

Department of Economic Security
Employment and Rehabilitation Services

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	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	559.9	557.9	554.9
Personal Services	13,325,700	16,838,100	16,838,100
Employee Related Expenditures	5,742,900	7,418,600	7,418,600
Professional and Outside Services	3,193,100	1,220,700	1,220,700
Travel - In State	132,700	165,400	165,400
Other Operating Expenditures	3,938,100	4,968,200	4,743,200
Equipment	454,500	316,600	316,600
OPERATING SUBTOTAL	26,787,000	30,927,600	30,702,600
SPECIAL LINE ITEMS			
JOBS Administration			
JOBS	17,020,000	13,258,700	13,097,700
Child Care Administration			
Day Care Subsidy	156,765,800	148,489,000	148,489,000
Transitional Child Care	27,047,500	36,193,000	36,193,000
Rehabilitation Services Administration			
Vocational Rehabilitation Services	3,572,000	3,299,100	3,299,100
Assistive Technology	0	200,000	200,000
Independent Living Rehabilitation Services	2,212,400	1,966,800	1,966,800
Workforce Development Administration			
Summer Youth Employment and Training	750,000	0	0
Workforce Investment Act - Discretionary	2,553,100	3,614,000	3,614,000
Workforce Investment Act - Local Governments	32,828,500	48,040,600	48,040,600
PROGRAM TOTAL	269,536,300	285,988,800	285,602,800
FUND SOURCES			
General Fund	31,298,200	44,443,300	44,282,300
<u>Other Appropriated Funds</u>			
Federal CCDF Block Grant	125,649,300	129,593,800	129,593,800
Federal TANF Block Grant	67,422,800	49,531,200	49,531,200
Reed Act Grant	3,217,900	3,265,000	3,265,000
Special Administration Fund	1,046,300	1,227,400	1,227,400
Spinal and Head Injuries Trust Fund	2,165,300	1,973,300	1,973,300
Workforce Investment Act Grant	38,736,500	55,954,800	55,729,800
SUBTOTAL - Other Appropriated Funds	238,238,100	241,545,500	241,320,500
SUBTOTAL - Appropriated Funds	269,536,300	285,988,800	285,602,800
Other Non-Appropriated Funds	758,176,600	988,937,800	708,212,500
Federal Funds	383,101,000	665,962,300	142,642,300
TOTAL - ALL SOURCES	1,410,813,900	1,940,888,900	1,136,457,600

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	(161,000)	(0.4%)
Other Appropriated Funds	(225,000)	(0.1%)
Total Appropriated Funds	(386,000)	(0.1%)
Non-Appropriated Funds	(804,045,300)	(48.6%)
Total - All Sources	(804,431,300)	(41.4%)

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.

Operating Budget

The Baseline includes \$30,702,600 and 461.9 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$7,258,600
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	2,075,200
Special Administration Fund	24,400
Spinal and Head Injuries Trust Fund	507,800

FY 2011 adjustments would be as follows:

WIA Administration Shift OF (225,000)

The Baseline includes a decrease of \$(225,000) from the Workforce Investment Act (WIA) Grant in FY 2011 and a corresponding increase in the operating budget of the Administration cost center. This shift funds the WIA programs' share of centralized agency costs including accounting and human resources, which are funded out of the Administration cost center.

JOBS Administration

JOBS

The Baseline includes \$13,097,700 and 93 FTE Positions for JOBS in FY 2011. These amounts consist of:

Federal TANF Block Grant	9,894,700
WIA Grant	2,000,000
Special Administration Fund	1,203,000

FY 2011 adjustments would be as follows:

Research Administration Transfer GF (161,000)

The Baseline includes a decrease of \$(161,000) from the General Fund in FY 2011 and a corresponding increase in the operating budget of the Administration cost center. This shift is related to the transfer of the Research Administration from DES to the Department of Commerce 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.

<u>Expenditures</u>	<u>Amount</u>
Case Management	\$10,004,100
Job Training	2,516,800
FLSA Supplement	340,100
Work-Related Transportation	207,100
Job Search Stipends	29,600
Total	\$13,097,700

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.

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 2008 through estimated caseload levels in FY 2011. In FY 2009, an average of 46,207 children received subsidies each month, an increase of 1.9% above FY 2008 levels.

The largest increase was for the TANF category, which grew by 21.4% in FY 2009. These cases are recipients of TANF Cash Benefits. The Low Income Working category grew by 1.0% above FY 2009 levels and CPS-referred cases grew by 9.1%. Transitional Child Care cases continued their decline at a rate of (10.7)%. 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.

DES initiated a waiting list for child care services on February 18, 2009. According to DES, as of December 2009, approximately 10,200 children had been found eligible for child care services but placed on the waiting

list and no new children had been added to the Low-Income Working category in that time. As a result, in FY 2010, the program is expected to fund subsidies for about 41,800 children. For FY 2011, the appropriation for the program is expected to provide subsidies to about 41,600 children, a decrease of (0.5)% from the estimated FY 2010 amount, as the less expensive Low-Income Working population continues to decline due to the waiting list and the more expensive populations continue to grow.

