

Department of Economic Security

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4,381.8	4,476.8	4,533.8 ^{1/}
Personal Services	80,045,600	96,238,400	156,204,200
Employee Related Expenditures	33,216,400	38,223,700	62,565,000
Professional and Outside Services	21,448,900	32,067,700	57,839,900
Travel - In State	52,100	79,700	131,900
Travel - Out of State	114,300	134,500	134,500
Other Operating Expenditures	151,302,000	27,062,500	39,097,700
Equipment	2,347,300	2,139,500	5,765,500
OPERATING SUBTOTAL	288,526,600	195,946,000	321,738,700 ^{2/3/}
SPECIAL LINE ITEMS			
Administration			
Attorney General Legal Services	9,672,600	11,379,800	11,379,800
Aging and Adult Services			
Adult Services	11,205,900	12,731,900	10,731,900
Community and Emergency Services	3,724,000	3,724,000	3,724,000
Coordinated Homeless Services	2,522,600	2,522,600	3,522,600 ^{4/}
Coordinated Hunger Services	1,754,600	2,254,600	2,254,600
Domestic Violence Prevention	12,195,000	14,004,000	14,004,000 ^{5/6/}
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
Benefits and Medical Eligibility			
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
Child Support Enforcement			
County Participation	8,539,700	8,539,700	8,539,700
Developmental Disabilities ^{7/-9/}			
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	104,597,100 ^{10/}
Home and Community Based Services - Medicaid	1,833,110,600	2,450,165,900	2,349,691,300 ^{11/}
Institutional Services - Medicaid	38,587,200	42,821,600	47,171,500
Physical and Behavioral Health Services - Medicaid	505,535,800	528,255,700	541,328,700
Medicare Clawback Payments	4,661,200	5,710,300	6,055,500
Targeted Case Management - Medicaid	8,773,900	13,144,600	15,321,600
State Match Transfer from AHCCCS	0	821,118,700	982,330,300
Case Management - State-Only	6,211,400	6,354,000	6,354,000 ^{10/}
Cost Effectiveness Study - Client Services	1,220,000	8,420,000	8,420,000 ^{12/}
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
Employment and Rehabilitative Services			
Child Care Subsidy	1,217,865,800	187,080,200	187,080,200 ^{13/14/}
Independent Living Rehabilitation Services	1,289,400	1,289,400	1,289,400
JOBS	11,005,600	11,005,600	11,005,600

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
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 ^{15/}
Return to Work Grants	7,500,000	0	0
AGENCY TOTAL	4,329,388,100	4,676,126,800	4,892,173,100 ^{16/-19/}
FUND SOURCES			
General Fund	748,605,700	1,079,053,000	1,184,628,200
<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
Federal CCDF Block Grant	1,230,052,800	200,010,200	200,010,200
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	430,400
Sexual Violence Service Fund	8,000,000	0	0
Special Administration Fund	4,512,600	4,643,200	4,643,200
Spinal and Head Injuries Trust Fund	2,336,000	2,388,200	2,388,200
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Workforce Investment Act Grant	79,849,700	56,293,500	87,110,800
SUBTOTAL - Other Appropriated Funds	1,451,636,400	386,329,800	417,721,800
SUBTOTAL - Appropriated Funds	2,200,242,100	1,465,382,800	1,602,350,000
<u>Expenditure Authority Funds</u>			
Child Support Enforcement Administration Fund	41,033,100	43,047,000	43,047,000
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	3,192,363,800
SUBTOTAL - Expenditure Authority Funds	2,129,146,000	3,210,744,000	3,289,823,100
SUBTOTAL - Appropriated/Expenditure Authority Funds	4,329,388,100	4,676,126,800	4,892,173,100
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
TOTAL - ALL SOURCES	7,762,361,100	7,445,744,900	7,661,791,200

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/ **NEW:** Before expending the \$1,000,000 for homeless youth services within the coordinated homeless services line item, the department shall submit an expenditure plan to the joint legislative budget committee for review. (General Appropriation Act footnote)
- 5/ 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)

- 6/ 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)
- 7/ The department shall report to the joint legislative budget committee on or before March 1 of each year on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum may not be more than two percent. Before implementing any changes in capitation rates for the long-term care system, the department shall submit a report for review by the joint legislative budget committee. Before the department implements any change in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the department shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal impact analysis demonstrates that this change will result in additional state costs of \$500,000 or more for any fiscal year, the department shall submit the policy change for review by the joint legislative budget committee. (General Appropriation Act footnote)
- 8/ Before implementing developmental disabilities or long-term care statewide provider rate adjustments that are not already specifically authorized by the legislature, court mandates or changes to federal law, the department shall submit a report for review by the joint legislative budget committee that includes, at a minimum, the estimated cost of the provider rate adjustment and the ongoing source of funding for the adjustment, if applicable. (General Appropriation Act footnote)
- 9/ On or before September 1, 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)
- 10/ 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)
- 11/ 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)
- 12/ 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)
- 13/ 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)
- 14/ 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)

