STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
DF-46 (REV 03/25)

Fiscal Year	Business Unit Number	Department
2026-2027	5160	Department of Rehabilitation

Hyperion Budget Request Name	Relevant Program or Subprogram
5160-002-BCP-2026-GB	4210010 - Vocational Rehabilitation

Budget Request Title
Strengthening Vocational Rehabilitation Program Capacity to Serve Californians with Disabilities

Budget Request Summary
The Department of Rehabilitation requests an increase of $60 million in ongoing federal fund authority and 54 permanent positions to meet the increased demand for vocational rehabilitation services. The requested resources would serve individuals with disabilities and further the goals of competitive integrated employment in accordance with Chapter 339, Statutes of 2021 (SB 639). Increased resources would also advance the work of the Master Plan for Developmental Services and reduce impacts of the Order of Selection on the Vocational Rehabilitation Program.

Requires Legislation (submit required legislation with the BCP)	Code Section(s) to be Added/Amended/Repealed
☐ Trailer Bill Language ☐ Budget Bill Language ☒ N/A	N/A

Does this BCP contain information technology (IT) components? ☐ Yes ☒ No *If yes, departmental Chief Information Officer must sign.*	Department CIO	Date
	N/A	N/A

For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), the approval date, and the total project cost.

Project No. N/A **Approval Date:** N/A

Project Approval Document: N/A **Total Project Cost:** N/A

If proposal affects another department, does other department concur with proposal? ☐ Yes ☐ No

Attach comments of affected department, signed and dated by the department director or designee. N/A

Prepared By	Date	Reviewed By	Date
Mark Erlichman, Special Advisor to the Director	1/9/2026	Victor Duron, Chief Deputy Director	1/9/2026
Department Director	**Date**	**Agency Secretary**	**Date**
Kim Rutledge	1/9/2026	Debra Cooper	1/9/2026

Department of Finance Use Only

Additional Review: ☐ Capital Outlay ☐ ITCU ☐ FSCU ☐ OSAE ☐ Dept. of Technology

Principal Program Budget Analyst	Date submitted to the Legislature
Christopher Odneal	1/9/2026

A. Problem Statement

The Department of Rehabilitation (DOR) requests an increase of $60 million in ongoing federal fund authority and 54 permanent positions to meet the increased demand for vocational rehabilitation (VR) services. The requested resources would serve individuals with disabilities and further the goals of competitive integrated employment in accordance with Chapter 339, Statutes of 2021 (SB 639). Increased resources would also advance the work of the Master Plan for Developmental Services and reduce impacts of the Order of Selection on the VR program.

DOR works in partnership with the community, other state departments, and federal entities to provide services and advocacy resulting in employment and independent living for individuals with disabilities. As such, DOR administers the largest VR and Independent Living programs in the country, collectively serving over 200,000 Californians per year.

As authorized by Titles I and IV of the Workforce Innovation and Opportunity Act, which incorporates the Federal Rehabilitation Act of 1973, as amended, DOR is the designated state agency responsible for administration of the VR program. VR services include vocational assessment and counseling, education, job training, job search, and placement activities to gain, retain, or advance employment.

The VR program is funded with a 21.3 percent state match and 78.7 percent federal VR grant, awarded by the U.S. Department of Education, Rehabilitation Services Administration. Federal law requires VR agencies to spend at least 15 percent of the federal VR grant funds to provide pre-employment transition services (Pre-ETS) to students ages 16 through 21 with disabilities. Pre-ETS include job exploration counseling, work-based learning opportunities, post-secondary counseling, workplace readiness training, and instruction in self-advocacy.

When DOR has insufficient resources to serve all applicants deemed eligible for VR services, the federal government requires DOR to implement an Order of Selection (OOS) process. The process of OOS specifies that DOR must first serve eligible individuals with the most significant disabilities (Priority Category One), followed by eligible individuals with significant disabilities (Priority Category Two), and then all other eligible individuals with disabilities (Priority Category Three).

