Department of Economic Security

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	4,611.8	4,727.8	5,047.8
Personal Services	127,860,200	150,254,200	160,426,300
Employee Related Expenditures	58,999,700	68,236,600	77,477,800
Professional and Outside Services	80,234,200	96,969,500	96,990,800
Travel - In State	248,400	307,100	324,000
Travel - Out of State	111,800	96,100	96,200
Other Operating Expenditures	45,961,100	51,095,100	48,248,300
Equipment	2,062,800	2,152,400	2,242,200
OPERATING SUBTOTAL	**315,478,200**	**369,111,000**	**385,805,600** [1/][2/]
SPECIAL LINE ITEMS			
Administration			
Attorney General Legal Services	10,309,300	13,099,900	13,513,400
Aging and Adult Services			
Adult Services	12,731,900	12,731,900	15,731,900 [3/][4/]
Area Agencies on Aging Housing Assistance	0	5,000,000	0
Civil Legal Aid	0	3,000,000	3,000,000 [5/][6/]
Cochise County Food Distribution	1,000,000	0	0
Community and Emergency Services	3,724,000	3,724,000	3,724,000
Coordinated Homeless Services	2,522,600	19,022,600 [7/]	3,522,600
Coordinated Hunger Services	2,254,600	2,254,600	2,254,600
Domestic Violence Prevention	13,003,700	14,004,000	14,004,000 [8/][9/]
Homeless Veterans' Services	0	1,500,000 [10/]	0
Homeless Veterans Strategic Plan	0	500,000 [11/]	0
Long-Term Care Ombudsman	1,000,000	1,000,000	1,000,000
Low-Income Food Services for Tribal Reservations	250,000	0	0
Navajo Nation Women's Services	500,000	0	0
Pascua Yaqui Tribe Social Services Programs	1,000,000	0	0
Pinal County Nutrition, Housing, and Rental Assistance	500,000	0	0
Produce Incentive Program	0	2,000,000	2,000,000 [12/]
Benefits and Medical Eligibility			
H.R. 1 Implementation - SNAP	0	0	10,800,000 [13/]
Navajo Nation Youth Programs	500,000	0	0
Summer Food Benefits Administration	1,879,600	1,961,800 [14/]	1,767,300 [15/]
TANF Cash Benefits	17,736,400	22,736,400	22,736,400
Tribal Pass-Through Funding	4,680,300	4,680,300	4,680,300
Child Support Enforcement			
Child Support - Clerk of the Court and Family Law Services	8,539,700	8,539,700	8,539,700
Developmental Disabilities [16/-18/]			
Federal Match Funding			
DDD Premium Tax Payment	69,871,600	77,751,400	102,012,200
Case Management - Medicaid	103,686,100	143,682,600	134,970,400 [2/]
Home and Community Based Services - Medicaid	2,838,271,700	3,573,691,000	3,576,977,500
Institutional Services - Medicaid	50,507,800	54,984,500	54,157,200 [19/]
Physical and Behavioral Health Services - Medicaid	641,099,100	852,480,000	1,099,120,100
Medicare Clawback Payments	7,132,700	7,940,400	8,888,400
Targeted Case Management - Medicaid	19,554,900	22,823,200	25,755,000
State Match Transfer from AHCCCS	0 [20/]	1,555,157,300	1,841,698,500
State Only Funding			
Arizona Early Intervention Program	16,119,000	16,119,000	16,119,000
Listening and Spoken Language - Arizona Early Intervention Program	0	0	150,000 [21/]

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
Case Management - State-Only	8,788,200	6,446,100	6,548,100 [2/]
DD Job Training and Life Skills Services	1,000,000	0	0
DD Reconciliation Payment	0	32,300,000	0
Group Home Monitoring Program	1,200,000	1,200,000	0
High-Need Client Supplement	21,520,000	23,220,000	26,320,000 [22/]
Home and Community Based Services - State-Only	16,742,800	14,089,000	14,089,000
State-Funded Long Term Care Services	44,389,800	45,230,700	46,084,300
Employment and Rehabilitation Services			
Child Care Subsidy	320,580,200	297,787,900	261,837,300 [23/24/]
Education Workforce Innovation Initiative	0	500,000	0
Independent Living Rehabilitation Services	927,500	1,289,400	1,289,400
JOBS	11,005,600	11,005,600	11,005,600
Older Individuals Who Are Blind	0	0	150,000
Out-of-School Time Grant Program Fund Deposit	0	3,000,000	3,000,000 [25/]
Reentry Employment Services	0	0	3,000,000
Rehabilitation Services	7,069,000	7,249,100	7,249,100
Workforce Innovation and Opportunity Act Services	78,207,900	85,824,200	85,824,200
AGENCY TOTAL	**4,655,284,200**	**7,318,637,600**	**7,819,325,100**

FUND SOURCES			
General Fund	1,347,111,100	1,973,268,900	2,148,224,800
Other Appropriated Funds			
Child Support Enforcement Administration Fund	16,557,900	17,615,600	17,611,700 [26/]
Domestic Violence Services Fund	3,000,000	4,000,300	4,000,300 [8/]
Federal CCDF Block Grant	331,028,000	281,075,400	229,992,100
Federal TANF Block Grant	66,588,900	66,561,100	66,559,100
Health Services Lottery Monies Fund	0		1,800,000
Long Term Care System Fund (Non-Federal Matched)	34,429,200	34,971,300	35,517,100
Prescription Drug Rebate Fund - State	122,300,300	0	0
Public Assistance Collections Fund	0	441,800	441,800
Special Administration Fund	4,654,700	4,645,400	4,664,400
Spinal and Head Injuries Trust Fund	1,848,000	2,385,400	2,384,600
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Workforce Investment Act Grant	83,410,000	87,109,200	87,108,700 [27/]
SUBTOTAL - Other Appropriated Funds	663,817,000	499,805,500	451,079,800
SUBTOTAL - Appropriated Funds	**2,010,928,100**	**2,473,074,400**	**2,599,304,600**
Expenditure Authority Funds			
Child Support Enforcement Administration Fund	51,753,500	45,547,500	46,789,900
Health Care Investment Fund	0	36,148,000	0
Long Term Care System Fund (Federal Match)	2,592,602,600	4,763,867,700	5,173,230,600
SUBTOTAL - Expenditure Authority Funds	2,644,356,100	4,845,563,200	5,220,020,500
SUBTOTAL - Appropriated/Expenditure Authority Funds	**4,655,284,200**	**7,318,637,600**	**7,819,325,100**
Other Non-Appropriated Funds	365,397,400	393,515,300	393,515,300
Federal Funds	3,121,925,900	2,928,578,600	2,911,578,600
TOTAL - ALL SOURCES	8,142,607,500	10,640,731,500	11,124,419,000 [28/-31/]

AGENCY DESCRIPTION — The department provides an array of services for low-income households and others in need. Some of these services include: long-term care for individuals with developmental disabilities, support services for older adults, nutrition and cash assistance for families, and unemployment insurance benefits.

