

Department of Economic Security
Children, Youth and Families

A.R.S. § 41-1954

JLBC Analyst: Eric Jorgensen

	FY 2004 Actual	FY 2005 Estimate	FY 2006 Approved
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,249.9	1,361.6	1,535.5 ^{1/2/}
Personal Services	34,930,000	43,929,200	47,797,300
Employee Related Expenditures	10,533,300	12,706,400	15,815,200
Professional and Outside Services	843,300	496,700	667,100
Travel - In State	1,456,300	1,808,300	2,184,300
Other Operating Expenditures	2,469,000	5,978,600	5,891,200
Equipment	587,800	206,900	3,144,100
OPERATING SUBTOTAL	50,819,700	65,126,100	75,499,200^{2/3/4/5/}
SPECIAL LINE ITEMS			
Children Services	54,341,400	52,302,700	0
Children Services/TANF Deposit to SSBG	25,259,700	22,613,100	0
Children Support Services	0	0	42,195,700 ^{6/}
Emergency Placement	0	0	7,892,200 ^{6/}
Residential Placement	0	0	21,754,600 ^{6/}
Foster Care Placement	0	0	12,227,500 ^{6/7/}
Healthy Families	4,561,200	13,750,000	13,750,000
Family Builders Program	4,688,700	5,200,000	5,200,000
Intensive Family Services	1,985,600	1,985,600	1,985,600
Child Abuse Prevention	794,000	817,500	819,700
Homeless Youth Intervention	313,900	400,000	400,000
Comprehensive Medical & Dental Program	1,715,100	2,057,000	2,057,000
Residential Drug Treatment	0	250,000	75,000 ^{8/}
TANF Deposit to the Joint Substance Abuse Treatment Fund	3,941,600	2,000,000	2,000,000
Joint Substance Abuse Treatment Fund - State General Fund	0	3,000,000	3,000,000
CPS Expedited Substance Abuse Treatment Fund Deposit	220,300	224,500	224,500
Permanent Guardianship Subsidy	3,009,400	3,003,800	4,196,500
Adoption Services	25,398,900	25,946,800	34,246,800 ^{7/}
Adoption Services - Family Preservation Projects	0	0	1,000,000 ^{9/}
CPS Appeals	455,100	639,200	659,400
Attorney General Legal Services	4,169,100	8,397,600	9,048,000
PROGRAM TOTAL	181,673,700	207,713,900	238,231,700^{10/}
FUND SOURCES			
General Fund	103,286,300	134,916,200	147,404,000
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	794,000	1,567,500	1,569,700
Children and Family Services Training Program Fund	74,600	209,600	209,600
Federal TANF Block Grant	77,518,800	71,020,600	89,048,400
SUBTOTAL - Other Appropriated Funds	78,387,400	72,797,700	90,827,700
SUBTOTAL - Appropriated Funds	181,673,700	207,713,900	238,231,700
<u>Other Non-Appropriated Funds</u>			
Other Non-Appropriated Funds	396,300	890,000	890,000
Federal Funds	114,634,100	122,205,300	122,205,300
TOTAL - ALL SOURCES	296,704,100	330,809,200	361,327,000

PROGRAM 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.

PERFORMANCE MEASURES	FY 2003	FY 2004	FY 2006
	Actual	Actual	Approved
• % of newly hired CPS specialists completing training within 7 months of hire	100	100	100
• % of children in out-of-home care who have not returned to their families or been permanently placed elsewhere for more than 24 consecutive months	28	26	21
• % of CPS reports responded to by CPS staff	84	100	100
• % of CPS original dependencies cases where court denied or dismissed	3	3	<1
• % of Office of Administrative Hearings (OAH) where CPS case findings are affirmed	86	90	85
• % of CPS complaints reviewed by the Office of the Ombudsman-Citizens Aide where allegations are reported as valid by the Ombudsman	16	17	17

Operating Budget

The budget provides \$75,499,200 for the operating budget in FY 2006. This amount consists of:

	FY 2006
General Fund	\$47,993,800
Federal Temporary Assistance for Needy Families (TANF) Block Grant	27,295,800
Children and Family Services Training Program Fund	209,600

The approved amount includes an increase of \$2,497,800 in FY 2006 for statewide adjustments. This amount consists of \$1,467,600 from the General Fund and \$1,030,200 from the Federal TANF Block Grant. *(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)*

