

# CRS Report for Congress

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## Rehabilitation Act of 1973: 109<sup>th</sup> Congress Legislation and FY2006 Budget Request

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### Summary

The Rehabilitation Act of 1973 is the nation's major program to provide comprehensive vocational rehabilitation (VR) services to help persons with physical and mental disabilities achieve employment goals and full integration into society. Authorization of appropriations for the Rehabilitation Act expired in FY2003. Although the 108<sup>th</sup> Congress considered legislation to reauthorize the Act, no final action was taken. In the 109<sup>th</sup> Congress, H.R. 27, to reauthorize the Act through FY2011, was ordered reported by the Committee on Education and the Workforce on February 17, 2005. S. 9, to reauthorize the Act through FY2011, was introduced by Senator Enzi, Chairman of the Senate Committee on Health, Education, Labor, and Pensions (HELP) on January 24, 2005.

The President has requested \$3 billion for the Act for FY2006, a 0.1% increase over FY2005. The budget request would eliminate four programs authorized under the Act (programs for migrant and seasonal farmworkers, recreational activities, supported employment state grants, and projects with industry (PWI)). The budget also proposes to allow states to move Title I of the Rehabilitation Act into a Consolidated Workforce Investment state grant for employment services. This report will be updated.

### Background

The Rehabilitation Act was originally enacted in 1920 as a means of returning injured workers to their jobs. The program was expanded in 1943 to help meet the manpower shortage after the entry of the United States into World War II. The Rehabilitation Act of 1973 provides comprehensive vocational rehabilitation (VR) services designed to help individuals with physical and mental disabilities become employable and achieve independence and integration into society. The Act has been

amended six times since 1973.<sup>1</sup> Title I, the federal-state VR program, is the primary federal program assisting individuals with disabilities prepare for, obtain, and retain employment. Funding for this program represents 87% of total FY2005 federal funding for the Act. Funds are administered by VR agencies designated by each state and are allocated to states according to a formula that is based on state population and per capita income. States with lower per capita income receive a comparatively higher allotment. States are required to match federal funds, and the matching ratio is 78.7% federal to 21.3% state.<sup>2</sup>

Persons are eligible for Title I VR services if they have a physical or mental impairment that substantially impedes employment. Under the law, all individuals with disabilities are presumed to have the potential to engage in employment and to benefit from VR services. The program is required to give priority to people with the most significant disabilities. There are about 1.2 million individuals with disabilities in various phases of the vocational rehabilitation process within the VR system. In FY2003, VR agencies assisted 217,557 persons achieve an employment outcome.<sup>3</sup>

Other programs authorized under the Act include client assistance (Title I); research and training activities administered by the National Institute on Disability and Rehabilitation Research (NIDRR) (Title II); training and demonstration programs (Title III); the National Council on Disability, an independent federal agency whose purpose is to promote policies, programs, and practices to provide equal opportunity for all people with disabilities (Title IV); programs to promote the rights of persons with disabilities (Title V); Projects with Industry and Supported Employment State Grants (Title VI); and Independent Living Services and Centers for Independent Living (Title VII).<sup>4</sup>

## 109<sup>th</sup> Congress Legislation

Authorization of appropriations for the Rehabilitation Act of 1973 expired at the end of FY2003. However, under provisions of the Rehabilitation Act, Title I of the Act was automatically extended for one additional year through FY2004. Other programs under the Act were extended for one year through FY2004 under provisions of the General Education Provisions Act (GEPA) (20 U.S.C. § 1226a). For FY2005, Congress has continued funding for the Act through appropriations legislation for the Departments of Labor, Education, Health and Human Services, and Related Agencies (P.L. 108-447).

During the 108<sup>th</sup> Congress, both the House and the Senate approved legislation to reauthorize the Act through FY2009, but no final action was taken. Bills have been introduced in the 109<sup>th</sup> Congress to reauthorize the Act. On February 17, 2005, the Committee on Education and Workforce Committee ordered reported H.R. 27, to extend authorization of appropriations for the Rehabilitation Act through FY2011. S. 9 was

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<sup>1</sup> The Rehabilitation Act was amended in 1974 (P.L. 93-651), 1978 (P.L. 95-602), 1984 (P.L. 98-221), 1986 (P.L. 99-506), 1992 (P.L. 102-569), and 1998 (P.L. 105-220).