FOOTNOTES

1/ The operating lump sum appropriation may be spent on Arizona health care cost containment system eligibility determinations based on the results of the Arizona random moment sampling survey. (General Appropriations Act footnote)

2/ Before transferring any monies in or out of the case management — medicaid and case management — state-only and developmental disabilities administration line items and before transferring any monies in or out of the operating lump sum item related to the developmental disabilities program and its administration, the department of economic security shall submit a report for review by the joint legislative budget committee, except that transfers from the state match transfer from AHCCCS line item into those line items do not require a report for review. (General Appropriations Act footnote)

3/ Of the amount appropriated for the adult services line item, $5,000,000 is exempt from the provisions of section 35 190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriations Act footnote)

4/ Of the amount appropriated for the adult services line item, the department shall distribute $500,000 to the inter tribal area agency on aging and $500,000 to the Navajo Nation area agency on aging. (General Appropriations Act footnote)

5/ Monies in the civil legal aid line item shall be distributed to nonprofit organizations to provide statewide general civil legal aid services consistent with the terms and restrictions of the legal services corporation as of federal fiscal year 2026. (General Appropriations Act footnote)

6/ The amount appropriated for the civil legal aid line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriations Act footnote)

7/ Of the monies appropriated by Laws 2025, chapter 233, section 29 to the department of economic security for the coordinated homeless services line item, $15,500,000 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2027. (General Appropriations Act footnote)

8/ All domestic violence services fund monies in excess of $4,000,300 received by the department of economic security are appropriated for the domestic violence prevention line item. Before spending these increased monies, the department shall report the intended use of monies in excess of $4,000,300 to the joint legislative budget committee. (General Appropriations Act footnote)

9/ On or before December 15, 2026, the department of economic security shall report to the joint legislative budget committee the amount of state and federal monies available statewide for domestic violence prevention funding. The report must include, at a minimum, the amount of monies available and the state fiscal agent receiving those monies. (General Appropriations Act footnote)

10/ Monies appropriated by Laws 2025, chapter 233, section 29 to the department of economic security for the homeless veterans services line item are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2027. (General Appropriations Act footnote)

11/ Monies appropriated by Laws 2025, chapter 233, section 29 to the department of economic security for the homeless veterans strategic plan line item are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2027. (General Appropriations Act footnote)

12/ The amount appropriated for the produce incentive program line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriations Act footnote)

13/ The amount appropriated for the H.R. 1 (Public Law 119-21) implementation – SNAP line item is exempt from the provision of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2028. (General Appropriations Act footnote)

14/ The fiscal year 2025-2026 supplemental appropriation for summer food benefits administration is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until October 31, 2026. (General Appropriations Act footnote, Section 109)

15/ The amount appropriated for the summer food benefits administration line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing or appropriations, until October 31, 2027. (General Appropriations Act footnote)

16/ The department of economic security shall report to the joint legislative budget committee on or before March 1 of each year on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum may not be more than two percent. Before implementing any changes in capitation rates for the long-term care system, the department shall submit a report for review by the joint legislative budget committee. Before the department implements any change in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the department shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal impact analysis demonstrates that this change will result in additional state costs of $500,000 or more for any fiscal year, the department shall submit the policy change for review by the joint legislative budget committee. (General Appropriations Act footnote)

17/ Before implementing developmental disabilities or long term care statewide provider rate adjustments that are not already specifically authorized by the legislature, court mandates or changes to federal law, the department of economic security shall submit a report for review by the joint legislative budget committee that includes, at a minimum, the estimated cost of the provider rate adjustment and the ongoing source of funding for the adjustment, if applicable. (General Appropriations Act footnote)

18/ On or before March 1, 2027, the department of economic security shall provide to the governor, the president of the senate, the speaker of the house of representatives, the chairpersons of the senate and house of representatives appropriations committees and the director of the joint legislative budget committee a report on the utilization of covered services under the developmental disabilities program by disability classification. The report must include the total expenditures for each covered service by primary diagnosis in fiscal year 2025-2026. (General Appropriations Act footnote)

19/ On or before September 1, 2027, the department of economic security shall report to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate and house of representatives appropriations committees and the director of the joint legislative budget committee any new placement into a state owned ICF-IID or the Arizona training program at the Coolidge campus in fiscal year 2026-2027 and the reason for this placement, rather than a placement into a privately run facility for persons with developmental disabilities, was deemed as the most appropriate placement. The department shall also report if no new placements were made. On or before September 1, 2027, the department shall also report to the director of the joint legislative budget committee the total costs associated with the Arizona training program at Coolidge in fiscal year 2026-2027. (General Appropriations Act footnote)

20/ The department actually spent $1,123,806,900 in FY 2025 in the State Match Transfer from AHCCCS line item, but this spending is not displayed for technical reasons.

21/ The amount appropriated for the listening and spoken language – Arizona early intervention program line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriations Act footnote)

22/ On or before January 31, 2027, the department of economic security shall submit a report to the joint legislative budget committee regarding expenditures from the high-need client supplement line item in the previous fiscal year. The report must include the number of clients and total amounts spent from the line item in each setting type along with expenditures for those clients in other line items. The report must also include cost effectiveness spending in other line items. (General Appropriations Act footnote)

23/ On or before December 31, 2026 and June 30, 2027, the department of economic security shall submit a report to the joint legislative budget committee regarding federal child care monies. The report must include, at a minimum, the actual revenues delineated by fund source, the actual year to date expenditures by purpose and fund source and the beginning and ending balances for all fund sources for the preceding six months. The report must also include projected annual revenues, expenditures and balances for the current year and the budget year. (General Appropriations Act footnote)

24/ The department of economic security shall forward to the joint legislative budget committee a monthly report listing data on the child care population served. The report must include, at a minimum, in each program the number of unduplicated children enrolled in child care within the department of economic security and the department of child safety by program and the average amount paid per child plus quality-related spending. (General Appropriations Act footnote)

25/ The amount appropriated for the out-of-school time grant program fund deposit line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriations Act footnote)

26/ All state shares of retained earnings, fees and federal incentives in excess of $17,611,700 received by the division of child support enforcement are appropriated for operating expenditures. New FTE positions are authorized with the increased funding. Before spending these increased monies, the department of economic security shall report the intended use of the monies to the joint legislative budget committee. (General Appropriations Act footnote, as adjusted for statewide allocations)

27/ All workforce investment act grant monies that are received by this state in excess of $87,108,700 are appropriated to the workforce innovation and opportunity act services line item. Before spending these increased monies, the department of economic security shall report the intended use of monies in excess of $87,108,700 to the joint legislative budget committee. (General Appropriations Act footnote, as adjusted for statewide allocations)

28/ On or after April 1, 2027, the department of economic security may use up to $25,000,000 from the budget stabilization fund established by section 35-144, Arizona Revised Statutes, for the purpose of providing funding for reimbursement grants. Before using the monies from the budget stabilization fund, the department shall notify the director of the joint legislative budget committee and the director of the governor's office of strategic planning and budgeting. This appropriation must be fully reimbursed on or before September 1, 2027 and must be reimbursed in full as part of the closing process for fiscal year 2026-2027. The department shall notify the joint legislative budget committee of the reimbursement on or before September 1, 2027. The appropriation may not be used for additional programmatic expenditures. (General Appropriations Act footnote, Section 114)

29/ The above appropriations are in addition to monies granted to this state by the federal government for the same purposes but are deemed to include the sums deposited in the state treasury to the credit of the department of economic security pursuant to section 42 5029, Arizona Revised Statutes. (General Appropriations Act footnote)

30/ The department of economic security shall forward to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate and house of representatives appropriations committees and the director of the joint legislative budget committee a monthly report comparing total expenditures for the month and year-to-date as compared to prior year totals on or before the thirtieth of the following month. The report must include an estimate of potential shortfalls in entitlement programs and potential federal and other monies, such as the statewide assessment for indirect costs, and any projected surplus in state-supported programs that may be available to offset these shortfalls and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation. (General Appropriations Act footnote)

31/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $385,805,600 and 2,734.4 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
General Fund	$212,339,200
Child Support Enforcement Administration Fund	14,022,700
Child Support Enforcement Administration Fund (EA)	29,877,100
Federal Temporary Assistance for Needy Families (TANF) Block Grant	21,627,800
Federal Child Care and Development Fund (CCDF) Block Grant	12,891,400
Long Term Care System Fund (EA)	89,602,800
Public Assistance Collections Fund	339,100
Special Administration Fund	2,227,600
Spinal and Head Injuries Trust Fund	604,500
Statewide Cost Allocation Plan Fund	1,000,000
Workforce Investment Act Grant	1,273,400

Adjustments are as follows:

DDD Formula Adjustments

The budget includes a decrease of $(12,144,900) in FY 2027 for standard formula adjustments within the DDD program. This amount consists of:

General Fund	(3,697,100)
Long Term Care System Fund (EA)	(8,447,800)

(Please see the Developmental Disabilities section for more information.)

