



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

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Joint Committee on Finance

Paper #665

Increase Vocational Rehabilitation Resources (Workforce Development -- Departmentwide and Worker's Compensation)

[LFB 2021-23 Budget Summary: Page 634, #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. The vocational rehabilitation program is a federal and state program to assist individuals with disabilities to obtain, maintain, and improve employment opportunities. Funding for the program is provided by the U.S. Department of Education's Rehabilitation Services Administration through a federal vocational rehabilitation Title I-B grant (78.7%), as well as state matching funds (21.3%). These matching funds are drawn from general purpose revenues (GPR) in a continuing appropriation under DVR.

The amount of Title I-B funds that may be drawn with state matching funds is capped at a certain amount annually for each state. Federal funds are allocated among states based on a formula, which is, in part, based on the state's population and per-capita income. 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. Federal monies allocated to Wisconsin for federal fiscal year 2020-21 are \$65,064,265. For the 2020-21 federal fiscal year, state matching funds of \$17,606,553 would be required to receive the full federal matching grant.

DISCUSSION POINTS

1. The following table shows the estimated amount of Title I-B federal funding available from federal fiscal year 2021 through 2023 and the amount of GPR required to fully match the additional federal resources. Amounts in the 2022 and 2023 federal fiscal years are based on DWD

estimates as of the September, 2020, agency budget request for the percentage increase shown in Title I-B grants. On February 2, 2021, the Department of Education awarded \$65,064,265 in Title I-B grant funding to DWD for the 2021 federal fiscal year. According to DWD, this amount was consistent with the base-year amount that the Department assumed to calculate the GPR match funding requested in the agency budget submission.

Federal Vocational Rehabilitation Grants and State Matching Funds -- FFY 2021 through FFY 2023

| <u>Federal Fiscal Year (FFY)</u> | <u>Grant Allocation (FED)</u> | <u>% Growth in FED Allocation</u> | <u>State Matching Funds (GPR)</u> | <u>State Match</u> |
|----------------------------------|-------------------------------|-----------------------------------|-----------------------------------|--------------------|
| 2021 | \$65,064,265 | -- | \$17,606,553 | 21.3% |
| 2022 | 65,600,000 | 0.8% | 17,754,511 | 21.3 |
| 2023 | 65,900,000 | 0.5 | 17,835,705 | 21.3 |

2. The methodology DWD used to arrive at the agency's GPR request includes a decline in case service costs during 2020-21, followed by a rebound in active vocational rehabilitation case numbers and costs through the 2021-23 biennium as part of the post-pandemic economic recovery. As of March 2021, the Department reports that while case service costs have declined slightly more than the original projections, these lower costs will not change the overall level of GPR needed during the 2021-23 biennium. However, if actual case service costs end the fiscal year lower than the original projections by the Department, it would reason that there would be some amount of additional carryover funding into the 2021-23 biennium.

3. Among DVR's options for controlling costs is the authority to expand the order-of-selection waiting list process. Under federal law, if vocational rehabilitation services cannot be provided to all eligible individuals with disabilities in the state who apply for the services, the state 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; (c) include an assurance that 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 selection criteria must have access to other services provided through an information and referral system. DWD currently uses three categories of selection, with Category 1 including those with the most significant disabilities and the highest priority for services. Category 2 includes individuals with a significant disability, and Category 3 includes all other persons eligible for DVR services.

4. If no additional GPR funding were provided beyond standard budget adjustments, as approved by the Committee on May 6, the Department estimates that the continuing balance in DVR's GPR appropriation would be -\$204,000 at the close of the 2021-23 biennium given current assumptions about staffing and case services costs [Alternative 1]. This would result in \$1 million less in combined GPR and FED funding, of DVR's roughly \$90 million all-funds annual program costs. Should adequate resources not be provided, DVR would need to monitor demand during the biennium to determine if and when to place eligible individuals in Category 2 on a waiting list. DVR

has not placed Category 2 individuals on a waiting list since 2014.

