



**EMPLOYMENT AND  
ECONOMIC DEVELOPMENT**

# Updates on Federal Program Budget Items

March 27, 2025



# Federal Programs

- DEED has many programs that are federally funded and are therefore impacted by changes in federal policy and context
- Disability Determination Services (DDS) is completely federally funded and is subject to Social Security Administration oversight
- Vocational Rehabilitation Services (VRS) receives funding through the U.S. Department of Education and is facing budget challenges due to a confluence of factors

# Disability Determination Services (DDS)

- Serves Minnesota residents who file applications for disability benefits and Minnesotans who are reviewed for continuing eligibility
- Receives cases from Social Security Administration field offices
- DDS is funded 100% by federal dollars

# Outcomes of March budget continuing resolution (CR)

- We had issued layoff notices to staff ahead of the potential government shutdown, which were immediately rescinded upon passage of the CR
- Social Security Administration administrative funding is being reduced
- We have not received information of cuts to Disability Determination Services units at this time
- There have been previously-announced Social Security field office closures and reductions in phone support
  - These have an upstream, but not direct, impact on DDS units
- We're continuing to monitor this and will update stakeholders as we learn more

# Vocational Rehabilitation Services (VRS)

- Assists Minnesotans with disabilities to prepare for, find and keep a job, and live independently
- Provides employment-related services to thousands of Minnesotans with disabilities each year who seek competitive, integrated employment

# Customers and services

- Customers are people whose disabilities cause serious functional limitations in life, specifically in achieving an employment goal.
- Vocational Rehabilitation staff work within CareerForce to deliver services that include: assessment, vocational evaluation, training, rehabilitation counseling, assistive technology, and job placement.
- Some customers may also receive post-employment assistance.
- Many of these services are delivered through collaborative partnerships between public and private providers.

- Vocational Rehabilitations Services is a federal-state partnership, with most of the funding coming through a federal grant
- The federal grant requires state match
- Funding consists of approximately 80% federal funding through the U.S. Department of Education, with the remaining 20% provided as state match funding

# Changing Context

- Immense pent-up demand
- Backlogs for case services
- Strong additional federal funding capacity
- Substantial unspent carryforward funds
- Significant efforts to increase hiring and retention
- Need to expand pre-ETS services
- Financial stress on other state VRS programs
- Negative outlook in federal funding
- State budget outlook flat
- Continued growth in costs

2022 to late  
2024:

Late 2024 to now:  
Challenges to address

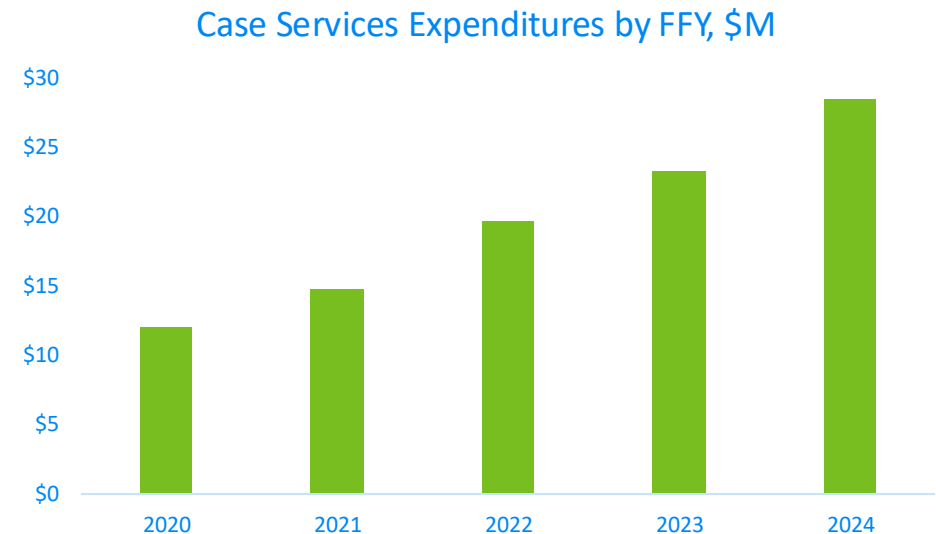


# Contributing factors: flat funding, with declines expected

Federal Fiscal Year	Federal Funding	State Match	Total State & Federal Funding
2020	\$44.6	\$14.3M	\$58.8M
2021	\$47.3	\$14.3M	\$61.6M
2022	\$52.8	\$14.3M	\$67.1M
2023	\$47.4	\$14.3M	\$61.7M
2024	\$52.8	\$14.3M	\$67.1M
2025 (P)	\$47.4	\$14.3M	\$61.7M
2026 (P)	\$47.4	\$14.3M	\$61.7M

# Contributing factors: increased service delivery expenditures

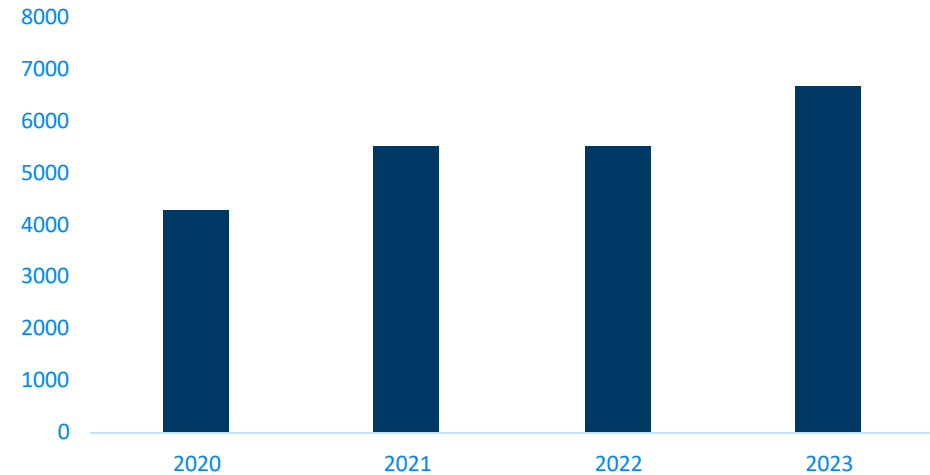
- Contracted case services cost increases (see right)
- Once a participant is enrolled, there is a federal requirement to provide ongoing services
- Greater complexity of client needs
- Reduced staff attrition rate
- Increased staff unit costs



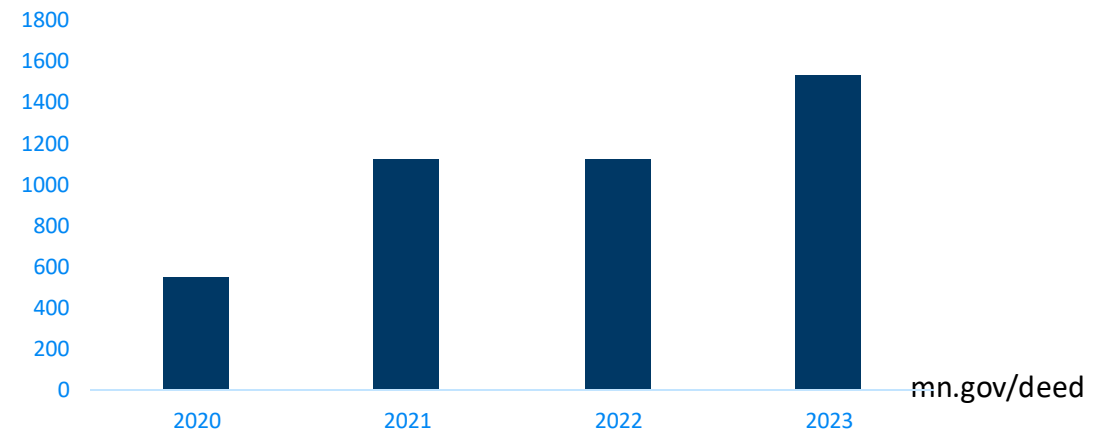
# Contributing factors: more applications and intake

