Legislative Fiscal Bureau

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

May 5, 2005 Joint Committee on Finance Paper #841

Vocational Rehabilitation -- Independent Living Center Funding (Workforce Development -- Employment, Training, and Vocational Rehabilitation Programs)

[LFB 2005-07 Budget Summary: Page 287, #11 and Page 535, #2]

CURRENT LAW

There are eight independent living center (ILC) organizations in Wisconsin that provide nonresidential services to individuals with disabilities. The Department of Health and Family Services (DHFS) provides grants to ILCs with GPR funding and federal social security reimbursement funds transferred from the Division of Vocational Rehabilitation (DVR) in the Department of Workforce Development (DWD). Currently, DVR is required to transfer up to $300,000 annually to DHFS in federal social security reimbursement funding for grants to ILCs.

GOVERNOR

Provide $300,000 GPR annually in DVR for vocational rehabilitation case services to reflect the transfer of funding used to make grants to ILCs from DHFS. DVR would use the funding as match for federal Title I-B funds. In addition, DVR would be required to transfer $600,000 (rather than up to $300,000) annually in federal social security reimbursement funds to DHFS to provide funding for grants to ILCs.

DISCUSSION POINTS

1. Independent living centers are community-based, non-residential, non-profit organizations that provide a variety of services to people of all ages with disabilities. ILC services are designed to maximize the independence of individuals with disabilities and expand the accessibility of the communities in which they live. The federal Rehabilitation Act of 1973

establishes many of the definitions and requirements governing operation of ILCs, and state law includes contracting provisions. An ILC is required to provide four core services, and at least two additional services. The four core services are: (a) advocacy -- assisting in learning individual self-advocacy skills and acting at the community, state, and federal levels for changes in legislation, benefits, and services; (b) peer support -- one-on-one matches and support groups with trained volunteers and staff with disabilities; (c) information and referral -- one-stop comprehensive information and referral information on disability-related issues, resources, and services; and (d) independent living skills training -- assistance in assessing and developing skills needed to live independently, including communication, financial management, household management, problem solving, and using supportive equipment. Other services provided could include consumer and community education, housing location, leadership development, assistive technology, employment services, children and youth services, and transportation.

2. There are eight ILC organizations that serve the entire state from thirteen locations. The primary source of funding for ILCs is federal and state grants. The organizations supplement their budgets with funds from government agencies and nonprofit organizations such as county social service agencies, the United Way, and private foundations.

3. Currently state funding for ILCs is provided by grants from DHFS and a transfer of social security reimbursement funds from DVR to DHFS. DHFS is appropriated $1,283,500 GPR annually in base level funding for grants to ILCs. DVR is statutorily required to transfer up to $300,000 FED annually in social security reimbursement funds to DHFS for grants to ILCs. DVR transferred $300,000 each year from fiscal years 1996-97 through 2002-03. However, no funds were transferred in 2003-04.

4. Social security reimbursement funds are distributed to the state for each successfully completed rehabilitation by DVR of a supplemental security income (SSI) or social security disability income (SSDI) recipient. Each recipient must achieve substantial gainful activity for nine months. Substantial gainful activity means earning over $800 per month, after deducting allowable work expenses, for nine out of 12 months. Social security reimbursement funds can be used to purchase services for disabled individuals, but cannot be used as a match for other federal funds. The following table shows social security reimbursement distributions to DVR for fiscal years 2000-01 through 2004-05. The table shows that, although the average reimbursement amount through 2003-04 was $843,100, revenues dropped sharply between fiscal year 2002-03 and 2003-04, from over $1.6 million to $51,100. DVR expects the reimbursement amount to increase to $425,000 in the current fiscal year, but this will be below the prior four-year average reimbursement.

Social Security Reimbursement Payments

Fiscal Year	Amount
2000-01	$1,041,300
2001-02	661,900
2002-03	1,618,000
2003-04	51,100
2004-05*	425,000

*Estimate

5. DVR has expressed concern that the current requirement that the Division transfer up to $300,000 in funding for ILCs creates an expectation that DVR must use limited revenues to fund activities that are not part of its core mission. As noted, ILCs provide a wide variety of services, most of which promote the rights of people with disabilities and assist them in being active participants in community life. DVR's core mission is to help people with disabilities pursue employment goals and achieve employment outcomes. Priority is given to assisting individuals to obtain, maintain, or regain employment. Without the transfer, the social security funds could be used to purchase services for DVR clients.

6. The sharp drop in social security reimbursement revenues has also led to concerns that the Division would not have sufficient revenues to fully fund the transfer to DHFS. The Social Security Administration's annual report on cost reimbursement indicated that reimbursements decreased 50% between 2002 and 2003 nationally. Some speculate that SSI and SSDI recipients are finding it harder to find work and are the first to be laid off in economic slowdowns. These individuals have become more reluctant to accept such risky job opportunities. Moreover, DVR indicates that the number of SSI and SSDI clients in the Division's caseload is declining. As a result, the level of future social security reimbursement payments to DVR is uncertain, but expected to be reduced.

7. The current statutorily required funding transfer applies to an appropriation in which federal Title I-B case service aids are also deposited. This is a primary source of funding used for DVR case service aids. Case service aids fund services related to individualized plans for employment (IPEs) that are developed by counselors for eligible disabled individuals to assist those individuals in gaining or retaining employment. Under federal law, Title I-B funds cannot be used for independent living services unless those services lead directly to an employment outcome for the individual served. Federal law also requires a non-federal match for Title I-B funds. If the social security reimbursements were inadequate for any period of time, the Division would be required to transfer federal Title I-B funds normally used for case service aids. Those funds could only be allocated to ILC services if those services had an employment outcome. DHFS could provide matching funds from its ILC grant funds.

