Greetings Council,

My director’s report for you all this time is going to be a bit different than other report outs. Instead of going unit by unit, I want to talk about what is happening nationally and locally with policy and the budget. I will have some unit updates, but for the most part, I want to have a conversation with you all about where things are at and some potential changes that may or will need to be made. In October, I can resume providing updates for each of our teams.

But first, I do want to share just a few highlights before I get into the deeper, heavier part of my report.

* Tomorrow, Lieutenant Governor Peggy Flanigan and SSB staff are holding a reception for the four MN Braille Challenge students who made it to Nationals. The LG will be saying a few words, and then the group will be touring the Braille unit.
* Joe Niffen in Engineering received the award of Engineer of the Year from the Society of Broadcast Engineers, SBE, Chapter 17.
* Ed Stofferahn and Isaac Hanninen in Engineering recently received training on how to repair Perkins Braillers. They will now be able to assist our staff and customers with these repairs, as there is a great backlog. Our Braille team alone has 40 Braillers in need of being serviced. In the past, it was taking upwards of a year to get a Brailler serviced from outside entities.
* Our DIF grant is officially serving two participants! They aren’t ready yet to open the doors fully, but there were two job retention situations that arose, and the team was not going to turn them away. They have been super busy creating the policies and procedures, developing the structure for the advisory council, getting their case management system ready for launch, and finalizing the RFPs for ATB/employment services and the CST training program.
* I recently received a request for SSB to engage with an upcoming delegation of disability activists from Pakistan who are visiting Minnesota as part of the U.S. Department of State’s International Visitor Leadership Program (IVLP). The group of 10 professionals plus several interpreters will meet with a few SSB staff on September 2nd to learn more about the work that we do.

Now let’s talk about the budget both nationally and at SSB. Then, I will get into Federal policy.

*Budget*

With the recent passing of One Big Beautiful Bill Act (OBBBA), our attention now turns to the passing of appropriations, which is where we find the VR and Older Blind budgets. The proposed President’s budget for VR included:

* Returning to our 2024 grant award amount plus an additional -8%. That would result in an almost $2m decrease to our federal award here at SSB.
* Ending funding for Client Assistance Project (CAP) and Protection and Advocacy for Individual Rights (PAIR) and essentially hinting at the VR program to pay for those programs.
* Ending the supported employment grants.
* Ending the national training grants, including discontinuing funding technical assistance centers and rehabilitation counseling training programs.

As you all are very much aware, we are already on a very tight budget with a projected $400,000 or so deficit by the end of next year. One positive is we were able to have this information as we prepared our 2026 budget, which means we prepared a worst-case scenario budget that reflects a significant decease in our Federal award. We had to make cuts across all of our programs, and we focused on the areas that would have the least impact on customer delivery.

* For the RTB, it means not immediately filling behind Michael LeFleur when he retires this fall. This will result in scheduling changes for when RTB is on the air. Those changes are still being developed and will be discussed with the RTB team.
* For Audio, it means continuing to not fill for the volunteer coordinator position. It also means we have a very tight scope for the audio/RTB side of the CCSS Replacement Project. We are only getting the barebones of what we need and not a single thing more than that.
* For Braille, it means we must prioritize our book requests and limit how much we purchase externally. The team may be transcribing materials that they normally would have purchased, which takes a lot of time to do.
* For BEP, it means we continue to fund Keith and Tim’s salaries through the set-aside fund, which was approved by the Elected Committee.
* For SSU, it was reducing the number of consumables we purchase and hand out, and it is also being mindful of how we contract out for services. This does not mean we won’t contract out (that’s impossible); it just means we need to be mindful of how many hours we authorize, ensuring services are being delivered in accordance with the referral, etc. What we did not do is reduce travel to customers, as this is the most vital part of SSU’s services.
* For WDU, it was continued supervisory oversight of purchases, reducing travel whenever possible, and not filling behind several positions, including the assistive technology position after Greg Hunder retired in July and the employment services position after Dacia VanAlstine moved over to DIF. What we did not do was reduce how much we budget for customers’ services (i.e. authorizations). However, our costs in this area continue to exceed what we have budgeted, and we won’t have additional or spare funds to absorb this next year like we did this year. In 2025, we budgeted 4.4m specifically to customers, and so far we have authorized almost 6. In 2026, we were able to budget the same without any reductions, but if we continue on the same trajectory without any changes, we will exceed that. In order to increase our budget for case services, the only other place we can decrease our funds is in personnel. However, with applications continuing to rise and the average caseload size ticking upwards, we cannot afford to lose any additional staff.

