



# Expanding Economic Development Opportunities by Fully Funding State Vocational Rehabilitation

## Policy Summary

**If you could triple your investment to impact economic development, *would you?***

Every year, tens of millions of dollars in federal vocational rehabilitation (“VR”) grant funds go unused. By improving comprehension of the VR funding formula, states can harness these funds to catalyze economic development. States can direct these funds towards empowering individuals with disabilities to secure competitive, integrated employment opportunities—fostering economic growth and inclusivity.

## Background

### How State Match is Calculated

When states match a percentage of the designated VR allotment, they gain additional, matching grant funds—of up to triple the initial investment. Section 104 of the Rehab Act specifies this match and “sets the federal share of VR funding at 78.7% and requires that states and territories provide the remaining 21.3%.”<sup>1</sup> This breakdown means for every \$1 the state apportions to VR, the federal government provides \$3.69—bringing a total of \$4.69 to the state to help individuals with disabilities obtain competitive, integrated employment. The following list shows numerous ways states can use VR funds to assist individuals with disabilities’.

#### VR Services:

- Career Exploration
- Job Search and Placement Assistance
- Training, Education, and Skill Building
- Vocational Counseling
- Post-employment Support
- Private Sector Engagement
- Disability Innovation Fund
- Self-Employment/Business Ownership
- Assistive Technology and assistive supports
- Supported Employment/Customized Employment

<sup>1</sup> Cong. Rsch. Serv., Vocational Rehabilitation Grants to States and Territories: Overview and Analysis of the Allotment Formula, RL34017.

<sup>2</sup> This factor does not apply to the territories or DC.

<sup>3</sup> A full breakdown of the anticipated 2024 VR state grants can be found at the [U.S. Department of Education's website](#).

### The Federal VR allotments are based on three factors:

The state or territory’s...

1. current population
2. per capita income compared to national per capita income<sup>2</sup>
3. 1978 VR allotment.

To receive the full amount of their final allotment, states then provide 21.3% of this amount. Drawing down the total federal allotment is colloquially referred to as “achieving full match.”

### How the Final Allotment Amount Changes Annually

Final state allotments are bounded by mandatory minimums—including a requirement the mandatory minimum apportionment be no less than the prior year’s appropriation, adjusted according to the Consumer Price Index, but the state is penalized if the state’s prior year contribution was less than the state’s contribution two years prior. The impact of these year-by-year adjustments is a state’s expected match also varies year-to-year. The Department of Education forecasts all but five states and/or territories predict VR allotments will increase in 2024.<sup>3</sup> All but five states will then need to budget for an increase in their own funding of the VR program to achieve full match.

Many states are making budget cuts across the board. Yet, the average expected percentage increase in federal VR funds for 2024 is 18.4%. If a state instead makes budget cuts, the amount of federal VR money left on the table will only increase. Table 1 illustrates examples of hypothetical state budgets and the deficit in federal funding if the state makes a budget cut, maintains the same budget, or budgets to achieve full match.

