

Department of Economic Security

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5,472.9	5,453.5	5,453.5
Personal Services	128,355,600	138,134,100	138,134,100
Employee Related Expenditures	59,845,500	64,856,600	64,856,600
Professional and Outside Services	19,494,100	19,718,800	19,718,800
Travel - In State	1,552,800	1,596,300	1,596,300
Travel - Out of State	37,200	43,900	43,900
Other Operating Expenditures	51,892,400	59,896,900	59,896,900
Equipment	9,713,000	9,486,600	9,486,600
OPERATING SUBTOTAL	270,890,600	293,733,200	293,733,200
SPECIAL LINE ITEMS			
Administration			
Attorney General Legal Services	20,878,900	21,433,700	21,433,700
Aging and Adult Services			
Adult Services	7,924,100	6,924,100	6,924,100
Community and Emergency Services	3,350,300	3,724,000	3,724,000
Coordinated Homeless	2,416,500	2,522,600	2,522,600
Domestic Violence Prevention	11,420,500	12,123,700	12,123,700
Benefits and Medical Eligibility			
TANF Cash Benefits	53,999,400	44,999,400	44,999,400
Coordinated Hunger	1,701,800	1,754,600	1,754,600
Tribal Pass-Through Funding	4,680,300	4,680,300	4,680,300
Child Support Enforcement			
County Participation	6,449,400	8,600,200	8,600,200
Children, Youth and Families			
Children Support Services	70,334,400	79,167,600	79,167,600
CPS Emergency and Residential Placement	33,948,000	24,001,700	24,001,700
Foster Care Placement	17,160,400	23,112,600	23,112,600
Independent Living Maintenance	1,671,600	2,719,300	2,719,300
Permanent Guardianship Subsidy	11,283,700	11,215,300	11,215,300
Adoption Services	63,744,600	74,772,000	74,772,000
Developmental Disabilities			
Case Management - Medicaid	41,937,100	38,071,900	38,071,900
Home and Community Based Services - Medicaid	588,650,800	710,196,700	760,921,300
Institutional Services - Medicaid	19,736,400	19,334,100	20,715,000
Medical Services	120,335,200	138,936,500	148,859,800
Arizona Training Program at Coolidge - Medicaid	16,675,000	15,601,500	15,601,500
Medicare Clawback Payments	2,496,900	2,848,400	3,072,000
Case Management - State Only	4,012,900	3,846,000	3,846,000
Home and Community Based Services - State Only	17,349,800	32,615,300	32,615,300
State-Funded Long Term Care Services	26,531,900	26,528,100	26,528,100
Employment and Rehabilitation Services			
JOBS	12,098,800	13,005,600	13,005,600
Day Care Subsidy	110,923,400	121,396,600	121,396,600
Rehabilitation Services	4,683,400	4,799,100	4,799,100
Independent Living Rehabilitation Services	0	1,289,400	1,289,400
Workforce Investment Act Services	42,452,700	51,654,600	51,654,600
Agencywide			
One-Time Funding	0	0	(9,616,400)
AGENCY TOTAL	1,589,738,800^{1/}	1,795,608,100^{2/}	1,848,244,100

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
FUND SOURCES			
General Fund	596,086,400	612,296,200	629,584,700
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	0	1,459,100	1,459,100
Child Support Enforcement Administration Fund	11,998,800	16,601,100	16,601,100
Children and Family Services Training Program Fund	72,100	206,600	206,600
Domestic Violence Shelter Fund	2,220,000	2,220,000	2,220,000
Federal CCDF Block Grant	121,508,100	130,567,500	130,567,500
Federal TANF Block Grant	228,235,900	220,775,800	220,775,800
Long Term Care System Fund (Non-Federal Matched)	30,522,200	75,075,300	65,458,900
Public Assistance Collections Fund	65,400	427,100	427,100
Special Administration Fund	112,200	1,129,900	1,129,900
Spinal and Head Injuries Trust Fund	1,705,200	1,867,600	1,867,600
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Workforce Investment Act Grant	44,424,000	56,032,700	56,032,700
SUBTOTAL - Other Appropriated Funds	440,863,900	507,362,700	497,746,300
SUBTOTAL - Appropriated Funds	1,036,950,300	1,119,658,900	1,127,331,000
<u>Expenditure Authority Funds</u>			
Child Support Enforcement Administration Fund (EA)	35,153,300	40,397,800	40,397,800
Long Term Care System Fund (Federal Match)	517,635,200	635,551,400	680,515,300
SUBTOTAL - Expenditure Authority Funds	552,788,500	675,949,200	720,913,100
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,589,738,800	1,795,608,100	1,848,244,100
Other Non-Appropriated Funds	568,234,000	449,953,500	420,135,000
Federal Funds	1,259,949,600	941,270,800	741,906,500
TOTAL - ALL SOURCES	3,417,922,400	3,186,832,400	3,010,285,600

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.

Summary

The Department of Economic Security's (DES) FY 2014 General Fund Baseline spending would increase by \$17,288,500, or 2.8%, for changes in the Developmental Disabilities (DD) program. (See *Developmental Disabilities section for more information.*)

Operating Budget

The Baseline includes \$293,733,200 and 3,570.3 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$142,185,600
Child Support Enforcement Administration Fund	12,924,800

Child Support Enforcement Administration Fund (EA)	26,547,900
Children and Family Services Training Program Fund	206,600
Federal Temporary Assistance for Needy Families (TANF) Block Grant	73,053,000
Federal Child Care and Development Fund (CCDF) Block Grant	11,871,400
Long Term Care System Fund	22,671,900
Public Assistance Collections Fund	335,400
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 are unchanged from FY 2013.

- 1/ Includes a total of \$5,009,100 GF and \$2,860,100 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.
- 2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of \$(1,452,800) GF for the premium holiday and an increase of \$3,011,800 GF and \$586,600 OF for the employee retention payment.

Administration

Attorney General Legal Services

The Baseline includes \$21,433,700 and 311.2 FTE Positions in FY 2014 for Attorney General Legal Services. These amounts consist of:

General Fund	12,177,600
Child Support Enforcement Administration Fund	2,337,200
Federal TANF Block Grant	221,100
Federal CCDF Block Grant	17,300
Federal Expenditure Authority	6,588,800
Public Assistance Collections Fund	91,700

These amounts are unchanged from FY 2013.

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

Aging and Adult Services

Adult Services

The Baseline includes \$6,924,100 from the General Fund in FY 2014 for Adult Services. This amount is unchanged from FY 2013.

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

Services	FY 2014
Adult Protective Contracted Services	\$ 276,900
Supplemental Payments	132,700
Home Care	2,396,600
Older Americans Act	2,000,000
Assessments and Case Management	1,655,900
Respite Care	462,000
Total	\$6,924,100

Community and Emergency Services

The Baseline includes \$3,724,000 from the federal TANF Block Grant in FY 2014 for Community and Emergency Services. This amount is unchanged from FY 2013.

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 2012, this line item provided short-term crisis services to 2,083 households, energy assistance to 50,689 households, and 30,571 households participated in telephone discount programs.

Coordinated Homeless

The Baseline includes \$2,522,600 in FY 2014 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 2013.

In FY 2012, this line item provided emergency shelter services to 13,136 individuals and transitional shelter services to 2,015 individuals.

Domestic Violence Prevention

The Baseline includes \$12,123,700 in FY 2014 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 2013.

In FY 2012, this line item, along with non-appropriated funds, served approximately 9,569 women and children in emergency shelters, 473 women and children in transitional housing, and 11,171 victims with legal and lay legal advocacy.

Benefits and Medical Eligibility

TANF Cash Benefits

The Baseline includes \$44,999,400 from the Federal TANF Block Grant in FY 2014 for TANF Cash Benefits. This amount is unchanged from FY 2013.