Administrative Cost Shift

The budget includes an increase of $31,800,000 and 200 FTE from the General Fund in FY 2027 for an administrative cost shift.

H.R. 1, the federal budget reconciliation bill that was signed into law on July 4, 2025, increases the state share of Supplemental Nutrition Assistance Program (SNAP) administrative costs from 50% to 75% starting October 1, 2026. The budget assumes this provision will result in a $31,800,000 increase in the General Fund share of SNAP administrative costs in FY 2027 and a corresponding decrease of $(31,800,000) in federal SNAP administrative monies. As a result, this adjustment does not result in a net increase in total administrative resources for the SNAP program. The budget also reclassifies 200 FTE Positions from non-appropriated Federal Funds to the General Fund.

The $(31,800,000) federal funds reduction does not result in a decrease in appropriated funds because currently all federal monies for the SNAP program are classified as non-appropriated within the DES budget. To better track federal funds for the SNAP program in relation to changes in the new federal SNAP match rate for administration, the Human Services Budget Reconciliation Bill (BRB) establishes a non-appropriated SNAP fund to house the federal share of the administrative costs of the program.

At current administrative funding levels, we estimate that DES will continue to receive $53,000,000 in federal matching administrative funds for SNAP in FY 2027 at the new 25% match rate.

The budget includes additional funding in a separate line item to hire staff and reduce the payment error rate. *(Please see the H.R. 1 Implementation - SNAP line item for additional information.)* The Human Services BRB also includes various changes related to SNAP eligibility determinations and procedures. (*Please see Statutory Changes in Other Issues for additional information.)*

Adult Protective Services Backfill

The budget includes an increase of $11,500,000 and 124 FTE positions from the General Fund in FY 2027 to backfill federal funding in the Adult Protective Services (APS) program, which investigates complaints of abuse, neglect, and exploitation of vulnerable adults.

Remove One-Time Adult Protective Services Backfill

The budget includes a decrease of $(3,700,000) and (44) FTE positions from the General Fund in FY 2027 to remove one-time funding for the APS program.

Remove One-Time Benefit Services Digital Portal Funding

The budget includes a decrease of $(1,170,000) from the General Fund in FY 2027 to remove one-time funding for benefit services digital portal implementation. The funding is for the software licensing and data management costs of a digital portal that will help DES authenticate individuals applying for health and human service programs. The development costs of the project were funded in the FY 2025 budget.

Increased IT Mainframe Operating Costs

The budget includes a one-time increase of $6,105,300 from the General Fund in FY 2026 for increased IT mainframe operating costs. The department reports that as it has updated and migrated certain IT systems off its 2018 platform the remaining systems lack the necessary funding to support the fixed subscription costs of the platform. This increase continues one-time funding from FY 2026 and addresses an increase in the total cost of the mainframe contract.

Remove One-Time IT Mainframe Funding

The budget includes a decrease of $(4,010,000) from the General Fund in FY 2027 to remove one-time funding for increased IT mainframe operating costs.

Remove One-Time Income Verification Data Charge Federal Backfill

The budget includes a decrease of $(990,000) from the General Fund in FY 2027 to remove a one-time income verification data charge backfill. Beginning in FY 2025, the federal government began charging states for income verification services that it previously provided for free. Instead of paying for the federal service, the department amended an existing contract with a private vendor to perform these checks. The funding within the DES budget represents the added cost of the additional verifications for SNAP. *(See the DES Eligibility line item within the AHCCCS budget for funding associated with the Medicaid and CHIP programs.)*

Remove Child Care Operating One-Time Funding

The budget includes a decrease of $(15,272,800) from the Federal CCDF Block Grant in FY 2027 to remove one-time funding for child care operating costs.

Statewide Adjustments

The budget includes an increase of $4,577,000 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	2,572,200
Child Support Enforcement Administration Fund	(1,300)
Child Support Enforcement Administration Fund (EA)	850,000
Federal Temporary Assistance for Needy Families (TANF) Block Grant	(2,000)
Federal Child Care and Development Fund (CCDF) Block Grant	(2,800)
Long Term Care System Fund (EA)	1,143,100
Special Administration Fund	19,000
Spinal and Head Injuries Trust Fund	(700)
Workforce Investment Act Grant	(500)

(Please see the Agency Detail and Allocations section.)

Administration

Attorney General Legal Services

The budget includes $13,513,400 and 157.9 FTE Positions in FY 2027 for Attorney General (AG) Legal Services. These amounts consist of:

General Fund	1,302,900
Child Support Enforcement Administration Fund	2,534,700
Child Support Enforcement Administration Fund (EA)	9,427,400
Federal TANF Block Grant	106,200
Federal CCDF Block Grant	20,500
Public Assistance Collections Fund	102,700
Special Administration Fund	5,900
Spinal and Head Injuries Trust Fund	2,000
Workforce Investment Act Grant	11,100

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $413,500 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	23,800
Child Support Enforcement Administration Fund	(2,600)
Child Support Enforcement Administration Fund (EA)	392,400
Spinal and Head Injuries Trust Fund	(100)

Aging and Adult Services

Adult Services

The budget includes $15,731,900 from the General Fund in FY 2027 for Adult Services. Adjustments are as follows:

FY 2027 Area Agencies on Aging Increase
The budget includes a one-time increase of $5,000,000 from the General Fund in FY 2027 for the Area Agencies on Aging (AAAs). These monies are non-lapsing.

An FY 2027 General Appropriations Act footnote requires $500,000 of these monies to be distributed to the Inter Tribal AAA and $500,000 to be distributed to the Navajo Nation AAA.

Remove FY 2026 Area Agencies on Aging Increase
The budget includes a decrease of $(2,000,000) from the General Fund in FY 2027 to remove one-time AAA funding for Home and Community Based Services. The FY 2026 increase for Home and Community Based Services is non-lapsing.

This line item provides an array of support services to elderly persons via the AAA, as shown in *Table 1* for FY 2026. In addition to appropriated monies in this line item, the department is also allocating an estimated $46,568,000 in federal grant monies to the AAAs in FY 2027, primarily from federal Older Americans Act and Social Services Block Grant (SSBG) monies for support services, congregate meals, and home-delivered meals. Including federal resources and prior-year carryforward, the department estimated that total allocations to the AAAs will reach $57,998,500 in FY 2027 as of March 2026. This amount does not include the one-time $5,000,000 increase included in the FY 2027 budget.

