

## Department of Child Safety

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	3,283.1	3,283.1	3,283.1
Personal Services	75,311,400	80,533,000	80,533,000
Employee Related Expenditures	33,023,500	38,814,700	38,814,700
Professional and Outside Services	8,663,500	18,942,000	18,942,000
Travel - In State	1,012,900	1,615,100	1,615,100
Travel - Out of State	28,400	0	0
Other Operating Expenditures	27,547,700	38,452,600	22,480,300
Equipment	477,500	863,900	863,900
<b>OPERATING SUBTOTAL</b>	<b>146,064,900</b>	<b>179,221,300</b>	<b>163,249,000 <sup>1/-6/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
<b>Additional Operating Resources</b>			
Attorney General Legal Services	27,989,800	29,914,500	29,914,500 <sup>2/</sup>
Caseworkers	143,493,500	139,316,600	139,316,600 <sup>8/</sup>
Group Home Monitoring Training Program	0	100,000	0
Office of Child Welfare Investigations	10,728,800	11,314,600	11,314,600
Training Resources	4,952,500	9,150,000	9,150,000
Vehicle Replacement	0	2,610,000	0
<b>Out-of-Home Placements</b>			
Congregate Care	105,099,600	116,892,500	97,533,000
Extended Foster Care	20,696,900	24,787,200	24,787,200
Extended Foster Care Service Model Fund Deposit	7,293,700	9,100,000	0
Foster Home Placement	32,816,500	40,547,300	40,547,300
Foster Home Recruitment, Study and Supervision	28,899,900	32,753,600	32,753,600
Kinship Care	13,943,700	15,184,600	15,184,600 <sup>9/10/</sup>
<b>Permanent Placements</b>			
Permanent Guardianship Subsidy	16,939,100	18,686,800	18,686,800
Adoption Services	263,333,800	282,440,400	282,440,400
<b>Support Services</b>			
DCS Child Care Subsidy	58,675,400	61,675,400	61,675,400
Preventive Services	25,812,500	28,412,700	28,412,700 <sup>11/</sup>
In-Home Mitigation	38,012,600	44,414,300	44,414,300 <sup>12/</sup>
Out-of-Home Support Services	80,841,400	107,284,600	107,284,600
<b>Comprehensive Health Plan</b>			
Comprehensive Health Plan Administration	22,549,900	25,145,200	24,291,000
Comprehensive Health Plan Premium Tax	3,581,300	3,257,700	3,528,400
Comprehensive Health Plan Services	133,962,900	156,730,300	172,360,900
<b>AGENCY TOTAL</b>	<b>1,185,688,700</b>	<b>1,338,939,600</b>	<b>1,306,844,900 <sup>3/13/14/</sup></b>
<b>FUND SOURCES</b>			
General Fund	457,510,800	488,771,000	450,478,500
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	1,459,300	1,459,300	1,459,300
Child Welfare Licensing Fee Fund	625,700	1,067,400	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	176,681,900	160,985,500	160,985,500
SUBTOTAL - Other Appropriated Funds	219,282,900	204,235,700	204,235,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>676,793,700</b>	<b>693,006,700</b>	<b>654,714,200</b>

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 BASELINE
<u>Expenditure Authority Funds</u>			
Child Safety Expenditure Authority	348,800,900	460,799,700	451,950,400
Comprehensive Health Plan Fund	160,094,100	185,133,200	200,180,300
SUBTOTAL - Expenditure Authority Funds	508,895,000	645,932,900	652,130,700
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>1,185,688,700</b>	<b>1,338,939,600</b>	<b>1,306,844,900</b>
Other Non-Appropriated Funds	0	91,000	91,000
<b>TOTAL - ALL SOURCES</b>	<b>1,185,688,700</b>	<b>1,339,030,600</b>	<b>1,306,935,900</b>

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

#### FOOTNOTES

- 1/ 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, 2027 and August 31, 2027, the department of child safety shall present a report to the joint legislative budget committee on the progress made during July 2026 through December 2026 and January 2027 through June 2027, 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, 2026, 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, 2026, 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 2025-2026 and the proposed system operating expenses for the system in fiscal year 2026-2027. (General Appropriations Act Footnote)
- 9/ 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)
- 10/ On or before March 31, 2027, 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)
- 11/ 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)
- 12/ 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)
- 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 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)
- 14/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

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<b>Operating Budget</b>
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The Baseline includes \$163,249,000 and 1,472.9 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	<b>FY 2027</b>
General Fund	\$87,077,500
Child Safety Expenditure Authority	54,712,300
Federal TANF Block Grant	20,391,800
Child Welfare Licensing Fee Fund	1,067,400

Adjustments are as follows:

#### **Remove One-Time Guardian IT Costs**

The Baseline includes a decrease of \$(15,972,300) in FY 2027 to remove one-time operating funding for Guardian, DCS's child safety information management system. This amount consists of:

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

#### **Additional Operating Resources**

#### **Attorney General Legal Services**

The Baseline includes \$29,914,500 and 276.2 FTE Positions in FY 2027 for Attorney General Legal Services. These amounts consist of:

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

These amounts are unchanged from FY 2026.

