



July 3, 2017

Mr. Steven Albright, Budget Director
Governor's Office of Budget, Planning and Policy
1100 San Jacinto, 4th Floor
Austin, TX 78701

Ms. Constance Allison, Policy Director
Office of the Governor
1100 San Jacinto, 4th Floor
Austin, Texas 78701

Mr. Drew DeBerry, Budget and Policy Director
Governor's Office of Budget, Planning, and Policy
1100 San Jacinto, 4th Floor
Austin, TX 78701

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

Dear Mr. Albright, Ms. Allison, Mr. DeBerry, and Ms. Parks:

Enclosed is the agency's FY 2017 Monthly Financial Report as of May 2017. 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 budget adjustments listed below apply to the appropriation year 2017 as of the end of May 31, 2017. Adjustments to Department of Family and Protective Services (DFPS) appropriation pattern as detailed in the Conference Committee version of H.B.1, 84th Legislature, Regular Session are described.

A. Pursuant to Art IX, Sec 13.01, Federal Funds/Block Grants, adjustments have been made to align federal funds/block grants and re-budget federal funds/block grants between FY16 and FY17. Total amounts by CFDA are listed below. Additional detail is provided in Schedule 1 Supplemental.

93.556.001 - Promoting Safe and Stable Families (\$9,606)

93.556.002 - Promoting Safe and Stable Families – Caseworker Visits (\$1,303,593)

93.645 - Child Welfare Services State Grant \$3,379,156

93.669 - Child Abuse and Neglect State Grants (\$224,692)

93.599 - Title IV-E Chafee Education and Training Vouchers Program (\$1,758,476)
93.603 - Adoption Incentive Payments \$1,858,665
93.674 - Chafee Foster Care Independence Program \$3,343,003
93.643 - Children's Justice Grants to States \$119,133
93.590 - Community-Based Child Abuse Prevention Grants \$1,088,701
93.566 - Refugee and Entrant Assistance State Administered Programs (\$4,113,328)

B. Pursuant to Art II, Special Provisions, Sec. 10, Limitations on Transfer Authority, the following adjustments are reflected:

- The transfer of funding and FTE Authority for the Texas Home Visiting programs from HHSC to DFPS (letter dated December 1, 2015)
- The transfer of general revenue funding from HHSC for the critical needs request to support the increase in CPS Direct Delivery staff, support staff, and associated agency costs (letter dated November 22, 2016)

C. Pursuant to Art I Informational Listing, Sec 2, Transfer of Social Security Contributions and Benefit Replacement Pay (BRP), this adjustment transfers BRP to direct strategies. (The BRP adjustment was removed from the Monthly Financial Report beginning in November 2016 consistent with other state agencies. These adjustments do not increase the agency's budget and are required for CPA reporting purposes only.)

D. This adjustment reflects a transfer from Comptroller of Public Accounts for the estimated state and federal funds and/or budget authority required to fund the state employee salary increase legislated in Article IX, Sec. 18.02, Appropriations for a State Salary Increase for General State Employees.

E. This adjustment reflects changes in estimated federal entitlement funds (gains or losses) pursuant to Art IX, Sec 13.01, Federal Funds/Block Grants Fed Entitlements. Total amounts by CFDA are listed below. Additional detail is provided in Schedule 1 Supplemental. Shaded items reflect changes from prior month. Updates in projections affected these sources.

93.778.003 - Medical Assistance Program 50% \$1,692,221
93.659.050 - Title IV-E Adoption Assistance - Administration \$1,993,330
93.659.060 - Title IV-E Adoption Assistance - FMAP (\$1,476,122)
93.659.075 - Title IV-E Adoption Assistance-Training (\$13,510)
93.658.050 - Title IV-E Foster Care - Administration \$3,905,361
93.658.060 - Title IV-E Foster Care - FMAP (\$9,268,739)
93.658.075 - Title IV-E Foster Care -Training \$2,054,451
93.090.050 - Title IV-E Guardianship Assistance - Administration (\$25,858)
93.090.060 - Title IV-E Guardianship Assistance - FMAP (\$689,324)

F. This adjustment reflects changes in estimated interagency contracts pursuant to Art IX, Sec 8.02, Reimbursements and Payments.

G. This adjustment reflects transfers between appropriations within 20 percent limitation to cover projected expense pursuant to 84rd Legislature, SB1 Art IX, Sec 14.01, Appropriation Transfers (2016-17 GAA).

- J. Pursuant to Art II, Rider 10, Appropriation Transfer between Fiscal Years (letter dated June, 23, 2016), this adjustment reflects the reversal of the carry back of TANF funds from FY 17 to FY 16 in Strategy B.1.9 Foster Care Payments due to TANF ECF being made available through approval of critical needs letter dated November 22, 2016.
- K. This adjustment reflects the approval to expend current unobligated TANF and TANF Emergency Contingency Fund balances pursuant to Art IX, Sec 13.10, Request to Expend TANF- Federal Funds/Block Grants (letter dated November 22, 2016).
- O. This adjustment reflects the carry forward of unexpended capital balances from FY 16 to FY 17 for Strategy B.1.1 Child Protective Services Direct Delivery Staff and Strategy G.1.1 Agency-Wide Automated Systems pursuant to Art IX, Sec 14.03(i), Limitation on Expenditures - Capital Budget UB (2016-17 GAA). Additional detail is provided in Schedule 1 Supplemental.
- T. This adjustment reflects the appropriation increase pursuant to Art IX, Sec. 18.35, Contingency for H.B. 19, Mental Health and Preventative Services Programs for Veterans' and Military families.
- V. This adjustment reflects Fiscal Size-up adjustments which transfers funds appropriated at HHSC to DFPS for CAPPs upgrades (\$1,695,882) and the Office of Inspector General lease (\$1,012,770).
- W. This adjustment reflects the transfer of funds from Strategy B.1.9 Foster Care Payments to Strategy B.1.1 Child Protective Services Direct Delivery Staff pursuant to Art II, Rider 6 (c) Foster Care Rates (letter dated November 22, 2016). Freed-up general revenue available from adjustment K above.

