

## Department of Child Safety

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	3,203.1	3,203.1	3,203.1 <sup>1/</sup>
Personal Services	59,502,600	66,680,600	71,161,100
Employee Related Expenditures	24,011,400	23,830,200	25,490,200
Professional and Outside Services	11,849,100	14,248,300	14,680,300
Travel - In State	310,700	411,400	425,300
Travel - Out of State	42,900	42,900	43,500
Other Operating Expenditures	29,708,900	29,851,700	29,910,100
Equipment	209,500	209,500	209,500
<b>OPERATING SUBTOTAL</b>	<b>125,635,100</b>	<b>135,274,600</b>	<b>141,920,000 <sup>2/-10/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
<b>Additional Operating Resources</b>			
Attorney General Legal Services	25,522,800	25,522,800	25,522,800 <sup>11/</sup>
Caseworkers	110,598,900	119,775,000	119,775,000
General Counsel	130,000	170,400	0
Inspections Bureau	2,447,800	2,628,100	0
New Case Aides	3,229,400	3,232,700	0
Office of Child Welfare Investigations	8,922,800	10,594,100	10,594,100
Records Retention Staff	572,400	614,200	0
Training Resources	8,569,800	9,150,000	9,150,000
<b>Out-of-Home Placements</b>			
Congregate Group Care	102,447,200	125,847,200	100,709,000
Extended Foster Care	15,000,200	17,037,200	17,037,200
Foster Home Placement	42,114,300	51,929,500	51,929,500
Foster Home Recruitment, Study and Supervision	23,630,100	32,753,600	32,753,600
Kinship Care	5,226,900	24,811,200	24,811,200 <sup>12/13/</sup>
<b>Permanent Placements</b>			
Permanent Guardianship Subsidy	12,283,900	12,516,900	12,516,900
Adoption Services	272,783,100	278,258,500	289,358,500
<b>Support Services</b>			
DCS Child Care Subsidy	144,361,800	61,675,400	61,675,400
In-Home Mitigation	25,205,200	28,988,100	28,988,100
Out-of-Home Support Services	94,739,500	122,710,800	122,710,800
Preventive Services	15,148,300	25,148,300	27,648,300
<b>Comprehensive Health Plan</b>			
Comprehensive Health Plan Administration	26,384,600	30,344,800	27,461,200
Comprehensive Health Plan Premium Tax	4,626,000	4,550,900	3,857,300
Comprehensive Health Plan Services	196,234,700	201,703,700	161,546,700
<b>AGENCY TOTAL</b>	<b>1,265,814,800</b>	<b>1,325,238,000</b>	<b>1,269,965,600 <sup>14/</sup></b>
<b>FUND SOURCES</b>			
General Fund	392,082,300	472,867,200	454,503,200
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	931,400	1,459,300	1,459,300
Child Welfare Licensing Fee Fund	297,700	1,020,800	1,020,800
Children and Family Services Training Program Fund	0	208,000	208,000
Federal Child Care and Development Fund Block Grant	130,916,000	40,516,000	40,516,000
Federal Temporary Assistance for Needy Families Block Grant	157,468,100	161,082,200	161,082,200
SUBTOTAL - Other Appropriated Funds	289,613,200	204,286,300	204,286,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>681,695,500</b>	<b>677,153,500</b>	<b>658,789,500</b>

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<u>Expenditure Authority Funds</u>			
Child Safety Expenditure Authority	356,874,000	411,485,100	418,310,900
Comprehensive Health Plan Fund	227,245,300	236,599,400	192,865,200
SUBTOTAL - Expenditure Authority Funds	584,119,300	648,084,500	611,176,100
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>1,265,814,800</b>	<b>1,325,238,000</b>	<b>1,269,965,600</b>
Other Non-Appropriated Funds	900	0	0
<b>TOTAL - ALL SOURCES</b>	<b>1,265,815,700</b>	<b>1,325,238,000</b>	<b>1,269,965,600</b>

**AGENCY DESCRIPTION** — The department investigates reports of child abuse and neglect, promotes the safety of a child in a stable family or other out-of-home placement in response to allegations of abuse or neglect, works with law enforcement regarding reports that include criminal conduct allegations, and coordinates services to achieve and maintain permanency on behalf of children in the child welfare system.

