

27921

Gov Agency: Tribal Gaming Revenue Allocations – Division of Vocational Rehabilitation – Rehabilitation Services Funding

Recommendations:

Paper No.: 175 **Alternative(s):** 3

Comments: This alternative restores GPR funding that was cut in the last 2 budgets. GPR funding was cut in order to encourage DVR to use more 3rd party contracting. As LFB points out in paragraphs 12, 13 & 14, using of 3rd party contracts costs more than twice as much for rehabilitation services then when using discretionary case services. Also, 3rd party services often do not match the needs of the clients, and in some areas of the state, 3rd party services are either non-existent, or too far away from clients to be practical.

One thing the LFB paper didn't point out in much detail, is the result of a recent federal audit of DVR. The feds told Linda Stewart that all eligible clients were not adequately being served, as is required under federal law. As a result, the state is required to provide a plan to the feds that shows there will be sufficient resources available in 1999-2000 to serve "all eligible clients" or close more Order of Selection categories.

Additionally, the feds told Linda Stewart that the use of 3rd party agreements with private, non-profit organizations as State match and as a substitute for discretionary case funds was illegal. This affects a contract DVR has with Badger Association of the Blind, which they used \$101,000 3rd party match funds to leverage an additional \$375,000 in federal money. The feds have denied this use of 3rd party match funds & now the state is trying to negotiate with them on how to make this work, otherwise they'll have to pay the \$375,000 back to the feds.

Prepared by: Cindy



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May 21, 1999

Joint Committee on Finance

Paper #175

Tribal Gaming Revenue Allocations

Vocational Rehabilitation -- Rehabilitation Services Funding (DWD -- Employment, Training & Vocational Rehabilitation Programs)

[LFB 1999-01 Budget Summary: Page 674, #9]

CURRENT LAW

Under current law, the Division of Vocational Rehabilitation (DVR) in the Department of Workforce Development (DWD) is required to advise and assist any disabled individual who applies to DVR for vocational rehabilitation services. Rehabilitation services provided by Division staff include individual assessments and evaluations, developing individualized rehabilitation programs, obtaining physical and psychiatric treatment, and securing and supervising other services, such as vocational training, that are part of an individual's vocational rehabilitation program. The individual rehabilitation programs are designed to assist the person to become capable to compete in the labor market, practice a profession, be self-employed, raise a family and make a home, and participate in sheltered employment or other gainful work.

Under Title I-B of the federal Vocational Rehabilitation Act, state funding of 21.3% is required as a match to federal funding of 78.7% for vocational rehabilitation services which move a disabled person toward employment.

GOVERNOR

Provide \$350,000 PR annually to fund vocational rehabilitation services for Native American individuals and recognized Native American tribes or bands. Funding would be provided from tribal gaming revenue provided to the state under the recently completed state-tribal gaming compact amendments. A separate appropriation under DVR would be created for the gaming compact funds.

DISCUSSION POINTS

1. Native American tribes and bands have completed final amended gaming agreements with the state. Eight agreements contain government-to-government memoranda of understanding (MOU) that relate to the use of additional compact payments; two agreements propose an economic development fund. A common element in the MOU is the provision that the Governor undertake his best efforts within the scope of his authority to assure that monies paid to the state under the agreements are expended for specified purposes. With certain exceptions, these purposes are: (a) economic development initiatives for the benefit of tribes and/or American Indians within Wisconsin; (b) economic development initiatives in regions around casinos; (c) promotion of tourism within the state; and (d) support of programs and services of the county in which the tribe is located.

2. The bill would provide \$350,000 in gaming compact revenue and an additional \$350,000 in matching federal Title I-B funds to provide increased rehabilitation services to Native Americans living on or near reservations. Since the funds would be used to provide health services to Native Americans in tribal communities, it could be argued that this use of tribal gaming revenue, while of benefit to Native Americans, does not directly correspond with the purposes specified in the MOU.

3. Disabled individuals apply for services at a DVR field office and staff counselors arrange medical, psychological and vocational evaluations to determine eligibility and subsequent rehabilitation services for those deemed eligible. The field staff develop individual rehabilitation plans, provide guidance and counseling, and in some cases, job placement services. Other services that are provided can include medical treatment, transportation, training and education at technical schools, and occupational licenses, tools, equipment and supplies. DVR counselors purchase required services and materials for individual clients from local vendors.

4. DVR also provides for certain rehabilitation services that are needed for individual rehabilitation plans through contracts with other government agencies. Counselors develop plans for services for individual clients and the plans are reviewed to determine client needs. In certain cases, DVR contracts with governmental units to provide ongoing, new or expanded services based on these client needs. For example, DVR could contract for interpreter or job training services offered by a technical college. The governmental units can contract with private, nonprofit organizations to provide these services. Typically, the DVR client is given a purchase order for the services and the agency is reimbursed for services provided.

