



**VOCATIONAL REHABILITATION PROGRAM SFY
2019 REVENUES, EXPENDITURES, AND FUTURE
PROJECTIONS**

Report to

**Chairman of the House Appropriations Committee
Chairmen of the Senate Finance Committee
Director of the Department of Planning and Budget**

**Virginia Department for Aging
and Rehabilitative Services**

**Commonwealth of Virginia
Richmond
October 1, 2019**



COMMONWEALTH OF VIRGINIA
DEPARTMENT FOR AGING AND REHABILITATIVE SERVICES

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MEMORANDUM

TO: The Honorable Thomas K. Norment, Jr.
The Honorable Emmett W. Hanger, Jr.
Co-Chairmen, Senate Finance Committee

The Honorable S. Chris Jones
Chairman, House Appropriations Committee

Dan Timberlake
Director, Department of Planning and Budget

FROM: Kathryn A. Hayfield 
Commissioner, Department for Aging and Rehabilitative Services

SUBJECT: Annual Report on Vocational Rehabilitation (VR) Program Revenues, Expenditures, and Projections

As Commissioner of the Virginia Department for Aging and Rehabilitative Services (DARS), I am pleased to present the VR Program Revenues, Expenditures, and Projections report in response to the 2019 Appropriations Act, Item 329 A.4. The report outlines state fiscal year (SFY) 2019 program revenues and expenditures along with projections for the next two fiscal years.

If you have any questions about the report, please do not hesitate to contact me.

KH/ch

Enclosure

Executive Summary

The Division of Rehabilitative Services (DRS), within the Department for Aging and Rehabilitative Services (DARS), administers the Commonwealth's general vocational rehabilitation (VR) program. The Rehabilitation Act of 1973, as amended, lays forth the requirements for state vocational rehabilitation programs with the intent that VR services are provided to individuals with disabilities to prepare for, secure, retain, advance in, or regain competitive, integrated employment.

Individuals must meet certain eligibility requirements to qualify for services, with an emphasis on serving individuals with the most significant disabilities first. A variety of services may be provided based upon the individual's vocational needs, their employment goal, and other factors.

The passage of the Workforce Innovation and Opportunity Act (WIOA) in 2014 brought significant changes to the VR program. The transformation in the provision of services and the allocation of funding precipitated by WIOA along with internal budgetary procedure adjustments led the agency to address structural imbalances and better prepare for future fiscal requirements. For State Fiscal Year (SFY) 2019 expenditures remained under revenues.

Chapter 854 of the 2019 Acts of Assembly, through budget language in Item 329 A.4. requires DARS to submit an annual report on vocational rehabilitation revenues and expenditures from the prior fiscal year. Spending projections for the current and upcoming fiscal years are to be included in the report which is due by October 1 annually to the Director of the Department of Planning and Budget and the Chairmen of the House Appropriations and Senate Finance Committees. The following report is submitted in compliance with this directive.

VOCATIONAL REHABILITATION PROGRAM SFY 2019 REVENUES, EXPENDITURES, AND FUTURE PROJECTIONS

Background

Section 51.5-118 of the Code of Virginia designates the Department for Aging and Rehabilitative Services (DARS) as the state agency responsible for cooperating with the federal government in carrying out the provisions of the Rehabilitation Act of 1973 (the Rehab Act) with the exception of those duties designated to the Department for the Blind and Vision Impaired (DBVI). The Rehab Act authorized grants to states to provide vocational rehabilitation (VR) services for individuals with disabilities. Virginia elected to serve individuals with disabilities seeking employment through a general state agency, DARS, and through an agency focused on individuals with vision impairments, DBVI.

At DARS, the Division of Rehabilitative Services (DRS) is responsible for administering the VR program. Vocational rehabilitation services are provided to individuals with disabilities to prepare for, secure, retain, advance in, or regain employment. DRS vocational rehabilitation counselors work with individuals to develop and achieve an employment goal that is consistent with the individual's unique strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice.

The passage of the Workforce Innovation and Opportunity Act (WIOA) in 2014 and the subsequent publication of the final federal regulations in 2016, brought significant changes to the VR program. A key component of WIOA strengthens the alignment of the VR program with other core components of the workforce development system which includes increased performance accountability and measures, a focus on career development and youth, as well as heightened coordination at the federal, state, and local levels.

Eligibility for Services

Vocational Rehabilitation Clients

The VR program focuses on individuals with the most significant disabilities. When a state is unable to provide VR services to all eligible individuals who apply for services the state must establish an Order of Selection (OOS). DARS currently operates under an OOS, with three categories where individuals classified as having a most significant disability (MSD) are served first, followed by individuals with a significant disability (SD), and then other individuals with disabilities. OOS essentially creates a waiting list where those with the most significant disabilities receive services first.