<sup>2</sup> P.L. 105-220, Title IV, Aug. 7, 1998, 112 Stat. 1102.

<sup>3</sup> Rehabilitation Services Administration (911 data base).

<sup>4</sup> For a description of all programs authorized under the Act, see CRS Report RL31378, *Rehabilitation Act: Programs and Funding*, by Sidath Panangala.

introduced in the Senate on January 24, 2005. (The 109<sup>th</sup> Congress bills are similar to bills approved by the Senate and House in the 108<sup>th</sup> Congress.) Following are selected provisions of the 109<sup>th</sup> Congress's bills.

**VR Program Funds Used to Support the Workforce Investment Act (WIA) System.** The Workforce Investment Act (WIA), enacted in 1998 (P.L. 105-220), is intended to consolidate, coordinate, and improve a variety of employment, training, literacy and VR programs for adults under the oversight of local workforce investment boards. Each board is responsible for developing a one-stop system intended to provide a coordinated and “seamless” system of employment and training opportunities for individuals. The law requires partnerships among programs that provide employment services; the federal-state VR program is a required partner in the one-stop system, along with other programs such as vocational education and welfare-to-work programs. Under current law, each of the required partners are to enter into agreements stipulating what responsibilities they have to fund operating costs of one-stop systems.<sup>5</sup> Although persons with disabilities may receive services under the one-stop system, the federal-state VR program is the primary source of employment and VR services for this group.

Under current provisions of WIA and the Rehabilitation Act, there is no requirement that VR funds must be used to provide support to WIA one-stop systems; however, each required partner must develop a memorandum of understanding with a local workforce board to determine how operating costs will be funded. H.R. 27 would require that each state's governor determine how much of the funds of required one-stop partners, including state VR agencies, could be used to pay part of the infrastructure (i.e., nonpersonnel) costs of one-stop centers' operations. This would mean that funds allocated to states for VR services could, at the option of the governor, be used to contribute toward the state's one-stop infrastructure system.

S. 9, as introduced, would require local WIA boards and one-stop partners to determine how much local partners must contribute toward the one-stop system. If local areas fail to reach agreement, the governor would determine an amount to be contributed by one-stop partners, subject to a federally prescribed cap. The cap would apply to federal funds allotted to a partner program. For the federal state VR program, the cap would increase from 0.75 to 1.5% over a five-year period. (Other caps would apply to other partner programs; for example, for WIA programs and the employment service, the cap would be 3%, and for other programs, 1.5%.)

**Transition of Students with Disabilities to Vocational Rehabilitation Services.** Under current law, state VR plans are required to coordinate with state education officials to facilitate the transition of students with disabilities from school to receipt of VR services. State VR and education agencies must develop interagency agreements that, at a minimum, provide for consultation and technical assistance to assist education agencies to plan for transition of students from school to post-school activities,

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<sup>5</sup> For background on WIA, see CRS Report 97-536, *Job Training Under the Workforce Investment Act (WIA): An Overview*, by Ann Lordeman. For a description of WIA changes proposed in H.R. 27 and S. 9, see CRS Report RL32778, *Workforce Investment Act of 1998: Reauthorization of Job Training Programs*, by Ann Lordeman.

describe the financial responsibilities of each agency, determine which agency will be the lead agency, and provide for student outreach, among other things.

