



Idaho Division of Vocational Rehabilitation
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September 12, 2024

To: Joint Finance and Appropriations Committee Co-Chairs

From: Idaho Division of Vocational Rehabilitation (IDVR) Interim Administrator, Judy B. Taylor

RE: Financial state of IDVR

The IDVR is facing an immediate budget and spending authority shortfall that without immediate attention to increase federal funding and federal spending authority will result in a shutdown of services to over 4,000 IDVR clients, financial loss to IDVR service providers of up to \$2 million per month, and threaten Idaho's future Workforce and Innovative Opportunities Act (WIOA) funding that supports the Idaho Department of Labor, Idaho Division of Career Technical Education, the Idaho Workforce Development Council, the Idaho Commission for the Blind and Visually Impaired, and IDVR.

Although the Division knew of this pending shortfall in April of 2024, the Division was unable to share specific figures with the Legislature regarding the size of the problem. In mid-June, new leadership was put in place at IDVR to determine the full impact and make recommendations for immediate corrective action. In reviewing past financials and preparing for IDVR budget submission, it became clear that the problem was immediate.

The FY25 Trustee and Benefit appropriation for Idaho Division of Vocational Rehabilitation is about \$10.9M total funds. With carry over obligations from FY24 and current obligations through September 6, 2024, the Division has already obligated \$7.6M in expenditures that must be paid with the FY25 appropriation. The current accrual rate for new obligations is about \$450,000 per week to providers for clients with current service plans. Based on these calculations, the state will exhaust federal spending authority by the end of September and will no longer be able to serve clients without additional funds.

Unfortunately, IDVR is currently very limited in options to address this immediate problem. We estimate the current deficit created by mismanagement of VR services and funding to be about \$15.6M by the end of FY25 under the current spend rate. The Division is looking at all options to both slow spending, cut costs, and cover the current shortfall. The goal is to get the

Division on a corrective course that will ensure service expenditures stay within the appropriation for FY26.

To help address the FY25 shortfall, Rehabilitation Services Administration has offered emergency funding to IDVR by October 1st to ensure services continue for Idahoans until we are able to address this during the Legislative session beginning in January 2025. Idaho will use \$2.7M in current General Fund appropriation to draw down an additional \$10M in federal emergency grant awards to help cover costs of current service plans. This emergency funding will ensure IDVR can pay the current obligations to local community providers and continue to support service plans for existing clients. Without this funding, local service would stop by the end of the month and have a negative impact to both vulnerable Idahoans and service providers who serve these individuals.

It is also anticipated the Division will request an additional \$2.7M in a supplemental General Fund request to draw down the second half of regular federal funding in March 2025 to ensure we can cover the full costs and deficit for this fiscal year.

In addition to additional emergency funding, IDVR received federal approval for a modification to Idaho's State Plan on Friday, September 6th to implement an Order of Selection which will allow the state to continue serving current clients while creating a waitlist for new services. These measures are necessary to align IDVR spending with our current appropriation. IDVR has already began notifying clients applying for services that they will be on a waitlist until funding is available for more service plans. We believe this will reduce the rate of expenditures and reduce the overall shortfall for FY25. Based on this new waitlist, we expect the supplemental amount to be reduced once we have better projections from this new implementation.

We take our obligation to be financially solvent seriously and are currently in the process of implementing both policy and operational changes to correct this situation. IDVR is committed to serving our clients with the work and training assistance they need, in an efficient manner and within our financial means.

Thank you for your consideration of this matter.

In service to Idaho,

A handwritten signature in black ink, reading "Judy Taylor". The signature is written in a cursive, flowing style.