



DEPARTMENT OF ECONOMIC SECURITY

Your Partner For A Stronger Arizona

Fiscal Year 2010 Budget

5th Special Session Impacts

January 5, 2010

5th Special Session – GF Impact

	<u>General Fund</u>
Fiscal Year 2009 Original Appropriation	808,328,100
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>
Final Fiscal Year 2009 Appropriation	642,700,800
Beginning Fiscal Year 2010 Base	727,224,700
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 - State Fiscal Stabilization Fund	(17,300,000)
5th Special Session Reductions	<u>(25,944,500)</u>
Fiscal Year 2010 Appropriation	546,080,200



5th Special Session – Other Fund Impact

Fund Reductions and Transfers (FRAT)

Child Abuse Prevention Fund	118,300
Domestic Violence Shelter Fund	180,000
Special Administration Fund	92,100
Spinal and Head Injuries Trust Fund	137,400

Excess Balance Transfers (EBT)

Child Abuse Prevention Fund	105,600
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TANF Internal Shortfall

- There is a shortfall in the federal TANF block grant of as much as \$42 million
 - The Department has been notified that the December disbursement will be the final regular TANF contingency fund payment. The fund is now fully depleted.
 - The Department received approximately \$8 million more than was anticipated in federal fiscal year 2010
- The Department is employing strategies to maximize the availability of ARRA TANF emergency contingency funds
- The Department has engaged other States and Arizona's Congressional delegation in an effort to allow access to additional contingency funds. *Since Congress has not acted, the Department will need to implement expenditure reduction strategies beginning January 1, 2010.*



5th Special Session & TANF – Impact Summary

5 th Special Session General Fund Reduction	\$25,944,500
Other Fund Reductions & Transfers	633,400
TANF Shortfall (After use of one-time contingency funds)	<u>30,500,000</u>
Total Reductions Necessary	\$57,077,900



15% Reduction Strategies Being
Implemented to Address SB 1001, 5th
Special Session Lump Sum Reduction as
well as TANF Cash Shortfall

Reductions Being Implemented

1. Administrative and Operating Efficiencies (\$500,000 General Fund, \$1.9 million total funds)

- A number of efficiencies have been implemented in recent years, limiting new opportunities for additional savings
- Reduce vacancies in group homes contracting with the Division of Developmental Disabilities



Reductions Being Implemented

2. Opportunities for Privatization (\$50,000 General Fund, \$100,000 total funds)
 - Department is already heavily privatized, but continues to evaluate opportunities to partner with the private sector
 - Includes some printing functions and allowing DDD providers to serve as clients' representative payees
3. Maintain Administrative and Operating Reductions (\$4.4 million General Fund, \$8.7 million total funds)
 - Includes the abolishment of 80 vacant positions



Reductions Being Implemented

4. Utilize One-Time Funds (\$4.5 million General Fund)
 - Funds authorized by the federal American Recovery and Reinvestment Act can be used to offset state spending
 - Title IV-E (child welfare)
 - IDEA Part C (early intervention) – will be used to fund growth in costs
 - These are one-time funds; General Fund will need to be restored in fiscal year 2011 as the Department noted in its recent budget request



Reductions Being Implemented

5. Reduce SSBG Planning Funds for Councils of Government (\$150,000 General Fund)
 - COGs receive funds to plan for \$9.1 million in SSBG spending; plans vary little from year-to-year
 - Option would maintain the allocation of service dollars, but reduce the administrative planning funds to mitigate reductions to child welfare services

Reductions Being Implemented

6. Means Testing and Fee Increases (\$600,000 General Fund)
 - Division of Developmental Disabilities
 - Early intervention co-payments, identical to existing requirements for individuals over three years old (also applies to ‘AzEIP-only’ children)
 - Improve enforcement of existing requirements and bill adoption subsidies if the child is in residential care
 - Eliminate services over cost-effectiveness (about \$138,500 per year) for Arizona Long Term Care System clients (families could pay for the additional services)



Reductions Being Implemented

7. Maintain Services Reductions (\$10.0 million General Fund, \$13.5 million TANF, \$27.5 million total funds), Additional Child Care Surplus from waiting list (\$2.7 General Fund, \$17.0 million TANF)
 - 20 percent cash assistance benefit reduction
 - 20 percent foster care rate reductions and reduction/suspension of allowances
 - Maintain Child Care waiting list
 - Maintaining the waiting list for the remainder of the year will generate nearly \$20 million in cost reductions on top of the \$15 million previously identified in the 15 percent reduction document. The total of approximately \$35 million is included in the solution.



