

Department of Economic Security
Employment and Rehabilitation Services

A.R.S. § 41-1954

JLBC Analyst: Stefan Shepherd

	FY 2000 Actual	FY 2001 Estimate	FY 2002 Approved	FY 2003 Approved
OPERATING BUDGET				
Full Time Equivalent Positions	449.5	448.5	471.5	471.5
Personal Services	11,280,300	12,484,200	14,488,400	15,238,500
Employee Related Expenditures	2,566,000	2,842,200	3,552,200	3,468,400
Professional and Outside Services	381,200	237,800	378,400	278,400
Travel - In State	321,700	383,300	457,200	457,700
Travel - Out of State	0	5,200	13,200	13,200
Other Operating Expenditures	1,274,900	1,019,500	3,379,100	1,614,500
Equipment	140,000	343,800	1,701,100	0
<i>Operating Subtotal</i>	15,964,100	17,316,000	23,969,600	21,070,700
JOBS Administration				
JOBS	16,332,900 ^{1/}	26,104,300	25,701,700 ^{2/3/4/}	26,531,100 ^{2/3/4/}
Work-Related Transportation	3,376,600 ^{1/}	3,302,200	3,302,200	3,302,200
Wheels to Work Program	1,121,200 ^{1/}	2,000,000	0 ^{5/}	0 ^{5/}
Tax Credit Promotion	800,000 ^{1/}	400,000	0	0
Job Search Stipends	23,900	93,900	93,900	93,900
Employment Retention and Job Skills	374,200 ^{1/}	1,000,000	0	0
Young Father Mentoring	756,100 ^{1/}	1,000,000	0 ^{6/}	0 ^{6/}
Parenting Skills Classes	82,700	250,000	0 ^{7/}	0 ^{7/}
Character Education Training	350,000	0	0	0
Post-Employment Training	705,400 ^{1/}	1,938,900	0	0
Domestic Violence Victims Job Training	4,200	250,000	0	0
Rural Technical Business Assistance	272,200 ^{1/}	200,000	0	0
TANF Employment Transition Program	2,147,300	9,000,000	0	0
Child Care Administration				
Day Care Subsidy	105,628,400	94,451,000	113,462,600 ^{8/}	125,976,700 ^{8/}
Transitional Child Care	30,204,000	38,106,500	30,428,000	37,096,500
Enhanced Quality Reimbursement	0	500,000	500,000	500,000
Rehabilitation Services Administration				
Vocational Rehabilitation Services	3,285,100	3,389,800	3,913,400	4,070,700
Developmental Disabilities				
Employment Support	8,752,800	9,433,300	7,093,600	7,093,600
Independent Living Rehabilitation Services	1,688,400	2,203,500	2,203,500 ^{9/}	2,203,500 ^{9/}
Workforce Development Administration				
Summer Youth Program	0	1,000,000	1,000,000	1,000,000
Project Intervention	1,000,000	1,000,000	1,000,000	1,000,000
Summer Youth Employment and Training	1,000,000	1,000,000	1,000,000	1,000,000
Workforce Investment Act Programs	0	47,875,000	46,070,600 ^{10/}	46,070,600 ^{10/}
TOTAL APPROPRIATIONS	193,869,500	261,814,400	259,739,100^{11/12/}	277,009,500^{11/12/}
FUND SOURCES				
General Fund	41,116,900	43,354,600	42,546,600	44,069,600
<u>Other Appropriated Funds</u>				
Federal Temporary Assistance for				
Needy Families Block Grant	75,832,500	109,915,200	81,203,600	90,455,700
Federal Child Care and Development				
Fund Block Grant	75,190,500	57,562,800	79,659,400	90,972,600

	FY 2000 Actual	FY 2001 Estimate	FY 2002 Approved	FY 2003 Approved
Workforce Investment Act Grant	0	47,875,000	47,903,200 ^{10/}	47,959,300 ^{10/}
Special Administration Fund	538,000	1,085,000	2,585,000	1,085,000
Spinal and Head Injuries Trust Fund	1,191,600	1,678,000	2,263,300 ^{9/}	2,467,300 ^{9/}
Federal Reed Act Grant	0	343,800	3,578,000	0
<i>Subtotal - Other Appropriated Funds</i>	<u>152,752,600</u>	<u>218,459,800</u>	<u>217,192,500</u>	<u>232,939,900</u>
TOTAL APPROPRIATIONS	193,869,500	261,814,400	259,739,100	277,009,500

