

Department of Child Safety

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
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	33,850,500
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	24,046,600	24,046,600
Equipment	400,900	863,900	863,900
OPERATING SUBTOTAL	149,717,100	146,580,900	146,580,900 ^{1/-6/}
SPECIAL LINE ITEMS			
Additional Operating Resources			
Attorney General Legal Services	27,894,900	27,989,800	27,989,800 ^{7/}
Caseworkers	146,498,000	132,118,700	132,188,700 ^{8/}
Office of Child Welfare Investigations	10,400,800	10,613,300	10,613,300
Training Resources	4,237,400	9,150,000	9,150,000
Out-of-Home Placements			
Congregate Care	105,623,000	103,682,000	103,682,000
Extended Foster Care	19,659,200	19,887,200	19,887,200
Extended Foster Care Service Model Fund Deposit	5,679,300	0	0
Foster Home Placement	34,713,900	42,547,300	42,547,300
Foster Home Recruitment, Study and Supervision	28,303,700	32,753,600	32,753,600
Kinship Care	16,214,200	20,584,600	20,584,600 ^{9/10/}
Permanent Placements			
Permanent Guardianship Subsidy	15,622,000	17,186,800	17,186,800
Adoption Services	268,556,500	286,840,400	286,840,400
Support Services			
DCS Child Care Subsidy	43,842,700	61,675,400	61,675,400
In-Home Mitigation	36,796,200	43,914,300	38,414,300
Out-of-Home Support Services	83,977,000	113,284,600	113,284,600
Preventive Services	20,404,200	32,412,700	21,412,700 ^{11/}
Comprehensive Health Plan			
Comprehensive Health Plan Administration	26,758,200	28,641,600	25,072,800
Comprehensive Health Plan Premium Tax	2,686,400	3,196,600	3,257,700
Comprehensive Health Plan Services	104,598,100	127,989,800	134,550,700
AGENCY TOTAL	1,152,182,800	1,261,119,600 ^{12/}	1,247,672,800 ^{3/13/14/}
FUND SOURCES			
General Fund	479,963,700	458,089,500	441,589,500
<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	1,021,600
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	161,076,300	161,076,300
SUBTOTAL - Other Appropriated Funds	202,231,200	204,280,700	204,280,700
SUBTOTAL - Appropriated Funds	682,194,900	662,370,200	645,870,200
<u>Expenditure Authority Funds</u>			
Child Safety Expenditure Authority	335,945,200	438,921,400	438,921,400

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
Comprehensive Health Plan Fund	134,042,700	159,828,000	162,881,200
SUBTOTAL - Expenditure Authority Funds	469,987,900	598,749,400	601,802,600
FUND SOURCES			
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,152,182,800	1,261,119,600	1,247,672,800
Other Non-Appropriated Funds	0	91,000	91,000
TOTAL - ALL SOURCES	1,152,182,800	1,261,210,600	1,247,763,800

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 shall submit a report to the joint legislative budget committee and the governor's office of strategic planning and budgeting on actual operating expenses for the guardian case management system in fiscal year 2024-2025, as well as proposed system operating expenses for fiscal year 2025-2026. (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, 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)
- 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 FY 2025 amounts appropriated by line item have been adjusted to reflect transfers that received a favorable review at the Joint Legislative Budget Committee meeting held December 18, 2024.
- 13/ Child safety expenditure authority includes all department funding sources excluding the state general fund, the federal child care and development fund block grant, the federal temporary assistance for needy families block grant, the child abuse prevention fund, the children and family services training program fund and the comprehensive health plan expenditure authority fund. (General Appropriations Act footnote)
- 14/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

Federal TANF Block Grant	25,427,900
Child Welfare Licensing Fee Fund	1,021,600

The Baseline includes \$146,580,900 and 1,472.9 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

These amounts are unchanged from FY 2025.

	FY 2026
General Fund	\$72,116,200
Child Safety Expenditure Authority	48,015,200

Additional Operating Resources

Attorney General Legal Services

The Baseline includes \$27,989,800 and 276.2 FTE Positions in FY 2026 for Attorney General Legal Services. These amounts consist of:

General Fund	21,759,300
Child Safety Expenditure Authority	6,230,500

These amounts are unchanged from FY 2025.

