

Status Report to the Social Services
Appropriations Subcommittee of the
Utah Legislature

Utah State Office of Rehabilitation

11 September 2015

USOR Status Report

Thank you for the supplemental funding for the Vocational Rehabilitation program. It had the intended effects:

- Allowed USOR to continue to deliver paid client services to individuals already in plan
- Remedies fiscal non-compliance with the federal requirement that state funds must be spent proportionately with federal funds

USOR has carried the balance into SFY2016

USOR Status Report

A primary cause of the Vocational Rehabilitation's budget problems was the absence of client caseload and cost modeling to accurately predict spending and compare projected obligations and expenditures to the budget. USOR has begun building its projection model for testing and implementation this fiscal year.

USOR Status Report

Actions already taken by USOR include:

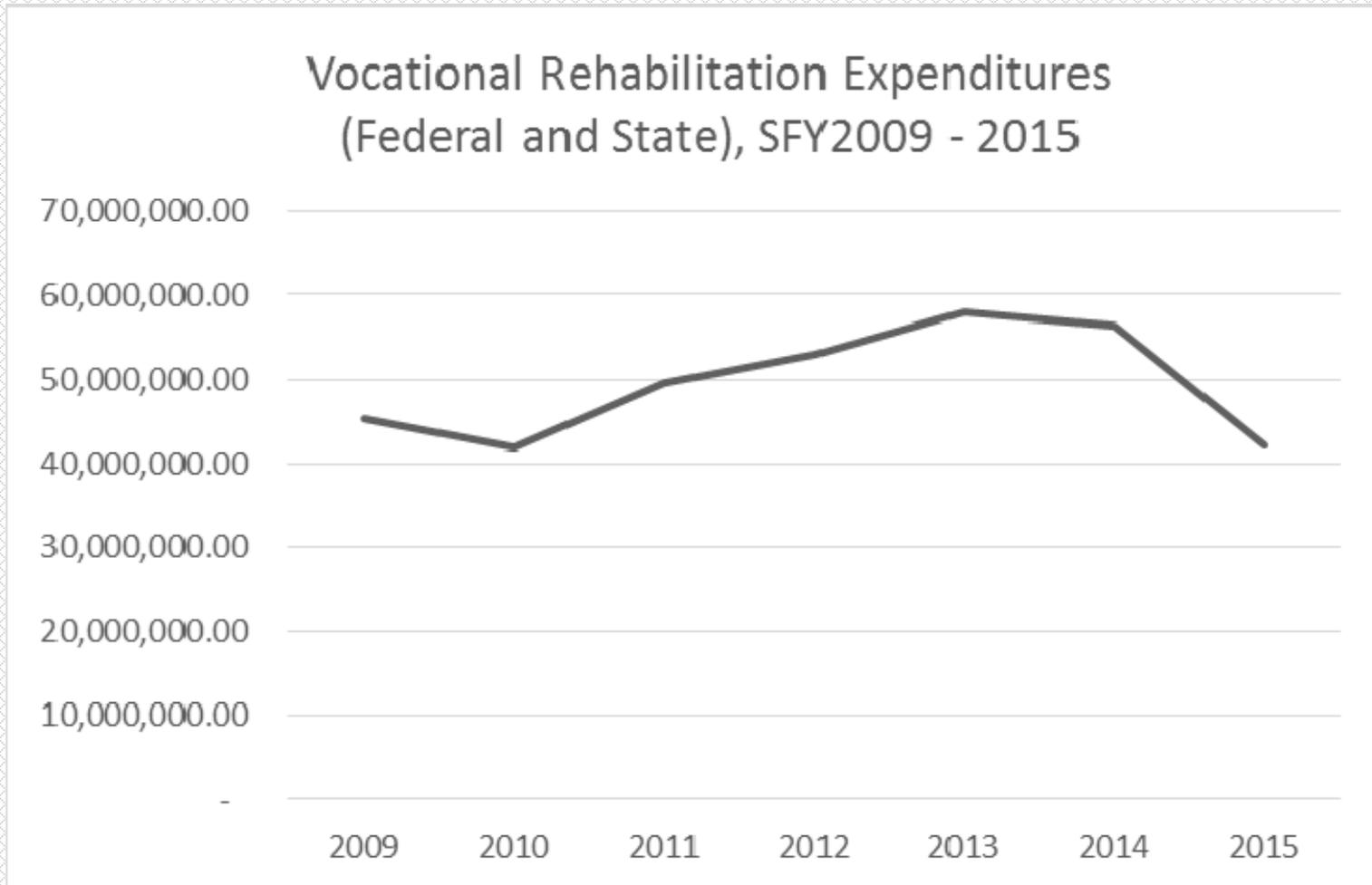
- Elimination of 43 FTE positions in the past 21 months
- Appointment of a new executive director, finance director, and executive management team
- Increased coordination between USOR and the Utah State Office of Education
- Improved oversight of USOR by the State Board of Education
- Implementation of an Order of Selection (a federally-sanctioned waiting list)

USOR Status Report

Since July, USOR has adopted and is implementing an agency plan that includes four goals:

- Develop and utilize a comprehensive budget and accounting management system (including the critical task of developing and testing the caseload and cost modeling system)
- Build an integrated management information system that tracks performance across all activities
- Create a centralized compliance and quality assurance structure to ensure regulatory compliance, organizational consistency, and continuous improvement
- Configure the agency internally to support its key business functions

USOR Status Report



USOR Status Report

USOR has adopted three guiding principles for Vocational Rehabilitation as it develops its SFY2017 budget:

- USOR will avoid increasing the state maintenance of effort (MOE) obligation without ongoing appropriations.
- USOR will gradually eliminate its dependence on one-time federal Vocational Rehabilitation reallocation funding.
- USOR will avoid incurring future MOE penalties after the pending, approximately \$5.3M (to be deducted from its future federal funding, not from state funding).