As of October 2012, there is currently a regular TANF Cash Benefit caseload of 39,843 individual recipients and 750 Diversion cases. The Baseline assumes a regular TANF Cash Benefits caseload of approximately 40,800 individual recipients in June 2013, or 2% higher than June 2012. The regular TANF Cash Benefits caseload is forecasted to be approximately 41,600 recipients in June 2014, an increase of 800 recipients or 2% above June 2013.

The TANF Diversion program diverts applicants from long-term regular TANF Cash Benefits by offering immediate, one-time assistance to resolve a financial crisis. Due to the department's policy change in December 2011 limiting applicants to 1 grant diversion per year, the number of diversion cases decreased from 2,100 per month in November 2011 to 750 for October 2012. The Baseline assumes the average number of diversion cases will remain at 750.

Total FY 2014 TANF Cash Benefits including Diversion payments are projected to cost \$50,819,300, or \$5,819,900 above the Baseline. To stay within the Baseline amount, the department may have to reduce monthly benefit payments or transfer resources from other programs, as it did in FY 2012 when it spent \$53,999,400, which was \$9,000,000 over its appropriation.

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. There is a 24-month cumulative lifetime time limit on regular TANF Cash Benefits. Financial eligibility is currently set at 36% of the 1992 Federal Poverty Level (FPL), or \$5,022 for a family of 4.

Coordinated Hunger

The Baseline includes \$1,754,600 in FY 2014 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 2013.

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 2012, the USDA Commodities Food Program served 478,388 households quarterly. On an annual basis, over 5,221,348 individuals are served through this program.

Tribal Pass-Through Funding

The Baseline includes \$4,680,300 from the General Fund in FY 2014 for Tribal Pass-Through Funding. This amount is unchanged from FY 2013.

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.

Sources	
Balance Forward	\$ 1,850,000
State Share of Retained Earnings	5,500,000
Federal Incentive Payments	6,500,000
Fees	1,730,000
Excess Appropriation Authority	<u>3,338,600</u>
Total	\$18,918,600
Uses	
DCSE Administration	\$16,601,100
Administration (Non-Appropriated)	<u>2,317,500</u>
Total	\$18,918,600

County Participation

The Baseline includes \$8,600,200 in FY 2014 for County Participation. This amount consists of:

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

These amounts are unchanged from FY 2013.

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

Please see the *Other Issues for Legislative Consideration* section to see a comparison of this division's total resources in FY 2008, FY 2012, and FY 2013. Given the significance of the Division of Children, Youth and Families' (DCYF) non-appropriated resources, the Legislature may wish to consider appropriating the division's resources on a Total Expenditure Authority basis.

The Baseline provides funding for Children Services in 3 separate line items (*see Table 3*). Of the \$126,281,900 in appropriated funds, \$56,333,000 is from the General Fund, \$56,150,200 is from the TANF Block Grant, \$12,339,600 is from the Long Term Care System Fund (Non-Federal Matched), and \$1,459,100 is from the Child Abuse

Prevention Fund. Including \$145,190,500 of Non-Appropriated funds, FY 2014 Baseline funding for Children Services totals \$271,472,400.

- A person whose substance abuse is a significant barrier to obtaining or maintaining employment if the person is receiving TANF Cash Benefits.

Table 3

FY 2014 Children Services Funding

	<u>Appropriated Funds</u>	<u>Non-Appropriated Funds</u>	<u>Total</u>
Children Support Services	\$ 79,167,600	\$ 54,133,700	\$133,301,300
CPS Emergency & Residential Placement	24,001,700	66,722,300	90,724,000
Foster Care Placement	23,112,600	24,334,500	47,447,100
Total	\$126,281,900	\$145,190,500	\$271,472,400

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, Child Protective 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 2014. The transfer to SSBG provides additional funding flexibility to DES.

Children Support Services

The Baseline includes \$79,167,600 and 1 FTE Position in FY 2014 for Children Support Services. These amounts consist of:

General Fund	32,614,800
Federal TANF Block Grant	32,754,100
Child Abuse Prevention Fund	1,459,100
Long Term Care System Fund	12,339,600

These amounts are unchanged from FY 2013.

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 August 2012, the department reported 13,872 out-of-home clients and 5,393 in-home cases.

This line item also funds Arizona Families F.I.R.S.T. (Families in Recovery Succeeding Together). Individuals must meet 1 of the following 2 requirements to qualify for the program:

- Any parent, guardian or custodian of a child who is named in a CPS report as a victim of abuse or neglect and whose substance abuse is a significant barrier to maintaining, preserving or reunifying the family.

The budget for Arizona Families F.I.R.S.T. is outlined in *Table 4*.

Table 4

Arizona Families F.I.R.S.T.

	<u>FY 2011 Actual</u>	<u>FY 2012 Estimate</u>	<u>FY 2013 Estimate</u>	<u>FY 2014 Estimate</u>
<i>Appropriated</i>				
General Fund	\$3,778,300	\$ 15,000	\$ 15,000	\$ 15,000
TANF	4,000,000	9,523,900	10,192,300	12,156,600
<i>Non-Appropriated</i>				
CPS Expedited Substance Abuse Treatment Fund	-	-	247,000	-
Joint Substance Abuse Trtmt Fund	-	-	610,800	-
Total	\$7,778,300	\$9,538,900	\$11,065,100	\$12,171,600

In FY 2012, 5,011 CPS clients were referred to the Arizona Families F.I.R.S.T. program for substance abuse treatment services, and it is anticipated that 5,000 CPS clients will be referred to the program in FY 2013 and FY 2014.

The Children Support Services 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 Baseline also includes \$10,300,000 in deferred FY 2013 General Fund payments appropriated in FY 2014 by Laws 2012, Chapter 294 and it defers the same amount for FY 2014 to FY 2015. As a result, the FY 2014 General Fund amount of \$32,614,800 would consist of \$10,300,000 from Chapter 294 and \$22,314,800 from the FY 2014 General Appropriation Act.

CPS Emergency and Residential Placement

The Baseline includes \$24,001,700 in FY 2014 for CPS Emergency and Residential Placement. This amount consists of:

General Fund	11,578,700
Federal TANF Block Grant	12,423,000

These amounts are unchanged from FY 2013.

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 August 2012, 330 children were reported in emergency placements at an average monthly cost of \$3,623 per child, while 1,670 children were reported in residential placements at an average monthly cost of \$3,958 per child. At these rates, the estimated total cost for FY 2014 is \$93,665,400, or \$2,941,400 higher than the total available funds for this line in *Table 3*. In FY 2012, DES transferred resources from other programs to address this issue.

The Baseline also includes \$1,800,000 in deferred FY 2013 General Fund payments appropriated in FY 2014 by Laws 2012, Chapter 294 and it defers the same amount for FY 2014 to FY 2015. As a result, the FY 2014 General Fund amount of \$11,578,700 would consist of \$1,800,000 from Chapter 294 and \$9,778,700 from the FY 2014 General Appropriation Act.

Foster Care Placement

The Baseline includes \$23,112,600 in FY 2014 for Foster Care Placement. This amount consists of:

General Fund	12,139,500
Federal TANF Block Grant	10,973,100

These amounts are unchanged from FY 2013.

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 the maintenance payments, not additional support services. In August 2012, 11,024 children were reported in foster care. Of that number, 5,195 children were placed with relatives in unlicensed foster care, which receives no placement funding. The remaining 5,829 children were in licensed foster care at an average monthly cost of \$667 per child.

The Baseline also includes \$1,900,000 in deferred FY 2013 General Fund payments appropriated in FY 2014 by Laws 2012, Chapter 294 and it defers the same amount for FY 2014 to FY 2015. As a result, the FY 2014 General Fund amount of \$12,139,500 would consist of \$1,900,000 from Chapter 294 and \$10,239,500 from the FY 2014 General Appropriation Act.

