Department of Economic Security

	FY 2015 ACTUAL	FY 2016 ESTIMATE	FY 2017 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	3,882.6	4,147.7	4,218.0
Personal Services	84,227,700	72,375,500	72,492,300
Employee Related Expenditures	39,427,400	34,121,500	34,176,800
Professional and Outside Services	20,888,900	13,210,600	13,233,200
Travel - In State	923,300	634,200	634,400
Travel - Out of State	65,200	96,300	96,300
Other Operating Expenditures	52,673,400	30,273,000	33,819,300
Equipment	5,268,800	3,241,000	3,248,700
OPERATING SUBTOTAL	**203,474,700**	**153,952,100**	**157,701,000**
SPECIAL LINE ITEMS			
Administration			
Attorney General Legal Services	9,750,600	11,067,600	11,067,600
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 Services	2,522,600	2,522,600	2,522,600
Domestic Violence Prevention	12,123,700	12,123,700	12,123,700
Homeless Capital Grant	375,000	0	0
Rural Long Term Care Assisted Living	19,900	0	0
Benefits and Medical Eligibility			
TANF Cash Benefits	38,599,400	44,999,400	41,499,400
TANF Savings	0	0	(3,971,700)
Coordinated Hunger Services	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	5,155,700	6,740,200	8,740,200
Developmental Disabilities			
DDD Operating Lump Sum	0	47,835,800	47,835,800
Case Management - Medicaid	48,403,700	50,968,300	55,627,300
Home and Community Based Services - Medicaid	762,045,500	900,717,100	983,051,200
Institutional Services - Medicaid	19,220,600	20,737,300	22,632,900
Medical Services - Medicaid	138,695,000	151,677,700	165,542,400
Arizona Training Program at Coolidge - Medicaid	15,403,800	15,822,100	15,822,100
Medicare Clawback Payments	2,902,400	2,928,700	3,370,600
Case Management - State Only	3,978,600	3,912,700	3,912,700
Home and Community Based Services - State Only	19,776,100	21,443,200	16,745,900
State-Funded Long Term Care Services	25,930,800	26,554,000	26,554,000
Employment and Rehabilitation Services			
JOBS	10,022,500	13,005,600	13,005,600
Child Care Subsidy	64,521,300	98,396,600	98,396,600
Rehabilitation Services	3,799,100	4,799,100	4,799,100
Independent Living Rehabilitation Services	1,257,800	1,289,400	1,289,400
Workforce Investment Act Services	39,654,300	51,654,600	51,654,600
AGENCY TOTAL	**1,445,716,100**	**1,661,230,800**	**1,758,006,000**

FUND SOURCES			
General Fund	482,462,200	496,181,900	520,040,100
Other Appropriated Funds			
Child Support Enforcement Administration Fund	9,789,900	16,719,600	16,719,600

	FY 2015 ACTUAL	FY 2016 ESTIMATE	FY 2017 BASELINE
Domestic Violence Shelter Fund	2,220,000	2,220,000	2,220,000
Federal CCDF Block Grant	73,873,300	107,773,600	107,773,600
Federal TANF Block Grant	85,648,800	86,727,700	86,727,700
Long Term Care System Fund (Non-Federal Matched)	28,930,800	31,251,300	26,554,000
Public Assistance Collections Fund	30,800	424,600	424,600
Special Administration Fund	2,817,300	2,939,700	2,939,700
Spinal and Head Injuries Trust Fund	1,807,200	1,874,800	1,874,800
Statewide Cost Allocation Plan Fund	1,000,000	1,000,000	1,000,000
Workforce Investment Act Grant	41,730,500	56,050,500	56,050,500
SUBTOTAL - Other Appropriated Funds	247,848,600	306,981,800	302,284,500
SUBTOTAL - Appropriated Funds	**730,310,800**	**803,163,700**	**822,324,600**
Expenditure Authority Funds			
Child Support Enforcement Administration Fund (EA)	36,352,500	40,230,200	42,479,100
Long Term Care System Fund (Federal Match)	679,052,800	817,836,900	822,324,600
SUBTOTAL - Expenditure Authority Funds	715,405,300	858,067,100	935,681,400
SUBTOTAL - Appropriated/Expenditure Authority Funds	**1,445,716,100**	**1,661,230,800**	**1,758,006,000**
Other Non-Appropriated Funds	337,176,800	335,108,200	325,314,300
Federal Funds	1,928,553,600	1,944,424,900	1,962,967,200
TOTAL - ALL SOURCES	3,711,446,500	3,940,763,900	4,046,287,500

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; and Employment and Rehabilitation Services.

Summary

The Department of Economic Security's (DES) FY 2017 General Fund Baseline spending would increase by $23,858,200, or 4.8% above FY 2016, for changes in the Developmental Disabilities (DD) program and the TANF Cash Benefits program.

