

**DEPARTMENT OF ECONOMIC SECURITY -
BENEFITS AND MEDICAL ELIGIBILITY**

A.R.S. § 41-1951

General Fund and Federal Temporary Assistance for Needy Families Block Grant	FY 1998 Actual	FY 1999 Estimate	FY 2000 Approved	FY 2001 Approved
FTE Positions	1,270.6	1,312.9 ^{1/}	752.0	755.3
Personal Services	30,444,700	33,105,800	26,158,100	25,512,800
Employee Related Expenditures	7,902,800	7,696,200	5,904,500	5,485,600
Professional and Outside Services	739,000	921,900	885,900	797,600
Travel - In State	755,900	803,900	615,700	586,400
Other Operating Expenditures	4,186,700	3,989,700	3,723,200	3,427,600
Equipment	310,200	399,400	26,700	26,700
Operating Subtotal	44,339,300	46,916,900 ^{1/}	37,314,100 ^{2/}	35,836,700 ^{2/}
TANF Cash Benefits	150,413,900	125,957,200 ^{3/}	125,957,200 ^{4/}	125,957,200 ^{4/}
TANF Stabilization Fund	5,141,000	0	0	0
FLSA Supplement	0	0	3,634,000	3,817,600
Tribal Welfare Reform	0	0	1,000,000 ^{5/}	1,000,000 ^{5/}
Arizona Works Agency Procurement Board	198,800	300,000	300,000	300,000
Arizona Works Non-TANF Administrative Performance Incentives	0	489,300 ^{6/}	1,241,000 ^{6/}	1,021,500 ^{6/}
Outreach and Naturalization	141,400	250,000	250,000	250,000
General Assistance	4,519,100	4,721,700	4,260,800	4,260,800
Tuberculosis Control	8,500	15,600	10,600	10,600
Institutional Support Payments	295,500	288,000	288,000	288,000
Full Employment Project	65,700	0	0	0
Youth Support Research	14,000	0	0	0
Total Appropriations	205,137,200	178,938,700 ^{1/}	174,255,700 ^{7/}	172,742,400 ^{7/}
Fund Summary				
General Fund	75,205,200	73,547,100	81,487,600	79,963,300
Federal Temporary Assistance for Needy Families Block Grant	129,932,000	105,391,600	92,768,100	92,779,100
Total Appropriations	205,137,200	178,938,700	174,255,700	172,742,400

Program Description — *The program develops policy and operating procedures, determines eligibility, pays benefits and carries out an evaluation and monitoring program for the following programs: Food Stamps, Temporary Assistance for Needy Families (TANF), General Assistance (GA), Tuberculosis Control, and Institutional Support Payments.*

- ^{1/} Reflects agencywide lump sum reduction of \$(812,700) and (25.4) GF FTE Positions and \$(325,300) and (10.2) OF FTE Positions authorized by Laws 1998, Chapter 2, 4th Special Session and taken entirely in this cost center.
- ^{2/} The Operating Lump Sum appropriation may be expended on Arizona Health Care Cost Containment System eligibility determinations based on the results of the Arizona random moment sampling survey. (General Appropriation Act footnote)
- ^{3/} Notwithstanding A.R.S. § 35-173C, any transfer to or from the \$125,957,200 appropriated for Temporary Assistance for Needy Families Cash Benefits shall require approval of the Joint Legislative Budget Committee. (General Appropriation Act footnote, as amended by Laws 1999, Chapter 6, 1st Special Session)
- ^{4/} Notwithstanding A.R.S. § 35-173C, any transfer to or from the \$125,957,200 appropriated for Temporary Assistance for Needy Families Cash Benefits in FY 2000 and FY 2001 requires approval of the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- ^{5/} The \$1,000,000 appropriated for Tribal Welfare Reform in FY 2000 and FY 2001 shall be distributed to Native American tribes in this state to enhance welfare reform efforts on behalf of tribal citizens. Each \$1,000,000 appropriation shall be distributed by the Department of Economic Security on a proportional basis based on the population residing on the reservation of each tribe in this state. (General Appropriation Act footnote)
- ^{6/} In addition to the amounts appropriated for Arizona Works Non-TANF Administrative Performance Incentives, the sum of \$1,292,800 is appropriated from the Federal Temporary Assistance for Needy Families Block Grant to the Department of Economic Security for the same purpose in FY 2002 and the sum of \$868,500 is appropriated from the Federal Temporary Assistance for Needy Families Block Grant to the Department of Economic Security for the same purpose in FY 2003. (General Appropriation Act footnote)
- ^{7/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Program.

