

Department of Economic Security

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4,377.8	4,381.8	4,381.8 ^{1/}
Personal Services	74,199,000	74,694,400	74,694,400
Employee Related Expenditures	32,869,600	32,939,600	32,939,600
Professional and Outside Services	22,844,500	21,532,600	21,532,600
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	24,901,800
Equipment	5,554,200	5,468,200	5,468,200
OPERATING SUBTOTAL	160,351,000	159,750,300	159,750,300 ^{2/3/}
SPECIAL LINE ITEMS			
Administration			
Attorney General Legal Services	10,600,000	11,222,900	11,222,900
Aging and Adult Services			
Adult Services	8,731,900	11,205,900	9,731,900
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	14,003,900 ^{4/5/}
Sexual Violence Services	0	8,000,000	0
Long-Term Care Ombudsman	0	1,000,000	1,000,000
After School and Summer Youth Program	0	500,000	0
Benefits and Medical Eligibility			
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	1,754,600
Tribal Pass-Through Funding	4,680,300	4,680,300	4,680,300
Child Support Enforcement			
County Participation	3,043,800	8,539,700	8,539,700
Developmental Disabilities ^{6/-9/D/}			
DDD Administration	45,460,100	45,865,500	45,865,500
DDD Premium Tax Payment	46,961,500	50,055,200	52,819,500
Case Management - Medicaid	69,740,400	85,719,800	89,879,500
Home and Community Based Services - Medicaid	1,417,726,500	1,868,627,600	1,937,153,500
Institutional Services - Medicaid	41,321,100	40,149,500	42,344,200
Physical and Behavioral Health Services - Medicaid	448,078,500	485,132,500	528,070,000
Medicare Clawback Payments	4,388,900	4,661,200	5,710,300
Targeted Case Management - Medicaid	8,300,300	12,924,500	12,924,500
Case Management - State-Only	6,311,900	6,211,400	6,211,400
Cost Effectiveness Study - Client Services	1,220,000	1,220,000	1,220,000
Home and Community Based Services - State-Only	13,589,000	13,589,000	13,589,000
Arizona Early Intervention Program	6,319,000	6,319,000	6,319,000
State-Funded Long Term Care Services	37,839,600	41,574,900	42,669,300
Employment and Rehabilitation Services			
Child Care Subsidy	292,007,300	1,273,693,000	187,080,200 ^{10/11/}
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	53,654,600 ^{12/}
Return to Work Grants	0	7,500,000	0
Unemployment Insurance Trust Fund Deposit	62,000,000	0	0
AGENCY TOTAL	2,820,460,000	4,280,628,900	3,284,721,200 ^{13-16/}

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
FUND SOURCES			
General Fund	760,829,100	850,052,500	954,858,300
<u>Other Appropriated Funds</u>			
Child Support Enforcement Administration Fund	14,346,900	17,204,700	17,204,700
Domestic Violence Services Fund	2,766,500	4,000,200	4,000,200
Federal CCDF Block Grant	304,470,100	1,285,880,000	199,267,200
Federal Pandemic Emergency Assistance Fund	0	14,546,500	0
Federal TANF Block Grant	65,839,800	65,405,800	65,405,800
Long Term Care System Fund (Non-Federal Matched)	28,989,800	32,459,600	33,280,500
Public Assistance Collections Fund	0	423,700	423,700
Sexual Violence Service Fund	0	8,000,000	0
Special Administration Fund	4,140,300	4,512,600	4,512,600
Spinal and Head Injuries Trust Fund	1,975,900	2,336,000	2,336,000
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Workforce Investment Act Grant	75,110,200	56,069,100	56,069,100
SUBTOTAL - Other Appropriated Funds	497,639,500	1,491,838,200	383,499,800
SUBTOTAL - Appropriated Funds	1,258,468,600	2,341,890,700	1,338,358,100
<u>Expenditure Authority Funds</u>			
Child Support Enforcement Administration Fund	35,317,500	42,495,100	42,495,100
Health Care Investment Fund	20,147,300	26,863,200	54,363,200
Long Term Care System Fund (Federal Match)	1,506,526,600	1,869,379,900	1,849,504,800
SUBTOTAL - Expenditure Authority Funds	1,561,991,400	1,938,738,200	1,946,363,100
SUBTOTAL - Appropriated/Expenditure Authority Funds	2,820,460,000	4,280,628,900	3,284,721,200
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
TOTAL - ALL SOURCES	6,700,720,500	8,287,566,300	7,029,325,600

