

Department of Child Safety

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3,193.1	3,193.1	3,193.1 ^{1/}
Personal Services	54,786,900	55,323,700	55,323,700
Employee Related Expenditures	23,093,400	23,654,500	23,654,500
Professional and Outside Services	7,498,200	7,680,700	7,680,700
Travel - In State	562,200	574,900	574,900
Travel - Out of State	84,700	86,800	86,800
Other Operating Expenditures	25,032,800	25,641,200	25,641,200
Equipment	2,618,500	2,989,400	2,989,400
OPERATING SUBTOTAL	113,676,700	115,951,200	115,951,200 ^{2/-10/}
SPECIAL LINE ITEMS			
Additional Operating Resources			
Attorney General Legal Services	25,522,800	25,522,800	25,522,800 ^{11/}
Caseworkers	100,171,500	107,927,300	107,927,300
General Counsel	156,100	161,700	161,700
Inspections Bureau	2,483,200	2,548,300	2,548,300
Litigation Expenses	0	2,602,000 ^{12/}	0
New Case Aides	3,185,200	3,305,900	3,305,900
Office of Child Welfare Investigations	8,960,600	9,964,800	9,964,800
Overtime Pay	6,407,700	8,602,400	8,602,400
Records Retention Staff	594,300	600,000	600,000
Training Resources	7,000,000	9,150,000	9,150,000
Out-of-Home Placements			
Congregate Group Care	104,132,100	89,788,900	89,788,900
Extended Foster Care	0	14,437,200	14,437,200
Foster Home Placement	48,371,700	51,929,500	51,929,500
Foster Home Recruitment, Study and Supervision	36,243,600	32,753,600	32,753,600
Kinship Care	4,055,400	5,000,000	5,000,000 ^{13/}
Permanent Placements			
Adoption Services	274,170,500	278,258,500	278,258,500
Permanent Guardianship Subsidy	11,367,400	12,516,900	12,516,900
Support Services			
DCS Child Care Subsidy	48,923,000	56,559,400	56,559,400
In-Home Mitigation	23,106,000	28,988,100	28,988,100
Out-of-Home Support Services	144,922,200	153,910,900	153,910,900
Preventive Services	15,148,300	15,148,300	15,148,300
Independent Living Maintenance	4,362,900	0	0
AGENCY TOTAL	982,961,200	1,025,627,700	1,023,025,700 ^{14/}
FUND SOURCES			
General Fund	375,494,500	387,893,000	387,893,000
Other Appropriated Funds			
Child Abuse Prevention Fund	449,400	1,459,300	1,459,300
Children and Family Services Training Program Fund	0	217,000	217,000
Federal Child Care and Development Fund Block Grant	31,646,800	35,400,000	35,400,000
Federal Temporary Assistance for Needy Families Block Grant	157,428,800	159,091,100	159,091,100
Risk Management Revolving Fund	0	2,602,000	0
SUBTOTAL - Other Appropriated Funds	189,525,000	198,769,400	196,167,400
SUBTOTAL - Appropriated Funds	565,019,500	586,662,400	584,060,400

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<u>Expenditure Authority Funds</u>			
Child Safety Expenditure Authority	417,941,700	438,965,300	438,965,300
SUBTOTAL - Expenditure Authority Funds	417,941,700	438,965,300	438,965,300
SUBTOTAL - Appropriated/Expenditure Authority Funds	982,961,200	1,025,627,700	1,023,025,700
Other Non-Appropriated Funds	3,744,300	0	0
TOTAL - ALL SOURCES	986,705,500	1,025,627,700	1,023,025,700

