Vocational Rehabilitation Grants to States: Program Overview

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Summary

Vocational rehabilitation (VR) state grants provide funds to state and territorial agencies to administer services to individuals with disabilities to aid them in securing and maintaining employment. States are required to match a portion of their federal grants. The VR grants program is administered by the Rehabilitation Services Administration (RSA), part of the Department of Education (ED).

To be eligible for VR services, an individual must establish that (1) he or she has a disability that creates an obstacle to employment and (2) he or she would benefit from VR services. After qualifying for VR services, each client works with a VR counselor to develop an Individualized Plan for Employment (IPE). The IPE defines the client's desired employment outcome and outlines the services necessary to achieve that outcome.

To meet the objective stated in a client's IPE, a VR agency can coordinate a variety of services. These can range from simpler services such as job search assistance to more complex job training or postsecondary education. VR agencies can also provide support services that aid a client's progress toward employment, such as transportation subsidies or reader services for clients with visual impairments. In all cases, a client must exhaust all other applicable government assistance before a VR agency will pay for a service.

In cases where a state anticipates that it will not be able to serve all eligible individuals, it must notify RSA that it will implement an order of selection plan. This plan establishes which individuals will receive preference if the state agency is unable to serve all eligible clients. ED dictates that agencies must first serve individuals with the most significant disabilities, but defining the most significant disabilities is left to the state agencies.

VR grants are supported through mandatory appropriations. Authorization for the VR grant program expired after FY2003. The program's authorizing legislation specifies that if the authorization for appropriations has expired and Congress has taken no action, the program will automatically be reauthorized for the subsequent year and the appropriation for the program will equal the prior year's appropriation plus an increase equal to inflation. The program has operated under these provisions since FY2004.

Since the expiration of authorization of appropriations after FY2003, the reauthorization of the VR state grants program has been debated as a part of a package to reauthorize the Workforce Investment Act of 1998 (WIA). While bills have made legislative progress in several Congresses, no consensus has emerged.

Congress appropriated $3.1 billion for VR grants to states in FY2013. In FY2011, the most recent year for which program data are available, more than 1 million individuals had contact with a state or territorial VR agency and agencies reported more than 178,000 successful employment outcomes. At the end of FY2011, about 34,000 individuals were on VR waiting lists.

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Background

Vocational rehabilitation (VR) state grants provide federal funds to state agencies to provide customized services to individuals with disabilities to assist those individuals in securing and maintaining employment. The VR grants to states program is administered by the Rehabilitation Services Administration (RSA) of the Department of Education (ED) and is authorized by Title I of the Rehabilitation Act of 1973, as amended.[1] In FY2013, Congress appropriated $3.1 billion for VR grants to states. In FY2011, the most recent year for which data are available, more than 1 million individuals had contact with a state or territorial VR agency and agencies produced almost 178,000 employment outcomes.[2]

This report will provide an overview of the federal VR grant program and the associated state programs.[3] The first section will provide an overview of how the program is funded and the respective roles of the federal government and the cooperating state agencies. The second section will outline eligibility requirements for individuals to participate in the program. The following sections will use program data to illustrate what services VR agencies provide, outcomes for clients at case closure, and the characteristics of the population the program serves. The final section will briefly discuss legislative activity related to the program since authorization for appropriations expired after FY2003.

Financing and Administration

VR programs are funded by a combination of federal grants and matching funds from the states. VR grants to states are mandatory spending and funded out of general revenue. Since FY2000, the program's annual appropriation has equaled the prior year's appropriation plus an increase equal to inflation.[4]

The programs are administered by state agencies. While there are certain federal requirements for all VR programs, each individual agency has autonomy in determining what specific services are provided and how they are delivered.

[1] The Rehabilitation Act of 1973 (P.L. 93-112) was amended in 1974 (P.L. 93-516), 1976 (P.L. 94-230), 1978 (P.L. 95-602), 1984 (P.L. 98-221), 1986 (P.L. 99-506), 1992 (P.L. 102-569), 1993 (P.L. 103-73), and 1998 (P.L. 105-220). Unless specified otherwise, when this report refers to the Rehabilitation Act, it is referring to the Rehabilitation Act of 1973, as amended.

[2] Data generated from RSA-113 on rsa.ed.gov website on September 20, 2012. An agency may report an employment outcome when a client has maintained employment for 90 days. The full criteria for employment outcomes and other program metrics are discussed later in this report.

[3] The Rehabilitation Act defines *state* as "each of the several States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands." This report will follow that definition. There are limited instances in the VR program where the District of Columbia and the territories are treated differently than the 50 states and these instances will be noted in the relevant sections.

[4] The appropriation is adjusted for inflation using the Consumer Price Index. This process is described in more detail in the "Current Authorization Status" section of this report.

Federal Grants and State Matches

The annual appropriation for VR grants is divided among the states using a formula that considers each jurisdiction's population, average per capita income, and original VR allotment in 1978. The formula is fairly sophisticated, but grant sizes are positively correlated with a state's population and original 1978 allocation and negatively correlated with per capita income. The formula for the District of Columbia and the territories is somewhat different than the formula for the 50 states.[5]

VR grants require a match from the states. The federal share is 78.7%, with the state providing the remaining 21.3%.[6] Grant recipients have the option of contributing funds beyond their required match.