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 \$17,204,700 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)
- 4/ All domestic violence services fund monies in excess of \$4,000,200 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 \$4,000,200 to the joint legislative budget committee. (General Appropriation Act footnote)
- 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 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)

- 7/ 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)
- 8/ 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)
- D/ ~~The department shall submit an expenditure plan report to the joint legislative budget committee of any new division of developmental disabilities salary adjustments not previously reviewed by the joint legislative budget committee. (General Appropriation Act footnote)~~
- D/ ~~On or before August 1, 2021 the department shall report to the joint legislative budget committee the number of filled positions for case managers and non case managers in the division of developmental disabilities as of June 30, 2021. The department shall submit an expenditure plan of its staffing levels for review by the joint legislative budget committee if the department plans on hiring staff for non case manager, non case aide, non case unit supervisor and non case section manager positions above the staffing level indicated in the August 1, 2021 report. (General Appropriation Act footnote)~~
- 9/ 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. (General Appropriation Act footnote)
- 10/ 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. 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)
- 11/ 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)
- 12/ All workforce investment act grant monies that are received by this state in excess of \$56,069,100 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 \$56,069,100 to the joint legislative budget committee. (General Appropriation Act footnote)
- 13/ 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. Notwithstanding any other law, this appropriation must be fully reimbursed on or before September 1, 2023 and must be reimbursed in full as part of the closing the 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)

- 14/ 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)
- 15/ 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)
- 16/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Summary

The Department of Economic Security's (DES) FY 2023 General Fund spending increases by \$104,805,800 or 12.3% above the FY 2022 appropriation. This amount includes:

- \$114,279,800 for DDD formula adjustments.
- \$(9,474,000) to remove one-time funding.

Operating Budget

The Baseline includes \$159,750,300 and 1,970.4 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$79,514,800
Child Support Enforcement Administration Fund	13,653,000
Child Support Enforcement Administration Fund (EA)	27,566,900
Federal Temporary Assistance for Needy Families (TANF) Block Grant	20,476,700
Federal Child Care and Development Fund (CCDF) Block Grant	12,169,000
Public Assistance Collections Fund	332,400
Special Administration Fund	2,076,700
Spinal and Head Injuries Trust Fund	556,100
Statewide Cost Allocation Plan Fund	1,000,000
Workforce Investment Act Grant	2,404,700

These amounts are unchanged from FY 2022.

Administration

Attorney General Legal Services

The Baseline includes \$11,222,900 and 157.9 FTE Positions in FY 2023 for Attorney General (AG) Legal Services. These amounts consist of:

General Fund	1,053,000
Child Support Enforcement Administration Fund	2,497,400
Child Support Enforcement Administration Fund (EA)	7,442,800
Federal TANF Block Grant	103,800
Federal CCDF Block Grant	18,000
Public Assistance Collections Fund	91,300
Special Administration Fund	5,000
Spinal and Head Injuries Trust Fund	1,800
Workforce Investment Act Grant	9,800

These amounts are unchanged from FY 2022.

Aging and Adult Services

Adult Services

The Baseline includes \$9,731,900 from the General Fund in FY 2023 for Adult Services. FY 2023 adjustments are as follows:

Remove One-Time Area Agencies on Aging Increase

The Baseline includes a decrease of \$(1,474,000) from the General Fund in FY 2023 to remove a one-time Area Agencies on Aging increase.

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

Table 1

Independent Living Support	
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
Total	\$11,205,900

Community and Emergency Services

The Baseline 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 Baseline 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 Baseline includes \$14,003,900 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	4,000,200
Special Administration Fund	100,000

These amounts are unchanged from FY 2022.

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

Remove One-Time Funding

The Baseline 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.

