

Department of Economic Security
Employment and Rehabilitation Services

JLBC: Eric Jorgensen
 OSPB: Chris Hall

DESCRIPTION	FY 2006 ACTUAL	FY 2007 ESTIMATE	FY 2008 JLBC
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	474.0	488.9	488.9
Personal Services	15,778,600	18,535,600	18,535,600
Employee Related Expenditures	5,877,900	5,870,400	5,816,800
Professional and Outside Services	569,800	290,800	290,800
Travel - In State	311,800	485,200	485,200
Travel - Out of State	700	0	0
Other Operating Expenditures	1,477,300	2,996,900	2,859,100
Equipment	658,600	0	0
OPERATING SUBTOTAL	24,674,700	28,178,900	27,987,500
SPECIAL LINE ITEMS			
JOBS Administration			
JOBS	21,082,200	22,942,300	22,936,400
Child Care Administration			
Day Care Subsidy	134,059,900	155,000,100	155,000,100
Transitional Child Care	33,777,100	34,481,900	34,481,900
Rehabilitation Services			
Vocational Rehabilitation Services	1,389,300	5,419,100	5,419,100
Independent Living Rehabilitation Services	2,051,800	2,491,900	2,491,900
Workforce Development			
Summer Youth Employment and Training	0	1,000,000	1,000,000
Workforce Investment Act - Discretionary	2,645,500	3,614,000	3,614,000
Workforce Investment Act - Local Governments	36,458,600	48,040,600	48,040,600
PROGRAM TOTAL	256,139,100	301,168,800	300,971,500
FUND SOURCES			
General Fund	78,337,200	93,901,500	93,776,700
Other Appropriated Funds			
Federal CCDF Block Grant	104,670,100	115,973,400	115,936,800
Federal TANF Block Grant	28,570,400	31,373,800	31,346,200
Special Administration Fund	662,600	1,585,000	1,585,000
Spinal and Head Injuries Trust Fund	2,015,600	2,463,700	2,462,000
Workforce Investment Act Grant	41,883,200	55,871,400	55,864,800
SUBTOTAL - Other Appropriated Funds	177,801,900	207,267,300	207,194,800
SUBTOTAL - Appropriated Funds	256,139,100	301,168,800	300,971,500
Other Non-Appropriated Funds	220,568,100	222,833,900	222,833,900
Federal Funds	88,778,800	105,395,600	105,395,600
TOTAL - ALL SOURCES	565,486,000	629,398,300	629,201,000

CHANGE IN FUNDING SUMMARY

	FY 2007 to FY 2008 JLBC	
	\$ Change	% Change
General Fund	(124,800)	(0.1%)
Other Appropriated Funds	(72,500)	0.0%
Total Appropriated Funds	(197,300)	(0.1%)
Non Appropriated Funds	0	0.0%
Total - All Sources	(197,300)	0.0%

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 2004	FY 2005	FY 2006	FY 2008
	Actual	Actual	Actual	JLBC
• Number of TANF recipients who obtained employment	20,185	16,560	16,074	20,000
• % of customer satisfaction with child care	95.6	93.5	86.7	95.6
• Vocational Rehabilitation individuals successfully rehabilitated	1,650	1,865	2,129	4,000

Comments: The Vocational Rehabilitation program received funding to provide services to an additional 3,800 clients in FY 2007.

CHANGES FROM FY 2007

Operating Budget

The JLBC includes \$27,987,500 and 395.9 FTE Positions for the operating budget in FY 2008. This amount consists of:

	FY 2008
General Fund	\$9,471,900
Federal Child Care and Development Fund (CCDF) Block Grant	9,958,000
Federal Temporary Assistance for Needy Families (TANF) Block Grant	5,712,800
Workforce Investment Act (WIA) Grant	2,210,200
Special Administration Fund	85,000
Spinal and Head Injuries Trust Fund	549,600

These amounts include the following adjustments:

Standard Changes	GF	(21,300)
	OF	(66,800)

The JLBC includes a decrease of \$(88,100) in FY 2008 for standard changes. This amount consists of:

General Fund	(21,300)
Federal Child Care and Development Fund (CCDF) Block Grant	(36,600)
Federal Temporary Assistance for Needy Families (TANF) Block Grant	(21,900)
Workforce Investment Act (WIA) Grant	(6,600)
Spinal and Head Injuries Trust Fund	(1,700)

One-Time AZNet Appropriation	GF	(62,100)
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The JLBC includes a decrease of \$(62,100) from the General Fund in FY 2008 to reflect the one-time appropriation for AZNet telecommunication charges.

Administration Funding Shift GF (41,200)

The JLBC includes a decrease of \$(41,200) from the General Fund in FY 2008 to shift rent funding from this division to the Administration Division. Rent payments for the department are paid out of the Administration Division. There is no net overall funding change for the agency. (See Administration Funding Shift description in the Administration Division for more details).

Special Line Items

JOBS Administration

JOBS

The JLBC includes \$22,936,400 and 93 FTE Positions for JOBS in FY 2008. These amounts consist of:

General Fund	1,823,300
Federal TANF Block Grant	17,613,100
WIA Grant	2,000,000
Special Administration Fund	1,500,000

These amounts would fund the following adjustments:

Standard Changes	GF	(200)
	OF	(5,700)

The JLBC includes a decrease of \$(5,900) in FY 2008 for standard changes. This amount consists of:

General Fund	(200)
Federal Temporary Assistance for Needy Families (TANF) Block Grant	(5,700)

This line item provides job training and job search services to clients currently receiving TANF Cash Benefits, as well to former TANF recipients. The line item also includes expenditures formerly included in Work-Related Transportation and Job Search Stipends. These services are contracted out to third party vendors. *Table 1*

highlights total estimated expenditures for the JOBS line item.

<u>Expenditures</u>	<u>Amount</u>
Job Training	\$13,693,100
Post Employment Services	6,061,500
Case Management	2,849,600
Work-Related Transportation	302,200
Job Search Stipends	<u>30,000</u>
Total	\$22,936,400

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% of the Federal Poverty Level (FPL), and children in the Child Protective Services (CPS) program. Clients in the state's TANF, Transitional, and CPS programs are entitled to services. The state, therefore, is required to provide subsidies to families in these categories. Families in the low-income working category are not entitled to services and receive subsidies only to the extent that funding is available. Statute requires that DES review each case at least once a year to evaluate a recipient's eligibility for assistance. If there is not enough funding to provide subsidies to low-income working families, then those individuals are placed on a waiting list.

Subsidy Rates

The average subsidy paid to providers per child is projected to be approximately \$341 per month in FY 2008. The maximum reimbursement rate paid by the state for a 2-year-old child in Maricopa County is \$26.60 per day, using the 2000 Market Rate Survey.

Families in non-mandatory categories are required to make co-payments to defray the state's share of the cost of care. For families with an income level at or below 100% FPL, the required daily co-payment for their first child in care is \$2.00. Using the \$26.60 Maricopa rate, this \$2.00 co-payment would account for 7.5% of the total cost of care (with the state paying the other 92.5%).

By comparison, a family at 165% FPL is required to make a co-payment of \$10.00 per child. Using the same scenario as above, a family at 165% FPL would contribute 37.6% of the child's day care costs. In practice, families may pay a higher percentage of care, as some providers charge more than the maximum reimbursement rate paid for by the state. For example, a provider may charge \$30.00 per day (while the maximum daily reimbursement paid by the state is \$26.60). In that case, a family at 165% FPL would pay the \$10.00 co-payment as well as an additional \$3.40, which represents the difference between

what the provider charges (\$30.00) and what the state reimburses (\$26.60). Under this scenario, the family is paying for 44.7% of the child's day care.

Caseloads

Table 2 highlights the average number of children receiving child care services per month from FY 2005 through funded caseload levels in FY 2007. An average of 44,538 children received subsidies per month in FY 2006, an increase of just about 3% above FY 2005 levels. The largest increase is in families referred by CPS. This category has experienced an increase of nearly 14% over FY 2005 levels. Caseloads for the TANF population declined (15)% in FY 2006 compared to the FY 2005 monthly average.

<u>Category</u>	<u>Children Served</u>		
	<u>FY 2006</u>	<u>FY 2007^{1/}</u>	<u>FY 2008^{1/}</u>
TANF	5,154	4,100	4,200
CPS	5,598	6,300	7,000
Low Income Working	<u>24,322</u>	<u>25,800</u>	<u>25,700</u>
Day Care Subsidy SLI			
Subtotal	35,074	36,200	36,900
Transitional Child Care SLI	<u>9,464</u>	<u>8,400</u>	<u>6,700</u>
Total Served	44,538	44,600	43,600

^{1/} Represents funded/projected average caseload. Actual caseloads may differ.

For FY 2008, TANF caseloads are expected to increase 2.5%, while the CPS related caseload is expected to grow 12% and the Transitional Child Care is expected to decline (18)%. The Low Income Working category is projected to grow approximately 6% in FY 2008, based on historical rates.

These caseload growth rates would imply an average of 45,300 children being served at an expected average cost of \$328 per child per month, higher than the estimated FY 2007 rate of \$322. This increase is due to a shift in the caseload to more expensive populations, such as families in the CPS program.

The budget does not include an adjustment for caseload growth. With a higher average cost per child, the baseline budget would fund approximately 43,600 children in FY 2008, 1,000 less than what was funded in FY 2007. In comparison, the expected FY 2007 caseload is 45,300.

Day Care Subsidy

The JLBC includes \$155,000,100 for Day Care Subsidy in FY 2008. This amount consists of:

General Fund	75,482,900
Federal CCDF Block Grant	71,496,900
Federal TANF Block Grant	8,020,300

These amounts are unchanged from FY 2007. (Please see the *Child Care Administration Summary* for more information.)

Transitional Child Care

The JLBC includes \$34,481,900 from the Federal CCDF Block Grant for Transitional Child Care in FY 2008. This amount is unchanged from FY 2007.

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. (Please see the Child Care Administration Summary for more information.)

Rehabilitation Services Administration

Vocational Rehabilitation Services

The JLBC includes \$5,419,100 for Vocational Rehabilitation Services in FY 2008. This amount consists of:

General Fund	5,214,400
Spinal and Head Injuries Trust Fund	204,700

These amounts are unchanged from FY 2007. 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 also the City of Phoenix.

The program is expected to serve up to 5,450 clients, at an average annual TF cost of \$4,665 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 includes \$2,491,900 for Independent Living Rehabilitation Services in FY 2008. This amount consists of:

General Fund	784,200
Spinal and Head Injuries Trust Fund	1,707,700

These amounts are unchanged from FY 2007.

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 includes \$1,000,000 from the General Fund for Summer Youth Employment and Training in FY 2008. This amount is unchanged from FY 2007.

This line item provides funds for summer youth employment and training programs for at-risk youth. The division will distribute the \$1,000,000 directly to local governments, pursuant to the formula described in A.R.S. § 11-1042.

Workforce Investment Act - Discretionary

The JLBC includes \$3,614,000 from the Workforce Investment Act (WIA) Grant for the Workforce Investment Act - Discretionary line item in FY 2008. This amount is unchanged from FY 2007.

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.

A footnote in the General Appropriation Act requires that an expenditure plan be reviewed by the JLBC prior to the expenditure of these funds.

Workforce Investment Act – Local Governments

The JLBC includes \$48,040,600 from the WIA Grant for the Workforce Investment Act – Local Governments line item in FY 2008. This amount is unchanged from FY 2007.

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 2008 are shown in *Table 3* below.

<u>Category</u>	<u>Amount</u>
Local Governments	\$48,040,600
Discretionary	3,614,000
Administration	2,210,200 ^{1/}
JOBS	<u>2,000,000</u> ^{2/}
Total	\$55,864,800

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

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FORMAT — Operating Lump Sum with Special Line Items by Program

FOOTNOTES

Standard Footnotes

Of the \$155,000,100 appropriated for Day Care Subsidy, \$107,043,200 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 \$107,043,200 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.

Monies in the Child Care Subsidy and Transitional Child Care Special Line Items shall be used to provide services only to residents of the state of Arizona who are citizens or legal residents of the United States or who are otherwise lawfully present in the United States.

All Spinal and Head Injuries Trust Fund receipts received by the Department of Economic Security in excess of \$2,462,000 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 \$2,462,000, 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.

Deleted Footnotes

The JLBC deletes the footnote regarding the use of the JOBS appropriation for nonpermanent positions, as the JOBS program is expected to be privatized by the end of FY 2007.

The JLBC deletes the footnote regarding the use of \$4,500,000 of the JOBS appropriation to contract with education and training entities, as the JOBS program is expected to be privatized by the end of FY 2007.

The JLBC deletes the footnote requiring a one-time report on child care programs operating out of public school facilities.

STATUTORY CHANGES

The JLBC would continue a FY 2007 Health Budget Reconciliation Bill (Laws 2006, Chapter 331) 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