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 \$139,316,600 and 1,406 FTE Positions in FY 2027 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

These amounts are unchanged from FY 2026.

*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 August 2025, DCS had 1,287 filled case specialist positions.

#### **Group Home Monitoring Training Program**

The Baseline includes no funding in FY 2027 for a Group Home Monitoring Training Program. Adjustments are as follows:

#### **Remove One-Time Funding**

The Baseline includes a decrease of \$(100,000) from the General Fund in FY 2027 to remove one-time funding for DCS to develop and maintain a webpage for a group home monitoring training program.

An FY 2026 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 Baseline includes \$11,314,600 and 127 FTE Positions in FY 2027 for the Office of Child Welfare Investigations (OCWI). These amounts consist of:

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

These amounts are unchanged from FY 2026.

*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 2027 for Training Resources. This amount consists of:

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

These amounts are unchanged from FY 2026.

*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 Baseline includes no funding in FY 2027 for Vehicle Replacement. Adjustments are as follows:

#### Remove One-Time Funding

The Baseline includes a decrease of \$(2,610,000) from the General Fund in FY 2027 to remove one-time funding for DCS to replace aging fleet vehicles.

An FY 2026 Transportation Budget Reconciliation Bill (BRB) provision requires DCS to participate in the state fleet. DCS' FY 2026 statewide adjustments included 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 <sup>1/</sup>

	June 2023	June 2024	June 2025
Kinship Care <sup>2/</sup>	4,914	4,061	3,480
Foster Home	3,067	2,458	2,258
Congregate Care	1,845	1,538	1,516
Group Home	1,288	908	896
Emergency Shelter	22	13	11
Behavioral Health Placement	535	617	609
Independent Living	624	643	735
Other <sup>3/</sup>	463	516	403
<b>Total</b>	<b>10,913</b>	<b>9,216</b>	<b>8,392 <sup>4/</sup></b>

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

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

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

<sup>4/</sup> Latest available data for placement types is from June 2025 and includes "preliminary data" reported by DCS.

### Congregate Care

The Baseline includes \$97,533,000 in FY 2027 for Congregate Group Care. This amount consists of:

General Fund	46,208,500
Federal TANF Block Grant	21,423,000
Child Safety Expenditure Authority	29,901,500

Adjustments are as follows:

#### Remove Congregate Care Federal Funding Backfill

The Baseline includes a decrease of \$(19,359,500) from the General Fund in FY 2027 to remove a one-time federal funding backfill as a result of new foster care placement requirements associated with the Family First Prevention Services Act. In total, the FY 2026 budget appropriated \$23,210,500 from the General Fund for this issue, with an ongoing amount of \$3,851,000.

*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. 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.

### Extended Foster Care

The Baseline includes \$24,787,200 in FY 2027 for Extended Foster Care. This amount consists of:

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

These amounts are unchanged from FY 2026.

*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. 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.

#### **Extended Foster Care Service Model Fund Deposit**

The Baseline includes no funding in FY 2027 for the Extended Foster Care Service Model Fund Deposit. Adjustments are as follows:

##### **Remove One-Time Fund Deposit**

The Baseline includes a decrease of \$(9,100,000) in FY 2027 to remove a one-time 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)

*Background* – This line item funds an extended foster care comprehensive service model established pursuant to A.R.S. § 8-521.03 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 2026 Human Services BRB established the program and fund as permanent law.

#### **Foster Home Placement**

The Baseline includes \$40,547,300 in FY 2027 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

These amounts are unchanged from 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. 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 monthly cost of \$1,159 per placement.

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

The Baseline includes \$32,753,600 in FY 2027 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 2026.

*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. 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 November 2025, DCS has spent \$3,000,000 of its SLFRF allocation for the KSS program.

#### **Kinship Care**

The Baseline includes \$15,184,600 in FY 2027 for Kinship Care. This amount consists of:

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

These amounts are unchanged from FY 2026.

*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. In FY 2025, on average, 4,121 children resided in unlicensed kinship care monthly.

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, 2027, 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>
<b>Total</b>	<b>36,027</b>	<b>36,095</b>	<b>34,783</b>

### Permanent Guardianship Subsidy

The Baseline includes \$18,686,800 in FY 2027 for the Permanent Guardianship Subsidy. This amount consists of:

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

These amounts are unchanged from 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. 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.