Long-Term Care Ombudsman

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

As of November 2021, the latest month for which data is available, DES served a regular TANF Cash Benefits caseload of 13,097 individual recipients. Caseloads have decreased (11.9)% compared to November 2020. While caseloads have decreased from the highest pandemic levels, the current caseload of 13,097 is still higher than the 12,107 in March 2020. The average cost per person is projected to be \$100. In addition, 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 November 2021 Diversion caseload was 190, a (50.5)% decrease from November 2020. The average diversion payment per person is projected to be \$817.

The Baseline amount would be able to fund an average of 15,750 individuals at \$100 per month and 390 Diversion clients at \$817 per month. At November 2021 levels, the total cost would be \$17,579,200, or \$(5,157,200) below the Baseline 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 Baseline 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 Baseline 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 Baseline includes \$1,754,600 in FY 2023 for Coordinated Hunger Services programs. This amount consists of:

General Fund	1,254,600
Federal TANF Block Grant	500,000

These amounts are unchanged from FY 2022.

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 Baseline 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.

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 ^{1/}	4,783,400
Administration (Non-Appropriated)	<u>3,115,600</u>
Total	\$19,945,300
<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>
Total	\$19,945,300

^{1/} This line is the difference between appropriation authority and expected revenues.

County Participation

The Baseline 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.

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 30, 2021, the Division of Developmental Disabilities served 45,973 clients, which includes 36,852 clients in the LTC program, 5,375 in Targeted Case Management, and 3,746 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	16,232	35.3%
At Risk	9,907	21.5%
Autism	14,365	31.3%
Cerebral Palsy	3,529	7.7%
Epilepsy	<u>1,940</u>	4.2%
Total	45,973	

Federal COVID legislation temporarily increased the regular Medicaid match rate by 6.2% retroactive to January 1, 2020. Based on guidance from the Biden Administration, the temporary enhanced match rate is currently assumed to be effective through March 31, 2022. The FY 2022 budget assumed it would only be in effect through December 31, 2021.

Overall DDD Formula Adjustments

The Baseline includes an increase of \$114,279,800 from the General Fund in FY 2023 for DDD formula changes. These adjustments are based on standard Baseline formula assumptions of 5.0% caseload growth and a 3.0% capitation rate increase. Changes are described in further detail below.

Caseload Growth

The Baseline includes an increase of \$73,554,700 from the General Fund in FY 2023 for DD caseload changes.

Compared to June 2021, LTC caseloads are expected to grow by 5% to 39,399 members by June 2022 (this amount excludes state-only clients). The 5% caseload growth is based on recent growth (3.5% in FY 2021, 5.0% in FY 2020, and 5.4% in FY 2019) within the program. LTC caseloads are not COVID-driven, but year-to-year growth has been lower in FY 2020 and FY 2021 than in the recent past.

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.

Capitation Rate Adjustments

The Baseline includes an increase of \$39,676,000 from the General Fund in FY 2023 for a 3.0% net capitation rate increase beginning October 1, 2022. Capitation rates include adjustments for medical inflation, utilization of services, and other factors.

Placement	FY 21	FY 22 Est	FY 23 Est
Home	31,719	32,550	34,227
Group Home	3,293	3,331	3,510
Developmental Home	1,540	1,538	1,548
Institution	106	104	114
Total	36,658	37,523	39,399

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

	FY 2022 Capitation Rate ^{1/}	Assumed Growth Rate	FY 2023 Capitation Rate
Administration	229.79	3.0%	236.68
Premium Tax	108.35	3.0%	111.60
Case Management	194.75	3.0%	200.59
HCBS ^{2/}	3,789.27	3.0%	3,902.95
Institutional Care ^{3/}	69.48	3.0%	71.56
Acute Care ^{4/}	1,050.50	3.0%	1,082.02
Total	5,442.14	3.0%	5,605.40

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

FMAP Adjustments

The Baseline includes no change to the General Fund in FY 2023 associated with the Federal Medical Assistance Percentage (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 2022 Savings.)

