DEPARTMENT OF ECONOMIC SECURITY

Your Partner For A Stronger Arizona

Fiscal Year 2010 Budget

Update: HB 2006

September 16, 2009

Overview

- Summary
- Division-by-Division Impacts
- Remaining Fiscal Year 2010 Budget Issues
- Fiscal Year 2011 Budget Request

Summary

- HB 2006 included reductions to the Department's fiscal year 2010 budget similar to those line item vetoed in the SB 1188 / HB 2643 package
- The Governor again line item vetoed reductions to the Department because it lacked "an opportunity to mitigate those reductions"
  - The Governor's HB 2006 transmittal letter noted that reductions to the Department will be necessary
- The Department continues to manage to the funding level agreed to in June

Summary (cont.)

- In general, fiscal year 2009 reductions are maintained
- Other than ALTCS, Legislature generally did not address caseload growth
  - Governor has directed $26 million in her discretionary 'stimulus' funds to the Department for child welfare
- Reductions include annualization of several fiscal year 2009 issues, some legislatively specified cuts, and 5 percent funding reductions
- Budget includes several accounting strategies, including 'stimulus' backfills ($117.9 million) and payment 'deferral' ($42 million)

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Division-by-Division Impacts

(Fiscal Year 2009 Reductions Continue Unless Noted)

Administrative Support

- 5 percent reductions
  - Operating – ($1,425,400)

- Other fund reductions and transfers
  - Public Assistance Collections Fund – ($92,200)

Aging and Adult Services

- Annualization of fiscal year 2009 reductions
  - Elimination of Lifespan Respite Care funding – ($150,000)

- 5 percent reductions
  - Operating, which includes Adult Protective Services – ($309,900)
  - Adult Services – ($845,800)

Benefits and Medical Eligibility

- Annualization of fiscal year 2009 reductions
  - Elimination of general assistance – ($1,744,000)
- Legislatively specified reductions
  - Drug testing cash assistance recipients – ($1,729,300)
  - Partially offset by $993,100 increase for caseload
- 5 percent reductions
  - Operating – ($1,958,000)
  - Tribal Pass-Through – ($246,300)

Child Support Enforcement

- 5 percent reductions
  - Operating – ($340,100)

- Other fund reductions and transfers
  - Child Support Enforcement Administration Fund – ($796,900)

Children, Youth and Families

- Governor's Discretionary 'Stimulus' Funds
  - Child Protective Services - $5,500,000
  - Children Services - $18,000,000 (net increase is about $8.1 million after reductions)
  - Adoption Services - $2,500,000
- Annualization of fiscal year 2009 reductions
  - Elimination of Homeless Youth Intervention – ($266,700)
- 5 percent reductions
  - Substance abuse – ($323,100)

Community Partnerships and Innovative Practices

- 5 percent reductions
  - Coordinated Hunger – ($92,400)
  - Emergency Services – ($239,400)
  - Domestic Violence – ($601,500)

- Other fund reductions and transfers
  - Domestic Violence Shelter Fund – ($963,800)

Developmental Disabilities

- Caseload Growth
  - ALTCS – $33,064,500
- Annualization of fiscal year 2009 reductions
  - 10 percent provider rate reduction – ($16,615,600)
- 5 percent reductions
  - Operating – ($820,100)
  - ALTCS case management and Coolidge – ($970,600)
  - State-only case management and home and community based services – ($1,715,300)

Employment and Rehabilitation Services

- Annualization of fiscal year 2009 reductions
  - Jobs – ($3,900,000)
  - Child care – ($15,000,000)
- Legislatively specified reductions
  - Eliminate summer youth – ($750,000)
- 5 percent reductions
  - Operating – ($1,314,700)
  - Vocational Rehabilitation – ($173,400)
  - Independent Living – ($37,200)

Employment and Rehabilitation Services (cont.)

- Other fund reductions and transfers
  - Special Administration Fund – ($1,051,200)
  - Spinal and Head Injuries Trust Fund – ($1,147,500)

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Remaining Fiscal Year 2010 Budget Issues

General Fund Shortfalls

- Current state budget is still at least $1 billion out of balance

- Mid-year budget reductions appear likely

TANF Shortfall

- Fiscal year 2010 budget did not address $12 million structural shortfall in the grant
- In the absence of federal action, the contingency fund will be depleted this year
  - The loss in fiscal year 2010 would be $20 - $30 million
  - Annual loss would be $40 million
- Overall, the appropriation will exceed available cash by as much as $42 million and the Department will need to reduce costs by this amount

Remaining Fiscal Year 2010 Budget Issues

- Reductions to the Department's current spending plan will likely be necessary

- The Department will be evaluating options to reduce expenditures while identifying and attempting to preserve core programs and functions

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Fiscal Year 2011 Budget Request

Fiscal Year 2011 Funding Requests

- Arizona is projected to have a deficit of several billion dollars in fiscal year 2011
- Decision packages restricted to items for a continuation budget
  - Requests relate to federal funding shortfalls and caseload growth in certain programs
- Six decision packages (which include a technical adjustment package) for $231.8 million and one critical issue for $16.6 million were submitted

Federal Funds Backfill – $166.1 million

- Most related to one-time ARRA funds that have been used to reduce state funding requirements
  - Title XIX - $51.8 million
  - State fiscal stabilization funds - $41.0 million
  - IDEA Part C - $6.5 million
  - Title IV-E - $4.6 million
  - Supp. nutrition assistance admin. - $3.4 million
- TANF shortfall - $58.7 million

Caseloads

- ALTCS - $26.9 million
  - Caseload and utilization growth, and provider rate inflation
- Cash assistance - $8.4 million
  - Caseload only, does not restore benefit levels
- Child care (critical issue) - $16.6 million
  - Funds projected caseload including the release of the waiting list, does not restore co-payment increases or provider rate reductions

Caseloads (cont.)

- Adoption - $1.0 million

- Children Services - $8.5 million
  - $5.4 million for in-home services
  - $3.1 million for placement costs, caseload is expected to remain flat but costs are projected to rise modestly

Funding Issues Not Addressed

- Client services, including waiting lists, eligibility, and benefit levels
- Provider rates
- Agency infrastructure
- Department staffing