Operating Budget

The Baseline includes $157,701,000 and 1,874.4 FTE Positions in FY 2017 for the operating budget. These amounts consist of:

	FY 2017
General Fund	$78,488,700
Child Support Enforcement Administration Fund	13,177,900
Child Support Enforcement Administration Fund (EA)	27,673,700
Federal Temporary Assistance for Needy Families (TANF) Block Grant	20,315,500
Federal Child Care and Development Fund (CCDF) Block Grant	12,077,100
Public Assistance Collections Fund	333,700
Special Administration Fund	1,703,800
Spinal and Head Injuries Trust Fund	544,700
Statewide Cost Allocation Plan Fund	1,000,000
Workforce Investment Act Grant	2,385,900

FY 2017 adjustments would be as follows:

Expenditure Authority EA 248,900

The Baseline includes an increase of $248,000 and 3 FTE Positions from the Child Support Enforcement Fund (EA) in FY 2017 to align expenditure authority with actual operations.

Expenditure Alignment OF 3,500,000

The Baseline includes an increase of $3,500,000 from the Federal TANF Block Grant in FY 2017 to the operating budget and a corresponding decrease of $(3,500,000) from the TANF Cash Benefits line item to reflect actual fund usage. *(Please see Other Issues for further discussion of the TANF Cash Benefits surplus.)*

Administration

Attorney General Legal Services

The Baseline includes $11,067,600 and 156.9 FTE Positions in FY 2017 for Attorney General (AG) Legal Services. These amounts consist of:

General Fund	1,229,000
Child Support Enforcement Administration Fund	2,462,600
Child Support Enforcement Administration Fund (EA)	7,144,300
Federal TANF Block Grant	106,100
Federal CCDF Block Grant	17,700
Public Assistance Collections Fund	90,900
Special Administration Fund	5,000
Spinal and Head Injuries Trust Fund	2,000
Workforce Investment Act Grant	10,000

These amounts are unchanged from FY 2016.

Monies in this line item fund all AG legal services for the department.

Aging and Adult Services

Adult Services

The Baseline includes $7,924,100 from the General Fund in FY 2017 for Adult Services. This amount is unchanged from FY 2016.

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 2017
Adult Protective Contracted Services	$ 295,100
Supplemental Payments	87,500
Home Care	3,768,800
Older Americans Act	1,742,500
Assessments and Case Management	1,568,300
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 2017 for Community and Emergency Services. This amount is unchanged from FY 2016.

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 2015, this line item provided short-term crisis services to 1,614 households, energy assistance to 34,745 households, and 7,456 households participated in telephone discount programs.

Coordinated Homeless Services

The Baseline includes $2,522,600 in FY 2017 for Coordinated Homeless Services programs. This amount consists of:

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

These amounts are unchanged from FY 2016.

In FY 2015, this line item provided emergency shelter services to 9,613 individuals, rapid re-housing services to 1,811 individuals, and homeless prevention services to 93 individuals.

Domestic Violence Prevention

The Baseline includes $12,123,700 in FY 2017 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 2016.

In FY 2015, this line item, along with non-appropriated funds, served approximately 7,568 women and children in emergency shelters, 285 women and children in transitional housing, and 13,350 victims with legal and lay legal advocacy.

Benefits and Medical Eligibility

TANF Cash Benefits

The Baseline includes $41,499,400 from the Federal TANF Block Grant in FY 2017 for TANF Cash Benefits. FY 2017 adjustments would be as follows:

Expenditure Alignment OF (3,500,000)

The Baseline includes a decrease of $(3,500,000) from the Federal TANF Block Grant in FY 2017 and a corresponding increase of $3,500,000 to the operating budget to reflect actual fund usage.

As of October 2015, DES served a regular TANF Cash Benefit caseload of 22,756 individual recipients and 808 Diversion cases. The JLBC Staff projects that regular TANF Cash Benefits caseloads will remain flat at the June FY 2015 level of 22,355 in FY 2016. In FY 2017, caseloads are projected to increase by 2% over the FY 2016 level. Due to a policy change that reduces the lifetime cap on benefits from 24 months to 12 months starting on July 1, 2016, however, the caseloads are expected to see a net decrease to 19,064 in FY 2017.

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 that the average number of diversion cases will be 754 in FY 2016 and FY 2017.

Based on the projected enrollment levels, total FY 2016 TANF Cash Benefits including Diversion payments are estimated to cost $31,594,400 or $(13,405,000) below the budget. FY 2017 enrollment levels are estimated to yield a surplus of $17,263,300. The Baseline shifts $3,500,000 of TANF dollars from the Cash Benefits line to the operating budget to align appropriations with actual expenditures.

The Baseline contains a new footnote requiring DES to transfer $3,971,700 from the Federal TANF Block Grant to DCS, and for DCS to transfer a corresponding $3,971,700 to DES in FY 2017 to realize savings associated with a new 1-year cap on TANF Cash Benefits. After the shift of funds to the operating budget and to DCS, the TANF Cash Benefits line is expected to have a remaining TANF surplus of $9,791,300 in FY 2017 to allocate to DCS or DES. *(Please see the TANF Savings line item and Other Issues for further discussion of the TANF Cash Benefits surplus.)*

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 currently a 24-month cumulative lifetime limit on regular TANF Cash Benefits, which will change to a 12-month limit starting on July 1, 2016. Financial eligibility is currently set at 36% of the 1992 Federal Poverty Level (FPL), or $5,022 for a family of 4.

TANF Savings

The Baseline includes $(3,971,700) from the General Fund in FY 2017 for TANF Savings. FY 2017 adjustments would be as follows:

TANF Savings	**GF**	**(3,971,700)**

The Baseline includes a decrease of $(3,971,700) from the General Fund in FY 2017 to show savings associated with the new 1-year cap on TANF Cash Benefits.

