

Department of Economic Security

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5,889.4	5,473.4	5,473.4 ^{1/}
Personal Services	117,524,200	143,105,900	140,255,900
Employee Related Expenditures	52,923,000	65,025,800	62,602,300
Professional and Outside Services	14,432,400	14,976,600	14,976,600
Travel - In State	1,650,000	2,040,900	2,040,900
Travel - Out of State	34,900	6,100	6,100
Other Operating Expenditures	59,279,500	69,631,800	64,597,700
Equipment	6,590,800	4,448,900	4,448,900
OPERATING SUBTOTAL	252,434,800	299,236,000	288,928,400 ^{2/3/4/5/6/}
SPECIAL LINE ITEMS			
Administration			
Attorney General Legal Services	18,914,300	21,485,700	21,338,400
Aging and Community Service			
Adult Services	13,316,600	6,924,100	6,924,100
Community and Emergency Services	3,763,400	3,724,000	3,724,000
Coordinated Homeless	2,386,600	2,522,600	2,522,600
Coordinated Hunger	1,427,800	1,754,600	1,754,600
Domestic Violence Prevention	13,004,400	12,123,700	12,123,700 ^{7/8/}
Benefits and Medical Eligibility			
TANF Cash Benefits	100,348,100	57,015,800	44,999,400 ^{9/}
Tribal Pass-Through Funding	4,680,300	4,680,300	4,680,300
Child Support Enforcement			
County Participation	7,118,600	8,600,200	8,600,200
Genetic Testing	128,800	0	0
Children, Youth and Families			
Children Support Services	33,906,700	77,568,300	77,567,600 ^{10/}
CPS Emergency and Residential Placement	17,473,500	24,001,700	24,001,700 ^{10/}
Foster Care Placement	18,957,300	23,112,600	23,112,600 ^{10/}
Independent Living Maintenance	2,320,900	2,719,300	2,719,300
Permanent Guardianship Subsidy	8,329,000	8,815,300	8,815,300
Adoption Services	52,060,700	57,744,600	57,744,600
Adoption Services - Family Preservation Projects	227,700	0	0
Education and Training Vouchers	7,700	0	0
Developmental Disabilities ^{11/12/13/14/}			
Case Management - Title XIX	34,756,600	38,087,400	37,804,400
Home and Community Based Services - Title XIX	564,312,800	687,668,600	706,956,600
Institutional Services - Title XIX	17,379,400	18,360,300	19,305,900
Medical Services	121,340,800	131,645,100	138,931,600
Arizona Training Program at Coolidge - Title XIX	16,369,700	15,688,700	15,582,100
Medicare Clawback Payments	1,612,000	1,766,300	2,496,900
Case Management - State Only	2,307,400	3,885,200	3,846,000
Home and Community Based Services - State Only	7,258,900	32,623,400	32,615,300
State-Funded Long Term Care Services	21,719,800	26,530,200	26,528,100
Employment and Rehabilitation Services			
JOBS	9,264,900	13,005,600	13,005,600
Day Care Subsidy	109,930,600	135,167,900	121,396,600 ^{15/}
Rehabilitation Services	3,513,800	5,088,500	5,088,500
Workforce Investment Act Services	58,035,100	51,654,600	51,654,600 ^{16/}
AGENCY TOTAL	1,518,609,000	1,773,200,600	1,764,769,000 ^{17/18/19/20/}

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
FUND SOURCES			
General Fund	461,656,600	550,548,800	602,603,300 ^{21/}
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	0	1,459,800	1,459,100
Child Support Enforcement Administration Fund	11,935,900	16,785,200	16,534,900 ^{4/}
Children and Family Services Training Program Fund	106,300	206,800	205,300
Domestic Violence Shelter Fund	2,219,800	2,220,000	2,220,000 ^{7/}
Federal CCDF Block Grant	106,211,100	130,688,200	130,567,500
Federal TANF Block Grant	212,429,600	240,060,600	239,304,400
Long Term Care System Fund (Non-Federal Matched)	19,707,800	30,520,500	30,518,400
Public Assistance Collections Fund	251,500	431,700	423,900
Reed Act Grant	3,524,200	0	0
Special Administration Fund	24,400	1,135,300	1,129,900
Spinal and Head Injuries Trust Fund	699,700	1,873,800	1,864,700
Statewide Cost Allocation Plan Fund	1,000,000	1,000,000	1,000,000
Workforce Investment Act Grant	59,898,800	56,052,100	56,029,800 ^{16/}
SUBTOTAL - Other Appropriated Funds	418,009,100	482,434,000	481,257,900
SUBTOTAL - Appropriated Funds	879,665,700	1,032,982,800	1,083,861,200
<u>Expenditure Authority Funds</u>			
Child Support Enforcement Administration Fund (EA)	39,604,800	44,720,200	40,320,200
Long Term Care System Fund (Federal Match)	599,338,500	695,497,600	640,587,600 ^{22/}
SUBTOTAL - Expenditure Authority Funds	638,943,300	740,217,800	680,907,800
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,518,609,000	1,773,200,600	1,764,769,000
Other Non-Appropriated Funds	987,785,100	609,083,800	311,945,300
Federal Funds	1,836,054,100	1,494,507,300	633,557,000
TOTAL - ALL SOURCES	4,342,448,200	3,876,791,700	2,710,271,300

AGENCY DESCRIPTION — The department provides an array of services for low-income households and others in need. These services are provided through the following divisions: Administration; Developmental Disabilities; Benefits and Medical Eligibility; Child Support Enforcement; Aging and Community Services; Children, Youth and Families; and Employment and Rehabilitation Services.

