

The Power of Disability Employment: The Impact to Arizona's Economy

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Executive Summary

Arizona's working-age population (ages 16–64) of people with any type of disability (10.2%) who are working hovers around the national average (Erickson, Lee, & von Schrader, 2019). In addition, individuals with a disability in Arizona, as in the nation as a whole, are more likely to live in poverty (30.5% and 26.1% respectively). The Arizona Developmental Disabilities Planning Council (ADDPC) contracted with the Institute for Community Inclusion (ICI) at the University of Massachusetts Boston to explore the economic impacts for Arizona of increasing the employment of individuals with disabilities and to analyze how the state can improve its efforts.¹ To do so, ICI developed statistical models to measure the impact of greater inclusion of individuals with disabilities in Arizona's workforce. Simultaneously, ICI conducted a comprehensive review and analysis of data on Arizona's economy, disability demographics, and employment and other services for Arizonans with disabilities. The study found that increasing the number of workers with disabilities will positively impact Arizona's economy, and that employment infrastructure for Arizonans with disabilities is consistently improving, but must be brought to scale.

Employment and Disability Status are Highly Related

Individuals with a disability in Arizona, as in the nation as a whole, are less likely to work and more likely to live in poverty. Arizona's working-age population with any disability who are working hovers around the national average. Mirroring national trends, individuals with cognitive disabilities in Arizona are the least likely to be employed.

Increasing the Number of Workers with Disabilities will Positively Impact Arizona's Economy

Statistical data support the claim that by making efforts to increase the labor force participation rate and decrease the unemployment rate of people with disabilities, Arizona can increase its gross domestic product (GDP). Two models were created to demonstrate this impact.

Model 1: If Arizona increases the labor force participation rate of people with disabilities to 48.6% and maintains an unemployment rate of 12.7%, 2,302 more people with disabilities will be employed (including full-time and part-time employment), and the state will experience a minimum annual increase of \$197.50 million in statewide GDP. In addition, the increased household spending that would be generated would add an additional \$281.04 million to the annual GDP and create 703 more jobs annually. Over a ten-year period, this would result in a \$2.81 billion cumulative increase in GDP and 7,030 jobs being added to Arizona's economy.

Model 2: An increase in the labor force participation rate to 48.6% and reduction of the unemployment rate to 10.3%, will lead to annual increases of 6,637 people with disabilities in employment (including full-time and part-time employment) and a minimum annual increase in statewide GDP of \$575.52 million. The increased household spending would add an additional \$818.82 million to the annual GDP and create 2,042 more jobs annually.

¹ It is believed that Arizona is the first state to conduct a study linking the employment of people with disabilities to improved state level economic outcomes.

Over a ten-year period, this would result in a cumulative increase in GDP of \$8.188 billion and 20,420 jobs being added to Arizona's economy.

Economic analysis indicates that gains in employment for people with disabilities benefit all citizens, not just those with disabilities. Increases in the state GDP, job creation, and tax revenue will benefit every citizen in Arizona. If Arizona were to invest in changes to support an increase in people with disabilities in the labor force, the state could expect significant growth in its GDP, and fewer people with disabilities living in poverty. Conversely, if Arizona does not make efforts to change the labor force participation rate and unemployment rate for people with disabilities, it will fall behind in GDP and job creation, and will lose potential tax revenue.

The Employment Infrastructure for Arizonans with Disabilities is Consistently Improving and Must be Strengthened Further

Governor Ducey's Employment First Executive Order provides an important guidepost related to employment expectations for people with disabilities. To that end, state agencies responsible for employment services and supports have developed strong administrative policies that support interagency collaboration. The collection and use of data to improve services was found to be a valued strategy across state agencies, reflecting best practices in managed care contracting and performance measurement. Additionally, these agencies are continuously striving to improve and seek out national technical assistance opportunities and learn from their peers across the country.

States that support and sustain a high percentage of individuals with disabilities in employment consistently use evidence-based and best practices in employment services. In Arizona, there are pockets of evidence-based and best practices in use within and across state agencies. To reach the highest levels of employment for people with disabilities, Arizona must continue to scale up these efforts and introduce new practices. Recommendations include the introduction of customized employment as a formal service code, development of career pathway services for individuals not yet working, and policy changes to improve access to employment for transition-age youth. High-performing state agencies use data to set goals, benchmark progress, and communicate changes to stakeholders. While data collection is valued by Arizona's state agencies, overall use is uneven. Arizona's state agencies and Employment First partners should establish and make public annual goals to increase employment.

Closing the Gap

Arizona's labor force participation and unemployment rates for people with disabilities have remained low compared to states with similar structural and demographic characteristics. The results of the modeling process indicate that Arizona's economy has much to gain from increasing employment for individuals with disabilities. The state has the resources over time to become the national leader in employment for people with disabilities. To reach that goal, Arizona must close the labor force participation gap between people with and without disabilities. Achieving this will not be easy and will require ongoing changes and investment in the employment service system. However, if Arizona decides to become the national leader in employment for people with disabilities, it has the potential to establish itself as the only state whose economy works for all.

Introduction

Analysis from the Eller School of Management at the University of Arizona found that as more people in Arizona have become employed since the end of the Great Recession (2007–2009) personal incomes have increased and are expected to continue to increase in the near future (Hammond, 2019). However these benefits have not extended evenly to people with disabilities, even though individuals with disabilities, even the most significant, clearly express a desire to fully participate in the typical labor force (Barrows et al., 2016; Self-Advocates Becoming Empowered, 2018).

Arizona is currently engaged in efforts to change this. For example, Arizona's Employment First Executive Order² has poised the state for a transformation that could put individuals with disabilities on a path out of poverty and towards economic self-sufficiency. By extension, these efforts will help to ensure that Arizona continues to be a national leader in overall economic growth.

To facilitate a widespread understanding of how workers with disabilities contribute to Arizona's economy, the Arizona Developmental Disabilities Planning Council contracted with the Institute for Community Inclusion (ICI) at the University of Massachusetts Boston to identify a statistical model that measures the economic impact if more people with disabilities in Arizona were to become employed. ICI also conducted a comprehensive review and analysis of data on Arizona's economy, disability demographics, and employment and other services for Arizonans with disabilities.

The report has three sections. First, the study examines Arizona's current labor market and the employment outcomes for people with disabilities. Next, the development of the statistical model for understanding the impact of increasing employment for people with disabilities on Arizona's economy is presented and the impact of increasing employment on Arizona's GDP, health and income assistance programs, and state government is explained. The study ends with a description of the primary publicly funded employment services and supports and other employment initiatives for people with disabilities in Arizona, along with recommendations to improve the current system. Each section of the three-part report includes a summary of key findings.

² Arizona's Employment First Initiative is described in Part 3 of the report.

Part 1: Analysis of Arizona's Labor Market

Part 1 of the report describes Arizona's labor market and the employment outcomes for people with disabilities in Arizona. It also provides context for interpreting the results of Part 2 of the report, which is focused on the impact of greater inclusion of individuals with disabilities in Arizona's workforce.

General Labor Market

Data from the American Community Survey (ACS),³ administered by the U.S. Census Bureau, reports that Arizona's 2017 working-age (ages 16–64), non-institutionalized population was 4,278,142 people. Over the past decade, Arizona's unemployment rate⁴ (UR) ranged from a low of 3.7% in 2007 to a peak of 10.0% in 2011. During 2018, it hovered between 4.6% and 4.8%. There has been substantial variation in unemployment among Arizona's metropolitan statistical areas (MSAs) and counties, with Prescott and Tucson MSAs having the lowest URs (4.4% and 4.6%, respectively), Flagstaff and Sierra-Vista Douglas MSAs with somewhat higher rates of 5.7%, and Yuma MSA with the very high UR of 20.9%. From June 2017 to July 2018, county URs (not seasonally adjusted) ranged between a low of 4.3% in Maricopa County and 19.2% in Yuma County.

Employment Outcomes for People with Disabilities in Arizona

It is important to look at multiple demographic, economic, and employment outcome indicators to get the best understanding of the employment situation for people with disabilities. In order to describe the range of employment outcomes for people with disabilities in Arizona, several data sources were used.

The ACS allows for the comparison of employment participation and outcomes for civilian working-age people with and without disabilities, and provides a population estimate that includes people who do not receive formal supports from a human service agency. Thus, it offers a broader view of employment outcomes for working-age people with disabilities than system-specific data sources.

Systems-specific data sources demonstrate how well particular state agencies are facilitating employment as an outcome for their clients. For this report, data for four disability population groups are described: individuals who receive services through the Division of Developmental Disabilities (DDD), individuals who received services through the state vocational rehabilitation (VR) program, individuals who have exited the Arizona Department of Education, Exceptional Student Services (ESS), and individuals with substance abuse and mental health issues who receive services through grants from the national Substance Abuse and Mental Health Services Administration.⁵

To gather information on people with disabilities, the ACS asks six questions on long-lasting conditions and functional impairments. The questions address the presence of a hearing disability, vision disability, cognitive disability, ambulatory disability, self-care disability, and independent living disability. Any person who indicates having at least one of these conditions or functional impairments is coded as having a disability. Cognitive disability, associated with the lowest rate of employment, is defined as serious difficulty concentrating, remembering, or making decisions because of a physical, mental, or emotional condition.

³ The American Community Survey (ACS) is a national survey designed and administered by the U.S. Census Bureau to better understand changing communities. The ACS collects information from all 50 states and D.C. on topics such as disability, age, race, income, and other demographic and personal data (www.census.gov).

⁴ The unemployment rate is the percentage of people who want to work and are looking for a job, but who are not working. It is commonly used to describe how well or how poorly the economy is performing for different groups of people.

⁵ For each agency Arizona is compared to the national average and to the five states used to inform the development of the statistical model for understanding the impact of increasing employment for people with disabilities described in Part 2 of the report.

These data indicate that in 2017, 10.2% of Arizona’s non-institutionalized working-age population, or 436,073 people, had a disability (Table 1). Slightly more than 6 percent (6%) of Arizona’s working-age population (274,001 individuals) had an ambulatory disability, 4.3% (184,855 individuals) had a cognitive disability, 2% (83,749 individuals) had a hearing disability, and 2% (85,437 individuals) had a visual disability.

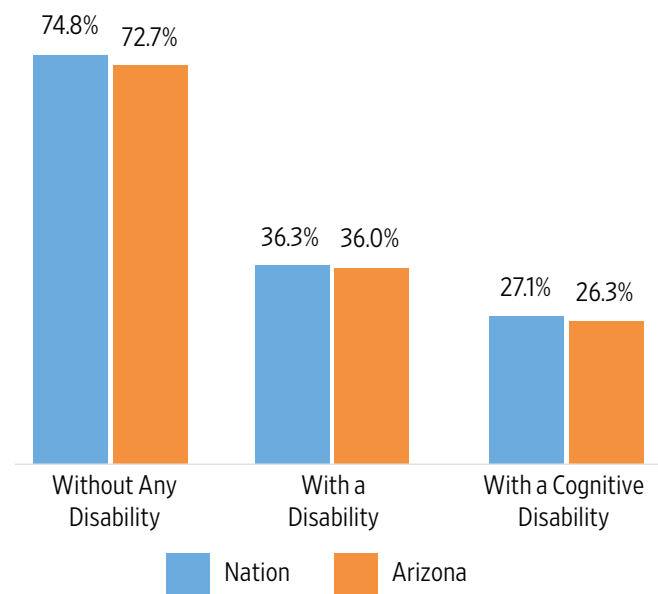
Table 1. Working-age adult population in Arizona and the nation

Group	Nation		Arizona	
	Number	Percent	Number	Percent
Non-institutionalized population, 16-64	206,268,953	100%	4,278,142	100%
Any disability	20,945,431	10.2%	436,073	10.2%
Cognitive disability	9,191,844	4.5%	184,855	2%
Ambulatory disability	13,223,714	6.4%	274,001	6.4%
Hearing disability	3,977,267	2%	83,749	2%
Visual disability	3,947,154	2%	85,437	2%

Source: American Community Survey, 2017

Overall, data from the ACS indicate that working-age adults with disabilities are employed at a much lower rate than working-age adults without disabilities. Among those with disabilities, individuals with cognitive disabilities have the lowest rate of employment. ACS data show that in 2017 in the nation as a whole, 74.8% of persons with no disability were employed, while only 36.3% of individuals with a disability and 27.1% of individuals with a cognitive disability were employed. Similar disparities exist within Arizona, where 72.7% of individuals without a disability, 36% of individuals with any kind of disability, and 26.3% of individuals with a cognitive disability were employed in 2017 (Figure 1).

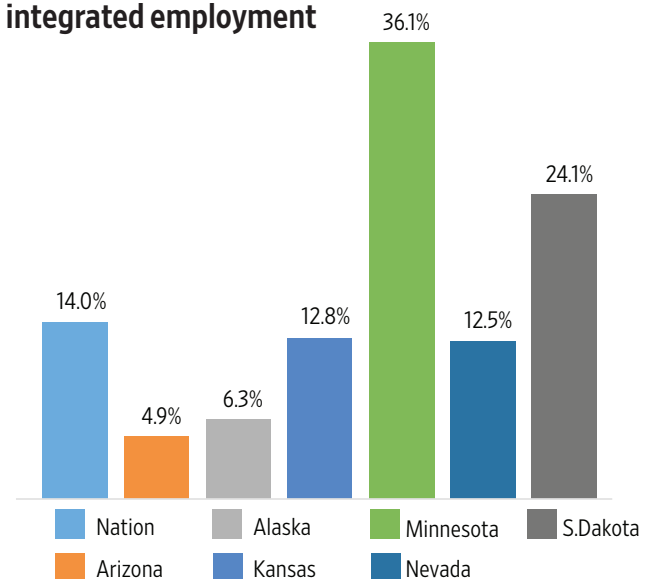
Figure 1. Percent of working-age adults employed



Source: American Community Survey, 2017

Appendix A uses data from the 2017 ACS to show the estimated share of workers with disabilities across industries in Arizona. The industries with the highest concentration of workers with disabilities are administrative and support services (7.98%), educational services (7.85%), other retail (7.19%), food services and drinking places (6.69%), and construction (5.99%).