#### FOOTNOTES

- 1/ Includes 866.5 GF, 420.6 OF, and 523.1 EA FTE Positions funded from Special Line Items in FY 2024.
- 2/ The department of child safety shall provide training to any new child safety FTE positions before assigning any client caseload duties to any of these employees. (General Appropriation Act footnote)
- 3/ The legislature intends that the department of child safety use its funding to achieve a one hundred percent investigation rate. (General Appropriation Act footnote)
- 4/ The amount appropriated for any line item may not be transferred to another line item or to the operating budget unless the transfer is reviewed by the joint legislative budget committee, except that transfers between any two line items relating to the comprehensive health plan are not subject to review. (General Appropriation Act footnote)
- 5/ The department of child safety may transfer up to ten percent of the total amount of federal temporary assistance for needy families block grant monies appropriated to the department of economic security and the department of child safety to the social services block grant. Before transferring federal temporary assistance for needy families block grant monies to the social services block grant, the department of child safety shall report the proposed amount of the transfer to the director of the joint legislative budget committee. This report may be in the form of an expenditure plan that is submitted at the beginning of the fiscal year and updated, if necessary, throughout the fiscal year. (General Appropriation Act footnote)
- 6/ For the purposes of this section, "backlog case":
  1. Means any nonactive case for which documentation has not been entered in the child welfare automated system for at least sixty days and for which services have not been authorized for at least sixty days and any case that has had an investigation, has been referred to another unit and has had no contact for at least sixty days.
  2. Includes any case for which the investigation has been open without any documentation or contact for at least sixty days, any case involving in-home services for which there has been no contact or services authorized for at least sixty days and any case involving foster care in which there has been no contact or any documentation entered in the child welfare automated system for at least sixty days. (General Appropriation Act footnote)
- 7/ For the purposes of this section:
  1. "Long-term case" means any case in which the child has been in an out-of-home placement for at least eighteen months.
  2. "Open report" means a report that is under investigation or awaiting closure by a supervisor. (General Appropriation Act footnote)
- 8/ On or before February 28, 2024 and August 31, 2024, the department of child safety shall present a report to the joint legislative budget committee on the progress made during July 2023 through December 2023 and January 2024 through June 2024, respectively, in meeting the caseload standard and reducing the number of backlog and long-term cases. Each report shall include the number of backlog cases, the number of open reports, the number of long-term cases and the caseworker workload in comparison to the previous six months. Each report shall provide the number of backlog cases by disposition, including the number of backlog cases in the investigation phase, the number of backlog cases associated with out-of-home placements and the number of backlog cases associated with in-home cases.  
To determine the caseworker workload, the department shall report the number of case-carrying caseworkers at each field office and the number of investigations, in-home cases and long-term cases assigned to each field office.

For backlog cases, the department's benchmark is 1,000 cases.

For open reports, the department's benchmark is fewer than 8,000 open reports.

For long-term cases, the department's benchmark is the caseload reported for December 2022.

If the department of child safety has not submitted a required report within thirty days after the report is due, the director of the joint legislative budget committee shall inform the general accounting office of the department of administration, which shall withhold two percent of the department of child safety's operating lump sum semiannual budget allocation until the department of child safety submits the required report. (General Appropriation Act footnote)

- 9/ Child safety expenditure authority includes all department funding sources excluding the state general fund, the federal child care and development fund block grant, the federal temporary assistance for needy families block grant, the child abuse prevention fund, the children and family services training program fund and the comprehensive health plan expenditure authority fund. (General Appropriation Act footnote)
- 10/ On or before December 1, 2023, the department of child safety shall submit a report to the joint legislative budget committee on the department's efforts to implement the family first prevention services act of 2018. The report shall quantify the department's efforts in at least the following areas, including any associated fiscal impacts: (1) Reducing the number of children placed for more than two weeks in congregate care settings, excluding qualified residential treatment programs, facilities for pregnant and parenting youth, supervised independent living and specialized programs for victims of sex trafficking. (2) Assisting congregate care providers in attaining status as qualified residential treatment programs. (3) Identifying alternative placements, including therapeutic foster homes, for children who would otherwise be placed in congregate care. (4) Expanding evidence-based, in-home parent skill-based programs and mental health and substance abuse prevention and treatment services. (General Appropriation Act footnote)
- 11/ All expenditures made by the department of child safety for attorney general legal services shall be funded only from the attorney general legal services line item. Monies in department of child safety line items intended for this purpose shall be transferred to the attorney general legal services line item before expenditure. (General Appropriation Act footnote)
- 12/ The amount appropriated for kinship care shall be used for a stipend of \$300 per month for a relative caretaker, including a grandparent, any level of great-grandparent or any nongrandparent relative, or a caretaker of fictive kinship, if a dependent child is placed in the care of a relative caretaker or caretaker of fictive kinship pursuant to department guidelines. The department shall provide the stipend on behalf of all children placed with an unlicensed kinship foster care parent. The unlicensed kinship foster care parent is not required to file an application to receive the stipend. Before changing the eligibility for the program or the amount of the stipend, the department shall submit a report for review by the joint legislative budget committee detailing the proposed changes. (General Appropriation Act footnote)
- 13/ On or before March 31, 2024, the department of child safety shall report to the joint legislative budget committee the number of children who are part of the kinship stipend program and reside with a nonrelative caretaker of fictive kinship. (General Appropriation Act footnote)
- 14/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

### **Operating Budget**

The Baseline includes \$141,920,000 and 1,392.9 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<b>FY 2024</b>
General Fund	\$81,798,800
Child Safety Expenditure Authority	33,669,700
Federal TANF Block Grant	25,430,700
Child Welfare Licensing Fee Fund	1,020,800

Adjustments are as follows:

### **Additional Operating Resources Funding Shift**

The Baseline includes an increase of \$6,645,400 and 71 FTE Positions in FY 2024 for the operating budget. This amount consists of:

General Fund	3,398,600
Child Safety Expenditure Authority	1,728,600
Federal TANF Block Grant	1,518,200

The Baseline would shift this funding from the General Counsel, Inspections Bureau, New Case Aides, and Records Retention Staff Special Line Items for no net overall change to agency resources. Please refer to the individual line items for more information.

