

Department of Child Safety

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3,203.1	3,283.1	3,283.1 ^{1/}
Personal Services	69,410,500	71,357,400	71,357,400
Employee Related Expenditures	30,127,400	28,908,100	28,908,100
Professional and Outside Services	15,189,500	11,470,400	11,470,400
Travel - In State	304,300	332,300	332,300
Travel - Out of State	79,200	81,600	81,600
Other Operating Expenditures	37,964,300	36,090,400	33,840,400
Equipment	1,135,600	953,900	953,900
OPERATING SUBTOTAL	154,210,800	149,194,100	146,944,100 ^{2/-9/}
SPECIAL LINE ITEMS			
Additional Operating Resources			
Attorney General Legal Services	27,617,300	27,894,900	27,894,900 ^{10/}
Caseworkers	127,672,200	124,285,400	124,285,400
General Counsel	118,600	0	0
Inspections Bureau	2,589,300	0	0
New Case Aides	3,232,600	0	0
Office of Child Welfare Investigations	10,411,300	11,235,900	11,235,900
Records Retention Staff	590,600	0	0
Training Resources	6,157,500	9,150,000	9,150,000
Out-of-Home Placements			
Congregate Group Care	105,124,000	114,918,700	100,709,000
Extended Foster Care	16,793,000	26,553,900	19,887,200
Extended Foster Care Service Model Fund Deposit	0	19,243,300	0
Foster Home Placement	38,312,200	51,929,500	51,929,500
Foster Home Recruitment, Study and Supervision	27,254,400	32,753,600	32,753,600
Kinship Care	19,862,000	24,811,200	24,811,200 ^{11/12/}
Permanent Placements			
Positive Parenting Program for Post Permanency Placements Pilot	0	4,000,000	0
Permanent Guardianship Subsidy	13,266,900	12,516,900	12,516,900
Adoption Services	274,724,500	294,923,500	292,923,500
Support Services			
DCS Child Care Subsidy	54,206,600	61,675,400	61,675,400
In-Home Mitigation	27,406,600	28,988,100	28,988,100
Out-of-Home Support Services	111,939,000	122,710,800	122,710,800
Preventive Services	19,400,800	29,648,300	32,148,300
Comprehensive Health Plan			
Comprehensive Health Plan Administration	26,356,400	27,461,200	28,642,700
Comprehensive Health Plan Premium Tax	4,008,600	3,857,300	3,196,600
Comprehensive Health Plan Services	173,502,600	161,546,700	127,989,800
AGENCY TOTAL	1,244,757,800	1,339,298,700	1,260,392,900 ^{4/13/14/}
FUND SOURCES			
General Fund	445,953,900	497,994,700	464,544,100
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	586,200	1,459,300	1,459,300
Child Welfare Licensing Fee Fund	643,600	1,021,700	1,021,700
Children and Family Services Training Program Fund	0	208,000	208,000

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
Federal Child Care and Development Fund Block Grant	40,516,000	40,516,000	40,516,000
Federal Temporary Assistance for Needy Families Block Grant	161,082,300	161,082,200	161,082,200
SUBTOTAL - Other Appropriated Funds	202,828,100	204,287,200	204,287,200
SUBTOTAL - Appropriated Funds	648,782,000	702,281,900	668,831,300
<u>Expenditure Authority Funds</u>			
Child Safety Expenditure Authority	392,108,200	444,151,600	431,732,500
Comprehensive Health Plan Fund	203,867,600	192,865,200	159,829,100
SUBTOTAL - Expenditure Authority Funds	595,975,800	637,016,800	591,561,600
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,244,757,800	1,339,298,700	1,260,392,900
Other Non-Appropriated Funds	25,000	0	0
TOTAL - ALL SOURCES	1,244,782,800	1,339,298,700	1,260,392,900

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 2025.
- 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, 2025 and August 31, 2025, the department of child safety shall present a report to the joint legislative budget committee on the progress made during July 2024 through December 2024 and January 2025 through June 2025, 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 3,323.

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/ On or before December 1, 2024, 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)
- 10/ 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)
- 11/ 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)
- 12/ On or before March 31, 2025, 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)
- 13/ 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)
- 14/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$146,944,100 and 1,472.9 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
General Fund	\$71,747,800
Child Safety Expenditure Authority	48,743,900
Federal TANF Block Grant	25,430,700
Child Welfare Licensing Fee Fund	1,021,700

Adjustments are as follows:

Remove Fleet Vehicle Replacement Funding

The Baseline includes a decrease of \$(2,250,000) from the General Fund in FY 2025 to remove one-time funding to replace 50 vehicles within the DCS fleet.

