



AUG 29 2013

The Honorable Mark Dayton
Governor of Minnesota
130 State Capitol
75 Rev. Dr. Martin Luther King Jr. Boulevard
Saint Paul, Minnesota 55155

Dear Governor Dayton:

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

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

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

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

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

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

We look forward to continuing our partnership with you and achieving better workforce outcomes. If you have any questions related to the issues discussed above, please contact Carl Stahlheber, the Federal Project Officer for Minnesota, at (312) 596-5415 and Stahlheber.Carl@dol.gov.

Sincerely,



Eric M. Seleznow
Acting Assistant Secretary

Enclosure

cc: Byron Zuidema, Regional Administrator, ETA Regional Office
Carl Stahlheber, Federal Project Officer for Minnesota

State of Minnesota Workforce Investment Act Waiver Request:
Required Statewide Activity: Provision of incentive grants to local areas

The Minnesota Department of Employment and Economic Development (DEED), as the Governor's designated administrator for Minnesota's Workforce Investment Act (WIA) activities, requests a waiver of the requirement to provide incentive grants to local areas.

The intent of this waiver request is to reduce the number of statewide activities required under Workforce Investment Act law for the duration of the Governor's Reserve reduction from 15 percent to five percent. Without this funding, we will not be able to complete this activity, and will struggle in completing other mandatory activities that we are not allowed to waive.

In compliance with WIA Section 189(i)(4)(B) and 29 CFR 661.420(c), please accept the following request for a waiver.

A. Statutory or Regulatory Requirements to be Waived:

WIA Section 134(a)(2)(B)(iii) and 20 CFR 665.200(e) requiring provision of incentive grants to local areas.

B. State or Local Statutory or Regulatory Barriers

There are no state statutory, local statutory, or regulatory barriers related to this waiver request.

C. Goals of the Waiver and Expected Programmatic Outcomes if Waiver is Granted

The continued reduction to five percent in the WIA allotment restricts the state's ability to effectively fund and carry out all of the required statewide workforce investment activities. The current funding level in the Governor's Reserve is insufficient to cover the cost of providing incentive grants to local areas.

DEED has a policy that allows for incentive award on a funding available basis, and requires high achievement from providers in order to be eligible for a local incentive award. First and foremost, each Workforce Service Area (WSA) must meet a set of prerequisite eligibility criteria, including the following:

- Each WSA must have an approved local unified plan on file, which generally outlines the WSA's regionally coordinated approach to workforce development;
- The Workforce Investment Board (WIB) must be an active participant with regional partners involved in workforce development, economic development, and education; and
- Each provider must reflect an 80 percent rate of budget obligation for DW and Adult program services in all formula funding streams for the preceding program year.

DEED would then divide the incentive award funding into two parts; one distributed on WIA Title 1-B Adult program performance, and the other based on DW program performance. Every service provider who met the prerequisite eligibility criteria and achieved at least 100 percent of the performance standard for a given performance measure would be included in the calculation for each measure. All federal and state funding streams included in official performance for any given program year are part of the incentive award calculation, including all customers served in state and federal mass layoff project and formula funding streams. DEED staff would then award funding weighted by the number of individuals served in each program.

Minnesota will use reduced funds to cover all other non-waivable required activities, which include:

- Rapid Response activities (20 CFR 665.200(a));
- Disseminating the list of eligible training providers for adults and dislocated workers (WIA Section 134(a)(2)(B)(i) and 20 C.F.R. 665.200(b)(1), and youth activities (20 CFR 665.200(b)(4));
- Disseminating training provider performance and cost information (20 CFR 665.200(b)(3));

- Operating fiscal and management accountability information systems (WIA Section 134(a)(2)(B)(vi) and 20 CFR 665.200(i));
- Disseminating information identifying eligible on-the-job and customized training providers (20 CFR 665.200(b)(2);
- Ensuring that training provider information is widely available (20 CFR 665.200(c));
- Assisting in the establishment and operation of a One-Stop delivery system (20 CFR 665.200(g));
- Making available additional assistance to high concentrations of eligible youth (20 CFR 665.200(h));
- Providing technical assistance to poor performing local areas (WIA Section 134(a)(2)(B)(iv) and 20 CFR 665.200(f)); and
- Submitting required reports (WIA Section 136(f)).

