

Department of Economic Security
Employment and Rehabilitation Services

JLBC: Jay Chilton
 OSPB: Chris Hall

DESCRIPTION	FY 2007 ACTUAL	FY 2008 ESTIMATE	FY 2009 JLBC
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	488.9	559.9	559.9
Personal Services	16,305,700	18,660,000	18,660,000
Employee Related Expenditures	6,538,600	6,317,000	6,317,000
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	32,426,800
SPECIAL LINE ITEMS			
JOBS Administration			
JOBS	15,076,800	23,571,700	23,571,700
Child Care Administration			
Day Care Subsidy	143,107,600	162,289,000	162,289,000
Transitional Child Care	32,215,000	36,193,000	36,193,000
Rehabilitation Services Administration			
Vocational Rehabilitation Services	3,472,000	5,419,100	5,419,100
Independent Living Rehabilitation Services	1,874,900	2,991,900	2,991,900
Workforce Development Administration			
Summer Youth Employment and Training	1,000,000	1,250,000	1,250,000
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
PROGRAM TOTAL	261,673,700	315,796,100	315,796,100
FUND SOURCES			
General Fund	87,430,400	103,903,700	103,903,700
<u>Other Appropriated Funds</u>			
Federal CCDF Block Grant	108,748,000	116,487,600	116,487,600
Federal Reed Act Grant	0	3,236,500	3,236,500
Federal TANF Block Grant	22,928,200	32,164,200	32,164,200
Special Administration Fund	839,800	1,585,000	1,585,000
Spinal and Head Injuries Trust Fund	1,834,700	2,481,900	2,481,900
Workforce Investment Act Grant	39,892,600	55,937,200	55,937,200
SUBTOTAL - Other Appropriated Funds	174,243,300	211,892,400	211,892,400
SUBTOTAL - Appropriated Funds	261,673,700	315,796,100	315,796,100
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	690,135,700

CHANGE IN FUNDING SUMMARY

	FY 2008 to FY 2009 JLBC	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non Appropriated Funds	0	0.0%
Total - All Sources	0	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 2005	FY 2006	FY 2007	FY 2009
	Actual	Actual	Actual	JLBC
• 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 JLBC includes \$32,426,800 and 466.9 FTE Positions for the operating budget in FY 2009. These amounts consist of:

General Fund	\$9,847,000
Federal Child Care and Development Fund (CCDF) Block Grant	10,508,800
Federal Temporary Assistance for Needy Families (TANF) Block Grant	5,897,400
Federal Reed Act Grant	3,236,500
Workforce Investment Act (WIA) Grant	2,282,600
Special Administration Fund	85,000
Spinal and Head Injuries Trust Fund	569,500

These amounts are unchanged from FY 2008.

JOBS Administration

JOBS

The JLBC includes \$23,571,700 and 93 FTE Positions for JOBS in FY 2009. These amounts consist of:

General Fund	1,825,200
Federal TANF Block Grant	18,246,500
WIA Grant	2,000,000
Special Administration Fund	1,500,000

These amounts are unchanged from FY 2008.

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

Estimated JOBS Expenditures

<u>Expenditures</u>	<u>Amount</u>
Job Training	\$13,699,000
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	\$23,571,700

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%, which is the intent of the FY 2008 provider rate increase.

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 2008. An average of 44,609 children received subsidies per month in FY 2007, an increase of 0.2% above FY 2006 levels. The largest increase was for families referred by CPS. This category experienced an 8.6% increase over FY 2006 levels. Caseloads for the TANF population declined (25)% in FY 2007 compared to FY 2006.

For FY 2009, TANF caseloads are expected to increase by 5.8%. Large decreases during FY 2007 led to a much lower caseload in early FY 2008 of about 3,300. This will result in the FY 2009 TANF-related caseload being similar to that of FY 2007. CPS related caseload is expected to grow by 4.7%.

Transitional Child Care is expected to accelerate its decline to (14.5)%. 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.

CPS-related caseloads and the Low Income Working category are expected to grow 5% and 7% respectively in FY 2009, based on historical data.

