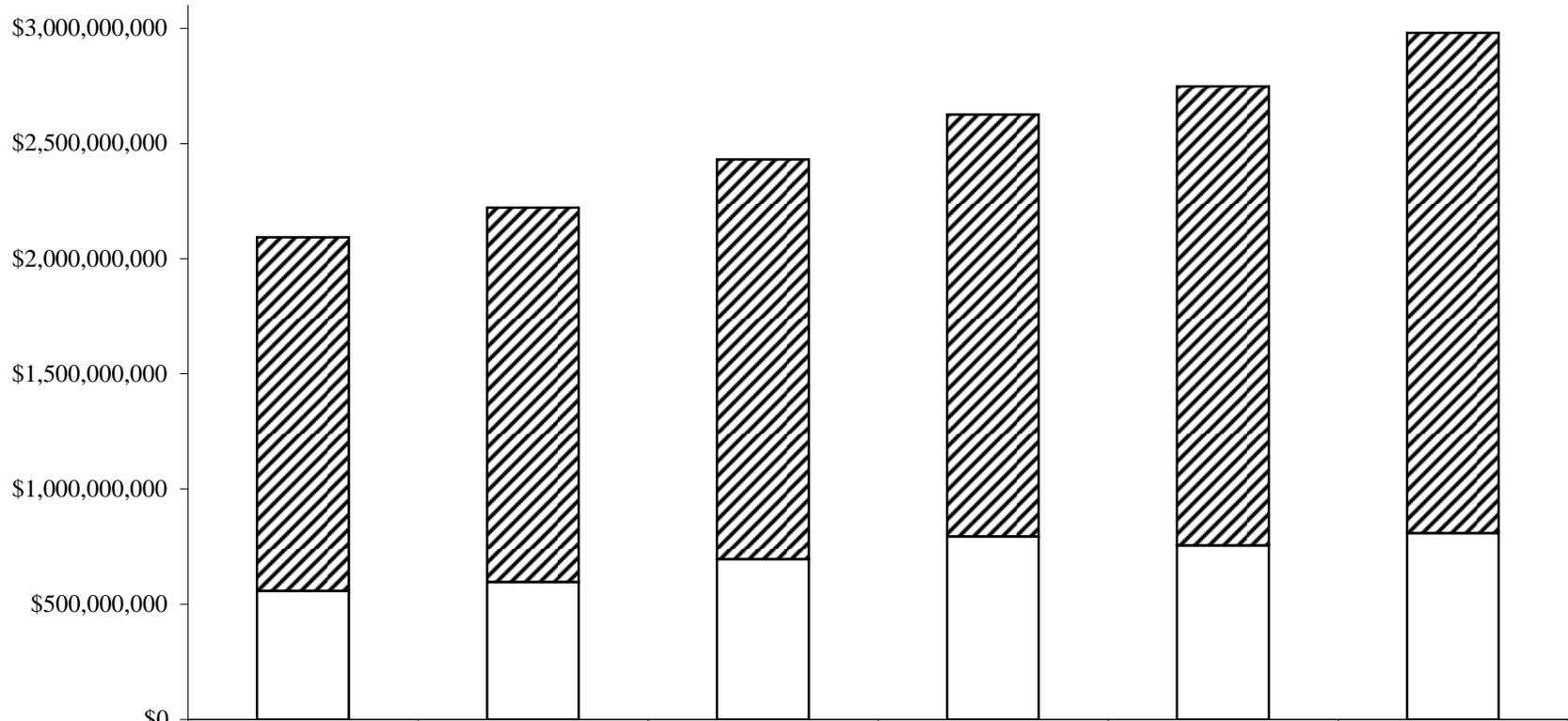


**Department of Economic Security
Total Funds FY 2005 - FY 2009**



□ General Fund ▨ Non-General Fund

	Actual FY 2005	Actual FY 2006	Actual FY 2007	Orig. FY 2008	Actual FY 2008	Est. FY 2009
Total Spending Authority	\$2,093,350,600	\$2,222,081,700	\$2,430,389,100	\$2,625,396,000	\$2,747,258,100	\$2,980,846,100
Non-General Fund	\$1,535,688,400	\$1,625,377,000	\$1,735,308,200	\$1,831,059,600	\$1,992,625,800	\$2,172,518,000
General Fund	\$557,662,200	\$596,704,700	\$695,080,900	\$794,336,400	\$754,632,300	\$808,328,100

