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DEPARTMENT OF ECONOMIC SECURITY

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*Your Partner For A Stronger Arizona*

Annual Report  
State Fiscal Year 2014

Janice K. Brewer, Governor



DEPARTMENT OF ECONOMIC SECURITY

*Your Partner For A Stronger Arizona*

Janice K. Brewer  
Governor

Clarence H. Carter  
Director

**DEC 23 2014**

The Honorable Janice K. Brewer  
Governor of Arizona  
1700 West Washington  
Phoenix, Arizona 85007

Dear Governor Brewer:

The Arizona Department of Economic Security's Annual Report for the period July 1, 2013, through June 30, 2014, is enclosed. This report is submitted pursuant to A.R.S. § 41-1960, which requires the Department to make an annual report of Arizona's economic security needs and resources; the use, training, and placement of manpower; and recommendations for the forthcoming fiscal year for the state's development of relevant programs.

This report provides an overview of the Department's achievements in meeting the needs of Arizonans. The report highlights the Department's actions to enhance the safety and self-sufficiency of vulnerable individuals in our state by streamlining both service delivery and administrative functions.

The Department is committed to continue to build on the successes highlighted in this report to achieve our mission to promote the safety, well-being, and self-sufficiency of Arizona's children, adults, and families.

If you have any questions, please contact me at (602) 542-5757.

Sincerely,

Clarence H. Carter  
Director

Enclosure

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## **Section 1 – Department of Economic Security Overview**

The Department of Economic Security (DES or Department) is an integrated human services agency that provides critical protective and assistance services to Arizona’s children, adults, and families.

The Arizona State Legislature established DES (A.R.S. § 41-1954) in 1972 by consolidating the authority, power, and duties of five separate state agencies, followed by a sixth in 1974. The intent of the 1972 legislation and subsequent amendments was to provide an integrated approach to human services.

On May 29, 2014, Arizona Laws 204, Second Special Session, Chapter 1, (Senate Bill 1001) established the Department of Child Safety (DCS), separate from the Department of Economic Security, to provide oversight, transparency, and independence for the state’s child welfare function.

The DES vision is a bold one: every child, adult, and family in the State of Arizona will be safe and economically secure. In order for this vision to be realized, DES has established four goals:

1. Strengthen individuals and families.
2. Increase self-sufficiency.
3. Collaborate with communities to increase capacity.
4. Increase efficiency and effectiveness through innovation and accountability.

This report highlights areas of focus for DES in its efforts to provide services to Arizona’s children, adults, and families to ensure that they have an opportunity to live safely and become self-sufficient. These areas vary in scope, from those designed to provide families with a safety net to meet basic needs such as housing and food, to programs designed to help older and at-risk individuals with disabilities live independently.

As of the end of Fiscal Year (FY) 2014, DES had over 7,500 employees and operated from 135 direct-service offices, 16 residential facilities, and 17 administrative and training offices. DES owns 30 of the facilities, and the remaining locations are leased. The Department is divided into six districts with the central administration located in Phoenix.

The Department has approximately 8,000 contracts and agreements with nonprofit and for-profit organizations, governmental agencies, Tribal governments, and other community partners throughout Arizona. These contracts provide services to Arizonans across the human service delivery continuum and critical operational support to the Department and its staff.

DES and its provider networks promote the safety, well-being, and self-sufficiency of Arizonans. The broad program areas include child care assistance to help low-income parents become and remain employable; Adult Protective Services (APS) and a range of in-home supports for older Arizonans to help them remain independent; domestic violence and homeless shelters and supports; food and nutrition services; utility assistance; early intervention services for infants and toddlers with developmental delays; home- and community-based services for individuals with developmental disabilities; unemployment insurance; employment assistance, including

vocational rehabilitation and job training; child support services; refugee resettlement services; financial support; and eligibility determination for much of the state's Medicaid program, the Arizona Health Care Cost Containment System (AHCCCS).

In FYs 2012 and 2013, the Department explored strategies to incorporate a "person-centric" approach into the provision of safety net services. The goal was to move beyond simply administering single-purpose programs and implement an integrated system focused on meeting the unique needs of individual customers and growing consumers beyond the need for the safety net. Toward this end, the Department contemplated changes to its business flow and the use of holistic assessment, planning, and coordination processes, which it intended to test through a demonstration project. While economic constraints limited the Department's ability to implement a full demonstration, the Department continues to test possible approaches and tools on a small scale.

## **Section 2 – Trends in Human Services and the DES Response to the State’s Economic Security Needs**

### **Caseloads and Budget**

Over the past year, Arizona continued to slowly recover from the economic downturn. Arizona’s coincident index increased by 1.8 percent during FY 2014 compared to the overall U.S. rate that increased by 3.2 percent.<sup>1</sup> The coincident index combines four indicators: employment, average hours worked in manufacturing, unemployment rate, and inflation-adjusted wages. Although this represents improvement, Department services are still in high demand. Cuts to the Department’s budget beginning in FY 2009 resulted in steep reductions across the Department’s programs and operations. Benefits were cut, waiting lists were implemented, programs and contracts were eliminated, provider rates were reduced, and the Department and private sector contractor agencies experienced staff reductions. Most of these reductions continued into FY 2014.

The Department continued to maintain high caseload levels in some critical safety net services such as the Supplemental Nutrition Assistance Program (SNAP) and adult protective service investigations. Although the state’s economy is demonstrating positive steps toward a comeback, the safety net services provided by the Department continue to be essential for persons experiencing financial and social challenges.

In an effort to address the exponential caseload growth in the child welfare programs, the legislature provided supplemental funding in FY 2014. The programs and corresponding budget were officially moved into a stand-alone agency, the Department of Child Safety, by the end of FY 2014.

During FY 2014:

- The SNAP average monthly caseload decreased slightly over the previous year, to a total of 454,123 cases in June 2014. The FY 2014 SNAP monthly caseload was 45 percent higher (140,997) than the FY 2009 average monthly caseload.
- In FY 2014, APS received 18,576 calls and investigated 11,599 reports of abuse, neglect, or exploitation of vulnerable adults. This is a 4 percent increase in the total number of cases over the same time period the previous year and is historically high for the program.

### **Department Public-Private Partnerships**

The Department has been diligently finding ways to mitigate the impact of budget reductions by promoting administrative and programmatic efficiency. Across all aspects of the Department, changes have been made to focus activity on the customer in an effort to provide needed services in a more person-centric process. This assists DES in managing its resources so that persons in need receive required services with as few obstacles as possible.

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<sup>1</sup> Arizona Joint Legislature Budget Committee Monthly Fiscal Highlights, August 2014.

The Department has, over the years, continued to examine its operating support systems to help ensure that where it appeared that the private sector could more efficiently and cost-effectively provide operating support, DES has taken advantage of that opportunity.

- The following program services are currently outsourced by the Department through contracts:
  - Shelter and case management services for people experiencing homelessness;
  - Shelter and supportive services for victims of domestic violence;
  - Food and utility supports;
  - Independent living and other community-based supports for elders;
  - Refugee resettlement services;
  - The Jobs Program;
  - Home recruitment, study, and supervision services for targeted recruitment of potential DES-certified family child care homes;
  - Child care services provided for eligible families;
  - Child support payment processing;
  - Employer new hire reporting, which is used to validate employment and the incomes of child support obligors;
  - Genetic testing to establish paternity;
  - Data matches to state bank accounts of obligors across 34 states for the Division of Child Support Services (DCSS);
  - Insurance claim matches of obligors with 1,800 insurance partners for DCSS;
  - Workforce employment and training programs (WIA);
  - Acute and long-term care services to individuals with developmental disabilities;
  - Rehabilitation and vocational services for individuals with disabilities to obtain or maintain employment and independence in the community; and
  - Service coordination and therapies for children who are referred to the Arizona Early Intervention Program (AzEIP).
  
- The following business functions are currently outsourced within the Department:
  - Mailroom services;
  - Office supply delivery;
  - Specialized printing;
  - Office-moving services;
  - Electronic Benefits Transfer (EBT) card issuance for Cash Assistance (CA), SNAP, child support, and Unemployment Insurance (UI) benefits;
  - Electronic pay card issuance for unemployment benefits and child support payments;
  - Translation and interpretation services;
  - Typing and preparation of transcripts of Appellate Services Administration (ASA) hearings;
  - Teleconferencing and digital recording of ASA hearings; and
  - Telephone systems.

## Meeting Needs through Technology

The Department requires a sound technological infrastructure to support person-centered service delivery, an increased demand for services, and an e-government expansion to improve access to services and to facilitate improved outcomes for children, adults, and families throughout Arizona. In an environment of diminishing resources, DES is doing its best to expand the capability and functionality of aging Department systems to continue to meet internal and external business needs. DES is also continuing to provide enhanced customer self-service capabilities through the use of Internet and interactive voice response (IVR) systems and expanding its use of imaging and document solutions in order to reduce costs and increase staff efficiency. Listed below are highlights of these efforts.

- Since 2010, applicants and participants in CA, SNAP, and Medicaid have been able to review ongoing case status, report family changes, and receive important help regarding their cases via the My Family Benefits (MFB) Web site. This Web site has become a proven tool for empowering customers to maintain and monitor their benefits and activity from the point of application forward. This process has benefited clients by making the information they need more readily available in order to understand their cases. It has been effective in reducing lobby and call center inquiries by allowing the customer to submit change reports through the Web site. During FY 2014, there were 570,542 hits on the MFB Web site. These hits resulted in over seven million page views and nearly 83,000 reports of changes submitted by program participants.

The MFB site has also been successful in helping customers access information regarding other services by redirecting them to sites with information regarding services such as:

- EBT account information;
  - Updates on potential benefit overpayments;
  - AHCCCS health coverage;
  - Use of the online Health-e-Arizona Plus (HEAplus) application; and
  - The Hunger Relief Program.
- In February 2012, the Division of Employment and Rehabilitation Services (DERS) successfully implemented a new AZ Job Connection Web site, a comprehensive source of employment opportunities and resources for job seekers, employers, and training providers. The site also provides tools for workforce development professionals to increase efficiency and improve employment outcomes for persons seeking job-locating assistance. There have been four upgrades since the initial release date. To better assist customers in accessing the Arizona Job Connection Web site, the most recent upgrade, completed in FY 2014, has made a mobile component available. This feature allows for searches from a mobile device and does not require the use of a personal computer.
  - In FY 2014, DERS joined a consortium/partnership between four states (Arizona, Wyoming, Colorado, and North Dakota) Unemployment Insurance Programs. The purpose of the partnership is to have each of their existing unemployment insurance systems replaced with a

secure, state-of-the-art automation solution that is managed by a vendor in a private cloud environment specifically designed for government.

Major objectives of this initiative are to:

- Replace legacy systems with a modern solution;
  - Implement a multi-tenant application that provides one implementation of an application to serve multiple states;
  - Significantly improve the quality of services provided to unemployed citizens as well as employers that pay taxes into the system; and
  - Reduce the costs of administering the unemployment insurance systems within and between the states.
- The Department currently utilizes eight IVR telephone systems for applicant and recipient use. The IVRs provide many of the same services that have been provided by Department staff and allows users to receive information without staff intervention.

One of the Department's IVR systems allows users to easily navigate between multiple state agency IVR services.

During FY 2014, the Division of Benefits and Medical Eligibility (DBME) implemented a new IVR that utilizes intelligent routing, educational messages, and new skill sets and rules for handling the calls to the DBME/Family Assistance Administration. The new IVR recognizes when a customer has submitted an online application and needs an eligibility interview. It directs these calls to a DBME unit to have the interview conducted over the telephone. During FY 2014, 233,114 interviews were conducted by telephone for SNAP and CA applications for benefits. In addition, 306,313 complex customer calls were processed by the DBME Customer Services Support Team. These issues were related to eligibility determinations, administrative hearings, and policy clarifications.

In response to the Affordable Care Act, DES collaborated with AHCCCS to develop a contract with a private vendor to provide a separate call center for processing basic customer questions about Medical Assistance enrollment and services. Under the contract, this vendor also handles basic inquiries from customers regarding SNAP and CA. This vendor also accepts customer e-mails and conducts customer Web chats. From implementation in October 2013 through June 2014, this private vendor call center responded to 439,145 telephone calls and 11,916 e-mails as well as participated in 32,117 Web chats.

- Overall usage of most of DES's self-service applications continues to increase, indicating widespread acceptance by DES customers:
  - The number of child support payments made through the DCSS Payment Gateway increased by 49 percent since the first year of the system's operation in 2011. Since its inception, the Payment Gateway has processed 168,466 total receipts with collections of roughly \$59 million. Electronic payments may be made over the Internet, by phone, or in person using point-of-sale terminals located in a local DES office.