### Adoption Services

The Baseline includes \$282,440,400 in FY 2027 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

These amounts are unchanged from 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. According to the latest available data from DCS, in FY 2025, an estimated monthly average of 32,700 clients received adoption subsidies at an average monthly cost of \$660. 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. 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 2025 for in-home mitigation and out-of-home support services by category.

**Table 3**

#### Support Services

#### FY 2025 Estimated Expenditures by Service Category <sup>1/</sup>

Services	Amount
Nurturing Parenting Program	11,078,600
Supervised Visitation	28,336,900
Transportation	18,153,200
Family Connections	20,167,000
Preventive Services	25,546,600
Allowances	10,779,000
Counseling and Psychological Services	2,650,000
Substance Use Disorder Treatment	6,300,000
Independent Living Support	6,891,300
Lab Services	3,171,600
Other <sup>2/</sup>	<u>12,347,200</u>
<b>Total</b>	<b>\$145,421,400</b>

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

<sup>2/</sup> Latest available data is from October 2025 as reported by DCS. Numbers may not match the Special Line Item expenditures reported separately by the agency.

### DCS Childcare Subsidy

The Baseline includes \$61,675,400 in FY 2027 for the DCS Childcare 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 2026.

**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. According to the latest available data, in FY 2025, an estimated monthly average of 5,324 children received DCS childcare at an average monthly cost of \$1,159. *(Please see the DES Childcare Subsidy line item for other childcare funding.)*

#### **In-Home Mitigation**

The Baseline includes \$44,414,300 and 1 FTE Position in FY 2027 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

These amounts are unchanged from FY 2026.

**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 Baseline includes \$107,284,600 in FY 2027 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

These amounts are unchanged from FY 2026.

**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 Baseline includes \$28,412,700 in FY 2027 for Preventive Services. This amount consists of:

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

These amounts are unchanged from FY 2026.

**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 Baseline includes a total decrease of \$(5,798,900) from the Comprehensive Health Plan Fund across the 3 CHP line items. The formula adjustments consist of a (3.0)% enrollment decline for the remainder of FY 2026 followed by flat enrollment growth in FY 2027, 3.0% capitation growth in FY 2027, and prior year base adjustments as reflected in the AHCCCS budget.

#### **Comprehensive Health Plan Administration**

The Baseline includes \$24,291,000 from the Comprehensive Health Plan Fund in FY 2027 for Comprehensive Health Plan Administration. Adjustments are as follows:

##### **Formula Adjustments**

The Baseline includes a decrease of \$(854,200) from the Comprehensive Health Plan Fund in FY 2027 for CHP formula adjustments.

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

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

The Baseline includes \$3,528,400 from the Comprehensive Health Plan Fund in FY 2027 for Comprehensive Health Plan Premium Taxes. Adjustments are as follows:

##### **Formula Adjustments**

The Baseline includes an increase of \$270,700 from the Comprehensive Health Plan Fund in FY 2027 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 \$172,360,900 from the Comprehensive Health Plan Fund in FY 2027 for Comprehensive Health Plan Services. Adjustments are as follows:

##### **Formula Adjustments**

The Baseline includes an increase of \$15,630,600 from the Comprehensive Health Plan Fund in FY 2027 for CHP formula adjustments.

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

#### **Other Issues**

#### **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 2026 budget footnote required DCS to report on its implementation of the legislation by December 1, 2025, including quantification of any fiscal impacts. The FY 2027 Baseline would continue this footnote and require DCS to provide an update by December 1, 2026.

As of August 2025, DCS reports 385 children were placed in Qualified Residential Treatment Programs, or 4.3% higher than the prior year.

