

## Department of Economic Security

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4,055.1	3,924.6	3,882.6 <sup>1/</sup>
Personal Services	74,082,200	85,965,000	84,599,100
Employee Related Expenditures	34,539,600	39,624,000	38,997,600
Professional and Outside Services	19,396,800	21,766,900	21,718,200
Travel - In State	1,016,200	1,122,400	1,173,600
Travel - Out of State	40,600	36,800	36,300
Other Operating Expenditures	45,414,700	52,978,000	51,383,800
Equipment	4,390,300	4,199,500	4,775,800
<b>OPERATING SUBTOTAL</b>	<b>178,880,400</b>	<b>205,692,600</b>	<b>202,684,400</b> <sup>2/3/4/</sup>
<b>SPECIAL LINE ITEMS</b>			
<b>Administration</b>			
Attorney General Legal Services	20,301,200	10,673,500	11,141,400
<b>Aging and Adult Services</b>			
Adult Services	7,924,100	6,924,100	7,924,100
Community and Emergency Services	3,724,000	3,724,000	3,724,000
Coordinated Homeless	2,522,600	2,522,600	2,522,600
Domestic Violence Prevention	12,123,700	12,123,700	12,123,700 <sup>5/6/</sup>
Homeless Capital Grant	0	0	500,000 <sup>7/</sup>
Long Term Care Assisted Living	0	0	300,000 <sup>8/</sup>
<b>Benefits and Medical Eligibility</b>			
TANF Cash Benefits	47,491,400	44,999,400	44,999,400
Coordinated Hunger	1,754,600	1,754,600	1,754,600
Tribal Pass-Through Funding	4,680,300	4,680,300	4,680,300
<b>Child Support Enforcement</b>			
County Participation	6,049,300	8,600,200	6,740,200
<b>Developmental Disabilities</b> <sup>9/10/11/12/</sup>			
Case Management - Medicaid	44,095,900	47,727,500	47,761,700
Home and Community Based Services - Medicaid	630,432,900	764,575,500	824,215,000
Institutional Services - Medicaid	17,553,100	17,416,500	18,966,900
Medical Services - Medicaid	120,148,000	127,287,600	138,602,400
Arizona Training Program at Coolidge - Medicaid	16,091,500	15,903,500	15,912,300
Medicare Clawback Payments	2,848,400	3,072,000	2,902,400
Case Management - State Only	2,846,000	3,926,600	3,928,600
Home and Community Based Services - State Only	18,515,300	33,443,400	21,296,700
State-Funded Long Term Care Services	29,428,100	26,527,900	26,554,800
Autism Parenting Skills - Rural Areas	0	0	300,000 <sup>13/</sup>
<b>Employment and Rehabilitation Services</b>			
<b>JOBS</b>			
Child Care Subsidy	12,772,700	13,005,600	11,005,600
Child Care Subsidy	96,685,000	130,396,600	98,396,600 <sup>14/</sup>
Rehabilitation Services	3,499,100	4,799,100	4,799,100
Independent Living Rehabilitation Services	1,239,400	1,289,400	1,289,400
Workforce Investment Act Services	47,475,100	51,654,600	53,654,600 <sup>15/</sup>
<b>AGENCY TOTAL</b>	<b>1,329,082,100</b>	<b>1,542,720,800</b>	<b>1,568,680,800</b> <sup>16/-18/</sup>
<b>FUND SOURCES</b>			
General Fund	425,157,800	460,072,500	479,290,300 <sup>19/20/</sup>
<b>Other Appropriated Funds</b>			
Child Support Enforcement Administration Fund	10,049,300	16,787,400	16,802,200 <sup>4/</sup>
Domestic Violence Shelter Fund	2,220,000	2,220,000	2,220,000 <sup>5/6/</sup>
Federal CCDF Block Grant	107,671,200	130,769,700	103,773,600
Federal TANF Block Grant	88,370,300	90,216,100	86,727,700 <sup>20/</sup>
Long Term Care System Fund (Non-Federal Matched)	49,248,800	59,724,300	31,225,400 <sup>21/</sup>

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
Public Assistance Collections Fund	18,800	427,000	427,200
Special Administration Fund	1,129,900	2,829,900	2,830,600
Spinal and Head Injuries Trust Fund	1,861,100	1,874,700	1,874,900
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Workforce Investment Act Grant	51,306,800	56,060,000	56,060,800 <sup>15/</sup>
SUBTOTAL - Other Appropriated Funds	311,876,200	361,909,100	302,942,400
<b>SUBTOTAL - Appropriated Funds</b>	<b>737,034,000</b>	<b>821,981,600</b>	<b>782,232,700</b>
<b>Expenditure Authority Funds</b>			
Child Support Enforcement Administration Fund (EA)	32,559,000	40,397,800	40,409,800
Long Term Care System Fund (Federal Match)	559,489,100	680,341,400	746,038,300 <sup>21/</sup>
SUBTOTAL - Expenditure Authority Funds	592,048,100	720,739,200	786,448,100
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>1,329,082,100</b>	<b>1,542,720,800</b>	<b>1,568,680,800</b>
Other Non-Appropriated Funds	453,905,600	563,708,300	315,036,800
Federal Funds	747,562,200	584,695,800	482,154,400
<b>TOTAL - ALL SOURCES</b>	<b>2,530,549,900</b>	<b>2,691,124,900</b>	<b>2,365,872,000</b>