Table 1

FY 2026 Adult Services

Services	FY 2026
Adult Protective Contracted Services	$ 295,100
Independent Living Services	4,537,100
Older Americans Act State Match	2,623,600
State Ombudsman	814,100
Respite Care	462,000
FY 2026 Direct Care Worker Incentives	2,000,000
AAA One-Time Increase	2,000,000
Total	**$12,731,900**

Area Agency on Aging Housing Assistance

The budget includes no funding in FY 2027 for Area Agencies on Aging Housing Assistance. Adjustments are as follows:

Remove One-Time AAA Housing Assistance Funding
The budget includes a decrease of $(5,000,000) from the General Fund in FY 2027 to remove one-time funding for AAA housing assistance. DES distributes monies in this line item to the AAAs for housing services to persons aged 60 and older, including rental, mortgage, HOA and utility assistance, property tax, and home repair costs up to a cap of $4,000 per household. The FY 2026 appropriation of $5,000,000 for this line item is non-lapsing.

Civil Legal Aid

The budget includes $3,000,000 in FY 2027 for Civil Legal Aid. Adjustments are as follows:

Civil Legal Aid
The budget includes a one-time increase of $3,000,000 from the General Fund in FY 2027 to continue funding for civil legal aid, which provides assistance to low-income individuals. These monies are non-lapsing.

Remove One-Time Civil Legal Aid Funding
The budget includes a decrease of $(3,000,000) from the General Fund in FY 2027 for the elimination of one-time civil legal aid funding.

An FY 2027 General Appropriations Act footnote required these monies to be distributed to nonprofit organizations for the provision of statewide general civil legal aid services consistent with the terms and restrictions of the legal services corporation as of FY 2026.

Cochise County Food Distribution

The budget includes no funding from the General Fund in FY 2027 for Cochise County Food Distribution. This amount is unchanged from FY 2026.

Community and Emergency Services

The budget includes $3,724,000 from the Federal TANF Block Grant in FY 2027 for Community and Emergency Services. This amount is unchanged from FY 2026.

The department distributes the monies in this line item to 12 contracted community action agencies to implement the Short-Term Crisis Services program established by A.R.S. § 46-241.01. The program provides emergency shelter, rent or mortgage assistance, utility assistance, and special needs to maintain or secure employment for individuals experiencing a short-term crisis that will cause homelessness or the interruption of heating or cooling at the individual's residence. Eligibility is limited to individuals with incomes at or below 125% of the Federal Poverty Level (FPL) (150% if a person residing in the household has a disability).

As of September 2025, the department also estimates it will allocate an additional $43,736,500 in federal grants through this line item in FY 2027 for services administered fully or partly by the Community Action Agencies, including the federal Low-Income Home Energy Assistance Program (LIHEAP) and the Community Services Block Grant. Federal budget reductions may affect these estimates.

Coordinated Homeless Services

The budget includes $3,522,600 in FY 2027 for Coordinated Homeless Services programs. This amount consists of:

General Fund	1,873,100
Federal TANF Block Grant	1,649,500

Adjustments are as follows:

Remove One-Time Coordinated Homeless Funding
The budget includes a decrease of $(15,500,000) from the General Fund in FY 2027 to remove one-time coordinated homeless services program funding. A General Appropriations Act footnote required DES to use at least $4,000,000 of the FY 2026 increase for eviction prevention services and assistance, $4,000,000 for homeless response and operations to rehouse homeless youth and families, and $1,000,000 for referral network operations to connect homeless individuals and individuals experiencing other crises with available state resources. An FY 2027 General Appropriations Act footnote makes the $15,500,000 increase included in the FY 2026 budget non-lapsing until June 30, 2027.

This line item funds contracted emergency shelter services, rapid re-housing services, and prevention services for persons experiencing or at risk of experiencing homelessness.

Coordinated Hunger Services

The budget includes $2,254,600 in FY 2027 for Coordinated Hunger Services programs. This amount consists of:

General Fund	1,754,600
Federal TANF Block Grant	500,000

These amounts are unchanged from FY 2026.

State and federal dollars are used to contract with regional food banks for the storage and distribution of commodity foods purchased by the United States Department of Agriculture (USDA) via the Emergency Food Assistance Program (TEFAP) and the Commodity Senior Food Program. Income-eligible recipients receive food via monthly food packages or congregate meals prepared by food pantries or soup kitchens.

Domestic Violence Prevention

The budget includes $14,004,000 in FY 2027 for Domestic Violence Prevention. This amount consists of:

General Fund	3,283,200
Federal TANF Block Grant	6,620,500
Domestic Violence Services Fund	4,000,300
Special Administration Fund	100,000

These amounts are unchanged from FY 2026.

In FY 2025, this line item, along with non-appropriated funds, served approximately 4,489 adults and children in emergency shelters, 361 adults and children in transitional housing, and 14,018 victims with mobile and community-based advocacy.

Homeless Veterans' Services

The budget includes no funding in FY 2027 for Homeless Veterans' Services. Adjustments are as follows:

Remove Homeless Veterans' Services Funding
The budget includes a decrease of $(1,500,000) from the General Fund in FY 2027 for the elimination of one-time Homeless Veterans' Services funding. An FY 2026 General Appropriations Act footnote required DES, in collaboration with the Department of Veterans' Services, to allocate $750,000 to veterans' treatment court to provide services to veterans who have substance use disorders or mental health conditions and $750,000 to provide immediate assistance to homeless veterans through shelter connection and utility, rental and employment assistance. An FY 2027 General Appropriations Act footnote makes the FY 2026 appropriation of $1,500,000 non-lapsing until June 30, 2027.

Homeless Veterans' Strategic Plan

The budget includes no funding in FY 2027 for a Homeless Veterans' Strategic Plan. Adjustments are as follows:

Remove Homeless Veterans' Strategic Plan Funding
The budget includes a decrease of $(500,000) from the General Fund in FY 2027 for the elimination of one-time Homeless Veterans' Strategic plan funding. An FY 2026 General Appropriations Act footnote required DES to use

the monies in collaboration with the Department of Veterans' Services to create a strategic plan to address veteran homelessness. An FY 2027 General Appropriations Act footnote makes the FY 2026 appropriation of $500,000 non-lapsing until June 30, 2027.

Long-Term Care Ombudsman

The budget includes $1,000,000 from the General Fund in FY 2027 for Long-Term Care Ombudsman services. This amount is unchanged from FY 2026.

A.R.S. § 46-452.02 requires that the Office of the State Long-Term Care Ombudsman visit each long-term care facility at least twice per calendar year to speak with residents of the facility or their representatives, investigate and resolve complaints, refer cases to Adult Protective Services or the appropriate agency, and change complaint communication requirements for DDD service providers.

Low-Income Food Services for Tribal Reservations

The budget includes no funding in FY 2027 for low-income food services for tribal reservations. This amount is unchanged from FY 2026.

Navajo Nation Women's Services

The budget includes no funding in FY 2027 for Navajo Nation Women's Services. This amount is unchanged from FY 2026.

An FY 2026 General Appropriations Act footnote made the FY 2025 appropriation non-lapsing until June 30, 2026.

Pascua Yaqui Tribe Social Services Programs

The budget includes no funding in FY 2027 for Pascua Yaqui Tribe Social Services Programs. This amount is unchanged from FY 2026.

Pinal County Nutrition, Housing, and Rental Assistance

The budget includes no funding from the General Fund in FY 2027 for Pinal County nutrition, housing, and rental assistance. This amount is unchanged from FY 2026.