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 \$132,188,700 and 1,406 FTE Positions in FY 2026 for caseworkers. These amounts consist of:

General Fund	61,014,500
Children and Family Services Training Program Fund	207,500
Federal TANF Block Grant	33,612,800
Child Safety Expenditure Authority	37,353,900

These amounts are unchanged from FY 2025.

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.

In addition to the \$132,188,700 of appropriated monies to the Caseworkers line item for FY 2025, the FY 2025 budget also included an FY 2024 supplemental appropriation of \$19,700,000 from the General Fund in FY 2024 for caseworker operating expenses. The \$19,700,000 is non-lapsing until June 30, 2025.

The Legislature has funded 1,406 caseworkers (direct line staff). As of the latest available data from November 2024, DCS had 1,284 filled case specialist positions.

Office of Child Welfare Investigations

The Baseline includes \$10,613,300 and 127 FTE Positions in FY 2026 for the Office of Child Welfare Investigations (OCWI). These amounts consist of:

General Fund	10,411,300
Child Safety Expenditure Authority	202,000

These amounts are unchanged from FY 2025.

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 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 2024, the latest data available from the agency, DCS reports that 120 ASU/NAU social work students received scholarships, including 36 Bachelors of Social Work (BSW) students and 84 Masters of Social Work (MSW) students.

Out-of-Home Placements

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

Congregate Care

The Baseline includes \$103,682,000 in FY 2026 for Congregate Group Care. This amount consists of:

General Fund	42,357,500
Federal TANF Block Grant	21,423,000
Child Safety Expenditure Authority	39,901,500

These amounts are unchanged from FY 2025.

Caseload – According to the latest available data from DCS, in FY 2024, an estimated monthly average of 1,617 clients received congregate care placements at an average monthly cost of \$5,443 per placement. Assuming the same cost per placement in FY 2026, the total appropriation has the authority to support 1,587 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 Baseline includes \$19,887,200 in FY 2026 for Extended Foster Care. This amount consists of:

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

These amounts are unchanged from FY 2025.

Caseload – According to the latest available data from DCS, a monthly average of 903 individuals aged 18-21 remained voluntarily in DCS foster care at an average monthly cost of \$1,814 in FY 2024.

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.

Table 1

	Out-of-Home Placements ^{1/}		
	June <u>2022</u>	June <u>2023</u>	June <u>2024</u>
Kinship Care ^{2/}	5,641	4,914	4,061
Foster Home	3,750	3,067	2,458
Congregate Care	2,067	1,845	1,538
<i>Group Home</i>	1,078	1,288	908
<i>Emergency Shelter</i>	52	22	13
<i>Behavioral Health Placement</i>	937	535	617
Independent Living	613	624	643
Other ^{3/}	485	463	516
Total	12,556	10,913	9,216 ^{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 June 2024 and includes "preliminary data" reported by DCS.

Extended Foster Care Service Model Fund Deposit

The Baseline includes no funding in FY 2026 for the Extended Foster Care Service Model Fund Deposit. This amount is unchanged from FY 2025.

While the FY 2024 budget established 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.

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

An FY 2024 General Appropriation Act footnote makes this appropriation non-lapsing. The FY 2025 Human Services BRB repeals the fund on June 30, 2025, and directs unexpended or unencumbered monies to be deposited into the General Fund.

Foster Home Placement

The Baseline includes \$42,547,300 in FY 2026 for Foster Home Placement. This amount consists of:

General Fund	14,443,300
Federal TANF Block Grant	6,973,100
Child Safety Expenditure Authority	21,130,900

These amounts are unchanged from FY 2025.

Caseload – According to the latest available data from DCS, in FY 2024, an estimated monthly average of 2,730 clients received licensed foster home placements. At an average projected monthly cost of \$1,060 per placement and the current appropriated General Fund, TANF, and federal reimbursement levels, DCS can support an average monthly caseload of 3,345 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 Baseline 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. As a result, the funding status of this program in FY 2025 is unclear.

Kinship Care

The Baseline includes \$20,584,600 in FY 2026 for Kinship Care. This amount consists of:

General Fund	20,084,600
Federal TANF Block Grant	500,000

These amounts are unchanged from FY 2025.

Caseload – In FY 2024, on average 4,376 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 5,717 kinship placements in FY 2026. DCS reports 3,625 children were placed in unlicensed kinship care in November 2024.

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.