Not all states provide a full match for their VR allocations. In these cases, the state's federal grant is reduced accordingly and the remaining funds are made available to other states. States that receive reallocated funds must match them as they do their original VR grant funds. If state requests for reallocated funds exceed the funds available for reallocation, ED typically gives first preference to states that received the smallest increases from the prior year. In cases where the amount of funding available for reallocations is greater than requests for reallocated funds, the unmatched funds are typically returned to the Treasury, though Congress may specify other uses for unmatched funds in appropriations legislation.[7]

Final grant allotments for each state from FY2010 to FY2012 are listed in **Appendix B**. Final grant allotments for FY2013 are not currently available.

Administering Agencies

VR programs are administered by state agencies. All agencies are required to provide certain services and collect data on clients' characteristics, services received, and outcomes at case closure.

Each state has the option of establishing a single VR agency that serves all eligible individuals (a "combined agency") or one agency that serves blind clients and another general agency that serves all other eligible individuals. As of FY2011, 32 states and territories have a single combined agency and 24 states have one agency that serves blind clients and a general VR agency that serves all other clients.

To qualify for VR funding under the Rehabilitation Act, a state must file a VR plan with ED. This plan must designate the state agency that will provide VR services and must specify if a separate state agency will provide services to blind clients. The state plan must demonstrate how the state

[5] Specifics of the formula are outlined in **Appendix A**. A detailed analysis of the formula is available in archived CRS Report RL34017, *Vocational Rehabilitation Grants to States and Territories: Overview and Analysis of the Allotment Formula*, by Umar Moulta-Ali.

[6] See 29 U.S.C. 705(14).

[7] For example, the Consolidated Appropriations Act of 2012 (P.L. 112-74) specified that any funds remaining after reallocation may be used "for activities aimed at improving the outcomes of children receiving Supplemental Security Income (SSI)." More information on these activities is available at http://www2.ed.gov/about/inits/ed/promise/index.html.

will meet the specific requirements of the Rehabilitation Act, including requirements concerning program goals and evaluation, cooperation with other agencies, the IPE process, and the provision of VR services to qualified individuals.[8] If a state anticipates not having enough resources to serve all eligible individuals, it must include an order of selection plan as part of its state plan. A state plan does not have to be submitted each year, but must be amended to reflect any changes in state VR policy.

Current Authorization Status

The authorization of appropriations for VR state grants expired at the end of FY2003. The Rehabilitation Act, however, includes a provision that automatically extends the authorization of appropriations if authorization expires and Congress has not amended the act to extend it.[9] Under the extension provisions, the authorization of appropriations for VR grants is the equal to the amount appropriated in the previous fiscal year, increased by the percentage change in the Consumer Price Index for all urban consumers (CPI-U).[10] In years where the CPI-U reports no change or a negative change, the authorization equals the prior year's appropriation.

[8] See 29 U.S.C. 721 and 34 C.F.R. 361.10 for additional details on state plans.

[9] See 29 U.S.C. 720(d).

[10] See 29 U.S.C. 720(c). The specific index used is the not seasonally adjusted all items Consumer Price Index for all urban consumers. The reference period is the 12 months ending the October two years prior to the fiscal year. For example, the reference period for the FY2009 appropriation was the 12 month period ending October 2007.

Table 1. State VR Grant Appropriations, FY2003-FY2013

Fiscal Year	VR Grant Appropriations (nominal dollars)	Change from Prior Year (%)	Inflation Rate (%)
2003	2,533,492,000	2.1	2.1
2004	2,584,162,000	2.0	2.0
2005	2,635,845,000	2.0	2.0
2006	2,720,192,000	3.2	3.2
2007	2,837,160,000	4.3	4.3
2008	2,874,043,000	1.3	1.3
2009	2,974,635,000	3.5	3.5
2009	540,000,000[a]	—	—
2010	3,084,696,000	3.7	3.7
2011	3,084,696,000	0.0	-0.2
2012	3,121,712,000	1.2	1.2
2013	3,066,192,428[b]	-1.8	3.5

Source: Table created by CRS using data from the Department of Education and the Department of Labor, Bureau of Labor Statistics. Budget data are from the ED website at http://www2.ed.gov/about/overview/budget/tables.html and http://www2.ed.gov/about/overview/budget/history/index.html. Inflation data were generated on the BLS website at http://www.bls.gov/cpi.

Notes: The inflation rate refers to the change in the not-seasonally adjusted CPI-U for all items for the 12 months ending the October two years prior to the fiscal year. Annual appropriation level includes grants to states and territories as well as an Indian set-aside between 1.0% and 1.5% of the total grant.

a. The American Recovery and Reinvestment Act (P.L. 111-5) provided supplemental grants to state VR agencies. These funds did not require a state match.

b. The initial appropriation for FY2013 was $3,230,972,000 or a 3.5% increase from the prior fiscal year. This appropriation was reduced to the listed level under the sequestration process under the Budget Control Act of 2011 (P.L. 112-25).

Individual Eligibility for Vocational Rehabilitation Services

Individual participation in the VR program is voluntary. The application process varies by state but individuals seeking VR services typically apply directly to their state agency. Since VR is a mandatory partner in the One-Stop workforce development system, prospective clients may also apply at local One-Stop career centers.[11] State VR agencies are generally required to make a determination regarding an applicant's eligibility for VR services within 60 days of application.[12]

[11] For background on the One-Stop Delivery System, see CRS Report R41135, *The Workforce Investment Act and the One-Stop Delivery System*, by David H. Bradley.