USOR Status Report

Update on the Order of Selection

- It is the only allowable method of limiting the number of Vocational Rehabilitation clients served
- Implemented 27 February 2015
- Created a waiting list with three categories of priority—Most Significantly Disabled, Significantly Disabled, and Disabled

USOR Status Report

The Order of Selection waiting list currently includes:

- 1,282 individuals who are Most Significantly Disabled
- 2,650 individuals who are Significantly Disabled
- 713 individuals who are Disabled
- 819 applicants pending

These data were updated on 4 September 2015. Source: USOR.

USOR Intent Language Responses

1. Report on fiscal status for SFY2015

- USOR spent approximately \$74M during SFY2015 for all divisions. This represents a decrease from SFY2014 of approximately 6.6%.
- USOR has additional obligations of over \$2M for paid client services authorized during SFY2015.
- USOR spent \$5.6M of one-time funding (\$4.3M federal and \$1.3M state supplemental) in SFY2015 including \$1.4M for one-time expenditures and \$4.2M million for ongoing expenditures (such as paid client services, payroll, etc.).

USOR Intent Language Responses

2. Projection of USOR fiscal status for SFY2016

- USOR has an estimated budget for SFY2016 of \$83M, which is an increase over SFY2015 due in large part to increases in the federal ASPIRE grant and the Division of Disability Determination Services.
- The budget also includes \$9M is federal reallocation and \$5M is state supplemental carry-over funds.
- USOR does *not* expect a budget shortfall in SFY2016, nor anticipates any one-time funding requests.

USOR Intent Language Responses

3. Projection of USOR fiscal status for SFY2017
 - USOR has an estimated budget for SFY2017 of approximately \$79M. This anticipates \$6M in one-time federal reallocation funding to cover the anticipated \$5.3M MOE penalty.
 - If USOR does not receive reallocation (or only partial reallocation) USOR has plans to reduce expenses in the current year to create enough carryover that could fill the hole.
 - The SFY2017 budget does not include increased funding requests.

USOR Intent Language Responses

4. Anticipated reductions in paid client services
 - Paid clients services in SFY2015 totaled almost \$17M (with another \$2M obligated to be paid out in SFY2016). This was a decrease of \$9.8M from SFY2014.
 - The SFY2016 budget includes \$19M for paid client services.
 - The SFY2017 budget includes \$17M for paid client services (a return to SFY2015 spending levels).
 - These budgets should allow USOR to continue all services to clients who are already in plan.

USOR Intent Language Responses

5. Status of paid client services affected by reductions
 - The budget for SFY2016 of \$19M anticipates serving all clients currently in plan.
 - Approximately 10,800 clients are currently in plan, down from 14,000 clients when Order of Selection was implemented.

USOR Intent Language Responses

6. Status of Order of Selection

- Current waiting list is approximately 4,600 people (across all three categories).
- USOR is developing a model to project client services costs in the short and long term by estimating average costs to provide services to each category of clients.
- USOR will estimate for the Legislature the funding need to open each category of the waiting list.

USOR Intent Language Responses

7. Federal maintenance of effort (MOE)

- Since USOR spent \$16.3M in state funds for Vocational Rehabilitation in FFY2013, it was required to spend at least that amount in FFY2015. USOR believes that is unsustainable, and plans to spend about \$11M in state funds in FFY2015, which ends 30 September 2015.
- This triggers an MOE penalty (caused by the difference between the required and actual levels of state spending), which is predicted to be approximately \$5.3M.
- USOR believes that this penalty will likely be deducted from the federal FFY2016 or FFY2017 award.
- USOR intends to apply for \$6M in federal reallocation funding that would be received in August 2016.

USOR Intent Language Responses

8. Organizational placement of USOR and its subunits
 - USOR has taken no position on its placement, but believes it should remain whole in all its divisions.
 - There is no ideal scenario, each has costs and benefits.
 - USOR does not believe that a transition would be cost neutral.
 - USOR is working to fix the issues that have been identified, which will take time.

USOR Intent Language Responses

9. Status of Visually Impaired Trust Fund

- As of 12 August 2015, the balance of the VITF fund was \$514,563.61.
- USOR will work with the Legislature and the Utah State Board of Education to define what type of fund the VITF represents.
- USOR will develop and finalize new policies for oversight and tracking of all fund expenditures.
- USOR will solicit input from the advisory council, consumer groups, and others on best uses.
- USOR will submit nine grant applications for VITF funding to the State Board of Education for approval this month.