



Arizona House of Representatives House Majority Research MEMORANDUM

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To: JOINT LEGISLATIVE AUDIT COMMITTEE
Representative Laura Knaperek, Co-Chair
Senator Robert Blendu, Co-Chair

RE: ARIZONA DEPARTMENT OF ECONOMIC SECURITY – SUNSET REVIEW

Date: December 2005

Attached is the final report of the sunset review of the Arizona State Department of Economic Security, which was conducted by the House of Representatives Human Services and the Senate Family Services Committee of Reference. This report has been distributed to the following individuals and agencies:

Governor of the State of Arizona
The Honorable Janet Napolitano

President of the Senate
Senator Ken Bennett

Speaker of the House of Representatives
Representative James P. Weiers

Senate Members
Senator Karen Johnson, Co-Chair
Senator Linda Gray
Senator Rebecca Rios
Senator Victor Soltero
Senator Thayer Verschoor

House Members
Representative Pete Hershberger, Co-Chair
Representative Manuel Alvarez
Representative Mark Anderson
Representative David Bradley
Representative Warde Nichols

Miscellaneous
Arizona Department of Economic Security
Office of the Auditor General
Department of Library, Archives & Public Records
Office of the Chief Clerk and Secretary of the Senate

Senate Republican Staff
Senate Research Staff
Senate Democratic Staff

House Majority Staff
House Research Staff
House Democratic Staff

COMMITTEE OF REFERENCE REPORT

*House of Representatives Committee on Human Services
Senate Committee on Family Services*

ARIZONA DEPARTMENT OF ECONOMIC SECURITY

To: JOINT LEGISLATIVE AUDIT COMMITTEE

Senator Robert Blendu, Co-Chair
Representative Laura Knaperek, Co-Chair

Date: December 2005

Pursuant to Title 41, Chapter 27, Arizona Revised Statutes, the Committee of Reference, after performing a sunset review and conducting a public hearing, recommends the following:

- 1. The Arizona Department of Economic Security be continued for five years.*
- 2. The Arizona Department of Economic Security report to the House of Representative Committee of Human Services and Senate Committee on Family Services Committees of Reference after one year, then again after two years.*

COMMITTEE OF REFERENCE

Representative Peter Hershberger, Co-Chair
Representative Manuel Alvarez
Representative Mark Anderson
Representative David Bradley
Representative Warde Nichols

Senator Karen Johnson, Co-Chair
Senator Linda Gray
Senator Rebecca Rios
Senator Victor Soltero
Senator Thayer Verschoor

COMMITTEE OF REFERENCE

*House of Representatives Committee on Human Services
Senate Committee on Family Services*

Arizona Department of Economic Security Final Report

I. Background

Pursuant to §41-2953, Arizona Revised Statutes, the Joint Legislative Audit Committee (JLAC) assigned the sunset review of the Arizona Department of Economic Security to the House of Representatives Human Services and the Senate Family Services Committee of Reference. [Attachment A]

II. Committee of Reference Sunset Review Procedure

The Committee of Reference held one public hearing on Monday, November 28, 2005, to review the performance audit of the Arizona Department of Economic Security by the Office by the Auditor General and to receive public testimony. [Attachment B]

At the public hearing, the Committee heard testimony from the following:

- X Melanie Chesney, Director, Performance Audit Division, Office of the Auditor General
- X David Berns, Director, Department of Economic Security
- X Vince Wood, Assistant Director, Division of Benefits and Medical Eligibility, Department of Economic Security
- X Tracy Wareing, Acting Deputy Director, Division of Children, Youth and Families, Department of Economic Security
- X Mary Gill, Deputy Director, Operations, Department of Economic Security
- X Mikayla Bailey-Null, Family Advocate, Family Advocacy in Reunification (FAIR)
- X Robin Scoins, Director, Arizona Family Rights Advocacy Institute

Staff from the Office of the Auditor General provided a power point computer presentation outlining information regarding the Department of Economic Security [DES], including the Department's statutory responsibilities and six performance audits of various aspects of the Department. The audits conducted related to Welfare Programs, Division of Employment and Economic Security Unemployment Insurance Program, Service Integration Initiative, Information Security, Division of Developmental Disabilities, Sunset Factors and CPS Data Integrity Process.

The Department of Economic Security was established by the State Legislature in July 1972 by combining the Employment Security Commission, the State Department of Public Welfare, the Division of Vocational Rehabilitation, the State Office of Economic Opportunity, the Apprenticeship Council, and the State Office of Manpower Planning. In 1974, the State Department of Mental Retardation joined the Department.

The Department is organized into divisions that provide protective, social, and community services; employment and economic assistance; and operations support as follows:

- The Division of Children, Youth and Families [DCYF] provides child protective services, foster care services, kinship care, independent living services for young adults, adoption services, in-home family services, intensive family services, and substance-abuse treatment services for families whose children are at imminent risk of out-of-home placement.
- The Division of Child Support Enforcement [DCSE] administers Arizona's child support enforcement program. The division provides services that include locating absent parents, establishing legal paternity for children born out of wedlock, and establishing legal obligations to pay child support. The division enforces and collects child support through a variety of administrative and judicial remedies and is responsible for the State Disbursement Unit, which processes and distributes child support payments.
- The Division of Benefits and Medical Eligibility [DBME] administers the Temporary Assistance for Needy Families (TANF) Cash Assistance, Food Stamps, and state-funded General Assistance programs. In addition, the division determines eligibility for the state's medical assistance program (AHCCCS), as well as supplemental security income through its Disability Determination Services Administration.
- The Division of Employment and Rehabilitation [DERS] administers Arizona's Unemployment Insurance, Job Service, and Vocational Rehabilitation programs; provides job-training opportunities through administration of the Workforce Investment Act (WIA) and the Jobs program; and administers childcare programs and independent living rehabilitation services.
- The Division of Developmental Disabilities [DDD] provides services to individuals with developmental disabilities through a 100 percent state funded program and the Arizona Long Term Care System (ALTCS). Both programs provide home and community based services, residential and day programs, children's services, and services to children in foster care. In addition, the ALTCS program provides acute medical care to eligible individuals.
- The Division of Aging and Community Services [DACCS] provides and contracts for services such as emergency and energy-related assistance, food distribution information for the hungry, rural food banks, shelter and supportive services to victims of domestic violence, refugee resettlement services, and shelter for the homeless. Adult services programs include adult protective services, the supplemental payments program, home care, congregate and home-delivered meals, case management, long-term care ombudsman program, the State Health Insurance Assistance program, legal assistance, the Senior Community Service Employment program (Title V), the Foster Grandparent program, and the Family Caregiver Support program.

The Auditor General's office noted several areas DES could improve its performance and noted that the agency agreed with the recommendations, and stated that many of them have already been implemented.

The Director of the Department of Economic Security noted that, in the past two years, DES has embarked on a cultural shift in the way business is conducted by focusing on helping families and individuals build on their strengths and increase their capacity to become self-sufficient. He noted several of the steps DES has taken to achieve this goal.

III. Committee Recommendations

The Committee of Reference recommends that the Department of Economic Security be continued for 5 years and that the Department report to the House of Representative Committee of Human Services and Senate Committee on Family Services Committees of Reference after one year, then again after two years relating to the progress of implementing the Auditor General's recommendations.

IV. Statutory Report Pursuant to Section 41-2954, Arizona Revised Statutes

[Attachment C]

V. Attachments

- A. Meeting Notice
- B. Minutes of Committee of Reference Hearing
- C. Department of Economic Security Report to Committee of Reference.

Attachment A

Interim agendas can be obtained via the Internet at <http://www.azleg.state.az.us/InterimCommittees.asp>

ARIZONA STATE LEGISLATURE

INTERIM MEETING NOTICE

OPEN TO THE PUBLIC

SENATE FAMILY SERVICES AND HOUSE OF REPRESENTATIVES HUMAN SERVICES COMMITTEE OF REFERENCE FOR THE SUNSET REVIEW OF: FOSTER CARE REVIEW BOARD DEPARTMENT OF ECONOMIC SECURITY

Date: Monday, November 28, 2005
Time: 9:30 a.m.
Place: House Hearing Room 4

AGENDA

1. Call to order
2. Opening Remarks
3. Foster Care Review Board
 - Presentation by the Office of the Auditor General
 - Response by the Foster Care Review Board
 - Public Testimony
 - Discussion and Recommendation by the Committee of Reference
4. Department of Economic Security
 - Presentation by the Office of the Auditor General
 - Response by the Department of Economic Security
 - Public Testimony
 - Discussion and Recommendation by the Committee of Reference
5. Adjourn

Members:

Senator Karen Johnson, Co-Chair
Senator Linda Gray
Senator Rebecca Rios
Senator Victor Soltero
Senator Thayer Verschoor

Representative Pete Hershberger, Co-Chair
Representative Manuel Alvarez
Representative Mark Anderson
Representative David Bradley
Representative Warde Nichols

11/15/05
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People with disabilities may request reasonable accommodations such as interpreters, alternative formats, or assistance with physical accessibility. If you require accommodations, please contact the Chief Clerk's Office at (602) 926-3032, TDD (602) 926-3241.

Attachment B

----- DOCUMENT HEADER -----

----- DOCUMENT HEADER -----

ARIZONA STATE LEGISLATURE
Forty-seventh Legislature – First Regular Session

SENATE FAMILY SERVICES AND HOUSE OF REPRESENTATIVES
HUMAN SERVICES COMMITTEE OF REFERENCE FOR THE SUNSET REVIEW OF
FOSTER CARE REVIEW BOARD
DEPARTMENT OF ECONOMIC SECURITY

Minutes of Meeting
Monday, November 28, 2005
House Hearing Room 4 -- 9:30 a.m.

Chairman Hershberger called the meeting to order at 9:42 a.m. and attendance was noted by the secretary.

Members Present

Senator Gray
Senator Soltero
Senator Verschoor
Senator Johnson, Cochair

Representative Alvarez
Representative Anderson
Representative Bradley
Representative Hershberger, Cochair

Members Absent

Senator Rios

Representative Nichols

Speakers Present

Jessica Tucker, Senior Performance Auditor, Office of the Auditor General
Bill Stanton, Division Director, Dependent Children's Services Division, Administrative Office of the Courts, Supreme Court
Bruce Brannon, Chairman, State Foster Care Review Board
Tracy Candelaria, Foster Care Review Board, Apache County; Member, State Foster Care Review Board
Melanie Chesney, Director, Performance Audit Division, Office of the Auditor General
David Berns, Director, Arizona Department of Economic Security
Lynne Smith, Assistant Director, Division of Business and Finance, Arizona Department of Economic Security
Vince Wood, Assistant Director, Division of Benefits and Medical Eligibility, Arizona Department of Economic Security
Tracy Wareing, Acting Deputy Director, Division of Children, Youth and Families, Arizona Department of Economic Security

setting. A few months later, a note was made in the CPS file that the grandparents did not know about the abuse and desperately wanted the child; however, the child was not returned to the grandparents and is now out of state with a paternal grandmother who had never been around the child. If the FCRB saw a mistake was made that was not brought to the judge's attention during adjudication by CPS, even though the Legislature asked that it be brought to the judge's attention, she wondered if the FCRB could do anything about it. Mr. Brannon answered that he is not sure the FCRB would have been able to detect interplay between whether someone knew something at some time or did not and what the reaction and action would have been by CPS.

Tracy Candelaria, Foster Care Review Board, Apache County; Member, State Foster Care Review Board, relayed to Senator Johnson that she believes parents who attend the meetings are complying, want their children back, and attend the required programs. Parents who do not attend were notified and choose not to attend because they are not complying. She believes the FCRB is very important and a lot of work, but the volunteers participate because they care.

Discussion/Recommendation

Senator Soltero moved that the Committee of Reference recommend to the Legislature that the Arizona Foster Care Review Board be continued for 10 years.

Senator Johnson moved a substitute motion that the Committee of Reference recommend to the Legislature that the Arizona Foster Care Review Board be continued for five years.

Senator Johnson said the legislators only serve an eight-year term limit if they are fortunate enough to be elected during that time, so to give 10-year recommendations to agencies and boards is not wise. There should be some semblance of continuity, and with a five-year continuation some people who experienced this review would still be around when the next hearing takes place.

Senator Soltero acknowledged that there may be some problems, but he did not see strong evidence that the FCRBs are having major problems. He is concerned about the Auditor General and others having to go through this process again in five years.

Senator Johnson responded that it is not that she believes there are major problems, but it is incumbent upon the legislators as watchdogs for the citizens of Arizona to oversee programs properly, which is very difficult when brand new people are not aware of issues brought up in the previous review.

Question was called on the substitute motion that the Committee of Reference recommend to the Legislature that the Arizona Foster Care Review Board be continued for five years. The motion failed.

Question was called on the original motion that the Committee of Reference recommend to the Legislature that the Foster Care Review Board be continued for 10 years. The motion carried by a roll call vote of 4-3-1-2 (Attachment 4).

ARIZONA DEPARTMENT OF ECONOMIC SECURITY

Presentation by Office of the Auditor General

Melanie Chesney, Director, Performance Audit Division, Office of the Auditor General, stated that

audits were conducted in DES for the Welfare Programs (April 2004) (Summary, Attachment 5; Report to the Legislature, Attachment 6), Unemployment Insurance (January 2005) (Summary, Attachment 7; Report, Attachment 8), Information Security (July 2005) (Summary, Attachment 9; Report, Attachment 10), Service Integration Initiative (July 2005) (Summary, Attachment 11; Report, Attachment 12), Division of Developmental Disabilities (September 2005) (Summary, Attachment 13; Report, Attachment 14), and Sunset Factors (September 2005) (Attachment 15). An audit was also conducted of Child Protective Services' (CPS) CHILDS Data Integrity Process (May 2005) (Attachment 16). She added that DES agreed with the recommendations, many of which have already been implemented.

Ms. Chesney related that in FY 2004, DES had a total budget of about \$2.7 billion, including \$1.9 billion in federal funding, \$484 million in state funding, and \$194 million in unemployment insurance contributions from employers. As of June 30, 2005, DES had nearly 11,000 full-time equivalent (FTE) positions, of which about 1,100 were vacant. She proceeded to review the audits (Presentation, Attachment 17).

In relation to the Division of Developmental Disabilities (DDD) waiting list for services being incomplete and inaccurate, Ms. Chesney clarified that some people on the list already received services, and people who would not receive services for years due to limited state funds were not included on the list. As a result, DES cannot indicate the total unmet need for services for the DDD population.

Davis Berns, Director, Arizona Department of Economic Security, stated that DES was created in 1972 to provide quality human services to all Arizonans in need. In the past two years, DES embarked on a major cultural shift in the way business is conducted, focusing on helping families and individuals build on their strengths and increase their capacity to become self-sufficient. To do this, DES is building relationships with clients, families, neighborhood organizations, faith communities, and other government partners to maximize the resources and strategies that will improve outcomes resulting in a number of successes such as:

- The number of individuals on Temporary Assistance for Needy Families (TANF) cash assistance decreased from 54,563 in September 2003 to 44,200 in September 2005. One of the principal strategies used was grant diversion whereby 1,292 families were given one-time assistance, such as help with car repairs or purchase of tools for jobs lined up, diverting those people from TANF cash assistance.
- The number of families DES was able to assist in entering employment increased from 15,490 in 2003 to 20,940 in 2005 with modest increases in the hourly wages from an average of \$7.75 per hour up to \$8.03 per hour. Those that obtained jobs with health insurance benefits increased by 44.5 percent.
- Collaboration was increased among programs, partners and services to focus on innovative ways to maximize resources, such as the Title IV-E waiver. Federal child welfare monies generally cannot be used unless children are removed from the home, but the first waiver for reunification services was recently approved by the U.S. Department of Health and Human Services to allow that federal money to be used to return children more quickly and provide services to children in the home.
- Efforts were increased to hire and train people to provide in-home supports, for which the Legislature allowed 137 additional staff this year. By focusing specifically on in-home services and supports, there has been an actual reduction in children in out-of-home care. This year it is anticipated that there will be about a five percent reduction in the number of children in out-of-home care.
- Six blended units were formed in the state, a child welfare staff, assistance payments staff, and job staff to provide early intervention and services for families with multiple barriers and issues that could not be served previously because the services were only available for families that entered

the child welfare system.