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

FOOTNOTES

- 1/ Includes 901.4 GF, 436.5 OF, and 543.3 EA FTE Positions funded from Special Line Items in FY 2022.
- 2/ For the purposes of this section, "backlog case":
1. Means any nonactive case for which documentation has not been entered in the child welfare automated system for at least sixty days and for which services have not been authorized for at least sixty days and any case that has had an investigation, has been referred to another unit and has had no contact for at least sixty days.
 2. Includes any case for which the investigation has been open without any documentation or contact for at least sixty days, any case involving in-home services for which there has been no contact or services authorized for at least sixty days and any case involving foster care in which there has been no contact or any documentation entered in the child welfare automated system for at least sixty days. (General Appropriation Act footnote)
- 3/ For the purposes of this section, "open report" means a report that is under investigation or awaiting closure by a supervisor. (General Appropriation Act footnote)
- 4/ On or before September 30, 2021, and on or before the last day of every calendar quarter through June 30, 2022, the department of child safety shall present a report for review by the joint legislative budget committee on the progress made in meeting the caseload standard and reducing the number of backlog cases and out-of-home children. The report shall include the number of backlog cases, the number of open reports, the number of out-of-home children and the caseworker workload in comparison to the previous quarter. The 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 out-of-home children assigned to each field office. For backlog cases, the department's quarterly benchmark is 1,000 cases. For open reports, the department's benchmark is fewer than 8,000 open reports. For out-of-home children, the department's benchmark is 13,964 children. If the department of child safety has not submitted the quarterly report within thirty days after the last day of the calendar quarter, 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 quarterly budget allocation until the department of child safety submits the quarterly report. (General Appropriation Act footnote)
- 5/ 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. (General Appropriation Act footnote)
- 6/ 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 and the children and family services training program fund. (General Appropriation Act footnote)
- 7/ The department of child safety may transfer up to ten percent of the total amount of federal temporary assistance for needy families block grant monies appropriated to the department of economic security and the department of child safety to the social services block grant. Before transferring federal temporary assistance for needy families block grant monies to the social services block grant, the department of child safety shall report the proposed amount of the transfer to the director of the joint legislative budget committee. This report may be in the form of an expenditure plan that is

submitted at the beginning of the fiscal year and updated, if necessary, throughout the fiscal year. (General Appropriation Act footnote)

- 8/ The department of child safety shall provide training to any new child safety FTE positions before assigning any client caseload duties to any of these employees. (General Appropriation Act footnote)
- 9/ The legislature intends that the department of child safety use its funding to achieve a one hundred percent investigation rate. (General Appropriation Act footnote)
- 10/ On or before December 1, 2021, the department of child safety shall submit a report to the joint legislative budget committee on the department's efforts to implement the family first prevention services act of 2018. The report shall quantify the department's efforts in at least the following areas, including any associated fiscal impacts: (1) Reducing the number of children placed for more than two weeks in congregate care settings, excluding qualified residential treatment programs, facilities for pregnant and parenting youth, supervised independent living and specialized programs for victims of sex trafficking. (2) Assisting congregate care providers in attaining status as qualified residential treatment programs. (3) Identifying alternative placements, including therapeutic foster homes, for children who would otherwise be placed in congregate care. (4) Expanding evidence-based, in-home parent skill-based programs and mental health and substance abuse prevention and treatment services. (General Appropriation Act footnote)
- 11/ All expenditures made by the department of child safety for attorney general legal services shall be funded only from the attorney general legal services line item. Monies in department of child safety line items intended for this purpose shall be transferred to the attorney general legal services line item before expenditure. (General Appropriation Act footnote)
- 12/ The amount appropriated for litigation expenses is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2022. (FY 2021 General Appropriation Act footnote)
- 13/ The amount appropriated for kinship care shall be used for a stipend of \$75 per month for a relative caretaker, including a grandparent, any level of great grandparent or any nongrandparent relative, or a caretaker of fictive kinship, if a dependent child is placed in the care of a relative caretaker or caretaker of fictive kinship pursuant to department guidelines. The department shall provide the stipend on behalf of all children placed with an unlicensed kinship foster care parent. The unlicensed kinship foster care parent is not required to file an application to receive the stipend. Before changing the eligibility for the program or the amount of the stipend, the department shall submit a report for review by the joint legislative budget committee detailing the proposed changes. (General Appropriation Act footnote)
- 14/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$115,951,200 and 1,311.9 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	FY 2022
General Fund	\$59,916,400
Federal TANF Block Grant	21,210,000
Child Safety Expenditure Authority	34,824,800

These amounts are unchanged from FY 2021.

Additional Operating Resources

Attorney General Legal Services

The Baseline includes \$25,522,800 and 276.2 FTE Positions in FY 2022 for Attorney General Legal Services. These amounts consist of:

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

These amounts are unchanged from FY 2021.

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. *(Please see the Litigation Expenses Special Line Item for additional information.)*

Caseworkers

The Baseline includes \$107,927,300 and 1,406 FTE Positions in FY 2022 for caseworkers. These amounts consist of:

General Fund	44,202,100
Children and Family Services Training Program Fund	217,000
Federal TANF Block Grant	32,030,200
Child Safety Expenditure Authority	31,478,000

These amounts are unchanged from FY 2021.

