

**DEPARTMENT OF WORKFORCE SERVICES
(AGENCY 0810) - 2007-09 BIENNIUM
BUDGET INFORMATION ACCORDING TO ALC/JBC RECOMMENDATIONS**

I) AGENCY SUMMARY & REVENUE SOURCES

MISSION

The primary responsibilities of the Department are to promote employment security by increasing opportunities for placement through the maintenance of a system of public employment offices and to provide through the accumulation of funds from employer contribution taxes for the payment of benefits to individuals who are involuntarily unemployed. In addition to these responsibilities, the Department serves as the Governor's Administrative Entity for the Arkansas programs funded by Title I of the Workforce Investment Act, the lead agency for the Governor's Task Force on Dislocated Workers, and provides overall administration and case management services for the Temporary Assistance for Needy Families Program. Act 1705 of 2005 changed the name of the agency from the Employment Security Department to the Department of Workforce Services.

TOTAL BIENNIAL BUDGET

The total biennial budget for the Department is \$933.6 million in FY08 and \$852.3 million in FY09 which is an increase of \$15 million or 1.6% in FY08 and \$11.6 million or 1.4% in FY09.

FUNDING SOURCE

The Department is funded primarily with federal funds with less than .5% of their funding coming from General Revenue.

II) SIGNIFICANT CHANGES

General Revenue Summary

This agency has a total of \$3,792,956 in General Revenue funding for FY08 and \$3,793,943 in FY09. This general revenue provides funding for the New Hire Registry - State Appropriation and the state match for the TANF Block Grant Paying Appropriation.

The increase in general revenue funding of \$641 in FY08 and \$1,293 in FY09 is intended to provide a 2% cost of living adjustment for the New Hire Registry State Appropriation payable out of the Miscellaneous Agencies Fund Account.

The \$3,640,650 needed for the TANF Block Grant Match is provided through a fund transfer each year from the Department of Health and Human Services, Division of County Operations.

ANNUAL ASSESSMENTS (APPROPRIATION 2RF)

This appropriation is funded by the Employment Security Special Fund which derives its funding from penalties and interest assessed to Arkansas Employers, and is used to pay the annual assessment to maintain voting member rights in the National Association of Workforce Agencies. The total budget is \$26,000 and includes an increase of \$1,000 each year to provide for an increase in membership dues.

EXCESS UNEMPLOYMENT BENEFITS AND EXPENSES (APPROPRIATION 2SC)

This appropriation is funded by the Employment Security Special Fund which derives its funding from penalties and interest assessed to Arkansas Employers and delinquent tax collections, and is used for the

payment of administrative expenses in excess of funding sources due to a reduction in federal funds. The total budget for this appropriation is \$14,373,841 in FY08 and \$10,878,035 in FY09 which includes the following increase:

Payment/Expenses: An increase of \$4,292,211 in FY08 and \$795,405 in FY09 to replace the financial accounting reporting system (FARS) which was purchased in 1982-83. The system the Department purchases must receive federal approval.

PERSONAL SERVICES (APPROPRIATION 2SD)

This appropriation is funded by the Arkansas Employment Security Trust Fund which derives its funding from revenues authorized by the federal government for support of various programs, any interest earnings from the fund, and any other funds made available by the Arkansas General Assembly. This appropriation is used for the payment of Regular Salaries, Personal Services Matching, Extra Help and Overtime for the employees of the Department. The total budget for this appropriation is \$39,444,062 in FY08 and \$39,444,399 in FY09 which includes the following increases:

Regular Salaries & Matching: An increase of \$6,000,145 (\$4,318,351 for salaries & \$1,681,794 for matching) each year to restore 94 positions to support 47 programs in 36 offices, and the addition of 81 positions to operate the Temporary Assistance to Needy Families (TANF) Program transferred to the Department from the Department of Health and Human Services' Division of County Operations. Also provides an increase of \$575,390 in FY08 and \$1,219,151 in FY09 for salaries and matching for a 2% cost of living adjustment.

Overtime: An increase of \$52,848 each year to address federal mandates, disaster situations, or other unanticipated situations.

