EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION WIOA
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ADVISORY: **TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 04-26**

TO: GOVERNORS
STATE WORKFORCE AGENCIES
STATE WORKFORCE ADMINISTRATORS
STATE WORKFORCE LIAISONS
STATE WORKFORCE BOARD CHAIRS AND DIRECTORS
STATE LABOR COMMISSIONERS

FROM: MAREK LACO /s/
Acting Assistant Secretary

SUBJECT: Using Workforce Innovation and Opportunity Act Governor's Reserve Funding to Advance Workforce Development Priorities

1. **Purpose.** To clarify how states may use Workforce Innovation and Opportunity Act (WIOA) statewide funding (commonly referred to as "Governor's Reserve" funding) and encourage states to expend available funding to advance critical workforce development priorities.

2. **Action Requested.** Governors and State Workforce Agencies are strongly encouraged to review the information provided in this Training and Employment Guidance Letter (TEGL) and to: 1) identify the total amount of Governor's Reserve funding currently available to the state that has yet to be obligated and expended; 2) review the state's current and planned uses of Governor's Reserve funding; and 3) develop and execute plans to deploy available funding to advance workforce development priorities, including by carrying out recent Trump Administration initiatives that expand our labor force, help workers advance, support employers in meeting their needs, and position the country to lead in today's economy.

3. **Summary and Background.**

   a. Summary – This TEGL provides an overview of the availability and allowable uses of WIOA Governor's Reserve funding, as well as information on the amount of Governor's Reserve funding currently available for obligation, and encourages Governors and State Workforce Agencies to dedicate available Governor's Reserve funding to advance critical workforce development priorities.

   b. Background – States may reserve up to 15 percent of their annual Adult, Dislocated Worker, and Youth program allotments to carry out the required and allowable statewide

RESCISSIONS	EXPIRATION DATE
None	Continuing

activities described in WIOA Section 134(a) and Section 129(b). Funding across all three allotments may be combined and used on any of the broad range of allowable activities described under either of the applicable sections of the statute, regardless of funding source (20 CFR 683.120(b)), additionally see paragraph 4.c. Reporting Clarifications, Fiscal Reporting below). Governor's Reserve funding remains available to the state for expenditure for three years, meaning states generally will have Governor's Reserve funding reserved from allotments for three program years available for expenditure during the current program year. Additionally, states may use any unspent Rapid Response funds at the end of the first year of availability for the same uses allowed for Governor's Reserve funds (20 CFR 682.370), or prior to the end of the first year of availability if the state has submitted a waiver request and been approved.

4. **Availability, Reporting, and Allowable Uses.**

   a. **Funding Availability:** Under WIOA, Governors may reserve up to 15 percent of each state's Adult, Dislocated Worker, and Youth formula allotments to carry out statewide activities. This authority gives states the ability to pool resources across funding streams and strategically target funds toward systemwide improvements or emerging workforce needs. The decision about how much to reserve each program year lies with the state, but federal rules limit the portion of those statewide funds that can be used for administration to no more than five percent of each of the Adult, Dislocated Worker, and Youth allotments to the state. This administrative cap ensures the majority of statewide resources remain focused on direct programmatic strategies, investments, and services that strengthen state and local workforce systems.

   WIOA also establishes clear rules for how long states may obligate and expend Governor's Reserve funds. These funds remain available for expenditure for the program year in which they are awarded plus two additional program years. This three-year period overlaps the three-year periods of availability from the last two program years. It then also overlaps the period of availability that begins for the next program year, and then the next year's. This means that during any one program year, a state will have Governor's Reserve funding reserved from three program year allotments available for expenditure. This multi-year window provides states with flexibility to plan and launch multi-year initiatives, procure technical assistance or statewide systems, or respond to emerging priorities without risking loss of funds due to short timelines. At the same time, WIOA's reallotment provisions require states to obligate at least 80 percent of each program year's Adult, Dislocated Worker, and Youth funds by the end of the first program year; states that fail to meet that obligation threshold will have funds recaptured by the U.S. Department of Labor (DOL) and redistributed to other states. This underscores the importance of timely obligation planning and close monitoring of commitment levels throughout the year.

