Kansas Department for Children and Families

Strong Families Make a Strong Kansas

House Social Services Budget Committee:

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DCF's FY 2018 and FY 2019 Budget

Testimony by:

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Secretary

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Testimony of:
Phyllis Gilmore, Secretary
Kansas Department for Children and Families

Testimony on:
FY 2018 and FY 2019 DCF Budget

Chair Landwehr, Vice Chair Clayton, Ranking Member Ballard and Members of the Committee:

Thank you for the opportunity to provide testimony on the Kansas Department for Children and Families' (DCF) FY 2018 and FY 2019 Budget. The DCF budget for FY2018 is $609.3 million All Funds (AF), $244.6 million State General Funds (SGF). In FY2019, the budget is $612.5 million AF, $250.8 million SGF. The following tables show the budget by DCF program and expenditure type.

DCF Budget by Program - All Funds

PROGRAM/SERVICE	2017 GBR	2018 GBR	2019 GBR
Rehabilitation Services	38,450,480	39,902,944	41,102,884
Child Support Services	37,101,353	35,931,660	35,942,992
Prevention & Protection Services	230,706,832	231,557,991	239,294,793
Economic & Employment Services	140,206,874	133,143,367	127,972,950
Faith-based & Community Initiatives	1,309,733	1,168,525	1,168,923
Regions	106,418,669	102,613,451	102,005,135
Administration	10,776,844	9,136,074	9,136,286
Personnel Services	572,298	542,952	542,266
Legal/Audit	4,621,291	5,237,883	5,223,153
ITS	35,458,931	25,117,399	25,127,047
Strategic Development	1,328,282	1,279,657	1,278,726
Transfers	24,209,859	23,088,308	23,063,308
Other	814,738	606,048	605,179
Total	**631,976,184**	**609,326,259**	**612,463,642**

DCF Budget by Program - SGF			
PROGRAM/SERVICE	**2017 GBR**	**2018 GBR**	**2019 GBR**
Rehabilitation Services	5,167,725	5,511,198	5,760,110
Child Support Services	-	-	-
Prevention & Protection Services	137,248,865	139,079,716	144,944,593
Economic & Employment Services	13,161,184	18,279,267	18,205,962
Faith-based & Community Initiatives	729,130	608,833	608,991
Regions	61,578,889	58,830,404	58,997,822
Administration	6,778,830	5,360,305	5,360,429
Personnel Services	325,007	308,344	307,951
Legal/Audit	3,063,353	3,661,554	3,649,778
ITS	11,383,347	12,085,279	12,090,348
Strategic Development	920,750	877,799	877,142
Transfers	-	-	-
Other	159,911	-	-
Total	**240,516,991**	**244,602,699**	**250,803,126**

	FY 2016 ACTUALS	FY 2017 GBR	FY 2018 GBR	FY 2018 GBR
Salaries	123,179,592	128,334,669	121,910,225	121,168,239
OOE	98,492,014	110,690,185	97,616,423	97,063,370
Assistance	346,028,665	368,741,406	366,710,965	371,168,814
Transfers	12,849,095	24,209,859	23,088,308	23,063,308
Total	580,549,366	631,976,119	609,325,921	612,463,731

Notes:

FY 2016 excludes Children's Cabinet

FY 2017 27th Pay Period--$4,272,106 all funds removed in FY 2018 and FY 2019

The DCF budget funds all client caseloads at the current estimated expenditures. It also funds all fixed operating costs (leases, utilities, etc.) at expected costs. Uncontrollable increases above the available funding were offset to salary expenditures through an increase in shrinkage. This is the area where funding will be tight, thus we are working to find additional efficiencies to properly fund salaries. The other changes in the budget are related to the Governor’s enhancements and reduced resources.

The changes to the DCF budget are divided into the following sections and presented below.

- Salaries and FTE
- Governor’s Enhancements
- Governor’s Reduced Resources
- Reappropriation from FY 2016 to FY 2017

- Car purchases
- Adoption Support Maintenance of Effort (MOE)
- KEES

Salaries

Salaries are reduced in both the FY 2018 and FY 2019 budgets. In the budget preparation, we were forced to reduce salary expenditures to meet the approved allocation after adjusting for caseload increases and uncontrollable fixed costs. We hope to achieve efficiencies during these years to provide additional salary funding or re-appropriate savings from FY 2017 to help with salary costs. The table below details the salary, shrinkage and shrinkage percentage for each year. Shrinkage is budgeted to increase from 8.2 percent to 13.3 percent between FY 2017 and 2019. This will require DCF to leave more positions vacant and all positions open longer before filling.