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). *Table 1* displays DCS progress in hiring these staff. As of the latest available data from September 2020, DCS had filled 1,351 of these positions, or 71 fewer filled positions than the funded amount.

DCS Caseworker Hiring			
Direct Line Staff Type	Funded Positions	September 2020	Difference
Case-Carrying Caseworkers	1,190	1,022	(168)
Caseworkers in Training	140	239	99
Hotline Staff	76	74	(2)
Total	1,406	1,351	(71)

General Counsel

The Baseline includes \$161,700 and 1 FTE Position from the General Fund in FY 2022 for General Counsel. These amounts are unchanged from FY 2021.

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

Inspections Bureau

The Baseline includes \$2,548,300 and 31 FTE Positions in FY 2022 for the Inspections Bureau. These amounts consist of:

General Fund	1,379,400
Federal TANF Block Grant	569,300
Child Safety Expenditure Authority	599,600

These amounts are unchanged from FY 2021.

Background – Monies in this line item fund the Inspections Bureau established in A.R.S. § 8-458, which is tasked with ensuring the department policies and procedures are being followed by all staff in accordance with federal and state law. The Bureau is required to monitor specific programs and services and shall continuously improve the practices of the department, which may include formal audits, inspections, program evaluation, other quality assurance activities, suggestions

for policy changes, and evaluation of best practices and programming.

Litigation Expenses

The Baseline includes no funding in FY 2022 for Litigation Expenses. FY 2022 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(2,602,000) from the Risk Management Revolving Fund in FY 2022. These monies were appropriated in FY2021 to fund DCS' legal defense in *Tinsley et al. v McKay*.

Background – DCS is currently a defendant in a federal class-action lawsuit called *B.K. v. McKay*. The case concerns the adequacy of the state's foster care services, including access to health services for foster children, the availability of family foster placements, investigations of maltreatment within foster placements, and practices to maintain family relationships. The Arizona Health Care Cost Containment System (AHCCCS) and the Department of Health Services (DHS) are also defendants in the case.

The department has used the funds in this line to retain outside counsel for its legal defense, expert witnesses, discovery costs, and other expenses. In April 2019, the federal 9th Circuit Court of Appeals certified the class-action status of the case. In August 2020, a settlement between those involved in the suit was submitted for approval to the court.

The settlement contains new policy, training and reporting requirements that cover health care, behavioral health, foster home availability and child placement, and reducing the utilization of congregate care. It also includes payment of plaintiff legal fees. The final approval hearing is set for February 12, 2021.

New Case Aides

The Baseline includes \$3,305,900 and 34 FTE Positions in FY 2022 for New Case Aides. These amounts consist of:

General Fund	1,455,000
Federal TANF Block Grant	1,377,200
Child Safety Expenditure Authority	473,700

These amounts are unchanged from FY 2021.

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

Office of Child Welfare Investigations

The Baseline includes \$9,964,800 and 127 FTE Positions in FY 2022 for the Office of Child Welfare Investigations (OCWI). These amounts consist of:

General Fund	9,762,200
Child Safety Expenditure Authority	202,600

These amounts are unchanged from FY 2021.

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. DCS reports that in FY 2020, 5,650 of the 45,175 reports of child abuse or neglect received by the Arizona Child Abuse Hotline included an allegation of criminal conduct.

Overtime Pay

The Baseline includes \$8,602,400 in FY 2022 for Overtime Pay. These amounts consist of:

General Fund	2,260,000
Federal TANF Block Grant	1,868,800
Child Safety Expenditure Authority	4,473,600

These amounts are unchanged from FY 2021.

Monies in this line fund overtime pay for DCS caseworkers.

Records Retention Staff

The Baseline includes \$600,000 and 5 FTE Positions in FY 2022 for Records Retention Staff. These amounts consist of:

General Fund	503,800
Child Safety Expenditure Authority	96,200

These amounts are unchanged from FY 2021.

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

Training Resources

The Baseline includes \$9,150,000 in FY 2022 for Training Resources. This amount consists of:

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

These amounts are unchanged from FY 2021.

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%.