BUDGET VARIANCES

Schedules 1, 3, and 5 of this report reflect the agency's current projections for program expenditures as well as the April forecast for entitlement programs (Foster Care and Adoption Subsidy/PCA), Contracted Day Care services, and the Relative Other Designated Caregiver program. General revenue shortfalls may further be reduced with unobligated balances from FY 2016 (TBD) if approved.

This report reflects a net agency shortfall of \$21.4 million All Funds consisting of \$27.4 million in General Revenue, offset by a surplus of \$5.9 million Federal Funds and \$0.1 million Other funds.

- Appropriations that are anticipated to result in lapsed budget authority are expressed as a positive variance:
 - 0758 GR-Medicaid Match
 - 93.558 Temporary Assistance to Needy Families (TANF)
 - 93.566 Refugee and Entrant Assistance State Administered Programs
 - 93.599 Title IV-E Chafee Education and Training Vouchers Program ETV
 - 93.643 Children's Justice Grants to States
 - 93.652 Adoption Opportunities
 - 93.505.000 MIECHV Home Visiting Program
 - 666 Appropriated Receipts
 - 777 Interagency Contracts

- 802 License Plate Trust Fund
- Appropriations for which expense is projected to exceed the adjusted budget are reflected as a negative variance:
 - 0001 General Revenue
 - 93.669 Child Abuse and Neglect State Grants
 - 93.674 Chafee Foster Care Independence Program

Based on current projections, the agency anticipates estimated general revenue shortfalls in Goal A (Statewide Intake Services) and Goal B (Child Protective Services) Strategies (see Schedule 5); however, some of this may continue to be mitigated with salary savings, unobligated balances from FY 16, and projected expense being less than anticipated. The projected general revenue variances are summarized as follows:

Entitlement Programs - \$50.6 million shortfall

Contracted Day Care Services - \$16.7 million shortfall

Non-Entitlement Programs - \$39.8 million surplus - Goal A has projected GR shortfall while Goals B, D, E, F, and G have projected GR surplus. The majority is in G.1.1, Agency-Wide Automated Systems (\$25.9 million). There is also a capital lapse of \$5.2 million GR in Strategy B.1.1, CPS Direct Delivery Staff.

SIGNIFICANT CHANGES FROM PREVIOUS REPORT

This is the ninth Monthly Financial Report for FY 2017. The report reflects adjustments to align budget with federal grant award letters received. Projection updates include estimated salary savings. Expenditures and revenues have been updated.

OTHER KEY BUDGET ISSUES

The agency will continue to monitor projections and expenditures. Additional budget adjustments for the passage of House Bill 2 (Supplemental Appropriations) will be reflected in future reports.

Based on current projections, H.B. 2 supplemental appropriations will further reduce the agency's estimated shortfall from \$27.4 million to \$29.2 million surplus in General Revenue.

The agency anticipates sending future RTEs to finalize 2016 and 2017. Based on current projections in Capital Projects, some unexpended balances in 2017 will need to be returned to 2016 (reversal of UB) further reducing the estimated General Revenue surplus above.

CAPITAL BUDGET ISSUES

The budget in Schedule 7 (Capital Projects) reflect the DFPS 2016-2017 capital appropriation levels and adjustments to reflect changes in estimated federal entitlement funds (gains or losses) pursuant to Art IX, Sec 13.01, Federal Funds/Block Grants Fed Entitlements. Future adjustments will be reflected in Monthly Financial Reports as revenues are realized and/or actual adjusting entries are processed in the Uniform State Accounting System, including unexpended balances carried forward from FY 2016 into FY 2017.

E. This adjustment reflects changes in estimated federal entitlement funds (gains or losses) pursuant to Art IX, Sec 13.01, Federal Funds/Block Grants Fed Entitlements specific to capital budget items.

O. This adjustment reflects the carry forward of unexpended capital balances from FY 16 to FY 17 for Strategy B.1.1 Child Protective Services Direct Delivery Staff pursuant to Art IX, Sec 14.03(i), Limitation on Expenditures - Capital Budget UB (2016-17 GAA).

STATUS OF PENDING TRANSFERS AND AUTHORITY REQUIRING PRIOR APPROVAL

Letter Topic Appropriation Year 2016	HHSC/DFPS Letter Date	March 31, 2017	
		LBB	Governor
Request to Exceed FY 2016 Day Care Appropriation	December 7, 2016	N	N

Please feel free to contact me at 512/438-3089 if you have any questions or require additional information.

Sincerely,



Lisa Subia
Chief Financial Officer

- cc: Garnet Coleman, State Representative
Allison Billodeau, Governor's Office
Jessica Olson, Lieutenant Governor's Office
Heather Fleming, Speaker's Office
Shannon Ghangurde, Senate Finance Committee
Stacey Gilliam, Senate Finance Committee
Kyler Arnold, House Appropriations Committee
Liz Prado, Legislative Budget Board
Julie Lindsey, Legislative Budget Board
Rob Coleman, Director of Fiscal Management