

Department of Economic Security
Summary

A.R.S. § 41-195

Director: David A. Berns

JLBC Analyst: Stefan Shepherd/Kim Hohman/John Malloy

	FY 2003	FY 2004	FY 2005
	Actual	Estimate	Approved
PROGRAM BUDGET			
Administration	34,692,000	36,123,500	38,728,100
Developmental Disabilities	55,390,700	66,358,400	66,701,500 ^{1/}
Long Term Care	415,173,400	508,620,700	586,088,300 ^{1/}
Benefits and Medical Eligibility	195,092,600	213,859,000	209,147,500
Child Support Enforcement	43,799,600	52,428,500	53,732,800
Aging and Community Services	32,522,100	36,252,400	36,280,700
Children, Youth and Families	150,625,900	179,191,500	207,145,500
Employment and Rehabilitation Services	238,931,300	243,217,300	268,218,800
AGENCY TOTAL	1,166,227,600	1,336,051,300	1,466,043,200
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4,908.5	5,173.4	5,425.3 ^{2/}
Personal Services	110,664,600	117,423,900	128,419,800
Employee Related Expenditures	29,873,200	34,408,400	37,251,000
Professional and Outside Services	12,205,600	17,560,700	21,538,000
Travel - In State	2,972,200	3,045,800	3,196,200
Travel - Out of State	22,800	105,300	42,800
Other Operating Expenditures	27,422,100	29,558,100	31,354,500
Equipment	1,512,200	5,660,800	4,453,600
OPERATING SUBTOTAL	184,672,700	207,763,000	226,255,900
Special Line Items (SLI)	981,554,900	1,128,288,300	1,239,787,300
AGENCY TOTAL	1,166,227,600	1,336,051,300	1,466,043,200 ^{3/4/5/6/}
FUND SOURCES			
General Fund	404,753,000	484,037,500	599,756,200
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	1,011,500	1,565,700	1,567,500
Child Support Enforcement Administration Fund	10,858,400	12,263,400	12,666,000
Children and Family Services Training Program Fund	142,700	209,600	209,600
Domestic Violence Shelter Fund	1,500,000	1,700,000	1,700,000
Federal CCDF Block Grant	103,255,900	126,494,700	104,475,100
Federal TANF Block Grant	272,567,000	251,563,000	226,539,400
Job Training Fund	0	3,829,400	3,914,400
Long Term Care System Fund (Appropriated)	17,349,000	21,240,800	24,339,400
Public Assistance Collections Fund	245,400	446,800	457,700
Risk Management Fund	0	0	742,300
Special Administration Fund	1,206,500	2,129,500	2,142,200
Spinal and Head Injuries Trust Fund	2,110,700	2,478,100	2,491,700
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Utility Assistance Fund	0	500,000	500,000
Workforce Investment Act Grant	45,553,100	48,004,700	52,344,900
SUBTOTAL - Other Appropriated Funds	455,800,200	473,425,700	435,090,200
SUBTOTAL - Appropriated Funds	860,553,200	957,463,200	1,034,846,400
<u>Expenditure Authority Funds</u>			
Federal Funds	29,960,800	34,999,200	35,870,900
Long Term Care System Fund (Federal Match)	275,713,600	343,588,900	395,325,900
SUBTOTAL - Expenditure Authority Funds	305,674,400	378,588,100	431,196,800
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,166,227,600	1,336,051,300	1,466,043,200
<u>Other Non-Appropriated Funds</u>			
Federal Funds	546,553,300	545,609,100	545,609,100
Federal Funds	437,067,200	449,108,200	454,221,500
TOTAL - ALL SOURCES	2,149,848,100	2,330,768,600	2,465,873,800

AGENCY DESCRIPTION — The department provides an array of services for low-income households and others in need. These services are provided through the following divisions: Administration, Developmental Disabilities; Long Term Care, Benefits and Medical Eligibility; Child Support Enforcement; Aging and Community Services; Children, Youth and Families; and Employment and Rehabilitation Services.