**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 Adult Services; and Employment and Rehabilitation Services.

- <sup>1/</sup> Includes 460.5 GF, 146.8 OF, and 1,120.6 EA FTE Positions funded from Special Line Items in FY 2015.
- <sup>2/</sup> 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. (Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2 footnote)
- <sup>3/</sup> 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. (Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2 footnote)
- <sup>4/</sup> All state shares of retained earnings, fees and federal incentives above \$16,802,200 received by the Division of Child Support Enforcement are appropriated for operating expenditures. New full-time equivalent 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. (Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2 footnote, as adjusted for statewide allocations)
- <sup>5/</sup> All Domestic Violence Shelter Fund monies above \$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 above \$2,220,000 to the Joint Legislative Budget Committee. (Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2 footnote)
- <sup>6/</sup> 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, 2014. The report must include, at a minimum, the amount of monies available and the state fiscal agent receiving those monies. (Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2 footnote)
- <sup>7/</sup> The sum of \$500,000 is appropriated from the state General Fund in FY 2015 to the Department of Economic Security for distribution as a homeless capital grant to a faith-based facility that provides services, including substance abuse treatment, behavioral medicine treatment and job training, to those facing hunger and homelessness in a city with a population of more than 1,000,000 persons according to the 2010 United States decennial census. (General Appropriation Act footnote)
- <sup>8/</sup> The sum of \$300,000 is appropriated from the state General Fund in FY 2015 to the Department of Economic Security for Long-Term Care Assisted Living. The department shall provide the services in a county with a population of less than 500,000 persons according to the 2010 decennial census. (General Appropriation Act footnote)
- <sup>9/</sup> It is the intent of the Legislature that the Department of Economic Security increase home and community based service provider rates by 2% above the June 30, 2014 rate beginning on July 1, 2014. The 2% provider rate increase for home and community based service provider rates may not be used for any administrative costs of the Department of Economic Security. It is the intent of the Legislature that the Department of Economic Security not reduce any developmentally disabled provider rates in order to fund increases for other developmentally disabled provider service rates. (Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2 footnote)
- <sup>10/</sup> 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 program, the department shall submit a report for review by the Joint Legislative Budget Committee. Before the department implements any changes 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 analysis demonstrates that these changes will result in additional state costs of \$500,000 or more for a given fiscal year, the department shall submit the policy changes for review by the Joint Legislative Budget Committee. (Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2 footnote)
- <sup>11/</sup> Before implementation of any developmentally disabled or Long Term care statewide provider rate adjustments 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. The report must include, at a minimum, the estimated cost of the provider rate adjustment and the ongoing source of funding for the adjustment, if applicable. (Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2 footnote)

## Summary

The Department of Economic Security's (DES) FY 2015 General Fund spending increased by \$19,217,800, or 4.2% above the adjusted FY 2014 appropriation. The FY 2014 base has been adjusted to reflect the transfer of the Division of Child Safety and Family Services to the new Department of Child Safety.

The \$19,217,800 in changes include:

### DD Formula Adjustments

- \$6,636,300 for new FY 2015 Developmentally Disabled (DD) Medicaid formula changes. This also funds a 2% DD capitation rate increase in FY 2015.
- \$1,000,000 for Arizona Early Intervention program caseload growth.

### LTCSF Backfill

- \$29,205,900 for the backfill of one-time Long Term Care System Fund (LTCSF) monies that are no longer available.

### Other

- \$(21,786,100) for a transfer of resources to the new Department of Child Safety
- \$3,000,000 for 37 Adult Protective Services staff.
- \$300,000 for a new Autism Parenting Skills program in rural areas
- \$300,000 for a new Long Term Care Assisted Living Program in counties other than Maricopa and Pima.
- \$500,000 for a new Homeless Capital Grant Program.
- \$61,700 for statewide adjustments.

- 12/ The Department of Economic Security shall report all new placements into a state-owned ICF-MR or the Arizona Training Program at Coolidge Campus in FY 2015 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 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, 2015. (Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2 footnote)
- 13/ The appropriation for Autism Parenting Skills - Rural Areas is for training parents in counties with a population of less than 500,000 persons according to the 2010 United States decennial census to provide intensive behavioral treatment to children with autism who are younger than 5 years of age. (Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2 footnote)
- 14/ It is the intent of the Legislature that the combined number of children 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. (Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2 footnote)
- 15/ All Federal Workforce Investment Act monies that are received by this state in excess of \$56,060,800 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 above \$56,060,800 to the Joint Legislative Budget Committee. (Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2 footnote, as adjusted for statewide allocations)
- 16/ The above appropriations are in addition to funds 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. (Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2 footnote)
- 17/ The Department of Economic Security shall forward a monthly report comparing total expenditures for the month and year-to-date as compared to prior year totals 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 on or before the 30th of the following month. The report must include an estimate of potential shortfalls in entitlement programs and potential federal and other funds, such as the statewide assessment for indirect costs, and a 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. (Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2 footnote)
- 18/ General Appropriation Act fund are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 19/ Laws 2013, 1<sup>st</sup> Special Session, Chapter 1 appropriated \$35,000,000 from the General Fund in FY 2015 to account for the deferral of FY 2014 payments into FY 2015 so that \$35,000,000 does not appear in the FY 2015 General Appropriation Act. A total of \$21,000,000 was appropriated to DES and \$14,000,000 to line items that are now part of the new Department of Child Safety. Laws 2014, Chapter 18 as amended by Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2, appropriates \$21,000,000 in FY 2016 to reflect the deferral of FY 2015 payments to FY 2016.
- 20/ Any Federal Temporary Assistance for Needy Families Block Grant monies received in FY 2015, including the beginning balance, by the Department of Economic Security in excess of \$218,705,400 is appropriated to the department in FY 2015. For every dollar the Department of Economic Security receives in Federal Temporary Assistance for Needy Families Block Grant monies in FY 2015 in excess of the \$218,705,400 appropriated to the Department of Economic Security and the Department of Child Safety, minus any FY 2014 reverts expected to be spent as administrative adjustments in FY 2015, the state General Fund appropriations for the Department of Economic Security and the Department of Child Safety are proportionally reduced by a corresponding dollar amount. The Department of Economic Security shall report to the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting on or before September 1, 2014 its estimate of how much of the FY 2014 reverts of the Department of Economic Security and the Department of Child Safety will be spent as administrative adjustments in FY 2015 and excluded from the total amount of Federal Temporary Assistance for Needy Families Block Grant monies. On or before June 30, 2015, the Department of Economic Security shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of state General Fund monies, if any, that will not be expended under this provision. (Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2 footnote)
- 21/ All monies in the Long Term Care System Fund unexpended and unencumbered at the end of FY 2015 revert to the state General Fund, subject to approval by the Arizona Health Care Cost Containment System Administration. (Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2 footnote)

*Creation of the Department of Child Safety*

Executive Order 2014-01, signed by the Governor on January 13, 2014, abolished the Division of Children, Youth and Families within DES, and established the Division of Child Safety and Family Services (DCSFS) as an independent cabinet-level agency.

The Director of the Division reported directly to the Governor, and oversaw all administrative, programmatic, and management functions of the state child welfare program, including Child Protective Services (CPS), foster care, adoption, and the Comprehensive Medical and Dental Program.

After the 2<sup>nd</sup> Regular Session adjourned in April 2014, the Legislature met in special session in May 2014 to consider further changes to DCSFS. Laws 2014, 2<sup>nd</sup> Special Session, Chapter 1 formally removed DCSFS from DES and created a new stand-alone child welfare agency, the Department of Child Safety (DCS). Chapter 2 repealed the FY 2015 DES appropriation as approved in the 2<sup>nd</sup> Regular Session and replaced it with new appropriations to DCS and DES.

