



TEXAS DEPARTMENT OF FAMILY AND PROTECTIVE SERVICES

COMMISSIONER
John J. Specia, Jr.

July 2, 2015

Ms. Kara Belew, Budget Director
Office of the Governor
1100 San Jacinto, 4th Floor
Austin, Texas 78701

Ms. Ursula Parks, Director
Legislative Budget Board
1501 North Congress Avenue, 5th Floor
Austin, Texas 78701

Mr. Drew DeBerry, Policy Director
Office of the Governor
1100 San Jacinto, 4th Floor
Austin, Texas 78701

Dear Ms. Belew and Ms. Parks:

Enclosed is the agency's FY 2015 Monthly Financial Report as of May 2015. The following is a narrative summary of budget adjustments during the month, budget variances, significant changes from appropriated funding, capital budget issues, and other key budget issues at this time.

BUDGET ADJUSTMENTS

The following adjustments were made to the appropriated budget in the month of May. In total, the operating budget was decreased by \$2,033,941.

➤ Article I, Informational Listing, Section 2 – Benefit Replacement Pay (Net Decrease of \$31,925):

The following strategies were adjusted for employee benefit replacement pay in entitlement federal funds:

- Strategy A.1.1 – Statewide Intake Services was decreased by \$127
- Strategy B.1.1 – CPS Direct Delivery Staff was decreased by \$22,114
- Strategy B.1.2 – CPS Program Staff was decreased by \$4,158
- Strategy D.1.1 – APS Direct Delivery Staff was decreased by \$1,012
- Strategy D.1.2 – APS Program Support was decreased by \$786
- Strategy D.1.3 – MH and ID Investigations was decreased by \$1,270
- Strategy E.1.1 – Child Care Regulation was decreased by \$1,245
- Strategy F.1.1 – Central Administration was decreased by \$1,168
- Strategy F.1.2 – Other Support Services was decreased by \$4
- Strategy F.1.3 – Regional Administration was increased by \$1
- Strategy F.1.4 – IT Program Support was decreased by \$42

➤ Article IX, Section 8.02 - Federal Funds/Block Grants (Net Decrease of \$2,032,016):

❖ Block Grants/Capped Titles (Net Decrease of \$705,823):

- Strategy B.1. 2 - CPS Program Support was increased by \$6,152. Chafee Foster Care Independent Living Program (CFCIP) funds (FFY 2013 grant year) were re-budgeted to utilize grant balances for eligible SFY 2015 expenses.
- Strategy B.1.8 – PAL Purchased Services was decreased by \$711,975 CFCIP (FFY 2014 grant year) federal funds. A corresponding increase to SFY 2014 was completed in order to utilize the FFY 2014 CFCIP grant for eligible SFY 2014 expenses.

❖ Entitlement Federal Funds (Net Decrease of \$1,326,193):

- Strategy A.1.1 – Statewide Intake Services was decreased by \$376
- Strategy B.1.1 – CPS Direct Delivery Staff was decreased by \$846,256
- Strategy B.1.2 – CPS Program Staff was decreased by \$44,465
- Strategy B.1.10 – Other CPS Purchased Services was increased by \$829
- Strategy D.1.1 – APS Direct Delivery Staff was decreased by \$8,167
- Strategy D.1.2 – APS Program Support was decreased by \$4,539
- Strategy D.1.3 – MH and ID Investigations was decreased by \$77,639
- Strategy E.1.1 – Child Care Regulation was increased by \$23,147
- Strategy F.1.1 – Central Administration was decreased by \$23,550
- Strategy F.1.2 – Other Support Services was decreased by \$2,298
- Strategy F.1.3 – Regional Administration was decreased by \$362
- Strategy F.1.4 – IT Program Support was decreased by \$54,294
- Strategy F.1.4 – Agency-Wide Automated Systems was decreased by \$288,223

➤ Article IX, Section 8.03 – Reimbursements and Payments (Net Increase of \$30,000):

- Strategy D.1.1 – APS Direct Delivery Staff was increased by \$30,000 to reflect a new amount total for the Banfield Charitable Trust Award.