As permanent law, the FY 2016 Human Services Budget Reconciliation Bill (BRB) (Laws 2015, Chapter 18) reduces the cumulative lifetime limit on regular TANF Cash Benefits from 24 months to 12 months starting on July 1, 2016. The 3-year spending plan associated with the enacted FY 2016 budget assumed that the lower lifetime limit would yield TANF savings of $(9.0) million in FY 2017. The savings estimate has been revised down to $(4.0) million based on updated caseload information from DES.

The savings are to be used to pay existing General Fund costs, thereby freeing up a like amount of General Fund savings. DES states that all of their General Fund dollars are being used to meet Maintenance of Effort (MOE) requirements, leverage Federal Funds, or for purposes that do not qualify for TANF spending. In order to realize the savings, the Baseline reduces the DES FY 2017 General Fund total by $(4.0) million and contains a new footnote requiring DES to transfer $4.0 million from the Federal TANF Block Grant to DCS, and for DCS to transfer a corresponding $4.0 million of General Fund to DES. *(Please see Other Issues for further discussion of the TANF Cash Benefits surplus.)*

Coordinated Hunger Services

The Baseline includes $1,754,600 in FY 2017 for Coordinated Hunger Services programs. This amount consists of:

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

These amounts are unchanged from FY 2016.

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 2015, this funding assisted in the distribution of 4,700,854 congregate meals and 1,662,714 emergency food boxes.

Tribal Pass-Through Funding

The Baseline includes $4,680,300 from the General Fund in FY 2017 for Tribal Pass-Through Funding. This amount is unchanged from FY 2016.

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 cash 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 2017**
State Share of Retained Earnings	3,858,700
Federal Incentive Payments	6,300,000
Fees	2,110,200
Excess Appropriation Authority [1/]	6,594,500
Total	**$18,863,400**
Uses	
DCSE Administration (DES Operating)	$13,177,900
Attorney General Legal Services	2,462,600
County Participation	1,079,100
Administration (Non-Appropriated)	2,143,800
Total	**$18,863,400**

1/ This line is the difference between appropriation authority and expected revenues.

County Participation

The Baseline includes $8,740,200 in FY 2017 for County Participation. This amount consists of:

CSEA Fund	1,079,100
CSEA Fund (EA)	7,661,100

FY 2017 adjustments would be as follows:

Expenditure Authority EA 2,000,000

The Baseline includes an increase of $2,000,000 from the CSEA Fund (EA) in FY 2017 to align expenditure authority with actual operations.

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 September 2015, the Division of Developmental Disabilities serves 35,740 clients, which includes 28,496 clients in the LTC program and 7,244 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	15,154	42.4%
At Risk	7,782	21.8%
Autism	7,973	22.3%
Cerebral Palsy	3,211	9.0%
Epilepsy	1,525	4.2%
Not Indicated	95	0.3%
Total	**35,740**	

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 $27,829,900 from the General Fund in FY 2017 for DES formula changes. Changes are described in further detail below. *(Please see Other Issues for further discussion of FY 2018 and FY 2019 formula changes.)*

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

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 2017, the Medicaid FMAP will increase to 69.16% (0.5% increase). The increased FMAP results in additional General Fund savings of $(3,616,700).

FY 2017 Caseload Growth

The Baseline includes a net increase of $21,344,200 from the General Fund in FY 2017 for DD caseload changes. From FY 2016 to FY 2017, caseloads are expected to grow by 4.5% to a level of 31,035 by June 2017.

Table 4 summarizes the June caseload estimates for the program line items. 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

Line Item	FY 15	FY 16 Est	FY 17 Est
Home and Community Based Services	24,763	26,372	27,719
Institutional Services	95	88	82
AZ Training Program at Coolidge	89	83	78
Subtotal	24,947	26,543	27,879
Case Management and Medical Services only	3,258	3,156	3,156
Total	**28,205**	**29,699**	**31,035**

FY 2016 Capitation Rate Adjustments

The Baseline includes a 2.5% net capitation rate increase beginning July 1, 2016. The increased capitation rate results in an additional General Fund cost of $9,660,500 in FY 2017. Capitation rates include adjustments for medical inflation, utilization of services, and other factors. *(Please see Other Issues for further discussion of capitation and provider rates.)*

Medicare Clawback

The Baseline includes an increase of $441,900 from the General Fund in FY 2017 for adjustments associated with Medicare Clawback Payments.

DDD Operating Lump Sum

The Baseline includes $47,835,800 and 294.3 FTE Positions in FY 2017 for the DDD Operating Lump Sum. These amounts consist of:

General Fund	14,752,600
Long Term Care System Fund	33,083,200

FY 2017 adjustments would be as follows:

Formula Adjustments	**GF**	**430,300**
	FMA	**(430,300)**

The formula adjustments include the federal match rate change.

Background – Monies in this line item fund direct DD operating and administrative costs, which include $25,686,200 for a 2% premium tax. This line item does not include departmentwide administration and indirect costs. A total of $1.0 million of central administration funding associated with the DD program remains in the DES operating budget. A footnote requires JLBC review before DES transfers monies into or out of the DDD Operating Lump Sum or Case Management line items to provide oversight if the department proposes to increase or decrease administrative resources.