[12] See 29 U.S.C. 722(a)(6). State agencies are exempt from the 60-day limit in "exceptional and unforeseen circumstances" and when the agency is still assessing an applicant.

Eligibility Criteria

The Rehabilitation Act states that to be eligible for VR services, an individual must establish that he or she

> (i) has a physical or mental impairment which for such individual constitutes or results in a substantial impediment to employment, and (ii) can benefit in terms of an employment outcome from vocational rehabilitation services pursuant to Title I, III, or VI of [the Rehabilitation Act].[13]

To meet the first criteria above, qualified personnel must determine that the applicant has an impairment and that the impairment is an obstacle to employment.[14] Individuals who are receiving Social Security Disability Insurance (SSDI) or Supplemental Security Income (SSI) and wish to pursue employment are presumed to be eligible for VR services.[15]

All applicants are presumed to benefit from VR services and thus are assumed to meet the second eligibility criterion. If a state agency denies an applicant on the basis of not meeting the second criterion, the agency must provide "clear and convincing evidence that such individual is incapable of benefiting" from VR services.[16]

Order of Selection and Waiting Lists

If a state VR agency anticipates that it will not have enough resources to provide services to all eligible persons during a given fiscal year, it must notify RSA that it will implement an order of selection plan to determine which individuals will have the first priority to receive services. Regulations require that the order of selection plan must ensure that persons with the "most significant disabilities" will be able to receive services before other eligible persons.[17] Other persons not placed in the priority group may be placed on a waiting list and are not guaranteed services. A state agency is given substantial latitude in determining how it will set up its order of selection system; neither the Rehabilitation Act nor the C.F.R. provide firm requirements on how state agencies should determine which persons have the most significant disabilities.[18]

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[13] See 29 U.S.C. 705(20). Title I of the Rehabilitation Act authorizes the state grants discussed in this report. Title III of the Rehabilitation Act of 1973 authorizes demonstration projects, including projects for migrant farm workers. Title VI of the act authorizes projects with industry and supported employment programs.

[14] See 34 C.F.R. 361.42(a)(i). The C.F.R. does not establish a definition for "qualified personnel."

[15] See 29 U.S.C. 722(a)(3). SSI benefits are means tested and are available to adults and children with disabilities and persons aged 65 or older with or without disabilities. In this report, SSI benefits will only refer to benefits paid to adults and children with disabilities. For more information on these programs, see CRS Report RL32279, *Primer on Disability Benefits: Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI)*, by Umar Moulta-Ali.

[16] See 29 U.S.C. 722(a)(2)(A).

[17] See 34 C.F.R. 361.36(a)(3)(iv)(A).

[18] For additional information on the procedures used to establish an order of selection system, see Ronald M. Hager, *Order of Selection for Vocational Rehabilitation Services: An Option for State VR Agencies Who Cannot Serve All Eligible Individuals*, Cornell University, Work Incentives Support Center, Policy and Practice Brief 23, November 2004; available on the Cornell University Employment and Disability Institute website at http://digitalcommons.ilr.cornell.edu/cgi/viewcontent.cgi?article=1058&context=edicollect.

Although SSDI and SSI beneficiaries are presumed to be eligible for VR services, they may ultimately be deemed not to have the most significant disabilities by their state VR agency. In such a case, it would be possible for a state to place a person receiving benefits from a Social Security disability program on a waiting list.

At the conclusion of FY2011 (the most recent year for which waiting list data are available), 27 states reported a collective total of more than 34,000 individuals on order of selection waiting lists. Many of these states, however, had relatively short waiting lists. As **Table 2** shows, individuals were concentrated in a small group of states, with 10 states accounting for about 94% of those waiting for VR services.

Table 2. States with the Most Individuals on Order of Selection Waiting List, End of the Fiscal Year, FY2010 and FY2011

FY2010		FY2011	
Agency	Waiting List	Agency	Waiting List
Wisconsin	4,480	Ohio	4,278
Massachusetts	4,364	Wisconsin	4,127
Iowa	3,825	Iowa	3,817
Arizona	3,512	Louisiana	3,682
Tennessee	2,679	Florida	3,108
Louisiana	2,669	Virginia	3,030
Florida	2,534	Maryland	2,953
Ohio	2,369	Arizona	2,599
Maryland	1,798	Tennessee	2,412
Kentucky	1,282	New Mexico	2,017
10-state total	**29,512**	**10-state total**	**32,023**
National total	**32,766**	**National total**	**34,202**

Source: Table created by CRS using state-level data from the Department of Education's RSA-113, retrieved December 10, 2012, from http://rsa.ed.gov/ahq.cfm?form_id=4.

Note: Waiting lists for states with separate agencies for the blind and all other clients are combined.

Services Provided by Vocational Rehabilitation Agencies

State VR agencies provide customized services to their clients. Agency staff work with each client individually to design a combination of services that is intended to help the client achieve an employment objective. While VR agencies are required to offer certain services, there is no standard group of services that every client receives nor is there a comprehensive list of all services that may be provided.

Individualized Plan for Employment (IPE)

The core of the VR service model is the Individualized Plan for Employment (IPE). After determining eligibility (but before receiving any services), every client prepares an IPE with the assistance of agency staff. The IPE states the client's employment goal as well as the specific services that the agency will provide to help the client reach that goal.

Before an IPE can be created, staff of the VR agency perform an assessment of the client. This assessment looks at the factors that may affect the client's prospects for employment, including factors related to the client's disability, work history, and educational background. The assessment also identifies the client's specific needs that can be met by the VR agency.