	June 2022	June 2023	June 2024
Adoption	33,224	32,923	32,584
Permanent Guardianship	<u>2,719</u>	<u>3,104</u>	<u>3,511</u>
Total	35,943	36,027	36,095

Permanent Guardianship Subsidy

The Baseline includes \$17,186,800 in FY 2026 for the Permanent Guardianship Subsidy. This amount consists of:

General Fund	15,243,800
Federal TANF Block Grant	1,943,000

These amounts are unchanged from FY 2025.

Caseload – According to the latest available data from DCS, in FY 2024, an estimated monthly average of 3,351 clients received permanent guardianship subsidies. At an average monthly cost of \$385 and the current General Fund and TANF funding level, DCS can support 3,637 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 Baseline includes \$286,840,400 in FY 2026 for Adoption Services. This amount consists of:

General Fund	85,440,700
Federal TANF Block Grant	22,445,700
Child Safety Expenditure Authority	178,954,000

These amounts are unchanged from FY 2025.

Caseload – According to the latest available data from DCS, in FY 2024, an estimated monthly average of 32,846 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 \$664 and the assumed federal reimbursement level, the total appropriation has the authority to support 33,347 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

Table 3

**Support Services
FY 2024 Actual Expenditures by Service Category ^{1/}**

Services	Amount
Nurturing Parenting Program	11,186,700
Supervised Visitation	28,570,600
Transportation	25,765,500
Family Connections	20,481,000
Preventive Services	21,400,000
Allowances	11,698,000
Counseling and Psychological Services	2,361,100
Substance Use Disorder Treatment	6,195,300
Independent Living Support	4,789,700
Lab Services	6,200,000
Other	<u>10,264,500</u>
Total	\$148,912,400 ^{2/}

- ^{1/} Does not include substance use disorder services spending for Arizona Families F.I.R.S.T. (AFF) recipients who are eligible for AHCCCS.
- ^{2/} Latest available data is from October 2024 as reported by DCS. Numbers may not match the Special Line Item expenditures reported separately by the agency.

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 Child Care Subsidy

The Baseline 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, through June of FY 2024, an estimated monthly average of 5,323 children received DCS childcare. At \$869 monthly, and the assumed federal reimbursement level, the appropriation has the authority to support an average monthly caseload of 5,914 children in FY 2026.

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

In-Home Mitigation

The Baseline includes \$38,414,300 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	17,670,500
Child Safety Expenditure Authority	6,001,000

Adjustments are as follows:

Remove One-Time Provider Rate Increases

The Baseline 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 Baseline includes \$113,284,600 in FY 2026 for Out-of-Home Support Services. This amount consists of:

General Fund	46,618,100
Federal TANF Block Grant	31,080,300
Child Safety Expenditure Authority	35,586,200

These amounts are unchanged from FY 2025.

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 \$21,412,700 in FY 2026 for Preventive Services. This amount consists of:

General Fund	264,400
Child Safety Expenditure Authority	21,148,300

Adjustments are as follows:

Remove Healthy Families Expansion Funding

The Baseline 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 reduction is in accordance with the 3-year spending plan associated with the enacted budget, which assumed Healthy Families would only be funded with expenditure authority monies.

While the intent behind the FY 2025 budget's 3-year General Fund plan was to provide \$12,500,000 of one-time funding for the Healthy Families program and \$264,400 of ongoing funding as a state match for the federal Community-Based Child Abuse Prevention (CBCAP) grant, the final FY 2025 budget only appropriated \$11,000,000 of one-time funding for the Healthy Families program and \$264,400 for the CBCAP match. As a result, the FY 2026 Baseline removes \$(11,000,000).

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 increase of \$3,053,200 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 Baseline includes \$25,072,800 from the Comprehensive Health Plan Fund in FY 2026 for

Comprehensive Health Plan Administration. Adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(3,568,800) from the Comprehensive Health Plan Fund in FY 2026 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 \$3,257,700 from the Comprehensive Health Plan Fund in FY 2026 for Comprehensive Health Plan Premium Taxes. Adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$61,100 from the Comprehensive Health Plan Fund in FY 2026 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 \$134,550,700 from the Comprehensive Health Plan Fund in FY 2026 for 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.

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

FY 2025 Ex-Appropriation

The Baseline includes an FY 2025 ex-appropriation of \$(9,000,000) due to revisions to the state's FMAP.

