



DEPARTMENT OF ECONOMIC SECURITY

Your Partner For A Stronger Arizona

Janice K. Brewer
Governor

Linda J. Blessing, Ph.D.
Interim Director

MAR 06 2009

The Honorable David Lujan
Arizona State House of Representatives
1700 West Washington
Phoenix, Arizona 85007

Dear Representative Lujan:

In your letter of February 11, 2009 to Governor Brewer, you requested information from state agencies regarding the impacts of the budget reductions that were necessary to balance Arizona's fiscal year 2009 budget. Attached is a one-page summary of the reductions that the Department is implementing to comply with unfunded shortfalls and the appropriation reductions made by SB 1001. To make this information available to policymakers, clients, staff, providers, media, and other stakeholders, the Department of Economic Security has posted details of these budget reductions, including services impacted and estimates of the number of clients, on the agency's website at www.azdes.gov.

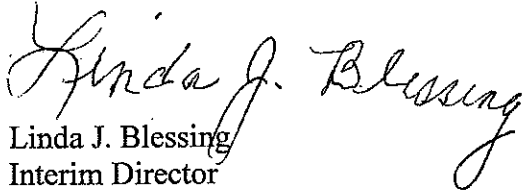
The online table also estimates the loss of federal funds associated with each program reduction. At this time, the Department projects that about \$45 million in matching federal funds will be foregone in fiscal year 2009 as a result of the state reductions. This total includes only matching funds. The Department is still analyzing whether it will be able to meet required state maintenance of effort (MOE) spending levels required by various federal block grants. In instances in which MOE requirements will not be met, additional federal funds will be lost.

A significant portion of the Department's budget reductions is being borne by agency staff. The Department has already decreased its staffing by about 800 employees. Total reductions are likely to eventually total about 10 percent of the agency's workforce. Additionally, almost all remaining staff are subject to mandatory unpaid furloughs. All uncovered staff (generally, those in management-type positions) must take a total of nine furloughs days in the nine pay periods remaining in the fiscal year, which is equivalent to a 10 percent salary reduction during this time. Staff in covered positions that are grade 15 and above (which has a salary range of \$25,500 to \$42,800 per year) must take between five and nine days of furlough. Covered staff in positions below grade 15 are subject to furloughs of up to five days. No salary reductions have been implemented.

The Honorable David Lujan
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If you have any questions, please contact me at (602) 542-5757.

Sincerely,


Linda J. Blessing
Interim Director

Attachment

cc: Governor Janice K. Brewer
Jorge Luis Garcia, Arizona State Senate
Eileen Klein, Director, Governor's Office of Strategic Planning and Budgeting
Richard Stavneak, Director, Joint Legislative Budget Committee