Mr. Berns indicated to Mr. Anderson that legislation was introduced several years ago to privatize the JOBS program. When he became director, there was a Request for Proposal (RFP) for what he believed was a broken system, so the Legislature was asked for another year to redesign the system, which was authorized. The RFP was out on the street, the bids closed, and the bids received are now in the review process. Between January and the end of June 2006, bidders will be selected, and the programs will be implemented based on the new model of service integration and providing a more holistic set of services.

Chairman Hershberger recalled that at some point privatization was delayed pending reauthorization of welfare reform by the federal government, which was not done, so DES proceeded with the date of July 1, 2006.

Senator Gray noted that 137 new positions were added this past year, but the Auditor General's report shows at least 947 vacancies. She wondered what is done with the vacancy savings.

Mr. Berns responded that the positions she referred to are across the board in various divisions. Some vacant positions are being filled, but there are others for which funding was not sufficient.

Lynn Smith, Assistant Director, Division of Business and Finance, Arizona Department of Economic Security, acknowledged that a number of positions at DES are not fully funded. As with all large state agencies, there is a large vacancy rate. DES has more FTE position authority than funding to fill the positions, which is done by the budget offices based on the fact that state agencies always have turnover and cannot keep all of the positions funded. If those positions were fully funded, the extra positions would not be needed. That is complicated by the fact that the salaries for many of the positions are not up to market, so it is difficult to recruit. There is always some vacancy savings accrued that is used to augment other areas of DES.

Senator Gray asked the average salary of the vacant positions in the Division of Children Youth and Families (DCYF) and wondered if the vacancy savings can be used to reward other employees for performance. Ms. Smith said she will let her know the average salary for the CPS positions; however, those are in the covered system, so unless the Legislature grants an increase, which has happened, DES cannot use vacancy savings to increase the salaries.

Senator Gray recalled a TV investigation regarding misuse of cash assistance by grocery stores and clients. She asked what has been done to correct the problem. Mr. Berns responded that conversion from a food stamp coupon to an Electronic Benefit Transfer (EBT) system and other system changes have made fraud much more difficult.

Vince Wood, Assistant Director, Division of Benefits and Medical Eligibility, Arizona Department of Economic Security, stated that food stamps are for food and cannot be used to purchase alcohol or tobacco; however, the card contains two accounts. If a family is eligible for food stamps and TANF cash assistance, there is a cash value that is TANF-related and intended for shelter costs. The average TANF family receives \$230 per month, but while DES can restrict what food stamps are used for, the agency cannot restrict how TANF cash assistance funds are spent.

Senator Gray remarked that she resents tax money being spent for tobacco and alcohol.

Mr. Wood clarified that DES does not have a policy stating that TANF cash assistance cannot be used for tobacco or alcohol. He related to Chairman Hershberger that the TANF benefit is a block grant received from the federal government, to which the state contributes maintenance of effort funds.

Senator Johnson noted that a few hundred new CPS caseworkers were requested and granted along with an appropriation. She wondered how that interacts with the vacancies. Mr. Berns answered that a special pot of money was provided during the Special Session that was not mixed with the other vacancies, so a new worker would be hired under that pot of money or assigned to an existing vacancy. Generally speaking, when new money is obtained it is not earmarked in that fashion, so DES is hiring staff to fill vacancies and add to the increased number of positions the Legislature authorized. The turnover rate in child welfare is very high, and a position will be shown as vacant even when someone is hired and in training because the person is not able to perform the job until the rather extensive training period is completed. The intent is to hire people, but he does not believe there will ever be zero accuracy because of the turnover, the length of time it takes to fill a position, and the time a person is not covering a caseload while in training.

Tracy Wareing, Acting Deputy Director, Division of Children, Youth and Families, Arizona Department of Economic Security, advised Senator Johnson that many changes have been made at the Child Welfare Training Institute, in large part to address the issue of turnover of CPS workers. It was discovered from exit interviews that staff did not experience in training exactly what the job entailed, so over the past year, efforts were made to provide a more hands-on experience. People still leave after going through the training institute, which is being looked at by office locations. Some offices have a much higher retention rate because of effective and good supervisors. DES is involved in a national effort to recruit and retain CPS workers since it is not only a problem in Arizona.

Senator Johnson said she understands DES pays for hotel rooms and meals for people in training. She asked the cost and how many people do not complete the training. Ms. Wareing answered that generally people leave early in the eight-week course and additional field work totaling 22 weeks of training. Most people remain for a significant period of time, but not as long as DES would like. Some people may go through the training and decide a year later to move into another area of social services, but people are not dropping out immediately after training to go to another job. She can track the information to equate the dollars.

Senator Johnson said it was brought to her attention that after training is completed people are sometimes assigned far from their residence. Ms. Wareing said the issue was brought to DES' attention. Part of the difficulty has been the high turnover rate in certain offices where staff was requested to fill slots that are not close to their home. More conversation among middle management staff around the state is needed to be sure assignments are more appropriate.

Senator Johnson said it became apparent from testimony at hearings that some supervisors are very difficult to work with or not doing the job correctly. She wondered what is done with those people. Ms. Wareing answered that there are many individualized circumstances, but regular reviews are done by supervisors and program managers who oversee the supervisors. When issues are raised and performance becomes a problem, the situation is dealt with appropriately. Some people have been let go due to inadequate performance, which happens at the case manager and supervisory level.

Ms. Wareing advised Senator Johnson that there are six in-home family service units operating in Maricopa County, but not yet fully staffed. Workers hired as a result of the 137 FTEs authorized last year are finishing training. A RFP for in-home services was on the street and is in the final negotiation stages, so new providers around the state will help deliver intensive wraparound services for families to keep children safely in the home. The salary is essentially the same as other CPS case managers, although in-home workers do not receive a 10 percent investigative stipend given to workers who conduct CPS investigations; however, if the in-home worker has a master's degree in social work (MSW), a 10 percent MSW stipend may be received.

The in-home workers go through the same basic training institute as the CPS investigators and ongoing workers, but supplemental training is being developed with national consultants.

Ms. Wareing stated that the Family to Family Initiative overlays many initiatives across the board, and in-home service units are just one aspect of a family-centered practice. There are Family to Family initiatives through the Annie E. Casey Foundation, and offices in Maricopa County will roll out the Family to Family Initiative by the end of 2005. Efforts are underway to begin that project in Tucson. Probably the most important piece is team decision-making meetings where the idea is to bring families in early, hopefully, before a child is removed to talk about placement and safety issues and reach an agreement for the child, and wherever possible, when it can be done safely, to keep the child in the home.

Senator Johnson surmised that with all of the new services many more children will be able to remain in the home and not be traumatized by removal.

Senator Soltero remarked that many of the people that are hired and trained work a few months and find that the private sector pays more for doing the same job, which makes it difficult to retain people, so supervisors with no people skills who make it difficult for the employees to remain in their jobs are not needed and should be looked at closely. He encouraged DES to check into situations where the turnover is high.

Senator Gray asked how many children died in the past year while in foster care and the reason. Ms. Wareing responded that the last report to the Legislature, which would have been through March 2005, identified 13 fatalities while in care; however, none of the children died as a result of abuse or neglect. Over the summer, a few children died while in foster care in the Tucson area and there are concerns that the cause may have been abuse, so DES will conduct an investigation as law enforcement continues to look at those cases.

Chairman Hershberger pointed out that the 13 children were discussed in a meeting of the Joint Legislative Committee on Children and Family Services.

Senator Gray said she is not on the Committee, and therefore, did not receive the information. She noted that she heard about an investigation last year relating to felons working at DES and asked what happened with those individuals. Ms. Wareing answered that as a result of new fingerprint clearance cards DES was asked to implement a few years ago, it was discovered that about 37 CPS employees had a criminal background involving a misdemeanor or felony who were required to apply for a good cause exemption with the Fingerprint Clearance Board. There were 31 who were given a good cause exemption for an offense committed 20 some years ago or the circumstances could be explained, four of the employees were fired, one individual resigned, and one contract employee received a good cause exemption. There were also 18 people with valid clearance cards that had driving restrictions, probably due to Driving Under the Influence (DUI), who are either no longer required to transport vulnerable individuals, including children, left the department, or now have a valid fingerprint card without the driving restriction. She advised Senator Johnson that if someone had a record in another state, it would show up in Arizona.

Mary Gill, Deputy Director, Operations, Arizona Department of Economic Security, conveyed to Senator Gray that foster care application and reapplication forms are scheduled to be on-line by January 31, 2006.

Public Testimony

Mikayla Bailey-Null, Family Advocate, Family Advocacy in Reunification (FAIR), stated that she represents the 70 to 80 percent of mentally disabled who are afraid to seek help for fear of losing their children. She never realized the mentally ill were discriminated against in such a way until her child was taken from her last year. CPS does not even need a warrant to take the children, but is free to use imminent danger as a reason to remove the children for conditions they do not understand. CPS, the CASAs, the court appointed attorneys, and judges do not have the training or knowledge to make lifelong decisions about the welfare of mentally disabled families.

She related that she established FAIR in order to work with CPS, Value Options, and parents to meet compliance goals and service plans. Mental health recovery can be achieved through medication, therapy, recovery programs, and education, but it will not work without the cooperation of CPS. Services need to be provided before children are ripped from their parents and the family goes into crisis. Her service is free of charge to CPS. She stated that these families are afraid to come forward for fear of retaliation from CPS and some that have come forward were retaliated against.

She added that CPS is forcing mentally disabled parents to take the Minnesota Multiphasic Personality Inventory (MMPI) test, which should not be taken in a time of crisis as the results will be distorted. She asked that it not be used as a means since it is not a true evaluation of the family. She knows parents who were told they are unfit and will never get their children back as a result of the testing.

Robin Scoins, Director, Arizona Family Rights Advocacy Institute, related that federal mandates state that CPS must meet reasonable efforts to obtain federal funding for reimbursement for child welfare and related costs for all children placed out of home. Mr. Berns reported at one hearing during the summer that up to 80 percent of CPS cases involve drugs, which would equate to about 8,000 out of 10,000. The most recent statistics on drug programs offered in Arizona show that about 1 out of 1,000 people actually receive proper treatment, specifically mothers with children; therefore, reasonable efforts are not being met by CPS, and federal money is being obtained fraudulently. Testimony was provided by many parents this summer who were severed from their children forever because they did not have appropriate case plans to remedy the situation in their home. Reasonable efforts are basically efforts and services to prevent removal of a child from the home or ensure the speedy return home if that is at all possible in reasonable situations. Children are forever losing their parents based on a service that could and should be provided.

Discussion/Recommendation

Senator Verschoor stated that based on the discussion and information received from members of the community, he would like to extend the sunset for one year. Any longer would not give citizens a proper accountability of the agency.

Senator Verschoor moved that the Committee of Reference recommend to the Legislature that the Arizona Department of Economic Security be extended for one year.

Chairman Hershberger commented that a one-year continuation would be very disruptive to the progress that has been made as a result of changes and reforms over the last two or three years. He would accept a substitute motion for a five-year continuation.

Mr. Anderson asked if the entire process would have to be repeated in a year and whether more funding would be necessary.

Debbie Davenport, Auditor General, stated that in order to place DES back on the schedule, the Joint

Legislative Audit Committee (JLAC) would have to determine if it would be the best use of Auditor General resources. The problem with a one-year extension is that the audits JLAC designated for review for the July 1, 2007 sunset date have already begun, so to pull off those audits would constitute a waste of resources already invested in those particular agencies. If the Members are concerned about implementation of the recommendations, JLAC instituted a follow-up procedure in which the auditors go back into an agency every six months for a period of two years to see how the recommendations are implemented and report back to JLAC and the COR. Also, Committees have extended the life of an agency for five years, but requested reports at one and two-year intervals.

Mr. Anderson moved that the Committee of Reference recommend to the Legislature that the Arizona Department of Economic Security be continued for five years with additional reports to the Committee of Reference at one year and two years on the progress.

Senator Verschoor asked if there is some way to separate CPS. Ms. Davenport answered that during the Special Session when CPS was given additional funds for case workers, the Auditor General's Office was mandated to put together a three-person audit team that is in CPS on a permanent basis. This year, that team will put out three audit reports in the form of informational briefs that will contain recommendations for action, but will update the Legislature on certain activities occurring within CPS. Besides the status of recommendations on reports presented today, reports on CPS that the Members specifically have issue with could be presented during that time frame.

Senator Soltero stated that he believes DES has been doing a good job in the last year or two. There are problems, but it is a large agency that deals with tough issues. The director is doing a good job, but he will support five years to address concerns by some Committee Members.

Senator Johnson agreed to go along with a five-year sunset with the caveat of reports for the next few years, including in-depth reports on CPS.

Question was called on Mr. Anderson's substitute motion that the Committee of Reference recommend to the Legislature that the Arizona Department of Economic Security be continued for five years with additional reports to the Committee of Reference at one year and two years on the progress. The motion carried.

Without objection, the meeting adjourned at 12:42 p.m.

Linda Taylor, Committee Secretary
December 13, 2005

(Original minutes, attachments, and tape are on file in the Office of the Chief Clerk.)

Attachment C



ARIZONA DEPARTMENT OF ECONOMIC SECURITY
1717 W. Jefferson - P.O. Box 6123 - Phoenix, AZ 85005

Janet Napolitano
Governor

David A. Berns
Director

SEP 29 2005

The Honorable Peter Hershberger
Chair, Committee of Reference for DES
1700 W. Washington
Phoenix, Arizona 85007-2844

Dear Representative Hershberger:

Thank you for the opportunity to participate in the sunset review process. Pursuant to A.R.S. §41-2954 F, the Arizona Department of Economic Security (DES) has prepared the attached response addressing the four factors identified in this statute. A copy of our most recent annual report may be downloaded from the Department's website at <http://www.azdes.gov/links/reports/pdf/2003-2004.pdf>. The Department looks forward to providing testimony to your committee.

If you need any further information, or have any questions regarding the enclosure, please contact Mary Gill, Deputy Director of Operations and Special Projects at (602) 542-3873.

Sincerely,

A handwritten signature in cursive script that reads "David A. Berns".

David A. Berns

Enclosure

c: Courtney Riddle

**Arizona Department of Economic Security (DES)
Additional Information for Sunset Review A.R.S. §41-2954 F**

1. An identification of the problem or the needs that the agency is intended to address.

The Department was created to address the need for improved coordination of economic opportunities and the delivery of human services. The Department addresses the social and economic problems of child and adult abuse and neglect; homelessness; lack of basic subsistence and income as a result of poverty and unemployment; and avoiding institutionalization and retaining maximum independence for individuals with physical and developmental disabilities and the elderly.

Pursuant to A.R.S. §41-1953, the State Legislature established the Department in 1972 by consolidating the authority, power, and duties of the employment security commission of Arizona and its divisions, the state department of public welfare, the division of vocational rehabilitation, the state office of economic opportunity, and the state office of manpower planning. The state department of mental retardation joined the Department in 1974. A.R.S. §41-1954, as added in 1972 and later amended, stipulated more powers and duties and authorized the Department to provide a broad range of human service programs such as social service programs for children, adults, and families; income maintenance services, including child support collection services and services to needy families with children; unemployment compensation; rehabilitation services; work training; and services for individuals with developmental disabilities.

