



Legislative Fiscal Bureau

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

October 13, 2009

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Governor's Request for Approval of Allocation of Federal Economic Stimulus Funding for Department of Workforce Development Programs -- Agenda Items VIII and IX

REQUEST

The Governor requests approval of the following increases in expenditure authority to reflect the allocation of American Recovery and Reinvestment Act (ARRA) funds in Department of Workforce Development (DWD) appropriations in 2009-10 as follows: (a) \$389,497 under s. 20.445(5)(n), federal program aids and operations (vocational rehabilitation services); (b) \$3,800,000 under s. 20.445(1)(m), workforce investment and assistance; federal moneys; and (c) \$5,766,720 under s. 20.445(1)(n), employment assistance and unemployment insurance administration; federal moneys.

BACKGROUND

Wisconsin receives annual allocations of Title 1-B vocational rehabilitation and unemployment insurance (UI) administration funds from the federal government. The ARRA provided additional amounts of federal funds to the states for these purposes.

Federal Title 1-B Vocational Rehabilitation Case Service Aids

The Division of Vocational Rehabilitation (DVR) within 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 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. Total federal Title 1-B case service aids funding is \$57,088,852 for federal fiscal year 2009, not including additional ARRA funds.

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. 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.

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 (SSI) 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.

Special Administrative Transfer of Unemployment Insurance Administration Funds

DWD receives annual federal funds for UI administration based on workload. DWD received \$63.5 million in federal funds for administering the state UI program in federal fiscal year 2007-08. Due to the high workload caused by increased unemployment, DWD has received \$76.7 million through the first three quarters of federal fiscal year 2008-09.

ARRA provided a special administrative transfer of unemployment insurance administrative funds to all states totaling \$500,000,000. Each state's share is based on its proportionate share of federal unemployment insurance taxable wages. Wisconsin was allocated \$9,566,720. The special administrative transfer funds can only be used for the following purposes:

- a. Implementing and administering the provisions of state law that qualify the state for ARRA Unemployment Insurance Modernization Act incentive payments.
- b. Improve outreach to individuals who might be eligible for unemployment insurance due to state UI modernization provisions.
- c. Improvement of UI tax and benefit operations, including responding to increased demand for UI.
- d. Staff-assisted reemployment services for unemployment insurance claimants.

Federal ARRA administrative transfer funds cannot be used to pay UI benefits.

Under the federal UI Modernization Act, a state's eligibility for its maximum incentive payment is conditioned on the state's UI law containing specific provisions. Wisconsin's UI law was modified to conform with required federal provisions in 2009 Wisconsin Act 11. Consequently, the state received a total UI Modernization allocation of \$139.9 million. The funds were deposited in the state unemployment reserve fund and can be used to pay UI benefits or, if appropriated by the Legislature, to administer the state UI program or deliver UI services.

ANALYSIS

The American Recovery and Reinvestment Act allocates \$389,497 for Title 1-B vocational rehabilitation case service aids and \$9,566,720 in special unemployment insurance administration funds to Wisconsin. The funds can only be used for activities that are eligible under federal law.

Federal Title 1-B Vocational Rehabilitation Case Service Aids

DWD was allocated \$5,000,000 in Title 1-B vocational rehabilitation case service aids at the April 13, 2009, meeting of the Joint Committee on Finance acting under s. 13.10 of the statutes. The ARRA funds do not require a state match. The Department has used the federal funds to

activate approximately 2,500 individuals from OOS Category 2 from the waiting list, and to provide them with vocational rehabilitation services. ARRA provides an additional \$389,497 in Title 1-B aids. As of October 7, 2009, DVR had a wait list of 3,179 eligible applicants. This was comprised of 1,899 Category 2 and 1,283 Category 3 individuals. The Division estimates that the additional ARRA funds would be used to activate 140 to 145 individuals from the wait list in 2009-10.

Special Administrative Transfer of Unemployment Insurance Administration Funds

The August, 2009, state unemployment rate (seasonally adjusted) was 8.8%, compared to 4.7% for August 2008. Initial unemployment insurance benefit claims for the week ending September 26 were 16,055, compared to 9,844 for the same week in 2008. Similarly, regular UI benefit claims were 128,973 for the week ending September 26, while last year there were 64,406 regular UI claims. The ARRA UI administration funds would be used to provide reemployment services and outreach to UI benefit claimants, and to fund UI administrative costs associated with the increased number of claimants.

DWD was allocated \$7,291,549 in federal ARRA Wagner-Peyser funds at the April 13, s.13.10 meeting. The funds have been used to hire employment and training specialist project positions to provide re-employment services to unemployment insurance claimants. A total of \$3,800,000 of the UI special transfer of administrative funding would be used to extend these services for UI claimants from September, 2010, to June, 2011.

The remaining \$5,766,720 in UI special administration transfer funds would be used to fund modernization of the system used to process UI benefit claims. Specifically, the funds would be used to develop an improved "claimant portal" to facilitate filing UI benefit claims on the Internet. In addition, the funds would be used to upgrade the document imaging and routing system (UIBNET) to provide for faster, more accurate claims processing.

CONCLUSION

The ARRA Title 1-B funds would supplement previously allocated funds and be used to activate additional eligible vocational rehabilitation individuals from the DVR wait list, and provide them with vocational rehabilitation services. UI special administrative transfer funds of \$3,800,000 would be used to extend re-employment services to UI claimants. The services are currently funded with ARRA moneys allocated at the April 13, 2009 s. 13.10 meeting of the Joint Committee on Finance. A total of \$5,766,720 in special administrative transfer moneys would be used to fund administrative expenses related to increased demand for unemployment insurance. Approval of the request would be consistent with the requirements and intent of the federal ARRA legislation.

Prepared by: Ron Shanovich