

Department of Economic Security
Children, Youth and Families

JLBC: Eric Jorgensen
 OSPB: Chris Hall

DESCRIPTION	FY 2005 ACTUAL	FY 2006 ESTIMATE	FY 2007 JLBC
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,361.6	1,535.5	1,535.5
Personal Services	41,201,300	47,216,900	47,216,900
Employee Related Expenditures	12,652,800	15,701,600	15,701,600
Professional and Outside Services	962,500	724,300	724,300
Travel - In State	1,311,000	2,182,500	2,182,500
Other Operating Expenditures	2,974,600	6,748,500	5,955,100
Equipment	1,274,500	2,925,400	2,925,400
OPERATING SUBTOTAL	60,376,700	75,499,200	74,705,800
SPECIAL LINE ITEMS			
Children Services	58,241,300	0	0
Children Services/TANF Deposit to SSBG	22,613,100	0	0
Children Support Services	0	42,195,700	42,195,700
CPS Emergency Placement	0	7,892,200	7,892,200
CPS Residential Placement	0	21,754,600	21,754,600
Foster Care Placement	0	12,227,500	14,715,000
Healthy Families	8,863,300	13,750,000	13,750,000
Family Builders Program	3,999,500	5,200,000	5,200,000
Intensive Family Services	1,985,600	1,985,600	1,985,600
Child Abuse Prevention	74,200	819,700	819,700
Homeless Youth Intervention	273,700	400,000	400,000
Comprehensive Medical & Dental Program	1,202,900	2,057,000	2,057,000
Residential Drug Treatment	0	75,000	0
TANF Deposit to the Joint Substance Abuse Treatment Fund	1,715,500	2,000,000	2,000,000
Joint Substance Abuse Treatment Fund - State General Fund	2,787,700	3,000,000	3,000,000
CPS Expedited Substance Abuse Treatment Fund Deposit	224,500	224,500	224,500
Permanent Guardianship Subsidy	3,322,100	4,196,500	6,909,500
Adoption Services	27,446,800	34,246,800	40,237,300
Adoption Services - Family Preservation Projects	0	1,000,000	1,000,000
CPS Appeals	621,500	659,400	659,400
Attorney General Legal Services	6,952,700	9,048,000	9,048,000
PROGRAM TOTAL	200,701,100	238,231,700	248,554,300
FUND SOURCES			
General Fund	119,678,500	147,404,000	157,726,600
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	74,200	1,569,700	1,569,700
Children and Family Services Training Program Fund	81,800	209,600	209,600
Federal TANF Block Grant	80,866,600	89,048,400	89,048,400
SUBTOTAL - Other Appropriated Funds	81,022,600	90,827,700	90,827,700
SUBTOTAL - Appropriated Funds	200,701,100	238,231,700	248,554,300
Other Non-Appropriated Funds	846,400	890,000	890,000
Federal Funds	147,629,200	147,915,600	156,763,800
TOTAL - ALL SOURCES	349,176,700	387,037,300	406,208,100

CHANGE IN FUNDING SUMMARY

	FY 2006 to FY 2007 JLBC	
	\$ Change	% Change
General Fund	10,322,600	7.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	10,322,600	4.3%
Non Appropriated Funds	8,848,200	5.9%
Total - All Sources	19,170,800	5.0%