Although integration of services has always been a key direction for DES, the current administration is more aggressively pursuing this methodology for delivering services. The current administration views service integration as not only an effective model for improving outcomes for the families that are served, but also as an efficiency measure to maximize the amount of services that can be provided with the limited resources available. Integration includes not only how clients receive services but also how programmatic design and delivery can maximize the funds that are available for providing these services.

2. A statement, to the extent practicable, in quantitative and qualitative terms, of the objectives of such agency and its anticipated accomplishments.

The Department's mission is "to promote the safety, well-being, and self-sufficiency of Arizona's children, adults, and families." To accomplish its mission, DES works closely with a network of community organizations and providers as well as federal agencies that oversee Department programs, other state agencies, and Native American tribes in providing the following wide array of services:

- Protection and Safety – The Department provides child and adult protective services, oversees services to victims of domestic violence, and administers prevention programs designed to address the root causes of abuse and neglect.

- Anticipated Fiscal Year 2006 Accomplishments
 - Continue maintaining a 100 percent Child Protective Services (CPS) response rate and investigating 100 percent of calls to the CPS Hotline that qualify as reports of abuse or neglect.
 - Investigate 80.6 percent of Adult Protective Services reports.
 - Serve 11,600 victims of domestic violence and their children in emergency shelters.
- Strong and Stable Families and Individuals – The Department provides employment, rehabilitation, and training services, economic assistance through administration of the Unemployment Insurance program, Temporary Assistance for Needy Families (TANF) cash assistance, general assistance, food stamps, medical assistance eligibility, child care assistance, and child support services, as well as contracts and services for emergency and utility-related assistance, food banks, refugee resettlement, and the homeless.
 - Anticipated Fiscal Year 2006 Accomplishments
 - Assist over 22,200 TANF clients to obtain employment.
 - Provide child care assistance to 47,000 children monthly.
 - Serve over 571,000 food stamp recipients monthly.
 - Increase child support collections to \$303.6 million.
 - Assist 928,500 individuals with medical assistance eligibility monthly.
- Maximizing Individual Independence – The Department administers services to individuals with physical and developmental disabilities and the aging through a network of home- and community-based services that serve to promote client-centered, consumer-directed assistance in maintaining maximum independence and prevention of institutionalization.
 - Anticipated Fiscal Year 2006 Accomplishments
 - Provide services to over 27,000 individuals with developmental disabilities.
 - Successfully rehabilitate and assist 1,900 vocational rehabilitation clients to enter employment.
 - Provide family caregiver services to 340,500 caregivers.

In addition, the Department's service integration initiatives improve DES programs' efficiency and effectiveness through the coordination of services that meet families' needs by means of a more holistic, inclusive, and strengths-based approach. This integrated approach is designed to improve the client experience and reduce service fragmentation by managing the delivery of many client services through a single coordinated point. During Fiscal Year 2006, the Department will continue to expand and enhance its three service integration components, Family Connections, TANF/Jobs Improved Outcomes for Clients, and Integrated Local Offices.

3. An identification of any agencies having similar, conflicting or duplicate objectives, and an explanation of the manner in which the agency avoids duplication or conflict with other such agencies.

The Department recognizes the need for coordination in the areas of program planning and service delivery to assure there is no duplication of effort and that limited resources are used in the most efficient and effective manner. In order to provide such a wide array of services to such a diverse population, the Department regularly coordinates with many other

governmental entities at the local, state, and national level. This coordination ensures, not only that there is not a duplication of effort in providing services, but also ensures that services are provided in the most efficient and effective manner. For example:

- The Department, through an Intergovernmental Agreement (IGA), performs eligibility determinations of the acute care Medicaid population for the AHCCCS Administration. The Department Division of Developmental Disabilities (DDD) provides long-term care services to over 17,000 persons. The Department Comprehensive Medical and Dental Program serves as an AHCCCS provider for acute care services to over 9,300 foster children.
- The Department is an active player in an interagency task force with the Office of the Governor, the Department of Education, and the Department of Commerce to coordinate manpower and economic development activities. This effort ensures that persons entering the workforce or who are seeking training to adjust their skills to changes in workforce demands receive services that will actually help them compete in the existing and future labor markets.
- The Department works with the Arizona Coalition Against Domestic Violence (ACADV) and the Department of Health Services (DHS) to conduct stakeholder meetings to strategize and coordinate applications for Rural Domestic Violence and Child Victimization Enforcement Grants. The Department also coordinates with the Maricopa County of Government Regional Domestic Violence Council to assess the need for shelters for domestic violence victims.

4. An assessment of the consequences of eliminating the agency or of consolidating it with another agency.

Terminating the Department would significantly harm the public health, safety, and welfare. It is the Department's responsibility to protect and provide critical assistance services to Arizona's most vulnerable children and adults, including the elderly and individuals with disabilities, which if left unreported and untreated, could result in harm to individuals. Victims of domestic violence would have fewer options for shelter services and supports. The absence of prevention programs would remove critical initiatives that address the root causes of abuse and neglect, resulting in an increased escalation of abusive behavior and family and societal violence and placing increased burdens on law enforcement systems.

The Department also provides employment, rehabilitation, and training services to assist persons in attaining economic self-sufficiency and administers the Unemployment Insurance program, which collects taxes from employers and provides benefits to eligible workers. The provision of these and other economic assistance services and supports, such as Temporary Assistance for Needy Families (TANF) cash assistance, food stamps, and medical assistance eligibility determinations, fill basic human needs for food, medical care, and subsistence expenses. In addition, child support services are needed for the welfare of affected parents and children by establishing paternity and child support orders and enforcing support orders and the responsibility of parents to provide financially for their children. Without these services, people could go hungry, more individuals and families would be homeless, and the health and well-being of people in need would be adversely affected.

In addition, vulnerable individuals, especially the elderly and individuals with disabilities, need to be assisted in retaining their independence and preventing institutionalization where at all possible. The Department administers a broad network of client-centered, consumer-directed home- and community-based services that provide vulnerable individuals a high degree of control and independence, contributing to their overall welfare.

The existing Department structure enables it to provide coordinated service delivery to its customers. The Department was formed by combining several existing state human service delivery agencies into a single umbrella agency. By doing so, the Legislature established a mechanism for the state not only to provide services to clients in an integrated and more efficient process, but also to maximize the use of any flexibility in federal funding to provide more services with existing resources. The Department is building on this foundation by developing a new service delivery model to improve the outcomes of the families we serve. The Department believes that by integrating the services we provide, we will help strengthen Arizona's most vulnerable families.

Arizona
Department of
Economic
Security



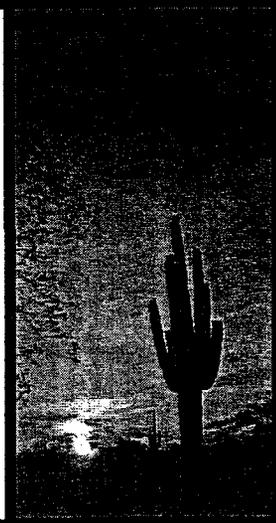
Annual
Report

SFY
2003 - 2004



Governor
Janet Napolitano

DES Director
David A. Berns



Mission

The Arizona Department of Economic Security promotes the safety, well-being, and self-sufficiency of children, adults, and families.

Vision

Every child, adult and family in the State of Arizona will be safe and economically secure.

Guiding Principles

System of care must:

- ✓ be customer and family-driven
- ✓ be effectively integrated
- ✓ protect the rights of families and individuals
- ✓ allow smooth transitions between programs
- ✓ build community capacity to serve families and individuals
- ✓ emphasize prevention and early intervention
- ✓ respect customers, partners, and fellow employees

Services must:

- ✓ be evaluated for outcomes
- ✓ be coordinated across systems
- ✓ be personalized to meet the needs of families and individuals
- ✓ be accessible, accountable, and comprehensive
- ✓ be culturally and linguistically appropriate and respectful
- ✓ be strength-based and delivered in the least intrusive manner

Leaders must:

- ✓ value our employees
- ✓ lead by example
- ✓ partner with communities
- ✓ be inclusive in decision making
- ✓ ensure staff are trained and supported to do their jobs



ARIZONA DEPARTMENT OF ECONOMIC SECURITY

1717 W. Jefferson • P.O. Box 6123 • Phoenix, AZ 85005

Janet Napolitano
Governor

David A. Berns
Director

JAN 27 2005

The Honorable Janet Napolitano
Governor of Arizona
State Capitol, West Wing
Phoenix, Arizona 85007

Dear Governor Napolitano:

The Arizona Department of Economic Security's Annual Report for the period July 1, 2003, through June 30, 2004, is enclosed. This report is submitted pursuant to A.R.S. §41-1960, which requires the Department to make an annual report of Arizona's economic security needs and resources, including the use, training, and placement of manpower, and recommendations for the forthcoming fiscal year for the state's development of relevant programs. The report is due to the Governor and Legislature by the end of each calendar year.

During State Fiscal Year 2004, the Department began moving in a new direction to improve the delivery of human services in Arizona. The Department implemented reforms in child protective services and started to integrate services and improve coordination among programs to help vulnerable children, families, and adults achieve better outcomes.

Sincerely,

A handwritten signature in cursive script that reads "David A. Berns".

David A. Berns

Enclosure

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Historical Perspective and Overview

The Department was established by the State Legislature in July 1972 by combining the Employment Security Commission, the State Department of Public Welfare, the Division of Vocational Rehabilitation, the State Office of Economic Opportunity, the Apprenticeship Council, and the State Office of Manpower Planning. The State Department of Mental Retardation joined the Department in 1974.

The Department has approximately 10,686 full-time equivalent (FTE) positions and provides services in 207 offices throughout the state. Six main district offices are located in Phoenix, Tucson, Flagstaff, Yuma, Casa Grande, and Bisbee.

Department staff training is conducted in two ways. First, program-specific training is conducted by each program using classroom, computer-based training and on-the-job training mediums. Corporate training is conducted by the Department's Office of Organization and Management Development, in coordination with the Arizona Government University.

Organization and Services Provided in State Fiscal Year 2004

The Department is organized into divisions that provide protective, social, and community services; employment and economic assistance; and operations support as follows:

Programs

- The Division of Children, Youth and Families (DCYF) provides child protective services, foster care services, kinship care, independent living services for young adults, adoption services, in-home family services, intensive family services, and substance-abuse treatment services for families whose children are at imminent risk of out-of-home placement.¹
- The Division of Child Support Enforcement (DCSE) administers Arizona's child support enforcement program. The division provides services that include locating absent parents, establishing legal paternity for children born out of wedlock, and establishing legal obligations to pay child support. The division enforces and collects child support through a variety of administrative and judicial remedies and is responsible for the State Disbursement Unit, which processes and distributes child support payments.
- The Division of Benefits and Medical Eligibility (DBME) administers the Temporary Assistance for Needy Families (TANF) Cash Assistance, Food Stamps, and state-funded General Assistance programs. In addition, the division determines eligibility for the state's medical assistance program

¹ As of December 2003, this division has been elevated to report directly to the DES Director.

(AHCCCS), as well as supplemental security income through its Disability Determination Services Administration.

- The Division of Employment and Rehabilitation Services (DERS) administers Arizona's Unemployment Insurance, Job Service, and Vocational Rehabilitation programs; provides job-training opportunities through administration of the Workforce Investment Act (WIA) and the Jobs program; and administers child care programs and independent living rehabilitation services.
- The Division of Developmental Disabilities (DDD) provides services to individuals with developmental disabilities through a 100 percent state-funded program and the Arizona Long Term Care System (ALTCS), which is funded by the Centers for Medicare and Medicaid Services (formerly the Health Care Financing Administration) through the Arizona Health Care Cost Containment System (AHCCCS). Both programs provide home- and community-based services, residential and day programs, children's services, and services to children in foster care. In addition, the ALTCS program provides acute medical care to eligible individuals.
- The Division of Aging and Community Services (DACS) provides and contracts for services such as emergency and energy-related assistance, food distribution information for the hungry, rural food banks, shelter and supportive services to victims of domestic violence, refugee resettlement services, and shelter for the homeless. Adult services programs include adult protective services, the supplemental payments program, home care, congregate and home-delivered meals, case management, long-term care ombudsman program, the State Health Insurance Assistance program, legal assistance, the Senior Community Service Employment program (Title V), the Foster Grandparent program, and the Family Caregiver Support program.
- In addition to the divisions and programs listed above, the Arizona Early Intervention Program (AzEIP) is also located in the Department. AzEIP was established by Executive Order 89-11 and A.R.S. §8-652, which designated the Department as the lead agency responsible for the administration and supervision of the comprehensive interagency system of early intervention services. AzEIP is governed by the Individuals with Disabilities Education Act (IDEA), Part C (P. L. 105-97).

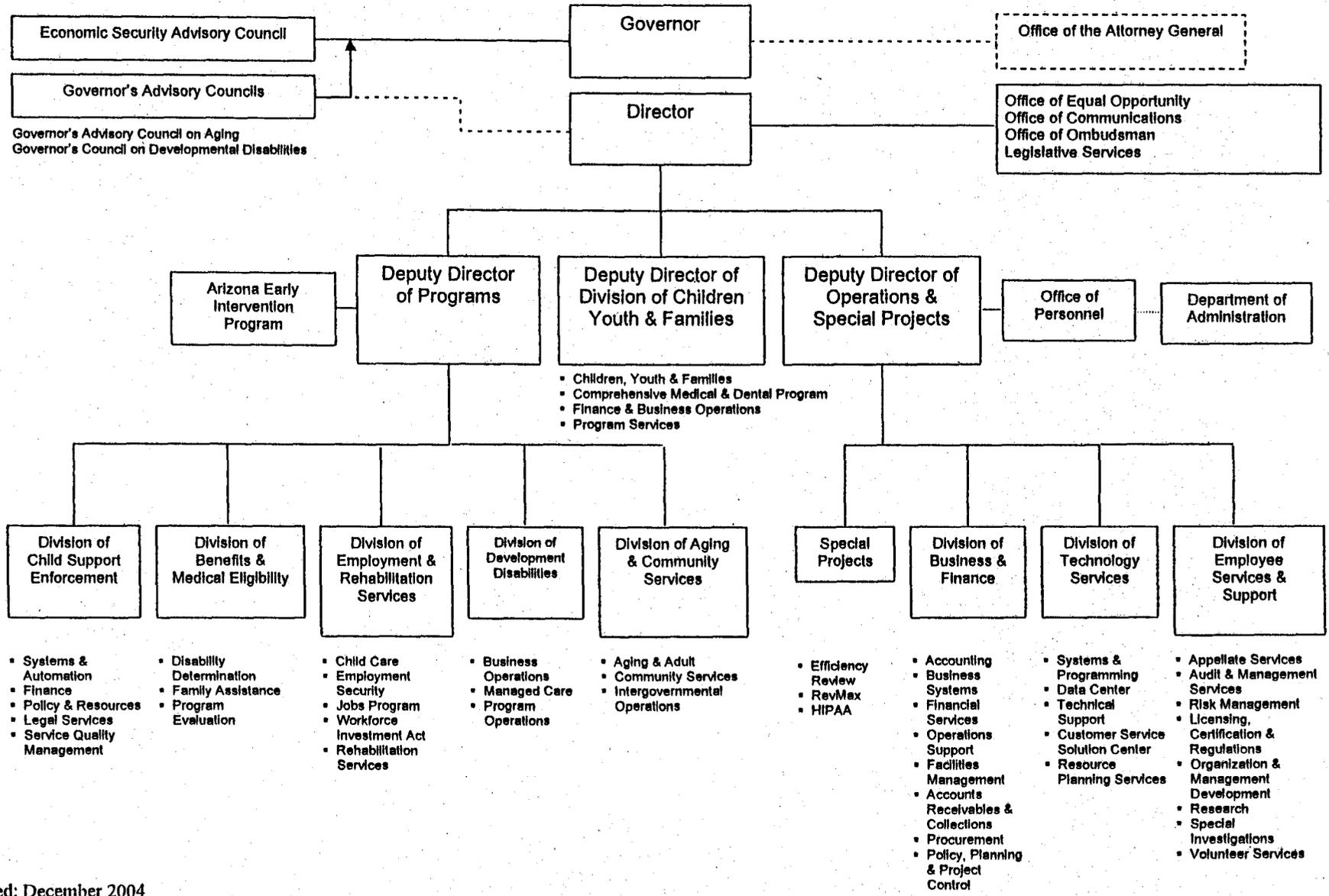
Operations

- The Division of Employee Services and Support (DESS) provides support services to all employees and programs. The division comprises appellate services, internal audit, special investigations, licensing, risk management, economic research, training, and volunteer services.
- The Division of Business and Finance (DBF) provides office and general business services to the Department, including accounting, finance, budget,

collections, procurement, facilities management, purchasing, payroll, printing, records retention, supplies distribution, and mail management. The division is also responsible for the implementation of the federally mandated Health Insurance Portability and Accountability Act (HIPAA). DBF also provides development and coordination of Department policy development, strategic planning, project management, and administrative rules.

