

## Department of Economic Security

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4,377.8	4,381.8	4,476.8 <sup>1/</sup>
Personal Services	74,199,000	74,694,400	79,994,200
Employee Related Expenditures	32,869,600	32,939,600	36,922,500
Professional and Outside Services	22,844,500	21,532,600	27,918,700
Travel - In State	26,900	133,000	133,000
Travel - Out of State	0	80,700	80,700
Other Operating Expenditures	24,856,800	24,901,800	26,873,600
Equipment	5,554,200	5,468,200	5,468,200
<b>OPERATING SUBTOTAL</b>	<b>160,351,000</b>	<b>159,750,300</b>	<b>177,390,900 <sup>2/3/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
FY 2023 Salary Increase	0	0	18,564,100
<b>Administration</b>			
Attorney General Legal Services	10,600,000	11,222,900	11,379,800
<b>Aging and Adult Services</b>			
Adult Services	8,731,900	11,205,900	12,731,900
Community and Emergency Services	3,724,000	3,724,000	3,724,000
Coordinated Homeless Services	2,522,600	2,522,600	2,522,600
Domestic Violence Prevention	12,770,200	14,003,900	14,004,000 <sup>4/5/</sup>
Sexual Violence Services	0	8,000,000 <sup>6/</sup>	0
Long-Term Care Ombudsman	0	1,000,000	1,000,000
After School and Summer Youth Program	0	500,000	0
<b>Benefits and Medical Eligibility</b>			
TANF Cash Benefits	22,736,400	22,736,400	22,736,400
Pandemic Emergency Assistance	0	14,546,500	0
Coordinated Hunger Services	1,754,600	1,754,600	2,254,600
Tribal Pass-Through Funding	4,680,300	4,680,300	4,680,300
<b>Child Support Enforcement</b>			
County Participation	3,043,800	8,539,700	8,539,700
<b>Developmental Disabilities <sup>7/-11/</sup></b>			
DDD Administration	45,460,100	45,865,500	47,049,900 <sup>13/</sup>
DDD Premium Tax Payment	46,961,500	50,055,200	52,819,500
Case Management - Medicaid	69,740,400	85,719,800	91,429,800 <sup>12/</sup>
Home and Community Based Services - Medicaid	1,417,726,500	2,371,151,600	2,450,165,900 <sup>13/</sup>
Institutional Services - Medicaid	41,321,100	40,149,500	42,821,600
Physical and Behavioral Health Services - Medicaid	448,078,500	485,132,500	528,255,700
Medicare Clawback Payments	4,388,900	4,661,200	5,710,300
Targeted Case Management - Medicaid	8,300,300	12,924,500	13,144,600
State Match Transfer from AHCCCS	0	0	821,118,700
Case Management - State-Only	6,311,900	6,211,400	6,354,000 <sup>12/</sup>
Cost Effectiveness Study - Client Services	1,220,000	1,220,000	8,420,000 <sup>14/</sup>
Home and Community Based Services - State-Only	13,589,000	13,589,000	14,089,000
Arizona Early Intervention Program	6,319,000	6,319,000	9,719,000
State-Funded Long Term Care Services	37,839,600	41,574,900	42,669,300
Group Home Monitoring Program	0	0	1,200,000
<b>Employment and Rehabilitative Services</b>			
Child Care Subsidy	292,007,300	1,273,693,000	187,080,200 <sup>15/16/</sup>
Independent Living Rehabilitation Services	936,100	1,289,400	1,289,400
JOBS	10,595,900	11,005,600	11,005,600
Rehabilitation Services	7,249,100	7,249,100	7,249,100
Workforce Investment Act Services	69,500,000	53,654,600	55,006,900 <sup>17/</sup>
Return to Work Grants	0	7,500,000	0

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
Unemployment Insurance Trust Fund Deposit	62,000,000	0	0
<b>AGENCY TOTAL</b>	<b>2,820,460,000</b>	<b>4,783,152,900</b>	<b>4,676,126,800</b> <sup>18/- 21/</sup>
<b>FUND SOURCES</b>			
General Fund	760,829,100	850,052,500	1,079,053,000
<u>Other Appropriated Funds</u>			
Child Support Enforcement Administration Fund	14,346,900	17,204,700	17,683,300
Domestic Violence Services Fund	2,766,500	4,000,200	4,000,300
Federal CCDF Block Grant	304,470,100	1,285,880,000	200,010,200
Federal Pandemic Emergency Assistance Fund	0	14,546,500	0
Federal TANF Block Grant	65,839,800	65,405,800	66,591,200
Long Term Care System Fund (Non-Federal Matched)	28,989,800	32,459,600	33,289,500
Public Assistance Collections Fund	0	423,700	430,400
Sexual Violence Service Fund	0	8,000,000	0
Special Administration Fund	4,140,300	4,512,600	4,643,200
Spinal and Head Injuries Trust Fund	1,975,900	2,336,000	2,388,200
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Workforce Investment Act Grant	75,110,200	56,069,100	56,293,500
SUBTOTAL - Other Appropriated Funds	497,639,500	1,491,838,200	386,329,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,258,468,600</b>	<b>2,341,890,700</b>	<b>1,465,382,800</b>
<u>Expenditure Authority Funds</u>			
Child Support Enforcement Administration Fund	35,317,500	42,495,100	43,047,000
Health Care Investment Fund	20,147,300	26,863,200	54,370,500
Long Term Care System Fund (Federal Match)	1,506,526,600	2,371,903,900	3,113,326,500
SUBTOTAL - Expenditure Authority Funds	1,561,991,400	2,441,262,200	3,210,744,000
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>2,820,460,000</b>	<b>4,783,152,900</b>	<b>4,676,126,800</b>
Other Non-Appropriated Funds	1,095,045,400	306,537,300	282,604,300
Federal Funds	2,785,215,100	3,700,400,100	3,462,000,100
<b>TOTAL - ALL SOURCES</b>	<b>6,700,720,500</b>	<b>8,790,090,300</b>	<b>8,420,731,200</b>

**AGENCY DESCRIPTION** — The department provides an array of services for low-income households and others in need. These services are provided through the following divisions: Administration; Developmental Disabilities; Benefits and Medical Eligibility; Child Support Enforcement; Aging and Adult Services; and Employment and Rehabilitation Services.

