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Review of the Non-Federal VR Match Requirement

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Executive Summary

The Vocational Rehabilitation (VR) program plays a crucial role in helping individuals with disabilities gain access to employment and improve their quality of life. Currently, the non-Federal match requirement for the program stands at 21.3%, a rate that has remained unchanged since the Rehabilitation Act of 1973. Since then, significant developments have occurred, particularly with the most recent reauthorization of the Workforce Innovation and Opportunity Act (WIOA) in 2014. One of the biggest impacts to the VR program is the WIOA mandate that a minimum of 15% of a state's VR allotment must be set aside for Pre-Employment and Transition Services (Pre-ETS). This paper will look at the current VR non-Federal match requirement and advocate that it is time to be reviewed by Congress with consideration being given to the Pre-ETS 15% set-aside requirement. Over the past 10 years, reporting to the Rehabilitation Services Administration (RSA) has continued to improve as three versions of the required data elements have been reviewed and modified. This paper will review other potential options for allowing states flexibility with the match requirement as

each state has unique state requirements, political make-up, structural influences, and population variances. WIOA is now 10 years old, and it is time to re-evaluate the impact of the state required match, Maintenance of Effort (MOE) and the 15% Pre-ETS requirement on State VR programs.

Background

The Federal VR program, established under the Rehabilitation Act, provides funding to states to support VR services. The matching requirement is intended to ensure that states contribute to the program, promoting shared responsibility.

The match requirement of the Federal VR grant started with the Smith-Fess Act in 1920 with a 50%/50% share, then moving to 75%/25% and currently at 78.7%/21.3% as each state must contribute a non-Federal share equal to at least 21.3% of total VR program expenditures (U.S. Department of Education, RSA, 2023). Comparatively, Workforce Development and Adult Education have 10% match requirements for their programs.

There are various allowable non-Federal match sources; however, this adds to the overall complexity of managing the non-Federal match requirements within the overall fiscal administration of a state's VR grant.

The VR program is not unique, as there are many Federal grants that require matching funds, anywhere from 10% to 100% with some having requirements that move toward fully state-funded programs to ones that remain static year after year. Having a match or cost sharing requirement encourages states to have a vested interest in the program/project. This allows the Federal government to share the financial burden; demonstrates a state's commitment to the program at the local level, potentially leading to better implementation; promote long-term sustainability by encouraging states to forecast budgets for the program year after year; and the Federal government can incentivize additional funding leading to a larger pot of money to utilize (fully matched states are eligible for reallocation). However, many states face financial constraints that limit their ability to invest in VR services, affecting program effectiveness and accessibility.

The VR program includes both a MOE and Match requirement to ensure that states maintain their level of funding and commitment to VR services.

MOE: This requirement ensures that states continue to invest a certain amount of their own funds into VR services. It prevents states from reducing their funding simply because Federal funds are available, thus ensuring consistent support for individuals with disabilities.

Match Requirement: The matching requirement mandates that states provide a certain percentage of funding to receive Federal dollars. This encourages states to invest in their VR programs, promoting shared responsibility between Federal and state governments. This ensures dedicated resources for these services and focuses on youth transitioning from school to work. Historically, the VR program was focused on serving an adult population but with WIOA, Congress placed a heightened emphasis on the provision of services to youth with disabilities (Lead Center, 2015). The National Clearinghouse of Rehabilitation Training Materials (n.d.) discusses data that demonstrates that the amount of non-Federal share contributed by states overall has been increasing since 2010. Together, these requirements aim to maintain and enhance the quality and availability of services for individuals with disabilities, fostering a robust support system for VR.

It is unclear whether Congress reviewed the non-Federal match requirement during the reauthorization of WIOA.

WIOA has added to the already complex fiscal management and administration of the VR grant, and this has presented significant challenges for states, necessitating careful planning and administration to comply with Federal requirements while effectively serving individuals with disabilities. State VR programs need to have highly trained fiscal staff in place to successfully manage the complexities of the grant and the various fiscal requirements. Additionally, the culture has been changing within the VR program as WIOA intended. VR programs need to think longer term when it comes to employment services by focusing on competitive, integrated employment (CIE), enhanced collaboration, individualized services, data-driven outcomes, and training and capacity building. The focus is on better jobs and better outcomes. Since it has been 10 years since WIOA, states have had time to implement the changes WIOA required of the VR program, including managing successfully or unsuccessfully the 15% set-aside requirement for Pre-ETS. In addition, many other societal and political changes have occurred over the last decade that have impacted VR programs across the nation.