Chapter 2 transferred the following funding from DES to DCS:

- \$290,631,900 in General Fund and \$725,588,400 in total expenditure authority from the DCSFS appropriation in the DES FY 2015 General Appropriation Act to DCS.
- \$21,786,100 in General Fund and \$65,896,300 in total expenditure authority from non-DCSFS funding in the DES budget (*see Other Issues for more information*) to DCS.

**Operating Budget**

The budget includes \$202,684,400 and 2,154.7 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	<u>FY 2015</u>
General Fund	\$93,468,000
Child Support Enforcement Administration Fund	13,243,900
Child Support Enforcement Administration Fund (EA)	27,556,300
Federal Temporary Assistance for Needy Families (TANF) Block Grant	16,798,500
Federal Child Care and Development Fund (CCDF) Block Grant	12,077,100
Long Term Care System Fund (EA)	33,532,300
Public Assistance Collections Fund	335,600
Special Administration Fund	1,719,700
Spinal and Head Injuries Trust Fund	546,800
Statewide Cost Allocation Plan Fund	1,000,000
Workforce Investment Act Grant	2,406,200

These amounts fund the following adjustments:

**Pinal County Child Support**

The budget includes an increase of \$1,209,000 in FY 2015 to realign funds so that Pinal County can transfer operation of the child support enforcement function back to the state. This amount consists of:

Child Support Enforcement Administration Fund	169,000
Child Support Enforcement Administration Fund (EA)	1,040,000

Counties have the option to run their own child support enforcement program, and if a county decides not to operate the program, the state will run it. The state began operating Pinal County's Child Support Enforcement program in July 2013.

*(Please see the FY 2015 adjustments in the Attorney General Legal Services line item and County Participation line item in the Division of Child Support Enforcement for corresponding information.)*

**Funding Realignment**

The budget includes a decrease of \$(1,000,000) from the General Fund in FY 2015 to move funding from the operating budget to the Adult Services line item. This funding shift eliminates the need for an annual appropriation transfer between these 2 line items, showing where the \$1,000,000 is actually used. There is no change in the agency's overall budget.

**Adult Protective Services Staff**

The budget includes an increase of \$3,000,000 and 37 FTE Positions from the General Fund in FY 2015 for additional Adult Protective Services (APS) staff. APS staff respond to reports of abuse, neglect and exploitation of vulnerable and incapacitated adults and offer appropriate services. APS reports grew by 27% in FY 2013. The additional APS staff will increase the number of cases the agency is able to investigate.

**Transfer to DCS**

The budget includes a decrease of \$(6,310,000) and (75.8) FTE Positions in FY 2015 for a transfer of resources to the new Department of Child Safety. This amount consists of:

General Fund	(2,845,700)
Federal TANF Block Grant	(3,464,300)

*(Please see DCS Transfers in Other Issues.)*

**Statewide Adjustments**

The budget includes an increase of \$92,800 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	40,800
Child Support Enforcement Administration Fund	11,800

Child Support Enforcement Administration Fund (EA)	12,000
Federal TANF Block Grant	22,400
Federal CCDF Block Grant	3,900
Public Assistance Collections Fund	200
Special Administration Fund	700
Spinal and Head Injuries Trust Fund	200
Workforce Investment Act Grant	800

(Please see the Agency Detail and Allocations section.)

**Administration**

**Attorney General Legal Services**

The budget includes \$11,141,400 and 156.9 FTE Positions in FY 2015 for Attorney General Legal Services. These amounts consist of:

General Fund	1,237,400
Child Support Enforcement Administration Fund	2,479,200
Federal TANF Block Grant	123,100
Federal CCDF Block Grant	17,700
Federal Expenditure Authority	7,192,400
Public Assistance Collections Fund	91,600

These amounts fund the following adjustments:

**Pinal County Child Support**

The budget includes an increase of \$651,000 in FY 2015 to realign funds so that Pinal County can transfer operation of the child support enforcement function back to the state. This amount consists of:

Child Support Enforcement Administration Fund	91,000
Child Support Enforcement Administration Fund (EA)	560,000

(Please see the FY 2015 adjustments in the Operating Budget and the County Participation Special Line Item in the Division of Child Support Enforcement for corresponding information.)

**Transfer to DCS**

The budget includes a decrease of \$(187,200) and (3.2) FTE positions in FY 2015 for a transfer of resources to the new Department of Child Safety. This amount consists of:

General Fund	(140,400)
Federal TANF Block Grant	(46,800)

(Please see DCS Transfers in Other Issues)

**Statewide Adjustments**

The budget includes an increase of \$4,100 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	800
Child Support Enforcement Administration Fund	3,000
Federal TANF Block Grant	300

Monies in this line item fund all non-DCSFS Attorney General Legal Services for the department.

**Aging and Adult Services**

**Adult Services**

The budget includes \$7,924,100 from the General Fund in FY 2015 for Adult Services. This amount funds the following adjustments:

**Funding Realignment**

The budget includes an increase of \$1,000,000 from the General Fund in FY 2015 to move funding from the operating budget to the Adult Services line item. This funding shift eliminates the need for an annual appropriation transfer between these 2 line items, showing where the \$1,000,000 is actually used. There is no change in the agency's overall budget.

This line item provides an array of independent living support to elderly persons, distributed as shown in Table 1.

**Table 1**

Services	FY 2015
Adult Protective Contracted Services	\$ 295,100
Supplemental Payments	104,400
Home Care	3,882,300
Older Americans Act	1,613,700
Assessments and Case Management	1,566,600
Respite Care	462,000
<b>Total</b>	<b>\$7,924,100</b>

**Community and Emergency Services**

The budget includes \$3,724,000 from the Federal TANF Block Grant in FY 2015 for Community and Emergency Services. This amount is unchanged from FY 2014.

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 2013, this line item provided short-term crisis services to 1,882 households, energy assistance to 39,430 households, and 11,167 households participated in telephone discount programs.

**Coordinated Homeless**

The budget includes \$2,522,600 in FY 2015 for Coordinated Homeless programs. This amount consists of:

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

These amounts are unchanged from FY 2014.

In FY 2013, this line item provided emergency shelter services to 13,408 individuals and transitional shelter services to 1,866 individuals.

**Domestic Violence Prevention**

The budget includes \$12,123,700 in FY 2015 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 2014.