COST CENTER DESCRIPTION — *This program provides: 1) employability services to Temporary Assistance for Needy Families (TANF) recipients through the Job Opportunity and Basic Skills Training (JOBS) program; 2) child care subsidy programs; 3) rehabilitative services to individuals with disabilities; and 4) job training opportunities to economically disadvantaged adults and youth. Several 100% federally funded programs are located in this division, such as the Unemployment Insurance benefit program and the new Workforce Investment Act programs, replacing the old Job Training Partnership Act (JTPA) program.*

- ^{1/} Reflects expenditures from prior year appropriations.
- ^{2/} It is the intent of the Legislature that the \$25,701,700 appropriated for JOBS in FY 2002 and the \$26,531,100 appropriated for JOBS in FY 2003 may be used to support nonpermanent and seasonal positions to fulfill federal program requirements when contracts for services cannot be established with outside parties. The use of such positions shall be reported to the Director of the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- ^{3/} It is the intent of the Legislature that the department shall use \$4,500,000 of the monies appropriated for the JOBS Special Line Item in both FY 2002 and FY 2003 for contracts with education and training entities. These contracts shall focus on assisting JOBS clients in obtaining jobs paying, on average, \$10 per hour or more. The department shall report to the Joint Legislative Budget Committee by October 15, 2002 and October 15, 2003 on these efforts. The report shall include, but not be limited to, expenditure details and placement data. (General Appropriation Act footnote)
- ^{4/} Of the monies appropriated for the JOBS Special Line Item, the department may use up to \$5,500,000 in both FY 2002 and FY 2003 to provide job training, education, supportive services, and other services that will promote job retention and career advancement of former Temporary Assistance for Needy Families recipients. (General Appropriation Act footnote)
- ^{5/} The General Appropriation Act, as originally passed, included \$2,000,000 for the Wheels to Work Special Line Item. This amount was line item vetoed by the Governor thus reducing the total appropriation by a corresponding amount.
- ^{6/} The General Appropriation Act, as originally passed, included \$1,000,000 for the Young Father Mentoring Special Line Item. This amount was line item vetoed by the Governor thus reducing the total appropriation by a corresponding amount.
- ^{7/} The General Appropriation Act, as originally passed, included \$250,000 for the Parenting Skills Classes Special Line Item. This amount was line item vetoed by the Governor thus reducing the total appropriation by a corresponding amount.
- ^{8/} Of the \$113,426,600 appropriated for Day Care Subsidy in FY 2002 and \$125,976,700 in FY 2003, \$84,839,200 in FY 2002 and \$93,224,800 in FY 2003 are for a program in which the upper income limit is 165% of the federal poverty level. This provision may not be construed to impose a duty on an officer, agent or employee of the state to discharge a responsibility or to create any right in a person or group if the discharge or right would require an expenditure of state monies in excess of the \$84,839,200 appropriation in FY 2002 and \$93,224,800 appropriation in FY 2003. (General Appropriation Act footnote)
- ^{9/} All Spinal and Head Injuries Trust Fund receipts received by the Department of Economic Security in excess of \$2,263,300 in FY 2002 and \$2,467,300 in FY 2003 are appropriated to the Independent Living Rehabilitation Services Special Line Item. Before the expenditure of any Spinal and Head Injuries Trust Fund receipts in excess of \$2,263,300 in FY 2002 and \$2,467,300 in FY 2003, the Department of Economic Security shall submit the intended use of the monies for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide salary and other allocations)
- ^{10/} All federal Workforce Investment Act funds that are received by the state in excess of \$47,903,200 in FY 2002 and \$47,959,300 in FY 2003 are appropriated to the Workforce Investment Act Programs Special Line Item. Excess monies may not be spent until a proposed expenditure plan for the excess monies has been reviewed by the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide salary and other allocations)
- ^{11/} This amount does not include a triggered appropriation made by Laws 2001, Chapter 235 for an extra provider rate increase for developmental disabilities providers. Triggered appropriations in FY 2002 depend on the availability of excess revenues. (For more information, refer to the "Triggered Appropriations" description in this cost center narrative and the "Summary of Appropriations Triggered by Revenues" table at the front of this report.)
- ^{12/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Program.

