

Department of Economic Security
Employment and Rehabilitation Services

JLBC: John Malloy
 OSPB: Stephen Pawlowski

DESCRIPTION	FY 2004 ACTUAL	FY 2005 ESTIMATE	FY 2006 JLBC
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	413.3	478.3	478.3
Personal Services	13,220,100	16,145,300	16,145,300
Employee Related Expenditures	4,465,200	4,794,900	4,966,500
Professional and Outside Services	241,200	262,700	262,700
Travel - In State	215,900	443,100	443,100
Other Operating Expenditures	1,286,300	2,395,800	2,439,400
Equipment	2,017,200	520,000	520,000
OPERATING SUBTOTAL	21,445,900	24,561,800	24,777,000
SPECIAL LINE ITEMS			
Jobs Administration			
JOB	14,273,700	22,610,100	22,942,300
Work-Related Transportation	295,400	302,200	0
Job Search Stipends	25,400	30,000	0
Child Care Administration			
Day Care Subsidy	112,779,000	137,520,100	137,520,100
Transitional Child Care	29,944,000	32,911,900	32,911,900
Rehabilitation Services			
Vocational Rehabilitation Services	3,279,800	3,489,800	3,489,800
Independent Living Rehabilitation Services	1,762,400	2,491,900	2,491,900
Workforce Development			
Summer Youth Employment and Training	1,000,000	1,000,000	1,000,000
Workforce Investment Act - Discretionary	0	3,266,600	3,614,000
Workforce Investment Act - Local Governments	0	45,088,100	48,040,600
Workforce Investment Act Programs	42,384,700	0	0
PROGRAM TOTAL	227,190,300	273,272,500	276,787,600
FUND SOURCES			
General Fund	38,075,600	86,484,600	79,084,600
<u>Other Appropriated Funds</u>			
Federal CCDF Block Grant	119,369,100	103,406,500	103,536,500
Federal TANF Block Grant	17,343,500	23,132,300	30,645,400
Job Training Fund	3,169,600	3,914,400	3,888,500
Special Administration Fund	637,000	1,585,000	1,585,000
Spinal and Head Injuries Trust Fund	1,698,900	2,404,800	2,404,400
Workforce Investment Act Grant	46,896,600	52,344,900	55,643,200
SUBTOTAL - Other Appropriated Funds	189,114,700	186,787,900	197,703,000
SUBTOTAL - Appropriated Funds	227,190,300	273,272,500	276,787,600
Other Non-Appropriated Funds	420,132,600	444,994,600	444,994,600
Federal Funds	83,980,800	106,383,000	106,383,000
TOTAL - ALL SOURCES	731,303,700	824,650,100	828,165,200

CHANGE IN FUNDING SUMMARY

	FY 2005 to FY 2006 JLBC	
	\$ Change	% Change
General Fund	(7,400,000)	(8.6%)
Other Appropriated Funds	10,915,100	5.8%
Total Appropriated Funds	3,515,100	1.3%
Non Appropriated Funds	0	0.0%
Total - All Sources	3,515,100	0.4%

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 2004	FY 2005	FY 2006
	Actual	Actual	Estimate	JLBC
• Number of TANF recipients who obtained employment	15,879	20,185	16,330	26,280
• Average cost per JOBS participant in all work activities (in \$)	882	461	895	--
• % of customer satisfaction with child care	94.0	95.6	94.0	95.6
• Vocational Rehabilitation individuals successfully rehabilitated	1,546	1,650	2,000	1,800

Comments: Decreases in TANF caseloads and increased funding in FY 2005 for the JOBS Program account for the increase in the number of TANF recipients expected to obtain employment in FY 2006.

RECOMMENDED CHANGES FROM FY 2005

Operating Budget

The JLBC recommends \$24,777,000 for the operating budget in FY 2006. This amount consists of:

	FY 2006
General Fund	\$6,352,400
Federal Child Care and Development Fund (CCDF) Block Grant	8,757,700
Job Training Fund	2,095,000
Special Administration Fund	85,000
Spinal and Head Injuries Trust Fund	492,000
Federal Temporary Assistance for Needy Families (TANF) Block Grant	5,006,300
Workforce Investment Act (WIA) Grant	1,988,600

These amounts would include the following adjustments:

Standard Changes OF 215,200

The JLBC recommends an increase of \$215,200 in FY 2006 for standard changes. This amount consists of:

Federal CCDF Block Grant	130,000
Federal TANF Block Grant	113,100
Job Training Fund	(25,900)
WIA Grant	(1,600)
Spinal and Head Injuries Trust Fund	(400)

Special Line Items

JOBS Administration

JOBS

The JLBC recommends \$22,942,300 for JOBS in FY 2006. This amount includes:

General Fund	30,000
Federal TANF Block Grant	17,618,800
WIA Grant	2,000,000
Special Administration Fund	1,500,000
Job Training Fund	1,793,500

These amounts would fund the following adjustments:

Work Related Transportation

Transfer OF 302,200

The JLBC recommends an increase of \$302,200 from the Federal TANF Block Grant in FY 2006 in order to transfer funding for Work Related Transportation to the JOBS Program.