From 1995 to November 2020, DOR utilized OOS, closing services to individuals in priority categories two and three, and intermittently opening these priority categories once resources permitted. Since November 2020, DOR has served individuals in all priority categories. However, due to increased applications for VR services and the resulting increase in case service expenditures, DOR currently projects it will close priority categories in early 2026. Without additional funding and staffing resources to support the program, the scope and duration of the OOS are anticipated to be significant.

Annually, state VR agencies have an opportunity to seek reallotment funding. Reallotment is the process through which some state VR agencies relinquish grant funds they are unable to utilize and, as a result, other state VR agencies can request those additional VR grant funds. VR agencies awarded with reallotment funds must satisfy the state match requirement. The reallotment becomes an increase of the VR grant and allowable and allocable grant purposes and activities remain the same. DOR has satisfied the state match requirement for both the VR base grant and reallotment funds by using matching funds provided by public agencies through the Cooperative Program agreements and allocated General Fund. DOR has requested and received reallotment funds every year for the past eight years.

Since the 2023 Budget Act, DOR received an overall increase of $180 million in federal funding authority ($60 million each year through fiscal year 2025-26) to pursue additional federal funds through the reallotment process from the U.S. Department of Education. Based on historical trends, DOR anticipates receiving up to $60 million in federal funds each year on an ongoing basis. These funds are essential to provide ongoing support of service delivery to eligible individuals with disabilities and are essential in sustaining and expanding services to meet increasing demands for employment, business, and independent living services. This process also provides an opportunity to bring in additional federal dollars to California during a time of projected state-level budget deficits.

To continue to receive reallotment funds, and to support the increase in demand for services, DOR requests an ongoing increase of $60 million in federal funding authority and 54 positions. This request is supported by DOR's past success in acquiring federal reallotment funds and would provide DOR with sufficient personnel resources to continue bringing federal VR reallotment funds to California. This request does not require additional General Fund.

B. Justification

To meet the increasing demand for services, DOR requests an ongoing $60 million in additional federal funding authority and 54 permanent positions. These resources will help manage VR caseloads, support the provision of effective services, help manage operations, safeguard participants' information, and enable DOR to continue pursuing reallotment funds, including Social Security Reimbursement (SSR) for services provided to Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) recipients who successfully obtain employment and are no longer dependent on benefits.

The annual cost of the requested 54 positions (see Table 1) is projected to be approximately $8.7 million and would be fully federally funded. The cost to support the 54 positions represents less than 15 percent of the federal funds DOR anticipates receiving annually through the reallotment process. Additionally, a large proportion of these positions would generate offsetting revenue through SSR payments received from successful placement of consumers in employment allowing them to transition off public benefits.

DOR successfully requested and was awarded reallotment funds for the past eight years (see Table 2 for the last five years) and satisfied the state match requirement through General Fund and public agency contributions. This history demonstrates DOR's ability to obtain, responsibly manage, and fully utilize increased federal resources.

While DOR has continually received reallotment funds, DOR has recently experienced a significant increase in demand for services (see Table 3). Although DOR received increased federal funding, DOR's number of authorized positions has remained the same over the past eight years creating pressure on the service delivery system.

An increase in positions will address the workload demands and promote successful quality of services while reducing the duration of OOS. Three-fourths of the requested positions would be dedicated to direct service staff, including but not limited to vocational counselors and supervisors for consumer and business engagement. The remaining positions would provide administrative and managerial support to the program.

Ongoing funding for the requested 54 positions would be supported by reallotment funds and increased reimbursements, including SSR. DOR will also support these positions through SSR generated by allocated staff serving individuals on SSI/SSDI (including the large percentage of individuals with intellectual and developmental disabilities to be served, in alignment with the Master Plan on Developmental Services). Additionally, DOR intends to leverage projected 7-8 percent annual staff attrition and replacement rates, or approximately 144 staff per year, to support future staffing levels, if necessary.