Independent Living Maintenance

The Baseline includes \$2,719,300 from the General Fund in FY 2014 for Independent Living Maintenance. This amount is unchanged from FY 2013.

The Independent Living Maintenance program provided stipends to 296 former foster youth between 18 and 21 in August 2012. These youth are living on their own and are either enrolled in a postsecondary program or employed.

Permanent Guardianship Subsidy

The Baseline includes \$11,215,300 in FY 2014 for Permanent Guardianship Subsidy. This amount consists of:

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

These amounts are unchanged from FY 2013.

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. The funding only provides for maintenance subsidies, which are provided to assist with the expenses involved in addressing the special needs of the child. In August 2012, 2,395 clients received permanent guardianship subsidies.

Adoption Services

The Baseline includes \$74,772,000 in FY 2014 for Adoption Services. This amount consists of:

General Fund	48,071,700
Federal TANF Block Grant	19,802,400
Long Term Care System Fund	6,897,900

These amounts are unchanged from FY 2013.

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 maintenance subsidies, special services subsidies, expenditures related to the legal process of adopting a child, and adoption home recruitment costs. In August, 2012, 16,621 clients received adoption subsidies. In addition, this line item is estimated to receive \$90,191,600 from Federal Grants in FY 2014.

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 November 2012, the Division of Developmental Disabilities serves 32,587 clients, which includes 24,966 clients in the LTC program and 7,621 clients in the state-only portion. The primary disabilities of these clients are shown in *Table 5*.

<u>Disability</u>	<u>Number</u>	<u>Percentage</u>
Cognitive Disability	14,093	43%
At Risk	8,516	26%
Autism	5,381	17%
Cerebral Palsy	3,076	9%
Epilepsy	1,383	4%
Not Indicated	138	<1%

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

Overall DES Formula Adjustments

The Baseline includes an increase of \$17,288,500 from the General Fund in FY 2014 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 Federal Medical Assistance Percentage (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 2014, the Medicaid FMAP will increase to 66.84% (0.75% increase). The increased FMAP results in additional General Fund savings of \$(11,320,700) in FY 2014.

FY 2014 Caseload Growth

The Baseline includes a net increase of \$16,574,900 from the General Fund in FY 2014 for DD caseload changes. This amount includes the continuation of approximately \$(2,600,000) in General Fund savings in FY 2013 from lower than budgeted FY 2013 growth. From FY 2013 to FY 2014, caseloads are expected to grow by 4.5% to a level of 27,141 in June 2014.

Table 6 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	23,858
Institutional Services	110
Arizona Training Program at Coolidge	103
Subtotal	24,071
Case Management/Medical Services only	3,070
Total	27,141

Annualization of FY 2013 Provider Rate Adjustments

The FY 2013 budget included a 2% provider rate increase for DD providers beginning April 1, 2013. The FY 2014 Baseline continues that increase and includes an additional \$5,374,800 for a full year of provider rate increases.

FY 2014 Capitation Rate Adjustments

The Baseline includes a 2% capitation rate increase beginning July 1, 2013. The increased capitation rate results in an additional General Fund cost of \$6,659,500 in FY 2014. Capitation rates are based upon both provider rates as well as utilization of services.

Case Management - Medicaid

The Baseline includes \$38,071,900 and 755.5 FTE Positions in FY 2014 for Medicaid Case Management. These amounts consist of:

General Fund	12,623,700
Long Term Care System Fund	25,448,200

FY 2014 adjustments would be as follows:

Formula Adjustments	GF	1,551,800
	FMA	(1,551,800)

This formula adjustment consists of the federal match rate change.

Background – In addition to providing case management services to an estimated 24,071 clients receiving direct services, this line item also funds “case management only” services to another 3,070 clients.

Home and Community Based Services - Medicaid

The Baseline includes \$760,921,300 and 94.5 FTE Positions in FY 2014 for Medicaid Home and Community Based Services (HCBS). These amounts consist of:

General Fund	252,302,500
Long Term Care System Fund	508,618,800

FY 2014 adjustments would be as follows:

Formula Adjustments GF 223,600

The Baseline includes an increase of \$223,600 from the General Fund in FY 2014 for formula 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 (76.7% in 2014) of the estimated drug costs.

Case Management - State-Only

The Baseline includes \$3,846,000 and 79.3 FTE Positions from the General Fund in FY 2014 for state-only case management. These amounts are unchanged from FY 2013.

Background – This line item funds case management services to clients in the state-only DD program. As of November 2012, there are approximately 7,621 clients in the state-only program.

Home and Community Based Services - State-Only

The Baseline includes \$32,615,300 and 53.6 FTE Positions from the Long Term Care System Fund in FY 2014 for state-only Home and Community Based Services. These amounts consist of:

General Fund	6,154,000
Long Term Care System Fund	26,461,300

These amounts are unchanged from FY 2013.

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.

State-Funded Long Term Care Services

The Baseline includes \$26,528,100 and 2 FTE Positions from the Long Term Care System Fund in FY 2014 for State-Funded Long Term Care Services. These amounts are unchanged from FY 2013.

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, \$26,466,300 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 Baseline includes \$13,005,600 and 93 FTE Positions in FY 2014 for JOBS. These amounts consist of:

General Fund	300,000
Federal TANF Block Grant	9,594,700
Workforce Investment Act Grant	2,000,000
Special Administration Fund	1,110,900

These amounts are unchanged from FY 2013.

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.

<u>Expenditures</u>	<u>Amount</u>
Case Management	\$ 9,904,100
Job Training	1,015,900
FLSA Supplement	155,900
Work-Related Transportation	1,729,700
Job Search Stipends	200,000
Total	\$13,005,600

Day Care Subsidy

The Baseline includes \$121,396,600 in FY 2014 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 2013.

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 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 \$353 per month in FY 2014. 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 2014 is projected to be 26,000 (see Table 8) at a cost of \$110,136,000, with quality set aside spending of \$11,260,600. DES initiated a waiting list for the Low-Income Working category of child care services on February 18, 2009. According to DES, as of September 2012, approximately 6,856 children had been found eligible for child care services and placed on the waiting list. It is unknown whether those children remain eligible.

In FY 2009, 28,000 children in the Low-Income Working category utilized the subsidy, while an additional 5,500 children were on the waiting list by the end of the fiscal year. Based on this utilization rate, it is estimated that there are 25,000 to 30,000 children in the Low-Income Working category who would actually utilize the subsidy, if available. At the current average Low-Income state subsidy rate of \$319 per month, the annual ongoing cost for eliminating the waiting list would be about \$96,000,000 to \$115,000,000.

Children Served	
Category	Estimated FY 2014 ^{1/}
TANF	3,200
CPS	9,000
Low-Income Working	8,000
Transitional Child Care SLI	<u>5,800</u>
Total Served	26,000

^{1/} Represents projected average caseload.

Rehabilitation Services

The Baseline includes \$4,799,100 in FY 2014 for Rehabilitation Services. This amount consists of:

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

These amounts are unchanged from FY 2013.

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 8,500 clients at an average Total Funds cost of \$9,300 per client. Administrative expenditures and local match draw down additional federal match.

The Baseline also includes \$1,000,000 in deferred FY 2013 General Fund payments appropriated in FY 2014 by Laws 2012, Chapter 294 and it defers the same amount for FY 2014 to FY 2015. As a result, the FY 2014 General Fund amount of \$4,594,400 would consist of \$1,000,000 from Chapter 294 and \$3,594,400 from the FY 2014 General Appropriation Act.

Independent Living Rehabilitation Services

The Baseline includes \$1,289,400 in FY 2014 for Independent Living Rehabilitation Services. This amount consists of:

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

These amounts are unchanged from FY 2013.

