

Department of Economic Security

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5,473.4	5,473.4	5,453.5 ^{1/}
Personal Services	108,523,900	126,398,700	133,026,300
Employee Related Expenditures	51,265,500	60,416,600	62,207,500
Professional and Outside Services	20,177,700	22,971,000	22,971,000
Travel - In State	1,413,800	1,741,300	1,741,300
Travel - Out of State	16,900	17,500	17,500
Other Operating Expenditures	61,400,600	63,679,400	64,571,100
Equipment	8,731,200	8,548,700	8,548,700
OPERATING SUBTOTAL	251,529,600	283,773,200	293,083,400 ^{2/3/4/5/6/}
SPECIAL LINE ITEMS			
Administration			
Attorney General Legal Services	18,577,500	21,426,800	21,474,400
Aging and Community Services			
Adult Services	6,772,000	6,924,100	6,924,100
Community and Emergency Services	2,583,400	3,724,000	3,724,000
Coordinated Homeless	2,264,900	2,522,600	2,522,600
Coordinated Hunger	1,934,800	1,754,600	1,754,600
Domestic Violence Prevention	11,062,800	12,123,700	12,123,700 ^{7/8/}
Benefits and Medical Eligibility			
TANF Cash Benefits	66,347,500	44,999,400	44,999,400 ^{9/}
Tribal Pass-Through Funding	4,680,300	4,680,300	4,680,300
Child Support Enforcement			
County Participation	6,758,500	8,600,200	8,600,200
Children, Youth and Families			
Children Support Services	64,324,900	79,167,600	79,167,600 ^{10/}
CPS Emergency and Residential Placement	23,718,100	24,001,700	24,001,700 ^{10/}
Foster Care Placement	21,132,200	23,112,600	23,112,600 ^{10/}
Independent Living Maintenance	2,369,500	2,719,300	2,719,300
Permanent Guardianship Subsidy	11,202,500	8,815,300	11,215,300
Adoption Services	59,680,800	57,744,600	74,772,000
Developmental Disabilities ^{11/12/13/14/}			
Case Management - Medicaid	38,246,300	38,089,600	38,372,100
Home and Community Based Services - Medicaid	587,484,900	697,844,700	710,307,300
Institutional Services - Medicaid	17,362,600	19,330,500	19,365,300
Medical Services - Medicaid	120,582,800	138,950,500	138,961,000
Arizona Training Program at Coolidge - Medicaid	15,823,600	15,689,000	15,711,700
Medicare Clawback Payments	1,766,300	2,496,900	2,848,400
Case Management - State Only	3,484,000	3,869,500	3,877,900
Home and Community Based Services - State Only	16,091,500	32,615,300	32,615,300
State-Funded Long-Term Care Services	21,860,800	26,528,600	26,528,600
Employment and Rehabilitation Services			
JOBS			
Day Care Subsidy	130,520,200	121,396,600	121,396,600 ^{15/}
Rehabilitation Services	3,384,200	6,088,500	4,799,100
Independent Living Rehabilitation Services	0	0	1,289,400
Workforce Investment Act Services	43,992,100	51,654,600	51,654,600 ^{16/}
AGENCY TOTAL	1,565,234,500	1,753,649,900 ^{17/}	1,795,608,100 ^{18/19/20/} _{21/}

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
FUND SOURCES			
General Fund	506,166,600	591,125,000	612,296,200 ^{22/}
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	0	1,459,100	1,459,100
Child Support Enforcement Administration Fund	10,327,000	16,589,600	16,601,100 ^{4/}
Children and Family Services Training Program Fund	34,900	206,200	206,600
Domestic Violence Shelter Fund	2,220,000	2,220,000	2,220,000 ^{7/}
Federal CCDF Block Grant	117,577,000	130,567,500	130,567,500
Federal TANF Block Grant	229,252,600	239,304,400	220,775,800 ^{23/}
Long-Term Care System Fund (Non-Federal Matched)	21,860,800	30,518,900	75,075,300 ^{23/24/}
Public Assistance Collections Fund	126,200	426,200	427,100
Special Administration Fund	9,200	1,129,900	1,129,900
Spinal and Head Injuries Trust Fund	1,642,000	1,866,900	1,867,600
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Workforce Investment Act Grant	47,168,800	56,029,800	56,032,700 ^{16/}
SUBTOTAL - Other Appropriated Funds	430,218,500	481,318,500	507,362,700
SUBTOTAL - Appropriated Funds	936,385,100	1,072,443,500	1,119,658,900
<u>Expenditure Authority Funds</u>			
Child Support Enforcement Administration Fund (EA)	37,123,800	40,320,200	40,397,800
Long-Term Care System Fund (Federal Match)	591,725,600	640,886,200	635,551,400 ^{24/}
SUBTOTAL - Expenditure Authority Funds	628,849,400	681,206,400	675,949,200
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,565,234,500	1,753,649,900	1,795,608,100
Other Non-Appropriated Funds	667,371,600	406,015,400	263,314,300
Federal Funds	1,699,132,900	1,015,127,700	673,717,000
TOTAL - ALL SOURCES	3,931,739,000	3,174,793,000	2,732,639,400

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 570.5 GF, 192.1 OF, and 1,120.6 EA FTE Positions funded from Special Line Items in FY 2013.
- 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 \$16,601,100 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 Department of Economic Security 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, 2012. 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)

Summary

The Department of Economic Security's (DES) FY 2013 General Fund spending increases by \$21,171,200, or 3.6% above FY 2012. These changes include:

- An increase of \$3,710,000 in the operating budget for Child Protective Services (CPS) funding.

