

Department of Economic Security Fiscal Year 2010 Budget Review, 15 Percent Assignment

Background

More than a quarter-billion dollars has already been cut from the Department's General Fund budget over the past sixteen months

- The Department's General Fund appropriation has been cut 31 percent, from the original \$808.3 million fiscal year 2009 budget to an estimated \$555.2 million this year

These reductions have resulted in steep reductions across the Department's programs and operations.

- Programs and contracts have been eliminated, benefits have been cut, waiting lists have been implemented, provider rates have been reduced, and 800 agency jobs and hundreds or thousands more in the private sector have been lost due to the Department's funding cuts
- The recession that has resulted in massive reductions in state revenues is simultaneously fueling an unprecedented demand for the Department's assistance, which, even without further spending reductions, has already made it impossible to meet the growing human services needs of Arizona's residents as more and more individuals and families are forced to request assistance for the first time

Facts About the Department's Budget

The Department cannot implement appropriation reductions simply by reverting to spending levels in fiscal year 2006 (or any other arbitrary year)

- The Department's General Fund appropriation is at its lowest point since fiscal year 2004
- Nearly all of the growth in the Department's budget since 2006 (prior to last year's reductions) was in just two Divisions- Developmental Disabilities and Children, Youth and Families due to growth in the Arizona Long Term Care System entitlement as well as in the number of children in foster care

The Department cannot implement broad funding reductions simply by eliminating administrative positions

- Of the Department's projected \$555.2 million fiscal year 2010 General Fund budget, only about \$23 million has been appropriated for centralized administrative functions, or around four percent of the total
- Seventy percent of the Department's General Fund budget supports just two Divisions - Developmental Disabilities and Children, Youth and Families
- Further cuts to the Department's budget would require additional reductions to operating costs, but these savings would be relatively small since so few funds are expended on administrative costs

The Department cannot absorb General Fund reductions simply by shifting costs to other funds

- Most of the Department's federal funds are for restricted purposes that cannot be shifted to backfill General Fund cuts or are matching funds that are lost if the state dollars are cut
- The options included in the 15 percent assignment would result in the loss of \$23 million in federal funds

Federal Funding Shortfalls

State funding reductions must consider the federal funding shortfalls that the Department is currently facing

- A shortfall of as much as \$42 million in the federal Temporary Assistance for Needy Families (TANF) block grant would require implementation of most of the first eleven option on the Department's list even if no further reductions are made to the agency's state funding base
- The Governor sent a letter to Arizona's Congressional delegation proposing a solution to this issue
- Apart from any additional budget reductions this year, the expiration of federal 'stimulus' funds will create a \$166.1 million hole in the Department's budget in fiscal year 2011 unless General Fund dollars are appropriated to replace the federal funds

Department of Economic Security
Fiscal Year 2010 Budget Review, 15 Percent Issue Summaries

Issue Priority and Title	Amount	Description
1. Administrative and Operating Efficiencies	(500,000) GF (1,900,000) TF	Many efficiencies have already been implemented, leaving fewer opportunities for savings; automation, staff reallocation, and reducing DDD group home vacancies have been identified to create further savings
2. Opportunities for Privatization	(50,000) GF (100,000) TF	The Department is already heavily privatized, but continues to seek opportunities to partner with the private sector; current initiatives include privatizing some printing functions
3. Maintain Administrative and Operating Reductions	(4,400,000) GF (8,682,000) TF	Steep reductions implemented last year, including 800 layoffs, would be maintained; does not require new cuts, but continues to burden staff with unreasonable workloads
4. Utilize One-Time Funds	(4,500,000) GF (6,455,300) TF	Federal 'stimulus' funds can be used to offset state reductions on a one-time basis
5. Eliminate SSBG Planning Funds for Councils of Govt.	(250,000) GF	Planning funds provided to COGs would be redirected to child welfare services
6. Means Testing and Fee Increases	(5,500,000) GF	Implements means-testing for child-only cash assistance (exempts child welfare cases), and increases child support clearinghouse fee and cost participation for DDD and early intervention services; requires statutory changes
7. Maintain Services Reductions	(23,500,000) GF (27,500,000) TF	Maintains cash assistance benefit reduction, foster family rate decrease, and various child care reductions; allows a partial release of the child care waiting list later this year.
8. Eliminate Enhanced Rates for DDD Contracts	(680,000) GF (2,400,000) TF	DDD would use the DCYF foster care rates for foster children in the state-only program; enhanced rates for habilitation with a music component and 'community protection' would be eliminated
9. Eliminate Grandparent Kinship Care	(450,000) GF	Eliminates program created in fiscal year 2007 that provides \$75 per month to grandparents caring for their grandchildren (equal to assistance for 1,000 children)
10. Eliminate Sight Conservation Program	(120,000) GF	Eliminates the program, which annually provides more than 9,000 low-income adults with eye exams, glasses, and other vision-related treatment not covered by AHCCCS
11. Reduce or Eliminate DCYF Programs	(5,300,000) GF	Eliminates various specialty contracts, including contracts for volunteer services, peer mentoring, Promoting Safe and Stable Families, and adoption preservation
12. Reduce State-Only DDD Services	(1,850,000) GF	Suspends services for 300 children and 400 adults with developmental disabilities; only foster children, children under three years of age, and individuals in residential care would continue to receive services
13. Layoffs	(1,000,000) GF (2,471,500) TF	Eliminates 40 to 50 support positions in the centralized administrative areas and the operations of the program Divisions; would result in delayed payments, increased computer downtime, etc.
14. Restrict Cash Assistance Eligibility	(9,000,000) GF	Reduces lifetime benefit limit from 60 to 36 months, including for child-only cases, and makes other changes; savings in fiscal year 2011 would be used to restore the 20 percent benefit reduction; requires statutory changes
15. Community Services Reductions	(2,350,000) GF (2,479,200) TF	Reduces funding for short-term crisis services by \$0.8 million (equal to 1,100 clients) and domestic violence services by \$1.5 million (equal to shelter for 1,600 victims)
16. Aging and Adult Services Reductions	(1,550,000) GF	Reduces funding for independent living supports by \$1.5 million (equal to 700 older Arizonans) and reduces emergency funds available to Adult Protective Services
17. In-Home Child Welfare Services Reductions	(10,100,000) GF (10,336,300) TF	Eliminates in-home supports designed to keep families intact or facilitate reunification; would result in the loss of services for the families of 1,000 children, which may ultimately result in more children placed in foster care
18. Restrict or Eliminate Early Intervention Services	(8,200,000) GF (18,200,000) TF	Seeks to restrict federal entitlement eligibility by aligning costs with federal funds; Arizona already has narrow eligibility, without federal approval of further restrictions the state would lose the \$10 million annual grant
19. Eliminate Residential Services for State-Only DDD	(4,200,000) GF	Eliminates residential support for 127 individuals enrolled in the state-only program