JLBC Analyst: Stefan Shepherd

	FY 2000 Actual	FY 2001 Estimate	FY 2002 Approved	FY 2003 Approved
OPERATING BUDGET				
Full Time Equivalent Positions	752.0	755.3	747.3	747.3
Personal Services	21,030,100	24,236,000	22,777,200	23,924,200
Employee Related Expenditures	5,419,400	5,299,400	5,336,900	5,201,500
Professional and Outside Services	3,831,700	5,112,500	5,029,700	5,029,700
Travel - In State	727,700	754,100	695,800	695,800
Other Operating Expenditures	2,871,900	1,321,000	898,100	898,100
Equipment	1,826,900	0	0	0
Operating Subtotal	35,707,700	36,723,000	34,737,700 1/	35,749,300 1/
TANF Cash Benefits	115,831,100	125,957,200	96,185,900 2/3/	99,552,800 2/3/
FLSA Supplement	848,200	3,817,600	1,267,200	1,305,200
Tribal Pass-Through Funding	0	0	4,212,800	4,212,800
Tribal Welfare Reform	0	1,000,000	1,000,000 4/	1,000,000 4/
Arizona Works Agency Procurement Board	300,000	300,000	0 5/	0 5/
Arizona Works Administrative Incentives	449,900	1,021,500	1,292,800 6/7/	868,500 6/7/
Outreach and Naturalization	214,400	250,000	250,000	250,000
General Assistance	3,776,100	4,260,800	4,260,800	4,260,800
Tuberculosis Control	30,000	10,600	32,200	32,200
Institutional Support Payments	252,900	288,000	266,400	266,400
Food Stamp Outreach Education	0	200,000	200,000	200,000
SUBTOTAL	**157,410,300**	**173,828,700**	**143,705,800**	**147,698,000**
Additional Appropriations -				
Social Assistance Programs; Appropriations, Ch. 345	0	0	398,000 8/	0
TOTAL APPROPRIATIONS	**157,410,300**	**173,828,700**	**144,103,800** 9/	**147,698,000** 9/
FUND SOURCES				
General Fund	92,205,200	80,665,000	85,150,900	85,814,600
Other Appropriated Funds				
Federal Temporary Assistance for Needy Families Block Grant	65,205,100	93,163,700	58,952,900	61,883,400
Subtotal - Other Appropriated Funds	65,205,100	93,163,700	58,952,900	61,883,400
TOTAL APPROPRIATIONS	**157,410,300**	**173,828,700**	**144,103,800**	**147,698,000**

1/ The Operating Lump Sum Appropriation may be expended on Arizona Health Care Cost Containment System eligibility determinations based on the results of the Arizona random moment sampling survey. (General Appropriation Act footnote)

2/ Notwithstanding A.R.S. § 35-173C, any transfer to or from the $96,185,900 appropriated for Temporary Assistance for Needy Families Cash Benefits in FY 2002 and the $99,552,800 appropriated for Temporary Assistance for Needy Families Cash Benefits in FY 2003 requires approval of the Joint Legislative Budget Committee. (General Appropriation Act footnote)

3/ Of the amounts appropriated for Temporary Assistance for Needy Families Cash Benefits, $4,200,000 in both FY 2002 and FY 2003 reflects appropriation authority only. The department shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting staff before the use of any of the $4,200,000 appropriation authority. (General Appropriation Act footnote)

4/ The $1,000,000 appropriated for Tribal Welfare Reform in FY 2002 and FY 2003 shall be distributed to Native American tribes in this state to enhance welfare reform efforts on behalf of tribal citizens. Each $1,000,000 appropriation shall be distributed by the Department of Economic Security on a proportional basis based on the population residing on the reservation of each tribe in this state. (General Appropriation Act footnote)

COST CENTER DESCRIPTION — *The program develops policy and operating procedures, determines eligibility, pays benefits and carries out an evaluation and monitoring program for the following programs: Temporary Assistance for Needy Families (TANF), Food Stamps, General Assistance (GA), Tuberculosis Control, and Institutional Support Payments.*