Figure 2. Percent working in individual integrated employment



Source: National Core Indicators, Adult Consumer Survey 2015–2016 *

The National Core Indicators (NCI) program tracks the outcomes of people with IDD who received services from 30 state IDD agencies. The NCI is coordinated through the National Association of State Directors of Developmental Disabilities Services and the Human Services Research Institute (www.nationalcoreindicators.org). NCI indicates that Arizona DDD is below the national average in supporting individuals to work in individual jobs in the community (Figure 2).

Arizona’s VR program annually reports data to the Rehabilitation Services Administration 911 (RSA-911) on the outcomes of the services they provided to job seekers with disabilities. All state VR services that

* Arizona did not participate in the National Core Indicators Adult Consumer Survey for the 2016–2017 administration. Data for the most recent year Arizona participated, 2015–2016, was used for comparison. Iowa and North Dakota do not participate in the National Core Indicators Project.

are funded through federal RSA report on the same employment service and outcome variables. In 2017, Arizona’s VR closed a significantly lower percent of individuals into employment than the national average (Figure 3⁶). Further data from comparison states indicates that it is possible for state VR agencies to assist a much higher percentage of individuals into employment than Arizona currently does.

Indicator 14: Post-School Outcomes measures the percent of youth who are no longer in secondary school, had Individualized Education Plans (IEPs) in effect at the time they left school, and were enrolled in higher education or competitively employed within one year of leaving high school (U.S. Department of Education, n.d.). The 2016 academic year is the most recent data available. Arizona’s post-school outcomes are slightly higher than the national median (Figure 4).⁷

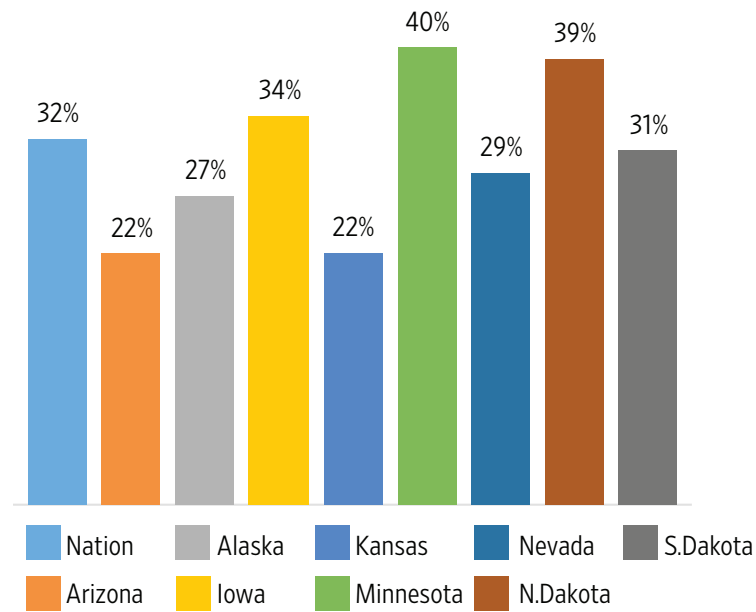
Arizona reports data on individuals who received behavioral health services that are funded through grants from the national Substance Abuse and Mental Health Services Administration to the Uniform Reporting System (Substance Abuse and Mental Health Services Administration Uniform Reporting System, 2017). Data from 2017 show that the percent of individuals employed is higher than the national average, while data from comparison states shows that there is room for growth (Figure 5).

Why is Employment Important for Arizonans with Disabilities?

This section addresses the relationship between employment for people with disabilities, poverty, and use of income and health assistance programs.

In Arizona, as within the U.S. as a whole, individuals with disability experience poverty at significantly higher rates than individuals without disability. Figure 6 shows the percent of individuals who live in a household that has a household income below the federal poverty line. In the U.S., 11.2% of individuals without a disability lived in a household with income below poverty, as opposed to 26.1% of individuals with disabilities and 37.9% of individuals with a cognitive disability. In Arizona, in 2017, 15.8% of individuals with no disability lived in a household with income below the federal poverty line, as did 30.5% of individuals with any disability and 28.3% of individuals with a cognitive disability. When the data in Figure 6 is understood within the context of the percent of working-age adults who are employed (Figure 1), it is apparent that individuals with a disability are less likely to work and more likely to be poor.

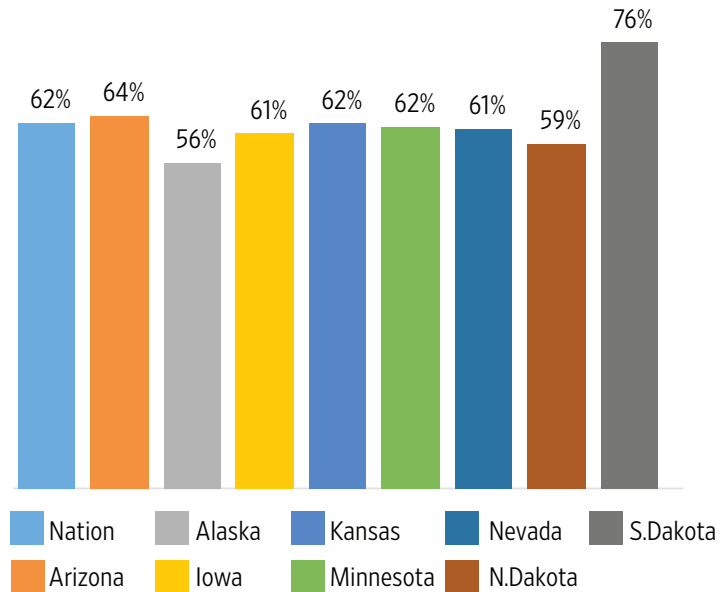
Figure 3. Percent closed into employment



Source: Rehabilitation Services Administration 911 Database, 2017*

* Data in the RSA-911 are collected at the time of closure (conclusion) of VR services. The VR closure category is the percentage of cases closed into an employment outcome after receiving services (formerly Status 26).

Figure 4. Indicator 14: Post-school outcomes, part B



Source: Individuals with Disabilities Education Act Part B Indicators, 2016

⁶ Data in the RSA-911 are collected at the time of closure (conclusion) of VR services. The VR closure category is the percentage of cases closed into an employment outcome after receiving services (formerly Status 26).

⁷ National data represents the median (i.e., middle) state and not the average across states.

The relationship between income and health assistance programs and employment

Stapleton, O’Day, Livermore, and Imparato (2006) described people with disabilities as living in a “poverty trap.” In order to maintain access to health care and support services through Medicare and Medicaid, people with disabilities must prove that they are poor; this leads people to either remain out of the labor force or limit their employment earnings. Little has changed since their report. A 2017 report by the National Council on Disability described the ongoing issue:

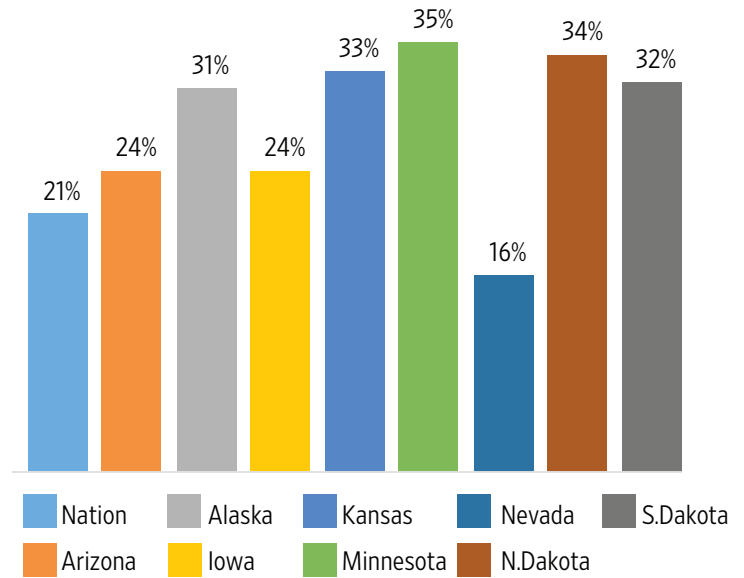
“..., due to the “all or nothing” requirement of the SSA, people with disabilities are faced with choosing between working or receiving needed cash, medical, and other in-kind support. If they choose to work, then they often find themselves in low-paying jobs with little or no benefits. If they select needed benefits, they cannot work and are often faced with the further challenge of navigating a complex system to obtain needed supports.” (p. 49)

The impact of increasing the number of people with disabilities who work should be examined within the context of the poverty trap. In order for Arizona to increase levels of employment, the use of Section 1619(a) and Section 1619(b) of the Social Security Act, Freedom to Work, Social Security Disability Insurance (SSDI) work incentives, Supplemental Security Income (SSI) work incentives, Individual Developmental Accounts, and Plans to Achieve Self Support must be used by a much larger proportion of individuals with disabilities (see Table 2 for current use).

These programs are critical to keeping people with disabilities out of poverty. However, the number of individuals who receive SSI and work is small. The percentage of SSI recipients who work has generally declined over the past two decades (Figure 7). In Arizona, only 4.4% of SSI beneficiaries are employed, suggesting that individuals with the most significant disabilities are highly unlikely to be working.

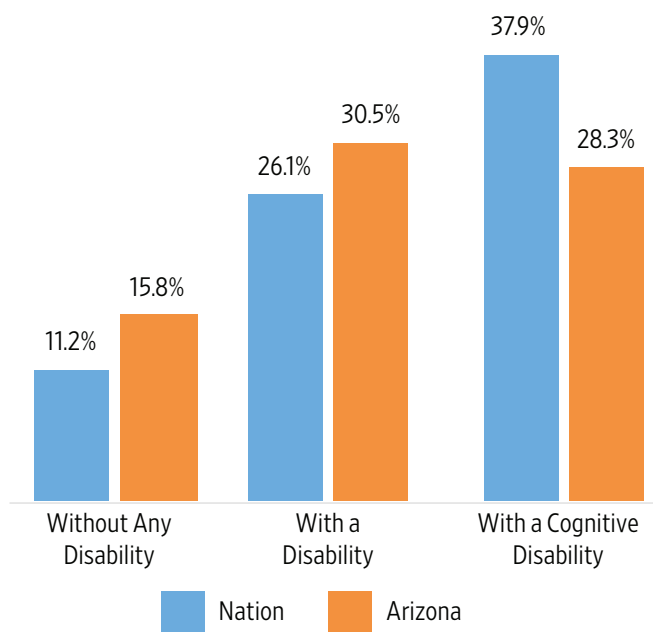
Use of work incentives remains a challenge, both in Arizona and nationally. In fiscal year 2017 in Arizona, out of 103,405 individuals receiving SSI, eight individuals had a PASS plan, 46 individuals used Impairment Related Working

Figure 5. Percent of consumers receiving behavioral health services who are employed



Source: Substance Abuse and Mental Health Services Administration Uniform Reporting System, 2017

Figure 6. Percent of individuals living in a household with an income below the poverty line

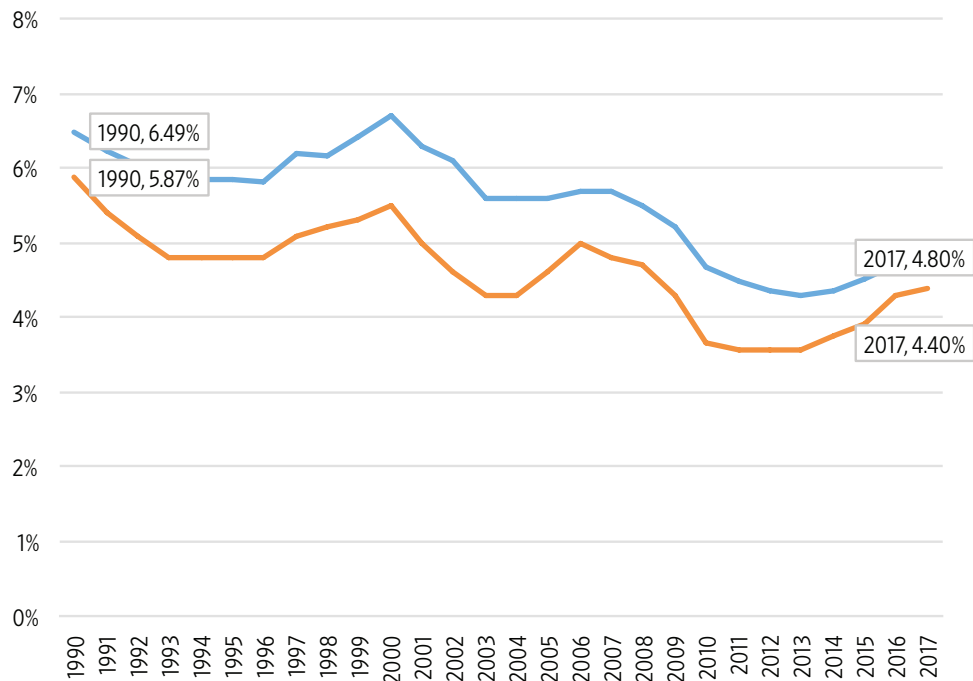


Source: American Community Survey, 2017

Expenses, and 12 individuals used Blind Work Expenses⁸ (Table 2).

Receipt of SSDI for individuals 16 years and older in Arizona was also examined for people with disabilities who were not in the labor force, those who were employed, and those who were in the labor force but unemployed (Table 3). In Arizona, people with disabilities who are not employed and are not looking for a job are more likely to be SSDI recipients. Efforts to increase the labor force participation rate and decrease the UR of people with disabilities should include support for SSI and SSDI recipients to become employed.

Figure 7. Percent of SSI beneficiaries working



Source: Supplemental Security Income (SSI) Annual Statistical Report

Summary Findings

- » Individuals with a disability in Arizona, as in the nation as a whole, are less likely to work and more likely to live in poverty.
- » Arizona’s working-age population with any disability who are working hovers around the national average.
- » There is substantial variation in unemployment among Arizona’s metropolitan statistical areas and counties.
- » Reflecting national trends, Arizona’s employment rates have fallen from the highs of the early 2000s and have only recently begun to improve following the Great Recession.
- » Mirroring national trends, individuals with cognitive disabilities in Arizona are the least likely to be employed.

