

1 **Discussion Paper**

2 **Vocational Rehabilitation Grant Usage**

3 **Background**

4 Funding for the Vocational Rehabilitation (VR) program is primarily made up of a federal VR
5 grant and the corresponding state General Revenue match funds. In each budget year, the agency
6 is required to fully obligate the state funds in order to match and draw down the federal grant
7 funds. States then have two years to obligate the federal grant dollars, and an additional three
8 months to liquidate any remaining grant obligations.

9 **Issue**

10 In recent years, overall program expenditures in the Texas Workforce Commission (TWC) VR
11 program have been trending downward, largely due to decreasing client services. This downward
12 trend in client services is also being seen nationally in VR programs across the country.
13 Nationally, applications for VR services fell from 701,779 in 2010 to 446,919 in 2019. (Source:
14 U.S. Department of Education, report on WIOA Implementation, April 2020) As the single
15 largest line item in the VR program budget, trends in client services expenditures are the main
16 driver of overall VR grant utilization. As a result, the downward trend of client services has
17 resulted in the agency taking a longer time to spend federal grant funds each grant year. COVID-
18 19 has led to a significantly increased reduction in client services expenditures in the second half
19 of the fiscal year, and particularly in the summer months when VR normally sees an increase in
20 client services expenditures.

21 Based on current projections, the agency will not be able to fully obligate the Grant Year (GY)
22 19 federal VR grant before the required September 30th deadline in either the Basic Support or
23 the PreETS portion of the grant.

24 **Decision**

25 Since the agency does not have enough projected VR expenditures before September 30 to fully
26 utilize both the GY 19 VR grant and the Fiscal Year (FY) 20 state matching funds, staff
27 recommend Commission approval to prioritize GY 19 grant expenditures over FY 20 state
28 matching fund expenditures. With the remaining state matching funds, staff recommends 1)
29 transferring a portion of the unused funds to cover VR, Business Enterprises of Texas (BET),
30 and COVID-19 expenditures, and 2) requesting authority to transfer the unexpended balance to
31 AY 2021 as outlined below:

Budget Adjustment	Estimated Funding Adjustment¹
VR Program – State Matching Funds	(\$16,769,006)
VR Facility Integration – Unmatched Funds	\$1,559,619
BET Inventory Replacement ²	\$274,347
BET Income Replacement Payments ³	\$1,500,000
WorkInTexas (WIT) User Expansion	\$4,306,540
Transfer Unexpended Balance (UB) Authority to AY 21 ⁴	\$9,128,500

32
33
34
35
36
37
38
39
40
41
42
43
44
45
46

47
48
49
50
51
52
53
54
55

Notes:

- 1) The funding adjustments reflect staff projections as of July 23, 2020. Any state matching funds that can be utilized after the GY 19 grant funds have been fully expended, will be used to match the GY 20 grant.
- 2) The amount for BET Inventory Replacement reflects the maximum estimated amount that could be obligated prior to the end of the fiscal year.
- 3) The BET Income Replacement Payment adjustment reflects the use of GR to cover the previous three months of payments approved by the Commission as well as two additional months of payments.
- 4) TWC has requested authority from the Legislative Budget Board to UB these funds into AY 2021. If the request is denied, then the amount will instead be lapsed back to the Treasury. The final amount UBed or lapsed to the State Treasury will be dependent on the actual amount of state matching funds that cannot be utilized to match the GY 20 grant, less the actual expenditures needed for the VR facility integration, BET inventory replacement and income replacement payments, and the WorkInTexas user expansion.

Projections indicate that sufficient VR funding is available to meet the client services needs of current VR customers, as well as new customers applying for services in FY 20 and 21. VR is also implementing strategies to increase and maximize use of client services funds as part of the Action Plan developed earlier this fiscal year, including numerous outreach and awareness activities. In addition, to ensure that funds transferred to WIT will continue to benefit the VR program and its customers with disabilities, VR, Workforce Development Division (WDD) and Board staff will work together in FY 21 to provide additional training and support to VR counselors to ensure they are able to help their VR customers navigate WIT for registration and job search.