PERFORMANCE MEASURES	FY 1999 Est./Actual	FY 2000 Est./Actual	FY 2001 Estimate	FY 2002-03 Estimate
• % of Cash Benefits issued timely	98.0/98.7	98.0/98.6	98.6	98.6
• % of total Cash Benefits payments issued accurately	96.0/95.1	96.0/97.3	95.0	95.0
• Average Cash Benefits caseload	135,051/92,587	106,022/86,936	90,769	93,527/96,333
• % of total Food Stamps payments issued accurately	94.8/94.7	95.0/96.4	95.0	95.0
• Average monthly number of Food Stamp recipients	347,200/260,700	258,000	265,295	297,400/341,900
• % of clients satisfied with Family Assistance Admin.	NA/86.6	NA/86.7	87.2	87.7/88.2

Navajo Nation Maintenance of Effort — The approved FY 2002 and FY 2003 amounts include a shift of $6,505,700 yearly from the General Fund to the TANF Block Grant associated with a reduction of required maintenance of effort (MOE) levels resulting from the Navajo Nation operating their own tribal TANF program. Federal law permits Native American tribes to operate their own TANF programs. Tribes whose plans are approved by the federal government may receive a portion of a state's TANF Block Grant directly from the federal government. Starting on October 1, 2000, the Navajo Nation will receive a portion of Arizona's TANF Block Grant. Because this will reduce Arizona's grant, the MOE level the state is required to fund will also be reduced by $6,505,700 per year. The approved amounts replace this GF spending with TANF Block Grant monies. Included in the total shift is an operating budget shift of $935,700 yearly from GF to TANF, along with a shift of 30 FTE Positions. The remaining amount, $5,570,000, is shifted from GF to TANF yearly in the TANF Cash Benefits Special Line Item.

Tribal Operations of Welfare Programs — The approved FY 2002 and FY 2003 amounts include an operating budget decrease of $(3,247,700) and (8) FTE Positions associated with tribal operation of welfare programs. A total of 4 tribes, including the Navajo Nation, currently operate or will operate by July 1, 2001 their own welfare program. Of the total decrease, $(1,771,700) TANF is already being passed through to tribes from their federal TANF Block Grant, and $(1,476,000) GF reflects monies already passed through to tribes by the state. *(Please see the **TANF Cash Benefits, Tribal Pass-Through Funding,** and **Tribal Welfare Reform** discussions for further details on tribal welfare spending.)*

Base Realignment — The approved FY 2002 and FY 2003 amounts include an operating budget shift of $10,000,000 yearly to the TANF Block Grant from the General Fund to ensure the state stays below the 15% administrative cap for the TANF Block Grant and the state MOE. The approved amounts also include a shift of 213.6 FTE Positions to TANF from GF yearly. Along with other base realignments in TANF Cash Benefits, the Administration cost center, and the Children, Youth and Families cost center, there is no agencywide GF change.

Special Line Items

TANF Cash Benefits — Monies in this line item provide financial assistance on a temporary basis to needy dependent children in their own homes or in the homes of responsible caretaker relatives. The approved FY 2002 amount, $96,185,900, includes $51,410,700 from the General Fund and $44,775,200 from the TANF Block Grant. The approved FY 2003 amount, $99,552,800, includes $51,410,700 from the General Fund and $48,142,100 from the TANF Block Grant. These amounts reflect several changes from FY 2001:

- caseload reductions
- tribal reductions
- expenditure authority
- base realignment

Caseload Reductions: The approved FY 2002 amount includes a decrease of $(13,598,500) TANF below FY 2001 for a projected (8.9)% caseload decrease below the appropriated FY 2001 figure. The approved FY 2003 amount includes a decrease of $(10,231,600) TANF below FY 2001 for a projected (6.1)% caseload decrease below

5/ The Department of Economic Security shall provide the Arizona Works Agency Procurement Board a level of support equivalent to that received in FY 2001. (General Appropriation Act footnote)

6/ The Department of Economic Security shall provide data on the Arizona Works program to the Joint Legislative Budget Committee on a bimonthly basis to accompany the report required by A.R.S. § 46-344. The Department of Economic Security shall also provide data related to the performance contract with the Arizona Works vendor to the vendor and the Joint Legislative Budget Committee no later than 70 days after the end of each fiscal quarter. (General Appropriation Act footnote)

7/ Appropriated by footnote in Laws 1999, Chapter 1, 1st Special Session.

