



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #810

Funding for Vocational Rehabilitation Case Service Aids (DWD)

[LFB 2011-13 Budget Summary: Page 537, #4]

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 individual who applies to DVR for vocational rehabilitation services. Disabled individuals apply for services for those deemed eligible. 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% state funds to 78.7% federal funds is required to receive federal monies. DVR uses GPR case service and administrative funds to provide this match. Base funding for the state match for federal Title I-B funds is \$15,083,900 GPR and \$213,000 PR.

GOVERNOR

Decrease funding by \$463,700 GPR annually. The reductions reflect standard budget adjustments, increased employee contributions to pensions and health accounts, budget efficiency reductions, and the elimination of long-term vacancies. The decreased GPR funding would result in a reduction in federal funds of \$1,713,300 in each year.

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 and vocational rehabilitation needs. For those deemed eligible, the field staff develop individual rehabilitation plans (individualized plan for employment -- IPE) and provide guidance and counseling. Services included under the IPE can include: (a) job-related services, including job search and placement assistance; (b) vocational training; (c) diagnosis and treatment

of physical and mental impairments, including use of prosthetic and orthodontic devices, and eyeglasses and visual services; (d) transportation; (e) on-the-job and other related personal assistance services; (f) interpreter services; (g) technical self-employment assistance; (h) rehabilitation technology, including telecommunications; (i) job-related services to the family; and (j) specific post-employment services necessary to retain, regain, or advance in employment. The individual rehabilitation plans 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 material for individual clients from local vendors.

2. 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 funding is used to provide services to disabled individuals and to cover administrative expenses. The overall federal Title I-B allocation is authorized an annual increase in funding equal to the percentage change in the consumer price index (CPI). Additional funding in excess of the CPI percentage increase may also be provided. The federal funds are then allocated among states based on a formula, which is, in part, population-based. The total amount of Title I-B funds estimated to be allocated to Wisconsin for federal fiscal year 2011 is \$60,586,500.

3. Each increase in federal funds requires a corresponding increase in state matching funds to draw down the increase in federal funds. State matching funds are provided through GPR and program revenue funds. Prior to FFY 2011, DVR had a memorandum of understanding (MOU) with the Great Lakes Inter Tribal Council (GLITC) to assist GLITC and member tribes in providing vocational rehabilitation services to Native Americans with disabilities in Wisconsin. Funding for this MOU was a joint venture between GLITC and DVR for the use of "Native American Gaming Initiative" (NAGI) funds as an allowable source of match funds for federal vocational rehabilitation funds allocated to DVR. Amounts appropriated as program revenue matching funds were \$346,500 in 2009-10. Beginning in 2011, DVR's State Plan passes NAGI funds to the GLITC in support of maintaining services, but the federal government determined that the state could no longer use these funds as a state match for federal DVR monies. According to DWD, the federal Rehabilitation Services Administration verbally indicated at a program review audit that NAGI funds could not be used as match. Pursuant to that decision, DVR has discontinued the use of these funds as match.

4. The following three provisions of SB 27/AB 40 reduced the amount of case service matching funds provided by the state by a total of \$1,533,800 GPR, annually: (a) increasing employee contributions to pension and health insurance benefits (-\$254,200 GPR); (b) eliminating long-term vacancies (-\$147,200 GPR and -2.77 FTE positions); and (c) budget efficiency reductions (-\$1,132,400 GPR). Standard budget adjustments increased funding under this appropriation by \$1,070,100, annually, resulting in an annual net reduction of \$463,700 GPR.

5. In addition to these GPR reductions, LFB Paper #815, Program Revenue Reestimates, reduced estimated PR matching funds from the enterprises and services for blind and visually impaired appropriation to \$106,500 from \$213,000, annually. According to DWD, the

Department receives federal reimbursement for certain indirect costs associated with the DVR program, such as the costs of complying with the Legislative Audit Bureau's annual DVR audit and certain central service costs paid to the Department of Administration. DWD estimates that \$9,600, annually, will be reimbursed to the Department for these indirect costs, which are considered a permissible source of state matching funds.