In certain circumstances, the federal government can provide one-time upward adjustments in a state's FMAP if the state would otherwise experience a rapid decline in the match rate due to personal income growth. In December 2024, the federal government determined that Arizona qualified for such one-time adjustments for FY 2024 due to a 3.27% decline in the state's regular match rate between FY 2023 and FY 2024. Arizona's one-time increase is approximately 1.2% for FY 2024 and FY 2025.

This results in the following match rates:

- 66.29% to 67.93% in FFY 2024.
- 64.89% to 65.65% in FFY 2025.

The Baseline assumes this adjustment generates \$(9,000,000) of General Fund savings in the DCS budget. The Baseline ex-appropriates this amount in FY 2025.

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 Baseline would continue this footnote and require DCS to provide an update by December 1, 2025.

As of June 2024, DCS reports 374 children were placed in Qualified Residential Treatment Programs, or an increase of 21.4% from June 2023.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 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	0	1,459,300
Year-End Fund Balance	1,835,500	1,321,400
Child Restraint Fund (CHA2192/A.R.S. § 28-907)		Non-Appropriated
Source of Revenue: Fines or penalties from parents, guardians, or legal custodians who fail to sufficiently restrain in children under the age of 8 in motor vehicles.		
Purpose of Fund: To purchase child passenger restraint systems and provide them to hospitals for loan to indigent persons. Monies in the fund shall not exceed \$20,000. All monies collected over \$20,000 shall be deposited in the Arizona Highway User Revenue Fund.		
Funds Expended	0	91,000
Year-End Fund Balance	20,500	10,800
Child Safety Expenditure Authority (CHA2009/A.R.S. § 8-453)		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	335,945,200	438,921,400
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Child Welfare Licensing Fee Fund (CHA2994/A.R.S. § 8-467)		Appropriated
Source of Revenue: License fees and legislative appropriations.		
Purpose of Fund: To issue licenses to licensees who do not contract with DCS for care and supervision of DCS children and for the inspection, examination, suspension, denial, revocation and change of licenses.		
Funds Expended	633,000	1,021,600
Year-End Fund Balance	1,427,500	1,382,700
Children and Family Services Training Program Fund (DCS2173/A.R.S. § 8-503.01)		Appropriated
Source of Revenue: A portion of monies collected from fees charged for copies of child welfare files and assessments against legally responsible parties for the support of a child in the state's custody. The fund receives 90% of the revenues collected. The remaining 10% of revenues are credited to the General Fund.		
Purpose of Fund: To administer training for child safety workers and employees in related programs. The monies cannot be used to pay salaries or expenses of the training staff. Up to 10% of the monies may be used to enhance the collection of monies owed to the agency. Any monies collected from fees for copies of child welfare files may be used only for reimbursing the department for its cost.		
Funds Expended	0	207,500
Year-End Fund Balance	14,500	(193,000)
Client Trust Fund (CHA3152/A.R.S. § 41-1954)		Non-Appropriated
Source of Revenue: Monies collected from Social Security, Veterans' Administration benefits, and other benefits payable to a child in the care, custody, or control of DCS.		
Purpose of Fund: To defray the costs of care and services expended for the benefit, welfare, and best interest of the child.		
Funds Expended	0	0
Year-End Fund Balance	11,050,700	11,050,700
Comprehensive Health Plan Fund (CHA2121/A.R.S. § 8-512, 41-2501)		Expenditure Authority
Source of Revenue: Monies paid by the Arizona Health Care Cost Containment System Administration pursuant to the contract, amounts paid by third-party payors, gifts, donations and grants from any source, and interest on monies deposited in the Comprehensive Health Plan Expenditure Authority fund.		
Purpose of Fund: To fund the administration of foster children's physical, dental, and behavioral health care.		
Funds Expended	134,042,700	159,828,000
Year-End Fund Balance	626,400	1,805,200
Child Safety Donations Fund (CHA2025/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	0	0
Year-End Fund Balance	34,400	35,500
Extended Foster Care Comprehensive Service Model Fund (CHA2728/Laws 2023, Chapter 141)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: For supportive services and case management provided by contracted community providers for young adults participating in the extended foster care program. The fund is repealed after June 30, 2025, with any unencumbered monies remaining transferred to the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
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 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.		
Funds Expended	40,516,000	40,516,000
Year-End Fund Balance	0	0
Federal Temporary Assistance for Needy Families Block Grant (CHA2007/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To provide assistance to needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of 2-parent families. DES has a separate allocation of TANF.		
Funds Expended	161,082,200	161,076,300
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	0
Year-End Fund Balance	289,500	0