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EXHIBIT C2

Arkansas Workforce Modernization Update

Recommendations on Arkansas EARNS Implementation



November 16, 2026

EARNS Recommendations Background

Arkansas's Workforce Context

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Arkansas Workforce Context by the Numbers

58.5%

Labor force participation rate, among the lowest in the nation

~202,000

Prime-working-age Arkansans unemployed or out of the labor force (2024)

47th

Arkansas's rank among the 50 states and D.C. in youth disconnection

Coordination Between Workforce and Human Services

- Customers who need workforce support are stuck in silos:
  - navigating separate doors,
  - separate eligibility processes, and
  - separate caseworkers for services.
- The human services approach does not focus on work. Individuals entering the system are not provided an upfront employment or training plan.
- The the overall approach to helping people carries significant inherent inefficiencies:
  - duplicated intake,
  - duplicated income verification,
  - duplicated physical infrastructure, and
  - incompatible administrative cost methodologies.

Advisory Group Review

Vision, Goals, and Design Principles

Note of Thanks to the Advisory Group

- As many as 40 individuals met with the WorkED team monthly throughout 2026
- Provided invaluable personal and professional expertise and insight
- Took reform considerations seriously and thoughtfully

Vision: Arkansas EARNS

Arkansas should modernize and transform its workforce development and human services system through an integrated administrative and service delivery model that streamlines state and local program administration, improves both the quality of and access to services and supports, and promotes fiscal integrity and resource efficiency for the benefit of Arkansas residents and employers.

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Goals

- Promote upward mobility and increased wages for families
- Provide greater access to services that promote longer-term employment and labor force attachment
- Maintain a strategic approach to helping employers access sources of talent for well-paying jobs
- Create efficiencies that promote effective government services, outcomes, and impact
- Innovate to meet rapid changes in employment, labor markets, skills needed for jobs, and deployment of technology

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Design Principles

- **Person-centric, not program-centric.** The system should be organized around what an individual needs, not around which funding stream a worker happens to be paid from.
- **Work first.** An employment or training plan should precede, and then inform, the eligibility determination.
- **Statewide consistency with regional flexibility.** Services should be delivered the same way in every part of Arkansas, with room to tailor to local economic conditions.
- **Results-based and publicly accountable.** Outcomes, such as employment, wages, credential attainment, and sustained labor force attachment, should be measured consistently and reported to the Legislature.
- **Bold action requires difficult decisions**, which must be made with the best information and data available

Recommendations

Administrative Structure, Service Delivery, Financial Management

The Foundation: Organizational Shift

Establish a system with three foundational offices; each has clear authority over one aspect of the system

- The Office of Workforce Solutions
  - the workforce agency and the front door
  - owns the employment plan and upfront “case management,” the workforce programs, newly redefined and integrated Arkansas Workforce Centers, and the employer relationship
- The Department of Human Services
  - the statewide eligibility authority
  - ARIES remains the system of record, expanded in scope, with eligibility sequenced behind the employment plan for work-capable customers
- The Department of Shared Administrative Services
  - the integration layer
  - owns CiviForm, Hope Hub platform, LAUNCH, the Arkansas Data Hub and master person index, and statewide IT governance

Recommendation 1: Integrated Administrative Structure

1.1	Establish OWS as Arkansas's single state workforce agency, consolidating all federal and state employment, training, and reemployment programs under one administrative authority.
1.2	Codify statewide workforce governance in statute, including the State Workforce Development Board carrying out local board functions and assuring equitable regional fiscal allocations, and begin the waiver renewal process well in advance of the June 30, 2028, expiration.
1.3	Confirm DHS as Arkansas's statewide integrated eligibility authority, confirm ARIES as the integrated eligibility system, and impose a statutory requirement that an individualized academic and career development plan precede or accompany the eligibility determination for every work-capable customer.

Integrated Administrative Structure (con’t)

1.4	Assign responsibility for common intake, shared case management platform, job matching, integrated data, and physical facility consolidation to SAS, with a statutory mandate to serve both OWS and DHS.
1.5	Establish a transition structure with an effective date of July 1, 2027, including a transition office, subject-matter work groups, and defined reporting milestones to the Arkansas Legislature.
1.6	Align appropriations to the new structure, transferring program appropriations and federal fund authority to OWS while preserving DHS appropriations for eligibility operations.

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August 2026 Waivers at a Glance

6

WIOA waivers approved by USDOL on August 26, 2026

$6M

Anticipated shift from administrative costs to direct participant services

6/30/28

Expiration date — renewal must be prepared during the transition

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Eligibility Infrastructure Already at Scale

400,000+

Applications processed through ARIES each year

81

DCO county offices serving 1.49 million people in SFY 2024

$161M

Documented annual cost of ARIES, the State's largest technology asset

Key Transition Dates

AUG 26, 2026

USDOL approves six WIOA waivers

JUL 1, 2027

Effective date; transition office and work groups in place

PY2026 REPORT

First WIOA Annual Report with waiver outcomes, the principal evidence for renewal

JUN 30, 2028

Waivers expire; renewal request prepared during the transition

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Recommendation 2: Integrated Service Delivery

2.1	Operationalize service delivery consistently across all regions of the state while allowing for regional innovation and tailoring, with resource allocation assurances for rural areas as in a franchise model.
2.2	Consolidate physical and virtual infrastructure, using the statewide service-location consolidation effort already underway as the vehicle, and beginning with counties where agencies already operate in the same community.
2.3	Establish a single work-first intake process in which every work-capable customer, regardless of which door they enter, receives an academic and career development plan that is recorded in the shared case record and managed by OWS, which precedes the eligibility determination for individual programs.