- \$17,044,200 for an increase of 1,253 clients, or 5.0%, in the Medicaid Developmental Disabilities Long-Term Care program. Total caseloads would equal 26,307.
- \$417,000 in statewide adjustments.

In addition to the increases in General Fund monies, the budget includes an increase of \$44,217,300 from a balance in the Long-Term Care System Fund (LTCSF) in FY 2013 to free up additional General Fund monies. Monies from the LTCSF have been added to the following line items:

- 10/ Of the amounts appropriated for Children Support Services, CPS Emergency and Residential Placement and Foster Care Placement, the department may transfer up to 10% of the total amount of Federal Temporary Assistance for Needy Families Block Grant monies appropriated to the Department of Economic Security to the Social Services Block Grant for use in the following line items in the Division of Children, Youth and Families: Children Support Services, CPS Emergency and Residential Placement and Foster Care Placement. Before transferring Federal Temporary Assistance for Needy Families Block Grant monies to the Social Services Block Grant, the department shall report the proposed amount of the transfer to the Director of the Joint Legislative Budget Committee. This report may be in the form of an expenditure plan that is submitted at the beginning of the fiscal year and updated, if necessary, throughout the fiscal year. (General Appropriation Act footnote)
- 11/ It is the intent of the Legislature that the Department of Economic Security increase developmental disabilities provider rates by 2% beginning April 1, 2013. (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 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 2013 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, 2013. (General Appropriation Act footnote)
- 15/ Of the \$121,396,600 appropriated for Day Care Subsidy, plus any funding authorized to be deferred to FY 2014, \$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 \$56,032,700 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 \$56,032,700 to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 17/ 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.*)
- 18/ 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)
- 19/ 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)
- 20/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 21/ In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (*Please see the General Provisions section.*)
- 22/ Laws 2011, Chapter 24 appropriated \$35,000,000 from the General Fund in FY 2013 to account for the deferral of FY 2012 payments into FY 2013, so that \$35,000,000 does not appear in the FY 2013 General Appropriation Act. Laws 2012, Chapter 294 appropriates \$35,000,000 in FY 2014 to reflect the deferral of FY 2013 payments to FY 2014.
- 23/ Any Federal Temporary Assistance for Needy Families Block Grant monies received in FY 2013, including the beginning balance, by the Department of Economic Security in excess of \$220,775,800 is appropriated to the department in FY 2013. For every dollar the Department of Economic Security receives in Federal Temporary Assistance for Needy Families Block Grant monies in FY 2013 in excess of the \$220,775,800 appropriated, there shall be a corresponding dollar reduction in the department's Long-Term Care System Fund appropriation. On or before June 30, 2013, the department shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of Long-Term Care System Fund monies, if any, that will not be expended under this provision. (General Appropriation Act footnote)
- 24/ All monies in the Long-Term Care System Fund unexpended and unencumbered at the end of FY 2013 revert to the state General Fund, subject to approval by the Arizona Health Care Cost Containment System administration. (General Appropriation Act footnote)

- \$13,941,100 for the Operating Budget.
- \$28,625,000 for Home and Community Based Services - State Only.
- \$1,651,200 for Medicare Clawback Payments.

This frees up an equivalent amount of General Fund monies which are redirected for the following purposes:

- \$1,733,800 for a 2% Developmental Disabilities provider rate increase beginning on April 1, 2013.
- \$18,528,600 for the backfill of reduced Federal TANF Block Grant revenues.
- \$4,527,500 for the backfill of Federal child support enforcement monies.
- \$2,400,000 for permanent guardianship due to declining TANF Cash Benefit recipients.
- \$17,027,400 for adoption services caseload growth and the backfill of Federal Funds.

Operating Budget

The budget includes \$293,083,400 and 3,570.3 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$118,480,900
Child Support Enforcement Administration Fund	12,921,600
Child Support Enforcement Administration Fund (EA)	26,504,300
Children and Family Services Training Program Fund	206,600
Federal Temporary Assistance for Needy Families (TANF) Block Grant	78,780,000
Federal Child Care and Development Fund (CCDF) Block Grant	11,871,300
Long-Term Care System Fund	14,280,200
Long-Term Care System Fund (EA)	25,766,300
Public Assistance Collections Fund	335,600
Special Administration Fund	19,000
Spinal and Head Injuries Trust Fund	539,500
Statewide Cost Allocation Plan Fund	1,000,000
Workforce Investment Act Grant	2,378,100

These amounts fund the following adjustments:

Funding Shift

The budget includes an increase of \$13,941,100 from the Long-Term Care System Fund and a decrease of \$(13,941,100) from the General Fund in FY 2013 to make available General Fund monies for the backfill of lost Federal Funds. *(Please see the Summary above for additional information.)*

The Health and Welfare Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 299) allows, as session law, DES use of the LTCSF for any DES operational or programmatic expenses in FY 2013.