8/ Monies are available for use for both FY 2002 and FY 2003.

9/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Program.

FY 2001. Compared to FY 2002, however, caseloads will increase by 3.1%.

Tribal Reductions: The approved FY 2002 and FY 2003 amounts include a decrease of $(17,636,000) TANF and $(2,736,800) GF below FY 2001 for tribal operations of welfare programs. The TANF amount reflects monies that will be passed directly to the 4 tribes operating welfare programs from the federal government. The state of Arizona will no longer receive this TANF funding. The General Fund amount reflects the cash benefit portion of the pass-through funding the state is permitted to give tribes operating their own welfare programs. *(Please see the **Tribal Operations of Welfare Programs** and **Tribal Pass-Through Funding** discussions for further details.)*

Expenditure Authority: The approved FY 2002 and FY 2003 amounts include an increase of $4,200,000 TANF for expenditure authority. This expenditure authority will help the department have sufficient cash flow to pay for cash benefits to clients of the 4 tribes operating their own welfare programs. The tribes pay the state for the benefits on a reimbursement basis. *(Please see footnote #3 for further details.)*

Base Realignment: The approved FY 2002 and FY 2003 amounts include a shift of $20,228,500 from the TANF Block Grant to the General Fund to ensure the state stays below the 15% administrative cap for the TANF Block Grant and the state MOE.

In addition to these changes, the approved FY 2002 and FY 2003 amounts include a shift of $5,570,000 from GF to TANF for the Navajo Maintenance of Effort issue discussed above.

Table 1 below summarizes expected caseloads and expenditures in the TANF Cash Benefits line item.

Fair Labor Standards Act Supplement — In addition to regular TANF Cash Benefits, this program pays cash supplements to certain TANF clients participating in unpaid work activities and community work experience programs. These supplements ensure that clients' participation in these programs meets Fair Labor Standards Act (FLSA) requirements.

The approved FY 2002 amount, $1,267,200 TANF, is a $(2,550,400) TANF decrease from FY 2001, reflecting an estimate of current caseloads. The approved FY 2003 amount, $1,305,200 TANF, is a $38,000 increase above FY 2002, which assumes a 3% population increase. Of these amounts, an estimated $142,600 in FY 2002 and $148,900 in FY 2003 will be used for supplements to Arizona Works clients.

Tribal Pass-Through Funding — Monies in this new line item are passed through to Native American tribes operating their own welfare programs. The approved FY 2002 and FY 2003 amounts, $4,212,800 GF, reflect monies previously passed through from the operating budget to the 4 tribes operating their own welfare programs. A.R.S. § 46-134 permits the state to provide matching GF monies to tribal governments consistent with the applicable fiscal year budget. These amounts reflect approximately 80% of the GF monies expended on behalf of these tribes in Federal Fiscal Year (FFY) 1994. This amount is allocated as shown in *Table 2* below:

Table 2

Tribal Pass-Through Funding Components

Tribe	TANF Cash	Operating	Total
Navajo	$1,208,800	$1,152,900	$2,361,700
Salt River Pima-Maricopa	263,600	58,800	322,400
Pascua Yaqui	606,500	115,100	721,600
White Mountain Apache	657,900	149,100 1/	807,000 1/
Total	**$2,736,800**	**$1,476,000**	**$4,212,800**

1/ Note: Numbers do not add due to rounding

Please note that although the Hopi Tribe began operation of their welfare program in late FY 2001 and the JLBC has approved pass-through funding for the tribe, those monies

Table 1

		TANF Cash Benefits					
		FY 2002			FY 2003		
	Monthly Benefit per Recipient	Cases	Recipients	Benefits	Cases	Recipients	Benefits
EMPOWER							
Single-parent	$105	31,150	80,020	$100,825,200	32,084	82,420	$103,849,200
2-parent	$75	623	2,872	2,584,800	642	2,960	$2,664,000
Total - EMPOWER Redesign		31,773	82,892	$103,410,000	32,726	85,380	$106,513,200
Arizona Works	Varies by placement	3,927	10,635	$ 8,948,700	4,045	10,953	$9,212,400
TOTAL - Statewide		**35,700**	**93,527**	**$112,358,700**	**36,771**	**96,333**	**$115,725,600**
Deduction - Tribal Amounts							
TANF (not received by state)				$(17,636,000)			$(17,636,000)
General Fund (trans. to new SLI)				(2,736,800)			(2,736,800)
Add'l Appropriation Authority				4,200,000			4,200,000
Total - TANF Cash Benefits SLI				**$ 96,185,900**			**$ 99,552,800**

are not included in this line item. Those monies will be passed-through from the operating budget.