### **Additional Operating Resources**

### **Attorney General Legal Services**

The Baseline includes \$25,522,800 and 276.2 FTE Positions in FY 2024 for Attorney General Legal Services. These amounts consist of:

General Fund	19,741,900
Child Safety Expenditure Authority	5,780,900

These amounts are unchanged from FY 2023.

This line item funds the attorneys and support staff in the Attorney General's Protective Services Section (PSS). Attorney General staff represents DCS in dependency, guardianship, severance, and adoption proceedings throughout the state. This line item does not include funding for the Attorney General's defense of DCS in ongoing class action litigation.

#### **Caseworkers**

The Baseline includes \$119,775,000 and 1,406 FTE Positions in FY 2024 for caseworkers. These amounts consist of:

General Fund	53,723,400
Children and Family Services Training Program Fund	208,000
Federal TANF Block Grant	33,615,900
Child Safety Expenditure Authority	32,227,700

These amounts are unchanged from FY 2023.

*Background* – This line item funds caseworker positions I, II, III and IV, including salary, benefits, other operating expenses and in-state travel. Funding for field office staff, including case aides, caseworker supervisors, program managers, and other support staff, are included in the DCS operating budget.

The Legislature has funded 1,406 caseworkers (direct line staff). As of the latest available data from October 2022, DCS had filled 1,236 of these positions, or 170 fewer filled positions than the funded amount.

#### **General Counsel**

The Baseline includes no funding in FY 2024 for the General Counsel line item. Adjustments are as follows:

##### **Shift to Operating Budget**

The Baseline includes a decrease of \$(170,400) and (1) FTE Position from the General Fund in FY 2024 to shift funding from the General Counsel line item to the Operating Budget.

Unlike the Attorney General Legal Services line item which funds representation of DCS in administrative or judicial proceedings, this line item funds the DCS General Counsel, who provides legal advice to the Director.

#### **Inspections Bureau**

The Baseline includes no funding in FY 2024 for the Inspections Bureau line item. Adjustments are as follows:

##### **Shift to Operating Budget**

The Baseline includes a decrease of \$(2,628,100) and (31) FTE Positions in FY 2024 to shift funding from the Inspections Bureau line item to the Operating Budget. This amount consists of:

General Fund	(1,595,900)
Federal TANF Block Grant	(185,700)
Child Safety Expenditure Authority	(846,500)

*Background* – Monies in this line item fund the Inspections Bureau established in A.R.S. § 8-458, which is tasked with ensuring the department policies and procedures are being followed by all staff in accordance with federal and state law.

#### **New Case Aides**

The Baseline includes no funding in FY 2024 for the New Case Aides line item. Adjustments are as follows:

##### **Shift to Operating Budget**

The Baseline includes a decrease of \$(3,232,700) and (34) FTE Positions in FY 2024 to shift funding from the New Case Aides line item to the Operating Budget. This amount consists of:

General Fund	(1,148,900)
Federal TANF Block Grant	(1,332,500)
Child Safety Expenditure Authority	(751,300)

Monies in this line item fund 34 new case aides. These positions are in addition to the 256 case aides funded from the operating budget in May 2016.

#### **Office of Child Welfare Investigations**

The Baseline includes \$10,594,100 and 127 FTE Positions in FY 2024 for the Office of Child Welfare Investigations (OCWI). These amounts consist of:

General Fund	10,392,100
Child Safety Expenditure Authority	202,000

These amounts are unchanged from FY 2023.

*Background* – A.R.S. § 8-471 establishes the Office of Child Welfare Investigations (OCWI) within the Department of Child Safety to investigate criminal conduct allegations,

coordinate with law enforcement, and establish task forces for the investigation of criminal conduct in cases of child abuse and neglect.

#### **Records Retention Staff**

The Baseline includes no funding in FY 2024 for the Records Retention Staff line item. Adjustments are as follows:

##### **Shift to Operating Budget**

The Baseline includes a decrease of \$(614,200) and (5) FTE Positions in FY 2024 to shift funding from the Records Retention Staff line item to the Operating Budget. This amount consists of:

General Fund	(483,400)
Child Safety Expenditure Authority	(130,800)

This line item funds staff that process information requests about children in the state child welfare system.

#### **Training Resources**

The Baseline includes \$9,150,000 in FY 2024 for Training Resources. This amount consists of:

General Fund	150,000
Child Safety Expenditure Authority	9,000,000

These amounts are unchanged from FY 2023.

**Background** – DCS has agreements with Arizona State University (ASU) and Northern Arizona University (NAU) to educate potential caseworkers. As part of that agreement, the federal government provides Title IV-E funding for the universities' social work programs while the universities provide the state match. The federal match rate is 75%.

In FY 2022, DCS reports that 58 ASU/NAU social work students received scholarships, including 32 Bachelors of Social Work (BSW) students and 26 Masters of Social Work (MSW) students.

#### **Out-of-Home Placements**

DCS places children in out-of-home care when the department determines in conjunction with the Juvenile Court that, after investigating a report of child abuse or neglect, no services or interventions can adequately ensure the child's health and safety in the home. *Table 1* shows out-of-home placements by setting each year.