NEW HIRE REGISTRY - STATE (APPROPRIATION 2SG)

This appropriation was established to support the state portion of the New Hire Registry Division which is to develop and maintain a state directory which employers report newly hired and returning employees to aid in the establishment and enforcement of child support orders. The total budget is \$152,306 in FY08 and \$152,958 in FY09 with the following increase:

Regular Salaries & Matching: An increase of \$641 in FY08 and \$1,293 in FY09 to provide a 2% cost of living adjustment.

NEW HIRE REGISTRY - FEDERAL (APPROPRIATION 2SH)

This appropriation was established to support the federal portion of the New Hire Registry Division which is to develop and maintain a state directory which employers report newly hired and returning employees to aid in the establishment and enforcement of child support orders. The total budget is \$355,616 in FY08 and \$356,943 in FY09 with the following increase:

Regular Salaries & Matching: An increase of \$1,299 in FY08 and \$2,626 in FY09 to provide a 2% cost of living adjustment.

COMMUNITY INVESTMENT INITIATIVE (APPROPRIATION 2YZ)

Discontinues the appropriation established to allow the Department to contract with private or community organizations to offer services and support to parents, children and youth. DWS can use the TANF Block

Grant Paying appropriation for this type of initiative if approved by the Transitional Employment Assistance Board.

TANF TREASURY CASH (APPROPRIATION 4HW)

Replaces this appropriation which was created to establish a cash in treasury fund to enable fund transfers of TANF Block Grant funds between state agencies with a TANF Block Grant Paying Appropriation (Appropriation 4KQ)

TANF INDIVIDUAL DEVELOPMENT ACCOUNT (APPROPRIATION 4KP)

Transfers a \$35,781 base level appropriation from the DHHS-DCO and adds \$464,219 to restore it to its original authorized level of \$500,000 to be used for contracts with Fiduciary Organizations to manage the Individual Development Account program which is a mandatory savings program for Transitional Employment Assistance (TEA) recipients with \$3 in TANF funding set aside in a savings account for every \$1 provided by program participants. This program provides an opportunity for participants to accumulate assets, develop good saving habits, promotes home ownership and micro enterprise development, and provides funds for education.

TANF BLOCK GRANT PAYING (APPROPRIATION 4KQ)

Creates this new appropriation which is funded by general revenue and federal TANF Block Grant funds and is used to support the administration of the TEA and Work Pays Programs. The Department's primary responsibilities for these programs are case management and general program administration. The DHHS - Division of County Operations retains the responsibility for eligibility determinations and benefit delivery for the TEA program. The total budget for the program is \$66,590,650 each year and this appropriation replaces the TANF Treasury Cash Appropriation referenced above.

ESD CASH OPERATIONS (APPROPRIATION C27)

This appropriation is funded by federal dollars deposited into a cash account, and it provides for the operational costs of the Agency. The total budget for this appropriation is \$52,706,031 in FY08 and \$52,154,930 in FY09 which includes the following increase:

Capital Outlay - An increase of \$2,970,102 in FY08 and \$2,419,001 in FY09 for various information technology projects including working on the mainframe and updating programs that have not been updated since the 1970's. These updates will assist the Department in complying with federal reporting requirements.

III) ADDITIONAL POSITIONS

Total positions for the 2007-09 biennium: 779

Total positions for the 2005-07 biennium: 698

Increase/(Decrease): 81

The following positions are to be used to manage the Transitional Employment Assistance Program that were transferred from DHHS - Division of County Operations:

1 ESD Program Operations Manager Grade 21

1 User Support Analyst Grade 20

1 Staff Development Coordinator Grade 20

10 Management Project Analyst IIs Grade 20

1 Budget Specialist Grade 19
5 Program Supervisors Grade 18
2 Management Project Analyst Is Grade 18
50 ESD Interviewer IIs Grade 17
10 Document Examiner IIs Grade 12

IV) SPECIAL LANGUAGE

RESTRICTIONS ON FUNDS APPROPRIATED TO THE COMMUNITY INVESTMENT

INITIATIVE: Restricts funds appropriated for the Community Investment Initiative from the Temporary Assistance to Needy Families (TANF) Block Grant for the following purposes and the following amounts:
1) At least \$1 million for improving outcomes for youth, 2) At least \$500,000 for parenting and family functioning, 3) At least \$500,000 for marriage and relationship skills, 4) At least \$500,000 for fatherhood programs, 5) At least \$500,000 for family and employment services for ex-offenders, and 6) At least \$500,000 for services to child-only TEA cases.