Replace Loss of TANF Cash Payments

The budget includes an increase of \$4,527,500 from the General Fund in FY 2013 for child support enforcement to backfill one-time Federal Funds and replace State Share of Retained Earnings funding, which requires replacement because of declining TANF Cash Benefit recipients.

CPS Funding

The budget includes an increase of \$3,710,000 and 25.6 FTE Positions from the General Fund in FY 2013 to fund enhanced CPS responsibilities. The funding will make available Federal Funds for 6.4 additional FTE Positions, or 32 total. This funding includes:

- \$412,400 for a Special Advisor for Investigations, a Manager of Intake and Hotline Operations, a Manager of Quality Case Management, and a Manager for Community Partnerships.
- \$1,030,200 to reclassify 175 CPS staff from the CPS Specialist III position to the newly created CPS IV position, under which these employees receive increased responsibilities and move from an average CPS Specialist III salary of \$39,400 to a CPS Specialist IV base starting salary of \$44,800.
- \$2,267,400 to add 28 positions (4 supervising investigators, 23 investigators, and 1 administrative assistant) for the new Office of Child Welfare Investigations. The office's specialized function is to investigate criminal conduct allegations as defined in A.R.S. § 8-801.

Statewide Adjustments

The budget includes an increase of \$1,072,700 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	333,500
Child Support Enforcement Administration Fund	5,600
Child Support Enforcement Administration Fund (EA)	66,100
Children and Family Services Training Program Fund	400
Long-Term Care System Fund	339,100
Long-Term Care System Fund (EA)	323,700
Public Assistance Collections Fund	700
Spinal and Head Injuries Trust Fund	700
Workforce Investment Act Grant	2,900

(Please see the Agency Detail and Allocations section.)

Administration

Attorney General Legal Services

The budget includes \$21,474,400 and 311.2 FTE Positions in FY 2013 for Attorney General Legal Services. These amounts consist of:

General Fund	12,170,000
Child Support Enforcement Administration Fund	2,340,400
Federal TANF Block Grant	222,700
Federal CCDF Block Grant	17,400
Federal Expenditure Authority	6,632,400
Public Assistance Collections Fund	91,500

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$47,600 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	30,000
Child Support Enforcement Administration Fund	5,900
Federal Expenditure Authority	11,500
Public Assistance Collections Fund	200

Monies in this line item fund all Attorney General Legal Services for the department.

Aging and Community Services

Adult Services

The budget includes \$6,924,100 from the General Fund in FY 2013 for Adult Services. This amount is unchanged from FY 2012.

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 2013
Adult Protective Contracted Services	\$ 295,100
Supplemental Payments	140,300
Home Care	2,162,200
Older Americans Act	1,824,100
Assessments and Case Management	2,040,400
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 2013 for Community and Emergency Services. This amount is unchanged from FY 2012.

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 2011, this line item provided short-term crisis services to 1,868 households, energy assistance to 49,627 households, and 29,139 households participated in telephone discount programs.

Coordinated Homeless

The budget includes \$2,522,600 in FY 2013 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 2012.

In FY 2011, this line item provided emergency shelter services to 15,841 individuals and transitional shelter services to 2,149 individuals.

Coordinated Hunger

The budget includes \$1,754,600 in FY 2013 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 2012.

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 2011, the USDA Commodities Food Program served 338,806 households quarterly.

Domestic Violence Prevention

The budget includes \$12,123,700 in FY 2013 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 2012.

In FY 2011, this line item, along with non-appropriated funds, served approximately 9,809 women and children in emergency shelters, 513 women and children in transitional housing, and 9,359 victims with legal and lay legal advocacy.

Benefits and Medical Eligibility

TANF Cash Benefits

The budget includes \$44,999,400 from the Federal TANF Block Grant in FY 2013 for TANF Cash Benefits. This amount is unchanged from FY 2012.

The appropriation funds a regular TANF Cash Benefits caseload of approximately 36,230 recipients each month at a cost of \$90 per recipient and a monthly Grant Diversion caseload of 568 at a cost of \$788 per case. As of March 2012, the program had a TANF Cash Benefits caseload of 39,222 individual recipients at an average cost of about \$90 per recipient and a Grant Diversion caseload of 568 at an average cost of \$788 per case. The TANF Grant Diversion Program's purpose is to divert applicants from receiving long-term regular TANF Cash Benefits by offering immediate, one-time assistance to resolve a financial crisis.

The FY 2013 Health and Welfare BRB includes a session law provision continuing to require 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 2013 for Tribal Pass-Through Funding. This amount is unchanged from FY 2012.

Monies in this line item are passed through to Native American tribes operating their own TANF programs. When originally implemented, program funding was designed to be roughly equivalent to what the state was spending on the population when 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.