Additional Operating Resources

Attorney General Legal Services

The Baseline includes \$27,894,900 and 276.2 FTE Positions in FY 2025 for Attorney General Legal Services. These amounts consist of:

General Fund	21,663,300
Child Safety Expenditure Authority	6,231,600

These amounts are unchanged from FY 2024.

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 \$124,285,400 and 1,406 FTE Positions in FY 2025 for caseworkers. These amounts consist of:

General Fund	53,677,900
Children and Family Services Training Program Fund	208,000
Federal TANF Block Grant	33,615,900
Child Safety Expenditure Authority	36,783,600

These amounts are unchanged from FY 2024.

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 November 2023, DCS had 1,335 filled case specialist positions.

Office of Child Welfare Investigations

The Baseline includes \$11,235,900 and 127 FTE Positions in FY 2025 for the Office of Child Welfare Investigations (OCWI). These amounts consist of:

General Fund	10,382,300
Child Safety Expenditure Authority	853,600

These amounts are unchanged from FY 2024.

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.

Training Resources

The Baseline includes \$9,150,000 in FY 2025 for Training Resources. This amount consists of:

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

These amounts are unchanged from FY 2024.

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, the latest data available from the agency, DCS reports that 105 ASU/NAU social work students received scholarships, including 41 Bachelors of Social Work (BSW) students and 64 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.

Table 1

	Out-of-Home Placements ^{1/}		
	Dec 2021	July 2022	August 2023
Kinship Care ^{2/}	4,294	5,617	4,875
Foster Home	4,148	3,640	2,954
Congregate Care	2,443	1,984	1,878
Group Home	1,355	1,355	1,295
Emergency Shelter	64	38	31
Behavioral Health Placement	1,024	591	552
Independent Living	727	612	589
Other ^{3/}	1,751	577	485
Total	13,363	12,430	10,781 ^{4/}

^{1/} Includes out-of-home children up through age 17 as well as children 18-21 in Extended Foster Care.

^{2/} Includes unlicensed relative and non-relative placements.

^{3/} Includes runaways, missing children, children with no identified placement, and trial home visits.

^{4/} Latest available data for placement types is from August 2023 and includes "preliminary data" reported by DCS.

Congregate Group Care

The Baseline includes \$100,709,000 in FY 2025 for Congregate Group Care. This amount consists of:

General Fund	39,384,500
Federal TANF Block Grant	21,423,000
Child Safety Expenditure Authority	39,901,500

Adjustments are as follows:

Remove Congregate Care Federal Funding Backfill

The Baseline includes a decrease of \$(10,876,400) from the General Fund in FY 2025 to remove prior year one-time funding to address an expected loss in federal funding and new placement requirements for those placed in foster care associated with the Family First Prevention Services Act.

(Please see the Family First Prevention Services Act section in Other Issues for more details.)

Remove Emergency Shelter Group Homes and Transition Living Funding

The Baseline includes a decrease of \$(3,333,300) from the General Fund in FY 2025 to remove prior year one-time funding to provide additional support for out-of-home placements through emergency shelters and extended foster care.

Funding for FY 2025 Federal Match Rate Changes

The Baseline includes an increase of \$749,200 from the General Fund and a corresponding decrease of \$(749,200) from Child Safety Expenditure Authority in FY 2025 to offset an estimated FY 2025 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 included 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. Because the federal Omnibus spending bill passed in December 2022 included an enhanced match rate through December 2023, the General Fund increase of \$7,500,000 in FY 2024 was offset on a one-time basis by \$(3,225,800). Across the 6 line items, the net General Fund FY 2024 increase was \$4,274,200. The FY 2025 Baseline includes the remaining \$5,725,800 to bring the FY 2025 appropriation to the \$10,000,000 level established in the 3-year spending plan associated with the FY 2023 budget. 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 2023, an estimated monthly average of 1,860 clients received congregate care placements. At an average monthly cost of \$5,073 per placement and the assumed federal reimbursement level, the total appropriation has the authority to support 1,654 congregate care placements in FY 2025.

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 \$19,887,200 in FY 2025 for Extended Foster Care. This amount consists of:

General Fund	11,350,000
Child Safety Expenditure Authority	8,537,200

Adjustments are as follows:

Remove One-Time Emergency Shelter Group Homes and Transition Living Funding

The Baseline includes a decrease of \$(6,666,700) from the General Fund in FY 2025 to remove prior year one-time funding to provide additional support for out-of-home placements through emergency shelters and extended foster care.