In FY 2013, this line item, along with non-appropriated funds, served approximately 8,916 women and children in emergency shelters, 322 women and children in transitional housing, and 11,171 victims with legal and lay legal advocacy.

**Homeless Capital Grant**

The budget includes \$500,000 from the General Fund in FY 2015 for a new Homeless Capital Grant line item. This amount funds the following adjustments:

**Homeless Capital Grant**

The budget includes an increase of \$500,000 from the General Fund in FY 2015 for a new Homeless Capital Grant.

Monies in this line item fund a grant to a faith-based facility located in Phoenix that provide homelessness services, including substance abuse treatment, behavioral medicine treatment, and job training.

**Long Term Care Assisted Living**

The budget includes \$300,000 from the General Fund in FY 2015 for a new Long Term Care Assisted Living line item. This amount funds the following adjustments:

**Long Term Care Assisted Living**

The budget includes an increase of \$300,000 from the General Fund in FY 2015 for a new Long Term Care Assisted Living grant.

Monies in this line item fund long term care assisted living services in a county with a population of less than 500,000 people.

**Benefits and Medical Eligibility**

**TANF Cash Benefits**

The budget includes \$44,999,400 from the Federal TANF Block Grant in FY 2015 for TANF Cash Benefits. This amount is unchanged from FY 2014.

The appropriation funds a regular TANF Cash Benefits caseload of approximately 36,263 state-funded recipients each month at a cost of \$91 per recipient and a monthly Grant Diversion caseload of 568 at a cost of \$792 per case. As of March 2014, however, the program had a TANF Cash Benefits caseload of 28,003 state-funded individual recipients at an average cost of about \$91 per recipient and a Grant Diversion caseload of 568 at an average cost of \$792 per case. The TANF Grant Diversion Program's purpose is to divert applicants from receiving long term regular TANF Cash Benefits by offering immediate, one-time assistance to resolve a financial crisis.

The FY 2015 Health and Welfare Budget Reconciliation Bill (BRB) includes a session law provision continuing to require recipients of TANF Cash Benefits pass a drug test in order to be eligible for benefits if DES has reasonable cause to believe that the recipient uses illegal drugs.

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 a 24-month cumulative lifetime time limit on regular TANF Cash Benefits. Financial eligibility is currently set at 36% of the 1992 Federal Poverty Level (FPL), or \$5,022 for a family of 4.

**Coordinated Hunger**

The budget includes \$1,754,600 in FY 2015 for Coordinated Hunger programs. This amount consists of:

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

These amounts are unchanged from FY 2014.

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 2013, the USDA Commodities Food Program served 479,949 households quarterly.

**Tribal Pass-Through Funding**

The budget includes \$4,680,300 from the General Fund in FY 2015 for Tribal Pass-Through Funding. This amount is unchanged from FY 2014.

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 case assistance program for any particular tribe.

Child Support Enforcement Administration Fund (260,000)  
 Child Support Enforcement Administration Fund (EA) (1,600,000)

*(Please see the FY 2015 adjustments in the Operating Budget and the Attorney General Special Line item for corresponding information.)*

**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 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.

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.

**Development Disabilities**

Table 2 details the sources and uses of the CSEA Fund.

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.

<u>Sources</u>	<u>FY 2015</u>
Balance Forward	\$ 892,000
State Share of Retained Earnings	5,300,000
Federal Incentive Payments	6,500,000
Fees	1,880,000
Excess Appropriation Authority	<u>4,645,500</u>
<b>Total</b>	<b>\$19,217,500</b>
<u>Uses</u>	
DCSE Administration	\$16,802,200
Administration (Non-Appropriated)	<u>2,415,300</u>
<b>Total</b>	<b>\$19,217,500</b>

As of April 2014, the Division of Developmental Disabilities serves 33,632 clients, which includes 26,587 clients in the LTC program and 7,045 clients in the state-only portion. The primary disabilities are shown in Table 3.

**County Participation**

The budget includes \$6,740,200 in FY 2015 for County Participation. This amount consists of:

<u>Disability</u>	<u>Number</u>	<u>Percentage</u>
Cognitive Disability	14,676	44%
At Risk	7,377	22%
Autism	6,767	20%
Cerebral Palsy	3,181	10%
Epilepsy	1,489	4%
Not Indicated	<u>142</u>	<1%
<b>Total</b>	<b>33,632</b>	

CSEA Fund 1,079,100  
 Federal Expenditure Authority 5,661,100

The LTC program is funded from 2 sources: the General Fund and the Long Term Care System Fund.

These amounts fund the following adjustments:

**Pinal County Child Support**

The budget includes a decrease of \$(1,860,000) in FY 2015 to realign funds so that Pinal County can transfer operation of the child support enforcement function back to the state. This amount consists of:

**Overall DES Formula Adjustments**

The budget includes an increase of \$6,636,300 from the General Fund in FY 2015 for DES formula changes,

excluding LTCSF backfill. Changes are described in further detail below.

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 2015, the Medicaid FMAP will increase to 68.15% (1.3% increase). The increased FMAP results in additional General Fund savings of \$(13,803,800).

**FY 2015 Caseload Growth**

The budget includes a net increase of \$13,357,100 from the General Fund in FY 2015 for DD caseload changes. From FY 2014 to FY 2015, caseloads are expected to grow by 4.5% to a level of 27,636 in June 2015.

Table 4 summarizes the average monthly caseload estimates for the Special Line Items (SLIs). All clients are eligible for Medical Services and Case Management as necessary, but not all clients access other services in any particular month.

<b>Table 4</b>	
<b>June 2015 Long Term Care Caseloads</b>	
<b>Special Line Item</b>	<b>Clients</b>
Home and Community Based Services	24,247
Institutional Services	94
Arizona Training Program at Coolidge	97
Subtotal	24,438
Case Management/Medical Services only	3,198
<b>Total</b>	<b>27,636</b>

**FY 2015 Capitation Rate Adjustments**

The budget includes a 2% net capitation rate increase beginning July 1, 2014. The increased capitation rate results in an additional General Fund cost of \$7,083,000 in FY 2015. Capitation rates include a 2% increase to providers as well as adjustments for utilization of services and other factors.

The FY 2015 General Appropriation Act includes a footnote stating it is the intent of the Legislature that DES increase home and community based service provider rates by 2% above the June 20, 2014 rate. The 2% increase may not be used for administrative costs and DES may not reduce any provider rates in order to fund increases for other provider rates.

