



## Legislative Fiscal Bureau

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April 26, 2007

Joint Committee on Finance

Paper #881

### **DVR General Program Operations Appropriation (DWD -- Employment, Training, and Vocational Rehabilitation Programs)**

#### *Bill Agency*

[LFB 2007-09 Budget Summary: Page 601, #3]

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#### **CURRENT LAW**

Each year, the federal government allocates a certain amount of federal Title I-B funds to each state for vocational rehabilitation services. A match of 21.3% state funds to 78.7% federal funds is required to receive federal monies. Under current law, GPR funding to meet the match requirement for the federal Title I-B funds is provided in an annual appropriation [s. 20.445(5)(a)] in the Department of Workforce Development (DWD) for the Division of Vocational Rehabilitation (DVR).

In general, under an annual appropriation, funds are expendable only up to the amounts shown in the statutory appropriation schedule and only for the fiscal year for which they were appropriated. At the end of each fiscal year, the unencumbered balance lapses to the general fund. Funds may be carried over into the following year if they are encumbered. As noted, the DVR general program operations appropriation is an annual appropriation. However, statutory language allows funds to be transferred between fiscal years, and any funds that are transferred to the next fiscal year and not spent or encumbered by September 30 of that next fiscal year lapse to the general fund on October 1<sup>st</sup> of that next fiscal year.

Funds from the DVR general program operations appropriation support vocational rehabilitation services for disabled individuals.

## **GOVERNOR**

Modify the GPR vocational rehabilitation general program operations; purchased services for clients appropriation from an annual appropriation to a continuing appropriation so that any unspent allocated funds would not lapse and would be expendable until fully depleted.

## **DISCUSSION POINTS**

1. Funds from the DVR general program operations appropriation may be used to provide the following for disabled individuals: (a) administrative services; (b) the purchase of goods and services for vocational rehabilitation; (c) independent living services; and (d) other vocational rehabilitation services. These funds are used to meet the match requirement for federal Title I-B funds.

2. The bill would make the DVR general program operations appropriation a continuing appropriation, rather than an annual appropriation. The administration indicates that changing the DVR general program operations appropriation from an annual to a continuing appropriation would increase funding for services to individuals with disabilities. If funds in the DVR general program operations appropriation are not expended or properly encumbered before September 30<sup>th</sup>, these funds could still be expended if the appropriation were a continuing, rather than an annual, appropriation.

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% 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. The federal Title I-B award is authorized an annual increase in funding equal to the percentage change in the consumer price index. Each increase requires a corresponding increase in state matching funds.

4. Under the bill, the federal Title I-B award is estimated at \$56,860,800 in federal fiscal year (FFY) 2008 and at \$58,624,100 in FFY 2009. DWD indicates that, under current law, state matching funds of \$14,818,000 annually are available. The bill would provide an additional \$571,300 GPR in 2007-08 and \$1,048,500 in 2008-09 to provide the state match of 21.3% to draw down the estimated federal funds.

5. The federal Title I-B award allows one year to obligate the funds, but allows two years to spend the obligated funds. Individualized plans for employment (IPEs) for vocational rehabilitation services generally span more than one fiscal year. The average IPE takes between two and three years to complete. The administration indicates that a continuing appropriation would allow them to continue spending state matching funds across fiscal years until depleted, which would coincide with an IPE spanning several fiscal years.

6. In addition, under current procedures for an annual appropriation, any refund of

expenditures from a prior fiscal year must be considered earned revenue and lapsed to the general fund. Changing the appropriation from an annual appropriation to a continuing appropriation would allow DWD to spend any refunds of expenditures from a prior fiscal year. Therefore, additional funding would be available to increase overall services to individuals with disabilities.

7. Current statutory language allows funds to be transferred between fiscal years, and any funds that are transferred to the next fiscal year and not spent or encumbered by September 30 of that next fiscal year lapse to the general fund on October 1<sup>st</sup> of that next fiscal year. DWD indicates that during the last several biennia, there have been no transfers between fiscal years and that no GPR has lapsed to the general fund under this provision, other than the required lapse of unused salary and fringe benefit amounts. DWD has been able to encumber funds with the use of purchase orders to carry forward funding.

8. Given DWD's ability to move funds across fiscal years during a biennium and the with the use of purchase orders, there may not be a need to make the DVR general program operations appropriation a continuing, rather than an annual, appropriation. The Committee may wish to deny the Governor's recommendation to make the DVR general program operations appropriation a continuing appropriation. An annual appropriation, particularly for a GPR appropriation, provides the Legislature with greater oversight as to how much would be expended on an annual basis.

9. However, a continuing appropriation would provide DWD with flexibility to accommodate changes to the federal Title I-B award and to DVR caseloads. If the federal Title I-B award exceeds what was anticipated, additional state match funds would be needed to draw down the full federal amount. With a continuing appropriation, additional state funds could be available to match an unanticipated increase in federal funds. Also, DWD indicates that the use of purchase orders to carry forward funding is cumbersome, labor intensive, and imprecise.

## **ALTERNATIVES TO BILL**

1. Adopt the Governor's proposal to modify the GPR vocational rehabilitation general program operations; purchased services for clients appropriation from an annual appropriation to a continuing appropriation.

2. Delete provision.

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