

## Department of Economic Security

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4,381.8	4,476.8	4,533.8 <sup>1/</sup>
Personal Services	80,045,600	96,238,400	161,014,300
Employee Related Expenditures	33,216,400	38,223,700	63,952,000
Professional and Outside Services	21,448,900	32,067,700	57,880,000
Travel - In State	52,100	79,700	134,900
Travel - Out of State	114,300	134,500	134,500
Other Operating Expenditures	151,302,000	27,062,500	40,705,900
Equipment	2,347,300	2,139,500	7,949,000
<b>OPERATING SUBTOTAL</b>	<b>288,526,600</b>	<b>195,946,000</b>	<b>331,770,600 <sup>2/3/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
<b>Administration</b>			
Attorney General Legal Services	9,672,600	11,379,800	12,755,600
<b>Aging and Adult Services</b>			
Adult Services	11,205,900	12,731,900	15,731,900
Area Agencies on Aging Housing Assistance	0	0	5,000,000 <sup>4/5/</sup>
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
Coordinated Hunger Services	1,754,600	2,254,600	2,254,600
Produce Incentive Program	0	0	5,462,600 <sup>5/</sup>
Globe-Miami Area Food Bank	0	0	250,000 <sup>6/</sup>
Domestic Violence Prevention	12,195,000	14,004,000	14,004,000 <sup>7/8/</sup>
Sexual Violence Services	8,000,000	0	0
Long-Term Care Ombudsman	1,000,000	1,000,000	1,000,000
After School and Summer Youth Program	500,000	0	0
<b>Benefits and Medical Eligibility</b>			
TANF Cash Benefits	22,736,400	22,736,400	22,736,400
Pandemic Emergency Assistance	14,546,500	0	0
Tribal Pass-Through Funding	4,680,300	4,680,300	4,680,300
Diaper and Incontinence Products Assistance	0	0	1,000,000
<b>Child Support Enforcement</b>			
County Participation	8,539,700	8,539,700	8,539,700
<b>Developmental Disabilities <sup>9/-11/</sup></b>			
<i>Federal Match Funding</i>			
DDD Administration	46,168,200	47,049,900	0
DDD Premium Tax Payment	50,493,200	52,819,500	61,199,900
Case Management - Medicaid	71,050,000	91,429,800	104,257,900 <sup>12/</sup>
Home and Community Based Services - Medicaid	1,833,110,600	2,450,165,900	2,349,599,400 <sup>13/</sup>
Institutional Services - Medicaid	38,587,200	42,821,600	47,090,000
Physical and Behavioral Health Services - Medicaid	505,535,800	528,255,700	541,297,400
Medicare Clawback Payments	4,661,200	5,710,300	6,055,500
Targeted Case Management - Medicaid	8,773,900	13,144,600	15,283,000
State Match Transfer from AHCCCS	0	821,118,700	982,330,300
<i>State-Only Funding</i>			
Case Management - State-Only	6,211,400	6,354,000	6,335,600 <sup>12/</sup>
Cost Effectiveness Study - Client Services	1,220,000	8,420,000	8,420,000 <sup>14/</sup>
Home and Community Based Services - State-Only	13,589,000	14,089,000	14,089,000
Arizona Early Intervention Program	6,319,000	9,719,000	14,119,000
State-Funded Long Term Care Services	36,652,300	42,678,300	43,534,700
Group Home Monitoring Program	0	1,200,000	1,200,000
Graham County Rehabilitation Center	0	0	830,000 <sup>15/</sup>

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 APPROVED
<b>Employment and Rehabilitation Services</b>			
Child Care Subsidy	1,217,865,800	187,080,200	187,080,200 <sup>16/17/</sup>
Independent Living Rehabilitation Services	1,289,400	1,289,400	1,289,400
JOBS	11,005,600	11,005,600	11,005,600
Rehabilitation Services	7,249,100	7,249,100	7,249,100
Workforce Innovation and Opportunity Act Services	72,502,200	55,006,900	85,824,200 <sup>18/</sup>
Return to Work Grants	7,500,000	0	0
<b>AGENCY TOTAL</b>	<b>4,329,388,100</b>	<b>4,676,126,800</b>	<b>4,919,522,500 <sup>19/-22/</sup></b>
<b>FUND SOURCES</b>			
General Fund	748,605,700	1,079,053,000	1,211,415,700
<u>Other Appropriated Funds</u>			
Child Support Enforcement Administration Fund	17,204,700	17,683,300	17,683,300
Domestic Violence Services Fund	2,191,300	4,000,300	4,000,300 <sup>2/</sup>
Federal CCDF Block Grant	1,230,052,800	200,010,200	200,029,300
Federal Pandemic Emergency Assistance Fund	14,546,500	0	0
Federal TANF Block Grant	65,405,800	66,591,200	66,591,200
Long Term Care System Fund (Non-Federal Matched)	27,537,000	33,289,500	33,864,200
Public Assistance Collections Fund	0	430,400	441,800
Sexual Violence Service Fund	8,000,000	0	0
Special Administration Fund	4,512,600	4,643,200	4,637,900
Spinal and Head Injuries Trust Fund	2,336,000	2,388,200	2,385,500
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Workforce Investment Act Grant	79,849,700	56,293,500	87,116,600
SUBTOTAL - Other Appropriated Funds	1,451,636,400	386,329,800	417,750,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,200,242,100</b>	<b>1,465,382,800</b>	<b>1,629,165,800</b>
<u>Expenditure Authority Funds</u>			
Child Support Enforcement Administration Fund	41,033,100	43,047,000	44,195,500
Health Care Investment Fund	26,863,200	54,370,500	54,412,300
Long Term Care System Fund (Federal Match)	2,061,249,700	3,113,326,500	3,191,748,900
SUBTOTAL - Expenditure Authority Funds	2,129,146,000	3,210,744,000	3,290,356,700
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>4,329,388,100</b>	<b>4,676,126,800</b>	<b>4,919,522,500</b>
Other Non-Appropriated Funds	186,727,500	246,970,800	246,970,800
Federal Funds	3,246,245,500	2,522,647,300	2,522,647,300
<b>TOTAL - ALL SOURCES</b>	<b>7,762,361,100</b>	<b>7,445,744,900</b>	<b>7,689,140,600</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 1,684.6 EA FTE Positions funded from Special Line Items in FY 2024.
- 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)
- 4/ The amount appropriated for the area agencies on aging housing assistance line item shall be distributed to area agencies on aging established pursuant to the older Americans act of 1965 (P.L. 89-73; 79 Stat. 218; 42 United States

