

DEPARTMENT OF ECONOMIC SECURITY - SUMMARY

A.R.S. § 41-1951

John Clayton, Director

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**General Fund and Other
Appropriated Funds****FY 1998
Actual****FY 1999
Estimate****FY 2000
Approved****FY 2001
Approved**Program Summary

Administration	41,228,000	44,811,100	41,937,500	42,155,400
Developmental Disabilities	34,100,900	55,206,900	55,920,100	57,820,600
Long Term Care	81,772,400	87,943,000	96,322,300	105,020,600
Benefits and Medical Eligibility	205,137,200	178,938,700	174,255,700	172,742,400
Child Support Enforcement	11,321,600	13,660,500	13,789,300	13,934,500
Aging and Community Services	21,990,400	28,924,400	30,643,600	30,787,500
Children, Youth and Families	113,362,100	156,215,300	146,367,400	144,024,900
Employment and Rehabilitation Services	98,884,800	164,547,100	246,069,000	262,011,500
Lump Sum Reduction - Operating	0	0	(1,573,800) ^{1/}	(1,573,800) ^{1/}
Total Appropriations	607,797,400	730,247,000	803,731,100	826,923,600

Expenditure Detail

FTE Positions	3,717.2	3,917.4	3,392.0 ^{2/}	3,420.8 ^{2/}
Personal Services	87,902,500	96,693,900	91,478,600	92,621,300
Employee Related Expenditures	20,788,900	21,290,000	19,821,500	20,105,300
Professional and Outside Services	3,760,400	4,806,500	5,115,700	5,012,200
Travel - In State	3,116,300	2,816,600	2,825,800	2,857,100
Travel - Out of State	69,300	71,500	42,000	45,300
Other Operating Expenditures	25,291,000	28,483,900	27,667,700	28,550,100
Equipment	3,411,800	1,849,400	1,341,300	2,435,900
Operating Subtotal	144,340,200	156,011,800	148,292,600	151,627,200
Special Line Items	463,457,200	574,235,200	653,587,300	672,821,200
Additional Appropriations	0	0	3,425,000	4,049,000
Lump Sum Reduction - Operating	0	0	(1,573,800) ^{1/}	(1,573,800) ^{1/}
Total Appropriations	607,797,400	730,247,000	803,731,100 ^{3/4/5/6/}	826,923,600 ^{3/4/5/6/}

Fund Summary

General Fund	376,556,500	425,530,100	433,272,600	448,032,800
Federal Temporary Assistance for Needy Families Block Grant	172,638,500	221,039,100	239,924,500 ^{7/}	246,880,000 ^{7/}
Federal Child Care and Development Fund Block Grant	43,105,300	53,550,500	55,113,800	55,683,300
Federal Welfare to Work Block Grant	0	3,000,000	0	0
Special Administration Fund	4,064,700	1,591,600	1,595,700	1,601,100
Public Assistance Collections Fund	223,500	282,400	285,200	289,100
Long Term Care System Fund	0	12,000,000	12,254,200	12,964,300
Child Support Enforcement Administration Fund	9,437,900	10,777,700	9,135,400	9,313,500
Domestic Violence Shelter Fund	1,096,300	1,509,100	1,509,100	1,509,100
Child Abuse Prevention Fund	603,900	810,500	1,060,300	1,061,400
Children and Family Services Training Program Fund	70,800	156,000	156,000	156,000
Spinal and Head Injury Trust Fund	0	0	1,549,300	1,558,000
Workforce Investment Act Grant	0	0	47,875,000	47,875,000
Total Appropriations	607,797,400	730,247,000	803,731,100	826,923,600

DEPARTMENT OF ECONOMIC SECURITY - SUMMARY (Cont'd)

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: Developmental Disabilities; Benefits and Medical Eligibility; Aging and Community Services; Children, Youth and Families; Child Support Enforcement; and Employment and Rehabilitation Services.*

Lump Sum Reduction — The approved amount for FY2000 includes an agencywide \$(1,573,800) General Fund operating budget lump sum reduction. This reduction is continued in FY 2001. The agency has lump-sum flexibility in allocating this operating budget reduction. However, a footnote was included in the General Appropriation Act requiring the department to report to the Joint Legislative Budget Committee on its plan for implementing the reductions. The report for FY 2000 is due by July 1, 1999 and the report for FY 2001 is due by July 1, 2000.