- The number of UI tax reports filed online increased from 53,184 in FY 2013 to a total of 280,330 in FY 2014. This total includes 51,983 reports filed on the online Tax and Wage System and 228,347 reports filed using the bulk file upload system Arizona UI Tax Reporting for Employers.
- In FY 2014, 87 percent of new UI claims and 84 percent of continued claims were consistently filed electronically via the Internet.
- The automated HEAplus application, which supports CA, SNAP, and Medicaid application processes, was used to submit 684,414 requests for services in FY 2014, compared to 554,774 in FY 2013.
- Most of the Department's programs use document imaging to process case files for Department records that must be stored electronically for easy access and for cost effectiveness. In FY 2012, the Department received a SNAP Process and Technology Improvement Grant that enabled the piloting of automated document recognition and indexing software in FY 2013. Once fully implemented in FY 2015, the software product will recognize the type of document that is scanned and then automatically index the document into its online document management system where it will be retrievable by multiple search criteria. The result of this change and updated system is that time will be saved by enabling staff to more rapidly access client documentation. Over the last two years, multiple system test results have documented issues with another data classification (indexing) tool, so the Department intends to implement the new document indexing solution prior to June 2015.

### **Section 3 – Use, Training, and Placement of the Department’s Workforce**

In FY 2012, DES implemented a new training function based on a federated model that comprises a centralized enterprise training administration (the Training and Development Administration, or TDA) working closely with division-owned training units. During FY 2014, the TDA implementation concluded with the full implementation of all training-related policies and procedures. The new standards, processes, and the enterprise function continue to be evaluated to determine success and to identify improvements. The evaluation data, while highlighting areas for improvement or change, does suggest that, overall, the approach is having the desired impact on the quality of training provided

#### **Measures of Training Effectiveness**

These measures have been selected and, taken together, indicate whether training has been effective in preparing learners to perform on the job. Additional measures are used to reflect whether learners are, in fact, using what was learned. The instrument and data collection method were developed and adopted by TDA during FY 2014. Rollout on a broader scale is planned for FY 2015.

- **Perceived improvement in knowledge or skill – 1.41**
  - Goal is  $\geq 1.0$  on a 5-point Likert scale where 5 is high. There has been an overall trend of improvement in this rating since the implementation of standards.
- **Knowledge skill level following training - 4.29**
  - Goal is  $\geq 3.0$  on a 5-point Likert scale where 5 is high.
- **Confidence in using what was learned – 4.36**
  - Goal is  $\geq 4.0$  on a 5-point Likert scale where 5 is high.
  - There has been an overall trend of improvement in this rating since the implementation of standards.
- **Commitment to use what was learned – 4.44**
  - Goal is  $\geq 4.0$  on a 5-point Likert scale where 5 is high.
  - There has been an overall trend of improvement in this rating since the implementation of standards.
- **Pass rate - 96.9 percent**
  - Goal is  $\geq 80$  percent.
  - The percentage of passing scores is based on business-related, performance-based training objectives, as compared to attempts. It indicates how well the training is preparing the population to perform the objectives supported by the training.

## Select Indicators of Enterprise Effectiveness

- **Certification compliance – 97 percent of instructors and 89 percent of instructional designers**
  - Percentage of the instructors and instructional designers who are required to be certified, who are certified or working toward certification.
- **Utilization of central learning management system – 100 percent**
  - All official classes for DES employees are tracked in the Human Resources Information Solution.
- **Utilization of courseware standards – 52.2 percent**
  - Percentage of courses that adhere to current standards. Many of the courses currently in use were launched prior to implementation of standards and do not necessarily meet all standards at this time. All new courses developed or revised after January 2013 must meet the standards. This measure is expected to improve as more classes are revised.
- **Satisfaction with centralized training support function (rated by end users) – 4.69**
  - Goal is  $\geq 4.0$  on a 5-point Likert scale where 5 is high.
  - Rated by learners and individual contributors in the training and development community.

DES launched or prepared to launch several high-priority training and development projects during FY 2014, most notably:

- The first module of the agency-level New Employee Orientation (NEO) program, the remainder of which is expected to launch in early FY 2015.
- Training in support of the transition to the new state performance management methodology and online system, Managing Accountability and Performance (MAP), which began in FY 2013 and concluded in FY 2014. Ultimately, more than 1,600 supervisors were trained in each of three courses.
- Training in support of conversion to the Employee Time Entry (ETE) application, which began in FY 2013 was completed in FY 2014.
- Revisions to core programs in DBME, DCSS, and DERS.
- Training in support of the HEAplus computer application and implementation of the Affordable Care Act (ACA), which began in FY 2013 and continued in FY 2014.
- Revisions to Training Certification Programs to better support the staff and work of individual Division training units.

As in previous years, DES has maintained training-related relationships with several state agencies and academic institutions. The relationship with the Arizona Learning Center (AzLC)

continues with DES representation on the state's training leaders committee hosted by AzLC, and with close cooperation in the design of DES's Leadership Development Program. The Department assisted with the revision of the State Supervisor Training and delivered all three required MAP courses, both in mass rollouts to more than 1,600 supervisors and on an ongoing basis. DES partnered with AHCCCS and external contractors to produce training on HEAplus and the ACA changes. Division training units maintain relationships with Arizona State University and the University of Arizona to provide training unique to those divisions. TDA also works with the Arizona Department of Administration's Information Services Division, Department of Emergency and Military Affairs, and the Fire Marshal's training units.

Top priorities for FY 2015 are:

- Complete implementation of NEO by early FY 2015.
- Begin the design, development, and implementation of a Leadership Development Program. (This will be a multi-year project in which design, development, and implementation of individual components will occur simultaneously, allowing for the first components to be implemented while others are still in development.)
- Make informal learning available to DES employees as optional supplements to mandatory training.
- Continue the maturation of the enterprise model and associated quality standards.
- Continually evaluate and improve training interventions.

## **Section 4 – Fiscal Year 2014 Highlights and Accomplishments**

The following describes selected agency accomplishments during FY 2014 in accordance with each of the agency's four goals:

1. Strengthen individuals and families.
2. Increase self-sufficiency.
3. Collaborate with communities to increase capacity.
4. Increase efficiency and effectiveness through innovation and accountability.

### **Strengthen Individuals and Families**

- The Arizona Long Term Care System (ALTCS) provides medical, behavioral health, and long-term care services to Arizona residents. The State serves more individuals per capita than all but six other states, continues to expand the number of individuals served each year, and has no waiting list for ALTCS services attributable to budget concerns. The percentage of people living in settings of six or fewer and the significant percent of people living in their own or their family's home further demonstrate the State's commitment to individual choice, community inclusion and support for families. Arizona is one of the most cost effective programs in the country, due to people living on their own or at home with their families. A variety of tools, including member surveys, measure areas such as the satisfaction with supports and services provided to people with developmental disabilities and their families. Data for FY 2014 shows a consistent level of satisfaction, continuing a trend since FY 2000.
- Each year since 2006, the National United Cerebral Palsy Association (UCP) conducts and publishes a study entitled "The Case for Inclusion," which analyzes the provision of Medicaid services for Americans with intellectual and developmental disabilities across the country. Released in May 2014, "The Case for Inclusion 2014" ranked Arizona's Division of Developmental Disabilities (DDD) as the nation's "Best Performing" state when it comes to key outcomes for citizens with developmental disabilities. The report tracks states' progress in the percent of people with disabilities living in the family home; the degree to which services are community based; and how people with disabilities live and participate in their communities. Arizona has achieved first place six times since the annual survey started.

According to the UCP report, Arizona took the top spot for its continued success through DDD's ensuring that a majority of the state's population of individuals living with developmental disabilities receive home-based care in addition to the state's using a managed-care model.

The UCP report also recognizes Arizona for being a family-focused state, where support services are provided to families who are caring for children with disabilities in the home, which keeps families together and people with a disability living in their community.

Arizona was also recognized for its efficiency with funds. According to UCP, Arizona ranked 49th for total spending per consumer. DDD officials credit this to the collaboration between their Division, AHCCCS, and ALTCS. This collaboration allows for direct support

services to be provided at a member's home. Prior to ALTCS, the majority of funding was directed to support individuals in expensive out-of-home settings.

- DDD continues to participate in the National Core Indicators Project, a project that analyzes approximately 100 member, family, systemic, cost, and health and safety outcomes. Members participate through a mail survey and a face to face survey. This information allows the Division to compare Arizona against other states on indicators that the Division has determined are priorities. In the past, the Division has chosen the cost of services, loneliness, and choosing a Support Coordinator as priorities. During the upcoming year, the Division will use the data generated by the survey to evaluate the implementation of new federal standards for home- and community-based settings.
- The Arizona Early Intervention Program (AzEIP) is designed to strengthen the competence and confidence of families to meet the needs of their young child with a disability. AzEIP provides team-based early intervention services statewide that supports families with a team of service providers. These providers deliver intensive professional development and six months of coaching to these families. The team identifies a team leader that works with each family as they ensure that their child can participate in everyday routines and activities in their home and community. In FY 2014, 106 early intervention practitioners participated in the AzEIP program.
- During FY 2014, AzEIP collaborated with the Arizona Department of Health Service's Strong Family Alliance and First Things First to provide presentations to early childhood home visitors on the similarities, differences and intersections between the different early childhood home visiting programs funded by the three organizations. These presentations served to identify ways that local programs can communicate, coordinate and collaborate when supporting families who either receive services from more than one program, or who may benefit from a referral to another program.
- During FY 2014, AzEIP provided professional development to 171 Department of Child Safety (DCS) staff about how DCS and AzEIP collaborate to serve children involved in DCS and AzEIP. DCS separated from DES during FY 2014.
- During FY 2014, Arizona emergency domestic violence shelters contracting with the Department provided 290,178 nights of safety, resulting in 8,441 women and children finding safe refuge.
- The U.S. Department of Housing and Urban Development (HUD) Emergency Solutions Grant, with an emphasis on Rapid Re-Housing and Homeless Prevention, was introduced in October 2012 in the thirteen rural counties outside Maricopa and Pima counties. During FY 2014, the Rapid Re-Housing program was expanded to Pima and Maricopa counties. With the expansion of Rapid Re-Housing programs in FY 2014, the number of individuals housed through this program increased from 246 to 1,592. DES-contracted emergency shelters served 9,702, and homeless prevention programs outside of Maricopa and Pima counties served 195. A total of 11,489 persons experiencing or at risk for becoming homeless were served through contracted service providers during FY 2014. Of those, 72 percent served

were in Maricopa County, 17 percent were in Pima County, and 11 percent were in the remainder of the state.

- The Department contracted with 12 agencies during FY 2014 to provide comprehensive case management services through funding from the Community Services Block Grant (CSBG). The contracted agencies were then able to leverage this funding with other resources at a ratio of 32:1. In FY 2014, the Community Action Network provided 36,345 low-income households with utility and rental assistance. This included 34,544 households that received assistance in paying for home energy and 1,801 households that received assistance in paying rent or a mortgage to prevent eviction. There were 1,738 safe and affordable housing units in the community that were preserved or improved through construction, weatherization, or rehabilitation achieved by Community Action activity or advocacy. Of those preserved or improved, 794 homes were weatherized to make the homes safe and energy efficient.
- The Senior Medicare Patrol provides education and assistance to resolve health care fraud, abuse, and errors and to reduce costs to the Medicare/Medicaid systems resulting from these problems. During FY 2014, 526 one-on-one counseling sessions were conducted.
- The State Health Insurance Assistance Program (SHIP) is a federally funded state program that provides assistance at no charge to Medicare beneficiaries who have problems with or questions about their health insurance, including, Medicare benefits and rights, complaints about medical care or treatment, billing problems, health plan and prescription drug coverage options, and health plan application and enrollment assistance to people with Medicare. SHIP helps educate the community about Medicare and related programs by hosting enrollment events and providing an array of information and materials. SHIP volunteer counselors are trained to assist Medicare beneficiaries with enrolling in programs and plans as well as with applying for the Extra Help and Medicare Savings Programs. In FY 2014, over 31,413 Medicare/Medicaid clients were assisted.
- The Long-Term Care Ombudsman Program has the goal of protecting, promoting, and advocating for the rights of long-term care residents throughout the state. The Department contracts with eight Area Agencies on Aging to regularly visit all nursing and assisted living facilities statewide, and to respond to complaints about quality of life and care issues in those facilities. In FY 2014, the program investigated 4,043 complaints on behalf of residents. Of those complaints, approximately 83 percent were fully or partially resolved to the satisfaction of residents.
- The Family Caregiver Support Program (FCSP) strengthens families by providing services that assist family and informal caregivers to care for their loved ones at home for as long as possible. With more than 855,000 caregivers in Arizona, families are the major provider of long-term care, but research has shown that providing this care exacts a heavy emotional, physical, and financial toll. In FY 2014, the FCSP served 21,000 caregivers with support services, including respite care, support groups, stress management training, and other supplemental services that complement the care of the caregiver. According to the AARP-sponsored 2011 study “Raising Expectations: A State Scorecard on Long-Term Services and Supports for Older Adults, People with Physical Disabilities, and Family Caregivers,”

Arizona ranked third nationally in the category of support for family caregivers. Support for Family Caregivers includes the level of support reported by caregivers, legal and system supports provided by the states, and the extent to which registered nurses are able to delegate health maintenance tasks to nonfamily members, which can significantly ease burdens on family caregivers.