Case Management - Medicaid

The Baseline includes $55,627,300 and 1,076.9 FTE Positions in FY 2017 for Medicaid Case Management. These amounts consist of:

General Fund	17,124,400
Long Term Care System Fund	38,502,900

FY 2017 adjustments would be as follows:

Formula Adjustments	**GF**	**913,700**
	FMA	**3,745,300**

The formula adjustments include the federal match rate change, 4.5% caseload growth in FY 2017, and a 2.5% capitation rate increase. The Baseline also includes an increase of 67.3 FTE Position authority associated with capitation growth.

Background – In addition to providing case management services to an estimated 27,879 clients receiving direct services, this line item also funds "case management only" services to another 3,156 clients (*see Table 4*).

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

Home and Community Based Services - Medicaid

The Baseline includes $983,051,200 and 94.5 FTE Positions in FY 2017 for Medicaid Home and Community Based Services (HCBS). These amounts consist of:

General Fund	302,624,600
Long Term Care System Fund	680,426,600

FY 2017 adjustments would be as follows:

Formula Adjustments	**GF**	**21,956,400**
	FMA	**60,377,700**

The formula adjustments include the federal match rate change, 4.5% caseload growth in FY 2017, and a 2.5% 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 27,719 individuals are expected to receive Medicaid home and community based services in FY 2017 (*see Table 4*).

Of the $983,051,200 in this line item, $970,742,500 funds HCBS services to clients enrolled in the LTC program; the other $12,308,700 funds program staff.

The budget also includes $20,000,000 in deferred FY 2016 General Fund payments appropriated in FY 2017 by Laws 2015, Chapter 8 and it defers the same amount for FY 2017 to FY 2018. As a result, the FY 2017 General Fund amount of $302,624,600 would consist of $20,000,000 from Chapter 8 and $282,624,600 from the FY 2017 General Appropriation Act.

Institutional Services - Medicaid

The Baseline includes $22,632,900 and 74 FTE Positions in FY 2017 for Medicaid Institutional Services. These amounts consist of:

General Fund	6,967,400
Long Term Care System Fund	15,665,500

FY 2017 adjustments would be as follows:

Formula Adjustments	**GF**	**498,500**
	FMA	**1,397,100**

The formula adjustments include the federal match rate change and 4.5% caseload growth in FY 2017.

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 ATP-C. About 82 individuals are expected to receive Medicaid institutional services in FY 2017 (*see Table 4*).

Of the $22,632,900 in this line item, $17,067,400 funds Institutional Services to clients enrolled in the LTC program; the other $5,565,500 funds program staff.

Medical Services - Medicaid

The Baseline includes $165,542,400 and 35.4 FTE Positions in FY 2017 for Medical Services. These amounts consist of:

General Fund	50,960,900
Long Term Care System Fund	114,581,500

FY 2017 adjustments would be as follows:

Formula Adjustments	**GF**	**3,645,100**
	FMA	**10,219,600**

The formula adjustments include the federal match rate change, 4.5% caseload growth in FY 2017, and a 2.5% capitation rate increase.

Background – Of the $165,542,400 in this line item, $161,064,400 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 $15,822,100 and 383.7 FTE Positions in FY 2017 for the Arizona Training Program at Coolidge (ATP-C). These amounts consist of:

General Fund	4,879,500
Long Term Care System Fund	10,942,600

FY 2017 adjustments would be as follows:

Formula Adjustments	**GF**	**(56,000)**
	FMA	**56,000**

The formula adjustments include 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 2015 the current caseload at ATP-C is 89. The FY 2017 caseload is estimated at 78 (*see Table 4*). At that caseload, the blended cost per DD client at ATP-C will be $202,847.

Medicare Clawback Payments

The Baseline includes $3,370,600 from the General Fund in FY 2017 for Medicare Clawback Payments. FY 2017 adjustments would be as follows:

Formula Adjustments GF 441,900

The Baseline includes an increase of $441,900 from the General Fund in FY 2017 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 2017) of the estimated drug costs.

Case Management - State-Only

The Baseline includes $3,912,700 and 79.3 FTE Positions from the General Fund in FY 2017 for state-only case management. These amounts are unchanged from FY 2016.

Background – This line item funds case management services to clients in the state-only DD program. In FY 2017, this line is expected to fund services for 7,073 clients.

A 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 $16,745,900 and 53.6 FTE Positions in FY 2017 for state-only Home and Community Based Services. These amounts consist of:

General Fund	16,625,900
Special Administration Fund	120,000

FY 2017 adjustments would be as follows:

Equity Adjustment OF (4,697,300)

The Baseline includes a decrease of $(4,697,300) from the Long Term Care System Fund in FY 2017 to reflect that Long Term Care System Fund dollars are no longer spent on this line.

In previous years, the Long Term Care System Fund appropriation in this line consisted of capitation payment equity. These monies are now required to be transferred to the General Fund, so there is no equity available for HCBS State-Only services. DES has not indicated that there is a shortfall in this line.

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 April 2015, there are approximately 7,073 clients in the state-only program.

Laws 2015, Chapter 169 appropriated $120,000 from the Special Administration Fund to provide HCBS services for persons whose services were reduced under the Cost Effective Study (CES) rate as a result of the FY 2015 provider rate increase.