- The Division of Technology Services (DTS) provides technical and systems services for the development, maintenance, and enhancement of the Department's automated systems in compliance with the Government Information Technology Agency (GITA) and agency standards.

Arizona Department of Economic Security



Economic Conditions and Outlook²

Arizona's economy should continue to expand through the forecast period covering Calendar Year 2004–05. Arizona's nonfarm jobs are forecast to grow by 2.4 percent in 2004 and 3.0 percent in 2005. Over the two-year period, nonfarm job growth is forecast to total more than 125,000.

Construction is projected to increase by 28,000 jobs over the forecast period. A rising population, coupled with affordable housing and low interest rates, has provided a strong stimulus to construction job growth.

Educational and health services are also expected to see good growth with an increase of more than 29,000 jobs over the forecast period. Growth in Arizona's communities is driving the employment increases in this industry.

Natural resources and mining are projected to be essentially flat with a slight loss of 100 jobs. Gradual improvements in global demand for industrial materials and rising energy costs have increased the need to use local sources of raw materials.

The forecast calls for continued job losses in manufacturing in 2004 before showing minor improvement of 1,100 jobs in 2005. Manufacturing gains will help to improve overall job gains in 2005. Trade, transportation, and utilities are projected to gain more than 19,000 jobs. Higher energy prices and stagnant wages have limited the ability of consumers to increase their spending. Rising consumer spending would have generated greater levels of demand required to have higher rates of growth in this industry group.

Information jobs should continue to decline with a projected loss of more than 3,300 jobs. Outsourcing, overcapacity, and enhanced productivity are expected to continue limiting job growth in this industry. Financial activities are forecast to have fewer jobs created as a result of a slower pace of expansion in the overall economy. Some of the fast-growing sectors related to mortgage financing and real estate are expected to have more consolidation over this period.

Professional and business services are projected to add more than 23,000 jobs. The attempt of firms to control rising costs with the outsourcing of many functions, especially labor, is expected to create new jobs in this industry group.

Job gains in leisure and hospitality are expected to number more than 10,000. Despite stretched budgets, consumers and businesses are still expected to spend on travel, dining-out, and recreation. Improvement in this tourism-related industry is anticipated in Arizona as the economies of other states continue to expand.

Employment growth in other services is projected to increase by more than 3,600 jobs. Government is forecast to gain more than 13,000 jobs as a result of

² Source: Department of Economic Security Research Administration "Forecast Update 2004–05" press release, dated September 2004.

an increasing population creating greater demand for public services such as education, police, and fire.

Major Initiatives

During State Fiscal Year (SFY) 2004, the Department continued, initiated, and planned a number of projects aimed at fulfilling the Governor's initiative to reform Arizona's Child Protective Services, streamlining processes, improving customer service, and securing and guaranteeing the privacy of health-related data. The most significant projects are outlined below.

Governor's Initiative to Reform Child Protective Services (CPS)

During SFY 2004, the Division of Children, Youth and Families implemented a structure to fulfill Governor Napolitano's initiative to reform Arizona's Child Protective Services. Representatives of state, county, and municipal agencies; communities; providers; foster and biological parents; and foster youth participated in 27 work groups engaged in the reform process. All of the work groups continue to move forward with policy implementation and training in areas related to CPS field practice.

Accomplishments include:

- Submitted joint investigation protocols to the Governor's Office.
- Expanded the Child Advocacy Center in Gila County.
- Developed a Risk Assessment Tool.
- Completed a report entitled "Arizona Child Abuse and Neglect Prevention System: A Report of the Prevention Subcommittee." This report is an inventory of effective prevention systems in Arizona and a look at effective strategies and program models both locally and nationally.
- Completed medical guidelines for use by pediatricians statewide to provide a consistent approach for serving mothers and their substance-exposed newborns.
- Completed Community Network Team plans by five counties.
- Restored the Employee Assistance program.
- Organized a State Foster Youth Advisory Board.
- Established open court hearings in all counties.
- Replaced Family Builders Assessments with 100 percent investigations by CPS.
- Hired 104 new CPS case managers.
- Completed redesign of the Family Builders program.

Service Integration

Service integration is the delivery model that helps programs effectively and efficiently meet needs of families through a more holistic, inclusive, and strengths-based approach. Strategies being used are process-oriented and

utilize relationships with community partners. The goals of service integration are to:

- Reduce the number of children entering the foster care system
- Reduce the number of children in congregate care
- Reduce the TANF caseload

Systemic strategies include:

- Reduction in backlog of TANF recipients waiting for employment assistance
- Implementing a local office model that coordinates delivery of multiple Department and community programs at the point of client intake
- Implementing a local office model that highlights coordination between the TANF program and the child welfare programs

Many Department offices are already co-located and many employees work with other staff jointly on cases. The service integration effort is taking the now-informal processes and formalizing them as a standard service delivery model.

The anticipated outcomes from service integration efforts are:

- Reduction of TANF cases
- Increase in the number of people served in employment assistance programs
- Reduction of the number of children entering foster care
- Increase in the number of persons entering employment
- Reduction of the barriers that create family dependence on welfare programs such as drug and alcohol abuse, domestic violence, and other potentially catastrophic family issues
- Reduction of the recidivism of persons needing financial and family assistance

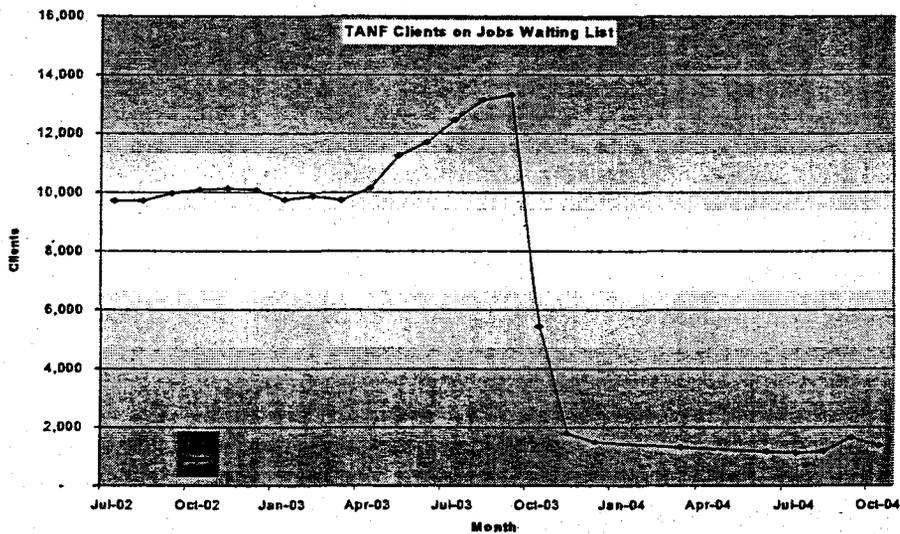
In October 2003, as a part of this effort, the Department implemented a new and innovative strategy to assist TANF participants in finding employment more quickly, thus stopping a dramatic growth in the TANF caseload. The new measures enabled the Department to cut the waiting list for TANF clients to receive Jobs employment services by 87 percent. These improvements included:

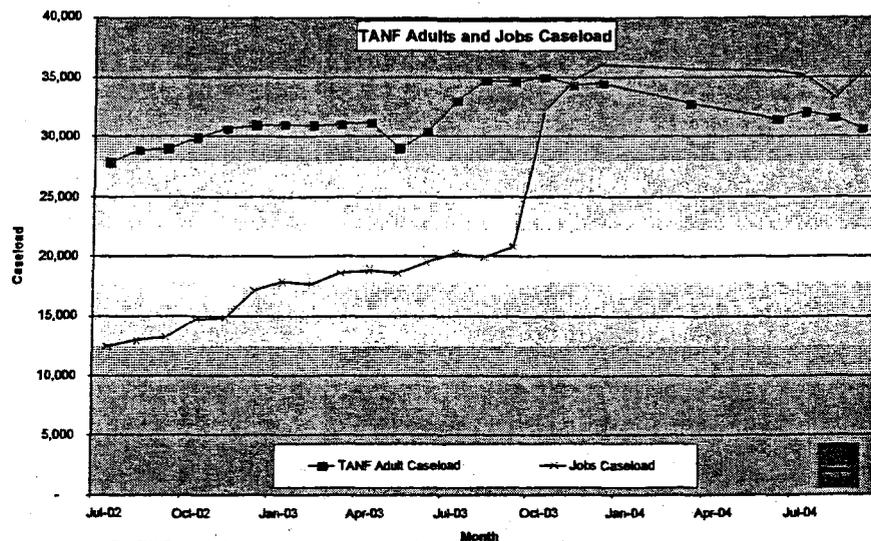
- Requiring 100 percent engagement for adult clients who apply for TANF Cash Assistance. Previously, the Department had used a waiting list and only pulled new clients into Jobs services as slots became available. Making this change has greatly reduced the number of clients and the length of stay on the waiting list.
- Ensuring that clients who receive job and life skill training also receive targeted, client-based training sessions. This was changed from the prior process that enrolled a client in a longer-term course that may have covered topics that were beyond those specifically needed for job placement.

- Performing a more intensive review of the clients to identify those clients who were job-referral ready and coordinating with other employment services offered by the Department to reduce the length of time clients remained on TANF Cash Assistance.

Prior to the SFY 2004 improvements to the Jobs program, many clients were held on a waiting list before receiving services. The length of time clients spent waiting on this list prior to October 2003 was approximately four months. This has been drastically improved to now reflect only a wait of under one month.

As a result of these activities, the Jobs caseload has increased, and the TANF adult caseload has declined.





The TANF caseload represents only the adult population.

The Jobs caseload is larger than the TANF caseload in some months due to the cases in Jobs staying open following a client transitioning off TANF. This is so Jobs can track the progress of each client and provide transitional services as necessary.

Work teams have been formed to modify local office processes to enable and encourage the needed collaboration among Department staff and community partners to ensure that clients receive the needed services in the required time frames.

The focus of one initiative is to coordinate the delivery of TANF and child welfare services. Anticipated outcomes include the ability to identify client needs earlier and to ensure that available services are provided at the point the need is identified.

Another initiative is to develop a set of strategies to ensure an integration of services between the TANF worker, the Jobs employment worker, and the child care worker. This model focuses on employment as the primary client goal to continue to reduce TANF caseload growth. The design ensures that clients who can work are given the services so they can find work and that those who are not job-ready receive services to provide them an opportunity to become job-ready.

Finally, a third initiative has been established to address issues related to identifying families that are at risk of being closed from TANF Cash Assistance for failure to comply with programmatic requirements such as work participation or cooperation with establishing a child support case.

Service integration activities in the local offices have begun in Phoenix and Tucson. Field staff were empowered to develop a local office service integration model that addresses delivery of several Department programs along with those of community partners. Several other office transitions are now in planning and implementation phases.

Efficiency Initiatives

Governor Napolitano announced in January 2003 the establishment of a Statewide Efficiency Review (ER) project with a mission of finding practical and sensible solutions to improve customer service, reduce costs and eliminate duplication. This effort was enhanced in SFY 2004 with the initiation of the Revenue Maximization (RevMax) project. The purpose of the RevMax project is to seek out all opportunities for revenues, including enhanced federal funding, so that agencies can better serve the needs of the people of Arizona. Consistent with the purposes of the Governor's ER project, the Department initiated activity during SFY 2003 to pursue internal efficiencies, investments to draw down additional federal funding, and improved outcomes for customers that keep them out of more expensive systems of care. The Department's Efficiency Review initiatives resulted in cost avoidances of \$4.2 million during SFY 2003 and \$17.8 million during SFY 2004.

During SFY 2004, one major long-term initiative to offset state funding was completed. This initiative increased the number of children in foster care who were eligible for federal Title XIX Medicaid funding by restructuring the eligibility determination process. The initiative made use of improvements in the information systems processing to streamline the eligibility determination process, expedite initial Title XIX eligibility determinations, and improve transmission of eligibility determinations to AHCCCS. As a result, Title XIX eligibility increased from 85.43 percent of children in SFY 2003 to 91.14 percent of children in SFY 2004. This generated a total SFY 2004 cost offset of \$294,700 and a projected SFY 2005 offset of \$1.7 million.

Healthy Families Arizona Program

Healthy Families Arizona (HFAz), the nationally credentialed home-visiting program administered by the Division of Children, Youth and Families, is in its thirteenth year of operation. The program is a home-based, voluntary program serving at-risk families during pregnancy and after the birth of the baby. The goals of the program are to enhance parent-child interaction, promote child health and development, and prevent child abuse and neglect.

The program undergoes an intensive independent annual evaluation that is exemplary in its many positive outcomes over the years. The most recent evaluation in 2004 finds that 97 percent of children in the program are linked to a medical doctor, and the immunization rate for infants in the program is 94 percent (compared to the state average of 77 percent). Parents with the highest stress scores improved the most, and 98.4 percent of program participants did not have a substantiated CPS report during SFY 2004.

The program received increased funding in the SFY 2004 legislative session and has been expanding across the state. The two largest metropolitan areas, which have the highest populations, have increased their number of sites. Maricopa County is increasing from 8 to 22 sites, and Pima County is increasing from 5 to 8 sites. Many rural communities were able to add staff, which is enabling them to serve more families in their communities. There are also several rural

communities across the state that were able to start Healthy Families sites for the first time. These communities are Kingman, Bullhead City, Winslow, Globe, Safford, Stanfield, Apache Junction, and the Gila River Indian Reservation.

HFAz recently received its second four-year multisite credential from Prevent Child Abuse America. This credential attests that HFAz meets nationally established research-based, best practice standards for quality service delivery, management, and operations.

Arizona Families F.I.R.S.T.

Arizona Families F.I.R.S.T. (Families in Recovery Succeeding Together) is an innovative, community-based approach to the provision of substance-abuse treatment that is built on research, best practices, and community involvement. The program provides the opportunity for families referred to CPS or participants in the Jobs program to overcome the barrier of substance abuse in order to reach the outcomes of permanency for children, family reunification, and self-sufficiency.