Transferring the TANF Block Grant — The 1996 federal welfare reform legislation that created the Temporary Assistance for Needy Families (TANF) Block Grant allows states to transfer up to 10% of their yearly TANF grants to the Social Services Block Grant (SSBG). Recent federal legislation restricts the amount that states can transfer from the TANF Block Grant to the SSBG beginning in federal fiscal year (FFY) 2001 to 4.25% of a state's yearly TANF Block Grant. As discussed also in the Division of Children, Youth and Families (DCYF), the 1999 Legislature authorized the transfer of a portion of the state's TANF Block Grant to the federal SSBG beginning in FY 1999. These monies are used to fund the Children Services program in DCYF and to reduce the impact of recent federal cuts in the SSBG grant to the state. The SSBG funds a broad range of social services provided both directly by DES as well as through local providers. The programs funded in DES are spread throughout the agency.

The approved budget uses the transferred TANF monies to SSBG to hold programs 100% harmless in FY 1999 from the federal SSBG cut. For subsequent years, the programs are required to begin absorbing the cut. Funding is approved at 67% of the expected FY 2000 cut and 33% of the expected FY 2001 cut.

The TANF to SSBG transferred monies are reflected in the TANF Deposit to SSBG Special Line Item displayed in DCYF. They will continue to be subject to legislative oversight in the TANF appropriation. The following 3 tables show by fiscal year the amounts transferred and the way the monies are allocated. Monies transferred in FY1999 are allocated for spending in FY 1999 and FY 2000. Monies transferred in FY 2000 are allocated for spending in FY 2000 and FY 2001. All monies transferred in FY 2001 are allocated for spending in that year.

Table 1 shows a transfer of \$22,639,800 in FY 1999. Of the \$22,639,800 transferred, \$4,560,700 is for a shortfall in funding in FY 1999 for Children Services. This shortfall in funding is covered in FY 2000 by an appropriation from the General Fund. The FY 1999 transfer also includes \$14,089,000 allocated for Children Services in FY 2000. However, a footnote was included in the supplemental legislation to allow the department to make use of the \$14,089,000 prior to FY 2000 should the FY 1999 shortfall be greater than what has been estimated. Any use of the \$14,089,000 in FY 1999 must be reviewed by the Joint Legislative Budget Committee. (See footnote 3 in the DCYF cost center.)

- 1/ By July 1, 1999, the Department of Economic Security shall report to the Joint Legislative Budget Committee its plan for implementing the \$1,573,800 lump sum reduction to the operating budget in FY 2000. The Department of Economic Security shall make a similar report for FY 2001 by July 1, 2000. (General Appropriation Act footnote)
- 2/ Includes 636.2 FTE Positions in FY 2000 and 642.3 FTE Positions in FY 2001 funded from Special Line Items.
- 3/ General Appropriation Act Funds are appropriated as an Operating Lump Sum with Special Line Items for the Program.
- 4/ The above appropriation is in addition to funds granted to the state by the federal government for the same purposes but shall be deemed to include the sums deposited in the State Treasury to the credit of the Department of Economic Security, pursuant to A.R.S. § 42-5029. (General Appropriation Act footnote)
- 5/ A monthly report comparing total expenditures for the month and year-to-date as compared to prior year totals shall be forwarded to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of the Senate and House Appropriations Committees and the Director of the Joint Legislative Budget Committee by the 25th of the following month. The report shall include an estimate of (1) potential shortfalls in entitlement programs, (2) 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, (3) shortfalls resulting from new leases or renegotiation of current leases and associated costs, and (4) total expenditure authority of the Child Support Enforcement program for the month and year-to-date as compared to prior year totals. (General Appropriation Act footnote)
- 6/ The Department of Economic Security shall report the receipt and intended use of all current and prior year reversions from nonappropriated sources to the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 7/ For each appropriation containing federal Temporary Assistance for Needy Families Block Grant monies, the appropriations shall be reduced in FY 2000 by 2% of the Temporary Assistance for Needy Families Block Grant portion of the appropriations if the federal fiscal year 2000 federal budget maintains Temporary Assistance for Needy Families supplemental grant funding at federal fiscal year 1999 levels. For each appropriation containing federal Temporary Assistance for Needy Families Block Grant monies, the appropriations shall be reduced in FY 2001 by 2% of the Temporary Assistance for Needy Families Block Grant portion of the appropriations if the federal fiscal year 2001 federal budget maintains Temporary Assistance for Needy Families supplemental grant funding at federal fiscal year 1999 levels. (General Appropriation Act footnote)