Agency: Department of Economic Security

Proposal: TANF Caseload Growth

FY 09 Savings: \$993,100

FY 10 Savings: \$0

This proposal would take savings associated with TANF Cash Benefits caseloads being lower than originally appropriated. Monies in this program provide financial assistance on a temporary basis to dependent children in their homes or in the homes of responsible caretaker relatives. The FY 2009 appropriation of \$125.1 million was estimated to serve 83,000 recipients at an average benefit of \$125.20 per month. TANF caseloads, however, actually had declined to 78,955 by July 2008. As a result of the economic downturn, 2.5% caseload growth is being estimated from actual June 2008 data, resulting in estimated expenditures of \$124.1 million in FY 2009. This would be a savings of \$993,100 in FY 2009. Despite the slowing economy, caseloads do not appear to be increasing as fast as may be expected. This may be due to many recipients approaching lifetime caps on receiving TANF Cash Benefits.

Agency: Department of Economic Security

Proposal: Lump Sum Reduction

FY 09 Savings: \$59,712,400

FY 10 Savings: \$100,128,800

This amount represents an agencywide 7% lump sum reduction in FY 2009 and 12% in FY 2010. This amount excludes Title XIX Long Term Care state matching funds, TANF Cash Benefits, Tuberculosis Control, and Child Care Day Care Subsidy.

Proposal: Personnel Savings

FY 09 Savings: \$5,121,700

FY 10 Savings: \$12,311,700

This option would reduce an agency's budget by the equivalent of 4.2% of its personnel expenses in FY 2009 and 10% in FY 2010. State-operated group homes and the Arizona Training Program at Coolidge would be exempt from this proposal.

State agencies would have the flexibility of determining how to implement this reduction in their personnel costs. These actions could include a furlough, pay reduction or other management actions. In implementing this proposal, agencies would not be permitted to reduce their aid to individuals or contracted services to organizations, as typically delineated in a budget's special line items.

Agency: Department of Economic Security

Proposal: Eliminate General Assistance Program

FY 09 Savings: \$990,400
FY 10 Savings: \$2,060,800

This proposal would eliminate the state’s General Assistance Program. The total appropriation in FY 2009 is \$2.1 million. Based on current estimates, however, full-year FY 2008 expenditures are expected to be approximately \$1.8 million. If savings from elimination of this program were to begin on February 1, 2009, this proposal would result in FY 2009 savings of approximately \$990,400, or the amount of the total appropriation less the amount of the estimated expenditures for the first 7 months of the fiscal year. Eliminating the program would result in savings of the full appropriation in FY 2010 and would require a statutory change.

This program provides financial assistance to persons who are unemployable because of a physical or mental disability. Eligibility is limited to 12 months out of every 36-month period. The program serves as a “bridge” to Supplemental Security Income (SSI). Laws 2002, Chapter 329, modified the program so that only persons the Department of Economic Security expects to qualify for SSI will be eligible to receive General Assistance. Currently, the program funds about 1,400 clients at an average monthly benefit of \$152.

Agency: Department of Economic Security

Proposal: Drug Testing TANF and General Assistance Recipients

FY 09 Savings: \$786,000
FY 10 Savings: \$1,886,500

This option would result in savings by drug testing recipients of TANF Cash Benefits and General Assistance, and limiting benefits to those who pass the drug tests. The FY 2009 budget includes funding for 83,000 Temporary Assistance for Needy Families (TANF) Cash Benefits recipients at \$125.20 per month and 1,504 General Assistance recipients at \$152 per month. According to data provided by the Department of Health Services, 2.9% of Arizona's general population was estimated to have a dependence on or engage in abuse of drugs in 2005. A 2006 study from the National Institutes of Health indicates that up to 20% of welfare recipients report some form of illicit drug use. For this option, the 2.9% estimate was used to develop the projected savings, though if the number of people disqualified from receiving benefits is higher, the savings would increase accordingly.