The framework of the Arizona Families F.I.R.S.T. (AFF) program was designed to do business through collaboration and innovation while weaving the goals of child welfare, TANF, and family-centered practice into the delivery of substance-abuse and recovery services and emphasizes outreach, engagement, aftercare, and supportive services in addition to a continuum of traditional substance-abuse treatment. Programmatic accomplishments include:

- Over 8,000 individuals have received an opportunity to be screened and assessed for substance-abuse treatment since program implementation in March 2001.
- Engagement rates continue to be moderately high for the program. Since the program's inception, about two-thirds of referred individuals received substance-abuse assessments.
- AFF continues to improve retention rates, as nearly 66 percent of participating clients in SFY 2004 remained in treatment six months or longer. These patterns are promising, given research emphasizes the longer a client stays in treatment, the more likely that treatment will result in long-term behavioral change.
- Recent data suggests that recurrence of child abuse and neglect among program participants is low. Only 10 percent of AFF clients had a CPS report filed since their referral to the program, and only 2 percent of clients had substantiated reports.
- The partnership between DES and the Department of Health Services continues to be an effective means for systemic examination by the partner agencies to review sufficiency of services and utilization of best-practice approaches, including outreach and engagement strategies consistent with the AFF model.
- The University of Arizona, Applied Behavioral Health Policy Division, contracted with DES through an Interagency Service Agreement (ISA) in January 2004 to provide a mandated program evaluation. This agreement

will strengthen the quality of program data collected at the provider level in support of program improvement activities.

According to the program evaluators, AFF continues to meet and improve upon the programmatic goals of increasing the availability, timeliness, and accessibility of substance-abuse treatment.

National Family Caregiver Support Program

The Older Americans Act Amendments of 2000 established a National Family Caregiver Support program. Arizona received an allocation of \$2.56 million to implement the Arizona Family Caregiver Support program for SFY 2004. The program calls for all states, working in partnership with Area Agencies on Aging and local community-service providers, to provide five basic services for family caregivers, including the following:

- Information to caregivers about available services.
- Assistance to caregivers in gaining access to supportive services.
- Individual counseling, organization of support groups, and caregiver training to assist caregivers in making decisions and solving problems relating to their caregiving roles.
- Respite care to enable caregivers to be temporarily relieved from their caregiving responsibilities.
- Supplemental services, on a limited basis, to complement the care provided by caregivers.

Services are to be provided to family caregivers of older adults and grandparents and other relative caregivers of children not more than 18 years of age. The statute requires states to give priority consideration to persons in greatest social and economic need (with particular attention to low-income, minority individuals) and older individuals providing care and support to persons with mental retardation and related developmental disabilities.

In SFY 2004, the Family Caregiver Support program provided information and direct assistance to 215,603 caregivers, including grandparents or relative caregivers over age 60 for children not more than 18 years of age. As part of the activities of the Family Caregiver Support program, the Division of Aging and Community Services awarded \$416,000 to six of Arizona's Area Agencies on Aging for nine special caregiver projects. These projects provided additional focus on support for grandparents raising grandchildren, extended respite care, establishment of caregiver support groups, and the provision of "survival kits" for caregivers. All total, over 770 caregivers and 200 grandchildren being raised by a grandparent were assisted by the support offered through the special grant awards.

Fatherhood Program

The goal of the Division of Child Support Enforcement's (DCSE) Fatherhood program is to help low-income, noncustodial parents attain self-sufficiency and become financially and emotionally responsible parents.

DCSE began its partnership with the collaboration of agencies known as the Arizona Fatherhood Network (AFN) in July 1998. AFN is committed to providing a service-delivery system that empowers men and strengthens families to ensure a transformational and sustainable quality of life. The vision of AFN is accomplished through collaborations, mentorships, education, and employment.

In October 2002, DCSE was awarded funding by the federal Office of Child Support Enforcement to implement the proposed Arizona Fatherhood Parenting Academy.

The academy's curriculum is designed to help fathers increase their employment opportunities and earning potential and to improve their relationships with their children and the mother of their children. The six-month classroom instruction is facilitated by the Division of Child Support Enforcement, First Institutional Baptist Church of Phoenix, Child and Family Resources, Inc., Maximus Arizona Works, Valley Christian Center, and the Women and Youth for Self-Reliance (WYSR) Academy.

The customized curriculum includes 42 individual classes offered each week, two hours per week, in six distinct sections: child support overview, life skills development, relationship building and the benefits of marriage, workforce development, financial literacy, and computer literacy.

The academy opened its doors on July 10, 2003. Since its inception, 60 fathers have enrolled in academy classes, and 28 fathers have graduated. The academy is now in its third semester and expects to graduate 15-20 fathers in March 2005.

Ticket to Work Program

Ticket to Work increases the choices of Social Security beneficiaries with disabilities for obtaining employment, vocational rehabilitation, or other support services from public and private providers. The program issues a ticket to Social Security beneficiaries with disabilities that they can use with either an Employment Network or the state's Vocational Rehabilitation program to obtain the services needed to become successfully employed. During SFY 2004, the Division of Employment and Rehabilitation Services and Employment Networks completed focus groups for a congressional panel on Ticket to Work and reported to the panel on the successes within the program. Arizona, along with two other states, was chosen to have a Social Security Administration-funded marketing program.

Establishment Grants

In the Spring of 2004, the Division of Employment and Rehabilitation Services awarded 39 grants to providers statewide to establish, expand, or improve services or service capacity in eight different project areas. The project areas included workforce investments, transportation, assistive technology for persons with disabilities, blindness, nonprofit community rehabilitation programs, and services to individuals with severe mental illness.

Navigator Grant

The Rehabilitation Services Administration (RSA) successfully competed for a U.S. Department of Labor (DOL) Disability Program Navigator grant for a second year that allowed the program to expand the number of Navigator positions from 8 to 13. Navigators are change agents within Arizona's One-Stop Centers. Their task is to make those centers a destination of choice for persons with disabilities who are looking for work. Navigators also assist individuals with disabilities with accessing the wide variety of programs available to them.

Through the assistance of RSA's grants, One-Stop Centers were able to hire three additional Navigators to work in centers that did not already have such a position. Built into another assistive technology grant was assistance to One-Stop Centers to help make the centers' resource rooms accessible to persons with disabilities. This combination of DOL and Vocational Rehabilitation grants has had a significant impact on One-Stop Center accessibility and access to persons with disabilities.

Grant Awards from the Centers for Medicare and Medicaid Services

The Division of Developmental Disabilities was awarded one Systems Change grant from the Centers for Medicare and Medicaid Services in SFY 2004. One three-year grant is to fund a study of the efficacy of Human Service Cooperatives as a means of self-determination and empowerment of persons with developmental disabilities. The other grant is to fund a study of peer-review monitoring of home- and community-based services.

Fiscal Intermediary

The Division of Developmental Disabilities awarded the first contract for fiscal intermediary services. In doing so, the division is supporting persons with developmental disabilities and families in the continued use of the individual independent provider network. The role of the fiscal intermediary is to assist persons with developmental disabilities and families in managing the authorizations of service and the payments to those providers who work in the home of the individuals the Department supports.

Health Insurance Portability and Accountability Act of 1996

In 1996, Congress passed the Health Insurance Portability and Accountability Act (HIPAA) of 1996. HIPAA mandates significant changes in the legal and regulatory environment to guarantee the security and privacy of health-related information and to standardize the format of electronic transmissions of health-related data. The Department is working collaboratively with other state agencies to accomplish the mandated changes. The Department completed training during SFY 2004 and is now compliant with HIPAA training requirements. Improvements to the information technology systems to make the Department fully HIPAA compliant continue in SFY 2005.

Online Certification Process for Home- and Community-Based Services

The Office of Licensing, Certification and Regulation (OLCR) is responsible for certifying that qualified vendors comply with certification requirements of state and federal agencies. DES will automate the Home- and Community-Based Services (HCBS) certification process by July 1, 2005.

The OLCR system is a Web-based application currently available through the Qualified Vendor Application and Directory System (QVADS). QVADS is a Web-based system that allows a potential vendor to fill out and submit an application, receive an agreement, and be placed on a qualified vendor list to provide services to individuals with developmental disabilities.

Arizona Virtual One-Stop Project (VOS)

The Division of Employment and Rehabilitation Services (DERS) replaced the Workforce Investment Act's Participant Tracking System with the Virtual One-Stop (VOS) application. DERS implemented the VOS system in Arizona to facilitate public access to a variety of employment and training programs, as well as related supportive services, all under one roof. VOS has revolutionized the delivery of one-stop services at a state and local level. It provides access to a comprehensive array of services for job seekers, employers, training providers, benefit applicants, students, and other one-stop customers in one location, by means of the Internet.

An additional benefit of the project is that VOS allows the Local Workforce Investment Areas (LWIAs) to work on the same database. Prior to the implementation of the Virtual One-Stop, all the LWIAs had individual databases, and client data was not shared between local areas.

Internet Employer Registration System

The Division of Employment and Rehabilitation Services (DERS) Unemployment Insurance (UI) Tax Section, in conjunction with the Arizona Department of Revenue (ADOR), implemented an Internet-based application that enables new

employers to meet the statutory provisions of registering with both the Department and ADOR online rather than submitting a paper form.

Phase one of this project, implemented in January 2004, allows the UI Tax Section to receive an electronic file from ADOR. This eliminates the sharing of the paper application between the two agencies.

Phase two, slated to be implemented in January 2005, provides for the automated workflow of the electronic documents, status determinations, and information processing for the UI tax registrations. This will complete the transformation of a manual paper-driven process to a fully automated, paperless operation.

Interactive Voice Response System

The Department implemented an Interactive Voice Response System that supports child support enforcement program queries from various entities, including custodial and noncustodial parents, other child support agencies, employers, attorneys, and mortgage companies. The system is available 24 hours, 365 days a year, and information is available in both English and Spanish.

Prepaid Medical Management Information System

The Department automated the interface with the Arizona Health Care Cost Containment System (AHCCCS) Prepaid Medical Management Information System. The state averages 900 individuals per month who apply for medical assistance and are currently eligible. At an average of \$80 per person to process applications manually, the new interface provides savings of approximately \$72,000 per month.

Internet Application for the Arizona Early Intervention Program (AzEIP)

The Department implemented a new Internet application for the Arizona Early Intervention program. The Internet application allows interested parties to refer children under the age of three with developmental disabilities or delays to the AzEIP.

Unemployment Insurance Fraud Database

The Office of Special Investigations (OSI) has developed a tracking system of known suspicious addresses and Social Security numbers potentially used in Unemployment Insurance (UI) fraud schemes. In cooperation with the three Arizona UI Call Centers and the UI Tax Office, information on newly submitted UI claims are checked against the OSI tracking system. If it is determined that the information is falsified, the claim is denied, and an investigation is opened. If

the information is verified and found valid, the claim is processed through normal channels.

Health-E-Arizona

A partnership between AHCCCS, the Department, and federally qualified health centers is operating a new Web-based enrollment application called "Health-E-Arizona" at 65 health center locations and two hospitals in Pima County. Health-E-Arizona is a paperless application process for public health insurance. It was designed for use by application workers in community-based organizations, clinics, and private businesses to help individuals and families apply for public health insurance.

The application process is more efficient for both administrators and clients. Preliminary eligibility determinations and identification of health plan/provider preference are completed during the application process, and supporting documents are faxed and associated electronically with the application data. The application is available in both English and Spanish.

Using the Health-E-Arizona application, the Department has been able to increase its rate of approval for medical assistance applications from below 50 percent to 57 percent. Additionally, using the Health-E-Arizona process, applicants who are found ineligible for federal services are automatically considered for eligibility for local medical services.

Disaster Recovery Plan

The Division of Technology Services continued its efforts, within existing resource limitations, to alleviate concerns regarding potential data loss by developing and implementing various procedures in the Department's Data Center to improve data security. During the year, the division, in cooperation with the Arizona Department of Administration and the Department of Public Safety, received Information Technology Authorization Committee (ITAC) approval of Phase I of a three-phased Tri-agency Disaster Recovery Plan. This approval resulted in the release of an Request for Proposals (RFP) for disaster recovery "hot site" services.

Awards

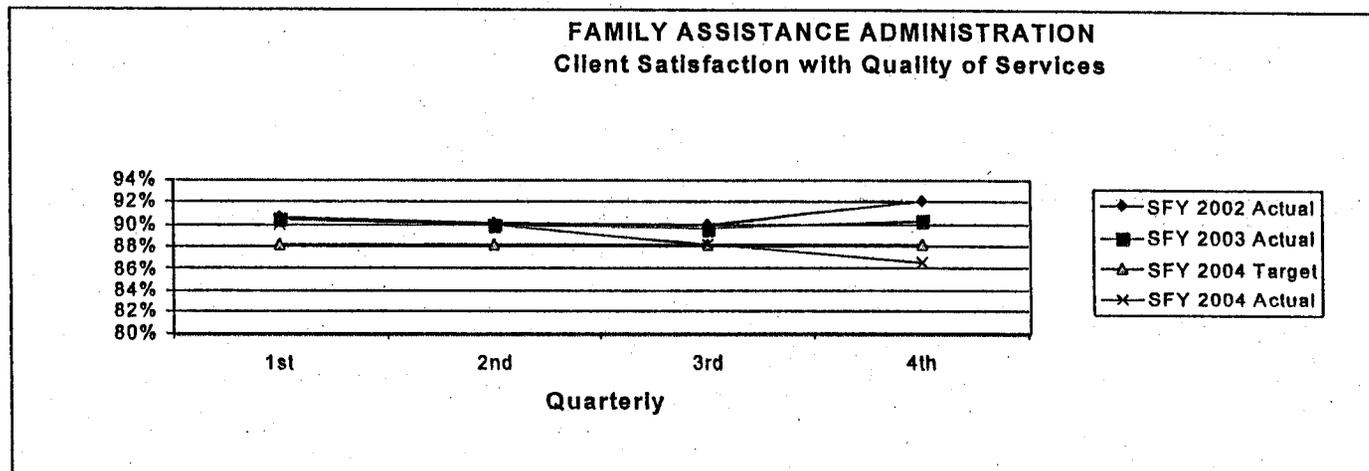
The Department received a \$4 million Temporary Assistance for Needy Families (TANF) High Performance Bonus from the U.S. Department of Health and Human Services. The Department received this award for achieving improvement in the job entry rate for Federal Fiscal Year (FFY) 2003 over FFY 2002.

Key Performance Results

The Department of Economic Security reports monthly to the Arizona Department of Administration on Key Performance Results (KPRs). The KPRs focus on critical issues that are important to the agency. The KPRs are shared with the Governor's Office to demonstrate agency progress and success in providing quality services to Arizona residents.

Department of Economic Security SFY 2004 Monthly Key Performance Results

By June 30, 2004, DES will have client satisfaction with the quality of services received from the Family Assistance Administration at 88.20%.



This is a point-in-time measure and represents the percentage of clients who rated services from 1 to 3 on a scale of 1 to 5, with 1 being the highest rating and 5 being the lowest rating. Ratings are based on a sampling of all active TANF, Food Stamps and Medical customers. Approximately 2500 individuals are sent a customer satisfaction survey each quarter.

