

**Department of Economic Security**  
**Employment & Rehabilitation Services**

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DESCRIPTION	FY 2003	FY 2004	FY 2005	
	ACTUAL	ESTIMATE	OSPB	JLBC
<b>OPERATING BUDGET</b>				
<i>Full Time Equivalent Positions</i>	438.3	413.3		413.3
Personal Services	14,071,000	14,112,800		14,112,800
Employee Related Expenditures	3,926,800	3,864,900		3,864,900
Professional and Outside Services	291,100	250,700		250,700
Travel - In State	263,400	437,100		437,100
Other Operating Expenditures	970,200	1,788,200		1,788,200
Equipment	196,600	0		0
<b>OPERATING SUBTOTAL</b>	<b>19,719,100</b>	<b>20,453,700</b>		<b>20,453,700</b>
<b>SPECIAL LINE ITEMS</b>				
<b>Jobs Administration</b>				
JOBS	18,227,700	22,610,100		22,610,100
Work-Related Transportation	1,856,000	302,200		302,200
Job Search Stipends	26,200	30,000		30,000
<b>Child Care Administration</b>				
Day Care Subsidy	122,031,300	118,256,500		118,256,500
Transitional Child Care	27,335,100	30,500,000		30,500,000
<b>Rehabilitation Services Administration</b>				
Vocational Rehabilitation Services	2,162,400	3,489,800		3,489,800
Developmental Disabilities Employment Support	1,833,600	0		0
Independent Living Rehabilitation Services	2,006,100	2,491,900		2,491,900
<b>Workforce Development Administration</b>				
Summer Youth Employment and Training	1,000,000	1,000,000		1,000,000
Workforce Investment Act - Discretionary	0	3,266,600		3,266,600
Workforce Investment Act - Local Governments	0	40,804,000		45,088,100
Workforce Investment Act Programs	42,733,800	0		0
<b>PROGRAM TOTAL</b>	<b>238,931,300</b>	<b>243,204,800</b>		<b>247,488,900</b>
<b>FUND SOURCES</b>				
General Fund	30,000,400	38,830,200		38,830,200
<u>Other Appropriated Funds</u>				
Federal CCDF Block Grant	102,023,700	125,432,000		125,432,000
Federal TANF Block Grant	58,484,400	23,132,300		23,132,300
Job Training Fund	0	3,829,400		3,829,400
Special Administration Fund	1,148,500	1,585,000		1,585,000
Spinal and Head Injuries Trust Fund	2,012,500	2,391,200		2,391,200
Workforce Investment Act Grant	45,261,800	48,004,700		52,288,800
SUBTOTAL - Other Appropriated Funds	208,930,900	204,374,600		208,658,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>238,931,300</b>	<b>243,204,800</b>		<b>247,488,900</b>
Other Non-Appropriated Funds	542,512,500	541,975,300		541,975,300
Federal Funds	91,445,900	93,694,400		93,694,400
<b>TOTAL - ALL SOURCES</b>	<b>872,889,700</b>	<b>878,874,500</b>		<b>883,158,600</b>

**CHANGE IN FUNDING SUMMARY**

FY 2004 to FY 2005 JLBC

	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	4,284,100	2.1%
Total Appropriated Funds	4,284,100	1.8%
Non Appropriated Funds	0	0.0%
Total - All Sources	4,284,100	0.5%

**COST CENTER DESCRIPTION** — This program provides: 1) employability services to Temporary Assistance for Needy Families (TANF) recipients through the Job Opportunity and Basic Skills (JOBS) training program; 2) child care subsidy programs; 3) rehabilitative services to individuals with disabilities; and 4) job training opportunities to economically disadvantaged adults and youth. Several 100% federally funded programs are located in this division, such as the Unemployment Insurance benefit program and the Workforce Investment Act programs.

PERFORMANCE MEASURES	FY 2003	FY 2003	FY 2004	FY 2005
	Appropriation	Actual	Appropriation	Recommend.
• Number of TANF recipients who obtained employment	12,264	15,879	16,065	16,330
• Average cost per JOBS participant in all work activities (in \$)	771	882	895	895
• % of customer satisfaction with child care	91.5	94.0	93.0	94.0
• Vocational Rehabilitation individuals successfully rehabilitated	2,307	1,546	2,045	2,000

**RECOMMENDED CHANGES FROM FY 2004**

**Operating Budget**

The JLBC recommends \$20,453,700 for the operating budget in FY 2005. This amount includes:

General Fund	\$2,698,000
Federal Child Care and Development Fund (CCDF) Block Grant	8,328,700
Job Training Fund	2,035,900
Special Administration Fund	85,000
Spinal and Head Injuries Trust Fund	478,800
Federal Temporary Assistance for Needy Families (TANF) Block Grant	4,893,200
Workforce Investment Act (WIA) Grant	1,934,100

These amounts are unchanged from FY 2004.

