Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

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

[LFB 2001-03 Budget Summary: Page 725, #2]

CURRENT LAW

Under current law, the Division of Vocational Rehabilitation (DVR) within the Department of Workforce Development (DWD) is required to advise and assist any disabled individual who applies to DVR for vocational rehabilitation services. Disabled individuals apply for services and staff counselors arrange evaluations to determine eligibility and subsequent rehabilitation services for those deemed eligible. After an individual completes the employment plan and is employed for 90 days, he or she is determined to be rehabilitated and the case file is closed. 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 these funds to each state. A match of 21.3% of state funds to 78.7% federal funds is required to receive federal monies.

GOVERNOR

Provide $1,000,000 GPR annually for vocational rehabilitation case services funding for the Division of Vocational Rehabilitation. Expenditure authority for federal Title I-B funds would be increased by $1,800,000 annually to reflect anticipated increases in funding. In addition, expenditure authority for the Division's contract service aids appropriation would be reduced by $400,000 PR annually to reflect decreased reliance on third-party/cooperative agreements for providing a state match for federal funding for rehabilitation services.

DISCUSSION POINTS

1. Disabled individuals apply for services at a DVR field office (typically at a DWD job center) and staff counselors arrange medical, psychological and vocational evaluations to

determine eligibility. For those deemed eligible, the field staff develop individual rehabilitation plans (Individual Plan for Employment--IPE), 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. 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. DVR counselors purchase required services and materials for individual clients from local vendors.

2. 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 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.

3. 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. As noted, 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 allotment for that year. This finding 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 $49,585,800 for federal fiscal year 2001-02 and $50,528,000 for federal fiscal year 2002-03.

4. The federal Title I-B award has increased an average of 2% a year since federal fiscal year 1996-97. Each increase requires a corresponding increase in state matching funds. State matching funds are provided through DVR program revenue and GPR appropriations and third-party/cooperative agreements. Total base level funding amounts for 2001-02 state matching funds are $11,331,100 GPR and $387,000 PR. In addition, $350,000 PR annually in Native American gaming compact monies for vocational rehabilitation services for Native Americans is provided as state matching funds.

5. Over the past three biennia, the amount of GPR matching funds provided has been determined independently from the amount of the federal Title I-B award. In both the 1995-97 and 1997-99 biennial budgets, annual base level funding for client services was reduced by $500,000 GPR. In addition, the 1997-99 biennial budget reduced GPR matching funds for state counselor services (general program operations) by $104,300 GPR annually. The 1999-01 biennial budget provided base level GPR funding as a match for federal Title I-B funds. As noted, additional matching funds were provided with the $350,000 PR annual tribal gaming compact monies.

6. DVR has used third-party/cooperative agreements to provide the state matching funding to cover the gap between the state GPR matching funding and the amount of state match

required to capture the full federal Title I-B grant. Federal regulations authorize states to use third-party/cooperative agreements to provide matching funds for federal Title I-B monies. Generally, third-party/cooperative agreements involve an agreement between DVR and another governmental agency. Under the agreement, 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 an agreement with a third-party agency or organization.

7. DVR client services have required supplemental funding in each of the last three state fiscal years. 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 $2.8 million in Social Security reimbursement funds, rehabilitation services were denied or delayed for some clients during that period. In September, 1998, DWD requested a supplement of $422,100 GPR for case service aids under s. 13.10. The Joint Committee on Finance approved the DWD request. The Department indicated that the funding was necessary to obtain all of the federal 1998 allotment.

8. In April, 2000, DVR reported that state funds would be insufficient to fund vocational rehabilitation services to clients for the remainder of state fiscal year 1999-00. The Department developed an estimate of state fiscal year expenditures for 1999-00 using current expenditures, encumbrances and projected future expenditures and determined that additional state funding was required or a budget shortfall would occur. DVR indicated that the budget shortfall was due to increased referrals for services. In addition, a change in departmental business finance practices, initiated on May 1, 2000, in response to the budgetary situation and regarding the encumbrance and expenditures of state and federal match transactions, increased the draw on GPR funds to a level that would have exceeded expenditure authority. The projected shortfall would have caused a suspension of financial transactions before the close of the fiscal year.