#### **Congregate Group Care**

The Baseline includes \$100,709,000 in FY 2024 for Congregate Group Care. This amount consists of:

General Fund	38,635,300
Federal TANF Block Grant	21,423,000
Child Safety Expenditure Authority	40,650,700

Adjustments are as follows:

**Table 1**

<b>Out-of-Home Placements <sup>1/</sup></b>			
	<b>Dec 2021</b>	<b>Mar 2022</b>	<b>June 2022</b>
Kinship Care <sup>2/</sup>	4,294	3,538	3,538
Foster Home	4,148	3,892	3,291
Congregate Care	2,443	2,486	2,314
Group Home	1,355	1,383	1,144
Emergency Shelter	64	73	68
Behavioral Health Placement	1,024	1,030	1,102
Independent Living	727	643	572
Other <sup>3/</sup>	1,751	2,453	3,544
<b>Total</b>	<b>13,363</b>	<b>13,012</b>	<b>13,259 <sup>4/</sup></b>

<sup>1/</sup> Includes out-of-home children up through age 17 as well as children 18-21 in Extended Foster Care.

<sup>2/</sup> Includes unlicensed relative and non-relative placements.

<sup>3/</sup> Includes runaways, missing children, children with no identified placement, and trial home visits.

<sup>4/</sup> Latest available data for placement types is from June 2022 and includes "preliminary data" reported by DCS. The most recent Kinship Care data is from March 2022.

##### **Remove Congregate Care Federal Funding Backfill**

The Baseline includes a decrease of \$(25,138,200) from the General Fund in FY 2024 to remove prior year funding to address an expected loss of federal funding, increased provider rates, and new placement requirements for those placed in foster-care. The FY 2022 3-year budget plan designates this funding as one-time in FY 2022 and FY 2023.

*(Please see the Family First Prevention Services Act section below for more details on both increases.)*

##### **Funding for FY 2024 Federal Match Rate Changes**

The Baseline includes an increase of \$559,300 from the General Fund and a corresponding decrease of \$(559,300) from Child Safety Expenditure Authority in FY 2024 to offset an estimated FY 2024 decrease in the Title IV-E Federal Medical Assistance Percentage (FMAP) rate. There are 6 DCS line items affected by this change.

The FY 2023 budget's 3-year spending plan includes a total General Fund increase of \$7,500,000 in FY 2024 and an additional \$2,500,000 in FY 2025 for the estimated decrease in the base Title IV-E FMAP rate for the 6 line

items. In addition, the federal Omnibus spending bill passed in December 2022 includes an enhanced match rate through December 2023 which offsets those increases by \$(3,225,800) on a one-time basis in FY 2024. Across the 6 line items, the net General Fund FY 2024 increase is \$4,274,200. The Baseline incorporates these changes in the affected line items and reduces Child Safety Expenditure Authority by an equivalent amount.

*Caseload* – According to the latest available data from DCS, in FY 2022, DCS served a monthly average caseload of 2,088 in congregate care placements. At an average monthly cost of \$4,165 per placement, funding in this line is sufficient for an average monthly caseload of 2,517 placements in FY 2024.

*Background* – This line item funds congregate care placements for foster children up through age 17, including shelter facilities for up to 21 days or less; group home placements; and placements at behavioral health facilities licensed by the Department of Health Services, such as behavioral health group homes and residential treatment centers. DCS pays the cost of behavioral health facility placements for non-Medicaid CMDP children and pays for the room and board expenditures for Medicaid-eligible children. All other behavioral health facility costs are funded by the RBHAs within the AHCCCS budget.

#### **Extended Foster Care**

The Baseline includes \$17,037,200 in FY 2024 for Extended Foster Care. This amount consists of:

General Fund	10,082,800
Child Safety Expenditure Authority	6,954,400

Adjustments are as follows:

##### **Funding for FY 2024 Federal Match Rate Changes**

The Baseline includes an increase of \$199,500 from the General Fund and a corresponding decrease of \$(199,500) from Child Safety Expenditure Authority in FY 2024 to offset an estimated FY 2024 decrease in the Title IV-E FMAP rate.

*Caseload* – According to the latest available data from DCS, in FY 2022, 572 individuals aged 17-21 remained voluntarily in DCS foster care.

*Background* – A.R.S. § 8-521.02 authorizes DCS to establish an Extended Foster Care program for young adults aged 18-21 who turned age 18 while in DCS custody. Participating youth may continue to receive services and supports from the department on condition of enrolling in an education program, employment,

participation in a program that promotes employment, or be unable to be a full-time student or work due to a documented medical condition.

#### **Foster Home Placement**

The Baseline includes \$51,929,500 in FY 2024 for Foster Home Placement. This amount consists of:

General Fund	18,252,900
Federal TANF Block Grant	6,973,100
Child Safety Expenditure Authority	26,703,500

Adjustments are as follows:

##### **Funding for FY 2024 Federal Match Rate Changes**

The Baseline includes an increase of \$427,400 from the General Fund and a corresponding decrease of \$(427,400) from Child Safety Expenditure Authority in FY 2024 to offset an estimated FY 2024 decrease in the Title IV-E FMAP rate.

*Caseload* – According to the latest available data from DCS, in FY 2022, a monthly average of 4,064 clients received licensed foster home services. At an average monthly cost of \$849, the funding in this line item is sufficient for 5,097 foster home placements in FY 2024.

*Background* – The Foster Home Placement line item provides funding for the placement of out-of-home children up through age 17 into foster homes. This line item includes the cost of the maintenance payments for licensed foster homes. Unlicensed foster homes are funded in the Kinship Care line item.