Table 2	
FY 2013 CSEA Fund Sources and Uses	
<i>Sources</i>	
Balance Forward	\$ 5,051,000
State Share of Retained Earnings	6,100,000
Federal Incentive Payments	6,140,200
Fees	<u>1,632,800</u>
Total	\$18,924,000
<i>Uses</i>	
DCSE Administration	\$16,601,100
Administration (Non-Appropriated)	<u>2,322,900</u>
Total	\$18,924,000

County Participation

The budget includes \$8,600,200 in FY 2013 for County Participation. This amount consists of:

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

These amounts are unchanged from FY 2012.

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.

Children, Youth and Families

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

Of the \$126,281,900 in appropriated funds, \$68,650,200 is from the TANF Block Grant. DES deposits TANF 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%. A footnote in the General Appropriation Act allows DES to make this transfer of TANF monies in the Children Support Services, CPS Emergency and Residential Placement, and Foster Care Placement line items to the SSBG. This amount is estimated at \$20,014,100 in FY 2013. The transfer to SSBG provides additional funding flexibility to DES.

Table 3

FY 2013 Children Services Funding

	Appropriated Funds	Non- Appropriated Funds	Total
Children Support Services	\$ 79,167,600	\$38,220,000	\$117,387,600
CPS Emergency & Residential Placement	24,001,700	27,534,200	51,535,900
Foster Care Placement	23,112,600	14,248,200	37,360,800
TOTAL	\$126,281,900	\$80,002,400	\$206,284,300

Children Support Services

The budget includes \$79,167,600 and 1 FTE Position in FY 2013 for Children Support Services. These amounts consist of:

General Fund	35,904,900
Federal TANF Block Grant	41,803,600
Child Abuse Prevention Fund	1,459,100

These amounts fund the following adjustments:

Federal TANF Block Grant Backfill

The budget includes an increase of \$3,450,500 from the General Fund and a corresponding decrease of \$(3,450,500) from the Federal TANF Block Grant in FY 2013 for the backfill of Federal TANF Block Grant monies.

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 February 2012, the department reported 12,203 out-of-home clients and 5,431 in-home cases. In addition, these funds will pay for services to approximately 5,000 parents, guardians, or custodians in FY 2012 whose substance abuse is a significant barrier to preserving the family.

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).

The budget also includes \$10,300,000 in deferred FY 2012 General Fund payments appropriated in FY 2013 by Laws 2011, Chapter 24 and it defers the same amount for FY 2013 to FY 2014. As a result, the FY 2013 General Fund amount of \$35,904,500 would consist of \$10,300,000 from Chapter 24 and \$25,604,500 from the FY 2013 General Appropriation Act.

CPS Emergency and Residential Placement

The budget includes \$24,001,700 in FY 2013 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 2012.

The CPS Emergency and Residential Placement line provides funding for 1) short-term placement until a more permanent placement can be arranged and 2) behavioral or other therapeutic residential treatment.

In February 2012, 322 children were reported in emergency placements at an average monthly cost of \$3,634 per child, while 1,334 children were reported in residential placements at an average monthly cost of \$3,734 per child.

The budget also includes \$1,800,000 in deferred FY 2012 General Fund payments appropriated in FY 2013 by Laws 2011, Chapter 24 and it defers the same amount for FY 2013 to FY 2014. As a result, the FY 2013 General Fund amount of \$7,578,700 would consist of \$1,800,000 from Chapter 24 and \$5,778,700 from the FY 2013 General Appropriation Act.

Foster Care Placement

The budget includes \$23,112,600 in FY 2013 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 2012.

The Foster Care Placement line 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 2012, 9,642 children were reported in foster care. Of that number, 4,192 children were placed with relatives in unlicensed foster care, which receives no placement funding. The remaining 5,450 children were in licensed foster care at an average monthly cost of \$640 per child.

The budget also includes \$1,900,000 in deferred FY 2012 General Fund payments appropriated in FY 2013 by Laws 2011, Chapter 24 and it defers the same amount for FY 2013 to FY 2014. As a result, the FY 2013 General Fund amount of \$16,139,500 would consist of \$1,900,000 from Chapter 24 and \$14,239,500 from the FY 2013 General Appropriation Act.

Independent Living Maintenance

The budget includes \$2,719,300 from the General Fund in FY 2013 for Independent Living Maintenance. This amount is unchanged from FY 2012.

The Independent Living Maintenance program provided stipends to 306 former foster youth between 18 and 21 in February 2012. These youth are living on their own and are either enrolled in a postsecondary program or employed.

Permanent Guardianship Subsidy

The budget includes \$11,215,300 in FY 2013 for Permanent Guardianship Subsidy. This amount consists of:

General Fund	9,472,300
Federal TANF Block Grant	1,743,000

These amounts fund the following adjustments:

Replace Loss of TANF Cash Payments

The budget includes an increase of \$2,400,000 from the General Fund in FY 2013 to replace the loss of TANF cash payments. If a child in a permanent guardianship family qualifies for a TANF cash payment, that funding is diverted to the Permanent Guardianship program to help pay the subsidy. Fewer individuals overall are receiving TANF cash payments, so the amount of diverted payments has declined.

The Guardianship Subsidy program supports permanent placements for children who cannot return home and for whom adoption is not an option. The guardianship subsidy is intended to be only a partial reimbursement for expenses involved in the care of the child. In February 2012, 2,436 clients received permanent guardianship subsidies.