Code sections 3001 through 3058ff) for housing assistance for persons who are at least sixty years of age. (General Appropriation Act footnote)

- 5/ This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 6/ The amount appropriated for the Globe-Miami area food bank line item shall be distributed to a food bank that maintains its headquarters in the Globe-Miami area. (General Appropriation Act footnote)
- 7/ 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)
- 8/ On or before December 15, 2023, 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)
- 9/ 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)
- 10/ 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)
- 11/ On or before September 1, 2024, 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 2023-2024 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, 2024, 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 2023-2024. (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 \$115,793,900 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 2023-2024. 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, 2023, 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, \$115,793,900 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 14/ On or before November 30, 2023 and November 30, 2024, 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/ The amount appropriated for the Graham county rehabilitation center line item includes \$800,000 to remodel the Graham county rehabilitation center facilities in Safford and \$30,000 for an afterschool program. (General Appropriation Act footnote)
- 16/ On or before September 15, 2023 and March 15, 2024, 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)
- 17/ 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)
- 18/ All workforce investment act grant monies that are received by this state in excess of \$87,116,600 are appropriated to the workforce innovation and opportunity act services line item. Before spending these increased monies, the department shall report the intended use of monies in excess of \$87,116,600 to the joint legislative budget committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 19/ On or after April 1, 2024, 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, 2024 and must be reimbursed in full as part of the closing process for fiscal year 2023-2024. The department shall notify the joint legislative budget committee of the reimbursement on or before September 1, 2024. The appropriation may not be used for additional programmatic expenditures. (General Appropriation Act footnote)
- 20/ 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)
- 21/ 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)
- 22/ 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 2024 General Fund spending increases by \$132,362,700 or 12.3% above the FY 2023 appropriation. This amount includes:

- \$103,848,500 for DDD formula adjustments.
- \$1,587,900 for an Information Technology (IT) security project.
- \$9,100,000 to backfill federal funding for the Adult Protective Services (APS) program.
- \$5,000,000 for Area Agencies on Aging (AAA) provider rate increases.
- \$5,000,000 for AAA housing assistance.
- \$5,462,600 for the Produce Incentive Program.
- \$250,000 for a Globe-Miami area food bank.
- \$1,000,000 for diaper and incontinence products assistance.
- \$4,400,000 for Arizona Early Intervention Program (AzEIP) provider rate increases.
- \$830,000 for a rehabilitation center in Graham County.
- \$(443,000) for statewide adjustments.
- \$(3,673,300) to remove one-time funding.

**Operating Budget**

The budget includes \$331,770,600 and 2,410.4 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<b>FY 2024</b>
General Fund	\$163,089,500
Child Support Enforcement Administration Fund	14,055,300
Child Support Enforcement Administration Fund (EA)	28,030,300
Federal Temporary Assistance for Needy Families (TANF) Block Grant	21,659,700
Federal Child Care and Development Fund (CCDF) Block Grant	12,928,600
Long Term Care System Fund (EA)	86,580,500
Public Assistance Collections Fund	339,100
Special Administration Fund	2,201,100
Spinal and Head Injuries Trust Fund	605,300
Statewide Cost Allocation Plan Fund	1,000,000
Workforce Investment Act Grant	1,281,200

Adjustments are as follows:

**IT Security Project**

The budget includes an increase of \$1,587,900 from the General Fund in FY 2024 for an IT security project to protect the department from ransomware attacks. This amount represents 20% of the project's total cost, with the remaining 80% covered via Federal Funds. Of this amount, \$1,517,900 is designated as one-time.

**Adult Protective Services General Fund Backfill**

The budget includes a one-time increase of \$9,100,000 from the General Fund in FY 2024 to backfill federal funding in the Adult Protective Services (APS) program. As a subrecipient of federal Victims of Crime Act (VOCA) grant funding, DES uses these monies to provide victim services within its APS program. The Department of Public Safety (DPS) is the primary recipient of the state's VOCA grant funding. DPS has notified DES and other subrecipients that it projects significant cuts to the state's award and that subrecipients may not receive their typical allotment in FY 2024.