An IPE is statutorily required to include the following items:

- the specific employment outcome chosen by the client;
- the specific VR services that will be provided to the client;
- the timeline for starting services and achieving the employment outcome;
- the specific entity, selected by the client, from which services will be obtained;
- the criteria that will be used to evaluate the progress made by the client;
- the responsibilities of the client, the VR agency, and other entities included in the IPE;
- the extended services that will be needed if the client is expected to need supported employment; and
- the projected need for post-employment services.[19]

Although the staff of the VR agency provides assistance to the client in the preparation of the IPE, it is the client that has the final say on his or her employment goal and the services that he or she will receive. The staff member has the responsibility of providing the client with enough information about available jobs and services to assist the client in making an informed choice about his or her employment goal and service package. Clients may develop their own IPEs with the assistance of persons outside of the VR agency. However, the agency must approve all IPEs before services can be provided. The IPE is reviewed by the staff and the client at least once per year and changes are made if necessary.

Scope and Distribution of VR Services

VR agencies are required to offer a variety of services to meet clients' employment objectives specified in their IPEs. These services are outlined in both statutes and regulations and can be provided directly by the state agency or purchased from an outside provider.[20]

[19] See 29 U.S.C. 722(b)(3).

[20] See 29 U.S.C. 723 and 34 C.F.R. 361.48.

When clients require services that may be covered by another government program, VR agencies are considered a payer of last resort. For example, VR agencies will only pay for college coursework after the client has applied for Pell Grants and any other federal assistance.[21]

The most recent expenditure data for VR services are from FY2011. **Table 3** lists the distribution of the $3.6 billion in VR services provided by state agencies in that year.[22] In support of these direct services, state VR agencies spent an additional $477 million on administrative expenses in FY2011.

It should be noted that the 1.4 million individuals who received services in **Table 3** is a very inclusive metric that includes individuals who applied for VR services but were not sufficiently assessed to determine eligibility for services as well as individuals who were determined to be eligible for VR services but never developed an IPE. These issues are discussed in the "Case Closure and Employment Outcomes" section later in this report.

Table 3. VR Services Provided by State Agencies in FY2011

	Individuals Served	Cost	Percent of All Expenditures
Total, all client services	**1,403,072**	**$3,603,290,068**	**100.0%**
Assessment, counseling, guidance, and placement	**n/a[a]**	**1,885,438,412**	**52.3%**
Assessment, counseling, guidance and placement provided by agency personnel	611,080[b]	1,496,228,006	41.5%
Assessment (purchased only)	336,373	194,472,313	5.4%
Placement (purchased only)	107,513	194,738,093	5.4%
Education and training	**322,340[c]**	**800,461,292**	**22.2%**
Job readiness and augmentative skills training	71,443	192,073,695	5.3%
Vocational and occupational skills training	64,495	161,186,777	4.5%
Postsecondary education	122,948	285,198,604	7.9%
Other training and education	94,317	162,002,216	4.5%
Diagnosis and treatment of physical and mental impairments	**176,454**	**263,920,111**	**7.3%**
Transportation	**200,904**	**86,039,339**	**2.4%**
Maintenance	**89,882**	**77,731,693**	**2.2%**
Personal assistance service	**10,264**	**30,003,968**	**0.8%**
All other services to individuals	**184,542**	**294,447,297**	**8.2%**
Services to groups	**n/a**	**165,247,956**	**4.6%**

[21] Federal student loans do not supercede payment by VR agencies.

[22] FY2011 data from the Arkansas's general VR agency were not available at the time of writing and are not included in **Table 3** or any estimates based on RSA-2 data. Data from the Arkansas's VR agency for the blind are included.

Source: Table created and percentage of expenditures calculated by CRS using aggregated state-level data from the Department of Education's RSA-2, generated December 10, 2012 fromhttp://rsa.ed.gov/ad-hoc-query.cfm?tbl=vw_002. Data include all states and territorial agencies eligible for VR grants except the general VR agency in Arkansas.

Notes: Individuals who only received services as part of a group are not included in the total. Percentages of all expenditures subcategories may not add to 100% due to rounding.

a. Due to potential overlap of recipients of purchased assessment and placement services, an unduplicated count of all recipients of assessment, counseling, guidance, and placement services is not available.

b. The individuals served count of assessment, counseling, guidance, and placement by agency personnel only includes individuals that received no other services. Other counts may include individuals that are counted in more than one category.

c. Since some clients may participate in more than one form of education and training, this unduplicated count may be less than the sum of participants in each type of education and training.

Assessment, counseling, guidance and placement provided by agency personnel includes services to eligible and potentially eligible individuals and accounted for 41.5% of VR service expenditures in FY2011. These services can be provided in the context of determining eligibility, developing an IPE, or fulfilling an IPE. This category includes the salaries and benefits for agency personnel that provide or supervise these services. Administrative costs and administrative personnel are not included.

Assessment (purchased only) and **placement (purchased only)** are similar to the services described above but are provided by non-agency personnel. These services may be purchased from another public entity or a private organization. Collectively, these two categories accounted for 10.8% of VR service expenditures in FY2011.