\*all dollar amounts are in millions

\*\*assuming average increase of 18.4%

**Table 1**  
Hypothetical State Budgeting Scenarios

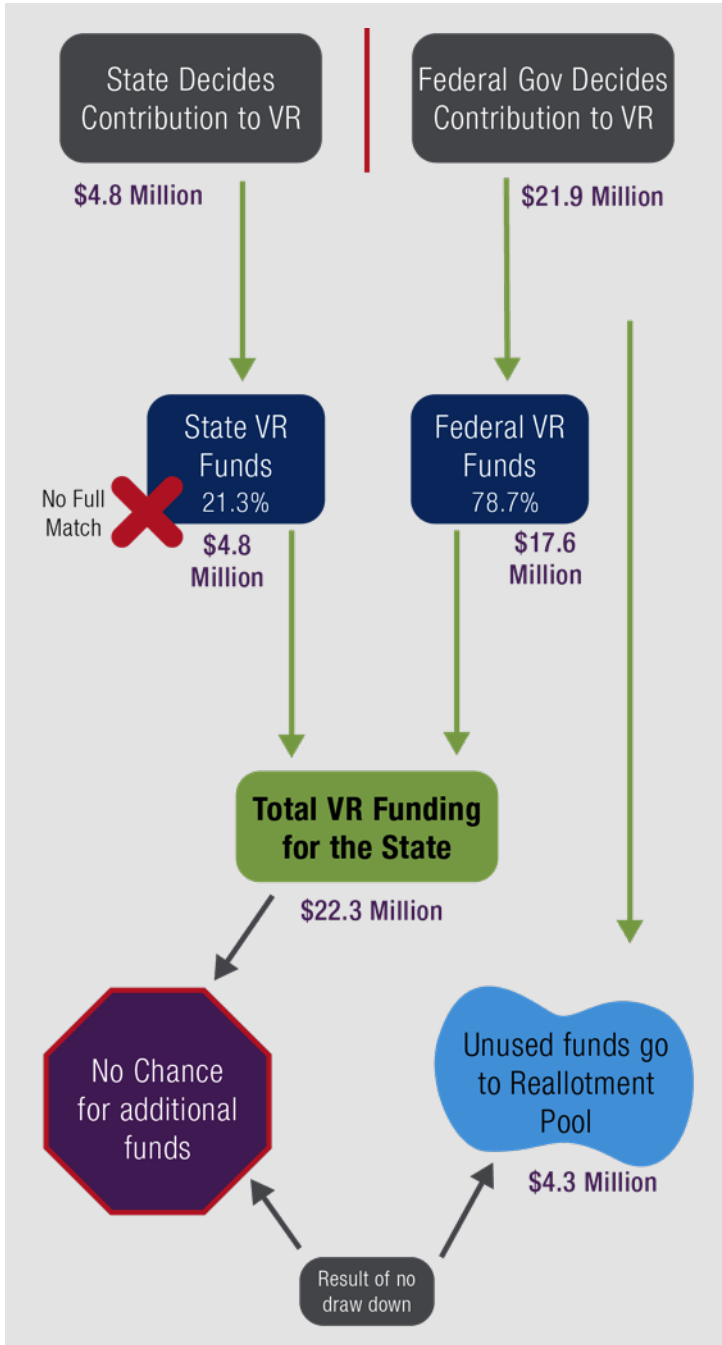
	State Contribution		Federal Allotment		Federal Funds Matched	Total Funds for VR	Unused Federal VR Dollars
	2023	2024	2023	2024	2024	2024	2024
State w/ 5% budget cut	\$5	\$4.8	\$18.5	\$21.9	\$17.6	\$22.3	\$4.3
State w/ same budget		\$5			\$18.5	\$23.5	\$3.4
State w/ increased budget to achieve full match		\$5.9			\$21.9	\$27.8	\$0

## The Additional Potential of Reallotment Funds

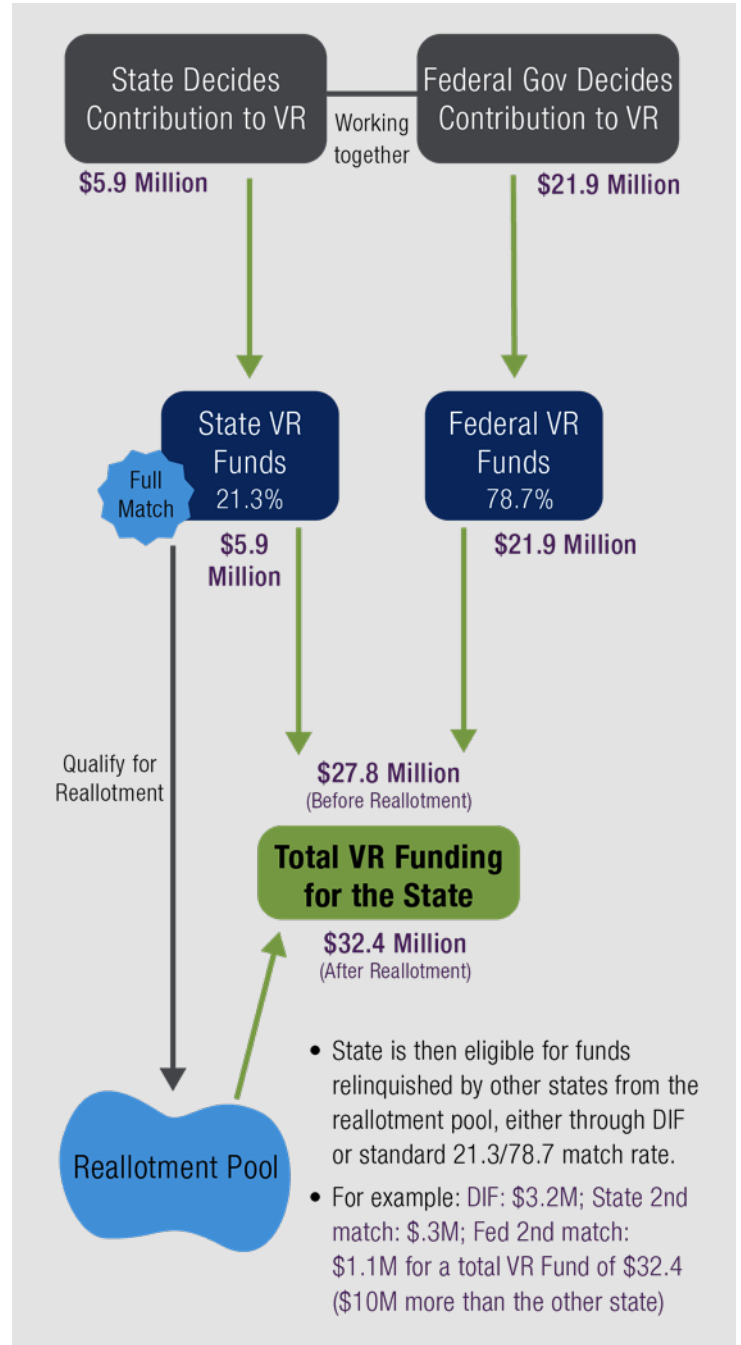
States that achieve full match can apply for a portion of the reallotment funds—relinquished funds from states not reaching full match—for their own use. States requesting reallotment funds then provide matching funds at the 21.3% rate.