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Integrated Service Delivery (con't)

2.4	Consolidate eligibility functions into a dedicated division within DHS capable of supporting customers remotely as well as from physical locations and expand its scope to the work-support programs currently administered separately.
2.5	Implement integrated case management on a shared platform, separating case management from eligibility determination and giving every case manager visibility into the full array of services a customer is receiving.
2.6	Establish a single regional point of contact for employers, supported by a shared customer relationship management system across OWS, DHS, and the community and technical colleges.
2.7	Adopt a common performance and accountability framework built on outcomes rather than inputs, with a defined reporting relationship to the Legislature.

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Ready-made Integration Hubs

6

Counties with immediate co-location opportunities for DHS and Workforce Connections

26

Arkansas Workforce Centers statewide, plus nine Mobile Workforce Centers

24

Career Pathways campuses (22 community colleges, two universities) already staffed

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Recommendation 3: Integrated Financial Management

3.1	Develop and submit a statewide cost allocation model based on random moment time sampling, replacing the incompatible methodologies now in use across agencies.
3.2	In the absence of an approved statewide cost allocation model, braid federal funds to the extent permitted and seek federal waivers where available.
3.3	Move responsibility for partner Memoranda of Understanding (MOU) and infrastructure funding agreements to the state level.
3.4	Begin the process of requesting inclusion in the federal benefits cliff pilot and approval of an alternative cost allocation model.
3.5	Direct identified administrative savings toward direct participant services, particularly training and the supportive services that address childcare, transportation, and benefits cliff barriers.

Why Implement a Statewide Cost Allocation Model

3

Incompatible cost allocation methodologies now in use across agencies

1

Statewide model recommended, based on random moment time sampling

Thank You

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Recommendation 1

Integrated Administrative Structure

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Establish OWS as Arkansas's single state workforce agency, consolidating all federal and state employment, training, and reemployment programs under one administrative authority.

Recommendation 1.1

Programs consolidated into OWS should include:

- WIOA Title I Adult, Dislocated Worker, and Youth
- WIOA Title II Adult Education and Literacy
- WIOA Title III Wagner-Peyser Employment Services
- WIOA Title IV Vocational Rehabilitation and Services for the Blind
- Unemployment Insurance and Reemployment Services
- Office of Skills Development
- Career Pathways Initiative (CPI)
- childcare block grant components of Temporary Assistance for Needy Families (TANF) and Child Care and Development Fund (CCDF)
- employment and training components of Transitional Employment Assistance (TEA) and SNAP E&T

Codify statewide workforce governance in statute, including the State Workforce Development Board carrying out local board functions and assuring equitable regional fiscal allocations, and begin the waiver renewal process well in advance of the June 30, 2028, expiration.

Recommendation 1.2

- August 2026 WIOA waiver approvals granted administrative authority
  - Only gives Arkansas this authority through June 30, 2028.
  - Does not consolidate or eliminate Arkansas's local workforce development areas
- State statute makes the governance structure durable

Confirm DHS as Arkansas's statewide integrated eligibility authority, confirm ARIES as the integrated eligibility system, and impose a statutory requirement that an individualized academic and career development plan precede or accompany the eligibility determination for every work-capable customer.

Recommendation 1.3

- Maintains current eligibility oversight and authority
- Shifts first interaction from benefits determination to assessment of barriers to family-sustaining employment
  - Produces academic and career development plan
  - Addresses immediate barriers and long-term goals
  - Recorded in shared case record visible to OWS and DHS staff
  - Eligibility determination follows and supports plan
- Non work-capable customer eligibility remains the same

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Assign responsibility for common intake, shared case management, job matching, integrated data, and physical facility consolidation to SAS, with a statutory mandate to serve both OWS and DHS.

Recommendation 1.4

Three platforms and one facilities effort connect the system:

- CiviForm – intake portal
- Hope Hub – case management platform
- Arkansas LAUNCH – career pathways planning, job matching, and labor exchange platform
- Arkansas Data Hub and master person index – shared data layer
- Physical footprint – consolidation effort underway

Establish a transition structure with an effective date of July 1, 2027, including a transition office, subject-matter work groups, and defined reporting milestones to the Arkansas Legislature.