Education and training expenditures fund the development of human capital and job skills and represented 22.2% of service expenditures. VR agencies pay for training, but only after "maximum efforts have been made ... to secure grant assistance in whole or in part from other sources to pay for such training."[23] There is no federal maximum for training benefits, but many states establish a cap or can require clients to share the costs of more expensive training. Education and training expenditures are divided into four subcategories:

- **Job readiness and augmentative skills training** includes both training in "soft skills" such as appropriate work behaviors and proper dress as well as disability-related developmental skills such as sign language and reading Braille.
- **Vocational and occupational skills training** includes classroom training that prepares students for gainful employment in a recognized occupation. Training in this category does not lead to a degree and can come from a community college or vocational school.
- **Postsecondary education** includes occupation-focused academic training at postsecondary institutions of higher education that can lead to a postsecondary degree.
- **Other training and education** includes human capital development that does not fit into the above classifications. It may include on-the-job training,

[23] See 29 U.S.C. 723(a)(5). Student loans are not considered a source of funding that supersedes VR funding.

preparation for the General Educational Development (GED) test, and other academic courses that are not occupation-focused.

If they are necessary as part of an individual's IPE and not available from another source (such as health insurance or a state Medicaid plan), **diagnosis and treatment of physical and mental impairments** can be provided by a state VR agency. These expenses represented 7.3% of VR service expenditures in FY2011. Covered treatments include prosthetic devices, eyeglasses, and, if it is expected to reduce impediments to employment within a reasonable length of time, corrective surgery and associated expenses.[24] Diagnosis and treatment services that are provided as part of the assessment process are classified as assessment expenditures.

Transportation costs must be paid by a VR agency if they are needed by an eligible individual to fulfill and IPE or achieve an employment outcome. Expenditures under this category may also pay for training in the use of a public transportation system. Total transportation expenditures accounted for 2.4% of expenditures on VR services in FY2011. **Maintenance** expenditures pay for additional subsistence costs (e.g., food, shelter, clothing) that are incurred because of participation in a VR assessment or receipt of services under an IPE. Maintenance represented 2.2% of VR expenditures in FY2011.

Personal assistance services may include translation, reader services, or other personal attendant services. These services accounted for less than 1.0% of VR expenditures. Services not part of the above categories but needed for an individual to achieve an employment outcome such as occupational licensures or post-employment services are classified as **all other services** and accounted for 8.2% of VR service costs in FY2011.

In addition to the funds spent on services to individuals, about $165 million (4.6% of total expenditures on services) was spent on **services for groups**. This category includes more general VR initiatives like construction of facilities and the development of new programs.

While agencies are required to record their expenditures on each service category, they do not publish client-level data on services received. As such, it is difficult to identify what services (and at what cost) correspond with high levels of employment outcomes. Even if these data were available, however, they would be of limited use from a programmatic standpoint. While VR counselors must approve each client's IPE, the client-directed and customized nature of the VR program typically takes precedence over empirical evidence of successful employment placement.

Case Closure and Employment Outcomes

A VR case can be closed with or without an employment outcome. In order to be closed with an employment outcome, the client must have

- achieved the employment outcome specified in the client's IPE;
- maintained the employment outcome for a period of at least 90 days;
- met with a VR counselor after 90 days of employment and agreed that the employment outcome is satisfactory; and

[24] See 29 U.S.C. 723(a)(6).

- been informed of the availability of post-employment services.[25]

Table 4 presents historical data on employment outcomes among individuals that received VR services.

Table 4. Employment Outcomes Among Cases Closed After Clients Received Services, FY2003-FY2011

Fiscal Year	Closed with Employment Outcomes	Closed without Employment Outcomes After Receiving Services	Percentage with Employment Outcomes
2003	217,557	154,702	58.4%
2004	213,432	171,643	55.4%
2005	206,695	149,534	58.0%
2006	205,796	146,344	58.4%
2007	205,448	139,103	59.6%
2008	205,023	148,853	57.9%
2009	180,570	142,393	55.9%
2010	171,966	159,344	51.9%
2011	178,289	152,282	53.9%

Source: Table created and percentage of employment outcomes calculated by CRS using state-level data from the Department of Education's RSA-113, retrieved December 10, 2012, from http://rsa.ed.gov/ahq.cfm?form_id=4.

Among clients who achieved employment outcomes in FY2011, 96% worked in what RSA defines as "competitive employment."[26] To be classified as competitive employment, work must (1) be performed in a setting "typically found in the community in which applicants or eligible individuals interact with non-disabled individuals" and (2) pay at least minimum wage "but not less than the customary wage and level of benefits paid by the employer for the same or similar work performed by individuals who are not disabled."[27]

In FY2011, VR clients who achieved an employment outcome were in the program for an average of approximately 24 months. Clients who received services but closed their cases without an employment outcome were active in the program for an average of about 32 months.[28]

The data in **Table 4** only consider closed cases in which clients received services under an IPE. **Table 5** contains data on all case closures in FY2011. In this year, the VR participants never received services under an IPE in 46% of case closures. In the vast majority of cases where a case was closed before an individual received services, it was for a reason other than a lack of

[25] See 34 C.F.R. 361.56.

[26] Competitive employment data from RSA-911, retrieved December 10, 2012 from http://rsa.ed.gov/ahq.cfm?form_id=911.

[27] See C.F.R. 361.5(b)(11).

[28] Average duration of services calculated by CRS using state-level data on average period of service from RSA-911, retrieved December 10, 2012 from http://rsa.ed.gov/ahq.cfm?form_id=911.

available services: less than 2% of cases closed in FY2011 before the provision of services were of individuals on waiting lists.