9. DVR addressed the projected shortfall by supplementing rehabilitation case services funding with the following sources of additional revenues: (a) $3.2 million in Social Security Administration reimbursements [reimbursement funds received from the Social Security Administration for successful rehabilitation of social security disability insurance (SSDI) and supplemental security income (SSI) clients to pay for vocational rehabilitation services]; (b) $930,000 in federal indirect cost reallocation funds [payments for administering certain federal programs]; and (c) $2,696,100 in accelerated federal Title I-B funds that were drawn into the fiscal year due to the net increase in matching funds (the state fiscal year overlaps two federal fiscal years and the state can draw funds from two years of federal awards).

10. Federal law requires that, prior to the start of each federal fiscal year, DWD must determine the amount of funding available for vocational rehabilitation services and estimate the cost of: (a) providing services to all current clients; (b) assessing the eligibility of all new applicants; (c) providing rehabilitation services to the new applicants determined to be eligible to receive services; and (d) administering the vocational rehabilitation program. Rehabilitation services can only be limited by the severity of the disability, not the type of disability or availability of funding.

When funding is not sufficient to provide services to everyone who is eligible, DVR is required to use federal order of selection criteria to create service categories (order of selection) based on the severity of the disability. Services must be provided to the most significantly disabled individuals first.

11. Prior to December, 1994, DVR provided services to all eligible persons with a disability, regardless of the severity of the disability. However, in December, 1994, DVR implemented an order of selection (OOS) for the provision of vocational rehabilitation services. DVR established seven order of selection categories based on the severity of the disability and the need for multiple services over an extended period of time. The last category was suspended in December, 1994. These persons had one to three non-severe limitations and may or may not require multiple services over time.

12. DVR has submitted an amendment to the Title I-B State Plan to the Rehabilitation Services Administration to implement a new order of selection that consists of three categories, rather than the previous eight categories. Category 1 is equivalent to the old category A for persons with the most severe disabilities. Category 2 is equivalent to the old categories B and C, for persons with severe disabilities. Category 3 is for all other persons eligible for DVR services.

13. In June, 2000, DVR projected demand for fiscal year 2000-01 for rehabilitation services funding based on the existing and estimated future caseload and estimated costs for services. Based on the projections, the Secretary of DWD announced that on August 21, 2000, all DVR order of selection categories would be deactivated. Individuals who were receiving services under a DVR approved plan for employment as of that date were not affected by the action. However, clients not receiving services under an approved plan on that date could not receive services and were placed on a waiting list. These people can only be served when order of selection categories are activated.

14. In December, 2000, acting under s. 13.10, the Joint Committee on Finance approved a DVR request for an additional $426,000 GPR for client services and $74,000 GPR for state counselor provided services. The funding was in reserve in the Committee's supplemental appropriation for prison contract beds. The Committee also placed $500,000 GPR in its supplemental appropriation to be reserved for DVR to be released to provide funding for rehabilitation services for additional new clients. To date, DVR has not requested the additional funding.

15. The $500,000 GPR provided to DVR under the s. 13.10 process has allowed the Department to access an additional $1.8 million in federal Title I-B matching funds. The additional state and federal funds allowed DVR to activate approximately 6,100 cases from the OOS waiting list. As a result, the entire OOS Category 1 waiting list has been activated as have a significant number of cases in Category 2.

16. Table 1 shows federal funds, third-party/cooperative agreements, total funding for case services and the percentage of total funding attributable to third-party matching funds under

current law. The table shows that, under current law provisions, the percentage of federal funds obtained through third-party/cooperative agreements would be 17.9% in federal fiscal year 2002 and 20.2% in federal fiscal year 2003. Note that cooperative agreement funding as a percentage of total case service funding declined in federal fiscal year 2000. This reflects the supplemental state matching funding that was used to address the projected budget shortfall in that fiscal year. However, the share of state matching funds provided through cooperative agreements increased in 2001 and would increase annually in the 2001-03 biennium under current law.

17. The increasing use of third-party/cooperative agreement 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. However, third-party/cooperative agreements have been substituted for some GPR matching funds. 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.