Table 2. SSI recipient employment participation and work incentive use in FY2017

	Arizona	Nation
Total SSI recipients with disabilities	103,405	7,139,192
Number of SSI recipients working	4,559	342,185
Percent of SSI recipients working	4.4%	4.8%
Number with a PASS plan	8	617
Number using Impairment Related Working Expenses (IRWE)	46	3,060
Number using Blind Work Expenses (BWE)	12	1,000

Source: Supplemental Security Income (SSI) Annual Statistical Report

Table 3: SSDI payments by employment status

Employment status	Percent receiving SSDI payment
Not in the labor force	65.2%
Employed	16.7%
Unemployed	13.5%

Source: American Community Survey, 2017

⁸ Please see the Glossary in Appendix B.

Part 2: Impact of Increasing Employment of People with Disabilities

Part 2 of the report describes the development and resulting findings from two statistical models to increase the employment of people with disabilities in Arizona. Additionally, this section describes the expected impact of the model scenarios on Arizona's GDP, tax revenue, and job creation, as well as the impact of employment directly on people with disabilities. Please see the Glossary in Appendix B for definitions of economic terms.

Statistical Model for Understanding the Impact of Increasing Employment in Arizona

In their examination of the impact of increasing employment of people with disabilities in Australia, Deloitte Access Economics (2011) emphasized the benefits to overall GDP of the country, with limited exploration of the costs associated with an increase in labor market participation rates. However, studies on the cost-effectiveness of return-to-work programs for people with disabilities in the U.S., at the national (Cimera, 2010) and state (Bardos, Burak, & Ben-Shalom, 2015) levels have more carefully examined the costs and benefits of increasing the labor market participation rates of persons with disabilities. In light of this previous research, the development of the statistical model for understanding the impact of increasing employment for people with disabilities on Arizona's GDP occurred in several steps.

First, the researchers needed to identify how much Arizona could reasonably expect to improve employment for people with disabilities relative to other states. Using the information from the comparison states, the researchers made some assumptions about what could happen in Arizona. Based upon those assumptions, the authors calculated how much Arizona could expect to increase its GDP if more people with disabilities were employed.

Comparison States

To develop reasonable expectations for growth in the labor force participation rate of people with disabilities, comparison states were identified. The project's advisory committee (Appendix C) identified six variables for the project to consider when selecting comparison states:

- » Medicaid managed care for health care and long-term services and supports (LTSS)
- » A decentralized public K-12 system with strong local control
- » A similar race/ethnicity profile
- » A PROMISE model demonstration program⁹
- » A relatively high proportion of LTSS participants with IDD living in their family's home
- » A statewide right to work law¹⁰

To determine whether a state had a decentralized K-12 public school system with strong local control, we used "having at least 5% of public school students in charter schools" as a proxy. To determine whether a state had a relatively high proportion of LTSS recipients with IDD living in their family's home, we used "having a proportion higher than the median state proportion, 43%," as our cut-off.

There was no state that matched Arizona on all of these criteria. **We selected a state for the comparison group if it had a higher labor force participation rate for people with disabilities than Arizona and matched Arizona on at least one of these criteria.** On this basis, we chose the following mix of states for gauging reasonable expectations for potential growth in Arizona: Alaska, Iowa, Kansas, Minnesota, Nevada, North Dakota, and South Dakota. Due to Arizona's high

⁹ In 2013, the Social Security Administration launched a competitive grant program, Promoting Readiness of Minors in Supplemental Security Income (PROMISE). That year, over \$211 million was awarded to five individual states and to a consortium of six states (U.S. Dept. of Education, 2013). PROMISE is designed to improve the education and career outcomes of low-income children with disabilities, ages 14–16, who receive Supplemental Security Income through the SSA (Winsor et al., 2019).

¹⁰ Right-to-work laws are state laws that prohibit people from having to join a labor union or pay dues to a labor union to obtain or maintain a job.

proportion of citizens who identify as American Indian, Alaska and North Dakota were included as they represent states with high proportions of this population and had a higher labor force participation rate for people with disabilities than Arizona.

Table 4 describes the structural characteristics of each state in the comparison group. Tables 5 and 6 display each state’s demographic characteristics, and the labor force and unemployment data for people with and without disabilities. Data from each of the comparison states demonstrate that it is possible for states with structural characteristics similar to Arizona to support a high percentage of individuals in jobs in the community.

Table 4: Structural characteristics of Arizona and comparison states

State	Structural Characteristics				
	Medicaid Managed Long Term Care Services*	Decentralized Public K-12 School System / Strong Local Control**	Right to Work State***	State has PROMISE Model Demonstration Project****	High Proportion of LTSS Participants with IDD Living in Family Home*****
Arizona	X	X	X	X	X
Alaska		X			
Iowa	X		X		
Kansas	X		X		
Minnesota	X	X			
Nevada			X		X
N. Dakota			X	X	
S. Dakota			X	X	X

* Lewis, Eiken, Amos, & Saucier, 2018.

** At least 5% of public school students are in charter schools (U.S. Department of Education National Center for Education Statistics, 2018).

*** National Right to Work Legal Defense Foundation, 2019.

**** PROMISE TA Center, 2019.

***** The state has above the median state proportion of 43% of LTSS participants with IDD living in family homes (Larson et al., 2018).

Table 5: Demographic characteristics

State	Demographic Characteristics		
	43-66% Non-Hispanic White	27-46% Hispanic	>2% American Indian/Alaska Native
Arizona	X	X	X
Alaska	X		X
Iowa			
Kansas			
Minnesota			
Nevada	X	X	
N. Dakota			X
S. Dakota			

Source: American Community Survey, 2017

Table 6: Labor force and unemployment data

State	Labor Force and Unemployment Data					
	Labor Force Participation Rate		Unemployment Rate		Number Employed	
	Disability	No Disability	Disability	No Disability	Disability	No Disability
Arizona	42.3%	61.3%	12.7%	5.4%	153,579	2,990,231
Alaska	51.7%	69.6%	12.3%	7.3%	23,303	336,847
Iowa	49.5%	68.5%	6.9%	3.4%	74,850	1,546,235
Kansas	50.7%	67.9%	8.6%	3.9%	86,230	1,366,200
Minnesota	52.0%	70.8%	7.4%	3.4%	142,063	2,821,148
Nevada	45.8%	65.2%	11.7%	5.6%	72,733	1,359,946
N. Dakota	60.0%	71.9%	6.7%	2.7%	20,320	393,814
S. Dakota	57.6%	68.7%	10.6%	3.0%	24,728	420,628

Source: American Community Survey, 2017

Model Scenarios

Two model scenarios were developed:

1. The first aimed for a reduction in the labor force participation rate (LFPR) gap between people with and without disabilities by one third over a decade¹¹ (e.g., increased LFPR by 6.3 percentage points to 48.6%), and kept the UR at the current level, 12.7%.
2. The second similarly aimed for a reduction in the LFPR gap between people with and without disabilities by one third over a decade⁵ (e.g., increased LFPR by 6.3 percentage points to 48.6%), but reduced the UR by 2.4 percentage points to 10.3%.

The models made four key assumptions:

- » The ratio of part-time to full-time work for workers with disabilities in Arizona, 68.1% full-time and 31.9% part-time, does not change.
- » The distribution of workers with disabilities across industries does not change (see Appendix B).
- » Changes in LFPR and UR are distributed evenly over 10 years.
- » Modeled changes in LFPR and UR are achievable goals based upon the current employment outcomes of the comparison states.

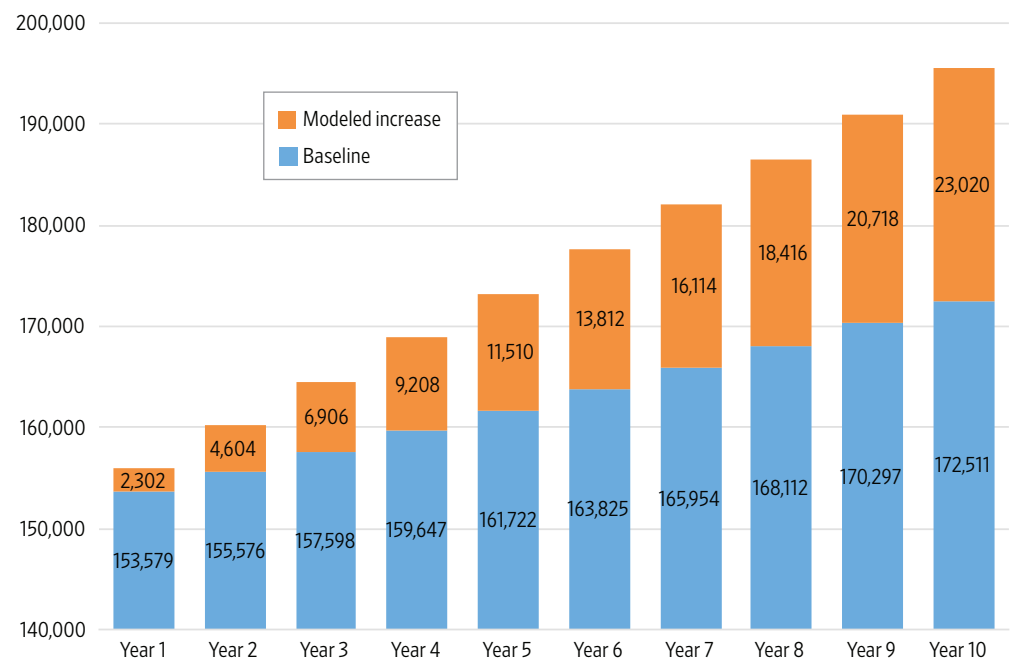
Outcomes of model scenario 1 on the number of people working.

Using current levels of people with disabilities in AZ, an additional 26,367 individuals will enter the labor force over 10 years. Based on the model assumptions:

- » 2,637 people will enter the labor force every year for ten years, and
- » As they enter the labor force some people will be looking for employment (at the current UR of 12.7%), and 2,302 will be employed.

Using the current split between full-time and part-time employment status, 1,935 full-time (FTE) equivalent workers with disabilities will find employment per year: $(2,302 \times 68.1\%) + (2,302 \times 31.9\% \times 0.5) = 1,935$. Figure 8 shows the annual increase in the number of people working over ten years for model 1. Over a ten-year period this would result in 23,020 more people with disabilities working. Arizona’s average annual population growth rate is expected to be 1.3% (Arizona Office of Economic Opportunity, 2018).

Figure 8. Model 1 annual increase in number of people with disabilities working

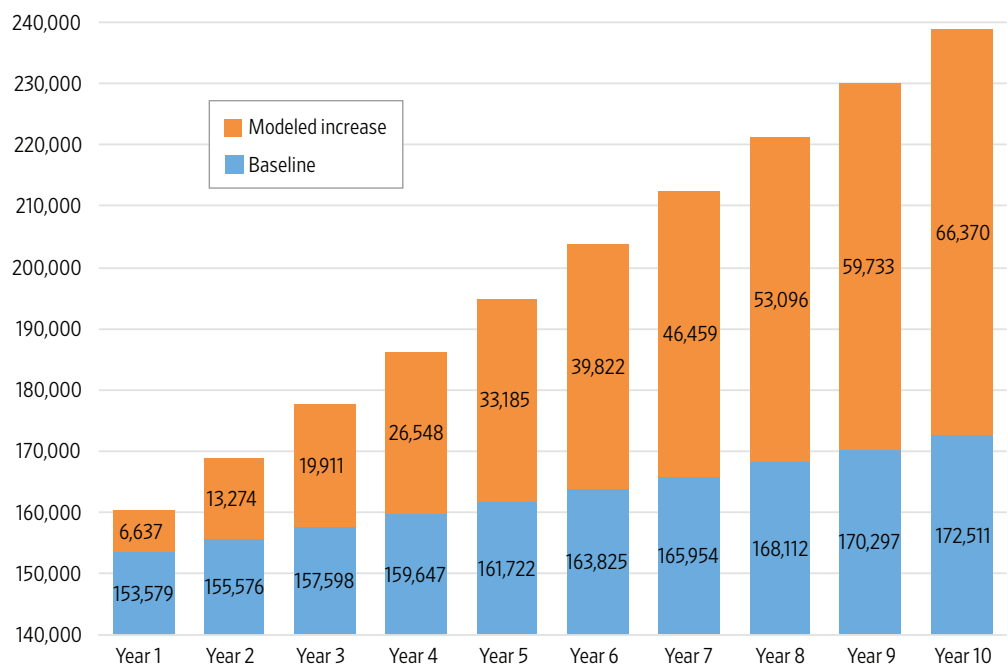


¹¹ The model scenarios are based upon Arizona’s labor force and unemployment data and informed by a similar study by Deloitte Access Economics (2011).

Outcomes of model scenario 2 on the number of people working.

Using current levels of people with disabilities in AZ, an additional 26,367 will enter the labor force over 10 years, with 2,637 entering the work force every year. Of these, some will be unemployed. Using a reduced UR rate of 10.3% will mean that 2,366 new entrants to the labor market will be employed each year. The lower UR will benefit those already looking for work: 4,271 will find jobs, and employment for people with disabilities will ultimately increase by 6,637 people annually.

Figure 9. Model 2 annual increase in number of people with disabilities working



Using the current split between full-time and part-time status, this will translate into the additional employment of 5,579 FTE workers with disabilities $(6,637 \times 68.1\%) + (6,637 \times 31.9\% \times 0.5) = 5,579$. Figure 9 shows the annual increase in the number of people working over ten years for model 2. Over a ten-year period, this would result in 66,370 more people with disabilities working. Arizona’s average annual population growth rate is expected to be 1.3% (Arizona Office of Economic Opportunity, 2018).

Results

Impact on Arizona’s Economic Growth

The authors used the Bureau of Economic Analysis (BEA) Regional Input-Output Modeling System (RIMS II). RIMS II was developed by the Bureau of Economic Analysis of the U.S. Department of Commerce to help economists analyze the potential impacts of economic activities on regional economies.