#### **Foster Home Recruitment, Study and Supervision**

The Baseline includes \$32,753,600 in FY 2024 for Foster Home Recruitment, Study and Supervision. This amount consists of:

General Fund	19,652,200
Child Safety Expenditure Authority	13,101,400

These amounts are unchanged from FY 2023.

*Background* – This line item funds contracts with child welfare licensing agencies that recruit foster families, complete home studies to ensure that foster homes comply with requirements for licensure and provide ongoing monitoring and oversight of foster homes.

### **Kinship Care**

The Baseline includes \$24,811,200 in FY 2024 for Kinship Care. This amount consists of:

General Fund	24,311,200
Federal TANF Block Grant	500,000

These amounts are unchanged from FY 2023.

**Caseload** – In FY 2022, a monthly average of 5,375 children were placed in unlicensed kinship care. Based on a monthly stipend of \$300, funding in this line item is sufficient for 6,892 kinship placements in FY 2024. DCS reports 5,593 children were placed in unlicensed kinship care in November 2022.

**Background** – This line item funds the Kinship Stipend, which provides a \$300 monthly stipend per child to unlicensed kinship caregivers. Unlicensed kinship caregivers may include relatives as well as non-relative caregivers of fictive kinship. "Fictive kin" are caregivers that have a meaningful relationship with the child but are not related by blood or by marriage.

The Baseline continues a General Appropriation Act footnote that requires DCS to provide the stipend on behalf of all children placed with an unlicensed kinship foster care parent and permits such caregivers to receive the stipend without filing an application. Another General Appropriation Act requires DCS to report to the Joint Legislative Budget Committee by March 31, 2024 on the number of children in the kinship care stipend program residing with non-relative caretaker of fictive kinship.

### **Permanent Placements**

DCS subsidizes the care of children who exit out-of-home care for placements in adoptive homes or for custody with permanent guardians. *Table 2* shows the total caseload for permanent placements.

<b>Table 2</b>			
<b>Permanent Placements</b>			
	<b>June 2020</b>	<b>June 2021</b>	<b>June 2022</b>
Adoption	32,688	32,735	33,224
Permanent Guardianship	<u>2,723</u>	<u>2,716</u>	<u>2,719</u>
<b>Total</b>	<b>35,411</b>	<b>35,451</b>	<b>35,943</b>

### **Permanent Guardianship Subsidy**

The Baseline includes \$12,516,900 in FY 2024 for the Permanent Guardianship Subsidy. This amount consists of:

General Fund	10,573,900
Federal TANF Block Grant	1,943,000

These amounts are unchanged from FY 2023.

**Caseload** – According to the latest available data from DCS, in FY 2022, a monthly average of 2,771 clients received permanent guardianship subsidies. At an average monthly cost of \$377, the funding in this line item is sufficient to fund 2,770 total placements in FY 2024.

**Background** – A.R.S. § 8-871 establishes the criteria for the Juvenile Court to establish a permanent guardianship for children in out-of-home care.

### **Adoption Services**

The Baseline includes \$289,358,500 in FY 2024 for Adoption Services. This amount consists of:

General Fund	83,768,800
Federal TANF Block Grant	22,445,700
Child Safety Expenditure Authority	183,144,000

Adjustments are as follows:

#### **Technical Adjustment**

The Baseline includes an increase of \$11,100,000 from Child Safety Expenditure Authority to reflect additional ongoing matching federal funding authority agreed to in the FY 2023 budget but inadvertently omitted from the General Appropriation Act. The Baseline also includes an FY 2023 supplemental of the same amount.

#### **Funding for FY 2024 Federal Match Rate Changes**

The Baseline includes an increase of \$2,803,000 from the General Fund and a corresponding decrease of \$(2,803,000) from Child Safety Expenditure Authority in FY 2024 to offset an estimated FY 2024 decrease in the Title IV-E FMAP rate.

**Caseload** – According to the latest available data from DCS, in FY 2022, a monthly average of 33,123 clients received adoption subsidies. The line item also funds non-maintenance-related adoption services of about \$6,500,000 annually, such as non-recurring adoption legal expenses, special services related to pre-existing special needs conditions of the adopted child, and recruitment and placement supports for adoptive families. At an

average monthly cost of \$677, the funding in this line item is sufficient for 33,459 total placements in FY 2024.

**Background** – DCS is required to administer an ongoing program of subsidized adoption pursuant to A.R.S. § 8-142 for children with 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 maintenance subsidies, special services subsidies, expenditures related to the legal process of adopting a child, and adoption home recruitment costs. Medical expenses are covered through AHCCCS.

### Support Services

DCS provides services to families involved in the child welfare system that are intended to facilitate the reunification of out-of-home children with their biological families and reduce the probability that high-risk families have children enter out-of-home care. *Table 3* displays combined spending from FY 2022 for in-home mitigation and out-of-home support services by category.

