

## **Fiscal Status Report on USOR for Social Services Interim Subcommittee**

**(Intent Language, Questions 1-7)**

**The Legislature intends the Utah State Office of Rehabilitation (USOR), in conjunction with the Utah State Office of Education and the Utah State Board of Education, provide to the Office of the Legislative Fiscal Analyst no later than September 1, 2015:**

- 1) A report on the USOR fiscal status for the recently completed state Fiscal Year 2015, including identification of one-time funding sources used to pay for ongoing services**
  - USOR spent approximately \$74 million during SFY15 for all Divisions. This represents a decrease in USOR expenditures from the prior state fiscal year of approximately 6.6%
  - In addition to the \$74 million of expenditures during SFY15, USOR has additional obligations of over \$2 million for paid client services authorized during SFY15 but for which bills have not yet been received as of the year-end cut-off date.
  - Of the \$74 million expended in SFY15 at year end, \$4.3 million was one-time federal reallocation funding and \$1.3 million was one-time State supplemental funding. During SFY15, USOR incurred one-time expenditures for its new case management system conversion costs in the amount of approximately \$880,000 as well as one-time expenditures for its new phone system in the amount of approximately \$520,000. Thus, of the \$5.6 million one-time funding spent in SFY15, USOR used \$1.4 million for one-time expenditures and the remaining \$4.2 million for ongoing expenditures (such as paid client services, payroll etc).
  
- 2) A projection of the USOR fiscal status for Fiscal Year 2016, including any anticipated uses of one-time funding sources to pay for ongoing services.**
  - USOR has an estimated budget for SFY16 of approximately \$83 million. The anticipated increased costs from the prior year are largely a result of the general salary increase/increased benefit costs, increased expenditures anticipated in the ASPIRE grant, and increased expenditures anticipated in Disability Determination Services (DDS) for the processing of disability claims.
  - USOR does not expect a budget shortfall in SFY16 and does not anticipate needing to request additional one-time funds.
  - Of this \$83 million estimated budget, \$9 million is one-time federal reallocation funding (received in August, 2015) and \$5 million is one-time State supplemental funding carried forward from SFY15. Approximately \$1 million of this one-time money will be used for expenditures incurred in transitioning to USOR's new case management system. Thus, of the \$14 million one-time funding included in USOR's SFY16 budget, up to \$13 million will be used for ongoing expenditures (such as paid client services, payroll etc).
  
- 3) A projection of the USOR anticipated fiscal status for State Fiscal Year 2017, including any anticipated uses of one-time funding sources to pay for ongoing services.**

- USOR has an estimated budget for SFY17 of approximately \$79 million.
- Of this estimated budget, \$6 million is one-time federal reallocation funding that USOR anticipates requesting in order to cover the anticipated FFY15 maintenance of effort (MOE) penalty of approximately \$5.3 million.
- If USOR receives the one-time federal reallocation funding, USOR does not expect a budget shortfall in SFY17.

**4) Any anticipated reductions in paid client services for state fiscal years 2015, 2016, or 2017**

- USOR has paid client service expenditures in the amount of nearly \$17 million during SFY15. USOR has also incurred additional obligations of over \$2 million for paid client services authorized during SFY15 but for which bills had not yet been received as of the year-end cut-off date. Combined, this \$19 million in paid client services for SFY15 (actual expenditures + obligations) represents a decrease from SFY14 paid client service expenditures of approximately \$9.8 million dollars, or 34%.
- Of USOR's estimated SFY16 budget, approximately \$19 million has been budgeted for paid client services. Of USOR's estimated SFY17 budget, approximately \$17 million represents funding for paid client services.
- Based on these estimates USOR has funding for a slight increase in SFY16 spending for paid client services and a return to SFY15 spending levels in SFY17 for paid client services.
- The estimated budgets for paid client services will allow USOR to continue providing all services to eligible clients who currently have an Individualized Plans for Employment.

**5) The status of paid client services and numbers affected by reductions, if any**

- As indicated above, given the estimated budget for paid client services in SFY16 of approximately \$19 million, USOR anticipates being able to serve all clients that currently have an active Individualized Plan for Employment (IPE). Approximately 11,000 clients have an IPE at the current time, down from 14,000 clients in March of 2015 when USOR implemented an Order of Selection.

**6) The status of the Order of Selection waiting list and estimated numbers affected**

- USOR will be unable to open any waitlists under the Order of Selection until such time that it is determined that the current and ongoing paid client services budget (with the exclusion of one-time money) can support more clients than are currently receiving services under an IPE. At the point of implementation of an Order of Selection approximately 2,200 clients were placed on a wait list. At this time the wait list has grown to approximately 4,500 clients.
- USOR is monitoring the number of clients who exit the VR Program, the average cost of services and the average duration of services in order to determine when it should open the Order of Selection Wait List to start serving eligible clients in the first priority category, "Individuals with Most Significant Disabilities."

- USOR is in the process of developing a model to accurately project client services costs in the short and long term by estimating average costs to provide services to each category of clients. By doing so, USOR will be better prepared to manage its current and future caseloads within the confines of the budget.

**7) The status of federal Maintenance of Effort and its effect on state liability**

- As a result of spending approximately \$16.3 million in state funds for the vocational rehabilitation grant during FFY13, USOR is required to spend an amount equal or above that amount during FFY15 to meet the grant's maintenance of effort requirement (MOE). USOR believes that this MOE requirement is currently at an unsustainable level and plans to spend approximately \$11 million in state funds for the vocational rehabilitation grant during FFY15 which ends September 30, 2015. Because USOR will not spend \$16.3 million of state money during FFY15, the Rehabilitation Services Administration (which administers the federal vocational rehabilitation grant) will likely assess USOR a penalty of approximately \$5.3 million (it is a dollar for dollar penalty and reflects the difference between \$16.3 million and \$11 million). According to information received during a technical assistance visit from the Rehabilitation Services Administration (RSA), USOR believes that this penalty will likely be deducted from either the FFY16 or FFY17 vocational rehabilitation grant award.
- As mentioned above, USOR intends to request \$6 million in federal reallocation funding in August of 2016 in an attempt to fill the funding void which will result from this penalty. Being assessed a penalty does not prohibit USOR from seeking reallocation funding.