Table 5. Case Closures in FY2011

Type of Closure	Individuals	Share of All Case Closures
Total Closures	**589,763**	**100.0%**
Achieved employment outcome	178,289	30.2%
Closed after services without employment outcome	152,282	25.8%
Closed after eligibility established, before Individualized Plan for Employment (IPE) developed	143,209	24.3%
Closed after IPE developed, before services initiated	12,792	2.2%
Closed from Order of Selection Waiting List	4,536	0.8%
Closed from trial work/extended evaluation	4,930	0.8%
Closed as applicant before determination of eligibility	93,725	15.9%

Source: Table created and percentage of case closures calculated by CRS using state-level data from the Department of Education's RSA-113, retrieved December 10, 2012, from http://rsa.ed.gov/ahq.cfm?form_id=4.

Characteristics of the VR Population

Table 6 provides data on the characteristics of individuals that closed VR cases in FY2011 after receiving services. The employment rate for each subset is the portion of the group that reported an employment outcome after receiving VR services.

As **Table 6** shows, more than 60% of those with closed cases in FY2011 were eligible for VR services because of mental disability. This category included psychosocial disabilities such as interpersonal and behavioral impairments and cognitive disabilities such as impairments involving learning, thinking, processing information, or concentrating. Slightly less than a quarter were eligible because of a physical impairment such as reduced mobility or limited dexterity.

Among the disability groups for which data were available, the highest employment rate was among clients with communicative disabilities such as deafness. The lowest employment rate was among clients with psychosocial disabilities.

More than 95% of those with cases closed in FY2011 were classified as having a significant disability. According to the instructions for the RSA-911 form which tracks caseloads, a client with a significant disability "has a physical or mental impairment that seriously limits one or more functional capacities in terms of an employment outcome" and is "expected to require multiple VR services over an extended period of time."

Table 6. Disabilities and Other Characteristics of Individuals with VR Cases Closed After Receiving Services in FY2011

	Closed Cases	Share of Cases	Employment Rate
Total	**330,367**	**100.0%**	**54.0%**
Physical disabilities	**77,237**	**23.4%**	**51.5%**
Mental disabilities	**203,237**	**61.5%**	**50.5%**
Cognitive disabilities	94,300	28.5%	54.1%
Psychosocial disabilities	82,591	25.0%	47.1%
Mental disabilities, not elsewhere classified	26,346	8.0%	48.6%
Communicative disabilities	**31,247**	**9.5%**	**75.4%**
Visual disabilities	**18,646**	**5.6%**	**65.6%**
Total	**330,367**	**100.0%**	**54.0%**
Significant Disabilities	314,385	95.2%	52.9%
Transition age (14-24)	114,156	34.6%	51.8%
Over age 65	5,867	1.8%	79.4%

Source: Table created by CRS. Shares of cases and employment rates calculated by CRS by aggregating data from each state and territorial VR agency. Date are from the Department of Education's RSA-911, retrieved December 10, 2012, from http://rsa.ed.gov/ahq.cfm?form_id=911.

Notes: In cases where a client has more than one disability, the client's primary disability is listed. Data from individuals who applied for VR but never received services under an IPE are not included.

While data on employment outcomes for different populations are valuable for understanding the VR program, they are only a partial indicator of program success. The Rehabilitation Act states that its purpose is not only to empower individuals with disabilities through employment but also "to ensure that the Federal Government plays a leadership role in promoting the employment of individuals with disabilities, especially individuals with significant disabilities."[29] This second purpose reiterates that the program emphasizes serving the most severely disabled populations over less-disabled populations that may be more likely to achieve an employment outcome. As such, the identification of trends in program data (such as the higher rates of employment outcomes for individuals with communicative disabilities) may have limited policy implications.

[29] See 29 U.S.C. 701(b).

Legislative Activity Since 2003

The authorization of appropriations for the VR grants to states program expired after FY2003 and has been operating under automatic reauthorization provisions since then. As was the case with its prior authorization in 1998, reauthorization efforts for the VR state grants program have been part of a broader legislative effort to reauthorize the Workforce Investment Act of 1998 (WIA).[30]

The House of Representatives and the Senate each passed different WIA reauthorization bills in the both 108th and 109th Congresses. These bills would have, if enacted, extended the authorization of appropriations for VR state grants. These bills were part of larger packages of legislation that would have also reauthorized other provisions of WIA.

In the 108th Congress, H.R. 1261, the Workforce Investment Act Amendments of 2003, would have reauthorized WIA and extended the authorization for VR state grants until the end of FY2009. The bill was passed by the House on May 8, 2003. The Senate took up H.R. 1261, amended it by incorporating provisions from the previously introduced S. 1627, and passed the amended version of the House bill on November 14, 2003. A conference committee was appointed to resolve the differences in the two versions of H.R. 1261, but no conference report was issued and the bill was not considered for final passage into law.

In the 109th Congress, the Job Training Improvement Act of 2005 (H.R. 27) would have reauthorized WIA and would have extended the authorization for the VR grants program until the end of FY2011. H.R. 27 was passed by the House on March 2, 2005. The Senate took up H.R. 27 and amended it by incorporating elements of the previously introduced S. 1021. This amended version of H.R. 27 (now called the Workforce Investment Act Amendments of 2005) was passed by the Senate on June 29, 2006. No conference committee was formed to reconcile the differences between the two bills.

WIA reauthorization continued to be debated, but no bill came up for a floor vote in either chamber during the 110th, 111th, or 112th Congresses.