- Nonmedical home- and community-based services provide the necessary support services to help individuals remain in their homes and communities. The Department contracts with eight Area Agencies on Aging to identify eligible recipients and provide services such as personal care, homemaker services, and case management. In FY 2014, DES provided services to 13,776 older adults to help maintain their independence and avoid premature and costly institutionalization.
- In FY 2014, over 2,918 homeless and at-risk veterans participated in the 2014 Arizona Stand Downs throughout the State. Phoenix remains the largest Stand Down serving 1,759 veterans. The Arizona Stand Down is an alliance of community-based organizations that come together to provide annual, one- to three-day events that bring together the state's homeless and at-risk military veterans, connecting them with services. Stand Downs were held in Casa Grande, Phoenix, Prescott, Tucson, Flagstaff, and Bullhead City. Each location had a variety of state and federal agencies participating in each event. Service providers included the Veterans Administration Health Care System, the Arizona Department of Transportation's Motor Vehicle Division, municipal and other court systems, the Social Security Administration, and DES. Department staff provided one-on-one case management services, including veteran's registrations, job referrals, referrals to support services, resume assistance, assistance with requesting forms, and accessing benefits.

### **Increase Self-Sufficiency**

- The Arizona Refugee Resettlement Program (RRP) provides, under direct contracts with voluntary agencies, culturally and linguistically appropriate employability and employment services. These services assist refugees and other eligible beneficiaries with achieving economic self-sufficiency as quickly as possible after arrival in the United States. During FY 2014, 731 refugees entered employment through this program, compared to 794 in FY 2013.
- During FY 2014, RRP entered into an Interagency Service Agreement with the Arizona Board of Regents on behalf of Arizona State University to administer technical assistance for year two of the pilot project with nine Ethnic Community Based Organizations (ECBOs) and to provide case management trainings to RRP contractors in Maricopa and Pima counties. The goals of the partnership are to provide orientation services to refugees in order to enhance their sense of wellbeing, community integration, family stability, and the ability to self-advocate for participation in mainstream services that serve the population in a culturally responsive and linguistically appropriate manner.
- In September 2014, RRP was awarded the second-year grant award from the Office of Refugee Resettlement to continue a program to annually assist 120 single-parent, work-

eligible refugees who have been on CA for 12 months. The program's goal is to increase the clients' likelihood of securing gainful employment and reducing or eliminating reliance on CA through a socio-ecological methodology approach. RRP will work closely with such program partners as refugee resettlement agencies, volunteer employment mentors, and various DES Divisions and their contractors.. Services will be administered by the Resettlement Agencies in Maricopa and Pima counties.

- In FY 2014, 9,244 CA-eligible families were diverted from long-term CA and received a one-time cash grant equal to three months of benefits in the Department's Grant Diversion Program. The Grant Diversion cash grant allows families with a job-ready adult to eliminate immediate barriers to employment in order for the adult to attain full-time employment within 90 days of the CA application. Recidivism in the Grant Diversion Program remained very low during FY 2014 as over 90 percent of families that received the Grant Diversion option from July 2013 through January 2014 did not return to long-term CA within 180 days.
- The Employment Administration / Workforce Investment Act Section works with 12 local workforce investment boards to provide services under the Workforce Investment Act (WIA). WIA funding assists low-income adults and youth and dislocated workers with a variety of services that lead to employment, an increase in earnings and ultimately self-sufficiency. WIA services include resume assistance, job referrals, employment history and skill assessment, training services and supportive services among others. Individuals who are identified as needing additional training to be able to secure employment may be eligible for Training Services. In FY 2014, nearly 5,000 adult customers and over 3,500 youth (ages 14–21) received assistance.
- The Eligible Training Provider List (ETPL) contains training providers who are eligible to receive WIA funding for training WIA participants. All training programs must be in-demand occupations to be listed on the ETPL. The ETP list currently contains over 2,000 in-demand training programs. WIA participants approved for training are enrolled in these training programs, and gain the required skills to qualify for current employment opportunities in Arizona.
- The Arizona Apprenticeship Office in the Employment Administration provides support and technical assistance to 103 registered apprenticeship programs in the state. In FY 2014, 855 new apprentices were registered, for a total of over 3,000 apprentices in Arizona in occupations such as carpenter, electrician, plumber and heavy equipment operator.
- To the benefit of the children and families we serve, DCSS was able to pass through nearly \$660 million of child support collections to families during FY 2014.

### **Collaborate with Communities to Increase Capacity**

- Partnerships between faith-based organizations and the Department actively engage, connect, and support these groups as partners in Arizona's economic recovery and safety net efforts. The needs of our communities are rising, and traditional places for help are overwhelmed. Government resources are scarce, and faith partners continue to offer to help meet the needs

of our communities. Each partner has a unique talent, capability, or gift that compliments one another to help those in need.

- A productive partnership made possible by a Memorandum of Understanding between DAAS and the community-based Arizona Caregiver Coalition (ACC) has enabled the continued operation of the Caregiver Resource Line (CRL), a statewide toll-free service that provides a “No Wrong Door” access point to family caregivers seeking support and services. The CRL utilizes space, phones and data equipment provided by DES, but all of the people staffing the phones are trained volunteers overseen by a volunteer coordinator provided by the ACC.
- The Department of Economic Security holds monthly consultation meetings with Arizona Indian Tribes to discuss their issues as they relate to the Department. Under the direction of the DES Tribal Relations Liaison, the group revised the Department Tribal Government Consultation Policy and Procedures, which ensures open, continuous, and meaningful consultation with Arizona’s 22 Tribes.
- During FY 2014, DDD received assistance from approximately 134 volunteers, working a total of 14,817 hours. Trained volunteers assist in many areas, ranging from the Adaptation Station; the DDD Arizona Training Program at Coolidge; helping with special projects such as the assist-a-family holiday outreach project; to helping with office and clerical tasks. The Adaptation Station designs and constructs adaptive equipment for children and adults with developmental disabilities. The volunteers produced and adapted 596 items to assist 161 persons. Items adapted include equipping battery-operated toys with homemade switches, building therapy positioning devices and furniture, sewing weighted vests, blankets and upholstery, and designing other adaptations for home and work. Volunteers also taught others to make and modify equipment. Savings on materials of nearly 75 percent were realized over comparable catalog items, where they were available. The Adaptation Station served more than 89 therapists, teachers, and other professionals. By providing this much-needed service for the cost of materials only, a considerable cost savings is passed on to the recipient.
- DDD, along with its community partners, sponsored the Tenth Annual Direct Support Professionals Recognition event recognizing accomplishments during FY 2014. These outstanding individuals were honored for their superior service in working with individuals with developmental disabilities. There were 12 awardees which included ten Direct Support Professionals and two Direct Care Supervisors. Approximately 100 friends, co-workers, family members, state and provider staff attended the event to honor the winners.
- DDD continues its partnership with Pilot Parents of Southern Arizona to provide the “Partners in Policymaking” program, which is an innovative leadership training program that teaches people to be community leaders and to effect systems and policy change at the local, state, and national levels. The program is designed for individuals who have a disability and for parents raising children with a disability. “Partners” provides the most current information and education about disability policy; the legislative process; and local, state, and national issues that affect individuals with disabilities. Participants are people who are

ready to work for long-term system changes and for changes in public policy. The overall goal of the program is to foster a partnership between people who need and use services for disabilities, and those who determine public policy. Graduates of the program gain the ability to teach policymakers a new way of thinking about people with disabilities.

- DDD contracts with Raising Special Kids and Pilot Parents of Southern Arizona to provide peer counseling, which provides self-help opportunities through education, training, information, encouragement, and support to individuals, families, and other caregivers. Peer counselors also communicate with professionals in fields such as education, healthcare, child protection, and law enforcement to increase awareness and understanding of developmental disabilities.
- The Family and Community Resources (FCR) unit of DDD continues to provide staff support to the Developmental Disability Advisory Council (DDAC) with approximately ten council meetings per year and ten public forums. The council reviews and makes recommendations to the DDD Assistant Director regarding the provision of services to people with developmental disabilities. DDAC membership is composed of 17 members, including persons with developmental disabilities who receive services from the Division; parents and guardians of children with developmental disabilities; private-sector agency providers of in-home services, residential services, and adult day services; representatives from developmental disability advocacy organizations; and a foster parent representative. The mission of the DDAC is to provide, in partnership with DDD, advisory oversight on behalf of consumers, families, and providers by defining appropriate services from the consumer's perspective.
- DDD continues to prioritize efforts directed at enhancing the successful transition of young adults with intellectual disabilities from school to work. Division staff continue to hold a leadership role in a state-level Community of Practice on Transition (CoPT) that meets monthly and supports the development and maintenance of local CoPTs. The Division also co-sponsored the 14th Annual Arizona Transition Conference, which drew over 800 participants. This year's conference had a strong presence of employment-related topics for participants. The Division's nine District Employment Specialists regularly participate in local high school transition fairs, job fairs, and other events highlighting employment. Division staff provide regular joint training with the Arizona Department of Education's Exceptional Student Services' Transition Specialists to emphasize collaboration in planning students' transition from school to adult life and work. Division staff also work closely with the Arizona Parent Training and Information Agency, Raising Special Kids, to provide training to family members on transition-related topics, including an emphasis on employment as a primary post-secondary outcome for their children. To help support members' transition from non-work activities to employment, the Division released a new Transition to Employment service intended to teach participants soft skills that are critical for obtaining and maintaining integrated and competitive employment. The service is curriculum-based and time-limited for members with little or no work history or those who need a refresher in an employment-related skill.

- DDD is broadening both internal and external awareness of the value of employment for individuals with intellectual disabilities. Division staff continue to train providers and others in the use of the Arizona Disability Benefits resource. This Web-based program provides user-friendly tools to help individuals with disabilities, their families, and others make informed decisions about going to work by assisting them to plan for employment, learn how work and benefits (cash and healthcare) go together, and how their individual benefits might be affected by earned wages. This resource is a mandatory training module in the Division's new Transition to Employment service and has been updated to include information specific to the ACA.
- DDD has maintained a leadership role in a broadly based statewide partnership working toward a consistent "Employment First" approach for individuals with disabilities. With start-up funding from the Arizona Developmental Disabilities Planning Council (DDPC), a statewide strategic planning effort is currently under way. The Division is co-chair of the statewide Employment First Strategic Planning Core Team. To begin community awareness and broader stakeholder buy-in, the Core Team held an employment-first webinar promoting a move to integrated employment as the primary option for all adults of working age, including those with disabilities. Members of the Arizona State Employment Leadership Network (SELN) Technical Assistance Team along with Core Team members presented information about national and state activities that support Arizona's move into an employment-first initiative. Subsequently, six community forums were held to meet with community stakeholders, including individuals with disabilities, family members, state agency representatives, employers, providers, and advocates. Over 300 people participated and contributed their ideas, recommendations, and input for strategic planning consideration. The Core Team is in the process of drafting a plan based on the information generated by webinar and forum participants.
- Through a Protocol for Coordination of Care, DDD, in collaboration with the Northern Arizona Regional Behavioral Health Authority, agreed to provide joint training to all behavioral health and Division staff on relevant topics such as service delivery, eligibility, planning processes, positive behavior support principles, and crisis and safety planning. Cenpatico, the Regional Behavioral Health Authority for nine Arizona counties, in collaboration with the Division, created behavioral health DDD Family Support Specialist positions. Recruitment for these positions focused on individuals whose child(ren) have been involved with DDD or who have cared for a child with an intellectual disability. Through specialized training and service delivery, the Family Support Specialists initiate activities that assist families with adjusting to an individual's disability; promoting the development of effective interaction skills; and creating understanding of behavioral health treatment, service delivery, and planning processes.
- CommunityConnect, an e-newsletter for community leaders and community members across Arizona that is produced by the Department, provides those who deliver human services with resources and information and provides a platform for sharing community successes among groups and geographically dispersed communities. The e-newsletter reaches over 10,000 Arizonans.

- The DERS Rehabilitation Services Administration (RSA) is working with community partners and others to improve the delivery and effectiveness of its services. In FY 2014, a Strategic Plan Task Force, made up of Department management and staff as well as community partners, began holding quarterly meetings to identify potential changes and to review progress. Completion of initial actions by this group has built a strong forward momentum that will lead to more positive outcomes in 2015.

