

**Department of Economic Security**  
**Employment and Rehabilitation Services**

A.R.S. § 41-1954

	FY 2008 ACTUAL	FY 2009 ESTIMATE	FY 2010 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	559.9	559.9	559.9 <sup>1/</sup>
Personal Services	14,302,400	20,737,700	20,737,700
Employee Related Expenditures	5,987,100	8,665,800	8,836,400
Professional and Outside Services	303,100	335,300	335,300
Travel - In State	243,000	243,000	243,000
Other Operating Expenditures	1,856,300	3,685,100	3,685,100
Equipment	707,100	290,700	290,700
<b>OPERATING SUBTOTAL</b>	<b>23,399,000</b>	<b>33,957,600</b>	<b>34,128,200</b>
<b>SPECIAL LINE ITEMS</b>			
<b>JOBS Administration</b>			
JOBS	21,261,600	19,081,200	19,118,000
<b>Child Care Administration</b>			
Day Care Subsidy	159,035,300	178,864,000	178,864,000 <sup>2/3/4/</sup>
Transitional Child Care	30,696,900	36,193,000	36,193,000 <sup>3/4/</sup>
<b>Rehabilitation Services Administration</b>			
Vocational Rehabilitation Services	4,306,800	4,919,100	4,719,100
Assistive Technology	0	0	200,000 <sup>5/</sup>
Independent Living Rehabilitation Services	2,302,100	2,491,900	2,491,900
<b>Workforce Development Administration</b>			
Summer Youth Employment and Training	1,250,000	750,000	0
Workforce Investment Act - Discretionary	2,643,400	3,614,000	3,614,000 <sup>6/</sup>
Workforce Investment Act - Local Governments	33,053,100	48,040,600	48,040,600 <sup>7/</sup>
<b>PROGRAM TOTAL</b>	<b>277,948,200</b>	<b>327,911,400</b>	<b>327,368,800<sup>8/9/</sup></b>
<b>FUND SOURCES</b>			
General Fund	48,818,900	44,518,600	98,808,100
<u>Other Appropriated Funds</u>			
Federal CCDF Block Grant	114,991,500	129,518,100	129,593,800
Federal TANF Block Grant	71,298,800	90,599,300	35,642,500
Reed Act Grant	480,300	3,236,500	3,265,000
Special Administration Fund	1,466,300	1,574,400	1,574,400
Spinal and Head Injuries Trust Fund	2,335,300	2,526,200	2,530,200
Workforce Investment Act Grant	38,557,100	55,938,300	55,954,800
SUBTOTAL - Other Appropriated Funds	229,129,300	283,392,800	228,560,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>277,948,200</b>	<b>327,911,400</b>	<b>327,368,800</b>
Other Non-Appropriated Funds	374,437,300	445,827,600	445,827,600
Federal Funds	104,987,100	104,252,300	107,533,700
<b>TOTAL - ALL SOURCES</b>	<b>757,372,600</b>	<b>877,991,300</b>	<b>880,730,100</b>

1/ Includes 93 OF FTE Positions funded from Special Line Items in FY 2010.

2/ Of the \$178,864,000 appropriated for Day Care Subsidy, \$115,199,900 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/ 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)

4/ 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)

5/ The Department of Economic Security shall use the \$200,000 appropriated for assistive technology to contract with a third party to create a statewide clearinghouse for assistive technology to be distributed to Arizona school districts. (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.

<b>PERFORMANCE MEASURES</b>	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2010 Approved
• Number of TANF recipients who obtained employment	16,074	14,240	17,902	18,000
• % of customer satisfaction with child care	86.7	87.4	89.0	95.0
• Vocational Rehabilitation individuals successfully rehabilitated	2,129	1,934	2,004	2,000

**Operating Budget**

The budget includes \$34,128,200 and 466.9 FTE Positions for the operating budget in FY 2010. These amounts consist of:

	<b>FY 2010</b>
General Fund	\$10,299,200
Federal Child Care and Development Fund (CCDF) Block Grant	10,915,000
Federal Temporary Assistance for Needy Families (TANF) Block Grant	6,656,600
Federal Reed Act Grant	3,265,000
Workforce Investment Act (WIA) Grant	2,300,200
Special Administration Fund	74,400
Spinal and Head Injuries Trust Fund	617,800

These amounts fund the following adjustments:

**Statewide Health Insurance Adjustments**

The budget includes an increase of \$170,600 in FY 2010 for state employee health insurance statewide adjustments. This amount consists of:

General Fund	\$39,500
Federal CCDF Block Grant	75,700
Federal TANF Block Grant	6,400
Federal Reed Act Grant	28,500
Workforce Investment Act (WIA) Grant	16,500
Spinal and Head Injuries Trust Fund	4,000

*(Please see the General Provisions section.)*

**JOBS Administration**

**JOBS**

The budget includes \$19,118,000 and 93 FTE Positions for JOBS in FY 2010. These amounts consist of:

General Fund	1,715,200
Federal TANF Block Grant	13,902,800
WIA Grant	2,000,000
Special Administration Fund	1,500,000

These amounts fund the following adjustments:

**Statewide Health Insurance Adjustments**

The budget includes an increase of \$36,800 from the Federal TANF Block Grant in FY 2010 for state employee health insurance statewide adjustments.

**Continue JOBS Decrease**

The budget includes a \$(4,166,700) decrease from the Federal TANF Block Grant. This reduction was originally approved in the midyear FY 2009 revisions as a General Fund reduction. In order to achieve General Fund savings, the Agencywide Lump Sum Reduction includes an additional General Fund decrease of \$(4,166,700) and includes increased appropriation authority from the TANF Block Grant in the same amount. The Agencywide Lump Sum Reduction was line-item vetoed by the Governor.

*(Please see the agency summary section for additional information.)*

6/ All Federal Workforce Investment Act discretionary monies that are received by this 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. (General Appropriation Act footnote)

7/ All Federal Workforce Investment Act monies for local governments that are received by this 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/ See agency summary for lump sum reductions and fund transfers.

9/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program. As appropriated by Laws 2009, 1<sup>st</sup> Special Session, Chapter 12.

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.

<u>Expenditures</u>	<u>Amount</u>
Case Management	\$14,603,100
Job Training	3,673,800
FLSA Supplement	508,900
Work-Related Transportation	302,200
Job Search Stipends	30,000
<b>Total</b>	<b>\$19,118,000</b>

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### *Child Care Administration*

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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.

Depending on the population group to which they belong, the length of time for which families are eligible to receive child care subsidies is restricted by statute. For the low-income working population, there is a 60-month cumulative time limit per child. The Transitional Child Care benefit is available for 24 months, and eligible families receiving TANF Cash Benefits are eligible as long

as they are receiving TANF Cash Benefits, which also has a 60-month cumulative lifetime time limit. The only population for which there is no specified time limit is families referred by CPS and children in Foster Care.

#### *Subsidy Rates*

The average subsidy paid to providers per child is projected to be approximately \$353 per month in FY 2010. 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 2007 through funded caseload levels in FY 2010. In FY 2009, an average of approximately 47,300 children received subsidies each month, an increase of 4.3% above FY 2008 levels.

The largest increase was for the TANF category, which grew by 21.7% in FY 2009. These cases are recipients of TANF Cash Benefits. The Low Income Working category grew by 4.8% above FY 2008 levels and CPS-referred

<u>Category</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>Funded FY 2010 <sup>1/</sup></u>
TANF	3,859	3,893	4,727	5,700
CPS	6,082	6,299	6,872	6,700
Low-Income Working	<u>25,877</u>	<u>27,394</u>	<u>27,664</u>	<u>25,600</u>
<b>Day Care Subsidy SLI Subtotal</b>	<b>35,818</b>	<b>37,586</b>	<b>39,262</b>	<b>38,000</b>
Transitional Child Care SLI	<u>8,791</u>	<u>7,781</u>	<u>6,945</u>	<u>6,300</u>
<b>Total Served</b>	<b>44,609</b>	<b>45,367</b>	<b>46,207</b>	<b>44,300</b>

<sup>1/</sup> Represents funding/projected average caseload. Actual caseloads may differ.

cases grew by 9.6%. Transitional Child Care cases continued their decline at a rate of (10)%. 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 2010, the appropriation for the program is expected to provide subsidies to about 44,300 children. DES initiated a waiting list for child care services on February 18, 2009. According to DES, as of July 2009, approximately 5,500 children had been found eligible for child care services but placed on the waiting list.

