



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #840

Vocational Rehabilitation -- Rehabilitation Case Services Funding (DWD -- Employment, Training and Vocational Rehabilitation)

[LFB 2005-07 Budget Summary: Page 535, #1]

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 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 rehabilitation services for those deemed eligible. After an individual completes the employment plan and he or she is determined to be rehabilitated and the case file is closed. 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 these funds to each state. A match of 21.3% of state funds to 78.7% federal funds is required to receive federal monies.

GOVERNOR

Provide \$957,000 GPR in 2005-06 and \$1,134,000 GPR in 2006-07 for vocational rehabilitation case services funding for the Division of Vocational Rehabilitation to provide matching funds for increased federal funds.

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 devices, and eyeglasses and visual services; (d) transportation; (e) on-the-job or 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 programs 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 materials for individual clients from local vendors.

2. DVR also provides for certain rehabilitation services that are needed for individual rehabilitation plans through contracts with other government agencies. Counselors develop plans for services for individual clients and the plans are reviewed to determine client needs. In certain cases, DVR contracts with governmental units to provide ongoing, new, or expanded services if necessary. For example, DVR could contract for interpreter or job training services offered by a technical college. The governmental units can contract with private, nonprofit organizations to provide these services. Typically, the DVR client is given a purchase order for the services and the agency is reimbursed for services provided.

3. 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 finding is used to provide services to disabled individuals and to cover administrative expenses. The total amount of Title I-B funds allocated to Wisconsin is \$51,503,700 for federal fiscal year 2003-04 and \$51,866,700 for federal fiscal year 2004-05.

4. The federal Title I-B award is authorized an annual increase in funding equal to the percentage change in the consumer price index. In recent years, this has ranged between 1% and 2%. Each increase requires a corresponding increase in state matching funds. State matching funds are provided through Division GPR and program revenue funds, and cooperative arrangements. According to DWD, 2004-05 amounts available for state matching funds are \$12,388,900 in state GPR and PR funding. In addition, \$350,000 PR annually in American Indian gaming compact monies for vocational rehabilitation services for Native Americans is provided as state matching funds.

5. DVR has used cooperative arrangements to provide the state matching funding to cover the gap between the state GPR matching funds and the amount of state match required to capture the full federal Title I-B grant. Federal regulations authorize 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.

6. Table 1 shows federal funds, cooperative arrangements, total funding for case services, and the percentage of total funding attributable to cooperative arrangements under current law. Note that since the agency's budget request the projected amount of the Federal Title I-B grant to Wisconsin for federal fiscal years 2005 through 2007 has increased. The table reflects those higher amounts. The table shows that, under current law provisions, the percentage of total case service aids provided through cooperative arrangements would be 13.7% in federal fiscal year 2006 and 15.9% in federal fiscal year 2007. The lack of cooperative arrangement funding in 2002 and 2003, and low levels in 2001 and 2004, in part, is due to increased GPR matching funding provided in the 2001-03 biennial budget.

TABLE 1

**Cooperative Arrangement Related Funding and Total Funding
For Vocational Rehabilitation Services Under Current Law**

<u>Federal Fiscal Year</u>	<u>Cooperative Arrangement Match</u>	<u>Federal Matching Funds</u>	<u>Total Cooperative Arrangement Funds</u>	<u>Total Case Services</u>	<u>Cooperative Arrangement as a Percent of Total Service</u>
2000	\$1,025,400	\$3,788,800	\$4,814,200	\$35,994,500	13.4%
2001	163,800	605,100	768,800	35,655,500	2.2
2002	0	0	0	36,748,600	0.0
2003	0	0	0	38,003,300	0.0
2004	37,200	137,300	174,500	38,581,000	0.5
2005	1,298,700	4,798,500	6,097,200	40,692,100	15.0
2006	1,125,600	4,158,800	5,284,400	38,644,500	13.7
2007	1,339,300	4,948,500	6,287,800	39,647,900	15.9

7. The use of cooperative arrangements as matching funds has proven to be controversial in past years. The GPR matching funds that are appropriated to DVR for client services are typically distributed to vocational rehabilitation counselors in the Division's district offices. The counselors use this money to purchase services and materials for individual clients. However, cooperative arrangements have been substituted for some 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 using cooperative arrangements as a significant source of state matching funds.

8. A criticism of the use of cooperative arrangements is that the services that are

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 the GPR funding. In addition, it is generally more expensive to provide rehabilitation services through cooperative arrangements. A 1998 analysis by DVR staff determined that it cost \$5,100 per rehabilitation when some third-party services were used while the cost per rehabilitation was \$2,800 when no third-party services were used.

9. 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 that cooperative arrangements can provide new ways to serve people with the most significant disabilities. These arrangements can also be used to create more effective services for specific disability groups with very high unemployment rates.

10. To address concerns related to the use of cooperative arrangements, DVR and the Wisconsin Rehabilitation Council agreed to include a provision in the fiscal year 2003 state plan for the vocational rehabilitation services program to designate at least 90% of the Title I-B case aids budget to providing direct support to IPE services. This limits the proportion of cooperative arrangement funding that can be used for case services to 10% of total case service aids funding.

