

**TEXAS DEPARTMENT OF FAMILY AND PROTECTIVE SERVICES
ADMINISTRATOR'S STATEMENT**

House Bill 2292, passed by the 78th Texas Legislature, created a new health and human services system in Texas that will serve consumers better, increase administrative efficiency and emphasize accountability. This unprecedented legislation mandates that 10 of 12 health and human services agencies be abolished and their powers and duties transferred into three entirely new departments and into the Health and Human Services Commission (HHSC). H.B. 2292 left the programs and duties of the former Department of Protective and Regulatory Services intact and renamed the agency as the Department of Family and Protective Services (DFPS). DFPS began its redirected operations February 1, 2004.

Under H.B. 2292, the governor appoints nine-member councils for HHSC and each of the departments being created under the legislation. The councils must meet at least quarterly. The members of the DFPS Council have been named and they held their first council meeting on July 9, 2004. Below is listed the council members, their terms, and their hometowns.

<u>Members of the DFPS Council:</u>	<u>Term:</u>	<u>Hometown:</u>
Ronald Brandon, Ph.D	Term expires February 1, 2005	Georgetown
John R. Castle, Jr.	Term expires February 1, 2007	Dallas
Anne C. Crews	Term expires February 1, 2005	Dallas
Richard S. Hoffman	Term expires February 1, 2009	Brownsville
Faith Johnson	Term expires February 1, 2009	DeSoto
Nancy L. Lund	Resigned	
Catherine Clark Mosbacher	Term expires February 1, 2007	Houston
Imogen Sherman Papadopoulos	Term expires February 1, 2009	Houston
Cristina "Ommy" Salinas Strauch	Term expires February 1, 2005	San Antonio

Program Accomplishments

DFPS continues to focus on improving the quality of services provided by the agency. During this past year, the department changed Child Protective Services (CPS) policies to ensure children aging out of care have contacts with adults who can support them after their transition from foster care, and to require specific steps to close a case when a family refuses to participate with CPS. The department made other significant policy changes to improve caseworker contacts with children in care, develop a new placement process for children with specialized needs, strengthen the service planning process, and strengthen search steps for children who have runaway from placement.

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DFPS initiated three new CPS practices, family group decision making, faith-based foster parent recruitment, and kinship care. Family group decision making crafts a plan to assure safety, permanency and well-being while maintaining placement and support with a relative or person with a significant relationship with the child who is not safe in their own home. The child's immediate family, extended family, and trusted friends are invited to participate in a facilitated conference. Agency and community based resources are presented to the family. The family creates a plan for the child with the approval of the department.

A faith-based foster parent recruitment and training program is being implemented through the use of specialized foster home workers who work with faith-based communities. This program, established by H.B.1, Rider 24, is expected to increase the availability of foster parents. Legislation also enabled the department to develop a formal kinship care program in South Texas to test an innovative method of providing supports to kinship care providers who accept placement of related children that are in the conservatorship of the department. Other areas of the state use direct delivery staff to provide kinship support services, training and case management. Providing kinship services decreases the chances that families will become more deeply involved with the child welfare system.

DFPS Rider 21, 78th Legislature required DFPS to consolidate the foster care level of care system by October 1, 2003 in order to attain greater efficiencies in classifying of foster care children and to reduce costs. In September 2003, DFPS implemented the change from six levels of care to four service levels – the first major revision to the foster care level of care system since 1989. The addition of foster home rates at the “Intense” service level was made in response to the Health and Human Service Commission’s Promoting Independence Initiative. The establishment of these rates promotes the delivery of intense services in a home-based setting.

Also in September 2003, a tiered payment schedule was established for the adoption subsidy program, as directed by DFPS Rider 26, 78th Legislature. A two-tiered payment rate ceiling was implemented which allows the department to provide a higher level of financial assistance to children whose service needs are moderate or higher at the time of adoptive placement.

For Adult Protective Services (APS), DFPS implemented a policy change in August 2003 requiring in-home caseworkers to document validated allegations that an elderly person or an adult with a disability is a victim of family violence. This policy improves the level of service provided to in-home clients. In January 2004, policy changes for MH/MR investigations were made following the 25% legislative staff reduction to amend the definition of emotional/verbal abuse and to change the priority system to take into account the seriousness of the allegation. These policy changes were necessary to reduce the workloads of APS staff handling MH/MR investigations.