5. The primary source of funds for DVR rehabilitation services is federal Title I-B funds. Each year the federal government allocates a certain amount of funds to each state. A match of 21.3% of state funds to 78.7% federal funds is required to receive federal monies. A state must provide the required amount of matching funds or it will not receive its total federal allotment for that year. This funding is used to provide services to disabled individuals and to cover administrative expenses. The total amount of Title I-B funds allocated to Wisconsin is \$47,268,800 for federal fiscal year 1999-00 and \$48,100,000 for federal fiscal year 2000-01.

6. State matching funds are provided through DVR program revenue and GPR appropriations and third-party contracts. AB 133 appropriates DVR \$10,404,300 GPR and \$391,200 PR in state fiscal year 1999-00 and \$10,408,000 GPR and \$390,500 PR in state fiscal year 2000-01 to match federal Title I-B funds. AB 133 would also provide \$350,000 PR annually in Native American gaming compact monies as state matching funds.

7. As noted, \$350,000 PR annually in gaming compact monies would be provided to fund vocational rehabilitation services for Native American individuals, tribes and bands. This would provide a match for \$1,293,200 in federal Title I-B funds. For federal fiscal years 1996 through 1998 an average of 364 or about 1% of DVR clients were Native American. During that period, total expenditures for case services and administration for Native Americans averaged \$415,300, with a federal share of \$326,800 and a state share of \$88,500. The average expenditure per Native American was \$1,140. DVR would use the \$350,000 in gaming revenue and \$350,000 of the federal Title I-B matching funds for increased services to Native Americans, including expanded outreach, rehabilitation services and training programs. The funds would also be used to increase the number of counselors in tribal communities and to purchase counselor tools and computer hardware and software to use in evaluating and counseling disabled individuals. As a result, DVR could increase funding for Native American services from about \$415,000 to \$700,000 a year and still meet the federal requirement that that vocational rehabilitation funding be available equitably on a statewide basis. DVR indicates that additional gaming revenues could only be used statewide in all disabled population categories.

8. Generally, third-party contracts involve an agreement between DVR and another governmental agency. However, DVR has begun contracting with a few nongovernmental organizations. Under the contract, the agency or organization typically agrees to provide a rehabilitation service and the 21.3% in matching funds required to capture the federal funds. As a result, the services that a vocational rehabilitation counselor might otherwise purchase for a client with state GPR funds would be provided through a contract with the third-party agency or organization.

9. Historically, DVR has used third-party contracts to provide a portion of the state match used to capture federal vocational rehabilitation funds. Often, the third-party governmental agencies can provide general, new or expanded services to DVR clients. However, in recent years, DVR has increased its use of third-party contracts as a source of state matching dollars. The percentage of total client service funding provided through third-party contracts will increase from 2.3% in federal fiscal year 1992 to an estimated 24.3% in federal fiscal year 2001. A significant factor in the increased reliance on third-party monies is the reduction in GPR matching funds. In both the 1995-97 and 1997-99 biennial budgets, annual base level GPR funding for client services was reduced by \$500,000. In both cases, DVR increased the amount of third-party matching funds to offset the loss of GPR. As a result, DVR relies on obtaining a certain amount of third-party matching funds to capture the total amount of federal rehabilitation funds that are allocated to Wisconsin.

10. Table 1 below shows the federal allotments and the related matching funds for

federal fiscal years 2000 and 2001. The table shows state GPR and PR matching funds, including the gaming compact funds, and the expected third-party matching dollars. Note that the state GPR and PR match are state fiscal year amounts while other amounts in the table are for federal fiscal years. The table shows that DVR expects to obtain the total federal allotment of Title I-B funds for each federal fiscal year.

TABLE 1
**Federal Vocational Rehabilitation Allotment
and State Matching Funds**

<u>Fiscal Year</u>	<u>Federal Allotment</u>	<u>Total Required Match</u>	<u>State GPR and PR Matching Funds</u>	<u>Native American Gaming Revenue</u>	<u>Third Party Matching Funds</u>
2000	\$47,268,800	\$12,793,200	\$10,795,500	\$350,000	\$1,647,700
2001	48,100,000	13,018,200	10,798,500	350,000	1,869,700

11. Table 2 shows federal funds, third-party matching funds, total funding for case services and the percentage of total funding attributable to third-party matching funds. The table shows that the percentage of federal funds obtained through third-party contracts would be 22.0% in federal fiscal year 2000 and 24.3% in federal fiscal year 2001.