   Additionally, Rapid Response funding, drawn from up to 25 percent of a state's Dislocated Worker allotment, operates under a related, but distinct, set of rules. Rapid Response funds must first support required layoff aversion and rapid reemployment activities. However, beginning in the second program year after Rapid Response funds are reserved, states may repurpose any Rapid Response funds that remain unobligated toward allowable statewide activities funded through the Governor's Reserve. Further, states can use unobligated Rapid Response funds for allowable statewide activities prior to the end of the first year of availability, if the state requests and is approved for a waiver according to 20 CFR 679.620. These waivers are also discussed in TEGL 05-25, *Maximizing Innovation in Workforce Innovation and Opportunity Act Programs*. The use of unobligated Rapid Response funds for allowable statewide activities is in addition to the funds already set aside for the Governor's reserve (WIOA 134(a)(2)(A)(ii)). This creates an important source of flexible funds that states can use to reinforce statewide strategies, invest in early-warning systems, expand business engagement models, or support other high-priority initiatives.

In addition to the repurposing of Rapid Response funds for statewide activities, WIOA also allows any unexpended funds by a local area to also be repurposed for statewide activities. In the third year of the program period, when state allotments are still available for state expenditure but the locals' 2-year expenditure period has ended, any local unexpended funds may be available for statewide projects or redistributed to qualified local areas that have fully expended their allocation of funds for the same program year (20 CFR 683.110(c)(2)). Once again, this creates an important source of flexible funds that states can use to reinforce statewide strategies. Taken together, the rules governing the Governor's Reserve, administrative caps, multi-year availability, reallotment, and Rapid Response give states substantial flexibility, while also establishing clear expectations to ensure funds are used effectively.

States are strongly encouraged to utilize unexpended funding timely and to not delay spending funds that are meant to be used to advance states' critical needs. In April, the Employment and Training Administration (ETA) published TEGL 10-25 which included Attachment L that lists the maximum amount of Governor's Reserve Funding newly available from Program Year (PY) 2026 allotments.[1] In total, $436,064,040 in new Governor's Reserve funding is available to states. States should plan now how to use these funds to advance immediate workforce needs, strengthen the nation's public workforce system, and advance critical workforce development priorities. ETA tracks utilization of the Governor's Reserve and notes that many states carry over a large portion of their Governor's Reserve, delaying utilization until the second and third year of its three-year period of availability. ETA found that states in total are carrying over $270 million or more in unobligated prior year funding, and in fact, fund utilization data provided by states through federal financial reporting for the 6/30/25 reporting period indicates 35 percent of states carried over 50 percent or more of their available unobligated Governor's Reserve funding from PY 2024 into PY 2025. Only 13 states, or 25 percent of states, carried over 30 percent or less. Taking into account carryover and new funding, states routinely have over $700 million available annually that should be strategically deployed to meet the immediate and critical workforce priorities of the states and our nation.

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[1] TEGL 10-25 Attachment L can be found at: https://www.dol.gov/sites/dolgov/files/ETA/advisories/TEGL/2025/TEGL%2010-25/Attachment%20L%20%28Accessible%20PDF%29.pdf.