**Administrative Funding Transfer**

The budget includes an increase of \$47,049,900 and 345 FTE Positions in FY 2024 to transfer administrative resources for the Developmental Disabilities program to the overall department operating budget. These amounts consist of:

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

This shift budgets all direct and indirect DD administrative costs within the department's overall operating budget, similar to the budgeting of administration within DES' other programmatic divisions. *(Please see DDD Administration in Developmental Disabilities for a corresponding decrease.)*

**Expenditure Authority and Formula Adjustments**

The budget includes an increase of \$80,416,100 in FY 2024 for an expenditure authority adjustment, as well as standard DD formula adjustments. This amount consists of:

General Fund	22,595,700
Long Term Care System Fund (EA)	57,820,400

**Remove One-Time Building System Upgrade**

The budget includes a decrease of \$(272,800) from the General Fund in FY 2024 to remove one-time funding for the purchase of a software program that provides a centralized platform that allows the department to track the operational, financial, and environmental metrics for its buildings.

**Remove One-Time IT Security Upgrades**

The budget includes a decrease of \$(1,400,500) from the General Fund in FY 2024 to remove one-time funding for the upgrading of staff and resources to improve the security of the department's information technology systems.

**Statewide Adjustments**

The budget includes a decrease of \$(656,000) in FY 2024 for statewide adjustments. This amount consists of:

General Fund	(381,600)
Child Support Enforcement Administration Fund (EA)	(83,400)
Federal Child Care and Development Fund (CCDF) Block Grant	16,600
Long Term Care System Fund (EA)	(203,300)
Special Administration Fund	(6,000)
Spinal and Head Injuries Trust Fund	(2,900)
Workforce Investment Act Grant	4,600

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

**Administration**

**Attorney General Legal Services**

The budget includes \$12,755,600 and 157.9 FTE Positions in FY 2024 for Attorney General (AG) Legal Services. This amount consists of:

General Fund	1,253,300
Child Support Enforcement Administration Fund	2,573,700
Child Support Enforcement Administration Fund (EA)	8,679,800
Federal TANF Block Grant	106,400
Federal CCDF Block Grant	20,500
Public Assistance Collections Fund	102,700
Special Administration Fund	5,900
Spinal and Head Injuries Trust Fund	2,100
Workforce Investment Act Grant	11,200

Adjustments are as follows:

**Statewide Adjustments**

The budget includes an increase of \$1,375,800 in FY 2024 for statewide adjustments. This amount consists of:

General Fund	127,900
Child Support Enforcement Administration Fund (EA)	1,231,900
Federal CCDF Block Grant	2,500
Public Assistance Collections Fund	11,400
Special Administration Fund	700
Spinal and Head Injuries Trust Fund	200
Workforce Investment Act Grant	1,200

**Aging and Adult Services**

**Adult Services**

The budget includes \$15,731,900 from the General Fund in FY 2024 for Adult Services. Adjustments are as follows:

**Remove FY 2023 Area Agencies on Aging Increase**

The budget includes a decrease of \$(2,000,000) from the General Fund in FY 2024 to remove one-time funding for provider rate increases.

**FY 2024 Area Agencies on Aging Increase**

The budget includes a one-time increase of \$5,000,000 from the General Fund in FY 2024 for provider rate increases.

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

**Area Agencies on Aging Housing Assistance**

The budget includes \$5,000,000 from the General Fund in FY 2024 for Area Agencies on Aging (AAA) Housing Assistance. Adjustments are as follows:

**Housing Assistance**

The budget includes a one-time increase of \$5,000,000 from the General Fund in FY 2024 for AAA housing

**Table 1**

<b>Adult Services</b>	
<b>Services</b>	<b>FY 2024</b>
Adult Protective Contracted Services	\$ 295,100
Independent Living Services	4,559,400
Older Americans Act	2,601,300
State Ombudsman	814,100
Respite Care	462,000
FY 2024 Direct Care Worker Incentives	2,000,000 <sup>1/</sup>
FY 2024 One-Time Provider Rate Increase	<u>5,000,000</u>
<b>Total</b>	<b>\$15,731,900</b>

<sup>1/</sup> This line is funded via \$2,000,000 from the General Fund for ongoing provider rate increases appropriated across both FY 2022 and FY 2023.

assistance. The budget adds a footnote specifying that the department will distribute the monies to AAAs for housing assistance for individuals who are at least 60 years old. The monies are non-lapsing.

**Community and Emergency Services**

The budget includes \$3,724,000 from the Federal TANF Block Grant in FY 2024 for Community and Emergency Services. This amount is unchanged from FY 2023.

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 2022, this line item provided short-term crisis services to 8,634 households and energy assistance to 25,961 households.

**Coordinated Homeless Services**

The budget includes \$2,522,600 in FY 2024 for Coordinated Homeless Services programs. This amount consists of:

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

Adjustments are as follows:

**Homeless Youth General Fund Backfill Delay**

The budget includes no net change from the General Fund in FY 2024 for a homeless youth assistance General Fund backfill. In FY 2022 and FY 2023, DES is distributing one-time Federal Funds to organizations that provide assistance to unaccompanied youth aged 18-24 experiencing homelessness. The 3-year spending plan associated with the enacted FY 2022 budget originally included an increase of \$1,000,000 from the General Fund in FY 2024 to fund the program with state monies instead of Federal Funds. However, due to slower-than-

anticipated expenditure of the Federal Funds, the 3-year spending plan associated with the enacted FY 2024 budget delays the General Fund increase until FY 2025.

In FY 2022, this line item provided emergency shelter services to 22,093 individuals, rapid re-housing services to 1,983 individuals, and homeless prevention services to 2,633 individuals.

**Coordinated Hunger Services**

The budget includes \$2,254,600 in FY 2024 for Coordinated Hunger Services programs. This amount consists of:

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

These amounts are unchanged from FY 2023.

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 2022, this funding assisted in the distribution of 69 million pounds of produce.

**Produce Incentive Program**

The budget includes \$5,462,600 from the General Fund in FY 2024 for the Produce Incentive Program. Adjustments are as follows:

**Additional Funding**

The budget includes a one-time increase of \$5,462,600 from the General Fund in FY 2024 for additional program funding. The Produce Incentive Program, also referred to as "Double Up Food Bucks," is part of Arizona's Supplemental Nutrition Assistance Program (SNAP) and provides a dollar-for-dollar match for SNAP enrollees when they purchase Arizona-grown fruits and vegetables. The additional funding will be for DES to continue to administer the program and provide matching monies. The appropriation is non-lapsing.

**Globe-Miami Area Food Bank**

The budget includes \$250,000 from the General Fund in FY 2024 for the Globe-Miami Area Food Bank. Adjustments are as follows:

**Food Bank Assistance**

The budget includes a one-time increase of \$250,000 from the General Fund in FY 2024 for a transfer to a food bank.

The budget adds a footnote requiring the department to transfer the monies to a food bank headquartered in the Globe-Miami area.

**Domestic Violence Prevention**

The budget includes \$14,004,000 in FY 2024 for Domestic Violence Prevention. This amount consists of:

General Fund	3,283,200
Federal TANF Block Grant	6,620,500
Domestic Violence Services Fund	4,000,300
Special Administration Fund	100,000

These amounts are unchanged from FY 2023.

In FY 2022, this line item, along with non-appropriated funds, served approximately 4,109 adults and children in emergency shelters, 549 adults and children in transitional housing, and 12,027 victims with mobile and community-based advocacy.

**Long-Term Care Ombudsman**

The budget includes \$1,000,000 from the General Fund in FY 2024 for Long-Term Care Ombudsman services. This amount is unchanged from FY 2023.

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.

**Benefits and Medical Eligibility**

**TANF Cash Benefits**

The budget includes \$22,736,400 from the Federal TANF Block Grant in FY 2024 for TANF Cash Benefits. This amount is unchanged from FY 2023.

The budgeted amount would be able to fund an average of 15,750 individuals at \$100 per month. As of May 2023, the program serves 11,226 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 May 2023, the TANF Diversion program serves 308 clients.

At May 2023 levels, the total cost would be \$16,490,800, or \$(6,245,600) 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 if the following conditions are met:

- The family includes at least 1 adult required to participate in the JOBS program.
- All adults who are required to participate in the JOBS program are in full compliance in the twelfth month of cash assistance and remain in compliance.
- All children required by state law to attend school maintain at least a 90% attendance record.

If any of these conditions are not met, the limit is 12 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.)*

**Tribal Pass-Through Funding**

The budget includes \$4,680,300 from the General Fund in FY 2024 for Tribal Pass-Through Funding. This amount is unchanged from FY 2023.

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

**Diaper and Incontinence Products Assistance**

The budget includes \$1,000,000 from the General Fund in FY 2024 for Diaper and Incontinence Products Assistance. Adjustments are as follows:

**New Assistance**

The budget includes a one-time increase of \$1,000,000 from the General Fund in FY 2024 for a transfer to an organization that provides diaper and incontinence products assistance within the state.

**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.

<u>Sources</u>	<u>FY 2024</u>
State Share of Retained Earnings	\$ 4,162,100
Federal Incentive Payments	6,702,500
Fees	2,871,000
Excess Appropriation Authority <sup>1/</sup>	3,572,700
Administration (Non-Appropriated)	<u>3,115,600</u>
<b>Total</b>	<b>\$20,423,900</b>
<b>Uses</b>	
DCSE Administration (DES Operating)	\$13,680,300
Attorney General Legal Services	2,573,700
County Participation	1,054,300
Administration (Non-Appropriated)	<u>3,115,600</u>
<b>Total</b>	<b>\$20,423,900</b>

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

**County Participation**

The budget includes \$8,539,700 in FY 2024 for County Participation. This amount consists of:

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

These amounts are unchanged from FY 2023.

Arizona counties have the option of either implementing their own child support enforcement program or electing to have DES implement the program on their behalf. If counties decide to run their own programs, these funds are distributed to counties for that purpose. However,



because no counties currently run their own program, DES instead distributes these monies to counties for clerk of the court and family law services that coordinate and mediate between custodial and non-custodial parents.

**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 2023, the Division of Developmental Disabilities served 51,399 clients, which includes 40,074 clients in the LTC program, 6,184 in Targeted Case Management, and 5,141 clients in the state-only program. The primary disabilities as reported by DES are shown in *Table 3*.