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The department improved the Child Care Licensing Automation Support System (CLASS) to enhance its functionality and provide more accurate data about child care facilities. The system, first implemented in September 2001, provides staff and the general public with up-to-date information about child care facilities including results of inspections, investigations, and other license information. Minimum standards rules for day care centers and homes were revised and implemented in September 2003, and the minimum standards rules for residential child care facilities are currently undergoing revision. Once new rules have been adopted, all existing licensing and CPS policies will be reviewed to ensure they do not conflict with the new regulations. Implementation of the new standards will include preparation of training materials, training agency staff and permit holders, and addressing consistency of enforcement.

External and Internal Factors Driving the Appropriations Request

Many factors impact DFPS' baseline request and requests for exceptional items. We have summarized these issues below and have indicated how each impacts our request. The order of presentation of these issues does not necessarily represent the exact priority given to our exceptional items, although generally the order indicates funding priorities.

Caseload Growth in Federally Mandated Programs

As a result of H.B. 2292, caseload forecasting for both foster care and adoption subsidies has been consolidated under HHSC. New forecasting methodologies have been developed that are more robust and policy-driven than the prior methodologies. Unlike time series forecasting, the new methodologies use disaggregated flow modeling that allows more control over the many trends and system dynamics that affect caseload sizes. With the new approach, the forecaster has the ability to independently manipulate multiple factors affecting caseload such as month of entry into foster care and adoption subsidy (seasonality), and length of stay. Disaggregated flow modeling has the ability to be sensitive to policy changes that may take a number of months to fully materialize such as eligibility for federal funding.

Foster care and adoption subsidies are considered to be federal entitlement services, and as such, projected caseloads should be maintained. Forecasts of the average number of FTE children per month in paid foster care indicate a caseload growth of 6.2% for FY 2006 and 6.7% for FY 2007. This compares to annual percentage increases of 7.3% in FY 2003, 6.9% in FY 2004, and 8.5% in FY 2005. Similarly, forecasts of the average number of children provided adoption subsidies per month indicate a caseload growth of 8.4% for FY 2006 and 7.4% for FY 2007, compared to annual percentage increases of 10.8% in FY 2003, 9.9% in FY 2004, and 9.9% in FY 2005.

DFPS served an average of 14,999 FTE children per month in paid foster care in FY 2003, and is projecting to serve 16,037 in FY 2004 and 17,407 in FY 2005. The forecast for the upcoming biennium brings this number to 18,490 in FY 2006 and 19,731 in FY 2007. Adoption subsidies were provided to an average of 15,240 children per month in FY 2003, and we are projecting to provide subsidies to an average of 16,745 children per month in FY 2004 and 18,407 in FY 2005. The forecast for the average number of children provided adoption subsidies per month for FY 2006 and FY 2007 is 19,961 and 21,434 respectively.

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Guidance was provided by HHSC in consultation with leadership offices to maintain the projected caseload for FY 2005 in our baseline request for FY 2006-2007. In order to stay within 100% of FY 2004-2005 general revenue related funds for foster care and adoption subsidies in our base request, DFPS was required to reduce the average daily rate for foster care by 4% each year, and the average monthly adoption subsidy payment by 3% each year. The restoration of these reductions is requested as Exceptional Item 1, Restore Base Foster Care/Adoption to FY 05 Rates, so that FY 2005 foster care rates and adoption subsidy payment ceilings are maintained for FY 2006-2007. The funding for caseload growth at the restored FY 2005 rates is requested in Exceptional Item 2, Foster Care/Adoption Subsidies Caseload Growth. There are no projected shifts toward higher service levels in foster care or higher adoption subsidy payments that would cause an increase in the average cost per person served for these programs.

LAR Policy Directions on Baseline Funding

Instructions were provided to all agencies by the Legislative Budget Board and the Governor's Office that limited an agency's baseline request for general revenue-related funds to 95% of the sum of amounts expended in FY 2004 and budgeted in FY 2005. Further guidance was given that allowed DFPS to exclude foster care and adoption subsidies from the required baseline reduction. The agency is applying the baseline reduction to the Services to At-Risk Youth (STAR) program, resulting in a 26.4% funding cut for that program. This prevention program serves children ages 0-17 who are runaways, delinquents, truants, or living in situations where they are at risk of delinquent conduct or child maltreatment. The restoration of this baseline funding reduction to the STAR program is being requested as Exceptional Item 3, Restore 5% Base Reduction.