Several considerations were made when inputting variables into the model:

- » **Conservative estimates** were used for assessing the impact of increasing employment of people with disabilities.
- » **Final-demand multipliers** allow for a determination of the impact of an increase in employment in industries across a region.
- » **Type I multipliers** account for only the interindustry effect of a final-demand change.
- » **Type II multipliers** also account for the impact on household spending, an induced effect of the increased employment.
- » The **difference between the results of the Type I and Type II multipliers** allows for the calculation of the potential number of jobs that may be added to the state’s economy by increasing the employment of people with disabilities¹²

¹² When people with disabilities earn income and spend it in their communities, the impact on the local economy will lead to increases in the state’s domestic product, more jobs being created, and increases in state tax revenue.

Model scenario 1 impact estimates on Arizona's economy.

In this scenario, more people with disabilities enter the labor market and the UR does not change. In this scenario, more people with disabilities enter the labor market and the UR does not change. The expected outcome is that every year for ten years 1,935 new people with disabilities will become employed full time. **This will lead to an annual increase in Arizona of \$197.50 million in GDP (Type I multiplier¹³ impact) and up to \$281.04 million in GDP and 703 more jobs (Type II multiplier¹⁴ impact).**

Model scenario 2 impact estimates on Arizona's economy.

In this scenario, more people with disabilities enter the labor market and the UR goes down. An increase in the LFPR to 48.6% and reduction of UR to 10.3% **will lead to an annual increase in Arizona of \$575.52 million in GDP (Type I multiplier impact) and up to \$818.82 million in GDP and 2,042 more jobs (Type II multiplier impact).**

Tax Revenue Projections

Tax revenue projections were based on a three-year (2016, 2017, and 2018) average of \$29.78 of tax revenue¹⁵ per \$1,000 of Arizona's GDP.¹⁶ Calculations include urban revenue share and exclude non-tax revenue. Tax revenue per \$1,000 of GDP in Arizona has been declining since 2006, apart from a brief correction in 2010–2011. Therefore, the projections presented should be considered relevant in the short term, and not for the entire 10-year period of this impact analysis.

Model scenario 1 tax revenue projections.

Under this scenario, every year for ten years 1,935 new people with disabilities will become employed full time, and there will be increases in Arizona's GDP because of gains within industries (Type I multiplier) and in household spending (Type II multiplier). Type I multipliers will lead to an increase in \$5.88 million in tax revenue and Type II multipliers will lead to an increase in tax revenue of \$8.37 million. In the short term on an annual basis, Arizona can expect an increase in tax revenue of up to \$14.25 million under scenario 1.

Model scenario 2 tax revenue projections.

Under this scenario, every year for ten years 5,579 new people with disabilities will become employed full time and there will be increases in Arizona's GDP because of gains within industries (Type I multiplier) and in household spending (Type II multiplier). Type I multipliers will lead to an annual increase in \$17.14 million in tax revenue and Type II multipliers will lead to an annual increase in tax revenue of \$24.39 million. In the short term on an annual basis, **Arizona can expect an increase in tax revenue of up to \$41.53 million under scenario 2.**

Increases in tax revenue for both scenarios can directly be linked to increases in the number of people with disabilities who are employed. These additional tax revenues could be allocated to state agencies that support employment for people with disabilities. Specific recommendations to improve the system of services and supports available through these agencies will be outlined in Part 3. However, if Arizona continues on its current pathway, not only will the state miss the opportunity to increase its available revenue, it will continue its nearly 15-year-long decline in tax revenue.

¹³ Type I multipliers account for the interindustry effect of a final-demand change.

¹⁴ Type II multipliers account for the impact on household spending as an induced effect of the increased employment.

¹⁵ Arizona Joint Legislative Budget Committee, Historical General Fund Revenue Collections: FY 1971–FY 2018 (12/28/18). Retrieved from www.azleg.gov/jlbc/fiscal.htm

¹⁶ U.S. Bureau of Economic Analysis, Table SAGDP2N. Gross Domestic Product (GDP) by state. Retrieved from <https://www.bea.gov/data/gdp/gdp-state>

How Will Employment Impact Arizonans with Disabilities?

This section provides context for understanding how increases in earnings from employment could impact Arizonans with disabilities. It addresses the importance of employment for people with disabilities as it relates to income and health assistance programs and to quality of life.

This section provides context for understanding how increases in earnings from employment could impact individuals with disabilities who receive a combination of SSDI, SSI, and health care insurance through Medicare and/or Medicaid.¹⁷ Potential scenarios were developed based upon program definitions and exclusions. Appendix D provides a brief description of these programs.

Data from the 2017 ACS was used to estimate the impact of employment on SSDI program income. If SSDI recipients became employed at greater rates there would be savings to the Social Security Administration Insurance fund. A labor force participation rate of 48.6% and unemployment rate of 12.7% for people with disabilities would result in estimated SSDI savings of \$17.135 million annually.¹⁸ A labor force participation rate of 48.6% and unemployment rate of 10.3% for people with disabilities would result in estimated SSDI savings of \$13.282 million.¹⁹

The influence of employment on receipt of SSI has been documented by researchers at the University of New Hampshire. They found that between 2015 and 2016, Arizona had a decrease of 0.6% in the number of recipients with disabilities receiving SSI, which was close to the national average of 0.7% (Institute on Disability, 2018). This suggests that the pace at which people exit the receipt of income-tested cash benefits is slow, but is a possible long-term outcome of increasing employment for people with disabilities. Additionally, an October 2017 report from the Office of the Inspector General for the Social Security Administration (SSA) found that in Arizona, the savings in SSA cash benefits for every VR dollar spent was \$1.50 (Social Security Administration, 2017, p. B-2).

There is limited research linking employment of people with disabilities to changes in the cost of Medicare and Medicaid health assistance programs. Hall et al. (2018) found that as states, such as Arizona, expanded access to Medicaid through the Affordable Care Act, those states have experienced an upward trend in employment for individuals with disabilities. To date the literature on cost overwhelmingly focuses on the financial and psychological benefits of employment for individuals with disabilities and draws the conclusion that improved financial and psychological benefits lead to better health and therefore lower health care costs (Dean, Shogren, Hagiwara, & Wehmeyer, 2018; Goodman, 2015). The conclusions made by these studies assume that the benefits of employment that have been documented in the general population through the U.S. Department of Health and Human Services' Social Determinants of Health can also be applied to people with disabilities (Bush, 2018).

Longitudinal research from Dartmouth University studied the health care cost of individuals with serious mental illness who received evidence-based individualized employment services. Bush, Drake, Xie, McHugo, and Haslett (2009) found that while initial health care costs for individuals pursuing employment and receiving health care services grew, over a ten-year period their costs decreased relative to individuals who were not employed. An additional study from the University of Kansas reviewed the health outcomes of working-age adults in Kansas who were dually eligible for Medicare and Medicaid. The authors found that over time, employment led to improvements in health outcomes and reductions in health care costs (Hall, Kurth, & Hunt, 2013).

¹⁷ According to the Social Security Administration, 33% of SSI recipients also received other Social Security entitlement benefits, implying that they are eligible to receive health care through both Medicare and Medicaid (U.S. SSA, 2018).

¹⁸ This assumes that employment substitution does not take place. A person with a disability is not taking a job that would be otherwise filled by a person without disabilities. This calculation does not account for differences in impact disaggregated by age, education, gender, or severity of disability. Statewide analysis does not account for differences, or differential impacts, across counties.

¹⁹ The difference in savings is due to SSDI recipients who are not in the labor force receiving higher average payments compared individuals who are unemployed and looking for work. People who are unemployed make up a greater proportion of people in scenario 2, and therefore have lower cash benefits earnings.

Data from the 2017 ACS was used to estimate the current program-related income of three likely groups of public health care program recipients in Arizona. These groups were created to provide a composite description of likely public health assistance program recipients (Table 7) by their current type and amount of income assistance, and explain how changes in their income through employment might impact Medicare and Medicaid use.

Table 7: Composite descriptions of health assistance program recipients

Income assistance program	Demographics	Estimated group size	Amount of income assistance	Health assistance program
Group 1: SSI	Not yet in the labor force Working age (16-64) Have any type of disability (Cognitive, Ambulatory, Independent living, Self-care, Vision, Hearing)	95,931	Average: \$8,925.57 per year Standard error: \$331.63	Medicaid
Group 2: SSDI	Not yet in the labor force Working age (16-64) Have any type of disability (Cognitive, Ambulatory, Independent living, Self-care, Vision, Hearing)	98,001	Average: \$14,156.32 per year Standard error: \$439.27	Medicare
Group 3: SSI and SSDI	Not yet in the labor force Working age (16-64) Have any type of disability (Cognitive, Ambulatory, Independent living, Self-care, Vision, Hearing)	26,361	Average SSI: \$10,086.84 per year Standard error SSI: \$771.99 Average SSDI: \$7,406.44 per year Standard error: \$548.77	Medicare and Medicaid

In our models, individuals in Group 1 and Group 3 receive Medicaid and may be eligible to receive LTSS through DDD and AHCCCS to improve their employment outcomes. Arizona can expect to see its share of state budget costs for its Medicaid program reduced if the state expands state agency efforts to increase the labor force participation rate, decreases the UR of individuals in Group 1 and in Group 3, and as a result these individuals' incomes increase. These costs would likely go down due to individuals increasing their income levels to the threshold for the state's Freedom to Work program in which members assume a greater percentage of program costs and individuals becoming healthier over the long term as a result of being employed.

For individuals in Group 1 and Group 3 who receive LTSS, maintaining access to Medicaid will likely increase their ability to work. Mann, Mamun, and Hemmeter (2015) examined SSI recipients by primary impairment. They found that "beneficiaries with intellectual disability, visual impairments, hearing impairments, neoplasms, and HIV/AIDS were most likely to be employed" (p. 32). The National Beneficiary Survey reported that SSI beneficiaries with intellectual disabilities were more likely to use employment-specific services and had more interest in working than did beneficiaries with other impairments (Livermore, Bardos, & Katz, 2017). This suggests that individuals with these characteristics should be given additional support through work incentives and regulations that maintain access to Medicaid so that they can maintain the LTSS that facilitate their ability to work.

Individuals in Group 2, Medicare-only recipients, are not eligible to receive LTSS to maintain employment through Medicaid. However, they are able to access employment services through state employment programs, such as ARIZONA@WORK and the VR program. Like Group 1 and

Group 3, the financial and psychological benefits of employment can be expected to accrue in better health outcomes and ultimately lower health care costs. Additionally, similar to Group 1 and Group 3, individuals in Group 2 will also require support to effectively use work incentives and regulations that maintain access to Medicare after they become employed.

Another possibility for individuals in all three groups is that they will become employed in jobs that offer private health insurance and 1) no longer require public insurance options, or 2) enroll in employer-based health insurance and maintain their access to Medicaid through Freedom to Work. Both of these options would lead to better health outcomes and likely reductions in costs for Arizona's Medicaid program. As a matter of public policy, supporting individuals to gain employment with employers who offer access to private insurance and in relatively high-wage industries will be a key step in reducing Arizona's costs.

Improvements in the overall lives of individuals with disabilities is a crucial outcome of more people working. The "poverty trap" impacts the use of Medicare and Medicaid and the receipt of income assistance. Under the current income and health assistance program rules, predicting who and under what circumstances individuals will choose to leave these programs must consider the needs that many have to maintain access to Medicare and Medicaid. However, there is ample evidence to demonstrate that increasing employment for people with disabilities will reduce poverty, improve health outcomes, and ultimately lead to lower public health care costs (Bush, 2018; Bush, Drake, Xie, McHugo, & Haslett, 2009; Hall, Kurth, & Hunt, 2013).

Improvements in the overall lives of individuals with disabilities is a crucial outcome of more people working. Use by AHCCCS of the Social Determinants of Health model, which ties poverty reduction to better health outcomes, is an important resource in Arizona. Over time, it is likely that the robust level of data collection on employment and health will demonstrate widespread improvements in health and a reduction of health care costs for AHCCSS members who are employed (Bush, 2018; Bush, Drake, Xie, McHugo, & Haslett, 2009; Hall, Kurth, & Hunt, 2013).

Individuals with disabilities, even the most significant, clearly express a desire to fully participate in the typical labor force and an increasing expectation for competitive employment as an outcome of formal education (Barrows et al., 2016; Self-Advocates Becoming Empowered, 2018). Research documents the desire of individuals with IDD to be employed in the community (Migliore et al., 2007; Timmons et al., 2011; Nonnemacher & Bambara, 2011; Walker; 2011). As more people with significant disabilities in Arizona become employed, it can be expected that they will also experience improved self-confidence, the benefits of contributing to society, and more control over their personal lives (Barrows et al., 2016; Self-Advocates Becoming Empowered, 2018).

Summary Findings

- » Arizona's labor force participation rates have remained low and unemployment rates for people with disabilities have remained high compared to states with similar structural and demographic characteristics.
- » By increasing the labor force participation rate and decreasing the UR of people with disabilities, Arizona will increase its GDP.
- » Economic analysis indicates that gains in employment for people with disabilities is something that benefits all citizens, not just those with disabilities. Increases in the state GDP, job creation, and tax revenue will benefit every citizen in Arizona.
- » If Arizona were to invest in changes to support an increase in people with disabilities in the labor force, the state could expect significant growth in its GDP and would experience fewer people with disabilities living in poverty.
- » Conversely, if Arizona does not make efforts to change the labor force participation rate and unemployment rate for people with disabilities, it will fall behind in GDP and job creation, and will lose potential tax revenue.
- » Over time, it is likely that the robust level of data collection on employment and health will demonstrate widespread improvements in health and a reduction of health care costs for AHCCSS members who are employed.
- » For those individuals with the most significant disabilities, Arizona should expect that increases in employment will result in increased opportunities to be self-determined and to become independent.

Part 3: The Existing Employment Infrastructure for People with Disabilities

Part 3 of the report provides a high-level overview of services, supports, and resources provided by governmental agencies and other programs and initiatives in Arizona that support employment for people with disabilities. Information in this section comes from the collection and analysis of state policy and practice documents from:

- » Department of Economic Security: ARIZONA@WORK, DDD, and VR
- » Arizona Department of Education: Exceptional Student Services
- » Arizona Health Care Cost Containment System²⁰

To augment the document review, we conducted a combination of interviews and focus groups with approximately 20 individuals with knowledge of state employment policy and practice in Arizona.

