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Henry McMaster
Governor

William Floyd
Acting Executive Director

March 13, 2023

Renata Adjibodou
Acting Regional Administrator
Department of Labor
61 Forsyth St SW
Room 6M12
Atlanta, Georgia 30303

RE: Request to Waive WIOA Out-of-School Youth Expenditure Requirement

Dear Ms. Adjibodou:

Enclosed is South Carolina's waiver request from the requirements outlined in the Workforce Innovation and Opportunity Act (WIOA) § 129(a)(4)(A) and its corresponding regulation at 20 CFR § 681.410, which requires States and local areas to spend at least 75 percent of youth funds on out-of-school youth each program year. If approved, the waiver will allow SC to reduce the out-of-school expenditure rate to 50 percent. The state is requesting this waiver for Program Years (PY) 2022 (4/1/2022 to 06/30/2025) and PY 2023 (04/1/2023 to 06/30/2026).

While many local workforce boards will continue to prioritize serving out-of-school youth, the flexibility afforded by the waiver will enable the State to expand access to employment and training resources in rural communities, further engage and assist in-school youth with barriers to employment, and increase the utilization of work-based learning.

South Carolina notified local workforce development boards and solicited public input in accordance with WIOA §189(i)(3)(8), 20 CFR § 679.620 and Training and Employment Guidance Letter No. 8-18, for the period of February 28, 2023, through March 7, 2023, 5:00 PM EST. One comment was received. Comments are compiled and provided in Attachment I.

Your review and immediate consideration of this waiver request is appreciated. Please contact me with any questions.

Sincerely,

Nina Stagers

Nina Stagers
Assistant Executive Director
Workforce Development

Enclosure(s)

Request to Waive WIOA Out-of-School Youth Expenditure Requirement Narrative

I. Statutory/regulatory requirement the State would like to waive

South Carolina (the State) is requesting a waiver, for the Program Year (PY) 2022 (4/1/2022 to 06/30/2025) and PY 2023 (04/1/2023 to 06/30/2026) Youth grants, from the requirements outlined in the Workforce Innovation and Opportunity Act (WIOA) § 129(a)(4)(A), and its corresponding regulation at 20 CFR § 681.410, which requires States and local areas to spend at least 75 percent of youth funds on out-of-school youth each program year.

The State's request is to lower the out-of-school expenditure rate to 50 percent, which will allow the State and local areas to increase services to eligible in-school youth.

II. Actions the State has taken to remove state or local regulatory barriers

There are no State or local statutory or regulatory barriers to lowering the out-of-school youth expenditure requirement from 75 percent to 50 percent.

III. Goals the State seeks to achieve by requesting the waiver

South Carolina's labor force participation rate is about six percentage points below the national average and is ranked 4th lowest in the country. A one percent increase in the LFPR would add over 41,500 potential employees. If each of these new workers earned a typical salary, then that increase would grow the state's wages by around \$1.4 billion per year. A major factor in the state's LFPR is the aging population and fewer individuals entering the workforce. Engaging youth through workforce development activities will increase their participation in the workforce and ideally create habits that contribute to long-term labor force participation.

In South Carolina, the unemployment rate is 12.9 percent among youth ages 16 to 19 and 9.8 percent for youth 20 to 24. Seven percent of youth, ages 18 to 34, have a disability, which is roughly 85,000 individuals. The unemployment rate among youth with disabilities is 12 percent. South Carolina experienced a slight increase in the school dropout rate between 2019-2020 academic year and 2020-2021 academic year, from 1.7 percent to 2.4 percent. Students who disconnect from the education system may find themselves involved in criminal activity, resulting in incarceration. More than 600 incarcerated youth under the age of 18 are unable to participate in the workforce but need to be prepared to enter a career pathway upon release. These factors underscore the need to provide strategic, far-reaching, and comprehensive services to youth because these services have the potential to improve their personal outcomes as well as the state's economic conditions.

While many local workforce boards will continue to prioritize serving out-of-school youth, the flexibility afforded by the waiver will enable the State to expand access to employment and training resources in rural communities, further engage and assist in-school youth with barriers to employment, and increase the utilization of work-based learning.

A. *Expand access to employment and training resources in rural communities*

The SC Department of Revenue has classified a majority of South Carolina counties as Tier III or Tier IV. Tier rankings are based on levels of unemployment and per capita income of the county. Counties ranked

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as Tier I generally have the highest per capita income and lowest unemployment, compared to Tier IV counties, which have the lowest per capita income and highest unemployment. Rural counties are typically classified as Tier III or Tier IV. While South Carolina's economy has mostly recovered from the COVID-19 pandemic, recovery has been uneven across the state, with rural areas lagging behind more urban areas. The University of South Carolina, Darla Moore School of Business, recently conducted a study¹ on the impact of the pandemic on rural workers. The report concluded that individuals living in rural areas are more likely to experience a longer period of unemployment than similarly situated workers in urban areas. The conclusion holds even when accounting for other demographics such as race, gender, age, income and education level, prior industry of employment, and occupation.

Rural areas face multiple barriers, including difficulty accessing resources and services intended to improve the economic stability of families and the community overall. While in-school youth typically have access to guidance counselors, career specialists, and other support systems to help develop a college or career pathway, access to these services is not equitable in all areas of the state. South Carolina seeks to prioritize service delivery in rural areas through targeted investments in career readiness, digital literacy, and demand-driven training. The waiver will enable WIOA Youth programs to serve in-school youth in underserved communities who may have limited access to these resources.

