Department of Economic Security

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	3,924.6 [1/]	3,882.6	4,136.7
Personal Services	67,636,300	81,834,400	68,541,800
Employee Related Expenditures	34,053,500	38,430,600	32,649,200
Professional and Outside Services	23,968,000	24,310,200	19,017,800
Travel - In State	1,129,800	1,133,300	866,800
Travel - Out of State	70,200	62,900	62,900
Other Operating Expenditures	50,747,300	53,033,300	30,328,000
Equipment	3,349,200	3,879,700	3,323,600
OPERATING SUBTOTAL	180,954,300	202,684,400	154,790,100
SPECIAL LINE ITEMS			
Agencywide			
Contingency Funding	10,500,000	0	0
Administration			
Attorney General Legal Services	9,096,700	11,141,400	11,141,400
Aging and Adult Services			
Adult Services	7,924,100	7,924,100	7,924,100
Community and Emergency Services	3,724,000	3,724,000	3,724,000
Coordinated Homeless	2,522,600	2,522,600	2,522,600
Domestic Violence Prevention	12,123,700	12,123,700	12,123,700
Homeless Capital Grant	0	500,000	0
Rural Long Term Care Assisted Living	0	300,000	300,000
Benefits and Medical Eligibility			
TANF Cash Benefits	40,499,400	44,999,400	44,999,400
Coordinated Hunger	1,754,600	1,754,600	1,754,600
Tribal Pass-Through Funding	4,680,300	4,680,300	4,680,300
Child Support Enforcement			
County Participation	5,347,900	6,740,200	6,740,200
Developmental Disabilities			
DDD Operating Lump Sum	0	0	47,894,300
Case Management - Medicaid	47,329,200	47,761,700	51,250,100
Home and Community Based Services - Medicaid	691,114,300	824,215,000	900,792,900
Institutional Services - Medicaid	20,545,400	18,966,900	20,759,900
Medical Services - Medicaid	126,960,500	138,602,400	151,705,200
Arizona Training Program at Coolidge - Medicaid	15,977,800	15,912,300	15,912,300
Medicare Clawback Payments	3,072,000	2,902,400	2,928,700
Case Management - State Only	3,926,600	3,928,600	3,928,600
Home and Community Based Services - State Only	19,343,200	21,296,700	21,296,700
State-Funded Long Term Care Services	28,328,100	26,554,800	26,554,800
Autism Parenting Skills - Rural Areas	0	300,000	300,000
Employment and Rehabilitation Services			
JOBS	11,035,600	11,005,600	13,005,600
Child Care Subsidy	72,722,200	98,396,600	98,396,600
Rehabilitation Services	2,799,100	4,799,100	4,799,100
Independent Living Rehabilitation Services	1,239,400	1,289,400	1,289,400
Workforce Investment Act Services	39,130,400	53,654,600	51,654,600
AGENCY TOTAL	**1,362,651,400**	**1,568,680,800**	**1,663,169,200**

1/ Resources for Child Protective Services (CPS) were appropriated as part of DES in FY 2014. CPS was renamed the Department of Child Safety (DCS) and became a separate department in FY 2015. The department's FY 2014 funding is displayed in the DCS section of the Baseline for comparability.

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
FUND SOURCES			
General Fund	418,202,500	479,290,300	501,618,300
Other Appropriated Funds			
Child Support Enforcement Administration Fund	9,032,200	16,802,200	16,802,200
Domestic Violence Shelter Fund	2,220,000	2,220,000	2,220,000
Federal CCDF Block Grant	81,065,900	103,773,600	103,773,600
Federal TANF Block Grant	86,705,000	86,727,700	86,727,700
Long Term Care System Fund (Non-Federal Matched)	56,424,300	31,225,400	31,225,400
Public Assistance Collections Fund	103,600	427,200	427,200
Special Administration Fund	2,829,900	2,830,600	2,830,600
Spinal and Head Injuries Trust Fund	1,865,500	1,874,900	1,874,900
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Workforce Investment Act Grant	41,535,800	56,060,800	56,060,800
SUBTOTAL - Other Appropriated Funds	281,782,200	302,942,400	302,942,400
SUBTOTAL - Appropriated Funds	**699,984,700**	**782,232,700**	**804,560,700**
Expenditure Authority Funds			
Child Support Enforcement Administration Fund (EA)	34,555,900	40,409,800	40,409,800
Long Term Care System Fund (Federal Match)	628,110,800	746,038,300	818,198,700
SUBTOTAL - Expenditure Authority Funds	662,666,700	786,448,100	858,608,500
SUBTOTAL - Appropriated/Expenditure Authority Funds	**1,362,651,400**	**1,568,680,800**	**1,663,169,200**
Other Non-Appropriated Funds	597,849,400	349,869,700	307,996,200
Federal Funds	517,234,700	494,413,200	494,413,200
TOTAL - ALL SOURCES	2,477,735,500	2,412,963,700	2,465,578,600

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 Adult Services; and Employment and Rehabilitation Services.

Summary

The Department of Economic Security's (DES) FY 2016 General Fund Baseline spending would increase by $22,328,000, or 4.7% above FY 2015, for changes in the Developmental Disabilities (DD) program and elimination of a one-time Homeless Capital Grant appropriation.