ETA recognizes states have different models for how to utilize their Governor's Reserve and that not all states feel they have the bandwidth to support more than required activities. ETA also recognizes the time it takes to plan and implement meaningful statewide initiatives and coordinate and align WIOA funding with other program funding. ETA additionally recognizes states generally use all their funds by the end of the three-year period of availability. ETA's experience across state models indicates earlier obligation and longer periods of performance regarding strategic initiatives is possible with proper planning and state direction, and ETA is confident earlier utilization will result in improved results for America's workers.

b. **Allowable Uses:** While there are several required activities for statewide funds listed at WIOA Sections 129(b)(1) and 134(a)(2)(B), such as managing the eligible training provider list, providing technical assistance to local areas, and monitoring and oversight activities, Governor's Reserve funds can be spent on a very wide range of statewide employment and training activities and statewide youth activities. While any use of WIOA funds needs to be reasonable, allocable, and within the purposes of the Act, and statewide activities cannot be those prohibited in 20 CFR 683.250, states have substantial flexibility to determine which activities they can fund with the Governor's Reserve, whether or not those activities are explicitly listed in the statute and regulation.

   For a list of allowable statewide employment and training activities listed in WIOA Section 134(a)(3) and allowable statewide youth activities in Section 129(b)(2), see Attachment I. **It is important to note, however, that these lists of allowable statewide activities are not exhaustive**.

c. **Eligibility Clarifications for Individuals Served with Governor's Reserve Funds:** WIOA Adult priority of service requirements do not apply to individuals served by Governor's Reserve funds, and, in most cases, there are no eligibility requirements beyond age determination.[2] Unlike the examples in the statute for statewide activities using Adult and Dislocated Worker Governor's Reserve funds (in Section 134(a)(2)(B)), WIOA lists examples of statewide activities for "eligible youth" when using Youth Governor's Reserve Funds (listed in Section 129(b)(2)). However, this is a non-exclusive list of allowable statewide activities. States and local areas are not required to make an eligibility determination for individuals served by Youth Governor's Reserve Funds, or any Governor's Reserve Funds. Section 134(a)(1)(B) authorizes states to use *any* Governor's Reserve Funds for the allowable statewide employment and training activities described in Section 134(a)(2)(B). Also, Section 128(a)(2) authorizes states to use *any* Governor's Reserve Funds for either of the two statutory lists of allowable statewide activities, "regardless of whether the reserved amounts were allotted" under Youth or Adult or Dislocated Worker allotments. Therefore, states do not need to conduct a WIOA eligibility determination when services are provided to anyone of any age.

[2] Note that Veterans Preference applies to all DOL funding. See TEGL 10-09, *Implementing Priority of Service for Veterans and Eligible Spouses in all Qualified Job Training Programs Funded in whole or in part by the U.S. Department of Labor (DOL)*

In previous guidance, DOL stated "if the services provided with statewide funds are 'direct services', the eligibility requirements for youth are the same as those that apply to Title I Youth services provided by local areas." To clarify, the only time states must conduct an eligibility determination for activities funded with Governor's Reserve funding is when local Youth or Dislocated Worker funds are also being used to deliver the service.

If states choose to require eligibility determination for statewide youth activities funded by the Governor's Reserve, the requirement that states expend at least 75% of those funds on out-of-school youth (OSY) applies and the individual must be reported in the Participant Individual Record Layout (PIRL). However, in an effort to offer even greater flexibility, states that do not already have a waiver of the Governor's Reserve OSY expenditure requirement are encouraged to request the waiver for increased flexibility. ETA has granted waivers to both lower and eliminate the OSY expenditure requirement for Governor's Reserve funds.

d. Reporting Clarifications: WIOA requires states to report how statewide funding is used as well as the outcomes from activities that states implement, however reporting requirements should not be an impediment to states looking to innovate. This TEGL aims to clarify the fairly simple state responsibilities in both performance and fiscal reporting of statewide activities.

Performance Reporting: TEGL No. 14-18 discusses reporting of individuals served with statewide funds and clarifies that performance outcome data of individual participants who receive direct services with funding from Governor's Reserve funds must be reported by the state under the title I Adult, Dislocated Worker (including WIOA participants who receive Rapid Response), and Youth program(s) and must be reported following the same guidelines that apply to participants served with local formula funding.

One common misconception regarding the allowable uses of statewide reserve funds is that if the activity cannot be reported to ETA through the PIRL, then it is not allowable. This is not the case. To ensure maximum flexibility for testing innovative approaches, it is important for states to keep in mind that not all allowable services and activities provided using Governor's Reserve funds will result in something being reported to ETA through the PIRL. It is only necessary to report individuals served with Governor's Reserve funds in the PIRL if the state has required an eligibility determination for those individuals.

For any statewide services or activities that do not get reported in the PIRL, states are required to include descriptions in the state's WIOA Annual Statewide Performance Report Narrative describing how they used these statewide funds and what outcomes were achieved. TEGL 05-18, Change 1 provides guidance to states grantees regarding the content of the Annual Statewide Performance Report Narrative noting that: 1) States must describe activities undertaken in whole or in part with the Governor's Reserve and how those activities have directly or indirectly impacted performance, and; 2) States may include descriptions of state funded activities or investments in this section.

Fiscal Reporting: Due to the financial reporting flexibilities afforded by WIOA, the burden of reporting statewide costs is not as high as some may think. Funding across all three allotments may be combined and used on any allowable activities, regardless of funding source (WIOA sec. 134 (a)(1)(B)) and 20 CFR 683.120(b)). The tracking and reporting of statewide expense does not have to be disaggregated by the three funding streams; however, funds must be expended with the shortest period of availability first (20 CFR 683.110(a)). To avoid the risk of deobligation, states are to "FIFO" (first-in, first-out) statewide expenses by recording those expenses against the oldest available statewide funds.

For example, for statewide expenses, while up to 15 percent of the total Adult, Dislocated Worker, or Youth funds may be reserved at the state level for statewide activities, those funds, identified on the Federal Share expenditures line item (line item 10e on the ETA-9130(A), (C), or (E) forms), do not need to be allocable to a particular statewide program, but may be allocable to any of the three programs (Adult, Dislocated Worker, or Youth). Statewide funds from all three title I funding streams may be pooled together and expended regardless of the source of funding. This flexibility relieves the state from internally tracking and reporting statewide expenditures by the three title I funding streams.

The ETA-9130 report does require that unobligated Rapid Response funds that are expended on allowable statewide programs, regardless of whether the funds were expended at the state or local level, be reported on line-item 11c (Rapid Response Funds Expended on Other Statewide Programs) and as part of 10e (Federal Share of Expenditures) on the Statewide Rapid Response report.

For unexpended local area funds that are recaptured after two years and expended on statewide projects, these expenses are reported on line-item 11c (Recaptured Funds Expended) and as part of 10e of Federal Share of Expenditures on the Statewide Adult, Dislocated Worker, and Youth ETA-9130 forms.

e. **Opportunities to Align with Administration Initiatives:** DOL, in partnership with the Department of Education, has launched several key initiatives implementing America's Talent Strategy: Building the Workforce for the Golden Age and advancing the workforce development priorities of the Trump Administration. Governors and state workforce and education agencies have expressed strong interest in these initiatives, and many states have applied or are considering applying for the applicable funding opportunities. As states pursue additional federal funding to advance these workforce development priorities, this TEGL is intended to make clear that all activities that can be conducted through the initiatives and grant opportunities listed below can also be carried out by states with Governor's Reserve funding. ETA strongly encourages states to dedicate existing and upcoming Governor's Reserve funding towards these initiatives.