During the 78th Legislative session in 2003, the Governor and the Texas Legislature demonstrated support for the critical nature of DFPS' mission by providing an increase of 356 direct delivery staff for the Child Protective Services (CPS) program, in spite of significant cuts in overall state spending. However, as a result of a phased-in funding approach for the current biennium, the baseline funding request for the upcoming biennium does not contain sufficient amounts to maintain all of the new 356 FTEs. The additional funding needed to annualize the cost of these FTEs and restore 135 direct delivery FTEs for FY 2006-2007 is being requested as Exceptional Item 4, Maintain CPS Phased-In Staff.

Potential Change in Federal Participation

The baseline funding request for CPS direct delivery staff has been reduced due to an assumed loss of Medicaid associated with the CPS targeted case management program. Under targeted case management, Medicaid is claimed for case management activities that assist the target population in gaining access to medical, social, educational and other services. These case management activities include assessment, case planning, service coordination or monitoring, and case plan reassessment. The federal Center for Medicaid and Medicare Services (CMS) issued a disallowance of targeted case management claims for what they define as child welfare activities. Texas has appealed, and is awaiting federal guidance for the future. Until that time, the assumption is that there will no longer be a CPS

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targeted case management program starting in FY 2006. However, negotiations with CMS may result in some level of targeted case management. Our funding request will be adjusted based on these negotiations. The funds needed to restore 485 FTEs are requested as Exceptional Item 5, Restore Loss of CPS Targeted Case Management.

Adult Protective Services (APS) Reform

Under Executive Order RP 33, issued April 14, 2004, HHSC is directed to oversee the systemic reform of the Adult Protective Services (APS) program. HHSC began an intensive review of the APS program and issued a preliminary report on May 19, 2004. The report included preliminary findings on program performance, functional review, and policy assessment of the APS program, including the Guardianship program. Executive Order RP 33 required HHSC to submit an implementation plan within 90 days of the executive order that outlines corrective actions to reform the APS program. This implementation plan was issued July 12, 2004.

DFPS is committed to implementing the corrective actions in this plan as quickly as possible within the timeframes indicated. HHSC has worked with leadership offices to identify additional FY 2005 funding for four critical areas of the reform: sufficient staff in critical areas of the state, technology to improve investigations, modifications to the Information Management Protecting Adults and Children in Texas (IMPACT) system, and programmatic changes to better deliver services. This additional funding is included in the FY 2005 budgeted amounts, and the funding necessary for the continuation of staff and the other improvements for FY 2006-2007 is being requested as Exceptional Item 6, APS Reform.

Part of the actions expected to be taken in the APS reform effort is to move the Guardianship program to another agency while allowing DFPS to convert the existing Guardianship FTEs to the APS In-Home program. This LAR submittal includes this FTE transfer into the APS In-Home program beginning in FY 2005. A full accounting of progress on implementing corrective actions will be provided in the final report required by Executive Order RP 33 due November 1, 2004.

Child Protective Services Reform

Executive Order RP 35 related to reforming the CPS program was issued July 2, 2004. HHSC is responsible for developing an implementation plan with a due date of September 29, 2004, with a final report due on December 31, 2004. This submittal of our LAR does not contain baseline or exceptional item requests that address this reform effort because it is too early in the review process. If HHSC identifies additional funding necessary for the reform effort, we will revise our budget request accordingly.

Increases in Workload

Based on increases in workload projections for FY 2006-2007, the agency needs additional staff to meet increased demand for services in CPS, Statewide Intake, and APS MH/MR Investigations programs. High caseloads result in employee burnout and high turnover which is costly to the agency and impact safety to the children and adults we serve. Additional funding for a staffing level to handle the projected

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number of calls, reports, and investigations over the next biennium at the current level of response (i.e. maintaining the current caseloads per worker) for these programs is requested in Exceptional Items 7, 8, and 9.