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of TANF recipients who obtained employment	14,937/10,547	NA/12,126	12,264	12,264
• Average cost per JOBS participant in all work activities (in \$)	451/355	450/671	771	771
• Total average children in all child care programs per month	38,041/35,437	42,984/38,226	45,372	41,907/43,839
• % of customer satisfaction with child care	92.0/88.6	92.5/90.0	90.5	91.0/91.5
• Vocational Rehabilitation individuals successfully rehabilitated	2,015/2,146	2,015/2,133	2,133	2,197/2,307

Technical Issues — The approved FY 2002 and FY 2003 amounts include a reduction of \$(343,800) of Federal Reed Act monies below FY 2001 for one-time equipment expenditures. The approved FY 2002 and FY 2003 amounts also include a base modification of Child Care and Development Fund (CCDF), TANF and General Fund monies among the operating budget and the Day Care Subsidy and Transitional Child Care line items. The base modification ensures that the state complies with the 15% TANF administrative cap. The base modification does not change the overall level of funding in either the operating budget or each subsidy line item.

Child Care Administration (CCA) Personnel — The approved FY 2002 and FY 2003 amounts include an increase of \$846,400 and 22 FTE Positions above FY 2001 for additional CCA personnel. The increase consists of 2 portions:

- \$542,600 and 16 TANF FTE Positions for personnel previously funded from the Child Care and Development Block Grant. This block grant no longer exists.
- \$303,800 and 6 CCDF Block Grant FTE Positions for a new quality control team to implement an administrative review and reconciliation process, thereby increasing accuracy and quality of the claim reimbursement process.

Reed Act Equipment Funding — The approved FY 2002 amount includes an increase of \$3,578,000 of Federal Reed Act monies above FY 2001 for one-time equipment and short-term operating expenditures for the Employment Security Administration, which administers the Unemployment Insurance program. The department will use the monies to transition from 31 offices to 2 centralized call centers. Federal Reed Act monies were appropriated for the first time in FY 2001.

Governor's Council of Spinal and Head Injuries — The approved FY 2002 and FY 2003 amounts include funding for a Human Services Program Development Specialist to provide staff support to the Governor's Council of Spinal and Head Injuries. The approved amount includes a FY 2002 increase of \$50,200 and 1 FTE Position and a FY 2003 increase of \$84,000 and 1 FTE

Positions above FY 2001. These increases are funded from the Spinal and Head Injuries Trust Fund. (*Please see the Vocational Rehabilitation Services discussion below for further details on additional Spinal and Head Injuries Trust Fund increases.*)

Apprenticeship Program — Laws 2000, Chapter 51 transferred Apprenticeship Services program from DES to the Department of Commerce. The FY 2001, FY 2002, and FY 2003 amounts reflect the decrease of \$(151,300) and (3) FTE Positions associated with this transfer.

Independent Living Specialists — Laws 1999, Chapter 310 appropriated a total of \$425,000 GF in FY 2000 and FY 2001 for additional services for the blind and visually impaired. This appropriation included 2 full-time employees. The approved FY 2002 and FY 2003 amounts continue the funding for these 2 employees. (*Please see the Independent Living Rehabilitation Services line item discussion for further details on the appropriation from Laws 1999, Chapter 310.*)

Special Line Item Groupings — The division's Special Line Items are grouped by responsibility:

- JOBS Administration administers employment and training services to public assistance recipients.
- Child Care Administration provides child care assistance and develops child care services.
- Rehabilitation Services Administration works with disabled individuals to achieve increased independence and/or become employed.
- Employment Security Administration operates the Unemployment Insurance program and other re-employment services (no current line items).
- Workforce Development Administration provides training-related services to economically disadvantaged youths, adults, and dislocated workers.

JOBS Administration

JOBS — This line item provides job training and job search services to clients currently receiving TANF Cash Benefits. The approved FY 2002 and FY 2003 amounts also include services to former TANF recipients.

The approved FY 2002 and FY 2003 amounts include a number of changes to the budget:

- Expected decrease in caseloads.
- Expected increase in average cost per client.
- FY 2002 one-time fund shift of \$1,500,000 from the General Fund to the Special Administration Fund.
- Additional monies totaling up \$6,000,000 for services to former TANF clients.

The approved FY 2002 and FY 2003 amounts are also subject to a pair of new footnotes. The first footnote specifies the Legislature’s intent that the department shall use \$4,500,000 yearly for contracts with education and training entities focusing on getting JOBS clients jobs paying, on average, \$10 per hour or more. The second footnote permits the department to use up to \$5,500,000 yearly to provide job training, education, supportive services, and other services to former TANF recipients. (Please see footnotes 3 and 4 for further details.)

Table 1 below highlights expected caseloads and per case expenditures for the JOBS program (including the Arizona Works program).