Produce Incentive Program

The budget includes $2,000,000 from the General Fund in FY 2027 for the Produce Incentive Program. Adjustments are as follows:

Produce Incentive Program

The budget includes a one-time increase of $2,000,000 from the General Fund in FY 2027 to continue program funding. These monies are non-lapsing. The FY 2027 budget's 3-year plan also includes $2,000,000 one-time for the program in FY 2028.

Remove FY 2026 Funding

The budget includes a decrease of $(2,000,000) from the General Fund in FY 2027 for the removal of one-time produce incentive program funding. The FY 2026 appropriation to this line item is non-lapsing.

The Produce Incentive Program, also referred to as "Double Up Food Bucks," is part of Arizona's Supplemental Nutrition Assistance Program (SNAP) and provides a dollar-for-dollar match for SNAP enrollees when they purchase Arizona-grown fruits and vegetables.

Benefits and Medical Eligibility

H.R. 1 Implementation - SNAP

The budget includes $10,800,000 and 88 FTE Positions from the General Fund in FY 2027 for H.R. 1 Implementation - SNAP. Adjustments are as follows:

SNAP Error Rate Reduction

The budget includes a one-time increase of $10,800,000 and 88 FTE Positions from the General Fund in FY 2027 to reduce the SNAP error rate.

Beginning in FY 2028, H.R. 1 requires states to pay a percentage of benefit costs if the state's error rate in administering benefits exceeds 6%. The state's share gradually increases as the error rate increases. The state match requirements will begin on October 1, 2027.

In FY 2024, Arizona's error rate was 8.84%. Subsequent to the adjournment of the 2026 Arizona Legislature, the state's FY 2025 error rate was reported at 10.80%. The FY 2028 state share of benefits will be determined by the lower of the FY 2025 error rate (10.80%) or the FY 2026 error rate. The FY 2026 error rate is expected to be published in June 2027. The FY 2027 Human Services BRB requires DES to submit a report on the FY 2026 anticipated error rate within 30 days of submission of the final month of quality control reviews to the U.S. Department of Agriculture Food and Nutrition Services.

The Human Services BRB also makes various changes to SNAP eligibility determinations and procedures. (*Please see Statutory Changes section of this narrative.)* As a result of these changes, the budget assumes the state will be below a 6% error rate and will not have to pay a share of benefits in FY 2028 or FY 2029.

Background – The Supplemental Nutrition Assistance Program (SNAP), formerly referred to as "food stamps," is a federal low-income food assistance program administered by DES. A household's monthly benefit is based on a federal formula that considers the household's size and net income. In May 2026, the average Arizona household participating in SNAP received a $316 benefit. The standard household income limit is 130% of the Federal Poverty Level (FPL), but Arizona has adopted a state option that enables households with incomes up to 200% FPL to potentially qualify as well.

Navajo Nation Youth Programs

The budget includes no funding in FY 2027 for Navajo Nation youth programs. This amount is unchanged from FY 2026.

The FY 2026 budget included a footnote that made the FY 2025 appropriation of $500,000 from the General Fund non-lapsing until June 30, 2026.

Summer Food Benefits Administration

The budget includes $1,767,300 in FY 2027 for summer food benefits administration. Adjustments are as follows:

Summer Food Benefits Funding
The budget includes an increase of $1,767,300 from the General Fund in FY 2027 for summer food benefits administration. These monies are non-lapsing through October 31, 2027. The FY 2027 budget's 3-year plan also includes $1,767,300 one-time for the program in FY 2028.

Remove FY 2026 Supplemental
The budget includes a decrease of $(1,761,800) from the General Fund in FY 2027 for the removal of one-time supplemental funding for summer food benefits administration. The FY 2026 supplemental appropriation for this line item is non-lapsing through October 31, 2026. *(See FY 2026 Supplemental in Other Issues for additional information.)*

Remove One-Time Administrative Funding
The budget includes a decrease of $(200,000) from the General Fund in FY 2027 to remove one-time funding for summer food benefits administration.

This funding is for a federal program, also referred to as "SUN Bucks," which is a $120 benefit for families with school-aged children during the summer months when children lose access to free or reduced-price meals. While the benefit is 100% federally funded, the state is required to pay for 50% of the administrative costs of the program.

TANF Cash Benefits

The budget includes $22,736,400 from the Federal TANF Block Grant in FY 2027 for TANF Cash Benefits. This amount is unchanged from FY 2026.

The budgeted amount would be able to fund an average of 15,750 individuals at $100 per month. As of May 2026, the program serves 4,369 individuals.

Additionally, the TANF Diversion program diverts applicants from long-term regular TANF Cash Benefits by offering immediate, one-time assistance to resolve a financial crisis. The budgeted amount would be able to fund an average of 390 Diversion clients at $817 per month. In May 2026, the TANF Diversion program served 90 clients.

At May 2026 levels, the total cost would be $6,125,200, or $(16,611,200) below the budgeted amount.

Monies in this line item provide financial assistance on a temporary basis to dependent children in their own homes, or in the homes of responsible caretaker relatives. Financial eligibility is currently set at 36% of the 1992 Federal Poverty Level (FPL), or $5,022 for a family of 4. The current cumulative lifetime limit on regular TANF Cash Benefits is 24 months if the following conditions are met:

- The family includes at least 1 adult required to participate in the JOBS program.
- All adults who are required to participate in the JOBS program are in full compliance in the twelfth month of cash assistance and remain in compliance.
- All children required by state law to attend school maintain at least a 90% attendance record.

If any of these conditions are not met, the limit is 12 months.

The FY 2027 Human Services BRB continues a provision requiring DES to drug test TANF recipients if there is a reasonable suspicion that they are using illegal drugs. *(Please see Federal TANF Block Grant in Other Issues for more information on TANF expenditures.)*

Tribal Pass-Through Funding

The budget includes $4,680,300 from the General Fund in FY 2027 for Tribal Pass-Through Funding. This amount is unchanged from FY 2026.

Monies in this line item are passed through to Native American tribes operating their own TANF programs.

Child Support Enforcement

The Division of Child Support Enforcement (DCSE) budget includes direct appropriations from the following 4 fund sources: 1) General Fund; 2) State Share of Retained Earnings (SSRE) from child support owed to the state while the custodial parent received TANF Cash Benefits; 3) Federal incentives and 4) Fees from non-custodial parents. Most of this funding, including the General Fund appropriation, is located within the agency's overall operating budget.

The last 3 fund sources are deposited in the Child Support Enforcement Administration (CSEA) Fund and appropriated as an Other Appropriated Fund. In addition to the General Fund and CSEA Fund appropriations, the displayed amounts also include Federal Expenditure Authority for DCSE. The federal monies received by DCSE generally match state funds at a ratio of 66% federal to 34% state.

Child Support - Clerk of the Court and Family Law Services

The budget includes $8,539,700 in FY 2027 for Child Support - Clerk of the Court and Family Law Services. This amount consists of:

CSEA Fund	1,054,300
CSEA Fund (EA)	7,485,400

These amounts are unchanged from FY 2026.

DES distributes these monies to counties for clerk of the court and family law services that coordinate and mediate between custodial and non-custodial parents.

Developmental Disabilities

DES provides services to individuals with cognitive disabilities, cerebral palsy, autism, or epilepsy. Clients eligible for federal Medicaid program services are funded through the Long-Term Care (LTC) program. To qualify for federal funding, an individual must have an income below 300% of the Supplemental Security Income (SSI) eligibility limit, which is approximately 224% of the FPL, or $35,784 per year, and have certain functional needs. The division also provides 100% state-funded services for clients who are not eligible for federal Medicaid services.