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 2005	FY 2007
	Actual	Actual	Actual	JLBC
<ul style="list-style-type: none"> • % of newly hired CPS specialists completing training within 7 months of hire Comments: The academy graduated 240 individuals in FY 2005. 	100	100	100	100
<ul style="list-style-type: none"> • % 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 Comments: The validity of these numbers has recently been questioned, as they do not match number provided by the Attorney General's Office. The source of the discrepancy is not yet known. 	28	26	23	21
<ul style="list-style-type: none"> • % of CPS reports responded to by CPS staff Comments: While DES claims a 100% response rate, a recent Auditor General report found that some reports were not investigated, and many were not investigated within statutory or policy timeframes. 	84	100	100	100
<ul style="list-style-type: none"> • % of CPS original dependencies cases where court denied or dismissed 	3	3	<1	<1
<ul style="list-style-type: none"> • % of Office of Administrative Hearings (OAH) where CPS case findings are affirmed 	86	90	85	90
<ul style="list-style-type: none"> • % of CPS complaints reviewed by the Office of the Ombudsman-Citizens Aide where allegations are reported as valid by the Ombudsman 	16	17	14	13
<ul style="list-style-type: none"> • Average # of days spent in shelter placements (NEW) Comments: Reducing this measure is a stated goal of the department in their <i>Strengthening Families: A Blueprint for Realigning Arizona's Child Welfare System</i>. 	--	--	--	15
<ul style="list-style-type: none"> • # of children in shelter care more than 21 days (NEW) Comments: Reducing this measure to 0 by FY 2007 is a stated goal of the department in their <i>Strengthening Families: A Blueprint for Realigning Arizona's Child Welfare System</i>. Measures for FY 2003, FY 2004 and FY 2005 are as of March 31 of each fiscal year. 	1,300	1,431	1,127	0
<ul style="list-style-type: none"> • # of children under 3 in shelter care (NEW) Comments: Reducing this measure to 0 by FY 2007 is a stated goal of the department in their <i>Strengthening Families: A Blueprint for Realigning Arizona's Child Welfare System</i>. Measures for FY 2003, FY 2004 and FY 2005 are as of March 31 of each fiscal year. 	166	242	108	0
<ul style="list-style-type: none"> • # of children under 6 in group homes (NEW) Comments: Reducing this measure to 0 by FY 2007 is a stated goal of the department in their <i>Strengthening Families: A Blueprint for Realigning Arizona's Child Welfare System</i>. Measures for FY 2003, FY 2004 and FY 2005 are as of March 31 of each fiscal year. 	96	120	154	0

RECOMMENDED CHANGES FROM FY 2006

Operating Budget

The JLBC recommends \$74,705,800 for the operating budget in FY 2007. This amount consists of:

	FY 2007
General Fund	\$47,200,400
Federal Temporary Assistance for Needy Families (TANF) Block Grant	27,295,800
Children and Family Services Training Program Fund	209,600

These amounts include the following adjustments:

Rent Funding Shift **GF (793,400)**

The JLBC recommends a decrease of \$(793,400) from the General Fund in FY 2007 to shift rent funding from this division to the Administration Division. Rent payments for the department are paid out of the Administration Division. (See *Rent Funding Shift discussion in the Administration Division for further detail.*)

Special Line Items

Children Services

The JLBC recommends no funding for Children Services in FY 2007. This amount is unchanged from FY 2006. All funding for this line item was transferred to 4 new line items in FY 2006.

Children Services/TANF Deposit to SSBG

The JLBC recommends no funding for this line item in FY 2007. This amount is unchanged from FY 2006. This funding was transferred to 4 new line items in FY 2006.

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.

Table 1 summarizes funding from all sources for the former Children Services and Federal TANF Block Grant Deposit to SSBG line items, which were transferred to 4 new line items in FY 2006. The JLBC recommendation includes a new footnote that would require the approval of the JLBC to transfer monies between these line items. (See *New Footnotes discussion for further details.*)

	FY 2007 Recommendation			
	Children Support Services	CPS Emergency Placement	CPS Residential Placement	Foster Care Placement
Clients ^{1/}	N/A	553	1,505	7,402
General Fund	\$29,316,600	\$3,685,800	\$7,788,000	\$8,491,900
Other				
Appropriated	<u>12,879,100</u>	<u>4,206,400</u>	<u>13,966,600</u>	<u>6,223,100</u>
Appropriated Total	42,195,700	7,892,200	21,754,600	14,715,000
Federal Funds	3,380,300	8,357,700	22,373,200	11,084,900
Other Non-				
Appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>890,000</u>
Total - All Funds	\$45,576,000	\$16,249,900	\$44,127,800	\$26,689,900
General Fund Total				\$49,282,300
Other Appropriated Total				37,275,200
Federal Funds Total				45,196,100
Other Non-Appropriated Total				890,000
Total				\$132,643,600

^{1/} Client counts are as of September 2005. Children Support Services is not reported as DES does not report clients in this manner and to avoid double counting.

Children Support Services

The JLBC recommends \$42,195,700 for Children Support Services in FY 2007. 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

These amounts are unchanged from FY 2006. 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. For September 2005, the department reported 9,460 out-of-home clients. The active in-home clients count was 959 for July 2005. In the first quarter of FY 2006, monthly reports of abuse averaged 3,100. There is no report of how many of these children received children support services.

CPS Emergency Placement

The JLBC recommends \$7,892,200 for CPS Emergency Placement in FY 2007. This amount consists of:

General Fund	3,685,800
Federal TANF Block Grant	4,206,400

These amounts are unchanged from FY 2006.