6. The following table shows the projected federal Title I-B vocational rehabilitation case service grants to Wisconsin and the state matching funds provided under SB 27/AB 40. According to the federal Rehabilitation Services Administration (RSA), federal grants for case service aids are estimated at \$60,586,500 for 2010-11 and at \$61,780,000 in 2011-12, representing 2% growth. Based on RSA's estimated growth rate, 2012-13 federal grants to Wisconsin are estimated at \$63,015,600. The table shows that total state matching funds are expected to be insufficient in 2010-11 to provide a match for the entire federal grant. In addition, funds appropriated under the budget bill would be insufficient to match the entire federal grant allocated to the state in fiscal years 2011-12 and 2012-13. The state would be unable to match projected federal funding over the biennium. Additional GPR case service aids funding of \$1,984,300 GPR in 2011-12 and \$2,318,700 in 2012-13 would provide the state match sufficient to capture these estimated federal funds.

**Federal Vocational Rehabilitation Grants and
State Matching Funds Under SB 27/AB 40**

<u>State Fiscal Year</u>	<u>Federal Grants</u>	<u>Total Required Match</u>	<u>GPR and PR Matching Funds</u>	<u>Match Gap</u>
2011	\$60,586,500	\$16,397,600	\$ 15,104,400	-\$1,293,200
2012	61,780,000	16,720,600	14,736,300	-1,984,300
2013	63,015,600	17,055,000	14,736,300	-2,318,700

7. According to DWD, the 2010-11 state matching funds are expected to be provided at the same level as the 2009-10 matching funds. Under the bill, state GPR and PR matching funds would be \$368,100 lower in 2011-12 and 2012-13 than the amount provided in 2010-11. The Department of Education determines each state's maintenance of effort (MOE) level of state matching funds as the amount of matching funds that were spent in the federal fiscal year two years prior. If a state provides matching funds lower than the MOE level, the state may be subject to penalties, including reduced federal grant amounts available in the current year and in subsequent years.

8. In addition to the federal formula funding block grant, DVR received approximately \$10.0 million in federal vocational rehabilitation monies under the American Recovery and Reinvestment Act (ARRA) of 2009. This federal money did not require state matching funds. Of this money, \$8.8 million was spent in 2009-10 and the remaining \$1.2 has been spent in 2010-11. An estimated 2,873 individuals in 2009-10 and 411 individuals in 2010-11 received DVR services with the supplementary ARRA monies.

9. Under federal law, if DVR services cannot be provided to all eligible individuals

with disabilities in the state who apply for the services, the state plan must: (a) show the order to be followed in selecting eligible individuals to be provided vocational rehabilitation services; (b) provide the justification for the order of selection (OOS); (c) include an assurance that, in accordance with criteria established by the state for the order of selection, individuals with the most significant disabilities will be selected first for the provision of vocational rehabilitation services; and (d) provide that eligible individuals who do not meet the order of selection criteria must have access to services provided through an information and referral system.

When an individual is found eligible for vocational rehabilitation services, an order of selection determination is completed. The individual's order of selection priority category is determined jointly by the counselor and individual by evaluating the individual's functional limitations, anticipated required services, and the duration of those services. DVR establishes a wait list of individuals who are eligible, but cannot be served due to lack of resources. When DVR determines it has adequate resources to serve more individuals on the waiting list, activations are made based on the category (individuals with the most significant disabilities are served first) and date of application.

There are three order of selection categories. Category 1 includes persons with a most significant disability. An individual has a most significant disability if a severe mental or physical impairment exists that seriously limits three or more functional capacities in terms of an employment outcome and their vocational rehabilitation requires multiple services over an extended period of time. Category 2 includes persons with significant disabilities. An individual has a significant disability if a severe mental or physical impairment exists that seriously limits one or more functional capacities in terms of an employment outcome, and their vocational rehabilitation requires multiple services over an extended period of time. A social security disability insurance (SSDI) or supplemental security income (SS) recipient is automatically considered to be, at least, an individual with a significant disability. Category 3 is for all other persons eligible for DVR services -- those who do not have a disability that seriously limits one or more functional capacities and do not require multiple services over an extended period of time. "Multiple services" are two or more primary services needed to achieve a successful rehabilitation outcome. "Extended period of time" is defined as needing vocational rehabilitation services for six months or more, with a 90-day follow-up after achieving a successful rehabilitation outcome.