The LTC program is primarily funded from 2 sources: the General Fund and the Long Term Care System Fund. The Legislature appropriates the division’s resources on a "total expenditure authority" basis. The total expenditure approach acknowledges all resources available to the Division of Developmental Disabilities (DDD) but does not appropriate any specific non-appropriated fund.

As of June 2025, the Division of Developmental Disabilities served 61,227 clients, which includes 46,501 clients in the LTC program, 7,442 in Targeted Case Management, and 7,284 clients in the state-only program. The primary disabilities as reported by DES are shown in *Table 2*.

Table 2

Primary Disability of Clients Served 1/

Disability	Number	Percentage
Autism	25,008	40.9%
Intellectual Disability	15,486	25.3%
At Risk	14,318	23.4%
Cerebral Palsy	3,579	5.8%
Epilepsy	2,208	3.6%
Down Syndrome	628	1.0%
Total	**61,227**	**100.0%**

1/ Numbers are based on the department's estimates of primary disabilities of DDD clients, proportionally adjusted for June 2025 caseload levels.

Overall DDD Adjustments

The budget includes an increase of $243,931,300 from the General Fund in FY 2027 for DDD formula changes. These adjustments are primarily based on the following formula assumptions:

- Caseload growth of 6.2% in FY 2026 and 5.0% in FY 2027. The budget assumes that LTC enrollment will total 52,098 by June 2027.
- A capitation rate increase of 5.7% in FY 2026 and 3.0% in FY 2027. (*Please see the Home and Community-Based services line item for more information on the 5.7% FY 2026 increase and the Parents as Paid Caregivers program).* The budget assumes that the DDD capitation rate will be $8,191 in FY 2027 (or $98,291 annually).
- A reduction in the regular federal match rate from 64.84% in FY 2026 to 63.94% in FY 2027.

The budget also includes a decrease of $(82,818,700) from the General Fund to remove an FY 2026 supplemental. *(See FY 2026 Supplemental in Other Issues* *for additional information.)* This supplemental is displayed separately from formula adjustments within the Home and Community-Based Services - Medicaid line item.

Developmental Disabilities – Federal Match Funding

DDD Premium Tax Payment

The budget includes $102,012,200 in FY 2027 for the DDD Premium Tax Payment. This amount consists of:

General Fund	36,783,100
Long Term Care System Fund (EA)	65,229,100

Adjustments are as follows:

Formula Adjustments

The budget includes an increase of $24,260,800 in FY 2027 for standard formula adjustments. This amount consists of:

General Fund	9,163,900
Long Term Care System Fund (EA)	15,096,900

Background – DES pays a 2% premium tax to the Department of Insurance and Financial Institutions on capitation payments received from AHCCCS.

Case Management - Medicaid

The budget includes $134,970,400 and 1,217.9 FTE Positions in FY 2027 for Case Management - Medicaid. These amounts consist of:

General Fund	48,780,600
Long Term Care System Fund (EA)	86,189,800

Adjustments are as follows:

Formula Adjustments

The budget includes a decrease of $(11,017,900) in FY 2027 for standard formula adjustments. These amounts consist of:

General Fund	(3,288,700)
Long Term Care System Fund (EA)	(7,729,200)

Statewide Adjustments

The budget includes an increase of $2,305,700 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	945,000
Long Term Care System Fund (EA)	1,360,700

Background – This line item provides case managers, case aides, case management unit supervisors, and case management area program managers that serve DDD clients enrolled in the ALTCS program. Through CYE 2025, DES implemented a caseload of 43 clients per 1 case manager for new enrollees. Beginning in Contract Year Ending 2026 (CYE 2026), the ALTCS program adopted a new formula to allocate case managers to DDD clients. DES is now required to have the following ratios of DDD clients to case managers:

- General DDD services: 48 members to 1 case manager.
- DDD services for complex behavioral health or skilled nursing needs: 24 members to 1 case manager.
- DDD PPCG services: 43 members to 1 case manager.
- DDD AzEIP services: 43 members to 1 case manager.

This revised allocation of members to case managers is incorporated within AHCCCS's capitation rates for CYE 2026.

Home and Community Based Services - Medicaid

The budget includes $3,576,977,500 and 221.2 FTE Positions in FY 2027 for Home and Community Based Services - Medicaid. These amounts consist of:

General Fund	1,283,205,200
Long Term Care System Fund (EA)	2,293,772,300

Adjustments are as follows:

Formula Adjustments

The budget includes an increase of $293,468,100 in FY 2027 for standard formula adjustments. This amount consists of:

General Fund	126,959,000
Long Term Care System Fund (EA)	172,977,200
Health Care Investment Fund	(6,468,100)

The formula adjustments include the impact of annualizing an 5.7% capitation rate increase proposed by state actuaries for the DDD program in FY 2026. The increase consists of:

- An initial 4.3% increase that was effective October 1, 2025. This adjustment reflected inflationary and utilization adjustments. The increase would have been higher, but the actuaries assumed DES would incur a General Fund savings of approximately $(47,000,000) annually due to anticipated utilization reductions in the Parents as Paid Caregivers (PPCG)

related to statutory changes to the program required by HB 2945 from the 2025 session.
- An additional 1.4% increase proposed by the actuaries in May 2026 that is retroactive to October 1, 2025, bringing the total increase to 5.7%.

According to AHCCCS, the 1.4% adjustment is related to "the ability of DES/DDD to realize savings associated with the series of reforms required by HB 2945." Although DES has reported that some elements of HB 2945 have been implemented, the AHCCCS actuaries originally assumed approximately $(25,000,000) in General Fund savings from a strengthened standardized assessment tool for DDD children (including children receiving services via PPCG) that has since been delayed until Fall 2026. AHCCCS has previously reported that the delay was due to feedback from the DDD community regarding its rulemaking obligations and federal restrictions on prior authorization timelines.

However, the FY 2027 Health Care BRB exempts AHCCCS from rulemaking requirements related to service frequency and hour limitation policy changes in FY 2027. This exemption affects the HB 2945-related assessment tool changes described above. The BRB requires AHCCCS to provide notice for public comment at least 30 days before implementing the changes. *(Please see the AHCCCS narrative for additional details.)*

The formula adjustments also include a decrease of $(6,468,100) from HCIF and a corresponding increase of $6,468,100 to Long Term Care System Fund (EA). DES reports that it is accounting for HCIF monies in LTCSF instead of a separate fund. The budget conforms to the DES display.

Remove FY 2026 Supplemental

The budget includes a decrease of $(299,123,400) in FY 2027 for the removal of one-time supplemental formula funding in FY 2026. This amount includes:

General Fund	(82,818,700)
Long Term Care System Fund (EA)	(216,304,700)

(See FY 2026 Supplemental in Other Issues for additional information.)

Backfill One-Time FMAP Savings

The budget includes an increase of $8,400,000 from the General Fund in FY 2027 to backfill one-time FMAP savings. The FY 2026 enacted budget included a one-time decrease of $(8,400,000) from the General Fund due to revisions to the state's FMAP in FFY 2025.

Statewide Adjustments

The budget includes an increase of $541,800 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	216,400
Long Term Care System Fund (EA)	325,400

Background – This line item funds residential programs, day programs, and support services for clients in a broad range of settings, from those living independently at home to those living in group homes. Funding for the Parents as Paid Caregivers (PPCG) program is included within this line item. This line item also funds staff in state-operated group homes.