Medicare Clawback

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

The Baseline makes the following footnote changes:

- Deletes footnote requiring submission of an expenditure plan report to the JLBC on any new DDD salary adjustments not previously reviewed by the JLBC.
- Deletes footnote requiring a report on August 1, 2022 on the number of filled positions for case managers

and non-case managers in DDD as of June 30, 2022. This footnote also required an expenditure plan of staffing levels for review by the JLBC if DES planned on hiring staff for certain positions.

DDD Administration

The Baseline includes \$45,865,500 and 345 FTE Positions in FY 2023 for DDD Administration. These amounts consist of:

General Fund	17,665,000
Long Term Care System Fund	28,200,500

These amounts are unchanged from FY 2022.

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 Baseline 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	36,800,700

FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline 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	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 Baseline includes \$89,879,500 and 1,029.9 FTE Positions in FY 2023 for Case Management - Medicaid. These amounts consist of:

General Fund	27,245,100
Long Term Care System Fund	62,634,400

FY 2023 adjustments are as follows:

Formula Adjustments

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

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 Baseline includes \$1,937,153,500 and 221.2 FTE Positions in FY 2023 for Home and Community Based Services - Medicaid. These amounts consist of:

General Fund	580,510,400
Long Term Care System Fund	1,345,897,800
Health Care Investment Fund	10,745,300

FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$68,525,900 in FY 2023 for standard formula adjustments. This amount consists of:

General Fund	81,921,400
Long Term Care System Fund	(13,395,500)

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 Baseline includes \$42,344,200 and 383 FTE Positions in FY 2023 for Medicaid Institutional Services. These amounts consist of:

General Fund	13,304,000
Long Term Care System Fund	29,040,200

FY 2023 adjustments are as follows:

Formula Adjustments

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

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 enrollment of 50 in FY 2021, a decrease of (6) from FY 2020.

Statute requires DES to annually provide their plans for ATP-C to the JLBC for review. The department currently anticipates closing the state operated group homes (SOGHs) and moving them to the main Coolidge facility in April 2022.

Physical and Behavioral Health Services - Medicaid

The Baseline includes \$528,070,000 and 77 FTE Positions in FY 2023 for Physical and Behavioral Health Services - Medicaid. These amounts consist of:

General Fund	146,974,200
Long Term Care System Fund	337,477,900
Health Care Investment Fund	43,617,900

FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline 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	(6,749,000)

Hospital Direct Payments

The Baseline 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.

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

Formula Adjustments

The Baseline 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 Baseline includes \$12,924,500 and 134.6 FTE Positions in FY 2023 for Targeted Case Management (TCM) - Medicaid. These amounts consist of:

General Fund	3,471,200
Long Term Care System Fund	9,453,300

These amounts are unchanged from FY 2022.

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 5,148 clients received TCM services in FY 2021.

Case Management - State-Only

The Baseline includes \$6,211,400 and 60.8 FTE Positions from the General Fund in FY 2023 for Case Management - State-Only. These amounts are unchanged from FY 2022.

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 3,589 DD state-only clients received case management state-only services in FY 2021.

Cost-Effectiveness Study - Client Services

The Baseline includes \$1,220,000 from the Special Administration Fund in FY 2023 for Cost-Effectiveness Study (CES) - Client Services. This amount is unchanged from FY 2022.

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.)

Home and Community Based Services - State-Only

The Baseline includes \$13,589,000 from the General Fund in FY 2023 for State-Only Home and Community Based Services. This amount is unchanged from FY 2022.

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 Baseline includes \$6,319,000 from the General Fund in FY 2023 for the Arizona Early Intervention Program (AzEIP). This amount is unchanged from FY 2022.

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 \$16,201,000 in FY 2023.

DES reports that there were 15,389 new referrals to AzEIP in FY 2021 and 5,524 referred children were determined eligible.

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 4,658 DD-eligible children enrolled in the AzEIP program in FY 2021.

State-Funded Long Term Care Services

The Baseline 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 Baseline 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 DD clients in residential settings. Room and board costs for home and community-based settings are ineligible for Federal Funds reimbursement from AHCCCS.

