



COMMONWEALTH OF VIRGINIA
DEPARTMENT FOR AGING AND REHABILITATIVE SERVICES

KATHRYN A. HAYFIELD
Commissioner

8004 Franklin Farms Drive
Henrico, VA 23229

Office (804) 662-7000
Toll free (800) 552-5019
TTY Toll free (800) 464-9950
Fax (804) 662-7644

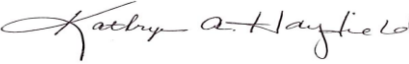
October 1, 2020

MEMORANDUM

TO: The Honorable Janet Howell
Chairwoman, Senate Finance and Appropriations Committee

The Honorable Luke Torian
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 2020 Appropriations Act, Item 339 A.4. The report outlines state fiscal year (SFY) 2020 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



**VOCATIONAL REHABILITATION PROGRAM
SFY 2020 REVENUES, EXPENDITURES, AND
FUTURE PROJECTIONS**

Report to the

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

**Virginia Department for Aging
and Rehabilitative Services**

**Commonwealth of Virginia
Richmond
October 1, 2020**

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 in State Fiscal Year (SFY) 2019. Addressing this structural imbalance allowed expenditures to remain under revenues for SFY 2020. In addition, the COVID-19 pandemic toward the end of the fiscal year had a significant impact on the type and number of vocational rehabilitation services that were provided, which is also reflected in VR expenditures.

Chapter 1289 of the 2020 Acts of Assembly, through budget language in Item 339 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 2020 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 at least 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 except for SWDs who are VR clients.) 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. DARS has been working to adjust the delivery of services to both students with disabilities and other VR eligible individuals in light of these significant changes and new rules.

In addition, the COVID-19 pandemic has had a significant impact on the provision of pre-ETS services. Many pre-ETS services are provided in conjunction with schools. The public health safeguards that took effect have made it challenging to provide many of the pre-ETS services or to have access to students with disabilities. However, DARS’ has sought other avenues to provide these important services that still protect the health and safety of all involved.

VR Program Revenues and Expenditures

VR Program Revenues State Fiscal Year (SFY) 2020

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 is appropriated for WWRC solely for removal of architectural barriers. 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 2020 were \$90,978,353. The revenue breakdown consists of the following for SFY 2020:

VR Program Revenue by Source SFY 2020

Funding Source SFY 20	Amount	Percent of Total
Federal	\$68,829,231	75%
General	\$14,368,638	16%
Capital	\$ 7,7780,484	9%
<i>Total</i>	<i>\$90,978,353</i>	<i>100%</i>

VR Program Expenditures State Fiscal Year (SFY) 2020

VR program expenditures are tracked in the same fashion as revenues. The total expenses for SFY 2020 were \$89,310,931. The expenditure breakdown includes the following:

VR Program Expenditures by Source SFY 2020

Funding Source SFY 20	Amount	Percent of Total
Federal	\$67,161,809	75%
General	\$14,368,638	16%
Capital	\$ 7,780,484	9%
<i>Total</i>	<i>\$89,310,931</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 94% of the expenditures of the program. Of those services, 19% of expenditures are for purchased services to our clients. Only 6% of the program expenditures support agency administrative cost.

Projected Expenditures for State Fiscal Years (SFY) 2021 and 2022

The spending projections for SFY 2021 and 2022 are based on the existing budget for SFY 2021 without accounting for potential re-allotted dollars from the Federal government for either federal fiscal year award. (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 2021 is \$88,268,529. The projected expenditures are slightly less than SFY 2020 due to expected delays and program activity as a result of the COVID-19 pandemic. The budget does include re-allotment dollars from FFY2019 that are approximately \$4.9 million. Additionally in SFY 2021 the capital expenditures will remain relatively strong as the expansion of phase II of the Anderson Building vocational programmatic space is completed.

The projected spending for SFY 2022 is \$87,122,060. This is slightly less than SFY 2021 due to the slowing down of Capital project spending and general uncertainty in funding program activities. The projections for SFY 2021 and 2022 can change moderately due to availability of

the re-allotment of Federal dollars. The re-allotment request for FFY 2020, will be received during SFY 2021, in the amount of \$2.3 million. These funds will be included in the SFY 2022 budget.

The removal of re-allotment in budgeting has improved our resolve to evaluate each dollar with more urgency and accountability. Re-allotment is not included when developing the base budget but is added at a later date for one time expenditures. 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.

Currently, the re-allotment dollars are within 3% of the base allocation of the Vocational Rehabilitation grant funding. Beginning with Chapter 3 of Appropriation Act in state fiscal year 2012 any increases in general fund support and matching requirements to the Vocational Rehabilitation program require prior written concurrence from the Director, Department of Planning and Budget. With the continuing challenges of employment for individuals with disabilities and the pandemic impacts on the Virginia economy, the agency anticipates increased demand for our services and programs. Subsequently, we plan to request an increase in federal re-allotment dollars from the federal fiscal year 2021 grant. The request will not require additional general fund support and will be cost neutral to the Commonwealth while potentially increasing federal funding by \$1.5 million to \$2.0 million for an often overlooked population within the Commonwealth that is an untapped resource for Virginia's workforce. During this most recent federal re-allotment cycle \$141 million dollars was not claimed in the re-allotment process. Even though this does not represent typical periods, it does highlight the fact that federal dollars are being left untapped and DARS would like to have the ability to access these additional funds when they are available.

Conclusion

Over the last several years, DARS has experienced significant changes in the delivery of services as well as budgetary practices. The arrival of the COVID-19 pandemic has added an extra layer of complexity. 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 also 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.