➤ Article IX, Section 14.01 – Appropriation Transfers (Transfer of \$800,000):

- \$800,000 in General Revenue Funds was transferred from Strategy B.1.12 – Adoption Subsidy/PCA Payments to Strategy B.1. 7 – Post-Adoption Purchased Services to support the adoptions saving earmark requirement as required by Public Law 113-183: Preventing Sex Trafficking and Strengthening Families Act.

BUDGET VARIANCES

This report reflects a net agency surplus of \$1.9 million consisting of a \$1.7 million shortfall in General Revenue and \$3.4 million surplus in Federal Funds and \$0.2 million surplus in Other Funds. Significant budget variances are identified below.

- Strategy B.1.1 - CPS Direct Delivery Staff has a projected surplus of \$20.7 million consisting of a \$20.6 million surplus in General Revenue and \$0.1 million surplus in Other Funds. This surplus is primarily due to filled FTEs being lower than FY 2015 appropriated FTEs which has resulted in lapsing salary and other overhead costs. The agency projects to see modest growth in hiring in June, July, and August. In accordance with the authority granted by the supplemental appropriation bill (H.B. 2, 84th Legislature, Regular Session) and other approvals which will be requested in the

near future, DFPS plans to utilize a portion of these excess funds to offset anticipated shortfalls in other strategies.

- Strategy B.1.6 - Adoption Purchased Services has a projected shortfall of \$2.3 million in General Revenue. Adoption placements and consummations are higher than expected. This shortfall can be offset by surplus funds in other DFPS strategies.
- Strategy B.1.7 - Post-Adoption Purchased Services has a projected surplus of \$0.5 million in General Revenue. DFPS anticipates that it will not be able to fully utilize the required transfer of \$800,000 mentioned above under the Appropriation Transfers section.
- Strategy B.1.9 - Substance Abuse Purchased Services has a projected shortfall of \$2.6 million consisting of \$2.8 million shortfall in General Revenue and \$0.2 million surplus in TANF primarily resulting from increases in drug testing costs. DFPS will enter into a new procurement for drug testing and DFPS is closely examining service policy and procedures. Expenditure trends will be closely monitored. This shortfall can be offset by surplus funds in other DFPS strategies.
- Strategy C.1.1 - STAR Program has a projected surplus of \$1.0 million consisting of a \$1.2 million surplus in General Revenue and a \$0.2 million shortfall in Federal Funds due to the contractor in the service area backing out of the original contract. DFPS is working with a new contractor who is in the process of starting up.
- Strategy C.1.4 - Child Abuse Prevention Grants has a projected surplus of \$0.2 million in Federal Funds because of projected contract balances. PEI staff is currently exploring options to utilize these funds. Any unused CBCAP federal funds will be re-budgeted to FY 2016 to the extent allowable under the terms and conditions of the grant.
- Strategy D.1.1 - APS Direct Delivery Staff has a projected surplus of \$2.1 million in General Revenue. This surplus is primarily salary funds because of vacant appropriated FTEs. In accordance with the authority granted by the supplemental appropriation bill (H.B. 2, 84th Legislature, Regular Session) and other approvals which will be requested in the near future, DFPS plans to utilize a portion of these excess funds to offset anticipated shortfalls in other strategies.
- Strategy E.1.1 - Child Care Regulation has a projected surplus of \$1.6 million in General Revenue as a result of vacant FTEs. DFPS will utilize the majority of these excess funds for anticipated shortfalls in other strategies.

The following General Revenue variances are projected based on the HHSC May 2015 caseload and expenditure forecast:

- Strategy B.1.3 TWC Foster Day Care has a projected shortfall of \$0.2 million.
- Strategy B.1.4 TWC Relative Day Care has a projected surplus of \$0.1 million.
- Strategy B.1.5 TWC Protective Day Care has a projected shortfall of \$3.1 million.
- Strategy B.1.11 Foster Care Payments has a projected shortfall of \$19.6 million.
- Strategy B.1.12 Adoption Subsidy/PCA Payments has a projected shortfall of \$0.9 million.
- Strategy B.1.13 Relative Caregiver Monetary Assistance Payments Care has a projected shortfall of \$2.1 million.