8. As noted, 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. The main source of state matching funds is provided with GPR. However, DVR has used cooperative arrangements to provide the state matching funds 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.

9. In fiscal year 2003-04, DVR established a cooperative arrangement with the Wisconsin Coalition of Independent Living Centers (WCILC) to provide funding for ILCs. Under the arrangement, WCILC provided $300,000 from its members to DVR, while the Division provided WCILC with $600,000 in social security reimbursement funds from the balance of the appropriation. This provided the ILCs with additional funding. DVR was able to use the $300,000 provided by WCILC as match for federal Title I-B funds. The same arrangement has been implemented for fiscal year 2004-05.

10. Under the bill, the arrangement would be replicated without requiring the ILCs to provide funds to DVR. Instead, $300,000 GPR would be transferred from DHFS to DVR to provide matching funds for federal Title I-B funds. The $300,000 could leverage an additional $1.1 million in federal funds. Meanwhile, DVR would transfer $600,000 annually to DHFS for ILC funding. This would provide DHFS with the current required transfer of $300,000 and an additional $300,000 to replace the transferred GPR. With GPR funding from DHFS, DVR could match federal Title I-B funds and would have more funds available for case services than under current law, even if some Title I-B funds had to be transferred for ILC funding.

11. In the agency budget request, DVR requested that current law provisions be modified to eliminate the transfer of social security reimbursement funds to DHFS. The request expressed concerns about the declining level of social security reimbursements and the perceived requirement to transfer $300,000 in funds that could otherwise be used for case services for DVR clients. In addition, the Division suggested statutory provisions governing the DHFS appropriation used to fund ILCs be modified to allow DHFS to transfer GPR from that appropriation to DVR in a negotiated revenue exchange agreement. This change would allow DVR and DHFS flexibility to negotiate exchanges of funds that could benefit both agencies, while not requiring a funding transfer from DVR when the reimbursement funds might be below the required amount. From DVR's perspective, it would still be in both agencies' interest to continue some transfer arrangement, since DVR could leverage substantial Title I-B funding with any GPR transfer negotiated with DHFS. An alternative would be to provide DHFS with an additional $300,000 GPR annually to offset the potential loss in DVR funds. Finally, if the current law provision requiring a transfer of up to $300,000 were retained, DVR would not be required to transfer more social security reimbursement funds than it received.

ALTERNATIVES

1. Approve the Governor's recommendation to provide $300,000 GPR annually in DVR for vocational rehabilitation case services to reflect the transfer of funding used to make grants to independent living centers from the Department of Health and Family Services. DVR would use the funding as match for federal Title I-B funds. In addition, require DVR to transfer $600,000 (rather than up to $300,000) annually in federal social security reimbursement funds to DHFS to provide funding for grants to ILCs.

2. Delete the Governor's recommendation and instead eliminate the statutory provision requiring DVR to transfer up to $300,000 annually in federal funds to DHFS for ILCs. In addition, modify statutory provisions governing the DHFS appropriation for funding ILCs [s. 20.435 (7)(c)] to allow DHFS to transfer funds in the appropriation to a DVR as part of a negotiated revenue exchange agreement. [The second box below shows net funding loss of $600,000 ($300,000 annually) in DHFS. However, some or all of this loss could be offset through the negotiated revenue exchange agreement.]

DWD Alternative 2	GPR
2005-07 FUNDING (Change to Bill)	- $600,000

DHFS Alternative 2	GPR	PR	TOTAL
2005-07 FUNDING (Change to Bill)	$600,000	- $1,200,000	- $600,000

3. Delete the Governor's recommendation. Instead, eliminate the statutory provision requiring DVR to transfer up to $300,000 annually in federal funds to DHFS for ILCs and provide an additional $300,000 GPR annually to DHFS in the appropriation used to fund ILCs [s. 20.435 (7)(c)].

DWD Alternative 3	GPR
2005-07 FUNDING (Change to Bill)	- $600,000

DHFS Alternative 3	GPR	PR	TOTAL
2005-07 FUNDING (Change to Bill)	$1,200,000	- $1,200,000	$0

4. Delete the Governor's recommendation. Instead, eliminate the statutory provision requiring DVR to transfer up to $300,000 in federal funds to DHFS for ILCs. Provide $300,000 GPR annually to DHFS in the appropriation used to fund ILCs [20.434(7)(c)] and modify statutory provisions governing the appropriation to allow DHFS to transfer funds in the appropriation to DVR, as part of a negotiated revenue exchange agreement.

DWD Alternative 4	**GPR**
2005-07 FUNDING (Change to Bill)	**-** $600,000

DHFS Alternative 4	**GPR**	**PR**	**TOTAL**
2005-07 FUNDING (Change to Bill)	$1,200,000	**-** $1,200,000	$0

5. Maintain current law.

DWD Alternative 5	**GPR**
2005-07 FUNDING (Change to Bill)	**-** $600,000

DHFS Alternative 5	**GPR**	**PR**	**TOTAL**
2005-07 FUNDING (Change to Bill)	$600,000	**-** $600,000	$0

Prepared by: Ron Shanovich