<b>Table 3</b>	
<b>Support Services</b>	
<b>FY 2022 Actual Expenditures by Service Category <sup>1/</sup></b>	
<b>Services</b>	<b>Amount</b>
Child Care Subsidies	\$ 54,499,000
Comprehensive Health Plan Services	199,156,700
Parent Aide	8,713,700
Supervised Visitation	26,985,700
Transportation	17,735,000
In-Home Services	17,869,600
Preventive Services	15,148,300
Allowances	7,627,100
Counseling and Psychological Services	2,415,600
Substance Use Disorder Treatment	7,495,200
Independent Living Support	11,489,700
Lab Services	9,543,300
Other	12,564,800
<b>Total</b>	<b>\$391,243,700 <sup>2/</sup></b>

<sup>1/</sup> Does not include substance use disorder services spending for Arizona Families F.I.R.S.T. (AFF) recipients who are eligible for AHCCCS.

<sup>2/</sup> Latest available data is from July 2022 as reported by DCS. Numbers may not match the Special Line Item expenditures reported separately by the agency.

### DCS Child Care Subsidy

The Baseline includes \$61,675,400 in FY 2024 for the DCS Child Care Subsidy. This amount consists of:

General Fund	7,171,000
Federal CCDF Block Grant	40,516,000
Child Safety Expenditure Authority	13,988,400

FY 2023 adjustments are as follows:

#### Funding for FY 2024 Federal Match Rate Changes

The Baseline includes an increase of \$171,000 from the General Fund and a corresponding decrease of \$(171,000) from Child Safety Expenditure Authority in FY 2024 to offset an estimated FY 2024 decrease in the Title IV-E FMAP rate.

**Caseload** – According to the latest available data from DCS, in FY 2022, a monthly average of 5,533 children received DCS child care. At \$825 monthly, the base funding in this line item is sufficient for an average monthly caseload of 8,726 children in FY 2024.

**Background** – This line item funds child care for children in the DCS system. DES continues to administer the state's child care program, so this funding is passed through to DES. Children who qualify for the DCS child care subsidy are not subject to a time limit, copay, or waiting list. DCS child care is provided for children in both licensed and unlicensed foster care. *(Please see the DES Child Care Subsidy line item for other child care funding.)*

### In-Home Mitigation

The Baseline includes \$28,988,100 and 1 FTE Position in FY 2024 for In-Home Mitigation. These amounts consist of:

General Fund	6,971,700
Child Abuse Prevention Fund	1,459,300
Federal TANF Block Grant	14,611,200
Child Safety Expenditure Authority	5,945,900

These amounts are unchanged from FY 2023.

**Background** – This line item funds DCS' in-home services program for families with a child at risk of out-of-home placement. Contracted in-home services provide a wide range of voluntary services for up to 120 days intended to ensure that children remain safely at home, including parent education, counseling, domestic violence intervention, behavioral management, home management, and linkages to community resources. According to the latest available data from DCS, there were 5,553 new referrals to the in-home services program in FY 2022.



### **Out-of-Home Support Services**

The Baseline includes \$122,710,800 in FY 2024 for Out-of-Home Support Services. This amount consists of:

General Fund	52,777,200
Federal TANF Block Grant	34,139,600
Child Safety Expenditure Authority	35,794,000

Adjustments are as follows:

#### **Funding for FY 2024 Federal Match Rate Changes**

The Baseline includes an increase of \$114,000 from the General Fund and subsequent decrease of \$(114,000) from Child Safety Expenditure Authority in FY 2024 to offset an estimated FY 2024 decrease in the Title IV-E FMAP rate.

*Background* – This line item funds services for children in out-of-home care and their families, including supervised visitation, parent aide, health care services, allowances, transportation, substance abuse treatment, and independent living services.

### **Preventive Services**

The Baseline includes \$27,648,300 in FY 2024 for Preventive Services. This amount consists of:

General Fund	16,500,000
Child Safety Expenditure Authority	11,148,300

Adjustments are as follows:

#### **Healthy Families Expansion**

The Baseline includes an increase of \$2,500,000 from the General Fund in FY 2024 to expand the Healthy Families Arizona Program and replace expiring federal grant monies.

The \$2,500,000 FY 2024 increase is part of the FY 2023 3-year budget plan. That same plan provided another \$2,500,000 increase in FY 2025 above FY 2024.

*Background* – This line item funds broad-based prevention programs to reduce the risk of involvement with DCS for at-risk families. The programs include Healthy Families, which is an in-home visiting program, and the Building Resilient Families program, which provides follow-up services to families that were previously the subject of a DCS report.

### **Comprehensive Health Plan**

The Comprehensive Health Plan (CHP) includes both physical health and behavioral health services for foster care children. The program is funded by capitation payments from the Arizona Health Care Cost Containment System (AHCCCS) for Medicaid-eligible children in foster care. AHCCCS covers the cost of such payments with its General Fund appropriation and federal Medicaid matching funds. This combination of these AHCCCS General Fund and federal funds is deposited into the DCS Comprehensive Health Plan Fund and then appropriated to DCS. *(Please see the FY 2022 Appropriations Report for more detail.)*

The Baseline includes a total decrease of \$(43,734,200) from the Comprehensive Health Plan Fund across the 3 CHP line items. The formula adjustments consist of 0.5% enrollment growth in FY 2024, 3.1% capitation growth, and prior year base adjustments as reflected in the AHCCCS budget.