RSA also allows these relinquished funds for the Disability Innovation Fund (“DIF”), with no requirement of providing state matching funds. Figures 1 and 2 show the VR funding formula process with an example of the difference in VR funding for states who do not reach full match and those who do. States who reach full match are eligible for even more VR funding to better serve individuals with disabilities.

**Figure 1**  
State That Does Not Reach Full Match



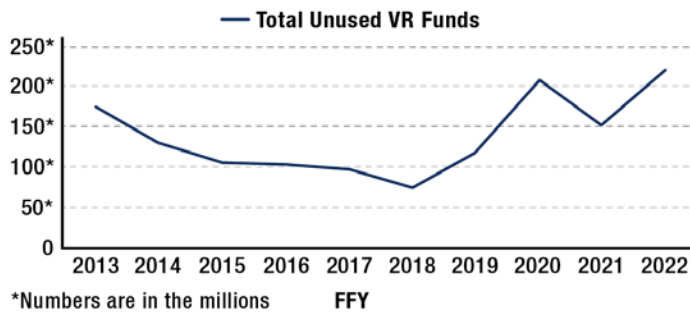
**Figure 2**  
State That Does Reach Full Match



## Policy Position

To maximize the number of services Vocational Rehabilitation can provide to individuals with disabilities, and in turn maximize the number of qualified employees in their workforce, states should aim to reach full match. Yet, every year millions of federal dollars, already allocated for VR programs, are left on the table. Figure 3 shows the year-over-year dollar value of unused VR appropriations.

**Figure 3**  
Unused VR Appropriation at End of Award Period

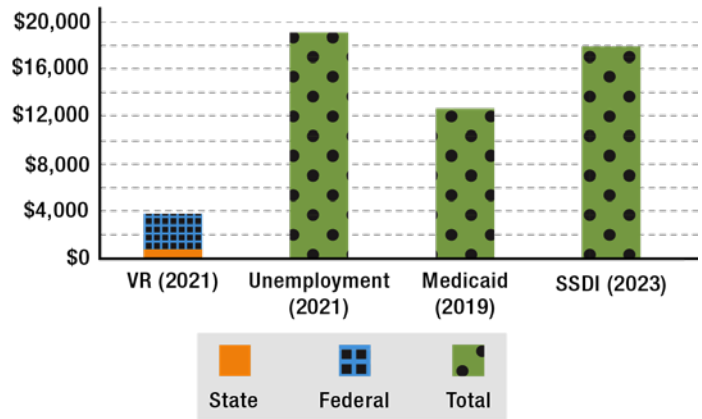


Source: Rehab. Servs. Admin., CSAVR Fall Conference presentation

State appropriations committees need to fully understand the formula funding to effectively communicate the economic impact under-funding the VR program has on individuals with disabilities and their future employment.

**Fully funding VR programs is an economic advantage for states.** Currently, the U.S. has 9.5 million job openings with only 6.5 million unemployed workers. VR programs are meant to help bridge this gap—and the federal government already has money set aside to help integrate people with disabilities into the workforce. Ultimately, investing state and federal money up front to help people with disabilities find employment saves state and federal money in the long run. As an example, Figure 4 shows the average annual cost for an individual receiving support and services from the VR program is dramatically less than unemployment, social security disability insurance (SSDI) and Medicaid in Illinois.

**Figure 4**  
Total Cost per Enrollee of Social Programs



Sources: U.S. Dep't of Educ.; Illinois Policy; KFF; nerdwallet

## Future Outcomes

State VR Services are responsible for supporting people with disabilities in obtaining competitive integrated employment. State VR can scale the investment threefold using formula grants. Leveraging this scalability to achieve full match year-over-year will provide State VR the opportunity to strengthen services and training—maximizing services offered to corporations, businesses, and industry to increase the number of people with disabilities working in their states.

“Disability inclusion is not charity. It is not philanthropy. Yes, it is the right thing to do for people, but it is also the right thing to do for your state. Meaningful employment for people with disabilities creates lasting value in every industry. Vocational Rehabilitation programs make this goal a reality. Fully funding public vocational rehabilitation agencies is not just an investment in people with disabilities’ future but in the prosperity and inclusivity of our society as a whole. It is simply good business!”

**-Senator Tom Harkin (retired)**