

DEPARTMENT OF ECONOMIC SECURITY - ADMINISTRATION

A.R.S. § 41-1951

General Fund and Other Appropriated Funds	FY 1998 Actual	FY 1999 Estimate	FY 2000 Approved	FY 2001 Approved
FTE Positions	386.0	358.5	313.0 ^{1/}	313.2 ^{1/}
Personal Services	12,216,500	12,843,300	11,788,100	12,233,600
Employee Related Expenditures	2,621,800	2,563,100	2,301,000	2,435,900
Professional and Outside Services	489,100	1,145,600	1,078,600	1,078,600
Travel - In State	298,000	241,200	208,600	209,300
Travel - Out of State	69,300	71,500	36,800	40,100
Other Operating Expenditures	16,415,100	19,038,600	18,397,000	19,506,100
Equipment	1,995,500	1,164,100	957,200	2,153,100
Operating Subtotal	34,105,300	37,067,400	34,767,300	37,656,700
FMCS Modification	134,200	259,600	0	0
Child Welfare Information System	3,175,500	0	0	0
Finger Imaging	472,100	864,000	856,900	858,500
Job Placement Office Redesign	774,900	0	0	0
EBT Welfare Reform	230,200	294,400	310,400	0
Lease-Purchase Equipment	1,918,000	5,347,500	4,992,300	2,732,900
Public Assistance Collections	417,800	364,900	368,500	373,400
Attorney General Legal Services	0	613,300	522,100	533,900
Total	41,228,000	44,811,100	41,817,500	42,155,400
Additional Appropriations - Appropriation; AHCCCS; Healthcare Group, Ch. 313	0	0	120,000	0
Total Appropriations	41,228,000	44,811,100	41,937,500^{2/3/4/}	42,155,400^{2/3/4/}
<u>Fund Summary</u>				
General Fund	30,025,300	33,986,000	35,343,600	34,976,200
Public Assistance Collections Fund	223,500	282,400	285,200	289,100
Federal Temporary Assistance for Needy Families Block Grant	9,911,700	9,706,200	4,777,700	5,349,400
Federal Child Care and Development Fund Block Grant	1,042,300	329,900	1,020,300	1,024,600
Special Administration Fund	25,200	506,600	510,700	516,100
Total Appropriations	41,228,000	44,811,100	41,937,500	42,155,400

Program Description — *The program consists of the Office of the Director, the Division of Employee Services and Support, the Division of Business and Finance, and the Division of Technology Services. This program provides departmentwide administrative, research and evaluation, financial and computer automation support.*

1/ Includes 24 and 18.5 FTE Positions funded from Special Line Items in FY 2000 and FY 2001, respectively.

2/ In accordance with A.R.S. § 35-142.01, the Department of Economic Security shall remit to the Department of Administration any monies received as reimbursement from the federal government or any other source for the operation of the Department of Economic Security West Building and any other building lease-purchased by the State of Arizona in which the Department of Economic Security occupies space. The Department of Administration shall deposit these monies in the state General Fund. (General Appropriation Act footnote)

3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Program.

4/ By June 1, 1999 and June 1, 2000, the Department of Economic Security shall report the intended distribution of all federal Social Services Block Grant monies for the upcoming fiscal year to the Joint Legislative Budget Committee for its review. The Department of Economic Security shall also report the intended distribution of any federal Social Services Block Grant monies in excess of \$30,972,800 in FY 2000 and in excess of \$29,508,800 in FY 2001. (General Appropriation Act footnote)

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Technical Issues — The approved FY 2000 amount includes a reduction of \$(84,500) GF and \$(17,100) TANF to eliminate one-time equipment costs.

Transfer of CCDF Funding — The approved budget reflects beginning in FY 2000 a transfer in of \$685,100 from the Division of Employment and Rehabilitation Services (DERS) to this division. The funding is from the Child Care and Development Fund (CCDF) Block Grant and is necessary in order to cover all administrative operating costs in support of the Child Care Administration program. The department indicates that administrative costs are higher in this cost center than when the Legislature first appropriated federal block grant monies in 1997. The DERS cost center reflects a reduction in expenditures of the same amount, for no net change in total expenditures across the agency.