### **Increase Efficiency and Effectiveness through Innovation and Accountability**

- During FY 2014, the Office of Special Investigation Public Assistance Benefit Fraud Unit completed and finalized 9,219 investigations for an estimated cost avoidance of \$4,593,446. The SNAP Trafficking Detection Unit, in partnership with the U.S. Department of Agriculture, the Arizona Attorney General’s Office (AGO), and local law enforcement, conducted investigations that resulted in court-ordered restitutions of \$992,433. In addition, 87 individuals were determined to have committed an intentional program violation with overpayments totaling \$27,845 and were subsequently disqualified from SNAP; 83 individuals were disqualified for at least one year; and 4 individuals were disqualified for life. The Unemployment Insurance (UI) Benefits Fraud Unit completed 106 criminal cases, which were referred to the AGO resulting in anticipated recoveries of \$967,564; 134 administrative cases, which were referred back to the UI program for anticipated civil recoveries of \$702,679; and 110 identity theft cases with anticipated recoveries of \$128,242. In addition, the AGO had 174 UI case indictments filed with the courts, and there were 122 convictions with court-ordered restitution totaling \$576,703, court-ordered fines of \$36,181, and court-ordered fees of \$3,251. UI recoveries that were paid prior to sentencing for these convictions totaled \$681,773. The Internal Affairs (IA) Unit continued to sustain gains from its process improvement efforts, completing 98 cases with an average closure time of 26 days—a significant improvement from FY 2013 when the average closure time was 88 days. The IA investigations resulted in 20 terminations, resignations, and disciplinary sanctions.
- On March 1, 2014, the Department implemented the Employee Time Entry (ETE), which is an online application that replaces a costly and cumbersome paper time sheet process. ETE allows staff to enter hours worked on an automated time card and submit it electronically to their supervisor for approval. The Department’s ETE allows staff to charge multiple funding sources as well as track the time frames associated with Family Medical Leave Act (FMLA) claims. The ETE application reduces Department costs both by eliminating the costs for purchasing and storing paper time sheets as well as reducing staff time involved in tracking work and leave activity.
- Approximately one in six Arizonans received SNAP benefits administered by DBME during FY 2012 and FY 2013.<sup>2</sup> With such rapid and sustained caseload growth, the Department needed to address the underlying issues of this trend and utilization of its limited staff before such growth completely overwhelmed the benefit programs. DBME began implementing a new process management model during FY 2011 and completed statewide implementation in DBME offices in January 2012. The new model uses a Process Management (PM) team to

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<sup>2</sup> 2012 American Community Survey, administered by the U.S. Census.

focus on streamlining eligibility practices and processes for applications and interviews, verification and eligibility decisions, and case maintenance and recertification. DBME has improved its lobby management with a fast tracker system designed to track and route client lobby and phone traffic. This allows management to track “time in” and “time out” of applicants and allows management to direct staff resources to areas of the greatest volume. Furthermore, in conjunction with the electronic application process through the automated HEAplus application, emphasis is placed on completing the entire application and authorization process in one visit. This emphasis has allowed DBME to dramatically reduce the number of repeat office visits and phone calls, thereby minimizing lobby traffic while providing timely and more accurate eligibility determinations. The dramatic increase in the SNAP timeliness rate is one example of the success of the new process management model. The timeliness rate for SNAP applications in October 2010 was 79.6 percent. In March 2012, the timeliness rate for SNAP applications increased to 94.1 percent, and, by the end of FY 2014, the timeliness rate had increased to 95.9 percent.

- In April 2014, the DBME PM team developed and updated Supervisor Academy coursework to ensure that new supervisors had the necessary information regarding practices and techniques for maximizing their productivity and enhancing quality outcomes. The tools shared with the participants include PM reports and practices such as “Staffing Alignment,” “Quarterbacking,” and “Worker Productivity.” This coursework uses real-time data from the offices of the attendees. This allows for a practical application of the material in reference to maximizing productivity and increasing quality. In addition, the training session allows participants to gain insight into the critical management functions of coaching and mentoring staff. A half-day “Case Read Training” is also incorporated into this course to ensure that supervisors understand the critical nature of case reading as a supervisory function.

In addition, “PM Overview” and refresher courses have been offered to local office staff and Regional Program Manager teams to expand the understanding and support of the process management model throughout the state. These academies will be ongoing to ensure that management personnel unfamiliar with PM protocols obtain the necessary skills and knowledge to support the frontline staff in the service to the customers.

- The Department’s Office of Risk Management processed and sought reimbursement on 45 property loss claims recovering \$99,110 for the Department.
- The Department Office of Facilities Management coordinated the retrofit of the existing T-12 fluorescent light fixtures and all incandescent light fixtures to high efficiency T-8 fluorescent lights and high efficiency fixtures to take advantage of the Arizona Public Service rebate program. The cost of the retrofit will pay for itself in less than two years by reducing electrical costs and required maintenance and by providing a better lighting source.
- In FY 2014, in an effort to address the large number of vacancies within the DDD Support Coordination Unit, functions of the hiring process, including scheduling and conducting interviews, background and reference checks, and validating required certifications and degrees, were centralized in the Division’s Human Resources Office. As a result of this

centralization, the Support Coordination position vacancy rate dropped from 10 percent to 4 percent.

- The DDD Family and Community Resources Unit, (FCR) works closely with individuals, families, system partners, and community stakeholders. The unit underwent changes in the handling of Resolution System (RS) complaints. Issues are identified and tracked, allowing Division staff to strategize systemic resolutions. From July 1, 2013, through June 30, 2014, the unit logged and responded to 821 complaints. The unit also handled more than 1,000 other phone calls that were not entered into the RS since they were handled within the initial phone conversation. The calls included referrals to other agencies, community resource information requests, and updates on staff locations.
- The FCR continues to perform significant outreach in the community by providing presentations and participating in community events, fairs, and conferences. Information pertaining to eligibility, potential supports, services, and other resources available through the Division is shared during these statewide outreach activities. During FY 2014, FCR delivered 45 presentations that provided outreach to 2,800 people. In addition, the unit provided advocacy services at the request of individuals and family members.

This unit designs and develops the Division member newsletter that is published semi-annually. FCR also provides resource assistance to members of the community, including information pertaining to Social Security benefits, Medicare, and Medicaid to Division staff, individuals, and families.

## Section 5 – Economic Conditions and Outlook<sup>3</sup>

### Introduction

The Office of Employment and Population Statistics (EPS) within the Arizona Department of Administration (ADOA) is forecasting gradual gains in Nonfarm employment in Arizona for the 2014–2015 projections time period. In comparison to the employment forecast released in November 2013, Nonfarm employment growth has been forecast to be slightly slower in 2014. An over-the-year gain of 53,500 Nonfarm jobs is expected in 2014 and 60,400 in 2015. The previous forecast in November 2013 was for a 59,000 job gain in 2014. In the current forecast, the rate of growth projected for total Nonfarm employment is 2.1 percent in 2014 and 2.4 percent in 2015. A total of 114,000 Nonfarm jobs are forecast to be gained over the two projected years (2014 and 2015).

The overall employment situation in Arizona continues to improve. This is consistent with improvement seen in many economic indicators including population growth. Compared to 2012, population grew faster in 2013 at 1.27 percent based on the internal EPS ADOA preliminary numbers. Population is projected to grow at 1.33 percent in 2014 and 1.76 percent in 2015.

Arizona's year-over-year average Nonfarm employment growth rate exceeded the national average in both 2012 and 2013. The U.S. averaged Nonfarm employment growth of 1.7 percent in both 2012 and 2013 while Arizona averaged 2.1 percent in both 2012 and 2013. Despite Arizona's better performance compared to the U.S., the Nonfarm employment growth rate in Arizona has stagnated at 2.1 percent in 2012, 2013, and is forecast to be the same for 2014. Despite the forecasted employment growth in nine of the eleven major sectors in 2014 and ten sectors in 2015, overall Arizona Nonfarm employment level remains well below its prerecession peak.

Arizona's Nonfarm employment is forecast to continue a slow, subpar growth in 2014 and gradually gain momentum in 2015. Although the economic fundamentals continue to improve, the Arizona economy continues to have some aftereffects of various policies that were enacted post-recession: sequestration cuts in 2011 followed by a continuing resolution that went into effect in March 2013; payroll tax increase to the default 6.2 percent in January 2013; the October 2013 partial shutdown of the federal government and continued conflict over the federal debt ceiling. The combined effect of many of these decisions has resulted in economic uncertainty and made investment planning more problematic, thus creating an environment not conducive to strong growth. Arizona's reliance on federal government outlays due to its dependence on defense-related industries followed by a reduction in both civilian and military program spending has made the state particularly vulnerable. Various economic sectors have felt the trickle-down effect with projects coming to an end and no new projects in the pipeline. In response to the increased economic uncertainty, many corporations are holding their profits as cash instead of investing.

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<sup>3</sup> This section has been excerpted from the Arizona Department of Administration, Office of Employment and Population Statistics "Arizona's Workforce" May 1, 2014.

The U.S. and Arizona economies have fit the historical pattern of a build-up of private credit, financial crisis, and economic downturn with a gradual economic recovery. The indicators of a slow economic recovery include a gradual increase in employment, wages, income, output, consumer and business spending, and asset values, especially in real estate. Private household debts have been gradually paid down and financial institutions are gradually more willing to lend and are extending more credit. Compared to a year ago consumers and businesses overall are in better shape.

The following factors supporting Arizona's economic growth continue to persist.

- Continued improvement in real Gross Domestic Product (GDP), real personal income at the state and national levels, employment, and retail sales.
- Continued employment gains in the private sector, increasing private domestic investment, gradual increase in the index of industrial production and rate of capacity utilization, high levels of corporate profit, and a gradual resurgence in private residential construction permits.
- Continued gradual climb in household net worth resulting from paying down of debts and accumulation of assets either through cash savings or through their homes. U.S. exports are also increasing.
- Residential real estate markets in the state of Arizona and the metropolitan area of Phoenix are showing improvement. Home prices in Arizona are improving but are still way off peak. In private residential real estate, a majority of the growth recently has been in the construction of multi-family structures, or apartments. Construction and sales of single family, private residences, though gradually increasing, are well below their most recent peaks of the housing bubble. Commercial real estate is gradually improving with lower vacancy rates, higher rental rates and lower rates of default and delinquency in mortgage loans. Industrial real estate sectors are also improving with increasing levels of construction activity across the nation for the building of warehouses and distribution centers to support online commerce.
- While revolving consumer credit levels have remained flat, an expansion of non-revolving consumer credit since 2011 has served as an impetus to expanding economic activity. Consumer sentiment and consumer spending have shown signs of improvement, but the rate of growth has been slowing down. Banks are gradually making new consumer loans and increasing the quality of existing loans. Bank delinquency and default rates on consumer credit are declining.

Some factors that could further dampen the growth of the local economy are given below. However, the positive factors listed above outweigh the uncertainties in the sections described below in support of the forecast:

- Constrained budgets persist for a large majority of households. Despite some job growth and lowering in the unemployment rate, many consumers in the U.S. continue to face

employment insecurity, lower wages and benefits, debt, and rising prices for essentials that limits the amount of funds available for discretionary spending. Real per capita disposable income in the U.S. is contracting as well as median household income in the US and Arizona. Because of slow employment and income growth in this recovery, the share of gross domestic income to wage and salary accruals has continued to fall to near historic lows. Even the share of gross domestic income paid as compensation to employees continues to fall to a level near the early 1950s. Personal savings rate is growing limiting the amount they spend on goods and services.

- The residential real estate market has improved. However, with Dodd-Frank rules, the underwriting standards have become more stringent and require higher down payment, higher FICO score, lower debt to income ratios, increasing lockout period after a foreclosure and considerably more paperwork. Increased government scrutiny may limit the entry of new firms into the mortgage market. Rising interest rates could serve as a deterrent to some prospective buyers.
- Although real business investment continues to grow, the rate of growth has slowed as a consequence of demand uncertainty.
- In the public sector, the policies of the federal government have turned from fiscal stimulus during and immediately after the most recent economic downturn to austerity in the form of reduced expenditures and higher taxes as a means of reducing the federal budget deficit. The cost of austerity policy measures that include spending cuts, tax increases, or a mixture of the two have slowed the aggregate demand in the U.S. economy, thereby slowing the rate of economic and employment growth.
- Arizona is one of the states in the nation most vulnerable to federal government expenditure changes because of the large proportion of military spending in the state's economy. Operating at a lower level of federal government expenditures is projected to have the greatest impact in the following major industry sectors: Manufacturing; Retail Trade; Professional and Business Services; and Government.

