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DEPARTMENT OF ECONOMIC SECURITY

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*Your Partner For A Stronger Arizona*

# Fiscal Year 2011 Budget

## Joint Legislative Budget Committee Staff Options

February 8, 2010

# DES General Fund Fiscal Year 2009

	<u>General Fund</u>
<b>Fiscal Year 2009 Original Appropriation</b>	<b>808,328,100</b>
Fiscal Year 2009 Reductions	(90,403,400)
Federal Stimulus Backfill - Title XIX	(59,623,900)
Fiscal Year 2009 Supplemental for DDD	9,400,000
Fiscal Year 2009 Payment Deferral	<u>(25,000,000)</u>
<b>Final Fiscal Year 2009 Appropriation</b>	<b>642,700,800</b>



# DES General Fund Fiscal Year 2010

	<u>General Fund</u>
<b>Beginning Fiscal Year 2010 Base</b>	<b>727,224,700</b>
Repay Fiscal Year 2009 Payment Deferral	25,000,000
Fiscal Year 2010 Payment Deferral	(42,000,000)
Net Funding Changes (Increases and Decreases)	(37,195,400)
Federal Stimulus Backfill - Title XIX	(100,644,600)
Federal Stimulus Backfill - Title XIX Fix	16,940,000
Federal Stimulus Backfill - Fiscal Stabilization Fund	(17,300,000)
5 <sup>th</sup> Special Session Reductions	<u>(25,944,500)</u>
<b>Fiscal Year 2010 Appropriation</b>	<b>546,080,200</b>



# DES GF FY 2011 Executive Recommendation

	<b><u>General Fund</u></b>
<b>Current Fiscal Year 2010 Base</b>	<b>546,080,200</b>
Backfill Federal Funds	101,251,700
Title XIX DD Caseload Growth	28,459,100
TANF Shortfall	18,385,600
Technical Adjustments	21,021,200
Additional Reductions	(35,950,000)
Annualize Reductions in Place	(293,000)
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<b>Fiscal Year 2011 Appropriation</b>	<b>678,954,800</b>



# JLBC Staff Options

- JLBC staff options increasing the Department's General Fund level are in lieu of the Executive recommendation
- JLBC staff options reducing the Department's General Fund are presented as a “menu” of options that is inclusive of the Executive recommended reductions
  - It is difficult to estimate the overall impact of the reductions proposed because it is unknown at this time which combination of options may be selected for implementation
- Reduction options begin in fiscal year 2010 and are annualized in 2011

# Fiscal Year 2011 JLBC Staff Options\*

	<b><u>General Fund</u></b>
Backfill Federal Funds	32,438,500
Title XIX DD Caseload Growth	19,514,500
TANF Shortfall	-
Technical Adjustments	17,000,000
Lump Sum Reduction	(25,944,600)
Targeted Reduction Options	(42,368,900)

\* The reduction options are in addition to the Executive recommendation



## Federal Funds Backfill

Backfill would offset expiration of Title XIX federal stimulus funds (\$32.4 million)

Would not backfill (all dollars in millions):

ARRA enhanced federal match – Child Welfare	4.6
Governor’s Discretionary – Child Welfare	26.0
Governor’s Discretionary – Developmental Disabilities	15.0
ARRA IDEA Part C (Early Intervention Services)	6.5
Supplemental Nutrition Assistance Administration	3.4
Temporary Assistance for Needy Families	58.7

Executive recommendation backfills all except a portion of TANF



## Title XIX DD Caseload Growth

Would fund anticipated caseload growth in fiscal year 2011 (\$19.5 million)

- Caseload Growth – 6.5 percent
- No increase for capitation

Executive Recommendation - \$28.5 million

- Caseload Growth – 6.9 percent
- Capitation Increase – 3.0 percent



# TANF Shortfall

- There is a structural appropriation and cash shortfall of approximately \$58.7 million in fiscal year 2011
- JLBC options do not include solutions to address this shortfall
- Service reductions that began in fiscal year 2009 would need to be maintained (\$23.5 million)
  - 20 percent reduction in cash assistance benefits
  - 20 percent reduction in foster care rates
  - 10 percent provider rate reduction in DD
  - Child Care waiting list and 5 percent provider rate roll back
- Additional reductions in TANF funded programs would need to be identified (\$34.5 million)
- Executive recommendation includes \$18.4 million to help bridge gap



