

Department of Economic Security
Employment and Rehabilitation Services

A.R.S. § 41-1954

JLBC Analyst: John Malloy

	FY 2003 Actual	FY 2004 Estimate	FY 2005 Approved
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	438.3	413.3	478.3
Personal Services	14,071,000	14,112,800	16,145,300
Employee Related Expenditures	3,926,800	3,877,400	4,741,200
Professional and Outside Services	291,100	250,700	262,700
Travel - In State	263,400	437,100	443,100
Other Operating Expenditures	970,200	1,788,200	2,395,800
Equipment	196,600	0	520,000
OPERATING SUBTOTAL	19,719,100	20,466,200	24,508,100
SPECIAL LINE ITEMS			
Jobs Administration			
JOBS	18,227,700	22,610,100	22,610,100 ^{1/2/}
Work-Related Transportation	1,856,000	302,200	302,200
Job Search Stipends	26,200	30,000	30,000
Child Care Administration			
Day Care Subsidy	122,031,300	118,256,500	132,520,100 ^{3/4/}
Transitional Child Care	27,335,100	30,500,000	32,911,900 ^{4/}
Rehabilitation Services Administration			
Vocational Rehabilitation Services	2,162,400	3,489,800	3,489,800
Developmental Disabilities Employment Support	1,833,600	0	0
Independent Living Rehabilitation Services	2,006,100	2,491,900	2,491,900 ^{5/}
Workforce Development Administration			
Summer Youth Employment and Training	1,000,000	1,000,000	1,000,000
Workforce Investment Act - Discretionary	0	3,266,600	3,266,600 ^{6/7/}
Workforce Investment Act - Local Governments	0	40,804,000	45,088,100 ^{8/}
Workforce Investment Act Programs	42,733,800	0	0
PROGRAM TOTAL	238,931,300	243,217,300	268,218,800^{9/}
FUND SOURCES			
General Fund	30,000,400	38,842,700	81,430,900
Other Appropriated Funds			
Federal CCDF Block Grant	102,023,700	125,432,000	103,406,500
Federal TANF Block Grant	58,484,400	23,132,300	23,132,300
Job Training Fund	0	3,829,400	3,914,400
Special Administration Fund	1,148,500	1,585,000	1,585,000
Spinal and Head Injuries Trust Fund	2,012,500	2,391,200	2,404,800
Workforce Investment Act Grant	45,261,800	48,004,700	52,344,900
SUBTOTAL - Other Appropriated Funds	208,930,900	204,374,600	186,787,900 ^{9/}
SUBTOTAL - Appropriated Funds	238,931,300	243,217,300	268,218,800^{6/7/8/}
Other Non-Appropriated Funds	542,512,500	541,975,300	541,975,300
Federal Funds	91,445,900	93,694,400	93,694,400
TOTAL - ALL SOURCES	872,889,700	878,887,000	903,888,500

^{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 reviewed by 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, 2005 on these efforts. The report shall include expenditure details and placement data. (General Appropriation Act footnote)

^{3/} Of the \$132,520,100 appropriated for Day Care Subsidy, \$99,022,200 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 \$99,022,200 appropriation. (General Appropriation Act footnote)

COST CENTER DESCRIPTION — The 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 2003	FY 2003	FY 2004	FY 2005
	Appropriation	Actual	Appropriation	Appropriation
• Number of TANF recipients who obtained employment	12,264	15,879	16,065	16,330
• Average cost per JOBS participant in all work activities (in \$)	771	882	895	895
• % of customer satisfaction with child care	91.5	94.0	93.0	94.0
• Vocational Rehabilitation individuals successfully rehabilitated	2,307	1,546	2,045	2,000

Operating Budget

The budget provides \$24,508,100 for the operating budget in FY 2005. This amount consists of:

General Fund	\$6,298,700
Federal Child Care and Development Fund (CCDF) Block Grant	8,627,700
Job Training Fund	2,120,900
Special Administration Fund	85,000
Spinal and Head Injuries Trust Fund	492,400
Federal Temporary Assistance for Needy Families (TANF) Block Grant	4,893,200
Workforce Investment Act (WIA) Grant	1,990,200

This amount includes an increase for statewide salary and other adjustments. (Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)

JOBS Case Managers

The budget includes a General Fund increase of \$3,500,000 and 65 FTE Positions for JOBS staff to address growth in the JOBS program as well as to reduce client-caseworker ratios. (Please see the JOBS Special Line Item description below for further detail on this program.) The approved amount will reduce caseloads from 162 cases per manager to 127.

Special Line Items

JOBS Administration

JOBS

The budget provides \$22,610,100 for JOBS in FY 2005. This amount consists of \$17,316,600 from the federal TANF Block Grant, \$2,000,000 from the WIA Grant, \$1,793,500 from the Job Training Fund and \$1,500,000 from the Special Administration Fund. This amount is unchanged from FY 2004.