Of the $16,745,900 in this line item, $10,728,800 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.

State-Funded Long Term Care Services

The Baseline includes $26,554,000 and 2 FTE Positions from the Long Term Care System Fund in FY 2017 for State-Funded Long Term Care Services. These amounts are unchanged from FY 2016.

Background – This line item funds a variety of services ineligible for Federal Funds 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 $26,554,000 in this line item, $26,492,200 funds State-Funded Long Term Care Services to clients enrolled in the DD program; the other $61,800 funds program staff. *(Please see Other Issues for further discussion of the SFLTC shortfall.)*

Employment and Rehabilitation Services

JOBS

The Baseline includes $13,005,600 and 93 FTE Positions in FY 2017 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 2016.

This line item provides job training and job search services to clients currently receiving TANF Cash Benefits, as well as 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	$ 9,420,000
Job Training	1,700,600
FLSA Supplement	150,000
Work-Related Transportation	1,435,000
Job Search Stipends	300,000
Total	**$13,005,600**

Child Care Subsidy

The Baseline includes $98,396,600 in FY 2017 for child care subsidies. This amount consists of:

Federal CCDF Block Grant	95,678,800
Federal TANF Block Grant	2,717,800

These amounts are unchanged from FY 2016.

Background – 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. DES also processes DCS child care payments but those dollars are in DCS.

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. The TANF Child Care benefit is available to families as long as they are receiving TANF Cash Benefits, which currently has a 24-month cumulative lifetime time limit that will go down to a 12-month limit on July 1, 2016.

Subsidy Rates – The average subsidy paid to providers per child for the DES population is projected to be $329 per month in FY 2017 and the average subsidy for the DCS population is projected to be $403 per month. 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 2017 is projected to be 17,340 *(see Table 6)* excluding DCS-related child care.

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. In January 2015, DES released all 5,239 children on the waitlist and notified the families to re-apply for child care. DES then re-established the waitlist for any new applications received after the full release. As of October 2015, approximately 1,528 children are on the waiting list. It is unknown how many of those children remain eligible.

Table 6

June Child Care Caseloads

Category	FY 15	FY 16 est	FY 17 est [1/]
TANF	2,233	2,080	1,940
Low-Income Working	11,878	14,120	10,550
Transitional Child Care	4,855	4,850	4,850
Total Served	18,966	21,050	17,340

1/ FY 2017 numbers are DES estimates.

Rehabilitation Services

The Baseline includes $4,799,100 in FY 2017 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 2016.

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 8,932 clients at an average Total Funds cost of $17,453 per client. Administrative expenditures and local match draw down additional federal match.

The Baseline also includes $1,000,000 in deferred FY 2016 General Fund payments appropriated in FY 2015 by Laws 2015, Chapter 8, and it defers the same amount for FY 2017 to FY 2018. As a result, the FY 2017 General Fund amount of $4,594,400 consists of $1,000,000 from Chapter 8 and $3,594,400 from the FY 2017 General Appropriation Act.

Independent Living Rehabilitation Services

The Baseline includes $1,289,400 in FY 2017 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 2016.

The Independent Living Rehabilitation Services program is expected to serve up to 665 clients in FY 2017 at an average Total Funds cost of $3,500.

In addition to these clients, the division is also expected to serve 100 clients at an average annual cost of $4,870 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 2017 for the Workforce Investment Act Services line item. These amounts are unchanged from FY 2016.

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 2017 is shown in *Table 7*.

Table 7
FY 2017 WIA Grant Allocations

Category	Amount
WIA Line Item	$51,654,600
Administration	2,385,900 1/
AG Legal Services	10,000
JOBS	2,000,000 2/
Total	**$56,050,500**

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 in excess of $16,719,600 received by the Division of Child Support Enforcement are appropriated for operating expenditures. New FTE 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 in excess of $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 in excess of $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, 2016. The report shall 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 System, the department shall submit a report for review by the Joint Legislative Budget Committee. Before the department implements any change 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 impact analysis demonstrates that this change will result in additional state costs of $500,000 or more for any fiscal year, the department shall submit the policy change for review by the Joint Legislative Budget Committee.

Before implementation of any developmental disabilities or Long-Term Care statewide provider rate adjustments that are 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 that includes, 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 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 any new placement into a state-owned ICF-MR or the Arizona Training Program at the Coolidge Campus in FY 2017 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, 2017.

Before transferring any monies in or out of the Case Management - Medicaid, Case Management - State-Only, and DDD Operating Lump Sum line items, the Department of Economic Security shall submit a report for review by the Joint Legislative Budget Committee.

Employment and Rehabilitation Services
It is the intent of the Legislature that the combined number of children in child care assistance 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 $56,050,500 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 in excess of $56,050,500 to the Joint Legislative Budget Committee.

Departmentwide
The above appropriations are in addition to monies 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 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 a monthly report comparing total expenditures for the month and year-to-date as compared to prior year totals on or before 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.