Transfer Fingerprinting — The approved budget reflects beginning in FY 2000 a reduction of \$(45,100) General Fund (GF) and (2) FTE Positions pursuant to Laws 1998, Chapter 270, which centralized fingerprint background checks conducted by 5 state agencies into a single process through the Department of Public Safety (DPS). Now DPS will perform fingerprinting done to check for criminal convictions on individuals that work with children and vulnerable adults in public and private facilities. Chapter 270 requires the transfer of the (2) FTE Positions and \$(45,100) from DES to DPS in FY 2000.

Change in Federal Policy for Cost Reimbursements — Beginning in FY 2000, the approved operating budget reflects an increase of \$1,409,600 GF and 15.8 FTE Positions and a reduction of \$(4,996,600) Temporary Assistance for Needy Families (TANF) Block Grant and (55.9) FTE Positions due to a change in the way the federal government reimburses the state for costs related to determining eligibility of applicants for low-income programs.

The change requires states to allocate their costs in an amount proportional to the benefit received by a client that is a participant in the programs. Therefore, in cases where clients receive benefits from at least 2 of the 3 programs, the state must allocate its reimbursement charges between the programs.

The result of the federal shift in policy is that this cost center and the Division of Benefits and Medical Eligibility (DBME) cost center in the Department of Economic Security (DES) must reduce the amount of TANF that they have been using for their administrative costs. No reduction is being made to the amount of the state's appropriation for TANF Block Grant monies. The amount that can be used for administrative costs, however, is changing. Between the 2 cost centers, there is a reduction of \$(21,546,900) from TANF, which is entirely offset by

an increase of \$6,078,600 in GF and \$15,468,300 in Non-Appropriated Funds, for no net change in expenditures across the agency. The change puts the state in alignment with the new federal policy so a continued decline in the amount of TANF monies for administrative costs is not anticipated.

Data Center Expansion — The approved budget reflects a FY 2001 increase of \$2,533,000 to expand the agency's data center. The FY 2001 budget includes an increase of \$1,866,500 GF and \$666,500 TANF to expand the data center by increasing the computer capacity for quicker response time to inquiries and to form a delegated unit responsible for repair services across the state. Use of computer resources has grown 30% annually over the last 4 years due to the move toward computerization to deal with welfare, child support, and child abuse issues. The recommendation establishes the infrastructure necessary to keep up with the rapidly changing technology and growth in usage, including 5.7 new FTE Positions to provide the required technical support. The total approved funding of \$2,533,000, of which \$252,500 is for salary cost; \$1,084,600 is for mostly software usage agreements; and \$1,195,900 is for equipment.

In addition to the approved amount, Non-Appropriated Funds totaling \$2,677,300 will be used for this project. Approval from the Government Information Technology Agency (GITA) is needed for the project. That approval was received in January 1999, but it was based on the condition that the agency meets certain guidelines established by GITA.

50% Travel – Out of State Reduction — The approved budget reflects a reduction of \$(37,900) GF for Travel - Out of State expenditures beginning in FY 2000.

FMCS Modification — The approved budget reflects a transfer of \$190,000 GF and \$69,600 TANF Block Grant from the Financial Management Control System (FMCS) Special Line to the operating budget starting in FY 2000. Funding in this FMCS Special Line Item has been for hiring consultants to assist in installing additional computer subsystems, developing policies and procedures, and meeting FMCS system needs that are outside the scope and expertise of department staff. The monies in this Special Line Item are in addition to \$31,700 GF for FMCS that already are part of the operating budget in the Other Operating Expenditures line. The FMCS Special Line Item is eliminated since monies in it are services that are part of the department's normal routine.