**Client Income**

Laws 2014, Chapter 167 decreases the maximum amount of income DES is allowed to collect from a developmentally disabled client for room and board from

88% to 70%. This legislation is estimated to reduce collections by \$(2,700,000). These collections fund state-only developmental disability services.

(Please see LTCSF discussion in Other Issues.)

**Case Management - Medicaid**

The budget includes \$47,761,700 and 755.5 FTE Positions in FY 2015 for Medicaid Case Management. These amounts consist of:

General Fund	15,210,900
Long Term Care System Fund	32,550,800

These amounts fund the following adjustments:

**Formula Adjustments**

The budget includes an increase of \$3,823,600 from the General Fund and a corresponding decrease of \$(3,823,600) from the Long Term Care System Fund in FY 2015 for formula adjustments. The formula adjustment consists of the federal match rate change.

**Statewide Adjustments**

The budget includes an increase of \$34,200 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	10,900
Long Term Care System Fund	23,300

*Background* – In addition to providing case management services to an estimated 24,438 clients receiving direct services, this line item also funds “case management only” services to another 3,198 clients.

**Home and Community Based Services - Medicaid**

The budget includes \$824,215,000 and 94.5 FTE Positions in FY 2015 for Medicaid Home and Community Based Services (HCBS). These amounts consist of:

General Fund	262,491,800
Long Term Care System Fund	561,723,200

These amounts fund the following adjustments:

**Formula Adjustments**

The budget includes an increase of \$59,630,400 in FY 2015 for formula adjustments:

General Fund	2,347,400
Long Term Care System Fund	57,283,000

The formula adjustments include 4.5% enrollment growth in FY 2015, a 2% capitation rate increase, and changes to the federal match rate.

### Statewide Adjustments

The budget includes an increase of \$9,100 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	2,900
Long Term Care System Fund	6,200

*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 24,247 individuals are expected to receive Medicaid home and community based services in June 2015.

Of the \$824,215,000 in this line item, \$811,906,300 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 2014 General Fund payments appropriated in FY 2015 by Laws 2013, 1<sup>st</sup> Special Session, Chapter 1 and it defers the same amount for FY 2015 to FY 2016. As a result, the FY 2015 General Fund amount of \$262,491,800 would consist of \$20,000,000 from Chapter 1 and \$242,491,800 from the FY 2015 General Appropriation Act.

### Institutional Services - Medicaid

The budget includes \$18,966,900 and 74 FTE Positions in FY 2015 for Medicaid Institutional Services. These amounts consist of:

General Fund	6,040,500
Long Term Care System Fund	12,926,400

These amounts fund the following adjustments:

#### Formula Adjustments

The budget includes an increase of \$1,547,900 in FY 2015 for formula adjustments:

General Fund	447,900
Long Term Care System Fund	1,100,000

The formula adjustments include 4.5% enrollment growth in FY 2015, a 2% capitation rate increase, and changes to the federal match rate.

#### Statewide Adjustments

The budget includes an increase of \$2,500 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	800
Long Term Care System Fund	1,700

*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 the ATP-C. Approximately 94 individuals are expected to receive Medicaid institutional services in June 2015.

Of the \$18,966,900 in this line item, \$13,401,400 funds Institutional Services to clients enrolled in the LTC program; the other \$5,565,500 funds program staff.

### Medical Services

The budget includes \$138,602,400 and 35.4 FTE Positions in FY 2015 for Medical Services. These amounts consist of:

General Fund	44,141,400
Long Term Care System Fund	94,461,000

These amounts fund the following adjustments:

#### Formula Adjustments

The budget includes an increase of \$11,312,600 in FY 2015 for formula adjustments:

General Fund	(10,300)
Long Term Care System Fund	11,322,900

The formula adjustments include 4.5% enrollment growth in FY 2015, a 2% capitation rate increase, and changes to the federal match rate.

#### Statewide Adjustments

The budget includes an increase of \$2,200 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	700
Long Term Care System Fund	1,500

*Background* – Of the \$138,602,400 in this line item, \$134,124,400 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 budget includes \$15,912,300 and 383.7 FTE Positions in FY 2015 for the Arizona Training Program at Coolidge (ATP-C). These amounts consist of:

General Fund	5,067,700
Long Term Care System Fund	10,844,600

These amounts fund the following adjustments:

### Formula Adjustments

The budget includes an increase of \$224,100 from the General Fund and a corresponding decrease of \$(224,100) from the Long Term Care System Fund in FY 2015 for formula adjustments. The formula adjustment consists of the federal match rate change.

### Statewide Adjustments

The budget includes an increase of \$8,800 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	2,800
Long Term Care System Fund	6,000

*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 April, 2014 the current caseload at ATP-C is 99. The June 2015 caseload is estimated at 97. At that caseload, the blended cost per DD client at ATP-C will be \$164,000.

### Medicare Clawback Payments

The budget includes \$2,902,400 from the General Fund in FY 2015 for Medicare Clawback Payments. This amount funds the following adjustments:

### Formula Adjustments

The budget includes a decrease of \$(169,600) in FY 2015 for formula adjustments:

General Fund	54,000
Long Term Care System Fund	(223,600)

The budget includes a decrease for formula adjustments associated with Medicare Clawback Payments.

### Long Term Care System Fund Backfill

The budget includes an increase of \$2,848,400 from the General Fund and a corresponding decrease of \$(2,848,400) from the Long Term Care System Fund in FY 2015 for the backfill of one-time Long Term Care System Fund monies that are no longer available.

*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 2015) of the estimated drug costs.

### Case Management - State-Only

The budget includes \$3,928,600 and 79.3 FTE Positions from the General Fund in FY 2015 for state-only case management. These amounts fund the following adjustments:

### Statewide Adjustments

The budget includes an increase of \$2,000 from the General Fund in FY 2015 for statewide adjustments.

*Background* – This line item funds case management services to clients in the state-only DD program.

### Home and Community Based Services - State-Only

The budget includes \$21,296,700 and 53.6 FTE Positions from the Long Term Care System Fund in FY 2015 for state-only Home and Community Based Services. These amounts consist of:

General Fund	16,626,100
Long Term Care System Fund	4,670,600

These amounts fund the following adjustments:

### Formula Adjustments

The budget includes an increase of \$653,300 in FY 2015 for formula adjustments:

General Fund	(250,400)
Long Term Care System Fund	903,700

The formula adjustments consist of a 2% capitation rate increase.

