

Department of Child Safety

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3,283.1	3,283.1	3,283.1
Personal Services	73,031,700	82,555,200	82,555,200
Employee Related Expenditures	31,011,000	33,850,500	40,492,200
Professional and Outside Services	12,070,300	4,849,900	4,849,900
Travel - In State	520,100	414,800	414,800
Travel - Out of State	73,500	0	0
Other Operating Expenditures	32,609,600	26,966,600	50,045,300
Equipment	400,900	863,900	863,900
OPERATING SUBTOTAL	14Mo9,717,100	149,500,900	179,221,300 ^{1/-6/}
SPECIAL LINE ITEMS			
Additional Operating Resources			
Attorney General Legal Services	27,894,900	27,989,800	29,914,500 ^{2/}
Caseworkers	146,498,000	146,868,700	139,316,600 ^{8/}
Group Home Monitoring Training Program	0	0	100,000 ^{9/10/}
Office of Child Welfare Investigations	10,400,800	11,213,300	11,314,600
Training Resources	4,237,400	9,150,000	9,150,000
Vehicle Replacement	0	0	2,610,000
Out-of-Home Placements			
Congregate Care	105,623,000	122,482,000	116,892,500
Extended Foster Care	19,659,200	22,079,200	24,787,200
Extended Foster Care Service Model Fund Deposit	5,679,300	0	9,100,000
Foster Home Placement	34,713,900	40,447,300	40,547,300
Foster Home Recruitment, Study and Supervision	28,303,700	32,753,600	32,753,600
Kinship Care	16,214,200	15,584,600	15,184,600 ^{11/12/}
Permanent Placements			
Permanent Guardianship Subsidy	15,622,000	17,186,800	18,686,800
Adoption Services	268,556,500	281,648,400	282,440,400
Support Services			
DCS Childcare Subsidy	43,842,700	61,675,400	61,675,400
Preventive Services	20,404,200	32,412,700	28,412,700 ^{13/14/}
In-Home Mitigation	36,796,200	42,614,300	44,414,300
Out-of-Home Support Services	83,977,000	103,284,600	107,284,600
Comprehensive Health Plan			
Comprehensive Health Plan Administration	26,758,200	25,562,200	25,145,200
Comprehensive Health Plan Premium Tax	2,686,400	3,581,300	3,257,700
Comprehensive Health Plan Services	104,598,100	174,472,000	156,730,300
AGENCY TOTAL	1,152,182,800	1,320,507,100	1,338,939,600 ^{3/15/16/}
FUND SOURCES			
General Fund	479,963,700	458,089,500	488,771,000
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	0	1,459,300	1,459,300
Child Welfare Licensing Fee Fund	633,000	1,021,600	1,067,400
Children and Family Services Training Program Fund	0	207,500	207,500
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	161,082,200	176,676,300	160,985,500
SUBTOTAL - Other Appropriated Funds	202,231,200	219,880,700	204,235,700
SUBTOTAL - Appropriated Funds	682,194,900	677,970,200	693,006,700
<u>Expenditure Authority Funds</u>			

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 APPROVED
Child Safety Expenditure Authority	335,945,200	438,921,400	460,799,700
Comprehensive Health Plan Fund	134,042,700	203,615,500	185,133,200
SUBTOTAL - Expenditure Authority Funds	469,987,900	642,536,900	645,932,900
FUND SOURCES			
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,152,182,800	1,320,507,100	1,338,939,600
Other Non-Appropriated Funds	0	91,000	91,000
TOTAL - ALL SOURCES	1,152,182,800	1,320,598,100	1,339,030,600

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/ 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 Appropriations Act footnote)
- 2/ The legislature intends that the department of child safety use its funding to achieve a one hundred percent investigation rate. (General Appropriations Act footnote)
- 3/ 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 Appropriations Act footnote)
- 4/ 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 Appropriations Act footnote)
- 5/ For the purposes of this section:
 1. "Backlog case":
 - a) 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.
 - b) 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.
 2. "Long-term case" means any case in which the child has been in an out-of-home placement for at least eighteen months.
 3. "Open report" means a report that is under investigation or awaiting closure by a supervisor.