<u>Disability</u>	<u>Number</u>	<u>Percentage</u>
Intellectual Disability	16,078	31.3%
At Risk	13,125	25.5%
Autism	16,652	32.4%
Cerebral Palsy	3,461	6.7%
Epilepsy	2,025	3.9%
Not Indicated	<u>58</u>	0.1%
<b>Total</b>	<b>51,399</b>	

**Overall DDD Adjustments**

The budget includes an increase of \$103,848,500 from the General Fund in FY 2024 for DDD formula changes. These adjustments are based on standard formula assumptions of 4.5% caseload growth and a 3.1% capitation rate increase. Changes are described in further detail below.

Caseload Growth

The budget includes an increase of \$16,455,600 from the General Fund in FY 2024 for DD caseload changes.

Compared to June 2022, LTC caseloads grew by 4.1% to 40,074 members in June 2023 (this amount excludes state-only clients). The budget assumes caseloads will grow by 5.0% to 42,091 members by June 2024 and by 4.5% in future years. The 4.5% caseload growth assumption is based on recent growth within the program; average annual growth was 4.5% from FY 2017 to FY 2022.

*Table 4* shows the number of clients by placement setting for DDD enrollees in June 2022 and June 2023 and the estimated growth in FY 2024.

<u>Placement</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24 Est</u>
Home	33,441	34,812	36,562
Group Home	3,405	3,544	3,723
Developmental Home	1,544	1,607	1,689
Institution	<u>107</u>	<u>111</u>	<u>117</u>
<b>Total</b>	<b>38,497</b>	<b>40,074</b>	<b>42,091</b>

<sup>1/</sup> Numbers are based on the department's estimates of placement settings, proportionally adjusted for the budget's overall caseload estimates.

Capitation Rate Adjustments

The budget includes an increase of \$20,941,100 from the General Fund in FY 2024 for a 3.1% capitation rate increase beginning October 1, 2023. Capitation rates include adjustments for medical inflation, utilization of services, and other factors. The 3.1% growth assumption is based on an average medical inflation of 2.9% in FY 2022 and FY 2023 that has continued to grow at a rate above 3% since April 2022.

*Table 5* shows how the capitation adjustment is allocated by service category in FY 2023.

	<u>FY 2023</u> <u>Capitation</u> <u>Rate <sup>1/</sup></u>	<u>Assumed</u> <u>Growth</u> <u>Rate</u>	<u>FY 2024</u> <u>Capitation</u> <u>Rate Est</u>
Administration <sup>2/</sup>	251.6	3.1%	259.4
Premium Tax	120.8	3.1%	124.5
Case Management	206.5	3.1%	212.9
HCBS <sup>3/</sup>	4,350.2	3.1%	4,485.0
Institutional Care <sup>4/</sup>	93.1	3.1%	96.0
Integrated Care <sup>5/</sup>	<u>1,017.7</u>	<u>3.1%</u>	<u>1,049.2</u>
<b>Total</b>	<b>6,039.9</b>	<b>3.1%</b>	<b>6,227.1</b>

<sup>1/</sup> Rate effective October 1, 2022.  
<sup>2/</sup> The Administration line is allocated to the overall DES operating budget.  
<sup>3/</sup> HCBS line includes PMPM rates for HCBS and Risk Contingency.  
<sup>4/</sup> Institutional Care rate is net of client's share of cost.  
<sup>5/</sup> Integrated care funding is allocated to the Physical and Behavioral Health Services line item.

### FMAP Adjustment

The budget includes an increase of \$65,824,900 to the General Fund in FY 2024 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 2024, the blended Medicaid FMAP is projected to decrease to 67.12%, down from 69.67% in FY 2023. These figures do not include the 6.2% enhanced match rate from the Families First Coronavirus Response Act or the enhanced match rates from the 2023 Consolidated Appropriations Act.

The 2020 Families First Coronavirus Response Act temporarily increased the regular Medicaid match rate by 6.2% retroactive to January 1, 2020. The federal 2023 Consolidated Appropriations Act phases down the 6.2% enhanced match starting April 2023. DDD will receive a 5.0% enhanced match rate in April 2023 through June 2023, a 2.5% enhanced match is July 2023 through September 2023, and a 1.5% enhanced match in October 2023 through December 2023. The enhanced match will be eliminated starting January 2024.

The FY 2024 budget does reflect new reversion savings in FY 2023 as the original budget for FY 2023 did not account for any additional enhanced match rates. *(Please see FY 2023 Adjustments in Other Issues for more information.)*

### Medicare Clawback

The budget includes an increase of \$345,200 from the General Fund in FY 2024 for adjustments associated with Medicare Clawback Payments.

### Room and Board

The budget includes an increase of \$281,700 from the General Fund in FY 2024 for adjustments associated with caseload growth in ALTCS-eligible DD clients receiving residential services with room and board expenses.