- 1/ Includes 624.1 GF, 138.5 OF, and 1,120.6 EA FTE Positions funded from Special Line Items in FY 2012.
- 2/ In accordance with A.R.S. § 35-142.01, the Department of Economic Security shall remit to the Department of Administration any monies received as reimbursement from the federal government or any other source for the operation of the Department of Economic Security West Building and any other building lease-purchased by the State of Arizona in which the Department of Economic Security occupies space. The Department of Administration shall deposit these monies in the state General Fund. (General Appropriation Act footnote)
- 3/ The Operating Lump Sum Appropriation may be expended on Arizona Health Care Cost Containment System eligibility determinations based on the results of the Arizona random moment sampling survey. (General Appropriation Act footnote)
- 4/ All state share of retained earnings, fees and federal incentives above \$16,534,900 received by the Division of Child Support Enforcement are appropriated for operating expenditures. New full-time equivalent positions may be authorized with the increased funding. Before the expenditure of these increased monies, the Division of Child Support Enforcement shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 5/ The Department of Economic Security shall provide training to any new Child Protective Services FTE Positions before assigning to any of these employees any client caseload duties. (General Appropriation Act footnote)
- 6/ It is the intent of the Legislature that the Department of Economic Security use the funding in the Division of Children, Youth and Families to achieve a 100% investigation rate. (General Appropriation Act footnote)
- 7/ All Domestic Violence Shelter Fund monies above \$2,220,000 received by the Department of Economic Security are appropriated for the Domestic Violence Prevention line item. Before the expenditure of these increased monies, the Department of Economic Security shall report the intended use of monies above \$2,220,000 to the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 8/ The Department of Economic Security shall report to the Joint Legislative Budget Committee on the amount of state and federal monies available statewide for domestic violence funding by December 15, 2011. The report shall include, at a minimum, the amount of monies available and the state fiscal agent receiving those monies. (General Appropriation Act footnote)
- 9/ Of the amount appropriated for Temporary Assistance for Needy Families Cash Benefits, \$500,000 reflects appropriation authority only to ensure sufficient cash flow to administer cash benefits for tribes operating their own welfare programs. The department shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting Staff before the use of any of the \$500,000 appropriation authority. (General Appropriation Act footnote)
- 10/ Of the amounts appropriated for Children Support Services, CPS Emergency and Residential Placement, and Foster Care Placement, \$22,613,100 is appropriated from the Federal Temporary Assistance for Needy Families Block Grant to the Social Services Block Grant for deposit in the following line items in the following amounts: Children Support Services \$5,371,700, CPS Emergency and Residential Placement \$12,167,000, Foster Care Placement \$5,074,400. (General Appropriation Act footnote)

Operating Budget

The budget includes \$288,928,400 and 3,590.2 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<u>FY 2012</u>
General Fund	\$127,401,100
Child Support Enforcement Administration Fund	12,872,900
Children and Family Services Training Program Fund	205,300
Federal Temporary Assistance for Needy Families (TANF) Block Grant	80,180,000
Federal Child Care and Development Fund (CCDF) Block Grant	11,871,300
Federal Expenditure Authority	26,438,200
Long-Term Care System Fund	25,695,600
Public Assistance Collections Fund	333,200
Special Administration Fund	19,000
Spinal and Head Injuries Trust Fund	536,600
Statewide Cost Allocation Plan Fund	1,000,000
Workforce Investment Act Grant	2,375,200

These amounts fund the following adjustments:

ARRA Payments

The budget includes a decrease of \$(4,400,000) from Federal Expenditure Authority in FY 2012 as a result of decreased Title IV-D funding. Previously, ARRA had allowed states to use federal incentive payments as state match for Title IV-D funding. In FY 2012 federal incentive payments will no longer be considered state match, and the amount of Title IV-D funding will decrease.

Formula Growth

The budget includes a decrease of \$(4,439,500) in FY 2012 for formula growth. This amount consists of:

General Fund	2,196,400
FMA	(6,635,900)

- 11/ For FY 2012, the Department of Economic Security shall not increase reimbursement rates for community service providers and independent service agreement providers contracting with the Division of Developmental Disabilities. (General Appropriation Act footnote)
- 12/ The department shall report to the Joint Legislative Budget Committee by March 1 of each year on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum shall be not more than 2%. Before implementation of any changes in capitation rates for the Long-Term Care program, the Department of Economic Security shall report for review the expenditure plan to the Joint Legislative Budget Committee. Before the department implements any changes in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the department shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal analysis demonstrates that these changes will result in additional state costs of \$500,000 or greater for a given fiscal year, the department shall submit the policy changes for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 13/ Prior to the implementation of any developmentally disabled or long-term care statewide provider rate adjustments not already specifically authorized by the Legislature, court mandates or changes to federal law, the department shall submit a report for review by the Joint Legislative Budget Committee. The report shall include, at a minimum, the estimated cost of the provider rate adjustment and the ongoing source of funding for the adjustment, if applicable. (General Appropriation Act footnote)
- 14/ The Department of Economic Security shall report all new placements into a state-owned ICF-MR or the Arizona Training Program at Coolidge Campus in FY 2012 to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees and the Director of the Joint Legislative Budget Committee and the reason why this placement, rather than a placement into a privately run facility for the developmentally disabled, was deemed as the most appropriate placement. The department shall also report if no new placements were made. This report shall be made available by July 15, 2012. (General Appropriation Act footnote)
- 15/ Of the \$121,396,600 appropriated for Day Care Subsidy, plus any funding authorized to be deferred to FY 2013, \$115,119,900 is for a program in which the upper income limit is no more than 165% of the federal poverty level. (General Appropriation Act footnote)
- 16/ All Federal Workforce Investment Act monies that are received by this state in excess of \$56,029,800 are appropriated to the Workforce Investment Act Services line item. Before the expenditure of these increased monies, the Department of Economic Security shall report the intended use of monies above \$56,029,800 to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 17/ The above appropriations are in addition to funds granted to the state by the federal government for the same purposes but shall be deemed to include the sums deposited in the State Treasury to the credit of the Department of Economic Security, pursuant to A.R.S. § 42-5029. (General Appropriation Act footnote)
- 18/ A monthly report comparing total expenditures for the month and year-to-date as compared to prior year totals shall be forwarded to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees and the Director of the Joint Legislative Budget Committee by the 30th of the following month. The report shall include an estimate of potential shortfalls in entitlement programs and potential federal and other funds, such as the statewide assessment for indirect costs, and any projected surplus in state supported programs that may be available to offset these shortfalls and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation. (General Appropriation Act footnote)
- 19/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 20/ In addition to these amounts, a total of \$5,009,100 GF, \$2,860,100 OF, and \$1,820,000 FMA is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)
- 21/ Laws 2010, 7th Special Session, Chapter 1, as amended by Laws 2011, Chapter 24, appropriated \$35,000,000 from the General Fund in FY 2012 to account for the deferral of FY 2011 payments into FY 2012, so that \$35,000,000 does not appear in the FY 2012 General Appropriation Act. Laws 2011, Chapter 24 appropriates \$35,000,000 in FY 2013 to reflect the deferral of FY 2012 payments to FY 2013.
- 22/ All monies in the Long-Term Care System Fund unexpended and unencumbered at the end of FY 2012 revert to the state General Fund, subject to approval by the Arizona Health Care Cost Containment System administration. (General Appropriation Act footnote)

This formula adjustment consists of a federal match rate change as well as reversing a DES shift that moved funding from benefits to the operating budget in Developmental Disabilities. This would return the Developmental Disabilities operating budget to the level appropriated in FY 2011.