5. The Department estimates that the amount of GPR provided in Assembly Bill 68/Senate Bill 111 will fully fund the DVR program and draw the full federal Title I-B funding anticipated to be available to DVR in the 2021-23 biennium. According to the Department, the \$929,300 GPR total request would not be used as overmatch, but rather any excess GPR would remain in the continuing appropriation to apply to Title I-B grants in the 2023-25 biennium.

6. DVR routinely carries over funds between state fiscal years, mostly due to differences in the state and federal fiscal years and to cover spending commitments for services spanning multiple state fiscal years. At present, DWD estimates that an entire Title I-B federal grant allotment that is obligated in one federal fiscal year, will take approximately 20 months to fully expend. Spending down one grant amount over 20 months results in carrying encumbrances from one state fiscal year to the next.

7. The Department estimates the continuing balance in DVR's GPR appropriation at the close of 2020-21 to be \$2.8 million. As a point of comparison, for the five years from 2015-16 through 2019-20, the continuing closing balance in DVR's GPR appropriation averaged \$3.2 million per year. The Department further indicates that generally all continuing amounts are either encumbered or otherwise committed for DVR costs and services.

8. If the GPR amounts for vocational rehabilitation services in AB 68/SB 111 is approved without modification [Alternative 2], the continuing balance at the close of the 2021-23 biennium is estimated to be \$726,000. Given the continuing balance together with potentially lower-than-anticipated service costs incurred in 2020-21, the Committee could choose to provide a lower amount of GPR funding while placing the balance of the additional GPR funding requested by the Department in the Committee's supplemental appropriation, should DWD need the additional GPR resources to secure the full federal match. [Alternative 3]

9. In addition, AB 68/SB 111 would provide 1.0 employment supports coordinator position and associated funding. According to the Department, the position would coordinate and report on activities for the advancement of competitive integrated employment opportunities for individuals with disabilities, as required under 2017 Wisconsin Act 178, and coordinate supported employment services for individuals with the most significant disabilities. Act 178 requires prioritization of competitive integrated employment in all publicly funded services and supports to working-age persons with disabilities. It also requires DWD to lead a collaboration with other state agencies, including the Departments of Health Services and Public Instruction to support increased competitive integrated employment. [Alternative 4]

ALTERNATIVES

1. Provide \$204,000 GPR and \$753,800 FED in 2022-23 for the vocational rehabilitation program. (Funding would be estimated to support estimated state matching expenditures for vocational rehabilitation services in the 2021-23 biennium, when combined with a portion of the funds from the continuing balance.)

| ALT 1 | Change to Base |
|--------------|-----------------------|
| GPR | \$204,000 |
| FED | <u>753,800</u> |
| Total | \$957,800 |

2. Provide \$890,900 GPR and \$3,291,700 FED in 2022-23 for the vocational rehabilitation program. (This would be estimated to fully fund the program in the 2021-23 biennium, based on estimated case numbers and federal funding.)

| ALT 2 | Change to Base |
|--------------|-----------------------|
| GPR | \$890,900 |
| FED | <u>3,291,700</u> |
| Total | \$4,182,600 |

3. Provide \$204,000 GPR and \$753,800 FED in 2022-23 for the vocational rehabilitation program. Additionally, provide \$686,900 GPR in the Joint Committee on Finance supplemental appropriation in 2022-23. (DWD could request additional funding if needed to match federal funds.)

| ALT 3 | Change to Base |
|--------------|-----------------------|
| GPR | \$890,900 |
| FED | <u>753,800</u> |
| Total | \$1,644,700 |

4. In addition to Alternative 1, 2, or 3, provide \$16,400 GPR and \$60,600 FED in 2021-22, and \$22,000 GPR and \$81,300 FED in 2022-23, and 0.21 GPR positions and 0.79 FED positions annually for the vocational rehabilitation program.

| ALT 4 | Change to Base | |
|--------------|-----------------------|------------------|
| | Funding | Positions |
| GPR | \$38,400 | 0.21 |
| FED | <u>141,900</u> | <u>0.79</u> |
| Total | \$180,300 | 1.00 |

5. Take no action.

Prepared by: Ryan Horton