



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #735--Revised

GPR Funding for Vocational Rehabilitation Case Service Aids (DWD)

[LFB 2013-15 Budget Summary: Page 512, #2]

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. Staff counselors arrange evaluations of applicants to determine eligibility and subsequent services for those deemed eligible. The primary source of revenue 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, as well as some program revenues, to provide this match. Base funding for the state match for federal Title I-B funds is \$15,034,300 GPR and \$106,500 PR. The primary source of program revenue is a charge imposed on the net proceeds of businesses operating in the supervised business enterprise program for the blind and visually impaired.

The amount of Title I-B funds that may be drawn down with state matching funds is capped at a certain amount, annually, for each state. The overall Title I-B allocation is generally authorized an annual increase in funding equal to the percentage change in the consumer price index (CPI). Federal funds are then allocated among states based on a formula, which is, in part, population-based. Federal monies allocated to Wisconsin for federal fiscal year 2012-13 are estimated at \$60,274,400.

Federal law generally requires each state participating in the DVR program to meet a maintenance-of-effort (MOE) level of funding. To meet the MOE requirement, the state must provide matching funds equal to the amount that the state provided two federal fiscal years prior. If the MOE requirement is not satisfied, the state may be subject to federal penalties and Title I-B reductions. In the 2011-13 biennium, the state provided matching funds in an amount just sufficient to meet the MOE requirement.

GOVERNOR

Provide total state matching funds of \$15,061,200 (\$14,912,100 GPR and \$149,100 PR) in 2013-14 and \$15,451,100 (\$15,302,000 GPR and \$149,100 PR) in 2014-15 to meet the federal MOE requirements in each year of the biennium. As compared to the base amount, GPR funding would be reduced by \$122,200 in 2013-14 and increased by \$267,700 in 2014-15.

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 provided 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, and eyeglasses and visual services; (d) transportation; (e) on-the-job supported employment services; (f) interpreter services; (g) technical self-employment assistance; (h) rehabilitation technology, including telecommunications; (i) job-related services to the family; and (j) 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 goods and services for individual clients based on the client's IPE.

2. As noted, the primary source of revenue 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 allotment for that year. This funding is used to provide services to disabled individuals and to cover administrative expenses. The overall Title I-B allocation is authorized an annual increase in funding equal to the percentage change in the 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 2013 is \$60,274,400. According to DWD, the federal grant was estimated at \$63,397,400 at the beginning of the fiscal year; however, the federal sequestration reduced the amount available to Wisconsin by \$3,123,000 (4.9%).

3. Each increase in federal funds requires a corresponding increase in state matching funds to draw down the additional federal monies. State matching funds are provided through GPR and program revenue. Table 1 shows: (a) the amount of revenues made available by the federal government that could have been claimed since federal fiscal year (FFY) 2007; (b) the amount of federal revenues captured with state matching funds; and (c) the amount of federal revenues that the federal government retained because the state did not provide matching funds to capture the full amount.

TABLE 1

Federal Vocational Rehabilitation Grants -- Total Grant and Amount Captured

<u>Federal Fiscal Year</u>	<u>Total Federal Grant Available</u>	<u>Total Federal Grants Matched by the State</u>	<u>Federal Grant Amount Not Matched by the State</u>
2007	\$54,832,000	\$54,832,000	\$0
2008	55,648,200	55,648,200	0
2009	57,088,800	57,088,800	0
2010	60,807,000	55,648,200	5,158,800
2011	60,586,500	57,088,800	3,497,700
2012	61,532,700	55,648,200	5,884,500

4. As noted, federal law generally requires that each state provide matching funds for the DVR program to meet the federal MOE requirement. The federal MOE requirement is equal to the amount that the state provided two years prior. Under current law, Wisconsin's MOE level is \$15,061,100 for 2013-14 and \$15,451,000 for 2014-15. If the state does not meet the MOE level of funding, the Secretary of the Department of Labor (DOL) must reduce the state's allotment in the following year by the amount that the state was deficient in meeting its MOE requirement. The DOL Secretary may provide a waiver to this requirement if a state must respond to exceptional or uncontrollable circumstances, such as a major natural disaster or a serious economic downturn. As shown in Table 1, Wisconsin captured the total amount of federal funds available to the state from FFY 2007 through FFY 2009. Beginning in FFY 2010, the state provided matching funds in an amount needed to meet the federal MOE requirement, but not sufficient to capture the full federal allocation. State matching funds were held at the MOE level to draw down the same amount of federal monies in 2009-10 and 2011-12 (\$55,648,200) as the amount drawn down in 2007-08. As a result, the state avoided federal reductions by meeting the MOE requirement. Similarly, the amount of federal revenue captured by state matching funds in 2010-11 (\$57,088,800) was the same as the amount drawn down in 2008-09. Again, the state avoided federal reductions to the state grant amount by providing matching funds to meet the MOE requirement.