**FOOTNOTES**

- 1/ Includes 294.2 GF, 144.6 OF, and 1,972.6 EA FTE Positions funded from Special Line Items in FY 2023.
- 2/ The operating lump sum appropriation may be spent on Arizona health care cost containment system eligibility determinations based on the results of the Arizona random moment sampling survey. (General Appropriation Act footnote)
- 3/ All state shares of retained earnings, fees and federal incentives in excess of \$17,683,300 received by the division of child support enforcement are appropriated for operating expenditures. New FTE positions are authorized with the increased funding. Before spending these increased monies, the department of economic security shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 4/ All domestic violence services fund monies in excess of \$4,000,300 received by the department of economic security are appropriated for the domestic violence prevention line item. Before spending these increased monies, the department shall report the intended use of monies in excess of \$4,000,300 to the joint legislative budget committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 5/ On or before December 15, 2022, the department of economic security shall report to the joint legislative budget committee the amount of state and federal monies available statewide for domestic violence prevention funding. The report shall include, at a minimum, the amount of monies available and the state fiscal agent receiving those monies. (General Appropriation Act footnote)

- 6/ The \$8,000,000 appropriated in the sexual violence services line item pursuant to laws 2021, chapter 408, section 28 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations. (General Appropriation Act footnote)
- 7/ The department shall report to the joint legislative budget committee on or before March 1 of each year on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum may not be more than two percent. Before implementing any changes in capitation rates for the long-term care system, the department shall submit a report for review by the joint legislative budget committee. Before the department implements any change in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the department shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal impact analysis demonstrates that this change will result in additional state costs of \$500,000 or more for any fiscal year, the department shall submit the policy change for review by the joint legislative budget committee. (General Appropriation Act footnote)
- 8/ Before implementing developmental disabilities or long-term care statewide provider rate adjustments that are not already specifically authorized by the legislature, court mandates or changes to federal law, the department shall submit a report for review by the joint legislative budget committee that includes, at a minimum, the estimated cost of the provider rate adjustment and the ongoing source of funding for the adjustment, if applicable. (General Appropriation Act footnote)
- 9/ On or before September 1, 2023, the department of economic security shall report to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate and house of representatives appropriations committees and the director of the joint legislative budget committee any new placement into a state-owned ICF-IID or the Arizona training program at the Coolidge campus in fiscal year 2022-2023 and the reason this placement, rather than a placement into a privately run facility for persons with developmental disabilities, was deemed as the most appropriate placement. The department shall also report if no new placements were made. On or before September 1, 2023, the department shall also report to the director of the joint legislative budget committee the total costs associated with the Arizona training program at Coolidge in fiscal year 2022-2023. (General Appropriation Act footnote)
- 10/ The appropriations in this section include \$65,800,000 from the state general fund and \$130,220,800 from expenditure authority for provider rate increases. This includes \$56,700,000 from the state general fund and \$130,220,800 from expenditure authority for a 9.7 percent increase to provider rates funded in the home and community based services - medicaid line item, \$3,400,000 from the state general fund for the Arizona early intervention program line item, \$500,000 from the state general fund for the home and community based services - state-only line item, \$4,200,000 from the state general fund for the cost effectiveness study - client services line item and \$1,000,000 from the state general fund for the adult services line item. (General Appropriation Act footnote)
- 11/ Before implementing provider rate increases, the department shall engage community stakeholders regarding the department's plans to increase provider rates. On or before September 1, 2022, the department shall submit a report to the joint legislative budget committee describing the efforts to engage stakeholders and the department's plans to implement provider rate increases for fiscal year 2022-2023. (General Appropriation Act footnote)
- 12/ Before transferring any monies in or out of the case management - medicaid, case management - state-only and DDD administration line items, the department shall submit a report for review by the joint legislative budget committee, except that transfers from the state match transfer from AHCCCS line item into those line items do not require a report for review. (General Appropriation Act footnote)
- 13/ The amount appropriated for the home and community based services - medicaid line item includes \$280,000,000 from expenditure authority to implement the American rescue plan act of 2021 (P.L. 117-2) home and community-based services spending plan in fiscal year 2022-2023. The department may not use these monies for marketing purposes and any direct payments or grants provided with the monies shall include a notification to the recipient that the monies are onetime funding. Beginning on or before July 31, 2022, the department shall provide quarterly reports to the joint legislative budget committee at the same time that the information is provided to the centers for medicare and medicaid services reflecting any changes to the department's spending plan. Of the amount appropriated for the home and community based services - medicaid line item, \$280,000,000 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote) Laws 2022, Chapter 2 appropriated \$362,700,000 in Expenditure Authority as a supplemental in FY 2022 for the same purpose and with the same conditions.
- 14/ On or before November 30, 2022 and November 30, 2023, the department of economic security shall submit a report to the joint legislative budget committee regarding expenditures from the cost effectiveness study - client services line item in the previous fiscal year. The report shall include the number of clients and total amounts spent from the line item in

each setting type along with expenditures for those clients in other line items. The report shall also include cost effectiveness spending in other line items. (General Appropriation Act footnote)

- 15/ On or before September 15, 2022 and March 15, 2023, the department of economic security shall submit a report to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate and house of representatives appropriations committees and the joint legislative budget committee on child care development block grant monies provided from the coronavirus aid, relief, and economic security act, the consolidated appropriations act, 2021 and the American rescue plan act of 2021 (P.L. 117-2). The report must include, at a minimum, the actual expenditures made to date by purpose and, separately, by federal legislation, the expenditure plan for all remaining monies by purpose and, separately, by federal legislation, the number of children served with the monies on average each month, the average child care reimbursement rates for the entire program, including these monies, and the number of child care settings with a quality rating. (General Appropriation Act footnote)
- 16/ The department of economic security shall forward to the joint legislative budget committee a monthly report listing data on the child care population served. The report must include, at a minimum, in each program the number of unduplicated children enrolled in child care within the department of economic security and the department of child safety by program and the average amount paid per child plus quality-related spending. (General Appropriation Act footnote)
- 17/ All workforce investment act grant monies that are received by this state in excess of \$56,293,500 are appropriated to the workforce investment act services line item. Before spending these increased monies, the department shall report the intended use of monies in excess of \$56,293,500 to the joint legislative budget committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 18/ On or after April 1, 2023, the department of economic security may use up to \$25,000,000 from the budget stabilization fund established by section 35-144, Arizona Revised Statutes, for the purpose of providing funding for reimbursement grants. Before using the monies from the budget stabilization fund, the department shall notify the director of the joint legislative budget committee and the director of the governor's office of strategic planning and budgeting. This appropriation must be fully reimbursed on or before September 1, 2023 and must be reimbursed in full as part of the closing process for fiscal year 2022-2023. The department shall notify the joint legislative budget committee of the reimbursement on or before September 1, 2023. The appropriation may not be used for additional programmatic expenditures. (General Appropriation Act footnote)
- 19/ The above appropriations are in addition to monies granted to this state by the federal government for the same purposes but are deemed to include the sums deposited in the state treasury to the credit of the department of economic security pursuant to section 42-5029, Arizona Revised Statutes. (General Appropriation Act footnote)
- 20/ The department of economic security shall forward to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate and house of representatives appropriations committees and the director of the joint legislative budget committee a monthly report comparing total expenditures for the month and year-to-date as compared to prior-year totals on or before the thirtieth of the following month. The report shall include an estimate of potential shortfalls in entitlement programs and potential federal and other monies, such as the statewide assessment for indirect costs, and any projected surplus in state-supported programs that may be available to offset these shortfalls and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation. (General Appropriation Act footnote)
- 21/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

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### Summary

The Department of Economic Security's (DES) FY 2023 General Fund spending increases by \$229,000,500 or 26.9% above the FY 2022 appropriation. This amount includes:

- \$130,209,800 for DDD formula adjustments.
- \$64,800,000 for DDD provider rate increases.
- \$3,000,000 for a DDD Cost-Effectiveness Study base adjustment.
- \$1,200,000 for a DDD group home monitoring pilot program.
- \$11,200,000 for additional APS staff.
- \$3,000,000 for Area Agencies on Aging provider rate increases.
- \$1,352,300 for recidivism and reentry services.
- \$500,000 for additional funding for the Friends of the Farm food bank program.
- \$3,884,300 for information technology (IT) infrastructure and security upgrades.
- \$419,800 for a building system management upgrade.
- \$15,738,400 for a statewide salary increase.
- \$3,169,900 for statewide adjustments.
- \$(9,474,000) to remove one-time funding.