### **Day Care Subsidy**

The budget includes \$178,864,000 for Day Care Subsidy in FY 2010. This amount consists of:

General Fund	81,295,100
Federal CCDF Block Grant	82,485,800
Federal TANF Block Grant	15,083,100

These amounts fund the following adjustments:

#### **Continue Child Care Reduction**

The budget continues a \$(1,625,000) decrease from the General Fund originally approved in the midyear FY 2009 revisions.

#### **Continue Federal Stimulus Funding**

The budget continues an \$18,200,000 increase from the Federal CCDF Block Grant originally approved as supplemental funding for FY 2009 in Laws 2009, Chapter 1. This additional funding was made available by the American Recovery and Reinvestment Act of 2009 and is intended to backfill reductions to the Child Care program that were implemented as a result of the midyear FY 2009 revisions.

Although not reflected in these estimates, DES reduced funding for the child care program when it allocated its midyear FY 2009 agencywide lump sum reduction. The new CCDF monies are used to backfill the midyear FY 2009 reduction that DES allocated to the child care program.

The ARRA legislation stipulated that the additional child care monies made available to states could be used to supplement but not to supplant state funding. Because the midyear FY 2009 reductions occurred before the passage of ARRA, it was determined that using the new CCDF monies to backfill previous cuts was an acceptable use.

### **Transitional Child Care**

The budget includes \$36,193,000 from the Federal CCDF Block Grant for Transitional Child Care in FY 2010. This amount is unchanged from FY 2009.

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 includes \$4,719,100 for Vocational Rehabilitation Services in FY 2010. This amount consists of:

General Fund	4,514,400
Spinal and Head Injuries Trust Fund	204,700

These amounts fund the following adjustments:

#### **Establish Assistive Technology SLI**

The budget includes a decrease of \$(200,000) from the General Fund in FY 2010 to transfer to the new Assistive Technology Special Line Item (SLI). *(See below.)*

The program is expected to serve up to 4,750 clients at an average annual Total Funds cost of \$4,665 per client, which is a decrease of about 4% 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.

### ***Assistive Technology***

The budget includes \$200,000 from the General Fund for Assistive Technology in FY 2010. This amount funds the following adjustments:

#### **Establish Assistive Technology SLI**

The budget includes an increase of \$200,000 from the General Fund in FY 2010 to establish the Assistive Technology SLI.

Monies in this line item are used to contract with a third party to create a statewide clearinghouse for assistive technology for Arizona school districts.

### ***Independent Living Rehabilitation Services***

The budget includes \$2,491,900 for Independent Living Rehabilitation Services in FY 2010. This amount consists of:

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

These are unchanged from FY 2009.

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 includes no funding for Summer Youth Employment and Training in FY 2010. The budget includes a decrease of \$(750,000) from the General Fund in FY 2010 to eliminate funding for the line.

When funded, monies in this line item are distributed directly to local governments pursuant to the formula described in A.R.S. § 11-1042 for summer youth employment and training programs for at-risk youth.

### ***Workforce Investment Act - Discretionary***

The budget includes \$3,614,000 from the Workforce Investment Act (WIA) Grant for the Workforce Investment Act - Discretionary line item in FY 2010. This amount is unchanged from FY 2009.

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 includes \$48,040,600 from the WIA Grant for the Workforce Investment Act – Local Governments line item in FY 2010. This amount is unchanged from FY 2009.

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 2010 are shown in *Table 3* below.

**Table 3**  
**FY 2010 WIA Grant Allocations**

<u>Category</u>	<u>Amount</u>
Local Governments	\$48,040,600
Discretionary	3,614,000
Administration	2,283,700 <sup>1/</sup>
JOBS	<u>2,000,000</u> <sup>2/</sup>
<b>Total</b>	<b>\$55,938,300</b>

<sup>1/</sup> This funding is included in the operating budget.

<sup>2/</sup> This funding is included in the JOBS line item.

### ***Lump Sum Reduction and Fund Transfers***

*Please see agency summary for agencywide lump sum reductions and fund transfers.*

### ***Additional Legislation***

#### ***Child Care Eligibility***

The midyear FY 2009 Health and Welfare Budget Reconciliation Bill (BRB) (Laws 2009, 1<sup>st</sup> Special Session, Chapter 4) and the FY 2010 Health and Welfare BRB (Laws 2009, 3<sup>rd</sup> Special Session, Chapter 10) contain a provision that permits DES to reduce income eligibility levels for all child care programs if the program has insufficient resources. DES is required to report to the Joint Legislative Budget Committee within 15 days of any such change in levels.