In order to ensure the protection of children, additional Child Care Licensing staff are needed so that monitoring, training, and technical assistance activity for licensed centers can be increased. Additional Residential Child Care Licensing staff are also needed in order to perform routine monitoring of the more than 5,100 foster homes verified by private child-placing agencies and the more than 3,400 foster homes verified by CPS, and to provide technical assistance and training to agency staff and foster home parents that would assist them in improving the care of children. These additional staff resources are requested in Exceptional Item 10, Increase Monitoring of Licensed Facilities.

Aging Technology and Needs for Enhancement/Improvement

The Statewide Intake call center is the largest operation of its kind in the United States due to Texas' high population and the centralization of this business function. Technology resources must be utilized to address the more than 50,000 calls received each month as well as to address the information management and reporting that is crucial to the effective management of Statewide Intake. This 24-hour call center utilizes hardware and software that is standard in the call center industry to route phone calls to appropriate queues, operate the phone system and manage the workforce. Some crucial aspects of this technological infrastructure are now reaching the end of their lifespan. Funding is being requested for upgrades and improvements in Exceptional Item 11, Statewide Intake Technology.

The DFPS technology infrastructure is crucial to the business operations and therefore the service delivery provided by the agency. Periodic upgrades and improvements are critical to ensure continued effective service delivery. Funding is being requested in Exceptional Item 13, Infrastructure Upgrades/Improvements to maintain the data network, meet IMPACT application requirements, and provide security assurances through the next biennium. Exceptional Item 14, IMPACT Enhancements, requests funding to improve functionality of the IMPACT application.

Previous Funding Reductions

Prevention is still seen as a key to help control the spiraling costs of abuse and neglect of children. During the 78th Legislative session, funding was eliminated or reduced for almost all of the prevention and early intervention (PEI) programs at DFPS. Resources need to be directed towards high-risk populations, while still addressing the needs of those teens that have less severe or borderline behavioral problems. Exceptional Item 12, Restore/Re-establish Prevention Services, requests the restoration of the funding cuts for Services to At-Risk Youth, Community Youth Development, At-Risk Mentoring, Healthy Families and Parents As Teachers programs so that these PEI programs can be continued at their FY 2003 levels.

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FY 2004-2005 appropriated funding for the average daily rate for foster care represents a 3% reduction from the FY 2003 average daily rate. A partial rate restoration of 1% was approved and put in place for FY 2004-2005, resulting in a net reduction of 2% in the average daily rate. Exceptional Item 15, Restore Foster Care Rate Funding, requests the funding needed to restore this net rate reduction to the average daily rate paid in FY 2003. This item assumes that FY 2005 rates are restored (Exceptional Item 1), and that projected caseload growth is funded (Exceptional Item 2).

Residential Child Care Provider Cost Increases

DFPS is also requesting additional funding to address residential child care provider cost increases such as staff salaries and inflation on expenses such as gasoline, food, and utilities. Exceptional Item 16, Foster Care Rate Adjustment, requests funding for a 3.36% rate adjustment that is based on the April 2004 forecasted Personal Consumption Expenditure (PCE) inflator. This item assumes that the average daily rate for projected caseload growth is restored to the FY 2003 level (Exceptional Item 15).

Need for Expanded Services for Children

Pursuant to permanency legislation passed by the 75th Legislature, CPS policy reflects permanency goals that focus on finding permanent families for all children in care. Exceptional Item 17, Enhance Permanency for Children, requests funding for seven initiatives designed to enhance permanency for children through expanded services. These initiatives include the expansion of family group decision making and kinship care, increasing the recruitment of foster and adoptive parents, and additional supports for adoption and post adoption.

Salary Compensation for Program Management Direct Delivery Positions

Currently there is a disincentive for caseworkers to move into Program Director and Program Administrator positions because the pay groups do not provide an appropriate salary differential for the increased responsibilities of these jobs. Exceptional Item 18 requests funding for salary upgrades for Program Directors and Program Administrators in the CPS program and Statewide Intake to provide a greater incentive for tenured workers to become managers. This salary upgrade would help improve retention and develop a better-trained staff for these critical positions.

In closing, I would like to express my appreciation for the nearly seven thousand employees of DFPS who work to assure that vulnerable children and adults receive the services they so desperately need. The strongest asset for this agency has been, and will continue to be, the dedication of the front-line staff who make a difference in people's lives each and every day. These dedicated public servants need the requested resources to fulfill the mission of our agency – to protect the unprotected. Vulnerable Texans are counting on us.