## Lump Sum Reduction

- Department-wide lump sum reduction (\$25.9 million)
  - 7.5 percent of the Department's General Fund, excluding funds identified as Title XIX match
  - Doubles GF reduction taken in 5<sup>th</sup> Special Session
  - Would require the Department to implement the remainder of the 15 percent reduction options and identify additional reduction strategies



## Developmental Disabilities 5 Percent Provider Reduction

- An additional 5 percent reduction in DD Provider rates (\$6.5 million)
- DD provider rates were reduced by 10 percent in fiscal year 2009 because of budget reductions and those reductions have been maintained in fiscal year 2010
- The JLBC option would result in a total of 15 percent provider rate reduction



## Developmental Disabilities 10 Percent Reduction

- Reduces 10 percent of the appropriated GF from all DD line items with the exception of those where the GF is used for Title XIX match (\$2.2 million)
- Depending on other options affecting the DD program that are included in final budget plan, there could be significant reductions across many of the state-only services



# Reduce Long-term Care Eligibility to 100% of SSI

- Reduces current eligibility from the current ceiling of \$2,022 for a household of one (300% of SSI or Federal Benefit Rate) per month to \$674 (\$6.5 million)
- Would require a waiver change through the Centers for Medicare and Medicaid Services
- May not be allowable under ARRA enhanced Federal Medical Assistance Percentage (FMAP) maintenance of effort requirements
- May be a disincentive for working adults with developmental disabilities who receive SSI benefits and additional income from employment in supported employment or center based workshops
  - Could increase costs because individuals may transition from work to more costly day program services
- DES is working with AHCCCS to determine potential client impacts across the ALTCS program



## Eliminate Family of 1 Rule for DD Eligibility

- Eliminates services for people with developmental disabilities, primarily children, whose parents' income is not currently counted (\$11.9 million)
- Would require a waiver change through the Centers for Medicare and Medicaid Services
- May not be allowable under federal ARRA enhanced FMAP maintenance of effort requirements
- Family income data is not collected for these children, so the potential impact is unknown
- AHCCCS is analyzing potential additional impacts across the ALTCS program



## Children, Youth and Families 10% Reduction

- Would reduce 10 percent of the appropriated GF from the DCYF line items (\$11.8 million)
  - Reduces funding available for in-home child welfare supports
    - Would reduce services to many families not involved in a court-ordered, in-home dependency
    - If this reduction were to occur and the child welfare federal funds were not backfilled, may impact provider rates or family benefit payments
  - May increase long-term costs because necessary in-home intervention supports are not provided causing more children to be removed from their homes



## Aging and Adult Services 10% Reduction

- Would reduce 10 percent of the appropriated GF from the DAAS line items (\$2.3 million)
- Would reduce operating funds used by the local food banks to transport and distribute food throughout the state
- Would reduce services for approximately
  - 430 victims of domestic violence
  - 660 individuals experiencing homelessness
  - 740 aging individuals receiving independent living services



## Jobs Program 10% Reduction

- Reduces 10 percent of the appropriation from the Jobs Program (\$1.3 million)
- Would further reduce employment services for cash assistance recipients
- Line item has already been reduced from \$23.6 million at the beginning of fiscal year 2009 to \$13.3 million currently



## Other Fund Reductions

- Child Abuse Prevention (FY10 \$54,600; FY11 \$236,600)
- Child Support Enforcement (FY11 \$796,900)
- Domestic Violence Shelter (FY11 \$360,000)
- Public Assistance Collections (FY11 \$92,200)
- Special Administration (used for Jobs services; FY11 \$789,700)
- Spinal and Head Injuries Trust (FY11 \$1,057,100)
- The FY11 transfers will require the Department to maintain service reductions taken in programs utilizing these fund sources





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Questions?