According to DES, each TANF recipients receives Cash Assistance for an average of 10.4 months in a year, so the average savings per TANF recipient disqualified for a positive drug test would be \$1,302 per year. The average amount of time on General Assistance was 6.2 months in FY 2005, so average savings would be about \$942 per recipient disqualified. Using these figures, if 2.9% of the TANF and General Assistance population were to test positive for drug use and subsequently be disqualified from receiving benefits, the average annual savings would be about \$3,175,200.

The price of drug testing would be about \$15.25 per recipient, according to the Arizona Department of Corrections, so annual testing of all recipients would cost about \$1,282,700. As a result, net savings for a full year would be about \$1,886,500.

This option would require a statutory change. If the policy were to begin on February 1, 2009, it would result in \$786,000 in savings in FY 2009. The full amount could be realized in FY 2010.

Agency: Department of Economic Security

Proposal: FY 2008 Eligibility System Upgrade

FY 09 Savings: \$6,468,000

FY 10 Savings: \$6,468,000

This option would eliminate the funding for the DES eligibility system upgrade. The FY 2009 budget provided \$1 million from the General Fund and \$5,468,000 from TANF to DES as part of a \$45 million Total Fund multi-year information technology upgrade project to replace the current case management/eligibility determination system used by the division for Medicaid, TANF, General Assistance, and other welfare programs. DES' current eligibility systems are as much as 3 decades old. In addition to General Fund and TANF appropriations to DES, the project would be covered by non-appropriated federal monies and pass-through monies from AHCCCS. The FY 2009 budget included a \$1.3 million appropriation from the General, along with the accompanying \$1.3 million in federal expenditure authority, in AHCCCS for the project. There is also an option to eliminate the AHCCCS appropriation.

The original FY 2008 appropriation to DES of \$1 million from the General Fund was eliminated in the FY 2008 budget revisions and subsequently restored in the FY 2009 budget, along with an additional increase of \$5,468,000 from the Federal TANF Block Grant. This option would rollback the total \$6,468,000 appropriation. The freed-up TANF Block Grant monies would be used to backfill General Fund reductions elsewhere.

DES issued the RFP for the eligibility system upgrade earlier this year and is still in the process of evaluating bids. When the contract is awarded, DES anticipates that spending will accelerate.

Agency: Department of Economic Security

Proposal: Rollback FY 2008 Document Management Increase

FY 09 Savings: \$208,300

FY 10 Savings: \$500,000

This option would rollback funding originally appropriated in FY 2008 for electronic document management. The FY 2008 budget added \$500,000 from the General Fund as part of a \$5 million Total Fund multi-year project to implement an agencywide electronic document management system. Currently, much of the agency's work is paper-intensive. DES has been piloting an electronic document management system in its Family Assistance programs in Maricopa County; the U.S. Department of Agriculture encouraged expansion of the initiative in a review.

Agency: Department of Economic Security

Proposal: Reduce Children Support Services

FY 09 Savings: \$2,083,300

FY 10 Savings: \$5,000,000

This option would reduce the General Fund appropriation to Children Support Services in the Children Services Program by \$2.1 million in FY 2009 and by \$5 million in FY 2010. The full-year reduction of \$5 million represents a 6.6% reduction to the Special Line Item's total available funding. An unknown amount of General Fund monies in the line item are used to match about \$17 million of Federal Funds.

The Children Support Services line item provides support services such as counseling, self-help, and parenting skills training for both in-home and out-of-home clients to ensure the well-being of children who are abused and neglected. The line item does not include costs of residential places for children in out-of-home care. For July 2008, DES reported 10,030 out-of-home clients and 5,294 in-home cases.