10. As of March 25, 2011, the DVR order of selection wait list had a total of 4,446 eligible applicants. Of those individuals remaining on the wait list, 2,503 had significant disabilities (Category 2) and 1,943 were non-significantly disabled (Category 3). According to DWD, the annual cost per consumer in the DVR program is approximately \$3,046. If the Department had been provided an additional \$1,293,200 in state matching funds and drawn down the full estimated federal grant amount available for 2010-11, it is estimated that the additional \$6,071,400 of combined state and federal monies could have served 1,993 persons currently on the DVR order of selection waiting list.

11. After the budget was introduced, the Secretary of DOA sent a letter to the Co-Chairs of the Committee requesting a number of modifications to correct errors in the Governor's budget bill or better reflect the Governor's intent. One of the changes requested was to reallocate \$631,400 GPR reductions per year from DVR and the Division of Equal Rights to the Division of

Employment and Training. After the letter was received, this office contacted DOA to obtain more detail regarding the amount of funding that would be restored, and the reason for the change. The administration has requested additional state matching funds of \$368,100 GPR be provided in 2011-12 and 2012-13. The additional state match would draw down federal grant dollars of \$1,360,100 each year, and would permit the state to fulfill the federal MOE requirement. With the additional funding, it is estimated that an additional 567 people would be served in each year of the biennium, as compared to under the budget bill. If the Committee were to choose not to supply the additional monies to meet the federal MOE requirement, the state may be subject to penalties and reduced future federal grant monies in support of DVR programs.

12. If the state were, instead, to provide an additional \$1,984,300 GPR in 2011-12 and \$2,318,700 in 2012-13, it is estimated that the state would be able to capture the full amount of estimated federal DVR monies. As compared to the state matching funds currently appropriated under the bill, an additional \$9,316,000 in 2011-12 and \$10,885,900 in 2012-13 state and federal funding would be available for DVR. The additional revenues could serve approximately 3,058 eligible individuals in 2011-12 and 3,574 individuals in 2012-13, as compared to the amount of state matching funds currently provided for DVR case service aids in the budget bill.

13. Under the budget bill, DWD's appropriation for federal program aids and operations is estimated at \$64,677,500, annually. This amount includes an estimated \$3,052,900 of non-matching federal funds, and the remaining \$61,624,600 is an estimate of Title I-B federal funds that would be drawn down from state GPR and PR matching funds. With the state matching funds currently provided under the budget bill, federal funds are estimated at \$54,448,200, annually. To better reflect federal funds that would be used in support of DVR case services, the appropriation for federal program aids and operations should be reduced by \$7,176,400 annually.

ALTERNATIVES

A. State GPR Matching Funds

1. Approve the Governor's recommendation to provide state matching funds for vocational rehabilitation case service aids of \$14,620,200 GPR in 2011-12 and 2012-13.

2. Increase appropriated revenues for vocational rehabilitation case service aids by \$368,100 GPR in 2011-12 and 2012-13 to meet the federal MOE requirement in each year, as recommended by the administration. Increase federal matching funds under the bill by \$1,360,100 FED in 2011-12 and 2012-13 to reflect increased estimates for federal matching funds.

ALT A2	Change to Bill Funding
GPR	\$736,200
FED	<u>2,720,200</u>
Total	\$3,456,400

3. Increase appropriated revenues for vocational rehabilitation case service aids by

\$1,984,300 GPR in 2011-12 and \$2,318,700 in 2012-13 to capture the total estimated federal match available over the biennium. Increase federal funds under the bill by \$7,331,700 in 2011-12 and \$8,567,200 in 2012-13 to reflect increased estimates for federal matching funds.

ALT A3	Change to Bill Funding
GPR	\$4,303,000
FED	<u>15,898,900</u>
Total	\$20,201,900

4. Increase general fund revenues by some other amount to capture some other level of federal grant monies.

B. Reestimate Federal Funding

1. In addition to alternatives 1 through 4, reduce the appropriation for federal program aids and operations by \$7,176,400 FED, annually. The lower estimate would more accurately reflect estimated federal funding currently provided under the bill.

ALT B1	Change to Bill Funding
FED	- \$14,352,800

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