There are various strategies that Arizona can pursue, including building upon existing efforts to bring more individuals into the labor market. Previous reports²¹ have described the limitations of Arizona's state agencies. Therefore, the focus of Part 3 of this report is on strengths and specific policy and practice changes organizations and agencies can take to improve employment outcomes.

The Department of Economic Security

The Department of Economic Security is the umbrella agency for the state's American Job Center (ARIZONA@WORK), the state Division of Developmental Disabilities (DDD), and the state vocational rehabilitation (VR) program.

ARIZONA@WORK

ARIZONA@WORK is part of the federal workforce development system. Established and supported under the Workforce Investment Act and its reauthorizations, American Job Centers (formerly called One-Stop Career Centers) are open to all users. A number of provisions in the 2014 Workforce Innovation and Opportunity Act (WIOA) emphasize and increase the requirements for the general workforce development system and American Job Centers to meet the needs of job seekers with disabilities.²² The act requires that each state develop a plan to ensure that businesses have access to highly qualified employees and that job seekers have access to the education, training, and related services and supports to become employed. WIOA mandates that state and local workforce development boards' members include community organizations that provide or support competitive integrated employment for individuals with disabilities.²³

ARIZONA@WORK is an important resource for all job seekers in Arizona, including job seekers with disabilities. For example, Arizona's Career Readiness Credential is provided by ARIZONA@WORK. The credential is available at no cost to job seekers and is an innovative strategy to ensure

²⁰ For more information on each state agency, please see: ARIZONA@WORK: <https://arizonaatwork.com/>
Division on Developmental Disabilities: <https://des.az.gov/services/disabilities/developmental-disabilities>
Vocational Rehabilitation Program: <https://des.az.gov/services/employment/rehabilitation-services/vocational-rehabilitation-vr>
Arizona Department of Education: Exceptional Student Services: <http://www.azed.gov/specialeducation/>
Arizona Health Care Cost Containment System: <https://www.azahcccs.gov/>

²¹ Arizona Developmental Disabilities Planning Council. (2018). Where Arizona stands on employment for workers with disabilities: 2018. McFaddon, E. S., Fisher, K. W., Lee, S. E., Kovac, M., & Barajas, M. (2016). Comprehensive review and analysis: Arizona's services, supports, and unmet needs for individuals with developmental disabilities and their families. Second Edition. Tempe, AZ: Arizona State University, Morrison Institute for Public Policy. McFaddon, E. S., Daugherty, D., Lee, S. E., Fisher, K. W., Hack, A., & Spyra, E. (2015). The graduation cliff: Improving the post-school outcomes of students with disabilities. Tempe, AZ: Arizona State University, Morrison Institute for Public Policy. Arizona Developmental Disabilities Planning Council. (2014). 2014 employment options for people with developmental disabilities in Arizona.

²² Please see Glossary in Appendix B for a description of the 2014 Workforce Innovation and Opportunity Act.

²³ There are various evidence-based services and practices identified in WIOA to support individuals to obtain a competitive integrated employment outcome. These include supported employment and discovery services.

that job seekers have the soft skills that employers in the current job market demand. Additionally, the ARIZONA@WORK website outlines and provides links to assistive technology resources that reduce barriers to employment for people with disabilities.

Arizona's WIOA plan for 2016–2020 is a Unified State Plan. This means that there are six core programs that fall under the plan: the adult program, dislocated worker program, youth program, Adult Education and Family Literacy Act program, Wagner-Peyser Act program, and VR program (U.S. Department of Labor, 2017). Arizona should consider the option to expand the number of partners by developing a Combined State Plan. Combined State Plans include the six core partner programs plus one or more additional program partners.²⁴

Combined State Plans are able to maximize their impact on both disability and employment as they target a wide network of federal poverty reduction programs. Three states that were included in the model assumptions, Alaska, Kansas, and Minnesota, are currently operating under WIOA Combined State Plans (U.S. Department of Education, 2019). This expands their outreach to individuals who are likely to have a disability but are not connected to a state agency that serves people with disabilities. If Arizona were to adopt a Combined State Plan and expand outreach to existing programs that support individuals living in poverty, the state would further guarantee that individuals who have disabilities and are engaged in these programs become aware of and make use of Arizona's existing employment services and supports.

Division of Developmental Disabilities

DDD is the state agency responsible for administering and monitoring services to individuals with IDD. Nationally, state IDD agencies are the primary source of long-term funding and service coordination for adults with IDD. They provide, fund, and monitor a wide range of day and employment services, including employment supports, facility-based options (prevocational services often based in sheltered workshops and non-work day habilitation programs), community integration services, and self-directed options. In Arizona, funding for DDD services passes through the state's Medicaid authority, Arizona Health Care Cost Containment System (AHCCCS). AHCCCS contracts with managed care organizations (MCOs), which in turn contract with a wide array of service providers for employment services and supports. At the time of writing, DDD is the MCO for employment services for individuals with IDD.

DDD supports eligible individuals with IDD to reach their full potential in all areas of life, including employment. DDD has multiple employment initiatives. Examples include:

- » DDD is a member of the Arizona Employment First Partnership.
- » DDD has maintained membership in the State Employment Leadership Network for many years, ensuring access to information related to best and emerging practices in employment services for people with IDD.
- » DDD and AHCCCS are working together to identify if additional services are needed to support individuals to move from non-integrated employment services to jobs in the community.
- » DDD and VR offices' in Chandler have established a learning lab.²⁵ This effort brings together VR and DDD staff on a monthly basis to identify and develop strategies to improve

²⁴ These partners include career and technical education programs authorized under the Carl D. Perkins Career and Technical Education Act of 2006, the Temporary Assistance for Needy Families program, employment and training programs under the Supplemental Nutrition Assistance Program, work programs authorized under the Food and Nutrition Act of 2008, Trade Adjustment Assistance programs, Jobs for Veterans State Grants program, unemployment insurance programs, the Senior Community Service Employment Program, employment and training activities carried out by the Department of Housing and Urban Development Community Services Block Grant, employment and training activities carried out under the Community Services Block Grant Act, and the Reintegration of Ex-Offenders Program (U.S. Department of Labor, 2017).

²⁵ Learning labs bring together staff from different organizations to meet and share knowledge of the work they do and build relationships across organizations to strengthen collaborative activities.

collaboration between the agencies. Together they have established co-training for DDD and VR staff, provided opportunities for staff to develop relationships to support joint problem solving, and identified trainings that each organization offers their staff that should be offered to the other. The intent is to expand this model to DDD and VR offices across the state (Mackey, 2019).

- » DDD has added the service Career Preparation and Readiness (CPR) to assist individuals participating in center-based employment to move into competitive and/or integrated employment (Arizona Department of Economic Security, 2017).

DDD should consider the following in its efforts to improve the number of people working:

- » DDD should use the opportunity presented in its transition plan to prioritize integrated employment services and establish specific procedures for moving individuals to jobs in the community.²⁶ This could include implementing a “tiered standards” approach, which “allows states to incorporate new services and decrease dependency on legacy service and settings in existing Medicaid waiver authorities in a more planful way” (State Employment Leadership Network, 2019). States have until 2022 to incorporate this into their service plan. Tiered standards must be specified in a state’s final transition plan but do not need to be fully implemented by 2022. Minnesota and Tennessee both operate under managed care structures and have approved tiered standards (State Employment Leadership Network, 2019).
- » DDD should continue its collaborative relationship with AHCCCS as it works to implement best practices in managed care LTSS for individuals with IDD. Using the guide “MLTSS for People with Intellectual and Developmental Disabilities: Strategies for Success” will help to ground the partnership in state-of-the-art practices (Dobson, Ne’eman, Sowers, & Vegas, 2018).
- » DDD should follow the lead of other states such as Iowa and Tennessee and establish and implement a statewide plan to rebalance funding resources towards integrated employment (Iowa Department of Human Services, 2017; TennCare, n.d.). DDD is overinvested in segregated non-work services. In 2017, only 16% of DDD resources were spent on integrated employment services, compared with 80% spent on facility-based non-work services (Winsor et al., 2019).
- » DDD should work with their SELN technical assistance providers to implement the “Guidance for Conversations: Identifying and Designing Pathways towards Rewarding Employment” publication with all DDD case management staff. Research findings on employment for individuals with IDD have focused on the importance of integrating processes for informed choice (Hall et al., 2018), and case management staff have a key role in supporting informed choice. The publication helps staff to assess a person’s interest in and progress towards employment, and to ensure they are moving along their desired employment pathway. Data from the ICI National Survey of State IDD Agencies’ Employment and Day Services show that in 2017, 86% of DDD clients participated in facility-based non-work. This is in contrast to the 19% receiving an integrated employment service (Winsor et al., 2019). In 2017–2018, 37% of DDD clients who were not working said they would like a job in the community. However, of those who wanted to work, only 20% had this as a goal in their service plan (National Core Indicators, 2018). This suggests a disconnection between what individuals want and what is identified as a goal in their service plan. Further CMS expectations related to informed choice regarding community services suggest that Arizona should consider this a priority area.
- » A second reason that DDD should consider implementing “Guidance for Conversations”, is that in 2017–2018 10% of individuals who were working were doing so in center-based employment (Winsor et al., 2019). DDD should provide support coordination staff specific guidance on the benefits of working in the community and how to modify the individual’s service plan to support the individual to take action and access the CPR service.

²⁶ As of June 2019, Arizona does not have final approval for its CMS statewide transition plan related to the 2014 Community Settings Rule (Centers for Medicare and Medicaid Services, n.d.).

- » If DDD is to meaningfully increase integrated employment, it must provide a clear career pathway for these individuals through services. However, there is limited use of the service Transition to Employment (TTE). TTE provides “Division members with individualized instruction, training, and supports to promote skill development for integrated and competitive employment” (Arizona Department of Economic Security, 2014). In conversations with stakeholders, this service, available since at least 2014, was not identified as being used to increase employment. While the TTE service is included in the DDD rate book, there are not billing guidelines for the service (p. 56), and the TTE rate is below the rate for CPR (p. 59) (Arizona Department of Economic Security, 2019). Both of these make implementation of the service at the individual and provider level challenging. DDD should consider:
 - adding billing guidelines for and raising the payment rate for TTE Services, and
 - modifying the CPR service so that any DDD member who is receiving an employment or day service is eligible for the service.
- » It is recommended that DDD leadership work with their technical assistance provider, the State Employment Leadership Network (SELN), to develop a plan to revise employment and day services rates based upon the SELN Funding Framework (SELN, 2015). DDD’s payment rates for employment and day services were last modified through a percentage increase in May 2019 (Arizona Department of Economic Security, 2019). Merely increasing rates by a specific percentage based upon historical payment rates will not be sufficient to support a high-quality and financially stable employment provider network. Research demonstrates that payment rates should be carefully studied within the context of factors such as the real-world cost of hiring high-quality staff, efforts to increase staff qualifications, the level of support needed by job seekers, and non-billable activities (Winsor, Lyons, Butterworth, & Kennedy-Lizotte, 2017).
- » Based upon feedback from stakeholders and a review of DDD’s May 2019 Rate Book, three employment service types that DDD should prioritize for rate re-structuring are TTE, CPR, and Individual Supported Employment (ISE). The rates for these services are below the rates paid by higher-performing state IDD agencies (Winsor, Lyons, Butterworth, & Kennedy-Lizotte, 2017). Over time, these rates will not be sufficient to attract a highly qualified provider network or to keep up with changes in Arizona’s minimum wage laws (Industrial Commission of Arizona, n.d.).

In addition, there are other issues related to the structuring of these rates:

- TTE: Payment rates are \$10.30/hour/urban and \$11.13/hour/rural. The service definition anticipates that this service will typically occur with one staff to four members, with members sometimes needing one-to-one support.
- CPR: Payment rates are \$15.04/hour/urban and \$16.30/hour/rural. The Rate Book guidance anticipates that this service will typically occur with one staff to three members, with members sometimes needing one-to-one support.

The expectation regarding support ratios for TTE and CPR makes it likely that those members with the most significant support needs (i.e., more likely to need ongoing one-to-one support) who want to work will not be able to use these services as a pathway to employment.

- Individual Supported Employment: The rates paid for job coaching (\$35.85/hour/urban and \$49.37/hour/rural) are higher than for job development (\$34.88/hour/urban and \$37.12/hour/rural).

The ISE rates are extremely atypical when compared to states supporting a high percentage of individuals in integrated employment; job development is typically paid at a higher rate (Winsor, Lyons, Butterworth, & Kennedy-Lizotte, 2017).

- » DDD’s agreement with VR could be strengthened by replicating the AHCCCS Interagency

Service Agreement (ISA) with VR for clients with serious mental illness (SMI) to ensure that DDD clients have access to the intense VR services required to obtain employment. DDD's clients represent those with the most significant IDD service needs. VR staff noted that only 2% of DDD clients have an open VR case (Mackey, 2019).

- » DDD should consider evidence-based national standards of practice, and should require providers to demonstrate a basic level of competency relating to these standards. Current DDD provider direct service staff qualifications do not include evidence-based competency standards for employment in the community (Arizona Department of Economic Security, 2017; 2014). Since the definition of supported employment in the 1986 Rehabilitation Act Amendments, substantial literature has documented and refined the elements of effective employment support (Griffin, Hammis, & Geary, 2007; [Novak, Parent-Johnson, Owens, & Keul, 2014](#); Test & Cease-Cook, 2012). Recent research has validated these models of support (Migliore, Nye-Lengerman et al., 2018), and effective practice is defined in comprehensive standards of practice and certification standards established by the Association of Providers Supporting Employment First (APSE) and the Association of Community Rehabilitation Educators (ACRE) (APSE, 2019; ACRE, 2018; 2013). While DDD policies expect providers to develop workforce development initiatives and plans to support high-quality services and supports (Arizona Department of Economic Security, 2019), the lack of clear expectations for integrated employment services will likely result in uneven adoption of model practices across the state.

Vocational Rehabilitation

Arizona's VR program and services are authorized by the Rehabilitation Act as amended in WIOA in 2014. Under WIOA, all states' public VR systems are expected to have formal cooperative agreements with the state agency responsible for administering the state Medicaid plan, and with state IDD agencies, with respect to the delivery of VR services, including extended services.