On or before February 28, 2026 and August 31, 2026, the department of child safety shall present a report to the joint legislative budget committee on the progress made during July 2025 through December 2025 and January 2026 through June 2026, 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 Appropriations Act footnote)

- 6/ On or before December 1, 2025, 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 Appropriations Act footnote)
- 7/ 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 Appropriations Act footnote)
- 8/ On or before September 1, 2025, the department of child safety shall submit a report to the joint legislative budget committee and the governor's office of strategic planning and budgeting on the actual operating expenses for the guardian case management system in fiscal year 2024-2025 and the proposed system operating expenses for the system in fiscal year 2025-2026. (General Appropriations Act Footnote)
- 9/ The department of child safety shall develop and maintain a webpage for a group home training program that each employee of each group home that is contracted with the department of child safety must annually complete. The webpage shall include:
 - 1. At least one training program that is provided free of charge and that includes instruction on preventing human trafficking. The department of child safety may use a training program that is provided free of charge by the Arizona department of homeland security if such a training program is available.
 - 2. Educational materials and resources related to prevent human trafficking. (General Appropriations Act footnote)
- 10/ The amount appropriated for the group home monitoring training program line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriations 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 Appropriations Act footnote)
- 12/ On or before March 31, 2026, 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 Appropriations Act footnote)
- 13/ The preventive services line item appropriation includes \$264,400 from the state general fund to draw down \$1,322,000 in additional federal monies associated with the community based child abuse prevention block grant. If grant monies are no longer available, the appropriation is reduced by the amounts of \$264,400 from the general fund and \$1,322,000 from child safety expenditure authority. (General Appropriations Act footnote)
- 14/ The department shall notify the director of the joint legislative budget committee and the governor's office of strategic planning and budgeting if the nurturing parenting and family connections programs are favorably reviewed by the federal government and qualify for federal reimbursement. (General Appropriations Act footnote)
- 15/ 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 established by section 8-550.01, Arizona Revised Statutes, the children and family services training program fund established pursuant to section 8-503.01, Arizona Revised Statutes, and the comprehensive health

plan expenditure authority fund established pursuant to section 8-512.02, Arizona Revised Statutes. (General Appropriations Act footnote)

16/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$179,221,300 and 1,472.9 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
General Fund	\$96,900,500
Child Safety Expenditure Authority	60,861,600
Federal TANF Block Grant	20,391,800
Child Welfare Licensing Fee Fund	1,067,400

Adjustments are as follows:

Federal Funds Backfill

The budget includes an increase of \$1,949,000 in FY 2026 for an operating lump sum adjustment. This amount consists of:

General Fund	6,949,000
Federal TANF Block Grant	(5,000,000)

The General Fund adjustment includes \$560,000 to backfill reduced federal IV-B funding that supports the Arizona Child Abuse Hotline, along with \$1,389,000 to backfill expiring federal funding that supports the administrative expenses for the Nurturing Parenting and Family Connections programs. The remaining adjustments are associated with a funding realignment between line items.

One-Time Guardian IT Costs

The budget includes an increase of \$15,972,300 in FY 2026 to support operational costs of Guardian, DCS' child safety information management system. This amount consists of:

General Fund	9,823,000
Child Safety Expenditure Authority	6,149,300

Remove FY 2025 Supplemental

The budget includes a decrease of \$(2,920,000) in FY 2026 to remove one-time supplemental funding. This amount consists of:

General Fund	(6,920,000)
Child Safety Expenditure Authority	(1,000,000)
Federal TANF Block Grant	5,000,000

Statewide Adjustments

The budget includes an increase of \$14,719,100 in FY 2026 for statewide adjustments. This amount consists of:

General Fund	8,012,300
Child Safety Expenditure Authority	6,697,100
Federal TANF Block Grant	(36,100)
Child Welfare Licensing Fee Fund	45,800

(Please see the Agency Detail and Allocations section.)

Additional Operating Resources

Attorney General Legal Services

The budget includes \$29,914,500 and 276.2 FTE Positions in FY 2026 for Attorney General Legal Services. These amounts consist of:

General Fund	22,066,600
Child Safety Expenditure Authority	7,847,900

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of 1,924,700 in FY 2026 for statewide adjustments. This amount consists of:

General Fund	307,300
Child Safety Expenditure Authority	1,617,400

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 budget includes \$139,316,600 and 1,406 FTE Positions in FY 2026 for caseworkers. These amounts consist of:

General Fund	66,082,600
Children and Family Services Training Program Fund	207,500
Federal TANF Block Grant	28,958,100