DEPARTMENT OF ECONOMIC SECURITY - SUMMARY (Cont'd)

Table 1

<u>Fiscal Year 1999</u>	<u>Amount</u>
TANF to SSBG Transfer	\$22,639,800
<u>Expenditures for Transfer</u>	
FY 1999 Shortfall in Children Services	\$ 4,560,700
100% Offset for Federal SSBG Cuts	3,990,100
FY 2000 Funding for Children Services	<u>14,089,000</u>
Total Expenditures	\$22,639,800

Table 2 outlines spending for monies transferred in FY2000. The amount of funding for Children Services in FY 2000 totals \$22,950,000 when the FY 1999 transferred allocation of \$14,089,000 is combined with \$8,861,000 that is allocated in the FY 2000 transfer.

Table 2

<u>Fiscal Year 2000</u>	<u>Amount</u>
TANF to SSBG Transfer	\$23,560,000
<u>Expenditures for Transfer</u>	
FY 2000 Funding for Children Services	\$ 8,861,000
67% Offset for Federal SSBG Cuts	4,186,600
FY 2001 Funding for Children Services	<u>10,512,400</u>
Total Expenditures	\$23,560,000

Table 3 shows a transfer of \$15,018,900, which is the amount needed to cover approved spending for FY 2001. Funding in FY 2001 for the Children Services program is the same \$22,950,000 as in FY 2000, consisting of \$10,512,400 from the FY 2000 transfer and \$12,437,600 from the FY 2001 transfer.

Table 3

<u>Fiscal Year 2001</u>	<u>Amount</u>
TANF to SSBG Transfer	\$15,018,900
<u>Expenditures for Transfer</u>	
FY 2001 Funding for Children Services	\$12,437,600
33% Offset for Federal SSBG Cuts	<u>2,581,300</u>
Total Expenditures	\$15,018,900

A footnote was included in the 1999 Supplemental legislation (Laws 1999, Chapter 6, 1st Special Session) to ensure that monies approved to offset the FY 1999 federal SSBG cut are spent in a manner that ensures the state planned and locally planned providers receive the same amount that they would have received if the federal government had not imposed the cut. (See footnote 3 in the DCYF cost center.) In the General Appropriation Act, a footnote was included to require the department's Division of Administration to report to the Joint Legislative Budget Committee its intended distribution of all federal SSBG monies by June 1, 1999 for FY 2000 and by June 1, 2000 for FY 2001. This requirement includes any federal SSBG grant monies in excess of \$30,972,800

in FY 2000 and \$29,508,800 in FY 2001. These are the amounts currently anticipated to be received by the state. (See footnote 4 in the Division of Administration cost center.)

In addition, Laws 1998, Chapter 208 has legislative intent language stating that federal TANF Block Grant monies "shall not be diverted" out of the TANF Block Grant "for other purposes not related to welfare reform" through FY 2003. Although federal law permits transfers out of the TANF Block Grant to the SSBG for non-welfare-related purposes, the legislative intent section in Chapter 208 does not consider this option. Language was included in Laws 1999, Chapter 3, 1st Special Session to clarify that the transfers discussed here are permitted.