To be eligible for VR services, federal regulations (34 CFR §361.42) require that the applicant has a physical or mental impairment that constitutes or results in a substantial impediment to employment and that VR services are required for the individual's employment. DRS must presume that an applicant who meets the eligibility requirements "can benefit in terms of an employment outcome." Before an individual can be determined ineligible for VR on the grounds

that their disability is too severe, a plan to assess their abilities through trial work experiences must be implemented.

Potentially Eligible Students with Disabilities

The passage of WIOA and the focus on preparing youth for employment and careers created a new category of individuals to be served by VR agencies called students with disabilities (SWDs). Federal regulations in 34 CFR §361.5 specifically defines a student with a disability as an individual:

- 1) In a secondary, postsecondary, or other recognized education program;
- 2) Between the ages of 14 and 21 (or 22 if their birthday falls after September 30 of the school year); and
- 3) Who is eligible for and receiving special education under Part B of the Individuals with Disabilities Education Act (IDEA) or is an individual with a disability for purposes of Section 504 of the Rehab Act.

Students with disabilities may be VR clients or they may be potentially eligible clients who have not yet been determined eligible for VR. SWDs who are potentially eligible may only access pre-employment transition services (pre-ETS) while SWDs who are VR clients may access pre-ETS and once they come off of the waiting list other VR services.

Vocational Rehabilitation Services for Individuals with Disabilities

DARS provides numerous services to assist individuals with disabilities in their employment goals. The services provided depend upon the employment goal and vocational needs of the individual. These may be based on various factors from previous educational experiences to current functional limitations. Services for an individual who has been determined eligible for the VR program may include:

- Assessment for determining eligibility and priority for services;
- Assessment of vocational rehabilitation needs;
- Vocational rehabilitation counseling and guidance;
- Referral and other services necessary to assist applicants and eligible individuals to secure needed services from other agencies;
- Physical and mental restoration services;
- Vocational and other training services;
- Maintenance;
- Transportation related to the provision of VR services;
- VR services to family members if necessary to enable the client to achieve an employment outcome;
- Interpreter services, including sign language and oral interpreter services;
- Reader services, rehabilitation teaching services, and orientation and mobility services for individuals who are blind;
- Job-related services, including job search and placement assistance, job retention services, follow-up services, and follow-along services;
- Supported employment services;
- Personal assistance services;

- Post-employment services;
- Occupational licenses, tools, equipment, initial stocks, and supplies;
- Rehabilitation technology, including vehicle modifications, telecommunications, sensory, and other technological aids and devices;
- Transition services for youth with disabilities including pre-employment transition services (pre-ETS) for students with disabilities;
- Technical assistance and other consultation services to conduct market analyses, develop business plans, and provide resources to individuals pursuing self-employment, telecommuting, or establishing a small business;
- Customized employment; and
- Other goods and services that are determined necessary for the individual to achieve an employment outcome.

Pre-Employment Transition Services (pre-ETS)

WIOA created a significant change in how VR dollars must be allocated and generated a greater investment in younger individuals with disabilities. DARS is now required to spend 15% of the agency's VR award on pre-ETS. These services may only be provided to individuals who meet the definition of a student with a disability. This now includes individuals who may have never applied for VR but are potentially eligible for the program. This significantly reduces the amount of funding for "traditional" VR services for the general VR population. However, it creates a sizable investment in youth with the potential to have better long-term VR outcomes.

Pre-ETS only includes very specific services. (It should be noted that ancillary services such as transportation, etc. cannot be counted as a pre-ETS expense and may only be covered by general VR dollars for individuals who have been determined eligible for VR and have come off of the waitlist.) States must provide the five required pre-ETS activities which include:

- Job exploration counseling;
- Work-based learning experiences;
- Counseling on opportunities for enrollment in comprehensive transition or postsecondary educational programs in higher education;
- Workplace readiness training to develop social skills and independent living; and
- Instruction in self-advocacy.

States must also provide pre-employment transition coordination as a pre-ETS service. This service includes:

- Attending individualized education program meetings when invited;
- Working with local workforce partners to develop work opportunities for students with disabilities such as internships, apprenticeships, and other employment opportunities;
- Working with schools to coordinate and provide pre-ETS; and
- Attending person centered planning meetings for individuals receiving services under Medicaid when invited.