**Special Line Items**

**JOBS Administration**

**JOBS**

The JLBC recommends \$22,610,100 for JOBS in FY 2005. This amount includes \$17,316,600 from the federal TANF Block Grant, \$2,000,000 from the WIA Grant, \$1,793,500 from the Job Training Fund and \$1,500,000 from the Special Administration Fund. This amount is unchanged from FY 2004.

This line item provides job training and job search services to clients currently receiving TANF Cash Benefits, as well to former TANF recipients. *Table 1* highlights total estimated expenditures for the JOBS line item.

**Table 1**

Expenditures	Amount
Job Training	\$13,792,200
Case Management	2,713,200
Post Employment Services	6,104,700
<b>Total</b>	<b>\$22,610,100</b>

**Work-Related Transportation**

The JLBC recommends \$302,200 from TANF for Work Related Transportation in FY 2005. This amount is unchanged from FY 2004.

This line item funds transportation services to assist TANF recipients in finding and sustaining employment.

**Job Search Stipends**

The JLBC recommends \$30,000 from the General Fund for Job Search Stipends in FY 2005. This amount is unchanged from FY 2004.

This line item funds the state match for allowances paid to Food Stamp recipients searching for a job.

**Child Care Administration**

The DES Child Care Administration (CCA) helps eligible families pay a portion of child care costs when parents or caretakers participate in DES eligible activities. Requirements vary for each program.

*Table 2* highlights the average number of children receiving child care services per month from FY 2002 through the first half of FY 2004.

Category	Children Served		
	FY 2002	FY 2003	FY 2004 <sup>1/</sup>
TANF	4,828	5,594	6,124
CPS	3,024	3,573	3,777
Low Income Working	25,205	25,338	19,882
<b>Day Care Subsidy SLI Subtotal</b>	<b>33,057</b>	<b>34,505</b>	<b>29,783</b>
Transitional Child Care SLI	7,642	8,221	8,321
<b>Total Served</b>	<b>40,699</b>	<b>42,725</b>	<b>38,104</b>

<sup>1/</sup> First six month average

To meet appropriated funding levels, CCA instituted a waiting list in March 2003 for new applicants in non-mandatory categories. Non-mandatory categories include

low-income working poor, teen parents in school and parents in homeless shelters.

Families that are on TANF and working in the JOBS program or who recently left TANF but are working (*see Transitional Child Care Special Line Item below*) are not placed on a waiting list, nor are families in Child Protective Services (CPS).

At the time of the installation of the waiting list, the total number of children served averaged 44,185. That number has dropped to 38,104 through the first half of FY 2004 (a reduction of 11% from FY 2003). However, the number of children currently on the waiting list has increased – from 3,800 at the end of FY 2003 to 7,174 through the first half of FY 2004. The total number of children on the waiting list or receiving services through December 2003 is 45,278, an increase of 3% from December 2002.

**Federal Child Care Development Fund Block Grant**

The recommended amounts include the appropriation of the state’s federal Child Care and Development Fund (CCDF) Block Grant allocation. *Table 3* below summarizes the expected FY 2005 CCDF shortfall. In FY 2004, CCDF expenditures of nearly \$127 million were \$33 million greater than ongoing revenues. This shortfall was made up with one-time monies in FY 2004.

In FY 2005, ongoing revenues are expected to remain flat. Additionally, there are no one-time CCDF monies available to support FY 2004 expenditure levels in FY 2005. The Legislature will need to resolve this shortfall by finding an alternative funding source or by reducing CCDF spending.

A reduction in CCDF spending of \$33 million in FY 2005 would have the impact of reducing the number of children receiving child care by approximately 26%, or about 9,900 children. This reduction would come entirely from the low income poor category (*please see Table 2 above*), reducing the number of children served in that category by 50%. A corresponding increase would be expected in the waiting list.

<b>FY 2005 CCDF Shortfall</b>		
	<u><b>FY 2004</b></u>	<u><b>FY 2005</b></u>
CCDF Ongoing	\$ 93,812,100	\$ 93,812,100
CCDF One-Time	<u>33,093,400</u>	<u>0</u>
<b>Total</b>	<u><b>\$126,905,500</b></u>	<u><b>\$126,905,500</b></u>
<b>CCDF Shortfall</b>	<b>\$ 0</b>	<b>\$ (33,093,400)</b>

**Day Care Subsidy**

The JLBC recommends \$118,256,500 for Day Care Subsidy in FY 2005 (*see Table 4 for funding breakdown*). This amount is unchanged from FY 2004.