Both H.R. 27 and S. 9 include provisions to improve and expand student transition services for students with disabilities. (In both bills, students are defined as those eligible for VR services; eligible and receiving services under the Individuals with Disabilities Education Act (IDEA); or eligible under Section 504 of the Rehabilitation Act<sup>6</sup>; however, H.R. 27 refers to students age 16-21 and S. 9, to students age 14-21). H.R. 27 would reserve from Title I allotments, \$50 million for expanded transition services in years when funds appropriated for Title I exceed the FY2004 level by at least \$100 million. State agencies would be required to use these funds to facilitate student transition from school to VR services; improve student achievement of post-school goals; provide them career guidance and exploration and job search assistance; and conduct outreach activities. S. 9 includes a number of provisions to improve transition, such as a requirement that a student's individualized plan for employment (IPE) include specific transition services needed to achieve an employment outcome. However, S. 9 does not reserve a portion of Title I allotments for student transition services.<sup>7</sup>

**Appointment of the Commissioner of the Rehabilitation Services Administration (RSA).** Under current law, the Commissioner of the Rehabilitation Services Administration (RSA) is appointed by the President and approved by the Senate. H.R. 27 would change this provision to require that the Secretary of Education, rather than the President, appoint a Director of RSA. The Director would not have to be approved by the Senate. S. 9, as introduced, would not make this proposed change.

**Coordination of the VR Program with Ticket to Work.** Both Title I of the Rehabilitation Act and the Ticket to Work and Work Incentives Improvement Act of 1999 (P.L. 106-70) (Ticket Program) provide rehabilitation services to persons with disabilities. State VR agencies provide services directly as well as through other providers approved by the state; the Ticket Program offers vouchers so that individuals may choose providers of rehabilitation services from an approved employment network (EN). S. 9 includes a number of provisions to coordinate VR services with services provided through the Ticket Program, including a requirement that VR agencies inform clients about the Ticket Program and how to contact ENs established under the program.

S. 9 would require the Government Accountability Office (GAO) to conduct a study on the interaction of the Title I VR program with the Ticket Program, including the impact of the interaction on beneficiaries, rehabilitation programs and state VR agencies. The report of the Committee on Health, Education, Labor and Pensions (HELP) on S. 1627,<sup>8</sup> the 108<sup>th</sup> Congress's Senate bill to reauthorize the Rehabilitation Act, indicated

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<sup>6</sup> Section 504 prohibits discrimination against individuals with disabilities by any program or activity that received federal funding.

<sup>7</sup> During the 108<sup>th</sup> Congress, provisions to improve student transition services under the Rehabilitation Act, including a new authorization of appropriations, were incorporated into the Senate bill to reauthorize IDEA (S. 1248). However, the provisions were not included in the final bill (P.L. 108-446, signed Dec. 3, 2004).

<sup>8</sup> *Workforce Investment Act of 1998*, S.Rept. 108-187, 108th Congress, 1<sup>st</sup> sess., Nov. 5, 2003.

that the GAO report would be intended to assist Congress to resolve the challenges that the two programs face as they attempt to serve a similar population of individuals.

These provisions are not included in H.R. 27.

**Title I Allotment Formula.** Title I VR funds are allocated to states according to a formula that takes into account state population and per capita income. Data used to calculate a state's allotment are updated annually. In addition, the law requires that Title I appropriations be increased by the annual percentage increase in the CPI. Some states have been concerned that because data used to calculate each state's annual allotment percentage is adjusted to account for population changes from year to year, they may not receive full benefit of the annual CPI adjustment. That is, even though a state's caseload may increase or even remain the same, if it loses population compared to other states whose population is growing, it may not receive the full CPI increase. S. 9 would require that GAO study the relationship between the Title I state allotment formula and the ability of states to provide VR services in accordance with state plan requirements. The report of the HELP Committee on S. 1627,<sup>9</sup> the 108<sup>th</sup> Congress's Senate bill to reauthorize the Rehabilitation Act, indicated that the GAO study would assist Congress in determining what appropriate steps can be taken to help resolve funding inequities among state VR agencies.

H. 27 does not contain this provision.

## **FY2006 Budget Request**

The Administration has requested \$3 billion for Rehabilitation Act programs for FY2006, an increase of 0.1% over the FY2005 amount (**Table 1**). The request for the Title I VR program is \$2.7 billion, an increase of 3.1%, which meets the statutory requirement that the program be increased in accordance with the CPI adjustment.