In preparation for this proposed significant decrease in our Federal funding and our projected deficit, we are doing strategic maneuvering and planning:

* Due to the new KLAS system we have in place for Braille, we have much better tracking and reporting. As a result, we are now able to put more Pre-ETS dollars towards this unit while comfortably knowing the money is being spent in accordance with federal requirements. Starting October 1, we will be able to report the state dollars we use for Braille as match, so if our federal award does ever increase again, we don’t have to take state funds from other SSB programs to meet that increased state match obligation.
* We worked with our sister agency on a reallotment request. Reallotment is a process to ask for money that states have turned back. SSB is asking for $1,000,000 for WDU and $500,000 for SSU. We unfortunately do not have the state dollars available that allow us to match the $1m request, but VRS does. They will cover it for us, allowing us to make this request.
* We identified one area within our case services that we propose making changes to, with Council input, that would result in cost savings. The policy change has to do with paying rent. In addition to cost savings, this is a policy area that we have identified in supervisory reviews that is causing a lot of confusion in its implementation, and in some cases, the interpretation of the policy has resulted in an over-use and over-expenditure of dollars. We are in the process of drafting a proposed policy amendment that we hope to present to the Council and members of the public during the end of September meeting. Right now, we are reviewing the proposed language with our General Counsel’s office, while also researching case law and what other VR agencies are doing in this area. We plan to provide a copy of the draft policy in advance so Council members and the general public have time to review. The policy language we are proposing would NOT impact:
  + housing to attend ATB training,
  + housing costs outside of normal living expenses to attend a short-term training program, and
  + on-campus room and board costs for post-secondary.

This weekend, we did receive some potentially good news from the Senate Appropriations Committee, which considers the President’s budget but issues it’s own version. This Committee passed a *bipartisan* FFY2026 appropriations bill that provides $197 billion in discretionary funding for the departments of Labor, Education, and Health and Human Services.

The Department of Education would receive $79 billion in discretionary funding, which includes boosts to K-12 funding. The bill includes language that would prevent the dismantling of the Education Department. The legislation includes $15.2 billion for IDEA Special Education State grant programs, which is a $50 million increase over fiscal 2025 levels.

In the bipartisan bill, VR receives $4.5b and an inflationary increase as authorized in statute. I can’t quite tell from the report if that still reduces us to 2024 levels but removes the additional -8% while also allowing for future inflationary increases, or if it keeps us at our 2025 levels and gives us another increase.

The bill also returns funding to CAP, PAIR, the training grants, and Supported Employment. It also includes language that ED can't move OESE or OSEP to another federal agency and ideally that would include all the ED offices.

It seems likely that the Senate bill will be the high-water mark for many programs, although the House will work hard to increase its own priority programs.  Already, the House Freedom Caucus has renewed its claims that it was promised by House leadership that there would be no increase in discretionary spending from FY2025 to FY2026, and that many programs would see significant cuts.

So budget-wise, federally, we are still in a bit of purgatory, though the outlook is more positive than it has been these past few months. Because we won’t know where all this lands until probably closer to the holidays, we must continue moving forward with the worst-case scenario in mind.

As for the state budget, we need to continue being fiscally conservative, as there is still a projected deficit for the entire State of MN going into the next biennium. A big thing that occurred while I was on vacation has to do with the funding for ERAF. An oversight occurred when the policy language was drafted, and the Government Affairs team at the time unintentionally forgot to add the “special revenue stipulation” which allows for funds to carry forward at the end of the biennium. This mean when the state fiscal year concluded on June 30th, ERAF funds were returned to Minnesota Management and Budget. The Commissioner’s Office and our Legislative Budget Officer at DEED have been working with MMB to get the funds returned back to ERAF, but at this time, they have not been successful. It is possible that we will need to discontinue ERAF effective immediately. We will know more in the next few weeks, but needless to say, we are incredibly disappointed and disheartened about it. Fortunately, should we need to discontinue the program, the two staff who are working on ERAF will seamlessly transition over to our DIF grant team. Morgan was already providing administrative support 50% of the time, and Ray was already beginning to assist with outreach planning. We knew ERAF would not be forever (though we were hoping), and we wanted to ensure our staff continued to have a job, so we had already made long-term plans for this transition. We just didn’t expect it to happen so soon.

*Policy*

In addition to the budget, there are some significant Federal policy changes that have happened in July, one of which will result in SSB needing to make one other policy change with Council input.

