DEPARTMENT OF ECONOMIC SECURITY

Your Partner For A Stronger Arizona

Annual Report
State Fiscal Year 2011

Janice K. Brewer, Governor

Janice K. Brewer   Clarence H. Carter
Governor   Director

DEC 2 7 2011

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, 2010, through June 30, 2011, 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. Also included in the report is a status report and an evaluation of the children and family services training program, as required by A.R.S. § 8-503.01.

This report provides an overview of the Department's achievements in meeting the needs of Arizonans during the ongoing economic downturn. 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

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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.

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 intended to ensure that children who are unable to reside with their birth parents are provided the opportunity to grow up in the homes of relative caregivers or in other secure environments.

As of the end of state fiscal year (SFY) 2011, DES had approximately 9,300 utilized full-time equivalent positions and operated from 138 direct-service offices, 15 residential facilities, and 24 administrative and training offices. DES owns 31 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 more than 18,000 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 Protective Services (CPS); child welfare services to provide families the tools they need to care for their children; foster care and adoption support; child care assistance to help low-income parents become and remain employable; Adult Protective Services 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 enforcement; refugee resettlement services; financial support; and eligibility determination for much of the state's Medicaid program, the Arizona Health Care Cost Containment System (AHCCCS).

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

Caseloads and Budget

During SFY 2011, Arizona began to see indications of slow economic recovery from the worst economic downturn since the Great Depression. However, the economic recession continues to have a major impact on the state. This continues to fuel a demand for the Department's services, creating multiple challenges to meet the growing human services needs of Arizona's residents as more and more individuals and families are forced to request assistance for the first time. Cuts to the Department's budget from the beginning of SFY 2009 through the end of SFY 2011 have resulted in steep reductions across the Department's programs and operations. Benefits have been cut, waiting lists have been implemented, programs and contracts have been eliminated, provider rates have been reduced, and the Department and private sector contractor agencies have experienced staff reductions. Additional cuts would have been necessary had federal stimulus funds not been made available to backfill a portion of the lost General Fund; however, these stimulus funds are now expiring as well.

The Department continued to experience the highest number of caseloads ever in some critical safety net services such as the Supplemental Nutrition Assistance Program (SNAP, formerly the Food Stamp Program) and Medicaid services for which DES determines eligibility. Although the overall economy is showing signs of comeback, these safety net services provided by the Department continue to be important to persons experiencing financial and social challenges.

During SFY 2011:

- The SNAP caseload increased 4.4 percent to a total of 470,060 cases ending June 2011.

- The number of individuals enrolled in Medicaid programs for whom the Department determines eligibility, increased 2.6 percent to 1,221,102.

Department Public-Private Partnerships

The Department has been 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. Our purpose is to ensure that DES manages its resources to ensure that persons in need receive required services with as few obstacles as possible.

The Department has, over the years, examined its operating support systems to help ensure that where it appeared that the private sector could more efficiently and cost-effectively provide support, we have 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;
- An array of child welfare services for children and families involved with CPS;
- Home recruitment, study, and supervision services for targeted recruitment of potential foster families and of DES-certified family child care homes;
- Child care services through payments to contracted child care providers on behalf of eligible families for services rendered;
- Child support payment processing;
- Employer new hire reporting, which is used to validate employment and income of child support obligors;
- Debt collection and locate services for collecting past due child support obligations;
- 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.

- 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, nutrition assistance, unemployment insurance benefits, and child support;
  - Electronic pay card issuance for Unemployment Insurance benefits and child support payments;
  - Translation and interpretation services;
  - Teleconferencing and digital recording of Appellate Services Administration (ASA) hearings;
  - Document management;
  - Bank of America lockbox; and
  - Telephone systems.

Meeting Needs through Technology

The Department requires a sound technological infrastructure to support person-centered service delivery, increased demand for services, and e-government expansion to improve access to services and 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 are highlights of these efforts.

- The Department is streamlining the eligibility process for several of its programs to make it more efficient for applicants. One key component of this streamlining process is the expansion of the use of the online Health-e-Arizona (HEA) application for the Cash Assistance Program, SNAP, and Medicaid, for which the Department determines eligibility. Throughout SFY 2011, 578,559 applications were submitted using HEA. During SFY 2011, the use of the HEA application increased from 44 percent of the total applications received for these programs to 48 percent. The total number of HEA applications received increased by over 40 percent from SFY 2010. This increase displays a significant enhancement in efficiently receiving and processing applications for various types of assistance. This innovation is particularly useful in rural areas because it allows families to submit their applications for services without traveling to a Department office.

  Surveys of customers who have used HEA show that the majority of people completed the Internet applications in their homes and that the next highest percentage of customers completed their applications in a friend's or relative's home. The Department also partners with faith-based and community organizations by providing training in the use of the HEA electronic application process, which allows these organizations to assist mutual clients in applying for Department assistance programs.

- In addition to the expansion of automation at the point of application, Department programs have implemented Web sites that clients can use to check the status of their cases, to check their benefit balances, and to read notices from their case managers. In August 2010, the Division of Benefits and Medical Eligibility (DBME) implemented the My Family Benefits (MFB) Web site. This site allows participants to create a personal and secure account that will allow them to perform or complete the following program-related functions online:

  o View scheduled appointment information;
  o View the status of an application, program benefit, and eligibility status;
  o Report family changes online or download forms needed to report changes using a fax machine;
  o Respond to the opportunity to register to vote;
  o View a history of Change Reports submitted through MFB;
  o View a help screen for answers to a participant's questions; and
  o Complete a survey about the participant's experience using MFB.

- The Department also 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. One Department IVR allows users to move from Department services to connect directly with other state agencies such as AHCCCS. During SFY 2011, over two million people accessed Department IVRs.

- The ASA Onbase document imaging process transforms the unemployment insurance hearing process from one that is heavily dependent on hard copy case file documents to one that uses an electronic case file. The instant availability of the electronic case file to anyone who has computer access has greatly improved ASA's ability to shift workload to available resources and has laid the foundation for future development that will allow claimants and employers to also access and use the paperless case file.

- ASA's second project, the Smart Scheduler, works seamlessly with the Onbase electronic case file to create even greater efficiencies. The Smart Scheduler, through a sophisticated computer-based rules engine, automatically schedules and posts hearings to an electronic calendar. The hearings are scheduled based on a large number of factors, including items such as the age of the case, the complexity of the issue involved, the schedules of the Administrative Law Judges, and the need for an interpreter in the case. The Smart Scheduler rules engine takes all of these factors into consideration and schedules the cases into the time slots that best match the characteristics of the cases involved. Once the Smart Scheduler posts the hearing to the calendar, it then automatically generates the notice of hearing and prints it to the Onbase electronic case file.

- The Human Resources Administration (HRA) also implemented an Onbase document management project to scan and index the official DES employee personnel files. It is estimated that all DES personnel files will be in an electronic format by March 2012.

- HRA also implemented a document management work flow process. Documents are scanned at the HRA front desk and electronically routed to the appropriate section (Staffing, Employee Relations, and Administration) staff for review and approval. Automatic e-mail notifications are sent to the respective supervisor if a staff member has not completed the review within three working days. HRA also uses the workflow to distribute relevant, time-sensitive actions (e.g., new hires, dismissals, and resignations) to the DES Payroll office. Workflow is also used to send required COBRA notifications to the Arizona Department of Administration (ADOA) Benefit Services Division. Workflow has eliminated complaints about lost or delayed personnel paperwork. Document management eliminates the requirement for logs and increases efficiencies in the processing of personnel actions.

Section 3 – Use, Training, and Placement of the Department's Workforce

Although a state hiring freeze continued during SFY 2011, the Department received approval to fill positions critical to the health and safety of consumers. Recruitment efforts included the state government Web site, www.azstatejobs.com, attending job fairs, utilizing Department Job Service offices, and local area newspaper advertising. Specialized positions, many of which are in specific health care professions, are recruited through trade associations and national publications relevant to the credentialed profession.

HRA and the Department's corporate training component, the Training and Development Administration (TDA), have teamed with DBME to develop the Hire for Talent project. The Hire for Talent Project is a comprehensive recruitment and selection process based on core competencies to attract and hire staff for key field positions to improve the quality of services to DBME customers. A large component of this program was the implementation of the new Virtual Job Tryout. The HRA Staffing and Recruitment Unit implemented a procedure for using this tool in the Division's recruitment process.

Similarly, an effort begun in SFY 2010 with Workforce Planning within Cornerstone for Kids, continued with HRA and TDA partnering with the Division of Children, Youth and Families (DCYF) to develop competency-based hiring and selection techniques for the Child Protective Services (CPS) classification series with the goal of improving retention in DCYF. DCYF has initiated a strategic process of workforce planning with an overarching goal to achieve better outcomes for children and families through recruitment, professional development, retention, and support of a high-quality workforce in an organizational culture where staff are respected and valued consistently with the way staff are expected to treat children and families.

Employee Education and Development Opportunities

The Instructional Systems Design (ISD) Certification program launched in SFY 2010 continues. The ISD Certification is intended to ensure that training developed within DES is tied to business outcomes and can be demonstrated to be effective. It standardizes instructional design at DES through use of the most commonly used and widely recognized systematic approach to curriculum development (known by the acronym "ADDIE"). Thus far, 89 instructional designers have completed the workshop portion of the course and are working on required projects in order to obtain certification. Training managers from all divisions that maintain a central training unit have completed the ISD workshop. TDA provides the ISD Certification as well as Instructor Certification for classroom and Web-conferencing training delivery. An Evaluation Certification is planned for calendar year 2012.

In order to further ensure the effectiveness of training across the entire agency and to create efficiencies, the Department is implementing an enterprise approach to training. This approach will consolidate training functions that are universal across the agency into a training administration that is responsible and accountable for the success of those functions. Functions in which intimate knowledge of the Division's business is required will remain within the Division. Implementation will begin in SFY 2012.

In a related effort, DES piloted a new, collaborative approach to the creation of training that needs to include both Department-wide and Division-specific topics. The approach involves combining the two in a single course that is targeted to the Division's audience and that is designed by a team made up of staff from TDA and the Division. Early results indicate that the courses are successful and that the approach is more efficient and effective than creating training either centrally or in silos. Based on the pilot, it is likely that similar projects will be handled in the same fashion in the future.

Training units continue to use Web- and computer-based methods for delivery of training as a way to decrease costs and inconvenience associated with travel and time away from work. TDA and division training units use Web conferencing in lieu of face-to-face training for synchronous training that cannot feasibly be delivered using asynchronous computer-based training. TDA delivers almost 90 percent of its courses using distance learning; only certification courses are delivered in a classroom format.