TABLE 2
**Third-Party Related Funding and Total Funding for
Vocational Rehabilitation Services Under Assembly Bill 133**

<u>Federal Fiscal Year</u>	<u>Third-Party Match</u>	<u>Federal Matching Funds</u>	<u>Total Third-Party Funds</u>	<u>Total Case Services</u>	<u>Third-Party Funding as a Percent of Total Services</u>
1992	\$153,100	\$484,800	\$637,900	\$28,274,000	2.3%
1993	467,900	1,403,700	1,871,600	29,144,300	6.4
1994	486,600	1,797,900	2,284,500	31,376,200	7.3
1995	609,200	2,250,900	2,860,100	32,828,300	8.7
1996	651,800	2,408,300	3,060,100	30,758,500	9.9
1997	850,000	3,140,600	3,990,600	31,682,300	12.6
1998	1,245,800	4,603,000	5,848,800	32,678,300	17.9
1999	1,557,400	5,754,300	7,311,700	32,404,600	22.6
2000	1,647,700	6,087,900	7,735,600	35,124,800	22.0
2001	1,869,700	6,908,100	8,777,800	36,167,000	24.3

*The current federal/state match ratio is 78.7% federal/21.3% state. The previous state matching percentages were 24% in 1992 and 25% in 1993.

12. The increasing use of third-party matching funds has proven to be controversial. The GPR matching funds that are appropriated to DVR for client services are typically distributed to vocational rehabilitation counselors in the Division's district offices. The counselors use this money to purchase services and materials for individual clients. The decrease in base level GPR funding reduced the amount of funds available for individual counselor budgets. Instead, matching funds from third-party contracts were substituted. The provision of some services through contracts with governmental agencies rather than individual purchases can be workable. However, a number of advocates and officials believe there are problems with the current situation.

13. A criticism of the use of third-party contracts is that the services that are purchased through the contracts do not always match the needs of individual clients. Also, many of the contracted services are not directed at severely disabled individuals. For example, a contract for interpreter services will not benefit people with orthopedic impairments. In some cases, the services may match individual needs but be provided at a location some distance from the client. In these instances, the transportation costs can further reduce counselor budgets. On the other hand, counselors can often avoid these problems by purchasing individual services and materials with the GPR funding. In addition, it is generally more expensive to provide rehabilitation services through third-party contracts. A 1998 analysis by DVR staff determined that it cost \$5,100 per rehabilitation when some third-party services were used while the cost per rehabilitation was \$2,800 when no third-party services were used. Use of third-party contracts is also criticized for increasing the number of referrals to DVR. The local agencies that provide the matching funds and the contracted services use some of the additional funding for the services provided locally by the agency to disabled individuals who are not current clients of DVR.

14. Many also believe that the reduction in GPR funding for case service aids has caused DVR to rely too heavily on third-party contracts as match for federal funds. These individuals believe the high level of third-party matching funds caused a temporary shortfall of available funding for individual client services in early 1998 and led to the temporary denial or delay of services to disabled persons. In January, 1998, a projected \$2.8 million deficit in DVR's available case service funds for January through June was identified. Although DVR addressed the projected shortfall by reallocating \$2.7 million in Social Security reimbursement funds, rehabilitation services were denied or delayed for some clients during that period. In September, 1998, DWD requested under s. 13.10 that the Committee provide a supplement of \$422,100 for case service aids. The Department indicated that the funding was necessary to obtain all of the federal 1998 allotment. Some believe that reliance on third-party contracts for a significant proportion of matching funds in the 1999-01 biennium could again lead to a shortage of available services for some DVR clients.

15. Federal law requires that rehabilitation services can only be limited by the severity of the disability, not by the type of disability or availability of funding. When funding cannot provide services to everyone who is eligible, DVR is required to use federal order of selection criteria to create waiting lists for individuals with less severe disabilities.

16. DVR first determines the local service need for persons with disabilities. If a service need exists, the Division then determines the most appropriate funding mechanism for meeting that

need. When a third-party contract lends itself to meeting the service need, the Division pursues that option. Advocates indicate that third-party agreements can provide new ways to serve people with the most significant disabilities. These agreements can also be used to create more effective services for specific disability groups with very high unemployment rates.

17. The annual funding of \$350,000 in gaming compact monies will capture \$943,200 million in federal monies that can be used for general rehabilitation service aids for all eligible clients. In addition, over \$400,000 in annual funds currently used to provide services to Native Americans will be available for other DVR clients. DVR believes that along with the funding generated through gaming dollars, the level of third-party matching funds included AB 143 will provide needed services to all eligible clients and capture the federal Title I-B allotments for 2000 and 2001.