Students receive scholarships that cover their tuition, books, and university fees. Scholarship degrees include a Bachelors of Social Work (BSW) or a Masters of Social Work (MSW). The post-graduation DCS work requirement for scholarship students is equal to the length of the academic scholarship. The 2-year MSW scholarship value is about \$32,055 (\$4,239 stipend and \$27,816 tuition and fees). Students who withdraw from the scholarship, do not fulfill their contractual obligation, or do not meet the employment requirement of DCS at the time of hiring are required to repay DCS the scholarship amount. DCS reports that 81 ASU/NAU social work students received scholarships in FY 2020, including 35 BSW students and 46 MSW students.

Out-of-Home Placements

DCS places children in out-of-home care when the department determines in conjunction with the Juvenile Court that, after investigating a report of child abuse or neglect, no services or interventions can adequately ensure the child’s health and safety in the home. *Table 2* shows out-of-home placements by setting each year.

	Out-of-Home Placements ^{1/}		
	June 2018	June 2019	Sept 2020
Kinship Care ^{2/}	5,566	5,417	5,804
Foster Home	5,875	5,660	5,156
Congregate Care	2,232	2,334	2,244
<i>Group Home</i>	1,669	1,723	1,794
<i>Emergency Shelter</i>	112	90	52
<i>Behavioral Health Placement</i>	451	521	398
Independent Living	455	475	629
Other ^{3/}	361	319	315
Total	14,489	14,205	14,148

^{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.

Congregate Group Care

The Baseline includes \$89,788,900 in FY 2022 for Congregate Group Care. This amount consists of:

General Fund	31,076,000
Federal TANF Block Grant	21,423,000
Child Safety Expenditure Authority	37,289,900

These amounts are unchanged from FY 2021.

Caseload – In FY 2020, DCS served a monthly average caseload of 2,001 in congregate care placements. At an average monthly cost of \$3,963 per placement, funding in this line is sufficient for an average monthly caseload of 1,888 placements in FY 2022. The estimated average cost is based on DCS' reported congregate care expenses following the implementation of a contracted rate increase effective April 1, 2019.

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

Children aged 18-21 in congregate care placements are funded in the Extended Foster Care line item (*please see the Extended Foster Care line item for additional information.*)

Extended Foster Care

The Baseline includes \$14,437,200 in FY 2022 for Extended Foster Care. This amount consists of:

General Fund	8,283,300
Child Safety Expenditure Authority	6,153,900

These amounts are unchanged from FY 2021.

This line item was previously called the "Independent Living Maintenance" line item, as it included placement expenses for the foster care population aged 18-21 within independent living settings. The line item is renamed as "Extended Foster Care" to reflect the inclusion of all placement expenses for the foster care population aged 18-21, including group home and foster home settings.

Caseload – In FY 2020, a monthly average of 991 individuals age 18-21 remained voluntarily in DCS foster care. Based on the rate of placement in independent living settings, group homes, and foster homes, the average monthly cost per placement was approximately \$1,390. At \$1,390 per month, the funding in this line item is sufficient to fund 866 placements in FY 2022.

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.

DCS submitted a IV-E state plan amendment in September 2019 that allows the department to begin receiving Federal Funds for other out-of-home youth age 18 or older under the IV-E Extended Foster Care program. Based on a consultant's analysis, the department will receive an estimated \$6,600,000 in additional Federal IV-E Funds annually for the program, of which \$6,153,900 is accounted for in this line item.

The additional federal funding effectively represents a dollar-for-dollar General Fund savings for placements costs of foster youths age 18-21, as these placement costs were previously covered by either the General Fund or TANF (the latter being a General Fund offset) within the Congregate Group Care, Independent Living Maintenance, and Foster Home Placement line items. DCS intends to use the additional federal resources to increase the number of individuals and services offered to children in extended foster care.

Foster Home Placement

The Baseline includes \$51,929,500 in FY 2022 for Foster Home Placement. This amount consists of:

General Fund	22,825,500
Federal TANF Block Grant	6,973,100
Child Safety Expenditure Authority	22,130,900

These amounts are unchanged from FY 2021.

Caseload – In FY 2020, a monthly average of 5,657 clients received licensed foster home services. At an average monthly cost of \$716, the funding in this line item is sufficient for 6,043 foster home placements in FY 2021.

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.

Children in licensed foster home placements aged 18-21 are funded in the Extended Foster Care line item (*please see the Extended Foster Care line item for additional information.*)

Foster Home Recruitment, Study and Supervision

The Baseline includes \$32,753,600 in FY 2022 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 2021.