**DEPARTMENT OF ECONOMIC SECURITY
FISCAL YEAR 2009 BUDGET REDUCTIONS**

**SUMMARY OF MAJOR STAFF AND CLIENT IMPACTS¹
List as of February 17, 2009**

	Est. General Fund
<i>Department-Wide</i>	
• Staff reductions; furloughs; other operating reductions	31,703,600
• Eliminate upgrade of eligibility and case management systems for the family assistance, Jobs, and child care programs	6,112,400
• Eliminate disaster recovery contract, document management, and other information technology software maintenance agreements and equipment	820,700
<i>Aging and Adult Services</i>	
• May not investigate 100 percent of Adult Protective Services reports	
• Reduce Area Agencies on Aging contracts, eliminating independent living supports for 450 older Arizonans	2,061,000
• Eliminate lifespan respite care funding, eliminates services for 130 caregivers	350,000
• Eliminate \$75 monthly grandparent kinship care stipend for 100 grandparents	52,300
<i>Benefits and Medical Eligibility (Supplemental Nutrition Assistance and Cash Assistance)</i>	
• Reduce cash assistance grant for the 38,500 cases (including child-only) in the program by 20 percent, from an average of \$263 per month to \$210	7,386,900
• Reduce by seven percent pass-through funds for Tribes that operate their own TANF programs (Navajo, San Carlos Apache, White Mountain Apache, Pascua Yaqui, Hopi)	342,200
• Eliminate General Assistance, final benefit paid in February to 1,500 disabled adults	316,800
<i>Child Support Enforcement</i>	
• Reduce by 10 percent federal incentive payment sharing with counties operating their own child support program (Gila, La Paz, Navajo, and Pinal Counties)	45,000
<i>Children, Youth and Families (Child Protective Services and other Child Welfare Services)</i>	
• Do not investigate 100 percent of potential risk reports made to the Child Protective Services Hotline (potential risk is the lowest risk report)	
• Reduce foster care maintenance payment by 20 percent, from an average of \$910 to \$728 per month, and eliminate other allowances for 4,500 children in family foster homes	3,208,300
• Reduce independent living stipends paid to 400 children aging out of the foster care system by 10 percent, from \$795 per month to \$715	127,200
• Reduce or eliminate in-home services for 4,000 children and reduce or eliminate support services and allowances for children in out-of-home care	15,918,700
• Reduce substance abuse services contracts, eliminating services for 1,400 individuals	762,500
• Reduce Healthy Families contracts, eliminating prevention services for 3,500 families	10,750,000
<i>Community Services</i>	
• Reduce contracts for emergency shelter for victims of domestic violence	TBD
• Reduce homeless shelter contracts, decreasing capacity by 1,100 individuals	282,300
• Reduce community action program contracts, eliminating short term crisis services for 1,000 families	636,500
• Reduce contracts with food banks	167,600
<i>Developmental Disabilities and Arizona Early Intervention Program</i>	
• Suspend non-residential state-only services for more than 4,000 children and adults	6,231,600
• Eliminate services for 850 infants and toddlers with or at risk of a developmental delay	1,608,800
• Reduce provider rates by 10 percent	10,576,400
<i>Employment and Rehabilitation Services (includes Child Care)</i>	
• Reduce Jobs vendors' contracts by approximately eight percent	2,000,000
• Impose a waiting list for vocational rehabilitation services for 2,100 disabled individuals	1,246,600
• Impose a waiting list for independent living rehabilitation services for 400 individuals	41,000
• Impose a waiting list for new low-income working families and suspend assistance for families with income between 110 and 165 of the poverty level, affecting 20,000 children	20,000,000
• Increase child care co-payments	1,300,000
• Reduce child care provider rates by five percent for 6,500 providers	3,000,000
• <u>Reduce funding for child care quality contracts</u>	1,000,000

¹This list does not include all actions needed to meet the reductions included in SB 1001 and eliminate internal shortfalls
prepared by des/ fsa

JANICE K. BREWER
GOVERNOR



W. MAX IVEY
INTERIM DIRECTOR

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GOVERNMENT INFORMATION TECHNOLOGY AGENCY
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Web Portal Revenue, Fixed & Discretionary Expenditures

\$4,362,000	Anticipated Revenue FY 2010
(\$3,185,163)	Fixed Costs FY 2010*
\$1,176,837	Discretionary Funding FY 2010

***Fixed Cost Breakdown**

\$1,958,926	Core Baseline Support (contractually obligated to operate the portal as it was in 2007, without maintaining any applications that have been developed since 2007)
\$1,084,037	Additional Baseline (minimum necessary to maintain and operate applications developed since 2007)
<u>\$142,200</u>	Other Operating Costs (Data circuits, hosting facility)
\$3,185,163	

Baseline Cost Explanation

When the contract for Web Portal services went to bid in 2007, the State froze development of new applications to create a baseline level of service that could be compared between bidders. GITA coined the phrase *Core Baseline Services* to describe the services that were available at that time, knowing that the portal would continue to grow over time. So the term *Additional Baseline Services* was created to differentiate between the costs of operating new applications as they were developed from the original applications on the Portal.

At the level listed above, Additional Baseline Services cover only support of existing applications. The State has the ability to add additional baseline dollars to develop new applications. This strategy allows the State to get a better price on application development than could be achieved on a per-project basis. By agreeing to sustain staffing levels at the portal for a year, the State gives the portal vendor the ability to hire full time staff rather than contract employees which lowers the rates they charge.

Discretionary Project Opportunity

(\$300,000)	Complete the Purchase of Source Code from previous portal vendor (State has already spent \$200,000 toward this purchase). This would allow the State to complete the purchase the source code for five of the most critical applications and allow them to be finally transitioned to the new Web Portal. Without these dollars, any modifications to these applications (including any repairs to broken applications) would not be possible. This option is subject to successful negotiation with the previous portal vendor to allow re-structure of current contract to push FY09 payments into FY10 (pending late payment charges, if any)
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