Child Safety Expenditure Authority 44,068,400

Adjustments are as follows:

Funding Realignment

The budget includes an increase of \$2,000,000 in FY 2026 to realign fund sourcing between line items. This amount consists of:

General Fund	4,600,000
Child Safety Expenditure Authority	(4,600,000)
Federal TANF Block Grant	2,000,000

Remove FY 2025 Supplemental Funding Realignment

The budget includes a decrease of (14,680,000) in FY 2026 to remove a one-time funding realignment between line items. This amount consists of:

General Fund	(12,280,000)
Child Safety Expenditure Authority	(7,000,000)
Federal TANF Block Grant	4,600,000

Statewide Adjustments

The budget includes an increase of \$5,127,900 in FY 2026 for statewide adjustments. This amount consists of:

General Fund	468,100
Child Safety Expenditure Authority	4,714,500
Federal TANF Block Grant	(54,700)

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 May 2025, DCS had 1,257 filled case specialist positions.

Group Home Monitoring Training Program

The budget includes \$100,000 from the General Fund in FY 2026 for a Group Home Monitoring Training Program. Adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$100,000 from the General Fund in FY 2026 for DCS to develop and maintain a webpage for a group home monitoring training program.

A budget footnote requires all group home employees contracted with DCS to complete the training program

annually. The same footnote specifies that the training program should be free of charge and include instruction on preventing human trafficking. Monies in this line item are non-lapsing.

Office of Child Welfare Investigations

The budget includes \$11,314,600 and 127 FTE Positions in FY 2026 for the Office of Child Welfare Investigations (OCWI). These amounts consist of:

General Fund	11,112,600
Child Safety Expenditure Authority	202,000

Funding Realignment

The budget includes an increase of \$600,000 from the General Fund in FY 2026 to realign fund sourcing between line items.

Remove FY 2025 Supplemental Funding Realignment

The budget includes a decrease of \$(600,000) from the General Fund in FY 2026 to remove a one-time funding realignment between line items.

Statewide Adjustments

The budget includes an increase of \$101,300 from the General Fund in FY 2026 for statewide adjustments.

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 budget includes \$9,150,000 in FY 2026 for Training Resources. This amount consists of:

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

These amounts are unchanged from FY 2025.

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 2025, the latest data available from the agency, DCS reports that 127 ASU/NAU social work students received

scholarships, including 39 Bachelors of Social Work (BSW) students and 88 Masters of Social Work (MSW) students.

Vehicle Replacement

The budget includes \$2,610,000 from the General Fund in FY 2026 for Vehicle Replacement. Adjustments are as follows:

One-Time Funding

The budget includes an increase of \$2,610,000 from the General Fund in FY 2026 for DCS to replace aging fleet vehicles.

A Transportation Budget Reconciliation Bill (BRB) provision requires DCS to participate in the state fleet. DCS' FY 2026 statewide adjustments include an additional \$4,650,900 for a fleet operating adjustment.

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/}

	June <u>2023</u>	June <u>2024</u>	May <u>2025</u>
Kinship Care ^{2/}	4,914	4,061	3,549
Foster Home	3,067	2,458	2,268
Congregate Care	1,845	1,538	1,551
<i>Group Home</i>	1,288	908	919
<i>Emergency Shelter</i>	22	13	12
<i>Behavioral Health Placement</i>	535	617	620
Independent Living	624	643	726
Other ^{3/}	463	516	422
Total	10,913	9,216	8,516 ^{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 May 2025 and includes "preliminary data" reported by DCS.

Congregate Care

The budget includes \$116,892,500 in FY 2026 for Congregate Group Care. This amount consists of:

General Fund	65,568,000
Federal TANF Block Grant	21,423,000
Child Safety Expenditure Authority	29,901,500

Adjustments are as follows:

Expenditure Authority Adjustment

The budget includes a decrease of \$(10,000,000) from Child Safety Expenditure Authority in FY 2026 to realign funding between line items.

Congregate Care Federal Funding Backfill

The budget includes an increase of \$23,210,500 from the General Fund in FY 2026 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. Of this amount, \$19,300,000 is one-time.