Operating Budget

The Baseline includes $154,790,100 and 1,860.4 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	FY 2016
General Fund	$79,106,000
Child Support Enforcement Administration Fund	13,243,900
Child Support Enforcement Administration Fund (EA)	27,556,300
Federal Temporary Assistance for Needy Families (TANF) Block Grant	16,798,500
Federal Child Care and Development Fund (CCDF) Block Grant	12,077,100
Public Assistance Collections Fund	335,600
Special Administration Fund	1,719,700
Spinal and Head Injuries Trust Fund	546,800
Statewide Cost Allocation Plan Fund	1,000,000
Workforce Investment Act Grant	2,406,200

FY 2016 adjustments would be as follows:

New DDD Operating Line Item	**GF**	**(14,362,000)**
	EA	**(33,532,300)**

The Baseline includes a decrease of $(47,894,300) and (294.3) FTE Positions in FY 2016 to move funds from the operating budget to the new DDD Operating Lump Sum line item. These amounts consist of:

General Fund	(14,362,000)
Long Term Care System Fund (EA)	(33,532,300)

This transfer will increase transparency regarding total DDD spending. *(Please see the new DDD Operating Lump Sum for more information.)*

Administration

Attorney General Legal Services

The Baseline includes $11,141,400 and 156.9 FTE Positions in FY 2016 for Attorney General (AG) Legal Services. These amounts consist of:

General Fund	1,237,400
Child Support Enforcement Administration Fund	2,479,200
Federal TANF Block Grant	123,100
Federal CCDF Block Grant	17,700
Federal Expenditure Authority	7,192,400
Public Assistance Collections Fund	91,600

These amounts are unchanged from FY 2015.

Monies in this line item fund all AG legal services for the department. In FY 2014, this line item did not include child welfare related AG costs.

Aging and Adult Services

Adult Services

The Baseline includes $7,924,100 from the General Fund in FY 2016 for Adult Services. This amount is unchanged from FY 2015.

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 2016
Adult Protective Contracted Services	$ 295,100
Supplemental Payments	95,500
Home Care	3,754,900
Older Americans Act	1,749,400
Assessments and Case Management	1,567,300
Respite Care	462,000
Total	**$7,924,100** 1/

1/ Numbers do not add due to rounding

Community and Emergency Services

The Baseline includes $3,724,000 from the Federal TANF Block Grant in FY 2016 for Community and Emergency Services. This amount is unchanged from FY 2015.

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 2014, this line item provided short-term crisis services to 1,801 households, energy assistance to 34,544 households, and 9,398 households participated in telephone discount programs.

Coordinated Homeless

The Baseline includes $2,522,600 in FY 2016 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 2015.

In FY 2014, this line item provided emergency shelter services to 9,702 individuals, rapid re-housing services to 1,592 individuals, and homeless prevention services to 195 individuals.

Domestic Violence Prevention

The Baseline includes $12,123,700 in FY 2016 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 2015.

In FY 2014, this line item, along with non-appropriated funds, served approximately 8,441 women and children in emergency shelters, 344 women and children in transitional housing, and 10,912 victims with legal and lay legal advocacy.

Homeless Capital Grant

The Baseline includes no funding in FY 2016 for the Homeless Capital Grant line item. FY 2016 adjustments would be as follows:

Remove One-Time Funding GF (500,000)

The Baseline includes a decrease of $(500,000) from the General Fund in FY 2016 to remove one-time funding for the Homeless Capital Grant program.

In FY 2015, monies in this line item fund a grant to a faith-based facility located in Phoenix that provides homelessness services, including substance abuse treatment, behavioral medicine treatment, and job training. The grant was awarded to the Phoenix Rescue Mission in October 2014.

Rural Long Term Care Assisted Living

The Baseline includes $300,000 from the General Fund in FY 2016 for Rural Long Term Care Assisted Living. This amount is unchanged from FY 2015.

Monies in this line item fund long term care assisted living services in a county with a population of less than 500,000

people. The Division of Aging and Adult Services (DAAS) allocated $50,000 to each of the 6 Area Agencies on Aging (AAA) that provide services in Arizona's rural counties. The funding is used for emergency placement for clients identified through Adult Protective Services (APS), temporary placement in an Assisted Living Facility to provide respite to family or caregivers, or transportation for families to travel to an Assisted Living Facility.

Benefits and Medical Eligibility

TANF Cash Benefits

The Baseline includes $44,999,400 from the Federal TANF Block Grant in FY 2016 for TANF Cash Benefits. This amount is unchanged from FY 2015.

As of November 2014, there was a regular TANF Cash Benefit caseload of 29,232 individual recipients and 739 Diversion cases. The JLBC Staff projects that regular TANF Cash Benefits caseload will remain flat at the June FY 2014 level of 27,374 in FY 2015 and FY 2016.

The TANF Diversion program diverts applicants from long-term regular TANF Cash Benefits by offering immediate, one-time assistance to resolve a financial crisis. The JLBC Staff projects the average number of diversion cases will be 770 in FY 2015 and FY 2016.

Based on the projected enrollment levels, total FY 2015 TANF Cash Benefits including Diversion payments are projected to cost $37,315,500 or $(7,683,900) below the budget. FY 2016 benefits are projected at the same level as the revised FY 2015 total which would yield a surplus of $7,683,900. *(Please see the FY 2015 Shortfall and SFLTC Services sections in Other Issues for Legislative Consideration for further discussion.)*

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 2016 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 2015.

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 2014, the USDA Commodities Food Program served 377,282 households quarterly.

Tribal Pass-Through Funding

The Baseline includes $4,680,300 from the General Fund in FY 2016 for Tribal Pass-Through Funding. This amount is unchanged from FY 2015.

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

CSEA Fund Sources and Uses

Sources	**FY 2016**
Balance Forward	$ 1,705,000
State Share of Retained Earnings	4,100,000
Federal Incentive Payments	6,500,000
Fees	2,010,000
Excess Appropriation Authority	4,814,800
Total	**$19,129,800**
Uses	
DCSE Administration (DES Operating)	$13,243,900
Attorney General Legal Services	2,479,200
County Participation	1,079,100
Administration (Non-Appropriated)	2,327,600
Total	**$19,129,800**

County Participation

The Baseline includes $6,740,200 in FY 2016 for County Participation. This amount consists of:

CSEA Fund	1,079,100
Federal Expenditure Authority	5,661,100

These amounts are unchanged from FY 2015

The division contracts with Gila, La Paz, and Navajo 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.