In FY 2010, the Legislature enacted a payment deferral of \$17,000,000. The deferral resulted in a one-time savings in that amount to the General Fund in FY 2010. This was in addition to a \$25,000,000 payment deferral enacted in FY 2009. The Baseline continues the payment deferral in FY 2011. Of the total \$42,000,000 in deferred payments, \$15,200,000 is deferred from the Child Care line items. (Please see the Payment Deferral section in the DES Summary for additional information.)

Day Care Subsidy

The Baseline includes \$148,489,000 for Day Care Subsidy in FY 2011. This amount consists of:

General Fund	33,023,300
Federal CCDF Block Grant	82,485,800
Federal TANF Block Grant	32,979,900

These amounts are unchanged from FY 2010.

These amounts include the continuation of additional funding from the Federal CCDF Block Grant made available by the American Recovery and Reinvestment Act of 2009. The total amount of funding made available to the state was \$50,900,000. Beginning in FY 2009, the Legislature appropriated \$18,200,000 from this funding, intended to backfill reductions to the Child Care program that were implemented as a result of the midyear FY 2009 revisions. This amount was continued in FY 2010, leaving \$14,300,000 of the ARRA money available in FY 2011. The amounts above include continuation of this funding, leaving a \$3,900,000 gap. DES has indicated that an increase in the underlying CCDF Block Grant will offset the \$3,900,000 gap and that there will not be a shortfall in CCDF funding for the program in FY 2011.

Category	Children Served			
	FY 2008	FY 2009	Funded FY 2010 ^{1/}	Estimated FY 2011 ^{1/}
TANF	3,893	4,727	5,000	5,300
CPS	6,299	6,872	7,500	8,100
Low-Income Working	27,394	27,664	22,500	21,400
Day Care Subsidy SLI Subtotal	37,586	39,263	35,000	34,800
Transitional Child Care SLI	7,781	6,945	6,800	6,800
Total Served	45,367	46,208	41,800	41,600

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

Transitional Child Care

The Baseline includes \$36,193,000 from the Federal CCDF Block Grant for Transitional Child Care in FY 2011. This amount is unchanged from FY 2010.

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 Baseline includes \$3,299,100 for Vocational Rehabilitation Services in FY 2011. This amount consists of:

General Fund	3,094,400
Spinal and Head Injuries Trust Fund	204,700

These amounts are unchanged from FY 2010.

The program is expected to serve up to 3,320 clients at an average annual Total Funds cost of \$4,665 per client. The original FY 2010 appropriation, prior to the application of any of the agency's lump sum reduction, was estimated to serve about 4,750 clients. The department has implemented a waiting list for these services as a result of the decrease in funding.

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 Baseline includes \$200,000 from the General Fund for Assistive Technology in FY 2011. This amount is unchanged from FY 2010.

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 Baseline includes \$1,966,800 for Independent Living Rehabilitation Services in FY 2011. This amount consists of:

General Fund	706,000
Spinal and Head Injuries Trust Fund	1,260,800

These amounts are unchanged from FY 2010.

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.

Workforce Development Administration

Summer Youth Employment and Training

The Baseline includes no funding for Summer Youth Employment and Training in FY 2011. This amount is unchanged from FY 2010.

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 Baseline includes \$3,614,000 from the Workforce Investment Act (WIA) Grant for the Workforce Investment Act - Discretionary line item in FY 2011. This amount is unchanged from FY 2010.

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 Baseline includes \$48,040,600 from the WIA Grant for the Workforce Investment Act - Local Governments line item in FY 2011. This amount is unchanged from FY 2010.

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 2011 is shown in *Table 3* below.

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

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

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FORMAT — Agencywide Operating Lump Sum with Special Line Items by Program

FOOTNOTES

Standard Footnotes

Of the \$148,489,000 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.

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 reported to the Joint Legislative Budget Committee. *(This requirement has been modified from a review by the JLBC to a report to the JLBC.)*

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 reported to the Joint Legislative Budget Committee. *(This requirement has been modified from a review by the JLBC to a report to the JLBC.)*

Deletion of Prior Year Footnotes

The Baseline would delete the footnote requiring JLBC review of transfers of monies from the Day Care Subsidy and Transitional Child Care line items to facilitate the agency’s allocation of its available funding.

The Baseline would delete the footnote mandating that monies in the Child Care line items be used to provide services only to citizens of the United States or people who are otherwise lawfully present in the United States because Laws 2009, 3rd Special Session, Chapter 7 amended statute to require proof of lawful presence in the United States to receive state and local public benefits.

The Baseline would delete the footnote requiring the appropriation for assistive technology from the Vocational Rehabilitation program be used to create a statewide clearinghouse for assistive technology because the Vocational Rehabilitation federal match cannot be used for this purpose.

STATUTORY CHANGES

The Baseline would continue a FY 2010 Health and Welfare Budget Reconciliation Bill (BRB) (Laws 2009, 3rd Special Session, Chapter 10) 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.