Only after the provision and documentation that required pre-ETS activities have been or can be provided to all eligible students with disabilities may a state use remaining pre-ETS allocated dollars for “authorized” pre-ETS services. Authorized services may include:

- Implementing effective strategies to increase the likelihood of independent living and inclusion in communities and competitive integrated workplaces;
- Developing and improving strategies for individuals with intellectual disabilities and individuals with significant disabilities to live independently, participate in post-secondary education experiences, and obtain, advance in, and retain competitive integrated employment;
- Provide training to VR counselors, school transition personnel, and others supporting students with disabilities;
- Disseminating information about approaches to prepare students with disabilities to further their education or become employed in the competitive integrated labor market.
- Coordinating activities with local school transition services;
- Using evidence based findings to improve policies and procedures as well as practices and personnel training;
- Creating model transition demonstration projects;
- Supporting regional partnerships to achieve the goals of pre-ETS; and
- Distributing information and strategies to improve the transition to postsecondary activities of individuals who represent members of traditionally unserved and underserved populations.

The provision of pre-employment transition services will help better prepare younger individuals with disabilities for the workforce and potential careers. However, the many rules surrounding the delivery of these services has created some challenges in providing services not only for students with disabilities but for other VR eligible individuals as well.

VR Program Revenues and Expenditures

VR Program Revenues State Fiscal Year (SFY) 2019

Revenues for the VR program derive from three funding sources; Federal, General and Capital. The U.S. Department of Education, Rehabilitation Services Administration (RSA) office and the Social Security Administration (SSA) provide federal funding. General Funds are appropriated for the Department for Aging and Rehabilitative Services and the Wilson Workforce and Rehabilitation Center (WWRC) and Capital funding from WWRC only for removal of architectural barriers comprises state funding. The dollars attributed to Capital do not provide actual goods or services to clients of the VR program. They are specific to construction costs related to physical improvements of the Center. The total revenues for SFY 2019 were \$87,362,564. The revenue breakdown consists of the following for SFY 2019:

VR Program Revenue by Source SFY 2019

Funding Source SFY 19	Amount	Percent of Total
Federal	\$68,931,973	79%

General	\$15,967,766	18%
Capital	\$2,462,825	3%
<i>Total</i>	<i>\$87,362,564</i>	<i>100%</i>

VR Program Expenditures State Fiscal Year (SFY) 2019

VR program expenditures are tracked in the same fashion as revenues. The total expenses for SFY 2019 were \$86,618,579. The expenditure breakdown includes the following:

VR Program Expenditures by Source SFY 2019

Funding Source SFY 19	Amount	Percent of Total
Federal	\$68,187,988	79%
General	\$15,967,766	18%
Capital	\$2,462,825	3%
<i>Total</i>	<i>\$86,618,579</i>	<i>100%</i>

The difference in the totals from revenues and expenditures are the federal revenue received versus dollars spent. The state funding comprised of General Funds are reasonably stable year to year however the Capital dollars are contingent on the status of projects and the apportioned amount for architectural barriers which varies by project. Direct client services account for approximately 92% of the expenditures of the program. Of those services, 22% of expenditures are for purchased services to our clients. Only 8% of the program expenditures support agency administrative cost.

Projected Expenditures for State Fiscal Years (SFY) 2020 and 2021

The spending projections for SFY 2020 and 2021 are based on the existing budget for SFY 2020 without accounting for potential re-allotted dollars from the Federal government for either year. (Federal re-allotment dollars are distributed from other states unused VR funds which can produce wide variability from year to year in their distribution.) Projected spending for SFY 2020 is \$ 91,503,145. The primary cause for the increase in SFY 2020 is due to the balance of federal re-allotted dollars of \$2.3 million from Federal Fiscal Year (FFY) 2018 that has to be spent on one-time activities. Also included in the growth of projected expenditures are state salary increases that total \$2.5 million for over 600 classified and wage DARS and WWRC employees.

The projected spending for SFY 2021 is \$ 90,764,297 this is slightly less than SFY 2020 due to slowing down of Capital project spending. The projections for SFY 2020 and 2021 can change moderately due to availability of the re-allotment of Federal dollars. The re-allotment request for FFY 2019, which would be received during SFY 2020, is \$4.9 million. The agency generally receives confirmation of re-allotment request by the middle of September.

The removal of re-allotment in budgeting has improved our resolve to evaluate each dollar with more urgency and accountability. However, without the re-allotted dollars it does challenge our ability to meet the growing waitlist of clients and dollars to provide purchased services to clients.

Additional impacts to the existing funding model include addressing the constant demand for specialized services and increased cost for information technology services due to VITA and case management systems.

Conclusion

Over the last two years, DARS has experienced significant changes in the delivery of services as well as budgetary practices. While coming into compliance with the requirements of WIOA, DARS has striven to improve the allocation of dollars to not only meet these requirements but improve the delivery of services to our clients. The required pre-ETS reserve and the resulting impact on VR funds has resulted in innovation in certain areas and a close examination of spending practices. Restructuring internally and revamping budgeting procedures to no longer rely on federal re-allotment dollars has also been key to strengthening the agency's financial position and the provision of services as well as preparing the agency to better respond to changing circumstances in the future.