B. Further engage and assist in-school youth with barriers to education and employment

The workforce system recognizes a need to serve youth before they disconnect from education or the workforce. The waiver will allow the WIOA Youth program to improve service delivery to youth who need additional assistance to enter or complete a training or educational program and enter a career pathway. For example, students with disabilities that do not have a postsecondary plan are at risk of losing Vocational Rehabilitation Pre-Employment Transition Services but may be eligible for the WIOA Youth program. Similarly, a post-secondary student may need supportive services to complete a training program that can be provided through the WIOA Youth program. Lastly, foster care youth and youth at risk of dropping out of high school may benefit from enrollment in the WIOA Youth program for tutoring, guidance and counseling, adult mentoring, supportive services, and other program elements.

Creating sustainable state level programs with identified long-term partners will enable the ISY population to be better served by offering expanded access through partnerships.

C. Increase utilization of work-based learning

As a requirement of the Youth program, South Carolina expends at least 20 percent of its WIOA Youth program funds on providing paid and unpaid work experiences to youth participants. Because work experience and work-based learning models are effective, the State Workforce Development Board has prioritized increasing the utilization of work-based learning as a service delivery strategy. The waiver will enable the WIOA Youth program to expand work experience opportunities to in-school youth, increasing expenditures on work experiences and the number of work experiences provided to Youth participants.

¹ Darla Moore School of Business, *The Impact of Rural Residency on the Likelihood of Long-Term Unemployment in South Carolina* (Columbia, SC: University of South Carolina, 2022).

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IV. Projected programmatic outcomes resulting from implementation of the waiver

Through implementation of the waiver, South Carolina will achieve the following:

- Increase enrollment of in-school youth by 25%
- Increase the number of participants provided a Youth work experience, as defined by the WIOA regulations by 10%
- Increase the number of WIOA Youth participants that receive a credential by 10%
- Increase WIOA Youth employment by the second quarter after exit outcomes by 10%

V. Alignment with USDOL policy priorities

WIOA improves access to education and workforce services for individuals with significant barriers to employment to help ensure that everyone has an opportunity to get a good job. USDOL prioritizes work-based learning models and strategies to improve access to underserved communities and ensure inclusion of underrepresented groups in the workforce. Additionally, USDOL encourages co-enrollment and resource leveraging to provide a holistic service delivery strategy for individuals.

South Carolina's waiver request will enable WIOA Youth programs to conduct outreach to in-school youth, primarily youth with barriers to employment and youth living in rural areas, which are often underserved. If approved, the waiver will lead to increased collaboration and co-enrollment with K-12 and postsecondary education providers, the foster care and juvenile justice systems, and the Vocational Rehabilitation Act program. Work experience and other work-based learning models will be a primary strategy for career exploration and employment preparation.

VI. Individuals, groups, or populations affected by the waiver

South Carolina's waiver of the out-of-school youth expenditure requirement will affect the following stakeholders:

- In-school youth with barriers to employment
- Employers that offer work-based learning opportunities and employment opportunities
- K-12 and postsecondary education providers
- Partner programs that can leverage funds to provide blended, braided, or sequenced services to youth participants

The State will continue to serve out-of-school youth participants; however, the waiver will enable the WIOA Youth program to outreach, enroll, and serve more in-school youth who could benefit from one or more of the 14 youth program elements, with emphasis on work experience, education and training, and supportive services.

VII. Plan for monitoring waiver implementation, including collection of waiver outcome information

Waiver implementation will be monitored through the submission and review of monthly Financial Status Reports (FSRs), which track in-school and out-of-school youth expenditures and expenditures on work

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experiences, supportive services, and education and training costs. Ad hoc reports will be used to monitor youth program enrollments and quarterly performance reports will monitor for credential attainment, entered employment, and participant demographics. Youth programs receive a local area update report that summarizes progress toward achieving all WIOA Primary Indicators of Performance as well as state-specific fiscal measures. Further, the impact of this waiver on the state's performance will be addressed in the state's Program Year 2022 WIOA Annual Report.

VIII. Public comment and notification to affected local workforce development boards

The State developed a survey to assess local interest in requesting a waiver of the 75 percent out-of-school youth expenditure requirement. Ten of the 12 South Carolina local workforce areas responded to the survey. A majority of respondents expressed interest in the waiver, citing the need for increased flexibility to serve in-school youth, particularly youth with barriers to employment and youth living in underserved communities.

South Carolina solicited public input in accordance with WIOA § 189(i)(3)(B)(v), 20 CFR § 679.620 and Training and Employment Guidance Letter No. 8-18, for a period of seven (7) calendar days from February 28, 2023, through March 7, 2023, 5:00 PM. The State provided a copy of this waiver request to all local workforce development boards and their association and WIOA Core Partners and posted it for public review on the SC Works and DEW websites at scworks.org/public-notice and dew.sc.gov/publicnotice. South Carolina received one comment. The State compiled the comment received in Attachment I.

Request to Waive Out-of-School Youth Expenditure Public Notice
ATTACHMENT I

ID	Start time	Completion time	Date of Comment:	Commenter's Full Legal Name:	Commenter's Entity or Organization:	Comment:
1	3/3/23 16:05:06	3/3/23 16:12:47	3/3/2023	Jacob L. Chorey	South Carolina Vocational Rehabilitation Department	Under the direction of Commissioner Felicia W. Johnson, this comment is to indicate the South Carolina Vocational Rehabilitation Department's (SCVRD) support of the waiver request. The waiver would allow the SC Department of Employment and Workforce's WIOA Youth program to serve more in-school youth, provide more work-based learning experiences, and potentially coordinate with partners for braiding/sequencing of resources. SCVRD views these as appropriate objectives and justification for waiving the out-of-school expenditure requirement.