As in SFY 2010, DES maintained training-related relationships with several state agencies and academic institutions. The relationship with the Arizona Learning Center (AzLC) continues with DES representation through the TDA Program Administrator's membership on the state's training leaders committee hosted by AzLC. TDA also works with the ADOA's Information Services Division with regard to the Event Registration and Management Application (ERMA) that is used to launch and track training for contractors, volunteers, and others who work with the Department but who are not state employees. TDA has also worked with the Department of Transportation, the Department of Emergency and Military Affairs, and the Fire Marshal's training units regarding the ERMA system. Division training units maintain relationships with Arizona State University (ASU) and the University of Arizona (U of A) to provide training unique to those divisions.

The Department also continues to look for methods to enhance while streamlining program-specific training. In SFY 2011, program staff in several divisions identified and converted existing training to computer-based training and used Web conferencing when feasible in lieu of face-to-face training. Training staff gained skills in creating computer-based training using the Knowledge Presenter software and became certified in the Department's Instructional Systems Design program to tie the Division's training to its business outcomes. As training is updated and revised, learning objectives and curricula will be developed using ISD principles to ensure that training is meeting its mark. Increasing core support coordination training and consumer protection are high priorities for the coming year.

Web Conferencing

During SFY 2011, the Department used iLinc online meeting software in over 1,200 sessions with over 5,600 persons participating. The estimated avoidance of travel costs related to meetings and training in SFY 2011 was approximately $190,500.

Section 4 – Children and Family Services Training Program Annual Report

DCYF's Child Welfare Training Institute (CWTI) offers a comprehensive child welfare training program in support of the state's commitment to providing quality services to Arizona's children and families. Initial and ongoing training for child welfare staff are provided through a variety of methods and opportunities, including:

- Pre-core/New Employee Orientation training;

- CPS Specialist Case Manager Core training;

- On-the-job/field training and support;

- Supervisor Core training and advanced courses for supervisors and managers;

- Parent Aide and Case Aide Core training;

- Specialized one-on-one training refreshers on the statewide information system (CHILDS) and the Child Safety Assessment-Strengths and Risk Assessment-Case Planning (CSA-SRA-Case planning) process;

- Specialized and advanced training, including workshops and conferences on topics such as gangs, mental health issues, and methamphetamine abuse;

- CHILDS training;

- Policy training;

- Region-offered training;

- Out-service training (conferences and seminars in the community);

- The ASU School of Social Work BSW scholarship programs;

- The part-time MSW program for permanent status agency employees residing in Maricopa County or Pinal County; and

- Training to other child welfare community partners, including the Foster Care Review Board (FCRB), Juvenile Court, contracted service providers, and Native American tribes.

To provide timely ongoing training on CHILDS when significant changes are made and as needed throughout employment, the following activities occurred during SFY 2011:

- The CWTI provided staff and supervisors with updated user guides and hands-on CHILDS training, as needed. Each significant migration in the CHILDS system was

accompanied by a clearly written user guide, so that staff and supervisors can understand and use the new functions in CHILDS.

- The day-long training "Documentation for CPS Casework" was delivered twice to Pima Region staff. This training is available to any region upon request, and will be offered regularly during SFY 2012.

In SFY 2012, the CWTI and CHILDS project will partner with the software vendor to provide training and support in the use of Dragon-Speak software. The Division is making Dragon-Speak software available for approximately half of its employees to increase documentation quality and decrease the time required to document case information.

To explore and employ alternate methods of training delivery, the following activities occurred during SFY 2011:

- The CWTI received approval to hire staff for an enhanced Field Training Program. This program is matrix-managed by the CWTI and Regional Program Managers and provides one to two field training officers (FTO) for each region. The FTO's primary function is to support newly hired CPS specialists during the approximately 22 weeks in training status, including the pre-core period, field week, and post-core period. This program will be fully implemented during SFY 2012. The Field Training Program makes a local trainer accessible to all newly hired staff to provide support and enhance transfer of learning during this critical learning period.

- In collaboration with its partnership at ASU, the Division's CWTI has significantly augmented the computer-based training available to staff. Twelve new modules have been added to address significant changes in practice, law, and policy, including: Integration of Team Decision Making (TDM) and the Safety Model; Identification, Notification, and Assessment of Relatives; the National Youth in Transition Database; and the revised Performance Appraisal for State Employees (PASE) employee performance evaluation process. In addition, 11 modules of legal training for case managers are now available online as a pre-class tutorial. Other elective resources have been added to this site, including an Interstate Compact on the Placement of Children (ICPC) tutorial and a manual on common psychotropic medications. Field training manuals and matrices are also available online for CPS supervisors. Feedback from the surveys remains very positive, indicating that 96 percent of staff feel positive about this mode of delivery for selected courses and believe that they learned skills they can apply to their job.

- The CWTI also increased its use of the Web-based iLinc tool. Using iLinc, CWTI delivered interactive training on 2011 state legislation that has an impact on child welfare policy and practice, the PASE performance evaluation, and the TDM-safety model integration policy. The iLinc tool has proven most effective in combination with computer-based training, allowing staff an opportunity to interact and ask questions on the material provided.

The growing number of available computer-based training modules demonstrates the Division's continued commitment to considering alternative training delivery methods. Identification of training needs that can be met through alternative delivery methods continues to be a topic of discussion for the Training Advisory Committee, which met in June 2011 to discuss plans for SFY 2012. The committee discussed the challenges of using iLinc and methods to maximize its benefit, including training that combines computer-based training and interactive iLinc or in-person training.

To further collaborate within the Division's University Partnership and to provide, expand, and improve staff training, the following activities occurred in SFY 2011:

- Ten BSW students and 15 MSW students were interviewed for selection for the Title IV-E child welfare specialization programs. The Division hired 24 MSW graduates in June 2011, four MSW graduates in August 2011, and five BSW graduates in June 2011. Twenty MSW students are currently enrolled in the two-year program.

- A committee of Division and ASU staff collaborated to create a part-time MSW program for employees, using eligible Title IV-E funds. Through a partnership with ASU, the Division is implementing a part-time long-term training program for selected full-time employees for the purpose of strengthening the agency's child welfare practice. This program will use Title IV-E funds to support a part-time course of study in an MSW program for permanent status agency employees who reside in Maricopa or Pinal County. Initially, 13 staff members began studies in the fall of 2011, and staff may complete the program in either three or four years. There is an intention to add staff members to the program annually and make it available to staff members who reside in Pima County.

- New computer-based training courses were delivered in core training and posted online for existing staff through the ASU-CWTI Web site.

- A new Supervisor Core class in clinical supervision was created through the partnership.

- The CWTI revised its entire Case Aide Core curriculum. The initial module was delivered to all new case aides and to existing case aides upon request. Modules two and three are slated for delivery in SFY 2012.

In SFY 2012, the ASU-CWTI University Partnership will create a Web site to serve as a portal to a multitude of internal and external training resources, the child welfare training schedule, a list of available classes, and other information. This site is currently in the planning stages.

To provide advanced professional learning opportunities in a variety of topics relevant to the job functions of CPS specialists and CPS supervisors, the following activities occurred during SFY 2011:

- The Division began its Advanced Training Academy in collaboration with its ASU partnership. Because resources remain limited, the initial target audience is assistant program managers (APM) and CPS supervisors statewide. An initial training for all

APMs on Secondary Trauma was delivered in April 2011, and additional trainings on this topic will be provided to all CPS supervisors. Additional advanced trainings will be provided following a needs assessment.

- Two sessions of Grand Rounds were provided to all CPS supervisors and APMs on child safety assessment and safety planning and behavioral case-planning. During the Grand Rounds, national topic experts delivered best practice information and assisted the attendees in applying the information to actual cases.

- The Division consulted with the National Resource Center for Child Protective Services (NRCCPS) to develop policy and train staff on more effective integration of TDM practice with the Division's safety assessment and safety planning model. The new policy was finalized in March 2011. All staff received computer-based training. Supervisors and APMs received additional training via iLinc in June 2011. TDM facilitators received in-person training on the Division's Child Safety Assessment model during May and June 2011.

Specialized Training Programs and Audiences

In addition to all of the Division's newly hired and existing staff, various and diverse audiences benefit from the Division's training program. Contracted providers and other child-serving agencies (such as the Division of Behavioral Health Services behavioral health providers and case managers from the Navajo and Hopi Nations) are invited to participate in training offered by the Division. The CWTI provides training in CHILDS for staff from designated provider agencies, Juvenile Probation, and Native American Nations that access this system.

Other examples of specialized trainings include:

- Childhelp USA partners with the Division to facilitate advanced forensic interviewing training.

- The Navajo Nation, the Hopi Nation, and the Administrative Office of the Courts (AOC) have Title IV-E agreements with the Department. Pursuant to these agreements, these custodial agencies are eligible to receive training and reimbursement for expenses associated with the training in accordance with federal regulations. It is essential that direct service staff from these agencies participate in case management training in addition to training relevant to Title IV-E administrative activities, foster care maintenance and eligibility activities, and initial in-service training. The Division provides training to those direct staff in accordance with requests from their respective agencies.

The Division partners with the Arizona Office of the Attorney General to enhance training on legal aspects of child welfare and the intersection of legal issues and child welfare practice. Assistant Attorneys General provide training to staff and external partners through Case Manager Core, Supervisor Core, and other specialized training. On behalf of the agency, Assistant

Attorneys General also provide Title IV-E training to court personnel to increase awareness of Title IV-E policies. To ensure that the attorneys representing the child welfare agency are informed on agency policy, best practices, and relevant social work issues, the Assistant Attorneys General also participate in trainings on current child welfare practices, legal implications, and training issues.

Provider Training

The Department continues to provide training to foster and adoptive home recruitment contract providers in the "Partnering for Safety and Permanence: Model Approach to Partnerships in Parenting" (PS-MAPP) curriculum. The contract providers provide the PS-MAPP training as pre-service training to prospective resource parents. This process ensures that the training curriculum provided to prospective resource parents is consistent throughout the state. PS-MAPP is a 30-hour group session program of ten meetings over ten weeks. Potential resource parents who cannot attend a group session can be prepared using the "PS Deciding Together" (PS-DT) one-to-one program. PS-DT is seven face-to-face consultations with the potential resource parents and the Foster Care specialist of the contracted provider agency.

Completion of PS-MAPP or PS-DT training is required prior to licensure and prior to placement of a child (aside from court-ordered placements with unlicensed kin or significant others). This pre-service training is also required for kinship parents who are applying for a foster home license. Licensed foster parents who were trained and prepared using a pre-service program other than PS-MAPP or PS-DT are required to attend a six-hour Mini PS-MAPP session. Mini PS-MAPP is an Arizona curriculum designed to deliver the consistent core philosophies of PS-MAPP, Family to Family, and Family Centered Practice. A brief version of this training is a part of the Case Manager Core so that all new hires are exposed to this important program and its related philosophical shift.