Reductions Being Implemented

8. Eliminate Enhanced Rates for DD contracts (\$700,000 General Fund, \$2.4 million total funds)
 - The DCYF foster care rate will be used for foster children in the state-only DDD program
 - Habilitation with a music component
 - Although not a mandated service, it will continue to be offered, but reimbursed at regular habilitation rate
 - Community protection rate for residential homes
 - Intended to allow providers to pay higher wages, data shows this is not occurring so the enhanced rate will be eliminated
 - Evaluation of contracted case management
 - Currently contracts call for smaller caseloads and fewer responsibilities than state staff have



Reductions Being Implemented

9. Eliminate grandparent kinship care (\$450,000 General Fund)
 - Will eliminate \$75 monthly stipend for as many as 1,000 children being cared for by their grandparents

10. Eliminate Sight Conservation program (\$120,000 General Fund)
 - Will annually eliminate access to eye exams, glasses, and other vision-related treatment to 9,000 low-income adults



Reductions Being Implemented

16. Aging and Adult Services Reductions (\$1.6 million General Fund)
- \$1.5 million reduction to independent living supports
 - Equivalent to services for 700 older individuals
 - Department to evaluate sliding fee scale for services
 - Could increase long-term costs to the state if individuals prematurely enter state-supported nursing home care
 - \$50,000 in emergency funds for Adult Protective Services



15% Reduction Strategies Not Being
Implemented at this Time

Not Implemented

11. Reduce DCYF Programs (\$5.3 million General Fund)

- Further reduces in-home as well as adoption placement services for vulnerable children

12. State-Only DDD Services (\$1.9 million General Fund)

- Eliminates state-only services other than foster care, residential supports, and early intervention
- Affects about 300 children and 400 adults



Not Implemented

13. Layoffs (\$1.0 million General Fund, \$2.5 million total funds)

- Department laid off approximately 800 staff last year
(NOTE: A small number of DES staff will be laid off or positions not filled due to attrition; however, the full amount of layoffs identified in this option will not be implemented at this time.)
- This option would result in a layoff of 40-50 administrative staff throughout the Department
 - These areas are already challenged by increased workloads
 - Will likely result in delayed vendor payments, increased information technology downtime, etc.



Not Implemented

14. Restrict Cash Assistance Eligibility (\$9.0 million General Fund)

- Reduce the lifetime benefit limit from 60 months to 36 months
 - Would also apply to cases currently exempt from any time limit because the parent is not included on the grant
 - Would disqualify about 10,000 cases with 17,000 children
- Eliminate assistance for women in the third trimester of pregnancy if they do not have dependent children



Not Implemented

15. Community Services Reductions (\$2.4 million General Fund, \$2.5 million total funds)

- \$0.8 million reduction to short-term crisis services
 - Equivalent to assistance for 1,100 families
- \$1.7 million reduction to domestic violence services
 - Equivalent to emergency shelter for 1,600 victims



Not Implemented

17. Further In-Home Child Welfare Services Reductions (\$10.1 million General Fund, \$10.3 million total funds)

- Would impact additional in-home services contracts
- Would eliminate supports for the families of as many as 1,000 children
- Could increase long-term costs if families that do not receive in-home support regress to the point that children must be placed into foster care
 - In addition to the financial cost, children in foster care are at greater risk for a number of poor outcomes



Not Implemented

18. Restrict or Eliminate Early Intervention (\$8.2 million General Fund, \$18.2 million total funds)

- Receipt of federal IDEA Part C funds creates an entitlement for early intervention services
 - The grant covers only a fraction of the system's costs
- The Department would seek to restrict eligibility to more closely align with available funding
 - Arizona already has narrow eligibility so the federal government may not permit greater restrictions
- If agreement can not be reached, Arizona would lose the \$10 million annual grant
- The loss of early intervention services could increase long-term costs as children may need more costly interventions later in life



Not Implemented

19. Eliminate Residential Services for State-Only DDD Clients (\$4.2 million General Fund)
- The Division of Developmental Disabilities provides residential services to 127 individuals who do not qualify for the Arizona Long Term Care System
 - Without anyone to provide care, these vulnerable adults would be left homeless





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Questions?