Remove FY 2025 Supplemental Congregate Care Federal Funding Backfill

The budget includes a decrease of \$(18,800,000) in FY 2026 to remove prior year 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. This amount consists of:

General Fund	(26,800,000)
Child Safety Expenditure Authority	8,000,000

Caseload – According to the latest available data from DCS, in FY 2025, an estimated monthly average of 1,475 clients received congregate care placements at an average monthly cost of \$6,075 per placement. Assuming the same cost per placement in FY 2026, the total appropriation has the authority to support 1,603 congregate care placements.

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 Comprehensive Health Plan 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 budget includes \$24,787,200 in FY 2026 for Extended Foster Care. This amount consists of:

General Fund	15,250,000
Child Safety Expenditure Authority	9,537,200

Adjustments are as follows:

Extended Foster Care Caseload

The budget includes an increase of \$4,900,000 from the General Fund in FY 2026 to support a projected increase in caseloads. This amount consists of:

General Fund	3,900,000
Child Safety Expenditure Authority	1,000,000

Remove FY 2025 Supplemental Funding Realignment

The budget includes a decrease of \$(2,192,000) from the General Fund in FY 2026 to remove a one-time funding realignment between line items.

Caseload – According to the latest available data from DCS, a monthly average of 889 individuals aged 18-21 remained voluntarily in DCS foster care at an average monthly cost of \$1,951 in FY 2025.

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 budget includes \$9,100,000 in FY 2026 for the Extended Foster Care Service Model Fund Deposit. This amount consists of:

General Fund	6,400,000
Child Safety Expenditure Authority	2,700,000

Adjustments are as follows:

One-Time Fund Deposit

The budget includes a one-time increase of \$9,100,000 in FY 2026 for deposit into the non-appropriated Extended Foster Care Comprehensive Service Model Fund. This amount consists of:

General Fund	6,400,000
Child Safety Expenditure Authority	2,700,000

The Human Services BRB establishes the program and fund as permanent 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.

The FY 2024 budget first funded the program as session law with an initial deposit of \$19,243,300. The FY 2025 budget reduced the FY 2024 appropriation from the General Fund by \$(2,720,000) and removed the remaining \$(16,523,000) in FY 2025. The FY 2025 Human Services BRB would have repealed the fund on June 30, 2025.

Foster Home Placement

The budget includes \$40,547,300 in FY 2026 for Foster Home Placement. This amount consists of:

General Fund	12,443,300
Federal TANF Block Grant	6,973,100
Child Safety Expenditure Authority	21,130,900

Adjustments are as follows:

Funding Realignment

The budget includes a decrease of \$(2,000,000) from the General Fund in FY 2026 to realign fund sourcing between line items.

Remove FY 2025 Supplemental Funding Realignment

The budget includes an increase of \$2,100,000 from the General Fund in FY 2026 to remove a one-time funding realignment between line items.

Caseload – According to the latest available data from DCS, in FY 2025, an estimated monthly average of 2,541 clients received licensed foster home placements. At an average projected monthly cost of \$1,159 per placement and the current appropriated General Fund, TANF, and federal reimbursement levels, DCS can support an average monthly caseload of 2,915 foster home placements in FY 2026.

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 budget includes \$32,753,600 in FY 2026 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 2025.

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.

Beginning in FY 2024, the department is also using this line item to cover the costs of a new Kinship Support Services (KSS) program to provide home visits, licensure assistance, and other supportive services to kinship caregivers. The enacted budget did not include adjustments to cover the cost of the KSS program. In FY 2025, the Executive allocated \$31,700,000 from the State and Local Fiscal Recovery Fund (SLFRF) for this program. Obligated SLFRF monies must be expended by December 31, 2026. As of March 2025, DCS had not spent any of the SLFRF allocation for the KSS program.

Kinship Care

The budget includes \$15,184,600 in FY 2026 for Kinship Care. This amount consists of:

General Fund	8,584,600
Federal TANF Block Grant	6,000,000

Adjustments are as follows:

Caseload Decline

The budget includes a decrease of \$(5,400,000) from the General Fund in FY 2025 to reflect decreased caseloads and realign fund sourcing between line items. This amount consists of:

General Fund	(11,500,000)
Federal TANF Block Grant	6,100,000

Remove FY 2025 Supplemental Funding Realignment

The budget includes an increase of \$5,000,000 in FY 2026 to remove a one-time funding realignment between line items to reflect decreased caseloads. This amount consists of:

General Fund	17,100,000
Federal TANF Block Grant	(12,100,000)

Caseload – In FY 2025, on average 4,121 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 4,218 kinship placements in FY 2026. DCS reports 3,549 children were placed in unlicensed kinship care in May 2025.