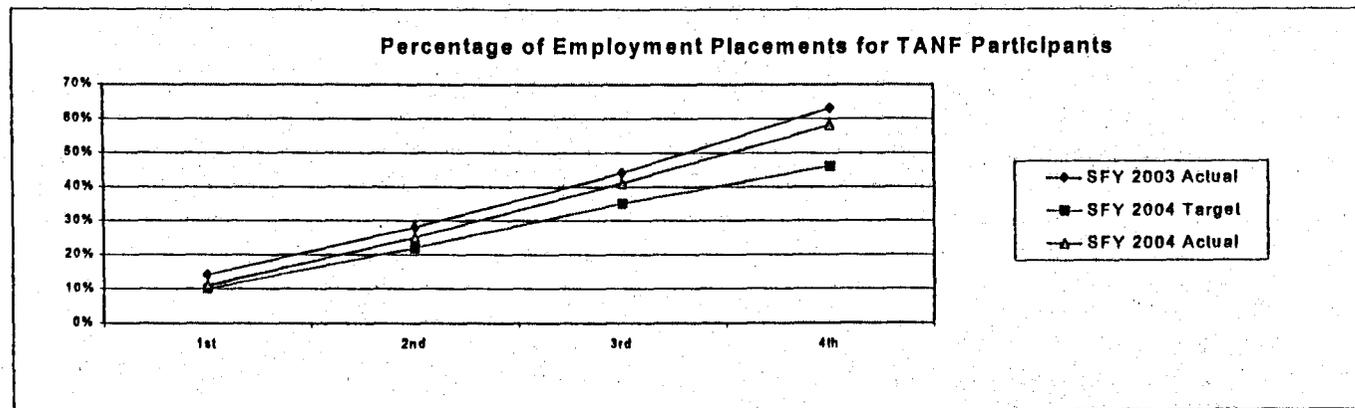
	1st	2nd	3rd	4th
SFY 2002 Actual	90.60%	90.10%	89.90%	92.00%
SFY 2003 Actual	90.40%	89.90%	89.80%	90.20%
SFY 2004 Target	88.20%	88.20%	88.20%	88.20%
SFY 2004 Actual	90.00%	90.00%	88.20%	86.60%

Client satisfaction data are collected on a quarterly basis only.

Note: The Department has experienced a greater than 50% caseload increase in the Food Stamp program since SFY 2002. This increase has had a negative impact on the Department's ability to meet client needs. The Department has begun to deliver services in a more integrated manner in an effort to increase its customer satisfaction rating.

Department of Economic Security SFY 2004 Monthly Key Performance Results

By June 30, 2004, DES will achieve 46% employment placement for the TANF population.

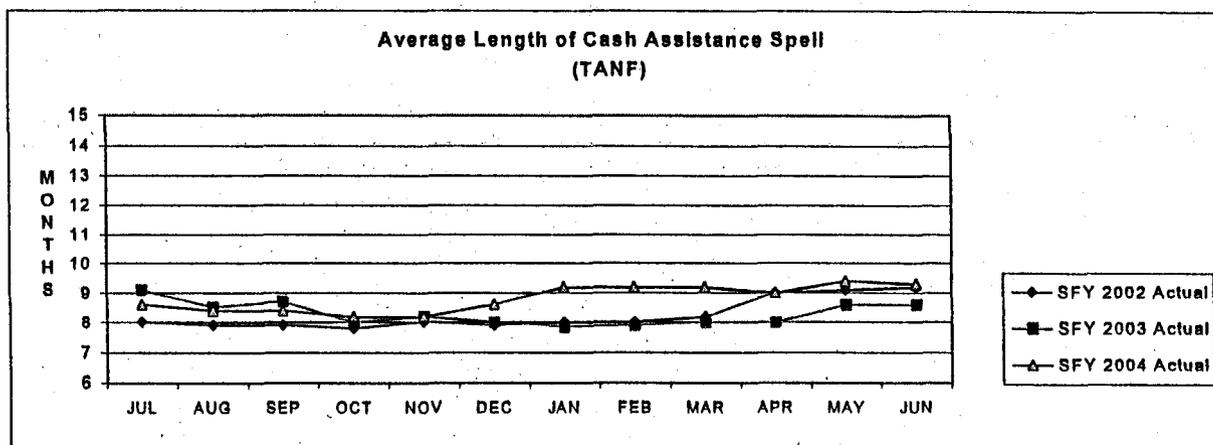


This measure represents the cumulative number of employment placements for TANF participants as compared to the constant TANF population as of July 31, 2002, of 25,348 (TANF population defined as adults 18 years and older, excluding tribal cases).

	1st	2nd	3rd	4th
SFY 2003 Actual	14%	28%	44%	63%
SFY 2004 Target	10%	22%	35%	46%
SFY 2004 Actual	11%	25%	41%	58%

Placement numbers are typically available 45 days following the close of the quarter. Actual data may change as system-generated information is updated.

**Department of Economic Security
SFY 2004 Monthly Key Performance Results**



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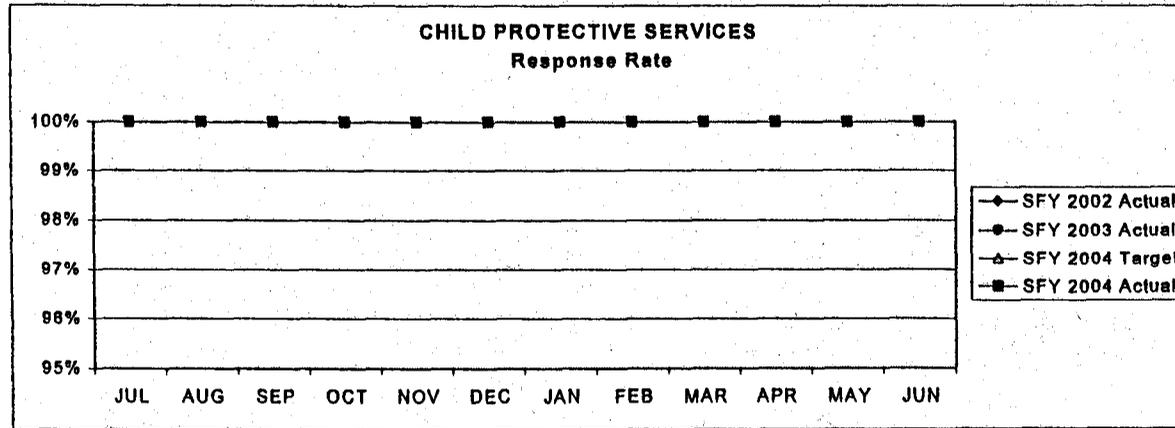
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
SFY 2002 Actual	8.0	7.9	7.9	7.8	8.0	7.9	8.0	8.0	8.2	9.0	9.1	9.2
SFY 2003 Actual	9.1	8.5	8.7	8.0	8.2	8.0	7.9	7.9	8.0	8.0	8.8	8.6
SFY 2004 Actual	8.6	8.4	8.4	8.2	8.2	8.6	9.2	9.2	9.2	9.0	9.4	9.3

This measure represents the cumulative monthly average of the length of a Cash Assistance Spell for cases closed each month. A Cash Assistance Spell means the period from the first month benefits are paid until the case is closed. Data have been collected since November 1995 and are typically not available until 45 days following the close of the month.

Effective September 2003, the change from monthly to bi-annual reporting impacts the reported Average Length of Cash Assistance Spell. Actual data may change as system-generated information is reported.

**Department of Economic Security
SFY 2004 Monthly Key Performance Results**

By June 30, 2004, DES will maintain the Child Protective Services and Family Builders combined response rate of 100%.



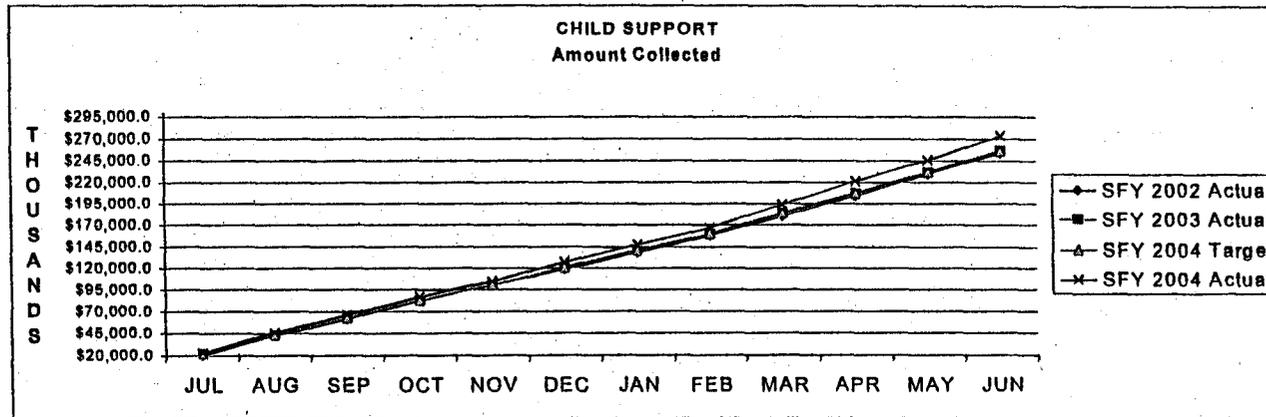
This measure represents the number of CPS reports assigned for investigation plus the number of reports referred to Family Builders compared to the total number of CPS reports received.

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
SFY 2002 Actual	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
SFY 2003 Actual	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
SFY 2004 Target	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
SFY 2004 Actual	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Monthly data are available 60 days after the last day of the month.
Data are reported after resolution of fluctuations between reporting periods.

Department of Economic Security SFY 2004 Monthly Key Performance Results

By June 30, 2004, DES will maintain total IV-D collections of \$256,800,000.



This measure represents the total year-to-date amount of IV-D dollars collected under Title IV-D of the Social Security Act.

(THOUSANDS)	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
SFY 2002 Actual	\$20,035.0	\$41,951.5	\$60,962.2	\$82,280.2	\$100,364.8	\$118,579.9	\$137,905.0	\$157,059.1	\$179,972.3	\$203,660.3	\$229,343.9	\$254,095.0
SFY 2003 Actual	\$22,293.0	\$43,031.2	\$62,119.7	\$83,041.8	\$100,630.3	\$120,812.3	\$140,564.1	\$159,444.7	\$183,440.7	\$207,281.9	\$231,994.2	\$256,555.0
SFY 2004 Target	\$22,292.4	\$43,021.7	\$62,114.4	\$83,033.6	\$100,622.5	\$120,808.5	\$140,559.6	\$159,443.2	\$183,297.2	\$207,304.4	\$232,026.2	\$256,800.0
SFY 2004 Actual	\$22,850.5	\$45,469.0	\$65,771.6	\$86,737.8	\$105,254.7	\$127,463.2	\$147,036.4	\$166,182.1	\$193,762.9	\$221,162.9	\$245,866.0	\$273,471.3

Monthly data are typically available 45 days after the last day of the month. Actual data may change as system-generated information is updated.

Statistics

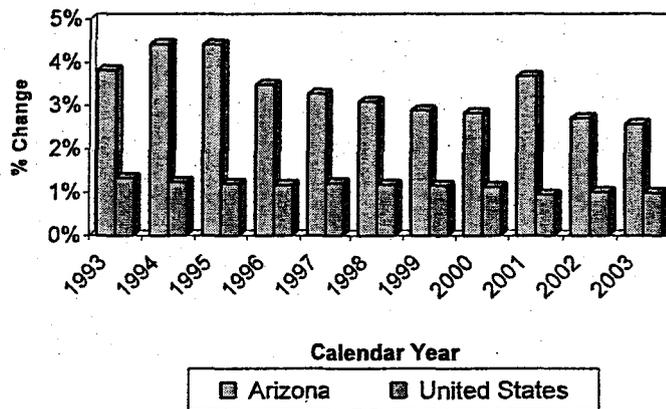
ARIZONA DEPARTMENT OF ECONOMIC SECURITY
Comparison Between Arizona and United States
Population
For the Calendar Years Ended December 31
(2003 is the most recent data available)

<u>Year</u>	<u>Arizona Population</u>	<u>United States Population</u>	<u>Percentage Change in Arizona Population</u>	<u>Percentage Change in U.S. Population</u>
1993	4,065,440	259,918,588	3.82%	1.33%
1994	4,245,089	263,125,821	4.42%	1.23%
1995	4,432,499	266,278,393	4.41%	1.20%
1996	4,586,940	269,394,284	3.48%	1.17%
1997	4,736,990	272,646,925	3.27%	1.21%
1998	4,883,342	275,854,104	3.09%	1.18%
1999	5,023,823	279,040,168	2.88%	1.15%
2000	5,165,765	282,177,754	2.83%	1.12%
2001	5,297,684	285,093,813	3.68%	0.95%
2002	5,441,125	287,973,924	2.71%	1.01%
2003	5,580,811	290,809,777	2.57%	0.98%

Source: The United States Census Bureau Population Estimates

Note: The information contained in the sources used for this table is revised on a continuing basis and, accordingly, the amounts in the above table have been revised. Therefore, amounts presented for some years may not match the amounts reported for prior years.

Population Growth



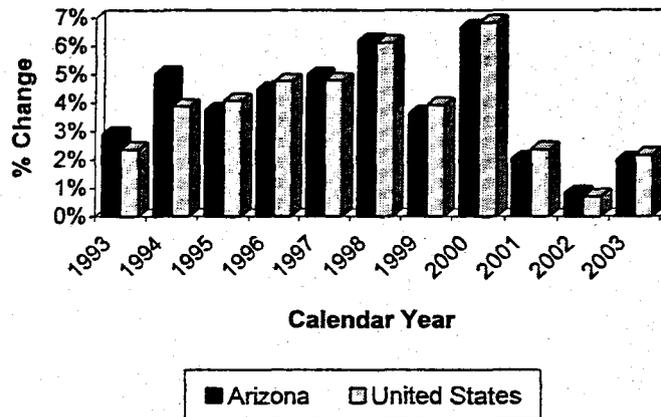
ARIZONA DEPARTMENT OF ECONOMIC SECURITY
Comparison Between Arizona and United States
Per Capita Income
For the Calendar Years Ended December 31
(2003 is the most recent data available)

<u>Year</u>	<u>Arizona Per Capita Income</u>	<u>U.S. Per Capita Income</u>	<u>Percentage Change in Arizona Per Capita Income</u>	<u>Percentage Change in U.S. Per Capita Income</u>
1993	18,293	21,346	2.90%	2.36%
1994	19,212	22,172	5.02%	3.87%
1995	19,929	23,076	3.73%	4.08%
1996	20,823	24,175	4.49%	4.76%
1997	21,861	25,334	4.98%	4.79%
1998	23,216	26,883	6.20%	6.11%
1999	24,057	27,939	3.62%	3.93%
2000	25,661	29,847	6.67%	6.83%
2001	26,189	30,580	2.03%	2.36%
2002	26,406	30,795	0.83%	0.70%
2003	26,931	31,459	1.99%	2.16%

Source: The United States Bureau of Economic Analysis, September 2004

Note: The information contained in the sources used for this table is revised on a continuing basis and, accordingly, the amounts in the above table have been revised. Therefore, amounts presented may not match the amounts reported for prior years.

