

**Agency:** 315 Dept of Services for the Blind  
**Decision Package Code/Title:** P1 Cost Recovery Assessment  
**Budget Period:** 2015-17  
**Budget Level:** PL - Performance Level

### **Recommendation Summary Text:**

The Department of Services for the Blind is requesting funds to repay the United States Department of Education for their determination that indirect costs paid out of federal vocational rehabilitation grant funds were not qualified expenditures due to a procedural error.

### **Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
001-1 General Fund - Basic Account-State		430,000	430,000
<b>Total Cost</b>		<b>430,000</b>	<b>430,000</b>

### **Package Description:**

As a result of audit finding for FY12 and FY13, the United State Department of Education prepared two program determination letters assessing the Department of Services for the Blind a total of \$730,053 for recovery of questioned costs. DSB successfully negotiated the amount down to \$530,053 and has the capability to cover \$100,053 out of existing funds. The agency is requesting \$430,000 of additional General Fund - State dollars to pay the balance of the assessment.

Lack of funding would require DSB to enter into a multiple biennium repayment plan with the US Department of Education which would be funded through a reduction in staff and client services. This could place the agency into an "Order of Selection" which would limit the capability to serve all of our clients.

### **Narrative Justification and Impact Statement**

#### *What specific performance outcomes does the agency expect?*

The Department of Services for the Blind maintains excellent standing on the national level for our employment outcomes. Funding for this decision package will enable DSB to maintain current performance outcomes.

### **Performance Measure Detail**

**Activity:**

**Incremental Changes**

No measures submitted for package

***Is this decision package essential to implement a strategy identified in the agency's strategic plan?***

The strategic plan for the Department of Services for the Blind is to meet changing customer expectations by 2020 with new levels of success. The initiatives to achieve this include enhancing communications to reach more customers and to serve them better, enhancing and maintaining capacity and expertise in serving blind Washington residents, and integrating employment into a unified customer experience at all phases of the vocational rehabilitation process. Lack of funding this decision package will degrade our services and preclude us from reaching success.

***Does this DP provide essential support to one or more of the Governor's Results Washington priorities?***

Lack of funding for this decision package will adversely impact the Governor's priority of creating a prosperous economy by impairing DSB's ability to develop quality job placements for our clients.

***What are the other important connections or impacts related to this proposal?***

Recent federal legislative revisions to the Rehabilitation Act of 1973 would be impacted if this decision package is not funded. Section 503 has been revised to require all contractors with federal contracts in excess of \$10,000 take affirmative action to employ and advance in employment qualified individuals with disabilities. Section 504 has been revised to prohibit discrimination on the basis of disability in programs and activities, public or private, that receive federal financial assistance, including special education in the State's school systems. With this funding, DSB is in a unique position to assist implementation of these new provisions.

***What alternatives were explored by the agency, and why was this alternative chosen?***

The Department of Services for the Blind requested a review of the disallowance determinations. The US Department of Education granted the review and departments went into mediation to see what could be resolved. (The documents are attached to the decision package.) DSB conveyed that the error was a technical/procedural issue and that the costs were otherwise allowable. ED did not take this into consideration and initially just offered a repayment plan. After several hours of reviewing proposals made by DSB, ED eventually allowed their discretionary adjustment of \$200,000. With the reduction, the assessment is still over 23% of DSB's current annual GF-S allotment. Since repayment of these funds must be made with non-federal sources, the alternatives were to ask for the funds during the current biennium or to ask for funds over seven years. Per OFM's guidance, the full need is being requested in the current biennium.

***What are the consequences of adopting or not adopting this package?***

The ability for the Department of Services for the Blind to provide quality programs will be diminished if funding is not obtained.

***What is the relationship, if any, to the state's capital budget?***

None.

***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

The Department of Services for the Blind would have to develop rules in the event that Order of Selection is imposed.

***Expenditure and revenue calculations and assumptions***

The Department of Services for the Blind has received reimbursement funds from the Social Security Administration for successful

rehabilitation of Social Security clients. while these are federal funds and cannot be used for the repayment, they can be used to free up existing state funds. This has allowed DSB to reduce our request from \$530,000 to \$430,000.

*Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

The full request is for one-time funding.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
E Goods\Other Services		430,000	430,000