Funding for FY 2025 Federal Match Rate Changes

The Baseline includes an increase of \$267,200 from the General Fund and a corresponding decrease of \$(267,200) from Child Safety Expenditure Authority in FY 2025 to offset an estimated FY 2025 decrease in the Title IV-E FMAP rate.

Caseload – According to the latest available data from DCS, 601 individuals aged 17-21 remained voluntarily in DCS foster care as of September 2023.

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.

Extended Foster Care Service Model Fund Deposit

The Baseline includes no funding in FY 2025 for the Extended Foster Care Service Model Fund Deposit. Adjustments are as follows:

Remove One-Time Fund Deposit

The Baseline includes a decrease of \$(19,243,300) in FY 2025 to remove a one-time deposit into the non-appropriated Extended Foster Care Comprehensive Service Model Fund. This amount consists of:

General Fund	(12,550,000)
Child Safety Expenditure Authority	(6,693,300)

The FY 2024 Human Services Budget Reconciliation Bill (BRB) established this fund as session law.

Background – This line item funds an extended foster care comprehensive service model that provides support services and case management from contracted community providers to young adults 17.5-20 years of age in the Extended Foster Care program. The scope of work for the Extended Foster Care Comprehensive Service Model includes weekly engagements between "success coaches" and individuals in the program, life skills training, and mental and physical health and well-being, among other components.

An FY 2024 General Appropriation Act footnote makes this appropriation non-lapsing.

Foster Home Placement

The Baseline includes \$51,929,500 in FY 2025 for Foster Home Placement. This amount consists of:

General Fund	23,825,500
Federal TANF Block Grant	6,973,100
Child Safety Expenditure Authority	21,130,900

Adjustments are as follows:

Funding for FY 2025 Federal Match Rate Changes

The Baseline includes an increase of \$572,600 from the General Fund and a corresponding decrease of \$(572,600) from Child Safety Expenditure Authority in FY 2025 to offset an estimated FY 2025 decrease in the Title IV-E FMAP rate.

Caseload – According to the latest available data from DCS, in FY 2023, an estimated monthly average of 3,610 clients received licensed foster home placements. At an average monthly cost of \$914 per placement and the current appropriated General Fund, TANF, and federal reimbursement levels, DCS can support an average monthly caseload of 4,735 foster home placements in FY 2025.

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 2025 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 2024.

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 2025 for Kinship Care. This amount consists of:

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

These amounts are unchanged from FY 2024.

Caseload – In FY 2023, on average 5,703 children resided in unlicensed kinship care monthly. Based on a monthly stipend of \$300 and the current General Fund, and TANF funding level, DCS can support 6,892 kinship placements in FY 2025. DCS reports 4,752 children were placed in unlicensed kinship care in September 2023.

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.

A General Appropriation Act footnote 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 footnote requires DCS to report to the Joint Legislative Budget Committee by March 31, 2025 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.

Table 2

Permanent Placements

	June 2021	June 2022	June 2023
Adoption	32,735	33,224	33,337
Permanent Guardianship	<u>2,716</u>	<u>2,719</u>	<u>2,835</u>
Total	35,451	35,943	36,172

Positive Parenting Program for Post Permanency Placements Pilot

The Baseline includes no funding in FY 2025 for the Positive Parenting Program for Post Permanency Placements Pilot. Adjustments are as follows:

Remove Pilot Program Funding

The Baseline includes a decrease of \$(4,000,000) from the General Fund in FY 2025 to remove one-time funding for the Positive Parenting Program for Post Permanency Placements Pilot program.

Background – This program provides management strategies for parents to address behavior issues and support to families to prevent reentry of post permanency children into out-of-home care.

This funding addresses a requirement from the federal Fostering Connections to Success and Increasing Adoption Act of 2008 (P.L. 110-351) that state agencies receiving Title IV-E federal funding are to spend at least 30% of adoption savings on post-adoption services, post-guardianship services, and services to support positive permanent outcomes for children at risk of entering foster care.

An FY 2024 General Appropriation Act footnote makes this appropriation non-lapsing.

Permanent Guardianship Subsidy

The Baseline includes \$12,516,900 in FY 2025 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 2024.

Caseload – According to the latest available data from DCS, in FY 2023, an estimated monthly average of 2,840 clients received permanent guardianship subsidies. At an average monthly cost of \$391 and the current General Fund and TANF funding level, DCS can support 2,668 total placements in FY 2025.

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 \$292,923,500 in FY 2025 for Adoption Services. This amount consists of:

General Fund	91,523,800
Federal TANF Block Grant	22,445,700
Child Safety Expenditure Authority	178,954,000

Adjustments are as follows:

Remove Federal Adoption Incentive Backfill

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2025 to remove one-time funding for an anticipated loss in the federal adoption incentive award.