Child Welfare Information System — The approved budget reflects discontinuing in FY 1999 the Child Welfare Information System Special Line Item and moving staff and resources to the appropriate locations in the DES budget. The Children's Information Library and

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Data Source (CHILDS) automation system went online October 1, 1997 and has been implemented statewide. In FY 1999, the system became part of the department's normal routine. CHILDS is a comprehensive and integrated system to support the agency's child welfare programs. The system is for meeting the automation needs of Child Protective Services, Foster Care, Adoption Services, and the Comprehensive Medical and Dental Program, which provides for the health needs of foster care children. CHILDS interfaces with other related child welfare programs such as the Foster Care Review Board, which is housed in the Supreme Court; the Attorney General's Staff, which is responsible for dependency and children issues; and Child Support Enforcement. State funds were matched by Federal Funds at a 75% match rate through September 30, 1997 and at 50% thereafter.

Finger Imaging — The approved amount of \$856,900 in FY 2000 includes \$570,300 GF and \$286,600 TANF Block Grant for finger imaging automation. For FY 2001, funding consists of \$571,300 GF and \$287,200 TANF, for a total of \$858,500. Laws 1996, Chapter 346 required DES to establish a finger imaging program for every adult applicant, adult recipient, or eligible minor parent of General Assistance, Food Stamps, and TANF Assistance, as a condition of eligibility. The Food Stamp share, \$288,600, will come from federal non-appropriated food stamp matching dollars. The TANF and Food Stamp match share is based on each program's proportion of clients out of the total number being fingerprinted. The approved budget reflects the agency's requested reduction in staffing for this program beginning in FY 2000. Staffing is reduced in this Special Line Item from 3 to 1.5 GF FTE Positions. In addition, staffing is reduced from 1.5 to 0.7 TANF FTE Positions. The staffing totals 2.2 FTE Positions for training users and modifying the established system based on changes in rules, policies, procedures, and evaluation of the project.

Job Placement Office Redesign — For FY 1999, this Special Line Item was discontinued because monies of \$1,000,000 were a one-time appropriation. Laws 1997, Chapter 300 reallocated \$1,000,000 to this division for the redesign of welfare eligibility offices into job placement offices.

EBT Welfare Reform — The approved amount of \$310,400 in FY 2000 includes \$255,400 GF and \$55,000 TANF Block Grant to fund the Electronics Benefit Technology (EBT) project. This project was first funded in FY 1998 through Laws 1997, Chapter 300 for the purpose of implementing and operating the electronic transfer for the issuance of TANF cash benefits and Food Stamp benefits. This Special Line Item includes 5.5 FTE Positions, of which 4.5 FTE Positions are funded through GF and 1 FTE Position is funded through TANF Block

Grant. The EBT system was implemented statewide during FY 1999.

For FY 2001, the approved budget reflects a transfer of the funding and FTE Positions for the EBT program to the division of DBME. The EBT Special Line Item in this cost center is eliminated and all funding is transferred to DBME except \$23,700 for rent and travel expenditures. The \$23,700 retained in this division is transferred to the operating budget in this cost center where expenditures are budgeted for the entire agency for Rent and Travel - Out of State.

Lease-Purchase Equipment — The approved FY 2000 amount includes a reduction of \$(355,200) GF due to a drop in lease-purchase payments for computer equipment in the Lease-Purchase Equipment Special Line Item. The FY 2001 amount includes a further reduction of \$(2,181,100) GF and \$(78,300) TANF because of additional drops in lease-purchase payments. The approved amount of \$4,992,300 in FY 2000 includes \$4,167,400 GF and \$824,900 TANF Block Grant to fund the annual lease-purchase payments or rental agreements of computer equipment for automation projects. For FY 2001, funding consists of \$1,986,300 GF and \$746,600 TANF, for a total of \$2,732,900. The monies are for 5 projects in FY 2000 and 4 projects in FY 2001, which include:

- FY 1995 Family Assistance Administration CPU upgrade project, which will be paid off in FY 2000;
- Aid for Dependent Children Time Limits Project;
- FY 1996 legislatively approved CPU upgrade;
- FY 1996 hardware and software purchases for the CHILDS program; and
- FY 1997 rental agreement for a mainframe complex computer.