The Division continues to partner with group care provider agencies to enhance opportunities for the short-term training of state-licensed child care institution staff who provide care to foster and adopted children. This training enhances the ability of these staff members to provide support.

During the second half of 2012, the *Go-To Guide,* which is now part of the Arizona PS-MAPP curriculum, will be updated, revised, and delivered to current PS-MAPP Certified Leaders. The *Go-To Guide* contains specific information related to Arizona's child welfare system. The *Go-To Guide* is provided to most currently licensed foster parents by the contract providers. In March 2011, a workshop on the *Go-To Guide* was presented by the Division's Arizona PS-MAPP Trainer to foster parents at the Maricopa County KIDS training blitz.

Section 5 – State Fiscal Year 2011 Highlights and Accomplishments

The following describes selected agency accomplishments during SFY 2011 in accordance with each of the agency's four goals:

Strengthen Individuals and Families

- Adoptions of foster children continue to increase, resulting in a bonus from the federal Department of Health and Human Services. For the period April 2010 through March 2011, over 2,100 adoptions, including 97 for children with special developmental needs, were finalized.

- The Department continued to experience growth in its provision of specialized habilitation for young children with autism. These services provided or supervised by licensed behavior analysts through Qualified Vendor agreements provide interventions designed to maximize the functioning of these children aged birth to six years. The services are intended to provide improved quality of life by targeting the core symptoms of autism and by teaching of alternative methods of responding to stressors. There are currently 315 children statewide benefiting from these specialized services.

- Three major fires required immediate implementation of Department statewide emergency plans: the Horseshoe Fire (May 8, 2011, northern Arizona); the Wallow Fire (May 29, 2011, northern Arizona); and the Monument Fire (June 12, 2011, southern Arizona). Each fire was unique and presented distinct challenges for all concerned, threatening the homes of consumers, families, residential providers, and Department staff. The fires revealed the level of excellence of the emergency preparedness planning within the Department. More importantly, it revealed the amazing level of dedication and courage field staff have for both serving and protecting all persons enrolled in Department programs.

- The Department chartered the Arizona Sustainability and Innovation Work Group, which included representatives from contracted agency providers, AHCCCS, family members, individual providers, state staff, self-advocates and others. The work group analyzed reliable sources of information to determine how Arizona compared with other states on key measures related to serving the developmentally disabled, then issued a report with recommendations in a variety of areas such as home-based and residential services, employment, therapies, case management, and other ideas to explore for potential changes and innovations.

  From a national comparison:

  o Arizona ranks very high in the number of citizens with developmental disabilities it serves as a percentage of the general population.
  o Arizona ranks very high in the number of individuals served in the most integrated setting.

- o Arizona ranks very high in the percentage of people who receive services living with their family.
  - o Arizona ranks very high in the percentage of people living in their own homes or settings of six or less.
  - o Arizona operates one of the most cost effective programs serving the developmentally disabled in the country as evidenced by its overall per capita funding of $29,958 per person.

- The Division of Aging and Adult Services (DAAS) provides many services to the community. As part of the Older Americans Act Nutrition Program, 1,463,819 home-delivered meals and 1,149,467 congregate meals were served in SFY 2011.

- During SFY 2011, Arizona emergency domestic violence shelters contracting with the Department provided 336,000 nights of safety, resulting in 9,809 women and children finding safe refuge.

- In SFY 2011, the Department contracted with 36 providers of services to the homeless throughout the state for emergency crisis shelter and transitional housing services. During SFY 2011, the number of individuals housed by emergency shelters was 14,724, and the total number of individuals housed by transitional programs was 1,847, for a total of 16,571. Of those, 72 percent served were in Maricopa County, 17 percent were in Pima County, and 11 percent were in the balance of state.

- 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 this past year, 53 contacts (one-on-one counseling sessions) were made.

- The State Health Insurance Assistance Program (SHIP) is a health benefits counseling session to discuss fraud, errors and/or abuse. During SFY 2011 25,523 individuals attended these sessions.

- 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 SFY 2011, the FCSP served 22,575 caregivers with support services, including respite care, support groups, stress management training, and other supplemental services that complement the care of the caregiver.

- Non-medical Home- and Community-Based Services provide the necessary support services to help individuals remain in their homes and communities. In SFY 2011, DES provided services such as personal care to 16,119 older adults to help maintain their independence and avoid premature and costly institutionalization.

- In SFY 2011, DES received 6,889 allegations of abuse, neglect, and exploitation of vulnerable adults. Allegations investigated showed reports of abuse at 25 percent, neglect at 72 percent, and exploitation at 28 percent (a case may have multiple allegations). All allegations of abuse, neglect, and exploitation were investigated. Staff also provided the needed resources and protective services in a timely manner.

- In SFY 2011, 1,048 veterans were served during the Arizona StandDown, a three-day event held at the Arizona State Fairgrounds, with over 700 volunteers offering former servicemen and women an array of services, including medical and dental care, legal counseling, and job and housing opportunities. This year the Arizona StandDown became the largest veteran outreach event in the nation. Twenty-two percent of the veterans served were chronically homeless and 45 percent of the veterans reported living on the streets or in emergency shelters. Only 12 percent of the veterans who attended were currently employed. DES 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 Refugee Resettlement Program provides, under direct contracts with voluntary agencies, long-term culturally and linguistically appropriate employability and employment services. This assists eligible beneficiaries with achieving economic self-sufficiency as quickly as possible after arrival in the United States. During SFY 2011, 1,426 refugees entered employment through this program compared to 1,077 in SFY 2010.

- Each year, the National United Cerebral Palsy Association conducts and publishes a study called "The Case for Inclusion," which analyzes the provision of Medicaid services for Americans with intellectual and developmental disabilities across the country. The Department's Division of Developmental Disabilities (DDD) ranked number two in this year's report, down from number one last year. While different reports measure quality in various ways, this particular study looked at several factors in Medicaid for each state, such as the degree to which services are community-based; the percent of people in small homes versus larger homes; the level of family support (such as people receiving Home- and Community-Based Services in the family home); the percentage of people living in the family home; quality assurance programs; and the percentage of individuals in competitive employment. The Division did particularly well in the area of family support; people living in the family home; the percentage of funding spent in the community; the number of small homes; participation in National Core Indicators surveys, and the small percentage of people waiting for services. In spite of recent economic challenges, DDD continues to work with consumers, families, the provider community, and stake holders to provide much needed services to over 31,000 consumers.

- The Comprehensive Blind Adjustment Contracts have significantly improved the quality of services to individuals who are blind or visually impaired. The Rehabilitation Services Administration (RSA) has partnered with community providers to coordinate blind adjustment services, which has resulted in reducing the time required for clients to complete adjustment services and has improved the communication and partnering among individuals with a visual impairment, providers, and staff. Currently, the contracts have two major program categories, Adult and Transition. The programs provide the normal blind rehabilitation adjustment services, which include Rehabilitation Teaching, Orientation and Adjustment to Disability, Orientation and Mobility, Assistive Technology Training, Assistive Technology Devices, Technology Installation and Configuration, Low Vision Assessment, Aids and Devices, and Training Services. The programs also provide many varieties of employment-related services, including Career Exploration, Job Readiness, Resume Writing and Interviewing, Job Development and Placement, Work Station Assessment, Post-Employment Retention Services, and many varieties of specific skill training such as Braille Instruction, English as a Second Language, and On-Site Life Coaches for managing life on one's own.

- The Comprehensive Blindness Transition Pilot Program for students with the primary disability of blindness began in June 2010. Twenty-eight participating high school students received comprehensive adjustment services from two providers: the Colorado Center for the Blind and the Southern Arizona Association for the Visually Impaired. The comprehensive adjustment programs include training in mobility, communication, personal and home management, the use of assistive technology, and self-advocacy necessary for successful transition to the world of work. In addition to the 28 high school students attending the comprehensive adjustment programs, six post–high school students are attending college preparatory programs. The program's goals are to teach the necessary adaptive skills and instill the self-confidence to be successful in employment or in postsecondary education/skill training in high school students who are blind and visually impaired.

- ASA conducts administrative hearings and reviews for numerous Department programs, including Unemployment Insurance. Appeals for the Unemployment Insurance program continued to be of great importance this year because of the ongoing economic downturn. Unemployment benefits assist workers conduct a work search, find employment, and achieve self-sufficiency. Despite workload levels several times higher than those experienced before the recession, ASA met all U.S. Department of Labor standards for timeliness and appeals quality.

- The Division of Child Support Enforcement (DCSE) was invited to participate in the national TANF reauthorization and federal incentive review committees by the federal Office of Child Support Enforcement. Representatives from child support were invited to speak on the performance incentives and child support payment processing technology and national conferences. Arizona is being consulted on issues of national relevance to the child support community.

- The Department continues to participate in the National Core Indicators Project, which is a project that has outlined approximately 100 consumer, family, systemic, cost, and health and safety outcomes. A variety of tools including consumer surveys measure areas such as the satisfaction with supports and services provided to people with developmental disabilities and their families. Preliminary data for fiscal year 2011 show a consistent level of satisfaction since 2000. Based on the information generated by this survey, the Department is focusing on alleviating loneliness through increasing self-advocacy. Each District has a Consumer Advisory Council that will advise the District on ways to assist consumers in becoming self-determined advocates.

Collaborate with Communities to Increase Capacity

- DES provides staffing and technical assistance to Governor Brewer's ArizonaSERVES Task Force and Web site. The purpose of ArizonaSERVES—Arizona Serving, Engaging, Responding, Volunteering, Encouraging and Supporting—is to connect the resources of faith-based and nonprofit organizations to the needs of Arizona's most vulnerable citizens. Arizona is currently facing unprecedented economic conditions that are having a significant impact on the lives of many citizens, businesses, and service providers across the state. Faith-based and nonprofit organizations have continually demonstrated a commitment to serving Arizona's children, adults, and families. During these challenging times, it is critical that partnerships with faith-based and nonprofit organizations are strengthened to ensure that our shared resources are creatively and effectively utilized.

- DES partners with faith-based organizations to engage, connect, and support them 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. DES provides staffing resources for the Arizona Council on Faith-Based and Community Initiatives. The council is dedicated to engaging and mobilizing all faith communities to improve the quality of life for our most vulnerable and impoverished people through a statewide, action-oriented collaboration of faith-based, community, and governmental organizations.