Institutional Services - Medicaid

The budget includes $54,157,200 and 383 FTE Positions in FY 2027 for Medicaid Institutional Services. These amounts consist of:

General Fund	19,552,700
Long Term Care System Fund (EA)	34,604,500

Adjustments are as follows:

Formula Adjustments

The budget includes a decrease of $(1,399,600) in FY 2027 for standard formula adjustments. This amount consists of:

General Fund	(232,700)
Long Term Care System Fund (EA)	(1,166,900)

Statewide Adjustments

The budget includes an increase of $572,300 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	231,300
Long Term Care System Fund (EA)	341,000

Background – This line item funds Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF-IIDs) or other nursing facilities, both private and state-operated, including ATP-Coolidge (ATP-C). Including residents of the state-operated group homes (SOGHs), DES reports that ATP-C had an enrollment of 48 in FY 2025, a decrease of (3) from FY 2024.

Physical and Behavioral Health Services - Medicaid

The budget includes $1,099,120,100 and 77 FTE Positions in FY 2027 for Physical and Behavioral Health Services - Medicaid. These amounts consist of:

General Fund	353,438,600
Long Term Care System Fund (EA)	745,681,500

Adjustments are as follows:

Formula Adjustments
The budget includes an increase of $246,330,200 in FY 2027 for standard formula adjustments. This amount consists of:

General Fund	112,739,200
Long Term Care System Fund (EA)	163,270,900
Health Care Investment Fund	(29,679,900)

The formula adjustments include a decrease of $(29,679,900) from HCIF and a corresponding increase of $29,679,900 to Long Term Care System Fund (EA). DES reports that it is accounting for HCIF monies in LTCSF instead of a separate fund. The budget conforms to the DES display.

Statewide Adjustments
The budget includes an increase of $309,900 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	104,300
Long Term Care System Fund (EA)	205,600

Background – This line item funds DES' subcontracts with AHCCCS health plans to obtain medical services, Children's Rehabilitative Services, and behavioral health services for DDD clients in the ALTCS program.

Medicare Clawback Payments

The budget includes $8,888,400 from the General Fund in FY 2027 for Medicare Clawback Payments. Adjustments are as follows:

Formula Adjustments
The budget includes an increase of $948,000 from the General Fund in FY 2027 for standard formula adjustments associated with Medicare Clawback Payments.

Background – The federal government pays for the prescription drug costs of DDD clients enrolled in Medicare. To partly offset those costs, the federal government requires each state to make "Clawback" payments to Medicare based on a certain percentage of the estimated drug costs.

Targeted Case Management - Medicaid

The budget includes $25,755,000 and 174.6 FTE Positions in FY 2027 for Targeted Case Management (TCM) - Medicaid. These amounts consist of:

General Fund	9,302,900
Long Term Care System Fund (EA)	16,452,100

Adjustments are as follows:

Formula Adjustments
The budget includes an increase of $2,559,900 and 21 FTE Positions in FY 2027 for standard formula adjustments. These amounts consist of:

General Fund	1,031,900
Long Term Care System Fund (EA)	1,528,000

Statewide Adjustments
The budget includes an increase of $371,900 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	150,400
Long Term Care System Fund (EA)	221,500

Background – The TCM program provides case management services to DDD clients that are financially eligible for AHCCCS acute care services but do not meet the functional disability requirements to qualify for ALTCS. In June 2025, 7,442 clients received TCM services.

State Match Transfer from AHCCCS

The budget includes $1,841,698,500 from the Long Term Care System Fund Expenditure Authority in FY 2027 for a state match transfer from the Arizona Health Care Cost Containment System (AHCCCS). Adjustments are as follows:

Administrative Pass-Through Adjustment
The budget includes an increase of $286,541,200 from the Long Term Care System Fund Expenditure Authority in FY 2027 for a state match transfer from AHCCCS. The adjustment is to bring the total amount in line with the department's FY 2027 General Fund appropriation for Medicaid line items within DDD and General Fund monies for DDD in the operating budget.

Background – Because DES needs to send its General Fund match to AHCCCS to fund DDD, this expenditure authority is to clarify the department is not spending beyond its budget load when it spends those monies returned from AHCCCS with Federal Funds.

Developmental Disabilities – State-Only Funding

Arizona Early Intervention Program

The budget includes $16,119,000 from the General Fund in FY 2027 for the Arizona Early Intervention Program (AzEIP). This amount is unchanged from FY 2026.

Background – AzEIP provides screening and intervention services for children ages 0 to 3 with developmental delays or disabilities. DES receives a capped allotment of Federal Funds for the program through Part C of the Individuals with Disabilities Education Act (IDEA). IDEA Part C is expected to provide $10,825,400 for AzEIP services in FY 2027. As a result, the total AzEIP funding available is $26,944,400 in FY 2027.

The funds in this line item represent costs incurred by DES for "AzEIP-Only" children, which include children that are AzEIP-eligible but do not have a qualifying DDD diagnosis. AzEIP children with a DDD diagnosis continue to be funded within the HCBS State-Only line item.

Listening and Spoken Language - Arizona Early Intervention Program

The budget includes $150,000 from the Health Services Lottery Fund in FY 2027 for Listening and Spoken Language - AzEIP. Adjustments are as follows:

Listening and Spoken Language Program
The budget includes a one-time increase of $150,000 from the Health Services Lottery Fund in FY 2027 for Listening and Spoken Language - AzEIP. These monies are non-lapsing.

This funding is for early childhood services for eligible families with infants and toddlers who are deaf or hard of hearing. These services include speech and audition practice overseen by certified auditory educators or therapists. The FY 2026 budget previously included one-time funding for listening and spoken language (LSL) services within the budget for the Arizona State Schools for the Deaf and the Blind (ASDB) and served 32 families as of February 2026.

Additionally, the FY 2027 Human Services BRB requires that ASDB transfer any existing contracts with early childhood LSL providers to DES by November 1, 2026. The BRB also requires DES to contract with early childhood LSL providers beginning July 1, 2027, and must refer all eligible families to these providers, as well as ASDB. DES may use up to 10% of the monies in this line item for administrative costs. *(Please see the ASDB narrative for additional details.)*

Case Management - State-Only

The budget includes $6,548,100 and 60.8 FTE Positions from the General Fund in FY 2027 for Case Management - State-Only. Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $102,000 from the General Fund in FY 2027 for statewide adjustments.

Background – This line item funds case management services to clients in the state-only DDD program who meet the functional disability requirements but are not financially eligible for the Targeted Case Management program. In June 2025, 7,284 DDD state-only clients received case management state-only services.

DD Job Training and Life Skills Services

The budget includes no funding in FY 2027 for DD Job Training and Life Skills Services. This amount is unchanged from FY 2026.

Monies in this line item were used to fund job training and life skills services for developmentally disabled individuals in areas outside Maricopa and Pima counties.

DD Reconciliation Payment

The budget includes no funding in FY 2027 for a DD Reconciliation Payment. Adjustments are as follows:

Remove Operating Shortfall Funding
The budget includes a decrease of $(32,300,000) from the General Fund in FY 2027 to remove one-time funding for an operating budget shortfall in the contract year ending on September 30, 2024.

Group Home Monitoring Program

The budget includes no funding in FY 2027 for the Group Home Monitoring Program. Adjustments are as follows:

Remove One-Time Funding
The budget includes a decrease of $(1,200,000) from the General Fund in FY 2027 to remove one-time funding for the Group Home Monitoring Program. The FY 2025 and FY 2026 appropriations for the Group Home Monitoring Program are non-lapsing until June 30, 2026, and December 31, 2027, respectively.

