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## **Correcting the Funding Mechanism for Pre-Employment Transition Services (Pre-ETS)**

**National Rehabilitation Leadership Institute (NRLI)**

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### **Executive Summary**

To ensure the success and continued impact of Pre-Employment Transition Services (Pre-ETS) under Title IV, The Rehabilitation Act of 1973, as amended by the Workforce Innovation and Opportunity Act (WIOA), is essential to develop outcome-based metrics for the Pre-ETS program and revamp the funding allocation formula to specifically allocate separate resources to Pre-ETS versus removing resources from the adult VR program.

There is not one proposed solution that addresses all the concerns identified in this paper; rather, these are intended to show the range of approaches for consideration as the provision of services to students continues to evolve since the passage of WIOA. This can be achieved by introducing a multi-faceted approach to the law and funding formula:

1. **Implementing a Multiplier-Based Allocation Model for Pre-ETS:** Adjusting funding based on the number of potentially eligible students in, being served by, and projected to be served by each state.
2. **Prioritizing Outcomes and Impact:** Focusing on access to effective services that lead to meaningful competitive integrated employment (CIE) outcomes that are measurable.
3. **Establishing a Separate Grant for Pre-ETS:** Creating a standalone grant for Pre-ETS to simplify financial management and maintain clarity in resource allocation.

4. **Addressing Structural Imbalances:** Recognizing that the current funding structure creates a cycle where increased Pre-ETS funding reduces adult VR support, complicating service delivery and making ongoing planning and service coordination challenging.
5. **Ensuring Sustainability:** Building sustainability into the funding model to accommodate rising service costs and increasing student populations.

## Impact Statement

The Workforce Innovation and Opportunity Act (WIOA) of 2014 places a significant emphasis on youth, particularly through its provisions for Pre-Employment Transition Services (Pre-ETS). These services aim to help young people, especially those with disabilities, prepare for a successful transition into the workforce or higher education.

The preamble of WIOA outlines the following goals and expectations for systems serving youth with disabilities:

- Economic Opportunity
- Addressing Barriers to Employment
- Skill Development for Future Workforce
- Collaboration Across Agencies

The provision of Pre-ETS aligns with WIOA's overall mission to promote economic opportunity, overcome employment barriers, and build a skilled, adaptable workforce of youth, especially those with disabilities; however, what WIOA did through the implementation of Pre-ETS was pit the provision of services to students with disabilities against adults by creating a dual customer model without creating a new revenue stream for the Vocational Rehabilitation (VR) program to offer these services. As a result, the current funding structure for Pre-ETS is creating a significant imbalance that threatens the effectiveness and outcomes of adult VR services across the country. As an example, in Pennsylvania, 54% of all VR customers are 25 or younger. As more students participate in Pre-ETS, they are applying for the adult VR program and utilizing not only the required 15% Pre-ETS reserve funds from the overall grant but a larger portion of the remaining adult VR funding. This phenomenon is replicated in the other four states with the largest grant awards— California at 30%, Texas at 43%, Florida at 46%, and Ohio at 59%. As costs rise for providing VR services, the current allocation system pressures states to choose between investing in Pre-ETS and maintaining adequate support for high-quality adult services. This imbalance not only jeopardizes the quality of Pre-ETS programs but also places a heavy burden on adult services, resulting in reduced support, staffing limitations, pressure on the vendor community, and negative outcomes for adults with disabilities. As a result, several states are reviewing the Order of Selection (OOS) to manage the shortages of funding and manpower due to the focus on students over adults.

Furthermore, tying Pre-ETS to an arbitrary dollar amount or reserve percentage places the emphasis on expending funds over student outcomes. States are focused on reserving/spending funds and do not have outcome-based metrics or an outcome-based approach to the provision of Pre-ETS. This focus on spending in Pre-ETS is leading to a service delivery imbalance between students and adults and will result in programmatic and political implications, as declining or misleading state outcome data raises concerns among local and national policymakers about the health of the program and its future viability. This situation presents

challenges for congressional decision-makers, especially as resources become increasingly limited. Policy decision-makers need to determine what they expect the national program to focus on and ask the critical question of whether VR can effectively maintain its dual customer model—serving both students and adults—without additional funding and/or a mechanism for prioritizing resource allocation that considers the hoard of students that have sought Pre-ETS since the pandemic. Alternatively, policymakers need to review this model and determine if insufficient financial support and the volume of student/young adult participants is undermining the effectiveness of services and diluting the original intent of the Rehabilitation Act. VR agencies across the nation want nothing more than to support students with disabilities, but without dedicated funding and consideration of the impact the student-focused program has on the adult program, the VR program is approaching a tipping point.