SUMMARY OF FUNDS	FY 2025 Actual	FY 2026 Estimate
<b>Child Abuse Prevention Fund (CHA2162/A.R.S. § 8-550.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A portion of monies (1.93%) from statutory filing and copy fees collected by the Superior Court and all funds received through check-off contributions on the Arizona tax form. Monies also may come from a surcharge on certified copies of death certificates when revenues from the surcharge exceed \$100,000 for the year.		
<b>Purpose of Fund:</b> To provide financial assistance to community treatment programs, benefiting abused children and their parents or guardians. An amount of not more than 5% may be expended for administrative expenses related to the fund.		
<b>Funds Expended</b>	1,459,300	1,459,300
<b>Year-End Fund Balance</b>	60,600	(428,100)
<b>Child Restraint Fund (CHA2192/A.R.S. § 28-907)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fines or penalties from parents, guardians, or legal custodians who fail to sufficiently restrain in children under the age of 8 in motor vehicles.		
<b>Purpose of Fund:</b> To purchase child passenger restraint systems and provide them to hospitals for loan to indigent persons. Monies in the fund shall not exceed \$20,000. All monies collected over \$20,000 shall be deposited in the Arizona Highway User Revenue Fund.		
<b>Funds Expended</b>	0	91,000
<b>Year-End Fund Balance</b>	26,000	13,600
<b>Child Safety Donations Fund (CHA2025/A.R.S. § 36-571, 41-1954)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants, gifts, or bequests.		
<b>Purpose of Fund:</b> To be disbursed for the purpose of and in conformity with the terms of the grant, gift, or bequest.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	30,600	31,100
<b>Child Safety Expenditure Authority (CHA2009/A.R.S. § 8-453)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> All non-appropriated funds and Federal Funds for the Department of Child Safety, excluding the Federal Temporary Assistance for Needy Families Block Grant, the Federal Child Care and Development Fund, the Client Trust Fund, and the Economic Security Donations Fund.		
<b>Purpose of Fund:</b> To fund the Department of Child Safety.		
<b>Funds Expended</b>	348,800,900	460,799,700
<b>Year-End Fund Balance</b>	0	0
<b>Child Welfare Licensing Fee Fund (CHA2994/A.R.S. § 8-467)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> License fees and legislative appropriations.		
<b>Purpose of Fund:</b> To issue licenses to licensees who do not contract with DCS for care and supervision of DCS children and for the inspection, examination, suspension, denial, revocation and change of licenses.		
<b>Funds Expended</b>	625,700	1,067,400
<b>Year-End Fund Balance</b>	1,896,800	1,924,400
<b>Children and Family Services Training Program Fund (DCS2173/A.R.S. § 8-503.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A portion of monies collected from fees charged for copies of child welfare files and assessments against legally responsible parties for the support of a child in the state's custody. The fund receives 90% of the revenues collected. The remaining 10% of revenues are credited to the General Fund.		
<b>Purpose of Fund:</b> To administer training for child safety workers and employees in related programs. The monies cannot be used to pay salaries or expenses of the training staff. Up to 10% of the monies may be used to enhance the collection of monies owed to the agency. Any monies collected from fees for copies of child welfare files may be used only for reimbursing the department for its cost.		
<b>Funds Expended</b>	0	207,500
<b>Year-End Fund Balance</b>	14,500	(193,000)

SUMMARY OF FUNDS	FY 2025 Actual	FY 2026 Estimate
<b>Client Trust Fund (CHA3152/A.R.S. § 41-1954)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies collected from Social Security, Veterans' Administration benefits, and other benefits payable to a child in the care, custody, or control of DCS.		
<b>Purpose of Fund:</b> To defray the costs of care and services expended for the benefit, welfare, and best interest of the child.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	9,021,400	9,021,400
<b>Comprehensive Health Plan Fund (CHA2121/A.R.S. § 8-512, 41-2501)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Monies paid by the Arizona Health Care Cost Containment System Administration pursuant to the contract, amounts paid by third-party payors, gifts, donations and grants from any source, and interest on monies deposited in the Comprehensive Health Plan Expenditure Authority fund.		
<b>Purpose of Fund:</b> To fund the administration of foster children's physical, dental, and behavioral health care.		
<b>Funds Expended</b>	160,094,100	185,133,200
<b>Year-End Fund Balance</b>	17,234,900	675,900
<b>Extended Foster Care Comprehensive Service Model Fund (CHA2728/A.R.S. § 8-521.03)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> For supportive services and case management provided by contracted community providers for young adults participating in the extended foster care program.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Federal Child Care and Development Fund Block Grant (CHA2008/U.S. P.L. 104-193)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Federal formula grant.		
<b>Purpose of Fund:</b> To be used for developing child care programs, providing child care to welfare recipient parents, and implementing licensing standards under state law for child care. Up to 5% of the aggregate amount of funds expended can be used for administrative costs. At least 12% of funds must be used for consumer education and activities for improving the quality and availability of child care. No monies can be used for purchasing land or building facilities to provide child care. DES has a separate allocation of CCDF.		
<b>Funds Expended</b>	40,516,000	40,516,000
<b>Year-End Fund Balance</b>	0	0
<b>Federal Temporary Assistance for Needy Families Block Grant (CHA2007/U.S. P.L. 104-193)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Federal formula grant.		
<b>Purpose of Fund:</b> To provide assistance to needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of 2-parent families. DES has a separate allocation of TANF.		
<b>Funds Expended</b>	176,681,900	160,985,500
<b>Year-End Fund Balance</b>	0	0