

**FISCAL YEAR 2011  
Summary Report on the  
On-Site Visit to the  
Louisiana Rehabilitation Services**



**U.S. DEPARTMENT OF EDUCATION  
OFFICE OF SPECIAL EDUCATION AND  
REHABILITATIVE SERVICES  
REHABILITATION SERVICES ADMINISTRATION**

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## **I. Introduction**

The Rehabilitation Services Administration (RSA) conducted an on-site visit of Louisiana Rehabilitation Services (LRS) from November 15-18, 2010 for the purpose of:

- following-up the implementation of the recent transfer of the vocational rehabilitation (VR), supported employment (SE) and independent living (IL) programs from the Department of Social Services (DSS) to the Louisiana Workforce Commission (LWC);
- providing technical assistance (TA) on securing alternative means of match, including third-party cooperative arrangements since the agency is pursuing this method as a means of securing match, and review any current agreements; and
- discussing the impact of the proposed 35 percent state budget cut for state fiscal year (SFY) 2012 (beginning July 1, 2011) on the VR program, especially as it relates to VR service delivery and the order of selection (OOS).

RSA participants included Charles Sadler, TA Unit, and Craig McManus, Fiscal Unit.

This summary report includes relevant background information; the on-site activities; observations, recommendations and LRS' responses; a description of the TA provided and the TA requested; and the next steps.

RSA wishes to express appreciation to the representatives of the LWC, the Office of Workforce Development (OWD), LRS, the State Rehabilitation Council (SRC), the Statewide Independent Living Council, and the stakeholders who assisted the RSA team during its on-site visit.

## **II. Background**

On July 1, 2010, LRS was transferred from DSS to LWC. RSA engaged in discussions with LRS and LWC staff members in January, 2010 regarding the transfer. In addition, RSA reviewed the draft state legislation, HB 1198, at the request of the LA state attorneys responsible for developing the legislation, for purposes of discussing organizational unit requirements related to the designated State unit (DSU) and the designated State agency (DSA), to ensure that they were consistent with the federal VR regulations in 34 CFR 361.13(c). In collaboration with the U. S. Department of Education's Office of the General Counsel, RSA issued written guidance to LRS on May 16, 2010 related to pertinent organizational unit requirements impacted by HB 1198.

HB 1198 did not identify the DSA or the DSU. Instead, LRS conducted public hearings on the FY 2011 VR and Supported Employment (SE) State Plan from August 19-20 and 23-26, 2010, during which time LWC designated OWD as the DSA, and LRS as the DSU. By the time of the public hearings, the transfer had already occurred. RSA indicated in its May 16, 2010 correspondence that maintaining LRS as the DSU would meet federal requirements in Section 101(a)(2)(B)(ii)(IV) of the Rehabilitation Act of 1973, as amended (the Act), and 34 CFR 361.13(B)(1)(iv) of the VR implementing regulations.

LRS submitted a revised FY 2011 VR and SE State Plan on September 30, 2010 that contained in Attachment 4.2(c), Input of the SRC, the SRC’s recommendation that LWC be named as the DSA, and not OWD, in order for the LRS Director to have a direct line of communication to the LWC Executive Director. LWC responded that it chose to place LRS within the OWD in order to achieve a structural alignment that supports a shared goal of putting people to work. Furthermore, the LWC response stated that “the LRS Director is a member of the LWC Executive Team” and that the voice of citizens with disabilities will always be heard at LWC.

Subsequent to the transfer, LRS staff members and stakeholders expressed concerns to RSA that OWD was infringing on the DSU’s responsibility for the allocation and expenditure of VR funds. Based on information reported by constituents, the DSU was not able to fulfill its responsibilities related to the administration of the VR program.

Since LRS’ transfer to LWC, the Governor ordered a mid-year SFY 2010 budget cut. Since LWC does not receive state general funds, the burden of the cut was borne by the VR program that requires the state to provide 21.3 percent in state matching funds to receive 78.7 percent in federal funds. The budget cut resulted in LRS closing all OOS priority categories except categories I and II, and subsequently closing category II on September 30. LRS now serves only individuals with the most significant disabilities with severe limitations in four or more functional capacities.