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 September 2005, 553 children were reported in emergency placements at an average monthly cost of \$1,860 per child.

CPS Residential Placement

The JLBC recommends \$21,754,600 for CPS Residential Placement in FY 2007. This amount consists of:

General Fund	7,788,000
Federal TANF Block Grant	13,966,600

These amounts are unchanged from FY 2006.

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 September 2005, 1,505 children were reported in residential placements at an average monthly cost of \$2,500 per child.

Foster Care Placement

The JLBC recommends \$14,715,000 for Foster Care Placement in FY 2007. This amount consists of:

General Fund	8,491,900
Federal TANF Block Grant	6,223,100

These amounts include the following adjustments:

Foster Care Rate Increase GF 2,487,500

The JLBC recommends an increase of \$2,487,500 from the General Fund in FY 2007 for a 12.5% foster care rate increase. In FY 2006, the Legislature provided funding for a 12.5% rate increase and included a budget footnote that stated it was the intent of the Legislature to provide an additional 12.5% rate increase in FY 2007. This would raise the average annual payment from \$7,800 to \$8,800.

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 September 2005, 7,402 were reported in foster care. Of that amount, 3,606 children were placed with relatives in unlicensed foster care, which receives no placement funding. The remaining 3,796 children were in licensed foster care at an average monthly cost of \$650 per child.

Healthy Families

The JLBC recommends \$13,750,000 for Healthy Families in FY 2007. This amount consists of:

General Fund	8,715,800
Federal TANF Block Grant	5,034,200

These amounts are unchanged from FY 2006.

The Healthy Families program provides contracted services to children less than 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 2007.

Family Builders Program

The JLBC recommends \$5,200,000 from the Federal TANF Block Grant for the Family Builders Program in FY 2007. This amount is unchanged from FY 2006.

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 August 2005, there were 234 referrals to the Family Builders Program.

Intensive Family Services

The JLBC recommends \$1,985,600 from the General Fund for Intensive Family Services in FY 2007. This amount is unchanged from FY 2006.

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 JLBC recommends \$819,700 and 1 FTE Position from the Child Abuse Prevention Fund for Child Abuse Prevention in FY 2007. This amount is unchanged from FY 2006.

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

Homeless Youth Intervention

The JLBC recommends \$400,000 from the Federal TANF Block Grant for Homeless Youth Intervention in FY 2007. This amount is unchanged from FY 2006.

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 JLBC recommends \$2,057,000 from the General Fund for CMDP in FY 2007. This amount is unchanged from FY 2006.

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.

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

Residential Drug Treatment

The JLBC recommends no funding for Residential Drug Treatment in FY 2007. This includes the following adjustments:

Elimination of One-Time Funding GF (75,000)

The JLBC recommends a decrease of \$(75,000) from the General Fund in FY 2007 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. Due to a lack of qualified bidders, these monies were never expended.

TANF Deposit to the Joint Substance Abuse Treatment Fund

The JLBC recommends \$2,000,000 from the Federal TANF Block Grant for the TANF Deposit to the Joint Substance Abuse Treatment Fund line item in FY 2007. This amount is unchanged from FY 2006.

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 2007, 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 JLBC recommends \$3,000,000 from the General Fund for deposit in the Joint Substance Abuse Treatment Fund in FY 2007. This amount is unchanged from FY 2006.

CPS Expedited Substance Abuse Treatment Fund Deposit

The JLBC recommends \$224,500 from the General Fund for the CPS Expedited Substance Abuse Treatment Fund Deposit in FY 2007. This amount is unchanged from FY 2006.

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 JLBC recommends \$6,909,500 for Permanent Guardianship Subsidy in FY 2007. This amount consists of:

General Fund	6,050,200
Federal TANF Block Grant	859,300

These amounts include the following adjustments:

Permanent Guardianship Caseload GF 2,713,000

The JLBC recommends an increase of \$2,713,000 from the General Fund in FY 2007 for caseload growth. With the increase, this amount will fund an average monthly caseload of 1,920 children with an average monthly subsidy of about \$300. This represents a 52% caseload increase over the budgeted FY 2006 levels; however, actual caseloads are expected to be 13% higher than budgeted for FY 2006. This represents a 35% increase in caseload or about 500 additional clients over the new FY 2006 estimated levels. While this growth is somewhat higher than historical trends, caseload is expected to increase as more children move to permanency.