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### ***Developmental Disabilities – Federal Match Funding***

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### ***DDD Administration***

The budget includes no funding in FY 2024 for DDD Administration. Adjustments are as follows:

#### **Administrative Funding Transfer**

The budget includes a decrease of \$(47,049,900) and (345) FTE Positions in FY 2024 for a reorganization of the DES budget. These amounts consist of:

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

*(Please see the Operating Budget section for additional information.)*

### ***DDD Premium Tax Payment***

The budget includes \$61,199,900 in FY 2024 for the DDD Premium Tax Payment. This amount consists of:

General Fund	19,532,600
Long Term Care System Fund (EA)	41,667,300

Adjustments are as follows:

#### **Formula Adjustments**

The budget includes an increase of \$8,380,400 in FY 2024 for standard formula adjustments. This amount consists of:

General Fund	3,513,800
Long Term Care System Fund (EA)	4,866,600

*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 \$104,257,900 and 1,080.9 FTE Positions in FY 2024 for Case Management - Medicaid. These amounts consist of:

General Fund	33,280,200
Long Term Care System Fund (EA)	70,977,700

Adjustments are as follows:

#### **Formula Adjustments**

The budget includes an increase of \$13,167,300 and 51 FTE Positions in FY 2024 for standard formula adjustments. This amount consists of:

General Fund	5,617,900
Long Term Care System Fund (EA)	7,549,400

#### **Statewide Adjustments**

The budget includes a decrease of \$(339,200) in FY 2024 for statewide adjustments. This amount consists of:

General Fund	(103,100)
Long Term Care System Fund (EA)	(236,100)

*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 \$2,349,599,400 and 221.2 FTE Positions in FY 2024 for Home and Community Based Services - Medicaid. These amounts consist of:

General Fund	709,723,200
Long Term Care System Fund (EA)	1,629,131,000
Health Care Investment Fund	10,745,200

Adjustments are as follows:

**Formula Adjustments**

The budget includes an increase of \$63,731,500 in FY 2024 for standard formula adjustments. This amount consists of:

General Fund	56,609,100
Long Term Care System Fund (EA)	7,125,500
Health Care Investment Fund	(3,100)

**American Rescue Plan HCBS Adjustment**

The budget includes a decrease of \$(164,206,100) from the Long Term Care System Fund Expenditure Authority in FY 2024 to adjust funding for home- and community-based services (HCBS). This consists of a decrease of \$(280,000,000) to remove one-time funding in FY 2023 and an increase of \$115,793,900 for the remaining amount to be spent in FY 2024. FY 2024 is the final year of funding for the ARPA HCBS program.

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 FY 2024 enacted budget continues a footnote requiring the department to provide quarterly reports to the JLBC reflecting changes to the HCBS Spending Plan. In its April 2023 report, the department indicated it has primarily allocated the monies to one-time provider payments. The budget also 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.

**Statewide Adjustments**

The budget includes a decrease of \$(91,900) in FY 2024 for statewide adjustments. This amount consists of:

General Fund	(26,300)
Long Term Care System Fund (EA)	(65,600)

*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 \$47,090,000 and 383 FTE Positions in FY 2024 for Medicaid Institutional Services. These amounts consist of:

General Fund	15,031,900
Long Term Care System Fund (EA)	32,058,100

Adjustments are as follows:

**Formula Adjustments**

The budget includes an increase of \$4,349,900 in FY 2024 for standard formula adjustments. This amount consists of:

General Fund	1,560,600
Long Term Care System Fund (EA)	2,789,300

**Statewide Adjustments**

The budget includes a decrease of \$(81,500) in FY 2024 for statewide adjustments. This amount consists of:

General Fund	(23,400)
Long Term Care System Fund (EA)	(58,100)

*Background* – This line item funds Intermediate Care Facilities for Persons with Intellectual Disabilities (ICF-IIDs) or other nursing facilities, both private and state-operated, including ATP-Coolidge (ATP-C). Including residents of the state-operated group homes (SOGHs), DES reports that ATP-C had an enrollment of 58 in FY 2023, a decrease of (4) from FY 2022.

Statute requires DES to annually provide their plans for ATP-C to the JLBC for review. The Coolidge campus had included both ICF-IIDs as well as SOGHs. However, the federal government has begun to require that the same campus cannot contain both an ICF-IID and a SOGH. As a result, the department has closed all of the Coolidge campus SOGHs as of December 2022. Of the 9 remaining residents at the time of the final closures, 8 residents transferred to an ICF-IID at ATP-C with approval from their guardians, and 1 resident transferred to a setting outside of the ATP-C campus.

**Physical and Behavioral Health Services - Medicaid**

The budget includes \$541,297,400 and 77 FTE Positions in FY 2024 for Physical and Behavioral Health Services - Medicaid. These amounts consist of:

General Fund	159,130,200
Long Term Care System Fund (EA)	338,500,100
Health Care Investment Fund	43,667,100

Adjustments are as follows:

**Formula Adjustments**

The budget includes an increase of \$13,073,000 in FY 2024 for standard formula adjustments. This amount consists of:

General Fund	12,093,600
Long Term Care System Fund (EA)	934,500
Health Care Investment Fund	44,900

**Statewide Adjustments**

The budget includes a decrease of \$(31,300) in FY 2024 for statewide adjustments. This amount consists of:

General Fund	(9,000)
Long Term Care System Fund (EA)	(22,300)

*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 \$6,055,500 from the General Fund in FY 2024 for Medicare Clawback Payments. Adjustments are as follows:

**Formula Adjustments**

The budget includes an increase of \$345,200 from the General Fund in FY 2024 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 \$15,283,000 and 140.6 FTE Positions in FY 2024 for Targeted Case Management (TCM) - Medicaid. These amounts consist of:

General Fund	4,779,100
Long Term Care System Fund (EA)	10,503,900

Adjustments are as follows:

**Formula Adjustments**

The budget includes an increase of \$2,177,000 and 6 FTE Positions in FY 2024 for standard formula adjustments. This amount consists of:

General Fund	1,230,900
Long Term Care System Fund (EA)	946,100

**Statewide Adjustments**

The budget includes a decrease of \$(38,600) in FY 2024 for statewide adjustments. This amount consists of:

General Fund	(9,100)
Long Term Care System Fund (EA)	(29,500)

*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 \$982,330,300 from the Long Term Care System Fund Expenditure Authority in FY 2024 for a state match transfer from the Arizona Health Care Cost Containment System (AHCCCS). Adjustments are as follows:

**Administrative Pass-Through Adjustment**

The budget includes an increase of \$161,211,600 from the Long Term Care System Fund Expenditure Authority in FY 2024 for a state match transfer from AHCCCS. The adjustment is to bring the total amount in line with the department's FY 2024 General Fund appropriation for Medicaid line items within DDD and General Fund monies for DDD in the operating budget.

Because DES needs to send its General Fund match to AHCCCS to fund DDD, this 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.

**Developmental Disabilities – State-Only Funding**

**Case Management - State-Only**

The budget includes \$6,335,600 and 60.8 FTE Positions from the General Fund in FY 2024 for Case Management - State-Only. Adjustments are as follows:

**Statewide Adjustments**

The budget includes a decrease of \$(18,400) from the General Fund in FY 2024 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 2024 for Cost-Effectiveness Study (CES) - Client Services. This amount consists of:

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

These amounts are unchanged from FY 2023.

*Background* – 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.)

In FY 2022, an average of 134 individuals per month had costs of care that exceeded CES thresholds. The aggregate amount above the thresholds covered with state-only funds was \$8,909,000.

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

The budget includes \$14,089,000 from the General Fund in FY 2024 for State-Only Home and Community Based Services. This amount is unchanged from FY 2023.

*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 \$14,119,000 from the General Fund in FY 2024 for the Arizona Early Intervention Program (AzEIP). Adjustments are as follows:

**Provider Rate Increases**

The budget includes an increase of \$4,400,000 from the General Fund in FY 2024 for a provider rate increase. This increase was included in the 3-year spending plan associated with the enacted FY 2023 budget. The FY 2024 spending plan also includes an additional \$4,400,000 increase in FY 2025.

*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 2024. As a result, the total AzEIP funding available is \$24,001,000 in FY 2024.

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 \$43,534,700 and 2 FTE Positions in FY 2024 for State-Funded Long Term Care Services. These amounts consist of:

General Fund	9,670,500
Long Term Care System Fund	33,864,200

Adjustments are as follows:

**Formula Adjustments**

The budget includes an increase of \$856,400 in FY 2024 for standard caseload growth in ALTCS-eligible DD clients receiving residential services with room and board expenses. This amount consists of:

General Fund 281,700  
 Long Term Care System Fund 574,700

*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 2024 for the Group Home Monitoring Program. This amount is unchanged from FY 2023.

*Background* – Laws 2022, Chapter 316 authorizes the pilot program 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.

**Graham County Rehabilitation Center**

The budget includes \$830,000 from the General Fund in FY 2024 for the Graham County Rehabilitation Center. Adjustments are as follows:

**Rehabilitation Center Assistance**

The budget includes an increase of \$830,000 from the General Fund in FY 2024 for a transfer to a rehabilitation center in Safford, Arizona. The center serves DDD clients as part of its day treatment and training programs. The budget adds a footnote specifying that of the \$830,000, \$800,000 is for the remodeling costs of the center's facilities and \$30,000 is for an afterschool program.

**Employment and Rehabilitation Services**

**Child Care Subsidy**

The budget includes \$187,080,200 from the Federal CCDF Block Grant in FY 2024 for child care subsidies. This amount is unchanged from FY 2023.

*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. (For more information on state funded child care, please refer to the Child Care Program Summary on the JLBC website.)

In addition to the \$187,020,200 in this line item, DES was also appropriated \$1,086,612,800 on a one-time basis in FY 2022 to provide the Department with spending authority for child care monies provided to Arizona as part of federal COVID legislation. The appropriation was non-lapsing. As of March 2023, the department reports spending approximately \$577,700,000 of the one-time funding. This funding will be available through September 30, 2023.

*Subsidy Rates* – As of April 2023, the department has established rates that are at the 75<sup>th</sup> percentile of the department's 2022 market rate survey for all age categories. We estimate that the average monthly reimbursement per child is \$492 at the current rate.

*Caseloads* – According to the department, the estimated number of children receiving child care services in June 2022 was 18,070 (see Table 6) excluding ECDHB- and DCS-related child care.

Category	FY 22	FY 23 est	FY 24 est
TANF	534	530	528
Low-Income Working	16,067	18,307	19,808
Transitional Child Care	<u>1,465</u>	<u>1,372</u>	<u>1,255</u>
<b>Total Served</b>	<b>18,066</b>	<b>20,209</b>	<b>21,331</b>

**Independent Living Rehabilitation Services**

The budget includes \$1,289,400 in FY 2024 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 2023.

*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 719 clients in FY 2024 at an average Total Funds cost per client of \$2,645. In addition to these clients, the division is also expected to serve 180 Independent Living clients at an average annual cost of \$2,360 per client using federal Social Services Block Grant monies.