In addition to the factors listed above there are some grounds for limited optimism and concern on the international front:

- Arizona exports could have a slight stimulating effect with a gradual improvement in the overall world economy, especially in the major U.S. trading partners such as Canada and Mexico.
- A notable current geopolitical risk is the conflict between Russia and Ukraine with Russia being a major international petroleum and natural gas supplier. A political conflict could increase the global price of petroleum and natural gas and, thus slow the pace of world economic growth.
- China's national economy grew an annual 7.4 percent in the first quarter, slowing from 7.7 percent in the previous quarter. Some analysts have raised suspicion over the growth data,

pointing to sluggish factory growth and weak investment. China's resource-dependent and manufacturing-heavy provinces suffered the sharpest economic slowdown in the first quarter as the government pushed to tackle excessive factory capacity and pollution, official data showed.

### **Arizona Industry Employment Projections (2013 –2015)**

For the 2013 to 2015 forecast time period, the major sectors with the largest projected employment gains are: Educational and Health Services (24,200 jobs); Trade, Transportation and Utilities (24,000 jobs); Leisure and Hospitality (18,600); Financial Activities (17,200); Professional and Business Services (16,600 jobs); and Construction (11,700 jobs). Smaller gains are forecast for these sectors: Manufacturing (1,300 jobs); Information (700 jobs); Other Services (700 jobs); and Natural Resources and Mining (400 jobs). The only major sector with a projected loss in employment for 2013 to 2015 is the Government (1,700 jobs).

During the two-year forecast time period, the major industry sectors arranged in the descending order of growth rates are: Construction (9.5 percent); Financial Activities (9.3 percent); Leisure and Hospitality (6.8 percent); Educational and Health Services (6.5 percent); Trade, Transportation and Utilities (5.0 percent); Professional and Business Services (4.5 percent); and Natural Resources and Mining (3.0 percent). Relatively, slower rate of growth is projected for Information (1.8 percent); Manufacturing (0.8 percent); and Other Services (0.8 percent). The only major sector with forecast job losses is Government (-0.4 percent).

**Educational and Health Services (EHS):** The EHS sector is forecast to gain 12,400 jobs (3.3 percent) in 2014 and 11,800 jobs (3.0 percent) in 2015. The largest projected increase in employment is forecast in the sub-sector of Ambulatory Health Care Services. Increases are also expected in Nursing and Residential Care Services, Hospitals and Social Assistance sectors. Expansions in state spending through the provisions of the federal 2010 Affordable Care Act and population increases are projected to bolster employment growth in the health care services related sectors. Federal government uncertainty has the potential of curtailing employment growth in the health care sectors. Private Educational Services sub-sector is forecast to have slowing growth in employment as more people leave school to re-enter the workforce as the economy gradually improves or shun the pursuit of higher education to avoid acquiring non-payable levels of student debt. In addition, the opening of several new private colleges focusing on health related occupations training in Arizona have bolstered the projection in the sector.

**Trade, Transportation and Utilities (TTU):** The TTU sector is forecast to gain 11,100 jobs (2.3 percent) in 2014 and 12,900 jobs (2.6 percent) in 2015. Retail Trade is the TTU sub-sector with the most projected gains in employment with the majority of these gains coming from Motor Vehicles and Parts Dealers. Fewer gains are forecast in Wholesale Trade and Transportation and Warehousing and Utilities sectors. Within Retail Trade sub-sectors, all components are projected to post employment gains. However, Air Transportation, Truck Transportation, and Utilities is forecast to have job losses as a consequence of industry consolidation and recent budget cuts. The unreported sub-sectors in Transportation, Warehousing and Utilities are projected to have job gains.

**Leisure and Hospitality (L&H):** The L&H sector is projected to have an increase of 8,900 jobs (3.2 percent) in 2014 and 9,800 jobs (3.5 percent) in 2015. The sub-sectors with the largest projected job gains are Food Services and Drinking Places. Fewer job gains are forecast in the sub-sectors of Accommodations and Arts, Entertainment and Recreation. A tighter fiscal environment is expected to limit business and recreational related travel. However, domestic and international tourism demand is projected to bolster employment in the Leisure and Hospitality sector.

**Financial Activities (FA):** This sector is projected to have an employment increase of 9,500 jobs (5.1 percent) in 2014 and 7,700 jobs (4.0 percent) in 2015. The job growth in Financial Activities over the two-year period is projected to slow in 2015 when compared to 2014. The employment forecast is reinforced by rising interest rates in 2014 which could hinder employment growth in this sector. During the 2014 and 2015 forecast time frame, the sub-sectors with the largest projected gains in employment are: Insurance, Funds and Trusts; Real Estate, Rental and Leasing; and Securities; Credit Intermediation and Monetary Authorities; Securities, Commodities Contracts, and Investments.

**Professional and Business Services (PBS):** The PBS sector is projected to have an increase of 7,600 jobs (2.0 percent) in 2014 and 9,000 jobs (2.4 percent) in 2015. The Administrative and Waste Services sub-sectors have the largest projected job gains over the projection period including Employment Services, Business Support Services, and Services to Buildings and Dwellings. Business firms are expected to hire contingent labor as a lower-cost means to expand output during these uncertain times. Because of recent federal government expenditure reductions, job losses are forecast in the sub-sectors of Professional, Scientific and Technical Services along with Management of Companies and Enterprises.

**Construction:** This sector is forecast to gain 4,900 jobs (4.0 percent) in 2014 and 6,700 jobs (5.3 percent) in 2015. Job gains are forecast across almost all Construction sub-sectors with the largest employment gains expected in the Specialty Trades sub-sector. Building construction is the only Construction sub-sector with projected job losses from 2013 to 2015. The Western Blue Chip Consensus forecast for single-family housing permits over the year in Arizona are 22.5 percent for 2014 and 37.4 percent in 2015, also supports an employment increase in the Construction sector. Multi-family private residence construction is also forecast to bolster employment levels in the construction sectors. Other factors supporting growth in this sector are home repair and maintenance activities, population growth, and new infrastructure projects such as the expansion of light rail in Phoenix. However, projections of the exhaustion of the federal government's Highway Trust Fund in the last half of 2014 have the potential to restrain the growth of employment in Construction especially in the sub-sectors of Heavy and Civil Engineering Construction.

**Manufacturing:** This sector is projected to have an employment decrease of 200 jobs (0.1 percent) in 2014 and a gain of 1,400 jobs (0.9 percent) in 2015. During the two-year forecast, job gains are anticipated only in the reported Durable Goods sector of Fabricated Metal Products. Job gains are also forecast in the unreported Durable Goods sectors. However, job losses are projected in the remaining reported Durable Goods sectors of Aerospace Products and Parts and Computer and Electronic Products. In the face of uncertainties in federal spending, defense

related industries are expected to have leaner staffing levels. In contrast to many Durable Goods sectors, Non-Durable goods sector is forecast to gain employment in 2014 and 2015.

**Information:** This sector is projected to have a gain in employment of 300 jobs (0.8 percent) in 2014 and an increase in employment of 400 jobs (0.9 percent) in 2015. Job gains are forecast in the telecommunications and non-telecommunications sub-sectors of Information.

**Other Services (OS):** OS is forecast to gain 200 jobs (0.2 percent) in 2014 and 500 jobs (0.6 percent) in 2015. A slowly improving economy with gradually rising levels of business and consumer spending is forecast to bolster the demand and employment for the services provided by this sector.

**Natural Resources and Mining (NRM):** The NRM sector is forecast to gain 200 jobs (1.5 percent) in 2014 and 200 jobs (1.4 percent) in 2015. From 2013 to 2015, slowing job gains are projected. Gradual recoveries in the Euro Monetary Zone, Asia, and Latin American economies are expected to bolster export demand. Employment growth might be dampened with the price of copper falling 13.1 percent from March 2013 to March 2014.

**Government:** This sector is forecast to lose 1,700 jobs (0.4 percent) in 2014 and to remain unchanged in 2015. The majority of projected decreases in employment from 2014 to 2015 are expected in the federal and local government sub-sectors. Job gains are forecast in the education and non-education sub-sectors of state government.

## **Conclusion**

Arizona is projected to gain 114,000 Nonfarm jobs over the two projected years (2014 and 2015). This represents a growth rate of 4.5 percent over the two projected years. An over-the-year gain of 53,500 jobs is projected in 2014 and 60,400 jobs in 2015. The rate of growth projected for Nonfarm employment is 2.1 percent in 2014 and 2.4 percent in 2015. Arizona's Nonfarm employment is forecast to continue a slow, subpar growth in 2014 and gradually gain momentum in 2015. This is consistent with improvement seen in many economic indicators.

While the U.S. has regained 95 percent of the jobs lost since its prerecession peak, Arizona has recovered only 56 percent of lost jobs as of February 2014. Despite this discrepancy, the economic fundamentals in Arizona continue to improve. Ten of the eleven major sectors are forecast to see employment growth over the two forecast years. The housing market in Arizona continues to grow. Home prices are also gradually increasing but still lower than the pre-recession peak. Arizona's population compared to 2012 grew faster in 2013 based on the internal EPS ADOA preliminary numbers. The population forecast is expected to improve further in the outlying years.

All sectors of the Arizona economy are projected to gain jobs during the 2013–2015 forecast time period with the exception of the Government sector. For the two forecast years, the major sectors with projected employment gains in descending order include: Educational and Health Services (24,200 jobs); Trade, Transportation and Utilities (24,000 jobs); Leisure and Hospitality (18,600); Financial Activities (17,200); Professional and Business Services (16,600 jobs); and

Construction (11,700 jobs). Smaller gains are forecast in: Manufacturing (1,300 jobs); Information (700 jobs); Other Services (700 jobs); and Natural Resources and Mining (400 jobs). The only major sector with a projected loss is the Government (1,700 jobs).

The growth rate over the 2013–2015 forecast time period for various sectors in descending order of magnitude are: Construction (9.5 percent); Financial Activities (9.3 percent); Leisure and Hospitality (6.8 percent); Educational and Health Services (6.5 percent); Trade, Transportation and Utilities (5.0 percent); Professional and Business Services (4.5 percent); and Natural Resources and Mining (3.0 percent). Relatively, slower rate of growth is projected for Information (1.8 percent); Manufacturing (0.8 percent); and Other Services (0.8 percent). The only major sector with negative rate of growth forecast is the Government (-0.4 percent).

The state faces headwinds with respect to federal government uncertainty. Austerity policies adopted have slowed the pace of economic recovery to some extent as reduced government spending, employment, investment and higher taxes reduce the level of real, effective demand in the economy. There are risks from consumers that could add uncertainty to the forecast. Despite some job growth and lowering in the unemployment rate, many consumers in the U.S. continue to face employment insecurity, lower wages, and high debt. Constrained budgets persist for a large majority of households inhibiting their spending ability.

There are many positive indicators suggesting improvement in the overall economy. An overall improving international economy is expected to foster economic activity on the domestic front. Economic indicators such as; GDP, employment, industrial production, wholesale and retail sales, capacity utilization rate, household net worth, income levels, consumer spending, residential real estate markets, private domestic investment are showing an improvement since the recession. There are also risks associated with uncertainties as mentioned above. However, EPS ADOA believes the positive factors listed above outweigh the uncertainties in support of the forecast.

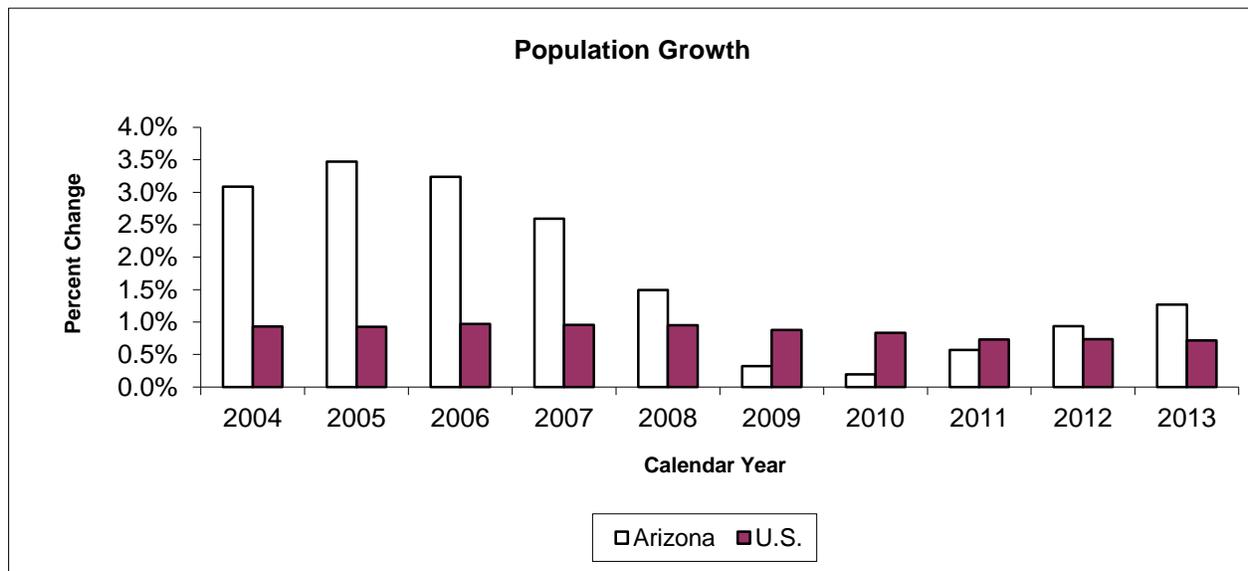
## Section 6 – Statistics

### ARIZONA DEPARTMENT OF ECONOMIC SECURITY Comparison between Arizona and United States Population For Calendar Years Ended December 31 (2013 is the most recent data available)

Year	Arizona Population	United States Population	Percent Change In Arizona Population	Percent Change in U.S. Population
2004	5,725,610	292,805,298	3.1	0.9
2005	5,924,476	295,516,599	3.5	0.9
2006	6,116,409	298,379,912	3.2	1.0
2007	6,274,981	301,231,207	2.6	1.0
2008	6,368,649	304,093,966	1.5	1.0
2009	6,389,081	306,771,529	0.3	0.9
2010	6,401,569	309,326,295	0.2	0.8
2011	6,438,178	311,582,564	0.6	0.7
2012	6,498,569	313,873,685	0.9	0.7
2013	6,581,054	316,128,839	1.3	0.7

Sources: Arizona estimates were provided by the Arizona Department of Administration, Office of Employment and Population Statistics; U.S. estimates were provided by the U.S. Census Bureau.