In the 113th Congress, the House passed H.R. 803, the Supporting Knowledge and Investing in Lifelong Skills (SKILLS) Act. This bill would reauthorize WIA as well as the VR state grants program through the end of FY2020. Full details on this bill are available in CRS Report R42990, *Workforce Investment Act (WIA) Reauthorization Proposals in the 113th Congress: Comparison of Major Features of Current Law and H.R. 803*, by David H. Bradley and Benjamin Collins.

[30] For more information on WIA, see CRS Report R41135, *The Workforce Investment Act and the One-Stop Delivery System*, by David H. Bradley.

Appendix A. Formula for State VR Grant Allotments

The VR grant allotment process for states and territories consists of a series of steps that consider a jurisdiction's population, per capita income, and VR allocation in FY1978. The example of Utah's allocation in FY2008 will be used to illustrate the role of each factor.[31]

Step 1. Distribute 1978 allocations
From the total amount available for grants,[32] each state and territory receives an allocation equal to its grant in FY1978, which was determined by the state's population at this time. This component is fixed and the first $759,317,831 in VR funds are distributed in the same way every year. Utah's annual allocation from this component is $5,559,165.

Step 2. Determine excess amount
The remainder of the available grant funds that are not allocated by the 1978 grants is referred to as the *excess amount*. The excess amount is then equally divided into two parts that are allocated in steps 4 and 5.

In FY2008, the total amount available for grants was $2,839,152,117. Once the FY1978 allocations were subtracted, the excess amount was $2,079,834,286.

Step 3. Calculate each state's allotment percentage
The VR grant formula calculates a biennial *allotment percentage* for each state that considers the state's per capita personal income as reported by the Department of Commerce. State and national per capita income levels are determined by averaging the three most recent years of data, the most recent of which is typically two years prior to the fiscal year. For example, the allotment percentages that were used in FY2008 and FY2009 were calculated using per capita income data from 2004-2006.

To calculate a state's allotment percentage, the per capita income of the state is divided by the national per capita income. The resulting quotient is then multiplied by 50%. The resulting product is then subtracted from 100%. The resulting difference is the state's allotment percentage. A state's allotment percentage can also be expressed in the following equation:

$$AllotmentPercentage = 100\% - \left(\frac{StatePerCapitaIncome}{NationalPerCapitaIncome} \times 50\% \right)$$

A state's per capita income relative to the national per capita income has an inverse relationship to its allotment percentage. States with below-average per capita incomes will have a higher

[31] The data used for these calculations were acquired from the Department of Commerce's website in November 2011. The data from the reference periods may have been revised since their use in the formula. This illustration also rounds certain figures. As such, this exercise described in this section may not precisely mirror the actual allocation process in FY2008.

[32] "The total amount available for grants" refers to the total annual appropriation for VR state grants minus the American Indian set-aside of between 1.0% and 1.5% of the total appropriation required by 29 U.S.C. 730(c).

allotment percentage (and subsequently higher formula grant) than states with per capita incomes above the national average.

No state may have an allotment percentage less than 33.3% or greater than 75%. If a state's allotment percentage falls outside of these boundaries, it is automatically increased to 33.3% or decreased to 75%. The allotment percentage formula is not used for territories or the District of Columbia. The allotment percentage for these jurisdictions is automatically set to 75%.[33]

In the example of Utah in FY2008, the state's per capita income was $29,131 and the national per capita income was $35,695. Using the process above, the state's allotment percentage was 59.2%.

Step 4. Allot the first half of the excess amount using a formula
Each state's and territory's share of the first half of the excess amount is determined by multiplying the population of the state by its allotment percentage determined in step 3. The resulting product is then divided by the sum of the corresponding product for all states and territories. The resulting fraction is then multiplied by one-half of the excess amount to determine the second component of the state's formula allocation.[34] In an equation, this step is as follows:

$$\frac{(StatePopulation \times AllotmentPercentage)}{\sum_{AllStates}(StatePopulation \times AllotmentPercentage)} \times \frac{ExcessAmount}{2}$$

In Utah in FY2008, its population during the reference period was 2,525,507. Multiplying the population by the state's allotment percentage of 59.2 yields 149,510,014. The sum of the corresponding products for all states was 15,286,042,168. Dividing Utah's product by that of the sum of all the states yields a share of 0.978%. Multiplying this share by the half of the excess amount allocated in this step ($1,039,917,143) yields $10,170,390 for Utah.

Step 5. Allot the second half of the excess amount using a formula
The next component of the formula is the same as that in step 4 except that the allocation percentages are squared. This change results in the following equation:

$$\frac{(StatePopulation \times AllotmentPercentage^2)}{\sum_{AllStates}(StatePopulation \times AllotmentPercentage^2)} \times \frac{ExcessAmount}{2}$$

Squaring the allotment percentage increases its influence on the grant size in this step, leading to higher grants for states with high allotment percentages. In the case of Utah, the square of its allotment percentage calculated (59.2 x 59.2) was 3,504. Multiplying this product by its population yields a product 8,849,376,528. This product is then divided by the aggregate sum of the corresponding products for all the states and territories (786,522,143,805). The resulting quotient of 1.125% is the portion of the excess amount allocated in this step that will be allocated to Utah. Since half of the excess amount is allocated in this step, Utah's share is $11,699,068 ($1,039,917,143 x .01125 = $11,699,068).

[33] See 29 U.S.C. 706.