	<u>FY 2002</u>		<u>FY 2003</u>	
	<u>Cases</u>	<u>Cost</u>	<u>Cases</u>	<u>Cost</u>
EMPOWER	7,085 (252	\$15,267,400	7,479 (260	\$16,039,300
Redesign	2-parent)		2-parent)	
AZ Works	741 (35	<u>\$1,615,100</u>	772 (35 2-	<u>\$1,672,600</u>
	2-parent)		parent)	
Total	7,826 (287	\$16,882,500	8,251 (295	\$17,711,900
	2-parent)		2-parent)	

Table 2 highlights total estimated expenditures and fund sources for the JOBS line item.

	<u>FY 2002</u>	<u>FY 2003</u>
Expenditures		
<i>Job Training</i>		
EMPOWER Redesign	15,267,400	16,039,300
AZ Works	<u>1,615,100</u>	<u>1,672,600</u>
-- Job Training Total	16,882,500	17,711,900
<i>Case Management</i>	2,819,200	2,819,200
<i>Post-Employment Services</i>		
EMPOWER Redesign	5,340,000	5,340,000
AZ Works	<u>660,000</u>	<u>660,000</u>
-- Post-Employment Total	<u>6,000,000</u>	<u>6,000,000</u>
TOTAL		
EMPOWER Redesign (in case mgmt)	23,426,600	24,198,500
AZ Works	<u>2,275,100</u>	<u>2,332,600</u>
TOTAL	25,701,700	26,531,100
Sources		
General Fund	2,885,100	4,385,100
Special Administration Fund	2,500,000	1,000,000
TANF Block Grant	<u>20,316,600</u>	<u>21,146,000</u>
TOTAL	25,701,700	26,531,100

The EMPOWER and Arizona Works caseload estimates for Job Training are based upon FY 2001 cash benefit caseloads and proportional increases for FY 2002 and FY 2003. The Post-Employment Services split is based on a historical 11% split for these types of services.

Work-Related Transportation — This line item funds transportation services to assist TANF recipients in finding and sustaining employment. Funding is provided to communities to ensure the availability of information to TANF clients regarding transportation services and to expand the availability of transportation for TANF clients and recently-employed former TANF recipients who would have difficulties fulfilling work requirements without additional transportation assistance.

The approved FY 2002 and FY 2003 amounts of \$3,302,200 TANF are unchanged from FY 2001. The total funding is allocated as follows:

- Information/Availability: \$3,000,000, of which a minimum of \$500,000 must be spent in rural areas
- Direct Subsidies: \$302,200 (estimated to provide services to 387 clients at an average cost of \$65 per month)

The approved amounts also include an estimated \$364,300 for Arizona Works clients in FY 2002 and FY 2003.

Wheels to Work Program — This line item funds a program in which an organization will accept cars donated by the public, repair them, and donate them to TANF clients. Monies are used to pay a vendor to operate the program. The General Appropriation Act, as originally passed, included \$2,000,000 TANF for this program. The amount was line item vetoed by the Governor thus reducing the total appropriation by a corresponding amount.

In addition, Laws 2001, Chapter 345 permits the program to expand statewide. Given the Governor’s veto of the appropriation for this program, however, the future of this program is now unclear.

Tax Credit Promotion — This line item funds promotion of 2 recently-enacted welfare-related tax credits: the “Charitable” tax credit, established by Laws 1997, Chapter 300; and the “Wheels to Work” tax credit, established by Laws 1998, Chapter 208. Funding for this line item, which came from the TANF Block Grant, was eliminated for FY 2002 and FY 2003.

Job Search Stipends — This line item funds the state match for allowances paid to Food Stamp recipients searching for a job. The program provides \$25 per participant for up to 2 months. The approved FY 2002 and FY 2003 amounts, \$93,900 GF, are unchanged from FY 2001. The monies, matched with \$93,900 of Federal

Funds, will fund an estimated 2,554 participants for 1 month and 2,479 participants for 2 months. The approved amounts also include an estimated \$12,200 for Arizona Works clients in FY 2002 and FY 2003.

Employment Retention and Job Skills — This line item funds programs which help TANF clients develop employment retention and job skills in order to obtain and retain jobs for a longer period of time. Funding for this line item, which came from the TANF Block Grant, was eliminated for FY 2002 and FY 2003. A portion of the monies added to the JOBS line item in FY 2002 and FY 2003, however, may be used for this purpose.

Young Father Mentoring — This line item funds programs that assist young fathers between the ages of 16 and 22 who are TANF clients in becoming self-sufficient. The programs include mentoring, counseling, education, vocational skill development, and daily living skills. The General Appropriation Act, as originally passed, included \$1,000,000 TANF for this program. The amount was line item vetoed by the Governor thus reducing the total appropriation by a corresponding amount.