Additional TANF Drawdown

The budget continues a decrease of \$(5,000,000) from the General Fund approved in the mid-year FY 2011 revisions and a corresponding increase from the federal TANF Block Grant. This fund shift is the result of additional federal TANF Block Grant monies made available to the state in FY 2011 and FY 2012.

Revenue Realignment

The budget continues a decrease of \$(3,561,000) from the Reed Act Grant approved in the mid-year FY 2011 revisions to align fund expenditures with actual revenue.

Federal Fund Backfill

The budget includes an increase of \$4,500,000 from the General Fund in FY 2012 to backfill lost Federal Funds for benefits and medical eligibility determinations and child support enforcement.

Statewide Adjustments

The budget includes a decrease of \$(5,968,100) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(4,815,100)
Child Support Enforcement Administration Fund	(231,000)
Child and Family Services Training Program Fund	(1,500)
Federal CCDF Block Grant	(120,700)
Federal TANF Block Grant	(756,200)
Public Assistance Collections Fund	(6,800)
Special Administration Fund	(5,400)
Spinal and Head Injuries Trust Fund	(9,100)
Workforce Investment Act Grant	(22,300)

(Please see the Agency Detail and Allocations section.)

The budget also includes \$8,200,000 in deferred FY 2011 General Fund payments appropriated by Laws 2010, 7th Special Session, Chapter 1, and defers the same amount for FY 2012 to FY 2013. As a result, the FY 2012 General Fund amount of \$127,401,100 would consist of \$8,200,000 from Chapter 1 and \$119,201,100 from the FY 2012 General Appropriation Act. This amount has been allocated to the operating budget pending agency decisions on how to allocate.

The Finger Imaging, Tuberculosis Control, and CPS Appeals line items have been shifted to the operating budget in FY 2012 and all years are displayed accordingly.

Administration

Attorney General Legal Services

The budget includes \$21,338,400 and 311.2 FTE Positions in FY 2012 for Attorney General Legal Services. These amounts consist of:

General Fund	12,063,800
Child Support Enforcement Administration Fund	2,322,900
Federal TANF Block Grant	222,700
Federal CCDF Block Grant	17,400
Federal Expenditure Authority	6,620,900
Public Assistance Collections Fund	90,700

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(147,300) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(127,000)
Child Support Enforcement Administration Fund	(19,300)
Public Assistance Collections Fund	(1,000)

Monies in this line item fund Attorney General Legal Services for the department. All Attorney General expenses have been consolidated into this line item.

Aging and Community Services

Adult Services

The budget includes \$6,924,100 from the General Fund in FY 2012 for Adult Services. This amount funds the following adjustments:

Fund Shift

The budget continues a decrease of \$(6,000,000) from the General Fund approved in the mid-year FY 2011 revisions. This decrease will be offset by a \$6,000,000 increase in non-appropriated federal Social Services Block Grant funding.

This line item provides an array of independent living support to elderly persons, distributed as shown in *Table 1*.

Table 1	
Independent Living Support	
Services	FY 2011
Adult Protective Contracted Services	\$ 295,100
Supplemental Payments	165,000
Home Care	2,674,800
Older Americans Act	1,916,700
Assessments and Case Management	1,410,500
Respite Care	462,000
Total	\$6,924,100

Community and Emergency Services

The budget includes \$3,724,000 from the Federal TANF Block Grant in FY 2012 for Community and Emergency Services. This amount is unchanged from FY 2011.

Monies in this line item provide funding to 15 community action agencies to deliver a wide range of services related to the needs of low-income families and individuals. In FY 2010, this line item provided short-term crisis services to 2,167 households, energy assistance to 35,688 households, and 30,350 households participated in telephone discount programs.

Coordinated Homeless

The budget includes \$2,522,600 in FY 2012 for Coordinated Homeless programs. This amount consists of:

General Fund	873,100
Federal TANF Block Grant	1,649,500

These amounts are unchanged from FY 2011.

In FY 2010, this line item provided emergency shelter services to 14,814 individuals and transitional shelter services to 1,871 individuals.

Coordinated Hunger

The budget includes \$1,754,600 in FY 2012 for Coordinated Hunger programs. This amount consists of:

General Fund	1,254,600
Federal TANF Block Grant	500,000

These amounts are unchanged from FY 2011.

State and federal dollars are used to administer a USDA commodities food program, to assist in statewide food distribution, and for food banks. Monies are also used to provide information on where individuals and families can obtain food. In FY 2010, the USDA Commodities Food Program served 302,000 households quarterly.

Domestic Violence Prevention

The budget includes \$12,123,700 in FY 2012 for Domestic Violence Prevention. This amount consists of:

General Fund	3,283,000
Federal TANF Block Grant	6,620,700
Domestic Violence Shelter Fund	2,220,000

These amounts are unchanged from FY 2011.

In FY 2010, this line item, along with non-appropriated funds, served approximately 9,820 women and children in

emergency shelters, 515 women and children in transitional housing, and 8,696 victims with legal and lay legal advocacy.

Benefits and Medical Eligibility

The Tuberculosis Control line item has been consolidated into the operating budget.

TANF Cash Benefits

The budget includes \$44,999,400 in FY 2012 for TANF Cash Benefits. This amount consists of:

General Fund	(8,600,000)
Federal TANF Block Grant	53,599,400

The negative General Fund appropriation will be adjusted by DES during FY 2012 by the transfer of monies between line items.

These amounts fund the following adjustments:

Caseload Adjustment

The budget includes a decrease of \$(3,416,400) from the General Fund in FY 2012 and continues a decrease of \$(24,969,200) from the mid-year FY 2011 revisions to align funding with actual caseloads. The total FY 2012 reduction is \$(28,385,600). The March 2011 caseload is 41,813. The FY 2012 budget estimated the caseload to reach 42,840 in June 2011. The average monthly benefit is approximately \$103. The FY 2012 figure is a decline of (27,160) below the originally budgeted FY 2011 caseload of 70,000. (*See FY 2011 Adjustments discussion in Other Issues.*)

Reduce TANF Cash Benefits Time Limit

The budget includes a decrease of \$(8,600,000) from the General Fund in FY 2012 to reduce the lifetime time limit that a recipient can receive TANF Cash Benefits from 36 months to 24 months. The Welfare Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 32) included amendments to permanent statute to implement this change. It is estimated approximately 7,000 recipients will lose their benefits as a result of this change.