Agency: Department of Economic Security

Proposal: DCYF Family Services 25% Reduction

FY 09 Savings: \$2,620,800

FY 10 Savings: \$6,290,000

This option would reduce the funding to the Division of Children, Youth, and Families (DCYF) Family Services Special Line Items by 25%. The reductions in Healthy Families, Intensive Family Services, and Joint Substance Abuse - AZ Families F.I.R.S.T. would be from the General Fund, but the Family Builders program is funded entirely with the TANF Block Grant. Freed-up TANF Block Grant monies as a result of the reduction to the Family Builders Program appropriation could then be used to backfill an additional General Fund reduction elsewhere. The table below displays the reductions by line item.

DCYF Family Services Reduction by Special Line Item		
	<u>FY 2009</u>	<u>FY 2010</u>
Healthy Families	\$1,119,800	\$2,687,500
Family Builders Program	541,700	1,300,000
Intensive Family Services	206,800	496,400
Joint Substance Abuse - AZ Families F.I.R.S.T.	<u>752,500</u>	<u>1,806,100</u>
Total	\$2,620,800	\$6,290,000

These programs provide the following services:

- Healthy Families funds contracted services to children less than 5 years of age and members of their families and is designed to prevent child abuse and neglect and to promote child development and wellness. It currently serves about 5,000 clients.
- The Family Builders Program offers assessment, preservation, and support services to families of children in the CPS system. In FY 2008, 5,509 families received in-home services.
- Intensive Family Services provides contracted intensive, time-limited services to families whose children are at imminent risk of out-of-home placement due to abuse, neglect, or dependency. It currently serves about 612 families.
- Joint Substance Abuse – AZ Families F.I.R.S.T. is a program to pay for services for parents, guardians, or custodians whose substance abuse is a significant barrier to preserving the family. The program currently serves about 6,700 families.

Agency: Department of Economic Security

Proposal: Rollback FY 2008 Independent Living Stipend Increase

FY 09 Savings: \$416,700

FY 10 Savings: \$1,000,000

This option would rollback a \$1 million General Fund increase originally appropriated in FY 2008 to increase the monthly stipend provided to about 320 former foster youth between 18 and 21 now living independently and either employed or enrolled in a postsecondary program. The increase raised the stipend from \$558 to \$795 and was continued in the FY 2009 budget. Rolling back the increase would reduce the stipend to its previous amount.

Agency: Department of Economic Security

Proposal: Eliminate Summer Youth Employment and Training

FY 09 Savings: \$0

FY 10 Savings: \$750,000

This option would eliminate funding for the Summer Youth Employment and Training Program. The Summer Youth Employment and Training Program received \$750,000 in FY 2009, which constituted a decrease of \$500,000 from prior-year funding. The program is intended for at-risk youth. These monies are distributed directly to city and county governments according to statute and they supplement federal Workforce Investment Act funding. Funding for this program was eliminated in FY 2006 and reinstated in FY 2007. The cities and counties receiving the money do not report any service figures to the Department of Economic Security. Pursuant to A.R.S. § 11-1042, the department is required to distribute the Summer Youth Employment and Training funds on or before July 5 of each year. The entire \$750,000 allocation for FY 2009 was distributed on July 7, 2008.

Agency: Department of Economic Security

Proposal: JOBS Reduction

FY 09 Savings: \$4,166,700

FY 10 Savings: \$10,000,000

This option would reduce the appropriation to the JOBS program by \$4.2 million in FY 2009 and by \$10 million in FY 2010. The JOBS program provides job training and job search services to clients currently receiving TANF Cash Benefits and to former TANF recipients. The total appropriation for the program is \$23.6 million, most of which is from the Federal TANF Block Grant. Because of this, any TANF funding freed up as a result of this reduction could then be used to offset a General Fund decrease elsewhere. In FY 2008, the Department of Economic Security spent \$21.3 million in the JOBS program and 13,881 individuals receiving Cash Assistance obtained employment.