Parenting Skills Classes — This program was funded by Laws 1999, Chapter 328. It provides classes for TANF recipients to improve their parenting skills. The General Appropriation Act, as originally passed, included \$250,000 TANF for this program. The amount was line item vetoed by the Governor thus reducing the total appropriation by a corresponding amount.

Character Education Training — This line item funds character education training for TANF recipients under 19 years of age. This program and the associated TANF appropriation was transferred to Northern Arizona University starting in FY 2001 by Laws 2000, Chapter 393.

Post-Employment Training — This line item funds vocational and occupational for ex-TANF clients already in the workforce. This training will give these ex-clients the opportunity to acquire more valuable job skills. Funding for this line item, which came from the TANF Block Grant, was eliminated for FY 2002 and FY 2003. A portion of the monies added to the JOBS line item in FY 2002 and FY 2003, however, may be used for this purpose.

Domestic Violence Victims Job Training — This program was funded by Laws 1999, Chapter 328. It provides job training vouchers for domestic violence victims who are TANF recipients. Funding for this line item, which came from the TANF Block Grant, was not approved for FY 2002 and FY 2003. A portion of the monies added to the JOBS line item in FY 2002 and FY 2003, however, may be used for this purpose.

Rural Technical Business Assistance — This line item funds a technical business program that enables rural hard-to-serve constituents to become economically self-sufficient. The program includes performing market analyses for selected communities, setting up projects in the communities that match capabilities to needs, and developing financial resources. Funding for this line item, which came from the TANF Block Grant, was eliminated for FY 2002 and FY 2003.

TANF Employment Transition Program — This line item funds programs that help TANF clients transition from welfare to work. Programs provide direct support and intervention services to enhance job retention; custodial parents with multiple barriers to employment are targeted for service. Funding for this line item, which came from the TANF Block Grant, was eliminated for FY 2002 and FY 2003. A portion of the monies added to the JOBS line item in FY 2002 and FY 2003, however, may be used for this purpose.

Child Care Administration

Day Care Subsidy — This line item funds child care subsidies to TANF clients engaged in job activities, those providing Foster Care services, low-income persons, and other persons meeting financial and other eligibility criteria. The monies are also used for quality enhancement projects.

The approved FY 2002 amount of \$113,462,600 Total Funds (TF) includes \$20,481,900 GF, \$22,599,300 TANF, and \$70,381,400 CCDF. It reflects an increase of \$19,011,600 above the FY 2001 appropriation. The adjustment consists of the following changes:

- An increase of \$6,578,700 TF to increase the maximum rates the division pays to providers accepting DES clients to the 75th percentile of the rates charged by providers in 1998, effective October 1, 2001.
- An increase of \$8,704,500 TF to adjust for expected caseload increases from 32,089 in FY 2001 to 32,652 in FY 2002.
- An increase of \$4,123,100 TF for additional quality enhancement projects. These projects include expanding supply and consumer education.
- A decrease of \$(394,700) CCDF for transferring funding passed through to the Department of Health Services (DHS) for licensure activities directly to DHS.

The approved FY 2003 amount of \$125,976,700 TF includes \$20,347,700 GF, \$30,816,300 TANF, and \$74,812,700 CCDF. It reflects an increase of \$31,525,700 above the FY 2001 appropriation. The adjustment consists of the following changes:

- An increase of \$16,820,400 TF to increase the maximum rates the division pays to providers accepting DES clients to the 75th percentile of the rates charged by providers in 2000, effective October 1, 2002.
- An increase of \$9,799,000 TF to adjust for expected caseload increases from 32,089 in FY 2001 to 32,985 in FY 2003.
- An increase of \$5,301,000 TF for additional quality enhancement projects. These projects include expanding supply and consumer education.
- A decrease of \$(394,700) CCDF for transferring funding passed through to DHS for licensure activities directly to DHS.

The approved amounts include an estimated \$2,758,800 in FY 2002 and \$3,009,600 in FY 2003 for Arizona Works clients.

(Please see Table 3 for further details on the funding for each category of child care services.)

Transitional Child Care — This line item funds child care subsidies to clients who no longer receive TANF Cash Benefits due to finding employment. The program provides subsidies for up to 24 months after the client stops receiving TANF Cash Benefits. These subsidies require a co-pay from the recipient.

The approved FY 2002 amount, \$30,428,000 TF, includes \$28,383,700 TANF and \$2,044,300 CCDF. It reflects a decrease of \$(7,678,500) below the FY 2001 appropriation. The adjustment consists of the following changes:

- An increase of \$2,044,300 TF to increase the maximum rates the division pays to providers accepting DES clients to the 75th percentile of the rates charged by providers in 2000, effective October 1, 2002.
- A decrease of \$(9,722,800) TF to adjust for expected caseload decreases from 13,283 in FY 2001 to 9,255 in FY 2002.