The Welfare BRB includes a continuing session law provision requiring recipients of TANF Cash Benefits pass a drug test in order to be eligible for benefits if DES has reasonable cause to believe that the recipient uses illegal drugs.

Monies in this line item provide financial assistance on a temporary basis to dependent children in their own homes, or in the homes of responsible caretaker relatives. Financial eligibility is currently set at 36% of the 1992 Federal Poverty Level (FPL), or \$5,022 for a family of 4.

Tribal Pass-Through Funding

The budget includes \$4,680,300 from the General Fund in FY 2012 for Tribal Pass-Through Funding. This amount is unchanged from FY 2011.

Monies in this line item are passed through to Native American tribes operating their own TANF programs. The amount is roughly equivalent to what the state would be spending on the population if the state still had responsibility for the case assistance program for any particular tribe.

Child Support Enforcement

The Division of Child Support Enforcement (DCSE) budget includes direct appropriations from the following 4 fund sources: 1) General Fund; 2) State Share of Retained Earnings (SSRE) from child support owed to the state while the custodial parent received TANF Cash Benefits; 3) Federal incentives and 4) Fees from non-custodial parents.

The last 3 fund sources are deposited in the Child Support Enforcement Administration (CSEA) Fund and appropriated as an Other Appropriated Fund. In addition to the General Fund and CSEA Fund appropriations, the displayed amounts also include Federal Expenditure Authority for DCSE. The federal monies received by DCSE generally match state funds at a ratio of 66% federal to 34% state.

Table 2 details the sources and uses of the CSEA Fund.

<u>Sources</u>	
State Share of Retained Earnings	\$ 9,290,900
Federal Incentive Payments	6,900,000
Fees	<u>1,871,500</u>
Total	\$18,062,400
<u>Uses</u>	
DCSE Administration	\$16,785,200
Administration (Non-Appropriated)	<u>1,277,200</u>
Total	\$18,062,400

County Participation

The budget includes \$8,600,200 in FY 2012 for County Participation. This amount consists of:

CSEA Fund	1,339,100
Federal Expenditure Authority	7,261,100

These amounts are unchanged from FY 2011.

The division contracts with several Arizona counties to operate child support programs in those counties. This line

item reflects contracting counties' SSRE and federal incentives, as well as expenditure authority for the federal match.

Genetic Testing

The budget includes no funding in FY 2012 for the Genetic Testing Special Line Item (SLI). This program was shifted to the operating budget in FY 2011.

This line item funded DNA testing and blood testing for the estimated 50% of child support cases subject to the establishment of paternity through testing. These functions will continue to be funded through the operating budget.

Children, Youth and Families

The budget provides funding for Children Services in 3 separate line items (see Table 3).

	Appropriated Funds	Non-Appropriated Funds	Total
Children Support Services	\$77,567,600	\$39,556,700	\$117,124,300
CPS Emergency & Residential Placement	24,001,700	17,600,900	41,602,600
Foster Care Placement	23,112,600	18,637,800	41,750,400
TOTAL	\$124,681,900	\$75,795,400	\$200,477,300

Of the \$124,681,900 in appropriated funds, \$53,650,200 is from the TANF Block Grant. A total of \$22,613,100 from TANF is deposited into the federal Social Services Block Grant (SSBG); once deposited, the monies are spent on the Children Services program. The federal government caps the amount of TANF Block Grant monies that can be transferred to the SSBG at 10%. The transfer to SSBG provides additional funding flexibility to DES.

Children Support Services

The budget includes \$77,567,600 and 1 FTE Position in FY 2012 for Children Support Services. These amounts consist of:

General Fund	45,854,400
Federal TANF Block Grant	30,254,100
Child Abuse Prevention Fund	1,459,100

These amounts fund the following adjustments:

Additional TANF Drawdown

The budget continues a decrease of \$(5,000,000) from the General Fund approved in the mid-year FY 2011 revisions

and a corresponding increase from the federal TANF Block Grant. This fund shift is the result of additional federal TANF Block Grant monies made available to the state in FY 2011 and FY 2012.

Statewide Adjustments

The budget includes a decrease of \$(700) from the Child Abuse Prevention fund in FY 2012 for statewide adjustments.

The Children Support Services line item provides support services for both in-home and out-of-home clients. This does not include the cost of residential placement. For March 2011, the department reported 10,817 out-of-home clients and 5,365 in-home cases. In addition, these funds will pay for services to approximately 5,500 parents, guardians, or custodians in FY 2011 whose substance abuse is a significant barrier to preserving the family. These funds were previously appropriated to the Joint Substance Abuse Treatment line item.

This line item also provides full coverage of the medical and dental expenses of foster children. The General Fund monies in this program provide medical services to children who are not eligible for coverage through the Arizona Health Care Cost Containment System (AHCCCS). These funds were previously appropriated to the Comprehensive Medical and Dental Program line item.

The budget also includes \$6,200,000 in deferred FY 2011 General Fund payments appropriated by Laws 2010, 7th Special Session, Chapter 1, and defers the same amount for FY 2012 to FY 2013. As a result, the FY 2012 General Fund amount of \$45,854,400 would consist of \$6,200,000 from Chapter 1, and \$39,654,400 from the FY 2012 General Appropriation Act.

CPS Emergency and Residential Placement

The budget includes \$24,001,700 in FY 2012 for CPS Emergency and Residential Placement. This amount consists of:

General Fund	7,578,700
Federal TANF Block Grant	16,423,000

These amounts are unchanged from FY 2011.

The CPS Emergency and Residential Placement provides funding for 1) short-term placement until a more permanent placement can be arranged and 2) behavioral or other therapeutic residential treatment. These 2 programs were previously funded in separate line items.

In February 2011, 207 children were reported in emergency placements at an average monthly cost of \$3,123 per child, while 1,124 children were reported in residential placements at an average monthly cost of \$2,478 per child.

The budget also includes \$1,800,000 in deferred FY 2011 General Fund payments appropriated by Laws 2010, 7th Special Session, Chapter 1, and defers the same amount for FY 2012 to FY 2013. As a result, the FY 2012 General Fund amount of \$7,578,700 would consist of \$1,800,000 from Chapter 1, and \$5,778,700 from the FY 2012 General Appropriation Act.

Foster Care Placement

The budget includes \$23,112,600 in FY 2012 for Foster Care Placement. This amount consists of:

General Fund	16,139,500
Federal TANF Block Grant	6,973,100

These amounts are unchanged from FY 2011.