Agency: Department of Economic Security
Proposal: Rollback FY 2008 Respite Care Increase
FY 09 Savings: \$208,300
FY 10 Savings: \$500,000

This option would rollback a \$500,000 General Fund increase originally appropriated in FY 2008 budget for a new Lifespan Respite Care program. Respite care is short-term care service provided to an individual to relieve a primary caregiver. The services in this program are provided to children or adults with special needs who do not currently qualify for other publicly-funded respite services. The program provided services to 108 caregivers in FY 2008; the Department of Economic Security anticipates that in FY 2009, the program will provide services to more than 200 caregivers.

Agency: Department of Economic Security

Proposal: Aging and Community Services 25% Reduction

FY 09 Savings: \$3,153,600

FY 10 Savings: \$7,568,700

This option would reduce the General Fund appropriations to the Division of Aging and Community Services (DACS) Special Line Items by 25%. The table below displays the reductions by line item.

DACS Reduction by Special Line Item		
	<u>FY 2009</u>	<u>FY 2010</u>
Adult Services	\$2,008,000	\$4,819,400
Coordinated Hunger	157,800	378,700
Coordinated Homeless	120,400	288,900
Domestic Violence Prevention	<u>867,400</u>	<u>2,081,700</u>
Total	\$3,153,600	\$7,568,700

These programs provide the following services:

- The Adult Services line item funds an array of independent living supports to elderly persons, such as personal care and home-delivered meals.
- Monies in the Coordinated Hunger line item are used to administer a USDA commodities food program, to assist in statewide food distribution, and for food banks. The program serves about 195,000 individuals quarterly.
- The Coordinated Homeless program provided emergency shelter services to 13,659 individuals and provided transitional housing to 1,623 individuals in FY 2008.
- The Domestic Violence Prevention program served 11,332 women and children in emergency shelters, 525 women and children in transitional housing, and provided legal and lay legal advocacy to 7,180 victims in FY 2008.

Agency: Department of Economic Security

Proposal: Suspend Lottery Transfer to Homeless Programs

FY 09 Savings: \$1,000,000

FY 10 Savings: \$1,000,000

This option would suspend the transfer of up to \$1,000,000 from the Lottery to homeless programs in the Department of Economic Security (DES) and instead deposit that money in the General Fund. This transfer was new in the FY 2008 budget. DES received the full \$1,000,000 transfer from the Lottery Fund in FY 2008. This option would rollback that funding. Total appropriated funding for homeless programs in DES is \$2.8 million, including \$1.2 million from the General Fund and \$1.6 million from the Federal TANF Block Grant.

Agency: Department of Economic Security

Proposal: New LIHEAP to Backfill General Fund

FY 09 Savings: \$1,900,000

FY 10 Savings: \$1,900,000

This option would use new Low Income Heating and Energy Assistance Program (LIHEAP) funding from the federal government to offset General Fund appropriations in the Department of Economic Security. In FY 2009, Arizona has received about \$20 million in additional LIHEAP monies from the federal government; about 10% of this money can be used for administrative purposes in related programs.

Agency: Department of Economic Security

Proposal: Reduce Child Care Funding

FY 09 Savings: \$8,125,000

FY 10 Savings: \$19,500,000

This option would reduce funding for child care subsidies. The state's child care program helps eligible families pay a portion of child care costs. This option would reduce the program's General Fund appropriation by \$8.1 million in FY 2009 and by \$19.5 million. Since all of the General Fund appropriation is used as maintenance of effort or matching money for the federal Child Care Development Block Grant, this reduction will result in a decrease in available Federal Funds. As a result, the Total Fund decrease to the program in FY 2009 would be \$28.5 million and in FY 2010 would be \$57 million.

