

Department of Economic Security
Children, Youth and Families

A.R.S. § 41-1954

JLBC Analyst: Pat Mah

	FY 2000 Actual	FY 2001 Estimate	FY 2002 Approved	FY 2003 Approved
OPERATING BUDGET				
Full Time Equivalent Positions	935.4	946.4	1,031.4 ^{1/}	1,033.1 ^{1/}
Personal Services	24,154,800	28,200,200	30,913,400	33,174,500
Employee Related Expenditures	5,920,900	6,117,300	7,144,500	7,237,200
Professional and Outside Services	521,300	392,200	505,500	505,500
Travel - In State	1,469,300	1,413,000	1,563,000	1,654,300
Other Operating Expenditures	1,970,700	2,659,000	2,864,100	3,047,400
Equipment	566,100	245,700	1,643,300	127,900
<i>Operating Subtotal</i>	34,603,100	39,027,400	44,633,800 ^{2/3/}	45,746,800 ^{2/3/}
Adoption Services	17,551,500	18,507,200	21,734,800	23,856,400
Children Services	37,423,000	45,638,900	41,186,500	49,128,400
High Risk Infant Services	328,300	686,300	686,300	686,300
Intensive Family Services	2,189,900	2,435,600	3,035,600	3,035,600
Child Severance Project	146,500	146,500	146,500	146,500
Videotaping	5,800	113,700	0	0
Healthy Families	4,000,000	5,000,000	5,000,000	5,000,000
CPS Incentive Pay Program	240,000	240,000	240,000 ^{4/}	240,000 ^{4/}
Family Builders Program	9,393,200	9,421,400 ^{5/}	8,004,300	8,009,000
CPS Appeals	587,100	594,000	602,700	618,300
Child Abuse Prevention	475,500	811,400	812,800	814,200
Comprehensive Medical & Dental Program	2,779,900	2,779,900	2,779,900	2,779,900
Attorney General Legal Services	3,640,200	4,233,500	4,338,100	4,486,100
TANF Deposit to SSBG	36,416,400	23,600,000	32,066,500 ^{6/}	10,785,000 ^{7/}
TANF Deposit to the Joint Substance Abuse Treatment Fund	0	10,000,000	3,333,300 ^{8/}	10,000,000 ^{8/}
Homeless Youth Intervention	0	400,000	400,000	400,000
Permanent Guardianship Subsidy	100,400	983,300	983,300	983,300
CPS Expedited Substance Abuse Treatment Fund Deposit	430,200	224,500	224,500	224,500
DHS Pregnancy Prevention and Perinatal Programs	0	700,000	0	0
SUBTOTAL	150,311,000	165,543,600	170,208,900	166,940,300
Additional Appropriations - Social Assistance Programs;				
Appropriations, Ch. 345	0	0	4,000,000 ^{9/}	0
TOTAL APPROPRIATIONS	150,311,000	165,543,600	174,208,900 ^{10/}	166,940,300 ^{10/}
FUND SOURCES				
General Fund	91,390,800	115,594,400	94,539,700	108,257,000
<u>Other Appropriated Funds</u>				
Federal Temporary Assistance for Needy Families Block Grant	58,373,000	48,731,800	78,396,800	57,409,500
Child Abuse Prevention Fund	475,500	1,061,400	1,062,800	1,064,200
Children and Family Services Training Program Fund	71,700	156,000	209,600	209,600
<i>Subtotal - Other Appropriated Funds</i>	58,920,200	49,949,200	79,669,200	58,683,300
TOTAL APPROPRIATIONS	150,311,000	165,543,600	174,208,900	166,940,300

COST CENTER DESCRIPTION — *The program provides staff resources, such as Child Protective Services (CPS) workers, an array of contracted services for abused, neglected or abandoned children, and medical and dental care for foster children. In addition, training resources are provided for CPS investigators, case managers and employees of child welfare agencies and community treatment programs.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of children in out-of-home care who exit the child welfare system who achieve permanent placement through reunification, adoption or legal guardianship	Baseline	NA/35	35	36/37
• % of children in out-of-home care who have not returned to their families or been placed in another type of permanent placement for more than 24 consecutive months since they were removed from their homes	NA/32	NA/32	31	30/29
• Number of children with finalized adoption	NA/640	NA/870	957	1,110/1,288
• % of CPS reports responded to by CPS staff	NA/81	NA/76	74	74
• % of CPS reports responded to by Family Builders	NA/19	NA/24	26	26
• Substantiated reports of child maltreatment	NA/5,589	NA/4,601	4,589	4,589
• Average % rate at which CPS reports are substantiated	NA	NA	NA	20.1
• % of newly hired CPS specialists completing training within 7 months of hire	93/41	93/48	93	93/100
• % of CPS original dependencies cases where court denied or dismissed	NA	NA	NA	3
• % of Office of Administrative Hearings where CPS case findings are affirmed	NA	NA	NA	86/89

1/ Includes 94.3 FTE Positions funded from Special Line Items in FY 2002 and FY 2003.

2/ This amount does not include a triggered appropriation made by Laws 2001, Chapter 235 for added Child Protective Services and adoption staffing. Triggered appropriations in FY 2002 depend on the availability of excess revenues. (For more information refer to the "Triggered Appropriations" policy issue in this cost center and the "Summary of Appropriations Triggered by Revenues" table at the front of this report.)