Employment and Rehabilitation Services

Child Care Subsidy

The Baseline 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 Baseline 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 75th percentile of the 2000 market survey rates to the 25th 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 75th percentile of the 2018 survey while older children's maximum rates are at the 50th percentile.

Caseloads – According to the department, the estimated number of children receiving child care services in June 2022 is projected to be 20,100 (*see Table 7*) excluding ECDHB- and DCS-related child care and the funding from federal COVID legislation.

Table 6			
Child Care Subsidy Appropriations			
	FY 2021	FY 2022	FY 2023
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 ^{1/}	-	1,086,612,800	-
Total Appropriation	\$292,007,300	\$1,273,693,000	\$187,080,200

^{1/} For more information on One-Time Federal Monies please see the FY 2022 Appropriations Report.

Category	FY 21	FY 22 est	FY 23 est
TANF	600	600	500
Low-Income Working	14,000	18,100	20,000
Transitional Child Care	<u>1,500</u>	<u>1,400</u>	<u>1,200</u>
Total Served	16,100	20,100	21,700

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

Expenditures	Amount
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>
Total	\$11,005,600

Independent Living Rehabilitation Services

The Baseline 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.

JOBS

The Baseline 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.

Rehabilitation Services

The Baseline 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 Baseline includes \$53,654,600 from the Workforce Investment Act (WIA) Grant in FY 2023 for the Workforce Investment Act Services line item. This amount is unchanged from FY 2022.

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 2022 WIA Grant Allocations

<u>Category</u>	<u>Amount</u>
WIA Line Item	\$53,654,600
Operating Budget	2,404,700
AG Legal Services	9,800
Total	\$56,069,100

Return to Work Grants

The Baseline 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 Adjustments
- Statutory Changes
- Long-Term Budget Impacts
- Federal TANF Block Grant

FY 2022 Adjustments

The Baseline assumes that DES General Fund formula expenses for FY 2022 will be \$(69,912,000) lower than the original FY 2022 General Fund appropriation. The \$(69,912,000) surplus is based on the federal government's extension of the enhanced FMAP associated with the COVID-19 public health emergency

through March 2022. The enacted budget assumed the 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 \$(146,912,000).

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

Statutory Changes

As session law, the Baseline would 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 Baseline's 3-year spending plan, DES' General Fund Developmental Disabilities formula costs are projected to increase by \$103,696,100 in FY 2024 above FY 2023 and \$87,175,900 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 Baseline appropriates \$221,098,600 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		
	<u>Actual</u> <u>FY 2021</u>	<u>Estimate</u> <u>FY 2022</u>	<u>Estimate</u> <u>FY 2023</u>
Revenues			
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>
Total TANF Available	\$233,126,100	\$231,293,800	\$231,518,500
Expenditures			
Department of Child Safety	\$159,091,100	\$157,468,100	\$157,468,100
Department of Economic Security			
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>42,669,400</u>
TOTAL - DEPARTMENT OF ECONOMIC SECURITY	\$ 65,839,800	\$ 65,405,800	\$ 65,405,800
TOTAL - STATEWIDE	\$224,930,900	\$222,873,900	\$222,873,900
Ending Balance	\$ 8,195,200	\$ 8,419,900	\$ 8,644,600