[34] See 29 U.S.C. 730. This statute outlines steps 4-7 of the allotment process.

Step 6. Sum allotments for preliminary formula grant

The resulting allotments from steps 1, 4, and 5 are then combined for the state's preliminary grant size. In the case of Utah, \$5,559,165 + \$10,170,390 + \$11,699,068 = \$27,428,623.

If every state's grant is at least one-third of 1% of the total appropriation (\$9,463,840 in FY2008), no further changes are needed.[35] Historically, several states required reallocated funds to reach this minimum.

Step 7. Adjust grants for small state minimums

If there are states with preliminary final grants states below the minimum, their grants are increased to the required level and the grants of other states are reduced in proportion to their share of the total appropriation. In FY2008, six states' formula allocations were lower than the minimum. In order for these states to receive \$9,463,840 each, Utah's allocation was reduced from \$27,428,623 to its final formula allotment of \$27,275,860.

[35] The minimum grant level applies to the 50 states, the District of Columbia, and Puerto Rico, but does not apply to the other territories.

Appendix B. Final Grants to States and Territories, FY2010-FY2012

Table B-1. Final VR Grants to States and Territories, FY2010-FY2012

	FY2010	FY2011	FY2012
Alabama	$59,746,023	$59,101,952	$54,911,519
Alaska	$11,157,490	$11,657,490	$11,479,380
Arizona	$64,465,810	$64,736,995	$62,823,314
Arkansas	$44,037,738	$45,995,973	$44,873,806
California	$290,143,755	$289,165,617	$294,857,633
Colorado	$39,952,101	$40,186,308	$40,548,289
Connecticut	$31,121,705	$24,053,270	$32,286,791
Delaware	$10,807,490	$10,457,490	$10,779,380
District of Columbia	$13,345,845	$14,872,642	$12,859,214
Florida	$159,153,979	$155,697,699	$139,414,681
Georgia	$76,510,963	$64,749,034	$98,771,065
Hawaii	$13,232,080	$12,899,816	$12,884,686
Idaho	$15,816,223	$15,481,337	$16,264,148
Illinois	$117,943,665	$114,847,171	$111,621,896
Indiana	$62,548,597	$64,145,199	$62,187,711
Iowa	$27,328,850	$26,235,678	$25,629,706
Kansas	$29,188,253	$29,103,545	$28,478,239
Kentucky	$47,154,772	$46,185,590	$46,150,084
Louisiana	$31,482,174	$33,432,451	$35,542,942
Maine	$16,689,618	$16,496,411	$16,607,909
Maryland	$47,029,781	$47,116,848	$47,258,836
Massachusetts	$67,075,320	$68,679,732	$62,794,197
Michigan	$102,486,112	$98,698,679	$104,509,250
Minnesota	$47,219,322	$47,461,786	$48,252,516
Mississippi	$44,514,376	$44,457,037	$44,516,178
Missouri	$62,515,686	$65,177,150	$65,513,320
Montana	$12,087,792	$11,750,000	$13,477,988
Nebraska	$19,872,496	$19,982,695	$19,872,497
Nevada	$17,364,524	$18,616,938	$12,436,585
New Hampshire	$11,650,039	$11,973,927	$11,879,724
New Jersey	$59,391,388	$57,620,257	$57,356,004
New Mexico	$23,987,102	$22,020,044	$23,956,821

	FY2010	FY2011	FY2012
New York	$176,844,444	$169,121,277	$147,633,943
North Carolina	$106,916,369	$103,489,985	$106,173,470
North Dakota	$10,157,490	$10,157,490	$12,126,798
Ohio	$98,527,009	$105,641,313	$96,889,776
Oklahoma	$41,092,230	$43,404,870	$44,256,861
Oregon	$39,071,791	$39,058,861	$39,356,101
Pennsylvania	$128,694,693	$99,130,376	$121,560,791
Rhode Island	$13,007,431	$15,953,474	$13,019,092
South Carolina	$55,390,599	$49,971,590	$56,011,693
South Dakota	$10,157,490	$10,157,490	$10,592,380
Tennessee	$72,509,053	$72,682,343	$65,912,937
Texas	$235,794,815	$234,145,010	$238,193,072
Utah	$37,672,947	$37,874,343	$36,873,493
Vermont	$13,247,490	$14,815,490	$16,079,380
Virginia	$71,479,094	$73,421,635	$71,532,018
Washington	$52,131,288	$53,688,910	$54,273,985
West Virginia	$54,579,169	$47,955,763	$43,244,551
Wisconsin	$55,648,243	$57,088,852	$55,648,243
Wyoming	$8,912,009	$8,920,659	$9,254,962
American Samoa	$1,081,888	$1,084,072	$958,889
Guam	$2,052,208	$2,992,651	$2,900,220
Northern Mariana Islands	$877,825	$820,583	$751,550
Puerto Rico	$75,355,380	$75,015,072	$72,425,264
U.S. Virgin Islands	$2,101,025	$2,286,262	$1,978,643
Indian set-aside	$42,899,000	$43,550,117	$37,898,000
Unmatched funds	$1,473,951	$59,210,751	$95,369,579
Total	**$3,084,696,000**	**$3,084,696,000**	**$3,121,712,000**

Source: State grant tables on United States Department of Education website at http://www2.ed.gov/about/overview/budget/statetables/index.html.

Notes: The total appropriations level did not change between FY2010 and FY2011 because of a negative 0.2% change in the Consumer Price Index during the applicable reference period.

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