3/ The Department of Economic Security shall provide training to any new Child Protective Services full-time equivalent positions before assigning to any of these employees any client caseload duties. The department shall also implement statewide by October 1, 2001 the Family Group Decision Making Program authorized by laws 2000, Chapter 369. (General Appropriation Act footnote)

4/ The \$240,000 appropriated in FY 2002 and FY 2003 for the Child Protective Services Incentive Pay Program Special Line Item shall be used for Personal Services and Employee Related Expenditures to implement a performance based incentives pilot program for eligible child protective services workers in accordance with Laws 1995, Chapter 43. (General Appropriation Act footnote)

5/ Any Temporary Assistance for Needy Families Block Grant funds appropriated or transferred to the Family Builders Pilot Program Special Line Item in FY 2001 may be allocated to pay Family Builders Program claims for FY 2000. In addition, the state General Fund appropriation to the Family Builders Pilot Program Special Line Item in FY 2000 may be allocated for use to the Family Builders Program in FY 2001 and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, until June 30, 2001. (General Appropriation Act footnote, as added by Laws 2001, Chapter 232)

6/ Of the \$32,066,500 appropriated from the federal Temporary Assistance for Needy Families Block Grant to the Social Services Block Grant for deposit into the Temporary Assistance for Needy Families Deposit to Social Services Block Grant Special Line Item, \$25,595,500 is allocated for use to the Children Services program in FY 2002. The balance of \$6,471,000 is allocated for use to the Children Services program in FY 2003 and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, until June 30, 2003. The \$6,471,000 may be expended during FY 2002 on review of the Joint Legislative Budget Committee. The Department of Economic Security shall provide the Joint Legislative Budget Committee Staff with bimonthly reports beginning August 1, 2001 of this and all other appropriated and non-appropriated expenditures for the Children Services program. Each bimonthly report shall compare for each month in the current fiscal year projected funding needs by funding source to client caseload levels and approved funding in the current fiscal year. (General Appropriation Act footnote)

7/ It is the intent of the Legislature that the \$10,785,000 appropriated from the federal Temporary Assistance for Needy Families Block Grant to the Social Services Block Grant for deposit into the Temporary Assistance for Needy Families Deposit to Social Services Block Grant Special Line Item be allocated for use to the Children Services program in FY 2003. (General Appropriation Act footnote)

8/ Monies appropriated from the federal Temporary Assistance for Needy Families Block Grant and deposited into the Joint Substance Abuse Treatment Fund pursuant to A.R.S. § 8-881, shall be administered jointly by the Department of Economic Security and the Department of Health Services. The program development costs shall be limited to 5% and shall include training opportunities for community collaboratives. The program evaluation costs shall be limited to 10% and shall include technical assistance to communities for developing and providing substance abuse prevention and treatment programs. The program evaluation costs shall also include expenditures for conducting meetings to ensure collaboration, coordination and integration of services and funding sources between public and private agencies, programs, service providers, advocates and consumers to meet prevention, treatment and other service needs. (General Appropriation Act footnote)

9/ Pursuant to Laws 2001, Chapter 345, this appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

10/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Program.

PERFORMANCE MEASURES (Continued)	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of CPS complaints reviewed by the Office of the Ombudsman-Citizens Aide where allegations are reported as valid by the Ombudsman	NA	NA	NA	14
• % of calls to the Family Advocate that relate to CPS complaints	NA	NA	NA	4
• % of CPS cases where the Family Advocate is involved and is successful in facilitating a solution	NA	NA	NA	85/90
• % of CPS cases where most or all of the Foster Care Review Board recommendations are agreed on before court action as reported by the Board	NA	NA	NA	85
• Average % of time spent on administrative paperwork as reported by CPS workers in an annual survey				
District 1	NA	NA	NA	Baseline/Baseline minus 5%
District 2	NA	NA	NA	Baseline/Baseline minus 5%
District 3	NA	NA	NA	Baseline/Baseline minus 5%
District 4	NA	NA	NA	Baseline/Baseline minus 5%
District 5	NA	NA	NA	Baseline/Baseline minus 5%
District 6	NA	NA	NA	Baseline/Baseline minus 5%

Child Protective Services Staffing — The approved budget includes additional funding for addressing growth in caseloads on Child Protective Services (CPS) workers and meeting training needs for these workers prior to receiving caseload assignments. The approved operating budget includes a FY 2002 increase of \$3,962,100 (including \$1,019,100 General Fund (GF)) and 75.6 FTE Positions above FY 2001 and a FY 2003 increase of \$3,468,900 (including \$3,386,700 GF) and 75.6 FTE Positions above FY 2001. The Other Funds are from Temporary Assistance for Needy Families (TANF) funds, except for \$53,600 in both FY 2002 and FY 2003 from the Children and Family Services Training Program Fund.

The FY 2002 amount includes half to three-quarter year funding for all new FTE Positions unless FY 2001 GF revenues are greater than anticipated. In which case, additional funding of \$560,200 would be part of a triggered appropriation to permit hiring of the new staffing at the beginning of FY 2002. However, the triggered appropriation does not fund any of the training components of the appropriation. (*See Triggered Appropriations at the end of this cost center and the "Summary of Appropriations Triggered by Revenues" table at the front of this report for additional information.*)

Funding for FY 2002 assumes the training component will be in full operation on January 1, 2002. Therefore, 26.9 of the FTE Positions are funded for just the last 6 months of FY 2002. Monies are included in FY 2003 to annualize the costs of these 26.9 FTE Positions, but the FY 2003

amount is reduced by \$(1,505,600) from FY 2002 because of the elimination of one-time equipment costs.

The department reports that reaching its goal of 100% investigation of all reported CPS cases since FY 1999 has created growth in caseloads for CPS workers to the extent that they are no longer able to monitor cases on a regular basis. The monitoring is necessary to ensure that cases move through the system as quickly as possible. Only 54% of ongoing cases have been visited on a monthly basis. The department reports that the situation has added to its high employee turnover rate for CPS workers reported at 22.8% in FY 1999 and 22.2% in FY 2000.

To help address this high turnover rate, the department plans to implement the policy of training any newly hired CPS FTE Positions prior to assigning these employees any client caseload duties. The department reports that it is committed to this change given this appropriation to increase staffing to meet caseload ratios established by the Child Welfare League of America (CWLA) as reported in the 1999 CWLA Standards of Excellence list. With the approved staffing for these CWLA standards, the department also will be able to implement statewide the Family Group Decision Making Program authorized by Laws 2000, Chapter 369. The General Appropriation Act includes a new footnote to reflect both the training plans and statewide implementation of the Family Group Decision Making Program. (*See footnote 3 at the beginning of this cost center for additional information.*)

The approved 75.6 FTE Positions in both FY 2002 and FY 2003 include 55.9 FTE CPS III Caseworkers, 6 FTE CPS Unit Supervisors, 6 FTE Human Service Workers, 1.7 FTE Area Program Managers, and 6 FTE clerical support staff. With additional funding from non-appropriated sources, there also is another 28.1 FTE Positions (including 25.1 CPS III Caseworkers) for a total increase of 103.7 FTE Positions in both FY 2002 and FY 2003 from all funding sources.

Adoption Staffing — The approved operating budget reflects a FY 2002 increase of \$254,800 (including \$201,100 GF) and 9.4 FTE Positions above FY 2001 and a FY 2003 increase of \$468,400 (including \$458,600 GF) and 11.1 FTE Positions above FY 2001. The FY 2002 amount is for half-year funding unless FY 2001 GF revenues are greater than anticipated. In which case, additional funding of \$201,200 would be part of a triggered appropriation. (*See Triggered Appropriations at the end of this cost center and the “Summary of Appropriations Triggered by Revenues” table at the front of this report for additional information.*) The FY 2003 amount includes an increase of 1.7 FTE Positions above FY 2002 because of anticipated continued caseload growth. The FY 2003 amount also includes a reduction of \$(43,900) TANF to eliminate one-time equipment costs.

Adoption caseloads increased by an unanticipated 19.7% in FY 2000 and are expected to grow by the same amount for FY 2001. The approved budget for the biennium funds 11.1 Adoption Caseworker FTE Positions to monitor the increase in cases to ensure that requested services from adoptive families are delivered in a timely manner and that required federal reporting is done in an accurate and acceptable time period. In addition to these appropriated monies, another 1.6 FTE Positions in FY 2002 and 1.9 FTE Positions in FY 2003 will come from non-appropriated funding. These FTE Positions bring the totals to 11 new FTE Positions in FY 2002 and 13 new FTE Positions in FY 2003 to maintain a caseload ratio of approximately 250 client cases per Adoption Caseworker FTE Position.

TANF Base Realignment — The approved budget reflects a shift in funding to realign TANF dollars to meet federal guidelines for the state’s maintenance of effort for administrative expenses. The budget is reduced in GF by \$(8,828,500) and increased in TANF Block Grant dollars for no net change in expenditures in both FY 2002 and FY 2003. The budget includes the following 2 shifts from GF to TANF:

1. \$7,828,500 and 163.9 FTE Positions in the operating budget; and
2. \$1,000,000 in the Family Builders Program displayed in the Family Builders Program Special Line Item in this cost center. (*For further details, see the Division of Benefits and Medical Eligibility cost center and the Agency Summary narrative.*)

Equipment — The approved budget includes a GF reduction of \$(145,300) to eliminate one-time equipment and operating costs in both FY 2002 and FY 2003. This adjustment is reflected in the operating budget.

Special Line Items

Adoption Services — The monies displayed in this Special Line Item are all from the General Fund. The monies are used to subsidize the adoption of children who otherwise would entail high financial risks to prospective parents because of physical, mental, or emotional disorders or who, because of age, sibling relationship or racial or ethnic background, would be otherwise difficult to place in adoption. The funding provides for ongoing maintenance and/or payment for special services depending on each eligible child’s needs. The approved amount continues in both FY 2002 and FY 2003 an appropriation of \$300,000 authorized by Laws 1999, Chapter 347. Laws 1999, Chapter 347 appropriated \$300,000 GF in FY 2001 for the purpose of streamlining the adoption processes. The appropriated monies include \$100,000 for adoptive home recruitment and \$200,000 for home placement services, including severance social studies, prospective adoptive parent training, and adoption transition services.

The approved amount also reflects a transfer of \$300,000 GF in this cost center from the Children Services Special Line Item to the Adoption Services Special Line Item beginning in FY 2002. The monies are prior appropriations designated for community and neighborhood based recruitment of adoptive homes for special needs children in foster care. The appropriation combines all the adoption appropriations into 1 Special Line Item.

New Funding — In addition, the approved amounts include a FY 2002 increase of \$2,927,600 above FY 2001 and a FY 2003 increase of \$5,049,200 above FY 2001. Caseload growth increased by an unanticipated 19.7% in FY 2000 and is expected to grow by the same amount for FY 2001. The appropriation funds this unanticipated growth and assumes a slowing of growth to 16.5% in FY 2002 and 10% in FY 2003 based on historic data. Recent changes in state and federal laws have expedited the movement of foster care children into adoption placement.

Total Funding — The approved amount will fund services for an estimated 5,944 children in FY 2002 and 6,540 children in FY 2003. Funding from state funds is estimated at monthly average payments of approximately \$297 per adoption based on a significantly higher ratio of Title IV-E clients reported by the department. The average payment to adoptive parents is at approximately \$571 per month, including the Title IV-E Federal Funds portion of the costs. The approved amount assumes Title IV-E non-appropriated Federal Funds of \$19,898,500 in FY 2002 and \$23,818,000 in FY 2003.

Children Services — The Children Services program provides in-home and out-of-home services to ensure the well being of children who are abused and neglected. This Special Line Item displays only a portion of the monies for the Children Services program. The remaining funds are displayed in the TANF Deposit to the Social Services Block Grant (SSBG) Special Line Item described later in this cost center. As a result, the amount of monies approved for this Special Line Item is impacted by monies available for appropriation into the TANF Deposit to SSBG Special Line Item.

GF Adjustment — The approved monies in this Special Line Item include a GF reduction of \$(8,091,900) in FY2002 below FY 2001. There is unanticipated TANF/SSBG funding to replace the reduced \$(8,091,900) GF in FY 2002. However, these available transferred monies are not expected to continue; therefore, the GF reduction in FY 2003 is much less when compared to FY 2002. The GF adjustment in FY 2003 is just \$(150,000) below FY 2001. The \$(8,091,900) GF adjustment in FY2002 is the result of the following 4 adjustments:

- Deleting \$(7,441,900) GF, which is offset by unanticipated TANF/SSBG monies appropriated to the TANF Deposit to SSBG Special Line Item;
- Deleting \$(600,000) GF from this Special Line Item to shift it to the Intensive Family Services Special Line Item, where there is greater emphasis on in-home care;
- Deleting \$(300,000) GF from this Special Line Item to shift it to the Adoption Services Special Line Item to consolidate all adoption appropriations into 1 Special Line Item; and
- Adding \$250,000 GF to replace Child Abuse Prevention Fund (CAPF) monies transferred by the same amount to the Healthy Families Special Line Item. The 1999 Legislature approved expenditures from CAPF for the Children Services program beginning in FY 2000, but the agency never expended the monies. The agency believes that the Children Services program does not meet the definition of a child abuse prevention program. Historically, the agency has expended monies from CAPF for the Healthy Families program. The transfer of this appropriation implements legislative intent. (*See each of these Special Line Items in this cost center for further details.*)

The latter 3 adjustments above also are part of the FY 2003 approved budget. In addition, the FY 2003 appropriation reflects an increase of \$500,000 GF above FY 2001 to offset a drop in estimated available TANF/SSBG monies. As a result, FY 2003 calculates to a net adjustment mentioned earlier, which is \$(150,000) GF below FY2001.

These adjustments are relative to the original FY 2001 GF appropriation, which was not adjusted in this legislative session. The JLBC recommended during the 2000

Legislative Session that the FY 2001 GF appropriation for Children Services be reduced by \$(3,474,600) because federal TANF/SSBG monies were available for replacement by the same amount. The TANF/SSBG monies for Children Services were appropriated, but GF monies were not formally reallocated. Instead, they became part of a “set-aside” intended for reallocation to cover shortfalls within the agency.

Based on current estimates for a drop in eligible federal Title IV-E clients and also recent rate increases negotiated for service providers, the department reported during this 2001 Session that it would need \$3,227,700 of the \$3,474,600 “set-aside.” For the remaining surplus amount of \$246,900, there was no GF adjustment for the Children Services Special Line Item in FY 2001. However, the 2001 Legislature took these surplus monies in an agencywide lump-sum GF reduction. (*See the FY 2001 Supplemental policy issue in the Summary narrative for further details.*)

OF Adjustment — This Special Line Item also reflects an increase of \$3,639,500 from TANF in both FY 2002 and FY 2003 above FY 2001. These monies are for the growing in-home client caseloads that were reported by the department. Because the department also reported an expected drop in the more expensive out-of-home client caseloads, expenditures in this Special Line Item are expected to remain relatively the same during the biennium.

Table 1 below summarizes funding from all sources, including monies reflected in the TANF Deposit to SSBG Special Line Item. Of the \$17,256,000 in Federal TANF to SSBG funding for FY 2003, \$6,471,000 is made available for spending in FY 2002 through a footnote in the General Appropriation Act. (*See footnote 6 at the beginning of this cost center.*) The monies were made available for FY 2002 to address any unanticipated shortfalls in funding.

Funding Source	Estimated FY 2001	Estimated FY 2002	Estimated FY 2003
General Fund	\$39,104,100	\$31,012,200	\$38,954,100
Federal TANF	6,284,800	10,174,300	10,174,300
Other Appropriated Funds	<u>250,000</u>	<u>0</u>	<u>0</u>
Subtotal	\$45,638,900	\$41,186,500	\$49,128,400
Federal TANF to SSBG			
Prior Year Allocation	5,405,900	2,267,100	8,628,000
Budget Year Allocation	<u>21,018,700</u>	<u>23,328,400</u>	<u>8,628,000</u>
Subtotal	\$26,424,600	\$25,595,500	\$17,256,000
Non-Appropriated Federal	32,316,000	33,517,000	34,779,700
Other Non-Appropriated	<u>890,000</u>	<u>890,000</u>	<u>890,000</u>
Subtotal	\$33,206,000	\$34,407,000	\$35,669,700
TOTAL	<u>\$105,269,500</u>	<u>\$101,189,000</u>	<u>\$102,054,100</u>

High Risk Infant Services — The approved FY 2002 amount of \$686,300 GF reflects no change from FY 2001. This amount is continued in FY 2003. The program will serve a total of 448 families whose children are exposed to substance abuse. The cost per family is estimated to be \$1,532. Contracted counselors/parent aides provide in-home services, including parent education. Services per family are limited to 6 months. The contracted counselors/parent aides also work closely with the Department of Health Services (DHS) and county public health nurses, who provide medical services for the children and behavioral services and substance abuse treatment for parents. An underlying assumption of this program is that these children are being kept out of the more costly out-of-home (foster care) program, thereby, lowering the demand for additional out-of-home services funding.

Intensive Family Services — The approved amount includes an increase of \$600,000 GF in both FY 2002 and FY 2003 above FY 2001. This \$600,000 increase is the result of a shift from the Children Services Special Line Item to this Special Line Item. All monies in this Special Line Item are from the GF and the annual GF appropriation of \$3,035,600 provides services to approximately 935 families whose children are at imminent risk of out-of-home placement due to abuse, neglect, or dependency. Cost per family is projected to be \$3,247. A team consists of 1 Parent Aide, 1 Counselor, and 1 Coordinator. A team will respond within 24 hours to the child abuse report and to family emergencies, as well as provide services to the family within its home. The services are intensive, time-limited (6 to 8 weeks), and geared toward keeping children in the home. The program emphasizes in-home crisis intervention and parent education. An underlying assumption of this program is that these children are being kept out of the more costly out-of-home (foster care) program, thereby lowering the demand for additional out-of-home services funding.

Child Severance Project — The approved FY 2002 amount of \$146,500 GF reflects no change from FY 2001. This amount is continued in FY 2003. This project is designed to expedite the procedures for making a child eligible for adoption after the original parent-child relationship has been severed. DES may use the funds to contract for social services incurred in expediting severance and adoption. In prior years, this program also used non-appropriated Federal Funds. However, because of changes in state laws relating to when a severance study is required, non-appropriated Federal Funds will no longer be expended. The approved amount will provide for the completion of an estimated 238 social studies per year at an approximate \$614.89 cost per study.

Videotaping — The approved budget reflects a transfer of 2 FTE Positions and \$113,700 GF from the Videotaping Special Line Item to the operating budget in this cost

center beginning in FY 2002. As a result, the Videotaping Special Line Item is eliminated after FY 2001. The monies are for videotaping interviews of child sex abuse victims. To lessen the number of such interviews, the department is to coordinate all such interviews with law enforcement officials and with the county attorneys' office. The agency reported that the monies in this line are only a portion of the monies used for this purpose. The other monies are already in the operating budget. Therefore, the 2 FTE Positions and \$113,700 GF were transferred to consolidate the monies in 1 place.

Healthy Families — The approved budget reflects continued funding at \$5,000,000 in both FY 2002 and FY 2003. However, funding sources for this appropriation are changed beginning in FY 2002. Funding was shifted from GF to the TANF Block Grant and CAPF. The appropriation includes \$4,750,000 from TANF and \$250,000 from CAPF in both FY 2002 and FY 2003.

In addition, at the 2000 General Election voters approved Proposition 204, which allocates tobacco settlement monies for a variety of programs, including an estimated \$5,427,300 in FY 2001 for the Healthy Families program. (*See the AHCCCS section and Agency Summary of this agency for more information on Proposition 204*). This amount was approved by the JLBC at its May 2001 meeting. When these monies are combined with the continuing appropriation of \$5,000,000 in Healthy Families, the total funding level for this program is estimated at \$10,427,300 in FY 2001. The allocation of these monies is determined by the Proposition and the monies are not subject to appropriation. As a result, these amounts do not appear in the General Appropriation Act. Therefore, they are not shown in the table at the beginning of this cost center.

The JLBC Staff estimates that there will be sufficient tobacco settlement monies to fund the FY 2002 allocations, but whether the programs will receive monies in FY 2003 is uncertain. If there are not sufficient monies to fully fund all the programs, the funding will be adjusted on a prorated basis in line with the monies available.

The Healthy Families program provides services to children under 5 years of age and members of their families and is designed to prevent child abuse or neglect and promote child development and wellness. Services include parenting skills training, counseling, nutrition and preventative health care education, developmental and health assessments, and community resources information for such items as immunization, school readiness programs, social, employment and other assistance programs. In FY 2000, a total of 1,542 families were served at a cost of \$4,312 per family, including in-kind match monies required at 10%.

CPS Incentive Pay Program — The approved FY 2002 amount of \$240,000 GF reflects no change from FY 2001. This amount is continued in FY 2003. The monies are used for a performance based incentives pilot program for eligible CPS I, II, and III workers. The program is required to be established in accordance with Laws 1995, Chapter 43.

Family Builders Program — Through the Family Builders Program, community based providers offer preservation and support services to families of children who, after initial assessment by Child Protective Service workers, are determined not to be in immediate danger (Priority 3 and 4 cases). The approved budget reflects a GF reduction of \$(6,200,000), which is replaced by \$4,777,600 TANF in both FY 2002 and FY 2003 for the Family Builders Program. The result is a difference of \$(1,422,400) GF from the FY 2001 appropriation because the \$1,422,400 in TANF Funds used to offset this GF reduction already were appropriated during the 2000 Legislative Session. When the \$1,422,400 base amount is added to the new \$4,777,600 in TANF funding, the program has a total of \$6,200,000 in TANF monies. The remaining \$1,804,300 in FY 2002 and \$1,809,000 in FY 2003 is from GF monies. The GF amount includes continued funding for 3.0 FTE Positions.

CPS Appeals — Funding in this Special Line Item consists of GF funding at \$602,700 in FY 2002 and \$618,300 in FY 2003 for 11 FTE Positions. The monies in the Special Line Item were initially appropriated by Laws 1997, Chapter 224. The legislation created a process for individuals accused of alleged child abuse or neglect to challenge the department's substantiated findings. It also enacted changes effective January 1, 1998 to allow accused individuals to participate in a hearing and appeal process.

Child Abuse Prevention — The approved budget of \$812,800 in FY 2002 and \$814,200 in FY 2003 from the Child Abuse Prevention Fund is for providing financial assistance to community treatment programs benefiting abused children and their parents or guardians. Federal law mandates that the state establish a Child Abuse Prevention Fund in accordance with federal guidelines in order to receive federal dollars. In addition to administrative costs of \$41,100 in FY 2002 and \$42,500 in FY 2003 for 1 FTE Position, monies are to be expended each fiscal year on the following programs: \$600,200 for Healthy Start; \$76,500 for Child Abuse Prevention; and \$95,000 for Regional Prevention Councils.

Comprehensive Medical & Dental Program (CMDP) — The approved FY 2002 amount of \$2,779,900 GF, unchanged from FY 2001, provides full coverage of the medical and dental expenses of foster children under the jurisdiction of DES, Juvenile Probation Offices, and the State Department of Corrections. The monies in this

Special Line Item will fund medical and dental services in FY 2002 for an estimated 9,171 children at an average annual cost of \$1,190.76 per child. The total estimated program is expected to cost \$10,914,100, which includes \$179,500 in Independent Profession Review Team fees. In addition to the \$2,779,900 GF in FY 2002, the program will receive \$8,134,200 from non-appropriated sources. For FY 2003, funding from all sources is expected to be the same for the same number of children and annual cost per child. The following table shows funding sources for FY 2002 and FY 2003:

CMDP Funding		
Funding Source	FY 2002	FY 2003
General Fund	\$2,779,900	\$2,779,900
Reimbursement from AHCCCS	8,096,100	8,096,100
Third Party Liability Payments	38,100	38,100
Total	<u>\$10,914,100</u>	<u>\$10,914,100</u>

Attorney General Legal Services — Funding in this Special Line Item consists of \$4,290,500 GF and \$47,600 TANF in FY 2002. For FY 2003, funding is slightly higher due to annualizing the cost of a salary increase approved by the 2001 Legislature and consists of \$4,436,500 GF and \$49,600 TANF. The monies fund 79 GF and 0.3 TANF FTE Positions. Because the Attorney General's accounting system is unable to provide the detailed reporting level needed to draw down Federal Funds, the dollars appropriated for Attorney General legal services in DES have not been through interagency service agreements (ISAs). Rather than employing ISAs, DES's appropriation has directly funded FTE Positions and their related operating costs. The approved budget continues the practice.

The department estimates \$2,297,200 in both FY 2002 and FY 2003 from non-appropriated sources for Attorney General positions. These monies will continue to fund the non-appropriated staffing of 36.7 FTE Positions. Total funding from all sources is \$6,635,300 in FY 2002 for 116.0 FTE Positions and \$6,783,300 in FY 2003 for 116.0 FTE Positions.

TANF Deposit to SSBG — The approved amount includes a FY 2002 increase of \$8,466,500 above FY 2001 and a FY 2003 reduction of \$(12,815,000) below FY 2001. These adjustments reflect the difference in TANF/SSBG allocations of \$32,066,500 in FY 2002 and \$10,785,000 in FY 2003. They are changes to the FY 2001 amount of \$23,600,000. Monies displayed in this Special Line Item are allocated for use in one or more fiscal years. (*See footnotes 6 and 7 shown at the beginning of this cost center or table 3 through table 7 at the end of the cost center for detail on when and how the monies are to be expended.*)

This Special Line Item was created by the 1999 Legislature to display monies transferred from a portion of the state's TANF Block Grant to the federal SSBG. The 1996 federal welfare reform legislation that created the TANF Block Grant allows states to transfer up to 10% of their yearly TANF grants to the SSBG. Recent federal legislation restricts the amount that states can transfer from the TANF Block Grant to the SSBG beginning in federal fiscal year (FFY) 2001 to 4.25% of a state's yearly TANF Block Grant. However, the federal government changed its policy in December 2000 to continue to allow the 10% transfer at least for FFY 2001. As a result, the approved amount uses a transfer of 10% in FY 2002 and 4.25% in FY 2003.

The purpose for transferring the monies, beginning in FY 1999, was to increase the flexibility for use of the monies to meet social service needs. The monies are used for the Children Services program. In prior years, they also were used to offset a FFY 1999 reduction to the state in SSBG monies and to partially offset further reductions in SSBG monies in FY 2000 and FY 2001. (*See the Children Services Special Line Item in this cost center and the Community and Emergency Services Special Line Item in the Division of Aging and Community Services cost center for further details.*)

TANF Deposit to the Joint Substance Abuse Treatment Fund — The monies in this Special Line item must be jointly administered by DES and DHS for substance abuse services. Pursuant to Laws 2000, Chapter 382, the funds are to pay for services for parents, guardians, or custodians whose substance abuse is a significant barrier to maintaining, preserving, or reunifying the family. The monies also are for services to recipients of TANF whose substance abuse is a significant barrier to maintaining or obtaining employment.

The approved amount includes \$3,333,300 in FY 2002 and \$10,000,000 in FY 2003 from the federal TANF Block Grant. However, because the program did not begin until approximately March 2001, there will be under spending of the FY 2001 non-lapsing \$10,000,000 TANF appropriation. Therefore, it is anticipated that \$6,666,700 of the FY 2001 appropriation will be available for spending in FY 2002. As a result, spending in FY 2002 will be the same as the FY 2003 appropriation of \$10,000,000.

The entire appropriation of \$10,000,000 continues to be reflected in the DES budget. However, the monies are to be deposited into the Joint Substance Abuse Treatment Fund established by Laws 2000, Chapter 382. Because this is a non-appropriated joint fund, the 2 agencies will continue to have the flexibility to share this yearly \$10,000,000 appropriation even though it is reflected solely in the DES budget. The monies are displayed in a new TANF Deposit to the Joint Substance Abuse Treatment Fund Special Line Item. To clarify the joint

purposes of administrative monies for the 2 agencies for this new program, the General Appropriation Act includes a new footnote. (*See footnote 8 at the beginning of this cost center for further information.*)

Homeless Youth Intervention — The approved amount continues in both FY 2002 and FY 2003 the appropriation of \$400,000 from TANF that was authorized by Laws 1999, Chapter 328 for both FY 2000 and FY 2001 to establish a homeless youth intervention program. The monies are displayed in this new Homeless Youth Intervention Special Line Item. The program has 2 locations in the state for the purpose of helping clients achieve self-sufficiency from services provided through collaborative partnerships with community and faith-based organizations.

Permanent Guardianship Subsidy — The approved amount continues in both FY 2002 and FY 2003 appropriations first authorized by Laws 1999, Chapter 251 and Laws 2000, Chapter 393 for a Permanent Guardianship program. The program was established by Laws 1999, Chapter 251 to provide a subsidy to encourage placement of foster care children in private homes under permanent guardianship status. The monies can be used to pay relatives for becoming a permanent guardian of a relative child. The amount of the subsidy is not to exceed the amount of a maintenance payment that is used in the adoption subsidy program. The legislation appropriated \$124,000 GF for FY 2001. This amount is continued along with \$859,300 TANF that also was appropriated for FY 2001 for this program by Laws 2000, Chapter 393. The continued appropriation totals \$983,300 in both FY 2002 and FY 2003 and is displayed in the established Permanent Guardianship Subsidy Special Line Item.

CPS Expedited Substance Abuse Treatment Fund Deposit — The approved budget continues in both FY 2002 and FY 2003 a \$224,500 GF appropriation first authorized by Laws 1998, Chapter 276. The GF monies are for deposit into a non-appropriated Child Protective Services Expedited Substance Abuse Treatment Fund. The funds are to be used to provide expedited drug treatment to guardians and parents when a dependency case plan calls for such treatment.

DHS Pregnancy Prevention and Perinatal Programs — The approved budget shifts monies in this Special Line Item for 2 TANF appropriations from the DES budget to the DHS budget beginning in FY 2002. A total of \$700,000 in TANF dollars was appropriated for FY 2001 by Laws 2000, Chapter 393 for programs administered by DHS. Laws 2000, Chapter 393 appropriated \$500,000 to supplement already authorized TANF monies for teen pregnancy prevention advertising by DHS. In addition, the legislation appropriated \$200,000 TANF to be used by DHS to supplement other funds available for non-medical perinatal substance abuse treatment and services.

The \$700,000 displayed in the DHS Pregnancy Prevention and Perinatal Programs Special Line Item were directly appropriated to DHS and the Special Line Item abolished after FY 2001. As a result, the DES budget reflects a \$(700,000) reduction beginning in FY 2002 from FY 2001. The DHS budget has a corresponding increase for no net change in expenditures for these programs.

Additional Appropriations: Social Assistance Programs: Appropriations (Chapter 345) — Appropriates non-lapsing TANF monies of \$4,000,000 in FY 2002 for an Out-of-School Program. Not more than 3% of the appropriated monies can be used for administrative cost of the program, including contractual cost for annual evaluations due by December 31 each year. The department is to contract with providers to establish and operate the program statewide, giving preference to communities that have a high percentage of free or reduced school lunches and a high rate of teen pregnancy, violence, and delinquency. At minimum, the department is required to establish one rural program and one urban program. These programs are to be operated at no cost or minimal cost to the participants and include individual development accounts or non-monetary incentives for taking part in the program. As part of the proposed contracts, providers have to submit a plan to make the program self-sustaining within 3 years. All contracts for the program are required to end no later than June 30, 2004.

Triggered Appropriations: Conditional Appropriations: Taxation; Revenue Forecasts (Chapter 235) — This act appropriates \$761,400 in FY 2002 from the GF for the full-year cost of authorized new CPS and adoption staffing. These positions could be hired at the beginning of FY 2002 rather than after the first quarter or half of FY 2002 if GF revenues exceed forecast. The \$761,400 is appropriated in FY 2002 if FY 2001 GF revenues exceed forecast by \$79,708,400 based on calculations by JLBC and OSPB prior to September 1, 2001. The \$761,400 includes \$560,200 for new CPS staffing and \$201,200 for new adoption staffing. No additional monies are triggered for FY 2003 since the FY 2003 appropriation already contains full-year funding for the new positions. (*See the Child Protective Services Staffing and Adopting Staffing policy issues in this cost cent and the “Summary of Appropriations Triggered by Revenues” table at the front of this report for further information.*)

Other Issues: Table 3 through Table 6 show TANF/SSBG transfers by federal fiscal year and their allocations by state fiscal year. Table 7 summarizes the information found in Table 3 through Table 6.

Table 3		
SFY 2001		
FFY 2000 TANF Transfer to SSBG		
State Fiscal Years 2001 and 2002	Original	Revised
TANF to SSBG Transfer	\$23,600,000	\$25,867,100
Expenditures for Transfer		
33% Offset for Federal SSBG Cuts	\$ 2,581,300	\$ 2,581,300
FY 2001 Allocation:		
FY 2001 Funding for Children Services	\$12,437,600	\$12,437,600
Replace the Money Recommended for Shift from FY 2001 to FY 2000 for Federal Spending Requirements	5,106,500	5,106,500
Use Additional Monies from Increased Transfer for an Offset to GF	<u>3,474,600</u>	<u>3,474,600</u>
Subtotal FY 2001	\$21,018,700	\$21,018,700
FY 2002 Allocation:		
FY 2002 Funding for Children Services	\$ 0	\$ 2,267,100
Total Expenditures	\$23,600,000	\$25,867,100

Table 4		
SFY 2002		
FFY 2001 TANF Transfer to SSBG		
State Fiscal Year 2002		
TANF to SSBG Transfer		\$23,328,400
Expenditures for Transfer		
0% Offset for Federal SSBG Cuts		\$ 0
FY 2002 Allocation:		
FY 2002 Funding for Children Services		<u>\$23,328,400</u>
Total Expenditures		\$23,328,400

Table 5		
SFY 2003		
FFY 2002 TANF Transfer to SSBG		
State Fiscal Year 2002 and 2003		
TANF to SSBG Transfer		\$8,628,000
Expenditures for Transfer		
0% Offset for Federal SSBG Cuts		\$ 0
FY 2002 Allocation:		
FY 2003 Funding for Children Services		\$6,471,000
FY 2003 Allocation:		
FY 2003 Funding for Children Services		<u>\$2,157,000</u>
Total Expenditures		\$8,628,000

Table 6

SFY 2003
FFY 2003 TANF Transfer to SSBG

State Fiscal Year 2003

TANF to SSBG Transfer	\$8,628,000
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Expenditures for Transfer

0% Offset for Federal SSBG Cuts	\$ 0
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FY 2003 Allocation:

FY 2003 Funding for Children Services	<u>\$8,628,000</u>
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Total Expenditures	<u>\$8,628,000</u>
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Table 7

TANF Transfers to SSBG and Expenditures

	<u>FFY 1999</u>	<u>FFY 2000</u>	<u>FFY 2001</u>	<u>FFY 2002</u>	<u>FFY 2003</u>	<u>Total</u>
Transfer Amount	\$5,405,900*	\$25,867,100	\$23,328,400	\$8,628,000**	\$8,628,000	
<u>Expenditures by State Fiscal Year</u>						
FY 2001 – 33% Offset Federal Cuts	\$ 0	\$ 2,581,300	\$ 0	\$ 0	\$ 0	= \$ 2,581,300
FY 2001 – Children Services	5,405,900	21,018,700	0	0	0	= 26,424,600
FY 2002 – Children Services	0	2,267,100	23,328,400	0	0	= 25,595,500
FY 2003 – Children Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,628,000</u>	<u>8,628,000</u>	= 17,256,000
Total Expenditure by Transfer	\$5,405,900	\$25,867,100	\$23,328,400	\$8,628,000	\$8,628,000	

* Amount shown is only the FY 2001 Children Services portion of a \$34,405,500 transfer.

** These monies are allocated for FY 2003, but a portion is available for spending in FY 2002. Of the \$8,628,000, \$6,471,000 may be expended in FY 2002 upon JLBC review. As a result, the allocations in the TANF Deposit to SSBG are different than shown in the total column above. The FY 2002 allocation is \$6,471,000 higher at \$32,066,500 and the FY 2003 allocation is \$(6,471,000) lower at \$10,785,000.

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