

Department of Economic Security
Employment and Rehabilitation Services

A.R.S. § 41-1954

JLBC Analyst: Stefan Shepherd

	FY 2002 Actual	FY 2003 Estimate	FY 2004 Approved
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	471.5	438.3	413.3
Personal Services	13,972,400	14,734,600	13,998,300
Employee Related Expenditures	3,598,400	3,823,700	4,050,800
Professional and Outside Services	561,500	262,200	258,400
Travel - In State	378,000	462,500	441,300
Other Operating Expenditures	1,759,200	1,570,200	1,704,900
OPERATING SUBTOTAL	20,269,500	20,853,200	20,453,700
SPECIAL LINE ITEMS			
JOBS Administration			
JOBS	19,824,800	25,663,400	22,610,100 ^{1/2/}
Work-Related Transportation	2,213,100	3,302,200	302,200
Job Search Stipends	14,300	30,000	30,000
Child Care Administration			
Day Care Subsidy	108,133,900	122,220,700	118,256,500 ^{3/4/}
Transitional Child Care	23,080,800	28,463,800	30,500,000 ^{4/}
Rehabilitation Services Administration			
Vocational Rehabilitation Services	2,722,200	4,070,700	3,489,800
Developmental Disabilities Employment Support	4,256,100	4,920,300	0
Independent Living Rehabilitation Services	1,730,400	2,085,400	2,491,900 ^{5/}
Workforce Development Administration			
Summer Youth Employment and Training	1,000,000	1,000,000	1,000,000
Workforce Investment Act Programs	41,579,400	44,070,600	44,070,600 ^{6/7/}
PROGRAM TOTAL	224,824,500	256,680,300	243,204,800^{8/}
FUND SOURCES			
General Fund	33,111,000	33,952,800	38,830,200
Other Appropriated Funds			
Federal CCDF Block Grant	77,419,700	101,836,000	125,432,000
Federal TANF Block Grant	66,495,300	68,859,000	23,132,300
Job Training Fund	0	0	3,829,400
Special Administration Fund	3,141,200	1,585,000	1,585,000
Spinal and Head Injuries Trust Fund	1,601,400	2,470,000	2,391,200 ^{5/}
Workforce Investment Act Grant	43,055,900	47,977,500	48,004,700 ^{6/7/}
SUBTOTAL - Other Appropriated Funds	191,713,500	222,727,500	204,374,600
PROGRAM TOTAL	224,824,500	256,680,300	243,204,800

^{1/} It is the intent of the Legislature that the \$22,610,100 appropriated for JOBS 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)

^{2/} 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 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, 2004 on these efforts. The report shall include expenditure details and placement data. (General Appropriation Act footnote)

^{3/} Of the \$118,256,500 appropriated for Day Care Subsidy, \$87,056,500 is for a program in which the upper income limit is no more than 165% of the federal poverty level. This provision shall 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 \$87,056,500 appropriation. (General Appropriation Act footnote)

^{4/} The amounts appropriated for Day Care Subsidy and Transitional Child Care shall be used exclusively for child care costs unless a transfer of monies is approved by the Joint Legislative Budget Committee. Monies shall not be used from these appropriated amounts for any other expenses of the Department of Economic Security unless a transfer of monies is approved by the Joint Legislative Budget Committee. (General Appropriation Act footnote)

COST CENTER DESCRIPTION — This program provides: 1) employability services to Temporary Assistance for Needy Families (TANF) recipients through the Job Opportunity and Basic Skills (JOBS) training 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 Workforce Investment Act programs.

PERFORMANCE MEASURES	FY 2002	FY 2002	FY 2003	FY 2004
	Appropriation	Actual	Appropriation	Appropriation
• Number of TANF recipients who obtained employment	12,264	16,065	12,264	16,065
• Average cost per JOBS participant in all work activities (in \$)	771	895	771	895
• % of customer satisfaction with child care	91.0	91.9	91.5	93.0
• Vocational Rehabilitation individuals successfully rehabilitated	2,197	1,887	2,307	2,045

Administrative Adjustments — The approved amount includes 2 policy changes from FY 2003 in the division's operating budget:

- **Administrative Reduction:** A General Fund decrease of \$(142,600) and (3) FTE Positions and a Federal TANF Block Grant decrease of \$(949,900) and (22) FTE Positions for a reduction in administrative staff. The General Fund decrease represents a 5% reduction; the TANF decrease represents a 15% reduction.
- **Unspecified Increase:** A General Fund increase of \$224,000 for general administrative purposes.

Fund Shifts — The approved amount includes 2 fund shifts in the operating budget:

- \$1,952,900 and 50 FTE Positions from the General Fund to the Job Training Fund.
- \$605,500 from the Federal TANF Block Grant to the Federal Child Care and Development Fund (CCDF).

Technical Adjustments — The FY 2004 approved amount includes technical adjustments for Employee Related Expenditures, Other Fund health and dental insurance changes, and Other Fund retirement changes. (Please see the General Provisions section at the end of this Appropriations Report for further details on these changes.)

The approved amount includes a General Fund decrease of \$(73,500), a CCDF decrease of \$(18,300), and a Spinal and Injuries Trust Fund decrease of \$(86,900) below FY 2003 for technical realignments in the department. (Please see the Summary section for further details.)