This line item funds child care subsidies to TANF clients engaged in job activities, those providing Foster Care

services, low-income persons, and other persons meeting financial and other eligibility criteria.

Clients in the state’s TANF program are entitled to services. Low-income working clients are not entitled to services. Quality enhancement activities include child care resource and referral and training activities. (*see Table 4*). With the exception of TANF clients, many clients are required to make co-payments.

<u><b>Category</b></u>	<u><b>Amount</b></u>
TANF-Related	\$ 19,500,000
Low-Income Work Related	87,056,500
Quality Set Aside	<u>11,700,000</u>
<b>Total</b>	<b>\$118,256,500</b>
<u><b>Fund Source</b></u>	
General Fund	\$ 31,032,900
TANF	620,300
CCDF	<u>86,603,300</u>
<b>Total</b>	<b>\$118,256,500</b>

**Transitional Child Care**

The JLBC recommends \$30,500,000 from CCDF for Transitional Child Care in FY 2005. This amount is unchanged from FY 2004.

This line item funds child care subsidies to clients who no longer receive TANF Cash Benefits due to finding employment. The program provides subsidies for up to 24 months after the client stops receiving TANF Cash Benefits. These subsidies require a co-pay from the recipient.

**Rehabilitation Services Administration**

**Vocational Rehabilitation Services**

The JLBC recommends \$3,489,800 for Vocational Rehabilitation Services in FY 2005. This amount includes \$3,285,100 General Fund and \$204,700 from the Spinal and Head Injuries Trust Fund. These amounts are unchanged from FY 2004.

This line item funds individually planned services for the disabled designed to return them to the workforce. Services provided include personal and social adjustment, rehabilitation technology, physical or mental restoration (e.g., prosthetics), and vocational training and placement. The federal government provides 78.7% of funding for every 21.3% of state match. In addition to the state-appropriated monies, DES has secured other sources of state match through agreements with agencies such as the Department of Health Services (DHS), the Arizona State Schools for the Deaf and the Blind, and the City of Phoenix.

The program is expected to serve 1,681 clients at an average annual TF cost of \$6,322 per client. In addition to these clients, the division is also expected to serve 200

clients who are not developmentally disabled at an average annual cost of \$3,622 per client, using federal Social Services Block Grant and Arizona Industries for the Blind monies.

**Developmental Disabilities Employment Support**

The JLBC recommends no funding for Development Disabilities Employment Support in FY 2005. This line item funds long-term support services to persons with developmental disabilities who need additional assistance (e.g., job coaching) to maintain employment. This line item was eliminated in FY 2004 and its funding transferred to the Long Term Care budget.

**Independent Living Rehabilitation Services**

The JLBC recommends \$2,491,900 for Independent Living Rehabilitation Services in FY 2005. This amount includes \$784,200 from the General Fund and \$1,707,700 from the Spinal and Head Injuries Trust Fund. These amounts are unchanged from FY 2004.

This 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. Funds are also used to provide eye exams and glasses to financially needy persons.

- Services to Individuals: \$540,100 GF and \$1,707,700 Spinal and Head Injuries Trust Fund to provide independent living services (case management, counseling, or contracted services) to an estimated 7,563 clients.
- Sight Conservation: \$244,100 GF to provide 9,208 eye examinations and 6,139 pairs of eyeglasses and other eye appliances at an average cost of \$26.51 per person.

**Workforce Development Administration**

**Summer Youth Employment and Training**

The JLBC recommends \$1,000,000 from the General Fund for Summer Youth Employment and Training in FY 2005. This amount is unchanged from FY 2004.

This line item funds summer youth employment and training programs for at-risk youth. The division will distribute the \$1,000,000 directly to counties, based on population characteristics specified by law.

**Workforce Investment Act - Discretionary**

The JLBC recommends \$3,266,600 from the WIA Grant for the Workforce Investment Act - Discretionary line item in FY 2005. This amount is unchanged from FY 2004.

This line item funds various programs as recommended by the Governor’s Council on Workforce Policy. These monies make up 15% of the total federal WIA Grant. Programs include Apprenticeship and Youth Issues. All WIA Grant funds require legislative appropriation.

In FY 2004, the state received an increase of \$5,040,100 in WIA funding over the appropriated amount of \$48,004,700. A footnote in the FY 2004 General Appropriation Act required JLBC review before any excess monies could be spent. The Committee favorably reviewed the portion of the grant allocated to local governments, totaling \$4,284,100. (Please see “Increased WIA Funding Policy Issue” for more information.)

A FY 2005 expenditure plan for the use of discretionary WIA funds has not been submitted. The JLBC recommends that before these discretionary funds can be spent, an expenditure plan be reviewed by the Joint Legislative Budget Committee. (Please see JLBC Recommended Footnotes for more information.)