- » WIOA now requires VR offices to collaborate with local schools and workforce development systems to facilitate the transition of students with disabilities from school to competitive integrated employment.
- » WIOA requires states to spend 15% of public VR funds on pre-employment transition services (Pre-ETS) for students served by the Individuals with Disabilities Education Act or Section 504 of the Rehabilitation Act.
- » Section 511 of the Rehabilitation Act establishes guidelines that must be addressed before an individual can enter subminimum wage employment and requires annual career counseling for individuals working in subminimum wage employment.

There have been a series of changes in senior VR leadership over the past several years. However, current VR program administration has made significant improvements in policy and practice. Examples of VR's efforts include:

- » VR is a member of the Arizona Employment First Partnership.
- » In October 2018, the VR vendor system was overhauled to ensure that new vendors can quickly become approved. The Department of Economic Security manages this process. Previously, vendors could only be added every five years and were unable to adjust payment rates for services during that time period. One expected outcome of this change is additional opportunities for DDD employment providers to become joint VR and DDD providers, in compliance with the interagency collaboration expectations of WIOA (Mackey, 2019).
- » The VR program has recently put into place efforts to ensure that VR counselors have the knowledge and skills to support individuals with the most significant disabilities (i.e., clients of DDD) to pursue employment. In the past, not all VR counselors knew how to encourage

employment for this population. See the section Division of Developmental Disabilities for a description of this initiative.

- » VR contracts with the Southwest Institute for Families and Children for supported education and career exploration services. These services provide vocational assessment, motivational interviewing, job shadowing, and supports to apply for post-secondary education services that align with individuals' career goals (Garcia, 2019).
- » VR has a strong Interagency Service Agreement (ISA) with AHCCCS for clients with SMI (Robson, 2019). The ISA provides funding for VR to ensure that there is a specific state-level staff member responsible for clients with SMI. Data for this population is tracked quarterly and requires that within 30 days of referral an individual has a VR case determination. This model helps to support evidence-based practice in services and supports for individuals with SMI (Becker, Swanson, Bond, & Merrens, 2008; Monroe-DeVita, Moser, & Teague, 2011).
- » Disability Benefits 101 (<https://az.db101.org/>) is funded through VR. Originally developed through Arizona's Medicaid Infrastructure Grant (MIG), VR's support has ensured the long-term sustainability of this resource.
- » VR has school-to-work contracts with school districts across the state. These contracts provide third party match funding for Pre-ETS. Local districts develop a Pre-ETS curriculum that meets program standards and the needs of their community.
- » Third party match agreements through school-to-work contracts and through the ISA with AHCCSS support VR to draw down more of their full federal match (Mackey, 2019).
- » Staff are actively engaged with their workforce development partners, as evidenced by the presence of a local VR representative on every local workforce board. In multiple areas across the state, VR staff are co-located with local ARIZONA@WORK offices (ARIZONA@WORK, 2019).

VR should consider the following in its efforts to improve the number of people working:

- » Customized employment is not a specifically identified service for clients who are on a supported employment individualized plan for employment. VR should consider adding customized employment as a VR service. The Workforce Innovation and Technical Assistance Center (WINTAC) highlights the role of customized employment services as a strategy to strengthen competitive integrated employment outcomes. WINTAC has further documented state VR programs that offer customized employment services. States that were included in the Part 1 models that offer customized employment through their VR agencies include Alaska, Iowa, Minnesota, and Nevada (WINTAC, n.d.). Adding customized employment as a VR service would support Arizona to improve competitive integrated employment outcomes and strengthen compliance with WIOA.
- » If customized employment becomes a VR service, the same recommendation as provided to DDD regarding the adoption of standards of practice and certification standards should be considered by the VR program.
- » Arizona's VR program should review existing school-to-work programs and other Pre-ETS services in the state to determine how VR can expand opportunities for youth to participate. State VR agencies across the country are identifying new ways to improve services for transition-age youth. For example, Florida's Division of Vocational Rehabilitation has recently increased access to their school-to-work programs so that these services can be offered anytime there are three consecutive weekdays without school (Florida Division of Vocational Rehabilitation, 2019).
- » VR should consider replicating the AHCCCS third party agreement with other entities to bring additional funds into the VR system to support employment. Partners could include DDD and

ARIZONA@WORK, as all three are under the Department of Economic Security.

- » Arizona should allocate sufficient dollars to serve all of the individuals who are on the wait list for VR services. VR has had a wait list since 2009, meaning that individuals who would like to work and could benefit from VR services are not able to access the state VR program. While individuals have moved off the wait list, VR continues to operate under an Order of Selection²⁷ process (Mackey, 2019).
- » VR should continue to partner with DDD to deepen VR counselors' abilities to work with job seekers with significant IDD by scaling up Chandler office's DDD and VR learning lab.

Arizona Department of Education

The Arizona Department of Education administers the state's public pre-K-12 education system. For youth with disabilities, services fall under Exceptional Student Services (ESS). ESS works to ensure that the federal Individuals with Disabilities Education Act (IDEA) requirements are met—for example, that students with disabilities are educated in the least restrictive environment consistent with their needs. Regarding employment, IDEA also requires schools to include employment-related transition services in the individualized education plans (IEPs) of all students who have reached the age of 16. Expectations include:

- » Coordinated focus on improving students' academic and functional achievement.
- » Services and supports to facilitate the movement from school to post-school activities, including post-secondary education and integrated employment. Services include instruction, community experiences, and the development of employment and other post-school goals.
- » Adherence to IDEA's least restrictive environment requirements, and to Section 511 of WIOA, which prohibits schools from contracting with programs to serve students when the programs pay student employees less than minimum wage.
- » School IEP teams, charged with preparing for transition, consider when it is appropriate to invite representation from the VR agency and IDD agency.

ESS has invested significant resources into ensuring that local school districts and charter schools have the resources and tools to support youth to transition from school to work and post-secondary education. Examples of ESS's activities include:

- » ESS is a member of the Arizona Employment First Partnership.
- » ESS has used a Best Practice Implementation Project (BPiP) to bring high-quality transition practices to scale across the state (Arizona Department of Education, Exceptional Student Services, n.d.).
- » ESS staff are active users of the National Technical Assistance Center on Transition (NTACT) and have received intensive technical assistance from the organization. Efforts have included supporting parents to learn and use resources from the Department of Education, VR, and DDD (Trollinger, 2019).
- » As of spring 2019, ESS, VR, and DDD have established an intergovernmental agreement to support a seamless transition from school to employment and post-secondary education (Arizona Department of Economic Security, 2019). This is in addition to the August 2018 data-sharing agreement to support interagency collaboration and data-informed decision making that was signed by the state superintendent of public instruction and the VR program (ADE-RSA, 2018).
- » NTACT technical assistance has also been used to create a rubric to review anonymous IEPs and provide feedback in real time to ensure that the plans fully support the transition from

²⁷ If a state does not have the resources to provide all needed VR services to all eligible individuals, it is required to implement an "order of selection" to prioritize who will receive services, and to create a waiting list for services.

school to employment and post-secondary education. Staff are reviewing the data over the long term to identify the impact that the feedback has on post-school outcomes (Trollinger, 2019).

- » ESS staff support local communities of practice on transition (AZCoPT, n.d.). Local communities of practice on transition provide training and technical assistance to ensure that youth across the state have access to high-quality transition services.
- » From 2013 to 2018, ESS was part of the six-state consortium²⁸ known as ASPIRE. Arizona enrolled 1,002 eligible individuals into ASPIRE, or nearly half of all enrollees across the six states. Supports provided through ASPIRE included case management for employment, benefits planning, financial literacy training, and self-determination training. Long-term state-level and national-level impact of the project (through 2022) will be assessed by Mathematica.
- » The Department of Education's Career and Technical Education²⁹ (CTE) unit includes ESS colleagues within their strategic planning and other activities. The focus is on ensuring that CTE services and programs are available to students with disabilities, raising awareness of the employment capabilities of people with disabilities and of employment accommodations, and supporting school counselors to engage youth with disabilities in CTE (Trollinger, 2019).

ESS should consider the following in its efforts to improve the number of people working:

- » Efforts should be made to sustain ASPIRE's efforts, such as case management for eligible families, so that the best practices established through the demonstration project can be brought to scale across the state. Findings from Mathematica show that, of the ASPIRE consortium states, Arizona had the largest number of enrollees (Anderson et al., 2018). ESS staff shared that families who engaged in the ASPIRE project were better prepared to support employment and economic self-sufficiency for their youth with disabilities.
- » In Arizona, local control of education means that ESS is reliant on local school districts and charter schools as a primary point of contact to deliver this information to families. Therefore, ESS should embed expectations for family outreach within the AZCoPT structure and work with their NTACT TA provider to identify opportunities to strengthen local education providers in their efforts to educate families. National research has found that families desire timely, accessible information about employment and the ability to connect with peer mentors and experts (Kramer, 2016; Kramer, Bose, & Winsor, 2018).
- » In Arizona, the use of existing resources and development and dissemination of family outreach strategies would best be supported through partnerships between ESS, DDD, and VR through their respective early intervention and Pre-ETS activities. Family outreach strategies vary by state. However, Kansas (a model comparison state) uses multiple research-based efforts, including membership in the Supporting Families National Community of Practice (Supporting Families, n.d.) and the Family Employment Awareness Training (Families Together, Inc., 2019), to provide information and resources to families. The Charting the LifeCourse Tool used with the Supporting Families National Community of Practice is a research-based tool used across the nation to support families to plan for a life in their community. In Arizona, the 2019 intergovernmental agreement provides the framework through which to adopt these strategies and develop and disseminate information to families across the lifespan, including for young children and their families.
- » ESS staff shared that, based upon data from their agreement with VR, they are able to track referrals to VR by county, and there is significant variation in referrals across the state. Based

²⁸ ASPIRE was part of the federal Social Security Administration Promoting Readiness of Minors in Supplemental Security Income (PROMISE) grant. The six state members of ASPIRE were Arizona, Colorado, Montana, North Dakota, South Dakota, and Utah. Both North Dakota and South Dakota were comparison states used for building the economic impact model.

²⁹ Career and Technical Education is a unit within the Arizona Department of Education. The unit's mission is to ensure students have access to high-quality education and training that prepares them for careers and technically skilled jobs in Arizona. <http://www.azed.gov/cte/>

upon this information, it is reasonable to assume that the receipt of WIOA Pre-ETS also varies widely across Arizona. One important function of Pre-ETS is to ensure that all potentially eligible youth receive these services regardless of whether they choose to apply for VR services. ESS and VR could use their 2018 data-sharing agreement to establish a baseline measurement of the number of youth in each school with IEPs or 504 plans who receive Pre-ETS, identify benchmarks in each school to improve receipt of Pre-ETS services, and provide technical assistance to schools to ensure that 100% of youth who are eligible for Pre-ETS services receive the service. A similar strategy should be developed for general referrals to VR for transition-age youth.

Arizona Health Care Cost Containment System

Arizona Health Care Cost Containment System (AHCCCS) is the state's Medicaid authority. As described above, AHCCCS is a source of funding for employment services provided through DDD. However, it also has an important role in ensuring that individuals with behavioral health issues who qualify for services through AHCCCS's Complete Care plans have access to needed employment services and supports. Unlike services for individuals with IDD, AHCCCS contracts with private managed care organizations for employment services for individuals with behavioral health issues. AHCCCS is an active user of data to support policy and practice, including the linkage between Medicaid employment services data and social determinants of health (Robson, 2019).

AHCCCS operates under guidelines from the federal Centers for Medicare & Medicaid Services (CMS). Over the past decade, CMS has expanded its focus on employment. The Medicaid Buy-in Program and policy and practice guidance from CMS mark significant changes in federal policy regarding disability, employment, and Medicaid. AHCCCS administers the Freedom to Work program under the federal Medicaid Buy-In program. Freedom to Work allows individuals to earn up to \$63,468 annually and maintain eligibility for AHCCCS (Arizona Disability Benefits 101, n.d.).

In January 2019, CMS approved the AHCCCS Works 1115 waiver for some able-bodied AHCCCS members ages 19 to 49. AHCCCS Works will begin in January 2020 and will encourage clients to gain and maintain meaningful employment, job training, education, or volunteer service experience (AHCCCS, 2018). Members who do not meet the exception criteria will be expected to engage in 80 hours per month of one or more of these activities: employment (including self-employment), education, job or life skills training, job search activities, and community service.

Due to AHCCCS's use of a managed care structure, it has adopted a variety of practices aimed at reducing costs and improving the quality of its services. Examples include:

- » AHCCCS is a member of the Arizona Employment First Partnership.
- » AHCCCS contracting models are focused on the collection of data to measure progress, set goals, and track improvements in the service system. Providers have access to aggregate data on their outcomes and other providers' outcomes (Robson, 2019). Dobson, Ne'eman, Sowers, and Vegas (2018) identify goal setting, data analysis, and use of data to measure quality improvement as three of the elements of successful managed care contracting.
- » AHCCCS has a strong ISA with VR for clients with serious mental illness (SMI). The agreement ensures that joint clients with SMI receive the level of intense services required to obtain and maintain employment.
- » The ISA with VR supports staff to meet regularly with AHCCCS health plan providers and track referrals to VR, set goals for increasing specific metrics related to employment, and ensure that employment services are provided collaboratively across state agencies. It provides a venue to offer technical assistance to providers (Robson, 2019).
- » Its managed care contracts have specific quarterly deliverables related to DB101 (Disability

Benefits 101) trainings, including in-depth training to ensure that providers can support clients to access DB101 and use the resource to improve economic self-sufficiency (Robson, 2019).

AHCCCS should consider the following in its efforts to improve the number of people working:

- » Take steps to better inform stakeholders and members of the public about its robust collection and use of data on employment outcomes to support long-term growth in community employment and health outcomes. This includes sharing findings about existing and future data on the changes in health care costs as members with disabilities become employed.
- » Identify untapped strategies and communication pathways for sharing data on how employment is improving health outcomes for AHCCCS members. Consider how this data can be shared with not only the health care community and Employment First Partners, but also other groups such as religious organizations, Native American Tribal Governments, and local Chambers of Commerce.
- » Explore innovative ways to deepen the use of evidence-based employment practices for individuals with SMI.
- » In preparation for January 2020 enrollment, AHCCCS should work with Arizona's in-state ASPIRE partners so that they can become a part of the agency's outreach network to build awareness of the AHCCCS Works Community Engagement Program.
- » AHCCCS and DDD should continue to partner through their managed care contract to infuse best practices in managed care long-term services and supports for people with IDD, as identified in Dobson, Ne'eman, Sowers, and Vegas (2018).