Our goal in seeking this waiver is to ensure that the state may prioritize the use of Governor's Reserve funds for the required activities we deem most essential to the basic functions of the workforce investment system.

The goal of this waiver is to offset the burden imposed by the elimination of the 10 percent discretionary budget. Local service providers will need to work solely with formula allocations, which were slightly increased. This reduction in funding will impact programmatic outcomes, as service providers often use local incentive award funding to provide direct services, such as to fund resource room staff and training programs. Over time, quality of service may decline as local providers often use this funding to support on-going training of staff and WIB members.

D. Description of Individuals Impacted by the Waivers

A waiver to complete this required activity may directly impact customers. When Minnesota offered incentive awards, providers chose to spend at least a portion of their local incentive award on services for customers, including expansion of the resource room, providing an ABE instructor in the WFC for easy access, offering materials to core service customers, and so on.

When this funding reduction does not directly impact customers, it impacts customers by reducing the training opportunities available to staff – predominantly job seeker counselors. This training keeps counselors apprised of the most current job search tools and techniques, and enhances their ability to work effectively with customers.

E. Process for monitoring progress in implementation

If granted, this waiver would reduce requirements and thereby reduce the monitoring necessary to ensure appropriate expenditures.

F. Provide notice to any Local Board affected by the waiver:

DEED will provide a copy of this waiver request to all Workforce Service Areas and Investment Boards for their review during the 30-day public comment period.

G. Estimated costs to carry out the required activity for which the waiver is needed and extent to which current funding levels are insufficient to cover these activities:

- o PY 2009: \$400,000; the budget was sufficient;
- o PY 2010: \$391,334; the budget was insufficient by \$8,666;
- o PY 2011: \$0; the budget was insufficient by \$400,000;
- o PY 2012: \$0; the budget was insufficient by \$400,000;
- o Estimated portion of PY 2013 budget: \$0; the budget is insufficient by \$400,000;

Without a discretionary budget, DEED has no resources to offer incentive awards to local providers.

H. Outline of Minnesota’s use of statewide funds for both required and allowable statewide activities and

I. How Minnesota prioritizes funds across activities, represented by PY 2013 administrative (5%) budget:

ACTIVITY	BUDGET
REQUIRED ACTIVITIES	
Disseminating the list of eligible (WIA-certified) providers	\$250
Disseminating training provider performance and cost information	\$250
Conducting evaluations (Minimal three questions) ¹	\$11,280
Providing incentive grants	\$0
Assisting in the establishment and operation of One-Stop delivery system and performance accountability	\$634,494
Fiscal and management accountability information system	\$94,800
Administration activities including monitoring, data validation, reporting, performance, oversight, fiscal, etc.	\$652,615
ALLOWABLE ACTIVITIES	
Capacity Building	\$0
Implementation of innovative incumbent training programs	\$0
Programs targeted to empowerment zones	\$0
Identification of eligible providers	\$0
Innovative programs for displaced homemakers, etc.	\$0
Programs to increase the number of individuals pursuing training in non-traditional employment	\$0
Other activities to assist local areas	\$0
TOTAL ADMINISTRATIVE (5 PERCENT) BUDGET	\$1,393,689

¹ Minnesota values evaluative activities such as surveying customers for their satisfaction, which is why we’ve continued to fund this activity despite our existing waiver. We would like the freedom to waive this activity in the event we encounter financial hardship.

3. **Required:** Since reduction of the 15 percent discretionary budget, Minnesota has focused available statewide funding on four required activities:
- i. Disseminating the list of eligible (WIA-certified) providers;
 - ii. Assisting in the establishment and operation of one-stop delivery systems and performance accountability;
 - iii. Operating a fiscal and management accountability information system

- b. Allowable: Since reduction of the 15 percent discretionary budget, Minnesota does not participate in any allowable activities.

J. Ensure meaningful public comment, including comment by business and organized labor:

DEED staff posted the waiver requests on DEED's website on Monday, June 3, 2013, and solicited comment from a wider network than in the past. DEED staff received no comments.

Bonnie Elsey
Signature

8/01/13
Date

Bonnie Elsey, Director, Workforce Development Division
Name and Title

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