Shortly before the on-site visit, LRS staff informed RSA that the Governor had proposed a 35 percent budget cut for SFY 2012, and that LRS was required to develop a cost reduction proposal. LRS indicated that a cut of this magnitude would result in LRS’ inability to match 62 percent of its federal appropriation and a layoff of approximately two-thirds of its staff. In addition, LRS anticipated the closing of OOS priority category I, thereby shutting down access to the VR program for individuals with disabilities seeking VR services.

Louisiana’s FY 2011 VR Grant Award Amount is \$57,534,655. As per the table below, for the period of October 1, 2010 - December 18, 2010, Louisiana has received only \$12,450,499, and the final FY 2011 federal budget has not yet been approved by the Congress.

**LRS Financial Table**

|  | <b>FY 2008</b> | <b>FY 2009</b> | <b>FY 2010</b> |
|--|----------------|----------------|----------------|
| <b>Initial Grant Amount</b>                | 56,383,213     | 57,943,864     | 57,199,924     |
| <b>Relinquished Amount</b>                 | 13,305,220     | 24,857,968     | 23,021,431     |
| <b>Maintenance of Effort (MOE) Penalty</b> | N/A            | N/A            | 2,696,319      |
| <b>Final Grant Amount</b>                  | 43,077,993     | 33,085,896     | 31,482,174     |
| <b>Carryover</b>                           | 17,399,385     | 301,274        | Pending 9/30   |

### **III. On-site Activities**

On-site activities included discussions with the leadership and staff of LRS, OWD and LWC to follow-up on the transfer of the programs from DSS to LWC, to provide TA and to gather information that will be used to develop a follow-up TA plan. In addition to meeting with staff responsible for program management and financial administration, RSA met with LRS VR Counselors, supervisors and regional managers.

RSA also met with representatives of the Client Assistance Program, the SRC and the Statewide Independent Living Council to gather information on the implementation of the DSU transfer and its impact on individuals with disabilities served by the VR and IL programs.

### **IV. VR/SE Program Performance Observations and Recommendations**

The following section of the report describes RSA's observations on how the transfer of LRS from the DSS to the LWC has impacted the performance of the VR/SE programs. Each observation includes recommendations designed to improve the agency's performance. This section also describes the TA that was provided during the on-site visit as well as TA provided subsequent to the on-site review regarding the Lighthouse for the Blind. In addition, this section includes LRS' responses to the recommendations and the TA requested to enable it to carry out the recommendations.

#### **1. Integration of LRS into OWD**

**Observation:** OWD plans to move the LRS VR Counselors into the LA Business and Career Solutions Centers (BCSCs) that are the one-stop career centers developed under the Workforce Investment Act. LRS staff members currently serve the BCSCs on an itinerant basis. The LWC stated its plans to terminate the lease arrangements for the local LRS offices and co-locate them in the BCSCs.

LRS staff indicated that they have established effective professional relationships with BCSC staff in the past. However, as a result of the planned co-location, they expressed concerns that it would create an expectation in some BCSCs that the LRS VR Counselors will be a supplemental labor and funding resource available to perform non-VR functions. LRS stakeholders expressed similar concerns that the LWC staff members are not familiar with the roles, duties and credentials of the VR Counselors.

**Recommendation 1:** RSA recommends that LRS partner with the SRC to develop and conduct cross-training activities with LWC staff concerning the mission, purpose and responsibilities of the various BCSC partners, to clarify each partner's role in the BCSC if such a move takes place.

**TA Provided:** RSA provided information on the provisions for the Comprehensive System of Personnel Development (CSPD) in the Act, and the non-delegable functions that must be performed by qualified VR Counselors employed by the designated State unit, including:

- determining eligibility of VR applicants (34 CFR 361.42(a)(1)(iii));
- signing the Individualized Plan for Employment (IPE) and subsequent amendments (34 CFR 361.45(d)(3)(ii) and (d)(7); and
- closing the service records for individuals who achieved successful employment outcomes (34 CFR 361.56(c)).

RSA provided LWC staff members with examples of successful collaborative partnerships between VR and the generic employment centers in which there was a clear understanding of the mission and culture of both agencies. This balance can be accomplished through frequent cross-training of each partner's staff members and inclusion in new and ongoing staff training activities. RSA noted the importance of disability etiquette as an important component in understanding the culture of the VR, SE and IL programs.