*(Please see the **Tribal Operations of Welfare Programs**, **TANF Cash Benefits**, and **Tribal Welfare Reform** discussions for further details on tribal funding issues.)*

Tribal Welfare Reform — Monies in this line item help fund tribal welfare reform efforts. The approved amounts, $1,000,000 TANF in both FY 2002 and FY 2003, are unchanged from FY 2001. Pursuant to a footnote the $1,000,000 will be distributed to Arizona's Native American tribes based upon the population residing on each reservation. *(Please see footnote #4 for further details.)*

Table 3 below summarizes all tribal related funding in this cost center:

Table 3

Welfare Funding for Four Tribes Operating Own Welfare Program

Category	FY 2002	FY 2003
TANF Block Grant (not received by state)	$19,407,700	$19,407,700
Tribal Pass-Through Funding SLI (GF)	4,212,800	4,212,800
Tribal Welfare Reform (TANF)	705,700 1/	705,700 1/
Laws 2001, Ch. 345 (TANF, for Hopi Tribe)	398,000	0
TOTAL	**$24,724,200**	**$24,326,200**

1/ Reflects portion of $1,000,000 TANF appropriation received by tribes operating their own welfare program.

Arizona Works Agency Procurement Board — Monies in this line item fund the administrative expenditures and technical assistance for Arizona Works Agency Procurement Board, which monitors implementation of the Arizona Works pilot program. Funding for this line item, which came from the General Fund, was eliminated for FY 2002 and FY 2003. A new footnote, however, requires that DES provide the board a level of support equivalent to that received in FY 2001. *(Please see footnote #5 for further details.)*

Arizona Works Administrative Incentives — Monies in this line item fund additional performance incentives for the Arizona Works program. The vendor for the Arizona Works program can earn these incentives if it meets specific criteria in its contract with the Arizona Works Agency Procurement Board. This amount does not include all incentives available to the vendor; those funds are in the operating budget. The approved TANF amounts, $1,292,800 in FY 2002 and $868,500 in FY 2003, were appropriated in Laws 1999, Chapter 1, 1st Special Session.

A new footnote requires that DES provide data related to the performance contract to the vendor and JLBC no later than 70 days after each fiscal quarter. *(Please see footnote #6 for further details.)*

Outreach and Naturalization — This program funds outreach and naturalization efforts targeted to legal immigrants losing Food Stamps and health coverage as a result of welfare reform. The funding is used for application fees and English classes. The approved FY 2002 and FY 2003 amounts, $250,000 GF, are unchanged from FY 2001.

General Assistance — This program provides financial assistance to persons who are unemployable because of a physical or mental disability. Eligibility is limited to 12 months out of every 36-month period. Extensions of 6 months are allowed if a recipient is currently appealing an adverse decision by the Social Security Administration regarding federal benefits.

The approved FY 2002 and FY 2003 amounts, $4,260,800 GF, are unchanged from FY 2001. Components of the appropriation are as follows:

- Benefits: $4,804,800 for an average monthly benefit of $154 paid to 2,600 clients.
- Retroactive Payments: $(930,000) for federal reimbursement for General Assistance (GA) recipients later accepted into the federal Supplemental Security Income (SSI) program. This estimate is net of monies paid to attorneys for assisting GA recipients to become eligible for SSI.
- Application Assistance: $278,000 for contract costs with Advocates for the Disabled, who provide GA recipients with SSI application assistance.
- Medical Examinations: $108,000 for 2,978 contracted medical exams at an average cost of $35.83 per exam and 28 medical consultation hours at an average cost of $46.32 per hour.

Of the approved amounts discussed above, an estimated $553,900 will be used for GA benefits and services to Arizona Works clients in FY 2002 and FY 2003.

