)	$ 117,707
• Southeast Michigan Talent Enhancement (Allowable)	$ 351,765
Program Year 2010 Total Obligation:	**$ 3,592,732**

Program Year 2011 Activity	**Amount**
State Level Administration (State Admin Function)	$ 832,550
Incentive Awards to Michigan Works! Agencies (Required)	$ 15,757
Earn & Learn (Allowable)	$ 995,122
Capital Area Manufacturing Council (Allowable)	$ 62,524
Department of Information Technology (State Admin Function)	$ 100,000
Program Year 2011 Total Obligation:	**$ 2,005,953**

Program Year 2012 Activity	Amount
• State Level Administration (State Admin Function)	$ 1,588,006
• MIS Staff Costs (State Admin Function)	$ 600,000
• Evaluation Costs (Waiver Request)	$ 800,000
• Customer Satisfaction Survey (Required)	$ 58,200
• Career Education Consumer Report (Required)	$ 170,640
• Michigan Works! Service Centers (Required)	$ 1,508,818
• Incentive Awards to Michigan Works! Agencies (Required)	$ 50,000
• Michigan Industry Cluster Approach (Allowable)	$ 733,405
Program Year 2012 Total Obligation:	**$ 5,509,069**
Current PY 2012 Shortfall	**$ (800,000)**

Anticipated impact of not funding the activity
Michigan anticipates that there will be no negative impact on programs or participants, by not funding this activity. This waiver impacts formal evaluations and will not affect our results on the WIA and Wagner-Peyser U.S. Department of Labor (USDOL) performance measures.

The State of Michigan conducts evaluations under the WIA Section 136(e), of workforce investment activities for adults, dislocated workers and youth, in order to establish and promote methods for continuously improving such activities to achieve high-level performance within, and high-level outcomes from the statewide workforce investment system. Evaluations include analysis of customer feedback, outcome and process measures in the workforce investment system as required. Such evaluations are conducted in coordination with the Federal evaluations under the WIA Section 172 as practicable to the maximum extent.

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

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

In addition to utilizing the WIA performance accountability system, Michigan is investing time and resources to analyze existing workforce data through utilization of a dashboard

system. The Michigan Talent Dashboard (http://www.michigan.gov/midashboard/0,4624,7-256-59624---,00.html) includes information on our employment, environmental and other key initiatives related to our workforce investment system. The Michigan Works! Dashboard System provides information on key performance measures, in aggregate and then further broken out by each of our local service delivery areas.

Michigan will continue to conduct the federally-mandated customer satisfaction surveys. The contract requires that 70 percent of 2,500 employers be surveyed and 70 percent of 2,200 participants be surveyed annually, exceeding USDOL's requirement of 500 surveys for each. Michigan Works! Agencies may request copies of the surveys to conduct follow up or to conduct analysis on services provided through their contractors.

Individuals impacted by the waiver

We anticipate limited to no impact by not funding the evaluation component. Since progress and outcomes of employers and job seekers served through our workforce system will continue to be evaluated through the statutory WIA and Wagner-Peyser performance measures, the elimination of the evaluation component will not directly affect the WIA participant services. Through the strategic expenditures of statewide activity funding, WIA services to areas with high concentrations of youth, performance incentive grants to local areas as a positive reward for successful efforts to improve services to WIA customers, and funding for our One-Stop delivery system will be maintained, rather than reduced. These identified activities offer the greatest positive impact on services to the WIA participants.

Monitoring progress and implementation

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

Notice to local boards and public comment

In accordance with the WIA regulations at 20 CFR 661.230(d), which provides requirements of public review and comment, Michigan's waiver request is posted at http://www.michiganadvantage.org/Public-Notices-Requests-for-proposals/ and www.michigan.gov/mdcd for comment and review by local Workforce Development Boards and the general public.

Copies of this waiver requests were provided to all local Boards and their association. Any comment received during the review process will be forwarded to USDOL.