



UTAH STATE BOARD OF EDUCATION

David L. Crandall, Chair David L. Thomas, Vice Chair

Dixie L. Allen
Kim R. Burningham
Keith M. Buswell
Leslie B. Castle
Barbara W. Corry

Dan Griffiths
Heather Groom
Michael G. Jensen
Jennifer A. Johnson

Jefferson Moss
C. Mark Openshaw
Debra G. Roberts
Terry Wamer

Brad C. Smith, Chief Executive Officer
Lorraine Austin, Board Secretary

MEMORANDUM

TO: Members, Utah State Board of Education

FROM: Brad C. Smith
Chief Executive Officer

DATE: December 5, 2014

INFORMATION: USOR Budgetary Issues and Order of Selection

Background:

The Utah State Office of Rehabilitation Services (USOR) is supervised by the State Board of Education. The Federal Vocational Rehabilitation Program is managed by USOR and manages approximately \$31 million federal and \$11 million state dollars each year. The Vocational Rehabilitation program provides employment services such as counseling, medical services, education, and assistive technology to over 30,000 eligible clients each year.

Key Points:

Budgetary reviews and internal control processes enacted during the current fiscal year have brought up some critical budgetary issues that require action, as described in the attached memo. Current USOR actions include:

- 1) Reduce other expenditures and move the cost savings to the case service budget.
 - a. USOR enacted a soft hiring freeze for DRS and DSBVI 11/12/14.
 - b. DRS, DSBVI, and Admin Services are planning to reassign or cut, mostly through attrition, 14-20 positions.
 - c. Travel, training, educational reimbursements, etc. will be curtailed.
 - d. Long-term – leases will be reviewed to determine if changing locations would reduce costs.
- 2) Reduce case service expenditures
- 3) Plan and obtain approval for the implementation of an Order of Selection.

Information has been provided to help the Board understand the steps of creating an order of selection plan and obtaining approval for implementation.

Anticipated Action:

No action is required.

Contact: Russ Thelin, Executive Director Utah State Office of Rehabilitation 801-538-7530

USOR Current Financial Situation and Order of Selection

Current Financial Situation:

As of October 31, 2014:

- The Division of Rehabilitation Services (DRS) had expended and obligated approximately 65% of their case service budget of \$16,190,062, though this period represents only 33% of the budget year.
- The Division of Services for the Blind and Visually Impaired (DSBVI), which also provides VR services, had spent or obligated 40% of their case service budget of \$1,672,293.
 - Approximately 7-12% of the obligated amount is expected to be de-obligated for services clients never receive during the allowable period.
 - In September there was an expected spike in case service expenditures for fall semester education costs, which helps explain some of the increased expenditures.

If case service spending and obligation continues at the same rate, the case service budget could be fully obligated as early as February 2015. Additionally the Workforce Investment and Opportunity Act (WIOA) enacted in July of 2014, requires 15% of award funds be set aside for pre-employment transition services in the current year. Federal regulations require the State to annually review our ability to provide the full range of services required by the Vocational Rehabilitation grant, and to take into account changing circumstances which may make the State unable to provide a full range of services to all eligible individuals. If the State determines they are unable to meet current and future obligations we are required to plan and implement an Order of Selection (OOS).

The federal fiscal year 2014 grant is completely expended and approximately \$1.5 million is left of the reallocation award received in August of 2014. These grant funds expire in September of 2015. Reallocation funds are current year grant funds that were returned the Federal Department of Education from states unable to expend these funds. They are awarded to states that apply for these funds. Current year awards are being made from the FFY 2015 grant which is available from (October 2014-September 2016).

Main factors resulted in the current condition

- 1) Increase of clients receiving services since 2008, without the decision to implement an OOS.
- 2) The decision to apply for reallocation funds, to mitigate increase in client services and reduction in state funds without planning for or considering all implications of MOE and match requirements.
- 3) Previously the USOR did not have a structured budgetary process in place to obtain accurate budgetary and grant information in order to make informed strategic long term decisions.

If current spending patterns were to continue the USOR will have obligated all grant funds available for the case services budget, mostly likely by February of 2015, and would be unable to provide all services to all USOR clients when grant funds are fully expended. Additional federal program funds will not be available until October of 2015, additional state funds are not available until July 2015. Therefore the following actions have been taken by the USOR to reduce operational expenditures, utilize cost savings in the case service budget, and balance the budget through fiscal year end.

- 1) Reduce other expenditures and move the cost savings to the case service budget.
 - a. USOR enacted a soft hiring freeze for DRS and DSBVI 11/12/14
 - b. DRS, DSBVI, and Admin Services have reassigned or cut, mostly through attrition, 14-20 positions.

- c. Travel, training, educational reimbursements, etc. will be curtailed.
 - d. Long-term – leases will be reviewed to determine if changing locations would reduce costs.
- 2) Reduce case service expenditures.
 - 3) Plan and obtain approval for the implementation of an Order of Selection.

Establishing an Order of Selection

Federal regulations outline that USOR must provide the full range of services outlined by the Feds to all eligible individuals OR, include in the State Plan the order to be followed in selecting eligible individuals to be provided services. Individuals who have an existing employment plans as of the date of implementation of an OOS must still be provided all planned services, regardless of the OOS priority category. Existing plans must be carried out as written. New clients are placed into the OOS categories and are provided services with funds are available to serve the entire OOS category. The following are steps required prior to implementation of an OOS.

USOR must:

- Implement the OOS on a statewide basis ensuring the OOS isn't based on any unallowable factors
Traditionally there are three established categories within the order of selection most significantly disabled, significantly disabled, and disabled. WIOA allows states to establish two additional priorities: students with disabilities and individuals requiring services to retain employment;
- Notify all eligible individuals of the priority categories in the OOS, their assignment to a particular category, and their right to appeal their category assignment;
- Continue to provide all needed services to any eligible individual who has begun to receive services under an individualized plan for employment prior to the effective date of the order of selection, irrespective of the severity of the individual's disability; and
- Ensure that it's funding arrangements for providing services under the State plan, including third-party arrangements and awards under the establishment authority, are consistent with the OOS.
- Conduct public meetings to allow for comments on the proposed policies and procedures;
- Consult with the State Rehabilitation Council regarding the need to establish an OOS, priority categories of the OOS, criteria for determining individuals with the most significant disabilities, and administration of the OOS.
- Seek approval of any needed amendments to the State plan from RSA and the Liaison if appropriate;
- Train its VR counselors to assign individuals to agency priority categories according to agency policy;
- Establish information tracking systems to monitor the flow of resources and individuals through the VR program.