**JOBS**

The budget includes \$11,005,600 in FY 2024 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 2023.

*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 7* highlights total estimated expenditures for the JOBS line item.

**Table 7**

**Estimated FY 2023 JOBS Expenditures**

<u>Expenditures</u>	<u>Amount</u>
Case Management	\$ 9,244,900
Job Training	687,500
Supplemental Payments	2,100
Work-Related Transportation	771,000
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 2024 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 2023.

*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 8,400 clients in FY 2023 at an average Total Funds cost of \$12,800 per client.

Third-party partnerships with government and non-governmental agencies provide portions of the state match.

**Workforce Innovation and Opportunity Act Services**

The budget includes \$85,824,200 from the Workforce Investment Act Grant in FY 2024 for the Workforce Innovation and Opportunity Act Services line item. Adjustments are as follows:

**Base Adjustment**

The budget includes an increase of \$30,817,300 from the Workforce Investment Act Grant in FY 2024 for a base adjustment. The adjustment is to bring the total amount in line with the department's most recent 2022 award. The budget modifies a footnote to reflect this base adjustment.

*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 2024 is shown in *Table 8*.

**Table 8**

**FY 2024 WIA Grant Allocations**

<u>Category</u>	<u>Amount</u>
WIOA Line Item	\$85,824,200
Operating Budget	1,282,400
AG Legal Services	<u>10,000</u>
<b>Total</b>	<b>\$87,116,600</b>

**Other Issues**

This section includes information on the following topics:

- FY 2023 Adjustments
- Statutory Changes
- Long-Term Budget Impacts
- Unemployment Insurance Benefits Replacement
- Federal TANF Block Grant

### **FY 2023 Adjustments**

The budget assumes that DES General Fund formula expenses for FY 2023 will be \$(195,000,000) lower than the original FY 2023 General Fund appropriation. The \$(195,000,000) surplus is based on the federal government's extension of the enhanced FMAP associated with the COVID-19 public health emergency. The FY 2023 enacted budget assumed the enhanced rate would not be extended into FY 2023. However, the 6.2% enhanced rate is currently available through March 2023, as well as a 5.0% enhanced rate in April 2023 through June 2023. (See *Overall DDD Adjustments in Developmental Disabilities for additional information on the enhanced match rates.*)

The FY 2024 enacted budget does not, however, include an FY 2023 ex-appropriation to account for the savings. Instead, the surplus would be realized through General Fund revertsments.

### **Statutory Changes**

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

- As session law, continues 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 \$120,460,400 in FY 2025 above FY 2024 and \$82,499,900 in FY 2026 above FY 2025.

The FY 2025 estimate is based on:

- 4.5% DDD caseload growth, 3.1% capitation growth, and an estimated 66.13% FMAP.
- The loss of the FY 2024 enhanced match rates.
- \$1,000,000 for homeless youth assistance.
- \$4,400,000 for AzEIP provider rate increases.
- \$(28,160,500) to remove one-time funding.

The FY 2026 estimate is based on:

- 4.5% DDD caseload growth, 3.1% capitation growth, and an estimated 66.27% FMAP.

- \$(1,200,000) to remove funding for the group home monitoring pilot program.

### **Unemployment Insurance Benefits Replacement**

The 3-year spending plan associated with the FY 2023 enacted budget assumed the Executive would spend \$18,600,000 in FY 2024 and \$24,500,000 in FY 2025 from federal American Rescue Plan Act (ARPA) monies for a UI Benefits System Replacement. These monies do not appear in the General Appropriation Act because they are non-appropriated Federal Funds. Including other non-appropriated UI funds committed to the project, the Executive previously estimated the total project cost would be \$73,500,000. The project is intended to ensure timely benefit delivery and provide more flexibility in adapting to changes in federal standards. The UI legacy system has been in place for over 30 years. The project investment justification (PIJ) received approval from the Information Technology Authorization Committee (ITAC) in November 2022.

### **Federal TANF Block Grant**

The budget appropriates \$227,673,400 of the state's Federal TANF Block Grant monies in FY 2024. *Table 9* shows expected yearly revenues, expenditures, and fund balances across 2 agencies.



Table 9

## TANF Block Grant Spending

	<b>FY 2022 Actual</b>	<b>FY 2023 Estimated</b>	<b>FY 2024 Estimated</b>
<b>Revenues</b>			
Beginning Balance	\$ 21,062,600	\$ 21,287,300	\$ 16,712,500
TANF Base Revenues	<u>223,098,600</u>	<u>223,098,600</u>	<u>223,098,600</u>
<b>Total TANF Available</b>	<b>\$244,161,200</b>	<b>\$244,385,900</b>	<b>\$239,811,100</b>
<b>Expenditures</b>			
Department of Child Safety	\$157,468,100	\$161,082,200	\$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>42,669,400</u>	<u>43,854,800</u>	<u>43,854,800</u>
<b>TOTAL - DEPARTMENT OF ECONOMIC SECURITY</b>	<b>\$ 65,405,800</b>	<b>\$ 66,591,200</b>	<b>\$ 66,591,200</b>
<b>TOTAL - STATEWIDE</b>	<b>\$222,873,900</b>	<b>\$227,673,400</b>	<b>\$227,673,400</b>
Ending Balance	\$ 21,287,300	\$ 16,712,500	\$ 12,137,700