The Independent Living Rehabilitation Services program is expected to serve up to 900 clients at an average Total Funds 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.

Prior to FY 2013, monies in this line item were 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 Baseline includes \$51,654,600 from the Workforce Investment Act (WIA) Grant in FY 2014 for the Workforce Investment Act Services line item. This amount is unchanged from FY 2013.

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 2014 is shown in *Table 9*.

Table 9

FY 2014 WIA Grant Allocations

<u>Category</u>	<u>Amount</u>
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.

Agencywide

One-Time Funding

Remove One-Time Funding OF (9,616,400)

The Baseline includes an agencywide reduction of \$(9,616,400) from the non-federally matched portion of the Long Term Care System Fund (LTCSF) in FY 2014 to remove one-time funding. The FY 2013 budget appropriated \$44,553,100 of LTCSF for caseload growth and to backfill the loss of Federal Funds.

The state deposits room and board charges to the LTCSF. Those ongoing monies of \$30,522,200 primarily fund regular 100% state-funded DD programs and have not been used for other purposes in DES.

The vast majority of the LTCSF consists of federal payments made for the Developmental Disabilities (DD) program through a capitated system of payments. According to the terms of the federal agreement, the state assumes all liability for cost overages above the agreed capitation.

Conversely, if DES is able to operate the program at a cost less than the federal capitation rate, then DES is able to retain the “profit.” In addition and unrelated to the LTCSF profit, the state deposited one-time revenue from the DSH program (*see AHCCCS narrative*) into the LTCSF for FY 2013. The combination of the LTCSF profit, which was accumulated over multiple years, and the one-time DSH

revenue is the \$44,553,100 amount. This amount is the difference between LTCSF spending of \$30,522,200 in FY 2012 and \$75,075,300 in FY 2013 that the state used for caseload growth and Federal Funds' backfill in FY 2013 (*see Table 10*).

The magnitude of the LTCSF backfill was premised on a projection of a decline in federal TANF funds. As a result, the FY 2013 budget included a provision to reduce the LTCSF backfill if DES received more Federal Funds than expected.

Based on the latest estimates, DES will receive unanticipated TANF Contingency Fund revenue of \$18,925,000 in FY 2013, which makes the total TANF Block Grant higher than the FY 2013 appropriation of \$220,775,800. As a result, the additional TANF Contingency Fund revenue triggers the FY 2013 General Appropriation Act footnote stipulating that DES revert LTCSF monies dollar for dollar for TANF Block Grant monies received above \$220,775,800 in FY 2013, including the beginning balance. This means that only \$25,628,100 of the \$44,553,100 increase will be appropriated from LTCSF, with the other \$18,925,000 coming instead from the TANF Block Grant, thereby preserving more LTCSF for FY 2014. The budget table at the front of this section and *Table 10* have not yet been adjusted for this revision. (*For more information see TANF Block Grant in Other Issues for Legislative Consideration section.*)

Theoretically, the capitated system of payments should not generate a profit in the long run. Capitation rates are renegotiated annually, and the federal government should be adjusting their rates accordingly. Nonetheless, there can still be multiple years where the state generates a profit.

After \$30,522,200 is allocated for these 100% state-funded DD programs, DES estimates that only a balance of \$34,936,700 will be available for one-time expenditures in FY 2014. Since \$44,553,100 was appropriated in FY 2013, the difference of \$(9,616,400) will not be available for backfill. As a result, the FY 2014 LTCSF backfill amount in the Baseline has been reduced by \$(9,616,400). There is the potential that more than \$34,936,700 may be available from the LTCSF in FY 2014, depending on the size of the final FY 2013 ending balance.

Table 10**Long Term Care System Fund (Non-Federal Matched)**

	FY 2012 <u>Actual</u>	FY 2013 <u>Estimate</u>	FY 2014 <u>Baseline</u>
Children Support Services	\$0	\$12,339,600	\$12,339,600
Adoption Services	0	6,897,900	6,897,900
Medicare Clawback Payments	0	2,848,400	2,848,400
Home & Community Based Services - State Only	3,990,300	26,461,300	26,461,300
State Funded Long Term Care Services	26,531,900	26,528,100	26,528,100
One-Time Funding	-	-	(9,616,400)
Total	\$30,522,200	\$75,075,300	\$65,458,900

This reduction has not been allocated by line item. DES would have the flexibility to distribute this reduction.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES*Standard Footnotes*Administration

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.

Aging and Adult Services

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.

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, 2013. The report shall include, at a minimum, the amount of monies available and the state fiscal agent receiving those monies.

Benefits and Medical Eligibility

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.

Child Support Enforcement

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.

Children Youth and Families

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.

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.

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.

Developmental Disabilities

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 2014 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, 2014.

All monies in the Long Term Care System Fund unexpended and unencumbered at the end of FY 2014 revert to the state General Fund, subject to approval by the Arizona Health Care Cost Containment System administration.

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.

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.

Employment and Rehabilitation Services

Of the \$121,396,600 appropriated for Day Care Subsidy, plus any funding authorized to be deferred to FY 2015, \$115,119,900 is for a program in which the upper income limit is no more than 165% of the federal poverty level.

All Federal Workforce Investment Act 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.

Departmentwide

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.

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.

Any Federal Temporary Assistance for Needy Families Block Grant monies received in FY 2014, including the beginning balance, by the Department of Economic Security in excess of \$220,775,800 is appropriated to the department in FY 2014. For every dollar the Department of Economic Security receives in Federal Temporary Assistance for Needy Families Block Grant monies in FY 2014 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. FY 2013 REVERTMENTS EXPECTED TO BE SPENT AS ADMINISTRATIVE ADJUSTMENTS IN FY 2014 DO NOT COUNT TOWARD THE EXCESS BALANCE. THE DEPARTMENT SHALL REPORT BY SEPTEMBER 1, 2013 ITS ESTIMATE OF HOW MUCH OF ITS FY 2013 REVERTMENT WILL BE SPENT AS ADMINISTRATIVE ADJUSTMENTS IN FY 2014 AND EXCLUDED FROM THE TOTAL. On or before June 30, 2014, 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. *(The JLBC Staff recommends a comparable adjustment in the existing FY 2013 footnote.)*

Deletion of Prior Year Footnotes

The Baseline would delete the footnote indicating that \$500,000 of the amount appropriated for Temporary Assistance for Needy Families Cash Benefits reflects appropriation authority only to ensure sufficient cash flow to administer cash benefits for tribes operating their own welfare programs. The department does not require the float and has been spending the funding on benefits.

The Baseline would delete the FY 2013 developmental disabilities provider rate footnote.

STATUTORY CHANGES

The Baseline would:

- As session law, continue to allow DES use of the Long Term Care System Fund for any DES operational or programmatic expenses in FY 2014.
- As session law, continue a provision requiring recipients of TANF Cash Benefits to pass a drug test in order to be eligible for benefits if DES has reasonable cause to believe that the recipient uses illegal drugs.
- As session law, continue to permit DES to reduce income eligibility levels for all child care programs if the program has insufficient resources. DES would be required to report to JLBC within 15 days of any such change in levels.
- As session law, in the General Appropriation Act, continue to defer \$35,000,000 in General Fund payments for FY 2014 until FY 2015. Appropriate \$35,000,000 in FY 2015 for these deferred payments.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Payment Deferral

The Baseline continues the \$35.0 million payment deferral from FY 2014 to FY 2015. DES plans to defer a total of \$35.0 million 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 \$35.0 million in FY 2014 to pay the amount deferred from FY 2013 to FY 2014 was appropriated in Laws 2012, Chapter 294, 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 2014 General Fund amount of \$629.6 million would consist of \$35.0 million from the deferral appropriation and \$594.6 million from the General Appropriation Act.