A.R.S. § 46-803 allows DES to establish waiting lists for child care assistance in order to manage the child care program within the appropriated level of funding. Total funding for subsidies in FY 2009 is \$162.3 million, so the full year reduction of \$57 million represents a decrease of about 35%.

DES can achieve the savings by providing subsidies to fewer children, by reducing the average monthly subsidy, or by some combination of the 2 methods. If the savings are taken entirely by providing subsidies to fewer children, about 13,500 children currently receiving assistance would not longer receive assistance. If the savings are taken entirely by reducing the monthly subsidy, the average subsidy decrease would be about (30)%, from \$352 to \$247 per month.

Agency: Department of Economic Security

Proposal: DD Parental Means Testing

FY 09 Savings: \$5,000,000

FY 10 Savings: \$5,000,000

This option would implement means testing for the parents of children receiving Title XIX services through the Division of Developmental Disabilities (DDD). Currently, parental income is excluded from calculating financial eligibility for DDD Title XIX services for clients less than 18 years of age because the client is considered a single-person family unit. To qualify for Title XIX Long Term Care (LTC) funding in DDD, the client must meet the functional requirements and the client's income must be less than 300% of the Supplemental Security Income eligibility limit, which is about 222% of the Federal Poverty Level (FPL). By including the parental income, this limit would be roughly \$47,000 for a family of 4. Based on previous estimates, this option would affect about 2,200 clients.

This option would require a statutory change to include parental income in determining financial eligibility. A precise estimate of the savings in FY 2009 and FY 2010 will require further analysis.

Agency: Department of Economic Security

Proposal: Rollback FY 2009 Early Intervention Program Increase

FY 09 Savings: \$1,458,300

FY 10 Savings: \$3,500,000

This option would rollback a \$3.5 million General Fund increase originally made in FY 2009 for the Arizona Early Intervention Program. Funding in the program is used for children from birth to age 3 who have disabilities or developmental delays. Previously funded entirely with federal funding, the eligible population has grown by as much as 36% in recent years, while federal funding for the program has grown by 16%. Prior to the funding increase, 63% of eligible children received services in a timely manner.

Agency: Department of Economic Security

Proposal: DD Non-Title XIX 25% Reduction

FY 09 Savings: \$5,060,700

FY 10 Savings: \$12,145,600

This option is a reduction to the state's non-Title XIX Developmental Disabilities services. The state's non-Title XIX Developmental Disabilities funding provides services to individuals with cognitive disabilities, cerebral palsy, autism, or epilepsy who are not eligible for Title XIX entitlement program services. Non-Title XIX funding totals about \$48.6 million. This option would reduce that funding by 25%. DES could choose how to allocate the reduction among the 8 line items in the table. The Arizona Early Intervention Program Special Line Item is excluded because there is an additional option to roll back that entire appropriation. The table below shows the total General Fund appropriation by special line item within the Division of Developmental Disabilities' budget.

Non-Title XIX Developmental Disabilities by Special Line Item	
	Total GF <u>Appropriation</u>
Operating Budget	\$ 4,239,700
Case Management - State Only	4,538,700
Home and Community Based Services - State Only	35,873,900
Institutional Services - State Only	294,900
Arizona Training Program at Coolidge - State Only	572,400
State-Funded Long Term Care Services	762,900
Children's Autism Intensive Behavioral Treatment Services	1,800,000
Children's Autism Intensive Early Intervention Services For Toddlers	<u>500,000</u>
Total	\$48,582,500

Agency: Department of Economic Security

Proposal: Autism Services Reduction

FY 09 Savings: \$958,300

FY 10 Savings: \$2,300,000

This option would reduce funding for children's autism services in DES. Beginning in FY 2007, each year the Legislature has appropriated \$2.3 million to DES for children's autism services. Of the \$2.3 million, \$1.8 million is appropriated to the Children's Autism Intensive Behavioral Treatment Services Special Line Item (SLI), and \$500,000 is appropriated to the Children's Autism Intensive Early Intervention Services for Toddlers SLI. Between them, the 2 SLIs serve about 216 children.