



## Legislative Fiscal Bureau

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April 26, 2007

Joint Committee on Finance

Paper #880

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

#### *Bill Agency*

[LFB 2007-09 Budget Summary: Page 600, #1 and #2]

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#### **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, 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. Base funding for the state match for federal Title I-B funds is \$14,015,000 GPR and \$825,200 PR.

#### **GOVERNOR**

Provide \$571,300 GPR in 2007-08 and \$1,048,500 GPR in 2008-09 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 material 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 the 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 funding 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 \$52,853,700 for federal fiscal year (FFY) 2006 and \$54,832,000 FFY 2007.

4. The overall federal Title I-B allocation is authorized an annual increase in funding equal to the percentage change in the consumer price index (CPI). Additional funding in excess of the CPI percentage increase may also be provided. Since FFY 2002, the increase in overall federal funding has ranged between 2% and 6%. The federal funds are then allocated among states based on a formula, which is, in part, population-based. Therefore, each state's award may be increased or decreased even though the overall amount of federal funds has increased. Wisconsin's federal Title I-B award has increased between 1% and 4% since FFY 2002. Table 1 below shows Wisconsin's federal Title I-B award and the annual percentage increase in the award from FFY 2001 through FFY 2007. The table also shows the percentage increase for the overall Title I-B allocation during the same time period.

**TABLE 1**

**Federal Vocational Rehabilitation Grant and Percentage Increases  
FFY 2001 through FFY 2007**

<u>Federal Fiscal Year</u>	<u>Grant Amount</u>	<u>Percentage Increase</u>	<u>Overall Percentage Increase</u>
2001	\$48,640,100	N.A.	N.A.
2002	49,581,600	1.9%	6.1%
2003	50,917,300	2.7	2.1
2004	51,503,700	1.2	2.0
2005	52,012,100	1.0	2.0
2006	52,853,700	1.6	3.2
2007*	54,832,000	3.7	4.3

\*Estimated Grant Amount

5. Each increase in federal funds requires a corresponding increase in state matching funds to draw down the increase in federal funds. State matching funds are provided through GPR and program revenue funds. According to DWD, 2006-07 amounts available for matching funds are \$14,015,000 in state GPR and \$825,200 in state PR funding. Program revenue funds include gifts and grants in the form of small donations from private citizens and \$350,000 in American Indian gaming compact monies for vocational rehabilitation services for Native Americans. Under current law, DWD anticipates that state GPR and PR matching funds would total \$14,468,000 (\$13,968,000 GPR and \$500,000 PR) in 2007-08 and \$14,560,200 (\$14,060,200 GPR and \$500,000 PR) in 2008-09.

6. The bill would provide \$571,300 GPR in 2007-08 and \$1,048,500 GPR in 2008-09 for vocational rehabilitation case services to draw down an increase in federal Title I-B funds. DWD estimates that Wisconsin's Title I-B award will be \$56,860,800 in FFY 2008 and \$58,964,600 in FFY 2009, for an increase in Wisconsin's share of the federal Title I-B funds of 3.7% annually. DWD estimated the percentage increase by using the average of the overall federal increases for FFY 2006 and FFY 2007 (3.2% and 4.3%). Table 2 shows the federal allotment for Wisconsin based on DWD's estimates, the total required match, state GPR and PR matching funds, American Indian gaming revenue matching funds, and additional state matching funds needed to draw down the federal funds.

**TABLE 2**

**Federal Vocational Rehabilitation Allotment and State Matching Funds Under SB 40**

<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>Additional GPR Funding</u>
2007	\$54,832,000	\$14,840,200	\$14,490,200	\$350,000	\$0
2008	56,860,800	15,389,300	14,468,000	350,000	571,300
2009	58,964,600	15,958,700	14,560,200	350,000	1,048,500

7. The U.S. Department of Education has published its estimate of overall federal Title I-B funding for FFY 2008, as well as each state's award. This estimate is based on the budget request submitted by the President as of February 5, 2007. The estimate assumes no increase in overall federal funds. As a result, Wisconsin's FFY 2008 award is estimated at \$54,572,100, a decrease of 0.5% from the FFY 2007 award. Table 3 shows the federal allotment for Wisconsin based on the U.S. Department of Education's estimate for FFY 2008, the allotment for FFY 2009 again with no additional increase, the total required match, state GPR and PR matching funds, American Indian gaming revenue matching funds, additional state matching funds needed to draw down the federal funds, and the GPR change to the bill.

**TABLE 3**

**Federal Vocational Rehabilitation Allotment and State Matching Funds With U.S. Department of Education's Estimate**

<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>Additional GPR Funding</u>	<u>GPR Change to Bill</u>
2007	\$54,832,000	\$14,840,200	\$14,490,200	\$350,000	\$0	\$0
2008	54,572,100	14,769,800	14,468,000	350,000	- 48,200	- 619,500
2009	54,572,100	14,769,800	14,560,200	350,000	- 140,400	- 1,188,900

8. Based on the current estimate by the U.S. Department of Education for FFY 2008, the Committee could reduce base level GPR funding by \$48,200 in 2007-08 and by \$140,400 in 2008-09 for DVR services. Compared to the bill, the funding would be reduced by \$619,500 GPR in 2007-08 and by \$1,188,900 in 2008-09. In addition, funding would be reduced by \$2,288,700 FED in 2007-08 and by \$4,392,500 FED in 2008-09. However, as noted above, the U.S. Department of Education estimate assumes no increase in overall federal funds, and the overall

funding must be increased by at least the CPI percentage. In addition, DWD indicates that there may be an increase in the overall allocation, beyond the CPI percentage increase, by Congress. Without additional GPR funding, there would be no state matching funds to draw down any increase in the state's federal Title I-B award.