### Long Term Care System Fund Backfill

The budget includes an increase of \$26,357,500 from the General Fund and a corresponding decrease of \$(26,357,500) from the Long Term Care System Fund in FY 2015 for the backfill of one-time Long Term Care System Fund monies that are no longer available.

### Arizona Early Intervention Program

The budget includes an increase of \$1,000,000 from the General Fund in FY 2015 for the Arizona Early Intervention Program (AZEIP).

AZEIP serves over 2,500 children less than 3 years of age with developmental delays who have not reached 50% of the physical, cognitive, communication, emotional, or adaptive developmental milestones expected for their age. Federal funding has decreased for the program due to sequestration while caseloads have continued to increase.

### Transfer to DCS

The budget includes a decrease of \$(13,800,000) from the General Fund in FY 2015 for a transfer of resources to the new Department of Child Safety. The department reported that these monies funded DD services for youth in the DCS system.

*(Please see DCS Transfers in Other Issues.)*

*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 2014, there are approximately 7,045 clients in the state-only program

Of the \$21,296,700 in this line item, \$15,279,600 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 budget includes \$26,554,800 and 2 FTE Positions from the Long Term Care System Fund in FY 2015 for State-Funded Long Term Care Services. These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes an increase of \$26,900 from the Long Term Care System Fund in FY 2015 for statewide adjustments.

*Background* – This line item funds a variety of services ineligible for Federal Fund 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 \$26,554,800 in this line item, \$26,493,000 funds State-Funded Long Term Care Services to clients enrolled in the DD program; the other \$61,800 funds program staff.

**Autism Parenting Skills - Rural Areas**

The budget includes \$300,000 from the General Fund in FY 2015 for a new Autism Parenting Skills - Rural Areas line item. These amounts fund the following adjustments:

**Rural Autism Parenting Skills**

The budget includes an increase of \$300,000 from the General Fund in FY 2015 for the new Autism Parenting Skills - Rural Areas line item.

Monies in this item will be used to train parents in counties with populations less than 500,000 to provide intensive behavioral treatment to children with autism who are younger than 5 years of age.

**Employment and Rehabilitation Services**

**JOBS**

The budget includes \$11,005,600 and 93 FTE Positions in FY 2015 for JOBS. These amounts consist of:

General Fund	300,000
Federal TANF Block Grant	9,594,700
Special Administration Fund	1,110,900

These amounts fund the following adjustments:

**Funding Shift**

The budget includes a decrease of \$(2,000,000) from the Workforce Investment Act Grant in FY 2015 to shift funding from the JOBS Special Line Item to the Workforce Investment Act Services Special Line Item. Due to a federal policy change, the Workforce Investment Act Grant may no longer be used for the JOBS program.

This line item provides job training and job search services to clients currently receiving TANF Cash Benefits, as well to former TANF recipients. These services are contracted out to third-party vendors. *Table 5* highlights total estimated expenditures for the JOBS line item.

<u>Expenditures</u>	<u>Amount</u>
Case Management	\$ 7,810,000
Job Training	1,400,300
FLSA Supplement	150,000
Work-Related Transportation	1,345,300
Job Search Stipends	300,000
<b>Total</b>	<b>\$11,005,600</b>

**Child Care Subsidy**

The budget includes \$98,396,600 in FY 2015 for the Child Care Subsidy. This amount consists of:

General Fund	4,000,000
Federal CCDF Block Grant	91,678,800
Federal TANF Block Grant	2,717,800

These amounts fund the following adjustments:

**Transfer to DCS**

The budget includes a decrease of \$(32,000,000) in FY 2015 for a transfer of resources to the new Department of Child Safety. This amount consists of:

General Fund	(5,000,000)
Federal CCDF Block Grant	(27,000,000)

These monies were used to fund child care for foster youth. In addition, DES transferred \$7,753,600 of non-appropriated child care monies.

*(Please see DCS Transfers in Other Issues.)*

*Background* - The FY 2015 Health and Welfare BRB includes a session law provision continuing to allow DES to reduce the maximum income eligibility levels for child care assistance to manage within appropriated and available monies. DES is required to report to JLBC

within 15 days of implementing any change in eligibility levels.

This line item funds child care subsidies to TANF clients engaged in job activities and low-income working individuals under 165% of the FPL.

This line item includes 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.

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, and eligible families receiving TANF Cash Benefits are eligible as long as they are receiving TANF Cash Benefits, which has a 24-month cumulative lifetime time limit. Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2 contains a footnote stating it is the intent of the Legislature that the combined number of children authorized for the low-income working population be maintained throughout the year at a minimum of 8,500 children.

*Subsidy Rates* - The average subsidy paid to providers per child is projected to be approximately \$354 per month in FY 2015. This average includes children in DCS. 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 2015 is projected to be 15,800 (see Table 6). 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. According to DES, as of April 2014, approximately 6,231 children had been found eligible for child care services and placed on the waiting list. It is unknown whether those children remain eligible.

Federal dollars for both the CCDF and the TANF Block Grants are appropriated. Although the FY 2015 budget appropriates \$130,773,600 to DES and DCS from CCDF,

actual CCDF available to the state may be less. The department expects FY 2014 revenues to be \$6 million less than the appropriation.

<b>Children Served</b>	
<b>Category</b>	<b>Estimated FY 2015 <sup>1/</sup></b>
TANF	2,400
Low-Income Working	8,500
Transitional Child Care SLI	4,900
<b>Total Served</b>	<b>15,800</b>

<sup>1/</sup> Represents DES' projected average caseload.

**Rehabilitation Services**

The budget includes \$4,799,100 in FY 2015 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 2014.

*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 9,400 clients at an average Total Funds cost of \$11,400 per client. Administrative expenditures and local match draw down additional federal match.

The budget also includes \$1,000,000 in deferred FY 2014 General Fund payments appropriated in FY 2015 by Laws 2013, 1<sup>st</sup> Special Session, Chapter 1 and it defers the same amount for FY 2015 to FY 2016. As a result, the FY 2015 General Fund amount of \$4,594,400 would consist of \$1,000,000 from Chapter 1 and \$3,594,400 from the FY 2015 General Appropriation Act.

**Independent Living Rehabilitation Services**

The budget includes \$1,289,400 in FY 2015 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 2014.

The Independent Living Rehabilitation Services program is expected to serve up to 1,000 clients at an average Total Funds cost of \$4,100.

In addition to these clients, the division is also expected to serve 300 clients at an average annual cost of \$4,600 per client, using federal Social Services Block Grant.