**Workforce Investment Act - Local Governments**

The JLBC recommends \$45,088,100 from the WIA Grant for the Workforce Investment Act - Local Governments line item in FY 2005. This amount would fund the following adjustment:

**Increased WIA Funding OF 4,284,100**

The JLBC recommends an increase of \$4,284,100 from the WIA grant in order to account for increases in the state’s allotment from the federal program that gets passed through to local governments. Federal provisions require that 85% of the monies received by the state be allocated to local areas, with the state receiving the other 15% for discretionary purposes. The recommended funding increase represents those monies that get passed on to local governments. (See Workforce Investment Act - Discretionary for additional information)

This line item funds workforce training for dislocated workers and disadvantaged adults and youth at the local level. These monies are the state’s allotment of the federal Workforce Investment Act (WIA) Grant, established by Congress in 1998. Of the total grant received by the state, 85% is allocated to local governments.

The allocation of the WIA Grant for Workforce related programs in FY 2005 are shown in Table 5 below.

<b>Table 5</b>	
<b>Category</b>	<b>Amount</b>
Local Governments	\$45,088,100
Discretionary	3,266,600
Administration	1,934,100 <sup>1/</sup>
JOBS	<u>2,000,000</u> <sup>2/</sup>
<b>Total</b>	<b>\$52,288,800</b>
<sup>1/</sup> This funding is included in the Operating budget.	
<sup>2/</sup> This funding is included in the JOBS line item.	

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**JLBC RECOMMENDED FORMAT — Operating Lump Sum with Special Line Items by Program**

## JLBC RECOMMENDED FOOTNOTES

### *Standard Footnotes*

It is the intent of the Legislature that the \$22,610,100 appropriated for JOBS may be used to support nonpermanent and seasonal positions to fulfill federal program requirements when contracts for services cannot be established with outside parties. The use of such positions shall be reported to the Director of REVIEWED BY the Joint Legislative Budget Committee. *(It is the intent that increased oversight may help increase compliance.)*

It is the intent of the Legislature that the department shall use \$4,500,000 of the monies appropriated for the JOBS Special Line Item for contracts with education and training entities. These contracts shall focus on assisting JOBS clients in obtaining jobs paying, on average, \$10 per hour or more. The department shall report to the Joint Legislative Budget Committee by October 15, 2005 on these efforts. The report shall include expenditure details and placement data.

Of the \$118,256,500 appropriated for Day Care Subsidy, \$87,056,500 is for a program in which the upper income limit is no more than 165% of the federal poverty level. This provision shall not be construed to impose a duty on an officer, agent or employee of the state to discharge a responsibility or to create any right in a person or group if the discharge or right would require an expenditure of state monies in excess of the \$87,056,500 appropriation.

The amounts appropriated for Day Care Subsidy and Transitional Child Care shall be used exclusively for child care costs unless a transfer of monies is approved by the Joint Legislative Budget Committee. Monies shall not be used from these appropriated amounts for any other expenses of the Department of Economic Security unless a transfer of monies is approved by the Joint Legislative Budget Committee.

All Spinal and Head Injuries Trust Fund receipts received by the Department of Economic Security in excess of \$2,391,200 are appropriated to the Independent Living Rehabilitation Services Special Line Item. Before the

expenditure of any Spinal and Head Injuries Trust Fund receipts in excess of \$2,391,200, the Department of Economic Security shall submit the intended use of the monies for review by the Joint Legislative Budget Committee.

All federal Workforce Investment Act DISCRETIONARY funds that are received by the state in excess of \$3,266,600 are appropriated to the WORKFORCE INVESTMENT ACT – DISCRETIONARY Special Line Item. Excess monies may not be spent until a proposed expenditure plan for the excess monies has been reviewed by the Joint Legislative Budget Committee.

### *New Footnotes*

Monies appropriated to the Workforce Investment Act – Discretionary Special Line Item may not be expended until a proposed expenditure plan has been reviewed by the Joint Legislative Budget Committee.

All federal Workforce Investment Act funds for local governments that are received by the state in excess of \$45,088,100 are appropriated to the Workforce Investment Act - Local Governments Special Line Item. Excess monies may not be spent until a proposed expenditure plan for the excess monies has been reviewed by the Joint Legislative Budget Committee.

### *Deletion of Prior Year Footnotes*

The JLBC recommends deleting the footnote related to statewide workforce training services. This was a one-time footnote requiring a FY 2004 report.

## JLBC RECOMMENDED STATUTORY CHANGES

The JLBC recommends continuing a FY 2004 Omnibus Reconciliation Bill provision that permits 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.

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## SUMMARY OF FUNDS - SEE AGENCY SUMMARY

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