



**COMMONWEALTH OF VIRGINIA**  
**DEPARTMENT FOR AGING AND REHABILITATIVE SERVICES**

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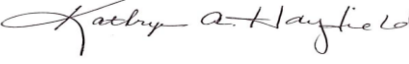
**MEMORANDUM**

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

The Honorable George L. Barker  
Co-Chairman, Senate Finance and Appropriations Committee

The Honorable Barry D. Knight  
Chairman, House Appropriations Committee

Michael Maul  
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 Chapter 2 of the 2022 Acts of Assembly, through budget language in Item 330 A.4. The report outlines state fiscal year (SFY) 2022 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 2022 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, 2022**

## 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) 2020. Addressing this structural imbalance allowed expenditures to remain under revenues for SFY 2021. In addition, the COVID-19 pandemic had a significant impact on the type and number of vocational rehabilitation services that were provided, which was also reflected in VR expenditures. Due to these factors DRS was able to open all categories under the agency's "order of selection", effectively clearing the waiting list for VR services. During SFY 2022, all categories remained open and DRS was able to serve all eligible individuals. However, it should be noted that an uptick in services occurred in the later portion of the year. Also, an increase in the consumer price index for urban areas will impact projected federal allocations for FFY 2023 and will therefore require an increase in state general fund match.

Chapter 2 of the 2022 Acts of Assembly, through budget language in Item 330 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 and Appropriations Committees. The following report is submitted in compliance with this directive.

# VOCATIONAL REHABILITATION PROGRAM SFY 2021 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 made it challenging to provide many of the pre-ETS services or to have access to students with disabilities. However, DARS’ sought other avenues to provide these important services that still protect the health and safety of all involved. As schools opened up, DARS has actively worked with localities to return to the schools as well as provide other opportunities in the community to access pre-ETS.

### **VR Program Revenues and Expenditures**

#### **VR Program Revenues State Fiscal Year (SFY) 2022**

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 that are the removal of architectural barriers. The total revenues for SFY 2022 were \$90,075,786. The revenue breakdown consists of the following for SFY 2022:

***VR Program Revenue by Source SFY 2022***

<b>Funding Source SFY 22</b>	<b>Amount</b>	<b>Percent of Total</b>
Federal	75,768,053	84.1%
General	13,249,694	14.7%
Capital	1,058,039	1.2%
<i>Total</i>	<i>90,075,786</i>	<i>100%</i>

**VR Program Expenditures State Fiscal Year (SFY) 2022**

VR program expenditures are tracked in the same fashion as revenues. The total expenses for SFY 2022 were \$74,800,337. The expenditure breakdown includes the following:

***VR Program Expenditures by Source SFY 2022***

<b>Funding Source SFY 22</b>	<b>Amount</b>	<b>Percent of Total</b>
Federal	60,492,604	81%
General	13,249,694	18%
Capital	1,058,039	1%
<i>Total</i>	<i>74,800,337</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 88% of the expenditures of the program. Of those services, 24% of expenditures are for purchased services to our clients. Only 12% of the program expenditures support agency administrative cost. A significant reduction in expenditures from previous periods was experienced due to the temporary closure of WWRC, reduction of in person visits for clients due to limited willingness of clients to engage with outside parties, and overall economic slowdown. To address client concerns with in person services, DARS, including WWRC, worked to create virtual service options where feasible.

**Projected Expenditures for State Fiscal Years (SFY) 2023 and 2024**

The spending projections for SFY 2023 and 2024 are based on the approved appropriation amounts in Chapter 2 without accounting for potential re-allotted dollars from the Federal government for either federal fiscal year awards. (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 2023 is \$97,734,577. Additionally, in SFY 2023 the capital expenditures will potentially be reduced due to the nature of the projects, including



completion of the storm water updates, Switzer HVAC full replacement and backup power system, and Carter Hall chiller replacement at Wilson Workforce Rehabilitation Center.

The projected spending for SFY 2024 is \$98,522,115 near projected spending for SFY 2023. The re-allotment request for FFY 2022 was approved and received during SFY 2023 in the amount of \$2,046,410. These funds are included in the SFY 2023 budget.

We have received projected allocations for federal fiscal year 2023, due to an increase in the consumer price index for urban areas, the base award will increase by over \$2.1 million. Subsequently, it will require greater general fund investment of an additional \$285,000 to meet the base award for state fiscal year 2024.

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, waiting for the re-allotted dollars has challenged our ability to meet the growing waitlist of clients and dollars to provide purchased services to clients. Although DARS has been able to clear the waitlist for over a year, we anticipate that post-pandemic, the agency will see a demand for VR services and that the waitlist will once again grow, resulting in fiscal pressure. Attempts to address the constant demand for specialized services and increased cost for information technology services due to VITA and case management systems apply additional stress to the existing funding model.

## **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 VR re-allotment request has increased due to the increase in maintenance of effort. 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. COVID-19 has challenged the ability to reach Pre-ETS goals but the agency remains determined to innovate to ensure that this investment is made in students with disabilities. 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. Finally, an increase in the consumer price index for urban areas will impact projected federal allocations for FFY 2023 and will therefore require an increase in state general fund match.