Special Line Items

JOBS Administration

JOBS — This line item provides job training and job search services to clients currently receiving TANF Cash Benefits, as well to former TANF recipients. The total approved amount includes a decrease of \$(3,000,000) TANF as well as a fund shift of \$1,793,500 from the General Fund to the Job Training Fund.

Table 1 highlights total estimated expenditures and fund sources for the JOBS line item.

	<u>Amount</u>
Expenditures	
Job Training	\$13,790,900
Case Management	2,819,200
Post Employment Services	<u>6,000,000</u>
Total	\$22,610,100
Sources	
Job Training Fund	1,793,500
Special Administration Fund	1,500,000
Workforce Investment Act Grant	2,000,000
TANF Block Grant	<u>17,316,600</u>
Total	\$22,610,100

Work-Related Transportation — This line item funds transportation services to assist TANF recipients in finding and sustaining employment. The approved amount of \$302,200 TANF includes a \$(3,000,000) TANF decrease from FY 2003.

^{5/} All Spinal and Head Injuries Trust Fund receipts received by the Department of Economic Security in excess of \$2,391,200 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 \$2,391,200, 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 allocations)

^{6/} The Governor's Council on Workforce Policy shall submit a report to the Joint Legislative Budget Committee by November 15, 2003 on efforts the Executive Branch is making in streamlining statewide workforce training services and any legislative changes required to further streamline these services. (General Appropriation Act footnote)

^{7/} All Federal Workforce Investment Act Funds that are received by the state in excess of \$48,004,700 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 allocations)

^{8/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program.

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 amount, \$30,000 GF, is unchanged from FY 2003.

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.

Clients in the state’s TANF program are entitled to services. Low-income working clients are not entitled to services. Quality enhancement activities include child care resource and referral and training activities. (see Table 2). With the exception of TANF clients, many clients are required to make co-payments.

The approved amount includes an increase of \$13,551,000 General Fund and \$12,780,200 CCDF along with a decrease of \$(30,295,400) TANF. These changes result in a net decrease of \$(3,964,200) and help the state resolve its TANF Block Grant deficit. In addition to these changes, the approved amount also includes a shift of \$18,444,400 from the CCDF Block Grant to the TANF Block Grant. This is a technical shift between this line item and the Transitional Child Care line item requested by the department. Table 2 below gives additional details on how these monies are expected to be spent.

Table 2	
Category	Amount
TANF-Related	\$ 19,500,000
Low-Income Work Related	87,056,500
Quality Set Aside	<u>11,700,000</u>
Total	\$118,256,500
Fund Source	
General Fund	\$31,032,900
TANF	620,300
CCDF	<u>86,603,300</u>
Total	\$118,256,500

The total amount of funding for this line item and the Transitional Child Care line item reflects the Governor’s desired child care funding level. The Governor also asked for additional flexibility in managing to that funding level. The Health Omnibus Reconciliation Bill (ORB) (Laws 2003, Chapter 265) permits the department to establish a waiting list for the child care program or impose other cost-saving measures and requires the department to report to the JLBC within 15 days of imposition of such measures. A waiting list is currently in effect for this program. This waiting list initially began in March 2003 in response to a shortfall in the program’s FY 2003 funding.

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 amount, funded entirely from the CCDF Block Grant, includes a TANF decrease of \$(8,580,600) and a CCDF increase of \$10,616,800. These changes result in a net increase of \$2,036,200 and help the state resolve its TANF Block Grant deficit. The approved amount also includes a shift of \$17,838,900 from the TANF Block Grant to the CCDF Block Grant. This is a technical shift between this line item and the Day Care Subsidy line item requested by the department.

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 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 amount is unchanged from FY 2003 except for technical adjustments and includes \$3,285,100 GF and \$204,700 Spinal and Head Injuries Trust Fund. 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.

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. This line item was eliminated in FY 2004 and its funding transferred to the Long Term Care budget. (Please see the Long Term Care narrative for further details.)

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 amount is unchanged from FY 2003 except for technical adjustments and includes \$784,200 GF and

\$1,707,700 Spinal and Head Injuries Trust Fund and consists of the following allocations:

- Services to Individuals: \$540,100 GF and \$1,707,700 Spinal and Head Injuries Trust Fund 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 Employment and Training — This line item funds summer youth employment and training programs for at-risk youth. The approved amount, \$1,000,000 GF, is unchanged from FY 2003. The division will distribute the \$1,000,000 directly to counties, based on population characteristics specified by law.

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 require legislative appropriation. The approved amount is unchanged from FY 2003.

The total amount of FY 2004 WIA Grant monies (including funds in the operating budget and the JOBS line item) is shown in *Table 3* below.

<u>Category</u>	<u>Amount</u>
Dislocated Workers	\$13,864,500
Adults	16,525,000
Youth	<u>17,615,200</u>
Total	\$48,004,700

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 #7 for further details.)*

Additional Legislation: Budget Reconciliation; Health and Welfare (Chapter 265) — The bill reappropriates to the department for contracting with a statewide group serving youth and providing character education programs any monies appropriated to Northern Arizona University for character education programs in Laws 1999, Chapter 328 as amended by Laws 2000, Chapter 393.

[Click here to return to the Table of Contents](#)