

Department of Economic Security
Employment and Rehabilitation Services

A.R.S. § 41-1954

JLBC Analyst: Jay Chilton

	FY 2007 Actual	FY 2008 Estimate	FY 2009 Approved
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	488.9	559.9	559.9 ^{1/}
Personal Services	16,305,700	18,660,000	18,660,000
Employee Related Expenditures	6,538,600	6,317,000	6,329,100
Professional and Outside Services	664,500	887,000	887,000
Travel - In State	347,900	371,000	371,000
Travel - Out of State	200	200	200
Other Operating Expenditures	2,045,100	4,380,800	4,380,800
Equipment	916,900	1,810,800	1,810,800
OPERATING SUBTOTAL	26,818,900	32,426,800	32,438,900
SPECIAL LINE ITEMS			
JOBS Administration			
JOBS	15,076,800	23,571,700	23,573,700
Child Care Administration			
Day Care Subsidy	143,107,600	162,289,000	162,289,000 ^{2/3/4/5/}
Transitional Child Care	32,215,000	36,193,000	36,193,000 ^{3/4/5/}
Rehabilitation Services Administration			
Vocational Rehabilitation Services	3,472,000	5,419,100	4,919,100
Independent Living Rehabilitation Services	1,874,900	2,991,900	2,491,900 ^{6/}
Workforce Development Administration			
Summer Youth Employment and Training	1,000,000	1,250,000	750,000
Workforce Investment Act - Discretionary	3,728,100	3,614,000	3,614,000
Workforce Investment Act - Local Governments	34,380,400	48,040,600	48,040,600 ^{7/}
PROGRAM TOTAL	261,673,700	315,796,100	314,310,200^{8/}
FUND SOURCES			
General Fund	87,430,400	103,903,700	100,842,900
<u>Other Appropriated Funds</u>			
Federal CCDF Block Grant	108,748,000	116,487,600	110,993,400
Federal Reed Act Grant	0	3,236,500	3,236,500
Federal TANF Block Grant	22,928,200	32,164,200	39,232,000
Special Administration Fund	839,800	1,585,000	1,585,000
Spinal and Head Injuries Trust Fund	1,834,700	2,481,900	2,482,100
Workforce Investment Act Grant	39,892,600	55,937,200	55,938,300
SUBTOTAL - Other Appropriated Funds	174,243,300	211,892,400	213,467,300
SUBTOTAL - Appropriated Funds	261,673,700	315,796,100	314,310,200
Other Non-Appropriated Funds	244,329,100	273,998,000	273,998,000
Federal Funds	93,271,300	100,341,600	100,341,600
TOTAL - ALL SOURCES	599,274,100	690,135,700	688,649,800

1/ Includes 93 OF FTE Positions funded from Special Line Items in FY 2009.

2/ Of the \$162,289,000 appropriated for Day Care Subsidy, \$115,019,900 is for a program in which the upper income limit is no more than 165% of the federal poverty level. (General Appropriation Act footnote)

3/ It is the intent of the Legislature to fully fund Child Care caseloads and not create a wait list. (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 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/ Monies in the Child Care Subsidy and Transitional Child Care 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. (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 2005	FY 2006	FY 2007	FY 2009
	Actual	Actual	Actual	Approved
• Number of TANF recipients who obtained employment	16,560	16,074	14,240	17,000
• % of customer satisfaction with child care	93.5	86.7	87.4	95.0
• Vocational Rehabilitation individuals successfully rehabilitated	1,865	2,129	1,934	4,000

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

Operating Budget

The budget provides \$32,438,900 and 466.9 FTE Positions for the operating budget in FY 2009. These amounts consist of:

General Fund	\$9,849,000
Federal Child Care and Development Fund (CCDF) Block Grant	10,514,600
Federal Temporary Assistance for Needy Families (TANF) Block Grant	5,900,400
Federal Reed Act Grant	3,236,500
Workforce Investment Act (WIA) Grant	2,283,700
Special Administration Fund	85,000
Spinal and Head Injuries Trust Fund	569,700

These amounts include the following adjustments:

New Statewide Adjustments

The budget provides an increase of \$12,100 for new statewide adjustments in FY 2009. This amount consists of:

General Fund	2,000
Federal Child Care and Development Fund (CCDF) Block Grant	5,800
Federal Temporary Assistance for Needy Families (TANF) Block Grant	3,000
Workforce Investment Act (WIA) Grant	1,100
Spinal and Head Injuries Trust Fund	200

(Please see the New Statewide Adjustments section at the end of this Appropriations Report for details.)

JOBS Administration

JOBS

The budget provides \$23,573,700 and 93 FTE Positions for JOBS in FY 2009. These amounts consist of:

General Fund	1,825,200
Federal TANF Block Grant	18,248,500
WIA Grant	2,000,000
Special Administration Fund	1,500,000

These amounts include the following adjustments:

New Statewide Adjustments

The budget provides an increase \$2,000 from the Federal TANF Block Grant for new statewide adjustments in FY 2009.

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.

6/ All Spinal and Head Injuries Trust Fund receipts received by the Department of Economic Security in excess of \$2,482,100 are appropriated to the Independent Living Rehabilitation Services line item. Before the expenditure of any Spinal and Head Injuries Trust Fund receipts in excess of \$2,482,100, 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)

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

Table 1
Estimated JOBS Expenditures

<u>Expenditures</u>	<u>Amount</u>
Job Training	\$13,701,000
Post Employment Services	6,061,500
Case Management	2,970,100
FLSA Supplement	508,900
Work-Related Transportation	302,200
Job Search Stipends	30,000
Total	\$23,573,700

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 \$351 per month in FY 2009. The maximum reimbursement rate paid by the state for a 2-year-old child in Maricopa County is \$27.93 per day, using the 2000 Market Rate Survey plus 5%.