- All around the state, community network teams sponsored by the Department meet regularly to discuss the quality of life for residents within their communities—especially for their neighbors who need a helping hand. These teams identify gaps in local human services and work to focus all available resources on eliminating those gaps. Ending hunger, poverty, and violence or improving transportation, health care, child safety, or career training are just a few of the issues the groups work collaboratively to resolve.

- 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 8,200 Arizonans.

- DES convenes statewide roundtables for municipal human service professionals for education and networking. The purpose of these roundtables is to allow municipal human services managers and staff the opportunity to meet their peers and to share ideas, concerns, solutions, and stories with one another. Attendees unanimously agree that the roundtables are of high value to them, and attendees especially appreciate being in direct contact with others who face the same issues that they grapple with every day. Twenty municipalities, mostly from the greater Phoenix area, participated in SFY 2011.

- Since 1988, the DDD Adaptation Station in Pima County has designed and constructed adaptive equipment for children and adults with developmental disabilities. This year, the Adaptation Station was supported by more than 29 volunteers and 122 helpers contributing a total of 3,658 volunteer hours, which saved the state approximately $78,000 in comparable wages. The volunteers produced and adapted more than 950 items to assist over 230 consumers by adapting such items as battery-operated toys with homemade switches, therapy-positioning devices, and furniture; sewing weighted vests, blankets, and upholstery; and designing other adaptations for home and work. Materials used to construct these items cost $17,000, where comparable catalog items would be between $50,000 and $100,000. By providing this much needed service for the cost of materials only, a considerable cost savings is passed on to the consumer and taxpayer. Most items made are custom tailored to the individual and are not available on the market.

- The Volunteer Services Program was established in 1988 and continues to work to identify volunteer opportunities within the Department to ensure the successful integration as well as positive contributions of volunteers. Annually, hundreds of volunteers assist the Department and contribute thousands of hours of work. During SFY 2011, volunteers contributed more than 110,000 hours to help ensure that DES families received needed services. They assisted with everything from administrative support and transporting children and vulnerable adults to medical and court-ordered appointments and providing quality federal and state-mandated services for Arizona's families in need.

- The Department partners with Pilot Parents of Southern Arizona to provide Partners in Policymaking. Partners in Policymaking is an innovative leadership training program that teaches people to be community leaders and to affect 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 in Policymaking provides the most current information and education about disability policy; the legislative process; and local, state, and national issues that affect individuals with disabilities. Program participants are people who are ready to work for long-term systems change and for change 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. Program graduates gain the abilities to teach policymakers a new way of thinking about people with disabilities.

- The Department contracts with Raising Special Kids and Pilot Parents of Southern Arizona to provide peer counseling to persons with developmental disabilities. This service provides self-help opportunities through education, training, information, and through encouragement and support to individuals, families and other caregivers. It also maintains open communication with professionals in fields such as education, healthcare, child protection, and law enforcement to increase awareness and understanding of developmental disabilities.

- The Department partners with the Sonoran University Center of Excellence in Developmental Disabilities (UCEDD) on a project to describe and address barriers to effective late-life transitions and end-of-life care for aging caregivers of adults with developmental disabilities.

- The Department is a partner in Arizona's Aging and Disability Resource Center, whose goal is to create a coordinated system of information, assistance, and access for all people seeking long-term care services. This system, known as AzLinks, includes a Web site (www.azlinks.gov) that provides links to federal, state, and other agencies, integrating resources on a variety of relevant topics. AzLinks also has a reference manual for people who do not have access to the Internet.

- The Phoenix South Mountain Step Down Group Home has been in operation since September 2004. This home was a collaborative effort between DDD and the behavioral health entity, Magellan. Both groups continue to work collaboratively to support individuals who are transitioned through this setting from psychiatric hospitalization or crisis centers back into long-term placement in the community. This past year, the home has supported eight individuals with developmental disabilities or mental health challenges with an average length of stay of 90–120 days. The individuals who have transitioned out of the program have been successful in their long-term community placements.

- The Department is a partner in the "This is MY Life" self-determination project. Training and support is offered by two community agencies (Arizona Bridge to Independent Living (ABIL) and Direct). With this training and support, people with developmental disabilities gain confidence in expressing themselves in order to live the way they want to live.

- DDD continues to represent DES on the Governor's Arizona Developmental Disabilities Planning Council (DDPC). The DDPC was established by Governor Brewer through Executive Order 2009-08 enacted on September 3, 2009, pursuant to Public Law (PL) 106-402; also known as the Developmental Disabilities Assistance and Bill of Rights Act of 2000. It is composed of 23 members, including persons with developmental disabilities; parents/guardians of children with developmental disabilities; immediate relatives or guardians of adults with mentally impairing or cognitive developmental disabilities who cannot advocate for themselves; and other government and community members as defined by the PL. The mission of the DDPC is to represent the interests

and needs of persons with developmental disabilities with particular attention dedicated to persons who are not served or are underserved throughout the State of Arizona. The related purpose of the DDPC is to engage in advocacy, capacity building and systemic change to increase inclusion and involvement in the community, and strives to achieve the essence of the Developmental Disabilities Act by promoting self-determination, independence, productivity and integration to support persons with developmental disabilities and their families in all facets of community life.

Increase Efficiency and Effectiveness through Innovation and Accountability

- The Department has formed the Office of Accountability that will help DES develop an enterprise approach to performance management and accountability. The head of this new office is part of the Director's staff and reports directly to the Director. The Office encourages coordination of DES programs, unifying management, employees, stakeholders, and customers through a shared understanding of the agency's goals and objectives. Specifically, the office measures individual, team, organizational, and stakeholder accountability. This includes risk management and early warning and prevention of issues that may affect program quality. It recommends steps to mitigate and prevent fraud, waste, and abuse and seeks timely measures to resolve problems. Where necessary, it helps to develop corrective and preventive action plans, and it seeks measures that enable continual improvement of key business functions.

  The Office of Accountability is developing a performance management system that is integrated vertically and horizontally. Vertical integration will align employee efforts with the agency's goals and promote improvement through cascading goals and objectives to each level of the agency. Horizontal integration optimizes work flows across programs. This helps DES deliver customer-focused services and assesses individual processes from the customer's perspective.

  The Office is developing tools for forecasting, monitoring, and measuring performance at each level of the agency, including:

  o Quality control process that can be used by individuals and their supervisors.
  o Self-assessment. This is an ongoing process, used by each program and function, to monitor its own performance, evaluate its capacity, and find improvements.
  o Third-party reviews conducted by the Office. These reviews will compare performance against projections, identify opportunities for improvement, and develop action plans.
  o Outcome evaluations are also conducted by the Office. These evaluations will assess the extent to which programs contribute to outcome-oriented objectives for the entire agency.

- With reduced resources in state government and the increased need for social services, the Department implemented a service area reorganization that resulted in reducing service areas from six to five for each program. This change enabled the Department to:

- o Streamline service delivery to its clients;
- o Reduce administrative layers to bring more service and support to the field;
- o Realign available administrators to better support personnel working closest to clients and families, by reducing the vertical levels in the organization; and
- o Balance caseloads more evenly throughout the state.

- Since March 2009, the Department has been engaged in consolidating office space throughout Arizona to assist in reducing cost to mitigate the impact of the budget reductions on our staff and clients. These efforts have resulted in 42 office closures since inception and specifically 10 offices closing in SFY 2011. The office consolidations have resulted in savings exceeding $3.5 million in SFY 2010 and $4.3 million in SFY 2011. The projected savings for SFY 2012 is $5.6 million. In addition, lease rate reductions were negotiated for other locations, providing further savings of $1.5 million in SFY 2010 and SFY 2011.

- DCSE focuses on process improvement using Six Sigma and Lean principles. This focus has helped to improve its overall performance, as well as that of its individual federal requirements. DCSE has increased its consistency in assessing case management activities, guiding DCSE managers and supervisors in their decision-making activities, and improving outcomes for families. In the area of paternity establishment, DCSE received the highest paternity establishment percentage among 54 national child support programs for three consecutive years. DCSE continues to seek national best practices and research to continue this upward climb.

- Approximately one in six Arizonans received benefits administered by the Division of Benefits and Medical Eligibility (DBME) during SFY 2011.[1] With that workload, DBME began implementation of a new process management model. The new model focuses on streamlining eligibility practices and processes for applications and interviews; verification and eligibility decisions; and maintenance and recertification of cases. DBME has improved its lobby management with a FAST tracker system to capture, assign, and track client flow. This allows management to track client "time in" and "time out," which is used for resource planning. In addition, in conjunction with the electronic application process through HEA, emphasis is placed on completing the entire application and authorization process in one visit. This emphasis will allow DBME to dramatically reduce the number of repeat office visits and phone calls, thereby minimizing lobby traffic and reducing the amount of effort and time spent on each case.

- Using the new process management model and the HEA application process, DBME has begun migrating from a labor-intensive and inefficient caseload assignment process to a team approach allowing greater collaboration between offices to manage the workload statewide. DBME has utilized current technology and is working to improve its telephony and computer network infrastructure to manage its workload. Offices may shift work one to another in order to reduce backlogs and maintain timeliness. The new

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[1] 2010 U.S. Census Bureau Data for Arizona.

process and technology improvements will allow DBME to manage and maintain an increasing workload while minimizing the need to maintain a proportionally increasing workforce.

- Beginning July 1, 2010, the Office of Special Investigations (OSI) established and staffed a new Trafficking Detection Unit (TDU). The unit consists of three certified police officers and one administrative assistant responsible for investigating SNAP fraud. In addition, TDU partners with the U.S. Department of Agriculture's Office of Inspector General and other law enforcement agencies to curtail client and merchant violations. The OSI TDU investigates SNAP fraud and submits those cases to the Arizona Office of the Attorney General for prosecution. From July 1, 2010 through June 30, 2011, 242 investigations were initiated, and 194 were completed. In 70 of these investigations, fraud was detected. The total amount of overpayments identified exceeded $8,000, and cost avoidance during the certification period was over $50,000. Several states and the U.S. Department of Agriculture's Food and Nutrition Service have contacted the Department for details of this initiative.

Section 6 – Economic Conditions and Outlook

The Office of Employment and Population Statistics (EPS) within the Arizona Department of Administration (ADOA) is forecasting a gradual increase in nonfarm employment in Arizona for the 2011–2012 projections time period.[2]   In comparison to the employment forecast released earlier in April, nonfarm employment growth has been forecast to be slightly slower in 2011 and moderate in 2012. An over-the-year gain of 15,500 nonfarm jobs is expected in 2011 and 29,900 in 2012. The previous forecast in April was for a 17,300 job gain in 2011 and 34,600 in 2012. In the current forecast, the rate of growth projected for total nonfarm employment is 0.7 percent in 2011 and 1.2 percent in 2012. A total of 45,400 nonfarm jobs are forecast to be gained over the two projected years (2011 and 2012).