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.

The Legislature appropriates the division's resources on a Total Expenditure Authority basis. The Total Expenditure approach acknowledges all of the resources available to the Division of Developmental Disabilities but does not appropriate any specific non-appropriated fund.

As of October 2014, the Division of Developmental Disabilities serves 34,186 clients, which includes 27,116 clients in the LTC program and 7,070 clients in the state-only portion. The primary disabilities are shown in *Table 3.*

Table 3

Primary Disability of Clients Served

Disability	Number	Percentage
Cognitive Disability	14,785	43%
At Risk	7,386	22%
Autism	7,125	21%
Cerebral Palsy	3,204	9%
Epilepsy	1,505	4%
Not Indicated	181	1%
Total	**34,186**	

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 $22,828,000 from the General Fund in FY 2016 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 2016, the Medicaid FMAP will increase to 68.81% (0.7% increase). The increased FMAP results in additional General Fund savings of $(6,821,600).

FY 2016 Caseload Growth

The Baseline includes a net increase of $18,557,500 from the General Fund in FY 2016 for DD caseload changes. From FY 2015 to FY 2016, caseloads are expected to grow by 4.5% to a level of 29,325 by June 2016.

Table 4 summarizes the June caseload estimates for the Special Line Items (SLIs). The 4.5% caseload growth was applied to Home and Community Based Services (HCBS) and Case Management/Medical Services Only, while caseloads for Institutional Services and the Arizona Training Program at Coolidge were held flat. All clients are eligible for Medical Services and Case Management as necessary, but not all clients access other services in any particular month.

Table 4

June Long Term Care Caseloads

Special Line Item	FY 14	FY 15 Est	FY 16 Est
Home and Community Based Services	23,087	24,295	25,558
Institutional Services	100	100	100
Arizona Training Program at Coolidge	81	81	81
Subtotal	23,268	24,476	25,739
Case Management/Medical Services only	3,586	3,586	3,586
Total	**26,854**	**28,062**	**29,325**

FY 2016 Capitation Rate Adjustments

The Baseline includes a 3% net capitation rate increase beginning July 1, 2015. The increased capitation rate results in an additional General Fund cost of $11,065,800 in FY 2016. Capitation rates include adjustments for medical inflation, utilization of services, and other factors. *(Please see Capitation and Provider Rates section in Other Issues for Legislative Consideration for further discussion.)*

Medicare Clawback

The Baseline includes an increase of $26,300 from the General Fund for adjustments associated with Medicare Clawback Payments.

DDD Operating Lump Sum

The Baseline includes $47,894,300 and 294.3 FTE Positions in FY 2016 for a new DDD Operating Lump Sum line item. These amounts consist of:

General Fund	14,362,000
Long Term Care System Fund	33,532,300

FY 2016 adjustments would be as follows:

New DDD Operating Line Item	**GF**	**14,362,000**
	FMA	**33,532,300**

The Baseline includes an increase of $47,894,300 and 294.3 FTE Positions in FY 2016 to move funds from the operating budget to a new DDD Operating Lump Sum line item. These amounts consist of:

General Fund	14,362,000
Long Term Care System Fund	33,532,300

Background – Monies in this line item fund direct DD operating and administrative costs. This line item does not include department wide administration and indirect costs. It has been added to create better transparency of total DD resources. A total of $11.8 million of central administration funding associated with the DD program remains in the DES operating budget. A new footnote requires JLBC review before DES transfers monies into or out of the DDD Operating Lump Sum or Case Management line items so as to provide oversight if the department proposes to increase or decrease administrative resources.

Case Management - Medicaid

The Baseline includes $51,250,100 and 1,009.6 FTE Positions in FY 2016 for Medicaid Case Management. These amounts consist of:

General Fund	16,299,100
Long Term Care System Fund	34,951,100

FY 2016 adjustments would be as follows:

Formula Adjustments	**GF**	**1,088,200**
	FMA	**2,400,200**

The formula adjustments include the federal match rate change and a 4.5% increase for caseload growth in FY 2016, funding an increase of 47.1 FTE Positions.

The Baseline also includes 207 FTE Positions for historical growth funded without FTE Position authority.

Background – In addition to providing case management services to an estimated 25,739 clients receiving direct services, this line item also funds "case management only" services to another 3,586 clients (*see Table 4*).

A new footnote requires JLBC review before DES transfers monies into or out of the DDD Operating Lump Sum or Case Management line items so as to provide oversight if the department proposes to increase or decrease administrative resources.

Home and Community Based Services - Medicaid

The Baseline includes $900,792,900 and 94.5 FTE Positions in FY 2016 for Medicaid Home and Community Based Services (HCBS). These amounts consist of:

General Fund	280,690,700
Long Term Care System Fund	620,102,200

FY 2016 adjustments would be as follows:

Formula Adjustments	**GF**	**18,198,900**
	FMA	**58,379,000**

The formula adjustments include the federal match rate change, 4.5% caseload growth in FY 2016, and a 3% capitation rate increase.

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. It also funds staff in state-operated group homes, excluding the Arizona Training Program at Coolidge (ATP-C). Approximately 25,558 individuals are expected to receive Medicaid home and community based services in FY 2016 (*see Table 4*).

Of the $900,792,900 in this line item, $888,484,200 funds HCBS services to clients enrolled in the LTC program; the other $12,308,700 funds program staff.