SUSPENSION OR REDUCTION OF FUNDS APPROPRIATED TO THE COMMUNITY

INVESTMENT INITIATIVE: Allows the suspension or proportionate reduction of spending to the funds designated by the TEA Board for the six statutory spending categories of the Community Investment Initiative if the Director of the Department and the Transitional Employment Assistance Board certifies to the Governor, the Chief Fiscal Officer of the State and reports to the House and Senate Public Health, Welfare and Labor Committees that Funding from the TANF Block Grant is needed for critical economic development initiatives, for TEA, Work Pays, High Wage Education and Training Programs; Adequate Reserves; and Spending for Economic Development is allowed by Federal Rules.

CARRY FORWARD - NEW HIRE REGISTRY: Authorizes the Department to carry forward unexpended balances of appropriation and funds made available for the New Hire Registry Program from the first to the second fiscal year. Requires prior statement of need, report to ALC or Joint Budget Committee (JBC) of all carried forward amounts, report of status of funds carried forward to ALC/JBC, and finally include all of the above information in the biennial budget manuals or a statement of non-compliance.

EXTRA HELP: Authorizes 400 extra help positions and exempts any of these positions funded by federal funds from statutory or regulatory hour limitations.

CARRY FORWARD. Provides carry forward authority of unexpended balances of Department appropriations from the first to the second fiscal year to be used for any purpose other than Regular Salaries and Maintenance and General Operations.

Requires prior statement of need, report to ALC or Joint Budget Committee (JBC) of all carried forward amounts, report of status of funds carried forward to ALC/JBC, and finally include all of the above information in the biennial budget manuals or a statement of non-compliance.

REED ACT FUNDS: Provides that funds received by the State may be used

as specified in 903 of the Social Security Act and for the specific purposes of construction, and improvement of buildings, rent/lease costs, acquisition of land, payment of salaries and benefits of central and local office staff, maintenance and operations expenses of central and local offices, and payment of Unemployment Insurance benefits. It further restricts the use of these funds so that they cannot obligate more than they receive under Section 903 of the Social Security Act.

ADDITIONAL POSITIONS: Authorizes a maximum of 200 federally funded pool positions to carry out program objectives and meet program requirements, with prior Office of Personnel Management approval and prior Arkansas Legislative Council review. If Department wishes to continue the pool positions in the next biennium they must be requested as new positions in the agency's biennial budget request.

TRANSFER OF APPROPRIATION: Authorizes transfer of appropriation between all Department appropriations except the Department's "Reed Act Funds", Regular Salaries and Maintenance and General Operations Appropriations subject to Chief Fiscal Officer rules, regulations and approval, and prior approval by the Arkansas Legislative Council. Also provides that the Legislative approval provision is non-severable, if the approval provision is found to be unconstitutional then the entire section is void.

INTERAGENCY TRANSFER OF STATE GENERAL REVENUE FOR THE TANF PROGRAMS: Authorizes new language to allow transfer of general revenue between the Department of Health and Human Services and the Department of Workforce Services in support of the TANF or related State Programs upon request of the Directors of DHHS and DWS and Chief Fiscal Officer approval.

FUND TRANSFER PROVISION: Requires the Department to transfer sufficient general revenue to allow the State to access the full allocation of federal funds available through the Matching Category of the Child Care Development Fund. Funds transferred to the Division of Child Care and Early Childhood Education (DCCECE) must be used as match to support the TEA program and must be eligible to be counted toward the State's required TANF Maintenance of Effort.

TRANSFER OF TANF BLOCK GRANT FUNDS TO THE CHILD CARE DEVELOPMENT FUND: Requires the transfer of \$7.5 million each year of the biennium from the TANF block grant to the Child Care Development Fund to be administered by DHHS - DCCECE to provide quality childcare and preschool education to transitional employment assistance (TEA) qualifying families and other low income families for at-risk three and four year olds under the Arkansas Better Chance for School Success Programs. Further requires the funds to be transferred from DHHS-DCCECE to the Department of Education to be used for these referenced ABC services. Provides for reductions to these transfers if TANF grant is reduced or new TANF program cost requirements are imposed.