DEPARTMENT OF ECONOMIC SECURITY - BENEFITS AND MEDICAL ELIGIBILITY (Cont'd)

FY 1999 Lump Sum Reduction — The FY 1999 appropriation for the department included an agencywide lump sum reduction of \$(812,700) and (25.4) General Fund (GF) FTE Positions and \$(325,300) and (10.2) TANF Block Grant FTE Positions. The reduction was taken entirely in this division. The FY 1999 Estimate column reflects that lump sum reduction.

FY 1999 Supplemental — The FY 1999 supplemental bill included an ex-appropriation of \$(6,335,200) GF and \$(14,675,300) TANF in TANF Cash Benefits for lower-than-expected caseloads, an appropriation of \$2,273,900 GF in the operating budget for a reduction in federal Food Stamp reimbursement in federal FY (FFY) 1999, and \$489,300 TANF for Arizona Works Non-TANF Administrative Performance Incentives. *(Please see various discussions below for further details.)*

Base Adjustments — The approved FY 2000 and FY 2001 amounts include a shift of \$1,000,000 and 30 FTE Positions in the operating budget from the GF to the TANF Block Grant and a shift of \$1,000,000 in the TANF Cash Benefits line item from the TANF Block Grant to the GF starting in FY 2000. The approved FY 2000 and FY 2001 amounts also include a decrease of \$(14,100) and (4.8) GF FTE Positions starting in FY 2000 associated with positions eliminated by the division in FY 1999.

Technical Changes — The approved FY 2000 and FY 2001 amounts include a decrease of \$(304,700) GF and \$(94,700) TANF monies for the elimination of one-time equipment funding starting in FY 2000.

Eligibility Staff Reductions — The approved FY 2000 and FY 2001 amounts include a decrease of \$(2,718,100) and (80.9) GF FTE Positions and a decrease of \$(1,000,000) and (30) TANF FTE Positions associated with eligibility-related staff reductions beginning in FY 2000. The decreases are related to the significant decrease in TANF Cash Benefits and Food Stamps caseloads. In addition to these reductions, an estimated 222.4 FTE Positions associated with non-appropriated Food Stamps and AHCCCS Acute Care eligibility funding will be eliminated. *(Please see the DES Eligibility issue in the AHCCCS Administration narrative for further details.)*

Food Stamp Participation and Cost Allocation — The approved FY 2000 and FY 2001 amounts include an increase of \$10,354,000 and 125.3 GF FTE Positions and a decrease of \$(16,550,300) and (444) TANF FTE Positions beginning in FY 2000 associated with changes in how the federal government reimburses the state for determining Food Stamp eligibility.

The federal government is revising its method of allocating eligibility determination costs between the TANF, Food Stamps, and AHCCCS Acute Care programs, which

requires an additional \$4,669,000 GF and a decrease of \$(16,550,300) TANF. The division will also receive an additional \$5,182,700 of federal Food Stamp monies and an additional \$6,698,600 of non-appropriated monies from AHCCCS. The federal government is also reducing reimbursement for the Food Stamp program by \$(5,685,000) a year based on calculations of "excess" TANF Block Grant monies, requiring an increase of \$5,685,000 GF. There will be no net increase or decrease in total DBME staff (including non-appropriated staff) resulting from these shifts, the shift in the Administration cost center, and the shift in the DES Eligibility line item in the AHCCCS Administration budget.

The approved FY 2000 amount also includes a one-time \$1,989,800 GF increase associated with the timing of the federal government's Food Stamp reimbursement reduction for FFY 1999. *(Please see the FY 1999 Supplemental discussion above for further details.)*

Incentive Pay Program — The approved FY 2000 and FY 2001 amounts include an increase of \$75,000 TANF Block Grant monies associated with maintaining bonuses in the division's incentive pay program beginning in FY 2000. This increase only funds the increase in the TANF Cash Benefits portion of the program; the division will need to find other monies for the Food Stamps and AHCCCS Acute Care eligibility determination portion. *(Please see the Additional Legislation section for further details on a source of match for this program.)*

EBT Program Transfer — The approved FY 2001 amount includes an increase of \$119,300 and 2.7 GF FTE Positions and \$25,800 and 0.6 TANF FTE Positions associated with the transfer of the Electronic Benefits Transfer (EBT) program to this division from the Administration cost center. These FTE Positions provide the department with monitoring and oversight of the program, in which TANF Cash Benefits and Food Stamp benefits are transmitted electronically to clients.