The approved FY 2003 amount of \$37,096,500 TF includes \$28,383,700 TANF and \$8,712,800 CCDF. It reflects a decrease of \$(1,010,000) below the FY 2001 appropriation. The adjustment consists of the following changes:

- An increase of \$5,564,600 TF to increase the maximum rates the division pays to providers accepting DES clients to the 75th percentile of the rates charged by providers in 2000, effective October 1, 2002.
- A decrease of \$(6,574,600) TF to adjust for expected caseload decreases from 13,283 in FY 2001 and 10,300 in FY 2003.

The approved amounts include an estimated \$5,906,600 in FY 2002 and \$6,655,300 in FY 2003 for Arizona Works clients.

Laws 2001, Chapter 111 permits DES to use quality set-aside monies in FY 2002 and FY 2002 for implementation of a child care home provider registry. *(Please see the Additional Legislation section below for further details.)*

(Please see Table 3 for further details on the funding for each category of child care services.)

Enhanced Quality Reimbursement — This line item funds enhanced reimbursement to nationally accredited child care providers who provide services to DES child care clients. The approved FY 2002 and FY 2003 amounts, \$500,000 TANF, are unchanged from the FY 2001 appropriation in Laws 1999, Chapter 328.

Rehabilitation Services Administration

Vocational Rehabilitation Services — This line item funds individually planned services for the disabled designed to return them to the workforce. Services provided include personal and social adjustment, rehabilitation technology, physical or mental restoration (e.g., prosthetics), and vocational training and placement.

The program provides both direct services to individuals as well as services to benefit groups of individuals. The federal government provides 78.7% of funding for every 21.3% of state match. In addition to the state-appropriated monies, DES has secured other sources of state match through agreements with agencies such as the DHS, the Arizona State Schools for the Deaf and the Blind, and the City of Phoenix. The approved FY 2002 amount, \$3,913,400, includes \$3,285,100 GF and \$628,300 Spinal and Head Injuries Trust Fund. It includes an increase of \$523,600 Spinal and Head Injuries Trust Fund above FY 2001 for expanding training to clients with spinal and head injuries. The approved FY 2003 amount, \$4,070,700, includes \$3,285,100 GF and \$785,600 Spinal and Head Injuries Trust Fund. It reflects an increase of \$680,900 Spinal and Head Injuries Trust Fund above FY 2001 for further expansion of training to clients with spinal and head injuries.

For FY 2002 and FY 2003, the program is expected to serve 2,200 developmentally disabled clients at an average cost of \$1,860 per client. The program is also expected to serve 18,734 clients who are not developmentally disabled at an average cost of \$1,101 per client.

Table 3	FY 2002			FY 2003		
	Avg. # Children	Avg. Monthly Subsidy	Total	Avg. # Children	Avg. Monthly Subsidy	Total
Day Care Subsidy						
TANF-related						
EMPOWER Redesign	5,672	\$247.53	\$ 16,848,000	5,980	\$272.41	\$19,547,800
Arizona Works	<u>896</u>	<u>256.68</u>	<u>2,758,800</u>	<u>921</u>	<u>272.41</u>	<u>3,009,600</u>
Total -- TANF-Related	6,568	--	\$ 19,606,800	6,901	--	\$ 22,557,400
Low-Income Work Related	26,084	271.04	84,839,200	26,084	297.83	93,224,800
Quality Set Aside	--	--	<u>9,661,300</u>	--	--	<u>10,839,200</u>
TOTAL Day Care Subsidy	32,652	--	\$114,107,300 ^{1/}	32,985	--	\$126,621,400 ^{1/}
Transitional Child Care						
1st Year						
EMPOWER Redesign	4,929	\$274.04	\$ 16,209,000	5,593	\$300.12	\$ 20,142,200
Arizona Works	<u>1,187</u>	<u>274.04</u>	<u>3,903,400</u>	<u>1,221</u>	<u>300.12</u>	<u>4,399,100</u>
Total -- 1 st Year	6,116	--	\$ 20,112,400	6,814	--	\$ 24,541,300
2nd Year						
EMPOWER Redesign	2,529	\$273.88	\$ 8,312,600	2,860	\$300.12	\$ 10,299,000
Arizona Works	<u>609</u>	<u>273.88</u>	<u>2,003,000</u>	<u>626</u>	<u>300.12</u>	<u>2,256,200</u>
Total -- 2 nd Year	<u>3,139</u>	--	<u>10,315,600</u>	<u>3,486</u>	--	<u>12,555,200</u>
TOTAL Transitional Child Care	9,255	--	\$ 30,428,000	10,300	--	\$ 37,096,500
TOTAL - All Child Care Programs	<u>41,907</u>	268.20	<u>\$144,535,300</u>	<u>43,285</u>	294.32	<u>\$163,717,900</u>
TOTAL - Child Care Subsidies (Excluding Quality)			\$134,874,000			\$152,878,700
^{1/} Includes \$250,000 of non-appropriated federal Social Services Block Grant monies and \$394,700 quality set-aside monies appropriated in DHS.						