RSA described the differences between the Individualized Plan for Employment (IPE) jointly developed by a VR consumer and the VR counselor and the Individualized Employment Plan (IEP) developed by BCSC staff. The IPE is a comprehensive plan that includes the VR services necessary for the individual to achieve their employment outcome; whereas, the IEP is generally designed to be more focused on short-term training and placement needs. In addition, an individual does not have to have a disability to participate in an IEP.

While LRS consumers may be able to take part in some of the generic services offered by the BCSC, such as the resource room and participation in job clubs and other classes to prepare for employment, they would not be assisted by VR Counselors unless the participants were applying for or receiving VR services.

**Agency Response:** LRS concurs with this recommendation. LRS has conducted several cross-training activities with LWC staff (OWD statewide meetings) and within the central office in Baton Rouge, providing general knowledge of LRS programs and specific information when appropriate. In addition, LRS staff members are participating in the LWC initiative to develop and implement an integrated service delivery model for programs that are under the OWD. This provides an opportunity to continually provide information and clarity regarding the LRS role within the BCSCs. Cross-training will continue to occur as appropriate.

**TA Requested:** LRS requests TA from TACE VI and Mr. John Halliday to assist LRS with identifying areas of potential collaboration in a manner that results in effective joint programming while ensuring adherence to the VR program requirements. LRS will partner with the SRC to develop additional training activities.

## 2. BCSC Accessibility and Confidentiality Issues

**Observation:** LRS stakeholders described BCSCs that had resource rooms with computers with the necessary software to make them accessible to individuals with disabilities, but indicated that BCSC staff was not trained in their use. As a result of the co-location of LRS into one-stop centers, an increased number of individuals with disabilities will be attempting to access the BCSCs. In addition, these individuals will likely represent a wider range of disabilities.

LRS personnel also expressed concerns regarding the need to protect personal information concerning individuals applying for or receiving services from LRS when the co-location takes place.

**Recommendation 2:** RSA recommends that LRS:

- 2.1 partner with OWD and the SRC to ensure program and physical accessibility of BCSCs for individuals with disabilities, including accessibility of computer software in the BCSC resource rooms;
- 2.2 partner with BCSC to determine the joint training needs of staff needed to maintain accessibility, operate specialized computer software and protect consumer confidentiality; and
- 2.3 develop and implement policies and procedures related to the protection of consumer confidentiality for individuals applying for or receiving services from LRS in the BCSCs.

**TA Provided:** RSA reiterated that LRS personnel and partners can serve as a valuable resource to the one-stops as they expand and enhance program and physical accessibility in the BCSCs. RSA provided information on the regulatory requirements to protect information concerning individuals applying for or receiving services from LRS (34 CFR 361.38(a)(1)). VR Counselors require private offices or other dedicated spaces to meet with applicants and eligible individuals to provide counseling and other services.

**Agency Response:** LRS concurs with this recommendation. LRS will work collaboratively with the BCSCs, and partner with OWD and the SRC to provide resources that can assist with identifying program and/or physical accessibility barriers, and determine training needed for OWD staff. LRS will review and revise, as necessary, policy and/or guidance related to confidentiality of consumer information.

**TA Requested:** LRS did not request TA.

### 3. DSU Administrative Requirements

**Observation:** Prior to and during the on-site visit, issues surfaced related to the extent of the DSU Director's involvement in key administrative responsibilities as described below.

- LRS stakeholders expressed concerns regarding the transfer of LRS staff to positions in LWC that would result in them no longer working full-time on LRS issues. At the time of on-site visit, LRS human resource development staff, fiscal staff and the public information director had been relocated into LWC.
- LWC explained that in LA state government, the "appointing authority" is responsible for the allocation and expenditure of funds and that the LRS Director's input would be integral to making these decisions. Furthermore, they indicated that these same rules would have applied in DSS. While the DSU director was responsible for the allocation and expenditure of funds in DSS, the director is not part of the decision-making process in LWC.