For FY 2000, an additional \$2,556,800 of non-appropriated federal dollars and \$129,600 of other non-appropriated dollars will be used to cover the total lease-purchase expenditure of \$7,678,700 for these 5 projects. For FY 2001, total expenditures are estimated at \$5,774,500, including \$2,556,800 of non-appropriated federal dollars and \$484,800 of other non-appropriated dollars.

Public Assistance Collections — The approved amount of \$368,500 in FY 2000 and \$373,400 in FY 2001 funds 7 FTE Positions who are responsible for improving public assistance collection activities. Of the 7 FTE Positions, 2.6 are funded from TANF Block Grant and 4.4 are funded from Public Assistance Collections Fund (PACF). A.R.S. § 46-295 requires 25% of repaid erroneous public assistance benefits to be deposited into the PACF.

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Attorney General Legal Services — Laws 1996, Chapter 335 required the appropriation of all Attorney General interagency service agreements (ISAs). However, the majority of dollars appropriated for Attorney General Legal Services in DES has not been established through ISAs. Rather than employing ISAs, DES's appropriation has directly funded FTE Positions and their related operating costs. The approved budget continues the practice and appropriates the Attorney General Legal Services directly to DES because the Attorney General's accounting system is unable to provide the detailed reporting level needed to draw down Federal Funds. DES's accounting system is designed to provide the necessary reporting requirements to the federal government. The approved amount of \$522,100 in FY 2000 and \$533,900 in FY 2001 funds 9.3 FTE Positions, which consist of 4.8 GF, 2.4 TANF, 0.1 CCDF, and 2 PACF. The amount of GF totals \$321,000 in FY 2000 and \$328,000 in FY 2001. The amount of other appropriated funds totals \$201,100 in FY 2000 and \$205,900 in FY 2001.

The approved amount also reflects beginning in FY 2000 a transfer out of \$95,600 GF and 1.1 FTE Attorney General Positions to the Attorney General Legal Services Special Line Item in the Division of Children, Youth and Families (DCYF). The positions and monies are transferred to DCYF to align the positions in the cost center where the job duties reside. The DCYF cost center reflects an increase of expenditures of the same amount for no net change in expenditures across the agency.

Additional Appropriations: Appropriation: AHCCCS: Healthcare Group (Chapter 313) — Appropriates \$120,000 GF in FY 2000 for the purpose of contracting with a consultant to conduct a finger imaging feasibility study for expanding the finger imaging program in DES to include applicants and recipients of services provided by AHCCCS. The consultant is to determine the cost of expanding the finger imaging program in DES; identify services provided by AHCCCS that the Legislature may want to exclude from finger imaging requirements after evaluating administrative issues from the proposed change in law; report activities of other states that use or plan to use finger imaging as a condition of eligibility for medical public assistance; and determine what waivers will need to be obtained from the federal government because of the proposed change. A written report from the consultant has to be submitted to the Governor, the Speaker of the House of Representatives, and the President of the Senate by January 15, 2000.

Capital Outlay Appropriations: Chapter 2, 1st Special Session — Appropriates \$1,400,000 GF in FY 2000 for replacement of the agency's Data Center Uninterruptible Power Supply (UPS) system, including upgrading the electrical power system and improving battery back-up for

the system. The current system was installed in 1986. It is no longer supported by the manufacturer or capable of meeting the power needs of the Data Center.

Vetoed Appropriation: Appropriation: Navajo Building Construction (S.B. 1182) — The bill appropriates \$300,000 GF to the Navajo nation beginning in FY 2000 and continuing for 4 more years. The monies are for planning, designing and constructing or leasing offices in 7 locations in the Navajo nation for Temporary Assistance for Needy Families services. The 7 locations are Fort Defiance, Dilkon, Tuba City, Kayenta, Chinle, Newlands (Sanders) and St. Michaels. The Governor vetoed this bill.