PERFORMANCE MEASURES	FY 2003	FY 2003	FY 2004	FY 2005
	Appropriation	Actual	Appropriation	Appropriation
• Agencywide customer satisfaction rating (Scale 1 to 5)	3	4.0	4.2	4.2
• Employee satisfaction rating (Scale 1 to 5)	3.7	3.7	3.7	3.7

Federal Block Grants

The budget provides for the appropriation of the state’s federal Temporary Assistance for Needy Families (TANF) Block Grant allocation. *Table 1* below summarizes expected yearly revenues, expenditures, and fund balances.

For FY 2005, TANF expenditures are reduced to bring them mostly into line with revenues. The \$11,000,000 “hole” created by rolling forward SFY 2005 TANF revenues into SFY 2004 is filled by rolling forward \$11,000,000 of SFY 2006 TANF revenues into SFY 2005.

	<u>FY 2004</u>	<u>FY 2005</u>
Opening Balance	\$ 11,728,700	\$100
TANF Base Revenues	228,834,400	226,630,600
TANF FY 05 Roll-Forward	11,000,000	(11,000,000)
TANF FY 06 Roll-Forward	0	11,000,000
Total – Available TANF	<u>251,563,100</u>	<u>226,630,700</u>
Total TANF Expenditures	<u>251,563,000</u>	<u>226,539,400</u>
Ending Balance	\$100	\$91,300
Structural Surplus/Shortfall ^{1/}	(22,728,600)	91,200

^{1/} Difference between Base Revenues and Total Expenditures

Because the projected FY 2005 ending balance is less than \$100,000, the FY 2005 amounts do not include statewide salary and other technical adjustments totaling \$1,062,100.

Table 2 provides detailed information on TANF expenditures and appropriations.

FY 2004 Supplementals

The 2nd Regular Session FY 2004 supplementals include:

- \$11,871,200 GF for Children, Youth and Families operating budget, Children Services, Permanent Guardianship, and Adoption Services supplementals.
- \$4,948,400 GF for Developmental Disabilities state-only Home and Community Based Services, State-Funded Long Term Care Services, and Case Management supplementals
- \$532,500 GF for Aging and Community Services operating budget supplemental
- \$4,194,700 GF and matching Federal Funds for Long Term Care Home and Community Based Services supplemental
- \$8,734,900 TANF for TANF Cash Benefits supplemental

The table shows how amounts appropriated exceed expected TANF Block Grant revenues in both years. In FY 2004 this problem is addressed by using an opening balance of \$11,728,700 and “rolling forward” \$11,000,000 of SFY 2005 TANF Block Grant revenues into SFY 2004. In “rolling forward” revenue, DES will receive about 80% of its Federal Fiscal Year (FFY) 2004 grant in SFY 2004 as permitted by federal law; typically, DES would receive 75% of its FFY 2004 grant in SFY 2004.

^{1/} The amounts above include \$6,404,300 from the state General Fund and \$12,517,200 from matching federal expenditure authority to implement a published rate system, pursuant to Laws 2002, Chapter 329, for community service providers and independent service agreement providers contracting with the Division of Developmental Disabilities. It is the intent of the Legislature that the division request the Arizona Health Care Cost Containment System approve a capitation rate increase retroactive to July 1, 2004 to make the provider rate increases effective July 1, 2004. By August 1, 2004, and prior to implementing the system, the division shall present its implementation proposal to the Joint Legislative Budget Committee for its review. (General Appropriation Act footnote)

^{2/} Includes 712.9 GF, 109.2 OF, and 918.9 EA FTE Positions funded from Special Line Items in FY 2005.