- 15/ All workforce investment act grant monies that are received by this state in excess of \$87,110,800 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 \$87,110,800 to the joint legislative budget committee. (General Appropriation Act footnote)
- 16/ 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)
- 17/ 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)
- 18/ 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)
- 19/ 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 \$105,575,200 or 9.8% above the FY 2023 appropriation. This amount includes:

- \$103,848,500 for DDD formula adjustments.
- \$1,000,000 for homeless youth assistance.
- \$4,400,000 for Arizona Early Intervention Program (AzEIP) provider rate increases.
- \$(3,673,300) to remove one-time funding.

Operating Budget

The Baseline includes \$321,738,700 and 2,410.4 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	FY 2024
General Fund	\$152,783,200
Child Support Enforcement Administration Fund	14,055,300
Child Support Enforcement Administration Fund (EA)	28,113,700
Federal Temporary Assistance for Needy	21,659,700

Families (TANF) Block Grant	
Federal Child Care and Development Fund (CCDF) Block Grant	12,912,000
Long Term Care System Fund (EA)	86,783,800
Public Assistance Collections Fund	339,100
Special Administration Fund	2,207,100
Spinal and Head Injuries Trust Fund	608,200
Statewide Cost Allocation Plan Fund	1,000,000
Workforce Investment Act Grant	1,276,600

Adjustments are as follows:

Administrative Funding Transfer

The Baseline 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 Baseline 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 Baseline 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 Baseline 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.

Administration

Attorney General Legal Services

The Baseline includes \$11,379,800 and 157.9 FTE Positions in FY 2024 for Attorney General (AG) Legal Services. This amount consists of:

General Fund	1,125,400
Child Support Enforcement Administration Fund	2,573,700
Child Support Enforcement Administration Fund (EA)	7,447,900
Federal TANF Block Grant	106,400
Federal CCDF Block Grant	18,000
Public Assistance Collections Fund	91,300
Special Administration Fund	5,200
Spinal and Head Injuries Trust Fund	1,900
Workforce Investment Act Grant	10,000

These amounts are unchanged from FY 2023.

Aging and Adult Services

Adult Services

The Baseline includes \$10,731,900 from the General Fund in FY 2024 for Adult Services. Adjustments are as follows:

Remove One-Time Area Agencies on Aging Increase

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

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

Table 1

<u>Services</u>	<u>Adult Services</u>	<u>FY 2023</u>
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
FY 2022 Provider Rate Increase		1,000,000
FY 2023 Provider Rate Increase Ongoing		1,000,000
FY 2023 Provider Rate Increase One-Time		<u>2,000,000</u>
Total		\$12,731,900

Community and Emergency Services

The Baseline 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 Baseline includes \$3,522,600 in FY 2024 for Coordinated Homeless Services programs. This amount consists of:

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

Adjustments are as follows:

Homeless Youth General Fund Backfill

The Baseline includes an increase of \$1,000,000 from the General Fund in FY 2024 for a homeless youth assistance General Fund backfill. The department distributes the monies to organizations that provide assistance to unaccompanied youth aged 18-24 experiencing homelessness. This increase was included in the 3-year spending plan associated with the enacted FY 2022 budget. The spending plan established the program would be funded via Federal Funds in FY 2022 and FY 2023 and with the General Fund beginning in FY 2024. The FY 2024 Baseline adds a footnote requiring the department to have an expenditure plan be reviewed before the monies can be spent.

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 Baseline 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.

Domestic Violence Prevention

The Baseline 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 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.

Long-Term Care Ombudsman

The Baseline 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 Baseline 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 October 2022, the program serves 11,798 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 October 2022, the TANF Diversion program serves 311 clients.

At October 2022 levels, the total cost would be \$17,206,600, or \$(5,529,800) below the budgeted amount.

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

The 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).

Tribal Pass-Through Funding

The Baseline 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.

Child Support Enforcement

The Division of Child Support Enforcement (DCSE) Baseline 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 ^{1/}	3,572,700
Administration (Non-Appropriated)	<u>3,115,600</u>
Total	\$20,423,900
<u>Uses</u>	
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>
Total	\$20,423,900

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

County Participation

The Baseline 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.