- In addition, it was not clear that the DSU (LRS) director was responsible for the allocation and expenditure of VR funds (CFR 361.13(c)(iv)). For example, LRS indicated that its case management system will be migrated from DSS to LWC. LRS indicated that the migration is being led by LWC management and that LRS had little input into the decisions being made regarding the migration. LRS indicated that LWC intended to evaluate the procurement processes to ensure consistency with State procurement law and LWC internal control procedures.

**Recommendation 3:** RSA recommends that LRS collaborate with OWD/LWC to implement administrative processes to ensure that:

- 3.1 at least 90 percent of DSU staff are employed full time on the rehabilitation work of the DSU (CFR 361.13(b)(iii));
- 3.2 personnel working on multiple cost objectives, including VR Counselors potentially moving into the BCSCs, are tracking their time in accordance with cost principles at 2 CFR 225, Appendix B, Paragraph 8(h)(4);
- 3.3 staff time dedicated to non-rehabilitation work of the agency is not paid for with VR program funds, including funds used for match and MOE purposes according to 34 CFR 361.60(b)(1), 34 CFR 80.24(a)(1) and cost principles at 2 CFR 225, Appendix A, Section C; and
- 3.4 the DSU is responsible for the allocation and expenditure of VR funds (CFR 361.13(c)(iv), and this responsibility is not delegated to any other agency or individual (CFR 361.13(c)(2)), e.g., expenditures related to the migration of the case management system.

**TA Provided:** RSA staff members discussed with LWC management the following regulatory requirements:

- the DSU is required to have a staff, at least 90 percent of whom are employed full time on the rehabilitation work of the organizational unit (CFR 361.13(b)(iii)); and
- the DSU is responsible for the allocation and expenditure of VR funds (CFR 361.13(c)(iv), and this responsibility may not be delegated to any other agency or individual (CFR 361.13(c)(2)).

**Agency Response:** LRS concurs with this recommendation. LRS and OWD are currently engaged in discussions regarding state agency administration relative to the above regulations. These discussions include the exploration of delegating authority to the LRS Director to address the issue regarding allocation and expenditure of VR funds. Current timekeeping processes are also being reviewed to assure staff time is being tracked and charged appropriately. A monthly report will be provided to the LRS Director that documents staff being paid from VR funds. OWD/LRS is committed to insuring that VR federal program regulations are adhered to.

**TA Requested:** LRS requests TA from TACE VI and Mr. John Halliday regarding the above in order to increase the staff's capacity to maximize operational effectiveness, planning and reporting. Assistance will also be needed in regard to developing appropriate cost allocation methods since VR staff will be integrated into the BCSCs.

#### 4. Sources of Match

**Observation:** LRS has experienced multiple budget cuts to its state VR appropriation over the past few years, significantly reducing its ability to match the federal award, thus reducing available resources for individuals with disabilities in the state of LA.

LRS relinquished \$13,305,220, \$24,857,968 and \$23,021,431 in FY's 2008, 2009 and 2010, respectively. In FY 2010, LRS received only enough state general funds to match 55 percent of its federal VR award. During the on-site visit RSA learned that LA is anticipating a \$2 billion dollar deficit for FY 2012. As a result, the Governor may order an additional state funding budget cut of up to 35 percent to state agencies, thus reducing the state VR appropriation further. This action could reduce LRS's non-federal funding to a level that matches approximately 35.75 percent of the federal VR funds.

**Recommendation 4:** RSA recommends:

- 4.1 LWC provide information to the state legislature regarding the VR cost sharing requirements of the VR program and emphasize the need for LRS to receive a state appropriation that allows it to maximize its federal VR award and reduce relinquishment of federal funds;
- 4.2 LRS continue to pursue sources of match that support the VR program and provide critical services to applicants for, and recipients of, VR services; and
- 4.3 LRS access the TA resources identified in this document to ensure that all sources of match are consistent with the Act and VR implementing regulations.

**TA Provided:** During the on-site visit RSA conducted a training session with LRS and LWC staff members and agency stakeholders on sources of match, specifically attending to the requirements associated with third-party cooperative arrangements (TPCAs), inter-agency transfers of funds, and establishment projects for community rehabilitation programs (CRPs).