The Baseline also includes $20,000,000 in deferred FY 2015 General Fund payments appropriated in FY 2016 by Laws 2014, 2nd Special Session, Chapter 2 and it defers the same amount for FY 2016 to FY 2017. As a result, the FY 2016 General Fund amount of $280,690,700 would consist of $20,000,000 from Chapter 1 and $260,690,700 from the FY 2016 General Appropriation Act.

Institutional Services - Medicaid

The Baseline includes $20,759,900 and 74 FTE Positions in FY 2016 for Medicaid Institutional Services. These amounts consist of:

General Fund	6,476,000
Long Term Care System Fund	14,283,900

FY 2016 adjustments would be as follows:

Formula Adjustments	**GF**	**435,500**
	FMA	**1,357,500**

The formula adjustments include the federal match rate change, 4.5% caseload growth in FY 2016, and a 3% capitation rate increase.

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 Persons with Intellectual Disabilities (ICF-IDs) (formerly referred to as ICF-MRs) or other nursing facilities, both privately and state-operated, excluding the ATP-C. Approximately 100 individuals are expected to receive Medicaid institutional services in FY 2016 (*see Table 4*).

Of the $20,759,900 in this line item, $15,194,400 funds Institutional Services to clients enrolled in the LTC program; the other $5,565,500 funds program staff.

Medical Services

The Baseline includes $151,705,200 and 35.4 FTE Positions in FY 2016 for Medical Services. These amounts consist of:

General Fund	47,324,400
Long Term Care System Fund	104,380,800

FY 2016 adjustments would be as follows:

Formula Adjustments	**GF**	**3,183,000**
	FMA	**9,919,800**

The formula adjustments include the federal match rate change, 4.5% caseload growth in FY 2016, and a 3% capitation rate increase.

Background – Of the $151,705,200 in this line item, $147,227,200 funds Acute Care services to clients enrolled in the LTC program; the other $4,478,000 funds the staff of the division's Managed Care unit.

Arizona Training Program at Coolidge - Medicaid

The Baseline includes $15,912,300 and 383.7 FTE Positions in FY 2016 for the Arizona Training Program at Coolidge (ATP-C). These amounts consist of:

General Fund	4,963,800
Long Term Care System Fund	10,948,500

FY 2016 adjustments would be as follows:

Formula Adjustments	**GF**	**(103,900)**
	FMA	**103,900**

The formula adjustment consists of the federal match rate change.

Background – Monies in this line item fund an entire range of services for DD clients residing at the ATP-C campus, either in ICF-IDs or state-operated group homes (SOGHs). As of June 2014 the current caseload at ATP-C is 81. The FY 2016 caseload is estimated at 81 (*see Table 4*). At that caseload, the blended cost per DD client at ATP-C will be $196,400.

Medicare Clawback Payments

The Baseline includes $2,928,700 from the General Fund in FY 2016 for Medicare Clawback Payments. FY 2016 adjustments would be as follows:

Formula Adjustments	**GF**	**26,300**

The Baseline includes an increase of $26,300 from the General Fund in FY 2016 for formula adjustments 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 (75% in 2016) of the estimated drug costs.

Case Management - State-Only

The Baseline includes $3,928,600 and 79.3 FTE Positions from the General Fund in FY 2016 for state-only case management. These amounts are unchanged from FY 2015.

Background – This line item funds case management services to clients in the state-only DD program. In FY 2016, this line is expected to fund services for 3,586 clients.

A new footnote requires JLBC review before DES transfers monies into or out of the DDD Operating Lump Sum or Case Management line items so as to provide oversight if the department proposes to increase or decrease administrative resources.

Home and Community Based Services - State-Only

The Baseline includes $21,296,700 and 53.6 FTE Positions in FY 2016 for state-only Home and Community Based Services. These amounts consist of:

General Fund	16,626,100
Long Term Care System Fund	4,670,600

These amounts are unchanged from FY 2015.

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. As of October 2014, there are approximately 7,070 clients in the state-only program.

Of the $21,296,700 in this line item, $15,279,600 funds Home and Community Based Services to clients enrolled in the DD program, $1,698,100 funds program staff, and $4,319,000 funds the Arizona Early Intervention Program.

In previous years, the Long Term Care System Fund appropriation in this line consisted of capitation payment equity. Fund equity now transfers to the General Fund, however, so there is no equity available for HCBS State-Only services. *(Please see Other Issues for Legislative Consideration for further discussion on the Long Term Care System Fund.)*

State-Funded Long Term Care Services

The Baseline includes $26,554,800 and 2 FTE Positions from the Long Term Care System Fund in FY 2016 for State-Funded Long Term Care Services. These amounts are unchanged from FY 2015.

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 $26,554,800 in this line item, $26,493,000 funds State-Funded Long Term Care Services to clients enrolled in the DD program; the other $61,800 funds program staff. *(Please see the SFLTC section in Other Issues for Legislative Consideration for further discussion.)*

Autism Parenting Skills - Rural Areas

The Baseline includes $300,000 from the General Fund in FY 2016 for Autism Parenting Skills - Rural Areas. This amount is unchanged from FY 2015.

This program was added in FY 2015. Monies in this item are used to train parents in counties with populations less than 500,000 to provide intensive behavioral treatment to children with autism who are younger than 5 years of age. DES estimates serving 25 to 30 families in rural areas starting in February 2015.

Employment and Rehabilitation Services

JOBS

The Baseline includes $13,005,600 and 93 FTE Positions in FY 2016 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

FY 2016 adjustments would be as follows:

Fund Shift OF 2,000,000

The Baseline includes an increase of $2,000,000 from the Workforce Investment Act Grant in FY 2016 to shift funding from the Workforce Investment Act Services line item to the JOBS line item. A federal policy change once again allows states to use a portion of the Workforce Investment Act Grant for the JOBS program.