Change in Per Capita Income



ARIZONA DEPARTMENT OF ECONOMIC SECURITY
Expenditures by Function and Funding Source
(Governmental Funds and Unemployment Insurance Benefits)
For the Fiscal Years Ended June 30

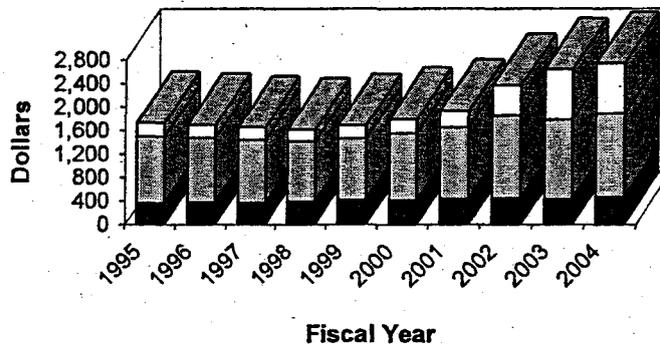
HEALTH AND WELFARE:

Year	State Funds	Federal Funds	Other Funds	Total Funds
1995	\$ 372,114,400	\$ 1,129,460,885	\$ 240,231,124	\$ 1,741,806,409
1996	386,169,400	1,092,763,240	225,288,163	1,704,220,803
1997	370,757,400	1,072,660,950	216,699,361	1,660,117,711
1998	400,340,700	1,018,548,228	202,518,001	1,621,406,929
1999	425,235,500	1,045,925,462	220,049,050	1,691,210,012
2000	422,155,816	1,134,907,352	241,950,698	1,799,013,866
2001	442,940,537	1,215,771,799	278,444,218	1,937,156,554
2002	449,946,977	1,406,217,101	511,087,455	2,367,251,533
2003	434,725,701	1,350,528,136	856,181,840	2,641,435,677
2004	472,442,402	1,420,389,817	846,938,314	2,739,770,533

Source: The Arizona Department of Economic Security, Audited Comprehensive Annual Financial Report, 1995, 1996, 1997, 1998, 1999, 2000, and 2001; and Audited Financial Statements, 2002, 2003, and 2004.

Note: The Federal Funds amounts include amounts for food stamp benefits distributed.

Expenditures by Function and Funding Source
(In millions)



State Funds
 Federal Funds
 Other Funds

ARIZONA DEPARTMENT OF ECONOMIC SECURITY
Revenues by Funding Source
(Governmental Funds and Unemployment Insurance Benefits)
For the Fiscal Years Ended June 30

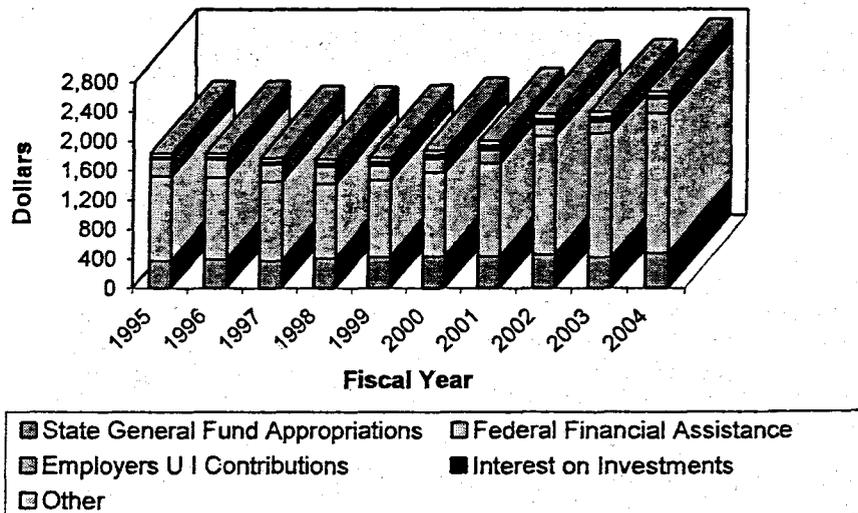
Year	State General Fund Appropriations	Federal Financial Assistance	Employers UI Contributions	Interest on Investments	Other	Total
1995	\$ 379,581,100	\$ 1,142,831,235	\$ 235,800,076	\$ 30,346,709	\$ 45,731,486	\$ 1,834,290,606
1996	397,217,300	1,110,112,146	239,480,340	38,861,761	48,154,973	1,833,826,520
1997	373,669,400	1,078,901,892	225,101,956	43,414,155	47,406,581	1,768,493,984
1998	409,640,900	1,016,492,399	223,517,434	51,591,704	49,907,366	1,751,149,803
1999	425,530,200	1,045,521,174	191,326,704	58,281,429	56,212,888	1,776,872,395
2000	434,171,319	1,143,846,770	177,603,712	64,010,350	57,845,055	1,877,477,206
2001	434,834,859	1,267,241,399	175,736,341	69,609,832	61,579,318	2,009,001,749
2002	463,456,900	1,604,700,337	162,157,379	66,619,568	76,573,245	2,373,507,429
2003	422,581,074	1,683,066,873	160,962,888	58,776,481	72,830,370	2,398,217,686
2004	484,037,500	1,893,683,834	194,894,098	46,839,769	51,605,255	2,671,060,456

Source: The Arizona Department of Economic Security, Audited Comprehensive Annual Financial Report, 1995, 1996, 1997, 1998, 1999, 2000 and 2001; and Audited Financial Statements, 2002, 2003 and 2004.

Note: The Federal Financial Assistance amounts include amounts for food stamp benefits distributed.

Unemployment Insurance Trust Fund revenues and expenditures do not directly correspond within a single fiscal year. The fund balance "self-balances" through a funding formula set in accordance with federal law.

Revenues by Funding Source (In millions)



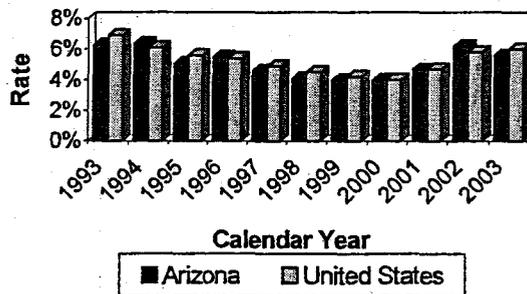
ARIZONA DEPARTMENT OF ECONOMIC SECURITY
Comparison Between Arizona and United States Unemployment
For the Calendar Years Ended December 31
(2003 is the most recent data available)

<u>Year</u>	<u>Number of Unemployed - Arizona</u>	<u>Number of Unemployed - U.S.</u>	<u>Unemployment Rate - Arizona</u>	<u>Unemployment Rate - U.S.</u>
1993	120,365	9,613,000	6.30%	6.90%
1994	133,936	7,996,000	6.40%	6.10%
1995	115,316	7,404,000	5.10%	5.60%
1996	126,839	7,236,000	5.50%	5.40%
1997	106,230	6,739,000	4.60%	4.90%
1998	98,233	6,210,000	4.10%	4.50%
1999	109,930	5,880,000	4.40%	4.20%
2000	98,449	5,692,000	4.00%	4.00%
2001	121,418	6,801,000	4.70%	4.70%
2002	164,757	8,378,000	6.20%	5.80%
2003	150,935	8,774,000	5.60%	6.00%

Source: The Arizona Department of Economic Security, Research Administration, Economic Analysis; and the United States Department of Labor, Monthly Labor Review.

Note: The information contained in the sources used for this table is revised on a continuing basis and, accordingly, the amounts in the above table have been revised. Therefore, amounts presented for some years may not match the amounts reported for prior years.

Unemployment Rate



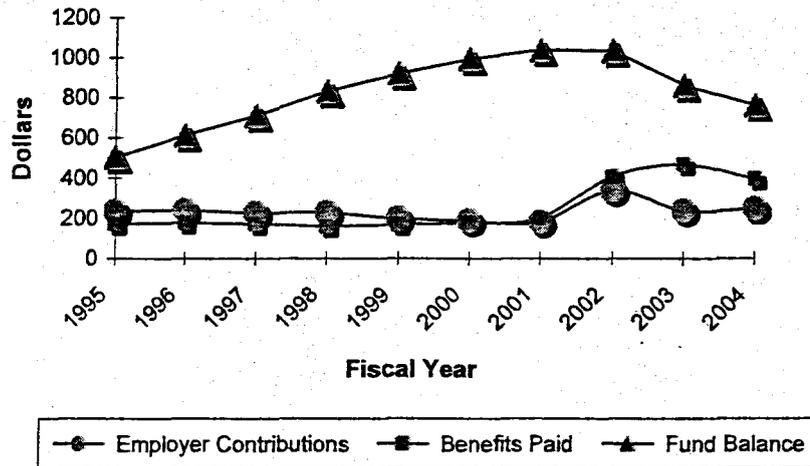
**ARIZONA DEPARTMENT OF ECONOMIC SECURITY
Unemployment Insurance Financial Transaction Summary
For the Fiscal Years Ended June 30**

<u>Year</u>	<u>Total Employer Contributions</u>	<u>Total Benefits Paid</u>	<u>Fund Balance</u>
1995	\$ 236,679,799	\$ 173,317,247	\$ 504,536,522
1996	240,046,970	177,755,864	613,437,439
1997	227,644,491	172,336,147	711,845,399
1998	228,236,334	159,930,580	831,262,488
1999	200,221,238	169,265,609	919,819,409
2000	188,348,457	177,980,914	993,052,630
2001	182,095,014	202,900,332	1,038,116,687
2002	338,555,460	407,021,875	1,033,275,970
2003	237,542,722	467,411,646	860,871,706
2004	247,481,831	394,987,858	759,016,265

Source: The Arizona Department of Economic Security, Unemployment Insurance Financial Transaction Summary Report.

Note: The total benefits paid amount for all fiscal years has been adjusted to include interstate benefits.

**Unemployment Insurance Contribution to Benefits and
Fund Balance (In millions)**

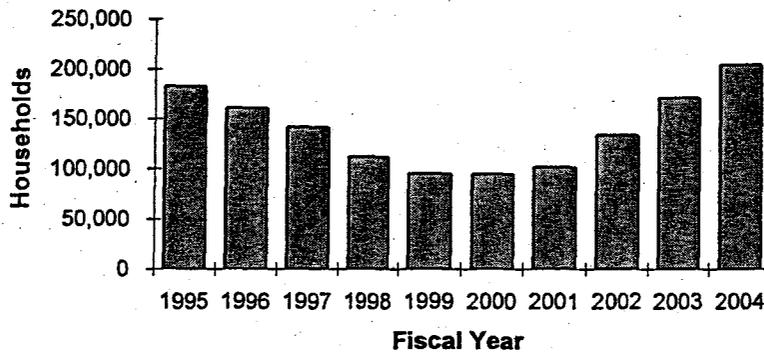


**ARIZONA DEPARTMENT OF ECONOMIC SECURITY
Food Stamp Benefits
For the Fiscal Years Ended June 30**

<u>Year</u>	<u>Average Monthly Number of Households</u>	<u>Average Monthly Number of Persons</u>	<u>Average Monthly Allotment Per Household</u>	<u>Average Monthly Allotment Per Person</u>	<u>Average Monthly Benefits Distributed</u>
1995	182,782	494,637	\$ 195.05	\$ 72.08	\$ 35,651,359
1996	161,415	434,542	200.91	74.63	32,429,993
1997	141,981	385,061	199.34	73.50	28,302,483
1998	112,345	311,142	201.11	72.61	22,593,553
1999	95,938	260,736	207.73	76.43	19,929,511
2000	95,238	257,989	208.83	77.09	19,889,001
2001	102,307	277,192	211.04	77.89	21,590,998
2002	134,135	355,722	217.64	82.07	29,193,426
2003	171,247	442,320	223.06	86.36	38,198,140
2004	204,010	521,992	227.63	88.96	46,438,594

Source: The Arizona Department of Economic Security, Family Assistance Administration.

Food Stamps Benefit Participation



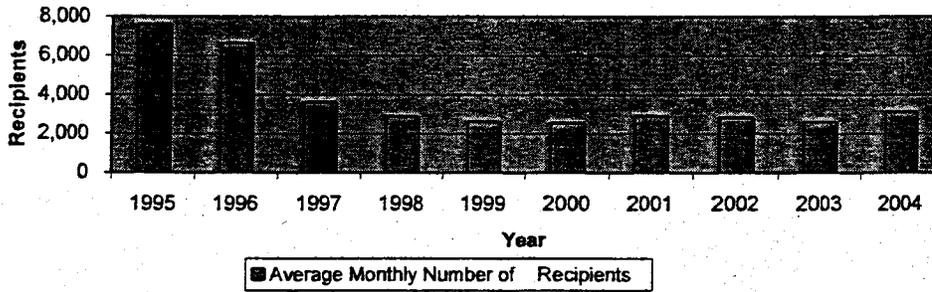
■ Average Monthly Number of Households

ARIZONA DEPARTMENT OF ECONOMIC SECURITY
General Assistance
For the Fiscal Years Ended June 30

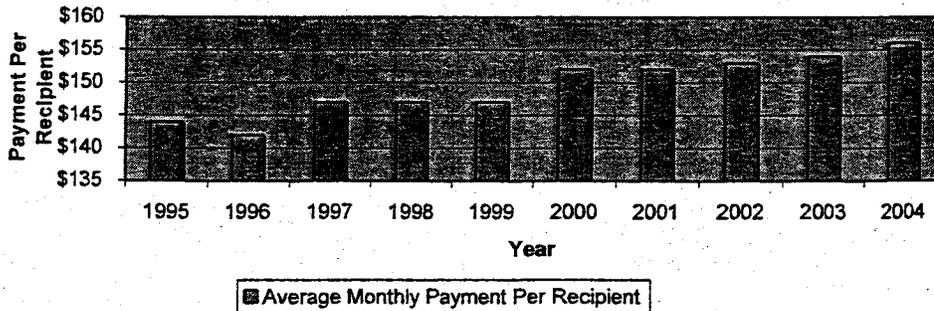
<u>Year</u>	<u>Average Monthly Number of Recipients</u>	<u>Average Monthly Payment Per Recipient</u>	<u>Average Monthly Payments</u>
1995	7,618	143.73	1,094,888
1996	6,655	141.97	944,841
1997	3,631	147.25	534,679
1998	2,883	146.87	423,430
1999	2,627	146.67	385,315
2000	2,566	151.93	389,855
2001	2,912	152.13	443,007
2002	2,847	152.67	537,348
2003	2,615	153.74	453,103
2004	3,125	155.87	485,900

Source: The Arizona Department of Economic Security, Family Assistance Administration.

Average Monthly Number of Recipients



Average Monthly Payment Per Recipient

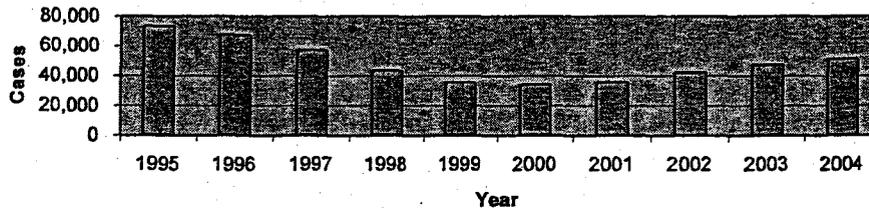


**ARIZONA DEPARTMENT OF ECONOMIC SECURITY
 Temporary Assistance for Needy Families
 For the Fiscal Years Ended June 30**

<u>Year</u>	<u>Average Monthly Number of Cases</u>	<u>Average Monthly Number of Recipients</u>	<u>Average Monthly Payment Per Case</u>	<u>Average Monthly Payment Per Recipient</u>	<u>Average Monthly Payments</u>
1995	73,277	201,019	296.57	108.11	21,731,910
1996	67,784	183,274	292.15	108.05	19,803,335
1997	57,526	155,037	296.30	109.94	17,045,065
1998	43,601	119,011	290.35	106.37	12,659,966
1999	35,730	95,556	282.66	105.69	10,099,685
2000	34,211	89,770	283.82	108.16	9,709,791
2001	36,146	93,857	282.66	108.86	10,216,987
2002	42,102	109,547	286.99	110.30	12,082,660
2003	47,298	121,193	282.76	110.35	13,373,618
2004	51,318	122,577	284.92	119.28	14,621,497

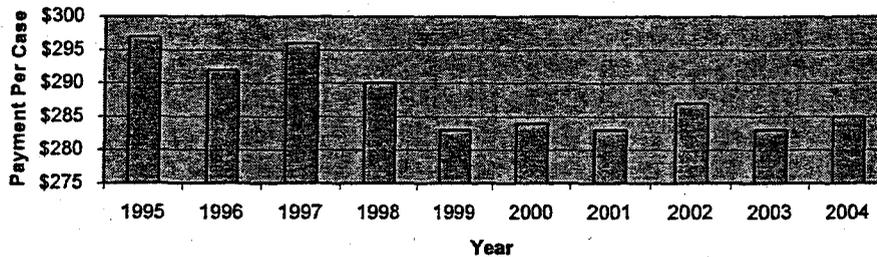
Source: The Arizona Department of Economic Security, Family Assistance Administration.