	FY 2017 AF	FY 2017 SGF	FY 2018 AF	SGF	FY 2019 AF	FY 2019 SGF
Salary and Benefits	$139,857,329	$73,791,745	$137,895,451	$73,489,699	$139,827,316	$75,098,054
Shrink (Unfunded Sal.)	-$11,522,660	-$6,313,456	-$15,985,226	-$8,696,456	-$18,659,077	-$10,235,824
Net Salary	$128,334,669	$67,478,289	$121,910,225	$64,793,243	$121,168,239	$64,862,230
Shrinkage Percentage	8.2%	8.6%	11.6%	11.8%	13.3%	13.6%

FY 2017 includes a 27th pay period costing $4.3m AF, $2.5m SGF

Positions

Changes in position count from the Approved Budget to the GBR are shown in the table below.

Changes in Agency Positions	FTE	Non-FTE	Total	Inc /(Dec.)
FY 2017 Approved Positions	2,024.91	431.50	2,456.41	
Start Child Welfare Compliance Unit	5.00	-	5.00	
Add KEES Positions For Development	-	23.00	23.00	
Change between Non-FTE and FTE	91.51	(91.51)	-	
Remove Vacant Positions Not Filling	(9.77)	-	(9.77)	
FY 2017 GBR	**2,111.65**	**362.99**	**2,474.64**	**18.23**
Remove KEES Development Positions		(23.00)	(23.00)	
Enhancement for Child Welfare Compliance Unit	4.00	-	4.00	
Enhancement for Foster Care Licensing Unit	15.00	-	15.00	
Enhancement for Family Preservation Claiming	1.00	-	1.00	
Reduce IT Staff in Reduced Resource	(11.49)	-	(11.49)	
Change between Non-FTE and FTE	(1.00)	1.00	-	
FY 2018 and FY 2019 GBR	**2,119.16**	**340.99**	**2,460.15**	**(14.49)**

Positions increased in FY 2017 from FY 2016 because of two reasons: first, KEES development was expected to be finished in FY 2016, so positions were removed from the FY 2017 approved budget. Since development continues, the 23 KEES positions designated for work on the system were added back in. Second, a new foster care monitoring division, called the Child Welfare Compliance Unit, was started in FY 2017 with five new positions. These position additions were partially offset by removal of 9.8 vacant FTEs. The other changes between positions were the change from non-FTE classifications back to FTE positions, as vacant positions were filled.

In FY 2018 and FY 2019, there was a net decrease of 15.5 positions. The Governor's enhancements increased positions for the Foster Care Licensing Division, increased the Child Welfare Compliance Unit, and added a position for the Federal Claiming Unit to determine eligibility. These were offset by a reduction in KEES positions following development and a reduced resource in IT for mainframe efficiencies.

Governor's Enhancements

DCF was fortunate to receive three enhancements in the Governor's Budget Recommendation. These enhancements were requested, in part, as a reform package enacted after the Legislative Post Audit (LPA) findings were released on the child welfare system. However, DCF was aware of some of the issues with the system prior to the LPA review and was working to implement these changes in early 2016. In fact, since 2011, the agency has done numerous things to correct identified problems (issues highlighted in past LPA and internal audit reports that predate privatization). This Administration was the first to penalize the contractors in 2011, and put them on corrective action plans both in 2011 and currently. Audits and other monitoring are underway and started with the move of Foster Care Licensing to DCF. Contract amendments have been tightened related to costs and include provisions for audit. This is not to say that additional improvements are unneeded, but the agency has taken efforts to hold the contractors accountable and improve the system. The enhancements in the GBR include the following:

- **Child Welfare Compliance Unit** – DCF received funding for four additional compliance auditors allowing the agency to enhance oversight of the child welfare contracts and DCF Prevention and Protections Services (PPS) staff. The agency funded five positions during FY 2017. This enhancement brings the total number of compliance auditors to nine. This increased oversight will allow the agency to address audit findings and bring the agency into compliance regarding federal sub recipient requirements applicable to these contracts. The additional funding consisted of $244,511 AF, $221,282 SGF for SFY 2018, and $245,885 AF, $222,526 SGF for SFY 2019.

- **Improve Foster Care Home Licensing and Safety Inspections** – DCF received funding for 15 inspectors for the Foster Care Licensing Division. This will allow shifting from inspections being the responsibility of the Child Placing Agencies (CPAs) to being the responsibility of DCF. This implements one of the reforms that DCF identified prior to the LPA review. LPA's findings regarding safety and the potential conflict of interest later confirmed the need for this change. There is a zero net cost for this enhancement as funding that currently goes to the child welfare contractors to pay the CPAs is being shifted to DCF's budget to fund this enhancement. Hiring has begun, so the unit will be available with the new fiscal year, effective July 1.

- **Increase Family Preservation Budget by 5 percent** - The GBR allows the agency to increase the Family Preservation (FP) budget by 5 percent. Funding consists of 100 percent TANF. This was accomplished by expanding the categorical eligibility to identify an increased percentage of FP clients as qualifying for TANF funding in this program. The enhancement adds funding for one FTE to complete the eligibility determinations and meet federal reporting requirements.