New Footnotes (FY 2016)
In FY 2016, the Department of Economic Security shall transfer $6,752,300 of their FY 2016 Federal TANF Block Grant appropriation from the TANF Cash Benefits line to the Department of Child Safety. The Department of Child Safety shall transfer a corresponding $6,752,300 of their FY 2016 General Fund appropriation to the Department of Economic Security. The Department of Economic Security shall use these funds to draw down FY 2016 capitation for the Division of Developmental Disabilities. The Department of Economic Security shall request Joint Legislative Budget Committee review before expending

monies for any other purpose. *(Please see Other Issues for further discussion of the TANF Cash Benefits surplus.)*

New Footnotes (FY 2017)
In FY 2017, the Department of Economic Security shall transfer $3,971,700 of their FY 2017 Federal TANF Block Grant appropriation from the TANF Cash Benefits line to the Department of Child Safety. The Department of Child Safety shall transfer a corresponding $3,971,700 of their FY 2017 General Fund appropriation to the Department of Economic Security. *(Please see the TANF Savings line item for further discussion.)*

Deletion of Prior Year Footnotes
The Baseline would delete the footnote concerning the proportional reduction of General Fund dollars to the Department of Economic Security and the Department of Child Safety for every Federal TANF Block Grant dollar received in in excess of their FY 2017 appropriation. The department does not have the flexibility to backfill General Fund dollars with excess TANF dollars because all General Fund dollars are being used to meet MOE requirements, leverage Federal Funds, or for purposes that do not qualify for TANF spending.

The Baseline would delete the footnote requiring any balance in the Long Term Care System Fund to revert to the General Fund. The balance transfer is now required in statute.

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 2017 until FY 2018. Appropriate $21,000,000 in FY 2018 for these deferred payments.

Other Issues

This section includes information on the following topics:
- FY 2016 Supplemental
- Long-Term Budget Impacts
- Payment Deferral
- DDD FY 2016 Shortfalls
- Provider Rates
- Appropriation Transfers
- Federal TANF Block Grant

FY 2016 Supplemental

The Baseline recommends a supplemental increase of $14,893,200 in Long Term Care System Fund Expenditure Authority in FY 2016 to allow DES to drawn down and expend matching Federal Medicaid dollars using the $6,672,300 of transferred General Fund dollars from DCS.

Long-Term Budget Impacts

Beyond FY 2017 Baseline changes, the JLBC Staff estimates that DES statutory caseload changes will require an additional $25.5 million in FY 2018 above FY 2017 and $28.7 million in FY 2019 above FY 2018 based on estimated DD formula costs. The DD estimates are based on:

- 4.5% caseload growth in FY 2018 and FY 2019, resulting in caseloads of 32,432 and 33,891 in June 2018 and June 2019, respectively.
- FMAPs of 69.39% and 69.50% in FY 2018 and FY 2019, respectively.
- 2.5% capitation growth for utilization and medical inflation in FY 2018 and FY 2019.

Payment Deferral

The Baseline continues the $21.0 million payment deferral from FY 2017 to FY 2018. 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 2015, Chapter 8 appropriated $21.0 million in FY 2017 to pay the amount deferred from FY 2016 to FY 2017. This amount does not appear in the General Appropriation Act; however, the amount is included in the agency General Fund totals in this report. As a result, the FY 2017 DES General Fund amount of $524.0 million would consist of $21.0 million from the deferral appropriation in Chapter 8 and $503.0 million from the FY 2017 General Appropriation Act.

DDD FY 2016 Shortfalls

FY 2016 Capitation Shortfall
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 capitation rate along with caseload estimates are used to calculate the division's annual appropriation.

The FY 2016 budget assumed a 4.5% increase to the DD caseloads. The revised FY 2016 caseload estimates show a 5% increase, which will produce higher costs. As a result the FY 2016 budget may not have enough General Fund appropriation to fully fund the DD capitation rates. The JLBC Staff estimates that the program may have a shortfall of $3.6 million for this purpose in FY 2016.

In addition, DES has stated that they used $3.2 million of the FY 2016 General Fund appropriation to draw the entire FY 2015 capitation amount. This is in addition to the FY 2016 shortfall, bringing the total to $6.8 million. The department says drawing down the entire FY 2015 capitation will allow them to transfer an equity balance of $34.0 million back to the General Fund at the end of FY 2016.

As part of the Baseline, JLBC Staff proposes to resolve this issue by exchanging surplus DES TANF Cash Benefits dollars for DCS General Fund dollars (*see new FY 2016 footnote in the Baseline*).

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.

State-Funded Long Term Care Services Shortfall

The state deposits State-Funded Long Term Care (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 was estimated to reduce client billing revenue by $(2.7) million. 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 is no longer available for the SFLTC line item. DES estimates a FY 2016 shortfall of $(2.9) million and an ongoing structural shortfall of $(4.4) million in the SFLTC line item.

The FY 2016 budget assumed DES would have the option of utilizing a portion of the 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. However, DES states that all of their General Fund dollars are being used to meet MOE requirements, leverage Federal Funds, or for purposes that do not qualify for TANF spending, so they cannot be replaced with surplus TANF dollars.