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 Appropriations 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 Appropriations Act footnote requires DCS to report to the Joint Legislative Budget Committee by March 31, 2026, 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 2023	June 2024	June 2025
Adoption	32,923	32,584	31,055
Permanent Guardianship	<u>3,104</u>	<u>3,511</u>	<u>3,728</u>
Total	36,027	36,095	34,783

Permanent Guardianship Subsidy

The budget includes \$18,686,800 in FY 2026 for the Permanent Guardianship Subsidy. This amount consists of:

General Fund	11,743,800
Federal TANF Block Grant	6,943,000

Adjustments are as follows:

Caseload Growth

The budget includes an increase of \$1,500,000 in FY 2026 to realign fund sourcing between line items and support increased permanent guardianship caseloads. This amount consists of:

General Fund	(3,500,000)
Federal TANF Block Grant	5,000,000

Remove FY 2025 Supplemental Funding Realignment

The budget includes an increase of \$14,600,000 from the General Fund and a corresponding decrease of \$(14,600,000) from the TANF Block Grant in FY 2026 to remove a one-time funding realignment between line items.

Caseload – According to the latest available data from DCS, in FY 2025, an estimated monthly average of 3,667 clients received permanent guardianship subsidies. At an average monthly cost of \$386 and the current General Fund and TANF funding level, DCS can support 4,034 total placements in FY 2026.

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 budget includes \$282,440,400 in FY 2026 for Adoption Services. This amount consists of:

General Fund	82,540,700
Federal TANF Block Grant	20,945,700
Child Safety Expenditure Authority	178,954,000

Adjustments are as follows:

Funding Realignment

The budget includes a decrease of \$(4,400,000) in FY 2026 to realign fund sourcing between line items. This amount consists of:

General Fund	(2,900,000)
Federal TANF Block Grant	(1,500,000)

Remove FY 2025 Supplemental Funding Realignment

The budget includes an increase of \$5,192,000 in FY 2026 to realign fund sources between line items. This amount consists of:

General Fund	3,692,000
Federal TANF Block Grant	1,500,000

Caseload – According to the latest available data from DCS, in FY 2025, an estimated monthly average of 32,700

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 \$660 and the assumed federal reimbursement level, the total appropriation has the authority to support 35,662 adoption placement subsidies in FY 2026.

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 2024 for in-home mitigation and out-of-home support services by category.

DCS Childcare Subsidy

The budget includes \$61,675,400 in FY 2026 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

These amounts are unchanged from FY 2025.

Caseload – According to the latest available data from DCS, in FY 2025, an estimated monthly average of 5,474 children received DCS childcare. At \$836 monthly, and the assumed federal reimbursement level, the appropriation has the authority to support an average monthly caseload of 6,148 children in FY 2026.

Table 3

Support Services
FY 2025 Estimated Expenditures by Service Category ^{1/}

<u>Services</u>	<u>Amount</u>
Nurturing Parenting Program	10,528,500
Supervised Visitation	27,200,000
Transportation	24,525,700
Family Connections	19,733,200
Preventive Services	26,014,500
Allowances	10,912,800
Counseling and Psychological Services	2,400,000
Substance Use Disorder Treatment	6,000,000
Independent Living Support	7,238,000
Lab Services	2,900,000
Other	<u>11,900,000</u>
Total	\$149,352,700 ^{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 May 2025 as reported by DCS. Numbers may not match the Special Line Item expenditures reported separately by the agency.

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

In-Home Mitigation

The budget includes \$44,414,300 and 1 FTE Position in FY 2026 for In-Home Mitigation. These amounts consist of:

General Fund	13,283,500
Child Abuse Prevention Fund	1,459,300
Federal TANF Block Grant	23,670,500
Child Safety Expenditure Authority	6,001,000

Adjustments are as follows:

Funding Realignment

The budget includes an increase of \$6,000,000 from the Federal TANF Block Grant in FY 2026 to realign fund sourcing between line items to reflect projected contracted vendor costs.

Remove FY 2025 Supplemental Funding Realignment

The budget includes an increase of \$1,300,000 in FY 2026 to remove a one-time funding realignment between line items. This amount consists of:

General Fund	7,300,000
Federal TANF Block Grant	(6,000,000)

Remove One-Time Provider Rate Increases

The budget includes a decrease of \$(5,500,000) from the General Fund in FY 2026 to remove one-time rate increases associated with the department's Nurturing Parenting Program and Family Connections contracts.