Developmental Disabilities Employment Support —

This line item funds long-term support services to persons with developmental disabilities who need additional assistance (e.g., job coaching) to maintain employment. The approved FY 2002 and FY 2003 amounts, \$7,093,600 GF, reflect a \$(2,339,700) decrease from the FY 2001 appropriation. This decrease is a result of an expected increase in federal revenues for Title XIX-eligible clients in this program. There is no net increase or decrease in expected total funds as a result of this change.

For FY 2002 and FY 2003, the program is expected to serve 1,681 clients at an average annual TF cost of \$6,322 per client. In addition to these clients, the division is also expected to serve 200 clients who are not developmentally disabled at an average annual cost of \$3,622 per client, using federal Social Services Block Grant and Arizona Industries for the Blind monies.

In addition, Laws 2001, Chapter 235, appropriates \$500,000 in FY 2002 and \$500,000 in FY 2003 from the General Fund for an extra provider rate increase for developmental disabilities providers in the Rehabilitation Services Administration. These appropriations are contingent on the availability of excess revenues in FY 2001 and FY 2002. (Please see **Triggered Appropriations** for more detail on the conditions of these appropriations.)

Independent Living Rehabilitation Services — This line item assists severely disabled individuals in living more independently. Funds are used to purchase technology assistance, adaptive aids and devices, home modifications,

and independent living skills training. Funds are also used to provide eye exams and glasses to financially needy persons.

The approved FY 2002 and FY 2003 amounts continue \$327,300 appropriated by Laws 1999, Chapter 310 for independent living rehabilitation services community provider contracts in FY 2001. These contracts aid elderly blind and visually impaired individuals to live more independently. In addition to these amounts, Laws 1999, Chapter 310 appropriated \$97,700 for full-time employees. (Please see the **Independent Living Specialists** discussion above for further details on this appropriation.)

The approved FY 2002 and FY 2003 amounts, \$2,203,500 TF, include \$902,300 GF and \$1,301,200 Spinal and Head Injuries Trust Fund and consist of the following allocations:

- **Services to Individuals:** \$658,200 GF and \$1,301,200 Spinal and Head Injuries Trust Fund (\$3,040,500 TF, including Federal and Other Non-Appropriated Funds) to provide independent living services (case management, counseling, or contracted services) to an estimated 7,563 clients.
- **Sight Conservation:** \$244,100 GF to provide 9,208 eye examinations and 6,139 pairs of eyeglasses and other eye appliances at an average cost of \$26.51 per person.

Workforce Development Administration

Summer Youth Program — This line item funds summer youth employment, education, and gang prevention programs for youths from economically disadvantaged areas. The approved FY 2002 and FY 2003 amounts, \$1,000,000 GF, are unchanged from FY 2001. The division is expected to negotiate an intergovernmental service agreement (ISA) with the Department of Commerce, which will administer the \$1,000,000 of competitive grants within counties, based on population characteristics specified by law.

Project Intervention — This line item funds neighborhood rehabilitation projects such as housing rehabilitation, community cleanup efforts, graffiti abatement, drug and gang prevention, after-school programs, and job creation programs. The grants are to be distributed to private, non-profit, locally-initiated, community-based organizations representing the following categories: community residents, business and civic leaders, educators, religious organizations, other public agencies, and youth-serving organizations or agencies. The approved FY 2002 and FY 2003 amounts, \$1,000,000 GF, are unchanged from FY 2001. The division is expected to negotiate an ISA with the Department of Commerce, which will administer the \$1,000,000 of competitive grants statewide.

Summer Youth Employment and Training — This line item funds summer youth employment and training programs for at-risk youth. The approved FY 2002 and FY 2003 amounts, \$1,000,000 GF, are unchanged from FY 2001. The division will distribute the \$1,000,000 directly to counties, based on population characteristics specified by law. Unlike the Summer Youth Program (*see above*), these monies are distributed directly to county governments with no competitive grant process.