TANF Cases



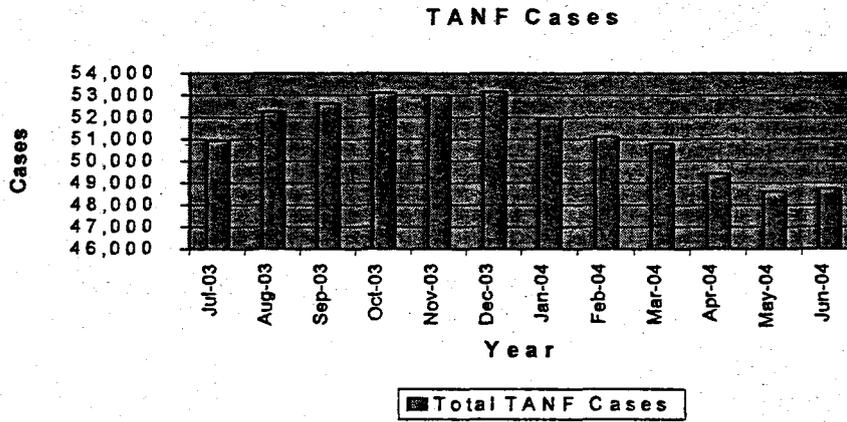
Average Monthly Number of Cases

Average Monthly Payment Per Case



Average Monthly Payment Per Case

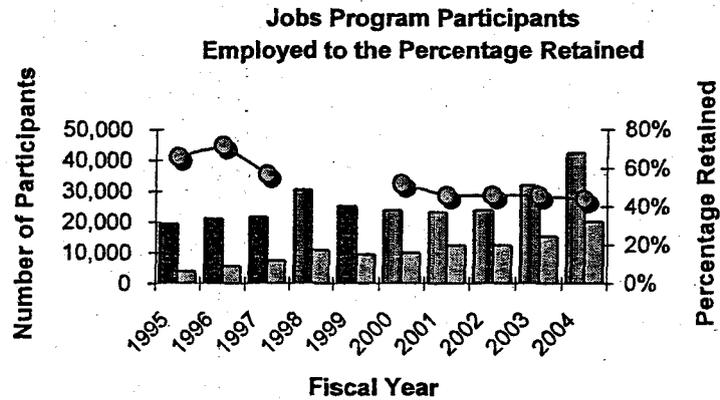
ARIZONA DEPARTMENT OF ECONOMIC SECURITY
Temporary Assistance for Needy Families
State Fiscal Year 2004 by Month



**ARIZONA DEPARTMENT OF ECONOMIC SECURITY
Jobs Program
Comparison of Participants to Participants Employed
and the Percentage with Retained Employment
For the Fiscal Years Ended June 30**

<u>Year</u>	<u>Number of Participants</u>	<u>Total Employed</u>	<u>Percentage Retained Employment For at Least 90 Days</u>
1995	19,544	3,984	66%
1996	21,263	5,905	72%
1997	21,734	7,433	57%
1998	30,520	10,930	N/A
1999	25,209	9,604	N/A
2000	23,802	9,950	52%
2001	23,290	12,405	46%
2002	23,818	12,513	46%
2003	32,008	15,490	46%
2004	42,565	20,185	44%

Source: The Arizona Department of Economic Security, Jobs Administration.

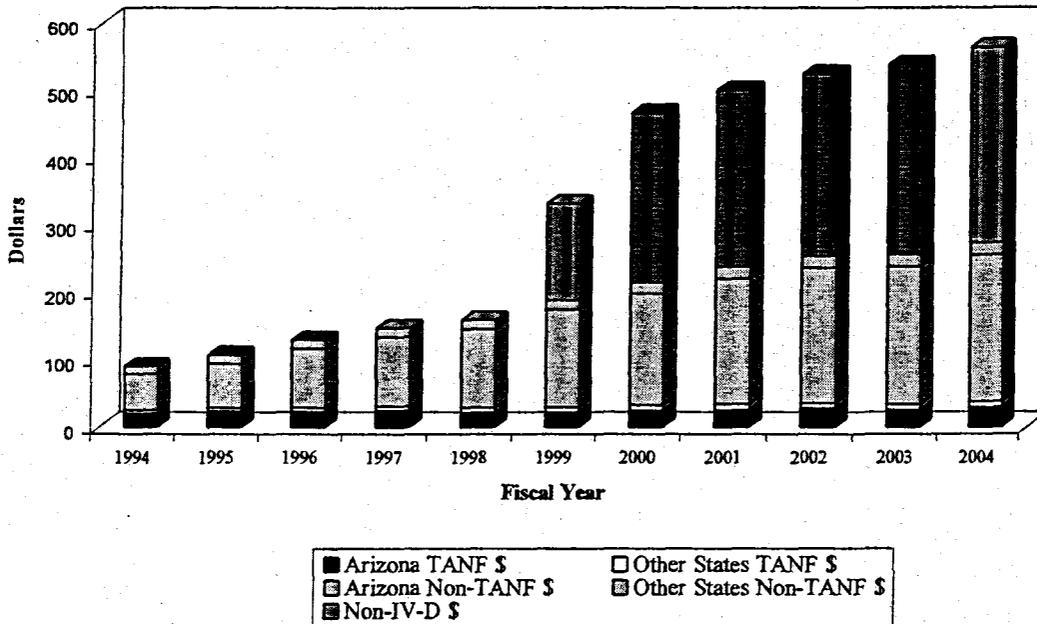


Number of Participants
 Employed
 Retained After 90 Days

ARIZONA DEPARTMENT OF ECONOMIC SECURITY
Child Support Enforcement Collections
For the Fiscal Years Ended June 30

Year	TANF Collected for Arizona	TANF Collected for Other States	Non-TANF Collected for Arizona	Non-TANF Collected for Other States	Non-IV-D Collected	Total Collections
1994	20,691,200	4,773,300	53,339,300	11,696,800	-	90,500,600
1995	23,826,900	5,047,300	65,478,200	12,983,200	-	107,335,600
1996	23,479,800	5,920,500	87,364,900	13,220,700	-	129,985,900
1997	25,075,000	6,187,200	103,245,200	12,632,300	-	147,139,700
1998	21,938,000	7,205,600	117,104,400	13,532,600	-	159,780,600
1999	22,739,900	7,326,300	145,367,800	13,791,700	143,074,200	332,299,900
2000	25,100,000	8,212,400	165,356,200	16,248,800	251,380,400	466,297,800
2001	26,106,500	8,538,800	186,167,200	17,225,100	262,336,000	500,373,600
2002	28,407,500	8,193,600	199,834,500	17,659,300	270,510,400	524,605,300
2003	26,262,600	8,267,100	204,043,700	17,981,500	281,660,900	538,215,800
2004	29,889,000	8,061,600	217,531,600	17,989,100	290,084,200	563,555,500

Source: The Arizona Department of Economic Security, Division of Child Support Enforcement



TANF Collected consists of TANF and Foster Care Collections.

Appendix A

Children and Family Services Training Program Fund Status Report

**Arizona Department of Economic Security
Administration for Children, Youth and Families (ACYF)
Children and Family Services Training Program Fund**

STATUS REPORT

The Child Welfare Training Institute (CWTI) was commissioned by the Arizona State Legislature in January 2001. In February 2003, the Office of the Governor instituted a Child Protective Services Reform Committee. In June and October 2003, the steering committees presented their comprehensive reports and recommendations to the reform committee, which led the CWTI to develop a six-week initial and intensive training curriculum, "Life of a Case." This was accomplished through a collaborative effort between field case managers, CWTI trainers, and community partners. The purpose is to make training more applicable and practical with hands-on case management experience as well as advanced and ongoing training.

The CWTI has also extended its current contractual agreement with Arizona State University to evaluate the training's effectiveness.

Institute training goals include the following:

1. **Emphasize family-centered child welfare best practices that are consistent with existing national standards.** The case manager core training curriculum has been revised to include two weeks of "foundational" training. The foundation includes a section on the "cognitive perceptual shift" in the agency's philosophy involving the shift to best practices. Throughout the six-week training curriculum, best practices are emphasized by:
 - A section entitled "Family to Family."
 - A section on disproportionality.
 - A section emphasizing the continuation of outcomes, which involves a critical decision-making exercise using a strengths-based perspective.
 - A section that focuses on the Governor's reform plan and the refocus on family-centered practice.

The sections listed above are some tangible ways that the emphasis on best practices will be reinforced; however, the continual thread of the case manager core training will be family-centered practice in all sections taught.

2. **Emphasize cultural competency, substance abuse, domestic violence, mental health, and secondary trauma.** CWTI has partnered with the Arizona Coalition against Domestic Violence (ACADV) to provide training on "Bridging the System between Domestic Violence and Child Welfare" for the case manager core training. ACADV has aligned the curriculum with best practices recommended by the National Council of Juvenile and Family Court Judges, the U.S. Department of Health and

Human Services, the U.S. Department of Justice and the U.S. Violence Against Women Office. Training has also been developed with Chicanos Por La Causa, Inc. on substance-abusing families, which incorporates the DCYF policy on substance-exposed newborns and the use of agency tools to assess family situations for strengths, risks, and safety. Beginning in January 2005, case manager core training will include sessions with a M.S.W.-level psychotherapist who will cover definitions of mental health diagnosis, separation and loss issues, elements of a psychological evaluation, and psychological consultation. In addition, beginning with the January 2005 case manager core training class, training participants will also receive training on secondary trauma and self-care.

3. **Support the professional growth and development of ACYF staff.** In August 2004, CWTI staff attended a regional training of the trainers for State Child Welfare agencies in Mesquite, Nevada. The CWTI staff took an active role with the planning and development of the annual regional training of the trainers planned for August 2005. In addition, all field training supervisors will be attending the 40-hour forensic interviewing training in 2005.
4. **Involve field staff in decision making on training issues.** In January 2005, Tucson offices will have a new field coaching and mentoring phase combining field workers and training staff to provide the learning experience. In addition, CWTI has made a conscious effort to develop the partnership model to involve field staff in the decision-making process on training issues. As a result of these efforts:
 - Youth Advisory Board members will speak to trainees during the sixth week of the case manager core training curriculum.
 - Supervisors will participate in a panel on the last day of case manager core training to answer questions, hear the supervisory needs of new staff, and facilitate the transition from the classroom to the field.
 - Provider agencies, including other DES divisions, will participate in an "expo" day where they can describe the services that they provide, answer questions, and present information about making referrals.
5. **Provide a more comprehensive evaluation tool to measure training effectiveness.** CWTI has extended the existing contractual relationship with Arizona State University (ASU) to develop a means of measuring the effectiveness of training. A Ph.D.-level professor has been designated to work with this project and to create and implement measurement tools.

One- and two-day advanced in-service workshops are conducted throughout the year in statewide locations to ensure ongoing training for experienced case managers and supervisors. CWTI also conducts parent aide and supervisor core training. CWTI's Supervisor Core is provided to new supervisors to instruct them in the most up-to-date supervisory practices.

The Department encourages staff to pursue a bachelor's or master's degree in social work to further improve the quality and professionalism of services.

SUMMARY OF CWTI TRAINING

Type of Training	Number of Weeks	Number of Days per Group	Total Number of Days	Number of Classes Started
Case Manager Core	6	Average of 29.5	177	21
Supervisor Core	8	16	32	7
Parent Aide Core	7	2	14	12
Specialized – Advanced Training	23	1-2	35	23

Note: Training costs are paid for by the Child Protective Services Training Fund with Title IV-E training reimbursement of federal grant funds.

New case managers receive the Introductory Guide, which includes reading materials and assignments. The Introductory Guide is intended to be completed within the first month of employment by the new case manager.

New supervisors receive a supervisor handbook as part of the revised Supervisor Core Training. A Revised Supervisor Core Curriculum was developed as a collaborative effort of CWTI staff and field supervisors. Other supervisory training such as "Excellent Staff Through Example Education Motivation" (ESTEEM) Evaluation training and Cultural Competency is offered through the Office of Management and Development within the Department.

DES Service Delivery Presence by District

Director's Office

1717 West Jefferson Avenue
Phoenix, AZ 85007
(602) 542-5678

District Offices

District I

815 North 18th Street
Phoenix, AZ 85006
(602) 307-9016

District II

400 West Congress, #420
Tucson, AZ 85701
(520) 628-6810

District III

220 North Leroux
Flagstaff, AZ 86001
(928) 779-2731

District IV

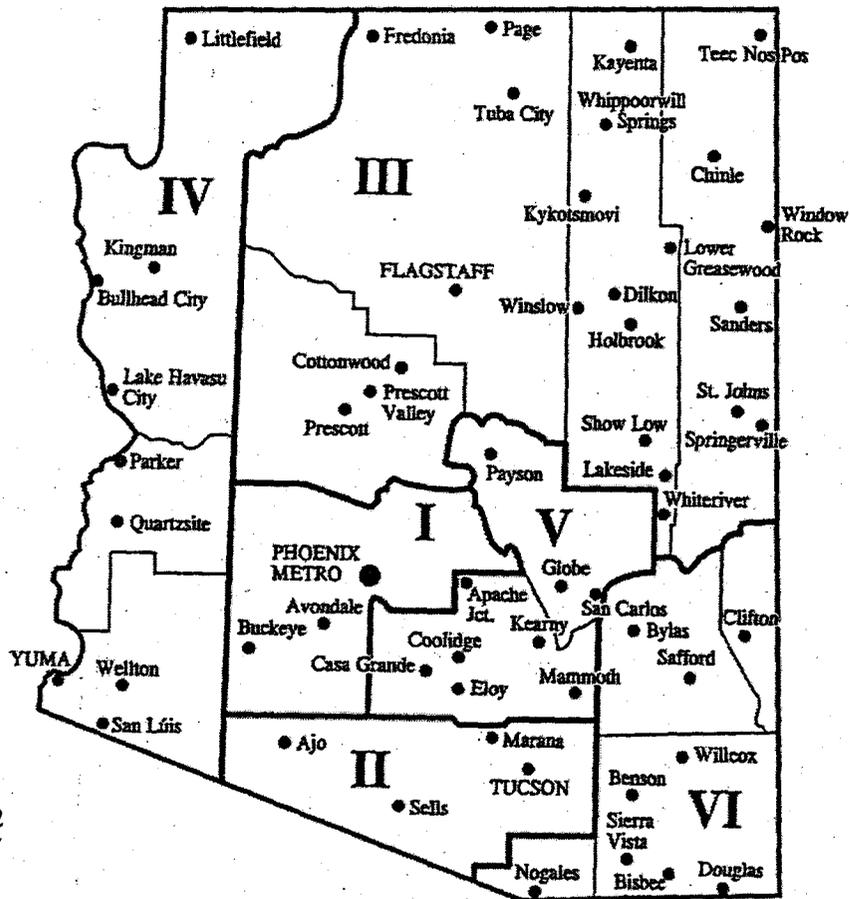
350 West 16th Street, #232
Yuma, AZ 85364
(928) 782-4343

District V

2510 North Trezell Road
Casa Grande, AZ 85222
(520) 836-2351

District VI

209 Bisbee Road
Bisbee, AZ 85603
(520) 432-5703



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