Additional Child Protective Services (CPS) Staff

The approved amount includes an increase of \$8,775,300 in FY 2006 for additional CPS Staff. This amount consists of \$2,776,800 and 55 FTE Positions from the General Fund and \$5,998,500 and 118.9 FTE Positions from the

- 1/ Includes 161.3 GF and 1.3 OF FTE Positions funded from Special Line Items in FY 2006.
- 2/ By September 1, 2005, the Department of Economic Security shall submit for review to the Joint Legislative Budget Committee Arizona specific caseload standards for child protective services pursuant to Laws 2003, Chapter 6, 2nd Special Session. If the standards are submitted by September 1, 2005, upon the review of the Joint Legislative Budget Committee, but no later than October 1, 2005, an additional \$1,388,400 from the state General Fund and \$2,999,200 from the Federal Temporary Assistance for Needy Families Block Grant and 86.7 FTE Positions shall be appropriated to the operating lump sum for additional caseworker staff. (General Appropriation Act footnote)
- 3/ By December 31, 2005, the Department of Economic Security shall submit for review to the Joint Legislative Budget Committee options for the privatization of portions of the case management duties for child protective services. (General Appropriation Act footnote)
- 4/ 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. (General Appropriation Act footnote)
- 5/ It is the intent of the Legislature that the Department of Economic Security shall use the funding in the Division of Children, Youth and Families to achieve a 100% investigation rate. (General Appropriation Act footnote)
- 6/ Of the amounts appropriated for Children Support Services, Emergency Placement, Residential Placement, and Foster Care Placement, \$22,613,100 is appropriated from the Federal Temporary Assistance For Needy Families Block Grant to the Social Services Block Grant for deposit in the following line items in the following amounts: Children Support Services \$5,371,700, Emergency Placement \$2,333,700, Residential Placement \$9,833,300, Foster Care Placement \$5,074,400. (General Appropriation Act footnote)
- 7/ Of the sums appropriated, \$3,101,100 from the Adoption Services Special Line Item and \$1,692,100 from the Foster Care Placement Special Line Item shall be used to fund a 12.5% increase in the adoption subsidy and foster care rates in FY 2006. It is also the intent of the Legislature to provide an additional 12.5% increase to these rates in FY 2007. (General Appropriation Act footnote)
- 8/ Laws 2003, 2nd Special Session, Chapter 6 appropriated \$350,000 in FY 2004, \$250,000 in FY 2005, and \$75,000 in FY 2006 for Residential Drug Treatment.
- 9/ It is the intent of the Legislature that the \$1,000,000 appropriated to the Adoption Services - Family Preservation Projects Special Line Item be used to promote adoption as an option for children, including but not limited to promoting the agency's adoption program and temporary adoption subsidy payment increases to current adoption subsidy clients. The monies appropriated in FY 2006 are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. The department shall report the intended use of these monies to the Joint Legislative Budget Committee by August 1 of each year for the committee's review. The report shall include an evaluation of the most effective means of expending these funds and performance measures to gauge the program's success. The report shall reflect the recommendations of any statutory committee established to provide recommendations on this appropriation. (General Appropriation Act footnote)
- 10/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program.

Federal TANF Block Grant. These positions include 115.9 additional case workers and 58 support staff and supervisor positions. These new caseworkers and staff will mainly be used to improve staffing ratios for in-home services, potentially reducing the number of out-of-home cases.

A budget footnote appropriates half of this amount, or \$1,388,400 and 27.4 FTE Positions from the General Fund and \$2,999,200 and 59.2 FTE Positions from the Federal TANF Block Grant, conditionally on JLBC review of Arizona specific CPS caseload standards. These standards are to be submitted prior to September 1, 2005, and the review is to occur prior to October 1, 2005.

Increased Federal Reimbursements

The approved amount includes a decrease of \$(900,000) from the General Fund in FY 2006 as a savings from increased federal funding for administration and case management. The Governor's Federal Revenue Maximization program identified \$1,800,000 in potential savings that could be obtained by reviewing case management for out-of-home and adoption placements over the past 2 years and claiming additional Federal Title IV-E (child welfare) and Title XIX reimbursement for qualifying services. Only 50% of the potential savings was used as an offset in the budget.