Workforce Investment Act Programs — This line item funds workforce training for dislocated workers and disadvantaged adults and youth. These monies are the state's allotment of the federal Workforce Investment Act (WIA) Grant, established by Congress in 1998. These monies, formerly distributed through the federal Job Training Partnership Act, require legislative appropriation.

The approved FY 2002 and FY 2003 amounts, \$46,070,600, reflect a transfer of \$1,804,400 and 33 FTE positions to the operating budget. The total amount of WIA Grant monies Arizona is expected to receive in FY 2002 and FY 2003 (including funds in the operating budget) is shown in *Table 4* below.

Category	FY 2002	FY 2003
Dislocated Workers	\$13,790,200	\$13,846,300
Adults	16,481,000	16,481,000
Youth	<u>17,632,000</u>	<u>17,632,000</u>
Total	\$47,903,200	\$47,959,300

In the event that federal monies under this legislation exceed the approved amounts, a footnote appropriates excess amounts to the department, subject to review by the Joint Legislative Budget Committee. (*Please see footnote 10 for further details.*)

Vetoed Appropriations: General Appropriation Act (Chapter 236) — The Governor vetoed a total of \$3,250,000 TANF Block Grant appropriations in both FY 2002 and FY 2003. The vetoes included \$2,000,000 in each year for the Wheels to Work program, \$1,000,000 in each year for the Young Father Mentoring program, and \$250,000 in each year for the Parenting Skills Classes program. (*See individual line item narratives above for further details on each of these programs.*)

Community Transition Program (H.B. 2563) — Created a community transition program for inmates released from the Arizona Department of Corrections (ADC) and appropriated \$1,200,000 in non-General Fund monies for both FY 2002 and FY 2003 to DES for DES to contract with a private entity to provide mentoring services and assistance to released inmates. Appropriated \$600,000 in both FY 2002 and FY 2003 from ADC's Alcohol Abuse Treatment Fund to a newly created Community Transition Fund within DES. Also, appropriated \$600,000 in both FY 2002 and FY 2003 from ADC's Drug Treatment and Education Revolving Fund to DES' Community Transition Fund. The Governor vetoed this bill.

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, \$375,000 in each year was appropriated for new rural technical business assistance contracts on a statewide basis. Other non-DERS appropriations included \$137,500 in both years for an office of faith-based action, \$750,000 in both years for kinship care payments to grandparents, \$750,000 in both years for tribal programs, \$75,000 in FY 2002 for a divorce study, and \$398,000 in FY 2002 for Hopi TANF start-up costs. The bill also redirected \$1,250,000 of each year's JOBS appropriation for contracts with vocational and training entities targeted at placing JOBS clients in jobs paying, on average, \$10 per hour or more. 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.*)

Triggered Appropriations: Conditional Appropriations: Taxation; Revenue Forecasts (Chapter 235) — This act appropriates \$500,000 in FY 2002 and \$500,000 in FY 2003 from the General Fund for an extra provider rate increase for developmental disabilities providers in the Rehabilitation Services Administration if FY 2001 General

Fund revenues exceed the forecast by \$79,708,400. Prior to September 1, 2001, JLBC and OSPB will calculate total FY 2001 revenues and determine if sufficient monies are available to trigger the appropriations.

If FY 2001 revenues do not exceed the forecast by the required amount, but FY 2002 General Fund revenues exceed the forecast by \$73,512,300, the act appropriates \$500,000 in FY 2003 from the General Fund for an extra provider rate increase for developmental disabilities providers in the Rehabilitation Services Administration. Prior to September 1, 2002, JLBC and OSPB will calculate total FY 2002 revenues and determine if sufficient monies are available to trigger the appropriation. *(Please see the **Employment Support Services** discussion above for more information. For more information on this and other triggered appropriations see the “Summary of Appropriations Triggered by Revenues” table at the front of this report.)*

Additional Legislation: Child Care Administration (Chapter 111) — Creates a voluntary child care home provider registry within the child care resource and referral system. Permits the department to use appropriated quality set-aside monies from CCDF Block Grant in FY 2002 and FY 2003 to administer this new registry. The department is expected to hire a staff person to administer the program.

Social Assistance Programs; Appropriations (Chapter 345) — In addition to appropriating monies for a variety of welfare-related programs (including some appropriations line item vetoed by the Governor), modifies the Wheels to Work program. The bill permits the program to expand statewide and shortens the required time period a client must participate prior to receiving title to the car from 12 to 6 months. *(Please see the **Wheels to Work Program** discussion above for further details on this program.)*

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