The Foster Care Placement SLI provides funding for the placement of children in the CPS system into foster homes. This line item only includes the cost of placement, not additional support services. In February 2011, 8,690 children were reported in foster care. Of that number, 3,681 children were placed with relatives in unlicensed foster care, which receives no placement funding. The remaining 5,009 children were in licensed foster care at an average monthly cost of \$664 per child.

The budget also includes \$1,900,000 in deferred FY 2011 General Fund payments appropriated by Laws 2010, 7th Special Session, Chapter 1, and defers the same amount for FY 2012 to FY 2013. As a result, the FY 2012 General Fund amount of \$16,139,500 would consist of \$1,900,000 from Chapter 1, and \$14,239,500 from the FY 2012 General Appropriation Act.

Independent Living Maintenance

The budget includes \$2,719,300 from the General Fund in FY 2012 for Independent Living Maintenance. This amount is unchanged from FY 2011.

The Independent Living Maintenance program provides stipends to about 288 former foster youth between 18 and 21, who are now living on their own and are either enrolled in a postsecondary program or employed.

Permanent Guardianship Subsidy

The budget includes \$8,815,300 in FY 2012 for Permanent Guardianship Subsidy. This amount consists of:

General Fund	7,072,300
Federal TANF Block Grant	1,743,000

These amounts are unchanged from FY 2011.

The program provides a subsidy of foster care children in private homes under permanent guardianship status. In March 2011, 2,412 clients received permanent guardianship subsidies.

Adoption Services

The budget includes \$57,744,600 in FY 2012 for Adoption Services. This amount consists of:

General Fund	32,942,200
Federal TANF Block Grant	24,802,400

These amounts fund the following adjustments:

Additional TANF Drawdown

The budget continues a decrease of \$(5,000,000) from the General Fund approved in the mid-year FY 2011 revisions and a corresponding increase from the federal TANF Block Grant. This fund shift is the result of additional federal TANF Block Grant monies made available to the state in FY 2011 and FY 2012.

The program subsidizes the adoption of children who otherwise would entail high financial risks to prospective parents because of physical, mental, or emotional disorders or who would be otherwise difficult to place in adoption because of age, sibling relationship, or racial or ethnic background. The funding provides for ongoing maintenance and/or payment for special services depending on each eligible child’s needs. In March 2011, 15,431 clients received adoption subsidies. In addition, this line item is estimated to receive \$72,547,000 from Federal Grants in FY 2012.

Adoption Services – Family Preservation Projects

The budget includes no funding in FY 2012 for the Adoption Services – Family Preservation Projects SLI. This SLI was eliminated in the FY 2011 budget.

This line item funded part of a project to evaluate ways to enhance family preservation and promote adoption and permanency for children in the foster care system.

Education and Training Vouchers

The budget includes no funding in FY 2012 for the Education and Training Vouchers SLI. This program was shifted to the operating budget in FY 2011.

Under this program, children in the foster care system with a financial need may apply for assistance in obtaining post-secondary education and training.

Developmental Disabilities

DES provides services to individuals with cognitive disabilities, cerebral palsy, autism, or epilepsy. Clients eligible for federal Medicaid program services are funded through the Long Term Care (LTC) program. To qualify for federal funding, an individual must have an income below 300% of the Supplemental Security Income (SSI) eligibility limit, which is approximately 222% of the Federal Poverty Limit, and have certain functional needs. The division also provides 100% state-funded services for clients who are not eligible for federal Medicaid services.

As of March 2011, the Division of Developmental Disabilities serves 31,106 clients, which includes 23,437 clients in the LTC program and 7,669 clients in the state-only portion. The primary disabilities of these clients are shown in *Table 4*.

<u>Disability</u>	<u>Number</u>	<u>Percentage</u>
Cognitive Disability	13,677	44%
At Risk	8,726	28%
Autism	4,452	14%
Cerebral Palsy	2,943	10%
Epilepsy	1,219	4%
Not Indicated	89	<1%

The LTC program is funded from 2 sources: the General Fund (GF) and matching federal Medicaid funds.

Overall DES Formula Adjustments

The budget includes \$80,139,700 from the General Fund in FY 2012 for DES formula changes as delineated in *Table 5*. Those changes are described in further detail below the table.

	<u>Adjustment</u>
Federal Match Rate Backfill	\$85,122,900
Regular FMAP Adjustment	(10,454,100)
FY 2011 Base Adjustment & FY 2012 Caseload Growth	17,957,900
FY 2011 Supplemental	(12,487,000)
Capitation Changes	0
Total	\$80,139,700

FMAP Backfill/Regular FMAP Adjustments

Due to a reduction in the Federal Medicaid Assistance Percentage (FMAP), the budget includes \$85,122,900 to backfill the loss of Federal Funds. The FMAP is the rate at which the federal government matches state contributions to Medicaid programs. These rates are set on a state-by-state basis and are revised each year. The federal government had provided a 65.8% match for Medicaid services.

The American Recovery and Reinvestment Act of 2009 (ARRA) increased the Medicaid match rate for most services to 75.9%. The FY 2011 budget assumed the continuation of that rate through the end of FY 2011. The federal government subsequently decided to phase down that match rate as of January 2011. The final blended FY 2011 FMAP is estimated to be 74.1%, and as a result the FY 2011 mid-year revision increased the state share of FY 2011 costs by \$17,312,100. (Please see *Other Issue for discussion of FY 2011 adjustments.*)

During FY 2012, the blended FMAP for Medicaid will decline to 66.9% (7.1% decline). The rate would have otherwise returned to 65.8%, but the state's low personal income growth qualifies it for a higher rate. This better regular match rate generates savings of \$(10,454,100) to offset the \$85,122,900 backfill.

FY 2011 Base Adjustment and FY 2012 Caseload Growth

The budget includes a net increase of \$17,957,900 from the General Fund in FY 2012 for the Department of Economic Security (DES) caseload changes. The FY 2011 caseload funding will be \$(4,825,100) less than budgeted due to lower caseloads. While the original FY 2011 budget funded a June caseload of 24,893, the current projection is 24,042, an increase of 5.0% from FY 2010 to FY 2011. From FY 2011 to FY 2012, caseloads are expected to grow by 5.0% to a level of 25,244 at a cost of \$22,783,000. That amount is offset by the \$(4,825,100) FY 2011 adjustment for a net change of \$17,957,900.