FY 2013 Developmental Disabilities Savings

The Developmental Disabilities budget is estimated to have an approximate \$(2.6) million General Fund savings in FY 2013 from lower than budgeted caseload growth. This savings is incorporated into the FY 2014 Baseline.

Children, Youth and Families Funding

FY 2014 DES Request

The department has requested \$49.5 million from the General Fund for DCYF in FY 2014. This state funding would generate another \$22.7 million in Federal Funds (see Table 11).

CPS Staffing

As part of this request, DES asked for 205 additional FTE Positions for CPS staff in FY 2014, including 124 FTE Positions for CPS caseworkers and 81 FTE Positions for supervisors, support staff, and case aides. The 124 caseworkers would be established at the CPS IV level (salary ranges from \$45,300 to \$76,400) that was established in the 2012 Legislative Session. The \$10.8 million for the 205 FTE Positions represents only half of the amount needed to fully fund these FTE Positions; DES will request the other half in FY 2015.

Emergency and Residential Placement

The single largest component of the request is \$29.7 million for emergency and residential placement (also known as congregate care). Due to the significant growth in the out-of-home population (see Table 12) and a declining supply of family foster homes, DES has not been able to find permanent placements in traditional foster care for a growing number of children, so more of these children have been housed in emergency and residential placement. These placements are significantly more expensive than family foster homes. DES states there was caseload growth of 24% in FY 2012 and projects caseload growth of 20% in FY 2013 and 16% in FY 2014 in emergency and residential placements. The monthly amount the department pays per child is also increasing. Given the cost of emergency and residential placement, the department is working on multiple efforts to expand foster care capacity through increasing the number of family foster homes and increasing the placement rates in existing homes.

FY 2013 Solution to DCYF Shortfall

Because of these same issues, DES has a projected shortfall of \$(35.0) million for DCYF in FY 2013, including \$(27.1) million in FY 2013 for the Emergency and Residential Placement line item and \$(7.9) million across all other child welfare services. DES plans to address this issue by using a one-time carry-forward balance of approximately \$18.0 million to \$20.0 million from the federal Social Services Block Grant. DES does not anticipate similar balances to be available in FY 2014. DES plans to use projected surpluses in other line items to address the remaining shortfall of \$(15.0) million to \$(17.0) million, with most of it coming from the State-Only DD Home and Community Based Services (HCBS) line item. In FY 2012, DES expended \$17.3 million for the State-Only DD HCBS line item, or \$(15.3) million less than its \$32.6 million appropriation.

In FY 2014, DES is seeking a General Fund appropriation rather than use these FY 2013 solutions. Of the \$50.0 million requested, \$35.0 million represents backfill of the FY 2013 solution.

Given DES' ability to identify one-time monies in their FY 2013 budget, JLBC Staff suggests further research on

whether any other funds would be available again in FY 2014.

Table 11

DES' \$50 Million DCYF Request

<u>Program</u>	<u>General Fund</u>	<u>Amount Federally Matched</u>
CPS Staffing	\$10,750,300	\$ 2,384,600
CPS Emergency & Residential Placement	29,736,500	11,815,500
Foster Care Placement	4,804,100	4,092,400
Adoption Services	4,238,500	4,411,500
Total	\$49,529,400	\$22,704,000

Caseload Adjustments

Caseload increases are a second reason for DES' budget request. The number of children in the DCYF system has grown from 35,593 in FY 2008 to 47,062 in FY 2013, growth of 11,469 children (32%), mostly in the areas of adoption services and out-of-home care (see Table 12).

Table 12

Children in the DCYF System by Fiscal Year ^{1/}

<u>Placement Type</u>	<u>August of FY 2008</u>	<u>August of FY 2013</u>
Out-of-Home Care	9,802	13,872
In-Home Care	13,371	14,174
Permanent Guardianship Subsidies	1,948	2,395
Adoption Subsidies	10,472	16,621
Total Children	35,593	47,062

^{1/} Excludes Independent Living Maintenance population

Funding History

DES' FY 2014 DCYF General Fund request is designed, in part, to address the loss of General Fund support since FY 2008. DCYF General Fund appropriations fell from \$193.4 million in FY 2008 to \$177.0 million in FY 2013, a decline of (8.5)%.

During the same period, available funding for DCYF, as indicated in Table 14, has risen from \$498.0 million in FY 2008 to \$600.0 million in FY 2013, an increase of \$102.0 million, or 21%.

DCYF's largest portion of funding is from Non-Appropriated Funds, which are almost entirely from Federal Funds such as Title IV-E (child welfare) funding and the Social Services Block Grant. The second largest category of funding is the General Fund. Although General Fund support has declined from FY 2008 to FY 2013, it has been replaced with the TANF Block Grant and Federal Funds.

The level of support for DCYF from the TANF Block Grant may not be sustainable. In prior years, the TANF Block Grant had large ending balances; those ending balances have been spent down in recent years for DCYF

and other DES programs. The projected ending balances for FY 2013 and FY 2014 are zero. Unless Congress returns TANF funding to historical funding, the state will have to backfill lost TANF Block Grant with other resources to maintain current funding levels for DCYF. (See the TANF Block Grant section for more discussion.)

Total Expenditure Authority

As displayed in Table 14, non-appropriated funds accounted for \$249.3 million, or 45%, of DCYF's \$553.1 million budget. Given the significance of these non-appropriated sources, the Legislature may wish to consider appropriating DCYF on a Total Expenditure Authority basis. The same approach is already employed in the DD budget. The Total Expenditure approach acknowledges all of the resources available to the agency, but does not appropriate any specific non-appropriated fund.

TANF Block Grant

The Baseline appropriates \$220.8 million of the state's federal TANF Block Grant allocation in FY 2014. Table 13 shows expected yearly revenues, expenditures, and fund balances.

TANF revenues were reduced in FY 2012 due to the loss of the Population Supplemental revenues associated with the TANF Block Grant. Federal authorization for the Population Supplemental expired at the end of FY 2011 and Congress has not restored that funding. To offset the loss of the TANF Population Supplemental revenues and other federal monies, DES was appropriated an additional \$44.6 million from LTCSF in FY 2013. In the event that DES receives more TANF monies than anticipated, a FY 2013 General Appropriation Act footnote requires DES to revert LTCSF monies dollar for dollar for TANF Block Grant monies received above \$220.8 million in FY 2013, including the beginning balance.

Based on the latest information, DES is now forecast to receive additional TANF funding above \$220.8 million in FY 2013 because of unanticipated revenue from the TANF Contingency Fund, which is a reserve set aside for states with rising costs in TANF-related programs. This additional revenue will trigger \$18.2 million in additional TANF spending and an \$(18.2) million reduction in the LTCSF appropriation, as indicated in Table 13 by footnote 5. The budget table at the front of this section, however, has not yet been adjusted for this revision. (For more information see the One-Time Funding line item.)

The JLBC Staff suggests that the Legislature revise the footnote so that administrative adjustments from the prior fiscal year are not counted against the \$220.8 million appropriation in FY 2014 along with the same adjustment for the existing FY 2013 footnote. JLBC Staff also suggests that the department report to JLBC Staff and the Governor's Office of Strategic Planning and Budgeting by September 1, 2013 how much of the FY 2013 reverted amount from the TANF Block Grant will be spent as

administrative adjustments in FY 2014 and excluded from the total. (See *Footnotes section for proposed footnote.*)

The Contingency Fund is not subject to the Federal Budget Control Act's sequester, so it is anticipated that DES will receive this funding again in FY 2014.

Although TANF has a projected negative ending balance for FY 2014, the actual ending balance cannot be negative. To stay within the amount of available funds, DES will need to determine how to generate savings or roll forward TANF funding from FY 2015.

For FY 2014, the TANF Block Grant permanent revenues are projected to be \$(20.6) million less than permanent spending. The Contingency Fund revenues are not included in the permanent revenue calculation.