^{3/} The above appropriation is in addition to funds granted to the state by the federal government for the same purposes but shall be deemed to include the sums deposited in the State Treasury to the credit of the Department of Economic Security, pursuant to A.R.S. § 42-5029. (General Appropriation Act footnote)

^{4/} A monthly report comparing total expenditures for the month and year-to-date as compared to prior year totals shall be forwarded to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of the Senate and House Appropriations Committees and the Director of the Joint Legislative Budget Committee by the 30th of the following month. The report shall include an estimate of (1) potential shortfalls in entitlement programs, (2) potential federal and other funds, such as the statewide assessment for indirect costs, and any projected surplus in state supported programs that may be available to offset these shortfalls, and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation, (3) shortfalls resulting from new leases or renegotiations of current leases and associated costs, and (4) total expenditure authority of the Child Support Enforcement program for the month and year-to-date as compared to prior year totals. (General Appropriation Act footnote)

^{5/} The Department of Economic Security shall report the receipt and intended use of all current and prior year reversions from nonappropriated sources to the Joint Legislative Budget Committee. (General Appropriation Act footnote)

^{6/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program.

(Please see individual cost center narratives for additional details on these supplementals.)

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These amounts are in addition to \$16,954,300 of supplemental FY 2004 funding provided by Laws 2003, Chapter 6, 2nd Special Session, the Child Protective Services special session. (Please see the Children, Youth and Families narrative for details.)

<u>FY 2004 - FY 2005 TANF Block Grant Spending</u>			
<u>Cost Center/Special Line Item</u>	<u>Estimated FY 2004</u>	<u>FY 2005 Change</u>	<u>Approved FY 2005</u>
Administration			
Operating	4,041,000	292,800	4,333,800
Finger Imaging	289,900	0	289,900
Lease Purchase Equipment	645,000	0	645,000
Public Assistance Collections	177,800	0	177,800
Attorney General Legal Services	141,300	0	141,300
Total – Administration	5,295,000	292,800	5,587,800
Benefits and Medical Eligibility			
Operating	9,024,500	0	9,024,500
TANF Cash Benefits	120,471,600	(16,614,800)	103,856,800
FLSA Supplement	1,008,900	0	1,008,900
Total – Benefits and Medical Eligibility	130,505,000	(16,614,800)	113,890,200
Aging and Community Services			
Operating	213,400	0	213,400
Community and Emergency Services	5,496,000	(71,100)	5,424,900
Coordinated Hunger Program	500,000	0	500,000
Coordinated Homeless Programs	1,583,200	66,300	1,649,500
Domestic Violence Prevention	5,115,900	4,800	5,120,700
Total – Aging and Community Services	12,908,500	0	12,908,500
Children, Youth and Families			
Operating	20,559,900	(292,800)	20,267,100
Adoption Services	5,186,100	0	5,186,100
Children Services	15,174,300	(5,762,200)	9,412,100
Children Services/TANF Deposit to SSBG	25,259,700	(2,646,600)	22,613,100
Healthy Families	5,034,200	0	5,034,200
Family Builders Program	5,200,000	0	5,200,000
Attorney General Legal Services	48,700	0	48,700
TANF Dep. to Jt S.A. Treatment Fund (Families FIRST)	2,000,000	0	2,000,000
Homeless Youth Intervention	400,000	0	400,000
Permanent Guardianship Subsidy	859,300	0	859,300
Total – Children, Youth and Families	79,722,200	(8,701,600)	71,020,600
Employment and Rehabilitation Services			
Operating	4,893,200	0	4,893,200
JOBS	17,316,600	0	17,316,600
Work-Related Transportation	302,200	0	302,200
Day Care Subsidy	620,300	0	620,300
Total – Employment and Rehabilitation Services	23,132,300	0	23,132,300
TOTAL - DEPARTMENT OF ECONOMIC SECURITY	\$251,563,000	\$(25,023,600)	\$226,539,400
Opening Balance	11,728,700		100
TANF Base Revenues	228,834,400		226,630,600
TANF FY 2005 "Roll-Forward"	11,000,000		(11,000,000)
TANF FY 2006 "Roll-Forward"	0		11,000,000
Total TANF Revenues	251,563,100		226,630,700
TANF Expenditures	251,563,000		226,539,400
Ending Balance	\$100		\$91,300