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Child Support Enforcement Administration Fund (DEA2091/A.R.S. § 46-406)		Expenditure Authority
Source of Revenue: State Share of Retained Earnings from child support collections, federal incentives, and fees. In addition, this fund includes Title IV-D funds received from the U.S. Department of Health and Human Services.		
Purpose of Fund: To fund the statewide Child Support Enforcement program. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	35,317,500	42,495,100
Year-End Fund Balance	0	0
Child Support Enforcement Administration Fund (DEA2091/A.R.S. § 46-406)		Appropriated
Source of Revenue: State Share of Retained Earnings from child support collections, federal incentives, and fees.		
Purpose of Fund: To fund the statewide Child Support Enforcement program. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	14,346,900	17,204,700
Year-End Fund Balance	22,575,700	24,939,600
Client Trust Fund (DEA3152/A.R.S. § 41-1954)		Non-Appropriated
Source of Revenue: Monies collected from Social Security, Veterans' Administration benefits, and other benefits payable to a child in the care, custody, or control of DES.		
Purpose of Fund: To defray the costs of care and services expended for the benefit, welfare, and best interest of the child.		
Funds Expended	0	0
Year-End Fund Balance	4,000	4,000
Coronavirus Relief Fund (DEA2975/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
Purpose of Fund: Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
Funds Expended	14,411,100	248,800,400
Year-End Fund Balance	373,033,300	320,122,200
Coronavirus State and Local Fiscal Recovery Fund (DEA2985/U.S. P.L. 117-2)		Non-Appropriated
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	0	238,400,000
Year-End Fund Balance	0	0
Crisis Contingency and Safety Net Fund (DEA3240/A.R.S. § 41-110)		Non-Appropriated
Source of Revenue: Legislative appropriations, public or private gifts, grants and donations.		
Purpose of Fund: Monies in the fund may only be distributed by the Governor for the following forms of economic assistance during a state of emergency: 1) housing assistance; 2) services for homeless persons; 3) economic assistance to small businesses with less than 50 employees, non-profit organizations, and health care providers; and 4) monies for food bank operations. Expenditures are not displayed to avoid double counting the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	478,800	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Developmentally Disabled Client Investment Fund (DEA3146/A.R.S. § 41-1954)		Non-Appropriated
Source of Revenue: Consists of client monies, such as Social Security, earnings, etc.		
Purpose of Fund: If consumers need assistance in handling their funds and no other person is available, the division is appointed to be the representative payee and is authorized to administer the personal funds of these consumers.		
Funds Expended	13,400	13,400
Year-End Fund Balance	1,574,500	1,585,300
Developmentally Disabled Client Services Trust Fund (DEA2019/A.R.S. § 36-572)		Non-Appropriated
Source of Revenue: Proceeds from the sale or lease of the real property and buildings used by the department for the Arizona Training Program at Phoenix (ATP-P) and the interest earned in those funds.		
Purpose of Fund: To enhance services presently available to the developmentally disabled and to extend services to developmentally disabled persons not presently served.		
Funds Expended	10,500	10,500
Year-End Fund Balance	33,800	23,400
Domestic Violence Services Fund (DEA2160/A.R.S. § 36-3002)		Appropriated
Source of Revenue: A portion of monies (8.87%) from statutory filing and copy fees collected by the Superior Court. Another portion of monies is from a \$50 fee for aggravated harassment, stalking, and other violent family offenses. Monies also come from voluntary contributions using tax returns or federal grants, private grants, or other private gifts or contributions.		
Purpose of Fund: To fund grants to qualified shelters for victims of domestic violence.		
Funds Expended	2,766,500	4,000,200
Year-End Fund Balance	1,614,200	227,800
Donations Fund (DEA3145/A.R.S. § 36-571, 41-1954)		Non-Appropriated
Source of Revenue: Grants, gifts, or bequests.		
Purpose of Fund: To be disbursed for the purpose of and in conformity with the terms of the grant, gift, or bequest. Monies received for developmental disabilities purposes are maintained in a separate account.		
Funds Expended	0	0
Year-End Fund Balance	45,300	49,700
Economic Security Capital Investment Fund (DEA2093/A.R.S. § 4-116)		Non-Appropriated
Source of Revenue: Receipts received from club license and application fees by organizations selling spirituous liquor as defined in A.R.S. § 4-101.		
Purpose of Fund: To be used by the department for buildings, equipment, and other capital investments.		
Funds Expended	0	0
Year-End Fund Balance	538,000	589,800
Employee Recognition Fund (DEA2449/A.R.S. § 38-613)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: Employee recognition programs or for the specified purpose for which they were donated.		
Funds Expended	0	0
Year-End Fund Balance	1,600	1,600
Family Caregiver Grant Program Fund (DEA2347/A.R.S. § 46-343)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, and donations.		
Purpose of Fund: Grants provided to individuals who are caring for and supporting a qualifying family member.		
Funds Expended	108,400	325,300
Year-End Fund Balance	881,400	556,100