Nationally, the forecasts for various economic indicators such as Gross Domestic Product (GDP), consumer spending, etc., have been scaled back from previous forecasts on a more cautious global outlook. In Arizona, net positive over-the-year gains started only since January 2011. Although employment is growing in Arizona, the speed of recovery has been weak. Arizona continues to face slow population growth, high unemployment, reduced income and wealth, weak housing and commercial real estate markets, and continued budgetary constraints in state and local governments.

In this forecast update, there are some sectors where the forecast has changed more than others. The major sectors with larger projected job gains or smaller projected job losses include: Educational and Health Services; Manufacturing; Other Services; and Construction. On the other hand, the major sectors with smaller forecast job gains or larger projected job losses include: Leisure and Hospitality; Trade, Transportation and Utilities; Financial Activities; Natural Resources and Mining; Information; Professional and Business Services; and Government.

Although 2011 appears to be better than the previous recessionary years, there are signs of slowing down in the economic environment in the U.S. Economic indicators such as GDP, real income, employment, industrial production, and wholesale have showed some signs of weakening in the U.S. Retail sales have been increasing as a result of higher food and energy cost. However, real personal consumption expenditures are declining. The future direction of federal economic policy is uncertain. There are indications of a tightening federal fiscal policy in the coming years. Banks have relaxed their underwriting criteria slightly, which has helped improve consumer and small business lending compared to the recessionary years.

Compared to the previous years, some improvements in the private sector have been seen because of increasing business and consumer spending. On the business side, firms have increased their investment spending on capital equipment to boost future labor productivity. Although corporate profits are rising, corporate investment is growing slowly as businesses are being cautious. Labor productivity and the number of hours worked have increased compared to last year. This has resulted in slow hiring. Consumer confidence has dropped since the first quarter of 2011. The continued impact of higher food and oil prices is expected to result in less

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[2] Arizona Department of Administration, Office of Employment and Population Statistics. "Employment Forecast Update" October 6, 2011.

disposable income being available to the consumer for local spending. With the weakening of the economic growth, inflation concerns are expected to ease in the coming year.

A weaker dollar will continue to increase export demand and international tourism at least in the short term. With slowing economic growth internationally, the demand for U.S. exports and the rate of foreign direct investment in the U.S. economy is expected to slow down a bit. The European Union is dealing with the debt problems in the Euro monetary system. Japan is gradually emerging from the multiple disasters of the tsunami and nuclear power stations that occurred in March 2011. Although the dollar is weak relative to other currencies at present, the direction it will take in the future is not very clear.

Other factors mentioned in the last forecast continue to persist:

- Weaker population in-migration: The continued fall in home values across the U.S. has exacerbated many of the existing financial and economic problems connected to housing in the Arizona economy. Declines in U.S. home values since the beginning of the economic downturn in December 2007 have caused many home mortgages to become "underwater" and has limited the ability of people to move across state lines.

- International Investment and Outsourcing: Many U.S.-based corporations are now investing and expanding their operations internationally because of the opportunities to sell their goods and services in expanding markets. Consequently, these corporations are expanding employment in foreign countries, but not in the U.S.

- Contraction in Federal Expenditure: Proposals have been made to reduce federal expenditures. However, the outcome is not known. Federal government military spending is expected to decrease. This will likely impact Arizona as military bases and contractors are located here in Arizona. Many post offices across the country are slated to be closed, which will have an impact on Arizona as well.

Educational and Health Services (EHS): EHS is forecast to have the largest job gains of all the major sectors with an increase of 28,400 jobs, or 8.3 percent, for the 2010–2012 time period. Projected job gains in EHS have increased since the original forecast release in April 2011. Within EHS, employment increases are forecast in Educational Services for the next two years, based on the improved performance of this sector. It is followed by Health Care and Social Assistance. Reductions in government spending have the potential to curtail the growth of the EHS industries.

Leisure and Hospitality (L&H): While L&H is projected to have a lower rate of job growth than EHS at 5.8 percent; it is expected to add 14,500 jobs over the 2010–2012 time period. Employment increases are projected across all sectors in L&H including Accommodations, Food Services and Drinking Places, and Arts, Entertainment and Recreation. International and domestic tourism is expected to increase as economies grow around the world and more people travel to Arizona.

Trade, Transportation and Utilities (TTU): TTU is forecast to have a gain of almost 13,100 jobs, or 2.8 percent, from 2010–2012. Employment growth in Wholesale Trade is forecast because of expansion in Manufacturing, Natural Resources and Mining, and Retail Trade. Job gains are expected in Retail Trade resulting from faster growth in international tourism and moderate domestic consumer spending. Employment increases are projected in the Retail industries of Motor Vehicles and Parts, and General Merchandise. However, job losses are projected to continue in Furniture, Home Furnishings, Building Materials and Garden Supplies because of continued problems in the housing market. In the TTU sectors, employment growth is projected for the Air and Truck transport sectors as a result of expansion in the international and domestic economies. However, growth is expected to be restrained with the rise in energy and food costs. Employment levels in utilities are forecast to decrease because of continued problems in the residential and commercial real estate sectors.

Manufacturing: This sector is projected to have an increase of 7,000 jobs, or 4.7 percent, resulting from pent up domestic demand and rising export demand from overseas economic expansion. Almost all fabrication industries are forecast to have job gains with the exception of aerospace because of cutbacks in certain federal programs and outsourcing. Civilian commercial aviation is not expected to fare much better because of proposed consolidation plans and rising energy costs. The recent disasters in Japan with the earthquakes, tsunamis, and nuclear reactor meltdowns are anticipated to have an impact on computer and electronics products fabrication, but the exact amount is unknown. The forecast for manufacturing employment growth has improved since the original forecast release in April 2011.

Financial Activities (FA): Job gains in FA are projected to number more than 1,300 jobs, or 0.8 percent. Employment growth is forecast in most sectors with the exception of credit intermediation because of continued problems in the residential and commercial real estate markets. A significant portion of the employment gains are projected in the sector of securities, commodity contracts and other financial investments and related activities. Employment increases in the real estate and rental and leasing sectors are forecast to occur as establishments that are engaged in renting, leasing and other related services are expected to grow.

Natural Resources and Mining (NRM): NRM is forecast to gain almost 400 jobs, or 4.0 percent. Rising demand for metallic mineral ores from the growth of foreign and domestic economies and higher prices is driving these projected job gains. However, job losses are projected in the nonmetallic mineral ore sectors of NRM as a result of continued weakness in the construction sectors.

Information: This sector is forecast to have a loss of 900 jobs, or 2.5 percent, over the 2010–2012 period. Employment reductions are projected in both the non-telecommunications and telecommunications sectors. Continued consolidation and absorption of excess capacity is causing continued job losses in telecommunications. The transition of video rentals from brick and mortar retail stores to online internet services and kiosks is driving employment reductions in non-telecommunications sectors of information.

Professional and Business Services (PBS): Job losses in PBS are forecast to total 3,200, or 0.9 percent, over the 2010–2012 period. Projected employment losses of 3,800 jobs, or 1.1 percent

in 2011, are being offset by the forecast job gains of 600 jobs, or 0.2 percent in 2012. Gains in 2012 are linked to improvements in other sectors of the economy such as Manufacturing, NRM, and Trade. From 2010 to 2012, management of companies and enterprises is one of the few sectors with projected gains in employment. The majority of all other sectors in PBS are forecast to have job losses.

Other Services (OS): OS is forecast to have an employment increase of 500 jobs, or 0.6 percent. While job losses in 2011 are projected to number 900, or 1.0 percent, employment gains are forecast in 2012 with an increase of 1,400 jobs, or 1.6 percent. Job growth is projected to return in 2012 as a consequence of rising demand for repair and refurbishment services as consumers delay the purchase of replacements for their durable goods.

Construction: This sector is forecast to lose 100 jobs, or 0.1 percent, from 2010 to 2012 resulting from continued problems in residential and commercial real estate. Most of the forecast losses for construction are in 2011 with job gains projected in 2012. In 2011 as well as 2012, Specialty Trades sector within Construction is forecast to gain because of the need for building and infrastructure maintenance and repair. The 2011 Construction losses far exceed the 2012 gains resulting in a net loss for this sector. Job losses in this sector have the potential to increase because of the ongoing problems in real estate. The number of housing starts and private residential building permits are near historic lows and suggest that real estate problems have not been completely resolved.

Government: This sector is projected to have the largest job losses of all major industries during the two-year forecast time period with a reduction of 15,700 jobs, or 3.8 percent. Projected employment losses have increased since the original forecast released in April 2011. Local Governments are forecast to have reductions especially in the area of Education. Job losses are also projected for the Federal Government. In contrast, the State Government is forecast to have small job gains particularly in Education. However, depending on the outcome of Government spending, the pendulum could shift either way in terms of job gains or losses in this sector.

Economic Conditions Summary

For the first time since the beginning of the economic downturn in 2007, Arizona is projected to have over-the-year gains. Over-the-year gains in nonfarm employment are forecast in both 2011 and 2012 for a two-year total gain of 45,400 nonfarm jobs, or 1.9 percent. Projected gains in nonfarm employment for Arizona have been revised downward by 12 percent since the original April forecast. This is a result of the economic slowdown observed across the U.S. and internationally.

In comparison to the employment forecast released in April 2011, the nonfarm employment gain has been forecast to be slightly lower in 2011 and 2012. An over-the-year gain of 15,500 nonfarm jobs is expected in 2011 and 29,900 in 2012. The previous forecast in April 2011 was for a 17,300 job gain in 2011 and 34,600 in 2012. The rate of growth projected for total nonfarm employment is virtually unchanged at 0.7 percent in 2011 and now is at 1.2 percent in 2012.