Background – This line item funds DCS’s support services contract for children 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.

Out-of-Home Support Services

The budget includes \$107,284,600 in FY 2026 for Out-of-Home Support Services. This amount consists of:

General Fund	46,618,100
Federal TANF Block Grant	25,080,300
Child Safety Expenditure Authority	35,586,200

Adjustments are as follows:

Funding Realignment

The budget includes a decrease of \$(6,000,000) from the Federal TANF Block Grant in FY 2026 to realign fund sourcing between line items to reflect projected contracted vendor costs.

Remove FY 2025 Supplemental Funding Realignment

The budget includes an increase of \$10,000,000 in FY 2026 to remove a one-time funding realignment between line items. This amount consists of:

General Fund	4,000,000
Federal TANF Block Grant	6,000,000

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

Preventive Services

The budget includes \$28,412,700 in FY 2026 for Preventive Services. This amount consists of:

General Fund	264,400
Child Safety Expenditure Authority	28,148,300

Adjustments are as follows:

Restore Healthy Families Base Funding

The budget includes an increase of \$7,000,000 from Child Safety Expenditure Authority in FY 2026 to restore base funding for the Healthy Families Arizona Program.

Remove Healthy Families Expansion Funding

The budget includes a decrease of \$(11,000,000) from the General Fund in FY 2026 to remove General Fund monies for the Healthy Families Arizona Program.

The 2025 budget provided \$11,000,000 from the General Fund for one-time funding of the Healthy Families program. The 2026 budget removes this funding and appropriates \$7,000,000 from Expenditure Authority for a net funding decrease of \$(4,000,000) for the Healthy Families program.

Background – This line item funds broad-based prevention programs to reduce the risk of involvement with DCS for at-risk families, including the Healthy Families program. The General Fund amount represents the state match to draw down federal CBCAP grant funding, which supports community-based efforts to prevent child abuse and neglect.

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 budget includes a total decrease of \$(18,482,300) from the Comprehensive Health Plan Fund across the 3 CHP line items. The formula adjustments consist of 0.5% enrollment growth in FY 2026, 3.0% capitation growth, and prior year base adjustments as reflected in the AHCCCS budget.

Comprehensive Health Plan Administration

The budget includes \$25,145,200 from the Comprehensive Health Plan Fund in FY 2026 for Comprehensive Health Plan Administration. Adjustments are as follows:

Formula Adjustments

The budget includes a decrease of \$(3,568,800) from the Comprehensive Health Plan Fund in FY 2026 for CHP formula adjustments.

Remove FY 2025 Supplemental CHP SLI Funding Realignment

The budget includes an increase of \$3,079,400 from the Comprehensive Health Plan Fund in FY 2026 to remove a one-time funding realignment between CHP line items.

Statewide Adjustments

The budget includes an increase of \$72,400 from the Comprehensive Health Plan Fund in FY 2026 for statewide 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 budget includes \$3,257,700 from the Comprehensive Health Plan Fund in FY 2026 for Comprehensive Health Plan Premium Taxes. Adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$61,100 from the Comprehensive Health Plan Fund in FY 2026 for CHP formula adjustments.

Remove FY 2025 Supplemental CHP SLI Funding Realignment

The budget includes a decrease of \$(384,700) from the Comprehensive Health Plan Fund in FY 2026 to remove a one-time funding realignment between CHP line items.

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 budget includes \$156,730,300 from the Comprehensive Health Plan Fund in FY 2026 for