TABLE 1

Cooperative Agreement Related Funding and Total Funding for Vocational Rehabilitation Services Under Current Law

Federal Fiscal Year	Cooperative Agreement Match*	Federal Matching Funds	Total Cooperative Agreement Funds	Total Case Services	Cooperative Agreement as a Percent of Total Services
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	1,073,700	3,967,100	5,040,800	37,198,600	13.6
2001	1,296,500	4,790,400	6,086,900	36,703,300	16.6
2002	1,374,900	5,080,000	6,454,900	36,121,600	17.9
2003	1,629,900	6,022,200	7,652,100	37,905,600	20.2

*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.

18. A criticism of the use of third-party/cooperative agreements 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 are 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.

19. However, 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.

20. As noted, DVR has activated all of Category 1 and part of Category 2 of the Order of Selection. As of April 23, the waiting list for Category 2 included 1,532 individuals and Category 3 included 1,181 persons. It should be noted that all individuals on the Category 2 waiting list will receive services at some point in the future. As current clients in Category 2 complete their IPEs, individuals on the waiting list are activated in chronological order, while new individuals who seek services are placed on the list. To date, Category 3 has not been activated.

21. The bill would provide $1.0 million GPR annually for client services. Based on assumptions about rehabilitation service costs, the annual growth in federal Title I-B funding, the projected caseload, and the current level of staffing and ability to fill counselor positions, DVR estimates that this amount would reduce required third-party/cooperative agreement matching funding to 4.8% of total state case services matching funding in 1991-92 and 7.8% in 1992-93. In addition, an estimated 19,300 average monthly cases could be served. As a result, Category 1 and part of Category 2 would remain activated. Table 2 shows state GPR and PR matching funds, including tribal gaming monies, and required third-party/cooperative agreement funds that would be provided under current law while Table 3 shows those amounts under the bill. Under the bill, third-party/cooperative agreement matching funds would be reduced by $1.0 million in each year.

TABLE 2

Federal Vocational Rehabilitation Allotment and State Matching Funds Under Current Law

Fiscal Year	Federal Allotment	Total Required Match	State GPR and PR Matching Funds	Native American Gaming Revenue	Estimated Cooperative Agreement Matching Funds
2002	$49,585,800	$13,420,300	$11,695,400	$350,000	$1,374,900
2003	50,528,000	13,675,300	11,695,400	350,000	1,629,900

TABLE 3

Federal Vocational Rehabilitation Allotment and State Matching Funds Under The Bill

Fiscal Year	Federal Allotment	Total Required Match	State GPR and PR Matching Funds	Native American Gaming Revenue	Estimated Cooperative Agreement Matching Funds
2002	$49,585,800	$13,420,300	$12,695,400	$350,000	$374,900
2003	50,528,000	13,675,300	12,695,400	350,000	629,900

22. Under the assumptions used to estimate additional state match requirements and assuming an average monthly caseload of 22,750, DVR estimates that an additional $4,250,000 GPR in 2001-02 and $6,400,000 in 2002-03 would be necessary to open all OOS categories and activate all individuals currently on the OOS waiting list during the 2001-03 biennium. The additional funding would not draw additional matching dollars but would fully fund rehabilitation services for additional clients with GPR. In total, the required increase in GPR funding over base level would be $5,250,000 in 2001-02 and $7,400,000 in 2002-03. It should be noted, that with current counselor staff levels, DVR would view 19,300 clients as a more manageable caseload.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to provide $1,000,000 GPR annually for vocational rehabilitation case services funding for the Division of Vocational Rehabilitation. Increase expenditure authority for federal Title I-B funds by $1,800,000 annually to reflect

anticipated increases in funding. In addition, reduce expenditure authority for the Division's contract service aids appropriation by $400,000 PR annually to reflect decreased reliance on third-party/cooperative agreements for providing a state match for federal funding for rehabilitation services.

2. Modify the Governor's recommendation to provide additional funding of $4,250,000 GPR in 2001-02 and $6,400,000 GPR in 2002-03 for case services. (It is estimated that this would allow the Division of Vocational Rehabilitation to fully activate all order of selection categories.)

Alternative 2	GPR
2001-03 FUNDING (Change to Bill)	$10,650,000

3. Maintain current law. (The federal Title 1-B funds would be matched through additional third-party/cooperative agreements.)

Alternative 3	GPR	PR	TOTAL
2001-03 FUNDING (Change to Bill)	- $2,000,000	$800,000	- $1,200,000

Prepared by: Ron Shanovich