Funding for FY 2025 Federal Match Rate Changes

The Baseline includes an increase of \$3,755,000 from the General Fund and a corresponding decrease of \$(3,755,000) from Child Safety Expenditure Authority in FY 2025 to offset an estimated FY 2025 decrease in the Title IV-E FMAP rate.

Caseload – According to the latest available data from DCS, in FY 2023, an estimated monthly average of 33,332 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 \$671 and the assumed federal reimbursement level, the total appropriation has the authority to support 36,379 adoption placement subsidies in FY 2025.

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 2023 for in-home mitigation and out-of-home support services by category, in addition to spending for child care subsidies and comprehensive health plan services.

DCS Child Care Subsidy

The Baseline includes \$61,675,400 in FY 2025 for the DCS Child Care Subsidy. This amount consists of:

General Fund	7,400,100
Federal CCDF Block Grant	40,516,000
Child Safety Expenditure Authority	13,759,300

Adjustments are as follows:

Funding for FY 2025 Federal Match Rate Changes

The Baseline includes an increase of \$229,100 from the General Fund and a corresponding decrease of \$(229,100) from Child Safety Expenditure Authority in FY 2025 to offset an estimated FY 2025 decrease in the Title IV-E FMAP rate.

Caseload – According to the latest available data from DCS, through March of FY 2023, an estimated monthly average of 5,296 children received DCS childcare. At \$958 monthly, and the assumed federal reimbursement level, the appropriation has the authority to support an average monthly caseload of 5,365 children in FY 2025.

Table 3

**Support Services
FY 2023 Estimated Expenditures by Service Category ^{1/}**

Services	Amount
Child Care Subsidies	\$ 56,559,400
Comprehensive Health Plan Services	201,703,700
Nurturing Parenting Program	15,395,000
Supervised Visitation	28,210,000
Transportation	34,300,000
Family Connections	8,470,500
Preventive Services	15,148,300
Allowances	13,295,100
Counseling and Psychological Services	1,874,600
Substance Use Disorder Treatment	7,495,200
Independent Living Support	6,410,000
Lab Services	7,202,000
Other	<u>14,748,600</u>
Total	\$410,812,400 ^{2/}

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

^{2/} Latest available data is from July 2023 as reported by DCS. Numbers may not match the Special Line Item expenditures reported separately by the agency.

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 2025 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 2024.

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 an estimated 4,577 new referrals to the in-home services program in FY 2023.

Out-of-Home Support Services

The Baseline includes \$122,710,800 in FY 2025 for Out-of-Home Support Services. This amount consists of:

General Fund	52,929,900
Federal TANF Block Grant	34,139,600
Child Safety Expenditure Authority	35,641,300

Adjustments are as follows:

Funding for FY 2025 Federal Match Rate Changes

The Baseline includes an increase of \$152,700 from the General Fund and a corresponding decrease of \$(152,700) from Child Safety Expenditure Authority in FY 2025 to offset an estimated FY 2025 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 \$32,148,300 in FY 2025 for Preventive Services. This amount consists of:

General Fund	19,000,000
Child Safety Expenditure Authority	13,148,300

Adjustments are as follows:

Healthy Families Expansion

The Baseline includes an increase of \$2,500,000 from the General Fund in FY 2025 to expand the Healthy Families Arizona Program and replace expiring federal grant monies.

The \$2,500,000 FY 2025 increase is part of the FY 2023 3-year budget plan, which provided the same increase in FY 2024. The FY 2025 amount is the final increase outlined in the 3-year plan.

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 \$(27,761,600) from the Comprehensive Health Plan Fund across the 3 CHP line items. The formula adjustments consist of 0.5% enrollment growth in FY 2024, 4.0% capitation growth, and prior year base adjustments as reflected in the AHCCCS budget.

Comprehensive Health Plan Administration

The Baseline includes \$28,642,700 from the Comprehensive Health Plan Fund in FY 2025 for Comprehensive Health Plan Administration. Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$1,181,500 from the Comprehensive Health Plan Fund in FY 2025 for CHP formula adjustments, including a 28.6% increase in the administration capitation rate.

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 \$3,196,600 from the Comprehensive Health Plan Fund in FY 2025 for Comprehensive Health Plan Premium Taxes. Adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(660,700) from the Comprehensive Health Plan Fund in FY 2025 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 \$127,989,800 from the Comprehensive Health Plan Fund in FY 2025 for Comprehensive Health Plan Services. Adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(33,556,900) from the Comprehensive Health Plan Fund in FY 2024 for CHP formula adjustments. This adjustment is primarily attributable to prior year base adjustments for lower-than-budgeted caseloads and inflation - projected FY 2025 caseloads are approximately (19.4)% lower than budgeted. Similarly, the cost of medical services declined (2.3)% in the latest capitation rate adjustment as a result of lower utilization.