Table 1: Permanent Positions Requested

Position	Classification	Role	Number of Positions
Deputy Director of Vocational Rehabilitation Enhanced Program Operations	CEA B	Support provision of vocational rehabilitation services, by providing state-level leadership to the Department and coordination with community-based organizations and state departments and programs.	1
Assistant Deputy Director of Vocational Rehabilitation Program Operations	CEA A	Support provision of vocational rehabilitation services, aligning with the employment goals of SB 639 and the Master Plan for Developmental Services.	1
Assistant Deputy Director Financial Management Branch	CEA A	Support the Department's financial operations and compliance with state and federal requirements including FI$Cal implementation. Enhance leadership support of additional revenues through reallotment and program income.	1
Vocational Rehabilitation Program Administrator	Supervisor II	Support implementation of the Social Security and Intellectual and Developmental Services programs and supervise vocational rehabilitation service delivery teams.	4
Information Security	Information Technology Specialist 1	Provide information security to the growing number (now exceeding 500,000) of confidential consumer	1

Position	Classification	Role	Number of Positions
		case records containing significant personally identifiable information and education and health records.	
Rehabilitation Counselor-Social Security Programs Specialist	SVRC-QRP	Provide rehabilitation counseling services to applicants and consumers that receive SSI/SSDI benefits to support the successful completion of their program and increase SSR revenue.	20
Rehabilitation Counselor-Intellectual and Developmental Disabilities Specialist	SVRC-QRP	Provide rehabilitation counseling services to applicants and consumers that receive SSI/SSDI benefits, with a specific focus on serving individuals that previously had been employed in subminimum wage positions, advancing the goals of SB 639 and the Master Plan for Developmental Services, and increasing SSR revenue.	20
Intellectual/Developmental Services Program Specialists	Analyst II	Support implementation of the Social Security and Intellectual and Developmental Services programs including providing outreach, training and support to community-based organizations serving individuals with intellectual and developmental disabilities.	4
Financial Management Branch Accountant	Accountant 1 (Specialist)	Provide technical support, tracking and accounting of the department's budget and expenditures, including managing increased ongoing reallotment funds and SSR revenue.	2

Table 2: Reallotment Funds Received for the Past Five Years

Federal Fiscal Year	Reallotment Funds Received
2020	$38,000,000
2021	$67,000,000
2022	$48,000,000
2023	$45,000,000
2024	$29,326,633
2025	$60,000,000 (est.)

Note: The reallotment fund awarded to California in FFY 2024 was lower than requested ($60 million) due to another large VR program obtaining one-time funds reducing the availability of reallotment in 2024.

Table 3: Total Participants Served since FY 2014-15

State Fiscal Year	Total Participants Served
2014-15	100,099
2015-16	98,332
2016-17	100,442
2017-18	101,750
2018-19	108,916
2019-20	109,845
2020-21	101,879
2021-22	116,584
2022-23	134,369
2023-24	154,547
2024-25	176,815

Note: Decline in 2020-21 caseload was due to COVID.

C. Departmentwide and Statewide Considerations

The unemployment rate of individuals with disabilities continues to be significantly higher than that of individuals without disabilities. Additionally, the economic recovery following the COVID-19 Pandemic has increased the demand on the VR program as more individuals with disabilities seek to enter or reenter the workforce. The increased demand has resulted in the number of service applications and participants served by DOR increasing from pre-pandemic levels of approximately 100,000 individuals annually to an all-time high of over 176,000 participants in 2024-25. DOR has made efforts to absorb the extra workload and utilize reallotment funds, but the combination of increased demand and higher case costs has proven to be unsustainable.

The goals, objectives, and outcomes of this proposal align with DOR's goals and objectives of increasing the number of individuals served with disabilities achieving, maintaining, and retaining competitive integrated employment. Additionally, this proposal supports the Administration's efforts to build a California for all where individuals with disabilities, including those with the most significant disabilities and those with intellectual and developmental disabilities, have a sense of purpose and dignity, and in which they are part of a strong and thriving community that supports and values them. These efforts are consistent with both the Master Plan for Developmental Services and the Master Plan for Career Education and also advance California's commitment to achieving competitive integrated employment for people with the most significant disabilities.