Job Search Stipends Transfer GF 30,000

The JLBC recommends an increase of \$30,000 from the General Fund in FY 2006 in order to transfer funding for Job Search Stipends to the JOBS Program.

There is no net change to the department's budget as a result of these transfers. (Please see the Work Related Transportation and Jobs Search Stipends descriptions for more information).

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

Expenditures	Amount
Job Training	\$13,792,200
Post Employment Services	6,104,700
Case Management	2,713,200
Work-Related Transportation	302,200
Job Search Stipends	30,000
Total	\$22,942,300

Work-Related Transportation

The JLBC recommends no funding for Work Related Transportation in FY 2006. This amount would fund the following adjustment:

Work Related Transportation

Transfer OF (302,200)

The JLBC recommends a decrease of \$(302,200) from the Federal TANF Block Grant in FY 2006 in order to transfer funding for Work Related Transportation to the JOBS Program. There is no net change to the department's budget as a result of this transfer.

Monies are used to fund transportation services to assist TANF recipients in finding and sustaining employment. Funding is also utilized 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 JLBC recommends no funding for Job Search Stipends in FY 2006. This amount would fund the following adjustment:

Job Search Stipends Transfer GF (30,000)

The JLBC recommends a decrease of \$(30,000) from the General Fund in FY 2006 in order to transfer funding for Job Search Stipends to the JOBS Program. Monies fund the state match for allowances paid to Food Stamp recipients searching for a job. There is no net change to the department's budget as a result of this transfer.

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.

CCA administers subsidies to TANF clients engaged in job activities, low-income working individuals under 165% FPL and children enrolled in the CPS program. Clients in the state's TANF and CPS programs are entitled to services. Low-income working clients are not entitled to services. With the exception of TANF and CPS, clients are required to make co-payments.

Table 2 highlights the average number of children receiving child care services per month from FY 2003 through the first 4 months of FY 2005. As indicated by the table, an average of 42,526 children have received subsidies per month in FY 2005, an increase of 12% above FY 2004 levels. The largest increase is in families referred by Child Protective Services (CPS) and those in the Low-Income Working category. These 2 categories have experienced an increase of over 17% over FY 2004 levels.

Caseloads for the TANF population have declined 2% through the first 4 months of FY 2005 compared to the FY

2004 monthly average. The agency had projected TANF caseloads to increase 18% over FY 2004 levels.

<u>Category</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u> ^{1/}
TANF	5,594	6,441	6,298
CPS	3,573	4,026	4,714
Low Income Working	25,338	18,594	21,930
Day Care Subsidy SLI Subtotal	34,505	29,061	32,942
Transitional Child Care SLI	8,221	8,811	9,584
Total Served	42,726	37,872	42,526

^{1/} First 4-month average

Average Monthly Subsidy Stabilizing

In FY 2002, maximum child care rates were set at the 75th percentile of the Arizona 1998 Child Care Market Rate Survey. This caused the average monthly subsidy paid to providers to increase each year. The average cost amount, however, has begun to stabilize as subsidies paid to providers have begun to reach the 75th percentile mark. As a result, average monthly subsidies are not expected to increase significantly into FY 2006.

Through the first 4 months of FY 2005, the average cost per child per month for child care subsidies is \$304.23. This represents an increase of approximately 0.5% from FY 2004 averages. This average monthly cost per child is expected to remain relatively constant through FY 2005. Based on available funding, 43,700 children would be able to receive subsidies per month in FY 2005.

The average cost per child is expected to increase only 2% in FY 2006. As a result, without an increase in funding, the amount of children served in FY 2006 is expected to be 42,850.

CCA Instituted Wait List

CCA first 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.

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 reported on the waiting list in June, approximately 3,400 received services (the other 3,400 either had increased income, made other child care arrangements, could not be located, etc).

DES reestablished the waiting list in September 2004 due to projected increases in caseloads. As of December 2004, there are approximately 1,544 children on the waiting list. All of the children on the waiting list are at or above 100% FPL.