11. As noted, the federal Title I-B award increases each year, and is projected to increase 1.5% annually in federal fiscal years 2006 and 2007. Base level matching funds for case service aids are \$7,151,500 GPR and \$350,000 PR in tribal gaming revenue. As Table 1 shows, under current law, the level of cooperative arrangement funding that would be necessary to capture the full federal award would equal 13.7% of total case service aids funding in 2005-06 and would increase to 15.9% of total funding in 2006-07. The bill would provide \$957,000 GPR in 2005-06 and \$1,134,000 GPR in 2006-07, which was projected to eliminate the need for using cooperative arrangements to provide case service aids matching funds. However, these amounts do not account for \$300,000 GPR annually that would be transferred from the Department of Health and Family Services (DHFS) to offset the transfer of DVR social security reimbursement monies to DHFS to help fund independent living centers (LFB Paper #841). Together with the GPR transferred from DHFS, the additional case service aids funding provided in AB 100 would be more than sufficient to eliminate the need for cooperative arrangement matching funding. However, if the \$300,000 GPR annual transfer was not approved, an additional \$148,600 GPR in 2005-06 and \$185,300 GPR in 2006-07 would be necessary to eliminate the need for cooperative arrangement matching funds. Table 2 shows state GPR and PR matching funds that would be provided under current law, Table 3 shows those amounts that would be provided under AB 100.

TABLE 2

Federal Vocational Rehabilitation Allotment and State Matching Funds Under Current Law

<u>Fiscal Year</u>	<u>Federal Allotment</u>	<u>Total Required Match</u>	<u>State GPR and PR Matching Funds</u>	<u>American Indian Gaming Revenue</u>	<u>Estimated Cooperative Arrangement Matching Funds</u>
2005	\$51,866,700	\$14,037,600	\$12,388,900	\$350,000	\$1,298,700
2006	52,644,700	14,248,200	12,772,600	350,000	1,125,600
2007	53,434,300	14,461,900	12,772,600	350,000	1,339,300

TABLE 3

Federal Vocational Rehabilitation Allotment and State Matching Funds Under AB 100

<u>Fiscal Year</u>	<u>Federal Allotment</u>	<u>Total Required Match</u>	<u>State GPR and PR Matching Funds</u>	<u>American Indian Gaming Revenue</u>	<u>Estimated Cooperative Arrangement Matching Funds</u>
2005	\$51,866,700	\$14,067,600	\$12,388,900	\$350,000	\$1,298,700
2006	52,644,700	14,248,200	14,049,600	350,000	0
2007	53,434,300	14,461,900	14,226,600	350,000	0

12. Federal law requires that, prior to the start of each federal fiscal year, DWD must determine the amount of funding available for vocational rehabilitation services and estimate the cost of: (a) providing services to all current clients; (b) assessing the eligibility of all new applicants; (c) providing rehabilitation services to the new applicants determined to be eligible to receive services; and (d) administering the vocational rehabilitation program. Rehabilitation services can only be limited by the severity of the disability, not the type of disability or availability of funding. When funding is not sufficient to provide services to everyone who is eligible, DVR is required to use federal order of selection (OOS) criteria to create service categories (order of selection) based on the severity of the disability. Services must be provided to the most significantly disabled individuals first.

13. The state order of selection consists of three categories. Category 1 is for individuals with three or more severe functional limitations requiring multiple services over an extended period

of time. Category 2 is for individuals with one or two severe limitations requiring multiple services over an extended period of time. Category 3 is for individuals with no severe limitation not requiring multiple services over an extended period of time. Each category has had cases activated in 2004-05 and each category has had waiting lists during the year. As of March 2005, the waiting lists by category were 2,277 for Category 1, 8,532 for Category 2, and 808 for Category 3.

14. DVR estimates that an additional \$38,336,100 would be necessary to open all OOS categories and activate all individuals on the OOS waiting list for March, 2005. The additional funding would not draw additional matching dollars, but would fully fund rehabilitation services for additional clients with GPR. In addition, DVR indicates that it would require additional counselors and administrative staff to address the increased workload, but has not provided a specific estimate of additional administrative costs. Eliminating the March waiting lists by category would require the following funding; (a) Category 1-- \$7,514,100 GPR; (b) Category 2 -- \$28,155,600 GPR; and Category 3 -- \$2,666,400 GPR. It should be noted that these funding amounts would eliminate the waiting lists as of March 2005. An individual applying April 1, 2005 and after would be placed on a waiting list until funding was available. DVR estimates that rehabilitation services average \$3,300 per case.

ALTERNATIVES

1. Approve the Governor's recommendation to provide \$957,000 GPR in 2005-06 and \$1,134,000 GPR in 2006-07 for vocational rehabilitation case services funding for the Division of Vocational Rehabilitation to provide matching funds for increased federal funds.

2. Modify the Governor's recommendation and provide an additional \$7,514,100 GPR in 2005-06 to eliminate the waiting list in Category 1 of the order of selection.

Alternative 2	GPR
2005-07 FUNDING (Change to Bill)	\$7,514,100

3. Maintain current law.

Alternative 3	GPR
2005-07 FUNDING (Change to Bill)	- \$2,091,000

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