5. Table 2 shows the projected federal Title I-B vocational rehabilitation case service grants to Wisconsin and the state matching funds provided under AB 40. The Department estimates the federal grant amount for Wisconsin at \$60,274,400 in 2012-13, which reflects a reduction of 2.0% as compared to the prior year. The 2012-13 estimated funding level was reduced by 4.9%, as a result of the federal sequestration, compared to the amount that was originally estimated. State matching funds are provided at the MOE level for 2012-13 in an amount to draw down \$57,088,800 of the available federal grant. As a result, the amount of federal funding estimated to be available for Wisconsin's DVR program was not reduced by the sequestration. According to DWD, federal grants are estimated at \$62,396,100 for 2013-14 and \$64,592,400 for 2014-15, representing growth of 3.5% in each year. The following table shows the total amount of federal grant monies that are available to the state in the current fiscal year, and the amount of revenue that is expected to be available over the biennium.

TABLE 2

Federal Vocational Rehabilitation Grants and State Matching Funds Under AB 40

<u>State Fiscal Year</u>	<u>Federal Grants</u>	<u>State Match Required to Capture Funds</u>	<u>GPR and PR Matching Funds</u>	<u>State Match Gap</u>	<u>Unmatched Federal Funds</u>
2013	\$60,274,400	\$16,313,200	\$15,451,000	\$862,200	\$3,185,600
2014	62,396,100	16,887,400	15,061,200	1,826,200	6,747,400
2015	64,592,400	17,481,800	15,451,100	2,030,700	7,503,100

6. As shown in Table 2, the bill would provide total state GPR and PR matching funds of \$15,061,200 in 2013-14 and \$15,451,100 in 2014-15. The bill would appropriate state matching funds in an amount to meet the MOE requirement for each year of the biennium, but would not provide funds to capture the total amount of estimated federal funds. For 2013-14, the proposed state funding level would draw down estimated FED of \$55,648,700 in 2013-14, which would be \$6,747,400 lower than the estimated amount of federal dollars allocated to Wisconsin. Similarly, the proposed funding level would draw down \$57,089,300 FED in 2014-15, which would be \$7,503,100 lower than the estimated amount allocated to the state in 2014-15.

7. 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 OOS, 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 OOS determination is completed. The individual's OOS 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 OOS 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. Category 3 is for all other persons eligible for DVR services--

those who do not have a disability that seriously limits functional capacities and does 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.

8. As of March 18, 2013, the DVR order of selection wait list had a total of 4,129 eligible applicants. Of those individuals remaining on the wait list, one individual had a most significant disability (Category 1), 2,609 individuals had significant disabilities (Category 2), and 1,519 individuals were non-significantly disabled (Category 3). Table 3 shows the total number of persons that were on the DVR wait list at the end of the six prior federal fiscal years (September 30). According to DWD, the increase in the waiting list from 2007 to 2008 was primarily due to a staff hiring freeze that was in effect, as well as the slowdown in the economy. The Department indicates that the reduction in the waiting list from 2008 to 2009 reflects the Division's ability to hire project positions with federal monies from the American Recovery and Reinvestment Act of 2009, which offset reduced staff hours resulting from state mandated furloughs.

TABLE 3

End of Federal Fiscal Year DVR Wait List: 2007 to 2012

<u>Year</u>	<u>DVR Wait List</u>
2007	39
2008	5,642
2009	3,988
2010	4,648
2011	4,273
2012	4,564

9. According to DVR, Category 1 applicants generally receive services immediately and are not placed on the wait list. Persons on the Category 2 wait list currently experience an average wait time of between four and five months before receiving DVR services, and individuals with a Category 3 disability currently experience an indefinite waiting period. Each individual on the OOS wait list is contacted after the individual has been on the wait list for 12 months to determine if additional information is available and if he or she wishes to remain on the wait list. If the individual no longer wishes to remain on the wait list, his or her case is closed and the individual is notified in writing of the closure and the right to appeal the closure. For the past three years, DWD has contacted Category 3 individuals who have been on the wait list for at least 12 months and, as a result, 766 individuals were removed from the wait list in FFY 2011, 395 individuals were removed from the list in FFY 2012, and 161 individuals have been removed from the list in FFY 2013 as of April 9, 2013. Therefore, the 1,519 Category 3 individuals currently on the DVR waiting list may understate the number of persons that would seek DVR services if additional funding had been available to serve them.