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

Kinship Care

The Baseline includes \$5,000,000 in FY 2022 for Kinship Care. This amount consists of:

General Fund	4,500,000
Federal TANF Block Grant	500,000

These amounts are unchanged from FY 2021.

Caseload – In FY 2020, a monthly average of 5,847 children were placed in unlicensed kinship care. At an average monthly cost of \$58, this line item is sufficient to fund a monthly average of 7,183 kinship placements in FY 2021.

Background – This line item funds the Kinship Stipend, which provides a \$75 monthly stipend per child to unlicensed kinship caregivers. Unlicensed kinship caregivers may include relatives as well as non-relative caregivers of fictive kinship. "Fictive kin" are caregivers that have a meaningful relationship with the child but are not related by blood or by marriage.

The Baseline continues a General Appropriation Act footnote that requires DCS to provide the stipend on

behalf of all children placed with an unlicensed kinship foster care parent and permits such caregivers to receive the stipend without filing an application.

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 3* shows the total caseload for permanent placements.

Table 3

Permanent Placements			
	June <u>2018</u>	June <u>2019</u>	June <u>2020</u>
Adoption	29,500	31,382	32,688
Permanent Guardianship	<u>2,608</u>	<u>2,775</u>	<u>2,723</u>
Total	32,108	34,157	35,411

Adoption Services

The Baseline includes \$278,258,500 in FY 2022 for Adoption Services. This amount consists of:

General Fund	84,965,800
Federal TANF Block Grant	22,445,700
Child Safety Expenditure Authority	170,847,000

These amounts are unchanged from FY 2021.

Caseload – In FY 2020, a monthly average of 31,925 clients received adoption subsidies. At an average monthly cost of \$691, the funding in this line item is sufficient for 33,557 total placements in FY 2021.

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.

Permanent Guardianship Subsidy

The Baseline includes \$12,516,900 in FY 2022 for the Permanent Guardianship Subsidy. This amount consists of:

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

These amounts are unchanged from FY 2021.

Caseload – In FY 2020, a monthly average of 2,532 clients received permanent guardianship subsidies. At an average monthly cost of \$407, the funding in this line item is sufficient to fund 2,562 total placements in FY 2021.

Background – Pursuant to A.R.S. § 8-871, the Juvenile Court may establish a permanent guardianship for children in out-of-home care: 1) who have been in the custody of the prospective permanent guardian for at least 9 months; 2) for whom reasonable efforts have been made to reunite the parent and child and further efforts would be unproductive; 3) for whom the likelihood of adoption is remote or termination of parental rights would not be in the child's best interest. A.R.S. § 8-814 requires DCS to administer a program to subsidize permanent guardianships subject to available funding from appropriations and other sources. The current base subsidy rate is \$12.95 per day (\$388.50 per month). Medical expenses for permanent guardianship placements 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. These services may include instruction to parents (parent aide), visitation between out-of-home children and their families, transportation, substance abuse treatment, and in-home programs, among others. *Table 4* displays combined spending from FY 2020 for in-home mitigation and out-of-home support services by category.

DCS Child Care Subsidy

The Baseline includes \$56,559,400 in FY 2022 for the DCS Child Care Subsidy. This amount consists of:

General Fund 7,000,000
 Federal CCDF Block Grant 35,400,000
 Child Safety Expenditure Authority 14,159,400

These amounts are unchanged from FY 2021.

Caseload – In FY 2020, a monthly average of 8,645 children received DCS child care. At \$589 monthly, the

funding in this line item is sufficient for an average monthly caseload of 8,003 children in FY 2022.

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

Table 4

Support Services
FY 2020 Actual Expenditures by Service Category ^{1/}

Services	Amount
Child Care Subsidies	\$ 48,923,000
CMDP ^{2/}	46,692,900
Parent Aide	21,298,600
Supervised Visitation	20,040,200
Transportation	16,485,000
In-Home Services	18,105,000
Preventive Services	15,148,300
Allowances	9,246,800
Counseling and Psychological Services	5,945,300
Substance Use Disorder Treatment ^{3/}	6,747,000
Independent Living Support	5,837,100
Lab Services	5,733,200
Other	4,261,800
Total	\$224,464,200

^{1/} From "Children Support Services Expenditures Based on Payment Month" of DCS' October 2020 Child Safety Monthly Program Report, except that child care subsidy expenditures are from the DES Child Care Administration and DCS preventive services expenditures are from the FY 2022 DCS budget request.