Special Line Items

Children Services

The budget transfers funding from the Children Services line item in FY 2006 to 4 new line items. Prior to the transfer the following adjustments were made:

Behavioral Health Savings

The approved amount includes a decrease of \$(2,845,800) from the General Fund in FY 2006 for savings associated with shifting behavioral health services for approximately 1,000 children from the Department of Economic Security (DES) to the Department of Health Services (DHS). These children were receiving behavioral health treatment through DES, but since they were identified as Title XIX eligible, these services will now be provided by DHS. DES identified \$2,845,800 in estimated savings associated with this shift in FY 2006.

The approved also amount includes a decrease of \$(500,000) from the General Fund in FY 2006 as a savings from increased federal funding for out-of-home placements and adoptions. The Governor's Federal Revenue Maximization program identified \$1,000,000 in potential savings that could be obtained by reviewing out-of-home and adoption placements over the past 2 years and claiming additional Federal Title IV-E (child welfare) and Title XIX reimbursement for qualifying services. Only 50% of the potential savings was used as an offset in the budget.

Caseload Growth and 12.5% Rate Increase

The approved amount includes an increase of \$12,500,000 in FY 2006 for caseload growth. This amount consists of \$8,000,000 from the General Fund and \$4,500,000 from the Federal TANF Block Grant. A budget footnote indicates that of the amount, \$1,692,100 be used to provide a 12.5% increase in the foster care payment rate (raising the average payment from about \$6,900 to \$7,800 per client annually). The remaining \$10,807,900 is for caseload growth experienced in FY 2005 and expected growth in FY 2006.

Transfer to Separate SLIs

The approved amount includes a transfer of \$(61,456,900) in FY 2006 to 4 new SLIs. This amount consists of:

General Fund	(46,794,800)
Federal Temporary Assistance for Needy Families (TANF) Block Grant	(13,912,100)
Child Abuse Prevention Fund	(750,000)

Both the Children Services and Children Services/TANF Deposit to SSBG SLIs are broken out into 4 new SLIs as shown in *Table 1*. Details on the 4 new SLIs immediately follow the Children Services/TANF Deposit to SSBG discussion.

Table 1 summarizes the reallocation from Children Services and the Federal TANF Block Grant Deposit to SSBG line item.

<u>New Line Item</u>	<u>Children Services</u>	<u>TANF Deposit to SSBG</u>	<u>Total</u>
Children Support Services	\$36,824,000	\$5,371,700	\$42,195,700
Emergency Placement	5,558,500	2,333,700	7,892,200
Residential Placement	11,921,300	9,833,300	21,754,600
Foster Care Placement	<u>7,153,100</u>	<u>5,074,400</u>	<u>12,227,500</u>
Subtotal	\$61,456,900	\$22,613,100	\$84,070,000
<i>Non-Appropriated Funds</i>			
Federal Funds			\$47,704,200
Other Non-appropriated			<u>890,000</u>
Subtotal			<u>\$48,594,200</u>
Total			\$132,664,200

Children Services/TANF Deposit to SSBG

The budget transfers funding from the Federal TANF Block Grant for the TANF Deposit to SSBG line item in FY 2006 to 4 new line items. (*See the Children Services narrative and Table 1 for additional details.*)

The federal government caps the amount of TANF Block Grant monies that can be transferred to the SSBG at 10%. Monies in the line item are deposited into the federal SSBG; once deposited, the monies are spent on the Children Services program.

Children Support Services

The budget provides \$42,195,700 for Children Support Services in FY 2006. These monies were transferred from the Children Services and Children Services/TANF Deposit to SSBG line items. This amount consists of:

General Fund	29,316,600
Federal Temporary Assistance for Needy Families (TANF) Block Grant	12,129,100
Child Abuse Prevention Fund	750,000

The Children Support Services provides support services for both in-home and out-of-home clients to ensure the well being of children who are abused and neglected. This does not include the cost of residential placement for children in out-of-home care. In March 2005, the department reports 598 in-home clients and 9,315 out-of-home clients. Over the first half of FY 2005, monthly reports of abuse averaged 3,100 with 220 substantiations. There is no report of how many of these children received services.

Emergency Placement

The budget provides \$7,892,200 for a new Emergency Placement line item in FY 2006. This amount consists of \$3,685,800 from the General Fund and \$4,206,400 from the Federal TANF Block Grant. These monies were transferred from the Children Services and Children Services/TANF Deposit to SSBG line items.