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 budget includes \$53,654,600 from the Workforce Investment Act (WIA) Grant in FY 2015 for the Workforce Investment Act Services line item. This amount funds the following adjustments:

**Funding Shift**

The budget includes an increase of \$2,000,000 from the Workforce Investment Act Grant in FY 2015 to shift funding from the JOBS Special Line Item to the Workforce Investment Act Services Special Line Item. Due to a federal policy change, the Workforce Investment Act Grant may no longer be used for the JOBS program.

*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 2015 is shown in *Table 7*.

<u>Category</u>	<u>Amount</u>
WIA SLI	\$53,654,600
Administration	<u>2,406,200</u> <sup>1/</sup>
<b>Total</b>	<b>\$56,060,800</b>

<sup>1/</sup> This funding is included in the operating budget.

**Agencywide**

**Other Issues**

**Payment Deferral**

The budget continues the \$21.0 million payment deferral from FY 2015 to FY 2016. 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 2013, 1<sup>st</sup> Special Session, Chapter 1 appropriated \$35.0 million in FY 2015 to pay the amount deferred from FY 2014 to FY 2015. A total of \$21.0 million was appropriated to DES and \$14.0 million was appropriated to line items now transferred to the newly formed DCS. These amounts do not appear in the General Appropriation Act; however, the amounts are included in the agency

General Fund totals in this report. As a result, the FY 2015 DES General Fund amount of \$479.3 million would consist of \$21.0 million from the deferral appropriation and \$458.3 million from the General Appropriation Act.

**DCS Transfers**

Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2 transfers \$65,896,300 and 99 FTE Positions in FY 2015 from DES to DCS. These amounts consist of the following:

General Fund	21,786,100
Federal CCDF Block Grant	27,000,000
Federal TANF Block Grant	3,511,100
Child Safety Expenditure Authority	13,599,100

These amounts include the DCS share of DES costs for central administration, Attorney General Legal Services, the Inspector General, Developmentally Disabled foster children, and child care. (*Please see the DES Funding Realignment policy issues in the Operating Budget, Attorney General Legal Services line item, Inspections Bureau line item, the DCS Child Care Subsidy line item, and the Out-of-Home Support Services line item in the DCS narrative for more information.*)

**LTCSF and TANF Backfill**

The budget includes \$58.7 million from the General Fund in FY 2015 to backfill one-time Long Term Care System Fund (LTCSF) and federal Temporary Assistance for Needy Families (TANF) Block Grant monies that are no longer available and to reallocate Contingency Funding. The General Fund backfills monies in the newly formed Department of Child Safety and the Division of Developmental Disabilities in DES. A breakout of the backfill and reallocation is shown in *Table 8*.

<u>Line Item</u>	<u>FY 2015</u>
<b>Department of Child Safety</b>	
LTCSF Out-of-Home Support Services	\$11,957,900
TANF Out-of-Home Support Services	2,301,700
LTCSF Emergency and Residential Placement	10,500,000
LTCSF Adoption Services	<u>4,730,400</u>
<b>Subtotal</b>	<b>\$29,490,000</b>
<b>Developmental Disabilities</b>	
LTCSF Medicare Clawback Payments	2,848,400
LTCSF HCBS State-Only	<u>26,357,500</u>
<b>Subtotal</b>	<b>\$29,205,900</b>
<b>Total</b>	<b>\$58,695,900</b>

**Long Term Care System Fund**

The LTCSF consists of 2 main revenue components: State-Funded Long Term Care (SFLTC) monies and LTCSF equity.

**SFTLC Services**

The state deposits SFLTC revenues in the LTCSF. SFTLC revenues, as seen in *Table 9*, include client billing revenue from room and board charges, one-time monies, and

interest. SFLTC revenues primarily fund the SFLTC Services line item.

Laws 2014, Chapter 167 decreases the amount of income DES is allowed to collect from clients for room and board, and is estimated to reduce client billing revenue by \$(2.7) million in FY 2015. This could result in a SFLTC Services shortfall of \$(6.9) million in FY 2015.

**Table 9**

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

	<b>FY 2013 Actual</b>	<b>FY 2014 Estimate</b>	<b>FY 2015 Estimate</b>
<b>Sources</b>			
Carry-Forward	\$ 7,708,600	\$ 4,400,000	\$ 1,872,100
Client Billing Revenue	21,047,100	17,600,000	20,100,000
LTCSF Equity	0	4,000,000	0
One-Time Monies	485,300	1,200,000	1,200,000
Interest	1,091,000	1,200,000	1,200,000
Other	3,496,100	0	0
<b>Total</b>	<b>\$33,828,100</b>	<b>\$28,400,000</b>	<b>\$24,372,100</b>
<b>Uses</b>			
SFLTC Services	29,428,100	26,527,900	26,554,800
HCBS – State Only	0	0	4,670,600
<b>Total</b>	<b>\$29,428,100</b>	<b>\$26,527,900</b>	<b>\$31,225,400</b>
Ending Balance	\$ 4,400,000	\$ 1,872,100	\$ (6,853,300)

**LTCSF Equity**

The vast majority of the LTCSF consists of federal payments made for the Developmental Disabilities (DD) program through a capitated system of payments. According to the terms of the federal agreement, the state assumes all liability for cost overages above the agreed capitation. Conversely, if DES is able to operate the program at a cost less than the federal capitation rate, then DES is able to retain the equity, which is essentially “profit.”

The FY 2015 Health and Welfare BRB (Laws 2014, Chapter 11) requires any equity accrued to the LTCSF from capitation payments that are unexpended and unencumbered at the end of the fiscal year to be deposited into the General Fund. The transfer amount may be adjusted for reported but unpaid claims and estimated incurred but unreported claims, subject to approval by AHCCCS. In FY 2015, the LTCSF equity transfer to the General Fund is assumed to be \$35 million.

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. Nonetheless, there have been multiple years where the state has accumulated a significant amount of equity, as it did for FY 2014.