In addition, as part of its overall job training proposals, the Administration is proposing to consolidate certain job training programs under a Workforce Incentive Plus Consolidation Grant program. Certain programs would form a base of the consolidated program and would include adult training, the dislocated worker program, youth training and the Employment Service. In addition, states would be given an option to consolidate the VR program, along with other programs, under the Consolidated Grant program. States choosing to consolidate programs would submit a single state integration plan, but would not be allowed to reduce levels for target populations, including people with disabilities.

The Administration is also proposing to eliminate four programs authorized under the Rehabilitation Act — programs for migrant and seasonal farmworkers, recreational activities, supported employment state grants, and projects with industry (PWI). The Administration maintains that these programs are now an integral part of the VR program, and therefore no longer need separate funding streams to ensure provision of services.

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<sup>9</sup> Ibid., S.Rept. 108-187.

**Table 1. Vocational Rehabilitation and Related Programs,  
FY2003-2005 Funding and FY2006 Budget Request**

(\$ in thousands)

Programs	FY2003 actual	FY2004 actual	FY2005 enacted	FY2006 request
<b>Title I — Vocational Rehabilitation (VR) Services</b>				
Federal-state VR program	\$2,533,492	\$2,584,162	\$2,635,845	\$2,720,192
Client assistance program	12,068	11,997	11,901	11,901
<b>Total</b>	<b>2,545,560</b>	<b>2,596,159</b>	<b>2,647,746</b>	<b>2,732,093</b>
<b>Title II — Research and Training</b>				
National institute on disability and rehabilitation research (NIDRR)	109,285	106,652	107,783	107,783
<b>Total</b>	<b>109,285</b>	<b>106,652</b>	<b>107,783</b>	<b>107,783</b>
<b>Title III — Training and Demonstration Projects</b>				
Training	39,371	39,139	38,826	38,826
Demonstration and training programs	20,895	24,286	25,607	6,577
Migrant and seasonal farmworkers	2,335	2,321	2,302	not requested
Recreational programs	2,579	2,564	2,543	not requested
<b>Total</b>	<b>65,180</b>	<b>68,310</b>	<b>69,278</b>	<b>45,403</b>
<b>Title IV — National Council on Disability</b>				
National Council on Disability	2,840	3,021	3,371	2,800
<b>Total</b>	<b>2,840</b>	<b>3,021</b>	<b>3,371</b>	<b>2,800</b>
<b>Title V — Rights and Advocacy</b>				
Architectural and transportation barriers compliance board	5,194	5,401	5,686	5,941
Protection and advocacy of individual rights (PAIR)	16,890	16,790	16,656	16,656
<b>Total</b>	<b>22,084</b>	<b>22,191</b>	<b>22,342</b>	<b>22,597</b>
<b>Title VI — Employment Opportunities</b>				
Projects with industry	21,928	21,799	21,625	not requested
Supported employment state grants	37,904	37,680	37,379	not requested
<b>Total</b>	<b>59,832</b>	<b>59,479</b>	<b>59,004</b>	<b>0</b>
<b>Title VII — Independent Living Services and Centers for Independent Living</b>				
State allotments for independent living services	22,151	22,020	22,816	22,816
Centers for independent living	69,545	73,563	75,392	75,392
Independent living services for the older blind	27,818	31,811	33,227	33,227
<b>Total</b>	<b>119,514</b>	<b>127,394</b>	<b>131,435</b>	<b>131,435</b>
Evaluation	994	988	1,488	1,488
Program improvement activities	894	889	843	843
<b>Total: Programs under the Rehabilitation Act</b>	<b>\$2,926,183</b>	<b>\$2,985,083</b>	<b>\$3,043,290</b>	<b>\$3,044,442</b>
<b>Related Programs</b>				
Helen Keller Center	8,660	8,666	10,581	8,597
Assistive technology	26,824	25,943	25,737	not requested
Alternative financing program			4,023	15,000
<b>Total: Rehabilitation service and disability research</b>	<b>\$2,953,633</b>	<b>\$3,011,270</b>	<b>\$3,074,574</b>	<b>\$3,059,298</b>

Source: Department of Education, *FY2006 Justification of Appropriation Estimates to the Congress*.