D. Outcomes and Accountability

Approving this proposal will improve the quality and availability of VR services provided to both adult and student populations, with an increased focus on individuals dependent on benefits and those that have previously been in non-competitive, non-integrated employment. Improved program outcomes are anticipated as this will lead to an increase in the number of VR participants who obtain competitive integrated employment in conjunction with an increase in participant weekly wages. Moreover, approval of this proposal would enable full utilization of program funding and decrease the risk of returning funds to the federal government. It would also reduce the duration of Order of Selection.

The Department submits quarterly fiscal and performance reports to the U.S. Department of Education, Rehabilitation Services Administration, to support accountability and full utilization of funds.

E. Implementation Plan

The funds are available and approval of this proposal will allow DOR to continue providing VR services to more individuals with disabilities and fully expend federal funds.

F. Supplemental Information

N/A

BCP Fiscal Detail Sheet

(Dollars in Thousands)

BCP Title: Strengthening Vocational Rehabilitation Program Capacity to Serve Californians with Disabilities

BR Name: 5160-002-BCP-2026-GB

Budget Request Summary

Personal Services

Personal Services	Current Year	Budget Year	BY+1	BY+2	BY+3	BY+4
Positions - Permanent	0.0	54.0	54.0	54.0	54.0	54.0
Total Positions	**0.0**	**54.0**	**54.0**	**54.0**	**54.0**	**54.0**
Salaries and Wages Earnings - Permanent	0	4,613	4,613	4,613	4,613	4,613
Total Salaries and Wages	**$0**	**$4,613**	**$4,613**	**$4,613**	**$4,613**	**$4,613**
Total Staff Benefits	0	607	607	607	607	607
Total Personal Services	**$0**	**$7,382**	**$7,382**	**$7,382**	**$7,382**	**$7,382**

Operating Expenses and Equipment

Operating Expenses and Equipment	Current Year	Budget Year	BY+1	BY+2	BY+3	BY+4
General Expense	0	53	53	53	53	53
Printing	0	4	4	4	4	4
Communications	0	19	19	19	19	19
Postage	0	6	6	6	6	6
Travel	0	17	17	17	17	17
Training	0	7	7	7	7	7
Facilities Operations	0	701	701	701	701	701
Consulting and Professional Services	0	288	288	288	288	288
Consolidated Data Centers	0	6	6	6	6	6
Information Technology	0	215	215	215	215	215
Other Items of Expense (Client Services)	0	51,302	51,302	51,302	51,302	51,302
Total Operating Expenses and Equipment	**$0**	**$52,618**	**$52,618**	**$52,618**	**$52,618**	**$52,618**

Total Budget Request

Total Budget Request	Current Year	Budget Year	BY+1	BY+2	BY+3	BY+4
Total Budget Request	**$0**	**$60,000**	**$60,000**	**$60,000**	**$60,000**	**$60,000**

Fund Summary

Fund Source

Fund Source	Current Year	Budget Year	BY+1	BY+2	BY+3	BY+4
0890 – Federal Funds	0	60,000	60,000	60,000	60,000	60,000
Total State Operations Expenditures	**$0**	**$60,000**	**$60,000**	**$60,000**	**$60,000**	**$60,000**
Total All Funds	**$0**	**$60,000**	**$60,000**	**$60,000**	**$60,000**	**$60,000**

Program Summary

Program Funding

Program Funding	Current	Budget Year	BY+1	BY+2	BY+3	BY+4
4210010 - Vocational Rehabilitation	0	60,000	60,000	60,000	60,000	60,000
Total All Programs	**$0**	**$60,000**	**$60,000**	**$60,000**	**$60,000**	**$60,000**