Note: The information contained in the sources used for this table is continuously revised, and, accordingly, the amounts in the above table have been revised. Therefore, amounts presented may not match the amounts reported for prior years.

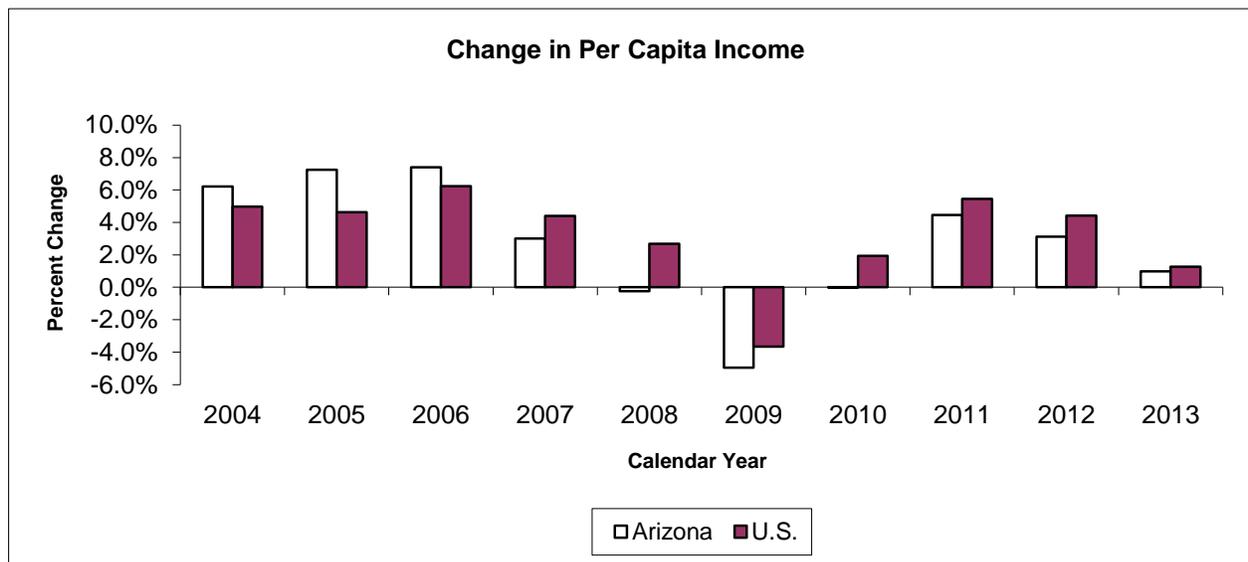


**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Comparison between Arizona and United States per Capita Income**  
**For Calendar Years Ended December 31**  
**(2013 is the most recent data available)**

Year	Arizona Per Capita Income	U.S. Per Capita Income	Percentage Change in Arizona Per Capita Income	Percentage Change in U.S. Per Capita Income
2004	30,224	34,300	6.2	5.0
2005	32,416	35,888	7.3	4.6
2006	34,814	38,127	7.4	6.2
2007	35,860	39,804	3.0	4.4
2008	35,772	40,873	-0.2	2.7
2009	33,995	39,379	-5.0	-3.7
2010	33,993	40,144	0.0	1.9
2011	35,512	42,332	4.5	5.5
2012	36,624	44,200	3.1	4.4
2013	36,983	44,765	1.0	1.3

Source: Arizona estimates were provided by the Arizona Department of Administration, Office of Employment and Population Statistics; U.S. estimates were provided by the U.S. Census Bureau.

Note: The information contained in the sources used for this table is continuously revised, and, accordingly, the amounts in the above table have been revised. Therefore, amounts presented may not match the amounts reported for prior years.

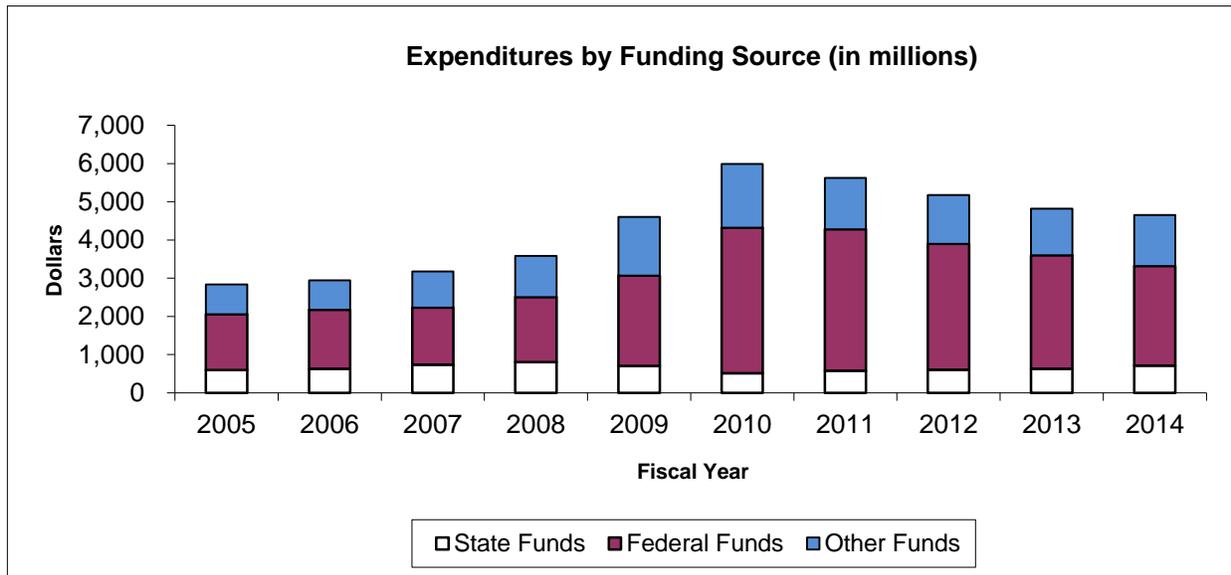


**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Expenditures by Funding Source**  
**(Governmental Funds and Unemployment Insurance Benefits)**  
**For Fiscal Years Ended June 30**

Year	State Funds	Federal Funds	Other Funds	Total Funds
2005	595,906,541	1,461,830,185	778,674,563	2,836,411,289
2006	626,707,813	1,543,938,187	771,890,762	2,942,536,762
2007	734,043,579	1,498,649,185	943,064,161	3,175,756,925
2008	801,862,086	1,703,396,765	1,080,817,875	3,586,076,726
2009	705,314,168	2,359,577,901	1,540,321,161	4,605,213,230
2010	512,735,693	3,804,712,359	1,667,553,184	5,985,001,236
2011	579,759,832	3,701,195,606	1,341,056,629	5,622,012,067
2012	604,219,713	3,293,038,152	1,277,799,638	5,175,057,503
2013	629,865,944	2,966,252,807	1,220,146,970	4,816,265,721
2014	712,154,746	2,601,376,328	1,340,970,358	4,654,501,432

Source: The Arizona Department of Economic Security Financial Statements.

Note: The Federal Funds amounts include amounts for SNAP benefits distributed.

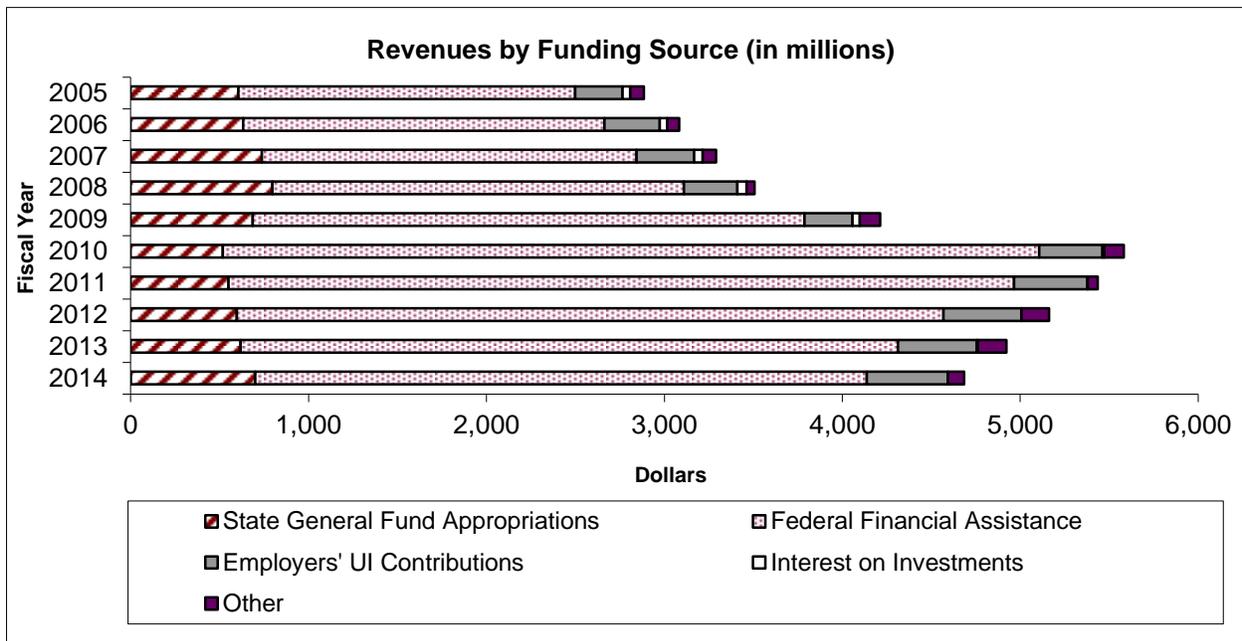


**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Revenues by Funding Source**  
**(Governmental Funds and Unemployment Insurance Benefits)**  
**For Fiscal Years Ended June 30**

Year	State General Fund Appropriations	Federal Financial Assistance	Employers' UI Contributions	Interest on Investments	Other	Total
2005	606,123,799	1,892,812,895	267,264,774	41,401,296	77,732,065	2,885,334,829
2006	632,655,200	2,030,183,141	311,448,934	40,801,691	67,787,346	3,082,876,312
2007	738,670,201	2,105,465,538	322,919,404	48,568,677	75,508,022	3,291,131,842
2008	796,735,199	2,313,806,342	300,370,732	52,175,707	45,081,303	3,508,169,283
2009	686,602,626	3,102,226,928	268,808,745	40,829,934	114,566,869	4,213,035,102
2010	518,620,000	4,588,870,453	355,638,066	10,776,494	108,314,873	5,582,219,886
2011	550,548,801	4,414,792,386	414,044,300	977,582	55,876,445	5,436,239,514
2012	597,429,200	3,972,085,235	437,052,743	1,129,695	154,992,653	5,162,689,526
2013	618,246,400	3,694,568,412	444,818,667	4,008,883	161,017,989	4,922,660,351
2014	700,910,900	3,436,728,776	455,978,607	-1,502,163	91,741,898	4,683,858,018

Source: The Arizona Department of Economic Security Financial Statements.

Note: The Federal Financial Assistance amounts include amounts for SNAP benefits distributed.