These assumptions suggest a total FY 2009 caseload of approximately 46,200 children, or about 3% above the FY 2008 funded level. In addition, due to a shift of clients from less expensive categories such as TANF to more expensive categories such as CPS, the average cost per child per month is expected to grow 3% to \$351 in FY 2009.

The Baseline does not include an adjustment for caseload growth. The Baseline amount would fund about 43,500 children in FY 2009.

Given these projected increases in caseloads and monthly cost per child, the total cost in FY 2009 is currently estimated at \$204,521,900, which is \$6,039,900 higher than the Baseline funding for the Child Care Administration. This may result in a waitlist of about 2,500 children. Children placed on a waitlist would be selected from the Low-Income Working category.

One of the fund sources for the Child Care Administration is the Child Care Development Fund (CCDF). Current CCDF appropriations exceed the actual ongoing revenues that the fund receives. If DES were to expend the entire CCDF appropriation in FY 2008, there would not be a balance forward available in FY 2009 and DES would require an additional \$5,539,000 in other funding to maintain the current funding level for the Child Care Administration.

Day Care Subsidy

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

General Fund	84,482,900
Federal CCDF Block Grant	69,785,800
Federal TANF Block Grant	8,020,300

These amounts are unchanged from FY 2008.

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

Category	Children Served				
	FY 2006	FY 2007	Funded FY 2008 ^{1/}	Funded FY 2009 ^{1/}	Estimated FY 2009
TANF	5,154	3,859	3,700	3,700	3,900
CPS	5,598	6,082	6,400	6,400	6,700
Low-Income Working	24,322	25,877	27,100	27,500	29,100
Day Care Subsidy SLI Subtotal	35,074	35,818	37,200	37,600	39,700
Transitional Child Care SLI	9,464	8,791	7,600	6,100	6,500
Total Served	44,538	44,609	44,800	43,700	46,200

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

Transitional Child Care

The JLBC includes \$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 JLBC includes \$5,419,100 for Vocational Rehabilitation Services in FY 2009. This amount consists of:

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

These amounts are unchanged from FY 2008. 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 Total Funds 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 budget includes \$2,991,900 for Independent Living Rehabilitation Services in FY 2009. This amount consists of:

General Fund	1,284,200
Spinal and Head Injuries Trust Fund	1,707,700

These amounts are unchanged from FY 2008.

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: \$990,100 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 9,100 clients.

Sight Conservation: \$294,100 from the General Fund to provide 9,800 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 JLBC includes \$1,250,000 from the General Fund for Summer Youth Employment and Training in FY 2009. This amount is unchanged from FY 2008.

This line item provides funds for summer youth employment and training programs for at-risk youth. The division will distribute the \$1,250,000 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	\$ 218,750
Phoenix	293,750
Mesa	143,750
Pima County	343,750
All Other Counties (by population)	<u>250,000</u>
Total	\$1,250,000

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 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 JLBC includes \$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	<u>2,000,000 ^{2/}</u>
Total	\$55,937,200

^{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 \$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. 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 \$115,019,900 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 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 \$2,481,900 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 \$2,481,900, the Department of Economic Security shall submit the intended use of the monies for review by the Joint Legislative Budget Committee.

All Federal Workforce Investment Act discretionary monies that are received by the state in excess of \$3,614,000 are appropriated to the Workforce Investment Act – Discretionary 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 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.

Deletion of Prior Year Footnotes

The JLBC deletes the footnote requiring review of an expenditure plan for monies appropriated to the Workforce Investment Act – Discretionary line item prior to expenditure because this program’s expenditure plan is consistent from year to year and is in accordance with purpose of the funds.

The JLBC deletes the footnote addressing the increase to the maximum child care provider reimbursement rate in FY 2008.

The JLBC deletes the footnote on expanding the Independent Living Program for the blind and visually impaired as the expansion has occurred.

STATUTORY CHANGES

The JLBC would continue a FY 2008 Health Budget Reconciliation Bill (Laws 2007, Chapter 263) 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.