Gains in 2012 are expected to be relatively better than 2011 and the net result is forecast gains in seven out of the eleven major sectors between 2010 and 2012. Educational and Health Services; Leisure and Hospitality; and Trade, Transportation and Utilities sectors are forecast to have the majority of these job gains. Other sectors are expected to have employment losses. Based on 2010 annual average data, Arizona has been lagging behind the U.S. in terms of employment growth. In terms of projected growth in nonfarm employment, our forecast for 2012 suggests Arizona will be growing slightly faster than the Global Insight projections for the U.S.
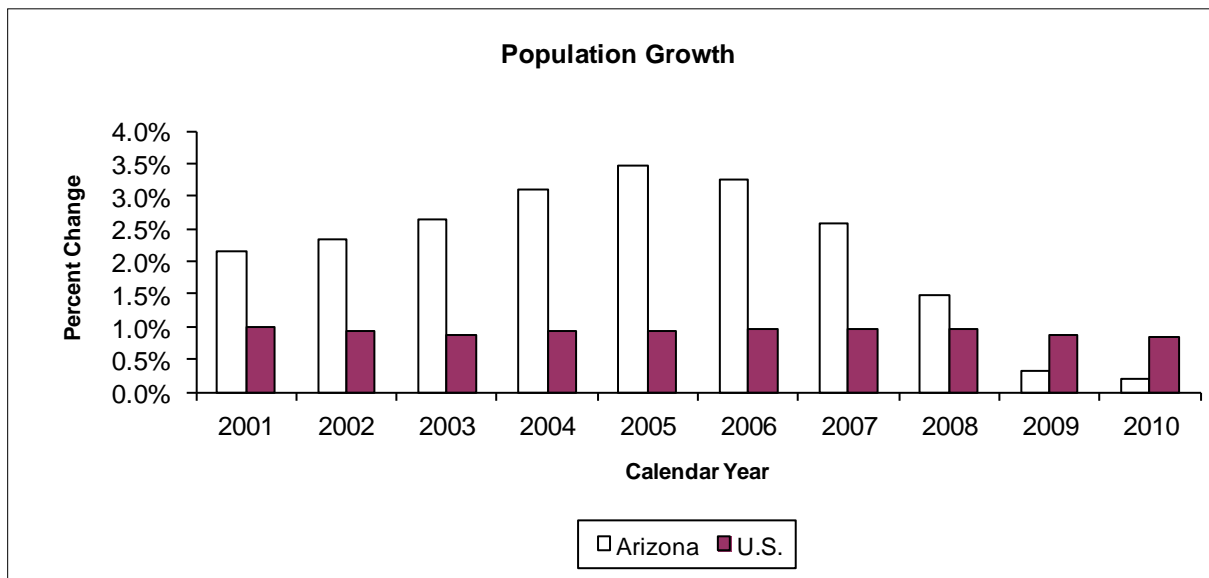
Section 7 – Statistics

ARIZONA DEPARTMENT OF ECONOMIC SECURITY
Comparison between Arizona and United States Population
For Calendar Years Ended December 31
(2010 is the most recent data available)

Year	Arizona Population	United States Population	Percent Change In Arizona Population	Percent Change in U.S. Population
2001	5,287,510	284,968,955	2.2%	1.0%
2002	5,411,164	287,625,193	2.3%	0.9%
2003	5,554,235	290,107,933	2.6%	0.9%
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	309,349,689	0.2%	0.8%

Source: Arizona estimates by the Arizona Department of Administration; United States estimates by the U.S. Census Bureau.
Note: The percent growth between 2000 and 2001 represents 15 months between the April 1, 2000 U.S. census and the July 1, 2001 estimate. Other growth rates are annual between the July 1 estimates dates.


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ARIZONA DEPARTMENT OF ECONOMIC SECURITY
Comparison between Arizona and United States Per Capita Income
For the Calendar Years Ended December 31
(2010 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
2001	30,574	26,193	2.40%	2.10%
2002	30,821	26,474	0.80%	1.10%
2003	31,504	26,989	2.20%	1.90%
2004	33,123	28,710	5.10%	6.40%
2005	34,650	30,672	4.60%	6.80%
2006	36,744	32,353	6.00%	5.50%
2007	38,564	32,900	5.00%	1.70%
2008	34,335	40,208	4.40%	4.30%
2009	33,244	39,626	-3.20%	-1.40%
2010	34,553	39,945	3.90%	0.80%

Source: Arizona and U.S. data provided by the Bureau of Economic Analysis.
Note: The information contained in the sources used for this table is revised on a continuing basis and, accordingly, the amounts in the above table have been revised. Therefore, amounts presented may not match the amounts reported for prior years.
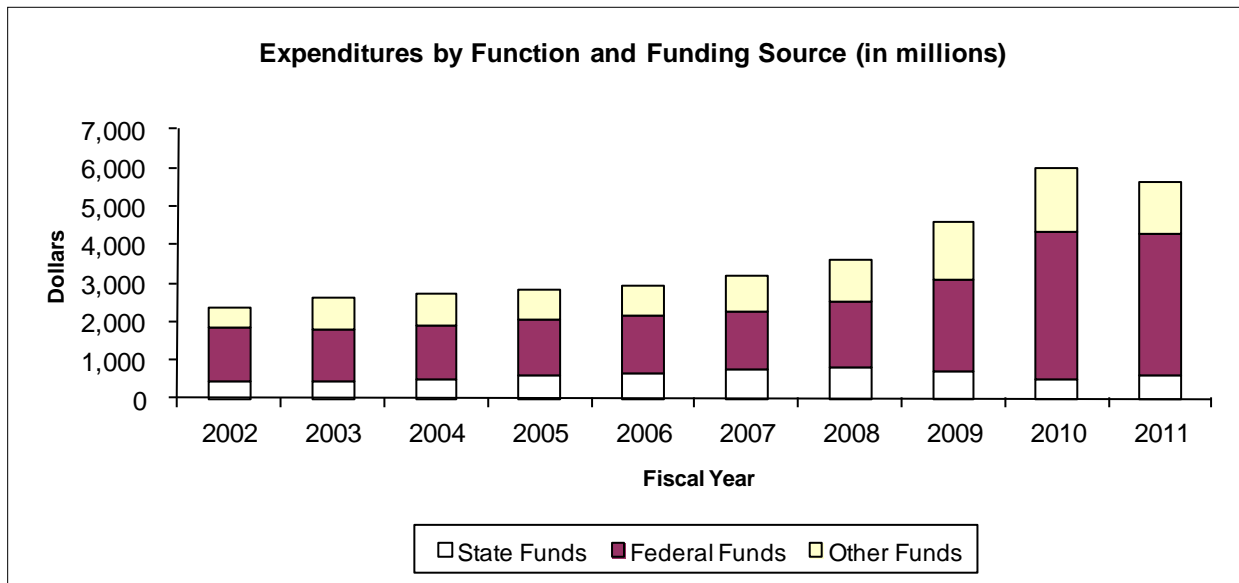

Change in Per Capita Income
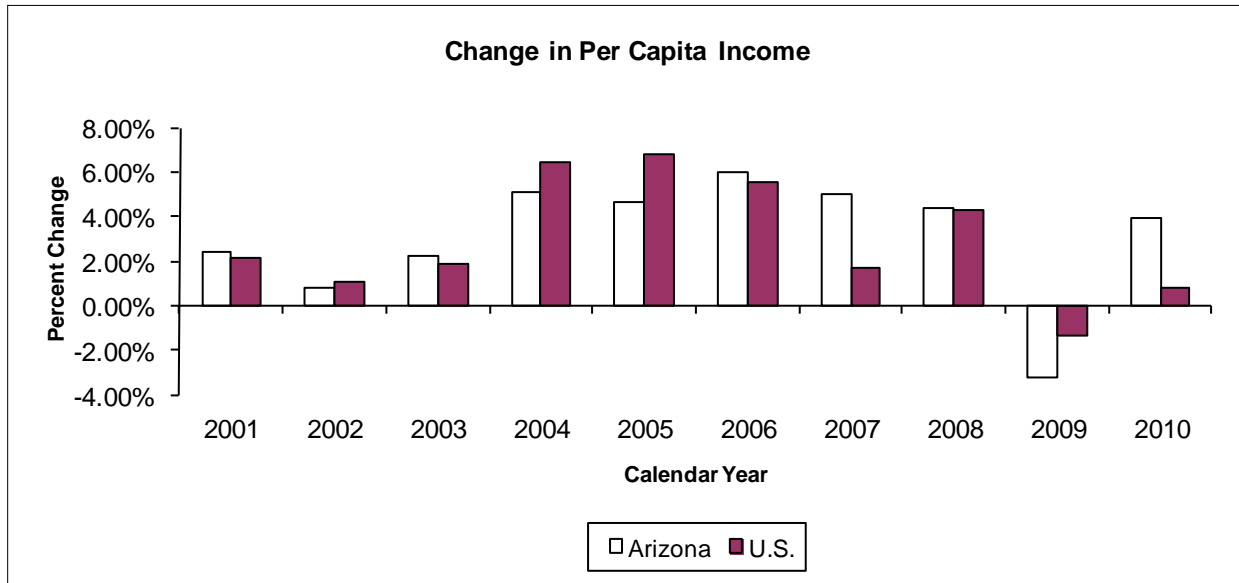
ARIZONA DEPARTMENT OF ECONOMIC SECURITY
Expenditures by Funding Source
(Governmental Funds and Unemployment Insurance Benefits)
For the Fiscal Years Ended June 30

Year	State Funds	Federal Funds	Other Funds	Total Funds
2002	449,946,977	1,406,217,101	511,087,455	2,367,251,533
2003	434,725,701	1,350,528,136	856,181,840	2,641,435,677
2004	472,442,402	1,420,389,817	846,938,314	2,739,770,533
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

Source: The Arizona Department of Economic Security, Financial Statements.
Note: The Federal Funds amounts include amounts for food stamp benefits distributed.

**Expenditures by Function and Funding Source (in millions)**

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

Year	State General Fund Appropriations	Federal Financial Assistance	Employers UI Contributions	Interest on Investments	Other	Total
2002	463,456,900	1,604,700,337	162,157,379	66,619,568	76,573,245	2,373,507,429
2003	422,581,074	1,683,066,873	160,962,888	58,776,481	72,830,370	2,398,217,686
2004	484,037,500	1,893,683,834	194,894,098	46,839,769	51,605,255	2,671,060,456
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

Source: The Arizona Department of Economic Security, Financial Statements.
Note: The Federal Financial Assistance amounts include amounts for food stamp benefits distributed.


