



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #830

Reallocation of GPR Funding Reductions (DWD -- Departmentwide)

[LFB 2003-05 Budget Summary: Page 468, #2]

CURRENT LAW

Among the Department of Workforce Development's (DWD's) GPR appropriations are 20.445(1)(a)--general program operations-workforce development; 20.445(3)(a)--general program operations-economic support; and 20.445(5)(a)--general program operations-vocational rehabilitation services. Table 1 shows base level funding for these appropriations.

TABLE 1

Base Level Funding for State Operations Appropriations

20.445(1)(a)	General program operations-workforce development	\$ 7,062,300
20.445(3)(a)	General program operations-economic support	11,015,900
20.445(5)(a)	General program operations-vocational rehabilitation	5,742,500

GOVERNOR

In addition to other decision items affecting these three appropriations, the bill would make the following base budget reductions:

TABLE 2

Base Budget Reductions Recommended by the Governor

		<u>2003-04</u>	<u>2004-05</u>
20.445(1)(a)	General program operations-workforce development	-\$2,706,700	-\$2,459,500
20.445(3)(a)	General program operations-economic support	-332,700	-359,800
20.445(5)(a)	General program operations-vocational rehabilitation	<u>-188,900</u>	<u>-194,800</u>
Total		-\$3,228,300	-\$3,014,100

DISCUSSION POINTS

Requested Reallocation of the Base Budget Reductions

1. The administration has requested that the base budget reductions be modified to allocate a greater portion of the total decrease to the economic support and vocational rehabilitation appropriations, as shown below in Table 3. With this modification, cuts of \$1,784,800 (\$984,600 in 2003-04 and \$800,200 in 2004-05) would be reallocated from the workforce development program operations appropriation to the other two appropriations.

TABLE 3

Requested Reallocation of Base Budget Reductions

	<u>Governor's Bill</u>		<u>Reallocation</u>		<u>Difference</u>	
	<u>2003-04</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2004-05</u>
Workforce Development	-\$2,706,700	-\$2,459,500	-\$1,722,100	-\$1,659,300	\$984,600	\$800,200
Economic Support	-332,700	-359,800	-962,700	-867,400	-630,000	-507,600
Vocational Rehabilitation	<u>-188,900</u>	<u>-194,800</u>	<u>-543,500</u>	<u>-487,400</u>	<u>-354,600</u>	<u>-292,600</u>
Total	-\$3,228,300	-\$3,014,100	-\$3,228,300	-\$3,014,100	\$0	\$0

2. DWD has requested the reallocation because the Department believes that the cuts to the workforce development appropriation under the bill would not be manageable. These reductions would represent 38% of the base funding level in 2003-04 and nearly 35% in 2004-05. The funding in this appropriation primarily supports the Division of Equal Rights, which administers the state's laws pertaining to: discrimination in employment, housing, and public accommodations; family and medical leave; hours and conditions of work; minimum wage and timely payment of wages; child labor; plant closings; and prevailing wage rates.

3. The Department indicates that the reductions under the bill were intended as a "placeholder" with the understanding that the bill would also include a provision to permit the reductions to be reallocated shortly after passage of the bill with approval by the Department of Administration and the Joint Committee on Finance, under a 14-day passive review process.

4. However, the reallocation provision was not included in the bill. The Department could still request a reallocation after passage of the bill under section 13.10, but this would require approval by the Finance Committee at one of its quarterly meetings, rather than a passive review process. Because of the magnitude of the reductions to the workforce development appropriation, DWD believes that it would be preferable to reallocate the cuts as part of the bill instead of through the section 13.10 process. This would provide more certainty to the Department in planning to implement the budget reductions.

Impact on the Child Support Enforcement Budget

5. Under the bill, the economic support program operations appropriation would have funding of \$9,700,900 GPR in 2003-04 and \$9,459,700 GPR in 2004-05. Nearly all of the funding in this appropriation (about 94%) is used by the Bureau of Child Support to fund the KIDS computer system and other state child support enforcement activities. Therefore, it is likely that most or all of the additional reductions to this appropriation requested by the administration would come from the child support budget.

6. State GPR expenditures for child support enforcement are eligible for federal matching funds at a 66/34 federal/state matching rate. Therefore, each \$1 reduction in GPR expenditures results in reduced federal funding of \$1.94, and total spending must be decreased by \$2.94. If all of the proposed reallocation of \$630,000 GPR in 2003-04 and \$507,600 GPR in 2004-05 from the economic support appropriation were taken from the child support budget, there would be a loss of federal revenues equal to \$1,222,900 in the first year and \$985,300 in the second year. Total child support funding would be reduced by \$1,852,900 in 2003-04 and \$1,492,900 in 2004-05.

7. With these reductions, it is estimated that the Bureau of Child Support would have a deficit of \$3.3 million in 2003-04 and \$1.4 million in 2004-05 under the other provisions of the bill. These deficits would have to be addressed through unspecified spending decreases.

8. Despite the potential loss of federal child support revenue and the projected child support deficits, DWD believes that the proposed reallocation would be preferable to the budget reductions in the bill.

9. The Department also notes that the reductions to the workforce development appropriation initially proposed by the Governor could make it more difficult for the Division of Equal Rights to resolve allegations of employment discrimination, which could potentially result in lost federal revenues from a contract the Division has with the federal Equal Employment Opportunity Commission. The federal contract pays the Equal Rights Division \$500 per case and

totals approximately \$1 million per year.