This issue could be addressed by a second exchange of surplus TANF Cash Benefits dollars for DCS General Fund dollars. The Baseline does not address the $2.9 million SFLTC issue. *(Please see Federal TANF Block Grant section for further discussion of the TANF Cash Benefits Surplus.)*

Table 8

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

	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Sources			
Carry-Forward	$ 7,306,800	$ 2,384,700	$ -
Client Billing Revenue	19,904,400	21,628,800	23,391,500
Interest	2,118,900	870,900	870,900
Other	1,137,300	1,137,300	1,137,300
Total	**$30,467,400**	**$26,021,700**	**$25,399,700**
Uses			
SFLTC Services	28,082,700	28,910,100	29,762,500
Total	**$28,082,700**	**$28,910,100**	**$29,762,500**
Ending Balance	$ 2,384,700	$ (2,888,400)	$ (4,362,800)

Provider Rates

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 adopted provider rates with market "benchmark" rates. Current rates range from 75% to 100% of the benchmarks. These adopted rates are the result of revised FY 2016 capitation rates which included an overall 1.5% increase for HCBS providers effective October 2015. DES used the adjustment to provide a 1.0% across-the-board increase for services at or below 85% of the benchmark rate, excluding targeted services which received a larger rate increase. DES increased the adopted rates of most ALTCS covered services to a minimum of 75% of benchmark, and reduced rates over 100% of benchmark to 100%.

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, as was done with the 1.5% increase in FY 2016. 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.

Appropriation Transfers

DES' appropriation delineates specific amounts for programs by line items. Agencies are generally permitted to shift funds among line items without further legislative review; however, the FY 2016 budget included a footnote requiring DES to submit a report for review to the Joint Legislative Budget committee before transferring any money in or out of the Case Management - Medicaid, Case Management - State-Only, and DDD Operating Lump Sum line items. The purpose of the footnote is to provide oversight if the department proposes to increase or decrease administrative resources.

DES reports that they have historically transferred appropriation authority from the HCBS - Medicaid line to other lines, particularly the DDD operating budget. The Legislature may want to determine whether or not to rebase the appropriations in the DDD Medicaid line items to align them with historical expenditures.

Federal TANF Block Grant

The Baseline appropriates $218.7 million of the state's Federal TANF Block Grant allocation in FY 2017. *Table 9* shows expected yearly revenues, expenditures, and fund balances across 2 agencies.

<u>TANF Cash Benefits Surplus</u>

TANF Cash Benefits caseloads have been declining over the past several years which is estimated to leave a surplus in FY 2016 and FY 2017 of $13.4 million and $17.8 million, respectively. The higher surplus estimate in FY 2017 is due to a provision in Laws 2015, Chapter 18 that reduces the cumulative lifetime limit on regular TANF Cash Benefits from 24 months to 12 months starting on July 1, 2016. The FY 2016 budget assumed that DES would be able to utilize these surplus TANF funds to address a shortfall in the SFLTC line in FY 2016, and to create $(9.0) million of General Fund savings in FY 2017.

In order to cover the FY 2016 shortfall and to realize General Fund savings in FY 2017, DES would need to allocate the surplus TANF dollars to offset General Fund spending in non-DD areas of DES. However, DES states that all of their General Fund dollars are being used to meet MOE requirements, leverage Federal Funds, or for purposes that do not qualify for TANF spending. Therefore, the SFLTC shortfall and the assumed FY 2017 savings may not be able to be addressed with General Fund dollars from DES.

The JLBC Staff has identified $8.5 million of General Fund dollars in the DCS Intensive Family Services line and $10.5 million of General Fund dollars in the DCS Permanent Guardianship line that may be eligible to be replaced with TANF surplus dollars instead of using General Fund from DES.

The Baseline includes a new footnote requiring DES to transfer $6.8 million of the Federal TANF Block Grant to DCS in FY 2016, and for DCS to transfer a corresponding $6.8 million of General Fund to DES to allow DES to draw down FY 2016 capitation in the Division of Developmental Disabilities. In addition, DES is expected to transfer $3.5 million of TANF from the Cash Benefits line to their operating budget, leaving an estimated $3.1 million of surplus, unallocated TANF in FY 2016 (the $3.5 million is not displayed in the FY 2016 column in the agency Baseline table). To address the FY 2016 SFLTC shortfall issue, DES would require an additional transfer of $2.9 million TANF for General Fund between DES and DCS. The Baseline does not address the SFLTC issue.

In FY 2017, the Baseline shifts $3.5 million of TANF dollars from the Cash Benefits line to the operating budget to align appropriations with actual expenditures. The Baseline also shifts $4.0 million of TANF dollars from the Cash Benefits line to a new TANF 1-Year Cap Savings line, which represents the revised TANF savings associated with lowering the lifetime limit on benefits to 12 months. After these shifts, the TANF Cash Benefits line is expected to have an additional TANF surplus of $9.8 million in FY 2017 that may be eligible to use in DCS or DES.