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

Table 5
Estimated JOBS Expenditures

Expenditures	Amount
Case Management	$ 9,810,000
Job Training	1,325,300
FLSA Supplement	150,000
Work-Related Transportation	1,420,300
Job Search Stipends	300,000
Total	**$13,005,600**

Child Care Subsidy

The Baseline includes $98,396,600 in FY 2016 for the Child Care Subsidy. This amount consists of:

General Fund	4,000,000
Federal CCDF Block Grant	91,678,800
Federal TANF Block Grant	2,717,800

These amounts are unchanged from FY 2015.

This line item funds child care subsidies to TANF clients engaged in job activities, low-income working individuals under 165% of the FPL, and 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. Laws 2014, 2nd Special Session, Chapter 2 contains a footnote stating it is the intent of the Legislature that the combined number of children authorized for the low-income working population be maintained throughout the year at a minimum of 8,500 children.

Subsidy Rates - The average subsidy paid to providers per child is projected to be approximately $353 per month in FY 2016. This average includes children in DCS. 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 child care costs.

Caseloads – The estimated average number of children receiving child care services in FY 2016 is projected to be 16,250 *(see Table 6).* Child care is also provided to children in the DCS system; these children's care is funded in the DCS budget.

DES initiated a waiting list for the Low-Income Working category of child care services on February 18, 2009. Children must be determined eligible for child care services to be placed on the waitlist. The Legislature appropriated an additional $4,000,000 from the General Fund in FY 2015 for Child Care Subsidies to release clients off of the waiting list, which has increased caseloads. According to DES, as of October 2014, approximately 4,486 children had previously been found eligible for child care services and placed on the waiting list. It is unknown how many of those children remain eligible.

Table 6

	Children Served		
Category	**FY 14**	**FY 15 est**	**FY 16 est**
TANF	2,689	2,600	2,600
Low-Income Working	7,503	8,750	8,750
Transitional Child Care	5,156	4,900	4,900
Total Served	**15,348**	**16,250**	**16,250**

Rehabilitation Services

The Baseline includes $4,799,100 in FY 2016 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 2015.

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 9,400 clients at an average Total Funds cost of $11,400 per client. Administrative expenditures and local match draw down additional federal match.

The Baseline also includes $1,000,000 in deferred FY 2015 General Fund payments appropriated in FY 2016 by Laws 2014, 2nd Special Session, Chapter 2 and it defers the same amount for FY 2016 to FY 2017. As a result, the FY 2016 General Fund amount of $4,594,400 would consist of $1,000,000 from Chapter 2 and $3,594,400 from the FY 2016 General Appropriation Act.

Independent Living Rehabilitation Services

The Baseline includes $1,289,400 in FY 2016 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 2015.

The Independent Living Rehabilitation Services program is expected to serve up to 722 clients at an average Total Funds cost of $3,573.

In addition to these clients, the division is also expected to serve 300 clients at an average annual cost of $3,413 per client, using federal Social Services Block Grant monies.

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 2016 for the Workforce Investment Act Services line item. FY 2016 adjustments would be as follows:

Fund Shift OF (2,000,000)

The Baseline includes a decrease of $(2,000,000) from the Workforce Investment Act Grant in FY 2016 to shift funding from the Workforce Investment Act Services line item to the JOBS line item. A federal policy change once again allows states to use a portion of the Workforce Investment Act Grant for the JOBS program.

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, 95% is allocated to local governments and 5% is retained at the state level.

The allocation of the WIA Grant for workforce related programs in FY 2016 is shown in *Table 7*.

Table 7
FY 2016 WIA Grant Allocations

Category	Amount
WIA SLI	$51,654,600
Administration	2,406,200 1/
JOBS	2,000,000 2/
Total	**$56,060,800**

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

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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 shares of retained earnings, fees and federal incentives above $16,802,200 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.

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 on or before December 15, 2015. The report must include, at a minimum, the amount of monies available and the state fiscal agent receiving those monies.

Developmental Disabilities

The department shall report to the Joint Legislative Budget Committee on or before 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 may not be more than 2%. Before implementation of any changes in capitation rates for the Long Term Care program, the department shall submit a report for review by 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 more for a given fiscal year, the department shall submit the policy changes for review by the Joint Legislative Budget Committee.

Before 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 must include, at a minimum, the estimated cost of the provider rate adjustment and the ongoing source of funding for the adjustment, if applicable.

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 2016 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 persons with developmental disabilities, was deemed as the most appropriate placement. The department shall also report if no new placements were made. The department shall make this report available on or before July 15, 2016.

The appropriation for Autism Parenting Skills - Rural Areas is for training parents in counties with a population of less than 500,000 persons according to the 2010 United States decennial census to provide intensive behavioral treatment to children with autism who are younger than 5 years of age.

Any FY 2015 balance in the Long Term Care System Fund unexpended and unencumbered after administrative adjustments reverts to the state General Fund by June 30, 2016, subject to approval by the Arizona Health Care Cost Containment System Administration.

Employment and Rehabilitation Services

It is the intent of the Legislature that the combined number of children authorized pursuant to A.R.S. § 46-803D and F, be maintained throughout the year at a minimum of 8,500 children. The department shall prioritize child care assistance for families who qualify for assistance pursuant to A.R.S. § 46-803F on the waiting lists established pursuant to A.R.S. § 46-803I.

All Federal Workforce Investment Act monies that are received by this state in excess of $56,060,800 are appropriated to the Workforce Investment Act Services line item. Before the expenditure of these increased monies, the Department of Economic Security shall report the intended use of monies above $56,060,800 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 are 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.