Impact on the Vocational Rehabilitation Budget

10. The Division of Vocational Rehabilitation (DVR) is required to advise and assist any disabled individual who applies to DVR for vocational rehabilitation services. Disabled individuals apply for services at a DVR field office and staff counselors arrange medical, psychological, and vocational evaluations to determine eligibility for rehabilitation services. For those deemed eligible, the field staff develop individual rehabilitation plans, 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.

11. 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% of state funds to 78.7% of 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 total amount of federal title I-B funds allocated to Wisconsin is \$51,022,700 for federal fiscal year 2003-04 and \$51,736,600 for federal fiscal year 2004-05.

12. The federal Title I-B funding generally increases each year. Each increase requires a corresponding increase in state matching funds. State matching funds are provided through DVR program revenue and GPR appropriations and cooperative arrangements. Total funding amounts provided in the bill for state matching funds are \$12,294,100 GPR and \$175,000 PR in 2003-04 and \$12,288,200 GPR and \$175,000 PR in 2004-05. In addition, \$350,000 PR annually in Native American gaming compact monies is provided as state matching funds for vocational rehabilitation services for Native Americans. The amount of state matching funds provided is generally determined independently from the amount of the federal Title I-B award and state funds are not sufficient to fully match the federal award.

13. DVR has used cooperative arrangements to provide the state matching funding to cover the gap between the state GPR funding and the amount of state match required to capture the full federal Title I-B grant. Federal regulations authorize the states to use cooperative arrangements to provide matching funds for federal Title I-B monies. Generally, cooperative arrangements 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 are provided through an agreement with a third-party agency or organization.

14. Table 3 shows that the proposed reallocation of GPR base budget reductions would further reduce state GPR Title I-B matching funds by \$354,600 in 2003-04 and by \$292,600 in 2004-05. It is likely that cooperative arrangements would be used to replace all or most of deleted

GPR funds.

15. The use of cooperative arrangements as match for federal Title I-B funds has proven to be controversial. The GPR matching funds for client services are used by DVR counselors in district offices to purchase services and materials for individual clients. In some cases, cooperative arrangements have been substituted for 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 this situation.

16. A criticism of the use of cooperative arrangements is that the services 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 GPR funding. In addition, it is generally more expensive to provide rehabilitation services through cooperative arrangements.

17. 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 cooperative arrangement lends itself to meeting the service need, the Division pursues that option. Advocates indicate cooperative arrangements 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 high unemployment rates.

Option to Restore GPR Funding

18. As described above, the reallocations proposed by DWD would likely result in foregone federal child support matching revenues and could result in foregone federal vocational rehabilitation funds if the Department is unable to make further use of cooperative arrangements as a match for Title I-B funding. If the Committee wishes to ensure that these potential federal funding losses do not occur and address the Department's concern about the level of funding reductions in its program operations-workforce development appropriation, GPR funding of \$984,600 in 2003-04 and \$800,200 in 2004-05 could be restored to that appropriation. Under this option, funding in the economic support and vocational rehabilitation program operations appropriations would not be decreased from the amounts in the bill.

ALTERNATIVES

1. Adopt the Governor's recommendation, as drafted in SB 44.
2. As requested by the administration, reallocate base budget reductions of \$630,000 GPR in 2003-04 and \$507,600 GPR in 2004-05 from appropriation 20.445(1)(a) [general program

operations-workforce development] to 20.445(3)(a) [general program operations-economic support] and reallocate reductions of \$354,600 GPR in 2003-04 and \$292,600 GPR in 2004-05 from appropriation 20.445(1)(a) to 20.445(5)(a) [general program operations-vocational rehabilitation]. Decrease child support matching funds by \$1,222,900 FED in 2003-04 and \$985,300 FED in 2004-05.

<u>Alternative 2</u>	<u>FED</u>
2003-05 FUNDING (Change to Bill)	- \$2,208,200

3. Adopt one of the two reallocations of base budget reductions requested by the administration:

a. Reallocate base budget reductions of \$630,000 GPR in 2003-04 and \$507,600 GPR in 2004-05 from appropriation 20.445(1)(a) [general program operations-workforce development] to 20.445(3)(a) [general program operations-economic support]. Decrease child support matching funds by \$1,222,900 FED in 2003-04 and \$985,300 FED in 2004-05.

<u>Alternative 3a</u>	<u>FED</u>
2003-05 FUNDING (Change to Bill)	- \$2,208,200

b. Reallocate base budget reductions of \$354,600 GPR in 2003-04 and \$292,600 GPR in 2004-05 from appropriation 20.445(1)(a) [general program operations-workforce development] to 20.445(5)(a) [general program operations-vocational rehabilitation].

4. Restore \$984,600 GPR in 2003-04 and \$800,200 GPR in 2004-05 to DWD's general program operations-workforce development appropriation [20.445(1)(a)]. Under this option, the funding levels in the workforce development appropriation would be consistent with the reallocations requested by DWD without further reductions in GPR funding in the economic support and vocational rehabilitation appropriations (and the potential loss of federal revenues and additional use of cooperative arrangements for vocational rehabilitation services).

<u>Alternative 4</u>	<u>GPR</u>
2003-05 FUNDING (Change to Bill)	\$1,784,800

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