**Operating Budget**

The budget includes \$177,390,900 and 2,065.4 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	<b>FY 2023</b>
General Fund	\$96,729,800
Child Support Enforcement Administration Fund	13,653,000
Child Support Enforcement Administration Fund (EA)	27,988,300
Federal Temporary Assistance for Needy Families (TANF) Block Grant	20,450,500
Federal Child Care and Development Fund (CCDF) Block Grant	12,153,800
Public Assistance Collections Fund	332,100
Special Administration Fund	2,105,000
Spinal and Head Injuries Trust Fund	578,200
Statewide Cost Allocation Plan Fund	1,000,000
Workforce Investment Act Grant	2,400,200

FY 2023 adjustments are as follows:

**Adult Protective Services**

The budget includes an increase of \$11,200,000 and 95 FTE Positions from the General Fund in FY 2023 for additional staff and resources for the department's investigations of complaints about the abuse, neglect, and exploitation of vulnerable adults. The Auditor General's budget included \$300,000 from the General Fund for the hiring of an independent consultant to examine the current program and make recommendations as to best practices for the delivery of such services in the state.

**Building System Management Upgrade**

The budget includes an increase of \$419,800 from the General Fund in FY 2023 for the purchase of a software program that provides a centralized platform allowing them to track operational, financial and environmental metrics for the department's buildings. This is part of an ADOA initiative, and the ongoing costs to DES will be \$147,000.

**IT Security Upgrades**

The budget includes an increase of \$3,884,300 from the General Fund in FY 2023 for the upgrading of staff and resources to improve the security of the department's information technology systems.

**Statewide Adjustments**

The budget includes an increase of \$2,136,500 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	1,710,900
Child Support Enforcement Administration	421,400

Fund (EA)	
Federal Temporary Assistance for Needy Families (TANF) Block Grant	(26,200)
Federal Child Care and Development Fund (CCDF) Block Grant	(15,200)
Public Assistance Collections Fund	(300)
Special Administration Fund	28,300
Spinal and Head Injuries Trust Fund	22,100
Workforce Investment Act Grant	(4,500)

*(Please see the Agency Detail and Allocations section.)*

**FY 2023 Salary Increase**

The budget includes \$18,564,100 for a FY 2023 Salary Increase. This amount consists of:

General Fund	15,738,400
Child Support Enforcement Administration Fund	478,600
Federal CCDF Block Grant	758,200
Federal TANF Block Grant	1,211,800
Long-Term Care System Fund	9,000
Public Assistance Collections Fund	7,000
Special Administration Fund	102,200
Spinal and Head Injuries Trust Fund	30,000
Workforce Investment Act Grant	228,900

Of these amounts, \$12,428,000 is for a 10% minimum state employee increase and \$6,136,100 is for selected market adjustments above 10%. The budget requires all agencies receiving salary increases to transfer the monies in this line item to the relevant line items as part of the FY 2024 budget request submittals. These submittals will include the reallocation for both FY 2023 and FY 2024. *(Please see the Agency Detail and Allocations section.)*

**Administration****Attorney General Legal Services**

The budget includes \$11,379,800 and 157.9 FTE Positions in FY 2023 for Attorney General (AG) Legal Services. This amount consists of:

General Fund	1,079,400
Child Support Enforcement Administration Fund	2,497,400
Child Support Enforcement Administration Fund (EA)	7,573,300
Federal TANF Block Grant	103,600
Federal CCDF Block Grant	18,000
Public Assistance Collections Fund	91,300
Special Administration Fund	5,100

Spinal and Head Injuries Trust Fund	1,900
Workforce Investment Act Grant	9,800

FY 2023 adjustments are as follows:

**Statewide Adjustments**

The budget includes an increase of \$156,900 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	26,400
Child Support Enforcement Administration Fund (EA)	130,500
Federal TANF Block Grant	(200)
Special Administration Fund	100
Spinal and Head Injuries Trust Fund	100

**Aging and Adult Services**

**Adult Services**

The budget includes \$12,731,900 from the General Fund in FY 2023 for Adult Services. FY 2023 adjustments are as follows:

**Area Agencies on Aging Increase**

The budget includes an increase of \$1,526,000 from the General Fund in FY 2023. This consists of a FY 2023 appropriation of \$3,000,000 and the removal of a one-time FY 2022 increase of \$(1,474,000). A total of \$2,000,000 of the increase is designated as one-time for FY 2023.

This line item provides an array of support services to elderly persons, as shown in *Table 1*.

Table 1

Adult Services	
Services	FY 2022
Adult Protective Contracted Services	\$ 295,100
Home Care	4,068,400
Older Americans Act	2,248,600
Assessments and Case Management	1,657,800
Respite Care	462,000
Provider Rate Increase Ongoing	1,000,000
Provider Rate Increase One-Time	1,474,000
<b>Total</b>	<b>\$11,205,900</b>

**Community and Emergency Services**

The budget includes \$3,724,000 from the Federal TANF Block Grant in FY 2023 for Community and Emergency Services. This amount is unchanged from FY 2022.

Monies in this line item provide funding to 18 community action agencies to deliver a wide range of services related to the needs of low-income families and individuals. In FY 2021, this line item provided short-term crisis services to 7,927 households and energy assistance to 30,388 households.

**Coordinated Homeless Services**

The budget includes \$2,522,600 in FY 2023 for Coordinated Homeless Services programs. This amount consists of:

General Fund	873,100
Federal TANF Block Grant	1,649,500

These amounts are unchanged from FY 2022.

In FY 2021, this line item provided emergency shelter services to 19,714 individuals, rapid re-housing services to 2,771 individuals, and homeless prevention services to 2,618 individuals.

**Domestic Violence Prevention**

The budget includes \$14,004,000 in FY 2023 for Domestic Violence Prevention. This amount consists of:

General Fund	3,283,000
Federal TANF Block Grant	6,620,700
Domestic Violence Services Fund	4,000,300
Special Administration Fund	100,000

FY 2023 adjustments are as follows:

**Statewide Adjustments**

The budget includes an increase of \$100 from the Domestic Violence Services Fund in FY 2023 for statewide adjustments.

In FY 2021, this line item, along with non-appropriated funds, served approximately 4,300 adults and children in emergency shelters, 549 adults and children in transitional housing, and 13,571 victims with mobile and community-based advocacy.

**Sexual Violence Services**

The budget includes no funding in FY 2023 for Sexual Violence Services. FY 2023 adjustments are as follows:

**Remove One-Time Funding**

The budget includes a decrease of \$(8,000,000) from the Sexual Violence Service Fund in FY 2023 to remove a one-

time fund deposit for grants to providers serving victims of sexual violence.

An FY 2023 General Appropriation Act footnote made the FY 2022 appropriation non-lapsing.

**Long-Term Care Ombudsman**

The budget includes \$1,000,000 from the General Fund in FY 2023 for Long-Term Care Ombudsman services. This amount is unchanged from FY 2022.