The Department of Economic Security shall forward a monthly report comparing total expenditures for the month and year-to-date as compared to prior year totals 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 on or before the 30th of the following month. The report must include an estimate of potential shortfalls in entitlement programs and potential federal and other funds, such as the statewide assessment for indirect costs, and a 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 2016, including the beginning balance, by the Department of Economic Security in excess of $218,705,400 is appropriated to the department in FY 2016. For every dollar the Department of Economic Security receives in Federal Temporary Assistance for Needy Families Block Grant monies in FY 2016 in excess of the $218,705,400 appropriated to the Department of Economic Security and the Department of Child Safety, minus any FY 2015 revertments expected to be spent as administrative adjustments in FY 2016, the state General Fund appropriations for the Department of Economic Security and the Department of Child Safety are proportionally reduced by a corresponding dollar amount. The Department of Economic Security shall report to the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting on or before September 1, 2015 its estimate of how much of the FY 2015 revertments of the Department of Economic Security and the Department of Child Safety will be spent as administrative adjustments in FY 2016 and excluded from the total amount of Federal Temporary Assistance for Needy Families Block Grant monies. On or before June 30, 2016, the Department of Economic Security shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of state General Fund monies, if any, that will not be expended under this provision.

New Footnotes

The Department of Economic Security shall report to the Joint Legislative Budget Committee for review before transferring any money in or out of the Case Management-Medicaid, Case Management State-Only, and DDD Operating Lump Sum line items. *(Allows for better tracking of direct administration expenditures for the Division of Developmental Disabilities. See new DDD Operating Lump Sum line item for more information.)*

Deletion of Prior Year Footnotes

The Baseline would delete the one-time FY 2015 homeless capital grant footnote.

The Baseline would delete the FY 2015 developmental disabilities provider rate footnote which raised HCBS service provider rates by 2%.

The Baseline would delete the FY 2015 Rural Long Term Care Assisted Living footnote.

The Baseline would delete an obsolete footnote that requires DES to remit monies received as reimbursement for state lease-purchased buildings occupied by DES.

STATUTORY CHANGES

The Baseline would:

- As session law, continue to require 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 $21,000,000 in General Fund payments for FY 2016 until FY 2017. Appropriate $21,000,000 in FY 2017 for these deferred payments.
- As permanent law, require DES to transfer any FY 2015 equity balance from capitated payments in the Long Term Care System Fund to the General Fund by June 30, 2016 and report to the JLBC the amount of the transfer.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

This section includes information on the following topics:

- FY 2015 Shortfall
- Long-Term Budget Impacts
- Payment Deferral
- Capitation and Provider Rates
- Long Term Care System Fund
- TANF Block Grant

FY 2015 Shortfall
The JLBC estimates an FY 2015 shortfall in the DD ALTCS program of $3.9 million due to provider rate and utilization increases. As a solution, DES has the option of utilizing a portion of the estimated FY 2015 $7.7 million surplus in the TANF Cash benefit program to offset General Fund spending in other non-DD areas of DES, and use those freed-up General Fund dollars to address the FY 2015 shortfall in DD.

Long Term Budget Impacts
Beyond FY 2016 Baseline changes, JLBC Staff estimates that DES statutory caseload changes will require an additional $28.7 million in FY 2017 above FY 2016 and an additional $30.9 million in FY 2018 above 2017 for growth in DD caseloads, utilization, and medical inflation. This estimate assumes 4.5% caseload growth and 3% capitation growth for utilization and medical inflation.

Payment Deferral
The Baseline continues the $21.0 million payment deferral from FY 2016 to FY 2017. DES plans to defer a total of $21.0 million in payments from the Special Line Items specified below:

Home and Community Based Services - Medicaid	20,000,000
Rehabilitation Services	1,000,000

Laws 2014, 2nd Special Session, Chapter 2 appropriated $35.0 million in FY 2016 to pay the amount deferred from FY 2015 to FY 2016. A total of $21.0 million was appropriated to DES and $14.0 million was appropriated to line items now transferred to the newly formed DCS. These amounts do not appear in the General Appropriation Act; however, the amounts are included in the agency General Fund totals in this report. As a result, the FY 2016 DES General Fund amount of $501.6 million would consist of $21.0 million from the deferral appropriation and $480.6 million from the General Appropriation Act.

Capitation and Provider Rates
The Division of Developmental Disabilities receives funding through capitated payments at a per member per month rate. The capitation rate represents the total cost to operate the ALTCS portion of the DD program and to provide services for its members. The capitation rate is renegotiated annually by DES, AHCCCS and the federal government to adjust for changes in medical inflation, utilization of services, and provider costs.

The FY 2015 blended DD capitation rate is $3,344, a 5.1% increase over FY 2014. The FY 2015 budget only assumed a 2% increase to the capitation rate, which included a 2% increase to HCBS provider rates. The increase to provider compensation, along with increases in utilization, produced higher costs in FY 2015. The capitation rate was adjusted to account for the higher costs, but as a result the FY 2015 budget does not have enough General Fund appropriation to fully fund the higher capitation rate. The JLBC Staff estimates an additional $3.9 million will allow DES to utilize the entire FY 2015 capitation rate. The FY 2016 Baseline assumes a 3% rate increase for medical inflation and utilization increases, resulting in a capitation rate of $3,444.

Provider rates are a component of the overall capitation rate. A capitation rate increase, however, does not mean that provider rates will experience the same increase. The capitation rate funds provider rate, inflation, and utilization adjustments so a capitation rate increase of a certain percent does not guarantee a like provider rate increase.

DES has different contracted rates with various types of providers. The divisions recently completed a rate rebase study that compared currently adopted provider rates with market "benchmark" rates. Adopted rates range from 48% (music therapy) to 116% (rural transition to employment) of the benchmarks.