RSA confirmed that services including the use of donated property, space and utilities are considered in-kind, and are prohibited for use as match by VR implementing regulations at 34 CFR 361.60(b)(2). Furthermore, expenditures made under a TPCA are allowable to the extent the expenditures are in support of allowable VR services, as per the regulations at 34 CFR 361.48.

RSA extended further TA to LRS, OWD and LWC with respect to ensuring additional sources of match are consistent with federal statute and regulations.

**Agency Response:** LRS concurs with this recommendation. LWC has been proactive in discussions with the Division of Administration on LRS' behalf regarding the impact of the 35 percent proposed reduction of state funds. LRS will work collaboratively with LWC to provide information relative to the match requirements in order to maximize the federal award. LRS is currently pursuing alternative sources of match to meet the needs of individuals with disabilities seeking employment or independence in the state.

**TA Requested:** LRS requests TA from TACE VI and Mr. John Halliday in identifying sources of match to increase the availability of funding. LRS is also requesting assistance in identifying methods and practices to maximize current and future resources so that LRS has the ability to support the achievement and retention of employment by as many individuals with disabilities as possible (i.e. possible revision to and management of the OOS).

## **5. Maintenance of Effort (MOE)**

**Observation:** The state budget cuts described in Section II above have resulted in LRS' inability to meet its MOE requirement for the past few years, resulting in MOE penalties. LRS has not always requested a MOE waiver to recover funds lost due to the MOE penalty, since it did not have the non-federal funds to match the federal funds represented by the MOE penalty. Due to declining VR state appropriations during the past few years, LRS continues to be at risk of receiving MOE penalties in the future.

**Recommendation 5:** RSA recommends that LWC provide the information to the state legislature regarding the VR cost sharing requirements of the VR program and emphasize the need for LRS to receive a state appropriation that allows it to maximize its federal VR award, reduce relinquishment of federal funds, and avoid future MOE penalties.

**TA Provided:** RSA provided TA to LRS and LWC staff that if LRS decides to pursue a MOE waiver, that part of RSA's approval process is the determination of whether LRS absorbed proportionate state funding cuts compared to other state-funded agencies throughout LA. A VR agency that is cut disproportionately higher than other state agencies is not likely to be granted the full MOE waiver equal to its budget cuts.

**Agency Response:** LRS concurs with this recommendation. LRS, in addition to the SRC and other stakeholders, has previously provided information to the state legislature regarding the match requirements for the VR grant. LRS will work collaboratively with LWC to provide information relative to cost-sharing requirements to maximize the federal award. LRS is currently pursuing other sources of match to meet the needs of individuals with disabilities seeking employment or independence in the state.

**TA Requested:** LRS did not request TA.

## **6. Impact of Past/Potential Budget Cuts on the VR Program**

**Observation:** LWC asked LRS to develop a proposed SFY 2012 budget that would be 35 percent less than the SFY 2011 budget of approximately \$53 million. The scenario developed by LRS would result in a \$33.5 million budget for SFY 2012. It is important to note that the \$4,708,562 reduction in state expenditures in the VR program from SFY 2008 to SFY 2011 has resulted in a \$17,397,363 decrease in federal funds. The reduction would negatively impact the VR agency and VR consumers as described below.

- LRS management stated that 35 percent budget cut scenario would result in a reduction in total LRS staff from 317 to 103. Half of the eight regional offices would be closed. In

SFY 2010, LRS served a total of 29,996 individuals with disabilities. Reducing this number by two-thirds, equal to the reduction of staff members, would result in services being provided to only approximately 10,000 individuals with a concomitant reduction in the number of individuals achieving employment outcomes. The reduction in LRS' overall operations could affect the agency's ability to effectively manage its staff and their activities, engage in personnel management, maintain fiscal accountability and, most importantly, compromise the timely and efficient provision of VR services to applicants and eligible individuals with disabilities.