9. As noted above, DWD estimated the FFY 2008 award by averaging the overall federal fund percentage increase over a two-year period. With the exception of FFY 2003, Wisconsin's percentage increase in its federal Title I-B award has been less than the overall federal funding percentage increase because the state population is growing at a slower rate than the national average. Averaging over a five-year period, Wisconsin's increase has been 75% of the federal increase. Assuming DWD's estimates of the increase of the overall federal funding are accurate, the state's FFY 2008 award would increase by 2.8% annually. Therefore, the FFY 2008 award would be estimated at \$56,367,300, and the FFY 2009 award would be estimated at \$57,945,600. Table 4 shows the federal allotment for Wisconsin based on increases of 2.8% annually, the total required match, state GPR and PR matching funds, American Indian gaming revenue matching funds, additional state matching funds needed to draw down the federal funds, and the GPR change to the bill.

**TABLE 4**

**Federal Vocational Rehabilitation Allotment and State Matching Funds Assuming a 2.8% Annual Increase in Federal Funds**

<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>Additional GPR Funding</u>	<u>GPR Change to Bill</u>
2007	\$54,832,000	\$14,840,200	\$14,490,200	\$350,000	\$0	\$0
2008	56,367,300	15,255,700	14,468,000	350,000	437,700	- 133,600
2009	57,945,600	15,682,900	14,560,200	350,000	772,700	- 275,800

10. The Committee could increase base level funding by \$437,700 GPR in 2007-08 and \$772,700 GPR in 2008-09 to provide the state matching funds of 21.3% to draw down the additional federal funds for a FFY 2008 award of \$56,367,300 and a FFY 2009 award of \$57,945,600. Compared to the bill, the funding would be reduced by \$133,600 GPR in 2007-08 and by \$275,800 GPR in 2008-09. In addition, federal funding would be reduced by \$493,500 FED in 2007-08 and by \$1,019,000 FED in 2008-09.

11. However, 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. 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. If funding is insufficient, Category 1 individuals must be served first, and those who cannot be served are placed on a waiting list. In July, 2005, the DVR caseload was approximately 8,900, with an additional 13,600 individuals on the waiting list. All individuals eligible for DVR services were being served as of November, 2006. All eligible individuals were activated off of the waiting list.

12. Since November, 2006, the DVR caseload has increased from 15,700 to 16,000 in February, 2007, a 2% increase. Even if there were no increase in federal funds, additional GPR funds for DVR services would provide services to more eligible individuals and limit the number of eligible individuals placed on the waiting list due to insufficient funds. DWD indicates that without additional GPR funding, eligible individuals would again be placed on the waiting list.

13. The Committee could provide the GPR funding requested, even if there were no additional federal funds to draw down, to accommodate the growing caseload and to limit the number of individuals eligible for DVR services who would be placed on the waiting list.

## ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to provide \$571,300 GPR in 2007-08 and \$1,048,500 GPR in 2008-09 for vocational rehabilitation case services funding for DVR to provide matching funds for increased federal funds.

ALT 1	Change to Bill Funding	Change to Base Funding
GPR	\$0	\$1,619,800
FED	<u>0</u>	<u>5,984,900</u>
Total	\$0	\$7,604,700

2. Decrease base level funding by \$48,200 GPR in 2007-08 and by \$140,400 GPR in 2008-09 for vocational rehabilitation case services funding for DVR to provide matching funds for increased federal funds based on the estimate by the U.S. Department of Education. Compared to the bill, the funding would be reduced by \$619,500 GPR in 2007-08 and by \$1,188,900 GPR in 2008-09. In addition, federal funding would be reduced by \$2,288,700 in 2007-08 and by \$4,392,500 in 2008-09.

ALT 2	Change to Bill Funding	Change to Base Funding
GPR	-\$1,808,400	-\$188,600
FED	<u>-6,681,200</u>	<u>-696,800</u>
Total	-\$8,489,600	-\$885,400

3. Increase base level funding by \$437,700 GPR in 2007-08 and \$772,700 GPR in 2008-09 for vocational rehabilitation case services funding for DVR to provide matching funds for increased federal funds based on a five-year average of Wisconsin's increases. Compared to the bill, the funding would be reduced by \$133,600 GPR in 2007-08 and by \$275,800 GPR in 2008-09. In addition, federal funding would be reduced by \$493,500 in 2007-08 and by \$1,019,000 in 2008-09.

<b>ALT 3</b>	<b>Change to Bill Funding</b>	<b>Change to Base Funding</b>
GPR	- \$409,400	\$1,210,400
FED	<u>- 1,512,500</u>	<u>4,472,200</u>
Total	- \$1,921,900	\$5,682,600

4. Delete provision.

<b>ALT 4</b>	<b>Change to Bill Funding</b>	<b>Change to Base Funding</b>
GPR	- \$1,619,800	\$0
FED	<u>- 5,984,900</u>	<u>0</u>
Total	- \$7,604,700	\$0

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