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

Developmental Disabilities

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

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

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

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

Overall DDD Adjustments

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

Caseload Growth

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

Compared to June 2022, LTC caseloads are expected to grow by 4.5% to 40,279 members by June 2023 (this amount excludes state-only clients). The 4.5% caseload growth 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 the estimated growth in FY 2023 and FY 2024.

Placement	FY 22	FY 23 Est	FY 24 Est
Home	33,441	34,988	36,562
Group Home	3,405	3,563	3,723
Developmental Home	1,544	1,616	1,689
Institution	<u>107</u>	<u>112</u>	<u>117</u>
Total	38,497	40,279	42,091

^{1/} Numbers are based on the department's estimates of placement settings proportionally adjusted for the Baseline's overall caseload estimates.

Capitation Rate Adjustments

The Baseline 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.

FMAP Adjustment

The Baseline 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

Table 5

DDD ALTCS Capitation Growth

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

^{1/} Rate effective October 1, 2022.

^{2/} The Administration line is allocated to the overall DES operating budget.

^{3/} HCBS line includes PMPM rates for HCBS and Risk Contingency.

^{4/} Institutional Care rate is net of client's share of cost.

^{5/} Integrated care funding is allocated to the Physical and Behavioral Health Services line item.

6.2% retroactive to January 1, 2020. The 6.2% enhanced match is effective through March 2023. In addition, pursuant to a provision in the 2023 Consolidated Appropriations Act, DDD will receive a 5.0% increase to the regular federal match rate in April 2023 through June 2023, a 2.5% increase in July 2023 through September 2023, and a 1.5% increase in October 2023 through December 2023.

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

Room and Board

The Baseline 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.

DDD Administration

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

Administrative Funding Transfer

The Baseline 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 Baseline 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 Baseline 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 Baseline includes \$104,597,100 and 1,080.9 FTE Positions in FY 2024 for Case Management - Medicaid. These amounts consist of:

General Fund	33,383,300
Long Term Care System Fund (EA)	71,213,800

Adjustments are as follows:

Formula Adjustments

The Baseline 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

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 \$2,349,691,300 and 221.2 FTE Positions in FY 2024 for Home and Community Based Services - Medicaid. These amounts consist of:

General Fund	709,749,500
Long Term Care System Fund (EA)	1,629,196,600
Health Care Investment Fund	10,745,200

Adjustments are as follows:

Formula Adjustments

The Baseline 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 Baseline 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 prior year's FY 2023 enacted budget added a footnote requiring the department to provide quarterly reports to the JLBC reflecting changes to the HCBS Spending Plan. In its October 2022 report, the department indicated it has primarily allocated the monies to one-time provider payments. The FY 2023 enacted 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.

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 \$47,171,500 and 383 FTE Positions in FY 2024 for Medicaid Institutional Services. These amounts consist of:

General Fund	15,055,300
Long Term Care System Fund (EA)	32,116,200

Adjustments are as follows:

Formula Adjustments

The Baseline 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

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). 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 department closed all but 1 of the SOGHs in November 2022. As of this writing, 7 of 9 residents transferred to an ICF-IID at ATP-C with approval from their guardians. At the remaining SOGH, 1 resident plans to transfer to an ICF-IID and 1 resident plans to transfer to a setting outside of the ATP-C campus.

Physical and Behavioral Health Services - Medicaid

The Baseline includes \$541,328,700 and 77 FTE Positions in FY 2024 for Physical and Behavioral Health Services - Medicaid. These amounts consist of:

General Fund	159,139,200
Long Term Care System Fund (EA)	338,522,400
Health Care Investment Fund	43,667,100

Adjustments are as follows:

Formula Adjustments

The Baseline 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

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

Formula Adjustments

The Baseline 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 Baseline includes \$15,321,600 and 140.6 FTE Positions in FY 2024 for Targeted Case Management (TCM) - Medicaid. These amounts consist of:

General Fund	4,788,200
Long Term Care System Fund (EA)	10,533,400

Adjustments are as follows:

Formula Adjustments

The Baseline 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

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 Baseline 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 Baseline 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.

Case Management - State-Only

The Baseline includes \$6,354,000 and 60.8 FTE Positions from the General Fund in FY 2024 for Case Management - State-Only. These amounts are unchanged from FY 2023.

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 Baseline 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 \$6,329,900. These amounts do not include the final 2 months of the fiscal year due to claims processing times.

Home and Community Based Services - State-Only

The Baseline 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 Baseline 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 Baseline 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 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 Baseline 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 Baseline 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 Baseline 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.

Employment and Rehabilitation Services

Child Care Subsidy

The Baseline 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 October 2022, the department reports spending approximately \$367,600,000 of the one-time funding. This funding will be available through September 30, 2023.