Table 13

TANF Block Grant Spending

	Actual FY 2012	Estimate FY 2013	Estimate FY 2014
Revenues			
Beginning Balance	\$ 51,413,200	\$ 33,060,500	\$ (235,700) ^{1/}
Adjustment for Obligated Funds	0	(13,127,400) ^{2/}	0
TANF Base Revenues	200,141,300	200,141,300	200,141,300
TANF Population Supplemental Revenues	0	0	0
TANF Contingency Fund Revenues ^{3/}	17,409,400	18,925,000	18,925,000
Total TANF Available	\$ 268,963,900	\$ 238,999,400	\$ 218,830,600
Expenditures			
Special Line Item			
Operating	\$ 64,769,000	\$ 73,053,000	\$ 73,053,000
Administration			
Attorney General Legal Services	\$ 162,600	\$ 221,100	\$ 221,100
Aging and Adult Services			
Community and Emergency Services	\$ 3,350,300	\$ 3,724,000	\$ 3,724,000
Coordinated Homeless Programs	1,543,400	1,649,500	1,649,500
Domestic Violence Prevention	5,917,500	6,620,700	6,620,700
Total - Aging and Community Services	\$ 10,811,200	\$ 11,994,200	\$ 11,994,200
Benefits and Medical Eligibility			
TANF Cash Benefits	\$ 53,999,400	\$ 44,999,400	\$ 44,999,400
Coordinated Hunger Program	447,200	500,000	500,000
Total - Benefits and Medical Eligibility	\$ 54,446,600	\$ 45,499,400	\$ 45,499,400
Children, Youth and Families			
Children Support Services ^{4/}	\$ 52,530,000	\$ 32,754,100	\$ 32,754,100
CPS Emergency and Residential Placement	14,369,300	12,423,000	12,423,000
Foster Care Placement	4,520,900	10,973,100	10,973,100
Permanent Guardianship Subsidy	4,211,400	1,743,000	1,743,000
Adoption Services ^{4/}	9,802,400	19,802,400	19,802,400
Total - Children, Youth and Families	\$ 85,434,000	\$ 77,695,600	\$ 77,695,600
Employment and Rehabilitation Services			
JOBS	\$ 11,894,700	\$ 9,594,700	\$ 9,594,700
Day Care Subsidy	717,800	2,717,800	2,717,800
Total - Employment and Rehabilitation Services	\$ 12,612,500	\$ 12,312,500	\$ 12,312,500
SUBTOTAL	\$ 228,235,900	\$ 220,775,800	\$ 220,775,800
Administrative Adjustments	5,328,800	0 ^{2/}	0
General Appropriation Act Footnote Additional Authority ^{5/}	0	18,223,600 ^{3/}	0
Retention Payment	0	235,700	0
Non-Lapsing Authority from Prior Years	2,338,700	0	0
TOTAL - DEPARTMENT OF ECONOMIC SECURITY	\$ 235,903,400	\$ 239,235,100	\$ 220,775,800
Ending Balance	\$ 33,060,500	\$ (235,700) ^{1/}	\$ (1,945,200)
Permanent Revenues vs. Expenditures ^{6/}	\$ (28,094,600)	\$ (20,634,500)	\$ (20,634,500)

^{1/} As reported by the agency. Actual ending balances will not be negative.

^{2/} Per a revised FY 2013 General Appropriation Act footnote, the portion of the FY 2012 carry-forward balance into FY 2013 that is used to pay administrative adjustments would be deducted from the FY 2013 beginning balance.

^{3/} Assumes Arizona receives contingency funds at the level the U.S. Department of Health & Human Services projects for FY 2013.

^{4/} \$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.

^{5/} Per a FY 2013 General Appropriation Act footnote, all available TANF is appropriated to DES in FY 2013. Therefore, the difference between the total TANF available in FY 2013 and the \$220,775,800 FY 2013 appropriation is included in FY 2013, and the department's LTCSF appropriation is reduced by the same amount.

^{6/} Difference between Base Revenues and Expenditure Subtotal. Contingency Fund Revenues are not included in Permanent Revenues.

Table 14

Division of Children, Youth & Families Summary

	FY 2008 Actual	FY 2012 Actual	FY 2013 Estimate
Operating Budget			
General Fund	\$ 56,600,600	\$ 46,004,600	\$ 49,127,200
TANF	31,444,200	48,282,200	52,687,400
LTCSF/Other Appropriated Funds	123,100	72,100	206,600
Non-Appropriated	45,736,700	42,724,100	45,511,500
Operating Budget Total	\$ 133,904,600	\$ 137,083,000	\$ 147,532,700
Special Line Items			
Children Support Services <u>1/</u>			
General Fund <u>2/</u>	\$ 52,129,500	\$ 17,804,400	\$ 32,614,800
TANF	36,645,200	52,530,000	32,754,100
LTCSF/Other Appropriated Funds	39,400	-	13,798,700
Non-Appropriated	50,092,600	69,146,000	54,133,700
	<u>\$ 138,906,700</u>	<u>\$ 139,480,400</u>	<u>\$ 133,301,300</u>
CPS Emergency & Residential Placement			
General Fund <u>3/</u>	\$ 8,723,500	\$ 19,578,700	\$ 11,578,700
TANF	14,056,900	14,369,300	12,423,000
Non-Appropriated	27,425,300	27,800,200	54,906,800
	<u>\$ 50,205,700</u>	<u>\$ 61,748,200</u>	<u>\$ 78,908,500</u>
Foster Care Placement			
General Fund <u>4/</u>	\$ 17,567,500	\$ 12,639,500	\$ 12,139,500
TANF	7,190,500	4,520,900	10,973,100
Non-Appropriated	17,770,200	18,522,800	20,242,100
	<u>\$ 42,528,200</u>	<u>\$ 35,683,200</u>	<u>\$ 43,354,700</u>
Permanent Guardianship Subsidy			
General Fund	\$ 6,308,200	\$ 7,072,300	\$ 9,472,300
TANF	859,300	4,211,400	1,743,000
	<u>\$ 7,167,500</u>	<u>\$ 11,283,700</u>	<u>\$ 11,215,300</u>
Adoption Services <u>5/</u>			
General Fund	\$ 37,158,700	\$ 53,942,200	\$ 48,071,700
TANF	12,368,000	9,802,400	19,802,400
LTCSF	-	-	6,897,900
Non-Appropriated	54,036,300	84,504,800	90,191,600
	<u>\$ 103,563,000</u>	<u>\$ 148,249,400</u>	<u>\$ 164,963,600</u>
Attorney General Legal Services			
General Fund <u>6/</u>	\$ 11,882,100	\$ 11,252,900	\$ 11,252,900
TANF	52,200	54,500	54,500
Non-Appropriated	4,376,800	6,568,900	6,568,900
	<u>\$ 16,311,100</u>	<u>\$ 17,876,300</u>	<u>\$ 17,876,300</u>
Independent Living Maintenance			
General Fund	\$ 3,062,800	\$ 1,671,600	\$ 2,719,300
Non-Appropriated	2,106,800	19,800	-
	<u>\$ 5,169,600</u>	<u>\$ 1,691,400</u>	<u>\$ 2,719,300</u>
Special Line Item Total	\$ 363,851,800	\$ 416,012,600	\$ 452,339,000

(table continued on next page)

Table 14 (Continued)

Division of Children, Youth & Families Total

	FY 2008 Actual	FY 2012 Actual	FY 2013 Estimate
General Fund	\$ 193,432,900	\$ 169,966,200	\$ 176,976,400
TANF	102,616,300	133,770,700	130,437,500
LTCSF/Other Appropriated Funds	162,500	72,100	20,903,200
Non-Appropriated	201,544,700	249,286,600	271,554,600
Division Total	\$ 497,756,400	\$ 553,095,600	\$ 599,871,700

1/ FY 2008 amount includes \$28.4 million in expenditures from the following programs: Education & Training Vouchers, Healthy Families, Family Builders, Intensive Family Services, and Child Abuse Prevention.