* Federal Policy Change 1: SMW. The Biden Administration issued a rulemaking effectively eliminating the use of 14c special wage certificates. The current administration received significant advocacy from Congress including the Chair of the House Ed and Workforce committee asking for the rule to be rescinded, which they have since done.
* Federal Policy Change 2: Section 503. Section 503 of the Rehabilitation Act prohibits federal contractors from discriminating against individuals with disabilities.DOL released new regulatory changes. The new regulations propose to remove the requirement for federal contractors to ask individuals to self-affirm if they have a disability citing that they feel it is in conflict with the ADA. Finally, the proposed regulation removes the requirement for federal contractors to set a 7% goal of population of workers with disabilities due to the DOL's belief that it causes contractors to set quotas which are impermissible.
* Federal Policy Change 3: Gender Reporting. In alignment with President Trump’s Executive Order 14168: *Defending Women From Gender Ideology Extremism and Restoring Biological Truth to the Federal Government* (January 20, 2025), the Rehabilitation Services Administration (RSA) indicated for our federal reports for the VR and Older Blind programs, our gender collection options have changed. The gender options are now: *1. Female 2. Male 3. Unknown*. Before the options were: 1 = Male; 2 = Female; 3 = Nonbinary or another; 9 = Prefer not to answer.
* Federal Policy Change 4: Work Authorization. On February 19, 2025, President Trump issued [Executive Order 14218](https://www.federalregister.gov/executive-order/14218) (Ending Taxpayer Subsidization of Open Borders), directing agencies, among other actions, to ensure that federally funded programs are operating in compliance with the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). In response to this EO, several Departments, including ED, issued interpretations and guidance in July:
* The US DOL issued new guidance requiring all federally funded workforce development programs to verify work authorization before providing services, effectively barring illegal immigrants from accessing these resources. The directive, aligned with President Trump’s Executive Order 14218, aims to prioritize American workers, and ensure compliance with federal law. It reverses previous Biden-era guidance and applies across a range of programs, including WIOA and others serving youth, dislocated workers, and farmworkers.
* HHS issued a press release that bans illegal aliens from accessing its taxpayer-funded programs. Some of these include: Certified Community Behavioral Health Clinics; Community Mental Health Services Block Grant; Community Services Block Grant (CSBG); Head Start; Mental Health and Substance Use Disorder Treatment, Prevention, and Recovery Support Services Programs administered by the Substance Abuse and Mental Health Services Administration; Projects for Assistance in Transition from Homelessness Grant Program; Substance Use Prevention, Treatment, and Recovery Services Block Grant; and more.
* ED has concluded that Federal programs administered by the Department that provide postsecondary education and other similar benefits, including adult education and career and technical education programs, are “Federal public benefits” subject to the citizenship and immigration verification requirements of PRWORA, so long as such benefits are not protected under *Plyler* v. *Doe,* 457 U.S. 202 (1982).

While VR is not specifically called out (yet), nor has RSA issued written guidance, we know we need to prepare for a change. As of right now, our eligibility does not require work authorization or work legality to engage in our program. Instead, our policy allows for individuals to work with us if they are pursuing work authorization. However, we have been advised by General Counsel that we will need to adjust our language to be in alignment with the current administration’s priorities. Yes, compliance with law is important, but what we are most concerned about is that providing VR services to individuals who do not have work authorization puts them at extraordinary risk. I will note that VRS’s eligibility requires work authorization to receive VR services, which is the case for most (but not all) VR agencies. We are currently working with our General Counsel’s office on the proposed change to our policy, which would require work authorization to receive VR services, which we hope to present during the next Council meeting for input.

* Federal Policy Change 5: Changes to DEI. Finally, on July 29th, the U.S. Attorney General issued guidance to Federal agencies, including RSA, that emphasizes the significant legal risks of initiatives that involve discrimination based on protected characteristics and provides non-binding best practices to help entities avoid the risk of violations. We have all been aware of the changes in federal priorities as it relates to diversity, equity, and inclusion practices; however, until recently, RSA had remained silent on this topic. Right before I went on vacation, I was informed by our Federal partners that our Combined State Plan, which is essentially our application for our VR award, has many references to DEI&A that are contradictory to federal priorities. As such, they have indicated we need to modify our CSP to remove references to DEI&A so as to not jeopardize our VR funding. DEI&A is most heavily referenced in our Goals and Priorities section, though it is infused throughout. Our two-year State Plan modification is due this coming spring, so we want to begin discussions now with the Council and associated Taskforces and Committees on what these modifications should look like. The big question is how do we reframe the language while keeping our intent of serving overlooked and underserved people the same? I would like to turn it over to our Chair for that conversation.