### **Comprehensive Health Plan Administration**

The Baseline includes \$27,461,200 from the Comprehensive Health Plan Fund in FY 2024 for Comprehensive Health Plan Administration. Adjustments are as follows:

#### **Formula Adjustments**

The Baseline includes a decrease of \$(2,883,600) from the Comprehensive Health Plan Fund in FY 2024 for CHP formula adjustments.

*Background* – This line item includes funding DCS receives from AHCCCS' capitation payments for the agency's administrative expenses associated with the Comprehensive Health Plan.

### **Comprehensive Health Plan Premium Tax**

The Baseline includes \$3,857,300 from the Comprehensive Health Plan Fund in FY 2024 for Comprehensive Health Plan Premium Taxes. Adjustments are as follows:

#### **Formula Adjustments**

The Baseline includes a decrease of \$(693,600) from the Comprehensive Health Plan Fund in FY 2024 for CHP formula adjustments.

*Background* – This line item includes funding DCS receives from AHCCCS' capitation payments for premium tax payments. DCS pays a 2% tax on capitation and

reinsurance monies associated with the Comprehensive Health Plan.

### **Comprehensive Health Plan Services**

The Baseline includes \$161,546,700 from the Comprehensive Health Plan Fund in FY 2024 for Comprehensive Health Plan Services. Adjustments are as follows:

#### **Formula Adjustments**

The Baseline includes a decrease of \$(40,157,000) from the Comprehensive Health Plan Fund in FY 2024 for CHP formula adjustments.

*Background* – This line item includes funding DCS receives from AHCCCS' capitation payments for the agency's physical and behavioral health services expenses associated with the Comprehensive Health Plan.

### **Other Issues**

This section includes information on the following topics:

- FY 2023 Adjustments
- Long-Term Budget Impacts
- Families First Prevention Services Act

### **FY 2023 Adjustments**

The Baseline assumes DCS General Fund costs for FY 2023 will be \$(19,000,000) lower than the original FY 2023 General Fund appropriation. The \$(19,000,000) surplus is based on the federal government's extension of the enhanced FMAP. The enhanced FMAP will lower DCS' state match expenses for programs funded by Title IV-E monies, such as adoption and foster home placements. A 6.2% enhanced FMAP will be available through March 2023. The federal Consolidated Appropriations Act of 2023 sets an enhanced 5.0% FMAP from April through June 2023. In comparison, the FY 2023 enacted budget assumed the enhanced rate would not be extended into FY 2023. The FY 2024 Baseline does not, however, include an FY 2023 ex-appropriation to account for the savings. Instead, the surplus would be realized through General Fund reverts.

Separate from the issue above, the Baseline also includes an FY 2023 Expenditure Authority supplemental of \$11,100,000 to reflect additional ongoing matching federal funding authority agreed to in the FY 2023 budget but inadvertently omitted from the General Appropriation Act.

### **Long-Term Budget Impacts**

As part of the FY 2023 budget's 3-year spending plan, Department of Child Safety General Fund costs are projected to increase by \$8,225,800 in FY 2025 above FY 2024. These estimates are based on:

- An increase of \$5,725,800 FY 2025 over FY 2024 resulting from a net decrease in the Title IV-E FMAP rate.
- An increase of \$2,500,000 in FY 2025 over FY 2024 to continue expansion of the Health Families Arizona Program.

### **Families First Prevention Services Act**

The federal Bipartisan Budget Act of 2018 (P.L. 115-123) enacted in February 2018 incorporated provisions from previously introduced legislation called the Family First Prevention Services Act, which makes changes to federal IV-E financing of state and local child welfare services. The major changes include:

- Availability of uncapped IV-E federal reimbursement for in-home preventive services for families of children at risk of being placed in foster care, including mental health and substance abuse prevention and treatment services as well as in-home parent skill-based programs. The federal match rate will be 50% and will only be applied to state expenditures above a state maintenance-of-effort requirement.
- Limitation of federal IV-E reimbursement for congregate care placements to 2 weeks, except for children with serious behavioral or emotional disorders that are placed in "Qualified Residential Treatment Programs" meeting certain criteria.
- Delays the full phase-out of income eligibility standards for children age 2 or under (previously, adoptive subsidies were only available to children demonstrating "special needs" as defined in federal law and that came from families with incomes at or below the TANF income eligibility level) in the IV-E adoption program until July 1, 2024.

An FY 2023 General Appropriation Act footnote requires DCS to report on its implementation of the legislation by December 1, 2022, including quantification of any fiscal impacts. DCS reported it has taken the following actions related to implementing the legislation:

- The department implemented a variety of measures to retain and recruit foster families and accredit Qualified Residential Treatment Programs (QRTS),

which are congregate care settings that will continue to be eligible for federal reimbursement.

- DCS hired 2 Foster Recruitment and Retention Specialists, launched a website to support foster families, and began working with a marketing firm to create a campaign to raise awareness to further support and recruit foster families. DCS reports that both Specialists have begun working with Foster Home Licensing Team Leads to provide updated data directly to contracted agencies during site visits.
- The department now has 15 contracted QRTP providers and 10 other facilities working to become accredited as of November 2022.