This line item provides job training and job search services to clients currently receiving TANF Cash Benefits, as well to former TANF recipients. These services are contracted out to third party vendors. Table 1 highlights total estimated expenditures for the JOBS line item.

Table 1

<u>Expenditures</u>	<u>Amount</u>
Job Training	\$13,792,200
Case Management	2,713,200
Post Employment Services	6,104,700
Total	\$22,610,100

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 reviewed 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 reviewed by the Joint Legislative Budget Committee. (General Appropriation Act footnote)

5/ All Spinal and Head Injuries Trust Fund receipts received by the Department of Economic Security in excess of \$2,404,800 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 \$2,404,800, 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/ Monies appropriated to the Workforce Investment Act – Discretionary Special Line Item may not be expended until a proposed expenditure plan has been reviewed by the Joint Legislative Budget Committee (General Appropriation Act footnote)

7/ All Federal Workforce Investment Act Discretionary funds that are received by the state in excess of \$3,266,600 are appropriated to the Workforce Investment Act – Discretionary 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)

8/ All federal Workforce Investment Act funds for local governments that are received by the state in excess of \$45,088,100 are appropriated to the Workforce Investment Act - Local Governments 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)

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

Work-Related Transportation

The budget provides \$302,200 from TANF for Work Related Transportation in FY 2005. This amount is unchanged from FY 2004.

This line item funds transportation services to assist TANF recipients in finding and sustaining employment. Monies are used to subsidize bus passes, assist with auto repair needs and to provide van services to clients that work outside normal business hours and where public transportation is not available.

Job Search Stipends

The budget provides \$30,000 from the General Fund for Job Search Stipends in FY 2005. This amount is unchanged from FY 2004.

This line item funds the state match for allowances paid to Food Stamp recipients searching for a job.

Child Care Administration

The DES Child Care Administration (CCA) helps eligible families pay a portion of child care costs when parents or caretakers participate in DES eligible activities. Requirements vary for each program.

Table 2 highlights the average number of children receiving child care services per month from FY 2003 through the first 9 months of FY 2004. Also included are caseload projections for FY 2005. As referenced in the table below, 40,066 children are expected to receive child care subsidies in FY 2005, an increase of 7% from FY 2004. This estimate is before any “conditional” appropriations discussed below.

	Children Served		
Category	FY 2003	FY 2004 ^{1/}	FY 2005 ^{2/}
TANF	5,594	6,389	7,828
CPS	3,573	3,884	4,597
Low Income Working	<u>25,338</u>	<u>18,673</u>	<u>18,328</u>
Day Care Subsidy SLI Subtotal	34,505	28,946	30,753
Transitional Child Care SLI	<u>8,221</u>	<u>8,603</u>	<u>9,313</u>
Total Served	42,726	37,549	40,066

^{1/} Nine month average
^{2/} Projected monthly average prior to any conditional appropriation.
 Assumes an average monthly payment per child of \$319.75, which may fluctuate.

CCA instituted a waiting list in March 2003 for new applicants in non-mandatory categories (low-income working poor, teen parents in school and parents in homeless shelters) in order to meet appropriated funding levels.

Families that are on TANF and working in the JOBS program or who recently left TANF but are working (see *Transitional Child Care Special Line Item detail below*)

are not placed on a waiting list, nor are families in Child Protective Services.

The waiting list reached a high of 9,300 children in March 2004. According to DES, sufficient resources were available to eliminate the waiting list in June 2004. The waiting list was eliminated because there were fewer families qualifying for mandatory programs than originally anticipated as well as greater attrition from the waiting list.

Of the 6,800 previously reported on the waiting list in June, approximately 3,400 will be pulled off the list and will receive services (the other 3,400 either had increased income, made other child care arrangements, could not be located, etc). DES anticipates reestablishing a waiting list during FY 2005.

In addition to the implementation of a waiting list, the Health and Welfare Budget Reconciliation Bill (Laws 2004, Chapter 279) enables the agency to reduce maximum income eligibility levels for child care assistance in order to manage within appropriated and available monies.

Day Care Subsidy

The budget provides \$132,520,100 for Day Care Subsidy in FY 2005 (see *Table 3 for funding breakdown*). These amounts include the following adjustments:

CCDF Shortfall & Waitlist

The budget includes a General Fund increase of \$39,000,000 and a Federal Child Care and Development Fund (CCDF) Block Grant decrease of \$(24,736,400), for an aggregate increase in funding of \$14,263,600 for child care subsidies in FY 2005.