FY 2012 Capitation Rate Changes

As the AHCCCS-authorized provider of DD services, DES receives federal monies through prepaid monthly capitation payments based on rates for types of clients. The budget reflects no net capitation rate adjustments in FY 2012. Capitation rates normally reflect adjustments in utilization of services and medical inflation. The FY 2011 budget, however, set a policy of no capitation adjustments, which is continued in the FY 2012 budget. If capitation rates increased by 5% in FY 2012, this would cost an additional \$16,052,300 from the General Fund in FY 2012.

Table 6 summarizes the average monthly caseload estimates for the Special Line Items (SLI). All clients are eligible for Medical Services and Case Management as necessary, but not all clients access other services in any particular month.

FY 2011 Supplemental

The budget includes a FY 2011 supplemental of \$12,487,000 from the General Fund. This amount consists of \$17,312,100 for the FMAP shortfall due to the phased down match rate in FY 2011. This increase is offset by a reduction of \$(4,825,100) for caseload changes for a total FY 2011 supplemental of \$12,487,100.

<u>Special Line Item</u>	<u>Clients</u>
Home and Community Based Services	21,349
Institutional Services	216
Arizona Training Program at Coolidge	124 ^{1/}
Subtotal	21,689
Case Management/Medical Services only	3,555
Total	25,244

^{1/} Represents the budgeted client caseload.

Case Management – Title XIX

The budget includes \$37,804,400 and 755.5 FTE Positions in FY 2012 for Case Management. These amounts consist of:

General Fund	12,461,600
Long Term Care System Fund	25,342,800

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$1,518,000 from the General Fund in FY 2012 and a corresponding decrease from the Long Term Care System Fund. This formula adjustment consists of the federal match rate change.

Statewide Adjustments

The budget includes a decrease of \$(283,000) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(126,600)
Long Term Care System Fund	(156,400)

Background – In addition to providing case management services to an estimated 21,689 clients receiving direct services, this line item also provides case management services only to another 3,555 clients.

Home and Community Based Services - Title XIX

The budget includes \$706,956,600 and 94.5 FTE Positions in FY 2012 for Home and Community Based Services (HCBS). These amounts consist of:

General Fund	233,778,700
Long Term Care System Fund	473,177,900

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$24,178,900 in FY 2012 for Formula Growth. This amount consists of:

General Fund	66,110,400
Long Term Care System Fund	(41,931,500)

Besides the federal match rate change, the formula adjustments include 5.0% enrollment growth in FY 2012 to a level of 21,349 and no increase for medical inflation (see Table 6).

Medicaid Waiver

The budget includes a decrease of \$(4,789,900) in FY 2012 for reduced provider rates as outlined in the 1115 Medicaid Waiver Proposal submitted to the federal government on March 31st, 2011. This amount consists of:

General Fund	(1,566,300)
Long Term Care System Fund	(3,223,600)

(Please see the Proposition 204 and Federal Waiver Request in the AHCCCS section for additional detail).

Statewide Adjustments

The budget includes a decrease of \$(101,000) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(45,200)
Long Term Care System Fund	(55,800)

Background – Monies in this line item fund residential programs, day programs, and support services for clients in a broad range of settings, from those living independently at home to those living in group homes. Monies also fund staff in state-operated group homes, excluding the Arizona Training Program at Coolidge (ATP-C).

Of the \$706,956,600 in this line item, \$695,234,100 funds HCBS services to clients enrolled in the LTC program; the other \$11,722,500 funds program staff.

The budget also includes \$16,900,000 in deferred FY 2011 General Fund payments appropriated by Laws 2010, 7th Special Session, Chapter 1, and defers the same amount for FY 2012 to FY 2013. As a result, the FY 2012 General Fund amount of \$233,778,700 would consist of \$16,900,000 from Chapter 1, and \$216,878,700 from the FY 2012 General Appropriation Act.

Institutional Services - Title XIX

The budget includes \$19,305,900 and 74 FTE Positions in FY 2012 for Institutional Services. These amounts consist of:

General Fund	6,379,200
Long Term Care System Fund	12,926,700

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$973,900 in FY 2012 for Formula Growth. This amount consists of:

General Fund	1,080,800
Federal Medicaid Authority	(106,900)

Besides the federal match rate change, the formula adjustments include 5.0% enrollment growth in FY 2012 to a level of 216 and no increase for medical inflation (see Table 6).

Statewide Adjustments

The budget includes a decrease of \$(28,300) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(12,700)
Long Term Care System Fund	(15,600)

Background – Monies in this line item fund residential and day programs to clients with more severe developmental disabilities. These clients reside in Intermediate Care Facilities for the Mentally Retarded (ICF/MRs) or other nursing facilities, both privately and state-operated, excluding the ATP-C.

Of the \$19,305,900 in this line item, \$13,930,500 funds Institutional Services to clients enrolled in the LTC program; the other \$5,375,400 funds program staff.

Medical Services

The budget includes \$138,931,600 and 35.4 FTE Positions in FY 2012 for Medical Services. These amounts consist of:

General Fund	45,931,400
Long Term Care System Fund	93,000,200

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$7,308,000 in FY 2012 for Formula Growth. This amount consists of:

General Fund	8,069,800
Federal Medicaid Authority	(761,800)

Besides the federal match rate change, the formula adjustments include 5.0% enrollment growth in FY 2012 to a level of 3,555 and no increase for medical inflation (see Table 6).

Statewide Adjustments

The budget includes an increase of \$(21,500) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(9,600)
Long Term Care System Fund	(11,900)

Background – Of the \$138,931,600 in this line item, \$134,625,800 funds Acute Care services to clients enrolled in the LTC program; the other \$4,305,800 funds the staff of the division’s Managed Care unit.

Arizona Training Program at Coolidge - Title XIX

The budget includes \$15,582,100 and 383.7 FTE Positions in FY 2012 for ATP-C. These amounts consist of:

General Fund	5,137,700
Long Term Care System Fund	10,444,400

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$433,700 from the General Fund in FY 2012 and a corresponding decrease from the Long Term Care System Fund for Formula Growth. This formula adjustment consists of the federal match rate change.

Statewide Adjustments

The budget includes a decrease of \$(106,600) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(47,700)
Long Term Care System Fund	(58,900)

Background – Monies in this line item fund an entire range of services for DD clients residing at the ATP-C campus, either in ICF/MRs or state-operated group homes (SOGHs).

At an estimated June 2012 caseload of 115, 95 in ICF/MRs and 20 in state-operated group homes, the blended cost per DD client at ATP-C will be \$135,500.