- DCS announced they would cover accreditation fees for congregate care homes to provide trauma informed care, qualifying them as QRTP facilities.
- DCS standardized therapeutic foster care placements in collaboration with the Arizona Health Care Cost Containment System (AHCCCS), including increased utilization of therapeutic foster homes for youth with higher needs, but do not meet medical necessity. The department reports that it created a policy and established procedures in FY 2022 to utilize therapeutic foster care services for youth for non-medically necessary placement.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Child Abuse Prevention Fund (CHA2162/A.R.S. § 8-550.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A portion of monies (1.93%) from statutory filing and copy fees collected by the Superior Court and all funds received through check-off contributions on the Arizona tax form. Monies also may come from a surcharge on certified copies of death certificates when revenues from the surcharge exceed \$100,000 for the year.		
<b>Purpose of Fund:</b> To provide financial assistance to community treatment programs, benefiting abused children and their parents or guardians. An amount of not more than 5% may be expended for administrative expenses related to the fund.		
<b>Funds Expended</b>	931,400	1,459,300
<b>Year-End Fund Balance</b>	1,464,800	1,084,700
<b>Child Restraint Fund (CHA2192/A.R.S. § 28-907)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fines or penalties from parents, guardians, or legal custodians who fail to sufficiently restrain in children under the age of 8 in motor vehicles.		
<b>Purpose of Fund:</b> To purchase child passenger restraint systems and provide them to hospitals for loan to indigent persons. Monies in the fund shall not exceed \$20,000. All monies collected over \$20,000 shall be deposited in the Arizona Highway User Revenue Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	3,300	20,000
<b>Child Safety Expenditure Authority (CHA2009/A.R.S. § 41-101.01)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> All non-appropriated funds and Federal Funds for the Department of Child Safety, excluding the Federal Temporary Assistance for Needy Families Block Grant, the Federal Child Care and Development Fund, the Client Trust Fund, and the Economic Security Donations Fund.		
<b>Purpose of Fund:</b> To fund the Department of Child Safety.		
<b>Funds Expended</b>	356,874,000	411,485,100
<b>Year-End Fund Balance</b>	645,900	645,900
<b>Child Welfare Licensing Fee Fund (CHA2994/A.R.S. § 8-467)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> License fees and legislative appropriations.		
<b>Purpose of Fund:</b> To issue licenses to licensees who do not contract with DCS for care and supervision of DCS children and for the inspection, examination, suspension, denial, revocation and change of licenses.		
<b>Funds Expended</b>	297,700	1,020,800
<b>Year-End Fund Balance</b>	666,500	657,300

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Children and Family Services Training Program Fund (DCS2173/A.R.S. § 8-503.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A portion of monies collected from fees charged for copies of child welfare files and assessments against legally responsible parties for the support of a child in the state's custody. The fund receives 90% of the revenues collected. The remaining 10% of revenues are credited to the General Fund.		
<b>Purpose of Fund:</b> To administer training for child safety workers and employees in related programs. The monies cannot be used to pay salaries or expenses of the training staff. Up to 10% of the monies may be used to enhance the collection of monies owed to the agency. Any monies collected from fees for copies of child welfare files may be used only for reimbursing the department for its cost.		
<b>Funds Expended</b>	0	208,000
<b>Year-End Fund Balance</b>	34,600	(155,900)
<b>Client Trust Fund (CHA3152/A.R.S. § 41-1954)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies collected from Social Security, Veterans' Administration benefits, and other benefits payable to a child in the care, custody, or control of DCS.		
<b>Purpose of Fund:</b> To defray the costs of care and services expended for the benefit, welfare, and best interest of the child.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,047,100	2,273,400
<b>Comprehensive Health Plan Fund (CHA2121/A.R.S. § 8-512, 41-2501)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Monies paid by the Arizona Health Care Cost Containment System Administration pursuant to the contract, amounts paid by third-party payors, gifts, donations and grants from any source, and interest on monies deposited in the Comprehensive Health Plan Expenditure Authority fund.		
<b>Purpose of Fund:</b> To fund the administration of foster children's physical, dental, and behavioral health care.		
<b>Funds Expended</b>	227,245,300	236,599,400
<b>Year-End Fund Balance</b>	4,165,200	0
<b>Economic Security Donations Fund (CHA3145/A.R.S. § 36-571, 41-1954)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants, gifts, or bequests.		
<b>Purpose of Fund:</b> To be disbursed for the purpose of and in conformity with the terms of the grant, gift, or bequest.		
<b>Funds Expended</b>	900	0
<b>Year-End Fund Balance</b>	57,300	79,000
<b>Federal Child Care and Development Fund Block Grant (CHA2008/U.S. P.L. 104-193)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Federal formula grant.		
<b>Purpose of Fund:</b> To be used for developing child care programs, providing child care to welfare recipient parents, and implementing licensing standards under state law for child care. Up to 5% of the aggregate amount of funds expended can be used for administrative costs. At least 4% of funds must be used for consumer education and activities for improving the quality and availability of child care. No monies can be used for purchasing land or building facilities to provide child care. DES has a separate allocation of CCDF.		
<b>Funds Expended</b>	130,916,000	40,516,000
<b>Year-End Fund Balance</b>	0	0
<b>Federal Temporary Assistance for Needy Families Block Grant (CHA2007/U.S. P.L. 104-193)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Federal formula grant.		
<b>Purpose of Fund:</b> To provide assistance to needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of 2-parent families. DES has a separate allocation of TANF.		
<b>Funds Expended</b>	157,468,100	161,082,200
<b>Year-End Fund Balance</b>	0	0