The Emergency Placement Special Line Item provides funding for temporary residential placement of children in the CPS system when residential or foster care placement is not immediately available. In March 2005, 587 children were reported in emergency placements.

Residential Placement

The budget provides \$21,754,600 for a new Residential Placement line item in FY 2006. This amount consists of \$7,788,000 from the General Fund and \$13,966,600 from the Federal TANF Block Grant. These monies were transferred from the Children Services and Children Services/TANF Deposit to SSBG line items.

The Residential Placement Special Line Item provides funding for the placement of children in the CPS system into group homes and treatment centers. These residential placement services are used for children who need behavioral or other therapeutic treatment. In March 2005, 1,655 children were reported in residential placements.

Foster Care Placement

The budget provides \$12,227,500 for a new Foster Care Placement line item in FY 2006. This amount consists of \$6,004,400 from the General Fund and \$6,223,100 from the Federal TANF Block Grant. These monies were transferred from the Children Services and Children Services/TANF Deposit to SSBG line items.

The Foster Care Placement Special Line Item provides funding for the placement of children in the CPS system into foster homes. This Special Line Item only includes the cost of placement, not additional support services. In March 2005, 6,915 were reported in foster care. Of that amount, 3,263 children were in unlicensed foster care, which receives no placement funding.

Healthy Families

The budget provides \$13,750,000 for Healthy Families in FY 2006. This amount consists of \$8,715,800 from the General Fund and \$5,034,200 from the Federal TANF Block Grant. These amounts are unchanged from FY 2005.

The Healthy Families program provides contracted 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. The program will serve approximately 4,200 clients in FY 2006.

Family Builders Program

The budget provides \$5,200,000 from the Federal TANF Block Grant for the Family Builders Program in FY 2006. This amount is unchanged from FY 2005.

Through the Family Builders Program, community based providers offer assessment, preservation, and support services to families of children who are in the CPS system. In June 2004, there were 400 referrals to the Family Builders Program.

Intensive Family Services

The budget provides \$1,985,600 from the General Fund for Intensive Family Services in FY 2006. This amount is unchanged from FY 2005.

The program provides contracted intensive, time-limited services to 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 for 612 families.

Child Abuse Prevention

The budget provides \$819,700 and 1 FTE Position from the Child Abuse Prevention Fund for Child Abuse Prevention in FY 2006. The approved amount includes an increase of \$2,200 from the Child Abuse Prevention Fund in FY 2006 for statewide adjustments.

The program provides financial assistance to community treatment programs benefiting abused children and their parents or guardians.

Homeless Youth Intervention

The budget provides \$400,000 from the Federal TANF Block Grant for Homeless Youth Intervention in FY 2006. This amount is unchanged from FY 2005.

The program has 2 locations in the state for the purpose of helping homeless youth achieve self-sufficiency from services provided through collaborative partnerships with community and faith-based organizations.

Comprehensive Medical & Dental Program (CMDP)

The budget provides \$2,057,000 from the General Fund for CMDP in FY 2006. This amount is unchanged from FY 2005.

The program 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 General Fund monies in this program provide medical services to children who are not eligible for coverage through the Arizona Health Care Cost Containment System (AHCCCS). AHCCCS reimburses DES for the costs associated with AHCCCS-eligible children.

Table 2		
CMDP Funding		
<u>Source</u>		<u>Amount</u>
General Fund		\$ 2,057,000
Reimbursement from AHCCCS		13,954,500
Total		\$16,011,500

Residential Drug Treatment

The budget provides \$75,000 from the General Fund for Residential Drug Treatment in FY 2006.

The approved amount includes a decrease of \$(175,000) from the General Fund in FY 2006 to reflect the appropriation approved in Laws 2003, 2nd Special Session, Chapter 6.

The Special Session legislation required DES to contract for a continuum of services provided to families whose children have been taken into temporary custody and have been referred by the department. These services include, but are not limited to the following: case management; family assessments; child day care; parenting skills training; transportation assistance; and residential drug treatment. The legislation appropriated \$350,000 in FY 2004, \$250,000 in FY 2005, and \$75,000 in FY 2006 for this purpose. Therefore, this funding does not appear in the General Appropriation Act.

TANF Deposit to the Joint Substance Abuse Treatment Fund

The budget provides \$2,000,000 from the Federal TANF Block Grant for the TANF Deposit to the Joint Substance Abuse Treatment Fund line item in FY 2006. This amount is unchanged from FY 2005.