Other Resources that Facilitate Employment

Arizona has a wide variety of resources that further facilitate employment for individuals with disabilities that work in conjunction with the state agencies. See Appendix E for a description of these companion resources. Other resources include innovative grants and projects supported by Developmental Disabilities Network Partners. Examples of these resources include the following:

- » Arizona Employment First: The University of Arizona Sonoran Center for Excellence in Disabilities (Sonoran UCEDD) and the Arizona Rehabilitation Administration Services/ Vocational Rehabilitation Program partner to fund a staff member to facilitate the Arizona Employment First Initiative. In April 2016, a memorandum of understanding established a formal partnership between 15 entities including state agencies, advocacy organizations, and service providers. Since the development of a strategic plan in June 2016, they have worked together to prioritize employment for people with disabilities in the state (AZ Employment First, n.d.).
- » Work Incentives: Freedom to Work (Medicaid Buy-In), Social Security Work Incentives, and Ticket to Work are already supporting people with disabilities in Arizona to become economically self-sufficient. Figures from the SSA show that 347 consumers in Arizona who received employment services from Ability 360 Employment Services under the Ticket to Work Program earned \$73 million in wages from 2013 to 2018. By comparison, the cost of Ticket to Work services provided by Ability 360 was \$2.5 million (Webb, 2019).
- » Model Employment Programs: In 2018, the Arizona Developmental Disabilities Planning Council (ADDPC) issued the City of Tempe a grant for close to \$125,000 to support the development of customized employment opportunities for individuals with IDD within the City of Tempe government (ADDPC, 2018). Since first introduced in King County, Washington nearly 30 years ago, the use of specific hiring initiatives within government agencies has emerged as an effective practice to increase employment for people with developmental disabilities (King County Supported Employment, 2017).

- » Project Search: The Sonoran Center for Excellence in Developmental Disabilities administers the state's Project SEARCH initiative. Project SEARCH is a nationwide program that supports transition-age youth to gain employment experiences and build their resumes in a variety of community jobs. Since 2009, when it launched the first site in Arizona at the University of Arizona Medical Center, Project SEARCH has expanded to additional areas of the state and to industries such as university, medical technology, hospitality, and distribution logistics (Sonoran Center for Excellence in Disabilities, n.d.).
- » Community Rehabilitation Providers (CRPs) and their staff are the primary source of employment supports for people with disabilities nationally and in Arizona. In Arizona providers contract with state agencies (e.g., VR and DDD) as well as managed care organizations. Under federal policy, including WIOA and the HCBS Settings Rule, and state Employment First initiatives, CRPs are under increasing pressure to shift from providing facility-based work and non-work services to a focus on competitive integrated employment and community life engagement. Providers in Arizona reflect similar concerns as those documented at the national level and are hopeful that the state employment system will continue to develop an infrastructure that supports them to provide best practices in employment services (Jacoby, 2019). Many providers in Arizona are actively engaged in Arizona Employment First.

Deepening stakeholder engagement with existing resources

Stakeholders engaged with these resources have the chance to support employment outcomes for individuals with disabilities. An issue that was repeatedly expressed by stakeholders in Arizona is that there is not statewide acceptance that all people with disabilities, particularly those with the most significant disabilities, are capable of real jobs in the community. This attitude is not limited to the general public. Interviewees specifically noted that professionals who work directly with individuals with disabilities also need support to raise their expectations.

Stakeholders also shared the need to establish employment in the community as the goal for all people with disabilities. This is a significant issue that if not addressed will continue to hamper Arizona's efforts to increase the number of people with disabilities who are working. Until everyone across the employment system for individuals with disabilities believes and advocates that all people can work if given the required services and supports, Arizona will continue to struggle to shift state agency resources towards employment and secure additional funds for employment.

Arizona's Employment First Initiative is already bringing together a wide variety of stakeholders to develop partnerships to address employment issues for people with disabilities. Partners could help to address these additional concerns by establishing annual goals for increasing employment. More than mere semantics, the establishment of annual goals to increase employment sends a clear message that employment is an expected outcome for people with disabilities (Hall et al., 2007, 2018; Kamau & Timmons, 2018). Specific actions to consider include:

- » The development of specific employment status, not just whether someone is receiving employment services. It is recommended that Employment First Initiative members:
 - Identify an overarching annual goal in terms of the number of new employment placements across all partners and identify sub-goals for each partner.
 - Define a common expectation for what an employment outcome looks like. For tracking purposes, it is best if the definition is uniform across the partners. It should include:
 - i. Acceptable wage rate (weekly wage is a much more powerful indicator than hourly wage rate)
 - ii. Number of hours of employment per week
 - iii. Type of integration desired in a workplace (e.g., Do service provider-owned businesses contribute to this number?)

- Identify a common method of reporting aggregate data across agencies and comparing it across systems with the goal of sharing employment outcomes with the public and advocates. Data reporting could be made available by region to reflect different economies and labor market conditions. Consider the ADDPC's proposed data display site as a venue for dissemination.
- » The partners should highlight how employment resources for people with disabilities are already contributing to Arizona's economy. Resources such as DB101, Freedom to Work (Medicaid Buy-In), Social Security Work Incentives, and Ticket to Work are already supporting people with disabilities in Arizona to become economically self-sufficient. However, data also show that the number of people in Arizona using resources such as Social Security Work Incentives has been declining for more than 10 years. It is recommended that:
 - Success stories about individuals who use these resources should be developed, with at least one resource user's story identified and highlighted per quarter. These success stories should be identified, cross-posted on each partner's website, and distributed through internal and external newsletters.
 - Information about the aggregate economic earnings of individuals who use these resources should be disseminated through a fact sheet.
- » Additional state programs should be invited to join the Employment First Initiative. Programs such as Department of Economic Security's Family Assistance Administration, Temporary Assistance to Needy Families Jobs Program, and Supplemental Nutrition Assistance Employment and Training Program will help ensure that individuals and their families who participate in these programs are connected to Arizona's Employment First Initiative activities. Further inviting the Department of Economic Security's Employer Engagement Administration to join the partnership will ensure that the needs of employers are well understood by all partnership members.

Summary Findings

- » State agencies responsible for employment services and supports have strong administrative policies that support interagency collaboration.
- » The collection and use of data to improve services is a valued strategy across state agencies, reflecting best practices; however, its use is uneven. Data sharing agreements between DDD, VR, ESS, and AHCCCS should focus on tracking individuals' employment progress to ensure that high-quality services are provided in a timely and effective manner.
- » High-performing state agencies use data to set goals, benchmark progress, and communicate changes to stakeholders. Arizona's state agencies and Employment First Initiative members that provide employment services should establish and make public annual goals to increase employment.
- » DB101 is a high-priority resource used by multiple state agencies to encourage individuals to maximize their economic self-sufficiency.
- » Governor Ducey's Employment First executive order provides an important guidepost related to employment expectations for people with disabilities.
- » State agencies are continuously striving to seek out technical assistance opportunities to identify areas for improvement within and between their state agencies. The use of evidence-based and best practices will help to increase the number of individuals working. The introduction of customized employment as a formal service code, development of career pathway services for individuals not yet working, and policy changes to improve access to employment for transition-age youth should be considered.

- » Arizona has a strong network of employment stakeholders that not only support state agency efforts to improve employment, but also support the introduction of evidence-based and innovative practices. Arizona will benefit from the adoption of national standards of practice and certification standards for every available employment service.
- » All individuals, regardless of level of support need, should be supported to develop and implement a plan to maximize their personal economic self-sufficiency. Tools should be used including individual success stories, Charting the LifeCourse, and model language for case managers.

Conclusion

Many stakeholders in Arizona have worked to support people with disabilities in employment, but when compared to peers across the country, Arizona has substantial room for improvement. Arizona's labor force participation rates for people with disabilities have remained low and its unemployment rates for people with disabilities have remained high compared to states with similar structural and demographic characteristics. The results of the modeling process indicate that Arizona's economy has much to gain from increasing employment for individuals with disabilities. Comparison states demonstrate that Arizona does not have to accept its status quo.

Even using the conservative estimates in model scenarios 1 and 2 results in significant annual increases in statewide GDP. Model 1 predicts a minimum annual increase in statewide GDP of \$197.50 million with up to an additional \$281.04 million in GDP and 703 more jobs added to the state's economy. Model 2 predicts a minimum annual increase in statewide GDP of \$575.52 million with up to an additional \$818.82 million in GDP and 2,042 more jobs added to the state's economy. Under the conservative scenarios for the impact assessment, Arizona will still be behind many other states in terms of employment rates for people with disabilities.

Are Arizona's political and business leaders satisfied with the state's current employment outcomes for people with disabilities? Or do these stakeholders want Arizona to become the **national leader** in employment for people with disabilities? To reach that goal, Arizona must close the labor force participation gap between people with and without disabilities. Achieving this will not be easy and will require ongoing changes and investment in the employment service system.

Arizona's Employment First Executive Order has poised the state for a transformation that could put individuals with disabilities on a path out of poverty and towards economic self-sufficiency. Supporting efforts to increase employment for people with disabilities will help to ensure that Arizona's governmental agencies fulfill Governor Ducey's goal that individuals with disabilities should expect to be employed in their communities. States that support and sustain a high percentage of individuals with disabilities in employment consistently use evidence-based and best practices in employment services. In Arizona there are pockets of evidence-based and best practices in use within and across state agencies. To reach the highest levels of employment for people with disabilities, Arizona must continue to scale up these efforts to all geographic areas of the state. As state agencies in Arizona make structural improvements to support more individuals with disabilities in the labor force, the service provider industry will also benefit. The addition of new services, increased payment rates, improved competency standards, and data on employment outcomes will make it possible for providers to hire and retain high-quality employment staff and make strategic long-term business decisions about how they can grow their integrated employment service departments. By extension, these efforts will help to ensure that Arizona continues to be a national leader in overall economic growth, that it maintains its status as a national leader in employment for people with disabilities, and that it has the potential to establish itself as the only state whose economy works for all.

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Appendix A: Estimated share of workers with disabilities across industries

Industry	Percentage of employees with disabilities	Industry	Percentage of employees with disabilities
Administrative and support services	7.98%	Broadcasting and telecommunications	0.55%
Educational services	7.85%	Rental and leasing services and lessors of intangible assets	0.53%
Other retail	7.19%	Plastics and rubber products	0.52%
Food services and drinking places	6.69%	Wood products	0.49%
Construction	5.99%	Waste management and remediation svcs	0.45%
Other services	5.21%	Mining, except oil and gas	0.44%
Hospitals	4.28%	Motor vehicles, bodies and trailers, and parts	0.42%
Ambulatory health care services	4.10%	Furniture and related products	0.39%
Professional, scientific, and technical services	3.83%	Nonmetallic mineral products	0.39%
Federal Reserve banks, credit intermediation, and related activities	3.42%	Printing and related support activities	0.39%
Food and beverage stores	3.39%	Warehousing and storage	0.38%
Wholesale trade	3.06%	Data processing, internet publishing, and other information services	0.29%
Social assistance	2.96%	Air transportation	0.26%
General merchandise stores	2.94%	Forestry, fishing, and related activities	0.24%
Real estate	2.91%	Rail transportation	0.17%
Amusements, gambling, and recreation industries	2.82%	Chemical products	0.16%
Insurance carriers and related activities	2.31%	Publishing industries, except internet (includes software)	0.16%
Other transportation and support activities	1.80%	Machinery	0.15%
Nursing and residential care facilities	1.48%	Electrical equipment, appliances, and components	0.14%
Transit and ground passenger transportation	1.44%	Motion picture and sound recording industries	0.11%
Computer and electronic products	1.40%	Primary metals	0.09%
Other transportation equipment	1.28%	Management of companies and enterprises	0.05%
Truck transportation	1.24%	Textile mills and textile product mills	0.04%
Motor vehicle and parts dealers	1.04%	Apparel and leather and allied products	0.00%
Farms	1.00%	Oil and gas extraction	0.00%
Performing arts, spectator sports, museums, and related activities	0.96%	Paper products	0.00%
Fabricated metal products	0.92%	Petroleum and coal products	0.00%
Accommodation	0.87%	Pipeline transportation	0.00%
Utilities	0.84%	Support activities for mining	0.00%
Securities, commodity contracts, and investments	0.71%	Water transportation	0.00%
Food and beverage and tobacco products	0.65%		
Miscellaneous manufacturing	0.63%		

Source: American Community Survey, 2017

Appendix B: Glossary

Blind Work Experiences: These are a broad range of work-related expenses that people who receive Supplemental Security Income (SSI) due to blindness can deduct from their countable income.

Bureau of Economic Analysis (BEA) Regional Input-Output Modeling System (RIMS II): Beginning in the 1970s the federal Bureau of Economic Analysis (BEA) began providing mathematical formulas to help each region of the country understand how to analyze the potential effects of economic activities on the region's economies. Today they are used as a guide for anyone who conducts or reviews economic impact studies. For more information please see the RIMS-II Guide at https://www.bea.gov/sites/default/files/methodologies/RIMSII_User_Guide.pdf

Centers for Medicare and Medicaid Services (CMS): CMS is the federal agency within the U.S. Department of Health and Human Services that administers Medicaid in addition to other federal health insurance/coverage programs. Medicaid is the largest federal source of funds for employment services to individuals with disabilities, and is administered through several Home and Community-Based authorities. States have a great deal of flexibility in designing their Medicaid-funded employment services systems within broad federal requirements. The CMS 2014 Community-Based Settings Rule creates the expectation that Medicaid-funded services will support competitive integrated employment and that agencies will shift away from service settings that isolate or segregate people with disabilities from the general population.

Customized Employment: The U.S. Department of Labor's Office of Disability Employment Policy and the U.S. Department of Health and Human Services Rehabilitation Services Administration approved a definition of customized employment as competitive integrated employment for an individual with a significant disability that is based on an individualized determination of the strengths, needs and interests of the individual with a significant disability and the business needs of the employer and is carried out through flexible strategies through which the needs of employer and employee are negotiated.