Adoption Services

The budget includes \$74,772,000 in FY 2013 for Adoption Services. This amount consists of:

General Fund	70,047,700
Federal TANF Block Grant	4,724,300

These amounts fund the following adjustments:

Caseload Growth and Backfill

The budget includes an increase of \$17,027,400 from the General Fund in FY 2013 for caseload growth (\$3,527,400) and the backfill of Federal Funds (\$13,500,000). DES estimates an Adoption Services caseload of over 16,000 in FY 2013, an increase of 5.5% from August 2011. The Federal Funds backfill will address the cessation of enhanced federal Title IV-E

payments, which expired at the end of FY 2011, and vacancy savings from DES' operating budget that are no longer available that had been used to offset a portion of the shortfall in Adoption Services.

Federal TANF Block Grant Backfill

The budget includes an increase of \$15,078,100 from the General Fund and a corresponding decrease of \$(15,078,100) from the Federal TANF Block Grant in FY 2013 for the backfill of Federal TANF Block Grant monies. (Please see the Summary for additional information.)

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 February 2012, 16,233 clients received adoption subsidies. In addition, this line item is estimated to receive \$72,222,500 from Federal Grants in FY 2013.

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 FPL, 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 May 2012, the Division of Developmental Disabilities serves 32,090 clients, which includes 24,489 clients in the LTC program and 7,601 clients in the state-only portion. The primary disabilities of these clients are shown in *Table 4*.

Table 4

Primary Disability of Clients Served

<u>Disability</u>	<u>Number</u>	<u>Percentage</u>
Cognitive Disability	14,000	44%
At Risk	8,583	27%
Autism	5,044	16%
Cerebral Palsy	3,040	9%
Epilepsy	1,356	4%
Not Indicated	67	<1%

The LTC program is funded from 2 sources: the General Fund and the Long-Term Care System Fund.

Overall DES Formula Adjustments

The budget includes \$17,044,200 from the General Fund in FY 2013 for DES formula changes. Changes are described in further detail below.

As the AHCCCS-authorized provider of DD services, DES receives federal monies through prepaid monthly capitation payments based on rates for types of clients.

FMAP Adjustments

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. During FY 2013, the blended FMAP for Medicaid will decline to 66.09% (0.85% decline). The reduced FMAP results in additional General Fund costs of \$7,744,000 in FY 2013.

FY 2013 Caseload Growth

The budget includes a net increase of \$13,381,100 from the General Fund in FY 2013 for the DES caseload changes. From FY 2012 to FY 2013, caseloads are expected to grow by 5.0% to a level of 26,307 in June 2013.

Table 5 summarizes the average monthly caseload estimates for the Special Line Items (SLIs). All clients are eligible for Medical Services and Case Management as necessary, but not all clients access other services in any particular month.

<u>Special Line Item</u>	<u>Clients</u>
Home and Community Based Services	22,939
Institutional Services	104
Arizona Training Program at Coolidge	124 ^{1/}
Subtotal	23,167
Case Management/Medical Services only	3,140
Total	26,307

^{1/} Represents the budgeted client caseload.

Changes to the Medicaid Waiver

The caseload growth is offset by a decrease of \$(4,080,900) from the General Fund for the annualization of the FY 2012 Medicaid Waiver Plan changes. The FY 2012 budget included Waiver Savings of \$(12,242,800) in DES savings as a component of a \$(524,000,000) reduction across the 3 Medicaid agencies.

The FY 2012 waiver savings of \$(12,242,800) is projected to grow to \$(16,323,700) in FY 2013 due to full year annualization of the waiver plan adjustments, primarily the (5)% rate reduction.

Provider Rate Adjustments

The budget includes a 2% provider rate increase for DD providers beginning April 1, 2013. The state portion of the cost is \$1,733,800.

FY 2012 Savings Transfer

In FY 2012, DES' waiver savings is estimated to be \$(10,676,400) higher than originally budgeted. In addition, DES identified an additional \$(1,623,600) in non-Medicaid reform plan savings due to lower than budgeted capitation rates (not associated with provider rate reductions).

The combination of these 2 issues results in FY 2012 DES savings of \$(12,300,000). The budget ex-appropriates \$(12,300,000) in FY 2012 from the DES budget and shifts it to the Department of Health Services to offset their expected supplemental need.

Case Management - Medicaid

The budget includes \$38,372,100 and 755.5 FTE Positions in FY 2013 for Medicaid Case Management. These amounts consist of:

General Fund	13,011,100
Long-Term Care System Fund	25,361,000

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$1,895,700 from the General Fund and a corresponding decrease from the Long-Term Care System Fund in FY 2013 for Formula Growth. This formula adjustment consists of the federal match rate change.

Provider Rate Increase

The budget includes an increase of \$214,700 in FY 2013 for a 2% provider rate increase beginning April 1, 2013. (Please see the Summary for additional information.) This amount consists of:

General Fund	72,800
Long-Term Care System Fund	141,900

Statewide Adjustments

The budget includes an increase of \$67,800 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	23,000
Long-Term Care System Fund	44,800

Background – In addition to providing case management services to an estimated 23,167 clients receiving direct services, this line item also provides case management services only to another 3,140 clients.