A.R.S. § 46-452.02 requires that the Office of the State Long-Term Care Ombudsman visit each long-term care facility at least twice per calendar year to speak with residents of the facility or their representatives, investigate and resolve complaints, refer cases to Adult Protective Services or the appropriate agency, and change complaint communication requirements for DD service providers.

**After School and Summer Youth Program**

The budget includes no funding in FY 2023 for the After School and Summer Youth Program. FY 2023 adjustments are as follows:

**Remove One-Time Funding**

The budget includes a decrease of \$(500,000) from the General Fund in FY 2023 to remove one-time funding that was to be distributed to a charitable 501(c)(3) organization located in the City of Phoenix that provides after school and summer youth programs dealing with gang violence for at-risk youth.

**Benefits and Medical Eligibility**

**TANF Cash Benefits**

The budget includes \$22,736,400 from the Federal TANF Block Grant in FY 2023 for TANF Cash Benefits. This amount is unchanged from FY 2022.

The budgeted amount would be able to fund an average of 15,750 individuals at \$100 per month. As of June 2022, the program serves 11,161 individuals.

Additionally, the TANF Diversion program diverts applicants from long-term regular TANF Cash Benefits by offering immediate, one-time assistance to resolve a financial crisis. The budgeted amount would be able to fund an average of 390 Diversion clients at \$817 per month. As of June 2022, the TANF Diversion program serves 218 clients.

At June 2022 levels, the total cost would be \$15,530,500, or \$(7,205,900) below the budgeted amount.

Monies in this line item provide financial assistance on a temporary basis to dependent children in their own homes, or in the homes of responsible caretaker relatives. Financial eligibility is currently set at 36% of the 1992 Federal Poverty Level (FPL), or \$5,022 for a family of 4. The current cumulative lifetime limit on regular TANF Cash Benefits is 24 months.

The budget continues a provision allowing DES to drug test TANF recipients if there is a reasonable suspicion that they are using illegal drugs.

*(Please see Federal TANF Block Grant in Other Issues for more information on TANF expenditures).*

**Pandemic Emergency Assistance**

The budget includes no funding in FY 2023 for Pandemic Emergency Assistance. FY 2023 adjustments are as follows:

**Remove One-Time Funding**

The budget includes a decrease of \$(14,546,500) from the Pandemic Emergency Assistance Fund in FY 2023 to remove one-time funding for emergency grants.

The American Rescue Plan Act established the Pandemic Emergency Assistance Fund (PEAF) to assist needy families impacted by the COVID-19 pandemic. The PEAF is meant to provide short-term benefits to families and may only include expenditures such as emergency assistance and diversion payments, emergency housing and short-term homeless assistance, emergency food aid, short-term utilities payments, burial assistance, and clothing allowances. Benefits may not include tax credits, child care, transportation, or short-term education and training. These PEAF monies must be expended by September 30, 2022.

**Coordinated Hunger Services**

The budget includes \$2,254,600 in FY 2023 for Coordinated Hunger Services programs. This amount consists of:

General Fund	1,754,600
Federal TANF Block Grant	500,000

FY 2023 adjustments are as follows:

**Friends of the Farm Assistance**

The budget includes an increase of \$500,000 from the General Fund in FY 2023 for a transfer to the Friends of the Farm program. The Arizona Food Bank Network runs the farm-to-food-bank program, which assists regional food banks that purchase from local farmers and growers.

State and federal dollars are used to administer a USDA commodities food program, to assist in statewide food distribution, and for food banks. Monies are also used to provide information on where individuals and families can obtain food. In FY 2021, this funding assisted in the distribution of 209.2 million pounds of food.

**Tribal Pass-Through Funding**

The budget includes \$4,680,300 from the General Fund in FY 2023 for Tribal Pass-Through Funding. This amount is unchanged from FY 2022.

Monies in this line item are passed through to Native American tribes operating their own TANF programs.

**Child Support Enforcement**

The Division of Child Support Enforcement (DCSE) budget includes direct appropriations from the following 4 fund sources: 1) General Fund; 2) State Share of Retained Earnings (SSRE) from child support owed to the state while the custodial parent received TANF Cash Benefits; 3) Federal incentives and 4) Fees from non-custodial parents.

The last 3 fund sources are deposited in the Child Support Enforcement Administration (CSEA) Fund and appropriated as an Other Appropriated Fund. In addition to the General Fund and CSEA Fund appropriations, the displayed amounts also include Federal Expenditure Authority for DCSE. The federal monies received by DCSE generally match state funds at a ratio of 66% federal to 34% state. *Table 2* details the sources and uses of the CSEA Fund.

**County Participation**

The budget includes \$8,539,700 in FY 2023 for County Participation. This amount consists of:

CSEA Fund	1,054,300
CSEA Fund (EA)	7,485,400

These amounts are unchanged from FY 2022.

**Table 2**

**CSEA Fund Sources and Uses**

<u>Sources</u>	<u>FY 2023</u>
State Share of Retained Earnings	\$ 2,516,100
Federal Incentive Payments	5,706,400
Fees	3,823,800
Excess Appropriation Authority <sup>1/</sup>	4,783,400
Administration (Non-Appropriated)	<u>3,115,600</u>
<b>Total</b>	<b>\$19,945,300</b>
<u>Uses</u>	
DCSE Administration (DES Operating)	\$13,278,000
Attorney General Legal Services	2,497,400
County Participation	1,054,300
Administration (Non-Appropriated)	<u>3,115,600</u>
<b>Total</b>	<b>\$19,945,300</b>

<sup>1/</sup> This line is the difference between appropriation authority and expected revenues.

DES distributes these monies for county costs of child support programs. This line item reflects contracting counties' SSRE and federal incentives, as well as expenditure authority for the federal match.

**Developmental Disabilities**

DES provides services to individuals with cognitive disabilities, cerebral palsy, autism, or epilepsy. Clients eligible for federal Medicaid program services are funded through the Long Term Care (LTC) program. To qualify for federal funding, an individual must have an income below 300% of the Supplemental Security Income (SSI) eligibility limit, which is approximately 222% of the FPL, and have certain functional needs. The division also provides 100% state-funded services for clients who are not eligible for federal Medicaid services.

The LTC program is funded from 2 sources: the General Fund and the Long Term Care System Fund. The Legislature appropriates the division's resources on a Total Expenditure Authority basis. The Total Expenditure approach acknowledges all of the resources available to the Division of Developmental Disabilities (DDD) but does not appropriate any specific non-appropriated fund.

As of June 2022, the Division of Developmental Disabilities served 47,552 clients, which includes 38,090 clients in the LTC program, 5,309 in Targeted Case Management, and 4,153 clients in the state-only program. The primary disabilities as reported by DES are shown in *Table 3*.



**Table 3**

**Primary Disability of Clients Served**

<u>Disability</u>	<u>Number</u>	<u>Percentage</u>
Intellectual Disability	16,129	33.9%
At Risk	10,677	22.5%
Autism	15,309	32.2%
Cerebral Palsy	3,479	7.3%
Epilepsy	<u>1,958</u>	4.1%
<b>Total</b>	<b>47,552</b>	

**Overall DDD Adjustments**

The budget includes an increase of \$196,058,900 from the General Fund in FY 2023 for DDD formula changes. Changes are described in further detail below.