^{2/} Acute care expenses for children in foster care. Excludes CMDP administrative costs, which are funded in the DCS Operating Budget.

^{3/} DCS spending on the Arizona Families F.I.R.S.T. (AFF) substance use disorder treatment program. Does not include substance use disorder services spending for AFF recipients who are eligible for AHCCCS.

In-Home Mitigation

The Baseline includes \$28,988,100 and 1 FTE Position in FY 2022 for In-Home Mitigation. These amounts consist of:

General Fund 8,971,700
 Child Abuse Prevention Fund 1,459,300

Federal TANF Block Grant	14,611,200
Child Safety Expenditure Authority	5,945,900

These amounts are unchanged from FY 2021.

Background – This line item funds DCS’ in-home services program for families with a child at risk of out-of-home placement. Contracted in-home services provide a wide range of voluntary services for up to 120 days intended to ensure that children remain safely at home, including parent education, counseling, domestic violence intervention, behavioral management, home management, and linkages to community resources. DCS reports that there were 3,817 new referrals to the in-home services program in FY 2020.

Out-of-Home Support Services

The Baseline includes \$153,910,900 in FY 2022 for Out-of-Home Support Services. This amount consists of:

General Fund	48,512,100
Federal TANF Block Grant	34,139,600
Child Safety Expenditure Authority	71,259,200

These amounts are unchanged from FY 2021.

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

Preventive Services

The Baseline includes \$15,148,300 in FY 2022 for Preventive Services. This amount consists of:

General Fund	4,000,000
Child Safety Expenditure Authority	11,148,300

These amounts are unchanged from FY 2021.

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

Other Issues

This section includes information on the following topics:

- FY 2021 Ex-Appropriation
- CHILDS Replacement Project
- CMDP Integration
- Family First Prevention Services Act
- Families First Coronavirus Response Act

FY 2021 Ex-Appropriation

The Baseline includes an ex-appropriation of \$(14,600,000) from the General Fund to account for lower-than-budgeted state expenses for adoption subsidies and out-of-home placements in FY 2021. The \$(14,600,000) estimated surplus is based on increased availability of federal IV-E funding for children receiving adoption subsidies or out-of-home placement expenses due to the temporary 6.2% IV-E federal match rate increase authorized by the Families First Coronavirus Response Act. The ex-appropriation would permit the Legislature to either return these monies to the General Fund or to redirect them into the child welfare system through other adjustments. *(Please see Families First Coronavirus Response Act section for additional information.)*

CHILDS Replacement Project

The Department of Child Safety was appropriated \$4,992,800 from the Automation Projects Fund in FY 2021 to complete its replacement of the department's child welfare information system with a new system called "Guardian." The department says they intend to implement Guardian in spring of 2022. *(Please see the Arizona Department of Administration - Automation Projects Fund narrative for additional information.)*

CMDP Integration

Children in foster care receive coverage for physical health and behavioral health care through the Comprehensive Medical & Dental Program (CMDP). Currently, DCS serves as the health plan for physical health, while behavioral health is covered separately through Regional Behavioral Health Authorities (RBHAs) contracted with AHCCCS.

Laws 2019, Chapter 305 transfers coverage of behavioral health services for foster children from the RBHAs to DCS conditional on authorization of state and federal funding by February 1, 2024. In its review of capitation funding for the CMDP program in April 2019, the Joint Legislative Budget Committee's review included a provision stating that it is the intent of the Legislature that DCS and AHCCCS request any funding changes associated with the creation of an integrated health plan as part of each agency's FY 2021 budget submittal. *(Please see below.)*

Integrating behavioral health services under DCS would likely increase DCS' CMDP administrative expenses. According to a February 2018 Mercer study, the department could incur administrative costs of up to \$21,600,000 Total Funds for administration of an integrated CMDP health plan, including the addition of 198 FTE Positions, if DCS administered all managed care health plan functions (e.g. medical management, network development, claims processing, etc.). By comparison, AHCCCS reports that existing administrative spending of the RBHAs is approximately \$13,300,000 or \$(8,300,000) below the estimate from the 2018 study.