- Applications are up 50% annually since 2020
- Pre-Employment Training Services for students have seen significant increases in demand

Number of Applications by Program Year

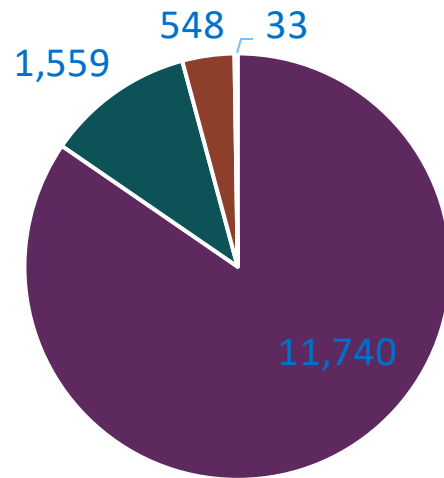


Introductory Career Services to Students Provided



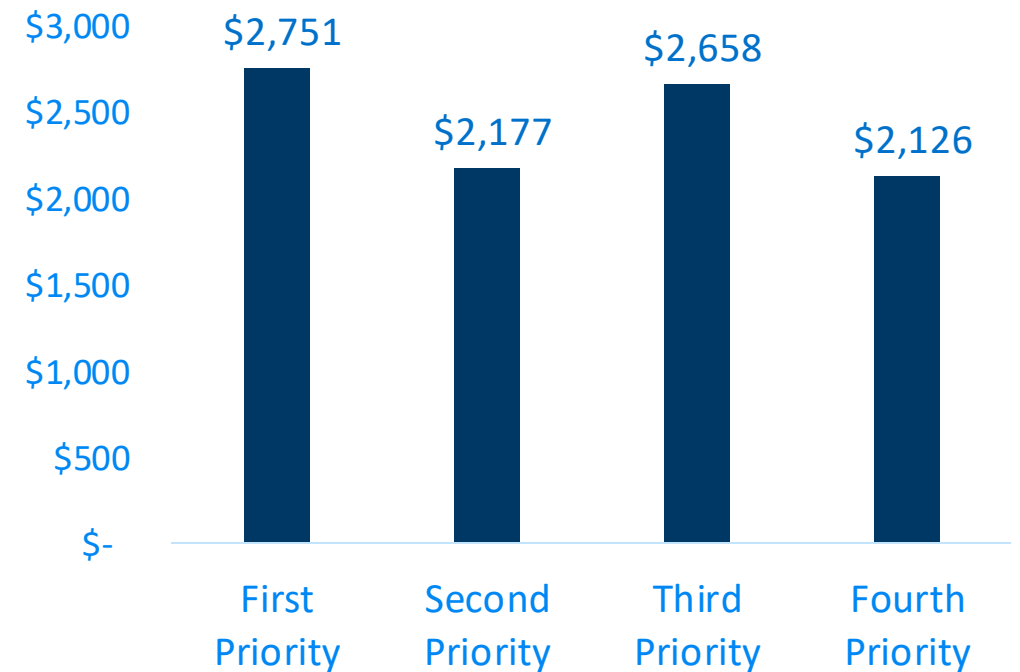
# Categories spending detail

Priority for Service Categories,  
Participants Served During FFY24



■ First Priority ■ Second Priority ■ Third Priority ■ Fourth Priority

Average Cost of Purchased Goods and  
Services Per Participant for FFY24



# Cost saving actions to date

- Hiring freeze
- Increased controls over external spend
- Using staff to provide direct services as feasible
- Decreasing internal operations costs
- Early retirement and other voluntary staffing incentives

# Next steps

- Governor's Revised Budget includes \$5 million in additional state match to help support program operations
- Continuing to monitor and manage expenditures
- Continuing to work with stakeholders on ensuring service access