- LRS staff expressed concerns that it would not be able to meet the federal requirements to determine eligibility within 60 days (CFR 361.41(b)(1)), and also to develop and implement the IPE within the agency's timeline (CFR 361.45(a)(1)).
- LRS stakeholders described an overburdened case service system that was struggling to maintain essential functions. The loss of specialized VR Counselors for the blind and visually-impaired and transition populations have further exacerbated the situation. Supervisors, some of whom do not have expertise in issues pertaining to rehabilitation of the blind and visually impaired, are temporarily handling these vacant caseloads and are concerned about not being able to fill these positions and losing this specialty expertise. Supervisors performing these additional duties are not able to spend the necessary time in performing supervisory duties.
- In addition, LRS stakeholders expressed their concerns that the cuts would result in the inability of VR Counselors to provide timely services to transition-age youths such that they would not have an IPE by the time they exit school (34 CFR 361.22(a)(2)) and the imposition of arbitrary limits on purchased services (34 CFR 361.22(a)(2)).
- While both LRS and LWC managers in Baton Rouge were open in discussing the continuing budgetary problems faced by the state and its impact on service delivery, LRS staff and stakeholders expressed concerns that they were often not apprised of the most recent developments and that they did not always receive responses to their inquiries.
- The proposed cuts have the potential to impact LRS' performance on the VR program evaluation standards, including its ability to implement the strategies included in its Program Improvement Plan jointly developed with RSA pursuant to LRS' failing the employment standard in FY 2009, and designed to achieve the required performance levels on the standards and indicators.

**Recommendation 6:** RSA recommends that LRS:

- 6.1 partner with the LWC and the SRC to provide information to the Governor on the role of the VR program in assisting individuals with disabilities to achieve employment outcomes;
- 6.2 re-evaluate any future plans for reducing staff in light of the importance of the role of the VR Counselor and other staff members providing direct services and, instead focus on staff members providing ancillary services;
- 6.3 consider reducing the number of LRS staff performing assessments and evaluations that may not be necessary in determining eligibility or evaluating vocational potential; and
- 6.4 collaborate with LWC in improving internal and external communication regarding the budget cuts and the impact on service delivery.

**TA Provided:** RSA emphasized the importance of maintaining state expenditures in the VR program in order to preserve the flow of federal funds into the state. For every state dollar in matching funds expended by LRS for the VR program, the agency receives nearly four dollars in federal funds. Consequently, the reduction of state funds expended on the VR program would significantly reduce the federal contribution. In addition to the requirement that LRS provide state matching funds for the VR program, LA is also required to maintain a level of state expenditures in the VR program. Failure to maintain an equivalent level of state expenditures this year as compared to the level of state expenditures made two years prior could result in a reduction in the VR program grant to LA next year. Therefore, LA's reduction in state expenditures under the VR program because of the budget cuts would likely result in further loss of federal funds in the future.

**Agency Response:** LRS concurs with these recommendations. LRS will continue to be responsive to requests from LWC and the SRC to provide agency information to the Governor, legislators, and other stakeholders, as requested. LRS understands and appreciates the vital role of the VR counselor in the rehabilitation process and will work toward implementing a staffing plan that will maximize the effectiveness of services and the service-delivery process. LWC and LRS are making intentional efforts to improve internal and external communications. The quarterly OWD Statewide meetings have provided a venue for the effective exchange of information. The OWD Director has also initiated regular teleconferences with LRS Regional Managers to share pertinent information and also hear regional issues and concerns.

**TA Requested:** LRS requests TA from the TACE VI and Mr. John Halliday in developing a staffing plan that will encompass current and future service delivery needs.

#### **Additional TA Provided Regarding the Lighthouse for the Blind**

During the on-site visit, LRS and LWC sought TA from RSA regarding a proposed establishment project in which a Lighthouse for the Blind CRP would be relocated to the Baton Rouge area. This inquiry included concerns with the CRP's private non-federal funding slated as match for the project, and whether these funds, and the manner in which they were utilized, complied with VR implementing regulations. RSA provided a written TA response to LRS on December 16, 2010.

#### **V. Next Steps**

Within the next 30 days, RSA will arrange a meeting with LRS to develop a TA plan to address the TA requests of the agency to enable it to carry out the recommendations. In addition to RSA and LRS staff, RSA will also include in this meeting Jeanne Miller, Director, Region VI TACE program, located at the University of Arkansas, and John Halliday, Management Consultant, Region I TACE program, University of Massachusetts-Boston.