Federal Poverty Levels: There are two types of federal poverty levels used in this report. They are similar but are used for different purposes. For more information please see the U.S. Department of Health and Human Services Office of the Assistance Secretary for Planning and Evaluation at <https://aspe.hhs.gov/2019-poverty-guidelines>

Federal Poverty Threshold: Poverty thresholds are updated each year by the U.S. Census Bureau. The thresholds are used for statistical purposes, such as estimating of the number of Americans in poverty each year.

Federal Poverty Guidelines: Poverty guidelines are simpler versions of the poverty threshold and are issued by the Department of Health and Human Services. Every year updated poverty guidelines are developed to be used to determine financial eligibility for certain federal programs.

Full Time Employment: The federal Internal Revenue Service defines full time employment as over a one month period an employee employed on average at least 30 hours of per week or 130 hours per month. For more information please see the Internal Revenue Service at <https://www.irs.gov/affordable-care-act/employers/identifying-full-time-employees>

Gross Domestic Product (GDP): Economists use the term gross domestic product (GDP) to measure how an economy is doing. GDP measures the value of all goods and services produced in an economy in a given period of time, usually a quarter or a year.

Individuals with Disabilities Education Act (IDEA): IDEA is federal special education legislation requiring that participating state and local education agencies identify all eligible students with disabilities and develop individual education plans (IEPs) for them that provide free and appropriate education in the least restrictive environment consistent with their needs. IDEA also requires schools to include employment-related transition services in the IEPs of all students

who have reached the age of 16. It defines transition services as having a coordinated focus on improving students' academic and functional achievement. IDEA facilitates movement from school to post-school activities, including postsecondary education and integrated employment. Services include instruction, community experiences, and the development of employment and other post-school goals. Transition services and placements must adhere to least restrictive environment requirements, and Section 511 of WIOA prohibits schools from contracting with programs that pay employees less than minimum wage. School IEP teams, charged with preparing for transition, can include representation from the state VR and developmental disabilities agencies.

Impairment Related Work Expenses: The U.S. Social Security Administration defines Impairment Related Work Expenses as the expenses one incurs for special equipment, training, or anything else directly related to one's ability to perform work with an impairment. These expenses must be considered in determining eligibility for SSDI and must be deducted before calculating the amount by which SSI benefits are to be reduced by income.

Labor Force: The labor force is comprised of employed and unemployed people in the working age population. Another way to describe this is that the labor force includes people who are working and people who are looking for a job.

Labor Force Participation Rate: The labor force participation rate is the percent of the working age population that is in the labor force. Another way to describe this is the number of people who are working or who are looking for a job divided by the total number of working age people.

Learning Lab: Learning labs bring together staff from different organizations to meet and share knowledge of the work they do and build relationships across organizations to strengthen collaborative activities.

Metropolitan Statistical Areas: The United States Office of Management and Budget (OMB) has standards that it uses to identify geographic areas. Using statistical formulas, geographic areas that have a large population center and the similar communities around it are called metropolitan statistical areas. For more information please see the Census Bureau description at <https://www.census.gov/programs-surveys/metro-micro/about.html>

Non-Tax Revenue: Non-tax revenue is money collected by the government that does not come from tax dollars. An example of non-tax revenue is a fee that you pay the government to obtain a license. Please see Arizona Financial Transparency Portal (<https://openbooks.az.gov/revenue>) for Arizona's sources of non-tax revenue.

Order of Selection: If a state does not have the resources to provide all needed VR services to all eligible individuals it is required to implement an "order of selection" to determine who will receive services and a waiting list for services. States must justify their order of selection and are required to ensure that people with the most significant disabilities are selected first.

Part-time Employment: Part-time employment is anything less than working 30 hours of service per week or 130 hours per month.

PASS: A "Plan for Achieving Self-Support" is a program administered by the U.S. Social Security Administration for people receiving Supplemental Security Income benefits. It allows participants to set aside money or other resources as part of a plan to obtain a job that will produce enough earnings to reduce their Supplemental Security Income benefit.

PROMISE: Promoting Readiness of Minors in Supplemental Security Income (PROMISE) is a joint initiative of the U.S. Departments of Education, Health and Human Services, Labor, and Social Security Administration to competitively award grants to a small number of states for initiatives to improve health, education, and post-secondary outcomes for adolescents, 14-16, who receive Supplemental Security Income, and their families. Demonstration programs must improve coordination of services and focus on both youth and their families.

Right-to-Work Laws: Right to work laws ban contractual agreements between employers and union employees that require workers to pay for the cost of union representation.

Supported Employment: The Workforce Innovation and Opportunity Act defines supported employment as “competitive integrated employment ... or employment in an integrated ... setting in which individuals are working on a short-term basis toward competitive integrated employment, that is individualized and customized consistent with the strengths, abilities, interests, and informed choice of the individuals involved, for individuals with the most significant disabilities for whom competitive integrated employment has not historically occurred ... or has been interrupted or intermittent as a result of a significant disability; and who, because of the nature and severity of their disability, need intensive ... services ... in order to perform the work involved.”

Type I Multipliers: Multipliers are used to explain how changes in economic activity in a geographic area lead to improvements or declines in the area’s economy. Type I multipliers explain changes in the economy between two or more industries (interindustry effect).

Type II Multipliers: Multipliers are used to explain how changes in economic activity in a geographic area lead to improvements or declines in the area’s economy. Type II multipliers account for the impact of increases or decreases in household spending on an area’s economy.

Unemployment Rate: The unemployment rate is the percent of the labor force that does not have a job but is actively searching for a job and available to take one. Another way to describe this is the number of people who are looking for a job divided by the number of people in the labor force.

Urban Revenue Share: Urban revenue share is the amount of money a local government can expect to receive from the state government. In Arizona there are specific guidelines established for how this is determined. For more information please see the process outlined by the Arizona Legislature <https://www.azleg.gov/ars/43/00206.htm>

Working-Age Adult: The labor force is considered to consist of people ages 16 and older who are either working or actively looking for work. It excludes active-duty military personnel and the institutionalized population, such as prison inmates. For more information see the Bureau of Labor Statistics: <https://www.bls.gov/careeroutlook/2017/article/older-workers.htm>

Workforce Innovation and Opportunity Act (WIOA): WIOA is federal legislation signed into law in 2014 to reauthorize the Workforce Investment Act. Broadly, it directs the workforce system to develop regional plans in conjunction with Adult Education and Vocational Rehabilitation. WIOA expanded the role of Vocational Rehabilitation in the transition of students with disabilities from school to competitive integrated employment. It requires states to spend 15% of public VR funds on pre-employment transition services for students served by the Individuals with Disabilities Education Act or Section 504 of the Rehabilitation Act. It requires VR offices to collaborate with local schools and workforce development systems to facilitate the transition of students with disabilities from school to competitive integrated employment. A number of provisions in WIOA emphasize and increase the requirements for the general workforce development system and American Job Centers to meet the needs of job seekers with disabilities. WIOA explicitly requires that state and local workforce development boards’ members include community organizations that provide or support competitive integrated employment for individuals with disabilities.

Workforce Innovation and Opportunity Act (WIOA) State Plans: WIOA requires states to submit a Unified or Combined State Plan to the U.S. Department of Labor that outlines a four-year strategy for the State’s workforce development system. The publicly-funded workforce development system consists of the network of federal, state, regional and local agencies and organizations that provide employment, education, training and related services and supports to help job-seekers secure good jobs and provide businesses with workers who have the skills they need.

Appendix C: Advisory Committee Members

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Appendix D: Income and Health Program Descriptions

Program name	Program type	Program description
Social Security Disability Insurance (SSDI)	Income	<p>Is administered through the federal government. Provides cash assistance to individuals and certain family members (spouse or child) of the primary beneficiary. Eligible individuals must have worked a specific number of years and paid Social Security taxes. SSDI payment amounts are based upon work history. To receive the benefit people must demonstrate that they cannot work because they have a medical condition that is expected to last at least one year or result in death. Social Security determines if the person is eligible.</p> <p>To remain eligible for SSDI payments, an individual must remain under the Substantial Gainful Activity income level.</p> <p>Individuals can qualify for Medicare coverage two years after becoming eligible for SSDI.</p>
Supplemental Security Income (SSI)	Income	<p>Is administered through the federal government and funded through general tax revenues. Provides cash assistance to meet basic needs for low-income individuals who are seniors, are blind, or have another disability. Recipients do not have to have worked to qualify for benefits if they meet specific income, resource, and disability criteria.</p> <p>SSI benefits are also payable to people 65 and older without disabilities who meet the financial limits, however this group was not included in the models because they exceed the working age.</p> <p>Typically people who qualify for SSI also qualify for Medicaid.</p> <p>SSI payments can be reduced by other forms of income the individual earns. Section 1619(a) of the Social Security Act allows people with disabilities to continue receiving SSI cash payments, even if their earned income is at or above Substantial Gainful Activity levels, i.e., the amount that would normally make them ineligible for SSI.</p>
Medicare	Health	<p>Medicare is a federal health insurance program run by the Centers for Medicare & Medicaid Services.</p> <p>Payroll tax deductions are collected into a trust fund and those dollars are used to pay medical bills. Patients pay part of costs through deductibles for hospital and other costs. Small monthly premiums are required for non-hospital coverage</p> <p>Most Medicare recipients are over 65 years of age and are not subject to income and resource eligibility requirements. In limited circumstances Medicare serves people younger than 65 who are disabled.</p>
Medicaid	Health	<p>Medicaid is a federal-state assistance program. Within federal guidelines eligibility and other program elements vary from state to state.</p> <p>It serves low-income people of every age. Patients usually pay no part of costs for covered medical expenses. A small co-payment is sometimes required.</p> <p>Section 1619(b) of the Social Security Act allows individuals to continue receiving Medicaid benefits if their earnings disqualify them from eligibility for SSI cash payments but are not enough to allow them to afford medical insurance.</p> <p>In Arizona AHCCCS serves as the state level partner. As of February 1, 2019 to be eligible for Medicaid in Arizona individuals who are blind or have disability can earn up to \$1,041 in pre-tax income every month. If the applicant is married they and their spouse can earn up to \$1,410 in pre-tax income every month. Individuals who participate in Freedom to Work can earn substantially more per month.</p>

Appendix E: Other Resources that Facilitate Employment

Arizona's Employment First Executive Order was signed by Governor Doug Ducey on November 16, 2017. With the executive order Arizona formally embraced the national Employment First movement. Employment First has become a national initiative, with policies in 38 states (SELN, 2019). These policy commitments make community employment the first outcome considered for people with disabilities who receive state services. Employment First policies are nationally recognized as a path toward greater community employment for people with IDD. They anchor a service delivery system, focusing funding, resource allocation, training, daily assistance, and the provision of residential supports on the overall objective of employment. This makes it easier for individuals receiving publicly financed supports to enter the workforce and become contributing members of society (Moseley, 2009).

Arizona's Employment First Initiative is administered through staff at the University of Arizona Sonoran Center of Excellence in Disabilities. In April of 2016 a Memorandum of Understanding (MOU) established a formal partnership between:

- » Sonoran UCEDD - University of Arizona, Institute for Human Development - Northern Arizona University
- » Arizona Developmental Disabilities Planning Council
- » Arizona Department of Economic Security/Division of Developmental Disabilities and Division of Employment and Rehabilitative Services/Vocational Rehabilitation
- » Arizona Department of Education/Exceptional Student Services
- » Arizona Health Care Cost Containment System
- » Cave Creek Unified Schools
- » Scottsdale Training and Rehabilitation Services (STARS)
- » ValleyLife
- » The Centers for Habilitation
- » Gompers Habilitation Center
- » Southwest Autism Research & Resource Center
- » Beacon Group
- » Ability 360
- » Untapped Arizona
- » Raising Special Kids

Following the April MOU in June of 2016 an Employment Strategic Plan (June 2016) was developed. The plan has six key areas of action that the partners agree to address:

1. Collaborate to increase the competitive employment of people who have disabilities.
2. Increase awareness and advocate for people with disabilities to work in the community.
3. Prepare youth for competitive employment.
4. Foster job creation, hiring, retention, promotion, and self-employment for people with disabilities.
5. Create and promote policies that lead to the successful employment of people who have disabilities.
6. Foster the development of employment-focused services and supports. (Voirol, 2019).

Community Rehabilitation Providers (CRPs) and their staff are the primary source of employment supports for people with disabilities nationally and in Arizona. The ICI estimates that between 5,000 and 6,000 CRPs nationwide offer vocational services to individuals with disabilities (Haines, Domin, & Butterworth, 2013). Nationally, over two thirds of CRPs provide both work and non-work services (Domin & Butterworth, 2013). Under federal policy, including WIOA and the HCBS Settings Rule, and state Employment First initiatives, CRPs are under increasing pressure to shift from providing facility-based work and non-work services to a focus on competitive integrated

employment and community life engagement. Providers in Arizona reflect similar concerns as those documented at the national level (Jacoby, 2019).

Social Security Administration work incentives, such as the Plan for Achieving Self-Support, Impairment-Related Work Expenses, and Student Earned Income Exclusion, support employment by allowing individuals who receive Supplemental Security Income to exclude money, resources, and certain expenses from total earned income. The SSA also administers the Ticket to Work program, which lets beneficiaries receive employment support and other support services from a participating Employment Network or state VR agency. An Employment Network is an entity that enters into agreement with SSA to either provide or coordinate the delivery of services to beneficiaries. Assigning a Ticket to an Employment Network allows the entity to receive payments based on clients' success in entering a job. A Ticket may be used along with other employment support services funded with state, Medicaid, or VR resources. In Arizona, the Employment Network is administered by Ability360.

ABLE (Achieving a Better Life Experience) Act is a federal law passed in 2014 that granted states the ability to allow individuals with disabilities to save and invest money without losing eligibility for certain public benefits programs, like Medicaid or SSI. Arizona was an early adopter of the opportunity to allow its citizens to establish an ABLE account. In Arizona, accounts are set up and administered through the state Department of Economic Security. Users can contribute up to \$15,000 per year and if employed may be able to contribute up to an additional \$12,140 of income.



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