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Federal CCDF Block Grant (DEA2008/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To be used for developing child care programs, providing child care to welfare recipient parents, and implementing licensing standards under state law for child care. Up to 5% of the aggregate amount of funds expended can be used for administrative costs. At least 4% of funds must be used for consumer education and activities for improving the quality and availability of child care. No monies can be used for purchasing land or building facilities to provide child care. The Department of Child Safety has a separate allocation of CCDF funding.		
Funds Expended	304,470,100	1,285,880,000
Year-End Fund Balance	1,135,892,000	22,886,600
Federal Grants (DEA2000/A.R.S. § 41-101.01)		Non-Appropriated
Source of Revenue: Federal grants, excluding Temporary Assistance for Needy Families, Child Care and Development Fund, and Workforce Investment Act Block Grants.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the availability of the federal monies. Some major expenditure items include Food Stamp administration and the Social Services Block Grant, DCYF Expenditure Authority, and Medicaid.		
Funds Expended	2,770,804,000	3,213,199,700
Year-End Fund Balance	19,142,600	18,821,900
Federal Pandemic Emergency Assistance Fund (DEA2955/A.R.S. § 35-152)		Appropriated
Source of Revenue: Monies received from the federal American Rescue Plan Act of 2021 to states administering a TANF program.		
Purpose of Fund: To be used for administrative costs and non-recurrent short-term benefits.		
Funds Expended	0	14,546,500
Year-End Fund Balance	0	0
Federal TANF Block Grant (DEA2007/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To provide assistance to needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of 2-parent families.		
Funds Expended	65,839,800	65,405,800
Year-End Fund Balance	8,195,200	8,419,900
Health Care Investment Fund (DEA2588/A.R.S. § 36-2999.73)		Expenditure Authority
Source of Revenue: An assessment on hospital revenues, discharges, or beds days in addition to the Hospital Assessment established by A.R.S. § 36-2901.09, interest earnings, and legislative appropriations.		
Purpose of Fund: To increase the base reimbursement level for hospital services, to increase dental and physician fee schedules, and to cover related administrative expenses incurred by DES.		
Funds Expended	20,147,300	26,863,200
Year-End Fund Balance	0	0
IGA and ISA Fund (DEA2500/§ 41-1954)		Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements between state agencies and local governments.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	0	0
Year-End Fund Balance	56,700	56,700
Long Term Care System Fund (Federal Match) (DEA2225/A.R.S. § 36-2953)		Expenditure Authority
Source of Revenue: Federal Medicaid Authority monies.		
Purpose of Fund: To fund administrative and program costs associated with the Long Term Care system.		
Funds Expended	1,506,526,600	1,869,379,900
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Long Term Care System Fund (Non-Federal Matched) (DEA2224/A.R.S. § 36-2953)		Appropriated
Source of Revenue: Client revenue for room and board, third-party recovery, interest, and miscellaneous federal monies.		
Purpose of Fund: To fund administrative and program costs associated with the Long Term Care system. These monies are used to offset costs of services provided to Long Term Care clients which are not reimbursed by the federal government, such as room and board.		
Funds Expended	28,989,800	32,459,600
Year-End Fund Balance	173,870,200	0
Neighbors Helping Neighbors Fund (DEA2348/A.R.S. § 46-741)		Non-Appropriated
Source of Revenue: Includes contributions from income tax refunds and other donations and interest earnings.		
Purpose of Fund: To provide assistance in paying utility bills, conserving energy and weatherization to eligible individuals. Fund monies are available to designated community action or other agencies currently providing energy assistance services to eligible individuals. An amount of not more than 2% of the fund monies may be used by DES, and an amount of not more than 8% of the fund monies may be used by the designated agencies for administrative costs.		
Funds Expended	27,700	40,000
Year-End Fund Balance	66,100	68,100
Public Assistance Collections Fund (DEA2217/A.R.S. § 46-295)		Appropriated