Revenues by Funding Source (in millions)
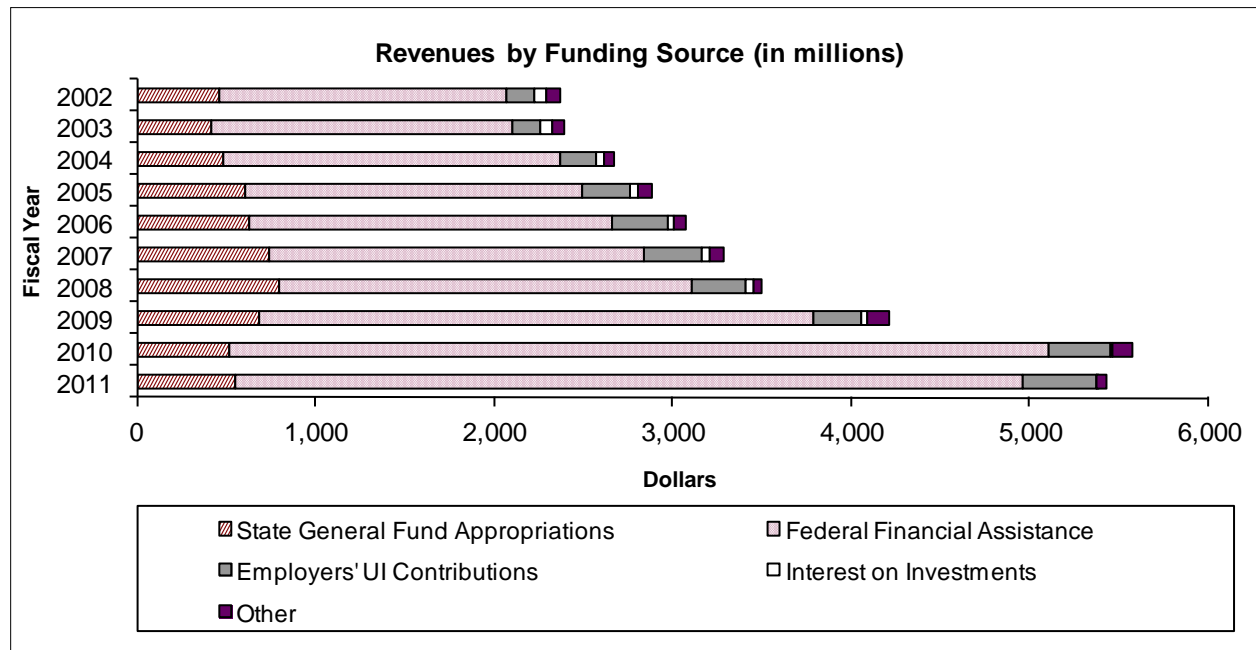
ARIZONA DEPARTMENT OF ECONOMIC SECURITY
Comparison between Arizona and United States Unemployment
For Calendar Years Ended December 31
(2010 is the most recent data available)

Year	Number of Unemployed in Arizona	Number of Unemployed in U.S.	Unemployment Rate – Arizona	Unemployment Rate – U.S.
2001	121,500	6,801,000	4.70%	4.70%
2002	161,600	8,378,000	6.00%	5.80%
2003	155,800	8,774,000	5.70%	6.00%
2004	138,700	8,149,000	5.00%	5.50%
2005	133,800	7,591,000	4.70%	5.10%
2006	121,200	7,001,000	4.10%	4.60%
2007	114,100	7,078,000	3.80%	4.60%
2008	183,100	8,924,000	5.90%	5.80%
2009	305,500	14,265,000	9.70%	9.30%
2010	316,200	14,825,000	10.00%	9.60%

Source: Arizona data was provided by the Arizona Department of Administration; U.S. data was provided by the U.S. Department of Labor, Bureau of Labor Statistics.
Note: Unemployment rates are seasonally adjusted.
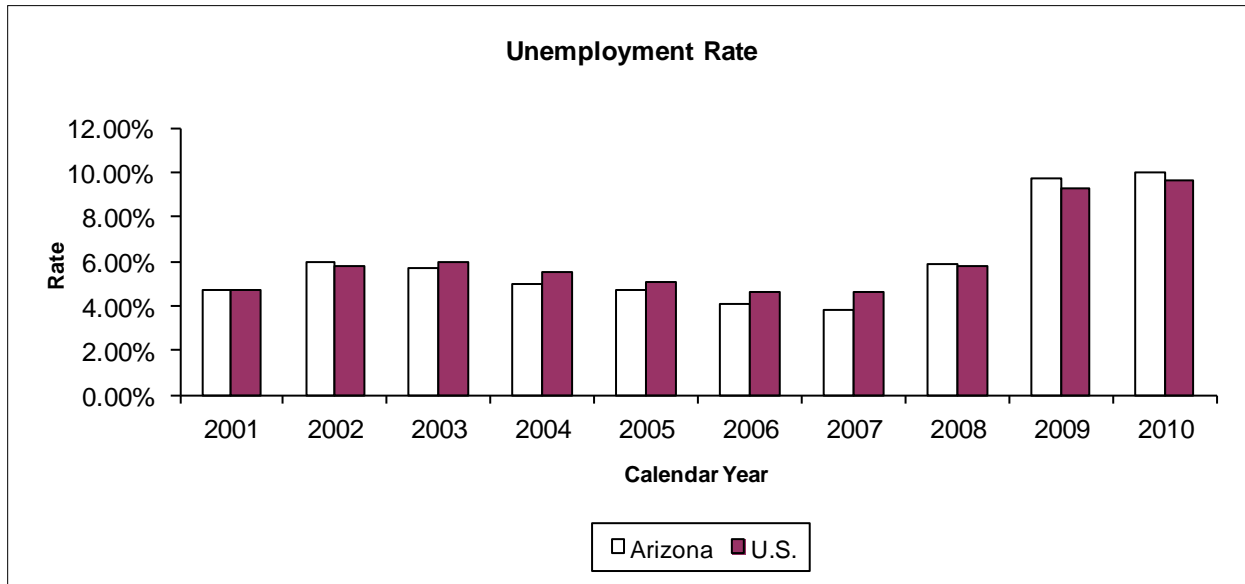
ARIZONA DEPARTMENT OF ECONOMIC SECURITY
Unemployment Insurance Financial Transaction Summary
For the Fiscal Years Ended June 30

Year	Total Employer Contributions	Total Benefits Paid	Fund Balance
2002	338,555,460	407,021,875	1,033,275,970
2003	237,542,722	467,411,646	860,871,706
2004	247,481,831	394,987,858	759,016,265
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

Source: The Arizona Department of Economic Security, Unemployment Insurance Financial Transaction Summary Report.
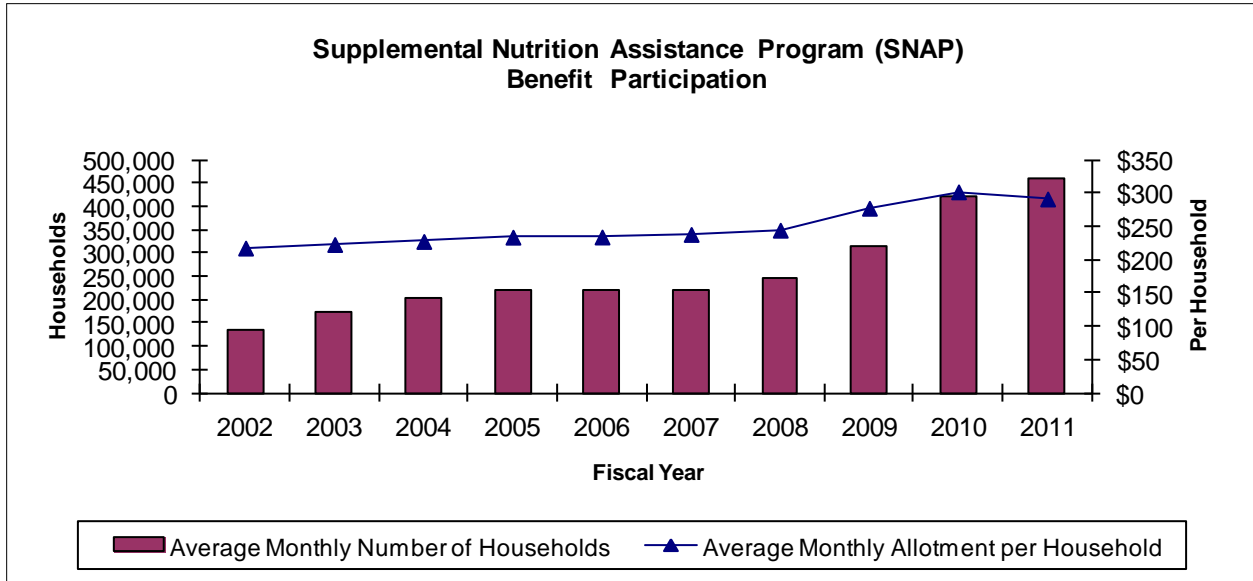
Note: The total benefits paid amount for all fiscal years has been adjusted to include interstate benefits.

Unemployment Insurance Contribution to Benefits and Fund Balance (in millions)
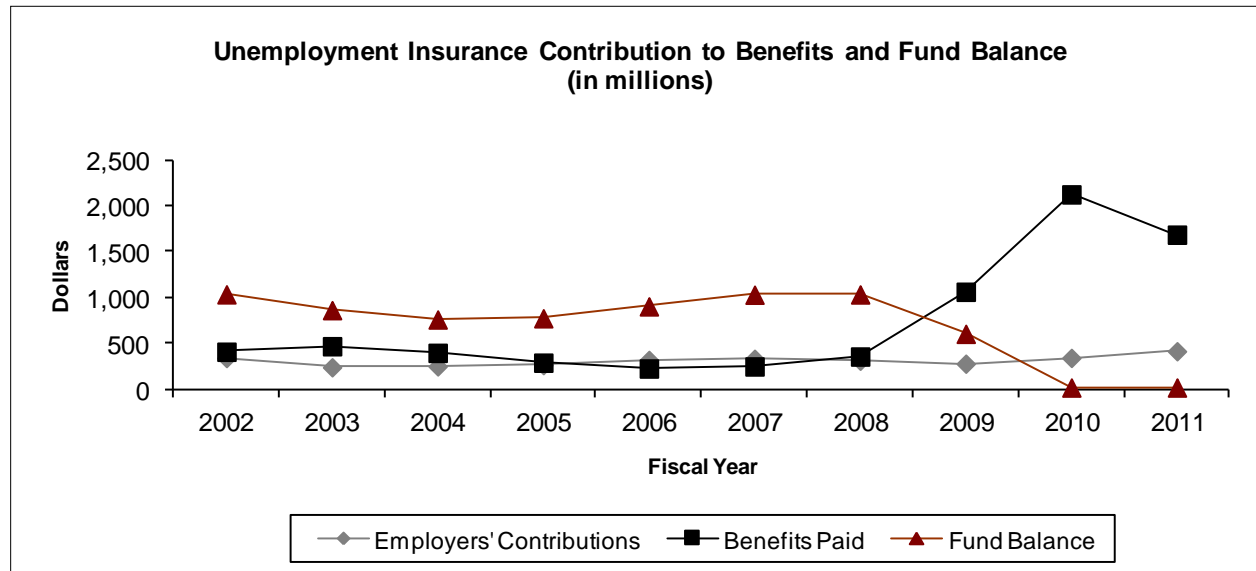
ARIZONA DEPARTMENT OF ECONOMIC SECURITY
Supplemental Nutrition Assistance Program (SNAP) Benefit Participants
For Fiscal Years Ended June 30

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
2002	134,135	355,722	217.64	82.07	29,193,426
2003	171,247	442,320	223.06	86.36	38,198,140
2004	204,010	521,992	227.63	88.96	46,438,594
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

Source: The Arizona Department of Economic Security, Family Assistance Administration.