2/ Includes \$10.3 million in deferral spending in FY 2012 & 2013.

3/ Includes \$1.8 million in deferral spending in FY 2012 & 2013.

4/ Includes \$1.9 million in deferral spending in FY 2012 & 2013.

5/ FY 2008 amount includes \$481,900 from the Adoption Services Preservation Projects program.

6/ FY 2012 & 2013 amounts per the CPS Financial & Program Accountability Report; FY 2012 figure used for FY 2012 & FY 2013.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Capital Investment Fund (DEA2093/A.R.S. § 4-116)		Non-Appropriated
Source of Revenue: Receipts received from club license and application fees by organizations selling spirituous liquor as defined in A.R.S. § 4-101.		
Purpose of Fund: To be used by the department for buildings, equipment, and other capital investments.		
Funds Expended	0	188,000
Year-End Fund Balance	289,700	148,000
Child Abuse Prevention Fund (DEA2162/A.R.S. § 8-550.01)		Appropriated
Source of Revenue: A portion of monies (1.93%) from statutory filing and copy fees collected by the Superior Court and all funds received through check-off contributions on the Arizona tax form. Monies also may come from a surcharge on certified copies of death certificates when revenues from the surcharge exceed \$100,000 for the year.		
Purpose of Fund: To provide financial assistance to community treatment programs, benefiting abused children and their parents or guardians. An amount of not more than 5% may be expended for administrative expenses related to the fund.		
Funds Expended	0	1,459,100
Year-End Fund Balance	1,931,300	688,300
Child Restraint Fund (DEA2192/A.R.S. § 28-907)		Non-Appropriated
Source of Revenue: Fines or penalties from parents, guardians, or legal custodians who fail to sufficiently restrain in motor vehicles children under the age of 4 or weighing less than 40 pounds.		
Purpose of Fund: To purchase child passenger restraint systems and provide them to hospitals for loan to indigent persons. Monies in the fund shall not exceed \$20,000. All monies collected over \$20,000 shall be deposited in the Arizona Highway User Revenue Fund.		
Funds Expended	154,900	165,500
Year-End Fund Balance	61,500	0
Child Protective Services Expedited Substance Abuse Treatment Fund (DEA2421/A.R.S. § 8-812)		Non-Appropriated
Source of Revenue: An annual appropriation from the state General Fund.		
Purpose of Fund: To provide expedited drug treatment to guardians and parents when a dependency case plan calls for treatment. Expenditures from this fund are not displayed to avoid double counting General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	247,000	0

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Child Support Enforcement Administration Fund (DEA2091/A.R.S. § 46-406)		Partially-Appropriated
Source of Revenue: State Share of Retained Earnings from child support collections, federal incentives, and fees.		
Purpose of Fund: To fund the statewide Child Support Enforcement program.		
Appropriated Funds Expended	11,998,800	16,601,100
Expenditure Authority Funds Expended	35,153,300	40,397,800
Year-End Fund Balance*	1,224,700	(7,247,400)
Children and Family Services Training Program Fund (DEA2173/A.R.S. § 8-503.01)		Appropriated
Source of Revenue: A portion of monies collected from fees charged for copies of Child Protective Services (CPS) files and assessments against legally responsible parties for the support of a child in the state's custody. The fund receives 90% of the revenues collected. The remaining 10% of revenues are credited to the General Fund.		
Purpose of Fund: To administer training for child protective service workers and employees in related programs. The monies cannot be used to pay salaries or expenses of the training staff. Up to 10% of the monies may be used to enhance the collection of monies owed to the agency. Any monies collected from fees for copies of CPS files may be used only for reimbursing the department for its cost.		
Funds Expended	72,100	206,600
Year-End Fund Balance	262,100	230,500
Client Trust Fund (DEA3152/A.R.S. § 41-1954)		Non-Appropriated
Source of Revenue: Monies collected from Social Security, Veterans' Administration benefits, and other benefits payable to a child in the care, custody, or control of DES.		
Purpose of Fund: To defray the costs of care and services expended for the benefit, welfare, and best interest of the child.		
Funds Expended	1,278,000	1,541,400
Year-End Fund Balance	2,359,500	2,333,100
Developmentally Disabled Client Investment Fund (DEA3146/A.R.S. § 41-1954)		Non-Appropriated
Source of Revenue: Consists of client monies, such as Social Security, earnings, etc.		
Purpose of Fund: If consumers need assistance in handling their funds and no other person is available, the division is appointed to be the representative payee and is authorized to administer the personal funds of these consumers.		
Funds Expended	53,400	55,900
Year-End Fund Balance	1,460,000	1,419,100
Developmentally Disabled Client Services Trust Fund (DEA2019/A.R.S. § 36-572)		Non-Appropriated
Source of Revenue: Proceeds from the sale or lease of the real property and buildings used by the department for the Arizona Training Program at Phoenix (ATP-P) and the interest earned in those funds.		
Purpose of Fund: To enhance services presently available to the developmentally disabled and to extend services to developmentally disabled persons not presently served.		
Funds Expended	29,500	30,900
Year-End Fund Balance	145,400	116,500
Domestic Violence Shelter Fund (DEA2160/A.R.S. § 36-3002)		Appropriated
Source of Revenue: A portion of monies (8.87%) from statutory filing and copy fees collected by the Superior Court. Another portion of monies is from a \$50 fee for aggravated harassment, stalking, and other violent family offences. Monies also come from voluntary contributions using tax returns or federal grants, private grants, or other private gifts or contributions.		
Purpose of Fund: To fund grants to qualified shelters for victims of domestic violence.		
Funds Expended	2,220,000	2,220,000
Year-End Fund Balance	1,237,600	1,513,600
Donations Fund (DEA3145/A.R.S. § 36-571, 41-1954)		Non-Appropriated
Source of Revenue: Grants, gifts, or bequests.		
Purpose of Fund: To be disbursed for the purpose of and in conformity with the terms of the grant, gift, or bequest. Monies received for developmental disabilities purposes are maintained in a separate account.		
Funds Expended	3,700	3,300
Year-End Fund Balance	364,500	363,500

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Federal CCDF Block Grant (DEA2008/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To be used for developing child care programs and policies that promote parental choice; providing consumer education to help parents make informed choices on child care; providing child care to welfare recipient parents; and implementing health, safety, licensing, and registration standards under state law for child care. Up to 5% of the aggregate amount of funds expended can be used for administrative costs. At least 4% of funds must be used for consumer education and activities for improving the quality and availability of child care. No monies can be used for purchasing land or building facilities to provide child care.		
Funds Expended	121,508,100	130,567,500
Year-End Fund Balance*	(148,000)	(16,713,400)
Federal Grants (DEA2000/A.R.S. § 41-101.01)		Non-Appropriated
Source of Revenue: Federal grants, excluding Temporary Assistance for Needy Families, Child Care and Development Fund, and Workforce Investment Act Block Grants.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the availability of the federal monies. Some major expenditure items include Food Stamp administration and the Social Services Block Grant.		
Funds Expended	1,259,949,600	941,270,800
Year-End Fund Balance	38,691,800	34,753,300
Federal TANF Block Grant (DEA2007/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To provide assistance to needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of 2-parent families.		
Funds Expended	228,235,900	220,775,800
Year-End Fund Balance*	33,060,500	(235,700)
Arizona Industries for the Blind Fund (DEA4003/A.R.S. § 41-1975)		Non-Appropriated
Source of Revenue: Proceeds from sales of products of Arizona Industries for the Blind, as well as interest earned on the fund balance.		
Purpose of Fund: To provide funds for the wages and salaries of production workers, inspectors, and other employees necessary for the operation of the training centers, workshops, or home industries; supplies, equipment or other incidental costs.		
Funds Expended	21,896,900	20,292,000
Year-End Fund Balance	64,300	0
Arizona Job Training Fund (DEA1237/A.R.S. § 41-1544)		Non-Appropriated
Source of Revenue: DES collects one-tenth of one percent of taxable wages per A.R.S. § 23-622 from employers for the job training tax and transfers all funds to the Arizona Commerce Authority. The revenue received by DES in this fund is the reimbursement for expenditures incurred for the purpose of collecting the job training tax.		
Purpose of Fund: To collect the job training tax.		
Funds Expended	1,521,300	1,068,100
Year-End Fund Balance*	(95,700)	0
Joint Substance Abuse Treatment Fund (DEA2429/A.R.S. § 8-881)		Non-Appropriated
Source of Revenue: Legislative appropriations from the General Fund and the Federal Temporary Assistance to Needy Families Block Grant.		
Purpose of Fund: To be jointly administered by DES and the Department of Health Services for services to families and Federal Temporary Assistance for Needy Families recipients involved with Child Protective Services and whose substance abuse is a significant barrier to maintaining, preserving, or reunifying the family. An amount of not more than 5% can be used for program development costs. Up to 10% can be used for evaluating community programs delivering the services. Expenditures from this fund are not displayed to avoid double counting appropriated monies.		
Funds Expended	0	0
Year-End Fund Balance	610,800	0

