



Economic Impact Analysis Virginia Department of Planning and Budget

22 VAC 30-20 – Department of Rehabilitative Services Provision of Vocational Rehabilitation Services December 16, 2002

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.G of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.G requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

Summary of the Proposed Regulation

The Department of Rehabilitative Services proposes to amend its order of selection system that prioritizes among individuals eligible for vocational rehabilitation services in the event that resources are not sufficient to provide services to all.

Estimated Economic Impact

These regulations contain order of selection rules in the event that resources are not available to meet the vocational rehabilitation needs of all eligible individuals. The vocational rehabilitation services are provided to eligible individuals with disabilities to help them prepare for, achieve, and retain employment. In general, the goal of the services is to overcome barriers to employment. Services may include, but are not limited to, vocational guidance and counseling, vocational training, restorative medical and psychological, assistive technology, supported employment, and job search and job placement. The Department of Rehabilitative Services (the department) provided vocational rehabilitation services to 33,720 people (including 19,700 open cases and 14,020 case closures) and spent about \$18 million for case services in

fiscal year (FY) 2002 for 11,589 of these consumers.^{1 2} Approximately 22% of the funds come from the general fund while the remaining 78% is funded by a federal grant.

Consistent with federal law and regulations,³ the proposed regulations will prioritize individuals within the current severely disabled category. In FY 2002, there were approximately 9,500 newly determined eligible individuals with most significant or significant disabilities. Currently, severely disabled category is one whole category without any priority order within itself. The proposed amendments will categorize individuals in this group into three subgroups and assign a priority order.

Pursuant to federal regulations, the highest priority will be given to individuals with most significant disabilities. The severity of a disability will be determined, in part, based on serious limitations in seven functional capacity areas. These functional capacities are mobility, self-care, communication, work skills, work tolerance, interpersonal skills, and self-direction. An individual with a most significant disability means, in part, an individual who has a physical or mental impairment that seriously limits three or more functional capacities in terms of an employment outcome. In FY 2002, there were 4,012 newly determined eligible individuals in this group and another 2,040 whose cases were closed as either employed or not employed.⁴

Additionally, although not required by federal regulations, the department proposes to further categorize the remaining individuals with significant disabilities. The second priority group includes individuals with a significant disability that results in a serious limitation in two functional capacities. The last priority within severely disabled group will be given to individuals with a significant disability whose impairment seriously limits one functional capacity. The total number of newly determined individuals in the last two categories in FY 2002 was about 5,500 and another 4,800 whose cases were closed as either employed or not

¹ Of the 33,720 individuals served during FY 2002, approximately 8,356 were classified as having less than a significant disability.

² With or without employment means rehabilitated (Status 26) and not rehabilitated (Statuses 28 and 30), respectively.

³ Rehabilitation Act of 1973 as amended in 1998, Title I, Section 101(a)(5), and federal regulation 34 CFR § 361.36(b).

⁴ Although it is possible, it is not likely that these numbers include overlap because the average time from eligibility to case closure is sixteen months. If there is overlap, most likely occurred with the not employed.

employed.⁵ However, the department does not have separate estimates for the two categories at this time. Summary statistics for case services in FY 2002 is provided below.

Table: Summary Statistics for Case Services Provided in FY 2002 by severity of disability

	Most Significantly Disabled	Significantly Disabled	Overall
Total Costs case closures	\$5,135,314	\$10,860,906	\$15,996,220
Total Consumers with closed cases	2,040	4,800	6,840
Employed	1,069	2,534	3,603
Not Employed	971	2,266	3,237
Success Rate	52.4%	52.8%	52.7%
Cost Per Employed	\$3,243	\$2,788	\$2,923
Cost Per not Employed	\$1,719	\$1,675	\$1,688
Cost Per Job	\$4,804	\$4,286	\$4,440