To address this challenge, it is imperative that policymakers revisit the intent, desired outcomes, and the funding allocation formula for VR and Pre-ETS to ensure reasonable and sustainable support for both priority populations. When doing so, they must consider the following:

1. Is there sufficient funding allocated to the VR program systemically to support the rising costs in personnel, information technology, services, and other administrative costs?
2. The Pre-ETS model implemented in 2014 under WIOA left the VR program with a funding gap for the adult population resulting in a decline in funding, outcomes, and a focus shift to support students. Is Congress fine with the reallocation of resources from the adult program to the youth and the declining adult outcomes without similar outcome-based metrics for Pre-ETS because of this funding gap and focus on students?
3. Pre-ETS are essential for students transitioning to work, but demand is growing faster than VR programs can support, with limited regulatory controls in WIOA to stem the tide. Ten years after the passage of WIOA, have policymakers considered these implications, their consequences, and what students need to be successful adults?
4. Demand and costs for Pre-ETS are rising without national evaluation of funding or policy impacts, straining VR resources and limiting adult service support. Is congress accepting of states implementing the OOS as a result of Pre-ETS?

## Background

WIOA aimed to improve employment outcomes for students with disabilities by addressing their lower employment rates compared to peers without disabilities. WIOA identified the following four key areas to support individuals with disabilities in the workforce: Increasing support for high school students transitioning into work, improving postsecondary transitions, addressing disincentives in disability benefit programs, and correcting misconceptions about employing people with disabilities. WIOA introduced significant changes, particularly in Title IV, which focused on Pre-ETS for students with disabilities. These services aim to help students prepare for postsecondary education and competitive employment through job exploration, work-based learning, postsecondary counseling, workplace readiness, and self-advocacy training. WIOA requires VR agencies to allocate a minimum of 15% of their Federal funds to Pre-ETS for students with disabilities who are eligible for VR services. WIOA also puts emphasis on reserving and spending the Pre-ETS funds vs. measurable outcomes for the student population. While Pre-ETS was a promising initiative, it has encountered challenges over time. Rising costs, including those for personnel, tuition, and job coaching, combined with an increasing number of students served, have placed financial strain on VR programs. The 15% funding mandate has

created a situation where states must divert resources from adult services to fund Pre-ETS, often leading to waitlists or the use of OOS to prioritize services. These financial pressures are compounded by the lack of flexibility in the system, as Pre-ETS funding cannot be capped or restricted, leaving agencies with difficult choices between meeting the needs of students and sustaining adult services.

The five largest VR programs are tracking huge numbers of students with disabilities compared to their VR program, as shown in the table that follows. This data show a disproportionate number of students vs. adults compared to the required Pre-ETS reserve of 15%.

5 Largest States by Award							
State	Amount	15% Reserve for Pre-ETS	Pre-ETS Students Reported	Total Pre-ETS Students Served Q4PY23	Total Pre-ETS Services Provided Q4PY23	Total VR Participants Served	% of Students Reported vs Total VR
California	\$ 337,475,906	\$ 50,621,386	45,586	14,791	28,354	69,426	66%
Texas	\$ 350,774,056	\$ 52,616,108	18,832	8,974	22,728	54,308	35%
Florida	\$ 184,931,573	\$ 27,739,736	17,160	6,901	19,013	33,443	51%
Ohio	\$ 166,384,030	\$ 24,957,605	10,150	6,127	20,518	22,097	46%
Pennsylvania	\$ 158,505,377	\$ 23,775,807	54,997	12,822	18,870	35,209	156%
<b>5 Largest Totals</b>	<b>\$ 1,198,070,942</b>	<b>\$ 179,710,641</b>	<b>146,725</b>	<b>49,615</b>	<b>109,483</b>	<b>214,483</b>	<b>68%</b>
<b>Total National Award</b>	<b>\$3,673,923,701</b>	<b>\$ 551,088,555</b>					
<b>5 Largest % of National</b>		<b>33%</b>					

Table 1: Information contained in the above chart was obtained from the PY23Q4 Rehabilitation Services Administration (RSA) Data Dashboard

## Proposed Solutions

The proposed solutions address a variety of issues that impact the provision of Pre-ETS nationally. There is not one proposed solution that addresses all of the concerns identified in this paper; rather, these are intended to show the range of approaches for consideration as the provision of services to students continues to evolve since the passage of WIOA.

1. **Revise the Pre-ETS Allocation Formula:** Implement a multiplier-based allocation model to adjust funding for Pre-ETS based on the number of students available in the state, number of students served, and the actual costs associated with delivering these services. Such a change must not reduce the dollars available for the adult VR program but, rather, allow for a systematic distribution of additional Pre-ETS dollars based on state need. This approach would provide a more flexible and responsive funding mechanism, ensuring that states can meet the needs of both Pre-ETS participants and adults with disabilities. Separate formula considerations are needed to ensure funds for one (adult or Pre-ETS) are not used habitually to cover the cost of the other.