TANF Cash Benefits — Monies in this line item provide financial assistance on a temporary basis to needy dependent children in their own homes or in the homes of responsible caretaker relatives. The approved FY 2000 and FY 2001 amounts of \$125,957,200 include a decrease of \$(5,500,000) GF and \$(15,510,500) TANF associated with reductions in the TANF Cash Benefits caseload. The table below indicates the expected caseload and payment levels for the 2 welfare programs in the state. Of the \$125,957,200, \$39,489,000 is GF and \$86,468,200 is TANF. *(Please see the table on the top of the following page for further details.)*

DEPARTMENT OF ECONOMIC SECURITY - BENEFITS AND MEDICAL ELIGIBILITY (Cont'd)

<u>Program</u>	<u>Cases</u>	<u>Recipients</u>	<u>Monthly Payments</u>	<u>FY 2000 and FY 2001</u>
<i>EMPOWER Redesign</i>				
Single-parent	33,495	89,432	\$101 per recipient	\$108,391,500
2-parent	<u>609</u>	<u>2,807</u>	\$80 per recipient	\$ <u>2,694,700</u>
Total - EMPOWER Redesign	34,104	92,239	N/A	\$111,086,200
<i>Arizona Works</i>	<u>5,096</u>	<u>13,783</u>	Varies by placement	\$ <u>14,871,000</u>
TOTAL - Statewide	39,200	106,022	N/A	\$125,957,200

Fair Labor Standards Act Supplement — Monies in this new line item will pay cash supplements to certain TANF clients participating in unpaid work activities and community work experience programs. Because the federal government has issued regulations stating that welfare clients participating in these programs are subject to the minimum wage provisions of the Fair Labor Standards Act (FLSA), this supplement will ensure that the state complies with those regulations. Qualifying clients will receive this FLSA supplement in addition to their TANF Cash Benefits payment beginning in FY 2000.

The approved FY 2000 amount, \$3,634,000 TANF, is expected to provide a supplement of \$217.00 per month to 910 clients in the Job Opportunities and Basic Skills (JOBS) program in unpaid work experience programs and a supplement of \$332.39 per month to 317 clients in the tribal JOBS program. The approved FY 2001 amount, \$3,817,600 TANF, includes a further increase of \$183,600 TANF and is expected to provide a supplement of \$217.00 per month to 956 JOBS clients and 333 tribal JOBS clients.

Of the approved amounts discussed above, an estimated \$472,400 in FY 2000 and \$496,300 in FY 2001 will be used for supplements to Arizona Works clients.

Tribal Welfare Reform — Monies in this new line item will help fund tribal welfare reform efforts. The funding will be distributed to Arizona's Native American tribes based upon the population residing on each reservation. The approved FY 2000 and FY 2001 amounts are \$1,000,000 TANF. *(Please see footnote #5 on page 107 for further details.)*

Arizona Works Agency Procurement Board — Monies in this line item fund the Arizona Works Agency Procurement Board, which will monitor implementation of the Arizona Works pilot program to ensure contract terms are being met and oversee evaluations of the program. Funding will be used for administrative expenditures and technical assistance. The approved FY 2000 and FY 2001 amounts, \$300,000 GF, are unchanged from FY 1999.

Arizona Works Non-TANF Administrative Performance Incentives — Monies in this new line item fund additional performance incentives for the Arizona Works program. The vendor for the Arizona Works program can earn these

incentives if it meets specific criteria in its contract with the Arizona Works Agency Procurement Board. The approved FY 2000 amount is \$1,241,000 TANF; the approved FY 2001 amount is \$1,021,500 TANF, a decrease of \$(219,500).

In addition to these amounts, the General Appropriation Act also appropriated \$1,292,800 TANF in FY 2002 and \$868,500 TANF in FY 2003 for the same purpose. *(Please see footnote #6 on page 107 for further details.)* The FY 1999 supplemental bill also appropriated \$489,300 TANF for this purpose.