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 JLBC recommends \$40,237,300 for Adoption Services in FY 2007. This amount consists of:

General Fund	29,551,200
Federal TANF Block Grant	10,686,100

These amounts include the following adjustments:

Adoption Services Rate Increase GF 3,841,500

The JLBC recommends an increase of \$3,841,500 from the General Fund in FY 2007 for a 12.5% adoption subsidy rate increase. In FY 2006, the Legislature provided funding for a 12.5% rate increase and included a budget footnote that stated it was the intent of the Legislature to provide an additional 12.5% rate increase in FY 2007. This would raise the average annual payment from \$6,500 to \$7,300.

Adoption Services Caseload Growth GF 2,149,000

The JLBC recommends an increase of \$2,149,000 from the General Fund in FY 2007 for adoption caseload growth. This amount would provide adoption subsidies to as many as 10,600 families, at an average monthly subsidy of \$610 per child. This represents an 8% increase over the budgeted FY 2006 levels, and is commensurate with historical growth patterns.

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 September 2005, approximately 8,200 clients received adoption subsidies.

Adoption Services – Family Preservation Projects

The JLBC recommends \$1,000,000 from the Federal TANF Block Grant for Adoption Services – Family Preservation Projects in FY 2007. This amount is unchanged from 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 Joint Legislative Committee on Adoption Promotion is charged with providing recommendations to the JLBC and DES for the expenditure of these funds. The JLBC recommends making the FY 2006 appropriation lapsing. (*See JLBC Recommended Statutory Changes for more details.*)

CPS Appeals

The JLBC recommends \$659,400 and 10.5 FTE Positions from the General Fund for CPS Appeals in FY 2007. This amount is unchanged from FY 2006. 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 JLBC recommends \$9,048,000 and 151.1 FTE Positions for Attorney General Legal Services in FY 2007. These amounts consist of:

General Fund	9,000,200
Federal TANF Block Grant	47,800

These amounts are unchanged from FY 2006. Monies in this line item are used to contract for Attorney General representation.

* * *

JLBC RECOMMENDED FORMAT — Operating Lump Sum with Special Line Items by Program

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

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.

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.

Of the amounts appropriated for Children Support Services, CPS Emergency Placement, CPS 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, CPS Emergency Placement \$2,333,700, CPS Residential Placement \$9,833,300, Foster Care Placement \$5,074,400.

Of the sums appropriated, \$3,841,500 from the Adoption Services Special Line Item and \$2,487,500 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 2007. ~~It is also the intent of the Legislature to provide an additional 12.5% increase to these rates in FY 2007.~~

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. (*The JLBC recommends that the non-lapsing language be removed as the program will have passed through its "start-up" phase and will no longer need non-lapsing authority.*)

New Footnotes

Notwithstanding A.R.S. § 35-173C, any transfer to or from the amounts appropriated for Children Support Services, CPS Emergency Placement, CPS Residential Placement, or Foster Care Placement requires approval of the Joint Legislative Budget Committee. (*The JLBC recommends the preceding footnote to allow more legislative oversight of CPS expenditures. In FY 2006, the Children Services Special Line Item (SLI) was divided into 4 new SLIs. This footnote requires the JLBC to approve transfers in and out of those SLIs.*)

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote relating to the conditional appropriation of CPS staffing monies as the requirements were met.

The JLBC recommends deleting the footnote relating to the report on privatization options for CPS case management as this was a one-time report.

JLBC RECOMMENDED STATUTORY CHANGES

The JLBC recommends an amendment to the FY 2006 General Appropriation Act removing the non-lapsing provision of the appropriation to the Adoption Services – Family Preservation Projects line item. Due to delays in expending the appropriation, the JLBC does not anticipate that these monies will be expended in FY 2006. The JLBC recommendation continues funding for this line item in FY 2007.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Auditor General Recommendation

A December 2005 Auditor General report found that while DES reports a 100% investigation rate, some reports have gone uninvestigated. The finding further states that at least 12% of reports within the audit's July 2002 to March 2005 scope were not investigated within statutory or department

policy timeframes. Another 34% had invalid or missing response dates. As with previous audits, it was noted that case documentation was not always current, accurate or complete. The audit recommends that DES change its

method for calculating the response rate, improve documentation and report processes, streamline investigative tasks, and increase accountability.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY
