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HOUSE BILL NO. 772**AMENDMENT IN THE NATURE OF A SUBSTITUTE**

(Proposed by the House Committee on Appropriations

on February 6, 2026)

(Patron Prior to Substitute—Delegate Thornton)

A BILL to amend and reenact § 2.2-2472.2 of the Code of Virginia, relating to federal Workforce Innovation and Opportunity Act Adult and Dislocated Worker funds; minimum allocation requirement waived.

Be it enacted by the General Assembly of Virginia:**1. That § 2.2-2472.2 of the Code of Virginia is amended and reenacted as follows:****§ 2.2-2472.2. WIOA Adult and Dislocated Worker funds; use of Governor's reserved funds; incentives to postsecondary workforce training institutions.**

A. Each local workforce development board shall allocate a minimum of 40 percent of WIOA Adult and Dislocated Worker funds to training services as defined under § 134(c)(3)(D) of the WIOA that lead to recognized postsecondary education and workforce credentials aligned with in-demand industry sectors or occupations in the local area or region. *The Department of Workforce Development and Advancement may waive the 40 percent allocation requirement for a local workforce development board that submits a request for a waiver and demonstrates that the board is unable to meet the requirement due to (i) a lack of available training providers in the local workforce development area, (ii) a lack of demand for training services among eligible participants, or (iii) other extraordinary circumstances. The Department shall develop and publish a process for the application and approval of such waivers. Any unencumbered funds resulting from such a waiver shall be used for client services, including reemployment services, as that term shall be defined by the Commissioner of the Department of Workforce Development and Advancement.* Beginning October 1, 2016, and biannually thereafter, the Secretary of Labor shall submit a report to the Board evaluating the rate of the expenditure of WIOA Adult and Dislocated Worker funds under this section.

B. Failure by a local workforce development board to meet the required training expenditure percentage requirement, *unless a waiver has been granted by the Department pursuant to subsection A*, shall result in sanctions, to increase in severity for each year of noncompliance. These sanctions may include corrective action plans; ineligibility to receive state-issued awards, additional WIOA incentives, or sub-awards; the recapturing and reallocation of a percentage of the local area board's Adult and Dislocated Worker funds; or for boards with recurring noncompliance, development of a reorganization plan through which the Governor would appoint and certify a new local board.

C. The Department of Workforce Development and Advancement, in consultation with the Governor, shall develop a formula providing for 30 percent of WIOA Adult and Dislocated Worker funds reserved by the Governor for statewide activities to be used solely for providing incentives to postsecondary workforce training institutions through local workforce development boards to accelerate the increase of workforce credential attainment by participants. Fiscal incentive awards provided under this section must be expended on training activities that lead participants to a postsecondary education or workforce credential that is aligned with in-demand industry sectors or occupations within each local workforce area. Apprenticeship-related instruction shall be included as a qualifying training under this subsection if such instruction is provided through a postsecondary education institution.

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