Source of Revenue: A portion of monies collected in recovery payments from ineligible or overpaid public assistance recipients and reimbursements received from persons legally responsible for support of public assistance recipients. The fund receives 25% of the monies collected. The remaining 75% of revenues are credited to the General Fund.		
Purpose of Fund: To improve public assistance collection activities.		
Funds Expended	0	423,700
Year-End Fund Balance	438,800	66,100
Revenue From State or Local Agency Fund (DEA3193/A.R.S. § 41-1954)		Non-Appropriated
Source of Revenue: Dollars received through the collection efforts of the Department's Office of Accounts Receivable and Collections and dollars without sufficient identifying documentation may be temporarily deposited in this fund.		
Purpose of Fund: When the benefiting program is identified, funds are transferred out of the fund into the benefiting program's fund. Funds are utilized by the benefiting DES programs per state and federal requirements.		
Funds Expended	1,838,500	1,821,300
Year-End Fund Balance	2,918,900	2,971,800
Sexual Violence Service Fund (DEA2190/A.R.S. § 36-3102)		Appropriated
Source of Revenue: Legislative appropriations, grants, and contributions.		
Purpose of Fund: Grants provided to service providers for victims of sexual violence.		
Funds Expended	0	8,000,000
Year-End Fund Balance	0	0
Special Administration Fund (DEA2066/A.R.S. § 23-705)		Appropriated
Source of Revenue: Monies are from interest charges and employers' penalty fees assessed on late unemployment payments.		
Purpose of Fund: To defray administration costs found not to have been properly and validly chargeable against Federal grants or other funds.		
Funds Expended	4,140,300	4,512,600
Year-End Fund Balance	4,242,100	3,964,900
Special Olympics Tax Refund Fund (DEA3207/A.R.S. § 41-173)		Non-Appropriated
Source of Revenue: Includes contributions from income tax refunds and other donations and interest earnings.		
Purpose of Fund: To contract with a nonprofit entity for delivery of those services essential to the Arizona Special Olympics' programs and to cover the Department of Revenue's costs for administering the refund checkoff.		
Funds Expended	153,700	92,800
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Spinal and Head Injuries Trust Fund (DEA2335/A.R.S. § 41-3203)		Appropriated
Source of Revenue: The fund receives 22% of monies deposited in the Medical Services Enhancement Fund (MSEF). MSEF revenues consist of a 13% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses, civil motor statute violations, and game and fish violations.		
Purpose of Fund: For 1) prevention and education of spinal and head injuries; 2) rehabilitation, transitional living and equipment necessary for daily living activities; 3) a portion of the cost of the disease surveillance system and statewide referral services for those with head injuries and spinal cord injuries; 4) costs incurred by the Advisory Council on Spinal and Head Injuries; and 5) DES' costs for administering the provisions.		
Funds Expended	1,975,900	2,336,000
Year-End Fund Balance	305,600	(219,100)
Statewide Cost Allocation Plan Fund (DEA1030/A.R.S. § 41-1954)		Appropriated
Source of Revenue: Federal reimbursement.		
Purpose of Fund: General operations.		
Funds Expended	0	1,000,000
Year-End Fund Balance	0	0
Unemployment Insurance Benefits Fund (DEA7510/A.R.S. § 23-701)		Non-Appropriated
Source of Revenue: Employer contributions and interest earnings. The monies are maintained and tracked in 2 separate accounts: one by the U.S. Treasury and one by the state, which is used for clearing and paying benefits. The majority of the funds available are in the U.S. Treasury account. DES, as federally required, deposits all employer contributions, other than those retained for immediate benefit payments, in the U.S. Treasury, which tracks each state's account separately.		
Purpose of Fund: To retain and invest formula-determined employer unemployment contributions to be used for payment of future unemployment benefits and refunds pursuant to § 903 of the federal Social Security Act. This fund provides regular unemployment benefits up to 26 weeks. Benefits extended beyond that time are federally funded and included in the Federal Grants fund.		
Funds Expended	1,092,893,200	304,234,000
Year-End Fund Balance	337,726,500	1,301,719,900
Workforce Investment Act Grant (DEA2001/U.S. P.L. 105-220)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To consolidate, coordinate, and improve employment, training, literacy, and vocational rehabilitation programs.		
Funds Expended	75,110,200	56,069,100
Year-End Fund Balance	82,824,000	82,824,000