Medicare Clawback Payments

The budget includes \$2,496,900 from the General Fund in FY 2012 for Medicare Clawback Payments. This amount funds the following adjustments:

Formula Growth

The budget includes an increase of \$730,600 from the General Fund in FY 2012 for formula growth. Besides the federal match rate change, the formula adjustments include an adjustment for caseload growth associated with Medicare Clawback Payments.

Background – DES is not required to pay for prescription drug costs for members who are also eligible for Medicare. Instead, DES is required to make “Clawback” payments to Medicare based on a certain percent (80% in 2012) of the estimated drug costs.

Case Management – State-Only

The budget includes \$3,846,000 and 79.3 FTE Positions from the General Fund in FY 2012 for state-only Case Management. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(39,200) from the General Fund in FY 2012 for statewide adjustments.

Background – This line item funds case management services to clients in the state-only DD program. As of March 2011, there are approximately 7,669 clients in the state-only program.

Home and Community Based Services – State-Only

The budget includes \$32,615,300 and 53.6 FTE Positions in FY 2012 for state-only Home and Community Based Services. These amounts consist of:

General Fund	28,625,000
Long Term Care System Fund	3,990,300

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(8,100) from the General Fund in FY 2012 for statewide adjustments.

Background – This line item funds residential programs, day programs, and support services for clients in a broad range of settings, from those living independently at home to those living in group homes. It also includes funding for state-operated facilities, excluding ATP-C.

Of the \$32,615,300 in this line item, \$27,604,800 funds Home and Community Based Services to clients enrolled in the DD program, \$1,691,500 funds program staff, and \$3,319,000 funds the Arizona Early Intervention Program. The total amount is expected to provide a total of 7,910 member years of service.

The Arizona Early Intervention Program line item has been shifted to the Home and Community Based Services – State Only line item in FY 2012 and all years have been displayed accordingly.

State-Funded Long Term Care Services

The budget includes \$26,528,100 and 2 FTE Positions from the Long Term Care System Fund in FY 2012 for State-Funded Long Term Care Services. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(2,100) from the Long Term Care System Fund in FY 2012 for statewide adjustments.

Background – This line item funds a variety of services ineligible for Federal Fund reimbursement from AHCCCS. The most common service provided in this line item is room and board. The program also funds residential and day programs to clients with more severe developmental disabilities. These clients reside in Large Group Living Facilities or other nursing facilities.

Of the \$26,528,100 in this line item, \$25,650,000 funds State-Funded Long Term Care Services to clients enrolled in the DD program; the other \$878,100 funds program staff.

The Institutional Services - State Only and Arizona Training Program at Coolidge - State Only line items have been shifted to the State-Funded Long Term Care Services line item in FY 2012 and all years are displayed accordingly.

Employment and Rehabilitation Services

JOBS

The budget includes \$13,005,600 and 93 FTE Positions for JOBS in FY 2012. These amounts consist of:

Federal TANF Block Grant	9,894,700
Workforce Investment Act Grant	2,000,000
Special Administration Fund	1,110,900

These amounts are unchanged from FY 2011.

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 7* highlights total estimated expenditures for the JOBS line item.

Table 7

Estimated JOBS Expenditures

<u>Expenditures</u>	<u>Amount</u>
Case Management	\$9,896,600
Job Training	2,516,800
FLSA Supplement	340,100
Work-Related Transportation	207,100
Job Search Stipends	45,000
Total	\$13,005,600

Day Care Subsidy

The budget includes \$121,396,600 in FY 2012 for Day Care Subsidy. This amount consists of:

Federal CCDF Block Grant	118,678,800
Federal TANF Block Grant	2,717,800

These amounts fund the following adjustments:

Eliminate General Fund Support

The budget continues a decrease of \$(10,000,000) from the General Fund approved in the mid-year FY 2011 revisions to maintain the child care wait list. In addition, the budget includes a decrease of \$(13,771,300) from the General Fund in FY 2012 to eliminate General Fund support for day care subsidies. This change is estimated to eliminate services for approximately 5,100 children in FY 2012.

The Welfare BRB (Laws 2011, Chapter 32) includes a provision continuing to allow DES to reduce the maximum income eligibility levels for child care assistance to manage within appropriated and available monies. DES is required to report to JLBC within 15 days of implementing any change in eligibility levels.

This line item funds child care 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.

This line item now includes the Transitional Child Care program in which child care subsidies are provided to clients who no longer receive TANF Cash Benefits due to finding employment.

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 has a 24-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 \$337 per month in FY 2012. The maximum reimbursement rate paid by the state for a 2-year-old child in Maricopa County is \$27.93 per day.

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% of the Federal Poverty Level (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.

Caseloads – The estimated average number of children receiving child care services in FY 2012 is projected to be 24,500 (see Table 8). DES initiated a waiting list for the Low-Income Working category of child care services on February 18, 2009. DES will continue to maintain the wait list to manage the program within appropriated funds.

<u>Category</u>	<u>Estimated FY 2012</u> ^{1/}
TANF	4,600
CPS	6,400
Low-Income Working	7,800
Transitional Child Care SLI	<u>5,700</u>
Total Served	24,500

^{1/} Represents projected average caseload.

Rehabilitation Services

The budget includes \$5,088,500 in FY 2012 for Rehabilitation Services. This amount consists of:

General Fund	3,760,400
Spinal and Head Injuries Trust Fund	1,328,100

These amounts are unchanged from FY 2011.

The program is expected to serve up to 2,392 clients at an average annual Total Funds cost of \$6,074 per client.

In addition to these clients, the division is also expected to serve 200 clients at an average annual cost of \$3,622 per client, using federal Social Services Block Grant and Arizona Industries for the Blind monies.

Background - This line item funds services for the physically disabled to return them to the workforce. The federal government provides 78.7% of funding for every 21.3% of state match. This line item also 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.

The Assistive Technology and Independent Living Rehabilitation line items have been shifted to the Rehabilitation Services line item in FY 2012 and all years are displayed accordingly.

Workforce Investment Act Services

The budget includes \$51,654,600 from the Workforce Investment Act (WIA) Grant in FY 2012 for the Workforce Investment Act Services line item. This amount is unchanged from FY 2011.

Background – These monies are the state’s allotment of the federal WIA Grant for job training activities of dislocated

workers and disadvantaged adults and youth. Of the total grant received by the state, 85% is allocated to local governments and 15% is retained at the state level. This line item consolidates the previously separated WIA - Discretionary and WIA - Local Government line items.

The allocation of the WIA Grant for workforce related programs in FY 2012 is shown in Table 9.