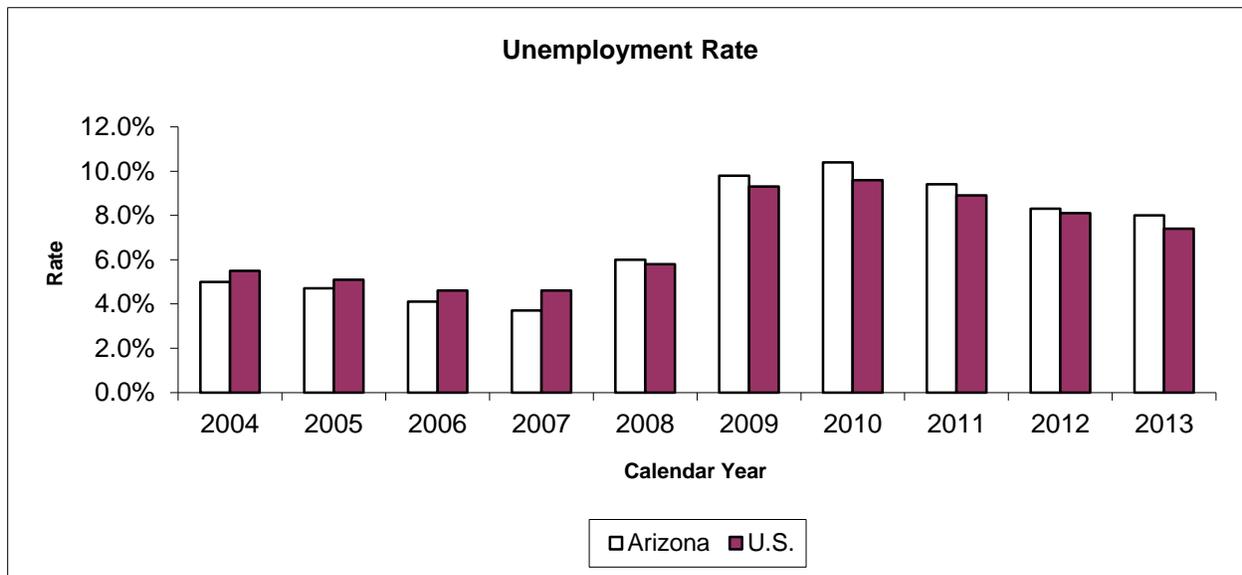


**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Comparison between Arizona and United States Unemployment**  
**For Calendar Years Ended December 31**  
**(2013 is the most recent data available)**

Year	Number of Unemployed in Arizona	Number of Unemployed in U.S.	Unemployment Rate – Arizona	Unemployment Rate – U.S.
2004	138,700	8,149,000	5.0%	5.5%
2005	133,800	7,591,000	4.7%	5.1%
2006	121,200	7,001,000	4.1%	4.6%
2007	111,600	7,078,000	3.7%	4.6%
2008	184,700	8,924,000	6.0%	5.8%
2009	307,200	14,265,000	9.8%	9.3%
2010	324,100	14,825,000	10.4%	9.6%
2011	287,200	13,747,000	9.4%	8.9%
2012	251,800	12,506,000	8.3%	8.1%
2013	240,200	11,460,000	8.0%	7.4%

Source: Arizona data was provided by the Arizona Department of Administration, Office of Employment and Population Statistics; U.S. data was provided by the U.S. Department of Labor, Bureau of Labor Statistics.

Note: Unemployment rates are seasonally adjusted; Arizona figures for 2008–2012 have been revised.

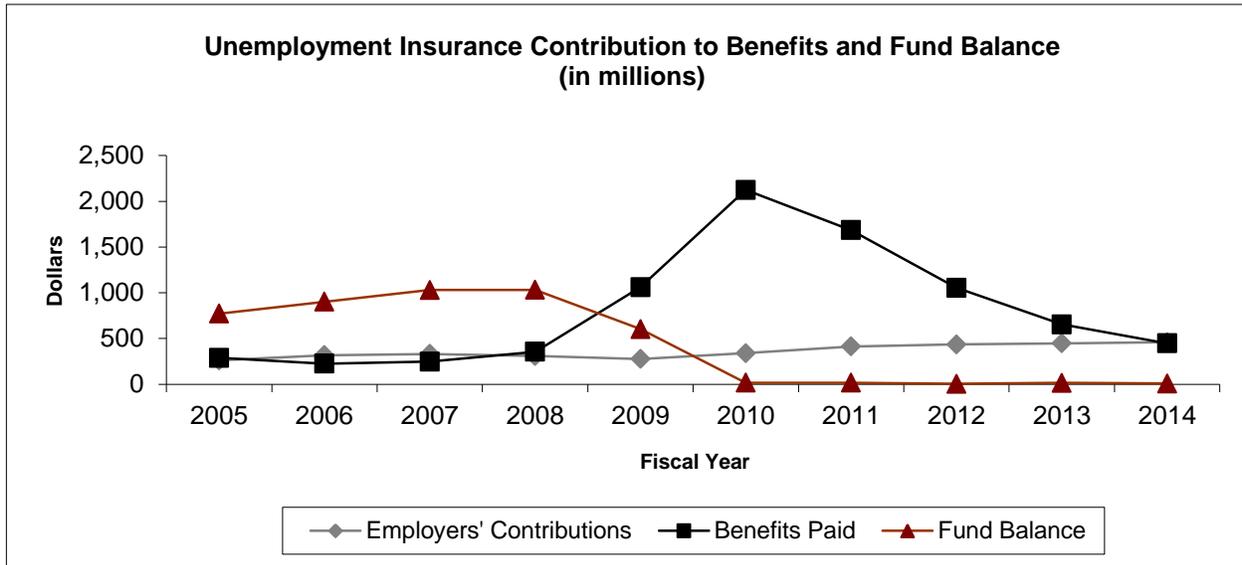


**ARIZONA DEPARTMENT OF ECONOMIC SECURITY  
Unemployment Insurance Financial Transaction Summary  
For Fiscal Years Ended June 30**

Year	Total Employers' Contributions	Total Benefits Paid	Fund Balance
2005	261,480,966	287,693,670	772,158,698
2006	317,941,840	224,142,148	902,130,314
2007	330,183,208	246,783,048	1,029,325,981
2008	309,214,081	354,892,511	1,032,075,498
2009	276,732,990	1,061,358,568	602,590,236
2010	339,745,124	2,123,766,228	16,689,508
2011	412,472,497	1,684,068,675	16,864,876
2012	434,253,686	1,053,948,338	4,113,696
2013	446,578,260	654,321,961	14,944,329
2014	458,133,325	447,350,166	8,244,046

Source: The Arizona Department of Economic Security, Unemployment Insurance Financial Transaction Summary Report.

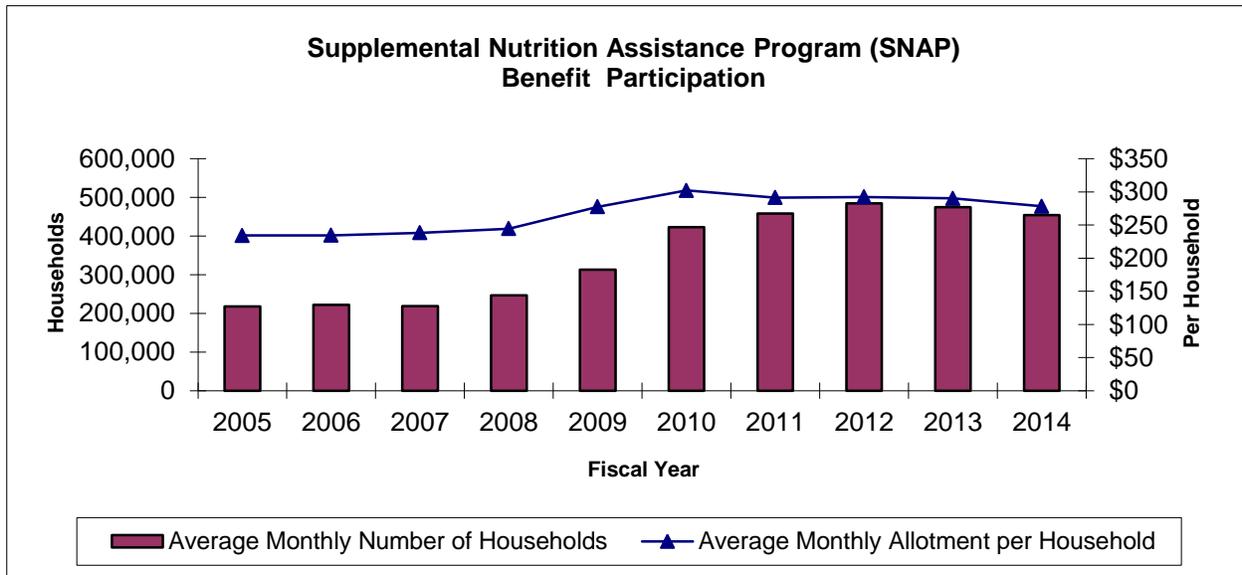
Note: The total benefits paid amount for all fiscal years has been adjusted to include interstate benefits.



**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Supplemental Nutrition Assistance Program (SNAP) Benefit Participants**  
**For Fiscal Years Ended June 30**

Year	Average Monthly Number of Households	Average Monthly Number of Persons	Average Monthly Allotment Per Household	Average Monthly Allotment Per Person	Average Monthly Benefits Distributed
2005	217,983	546,369	234.06	93.38	51,021,394
2006	221,944	546,424	234.30	95.15	52,001,162
2007	218,598	537,072	238.18	97.10	52,150,403
2008	246,767	600,549	244.49	100.44	60,340,187
2009	313,126	752,772	277.44	115.41	86,875,088
2010	422,583	986,413	302.07	129.41	127,649,820
2011	458,580	1,049,522	291.35	127.30	133,607,965
2012	484,785	1,123,068	292.40	126.22	141,752,178
2013	474,363	1,100,920	290.26	125.06	137,689,406
2014	454,123	1,054,441	278.13	119.78	126,306,680

Source: The Arizona Department of Economic Security, Division of Benefits and Medical Eligibility, Family Assistance Administration.

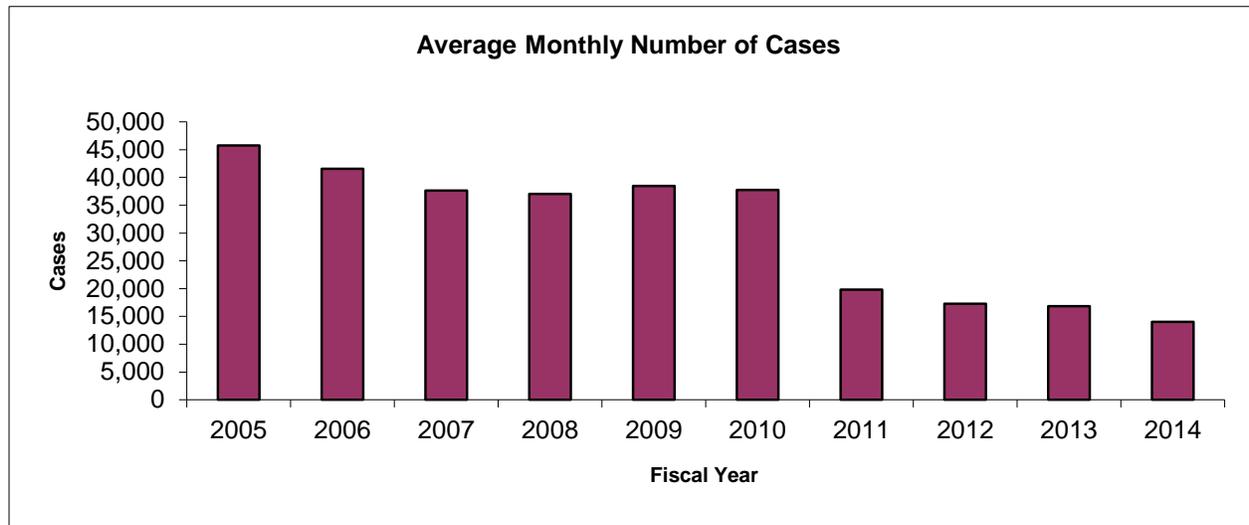


**ARIZONA DEPARTMENT OF ECONOMIC SECURITY  
Temporary Assistance for Needy Families Cash Assistance  
For Fiscal Years Ended June 30**