The monies in this line item must be jointly administered by DES and the Department of Health Services for substance abuse services. The funds pay for services for parents, guardians, or custodians whose substance abuse is a significant barrier to preserving the family. The monies also pay for services to recipients of the Federal TANF Block Grant whose substance abuse is a significant barrier to maintaining or obtaining employment. In FY 2006, these monies, along with the General Fund deposit (*see below*), will provide substance abuse services to approximately 2,000 individuals.

Joint Substance Abuse Treatment Fund – State General Fund

The budget provides \$3,000,000 from the General Fund for deposit in the Joint Substance Abuse Treatment Fund in FY 2006. This amount is unchanged from FY 2005.

CPS Expedited Substance Abuse Treatment Fund Deposit

The budget provides \$224,500 from the General Fund for the CPS Expedited Substance Abuse Treatment Fund Deposit in FY 2006. This amount is unchanged from FY 2005.

Monies in this line item are deposited into a non-appropriated Child Protective Services Expedited Substance Abuse Treatment Fund and used to provide expedited drug treatment to guardians and parents when a dependency case plan calls for such treatment.

Permanent Guardianship Subsidy

The budget provides \$4,196,500 for Permanent Guardianship Subsidy in FY 2006. This amount consists of \$3,337,200 from the General Fund and \$859,300 from the Federal TANF Block Grant.

The approved amount includes an increase of \$1,192,700 from the General Fund in FY 2006 for caseload growth. With the increase, this amount will fund an average monthly caseload of 1,263 children.

The program provides a subsidy to encourage placement of foster care children in private homes under permanent guardianship status. The amount of the subsidy is not to exceed the amount of a maintenance payment that is used in the Adoption Subsidy program.

Adoption Services

The budget provides \$34,246,800 for Adoption Services in FY 2006. This amount consists of \$23,560,700 from the General Fund and \$10,686,100 from the Federal TANF Block Grant.

Caseload Growth and 12.5% Rate Increase

The approved amount includes an increase of \$8,300,000 in FY 2006 for adoption caseload growth. This amount consists of \$2,800,000 from the General Fund and \$5,500,000 from the Federal TANF Block Grant. A

budget footnote requires that \$3,101,100 of the approved amount be used to fund a 12.5% increase in the Adoption Subsidy program to match an increase in the foster care rate (raising the average payment from about \$6,100 to \$6,800 per client annually).

The monies in this line item 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 would be otherwise difficult to place in adoption because of age, sibling relationship or racial or ethnic background. The funding provides for ongoing maintenance and/or payment for special services depending on each eligible child's needs. In June 2004, approximately 7,330 clients received adoption subsidies.

Adoption Services – Family Preservation Projects

The budget provides \$1,000,000 from the Federal TANF Block Grant for a new Adoption Services – Family Preservation Projects line item in FY 2006.

These monies are part of a project to evaluate ways to enhance family preservation and promote adoption and permanency for children in the foster care system. These monies will provide additional funding to the agency to recruit adoptive parents as well as to provide adoption subsidy increases and/or one-time payments. A budget footnote requires DES to evaluate the effectiveness of this funding and report those findings annually to the Joint Legislative Budget Committee (JLBC). The JLBC must review the intended use of the funds prior to their expenditure.

The Health and Welfare Budget Reconciliation Bill (Laws 2005, Chapter 328) establishes the Joint Legislative Committee on Adoption Promotion. This committee is charged with reviewing state practices and funding for adoption promotion of foster children. The committee is also responsible for providing recommendations to the JLBC and DES for the expenditure of these funds.

CPS Appeals

The budget provides \$659,400 and 10.5 FTE Positions from the General Fund for CPS Appeals in FY 2006.

The approved amount includes an increase of \$20,200 from the General Fund in FY 2006 for statewide adjustments.

This line item funds a process for individuals accused of alleged child abuse or neglect to challenge the department's findings.

Attorney General Legal Services

The budget provides \$9,048,000 and 151.1 FTE Positions for Attorney General Legal Services in FY 2006. These amounts consist of \$9,000,200 from the General Fund and \$47,800 from the Federal TANF Block Grant.

The approved amount includes an increase of \$651,300 from the General Fund and a decrease of \$(900) from the Federal TANF Block Grant in FY 2006 for statewide adjustments.

Monies in this line item are used to contract for Attorney General representation.