<u>Governor's Reduced Resources</u>
The Governor's Budget Recommendations also included the following six reduced resources (RRs).

- **Close the Goodland, Greensburg, and Iola Offices** – This RR is the result of a recommendation by the Alvarez & Marsal study. Affected staff will be transferred to offices in neighboring counties where clients can also continue to receive services. These offices are in counties with projected decreasing populations and cases. They are also the offices closest to other DCF offices. Projected savings are $112,191 AF, $70,564 SGF for FY 2018 and 2019.

- **IT Mainframe Efficiencies** – The State is in the process of outsourcing mainframe operations. Resulting savings are a combination of salary savings from 11.49 FTE, plus reduced mainframe costs. Projected savings are $2.5

million AF, $1.1 million SGF for FY 2018 and 2019. Attempts will be made to absorb all affected positions into remaining IT positions.

- **Reduce Legal Contingency Funds** – Litigation costs covered by these funds vary significantly from year to year. This reduced the budget to an amount representing the average costs over the last couple of years. In the case that actual costs exceed this budget, excessive costs will need to be covered with SGF savings from elsewhere in the agency. Projected savings are $272,000 AF, $156,488 SGF for FY 2018 & 2019.

- **Reduce Other Operating Expenses (OOE) 2 percent** – These reductions will be distributed strategically throughout the agency and impact primarily the following categories:

    - Computer Replacements (35 percent reduction) – Computers will be kept and used for a longer period of time.
    - Travel (18 percent reduction) – These savings will be accomplished through improved fleet management, reduction in rentals, better planning, and elimination of unnecessary trips.
    - Supplies (15 percent reduction) – Staff will need to be frugal in use of supplies.

  Projected savings are $704,882 AF, $484,382 SGF for FY 2018 and 2019.

- **Eliminate Faith-based and Community Initiatives (FBCI) Grants** – The purpose of these grants was to increase engagement with community partners, local communities and faith and non-profit sectors. These engagements are being accomplished through other efforts by staff. Projected savings are $100,000 AF and SGF for FY 2018 and 2019.

- **Reduce Tribal Grants by $100,000 in FY 2019** – The agency currently provides funding in the amount of $350,573 SGF for foster care and family services. Tribal agencies have the ability to work directly with the federal government to draw down Title IV-E funding. This reduction is being delayed until FY 2019, to allow time for the tribes to work out details with the federal government. Projected savings are $100,000 AF and SGF for FY 2018 and 2019.

KEES

The DCF portion of KEES continues to be developed. The extra time needed for development of the medical portion of KEES greatly delayed the development work on the DCF part of the system. The DCF programming is currently being completed. While the “go-live” date has not been finalized, we are hoping to start testing the system and training users soon. It is our goal to have the system fully implemented by the beginning of next fiscal year.

Re-appropriations

We had a one-time re-appropriation from FY 2016 to FY 2017 of $2.96 million. This re-appropriation was from savings DCF was able to achieve in FY 2016 and budgeted in FY 2017, to cover purchases of cars for the DCF fleet, some IT purchases and partially fund a new federal requirement for adoption support MOE.

Car Purchases

DCF currently has 267 cars throughout the state at our 38 service centers, which are used by workers to visit clients and complete case work. Over the years, the fleet had become unreliable and repair costs for many cars were more than the cars were worth. In addition, as new programs were added (Foster Care Licensing, e.g.), we were forced to rent cars or require staff to use their personal cars, which was costing the agency more than the cost of owning a car. In 2016, DCF managed costs to achieve savings to update the fleet to get through the next several years. $1.125 million of savings was re-appropriated from FY2016 to buy used cars to update and increase the fleet for new programs like the Foster Care Licensing Division and Child Welfare Compliance Unit.

This year to date, 37 cars have been purchased replacing wrecked vehicles and vehicles with more than 150,000 average miles. The average age of vehicles replaced this year was 13 years old. Additional cars are planned to be purchased over the year, as used cars that meet agency needs are found.

Adoption Support MOE – The Fostering Connections Act of 2008 provides for conversion of client funding status for adoption support recipients from state-only to Title IV-E for eligible clients. This conversion is occurring over a period of years. As the funding mix shifts from 100 percent SGF to Title IV-E funding at the FMAP rate (currently 56.21 percent), the agency has experienced savings in SGF for these children. However, recent interpretations of policy for the Fostering Connections Act requires that states spend these realized savings as MOE. Pending clarification from the federal government on these requirements, the agency was using these savings to fund caseload growth in the program. DCF now needs to fund expenditures from past years and future years of approximately $1 million dollars per year. This re-appropriation funds a portion of the MOE liability DCF faces. Additional funds will be added to MOE, and funds are available to do so.

DCF is excited to continue our great progress toward a more efficient and streamlined agency. Thank you for this opportunity to testify on our budget.