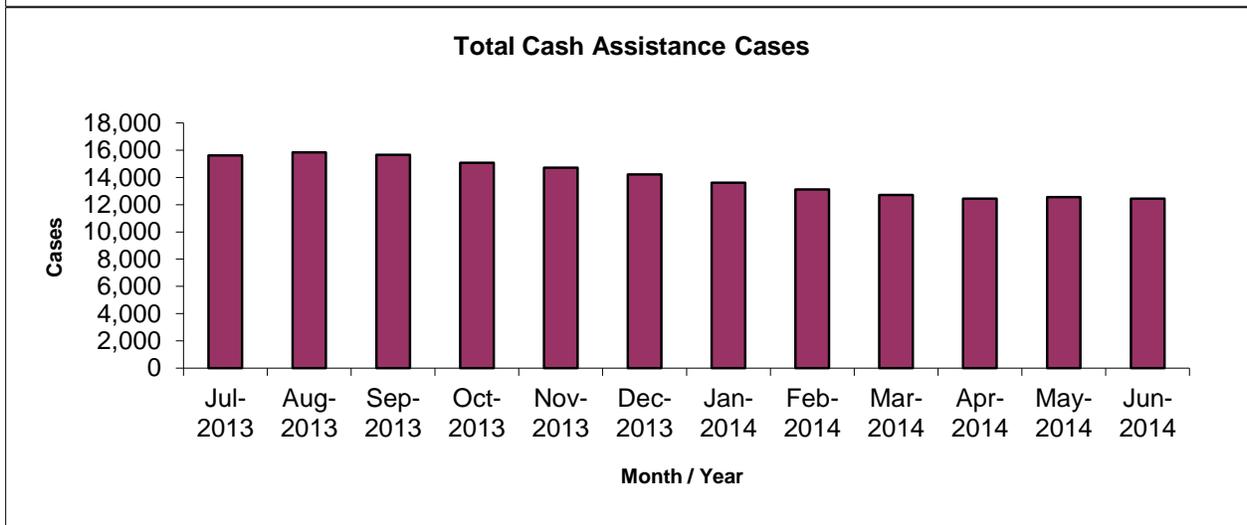
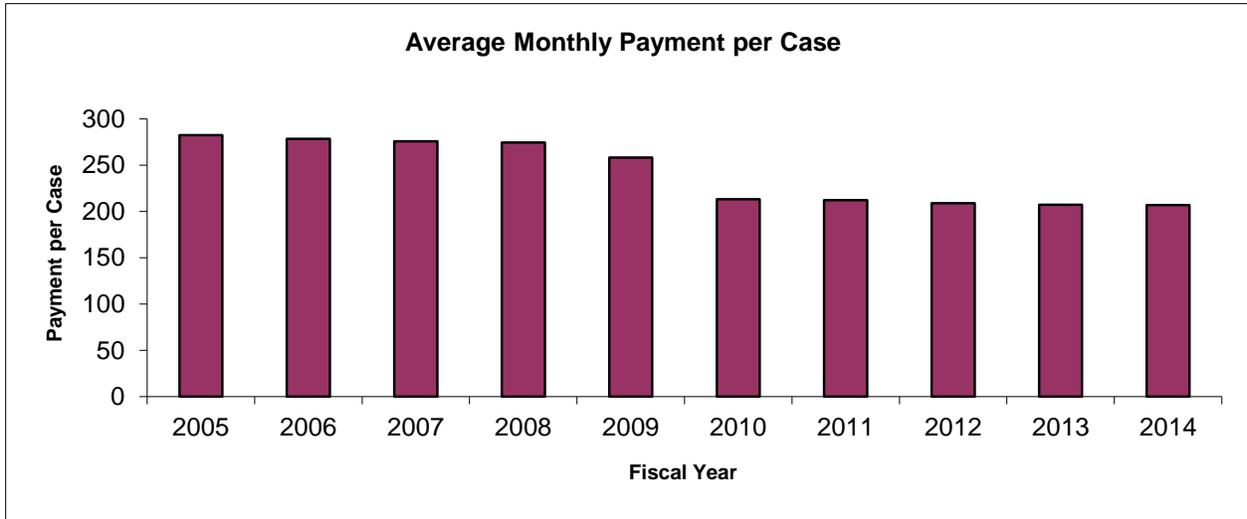
Year	Average Monthly Number of Cases	Average Monthly Number of Recipients	Average Monthly Payment Per Case	Average Monthly Payment Per Recipient	Average Monthly Payments
2005	45,742	105,517	282.38	122.41	12,916,521
2006	41,580	93,553	278.60	123.82	11,584,130
2007	37,616	82,408	275.83	125.90	10,375,533
2008	37,030	80,221	274.59	126.75	10,167,799
2009	38,467	83,969	258.19	118.28	9,931,702
2010	37,779	82,127	213.21	98.08	8,054,784
2011	19,827	44,842	212.42	93.92	4,211,688
2012	17,310	39,194	208.89	92.26	3,615,885
2013	16,827	38,353	207.27	90.94	3,487,653
2014	14,004	31,325	206.97	92.52	2,898,448

Source: The Arizona Department of Economic Security, Division of Benefits and Medical Eligibility, Family Assistance Administration.

Note: Effective July 2010, the maximum state time limit to receive monthly Cash Assistance benefits was reduced to 36 months. Effective August 2011, the maximum state time limit to receive monthly Cash Assistance benefits was further reduced to 24 months.



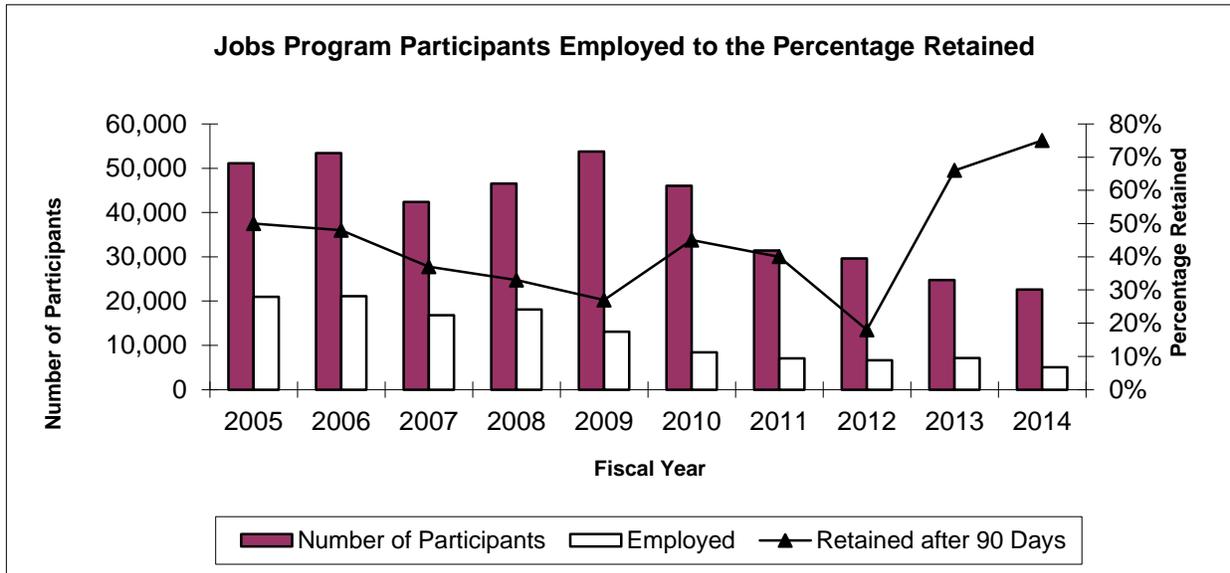
**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Temporary Assistance for Needy Families Cash Assistance**  
**For Fiscal Years Ended June 30**  
**(Continued)**



**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Jobs Program**  
**Comparison of Participants and Participants Employed**  
**For Fiscal Years Ended June 30**

Year	Number of Participants	Total Employed	Percentage Retained Employment for at Least 90 Days
2005	51,130	20,940	50
2006	53,377	21,067	48
2007	42,405	16,780	37
2008	46,558	18,101	33
2009	53,800	13,097	27
2010	46,010	8,416	45
2011	31,380	7,052	40
2012	29,643	6,662	18
2013	24,741	7,098	66
2014	22,601	5,024	75

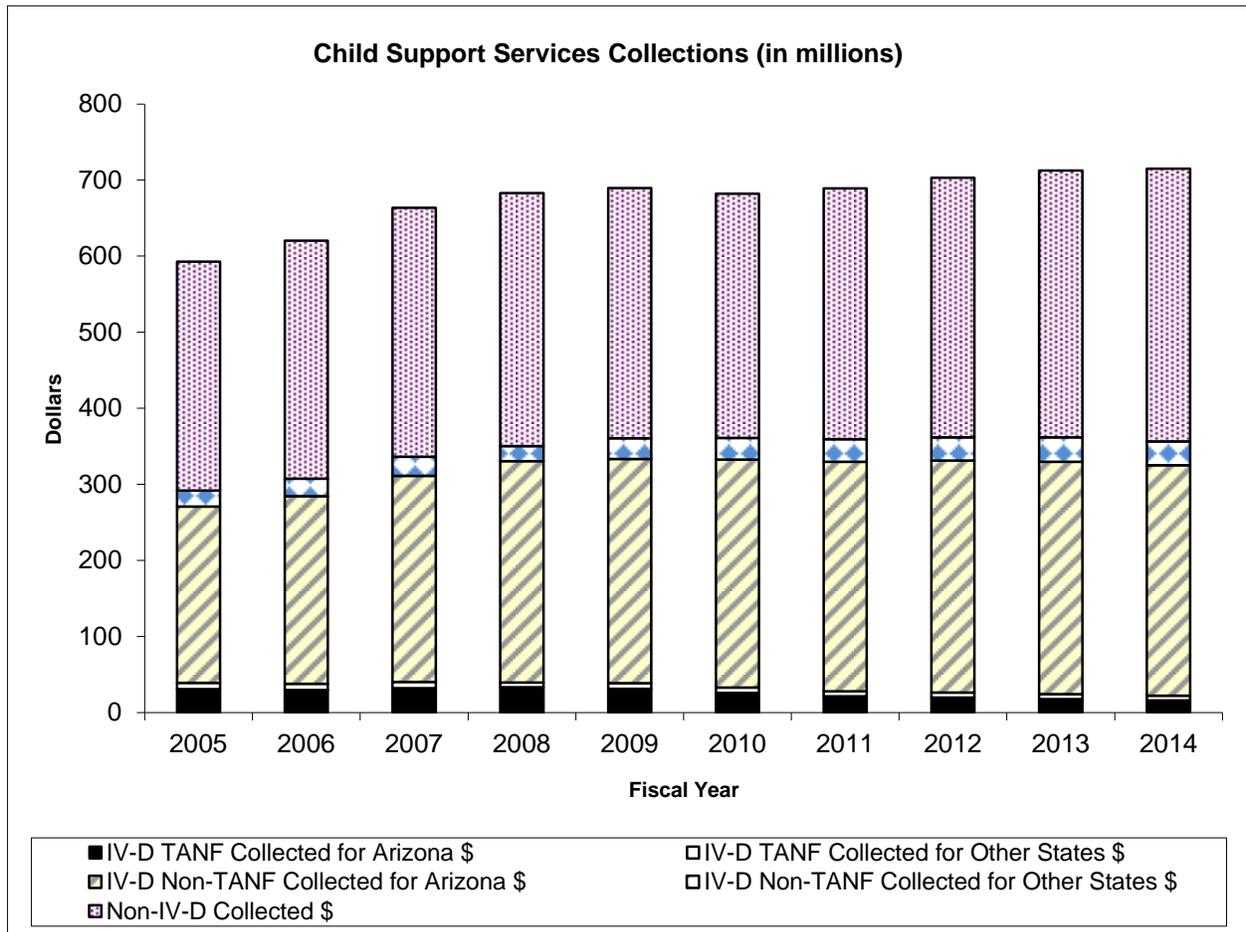
Source: The Arizona Department of Economic Security, Division of Employment and Rehabilitation Services, Employment Administration.



**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Child Support Services Collections**  
**For Fiscal Years Ended June 30**

Year	TANF Collected for Arizona	TANF Collected for Other States	Non-TANF Collected for Arizona	Non-TANF Collected for Other States	Non-IV-D Collected	Total Collections
2005	30,662,600	8,211,600	231,762,600	21,264,400	300,827,700	592,728,900
2006	29,474,800	8,487,900	246,437,800	22,883,800	312,881,500	620,165,800
2007	31,837,800	8,505,300	270,570,900	25,309,500	327,108,300	663,331,800
2008	33,362,400	5,926,800	291,069,400	19,853,500	332,425,300	682,637,400
2009	31,337,600	7,402,700	294,618,000	27,266,400	328,738,000	689,362,700
2010	25,854,600	7,086,300	299,449,600	28,356,400	321,096,000	681,842,900
2011	21,248,700	6,757,400	301,646,700	29,625,500	329,574,400	688,852,700
2012	19,651,800	6,679,900	304,956,800	30,516,200	340,901,500	702,706,200
2013	17,557,700	6,604,800	305,361,400	32,124,800	350,691,200	712,339,900
2014	15,890,900	6,188,400	302,955,000	31,417,800	358,270,300	714,722,400

Source: The Arizona Department of Economic Security, Division of Child Support Services.



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