Tuberculosis Control — This program provides financial assistance to persons certified unemployable by the state Tuberculosis Control Office because of communicable tuberculosis, as outlined in A.R.S. § 36-716. The approved FY 2002 and FY 2003 amounts, $32,200 GF, reflect an increase of $21,600 GF above FY 2001. This increase will permit average monthly payments of $134 to 20 clients, an increase of 14 clients from the FY 2001 appropriation.

Institutional Support Payments — This program provides an optional state supplemental payments program, as outlined in A.R.S. § 46-252. The program provides $80 monthly payments to eligible low-income recipients at least 65 years of age receiving care in a

licensed private nursing home; $174 to persons residing in a licensed county-operated nursing home; and $50 to persons residing in a licensed supervisory care home, an adult foster care home, or a person who is seriously mentally ill and residing in a 24-hour residential treatment facility licensed by the Department of Health Services.

The approved FY 2002 and FY 2003 amounts, $266,400 GF, reflect a decrease of $(21,600) GF below FY 2001. This decrease will permit average monthly payments of $50 to 444 clients, a decrease of (36) clients from the FY 2001 appropriation. No clients in private nursing homes are currently receiving this payment, and no county-operated nursing homes are currently operated in Arizona.

Food Stamp Outreach and Education — This new line item hires current or former TANF recipients to conduct Food Stamp outreach and education. The program was originally established by Laws 2000, Chapter 393. The approved FY 2002 and FY 2003 amounts, $200,000 TANF, are unchanged from the FY 2001 appropriation in Laws 2000, Chapter 393.

Additional Appropriations: Social Assistance Programs; Appropriations (Chapter 345) — Appropriates $398,000 TANF to DES in FY 2002 for distribution to the Hopi Tribe for operational and start-up costs for the new Hopi TANF program. Specifies that the monies are for use in both FY 2002 and FY 2003 and that future years' federal funding shall come directly from the tribe.

The bill also appropriates $4,000,000 to DES in FY 2002 for out-of-school programs. *(Please see the **Division of Children, Youth and Families** narrative for further details.)*

The bill as originally passed also included General Fund appropriations of $500,000 TANF to DES in FY 2002 and FY 2003 for kinship foster care payments to grandparents. These appropriations were line item vetoed by the Governor. The bill as originally passed also included a FY 2002 appropriation of $212,000 GF for Hopi child support programs. *(For details on the Governor's line item veto of this appropriation, please see the **Division of Child Support Enforcement** narrative.)*

Vetoed Appropriations: Appropriations; TANF; Health Services (S.B. 1390) — Appropriated a total of $5,235,500 in FY 2002 and $4,762,500 in FY 2003 from the TANF Block Grant to DES, DHS, and the Arizona Department of Education (ADE) for a variety of welfare-related programs. Of the $2,485,500 in FY 2002 and $2,012,500 in FY 2003 appropriated to DES, $750,000 in both years was appropriated for kinship foster care payments to grandparents and $398,000 in FY 2002 was appropriated for operating and start-up costs associated with the Hopi TANF program. The Governor vetoed this bill. *(Please see discussions in other DES cost centers and the DHS and ADE narratives for further details on other vetoed provisions in this bill.)*

Social Assistance Programs; Appropriations (Chapter 345) — The Governor line item vetoed the $500,000 TANF Block Grant appropriation in both FY 2002 and FY 2003 for kinship foster care payments to grandparents. The bill does require the department to pay TANF Cash Benefits to kinship foster care parents who are grandparents of the child in addition to kinship foster care payments, limited to no more than $250 per child per month. Because the language requires the department to use monies appropriated for this specific purpose to pay these payments, however, the Governor's line item veto of the appropriation means that there will be no additional kinship foster care payments to grandparents. *(Please see **Additional Appropriations** for more information on this bill.)*

Eligibility; Children; TANF; Appropriation (H.B. 2152) — Appropriated $3,266,800 in FY 2002 and $3,364,600 in FY 2003 from the TANF Block Grant to pay for additional TANF Cash Benefits resulting from the elimination of the "family cap" provision. This provision prohibits payments for additional children born while on assistance. The Governor vetoed this bill.

Click here to return to the Table of Contents