There are a number of policy choices and strategies the Legislature may consider to fund adjustments to provider rates, in addition to any capitation adjustments for inflation and utilization. For example, the Legislature could fund a percentage adjustment for providers, as was done in the FY 2015 budget when HCBS providers received an across the board 2% increase, or the Legislature could allow DES to decide how to implement the increase. The Legislature could also fund increases and decreases for certain provider rates or use a combination of any of these strategies. A guaranteed provider rate increase may cause costs to exceed the budget as it has in FY 2015. The JLBC Staff recommends that the Legislature specifically address whether DES should move forward with the rate re-base.

Long Term Care System Fund
The LTCSF consists of 2 main revenue components: State-Funded Long Term Care (SFLTC) monies and LTCSF equity.

<u>SFLTC Services</u>
The state deposits SFLTC revenues in the LTCSF. SFLTC revenues, as seen in *Table 8*, include client billing revenue from room and board charges, one-time monies, and interest. SFLTC revenues primarily fund the SFLTC Services line item.

DES requires clients using residential programs to contribute a percentage of their income to help cover the cost of their room and board. Laws 2014, Chapter 167 decreased the amount of income DES is allowed to collect from clients for room and board from 88% to 70%, which is estimated to reduce client billing revenue by $(2.0) million in FY 2015. Additionally, the SFLTC line item has been operating with an ongoing structural shortfall that DES has mitigated with transfers from LTCSF "equity," which is no longer available. Any equity accrued to the LTCSF is now required to be transferred to the General

Fund so it will no longer be available for the SFLTC line item. DES estimates a FY 2016 shortfall of $(3.6) million and an ongoing shortfall of $(6.0) million in the SFLTC line item.

DES has the option of utilizing $3.6 million of the estimated $7.7 million surplus from the TANF Cash Benefit program in FY 2016 as a solution for the FY 2016 shortfall. In that circumstance, DES would need to allocate the surplus to offset General Fund spending in other non-DD areas of DES, and use those freed-up General Fund dollars to support the SFLTC line.

Table 8

State-Funded Long Term Care Revenues (SFLTC) Sources and Uses

	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Sources			
Carry-Forward	$ 6,042,400	$ 8,210,300	$ 2,419,000
Client Billing Revenue	21,911,200	19,868,500	20,424,800
LTCSF Equity	5,000,000	0	0
One-Time Monies	0	0	0
Interest	1,197,300	1,095,000	1,075,000
Other	1,315,000	1,330,000	1,330,000
Total	**$35,465,900**	**$30,503,800**	**$25,248,800**
Uses			
SFLTC Services	27,255,600	28,084,800	28,807,100
Total	**$27,255,600**	**$28,084,800**	**$28,807,100**
Ending Balance	$ 8,210,300	$ 2,419,000	$ (3,558,300)

LTCSF Equity

Prior to FY 2015, the vast majority of the LTCSF consisted 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 equity, which is essentially "profit."

The FY 2015 Health and Welfare BRB (Laws 2014, Chapter 11) requires any equity accrued to the LTCSF from capitation payments that are unexpended and unencumbered at the end of the fiscal year to be deposited into the General Fund. The transfer amount may be adjusted for "reported but unpaid claims" and "estimated incurred but unreported claims", subject to approval by AHCCCS.

The FY 2015 budget had assumed a $35.0 million equity transfer in FY 2015; however, the only LTCSF equity balance available for transfer in FY 2015 is $7.9 million from FY 2014. According to DES, it is not possible to transfer FY 2015 equity in the same year because bills and administrative adjustments are still being paid in FY 2016. Audited financials for the LTCSF that show the estimated balance from FY 2015 will not be released until November 2015. The JLBC Staff proposes changing statutory language to require any LTCSF equity balance to be deposited to the General Fund by June 30 of the following fiscal year.

Theoretically, the capitated system of payments should not generate significant amounts of equity in the long run. Capitation rates are renegotiated annually, and the federal government should be adjusting their rates accordingly.

TANF Block Grant

The Baseline appropriates $218.7 million of the state's federal TANF Block Grant allocation in FY 2016. *Table 9* shows expected yearly revenues, expenditures, and fund balances across 2 agencies.

The FY 2014 budget allocated Long Term Care System Fund (LTCSF) equity funds to offset the loss of the TANF Population Supplemental revenues and other federal monies, while also picking up the cost of some caseload growth. The FY 2015 budget backfilled $56.4 million of one-time LTCSF with General Fund. The FY 2015 budget also backfilled $2.3 million in TANF Block Grant with General Fund in the Out-of-Home Support Services line item.

In the event that DES receives more TANF monies than anticipated, a General Appropriation Act footnote requires DES to revert General Fund monies dollar for dollar for TANF Block Grant monies received above $218.7 million, including the beginning balance.