Formula Adjustments

These formula adjustments of \$130,209,800 include caseload growth, capitation rate adjustments, and changes to the Federal Medical Assistance Percentage (FMAP).

The budget includes no change to the General Fund in FY 2023 associated with the regular FMAP. The FMAP is the rate at which the federal government matches state contributions to Medicaid programs. These rates are set on a state-by-state basis and are revised each year. During FY 2023, the blended Medicaid FMAP is projected to remain at 70.01%. The 6.2% enhanced Medicaid match from the Families First Coronavirus Response Act is not included in this figure. *(Please see the Other Issues section for further details on FY 2023 Savings.)*

In addition, Federal COVID legislation temporarily increased the regular Medicaid match rate by 6.2% retroactive to January 1, 2020. The temporary enhanced match rate is currently effective through December 31, 2022. The extension beyond June 30, 2022 is not reflected in the budget. However, the FY 2023 budget does reflect new reversion savings in FY 2022 as the original budget for FY 2022 did not account for two quarters of savings from subsequent extensions of the enhanced match rate. *(Please see FY 2022 FMAP Savings in Other Issues for more information.)*

Table 4 shows the number of clients by placement setting for DDD enrollees in June 2021, and the estimated growth in FY 2022 and FY 2023.

**Table 4**

**DDD June Caseloads and Placement Settings**

<u>Placement</u>	<u>FY 21</u>	<u>FY 22 Est</u>	<u>FY 23 Est</u>
Home	31,719	33,032	34,518
Group Home	3,293	3,371	3,523
Developmental Home	1,540	1,530	1,599
Institution	<u>106</u>	<u>109</u>	<u>114</u>
<b>Total</b>	<b>36,658</b>	<b>38,042</b>	<b>39,754</b>

**Table 5**

**DDD ALTCS Capitation Growth**

	<u>FY 2022 Capitation Rate</u> <sup>1/</sup>
Administration	229.79
Premium Tax	108.35
Case Management	194.75
HCBS <sup>2/</sup>	3,789.27
Institutional Care <sup>3/</sup>	69.48
Acute Care <sup>4/</sup>	1,050.50
<b>Total</b>	<b>5,442.14</b>

<sup>1/</sup> Revised rate effective January 1, 2022.  
<sup>2/</sup> HCBS line includes PMPM rates for HCBS and Risk Contingency.  
<sup>3/</sup> Institutional Care rate is net of client's share of cost.  
<sup>4/</sup> Acute care rate includes \$77.77 for reinsurance. Does not include behavioral health expenses.

Table 5 shows how the capitation adjustment is allocated by service category in FY 2022.

Medicare Clawback

The budget includes an increase of \$1,049,100 from the General Fund in FY 2023 for adjustments associated with Medicare Clawback Payments.

Provider Rate Increases

The budget includes an increase of \$64,800,000 from the General Fund in FY 2023 for provider rate increases. These increases are distributed across the following DDD special line items: Home and Community Based Services - Medicaid, Home and Community Based Services - State Only, Arizona Early Intervention Program, and Cost-Effectiveness Study - Client Services. The budget adds a footnote specifying how the amount (including \$1,000,000 for a provider rate increase in a non-DDD line item) from the General Fund and \$130,220,800 of expenditure authority appropriated for provider rate increases is allocated among line items.

The budget adds a footnote requiring the department to engage with community stakeholders prior to implementing provider rate increases for FY 2023. It also requires the department to report to the JLBC on its stakeholder engagement efforts and plans to increase provider rates by September 1, 2022.

**DDD Administration**

The budget includes \$47,049,900 and 345 FTE Positions in FY 2023 for DDD Administration. These amounts consist of:

General Fund	18,086,500
Long Term Care System Fund (EA)	28,963,400

FY 2023 adjustments are as follows:

#### Statewide Adjustments

The budget includes an increase of \$1,184,400 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	421,500
Long Term Care System Fund (EA)	762,900

*Background* – This line item includes funding for direct and indirect DDD administrative costs, as well as administrative funding for DES' subcontracted health plans for DD clients.

#### DDD Premium Tax Payment

The budget includes \$52,819,500 in FY 2023 for the DDD Premium Tax Payment. This amount consists of:

General Fund	16,018,800
Long Term Care System Fund (EA)	36,800,700

FY 2023 adjustments are as follows:

#### Formula Adjustments

The budget includes an increase of \$2,764,300 in FY 2023 for standard formula adjustments. This amount consists of:

General Fund	2,494,900
Long Term Care System Fund (EA)	269,400

*Background* – DES pays a 2% premium tax to the Department of Insurance and Financial Institutions on capitation payments received from AHCCCS.

#### Case Management - Medicaid

The budget includes \$91,429,800 and 1,029.9 FTE Positions in FY 2023 for Case Management - Medicaid. These amounts consist of:

General Fund	27,765,400
Long Term Care System Fund (EA)	63,664,400

FY 2023 adjustments are as follows:

#### Formula Adjustments

The budget includes an increase of \$4,159,700 from the General Fund in FY 2023 for standard formula adjustments.

#### Statewide Adjustments

The budget includes an increase of \$1,550,300 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	520,300
Long Term Care System Fund (EA)	1,030,000

*Background* – This line item provides case managers, case aides, case management unit supervisors, and case management area program managers that serve DDD clients enrolled in the ALTCS program. The ALTCS program requires DES to have at least 1 case manager for every 35 DD clients for each ALTCS client added since 2006.

#### Home and Community Based Services - Medicaid

The budget includes \$2,450,165,900 and 221.2 FTE Positions in FY 2023 for Home and Community Based Services - Medicaid. These amounts consist of:

General Fund	653,140,400
Long Term Care System Fund (EA)	1,786,277,200
Health Care Investment Fund	10,748,300

FY 2023 adjustments are as follows:

#### Formula Adjustments

The budget includes an increase of \$114,318,500 in FY 2023 for standard formula adjustments. This amount consists of:

General Fund	97,851,400
Long Term Care System Fund (EA)	16,467,100

#### American Rescue Plan HCBS

The budget includes a decrease of \$(82,700,000) from the Long Term Care System Fund Expenditure Authority in FY 2023 for home- and community-based services (HCBS). Laws 2022, Chapter 2 includes a supplemental expenditure authority of \$362,700,000 in FY 2022 for this purpose, while the FY 2023 budget included an increase of \$280,000,000. As a result, this is reflected as an \$(82,700,000) decrease from FY 2022. (*Please see FY 2022 Supplementals in Other Issues for more information.*)

On March 11, 2021, the American Rescue Plan Act (ARPA) gave state Medicaid agencies the ability to spend on HCBS with an enhanced match percentage. The budget adds a footnote requiring the department to provide quarterly reports to the JLBC reflecting changes to the HCBS Spending Plan. It specifies the appropriation may not be used for marketing purposes, directs the department to include notification that monies are one-time, and exempts the appropriation from lapsing.

#### Remove FY 2022 Supplemental

The budget includes a decrease of \$(139,824,000) from the Long Term Care System Fund Expenditure Authority in

FY 2023 for removal of one-time additional expenditure authority associated with the enhanced federal match rate. (Please see FY 2022 Supplementals in Other Issues for more information.)