The plan could also impact behavioral health utilization. DCS would gain responsibility for "clinical operations," such as prior authorization and care coordination for behavioral health, so if DCS authorizes more services than the RBHAs do under current practice, foster care behavioral health expenses could increase. The magnitude of such changes is unknown. DCS hopes to lower Mercer's cost estimate by contracting for certain administrative functions

The FY 2021 budget did not include any adjustments to the DCS budget to authorize integration of CMDP pursuant to Chapter 305. As a result, the DCS budget continues to only include approximately \$50,000,000 of Child Safety Expenditure Authority across the Operating Budget and Out-of-Home Support Services line items associated with the physical health component of the CMDP plan.

Effective April 1, 2021 AHCCCS proposes to increase DCS comprehensive health plan capitation rates by a total of \$4,323,300 total funds for administrative/management purposes. The Baseline does not fund these increases in the AHCCCS budget.

The Legislature will need to approve the transfer of the behavioral health component of the CMDP plan and its administration in the department's budget for FY 2021.

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. This provision may expand federal IV-E funding for DCS.

- 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. This provision may reduce federal IV-E funding for DCS.
- 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. Prior federal legislation had originally scheduled a full phase-out by October 1, 2017. The delay in the phase-out of income eligibility criteria may reduce federal IV-E funding for DCS.

An FY 2020 General Appropriation Act footnote requires DCS to report on its implementation of the legislation by January 2, 2021, including quantification of any fiscal impacts. DCS reported it has taken the following actions related to implementing the legislation:

1. Utilized a provision in the law that allows for delay implementation until October 1, 2021.
2. Efforts to decrease congregate care placements through foster home recruitment efforts including new training and support programs, placement systems, and revision of foster home recruitment contracts effective September 1, 2019 to allow for higher reimbursement based on the needs of the child.
3. Revised Congregate Care contracts effective April 1, 2019 to add incentive pay to providers that assist with transitioning and stabilizing an out-of-home child in a less restrictive setting, such as a kinship placement. Contracts were awarded to 87 providers.
4. Awarded \$1,500,000 in one-time grants to 6 providers to develop Qualified Residential Treatment Programs in September 2019, which are congregate care settings that will continue to be eligible for federal reimbursement after implementation of the law. As of November 15, 2020, 4 of the 6 providers are now accredited.
5. Standardized therapeutic foster care placements in collaboration with the Arizona Health Care Cost Containment System, including increased utilization of therapeutic foster homes for youth with higher needs, but do not meet medical necessity, and cross-system placements design with the Department of Juvenile Corrections and County Probation.
6. Integrated requirements for Qualified Residential Treatment Placements into substance abuse program standardization and a parent-skill based program that

- included program evaluations to obtain evidence-based ratings, planning to begin in February 2021.
7. Expanded and updated programming for Arizona Families First. Cost mitigation through agency partnerships and federal funding left a DCS cost of \$239,448.
 8. Ensured DCS' existing in-home programs meet standards for being "evidence-based," which is a requirement to receive federal funding for in-home programs once FFPFA is implemented.

The report did not attempt to quantify the total fiscal impact of DCS' implementation efforts.

Families First Coronavirus Response Act

In March 2020, the President signed the federal Families First Coronavirus Response Act into law. Among other provisions, the bill temporarily increases the regular Medicaid match rate by 6.2% retroactive to January 1, 2020 through the third quarter of FY 2021. This increase provides greater flexibility to adapt to needs between eligibility groups, to modify the amount, duration, and scope of coverage available, and to make changes to

applicable cost sharing and beneficiary liability. The match rate increase reduced General Fund expenditures for DCS in FY 2020 and will also reduce these expenditures in FY 2021.

The enacted budget did not adjust DCS' General Fund appropriation to account for the savings.

In FY 2020, match rate savings were realized through revertments to the General Fund. DCS reverted \$42,374,200 to the General Fund; how much of that revertment was associated with the federal match rate savings is unknown.