Table 9

TANF Block Grant Spending

Revenues	Actual FY 2014	Estimate FY 2015	Estimate FY 2016
Beginning Balance	$ 170,800	$ 383,500	$ -
Adjustment for Obligated Funds	-	(383,500) 1/	-
TANF Base Revenues	200,141,300	200,141,300	200,141,300
TANF Contingency Fund Revenues 2/	21,078,500	18,564,100	18,564,100
Total TANF Available	**$ 221,390,600**	**$ 218,705,400**	**$ 218,705,400**
Expenditures			
Department of Child Safety			
DCS Operating	$ 50,072,900	$ 46,928,000	$ 46,928,000
Line Items			
Attorney General Legal Services	52,600	99,400	99,400
Inspections Bureau	-	549,700	549,700
Overtime	-	3,859,500	3,859,500
Adoption Services	20,645,700	20,645,700	20,645,700
Emergency and Residential Placement	16,423,000	16,423,000	16,423,000
Foster Care Placement	6,973,100	6,973,100	6,973,100
Permanent Guardianship Subsidy	1,743,000	1,743,000	1,743,000
In-Home Preventive Support Services	0	5,911,200	5,911,200
Out-of-Home Support Services	34,880,700	28,867,800	28,867,800
TOTAL - DEPARTMENT OF CHILD SAFETY	**$ 130,791,000**	**$ 132,000,400**	**$ 132,000,400**
Department of Economic Security			
DES Operating	$ 24,740,400	$ 16,776,100	$ 16,776,100
Line Items			
Administration			
Attorney General Legal Services	$ 169,600	$ 122,800	$ 122,800
Aging and Adult Services			
Community and Emergency Services	$ 3,724,000	$ 3,724,000	$ 3,724,000
Coordinated Homeless Programs	1,649,500	1,649,500	1,649,500
Domestic Violence Prevention	6,620,700	6,620,700	6,620,700
Total - Aging and Community Services	$ 11,994,200	$ 11,994,200	$ 11,994,200
Benefits and Medical Eligibility			
TANF Cash Benefits	$ 40,499,400	$ 44,999,400	$ 38,999,400
Coordinated Hunger Program	500,000	500,000	500,000
Total - Benefits and Medical Eligibility	$ 40,999,400	$ 45,499,400	$ 39,499,400
Developmental Disabilities			
State-Funded Long Term Care Services	$ -	$ -	$ 6,000,000
Employment and Rehabilitation Services			
JOBS	$ 9,594,700	$ 9,594,700	$ 9,594,700
Child Care Subsidy	2,717,800	2,717,800	2,717,800
Total - Employment and Rehabilitation Services	$ 12,312,500	$ 12,312,500	$ 12,312,500
TOTAL - DEPARTMENT OF ECONOMIC SECURITY	**$ 90,216,100**	**$ 86,705,000**	**$ 80,705,000**
Administrative Adjustments	-	-	-
General Appropriation Act Footnote Additional Authority 2/	383,500	-	6,000,000
TOTAL - STATEWIDE	**$ 221,390,600**	**$ 218,705,400**	**$ 218,705,400**
Ending Balance	**$ -**	**$ -**	**$ -**

1/ Per a General Appropriation Act footnote, the portion of the carry-forward balance that is used to pay administrative adjustments is deducted from the beginning balance.

2/ Per a General Appropriation Act footnote, all available TANF is appropriated to DES and DCS. Therefore, the difference between the total TANF available and that fiscal year's TANF appropriation is included in the annual budget, and the departments' LTCSF or General Fund appropriation is reduced by the same amount.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate

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	104,600	154,000
Year-End Fund Balance	80,000	20,000

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	9,032,200	16,802,200
Expenditure Authority Funds Expended	34,555,900	40,409,800
Year-End Fund Balance*	2,224,500	(4,680,900)

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	674,200	687,600
Year-End Fund Balance	0	0

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	12,800	14,600
Year-End Fund Balance	1,464,300	1,463,800

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	36,000	36,700
Year-End Fund Balance	100,200	64,300

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	1,849,800	2,155,600

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	7,000	6,800
Year-End Fund Balance	147,500	147,700

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate

Economic Security 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	230,900
Year-End Fund Balance	393,300	200,200

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. DCS has a separate allocation of CCDF.

Funds Expended	81,065,900	103,773,600
Year-End Fund Balance*	11,199,200	(5,472,400)

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, the Social Services Block Grant, and Medicaid.

Funds Expended	517,234,700	494,413,200
Year-End Fund Balance	21,122,000	18,601,800

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. DCS has a separate allocation of TANF.

Funds Expended	86,705,000	86,727,700
Year-End Fund Balance	1,266,500	360,800

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	18,001,100	18,616,700
Year-End Fund Balance	773,900	0

Arizona Job Training Fund (DEA1237/A.R.S. § 41-1544) **Non-Appropriated**

Source of Revenue: DES collects 0.1% 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	1,057,400	1,029,700
Year-End Fund Balance	102,100	0

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate

Long Term Care System Fund (Federal Match) (DEA2225/A.R.S. § 36-2953) **Expenditure Authority**

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	628,110,800	746,038,300
Year-End Fund Balance	19,860,600	15,489,600

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	56,424,300	31,225,400
Year-End Fund Balance	0	0

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	38,300	55,000
Year-End Fund Balance	44,600	31,200

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	103,600	427,200
Year-End Fund Balance*	145,200	(182,000)

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	2,829,900	2,830,600
Year-End Fund Balance	6,786,900	7,969,500

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	33,600	115,200
Year-End Fund Balance	93,900	47,000

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 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	1,865,500	1,874,900
Year-End Fund Balance	3,048,900	3,710,700

Statewide Cost Allocation Plan Fund (DEA1030/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

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	573,611,300	328,700,000
Year-End Fund Balance*	(12,690,200)	137,076,000

Unemployment Special Assessment Fund (DEA2558/A.R.S. § 23-730.01 [repealed]) **Non-Appropriated**

Source of Revenue: A Special Assessment (SA) on taxable wages paid in calendar years 2011 and 2012 only. In 2011 and 2012, the assessment was 0.4% and 0.5%, respectively.

Purpose of Fund: The Director of DES had the discretion to set a Special Assessment 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. Revenue in this fund was transferred to the UI Special Assessment Proceeds Fund.

Funds Expended	4,273,100	222,500
Year-End Fund Balance	105,300	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	41,535,800	56,060,800
Year-End Fund Balance	18,882,000	11,248,000

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