**Provider Rate Increases**

The budget includes an increase of \$186,920,800 in FY 2023 for a 9.7% DDD provider rate increase. This amount consists of:

General Fund	56,700,000
Long Term Care System Fund (EA)	130,220,800

**Statewide Adjustments**

The budget includes an increase of \$299,000 in FY 2023 for statewide adjustments. This amount consists of:

Long Term Care System Fund	296,000
Health Care Investment Fund (EA)	3,000

*Background* – This line item funds residential programs, day programs, and support services for clients in a broad range of settings, from those living independently at home to those living in group homes. This line item also funds staff in state-operated group homes.

**Institutional Services - Medicaid**

The budget includes \$42,821,600 and 383 FTE Positions in FY 2023 for Medicaid Institutional Services. These amounts consist of:

General Fund	13,494,700
Long Term Care System Fund (EA)	29,326,900

FY 2023 adjustments are as follows:

**Formula Adjustments**

The budget includes an increase of \$2,194,700 from the General Fund in FY 2023 for standard formula adjustments.

**Statewide Adjustments**

The budget includes an increase of \$477,400 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	190,700
Long Term Care System Fund (EA)	286,700

*Background* – Monies in this line item fund Intermediate Care Facilities for Persons with Intellectual Disabilities (ICF-IIDs) or other nursing facilities, both private and state-operated, including ATP-Coolidge (ATP-C). DES reports that ATP-C had an enrollment of 58 in FY 2022, an increase of 8 from FY 2021.

Statute requires DES to annually provide their plans for ATP-C to the JLBC for review. The department anticipates closing the state operated group homes (SOGHs) at ATP-C. These closures were originally planned for April 2022, but as of July 2022, the homes remain in operation. If deemed medically necessary, members residing in SOGHs will be given the opportunity to transfer to an ICF-IID at ATP-C with approval from the member's guardians.

**Physical and Behavioral Health Services - Medicaid**

The budget includes \$528,255,700 and 77 FTE Positions in FY 2023 for Physical and Behavioral Health Services - Medicaid. These amounts consist of:

General Fund	147,045,600
Long Term Care System Fund (EA)	337,587,900
Health Care Investment Fund	43,622,200

FY 2023 adjustments are as follows:

**Formula Adjustments**

The budget includes an increase of \$15,437,500 in FY 2023 for standard formula adjustments. This amount consists of:

General Fund	22,186,500
Long Term Care System Fund (EA)	(6,749,000)

**Hospital Direct Payments**

The budget includes an increase of \$27,500,000 from the Health Care Investment Fund in FY 2023 for hospital direct payments. This amount does not reflect an increase in resources as it reflects pass-through funding from AHCCCS that previously wasn't displayed in the DES budget.

**Statewide Adjustments**

The budget includes an increase of \$185,700 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	71,400
Long Term Care System Fund (EA)	110,000
Health Care Investment Fund	4,300

*Background* – This line item funds DES' subcontracts with AHCCCS health plans to obtain medical services, Children's Rehabilitative Services, and behavioral health services for DD clients in the ALTCS program.

**Medicare Clawback Payments**

The budget includes \$5,710,300 from the General Fund in FY 2023 for Medicare Clawback Payments. FY 2023 adjustments are as follows:

### Formula Adjustments

The budget includes an increase of \$1,049,100 from the General Fund in FY 2023 for standard formula adjustments associated with Medicare Clawback Payments.

*Background* – The federal government pays for the prescription drug costs of DDD clients enrolled in Medicare. To partly offset those costs, the federal government requires each state to make “Clawback” payments to Medicare based on a certain percentage of the estimated drug costs.

### Targeted Case Management - Medicaid

The budget includes \$13,144,600 and 134.6 FTE Positions in FY 2023 for Targeted Case Management (TCM) - Medicaid. These amounts consist of:

General Fund	3,557,300
Long Term Care System Fund (EA)	9,587,300

FY 2023 adjustments are as follows:

#### Statewide Adjustments

The budget includes an increase of \$220,100 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	86,100
Long Term Care System Fund (EA)	134,000

*Background* – The TCM program provides case management services to DDD clients that are financially eligible for AHCCCS acute care services but do not meet the functional disability requirements to qualify for ALTCS. A monthly average of 5,424 clients received TCM services in FY 2022.

### State Match Transfer from AHCCCS

The budget includes \$821,118,700 from the Long Term Care System Fund Expenditure Authority in FY 2023 for a state match transfer from the Arizona Health Care Cost Containment System (AHCCCS). FY 2023 adjustments are as follows:

#### Administrative Pass-Through

The budget includes an increase of \$821,118,700 from the Long Term Care System Fund Expenditure Authority in FY 2023 for a state match transfer from AHCCCS. The amount is equivalent to the department's FY 2023 General Fund appropriation for line items within DDD. Because DES needs to send its General Fund match to AHCCCS to fund DDD, this added expenditure authority is to clarify the department is not spending beyond its

budget load when it spends those monies returned from AHCCCS with Federal Funds.

### Case Management - State-Only

The budget includes \$6,354,000 and 60.8 FTE Positions from the General Fund in FY 2023 for Case Management - State-Only. FY 2023 adjustments are as follows:

#### Statewide Adjustments

The budget includes an increase of \$142,600 from the General Fund in FY 2023 for statewide adjustments.

*Background* – This line item funds case management services to clients in the state-only DD program who meet the functional disability requirements but are not financially eligible for the Targeted Case Management program. A monthly average of 4,013 DDD state-only clients received case management state-only services in FY 2022.

### Cost-Effectiveness Study - Client Services

The budget includes \$8,420,000 in FY 2023 for Cost-Effectiveness Study (CES) - Client Services. These amounts consist of:

General Fund	7,200,000
Special Administration Fund	1,220,000

FY 2023 adjustments are as follows:

#### Provider Rate Increase

The budget includes an increase of \$4,200,000 from the General Fund in FY 2023 for a provider rate increase.

#### Base Adjustment

The budget includes an increase of \$3,000,000 from the General Fund in FY 2023 for operational costs. The budget adds a footnote requiring the department to submit a report to the JLBC on or before November 30, 2022, and November 30, 2023 on Cost Effectiveness Study-related expenditures, including number of clients and total amount spent.

The CES rate represents DES' estimate of the cost of an ALTCS DD client's care if the client were placed in an appropriate institutional setting. The federal waiver for the DD program requires a client's home and community-based services costs to be at or below the cost of an institutional setting to ensure that HCBS services are cost-neutral to the federal government. This program funds the cost above this CES rate, thereby allowing clients to remain in a home and community based setting. (See the FY 2020 Appropriations Report for more information.)

**Home and Community Based Services - State-Only**

The budget includes \$14,089,000 from the General Fund in FY 2023 for State-Only Home and Community Based Services. FY 2023 adjustments are as follows:

**Provider Rate Increases**

The budget includes an increase of \$500,000 from the General Fund in FY 2023 for a provider rate increase.

*Background* – This line item funds residential programs, day programs, and support services for DD clients that do not financially qualify for ALTCS.

**Arizona Early Intervention Program**

The budget includes \$9,719,000 from the General Fund in FY 2023 for the Arizona Early Intervention Program (AzEIP). FY 2023 adjustments are as follows:

**Provider Rate Increases**

The budget includes an increase of \$3,400,000 from the General Fund in FY 2023 for a provider rate increase.