Recommendation 1.5

- Aligns with state fiscal year
- Provides transition time to develop roadmap and timeline for integration activities, including:
  - Completing data collection
  - Standing up work groups
  - Sequencing federal filings (see Rec. 3)
- Work groups should address:
  - Program and staff transition
  - Physical location consolidation
  - Technology and data integration
  - Eligibility sequencing and ARIES scope expansion
  - Cost allocation and federal filings
  - Performance measurement

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Align appropriations to the new structure, transferring program appropriations and federal fund authority to OWS while preserving DHS appropriations for eligibility operations.

Recommendation 1.6

- Appropriations to follow programs
- Transition process allows for costs allocation refinements (see Rec. 3)
- Ongoing reports to the Legislature to include updated information on appropriations alignment and cost allocation

Recommendation 2

Integrated Service Delivery

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Operationalize service delivery consistently across all regions of the state while allowing for regional innovation and tailoring, with resource allocation assurances for rural areas (franchise model).

Recommendation 2.1

- Individual and employer customers should expect a consistent service experience
- The “franchise model” can ensure a foundational experience exists while permitting appropriate regional flexibility

Consolidate physical and virtual infrastructure, using the statewide service-location consolidation effort already underway as the vehicle, and beginning with counties where agencies already operate in the same community.

Recommendation 2.2

Through SAS coordination, opportunities for state services to be co-located should be continued and expanded

- Determine opportunities for OWS and DHS to share infrastructure
- Further co-location and physical infrastructure integration should extend to postsecondary institutions

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Establish a single work-first intake process in which every work-capable customer, regardless of which program they enter, receives an individualized academic and career development plan that is recorded in the shared case record and precedes or accompanies the eligibility determination.

Recommendation 2.3

- Operational heart of reform
- Sequencing of employment planning and eligibility determination is key
  - First interaction is with an OWS case manager focused on understanding the customer's circumstances
  - Eligibility process then follows and supports that plan
- Administrative structure
  - CiviForm serves as the common intake front end
  - Plan is recorded and accessible by OWS and DHS staff, no matter how they are funded
  - Customer's identity is resolved through the master person index

Consolidate eligibility functions into a dedicated division within DHS capable of supporting customers remotely as well as from physical locations and expand its scope to the work-support programs currently administered separately.

Recommendation 2.4

- Eligibility division absorbs determinations for WIC food packages, LIHEAP, and subsidized childcare
  - Unique assessments, such as the nutrition assessment required for WIC, remain within their respective departments
- Ends the practice of making customers responsible for pursuing the support that their work requirement depends on

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Implement integrated case management on a shared platform, separating case management from eligibility determination and giving every case manager visibility into the full array of services a customer is receiving.

Recommendation 2.5

- Case managers support customers do not determine eligibility, but focus on:
  - planning for employment
  - addressing barriers
  - connecting customers to education and training
  - monitoring progress toward self-sufficiency
- A shared platform with intake and case management integrations should be an early transition deliverable

Establish a single regional point of contact for employers, supported by a shared customer relationship management system across OWS, DHS, and the community and technical colleges.

Recommendation 2.6

- Extends existing commitment beyond workforce programs to include DHS and community and technical colleges
- Regional coordinator reduces the burden of engagement and improves the quality of the workforce pipeline
- Shared CRM prevents the same employer from being contacted separately by multiple programs

Adopt a common performance and accountability framework built on outcomes rather than inputs, with a defined reporting relationship to the Legislature.

Recommendation 2.7

Track a consistent outcome set for every customer exiting the system:

- Employment
- Earnings
- Credential attainment
- Sustained labor force attachment

Recommendation 3

Integrated Financial Management

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Develop and submit a statewide cost allocation model based on random moment time sampling, replacing the incompatible methodologies now in use across agencies.

Recommendation 3.1

- Model allocates costs according to whom a worker is serving and what activity the worker is performing
- A case manager funded by a system rather than a single program can serve the whole person
- Approval will require negotiation with multiple federal agencies
- Cost allocation requests should begin during the transition period rather than after

In the absence of an approved statewide cost allocation model, braid federal funds to the extent permitted and seek federal waivers where available.

Recommendation 3.2

- Braided funding supports a common goal while each source retains its identity and is reported separately
- More administratively demanding than a unified cost allocation model
- Available immediately and can be structured at the point of service – a bridge strategy for the transition period

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Move responsibility for partner MOU and infrastructure funding agreements to the state level.

Recommendation 3.3

- WIOA waivers move the responsibility from local boards to the state level
- Allows cabinet-level agreements that can implemented and are transparent

Begin the process of requesting inclusion in the federal benefits cliff pilot and approval of an alternative cost allocation model.

Recommendation 3.4

- Both actions time-sensitive and require federal coordination and approval
- Initiate during the transition period, in parallel with the state legislative process
- Benefits cliffs named by frontline staff as one of the three most common barriers their customers face

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Direct identified administrative savings toward direct participant services, particularly training and the supportive services that address childcare, transportation, and benefits cliff barriers.

Recommendation 3.5

- Redirect resources from duplicated administration to services that move people into work
- Legislature should require savings be identified, reported, and reinvested
- Legislature should receive that accounting as part of the milestone reporting (see Rec. 1.5)