Arizona Works — The approved FY 2000 and FY 2001 amounts include monies to implement the Arizona Works pilot program, which began operation on April 1, 1999. The program replaces the EMPOWER Redesign program, which provides cash benefits and services to eligible recipients of TANF assistance, in DES's District I-E, centered around eastern Maricopa County.

The Arizona Works pilot program was established by Laws 1997, Chapter 300 and modified by Laws 1998, Chapter 211. Qualified applicants for TANF Cash Benefits residing in the Arizona Works pilot area will be placed in 1 of 4 employment levels: full-time unsubsidized employment, subsidized employment, unsubsidized and unpaid employment, and community referrals. Arizona Works participants receive a flat grant that varies based upon their employment level.

The approved amounts are based on a projection of the number of clients expected to receive cash benefits and services, such as job training, child care subsidies, and transportation, in the Arizona Works pilot area. The approved amounts for these services are included in the line items (such as TANF Cash Benefits) that also fund EMPOWER Redesign clients. Since this is a new program, the approved amounts may need to be adjusted in future fiscal years. We would also note that the Legislature did not address the issue of how to allocate any particular appropriation (e.g., new programs, eligibility interviewer reductions) to the Arizona Works program.

Federal Block Grants — The approved FY 2000 and FY2001 amounts include appropriation of the state's TANF Block Grant allocation. Table 4 indicates how much TANF Block Grant monies, including additional appropriations, are appropriated by cost center:

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Table 4

<u>Cost Center</u>	<u>FY 2000</u>	<u>FY 2001</u>
Administration	\$ 4,777,700	\$ 5,349,400
Benefits & Med. Eligibility	92,768,100	92,779,100
Aging & Community Svs.	8,373,900	8,378,600
Children, Youth & Families	35,509,300	27,094,300
Employment & Rehab. Svs.	<u>98,495,500</u>	<u>113,278,600</u>
DES Total	\$239,924,500	\$246,880,000
Dept. of Health Services	\$ 2,250,000	\$ 2,250,000
Total TANF Appropriation	\$242,174,500	\$249,130,000
Total TANF Revenues	\$238,271,400	\$239,442,800

As can be seen, the amounts appropriated exceed the amount of TANF Block Grant monies the state is expected to receive in both years. This is possible because the state is expected to have at least \$72,578,300 TANF “on account” with the federal government on June 30, 1999. The excess amounts, \$3,903,100 in FY 2000 and \$9,687,200 in FY 2001, can be funded from this “reserve account,” leaving an expected balance of \$58,988,000 on June 30, 2001.

In his FFY 2000 budget proposal, President Clinton proposed freezing a portion of some states’ grants at FFY 1999 levels. If enacted, this proposal would reduce Arizona’s expected TANF Block Grant revenues by approximately \$4.4 million in FY 2000 and, if continued, approximately \$5.6 million in FY 2001. As a result, a footnote was added to the DES budget stating that, if the above proposal was enacted, each TANF appropriation in the budget would be reduced by 2%. *(Please see footnote 7 on page 93 for further details.)*

The approved FY 2000 and FY 2001 amounts also include the appropriation of the state’s federal Child Care and Development Fund (CCDF) Block Grant. In FY 2000, the state appropriates \$55,113,800 CCDF; in FY 2001, the state appropriates \$55,683,300 CCDF.

TANF Maintenance of Effort — The approved FY 2000 and FY 2001 amounts are based upon the state maintaining a 75% maintenance of effort for its TANF program. Federal law requires states to spend at least 80% of what they spent in state dollars in FFY 1994 on welfare-related programs; this amount is reduced to 75% if states meet specified work participation rates. Because states are given point-for-point reductions for caseload declines since FFY 1994, and Arizona’s caseloads have dropped by approximately half over that time period, Arizona should be able to easily meet the work participation rates. This means the state can use the 75% maintenance of effort level.