<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.

Fund Transfers

The budget includes transfers from this agency’s funds to the General Fund. (Please see the Fund Transfers section at the back of this report for more details.)

Other Issues

Payment Deferral

The budget continues a \$(7,000,000) decrease in the payment deferral approved in the mid-year FY 2011 revisions. A total of \$35,000,000 in payments were deferred from FY 2011 to FY 2012 and will be deferred from FY 2012 to FY 2013. The FY 2012 General Appropriation Act specifies that payments to child care providers shall not be deferred, and May payments to providers of developmentally disabled services shall not be deferred. DES plans to defer a total of \$35,000,000 in payments from the Special Line Items specified below:

Children Support Services	6,200,000
Emergency and Residential Placement	1,800,000
Foster Care Placement	1,900,000
Home and Community Based Services – Title XIX	16,900,000
Operating Budget	8,200,000

The original \$42,000,000 deferral was reduced to \$35,000,000 in the mid-year FY 2011 revisions. Of the \$42,000,000, \$15,200,000 was deferred from child care. The mid-year FY 2011 revisions included a deferral shift of \$8,200,000 from child care to the operating budget pending agency decisions how to allocate. The remaining \$7,000,000 reflects the reduction in the overall deferral amount approved in the mid-year FY 2011 revisions.

The budget reflects a full 12 months of payments in FY 2012, which consists of \$35,000,000 deferred from FY 2011 and \$35,000,000 deferred to FY 2013. The

FY 2011 General Appropriation Act appropriates \$35,000,000 in FY 2012 for the deferral of these payments. As a result, the FY 2012 General Fund amount of \$602,603,300 would consist of \$35,000,000 from the deferral appropriation and \$567,603,300 from the General Appropriation Act.

FY 2011 Adjustments

The budget includes a decrease of \$(32,043,200) in mid-year FY 2011 revisions, including \$(43,482,200) from the General Fund and \$11,439,000 from Other Appropriated Funds. This amount includes:

LTC Formula Growth

The FY 2011 budget forecasted June caseloads of 24,893. Revised forecasts now estimate caseloads of 24,042, for General Fund savings of \$4,825,100. The enhanced FMAP extension was \$(17,312,100) lower than projected. As a result, the net shortfall in LTC is \$12,487,000.

TANF Cash Benefits Caseload Adjustment

The budget includes a decrease of \$(24,969,200) from the General Fund to align funding with actual caseloads in FY 2011. In June FY 2011 there is estimated to be 42,840 TANF Cash Benefit recipients, (27,160) below originally budgeted FY 2011 caseloads.

Additional TANF Drawdown

The budget includes a decrease of \$(15,000,000) from the General Fund and a corresponding \$15,000,000 increase in federal TANF Block Grant funding from the Children's Support Services, Adoption Services, and Operating Budget line items. The increased federal TANF Block Grant funding was due to additional contingency fund revenue that become available.

Child Care

The budget includes a decrease of \$(10,000,000) from the General Fund approved in the mid-year FY 2011 revisions to maintain the child care wait list.

Adult Services

The budget includes a decrease of \$(6,000,000) from the General Fund approved in the mid-year FY 2011 revisions. This decrease is offset by a corresponding increase from federal Social Services Block Grant funding.

Reed Act Grant

The budget includes a decrease of \$(3,561,000) from the Reed Act Grant fund to align expenditures with fund revenues.

TANF Block Grant

The budget appropriates \$239,304,400 of the state's federal TANF Block Grant allocation in FY 2012.

The agency has the option to roll forward 10% of the total TANF Block Grant from FY 2011 into FY 2012. Contingency Fund and Emergency Contingency Fund

revenues are not included in the permanent revenue calculation.

Table 10 provides detailed information on TANF expenditures and appropriations.

Table 10

TANF Block Grant Spending

<u>Special Line Item</u>	<u>Actual FY 2010</u>	<u>Estimated FY 2011</u>	<u>Approved FY 2012</u>
Operating	\$ 56,787,300	\$ 80,936,200	\$ 80,180,000
Administration			
Attorney General Legal Services	\$ 175,100	\$ 222,700	\$ 222,700
Aging and Community Services			
Community and Emergency Services	\$ 3,763,400	\$ 3,724,000	\$ 3,724,000
Coordinated Homeless Programs	1,649,500	1,649,500	1,649,500
Coordinated Hunger Program	396,700	500,000	500,000
Domestic Violence Prevention	6,197,300	6,620,700	6,620,700
Total – Aging and Community Services	\$ 12,006,900	\$ 12,494,200	\$ 12,494,200
Benefits and Medical Eligibility			
TANF Cash Benefits	\$ 88,377,300	\$ 53,599,400	\$ 53,599,400
Children, Youth and Families			
Children Support Services	\$ 6,034,200	\$ 30,254,100	\$ 30,254,100
CPS Emergency and Residential Placement	13,404,000	16,423,000	16,423,000
Foster Care Placement	6,061,600	6,973,100	6,973,100
Permanent Guardianship Subsidy	1,307,300	1,743,000	1,743,000
Adoption Services	16,618,500	24,802,400	24,802,400
Adoption - Family Preservation Projects	227,700	0	0
Total – Children, Youth and Families	\$ 43,653,300	\$ 80,195,600	\$ 80,195,600
Employment and Rehabilitation Services			
JOBS	\$ 8,921,700	\$ 9,894,700	\$ 9,894,700
Day Care Subsidy	2,508,000	2,717,800	2,717,800
Total – Employment and Rehabilitation Services	\$ 11,429,700	\$ 12,612,500	\$ 12,612,500
TOTAL - DEPARTMENT OF ECONOMIC SECURITY	\$212,429,600	\$240,060,600	\$239,304,400
Beginning Balance	\$ 50,300	\$ 5,823,200	\$ 13,653,100
Administrative Adjustments	(18,071,100)	0	0
Non-Lapsing Authority from Prior Years	0	(2,300,000)	0
TANF Base Revenues	236,273,600	223,965,100	223,965,100
TANF Contingency Fund Revenues	0	15,000,000	15,000,000
TANF Stimulus Revenues	0	11,225,400	0
Total TANF Available	218,252,800	253,713,700	252,618,200
Ending Balance	\$ 5,823,200	\$ 13,653,100	\$ 13,313,800
Permanent Revenues vs Expenditures^{1/}	23,844,000	(16,095,500)	(15,339,300)

^{1/} Difference between Base Revenues and Total Expenditures. Contingency Fund Revenues are not included in Permanent Revenues.