Proposed Changes (Recommendations)

Allow state flexibility by recommending reviewing alternatives that allow states options for managing the VR grant, such as establishing a Tiered Match System. This would allow states to implement a tiered Federal match system that considers state financial capacity and population needs, allowing states with greater economic challenges to receive a lower match requirement.

Incentivize innovative approaches. Allocate additional funding to states that develop and implement innovative VR programs that demonstrate success in improving employment outcomes for individuals with disabilities. This would include building on and/or expanding upon the existing model of the DIF grants.

Evaluate and monitor the impact of the effects of lowering the match requirement on service delivery, client outcomes, and state funding allocations to ensure accountability and continuous improvement by conducting regular in-house evaluations on services provided and outcomes from state's RSA-911 report data.

Impact

VR has been adapting in the 10 years since WIOA. All the WIOA performance measures (2nd and 4th Quarter After Exit, 2nd Quarter After Exit Wages, Measurable Skills Gains, and Credential Attainment) are in place. States are in the process of creating, reviewing, and modifying their own policy, to make sure they move towards achieving those measures. Since the release of the RSA-911 Case Services Report Manual in 2016, the data elements have undergone two additional revisions with the most recent one beginning July 1, 2024.

Recently, states have had to return Federal funding. RSA, along with those states, are determining why this has been happening and what solutions are available to ensure states are able to spend all the Federal funding they are awarded. Administering the VR grant requires subject-matter experts (SMEs) in many different areas, such as fiscal/accounting, programming, and policy, and not all states have the people in place or the resources to entice those people to join their agency. Terry Cross, executive director at the National Indian Child Welfare Association (NICWA), emphasizes that "fiscal and accounting structures are necessary to properly document match." The first step in setting up a successful match tracking system is the development of a match budget.

Since the VR award changes year to year, along with other factors causing a change in the match requirement, it can be difficult to forecast a budget to inform the state legislature about the upcoming years' budget and amounts. Each year, fiscal forecasting needs to consider the grant award amount (which can either increase or be flat-funded [no increase]), additional funding from cost reimbursement or Program Income departments, HR costs to include base salaries, inflation, cost of living increases, or raises to retain current staff or entice new professionals to fill vacant positions.

Along with Fiscal and Accounting, an agency needs to have a case management system with correct coding so all the funding is taken from the correct funding source, therefore being reported correctly. If staff are unfamiliar with properly coding and tracking expenditures, it could mean that no non-Federal funding is being marked as match or the incorrect items are being coded as match.

Other reasons a state may not have met their match include the budget decisions that fall on the state legislature who could decide that money would be better used elsewhere in the budget. States may not have included the required 15% set aside for Pre-ETS services or, for various reasons, not been able to spend it on those specific services.

In short, if a state does not have SMEs in fiscal forecasting, accounting, case management, and coding it could seriously hamper budget decisions that local legislature needs to make to account for meeting the match.

Something not discussed above, but very apparent when reviewing monitoring reports from RSA, is a lack of internal controls. If a state has appropriate, accurate, well documented internal controls, there is a better chance, though not guaranteed, of a state to be able to “pick up” where a subject-matter expert left off. A good internal control would be able to guide a non-expert step by step to help with all the nuances of the complexities of the grant.

If the match requirement were to be lowered, the effects could include increased funding flexibility. With reduced financial pressure at the state level, states can better manage the unknowns related to political and legislative changes and other major changes/challenges from year to year, like natural disasters, pandemics, and economic fluctuation impacts.

States could prioritize funding for innovative programs like Customized Employment, Individual Placement and Support (IPS), and Progressive Employment that respond to the unique needs of individuals with disabilities.

Other effects could be expanding access to services. A lower match could prevent states from implementing an Order of Selection (OOS). OOS refers to the process of determining severity of disability in activities of daily living. Those people with “most significant” disabilities will be served first (this is apart from determining eligibility for services). Many individuals with disabilities still face barriers to accessing VR services. By moving to an OOS, it prevents states from reaching more eligible participants, particularly in rural and underserved urban areas.

Greater maximization of funding availability would support outreach efforts and collaboration with community organizations, improving awareness and access to VR resources.

It should also be noted that VR has a high return on investment. VR programs contribute to the local state economy by facilitating workforce participation among individuals with disabilities, reducing reliance on public assistance programs. Employment not only improves individual financial stability but also enhances social inclusion, benefiting communities.

Conclusion

Reviewing the non-Federal match requirement for the public VR program in light of the fiscal impacts of WIOA, will allow for the opportunity to identify possibilities to allow for flexibility within State VR programs, in light of the complexities related to managing the VR grant. By providing states with greater flexibility and resources, the VR program can remain fiscally strong and viable to meet the changing economic needs of individual states.

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