**Table 10**

**Long Term Care System Fund Equity  
Sources and Uses**

	<b>FY 2013 Actual</b>	<b>FY 2014 Estimate</b>	<b>FY 2015 Estimate</b>
<b>Sources</b>			
LTCSF Carry - Forward	\$25,486,900	\$25,486,900	\$ 0
LTCSF Equity	18,730,400	23,366,000	35,000,000
DSH	0	8,541,500	0
Other	1,090,300	0	0
Unused Appropriation	0	2,990,300	0
<b>Total</b>	<b>\$45,307,600</b>	<b>\$60,384,700</b>	<b>\$35,000,000</b>
<b>Uses</b>			
Children Support Services	\$ 0	\$11,957,900	\$ 0 <sup>1/</sup>
Adoption Services	0	4,730,400	0 <sup>1/</sup>
Medicare Clawback Payments	2,848,400	3,072,000	0 <sup>1/</sup>
Home & Community Based Services - State Only	16,472,300	30,124,400	0 <sup>1/</sup>
Case Management- State Only	500,000	0	0 <sup>1/</sup>
Contingency Funding	0	10,500,000	0 <sup>1/</sup>
GF Transfer	0	0	35,000,000
<b>Total</b>	<b>\$19,820,700</b>	<b>\$60,384,700</b>	<b>\$35,000,000</b>
Ending Balance	\$25,486,900	\$ 0	\$ 0

<sup>1/</sup> Reduction from FY 2014 replaced with General Fund in FY 2015

The FY 2014 budget appropriated \$60.4 million of LTCSF equity, including \$49.9 million in General Fund offsets and \$10.5 million for a Contingency Funding line item. In FY 2015, the LTCSF equity will be deposited into the General Fund and the General Fund will support the DES programs previously funded with LTCSF equity (see Table 10).

**TANF Block Grant**

The budget appropriates \$218.7 million of the state’s federal TANF Block Grant allocation in FY 2015. Table 11 shows expected yearly revenues, expenditures, and fund balances.

TANF revenues were reduced in FY 2012 due to the loss of the Population Supplemental revenues associated with the TANF Block Grant. Federal authorization for the Population Supplemental expired at the end of FY 2011 and Congress has not restored that funding. The FY 2014 budget allocated Long Term Care System Fund (LTCSF) equity funds to offset the loss of the TANF Population Supplemental revenues and other federal monies, while also picking up the cost of some caseload growth. The FY 2015 budget backfilled \$56.4 million of one-time LTCSF with General Fund. The FY 2015 budget also backfilled

\$2.3 million in TANF Block Grant with General Fund in the Out-of-Home Support Services line item.

In the event that DES receives more TANF monies than anticipated, a General Appropriation Act footnote requires DES to revert General Fund monies dollar for dollar for TANF Block Grant monies received above \$218.7 million, including the beginning balance.

Table 11

## TANF Block Grant Spending

<b>Revenues</b>	<b>Actual FY 2013</b>	<b>Estimate FY 2014</b>	<b>Estimate FY 2015</b>
<b>Beginning Balance</b>	\$ 20,103,800	\$ 1,172,500	\$ -
<b>Adjustment for Obligated Funds</b>		(1,001,700) <sup>1/</sup>	-
<b>TANF Base Revenues</b>	200,141,300	200,141,300	200,141,300
<b>TANF Contingency Fund Revenues <sup>2/</sup></b>	26,763,700	21,078,500	18,564,100
<b>Total TANF Available</b>	<b>\$ 247,008,800</b>	<b>\$ 221,390,600</b>	<b>\$ 218,705,400</b>
<b>Expenditures</b>			
<b>Operating <sup>3/</sup></b>	\$ 73,287,100	\$ 20,240,400	\$ 16,798,500
<b>Special Line Item</b>			
<b>Administration</b>			
Attorney General Legal Services	\$ 222,000	\$ 169,600	\$ 123,100
<b>Aging and Adult Services</b>			
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	<b>\$ 11,994,200</b>	<b>\$ 11,994,200</b>	<b>\$ 11,994,200</b>
<b>Benefits and Medical Eligibility</b>			
TANF Cash Benefits	\$ 44,999,400	\$ 44,999,400	\$ 44,999,400
Coordinated Hunger Program	500,000	500,000	500,000
Total - Benefits and Medical Eligibility	<b>\$ 45,499,400</b>	<b>\$ 45,499,400</b>	<b>\$ 45,499,400</b>
<b>Employment and Rehabilitation Services</b>			
JOBS	\$ 9,594,700	\$ 9,594,700	\$ 9,594,700
Child Care Subsidy	2,717,800	2,717,800	2,717,800
Total - Employment and Rehabilitation Services	<b>\$ 12,312,500</b>	<b>\$ 12,312,500</b>	<b>\$ 12,312,500</b>
<b>TOTAL - DEPARTMENT OF ECONOMIC SECURITY</b>	<b>\$ 143,315,200</b>	<b>\$ 90,216,100</b>	<b>\$ 86,727,700</b>
<b>Department of Child Safety</b>			
Operating <sup>3/</sup>	\$ -	\$ 52,872,900	\$ 56,337,200
Attorney General Legal Services	-	52,600	99,400
In-Home Preventive Support Services	-	-	5,911,200
Out-of-Home Support Services	-	-	23,867,800
Children Support Services	32,754,800	32,080,700	-
Emergency and Residential Placement	12,423,000	16,423,000	16,423,000
Foster Care Placement	10,973,100	6,973,100	6,973,100
Permanent Guardianship Subsidy	1,743,000	1,743,000	1,743,000
Adoption Services	19,802,400	20,645,700	20,645,700
<b>TOTAL - DEPARTMENT OF CHILD SAFETY</b>	<b>\$ 77,696,300</b>	<b>\$ 130,791,000</b>	<b>\$ 132,000,400</b>
<b>SUBTOTAL</b>	<b>\$ 221,011,500</b>	<b>\$ 221,007,100</b>	<b>\$ 218,728,100</b>
Administrative Adjustments	-	- <sup>1/</sup>	-
General Appropriation Act Footnote Additional Authority <sup>2/</sup>	24,824,800	383,500	-
<b>TOTAL - STATEWIDE</b>	<b>\$ 245,836,300</b>	<b>\$ 221,390,600</b>	<b>\$ 218,728,100</b>
<b>Ending Balance <sup>4/</sup></b>	<b>\$ 1,172,500</b>	<b>\$ -</b>	<b>\$ (22,700)</b>

<sup>1/</sup> 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.

<sup>2/</sup> Per a General Appropriation Act footnote, all available TANF is appropriated to DES and DCS. Therefore, the difference between the total TANF available and that fiscal year's TANF appropriation is included in the annual budget, and the departments' LTCSF or General Fund appropriation is reduced by the same amount.

<sup>3/</sup> The DCS portion of the DES operating budget was separately delineated starting in FY 2014.

<sup>4/</sup> As reported by the agency. Actual ending balance cannot be negative.