2. **Establish Metrics Connected to Programmatic Intent:** Currently, there are no standardized metrics for evaluating the success of Pre-ETS delivery. Additionally, it is not clear to all agencies what the specific intent of Pre-ETS is considering the current evaluation structure. The current structure is based on spending funding and does not systematically look at the numbers of individuals served, quality of service provision, or employment outcomes. Agencies need standardized metrics linked to the intent of the program to encourage the evolution of programs and service delivery in alignment of the same goal; currently, that established goal is to spend the 15% rather than looking at quality or impact. Now that there are several years of data since WIOA's implementation, a review of student engagement and outcomes pre- and post-WIOA could give insight about what has been effective with the current structure. This may guide metric development that unifies the purpose and intent of Pre-ETS as a whole so that agencies (with appropriate funding for both adults and students) can create programs and services that lead to these desired outcomes.
3. **Fund Pre-ETS Separately:** For many agencies, there is a struggle to allocate their Pre-ETS funds because of the intertwining of programmatic administration costs between Pre-ETS and VR funds. Having a Pre-ETS grant would force the costs to be separated and reflect the costs being attributed to the Pre-ETS program. Creating a separate grant linked to five-year growth projections of student numbers would allow states to better plan programming and service provision. Additionally, in the current system, there are no parameters that limit the spending of VR dollars on Pre-ETS, which is challenging for agencies with rapidly growing Pre-ETS eligible populations. Separating these funds would allow for more informed planning by agencies to support both adult and youth populations sustainably. To simplify the grant calculation, consider an average spend per student by the students served which would allow states serving more students access to more resources. However, creating a separate grant raises many additional administrative burdens for grant management and complicates how reallocation funds could be used for Pre-ETS. Should a separate grant be considered, states should be given the option to move VR funds or Program Income to Pre-ETS when they otherwise have sufficient funds, but not Pre-ETS to VR to ensure a minimum expectation of service provision.
4. **Adjust Spending Requirements:** Reevaluate the 15% spending requirement for Pre-ETS in relation to the total Federal VR funds. Consider increasing this percentage to reflect the growing demand for Pre-ETS while also maintaining adequate support for adult services. Alternatively, explore a model where funding requirements are proportional to the percentage of customers served, such as an 80/20 or 70/30 split, which could provide a more balanced distribution of resources. If 15% is still seen as a minimum, then this approach could reinforce the value of serving more youth beyond that minimum. The key to this solution is to limit the burden of the VR program to support Pre-ETS.
5. **Encourage States to Utilize Returned Funds:** For agencies that are seeing ever increasing youth engagement, budgetary limitations often prevent states from providing all the services and programs they want to deliver to Pre-ETS eligible youth. Reallocation funds provide an opportunity for short-term access to additional funds for these programs; however, the current policies make some agencies apprehensive due to the long-term match and maintenance of effort (MOE) impact. Current policies should be revised to encourage states to utilize any returned funds effectively without risking potential negative impacts on their agencies. Adjustments to ongoing funding support could be limited to reallocation funds being requested to support areas of high interest to the Rehabilitation Services

Administration (RSA) and with demonstrated need, such as agencies attempting to expand Pre-ETS delivery.

## Conclusion

Revising the funding allocation formula and establishing outcomes/impact-based metrics for Pre-ETS are crucial for maintaining the effectiveness and impact of VR programs across the nation. As more students seek Pre-ETS, there is strain being placed on the VR program, resulting in poorer outcomes in the adult population and states considering closing their OOS and forming waitlists. It is not the intent of states or Congress to restrict services but without more balanced resource distribution, this phenomenon will continue as more students seek Pre-ETS. By implementing a more balanced funding model, both students and adults will receive the necessary resources to achieve CIE. By focusing on Pre-ETS program evaluation and outcome-based metrics, agencies will have more clarity on what approaches are most effective for supporting CIE in the short- and long-term for youth. The core concern remains how the VR program moves forward over the next decade with service provision that has a known impact and a funding mechanism that is insufficient for the needs of customers and the expectations of Congress. If Congress supports the desire of people with disabilities to reach CIE, it must make informed decisions about the funding mechanism for the VR program and ensure that there are sufficient funds and resources to meet their expectations and needs of the dual customer that was created by WIOA. States fully support Pre-ETS and want to demonstrate the abilities that customers have by helping them be successful. A strategic adjustment to the funding mechanism and program metrics will enhance the quality of services, improve outcomes for all customers, and uphold the integrity of the VR program as envisioned by Congress with the passage of WIOA.