DES has indicated that they expect the waitlist to total 9,600 children at the end of FY 2005 and over 12,000 in FY 2006. There are at least 2 reasons why these estimates may be overstated. First, DES had estimated that TANF caseloads would increase 18% in FY 2005 over FY 2004 levels. Additionally, the agency had projected that the average monthly cost per child for subsidies would total \$331 in FY 2006. As mentioned previously, TANF caseloads have actually decreased over FY 2004 levels and the average cost for child care subsidies are only expected to increase 2% from FY 2005.

Day Care Subsidy

The JLBC recommends \$137,520,100 for Day Care Subsidy in FY 2006 (*see Table 3 for funding breakdown*). This amount would fund the following adjustments:

TANF Fund Shift	GF	(7,400,000)
	OF	7,400,000

The JLBC recommends a decrease of \$(7,400,000) from the General Fund in FY 2006 and a corresponding increase of \$7,400,000 from the federal TANF Block Grant in order to account for a statewide TANF structural surplus. Permanent TANF revenues are expected to be greater than expenditures by over \$7,400,000 in FY 2006. (*Please see the Summary Cost Center for more information*). As a result, excess TANF dollars can be utilized in the Day Care Subsidy line item, which would in turn generate General Fund savings. There is no net change to the number of children receiving child care subsidies as a result of this shift and the amount of federal dollars that can be drawn down for child care subsidies will also not be affected.

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 are required to make co-payments.

Table 3

<u>Category</u>	<u>Amount</u>
TANF-Related	\$ 21,797,900
Low-Income Work Related	104,022,200
Quality Set Aside	11,700,000
Total	\$137,520,100
<u>Fund Source</u>	
General Fund	\$ 67,632,900
TANF	8,020,300
CCDF	61,866,900
Total	\$137,520,100

Transitional Child Care

The JLBC recommends \$32,911,900 from CCDF for Transitional Child Care in FY 2006. This amount is unchanged from FY 2005.

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 JLBC recommends \$3,489,800 for Vocational Rehabilitation Services in FY 2006. This amount consists of \$3,285,100 from the General Fund and \$204,700 from the Spinal and Head Injuries Trust Fund. These amounts are unchanged from FY 2005.

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.

Independent Living Rehabilitation Services

The JLBC recommends \$2,491,900 for Independent Living Rehabilitation Services in FY 2006. 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 2005.

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. Funding is broken down as follows:

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 JLBC recommends \$1,000,000 from the General Fund for Summer Youth Employment and Training in FY 2006. This amount is unchanged from FY 2005.

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 JLBC recommends \$3,614,000 from the Workforce Investment Act (WIA) Grant for the Workforce Investment Act - Discretionary line item in FY 2006. This amount would fund the following adjustments:

Workforce Investment Act Funds OF 347,400

The JLBC recommends an increase of \$347,400 from the WIA Grant in FY 2006 in order to account for additional monies received by the state in excess of the agency's FY 2005 appropriation.

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 \$48,040,600 from the WIA Grant for the Workforce Investment Act - Local Governments line item in FY 2006. This amount would fund the following adjustments:

Workforce Investment Act Funds OF 2,952,500

The JLBC recommends an increase of \$2,952,500 from the WIA Grant in FY 2006 in order to account for additional monies received by the state in excess of the agency's FY 2005 appropriation.

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 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 2006 are shown in *Table 4* below.

<u>Category</u>	<u>Amount</u>
Local Governments	\$48,040,600
Discretionary	3,614,000
Administration	1,988,600 ^{1/}
JOBS	<u>2,000,000</u> ^{2/}
Total	\$55,643,200

^{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 2005. (Please see *Workforce Investment Act - Discretionary and Workforce Investment Act - Local Governments for further detail.*)

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JLBC RECOMMENDED FORMAT — Operating Lump Sum with Special Line Items by Program

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

It is the intent of the Legislature that the \$22,942,300 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.

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, 2006 on these efforts. The report shall include expenditure details and placement data.

Of the \$137,520,100 appropriated for Day Care Subsidy, \$104,022,200 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 \$104,022,200 appropriation.

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.

All Spinal and Head Injuries Trust Fund receipts received by the Department of Economic Security in excess of \$2,404,400 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 \$2,404,400, the Department of Economic Security shall submit the intended use of the

monies for review by the Joint Legislative Budget Committee.

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.

All Federal Workforce Investment Act Discretionary funds that are received by the state in excess of \$3,614,000 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.

All federal Workforce Investment Act funds for local governments that are received by the state in excess of \$48,040,600 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.

JLBC RECOMMENDED STATUTORY CHANGES

The JLBC recommends continuing a FY 2005 Health Budget Reconciliation Bill (Laws 2004, Chapter 279) provision that permits DES to reduce income eligibility levels for all child care programs if the program has insufficient resources. DES would be required to report to JLBC within 15 days of any such change in levels.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

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