



**VOCATIONAL REHABILITATION PROGRAM  
SFY 2025 REVENUES, EXPENDITURES, AND  
FUTURE PROJECTIONS**

**Report to the**

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

**Virginia Department for Aging  
and Rehabilitative Services**

**Commonwealth of Virginia  
Richmond  
October 1, 2025**

## **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 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. DARS has been able to keep all categories open, with DRS able to serve all eligible individuals in FY 25. However, it should be noted that the agency has seen a significant increase in the number of services provided as the number of client applications has also increased. Inflation also continues to apply pressure to expenditures. Of special note, DARS is seeing a significant climb in pre-employment transition services (Pre-ETS) expenditures having met and now exceeded the WIOA requirement that VR agencies reserve and expend 15% of their funding on Pre-ETS for students with disabilities.

Chapter 725 of the 2025 Acts of Assembly, through budget language in Item 314 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 2025 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) except for 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 OOS policy consists of 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 define 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 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 reserve and 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 invested significant time and resources to adjust the delivery of services to both students with disabilities and other VR eligible individuals considering this intensified focus on students.

The COVID-19 pandemic had a significant negative impact on the provision of Pre-ETS services. Many Pre-ETS services are provided in conjunction with schools however 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 while protecting the health and safety of all involved. As schools opened up, DARS actively worked with localities to return to the schools as well as provide other opportunities in the community to access Pre-ETS. Fortunately, schools are once again a critical avenue to providing Pre-ETS and other transition services for youth. In addition, DARS has also expanded and improved other community and provider relationships and access while working to improve services for students with disabilities.

During the early years of Pre-ETS implementation, DARS struggled with expending the required 15% Pre-ETS reserve. Questions regarding what counted as a Pre-ETS service, creating services, growing providers, and other administrative functions proved a challenge. Like the majority of VR agencies across the country DARS was unable to initially expend the entire 15% Pre-ETS reserve. The federal Rehabilitation Services Administration (RSA) required that Virginia and other states operate under a Corrective Action Plan (CAP) to address difficulties the agency had in spending the 15% Pre-ETS reserve. RSA approved DARS’ CAP and the agency has made significant progress and is now in compliance with meeting the expenditure requirements. The

agency undertook multiple initiatives including: training to ensure that staff are properly allocating their time; on-boarding providers; growing Pre-ETS programing; and expanding authorized Pre-ETS activities. By FFY24, DARS was in compliance and remains so, expending the 15% Pre-ETS reserve.

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

#### **VR Program Revenues State Fiscal Year (SFY) 2025**

Revenues for the VR program come 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 2025 were \$110,423,460. The revenue breakdown consists of the following for SFY 2025:

#### ***VR Program Revenue by Source SFY 2025***

| <b>Funding Source SFY 25</b> | <b>Amount</b>    | <b>Percent of Total</b> |
|------------------------------|------------------|-------------------------|
| Federal                      | \$90,065,453.30  | 81.6%                   |
| General                      | \$19,999,965.72  | 18.1%                   |
| Capital                      | \$ 358,041.01    | 0.3%                    |
| <i>Total</i>                 | \$110,423,460.03 | 100%                    |

#### **VR Program Expenditures State Fiscal Year (SFY) 2025**

VR program expenditures are tracked in the same fashion as revenues. The total expenses for SFY 2025 were \$114,027,859.87. The expenditure breakdown includes the following:

#### ***VR Program Expenditures by Source SFY 2025***

| <b>Funding Source SFY 25</b> | <b>Amount</b>    | <b>Percent of Total</b> |
|------------------------------|------------------|-------------------------|
| Federal                      | \$93,669,853.14  | 82%                     |
| General                      | \$19,999,965.72  | 18%                     |
| Capital                      | \$358,041.01     | 0%                      |
| <i>Total</i>                 | \$114,027,859.87 | 100%                    |

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, 25% of expenditures are for purchased services to our clients.

## **Projected Expenditures for State Fiscal Years (SFY) 2026 and 2027**

The spending projections for SFY 2026 and 2027 are based on the approved appropriation amounts in Chapter 725 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 2026 is \$110,616,793. Additionally, in SFY 2026 the capital expenditures will potentially increase due to capital projects involving the Birdsall Hoover, Watson, and Switzer buildings at Wilson Workforce Rehabilitation Center.

The projected spending for SFY 2027 is \$110,616,793, the same as SFY 2026 with the expectation award levels will be maintained.

Although DARS has been able to clear the waitlist for several years, there is now an increased demand for VR services and it is anticipated that within the next several years the waitlist will grow again, putting additional fiscal pressure on the agency. Efforts to address the ongoing demand for specialized services and rising cost for information technology services due to VITA and case management systems, are further adding stress to the existing funding model. Additionally, the cost of services has significantly increased.

## **Conclusion**

Over the last several 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 also improve the delivery of services to our clients. The required Pre-ETS reserve and its impact on VR funds have led to innovation in certain areas and a closer examination of spending practices. DARS has striven and succeeded in complying with the 15% expenditure of VR funds on Pre-ETS services – an investment in the future of 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. For several years DARS has been pleased to be able to serve all individuals eligible for VR services. However, the agency continues to closely monitor expenditures, recognizing that multiple factors combine to increase the possibility of a waiting list for services in the future.