Registered Apprenticeship Expansion – The Trump Administration is committed to scaling the proven model of Registered Apprenticeships to reach and surpass 1 million active apprentices. To achieve this, DOL is focused on removing barriers that limit flexibility and stifle Registered Apprenticeship expansion while enhancing the value proposition for employers though the use of performance-based funding models. In June 2025, ETA awarded nearly $84 million to states through the third round of State Apprenticeship Expansion Formula (SAEF) grants to carry out a broad range of activities to build state capacity and support state-led innovation in expanding Registered Apprenticeships and pre-apprenticeships. The fourth round of SAEF, announced through TEGL 08-25, will provide an additional $85 million to states for Registered Apprenticeship expansion and includes a leveraged resources requirement, which can be met through the use of Governor's Reserve funding. In January 2026, ETA announced the official launch of the American Manufacturing Apprenticeship Incentive Fund to incentivize employers nationwide to develop or expand advanced manufacturing Registered Apprenticeship programs through pay-for-performance model providing a $3,500 incentive payment for each new apprentice hired. DOL intends to build upon this initiative through the Pay-for-Performance Incentive Payments Program that will award up to five cooperative agreements to establish pay-for-performance incentive models to support Registered Apprenticeship sponsors across priority sectors.

States are permitted and encouraged to use Governor's Reserve funding to carry out a broad range of activities related to the expansion of Registered Apprenticeship, including any activities that can be supported by or align with DOL's recent funding opportunities supporting Registered Apprenticeship expansion.

Workforce Pell Implementation – President Trump's Working Families Tax Cuts Act established the new Workforce Pell Grant program, empowering students to use Federal grant funds to enroll in high-quality, short-term programs that offer training aligned with high-skill, high-wage, or in-demand industry sectors or occupations. The Department of Education's Final Rule, published on May 19, 2026, Accountability in Higher Education and Access Through Demand-Driven Workforce Pell: Pell Grant Exclusion Relating to Other Grant Aid; and Workforce Pell Grants, ensures Governors and State Workforce Development Boards play a central role in evaluating programs for Workforce Pell Grant eligibility and verifying student outcomes on completion and job placement rate metrics. In February 2026, DOL issued a Funding Opportunity for the sixth round of Strengthening Community College Training Grants focused on building program and system capacity for the newly authorized Workforce Pell Grants. The initiative is designed to support state-level data system integration with workforce partners to enhance data collection and data sharing necessary for Workforce Pell Grants eligibility determinations and address barriers to the consistent inclusion of community college programs of study on state eligible training provider lists.

States are permitted and encouraged to use Governor's Reserve funding on activities to support Workforce Pell implementation, such as developing and publicizing state policies to determine if programs meet the eligibility criteria, reviewing and updating state lists of high-skill, high-wage, or in-demand occupations and industry sectors, and enhancing state data collection and reporting systems, including enhancing wage records, to effectively measure the outcomes of program participants.

Connecting Talent to Opportunity/Talent Market Places – Pillar II of America's Talent Strategy (worker mobility) articulates the need to leverage technology and digital platforms to enhance career navigation and support rapid skill matching aligned with current labor market demands. In December 2025, the Department of Education launched the Connecting Talent to Opportunity (CTO) Challenge, inviting Governors to build or scale Talent Marketplaces that include a credential registry, learning and employment records (LERs), and skills-based jobs description generators. Talent Marketplaces allow skills to be translated, transcribed, and transacted as machine-readable, industry-recognized competencies. By making learning count wherever it occurs, whether through degrees, certificates, apprenticeships, military service, or on-the-job experience, the CTO Challenge will support skills-based hiring, expand access to high-quality career pathways, and strengthen labor force participation.

States are permitted and encouraged to use Governor's Reserve funding to develop talent marketplaces composed of credential registries (e.g., publishing education and training programs in structured, open, linked, and interoperable data formats), skills-based job description generators, comprehensive learner employment records (CLR) or LERs that connect students, employers, and education providers through a common currency of skills.

Industry-Driven Skills Training – Pillar I of America's Talent Strategy (industry driven strategies) outlines the need to target federal investments towards employer-led upskilling initiatives designed to fill talent shortages in priority industries. In September 2025, DOL awarded $86 million to 14 states through an initial round of the Industry-Driven Skills Training Fund grants. Through this initiative, State Workforce Agencies will provide outcomes-based reimbursement funding to employers for training that is responsive to rapidly evolving skill demands and local workforce conditions, with the goal of encouraging businesses to invest in workforce training that can effectively respond to those changes and build a stronger talent pipeline for the targeted industries. Each of the grantees developed a model to award funds to employers for training and retaining new or incumbent workers in high-growth and emerging industries critical to American competitiveness and drive economic resurgence, including in-demand skilled trades including shipbuilding occupations, occupations essential to the buildout of artificial intelligence (AI) infrastructure, advanced manufacturing, nuclear energy, domestic mineral production, and information technology including AI.