10. At the funding level proposed by the Governor, DVR anticipates that the wait period

may extend to between four and six months before a Category 2 individual were to receive services. Individuals with a Category 3 disability are not expected to be invited off the wait list to receive services over the biennium, and are expected to continue to experience an indefinite waiting period. According to the Department, staff vacancies are being filled as quickly as possible and the current level of DVR counselors is unable to absorb any increase in the number of cases. The Department indicates that additional counselor positions would be needed to provide additional caseload services. The current counselor staffing level at DVR is 184 FTE positions. During FFY 2012, active caseload services were provided to approximately 22,000 individuals per month, which equates to nearly 120 active cases per counselor per month.

11. If state matching funds were increased to draw down the total amount of the federal grant available to Wisconsin in 2013-14 and 2014-15, the Department indicates that approximately nine additional counselor positions would be needed to best serve additional DVR consumers with the additional revenues available for case services. If the Legislature authorized those additional counselors to the Division, new position authority of 1.92 GPR and 7.08 FED could be provided in 2013-14 and 2014-15. DWD reports that salary, fringe benefits, and general administrative overhead would total \$612,100 per year for the additional positions. The remaining additional funds would be used to purchase rehabilitative goods and services.

12. According to DWD, the annual cost for case services (which is in addition to salary and administrative overhead) per consumer in the DVR program is approximately \$2,943. If the state were to provide additional GPR of \$1,826,200 in 2013-14 and \$2,030,700 in 2014-15, it is estimated that the state would be able to capture the full amount of federal DVR monies. As compared to the state matching funds currently appropriated under the bill, an additional \$8,573,600 in 2013-14 and \$9,533,800 in 2014-15 would be available for DVR. If the Division were to hire an additional nine counselors to serve additional DVR consumers, approximately \$7,961,500 in 2013-14 and \$8,921,700 in 2014-15 would be available for case service aids. The additional revenues could serve approximately 2,705 eligible individuals in 2013-14 and 3,031 individuals in 2014-15, as compared to the amount of state matching funds currently provided for DVR case service aids in the budget bill.

Based on the analysis described above, an estimated 5,736 additional individuals could be served and invited off the wait list over the biennium if the Legislature provided GPR funding to draw down the full federal grant amount. This would suggest that the current wait list (4,129 persons) could be eliminated. However, while it is expected that the waiting list would be significantly reduced if state matching funds were to draw down the full amount of federal funds in support of the program, it might not be entirely eliminated. Costs for case services under this analysis were based on actual FFY 2012 costs of \$2,943 per individual served. If these costs increase, the estimated number of additional individuals who could be served would be somewhat overstated. Additionally, Category 3 individuals who voluntarily chose to remove themselves from the waiting list, or individuals who chose not to apply for services due to the indefinite waiting period, may choose to apply for DVR services that were not previously available to them. General population growth over the biennium could also lead to an increased number of individuals seeking DVR services.

ALTERNATIVES

1. Approve the Governor's recommendation to provide state matching funds for vocational rehabilitation case service aids of \$14,912,100 GPR and \$149,100 PR in 2013-14 and \$15,302,000 GPR and \$149,100 PR in 2014-15 to meet the MOE requirement for state matching funds.

2. Increase appropriated revenues and position authority for vocational rehabilitation case service aids by \$1,826,200 GPR in 2013-14, \$2,030,700 GPR in 2014-15, and 1.92 GPR positions annually to capture the total estimated federal match available over the biennium. Increase federal funds and position authority under the bill by \$6,747,400 FED in 2013-14, \$7,503,100 FED in 2014-15, and 7.08 FED positions annually to reflect increased estimates for federal matching funds.

ALT 2	Change to Bill	
	Funding	Positions
GPR	\$3,856,200	1.92
FED	<u>14,250,500</u>	<u>7.08</u>
Total:	\$18,107,400	9.00

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

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