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Long Term Care System Fund (Federal Match) (DEA2225/A.R.S. § 36-2953)		Non-Appropriated
Source of Revenue: Federal Medicaid Authority monies.		
Purpose of Fund: To fund administrative and program costs associated with the Long Term Care system.		
Funds Expended	517,635,200	635,551,400
Year-End Fund Balance	0	0
Long Term Care System Fund (Non-Federal Matched) (DEA2224/A.R.S. § 36-2953)		Appropriated
Source of Revenue: Client revenue for room and board, third-party recovery, interest, and miscellaneous federal monies.		
Purpose of Fund: To fund administrative and program costs associated with the Long Term Care system. These monies are used to offset costs of services provided to Long Term Care clients which are not reimbursed by the federal government, such as room and board.		
Funds Expended	30,522,200	75,075,300
Year-End Fund Balance	65,589,200	34,336,700
Neighbors Helping Neighbors Fund (DEA2348/A.R.S. § 46-741)		Non-Appropriated
Source of Revenue: Includes contributions from income tax refunds and other donations and interest earnings.		
Purpose of Fund: To provide assistance in paying utility bills, conserving energy and weatherization to eligible individuals. Fund monies are available to designated community action or other agencies currently providing energy assistance services to eligible individuals. An amount of not more than 2% of the fund monies may be used by DES, and an amount of not more than 8% of the fund monies may be used by the designated agencies for administrative costs.		
Funds Expended	63,200	40,000
Year-End Fund Balance	57,800	48,400
Public Assistance Collections Fund (DEA2217/A.R.S. § 46-295)		Appropriated
Source of Revenue: A portion of monies collected in recovery payments from ineligible or overpaid public assistance recipients and reimbursements received from persons legally responsible for support of public assistance recipients. The fund receives 25% of the monies collected. The remaining 75% of revenues are credited to the General Fund.		
Purpose of Fund: To improve public assistance collection activities.		
Funds Expended	65,400	427,100
Year-End Fund Balance*	67,300	(159,800)
Special Administration Fund (DEA2066/A.R.S. § 23-705)		Appropriated
Source of Revenue: Monies are from interest charges and employers' penalty fees assessed on late unemployment payments.		
Purpose of Fund: To defray administration costs found not to have been properly and validly chargeable against Federal grants or other funds.		
Funds Expended	112,200	1,129,900
Year-End Fund Balance	452,900	1,000,400
Special Olympics Tax Refund Fund (DEA3207/A.R.S. § 41-173)		Non-Appropriated
Source of Revenue: Includes contributions from income tax refunds and other donations and interest earnings.		
Purpose of Fund: To contract with a nonprofit entity for delivery of those services essential to the Arizona Special Olympics' programs and to cover the Department of Revenue's costs for administering the refund checkoff.		
Funds Expended	38,600	75,000
Year-End Fund Balance	25,000	12,500

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Spinal and Head Injuries Trust Fund (DEA2335/A.R.S. § 41-3203)		Appropriated
Source of Revenue: The fund receives 22% of monies deposited in the Medical Services Enhancement Fund (MSEF). MSEF revenues consist of a 13% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses, civil motor statute violations, and game and fish violations.		
Purpose of Fund: For 1) prevention and education of spinal and head injuries; 2) rehabilitation, transitional living and equipment necessary for daily living activities; 3) a portion of the cost of the disease surveillance system and statewide referral services for those with head injuries and spinal cord injuries; 4) costs incurred by the Advisory Council on Spinal and Head Injuries; and 5) DES' costs for administering the provisions.		
Funds Expended	1,705,200	1,867,600
Year-End Fund Balance	440,300	1,256,700
Statewide Cost Allocation Plan Fund (DEA9000/A.R.S. § 41-1954)		Appropriated
Source of Revenue: Federal reimbursement.		
Purpose of Fund: General operations.		
Funds Expended	0	1,000,000
Year-End Fund Balance	0	0
Temporary Transaction Privilege and Use Tax - 1% Fund (DEA1032/Article IX, Section 12.1 of State Constitution)		Non-Appropriated
Source of Revenue: Temporary 3-year 1-cent sales and use tax authorized by voters during the May 2010 special election. The tax expires after May 31, 2013.		
Purpose of Fund: To provide funding for primary and secondary education, health and human services and public safety. Expenditures are not displayed to avoid double counting General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Unemployment Insurance Benefits Fund (DEA7510/A.R.S. § 23-701)		Non-Appropriated
Source of Revenue: Employer contributions and interest earnings. The monies are maintained and tracked in 2 separate accounts: one by the U.S. Treasury and one by the state, which is used for clearing and paying benefits. The majority of the funds available are in the U.S. Treasury account. DES, as federally required, deposits all employer contributions, other than those retained for immediate benefit payments, in the U.S. Treasury, which tracks each state's account separately.		
Purpose of Fund: To retain and invest formula-determined employer unemployment contributions to be used for payment of future unemployment benefits and refunds pursuant to § 903 of the federal Social Security Act. This fund provides regular unemployment benefits up to 26 weeks. Benefits extended beyond that time are federally funded and included in the Federal Grants fund.		
Funds Expended	445,325,400	269,647,900
Year-End Fund Balance*	(248,909,000)	11,943,100
Unemployment Special Assessment Fund (DEA2558/A.R.S. § 23-730.01)		Non-Appropriated
Source of Revenue: A Special Assessment (SA) on taxable wages paid in calendar years 2011 and 2012. In 2011 and 2012, the assessment is 0.4% and 0.5% respectively.		
Purpose of Fund: The Director of DES has the discretion to set a SA in order to pay interest owed to the U.S. Department of the Treasury due to borrowing to continue to pay Unemployment Insurance (UI) benefits as well as to return the UI Trust Fund to solvency and avoid the loss of employer federal UI tax credits. The additional revenue collected above what is needed to pay for the interest owed to the U.S. Department of the Treasury will be used to pay for UI benefits.		
Funds Expended	97,869,100	156,845,500
Year-End Fund Balance	0	0
Workforce Investment Act Grant (DEA2001/U.S. P.L. 105-220)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To consolidate, coordinate, and improve employment, training, literacy, and vocational rehabilitation programs.		
Funds Expended	44,424,000	56,032,700
Year-End Fund Balance	27,615,900	18,519,700

* As reported by the agency. Actual ending balance will not be negative.