States are permitted and encouraged to use Governor's Reserve funding to establish similar mechanisms to provide outcomes-based funding to employers for training and upskilling workers in priority industry sectors.

AI Literacy – The Trump Administration is committed to prioritizing AI literacy and skill development across the workforce system to ensure American workers are prepared for an AI-driven economy. In August 2025, DOL issued TEGL 03-25 encouraging state and local workforce development boards to use WIOA funding to support AI literacy among participants in the Adult, Dislocated, Worker programs. In February 2026, ETA published the DOL's AI Literacy Framework, providing a foundation to guide nationwide AI literacy efforts across workforce and education systems. The framework, which outlines five foundational content areas and seven delivery principles for AI literacy, is intended to be a resource to guide program design and deployment of AI literacy efforts, while allowing for flexibility and adaptation across industries, roles, educational sectors, and other workforce-related contexts.

States are permitted and encouraged to use Governor's Reserve funding to integrate AI literacy into WIOA services and programs, and across the state's education and workforce systems, and leverage the DOL's AI Literacy Framework to prepare students and job seekers for opportunities in the AI-powered economy and address employer demand for AI-ready workers.

Improving WIOA Performance and Accountability – Pillar IV of America's Talent Strategy (accountability) emphasizes the need to reward positive outcomes for the American people and incentivize a return on investment. In August 2025, DOL released a performance dashboard to provide transparency and accountability to workforce development programs. The dashboard revealed the relatively low number of individuals receiving WIOA services and achieving positive outcomes. Moreover, these data showed that *half* of local workforce boards have not placed a single participant in a Registered Apprenticeship. Fewer than one in six Local Workforce Boards have enrolled at least 2 percent of their WIOA participants into a Registered Apprenticeship.

States are permitted and encouraged to use Governor's Reserve funding to provide local incentive grants for improved local workforce board performance metrics. Specifically, states are encouraged to develop a model for providing incentive grants to Local Workforce Boards to reach more participants, place more participants in Registered Apprenticeships, and/or increase credential attainment and employment outcomes.

5. **Inquiries**. For further information, please contact the appropriate ETA Regional Office.

6. **References**.
   - Workforce Innovation and Opportunity Act (WIOA) (Pub. L. 113-128) (July 22, 2014);
   - Workforce Innovation and Opportunity Act; Final Rule (WIOA DOL Final Rule) published at 81 FR 56072 (Aug. 19, 2016);
   - TEGL 10-25, *Workforce Innovation and Opportunity Act Adult, Dislocated Worker, and Youth Activities Program Allotments for Program Year 2026; Program Year Allotments for the Wagner-Peyser Act Employment Service Program; and Program Year 2026 Allotments of Workforce Information Grants to States and Outlying Areas* (April 28, 2026)
   - TEGL 05-25, *Maximizing Innovation in Workforce Innovation and Opportunity Act Programs* (November 25, 2025)

- TEGL 02-25, *Industry-Driven Skills Training Fund Grant Program Application Instructions and Program Description* (August 6, 2025)
- TEGL 03-25, *Encouraging the Use of Workforce Innovation and Opportunity Act Funding to Help Youth and Adults Develop Artificial Intelligence Skills* (August 26, 2025)
- Training and Employment Notice 7-25, *The U.S. Department of Labor's Artificial Intelligence Literacy Framework* (February 13, 2026)

7. Attachment.

Attachment I: Allowable Uses of Governor's Reserve Funding