*Background* – AzEIP provides screening and intervention services for children age 0 to 3 with developmental delays or disabilities. DES receives a capped allotment of Federal Funds for the program through Part C of the Individuals with Disabilities Education Act (IDEA). IDEA Part C is expected to provide \$9,882,000 for AzEIP services in FY 2023. As a result, the total AzEIP funding available is \$19,601,000 in FY 2023.

The funds in this line item represent costs incurred by DES for "AzEIP-Only" children, which include children that are AzEIP-eligible but do not have a qualifying DD diagnosis. AzEIP children with a DD diagnosis continue to be funded within the HCBS State-Only line item. There were 1,925 DDD-eligible children enrolled in the AzEIP program in FY 2022. DES reports there were 16,035 new referrals to AzEIP in FY 2022 and 5,380 referred children were determined eligible.

**State-Funded Long Term Care Services**

The budget includes \$42,669,300 and 2 FTE Positions in FY 2023 for State-Funded Long Term Care Services. These amounts consist of:

General Fund	9,388,800
Long Term Care System Fund	
33,280,500	

FY 2023 adjustments are as follows:

**Formula Adjustments**

The budget includes an increase of \$1,094,400 in FY 2023 for standard caseload growth in ALTCS-eligible DD clients receiving residential services with room and board expenses. This amount consists of:

General Fund	273,500
Long Term Care System Fund	820,900

*Background* – This line item primarily funds room and board expenses (e.g., rent and food) for DDD clients in residential settings. Room and board costs for home and community-based settings are ineligible for Federal Funds reimbursement from AHCCCS.

**Group Home Monitoring Program**

The budget includes \$1,200,000 from the General Fund in FY 2023 for the Group Home Monitoring Program. FY 2023 adjustments are as follows:

**New Program**

The budget includes an increase of \$1,200,000 from the General Fund in FY 2023 to fund a group home monitoring pilot program. Laws 2022, Chapter 316 authorizes the pilot to last for 3 years and be contracted to the entity designated to operate the Protection and Advocacy System for Persons with Developmental Disabilities. The entity will monitor group homes for those with complex needs, determining whether clients' needs from their person-centered service plans are being met, services are reducing negative behaviors, and all physical interventions used by group home staff are appropriate. The entity will also investigate complaints and report on all observations and outcomes each year. The entity will report to the Governor, the President of the Senate, and the Speaker of the House by December 31, 2025 on systemic issues and recommendations.

**Employment and Rehabilitation Services**

**Child Care Subsidy**

The budget includes \$187,080,200 from the Federal CCDF Block Grant in FY 2023 for child care subsidies. FY 2023 adjustments are as follows:

**Remove One-Time Federal Monies**

The budget includes a decrease of \$(1,086,612,800) from the Child Care and Development Fund Block Grant in FY 2023 to remove one-time funding for child care initiatives and programs.

In FY 2022 the budget included an increase of \$1,086,612,800 in CCDF funding provided through federal COVID legislation. This funding was aimed at supporting additional recipients, providing additional benefits, increasing reimbursement rates, enhancing quality, updating systems, and for provider grants. (See the FY 2022 Appropriations Report.)

These funds allow for continued spending flexibilities given to states during the COVID pandemic. These funds also must be obligated by September 30, 2022 and liquidated by September 30, 2023. The FY 2022 budget included a footnote stating that provider rate increases from federal child care monies are contingent upon available federal funding and that they do not continue in the future after these federal child care monies have been spent.

**Background** – This line item funds child care subsidies to TANF clients engaged in job activities, low-income working individuals under 85% of the state median income that were below 165% of the FPL at the time of application, and the Transitional Child Care program in which child care subsidies are provided to clients who no longer receive TANF Cash Benefits due to finding employment. DES also processes DCS child care payments, but those monies are appropriated in DCS' budget. Table 6 shows child care subsidy appropriations by year. (For more information on state funded child care, please refer to the Child Care Program Summary on the JLBC website.)

**Subsidy Rates** – Effective June 1, 2019, DES increased maximum provider rates for child care subsidies from the 75<sup>th</sup> percentile of the 2000 market survey rates to the 25<sup>th</sup> percentile of the 2018 market survey rates. DES estimates this will increase the average monthly reimbursement rate from \$360 to \$444, a 23.3% increase. These estimates do not reflect the \$1,086,612,800 in CCDF provided from federal COVID legislation and appropriated in FY 2022. As of October 2021, the department has implemented the higher rates associated with this funding. Maximum rates for infants and toddlers are

currently at the 75<sup>th</sup> percentile of the 2018 survey while older children's maximum rates are at the 50<sup>th</sup> percentile.

**Caseloads** – According to the department, the estimated number of children receiving child care services in June 2022 was 18,020 (see Table 7) excluding ECDHB- and DCS-related child care and the funding from federal COVID legislation.

<b>Category</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23 est</b>
TANF	600	530	490
Low-Income Working	14,000	16,020	19,110
Transitional Child Care	<u>1,500</u>	<u>1,470</u>	<u>1,350</u>
<b>Total Served</b>	<b>16,100</b>	<b>18,020</b>	<b>20,950</b>

<sup>1/</sup> These numbers do not include increases associated with the additional \$1,086,612,800 in CCDF provided from federal COVID legislation.

**Independent Living Rehabilitation Services**

The budget includes \$1,289,400 in FY 2023 for Independent Living Rehabilitation Services. This amount consists of:

General Fund	166,000
Spinal and Head Injuries Trust Fund	1,123,400

These amounts are unchanged from FY 2022.

**Background** – The line item assists severely disabled individuals in living more independently. Funds are used to purchase technology assistance, adaptive aids and devices, home modifications, and independent living skills training.

The Independent Living Rehabilitation Services program is expected to serve up to 490 clients in FY 2023 at an average Total Funds cost per client of \$3,600. In addition to these clients, the division is also expected to serve 150 Independent Living clients at an average annual cost of \$2,940 per client using federal Social Services Block Grant monies.

	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
Base Appropriation	\$169,095,000	\$ 169,095,000	\$187,080,200
Base Appropriation Increase	-	17,985,200	-
Laws 2021, Chapter 18 FY 2021 Supplemental	92,712,300	-	-
FY 2021 Supplemental - Return to Work Child Care	30,200,000	-	-
One-Time Federal Monies <sup>1/</sup>	-	<u>1,086,612,800</u>	-
<b>Total Appropriation</b>	<b>\$292,007,300</b>	<b>\$1,273,693,000</b>	<b>\$187,080,200</b>

<sup>1/</sup> For more information on One-Time Federal Monies please see the FY 2022 Appropriations Report.

## JOBS

The budget includes \$11,005,600 in FY 2023 for JOBS. This amount consists of:

General Fund	300,000
Federal TANF Block Grant	9,594,700
Special Administration Fund	1,110,900

These amounts are unchanged from FY 2022.

*Background* – This line item provides job training and job search services to clients currently receiving TANF Cash Benefits, as well as to former TANF recipients. These services are contracted out to third-party vendors. *Table 8* highlights total estimated expenditures for the JOBS line item.