Subsidy Rates – As of November 2022, the department has established rates that are at the 75th percentile of the department's 2018 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	530	460	460
Low-Income Working	16,070	16,327	16,327
Transitional Child Care	1,470	1,300	1,300
Total Served	18,070	18,087	18,087

Independent Living Rehabilitation Services

The Baseline 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 Baseline 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.

<u>Expenditures</u>	<u>Amount</u>
Case Management	\$ 9,544,900
Job Training	687,500
FLSA Supplement	2,100
Work-Related Transportation	771,000
Job Search Stipends	<u>300,000</u>
Total	\$11,305,600

Rehabilitation Services

The Baseline 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 Baseline 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 Baseline 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 Baseline 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*.

<u>Category</u>	<u>Amount</u>
WIOA Line Item	\$85,824,200
Operating Budget	1,276,600
AG Legal Services	<u>10,000</u>
Total	\$87,110,800

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 Baseline 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 Baseline does not, however, include an FY 2023 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 \$147,620,900 in FY 2025 above FY 2024 and \$82,499,900 in FY 2026 above FY 2025.

The FY 2025 amount includes:

- 4.5% DDD caseload growth, 3.1% capitation growth, and an estimated 66.13% FMAP.
- The loss of the FY 2024 enhanced match rates.
- \$4,400,000 for AzEIP provider rate increases.

The FY 2026 amount includes:

- 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 Baseline 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

	FY 2022 Actual	FY 2023 Estimated	FY 2024 Estimated
Revenues			
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>
Total TANF Available	\$244,161,200	\$244,385,900	\$239,811,100
Expenditures			
Department of Child Safety	\$157,468,100	\$161,082,200	\$161,082,200
Department of Economic Security			
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>
TOTAL - DEPARTMENT OF ECONOMIC SECURITY	\$ 65,405,800	\$ 66,591,200	\$ 66,591,200
TOTAL - STATEWIDE	\$222,873,900	\$227,673,400	\$227,673,400
Ending Balance	\$ 21,287,300	\$ 16,712,500	\$ 12,137,700

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 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	41,033,100	43,047,000
Year-End Fund Balance	16,824,700	2,448,000
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	17,204,700	17,683,300
Year-End Fund Balance	0	0
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)		Federal Funds
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, 2021.		
Funds Expended	453,400	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
Coronavirus State and Local Fiscal Recovery Fund (DEA2985/U.S. P.L. 117-2)		Federal Funds
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	68,604,500	205,000
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	478,700	0
Year-End Fund Balance	0	0
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	5,600	5,600
Year-End Fund Balance	1,573,400	1,575,200
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	3,500	3,500
Year-End Fund Balance	31,100	28,100
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	2,191,300	4,000,300
Year-End Fund Balance	2,717,700	1,391,200
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	66,700	66,700

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
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	585,300	637,200
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	2,200	2,200
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	51,300	830,000
Year-End Fund Balance	830,000	0
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	1,230,052,800	200,010,200
Year-End Fund Balance	80,217,000	55,118,200
Federal Grants (DEA2000/A.R.S. § 41-101.01)		Federal Funds
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 Supplemental Nutrition Assistance Program (SNAP) administration, the Social Services Block Grant, and DCYF Expenditure Authority.		
Funds Expended	3,177,187,600	2,522,442,300
Year-End Fund Balance	115,679,100	27,958,400
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	14,546,500	0
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	65,405,800	66,591,200
Year-End Fund Balance	21,287,300	20,326,600

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
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	26,863,200	54,370,500
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	2,061,249,700	3,113,326,500
Year-End Fund Balance	197,443,700	0
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	27,537,000	33,289,500
Year-End Fund Balance	0	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	39,900	40,000
Year-End Fund Balance	89,000	95,300
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	430,400
Year-End Fund Balance	489,700	100,500
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	2,342,700	2,090,600
Year-End Fund Balance	3,426,900	4,388,500

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
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	8,000,000	0
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	4,512,600	4,643,200
Year-End Fund Balance	5,412,800	5,292,000
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	136,200	100,100
Year-End Fund Balance	0	0
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	2,336,000	2,388,200
Year-End Fund Balance	9,200	(783,700)
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	183,669,600	243,901,000
Year-End Fund Balance	1,456,320,600	1,593,686,600

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
Workforce Investment Act Grant (DEA2010/U.S. P.L. 113-128)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To consolidate, coordinate, and improve employment, training, literacy, and vocational rehabilitation programs.		
Funds Expended	79,849,700	56,293,500
Year-End Fund Balance	98,045,500	98,045,500