In FY 2021, the JLBC Staff estimates that the match rate increase will reduce DCS' General Fund expenditures by about \$(14,600,000) relative to the enacted budget. This estimate assumes that the 6.2% increase will be in effect through March 2021, consistent with the current federal emergency declaration. The Baseline assumes match rate savings would be realized via an ex-appropriation to DCS's FY 2021 General Fund appropriation. The JLBC Staff estimates also assumes that caseload changes would not have an offsetting impact on the magnitude of the match rate savings.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
Child Abuse Prevention Fund (CHA2162/A.R.S. § 8-550.01)		Appropriated
Source of Revenue: A portion of monies (1.93%) from statutory filing and copy fees collected by the Superior Court and all funds received through check-off contributions on the Arizona tax form. Monies also may come from a surcharge on certified copies of death certificates when revenues from the surcharge exceed \$100,000 for the year.		
Purpose of Fund: To provide financial assistance to community treatment programs, benefiting abused children and their parents or guardians. An amount of not more than 5% may be expended for administrative expenses related to the fund.		
Funds Expended	449,400	1,459,300
Year-End Fund Balance	441,900	0
Child Restraint Fund (CHA2192/A.R.S. § 28-907)		Non-Appropriated
Source of Revenue: Fines or penalties from parents, guardians, or legal custodians who fail to sufficiently restrain in children under the age of 8 in motor vehicles.		
Purpose of Fund: To purchase child passenger restraint systems and provide them to hospitals for loan to indigent persons. Monies in the fund shall not exceed \$20,000. All monies collected over \$20,000 shall be deposited in the Arizona Highway User Revenue Fund.		
Funds Expended	88,000	0
Year-End Fund Balance	20,000	20,000
Child Safety Expenditure Authority (CHA2009/A.R.S. § 41-101.01)		Expenditure Authority
Source of Revenue: All non-appropriated funds and Federal Funds for the Department of Child Safety, excluding the Federal Temporary Assistance for Needy Families Block Grant, the Federal Child Care and Development Fund, the Client Trust Fund, and the Economic Security Donations Fund.		
Purpose of Fund: To fund the Department of Child Safety.		
Funds Expended	417,941,700	438,965,300
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
Children and Family Services Training Program Fund (CHA2173/A.R.S. § 8-503.01)		Appropriated
Source of Revenue: A portion of monies collected from fees charged for copies of child welfare files and assessments against legally responsible parties for the support of a child in the state's custody. The fund receives 90% of the revenues collected. The remaining 10% of revenues are credited to the General Fund.		
Purpose of Fund: To administer training for child safety workers and employees in related programs. The monies cannot be used to pay salaries or expenses of the training staff. Up to 10% of the monies may be used to enhance the collection of monies owed to the agency. Any monies collected from fees for copies of child welfare files may be used only for reimbursing the department for its cost.		
Funds Expended	0	217,000
Year-End Fund Balance	58,700	0
Client Trust Fund (CHA3152/A.R.S. § 41-1954)		Non-Appropriated
Source of Revenue: Monies collected from Social Security, Veterans' Administration benefits, and other benefits payable to a child in the care, custody, or control of DCS.		
Purpose of Fund: To defray the costs of care and services expended for the benefit, welfare, and best interest of the child.		
Funds Expended	3,630,500	0
Year-End Fund Balance	6,424,200	6,929,100
Economic Security Donations Fund (CHA3145/A.R.S. § 36-571, 41-1954)		Non-Appropriated
Source of Revenue: Grants, gifts, or bequests.		
Purpose of Fund: To be disbursed for the purpose of and in conformity with the terms of the grant, gift, or bequest.		
Funds Expended	25,800	0
Year-End Fund Balance	21,300	69,000
Federal Child Care and Development Fund Block Grant (CHA2008/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To be used for developing child care programs, providing child care to welfare recipient parents, and implementing licensing standards under state law for child care. Up to 5% of the aggregate amount of funds expended can be used for administrative costs. At least 4% of funds must be used for consumer education and activities for improving the quality and availability of child care. No monies can be used for purchasing land or building facilities to provide child care. DES has a separate allocation of CCDF.		
Funds Expended	31,646,800	35,400,000
Year-End Fund Balance	0	0
Federal Temporary Assistance for Needy Families Block Grant (CHA2007/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To provide assistance to needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of 2-parent families. DES has a separate allocation of TANF.		
Funds Expended	157,428,800	159,091,100
Year-End Fund Balance	0	0
Risk Management Revolving Fund (CHA4216/A.R.S. § 41-622)		Appropriated
Source of Revenue: Actuarial charges assessed to agencies insured under the state's risk management system, as well as recoveries by the state through litigation.		
Purpose of Fund: To pay claim costs, administrative program costs, and to purchase insurance for coverage for losses not covered under the self-insured limits.		
Funds Expended	0	2,602,000
Year-End Fund Balance	0	0