Outreach and Naturalization — Monies in this line item fund outreach and naturalization efforts targeted to legal immigrants losing Food Stamps and health coverage as a result of welfare reform. The funding will be used for application fees and citizenship and English classes. The approved FY 2000 and FY 2001 amounts, \$250,000 GF, are unchanged from FY 1999.

General Assistance — Monies in this line item provide financial assistance to persons who are unemployable because of a physical or mental disability. Eligibility is limited to 12 months out of every 36-month period. Extensions of 6 months are allowed if a recipient is currently appealing an adverse decision by the Social Security Administration regarding federal benefits.

The approved FY 2000 and FY 2001 amounts, \$4,260,800 GF, reflect a decrease of \$(460,900) GF starting in FY 2000. Components of the appropriation are as follows:

- **Benefits:** \$4,804,800 for an average monthly benefit of \$154 paid to 2,600 clients, a decrease of (300) from the FY 1999 appropriation for 2,900 clients
- **Retroactive Payments:** \$(930,000) for federal reimbursement for GA recipients later accepted into the federal Supplemental Security Income (SSI) program, a decrease from the \$(1,036,500) savings incorporated in FY 1999. This estimate is net of monies paid to attorneys for assisting GA recipients to become eligible for SSI.
- **Application Assistance:** \$278,000 for contract costs with Advocates for the Disabled, who provide GA recipients with SSI application assistance. This amount is unchanged from FY 1999.

DEPARTMENT OF ECONOMIC SECURITY - BENEFITS AND MEDICAL ELIGIBILITY (Cont'd)

- Medical Examinations: \$108,000 for 2,978 contracted medical exams at an average cost of \$35.83 per exam and 28 medical consultation hours at an average cost of \$46.32 per hour.

Of the approved amounts discussed above, an estimated \$553,900 will be used for GA benefits and services to Arizona Works clients in FY 2000 and FY 2001.

Tuberculosis Control — Monies in this line item provide financial assistance to persons certified unemployable by the state Tuberculosis Control Office because of communicable tuberculosis, as outlined in A.R.S. § 36-716. The approved FY 2000 and FY 2001 amounts, \$10,600 GF, reflect a decrease of \$(5,000) GF starting in FY 2000. The approved amounts will pay average monthly benefits of \$147 to 6 clients, a decrease of (3) clients from FY 1999.

Institutional Support Payments — Monies in this line item fund an optional state supplemental payments program, as directed by A.R.S. § 46-252. The program provides \$80 monthly payments to eligible low-income recipients at least 65 years of age receiving care in a licensed private nursing home; \$174 to persons residing in a licensed county-operated nursing home; and \$50 to persons residing in a licensed supervisory care home, an adult foster care home, or a person who is seriously mentally ill and residing in a 24-hour residential treatment facility licensed by the Department of Health Services.

The approved FY 2000 and FY 2001 amounts, \$288,000 GF, are unchanged from FY 1999. The approved amounts will fund monthly payments averaging \$50 to 480 clients; no clients in private nursing homes are currently receiving this payment, and no county-operated nursing homes are currently operated in Arizona.

Excess Balance Transfers: TANF Stabilization Fund - Laws 1999, Chapter 6, 1st Special Session transfers \$3,141,000 from the TANF Stabilization Fund to the General Fund in FY 1999. The TANF Stabilization Fund can be used to supplement existing appropriations when caseloads for the TANF program exceed budgeted projections. The FY 1998 ending fund balance was \$5,141,000; Laws 1998, Chapter 208 did, however, appropriate \$2,000,000 to the department from the fund. (Please see the **Federal Block Grants** discussion in the Summary narrative for details on unspent federal TANF Block Grant monies.)

Additional Legislation: Federal Efficiency Monies; DES; Retention (Chapter 78) — Allows DES to retain federal enhanced funding for improved efficiencies and that these monies can be used for performance-based incentive pilot programs. These monies could be used in addition to monies added to the division's budget starting in FY 2000

to expand the incentive pay program. (Please see the **Incentive Pay Program** discussion above for further details.)

Welfare Assistance; Eligibility; Advocate Payments (Chapter 252) — Exempts from time limits adult caretakers of disabled persons who receive GA. Other clients are limited to 12 months of GA benefits during any 36-month period. The bill also establishes limits on attorney fees for SSI appeals. Because there are only approximately 35 adult caretakers currently receiving GA, this law is expected to have minimal effect on expenditures in the GA program.