Source: The Department of Rehabilitative Services

The department spent approximately \$5.1 million for 2,040 individuals in the most significantly disabled category whose cases were closed either with or without employment and about \$10.9 million for 4,800 individuals in the significantly disabled category whose cases were closed either with or without employment. Almost half of the consumers who received case services and whose cases were closed were able to obtain employment. What is striking is that the success rate in getting an employment position is almost the same for the two categories (52.4% vs. 52.7%). One would expect that the success rate would decrease as the severity of disability increases. A possible explanation for this might be the higher amount of resources spent on individuals with more severe disabilities. The cost per individual who obtained an employment position seems to increase as the level of disability increases (\$3,243 vs. \$2,788). Similarly, the amount of resources spent on individuals who were not able to secure a job seems to be slightly higher for more severely disabled individuals (\$1,719 vs. \$1,675). As a result each job provided through this program costs about \$500 more for an individual with a most significant disability (\$4,804 vs. \$4,286). Thus, the higher amount of resources allocated to individuals with more severe disabilities may be increasing the success level in obtaining an employment position and consequently the success rates become almost identical.

⁵ Ibid.

The order of selection will work in the following way. The department will first serve the individuals in the highest priority order as required by the federal regulations. Then depending on remaining available resources, next categories will be served; a category will not be opened until resources become available to serve all individuals in that category. The main effect of the proposed order of selection will be changing the likelihood of a person with a significant disability being served by available resources. Currently everyone who has at least one functional disability has the same chance of being served. The proposed changes will increase the chance of being served for individuals in the second category and decrease it for individuals in the third category when resources are limited.

The department does not anticipate entering into order of selection. However, it is possible that the selection process may be implemented if resources are depleted in FY 2003 or FY 2004. In the event the order of selection is implemented, eligible individuals who do not have a signed individualized plan for employment and who are not in an open category will be placed on a waiting list for vocational rehabilitation services. Some of these individuals will likely suffer economic losses in terms of delayed employment opportunities or disruption in an existing employment position due to proposed priority categories. Both delay and disruption in employment will likely have an immediate adverse impact on the stream of future income. These individuals may start increasing their debt and applying for welfare and/or social security benefits. Conversely, the proposed amendments will help some other individuals with relatively more severe disabilities to find employment sooner and to provide them with a stream of income. These individuals may experience some relief in terms of the need to borrow or to find an alternate source of income from welfare and social security programs.

Additionally, when the order of selection is activated, there is likely to be an increase in requests for administrative hearings on the priority list placements due to the increase in the number of priority categories. Administrative hearing costs include the staff time and the cost of administrative hearing officers. Although there is no estimate available on the size of these administrative costs, they would be paid 100% from the federal funds. Also, additional staff time and other department resources required for implementation and enforcement of the selection order with more categories are expected to be very small or insignificant.

Businesses and Entities Affected

The proposed regulations will prioritize among approximately 9,500 new individuals with most significant or significant disabilities expected annually who need vocational services from the Department of Rehabilitative Services.

Localities Particularly Affected

No localities are anticipated to be affected more than others.

Projected Impact on Employment

Last year, rates for a successful employment were approximately 52.4% for most significantly disabled and 52.8% for significantly disabled. This indicates that on average, individuals with more severe disabilities had about the same chance for a successful employment outcome relative to individuals with less severe disabilities upon receiving vocational services. However, individuals with more severe disabilities used up more resources from the department to obtain an employment position. Prioritizing available services to individuals with relatively more severe disabilities is likely to reduce the number of customers served and reduce the number of consumers entering or maintaining employment through this program. Additionally, the longevity at a job may be lower for more severely disabled individuals though no data is available to support this conjecture. Shorter expected tenure at a job would also have a negative effect on employment. Thus, the proposed changes have the potential to negatively affect the labor supply, but no conclusive statements can be made about the size of such an effect.

Effects on the Use and Value of Private Property

The proposed regulations are not expected to have a significant effect on the use and value of private property.