Supplemental Nutrition Assistance Program (SNAP)
Benefit Participation

Average Monthly Number of Households   Average Monthly Allotment per Household
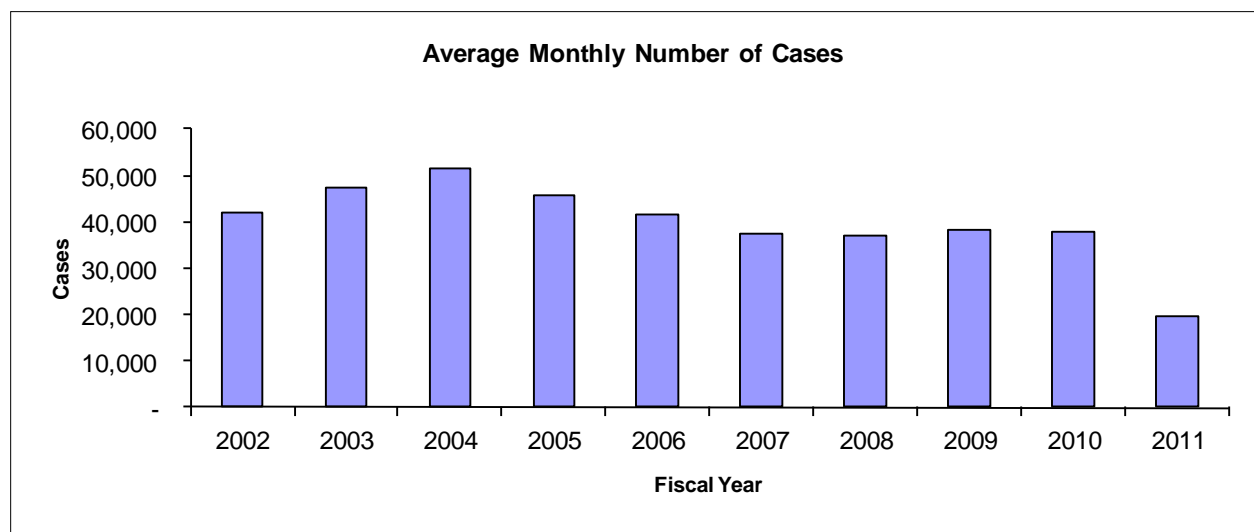
ARIZONA DEPARTMENT OF ECONOMIC SECURITY
Temporary Assistance for Needy Families Cash Assistance
For the Fiscal Years Ended June 30

| Year	Average Monthly Number of Cases	Average Monthly Number of Recipients	Average Monthly Payment Per Case	Average Monthly Payment Per Recipient	Average Monthly Payments
2002	42,102	109,547	286.99	110.30	12,082,660
2003	47,298	121,193	282.76	110.35	13,373,618
2004	51,318	122,577	284.92	119.28	14,621,497
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

Source: The Arizona Department of Economic Security, Family Assistance Administration.
Note: Effective July 2010, the maximum state time limit to receive monthly Cash Assistance benefits was reduced to 36 months.


Average Monthly Number of Cases

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

Average Monthly Payment per Case

Total Cash Assistance Cases
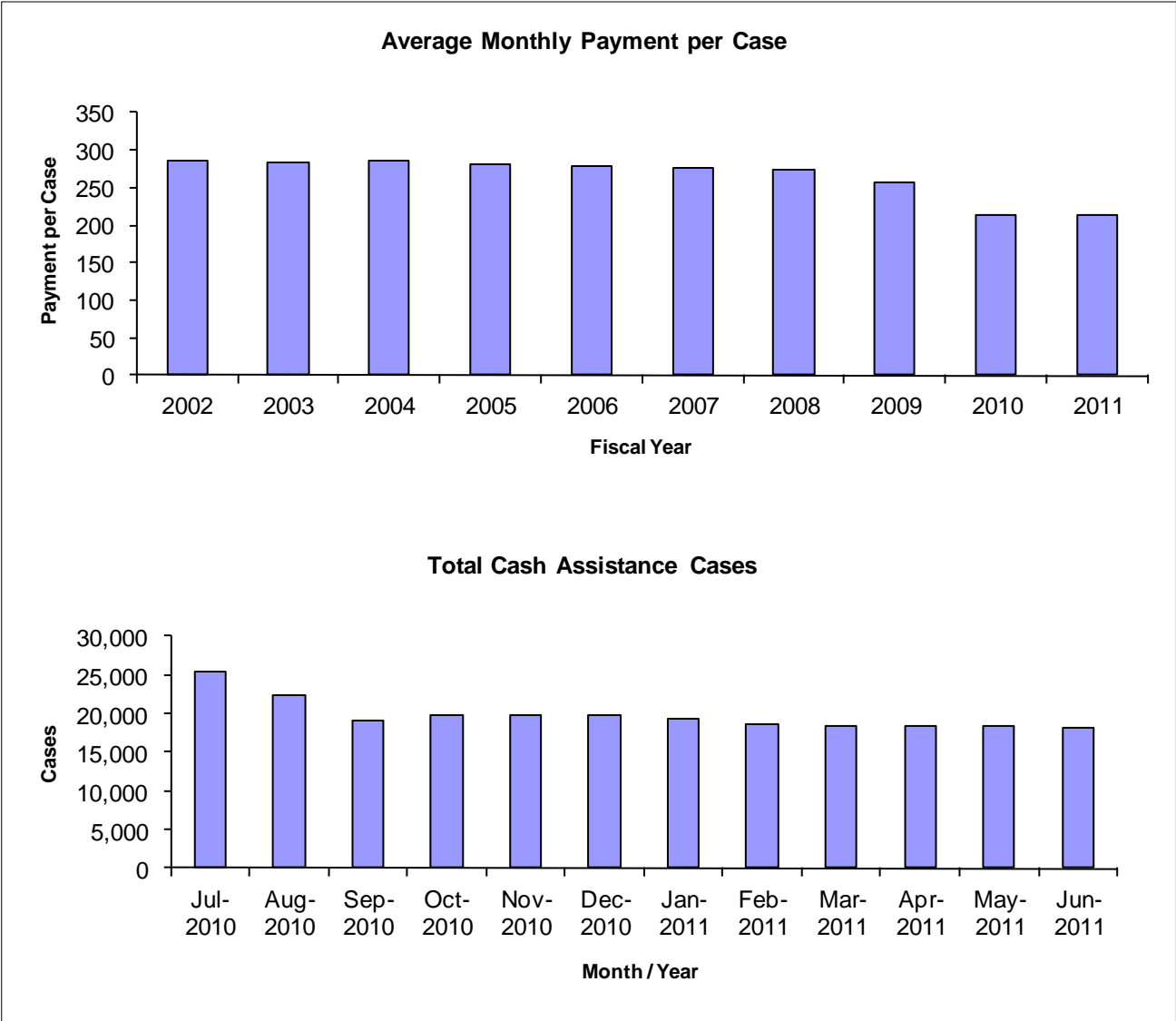
ARIZONA DEPARTMENT OF ECONOMIC SECURITY
Jobs Program
Comparison of Participants and Participants Employed

Year	Number of Participants	Total Employed	Percentage Retained Employment for at Least 90 Days
2002	23,818	12,513	46%
2003	32,008	15,490	46%
2004	42,565	20,185	44%
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%

Source: The Arizona Department of Economic Security, Employment Administration.

Jobs Program Participants Employed to the Percentage Retained
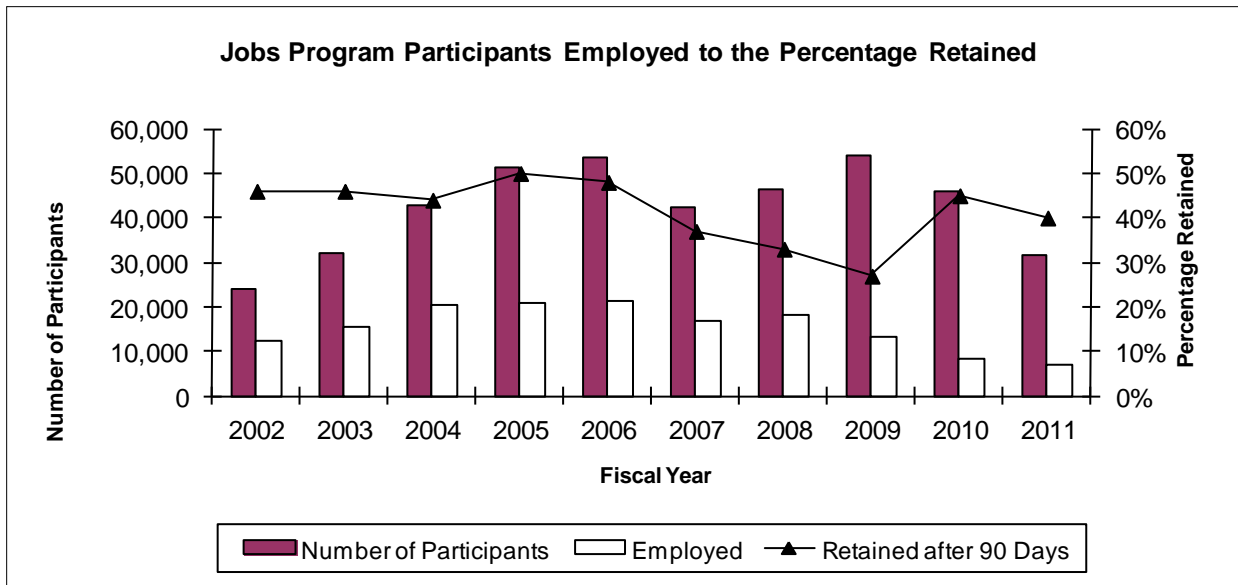
ARIZONA DEPARTMENT OF ECONOMIC SECURITY
Child Support Enforcement Collections
For the Fiscal Years Ended June 30

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
2002	28,407,500	8,193,600	199,834,500	17,659,300	270,510,400	524,605,300
2003	26,262,600	8,267,100	204,043,700	17,981,500	281,660,900	538,215,800
2004	29,889,000	8,061,600	217,531,600	17,989,100	290,084,200	563,555,500
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

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

Child Support Enforcement Collections (in millions)

Legend:
- IV-D TANF Collected for Arizona $
- IV-D TANF Collected for Other States $
- IV-D Non-TANF Collected for Arizona $
- IV-D Non-TANF Collected for Other States $
- Non-IV-D Collected $