18. A number of advocate groups believe that the level of matching funds provided by third-party contracts would still be too high to provide adequate services for all eligible categories of disabled. They have recommended providing an additional \$1.2 million in annual GPR funding to reduce the level of funds provided by third-party contracts to 15% of the total state rehabilitation service funding. However, the proposed \$1.2 million would reduce the ratio of third-party matching funds to total rehabilitation service funds to 6% in 1999-00 and 9% in 2000-01. As an alternative, GPR funding of \$525,500 in 1999-00 and \$714,200 in 2000-01 could be provided. This would reduce the level of third-party match funds to 15% of total rehabilitation service funds.

ALTERNATIVES

1. Approve the Governor's recommendation to provide \$350,000 PR annually to fund vocational rehabilitation services for Native American individuals and recognized Native American tribes or bands. Funding would be provided from tribal gaming revenue provided to the state under the recently completed state-tribal gaming compact amendments. Also, create a separate appropriation under DVR for the gaming compact funds.

2. Approve the Governor's recommendation. In addition, provide \$525,500 GPR in 1999-00 and \$714,200 GPR in 2000-01 for vocational rehabilitation case service aids.

Alternative 2	GPR
1999-01 FUNDING (Change to Bill)	\$1,239,700

3. Approve the Governor's recommendation. In addition, provide \$1,200,000 GPR annually for rehabilitation case service aids.

Alternative 3	GPR
1999-01 FUNDING (Change to Bill)	\$2,400,000

4. Maintain current law.

Alternative 4	PR
1999-01 FUNDING (Change to Bill)	- \$700,000

Prepared by: Ron Shanovich

MO# Act 2

BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
GARD	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

AYE 8 NO 8 ABS 0

MO# Act 4

BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
GARD	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

AYE _____ NO _____ ABS _____

Tribal Gaming Revenue Allocations

COMMERCE

Grants for Public Facilities Improvements in Richland Center

Motion:

Move to require the Department of Commerce to make a grant of \$299,800 PR in 1999-00 from the gaming economic developing grants and loans appropriation to a city that was required to replace its city well because of federal highway construction.

Note:

The Department of Commerce is the state's designated recipient of federal funding for the small cities community development block grant (CDBG) program. Commerce administers the economic development, public facilities, public facilities for economic development, blight elimination and brownfield redevelopment and emergency grant subprograms, and contracts with the Division of Housing in the Department of Administration (DOA) to provide the CDBG housing subprogram.

The CBDG public facilities program provides financial assistance to local governments to fund projects that correct deficiencies in public facilities that affect public health, safety or another essential need. Local governments submit applications for grants to Commerce. Applications are scored using a point system that considers distress indicators, need for project, local government's ability-to-pay and ability to leverage CDBG funds with other funds. Commerce awards grants to individual municipalities based on its evaluation of the comparative scores of all applications received from eligible local governments during an annual competition. Awards can be used to fund local infrastructure repairs and replacements and emergency services. A total of \$14.6 million was awarded to 38 communities in federal fiscal year 1999.

This motion would create a separate program revenue appropriation for Indian gaming monies and require Commerce to make a grant to the City of Richland Center.

MO# _____

BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
² GARD	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

AYE 14 NO 2 ABS _____

Tribal Gaming

SHARED REVENUE AND TAX RELIEF -- PROPERTY TAXATION

Trust Fund Lands in Tax Increment District

Motion:

Move to prohibit the Governor from concurring with the Secretary of Interior's decision under 25 U.S.C. s. 2719(b)(1)(A) that gaming regulated under the Federal Indian Gaming Regulatory Act on lands acquired by the Secretary in trust for an Indian tribe after October 17, 1988, would not be detrimental to the surrounding area, if the lands are located in a tax increment district, unless the Governor determines that appropriate arrangements have been made so that the location of the lands within the district would not extend the existence of the district for a greater number of years than the district would have been in existence had the land not been located within the district.

MO#			
	BURKE	Y	N A
	DECKER	Y	N A
	JAUCH	Y	N A
	MOORE	Y	N A
	SHIBILSKI	Y	N A
	PLACHE	Y	N A
	COWLES	Y	N A
	PANZER	Y	N A
2	GARD	Y	N A
	PORTER	Y	N A
	KAUFERT	Y	N A
	ALBERS	Y	N A
	DUFF	Y	N A
	WARD	Y	N A
	HUBER	Y	N A
	RILEY	Y	N A
AYE		10	NO 6 ABS 0