SIGNIFICANT CHANGES FROM PREVIOUS REPORT

- Strategy B.1.1 - CPS Direct Delivery Staff - This projection decreased by \$7.5 million from the previous report to reflect the decrease in projected expense for new hire office set-up purchases and a reduction in salaries due to less than previously anticipated hiring levels.
- Strategy B.1.2 - CPS Program Support - This projection decreased by \$2.7 million from the previous report to reflect current expense trends.
- Strategy B.1.6 - Adoption Purchased Services - This projection increased by \$0.8 million from the previous report to reflect current expense trends.

- Strategy B.1.7 - Post Adoption Purchased Services - This projection increased by \$0.3 million from the previous report to reflect anticipated expense related to federal IV-E adoption assistance savings earmarking requirements.
- Strategy B.1.8 - PAL Purchased Services - This projection decreased by \$0.6 million from the previous report to reflect current expense trends.
- Strategy C.1.1 - STAR Program - This projection decreased by \$1.0 million from the previous report to reflect the termination of a previously awarded contract.
- Strategy C.1.3 - Texas Families Program - This projection decreased by \$0.2 million from the previous report to reflect under-utilization because contractors report having difficulty recruiting clients to the program. PEI has offered technical assistance to contractors.
- Strategy C.1.4 - Child Abuse Prevention Grants - This projection increased by \$0.6 million from the previous report to reflect that contractors are having difficulty getting clients to participate in the Respite Care component of the program.
- Strategy F.1.4 - IT Program Support - This projection decreased by \$0.6 million from the previous report to reflect some of annual software/hardware maintenances no longer being needed as well as not having as much training as predicted this fiscal year.
- Strategy F.1.5 - Agency-Wide Automated Systems - This projection decreased by \$2.7 million from the previous report to reflect surplus funds resulting from issues with contract procurement completion. IT vendor contract amounts were reduced to reflect contractor deliverables which could be completed by the end of the fiscal year.

OTHER KEY BUDGET ISSUES

The agency is seeking additional authority to transfer projected surpluses from restricted strategies or funding sources for AY2014 and AY2015.

CAPITAL BUDGET ISSUES

DFPS estimates a surplus of \$2,390,417 (GR) in Strategy F.1.5 Agency-Wide Automated Systems. As stated above, vendor procurement, particularly in the capital budget item Caseworker System Modernization and Accessibility project, were delayed. DFPS plans to use these surplus funds to begin purchasing new smartphones for agency staff prior to the end of the fiscal year at a cost of \$1,310,000 (All Funds).

STATUS OF PENDING TRANSFERS AND AUTHORITY REQUIRING PRIOR APPROVAL

Letter Topic Appropriation Year 2014	HHSC/DFPS Letter Date	Approval/Response Received by July 1, 2015 LBB Governor
Request Use of General Revenue Funds Available in Relative Foster Day Care and Prevention to Meet a Critical Need in Protective Day Care in Fiscal Year 2014	October 28, 2014	Time expired - a new letter is forthcoming

Kara Belew and Ursula Parks

July 2, 2015

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Please contact Beth Cody, Budget Director, at 438-3351 if you have any questions or require additional information.

Sincerely,



Tracy Henderson
Chief Financial Officer

cc: Garnet Coleman, State Representative
Meghan Weller, Governor's Office
Jessica Olson, Lieutenant Governor's Office
Heather Fleming, Speaker's Office
Shannon Ghangurde, Senate Finance Committee
Stacey Gilliam, Senate Finance Committee
Hunter Thompson, House Appropriations Committee
Kyler Arnold, House Appropriations Committee
Melitta Berger, Legislative Budget Board
Shaniqua Johnson, Legislative Budget Board