Home and Community Based Services - Medicaid

The budget includes \$710,307,300 and 94.5 FTE Positions in FY 2013 for Medicaid Home and Community Based Services (HCBS). These amounts consist of:

General Fund	240,899,700
Long-Term Care System Fund	469,407,600

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$8,429,900 in FY 2013 for Formula Growth. This amount consists of:

General Fund	4,741,300
Long-Term Care System Fund	3,688,600

Provider Rate Increase

The budget includes an increase of \$4,005,000 in FY 2013 for a 2% provider rate increase beginning April 1, 2013. (Please see the Summary for additional information.) This amount consists of:

General Fund	1,358,300
Long-Term Care System Fund	2,646,700

Statewide Adjustments

The budget includes an increase of \$27,700 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	9,400
Long-Term Care System Fund	18,300

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). Approximately 22,939 individuals are expected to receive Medicaid home and community based services in FY 2013.

Of the \$710,307,300 in this line item, \$698,474,400 funds HCBS services to clients enrolled in the LTC program; the other \$11,832,900 funds program staff.

The budget also includes \$20,000,000 in deferred FY 2012 General Fund payments appropriated in FY 2013 by Laws 2011, Chapter 24 and it defers the same amount for FY 2013 to FY 2014. As a result, the FY 2013 General Fund amount of \$240,899,700 would consist of \$20,000,000 from Chapter 24 and \$220,899,700 from the FY 2013 General Appropriation Act.

Institutional Services - Medicaid

The budget includes \$19,365,300 and 74 FTE Positions in FY 2013 for Medicaid Institutional Services. These amounts consist of:

General Fund	6,567,500
Long-Term Care System Fund	12,797,800

These amounts fund the following adjustments:

Formula Growth

The budget includes a decrease of \$(82,200) in FY 2013 for Formula Growth. This amount consists of:

General Fund	1,168,600
Long-Term Care System Fund	(1,250,800)

Provider Rate Increase

The budget includes an increase of \$109,000 in FY 2013 for a 2% provider rate increase beginning April 1, 2013. (Please see the Summary for additional information.) This amount consists of:

General Fund	37,000
Long-Term Care System Fund	72,000

Statewide Adjustments

The budget includes an increase of \$8,000 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	2,700
Long-Term Care System Fund	5,300

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. Approximately 104 individuals are expected to receive Medicaid institutional services in FY 2013.

Of the \$19,365,300 in this line item, \$13,958,700 funds Institutional Services to clients enrolled in the LTC program; the other \$5,406,600 funds program staff.

Medical Services - Medicaid

The budget includes \$138,961,000 and 35.4 FTE Positions in FY 2013 for Medical Services. These amounts consist of:

General Fund	47,128,400
Long-Term Care System Fund	91,832,600

These amounts fund the following adjustments:

Formula Growth

The budget includes a decrease of \$(779,800) in FY 2013 for Formula Growth. This amount consists of:

General Fund	8,301,800
Long-Term Care System Fund	(9,081,600)

Provider Rate Increase

The budget includes an increase of \$783,500 in FY 2013 for a 2% provider rate increase beginning April 1, 2013. (Please see the Summary for additional information.) This amount consists of:

General Fund	265,700
Long-Term Care System Fund	517,800

Statewide Adjustments

The budget includes an increase of \$6,800 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	2,300
Long-Term Care System Fund	4,500

Background – Of the \$138,961,000 in this line item, \$134,630,700 funds Acute Care services to clients enrolled in the LTC program; the other \$4,330,300 funds the staff of the division’s Managed Care unit.

Arizona Training Program at Coolidge - Medicaid

The budget includes \$15,711,700 and 383.7 FTE Positions in FY 2013 for the Arizona Training Program at Coolidge (ATP-C). These amounts consist of:

General Fund	5,325,600
Long-Term Care System Fund	10,386,100

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$585,300 from the General Fund in FY 2013 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 an increase of \$22,700 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	7,700
Long-Term Care System Fund	15,000

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). The budget funds a caseload of 124 clients, but the June 2013 caseload is estimated at 108 (87 in ICF/MRs

and 21 in state-operated group homes). At that caseload, the blended cost per DD client at ATP-C will be \$144,500.

Medicare Clawback Payments

The budget includes \$2,848,400 in FY 2013 for Medicare Clawback Payments. This amount consists of:

General Fund	1,197,200
Long-Term Care System Fund	1,651,200

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$351,500 from the General Fund in FY 2013 for formula growth associated with Medicare Clawback Payments.

Funding Shift

The budget includes an increase of \$1,651,200 from the Long-Term Care System Fund and a corresponding decrease from the General Fund in FY 2013 to make available General Fund monies for the backfill of Federal Funds. (Please see the Summary section for additional information.)

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 (78.3% in 2013) of the estimated drug costs.

Case Management - State-Only

The budget includes \$3,877,900 and 79.3 FTE Positions from the General Fund in FY 2013 for state-only case management. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$8,400 from the General Fund in FY 2013 for statewide adjustments.

Background – This line item funds case management services to clients in the state-only DD program. As of May 2012, there are approximately 7,601 clients in the state-only program.