Table 9

TANF Block Grant Spending

Revenues	Actual FY 2015	Estimate FY 2016	Estimate FY 2017
Beginning Balance	$ 1,547,200	$ 6,320,900	$ 9,421,400
Administrative Adjustments 1/	(1,078,900)	-	-
TANF Base Revenues	200,141,300	200,141,300	200,141,300
TANF Contingency Fund Revenues	22,296,100	21,687,300	21,687,300
Total TANF Available	**$ 222,905,700**	**$ 228,149,500**	**$ 231,250,000**
Expenditures			
Department of Child Safety			
DCS Operating	$ 46,928,000	$ 46,928,000	$ 46,928,000
Line Items			
Attorney General Legal Services	649,100	99,400	99,400
Inspections Bureau	-	549,700	549,700
Overtime	3,859,500	3,859,500	3,859,500
Adoption Services	16,645,700	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	678,600	1,743,000	1,743,000
In-Home Preventive Support Services	0	5,911,200	5,911,200
Out-of-Home Support Services	38,779,000	28,867,800	28,867,800
TOTAL - DEPARTMENT OF CHILD SAFETY	**$ 130,936,000**	**$ 132,000,400**	**$ 132,000,400**
Department of Economic Security			
DES Operating	$ 23,198,500	$ 16,815,500	$ 20,315,500
Line Items			
Administration			
Attorney General Legal Services	$ 27,300	$ 106,100	$ 106,100
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	$ 38,599,400	$ 44,999,400	$ 41,499,400
Coordinated Hunger Program	500,000	500,000	500,000
Total - Benefits and Medical Eligibility	$ 39,099,400	$ 45,499,400	$ 41,999,400
Employment and Rehabilitation Services			
JOBS	$ 8,611,600	$ 9,594,700	$ 9,594,700
Child Care Subsidy	2,717,800	2,717,800	2,717,800
Total - Employment and Rehabilitation Services	$ 11,329,400	$ 12,312,500	$ 12,312,500
TOTAL - DEPARTMENT OF ECONOMIC SECURITY	**$ 85,648,800**	**$ 86,727,700**	**$ 86,727,700**
TOTAL - STATEWIDE	**$ 216,584,800**	**$ 218,728,100**	**$ 218,728,100**
Ending Balance	**$ 6,320,900**	**$ 9,421,400**	**$ 12,521,900**

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.

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 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. This fund is now administered by the Department of Child Safety.

Funds Expended	110,800	0
Year-End Fund Balance	0	0

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	9,789,900	16,719,600
Expenditure Authority Funds Expended	36,352,500	40,230,200
Year-End Fund Balance*	(871,200)	(7,492,800)

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	914,700	885,800
Year-End Fund Balance	282,100	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	804,700	10,000
Year-End Fund Balance	668,600	1,458,600

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	76,200	62,700
Year-End Fund Balance	62,200	0

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	2,194,900	2,498,400

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 Estimate

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.

	FY 2015 Actual	FY 2016 Estimate
Funds Expended	2,000	5,300
Year-End Fund Balance	151,900	152,600

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.

	FY 2015 Actual	FY 2016 Estimate
Funds Expended	100,000	224,500
Year-End Fund Balance	346,400	172,200

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.

	FY 2015 Actual	FY 2016 Estimate
Funds Expended	73,873,300	107,773,600
Year-End Fund Balance*	(11,159,800)	(27,957,700)

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, and Medicaid.

	FY 2015 Actual	FY 2016 Estimate
Funds Expended	1,928,553,600	1,944,424,900
Year-End Fund Balance	26,228,400	12,407,700

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.

	FY 2015 Actual	FY 2016 Estimate
Funds Expended	85,648,800	86,727,700
Year-End Fund Balance	6,320,900	9,421,400

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.

	FY 2015 Actual	FY 2016 Estimate
Funds Expended	18,895,600	19,400,800
Year-End Fund Balance	1,194,800	0

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 Estimate

Interagency Service Agreement Fund (DEA2500/A.R.S. § 41-1954) **Non-Appropriated**

Source of Revenue: Grants and intergovernmental agreements between state agencies and local governments.

Purpose of Fund: To be used as specified in the grant or agreement. Laws 2014, Chapter 2 appropriated these monies to ADOA to pay for costs associated with the relocation of the data center operated by DES.

Funds Expended	0	7,936,400
Year-End Fund Balance	3,000,000	0

Arizona Job Training Fund (DEA1237/A.R.S. § 41-1544 [repealed]) **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. The FY 2015 Revenue BRB (Laws 2015, Chapter 10) repeals the job training tax effective December 31, 2015 and redirects unencumbered monies in the fund as of December 31, 2016 to the Unemployment Compensation Fund and General Fund.

Purpose of Fund: To collect the job training tax.

Funds Expended	1,039,100	495,500
Year-End Fund Balance	39,400	0

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	679,052,800	817,836,900
Year-End Fund Balance*	76,521,700	(2,096,300)

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	28,930,800	31,251,300
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	34,200	35,000
Year-End Fund Balance	38,200	28,100

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	30,800	424,600
Year-End Fund Balance*	200,200	(139,400)

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 Estimate

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	2,817,300	2,939,700
Year-End Fund Balance	6,023,500	2,916,400

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	46,800	40,200
Year-End Fund Balance	0	0

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	1,807,200	1,874,800
Year-End Fund Balance	2,605,100	3,084,200

Statewide Cost Allocation Plan Fund (DEA1030/A.R.S. § 41-1954) **Appropriated**

Source of Revenue: Federal reimbursement.

Purpose of Fund: General operations.

Funds Expended	1,000,000	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	314,017,800	305,900,000
Year-End Fund Balance	136,073,600	296,314,000

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 Estimate

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 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. Revenue in this fund was transferred to the UI Special Assessment Proceeds Fund.

Funds Expended	1,134,900	112,000
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	41,730,500	56,050,500
Year-End Fund Balance	25,180,600	17,159,200

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