Table 4

FY 2025 Supplemental Adjustments/Funding Realignment

	FY 2025 Original Appropriation	GF Supplemental	TANF Supplemental	EA Supplemental	FY 2025 Revised Appropriation
Operating Budget	146,580,900	6,920,000	(5,000,000)	1,000,000	149,500,900
Caseworkers	132,188,700	12,280,000	(4,600,000)	7,000,000	146,868,700
Office of Child Welfare Investigations	10,613,300	600,000	-	-	11,213,300
Congregate Care	103,682,000	26,800,000	-	(8,000,000)	122,482,000
Extended Foster Care	19,887,200	2,192,000	-	-	22,079,200
Foster Home Placement	42,547,300	(2,100,000)	-	-	40,447,300
Kinship Care	20,584,600	(17,100,000)	12,100,000	-	15,584,600
Permanent Guardianship Subsidy	17,186,800	(14,600,000)	14,600,000	-	17,186,800
Adoption Services	286,840,400	(3,692,000)	(1,500,000)	-	281,648,400
In-Home Mitigation	43,914,300	(7,300,000)	6,000,000	-	42,614,300
Out-of-Home Support Services	113,284,600	(4,000,000)	(6,000,000)	-	103,284,600
CHP Administration	28,641,600	-	-	(3,079,400)	25,562,200
CHP Premium Tax	3,196,600	-	-	384,700	3,581,300
CHP Services	127,989,800	-	-	46,482,200	174,472,000
TOTAL	\$1,097,138,100	-	\$15,600,000	\$43,787,500	\$1,156,525,600

Comprehensive Health Plan Services. Adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$6,560,900 from the Comprehensive Health Plan Fund in FY 2026 for CHP formula adjustments.

Capitation Adjustment

The budget includes an increase of \$22,179,600 from the Comprehensive Health Plan Fund in FY 2026 for a technical adjustment to reflect projected pass-through payments from AHCCCS.

Remove FY 2025 Supplemental CHP SLI Funding Realignment

The budget includes a decrease of \$(2,694,700) from the Comprehensive Health Plan Fund in FY 2026 to remove a one-time funding realignment between CHP line items.

Remove FY 2025 Supplemental Formula Adjustment

The budget includes a decrease of \$(43,787,500) from the Comprehensive Health Plan Fund in FY 2026 to remove a supplemental adjustment for higher-than-budgeted capitation growth from AHCCCS in FY 2025.

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 2025 Supplementals
- Statutory Changes
- Long-Term Budget Impacts
- Auditor General Report
- Families First Prevention Services Act

FY 2025 Supplementals

The FY 2026 budget includes a net supplemental increase of \$15,600,000 from the Federal TANF Block Grant to offset General Fund costs and realign fund sourcing between line items.

The FY 2026 budget also includes a supplemental increase of \$43,787,500 from the Comprehensive Health Plan Fund for higher-than-budgeted capitation growth from AHCCCS.

Table 4 provides a complete delineation of supplemental fund shifts between line items. (Please see individual line items for more detail.)

Statutory Changes

The Human Services BRB makes the following statutory change:

- As permanent law, establish the Extended Foster Care Comprehensive Services Model program and fund.

Long-Term Budget Impacts

As part of the FY 2026 budget's 3-year spending plan, Department of Child Safety General Fund costs are projected to decrease by \$(38,233,100) in FY 2027 below FY 2026. These estimates are based on:

- \$(9,823,100) to remove one-time funding for Guardian operating costs.
- \$(2,610,000) to remove one-time funding for vehicle replacement.
- \$(100,000) to remove one-time funding for the Group Home Monitoring Training program.
- \$(19,300,000) to remove a one-time federal funding backfill for congregate care.
- \$(6,400,000) to remove a one-time deposit for the Extended Foster Care Comprehensive Service Model program.

Auditor General Report

Young Adult Program Audit

In July 2024, the Auditor General published an audit of DCS's implementation of its Young Adult Program, which provides support services and case management from contracted community providers, including weekly engagements between success coaches and participating young adults.

The Auditor General found that while DCS had begun implementing program requirements, the department needed to improve contractor monitoring, including whether contractors are hiring a sufficient number of coaches to provide services. The report also stated that DCS did not develop federally required transition plans for the majority of youths reviewed. Finally, the Auditor General observed that DCS has not developed a process to comprehensively evaluate the extent to which its Young Adult Program is helping foster youth obtain the necessary competencies to transition to adulthood. As a result, the Auditor General recommended the following:

- Develop an implementation plan for the success coaching program and that an adequate number of coaches are hired to provide services.
- Establish procedures for monitoring the success of contracted success coaches.
- Develop an action plan to ensure transition plans for youth.
- Create a comprehensive performance measurement system for its adult programming.

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 2025 General Appropriations Act footnote required DCS to report on its implementation of the legislation by December 1, 2024, including quantification of any fiscal impacts. The FY 2026 budget continues this footnote and requires DCS to provide an update by December 1, 2025.

As of May 2025, DCS reports 396 children were placed in Qualified Residential Treatment Programs, or an increase of 5.2% from July 2024.