Home and Community Based Services - State-Only

The budget includes \$32,615,300 and 53.6 FTE Positions from the Long-Term Care System Fund in FY 2013 for state-only Home and Community Based Services. These amounts fund the following adjustments:

Funding Shift

The budget includes an increase of \$28,625,000 and 53.6 FTE Positions from the Long-Term Care System Fund and

a corresponding decrease of \$(28,625,000) and (53.6) FTE Positions from the General Fund in FY 2013 to make available General Fund monies for the backfill of Federal Funds. (Please see the Summary section for additional information.)

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.

State-Funded Long-Term Care Services

The budget includes \$26,528,600 and 2 FTE Positions from the Long-Term Care System Fund in FY 2013 for State-Funded Long-Term Care Services. These amounts are unchanged from FY 2012.

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 \$26,528,600 in this line item, \$26,466,800 funds State-Funded Long-Term Care Services to clients enrolled in the DD program; the other \$61,800 funds program staff.

Employment and Rehabilitation Services

JOBS

The budget includes \$13,005,600 and 93 FTE Positions for JOBS in FY 2013. 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 2012.

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 6 highlights total estimated expenditures for the JOBS line item.

<u>Expenditures</u>	<u>Amount</u>
Case Management	\$ 9,789,600
Job Training	1,317,900
FLSA Supplement	80,400
Work-Related Transportation	1,427,700
Job Search Stipends	<u>390,000</u>
Total	\$13,005,600

Day Care Subsidy

The budget includes \$121,396,600 in FY 2013 for Day Care Subsidy. This amount consists of:

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

These amounts are unchanged from FY 2012.

The Health and Welfare Budget Reconciliation Bill (Laws 2012, Chapter 299) includes a session law 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 FPL, and children in the Child Protective Services (CPS) program.

This line item 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 \$356 per month in FY 2013. The maximum reimbursement rate paid by the state for a 2-year-old child in Maricopa County is \$26.60 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 FPL, the required daily co-payment for their first child in care is \$2.00. Using the \$26.60 Maricopa rate, this \$2.00

co-payment would account for 7.5% of the total cost of care (with the state paying the other 92.5%). 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 37.6% of the child's day care costs.

Caseloads – The estimated average number of children receiving child care services in FY 2013 is projected to be 24,500 (see Table 7). 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.

Children Served	
Category	Estimated FY 2013 ^{1/}
TANF	4,100
CPS	8,500
Low-Income Working	5,500
Transitional Child Care SLI	6,400
Total Served	24,500

^{1/} Represents projected average caseload.

Rehabilitation Services

The budget includes \$4,799,100 in FY 2013 for Rehabilitation Services. This amount consists of:

General Fund	4,594,400
Spinal and Head Injuries Trust Fund	204,700

These amounts fund the following adjustments:

Independent Living Rehabilitation Services

The budget includes a decrease of \$(1,289,400) in FY 2013 to show Independent Living Rehabilitation Services, which was previously part of the Rehabilitation Services line item, as its own line item. This amount consists of:

General Fund	(166,000)
Spinal and Head Injuries Trust Fund	(1,123,400)

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. The program is expected to serve up to 8,000 clients at an average Total Funds cost of \$8,700 per client. Administrative expenditures and local match draw down additional Federal match.

The budget also includes \$1,000,000 in deferred FY 2012 General Fund payments appropriated in FY 2013 by Laws 2011, Chapter 24 and it defers the same amount for FY 2013 to FY 2014. As a result, the FY 2013 General Fund amount of \$4,594,400 would consist of \$1,000,000 from Chapter 24 and \$3,594,400 from the FY 2013 General Appropriation Act.

Independent Living Rehabilitation Services

The budget includes \$1,289,400 in FY 2013 for Independent Living Rehabilitation Services. This amount consists of:

General Fund	166,000
Spinal and Head Injuries Trust Fund	1,123,400

The Independent Living Rehabilitation Services program is expected to serve up to 900 clients at an average total cost of \$5,300.

In addition to these clients, the division is also expected to serve 550 clients at an average annual cost of \$3,700 per client, using federal Social Services Block Grant.

Monies in this line item were previously included in the Rehabilitation Services line item.

The 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.

Workforce Investment Act Services

The budget includes \$51,654,600 from the Workforce Investment Act (WIA) Grant in FY 2013 for the Workforce Investment Act Services line item. This amount is unchanged from FY 2012.

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.

The allocation of the WIA Grant for workforce related programs in FY 2013 is shown in Table 8.

FY 2013 WIA Grant Allocations	
Category	Amount
WIA SLI	\$51,654,600
Administration	2,378,100 ^{1/}
JOBS	2,000,000 ^{2/}
Total	\$56,032,700

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

Other Issues

Reduce Vacant FTE Positions

The FY 2013 budget reduced FTE ceilings for large agencies with a significant number of unfunded, unfilled positions. Although there were variations, the general policy was to reduce the vacancy factor to 10% for

agencies with more than 100 FTE Positions. The budget for DES includes a reduction of (8) GF FTE Positions, (33.6) OF FTE Positions, and (3.9) expenditure authority FTE Positions in FY 2013 for this policy, incorporated into the figures above.