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:

- Auditor General Report
- Families First Prevention Services Act

Auditor General Report

Performance Audit

In September 2023, the Auditor General published an audit of DCS, which examined DCS's investigation of licensing complaints against child welfare agencies and foster homes as well as monitoring of these entities. In terms of budget implications, the Auditor General identified 2:

- The Auditor General observed that DCS said it intends to hire additional staff for licensing complaint investigations, which are currently the responsibility

of contracted licensing agencies. DCS plans for this change to go into effect in February 2024.

- Of the Auditor General's various recommendations, 3 were related to DCS's IT systems. DCS stated it is exploring various IT systems that could enhance its handling of licensing complaints.

Family 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 2024 General Appropriation Act footnote required DCS to report on its implementation of the legislation by December 1, 2023, including quantification of any fiscal impacts. The FY 2025 Baseline would continue this footnote and require DCS to provide an update by December 1, 2024. 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 (QRTP), 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 created a campaign to raise awareness

to further support and recruit foster families. The video/media campaign debuted in April 2023.

- The department has 16 contracted QRTP providers as of November 2023.
- 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 2023 Actual	FY 2024 Estimate
Child Abuse Prevention Fund (CHA2162/A.R.S. § 8-550.01)		Appropriated
Source of Revenue: 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.		
Purpose of Fund: 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.		
Funds Expended	586,200	1,459,300
Year-End Fund Balance	890,300	395,400
Child Restraint Fund (CHA2192/A.R.S. § 28-907)		Non-Appropriated
Source of Revenue: Fines or penalties from parents, guardians, or legal custodians who fail to sufficiently restrain in children under the age of 8 in motor vehicles.		
Purpose of Fund: 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.		
Funds Expended	0	0
Year-End Fund Balance	32,100	20,000
Child Safety Expenditure Authority (CHA2009/A.R.S. § 41-101.01)		Expenditure Authority
Source of Revenue: 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.		
Purpose of Fund: To fund the Department of Child Safety.		
Funds Expended	392,108,200	444,151,600
Year-End Fund Balance	0	(4,735,300)
Child Welfare Licensing Fee Fund (CHA2994/A.R.S. § 8-467)		Appropriated
Source of Revenue: License fees and legislative appropriations.		
Purpose of Fund: 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.		
Funds Expended	643,600	1,021,700
Year-End Fund Balance	953,500	920,700
Children and Family Services Training Program Fund (DCS2173/A.R.S. § 8-503.01)		Appropriated
Source of Revenue: 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.		
Purpose of Fund: 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.		
Funds Expended	0	208,000
Year-End Fund Balance	11,700	(196,300)

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Client Trust Fund (CHA3152/A.R.S. § 41-1954)		Non-Appropriated
Source of Revenue: Monies collected from Social Security, Veterans' Administration benefits, and other benefits payable to a child in the care, custody, or control of DCS.		
Purpose of Fund: To defray the costs of care and services expended for the benefit, welfare, and best interest of the child.		
Funds Expended	0	0
Year-End Fund Balance	13,509,400	14,084,900
Comprehensive Health Plan Fund (CHA2121/A.R.S. § 8-512, 41-2501)		Expenditure Authority
Source of Revenue: 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.		
Purpose of Fund: To fund the administration of foster children's physical, dental, and behavioral health care.		
Funds Expended	203,867,600	192,865,200
Year-End Fund Balance	1,241,300	(12,133,400)
Economic Security Donations Fund (CHA3145/A.R.S. § 36-571, 41-1954)		Non-Appropriated
Source of Revenue: Grants, gifts, or bequests.		
Purpose of Fund: To be disbursed for the purpose of and in conformity with the terms of the grant, gift, or bequest.		
Funds Expended	25,000	0
Year-End Fund Balance	34,200	48,600
Extended Foster Care Comprehensive Service Model Fund (CHA2728/Laws 2023, Chapter 141)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: For supportive services and case management provided by contracted community providers for young adults participating in the extended foster care program.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Child Care and Development Fund Block Grant (CHA2008/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: 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.		
Funds Expended	40,516,000	40,516,000
Year-End Fund Balance	0	0
Federal Temporary Assistance for Needy Families Block Grant (CHA2007/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: 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.		
Funds Expended	161,082,300	161,082,200
Year-End Fund Balance	0	0