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 \$27.93 Maricopa rate, this \$2.00 co-payment would account for 7.2% of the total cost of care (with the state paying the other 92.8%).

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 35.8% 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 \$27.93). In that case, a family at 165% FPL would pay the \$10.00 co-payment as well as an additional \$2.07, which represents the difference between what the provider charges (\$30.00) and what the state reimburses (\$27.93). Under this scenario, the family is paying for 40.2% of the child's day care.

Caseloads

Table 2 highlights the average number of children receiving child care services per month from FY 2006 through funded caseload levels in FY 2009. Based on data through May 2008, an estimated average of 45,100 children per month received subsidies in FY 2008, an increase of 1.2% above FY 2007 levels.

The largest increase was for Low Income Working families. This category experienced a 5.5% increase over FY 2007 levels. Caseloads for the TANF population remained steady in FY 2008 compared to FY 2007, while CPS-referred cases grew by 3.5% and Transitional Child Care cases continued their decline at a rate of (11.9)%. This decrease is similar to the decrease in TANF caseloads 24 months prior, as Transitional Child Care is available to clients who have moved off of TANF Cash Benefits due to finding employment. The subsidy is available for 24 months.

For FY 2009, the CCA appropriation is expected to fund about 44,700 children.

Day Care Subsidy

The budget provides \$162,289,000 for Day Care Subsidy in FY 2009. This amount consists of:

General Fund	82,920,100
Federal CCDF Block Grant	64,285,800
Federal TANF Block Grant	15,083,100

These amounts include the following adjustments:

Table 2
Children Served

<u>Category</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u> ^{1/}	<u>Funded FY 2009</u> ^{2/}
TANF	5,154	3,859	3,800	3,800
CPS	5,598	6,082	6,300	6,400
Low-Income Working	<u>24,322</u>	<u>25,877</u>	<u>27,300</u>	<u>27,900</u>
Day Care Subsidy SLI Subtotal	35,074	35,818	37,400	38,100
Transitional Child Care SLI	<u>9,464</u>	<u>8,791</u>	<u>7,700</u>	<u>6,600</u>
Total Served	44,538	44,609	45,100	44,700

^{1/} Estimated based on data through May 2008.
^{2/} Represents funded/projected average caseload. Actual caseloads may differ.

CCDF Backfill

The budget provides a decrease of \$(5,500,000) from the Federal CCDF Block Grant and a corresponding increase from the Federal TANF Block Grant. Over the past several years, the appropriation from the CCDF Block grant has been larger than the actual revenue received in order to spend a balance that had accumulated in the fund. The balance has been spent, and this transfer replaces those expenditures with TANF Block grant funding.

Fund Shift

The budget provides a decrease of \$(1,562,800) from the General Fund and a corresponding increase from the Federal TANF block grant to reduce General Fund spending.

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

Transitional Child Care

The budget provides \$36,193,000 from the Federal CCDF Block Grant for Transitional Child Care in FY 2009. This amount is unchanged from FY 2008.

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 budget provides \$4,919,100 for Vocational Rehabilitation Services in FY 2009. This amount consists of:

General Fund	4,714,400
Spinal and Head Injuries Trust Fund	204,700

These amounts include the following adjustment:

Reduce FY 2009 Funding

The budget provides a decrease of \$(500,000) from the General Fund in FY 2009 to reduce General Fund spending. At this funding amount, the program is expected to serve up to 4,950 clients at an average annual Total Funds cost of \$4,665 per client, which is a decrease of about 9% in the number of clients served. 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.

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.

Independent Living Rehabilitation Services

The budget provides \$2,491,900 for Independent Living Rehabilitation Services in FY 2009. This amount consists of:

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

These amounts include the following adjustment:

Rollback FY 2008 Services for the Blind Increase

The budget provides a decrease of \$(500,000) from the General Fund in FY 2009 to rollback an increase for services to the blind and visually impaired in the original FY 2008 budget.

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 from the General Fund and \$1,707,700 from the 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 from the General Fund to provide 9,200 eye examinations and 6,000 pairs of eyeglasses and other eye appliances at an average cost of \$30.00 per person.

Workforce Development Administration

Summer Youth Employment and Training

The budget provides \$750,000 from the General Fund for Summer Youth Employment and Training in FY 2009. This amount includes the following adjustment:

Reduce FY 2009 Funding

The budget provides a decrease of \$(500,000) from the General Fund in FY 2009 to reduce General Fund expenditures.

This line item provides funds for summer youth employment and training programs for at-risk youth. The division will distribute the \$750,000 directly to local governments, pursuant to the formula described in A.R.S. § 11-1042. These amounts are shown in *Table 3*.

<u>Locality</u>	<u>Amount</u>
Maricopa County	\$131,250
Phoenix	176,250
Mesa	86,250
Pima County	206,250
All Other Counties (by population)	150,000
Total	\$750,000

Workforce Investment Act - Discretionary

The budget provides \$3,614,000 from the Workforce Investment Act (WIA) Grant for the Workforce Investment Act - Discretionary line item in FY 2009. This amount is unchanged from FY 2008.

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 budget provides \$48,040,600 from the WIA Grant for the Workforce Investment Act – Local Governments line item in FY 2009. This amount is unchanged from FY 2008.

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 4* below.

<u>Category</u>	<u>Amount</u>
Local Governments	\$48,040,600
Discretionary	3,614,000
Administration	2,282,600 ^{1/}
JOBS	2,000,000 ^{2/}
Total	\$55,937,200

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