The decrease in CCDF funding is due to the agency utilizing one-time CCDF dollars in FY 2004 no longer available in FY 2005. The increased General Fund support is to backfill those CCDF dollars as well as to address caseload increases, reduce the waitlist for the program and to fund a greater percentage of children with higher reimbursement rates.

In addition to the amounts above, this act conditionally appropriates \$5,000,000 in FY 2005 from the General Fund for additional child care subsidies if FY 2004 or FY 2005 General Fund revenues exceed the budgeted forecast. (*For more information, see the “Summary of Appropriations Triggered by Revenues” table at the front of this report.*) If revenues trigger a supplementary appropriation to the Day Care Subsidy SLI, an additional 1,300 children per month would receive child care subsidies in FY 2005 over the estimates delineated in *Table 2*.

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 and CPS programs 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 3). With the exception of TANF and CPS clients, many clients are required to make co-payments.

Table 3	
<u>Category</u>	<u>Amount</u>
TANF-Related	\$ 21,797,900
Low-Income Work Related	99,022,200
Quality Set Aside	<u>11,700,000</u>
Total	\$132,520,100
<u>Fund Source</u>	
General Fund	\$ 70,032,900
TANF	620,300
CCDF	<u>61,866,900</u>
Total	\$132,520,100

Transitional Child Care

The budget provides \$32,911,900 from CCDF for Transitional Child Care in FY 2005. The approved amount includes a CCDF increase of \$2,411,900 in order to fund caseload growth in the program. In FY 2005, the program is projected to serve 9,313 children, an increase of 8% from FY 2004.

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.

Rehabilitation Services Administration

Vocational Rehabilitation Services

The budget provides \$3,489,800 for Vocational Rehabilitation Services in FY 2005. This amount consists of \$3,285,100 General Fund and \$204,700 from the Spinal and Head Injuries Trust Fund. These amounts are unchanged from FY 2004.

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 Department of Health Services (DHS), the Arizona State Schools for the Deaf and the Blind, and the City of Phoenix.

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. Funding for this line item was transferred to the Long Term Care cost center in FY 2004.

Independent Living Rehabilitation Services

The budget provides \$2,491,900 for Independent Living Rehabilitation Services in FY 2005. This amount consists of \$784,200 from the General Fund and \$1,707,700 from the Spinal and Head Injuries Trust Fund. These amounts are unchanged from FY 2004.

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.

- 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

The budget provides \$1,000,000 from the General Fund for Summer Youth Employment and Training in FY 2005. This amount is unchanged from FY 2004.

This line item funds summer youth employment and training programs for at-risk youth. The division will distribute the \$1,000,000 directly to counties, based on population characteristics specified by law.

Workforce Investment Act - Discretionary

The budget provides \$3,266,600 from the Workforce Investment Act (WIA) Grant for the Workforce Investment Act - Discretionary line item in FY 2005. This amount is unchanged from FY 2004.

This line item funds various programs as recommended by the Governor's Council on Workforce Policy. These monies make up 15% of the total federal WIA Grant. Some examples of funded activities include:

- High Concentration of Youth Activities: Funds are distributed to help defray high program costs associated with serving youth in poverty. Monies are allocated to local workforce boards receiving less than \$500,000 in youth formula funds.
- Technical Assistance: Funds are provided to local areas that fail to meet local performance measures. Monies are used to incorporate new strategies that lead to improved customer service and performance outcomes.
- Evaluations: Monies are provided to conduct ongoing evaluation studies of workforce investment activities carried out across Arizona to ensure customer satisfaction as well as to identify areas in need of improvement.

Workforce Investment Act - Local Governments

The JLBC recommends \$45,088,100 from the WIA Grant for the Workforce Investment Act - Local Governments line item in FY 2005.

Additional Federal Funding

The budget includes an increase of \$4,284,100 from the WIA Grant in order to account for additional monies received by the state in excess of the agency’s FY 2004 appropriation. The approved amount represents those monies that get passed on to local governments.

This line item funds workforce training for dislocated workers and disadvantaged adults and youth at the local level. These monies are the state’s allotment of the federal Workforce Investment Act (WIA) Grant, established by Congress in 1998. Of the total grant received by the state, 85% is allocated to local governments.

The allocation of the WIA Grant for workforce related programs in FY 2005 are shown in *Table 4* below.

WIA Grant Allocations	
Category	Amount
Local Governments	\$45,088,100
Discretionary	3,266,600
Administration	1,990,200 ^{1/}
JOBS	<u>2,000,000</u> ^{2/}
Total	\$52,344,900

^{1/} This funding is included in the operating budget.
^{2/} This funding is included in the JOBS line item.

Workforce Investment Act Programs

Funding for this line item was split into distinct programs in FY 2004. (Please see *Workforce Investment Act – Discretionary and Workforce Investment Act – Local Governments for further detail.*)

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