Table 8

### Estimated FY 2022 JOBS Expenditures

<u>Expenditures</u>	<u>Amount</u>
Case Management	\$ 8,664,800
Job Training	959,700
FLSA Supplement	4,400
Work-Related Transportation	1,076,700
Job Search Stipends	<u>300,000</u>
<b>Total</b>	<b>\$11,005,600</b>

## Rehabilitation Services

The budget includes \$7,249,100 in FY 2023 for Rehabilitation Services. This amount consists of:

General Fund	6,594,400
Spinal and Head Injuries Trust Fund	654,700

These amounts are unchanged from FY 2022.

*Background* – This line item funds services for the physically disabled to return them to the workforce. The federal government provides 78.7% of funding for every 21.3% of state match. The program is expected to serve up to 9,500 clients in FY 2022 at an average Total Funds cost of \$12,030 per client. Third-party partnerships with government and non-governmental agencies provide portions of the state match.

## Workforce Investment Act Services

The budget includes \$55,006,900 in FY 2023 for the Workforce Investment Act Services line item. This amount consists of:

General Fund	1,352,300
Workforce Investment Act Grant	53,654,600

FY 2023 adjustments are as follows:

### Recidivism and Reentry Services

The budget includes an increase of \$1,352,300 from the General Fund in FY 2023 to support staffing and workforce development for prisoners reentering and those that have recent reentered society.

*Background* – These monies are the state’s allotment of the federal WIA Grant for job training activities of dislocated workers and disadvantaged adults and youth. Of the total grant received by the state, 85% is allocated to local governments and 15% is retained at the state level. There is no income eligibility for the program. For eligible adults, priority is given to veterans and their spouses, individuals who are below the poverty line, individuals receiving public assistance, and those who were recently laid off.

Eligible youths must be between the ages of 14 and 24 and have at least one barrier to employment such as homelessness, pregnancy, incarceration, or a disability.

The projected allocation of the WIA Grant for workforce-related programs in FY 2023 is shown in *Table 9*.

Table 9

### FY 2023 WIA Grant Allocations

<u>Category</u>	<u>Amount</u>
WIA Line Item	\$53,654,600
Operating Budget	2,400,200
FY 2023 Salary Increase	228,900
AG Legal Services	<u>9,800</u>
<b>Total</b>	<b>\$56,293,500</b>

## Return to Work Grants

The budget includes no funding in FY 2023 for Return to Work Grants. FY 2023 adjustments are as follows:

### Remove One-Time Funding

The budget includes a decrease of \$(7,500,000) from the General Fund in FY 2023 to remove one-time funding for scholarships to part-time community college students.

## Other Issues

This section includes information on the following topics:

- FY 2022 Supplementals
- FY 2022 FMAP Savings
- Statutory Changes

- Long-Term Budget Impacts
- Federal TANF Block Grant

### **FY 2022 Supplementals**

The FY 2023 budget includes the following supplementals for FY 2022:

#### HCBS - Medicaid Supplemental

The budget includes a FY 2022 supplemental expenditure authority of \$139,824,000 from the Long Term Care System Fund for additional federal funding for DDD. This appropriation authorized DES to expend additional federal monies associated with the extension of the 6.2% enhanced federal match rate.

#### HCBS Spending Plan Supplemental

The budget includes a FY 2022 supplemental expenditure authority of \$362,700,000 from the Long Term Care System Fund to implement the department's American Rescue Plan Act (ARPA) home- and community-based services (HCBS) Spending Plan.

Laws 2022, Chapter 2 authorizes additional expenditure authority to implement the HCBS Spending Plan. Monies from this amount will not be used for marketing purposes. Any changes to the HCBS Spending Plan by the Arizona Health Care Cost Containment System (AHCCCS) must be reported to the JLBC on a quarterly basis. The monies are appropriated as non-lapsing.

### **FY 2022 FMAP Savings**

The budget assumes that DES General Fund formula expenses for FY 2022 will be \$(107,912,000) lower than the original FY 2022 General Fund appropriation. The \$(107,912,000) surplus is based on the federal government's extension of the enhanced FMAP associated with the COVID-19 public health emergency enhanced rate would only be available through December 2021. As a result, the initial estimated savings of \$(77,000,000) within DES will increase to an estimated \$(184,912,000).

The FY 2023 budget does not, however, include an FY 2022 ex-appropriation to account for the savings. Instead, the surplus would be realized through General Fund revertments.

In March 2020, the President signed the federal Families First Coronavirus Response Act into law. Among other provisions, the bill temporarily increases the regular Medicaid match rate by 6.2% retroactive to January 1, 2020. The temporary enhanced match rate is currently effective through December 31, 2022. The match rate

increase reduces General Fund expenditures for AHCCCS, DCS and DES in FY 2020, FY 2021, FY 2022, and FY 2023. The FY 2022 enacted budget adjusted DES's General Fund appropriation to account for two quarters of savings, but the enhanced FMAP extension lasted the full fiscal year as the declaration of a public health emergency continued to be extended.

### **Statutory Changes**

The Human Services Budget Reconciliation Bill makes the following statutory changes:

- As permanent law, establishes the Developmental Disabilities Group Home Monitoring Pilot Program.
- As session law, continue to require recipients of Temporary Assistance for Needy Families (TANF) Cash Benefits to pass a drug test in order to be eligible for benefits if the Department of Economic Security (DES) has reasonable suspicion the recipient uses illegal drugs.

### **Long-Term Budget Impacts**

As part of the budget's 3-year spending plan, DES' General Fund Developmental Disabilities formula costs are projected to increase by \$111,966,100 in FY 2024 above FY 2023 and \$98,375,900 in FY 2025 above FY 2024. The FY 2024 estimate includes an increase of \$1,000,000 for housing, rental assistance and other services for homeless youth.

### **Federal TANF Block Grant**

The budget appropriates \$227,673,400 of the state's Federal TANF Block Grant monies in FY 2023. *Table 10* shows expected yearly revenues, expenditures, and fund balances across 2 agencies.



Table 10

	TANF Block Grant Spending		
	Actual <u>FY 2021</u>	Estimate <u>FY 2022</u>	Estimate <u>FY 2023</u>
<b>Revenues</b>			
Beginning Balance	\$ 8,404,500	\$ 8,195,200	\$ 8,419,900
TANF Base Revenues	<u>224,721,600</u>	<u>223,098,600</u>	<u>223,098,600</u>
<b>Total TANF Available</b>	<b><u>\$233,126,100</u></b>	<b><u>\$231,293,800</u></b>	<b><u>\$231,518,500</u></b>
<b>Expenditures</b>			
Department of Child Safety	\$159,091,100	\$157,468,100	\$161,082,200
<b>Department of Economic Security</b>			
TANF Cash Benefits	\$ 22,736,400	\$ 22,736,400	\$ 22,736,400
All Other TANF Expenditures	<u>43,103,400</u>	<u>42,669,400</u>	<u>43,854,800</u>
<b>TOTAL - DEPARTMENT OF ECONOMIC SECURITY</b>	<b><u>\$ 65,839,800</u></b>	<b><u>\$ 65,405,800</u></b>	<b><u>\$ 66,591,200</u></b>
<b>TOTAL - STATEWIDE</b>	<b>\$224,930,900</b>	<b>\$222,873,900</b>	<b>\$227,673,400</b>
Ending Balance	\$ 8,195,200	\$ 8,419,900	\$ 3,845,100