Payment Deferral

The budget continues the \$35,000,000 payment deferral from FY 2013 to FY 2014. DES plans to defer a total of \$35,000,000 in payments from the Special Line Items specified below:

Children Support Services	10,300,000
Emergency and Residential Placement	1,800,000
Foster Care Placement	1,900,000
Home and Community Based Services - Medicaid	20,000,000
Rehabilitation Services	1,000,000

The \$35,000,000 in FY 2013 to pay the amount deferred from FY 2012 to FY 2013 was appropriated in Laws 2011, Chapter 24, so this adjustment does not appear in the General Appropriation Act; however, the amount is included in the General Fund amount for DES in this section. As a result, the FY 2013 General Fund amount of \$612,296,200 would consist of \$35,000,000 from the deferral appropriation and \$577,296,200 from the General Appropriation Act.

TANF Block Grant

The budget appropriates \$220,775,800 of the state's federal TANF Block Grant allocation in FY 2013. *Table 9* provides detailed information on TANF expenditures and appropriations. The table shows that for FY 2013 the appropriation is within the amount that the beginning balance and TANF base revenues make available.

Contingency Fund and Emergency Contingency Fund revenues are not included in the permanent revenue calculation.

Total available TANF revenues are expected to decline from \$264,640,900 in FY 2012 to \$220,775,800 in FY 2013. DES was appropriated \$18,528,600 from LTCSF to offset that loss. In the event that DES receives more TANF monies than anticipated, a General Appropriation Act footnote requires DES to revert LTCSF monies dollar for dollar for TANF Block Grant monies received above \$220,775,800 in FY 2013, including the beginning balance.

FY 2012 Ex-Appropriation

The FY 2012 supplemental includes an ex-appropriation of \$(12,300,000) from the General Fund in DES. This money will then be appropriated in the Department of Health Services resulting in no net statewide General Fund increase. (*Please see Changes to the Federal Waiver in the AHCCCS narrative.*)

Table 9

TANF Block Grant Spending

<u>Special Line Item</u>	<u>Actual FY 2011</u>	<u>Estimated FY 2012</u>	<u>Approved FY 2013</u>
Operating	\$ 62,971,000	\$ 78,780,000	\$ 78,780,000
Administration			
Attorney General Legal Services	\$ 177,900	\$ 222,700	\$ 222,700
Aging and Community Services			
Community and Emergency Services	\$ 2,583,400	\$ 3,724,000	\$ 3,724,000
Coordinated Homeless Programs	1,458,100	1,649,500	1,649,500
Coordinated Hunger Program	730,100	500,000	500,000
Domestic Violence Prevention	5,705,300	6,620,700	6,620,700
Total - Aging and Community Services	\$ 10,476,900	\$ 12,494,200	\$ 12,494,200
Benefits and Medical Eligibility			
TANF Cash Benefits	\$ 62,931,100	\$ 44,999,400	\$ 44,999,400
Children, Youth and Families			
Children Support Services <u>1/</u>	\$ 32,262,600	\$ 45,254,100	\$ 41,803,600
CPS Emergency and Residential Placement	16,139,400	16,423,000	16,423,000
Foster Care Placement	6,597,400	6,973,100	6,973,100
Permanent Guardianship Subsidy	4,231,600	1,743,000	1,743,000
Adoption Services <u>1/</u>	22,386,700	19,802,400	4,724,300
Total - Children, Youth and Families	\$ 81,617,700	\$ 90,195,600	\$ 71,667,000
Employment and Rehabilitation Services			
JOBS	\$ 8,360,200	\$ 9,894,700	\$ 9,894,700
Day Care Subsidy	2,717,800	2,717,800	2,717,800
Total - Employment and Rehabilitation Services	\$ 11,078,000	\$ 12,612,500	\$ 12,612,500
SUBTOTAL	\$ 229,252,600	\$ 239,304,400	\$ 220,775,800
Administrative Adjustments	4,466,600	241,100	0
Non-Lapsing Authority from Prior Years	0	2,300,000	0
Appropriated 27th Pay Period	0	2,058,900	0
TOTAL - DEPARTMENT OF ECONOMIC SECURITY	\$ 233,719,200	\$ 243,904,400	\$ 220,775,800
Beginning Balance	\$ 44,396,800	\$ 47,090,500	\$ 20,736,500
TANF Base Revenues	200,141,300	200,141,300	200,141,300
TANF Population Supplemental Revenues	21,807,900	0	0
TANF Contingency Fund Revenues	10,007,100	17,409,100	0
TANF Stimulus Revenues	4,456,600	0	0
Total TANF Available	280,809,700	264,640,900	220,877,800
Ending Balance	\$ 47,090,500	\$ 20,736,500	\$ 102,000
Permanent Revenues vs Expenditures <u>2/</u>	\$ (29,111,300)	\$ (39,163,100)	\$ (20,634,500)

1/ \$3,450,500 of TANF from Children Support Services and \$15,078,100 of TANF from Adoption Services was shifted to the General Fund in FY 2013.

2/ Difference between Base Revenues and Expenditure Subtotal. Contingency Fund Revenues and Stimulus Revenues are not included in Permanent Revenues.