Background – The DDD Group Home Monitoring Program, originally authorized by Laws 2022, Chapter 316 and modified by Laws 2025, Chapter 241, is administered by an entity contracted by the department to operate the Protection and Advocacy System for Persons with Developmental Disabilities. The contractor is required to monitor group homes for those with complex needs, determining whether clients' needs from their service plans are being met and whether a behavior treatment plan is in place and had a positive impact on the client. The contractor is also required to make monthly reports to the department that identify systemic issues and recommendations for improvement, as well as annual reports to the Governor, the President of the Senate, and the Speaker of the House on systemic issues and recommendations.

High-Need Client Supplement

The budget includes $26,320,000 in FY 2027 for a High-Need Client Supplement (HNCS). This amount consists of:

General Fund	25,100,000
Special Administration Fund	1,220,000

Adjustments are as follows:

Continue One-Time Funding
The budget includes a one-time increase of $17,900,000 from the General Fund in FY 2027 to continue funding for the HNCS population.

Remove One-Time Funding
The budget includes a decrease of $(14,800,000) from the General Fund in FY 2027 for the removal of one-time funding for increased costs in FY 2026. This increase was to address growth in the number of DDD members whose costs exceed the institutional threshold.

Background – The federal waiver for the DDD program requires a client's home and community-based services costs to be at or below the cost of an institutional setting to ensure that home and community-based (HCBS) services are cost-neutral to the federal government. This 100% state-funded program funds any services that exceed the federal cap, thereby allowing clients to remain in an HCBS setting.

In FY 2025, an average of 271 individuals per month had costs of care that exceeded federal cost thresholds. In FY 2025, the aggregate amount above the thresholds covered with state-only funds was $23,630,900.

Prior to FY 2027, this line item was entitled "Cost Effectiveness Study - Client Services." There is no longer an ongoing study associated with this program.

Home and Community Based Services - State-Only

The budget includes $14,089,000 from the General Fund in FY 2027 for State-Only Home and Community Based Services. This amount is unchanged from FY 2026.

Background – This line item funds residential programs, day programs, and support services for DDD clients that do not financially qualify for ALTCS.

State-Funded Long Term Care Services

The budget includes $46,084,300 and 2 FTE Positions in FY 2027 for State-Funded Long Term Care Services. These amounts consist of:

General Fund	10,567,200
Long Term Care System Fund	35,517,100

Adjustments are as follows:

Formula Adjustments
The budget includes an increase of $853,600 in FY 2027 for standard caseload growth in ALTCS-eligible DDD clients receiving residential services with room and board expenses. This amount consists of:

General Fund	307,800
Long Term Care System Fund	545,800

Background – This line item primarily funds room and board expenses (e.g., rent and food) for DDD clients in residential settings. Room and board costs for home and community-based settings are ineligible for Federal Funds reimbursement from AHCCCS.

Employment and Rehabilitation Services

Child Care Subsidy

The budget includes $261,837,300 in FY 2027 for child care subsidies. This amount consists of:

General Fund	44,757,100
Federal CCDF Block Grant	217,080,200

Adjustments are as follows:

Child Care Subsidy Funding

The budget includes a one-time increase of $44,757,100 from the General Fund in FY 2027 to continue funding for child care subsidies.

Remove One-Time Funding

The budget includes a decrease of $(80,707,700) in FY 2027 to remove one-time child care subsidy funding. This amount consists of:

General Fund	(44,900,000)
Federal CCDF Block Grant	(35,807,700)

Background – This line item funds child care subsidies to TANF clients engaged in job activities, low-income working individuals under 85% of the state median income that were below 165% of the FPL at the time of application, and the Transitional Child Care program in which child care subsidies are provided to clients who no longer receive TANF Cash Benefits due to finding employment. DES also processes DCS child care payments, but those monies are appropriated in DCS' budget.

Subsidy Rates – The department has established rates that are at the 75th percentile of the department's 2022 market rate survey for children under age 1, and the 50th percentile of the 2022 market rate survey for ages 1 through 12. Additionally, high quality providers that are rated with a 3-, 4-, or 5-star rating by First Things First's Quality First program receive a 40% increased quality incentive rate. As of April 2026, the department estimates that the FY 2026 average reimbursement rate per child was $997.

Caseloads – According to the department, the estimated number of children receiving child care services in April 2026 was 19,222 excluding ECDHB- and DCS-related child care. A.R.S. § 46-803K stipulates that the department shall establish a waiting list for prospective enrollees, if necessary, in order to manage within appropriated resources. Effective August 2024, the department implemented a waiting list for new applicants, excluding children in families on TANF or transitioning from TANF or children in DCS custody. As of July 2026, there are 13,485 children on the waiting list.

The FY 2027 General Appropriations Act includes a footnote requiring DES to report on all federal child care monies by December 31, 2026 and June 30, 2027.

Education Workforce Innovation Initiative

The budget includes no funding in FY 2027 for the Education Workforce Innovation Initiative. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(500,000) from the General Fund in FY 2027 for the elimination of one-time education workforce initiative funding.

An FY 2026 General Appropriations Act footnote required the department to distribute these monies to qualifying programs led by Arizona-based organizations with supporting partnerships from a public university and a local education agency. Qualifying programs were programs focused on developing parents and caregivers whose income falls at or below the federal poverty levels as education professionals, including providing participants with knowledge and skills to enter the education profession, supporting job placement of program participants, and providing continuing education to the parent educators.

Grantees must have had a demonstrated record of developing the leadership capacity of parents and caregivers in Arizona and have been operational for at least 4 years. DES distributed the money to a contracted vendor in October 2025.

Independent Living Rehabilitation Services

The budget includes $1,289,400 in FY 2027 for Independent Living Rehabilitation Services. This amount consists of:

General Fund	166,000
Spinal and Head Injuries Trust Fund	1,123,400

These amounts are unchanged from FY 2026.

Background – This line item assists severely disabled individuals in living more independently. Funds are used to purchase technology assistance, adaptive aids and devices, home modifications, and independent living skills training.

JOBS

The budget includes $11,005,600 in FY 2027 for JOBS. This amount consists of:

General Fund	300,000
Federal TANF Block Grant	9,594,700
Special Administration Fund	1,110,900

These amounts are unchanged from FY 2026.

Background – This line item provides job training and job search services to clients currently receiving TANF Cash Benefits, as well as to former TANF recipients. These services are contracted out to third-party vendors.

Older Individuals Who Are Blind

The budget includes $150,000 from the Health Services Lottery Monies Fund in FY 2027 for the Older Individuals Who Are Blind program. Adjustments are as follows:

Older Individuals Who Are Blind Program
The budget includes a one-time increase of $150,000 from the Health Services Lottery Monies Fund in FY 2027 for the Older Individuals Who Are Blind Program.

Background – This line item assists individuals who are blind or visually impaired and over 55 years of age with independent living. Services include daily living skills, orientation and mobility, assistive technology and adjustment to blindness.

Out-of-School Time Grant Program Fund Deposit

The budget includes $3,000,000 from the General Fund in FY 2027 for the Out-of-School Time Grant Program. Adjustments are as follows:

Out-of-School Time Grant Fund Deposit
The budget includes a one-time increase of $3,000,000 from the General Fund in FY 2027 to continue deposits into the out-of-school time grant fund. These monies are non-lapsing.

Remove One-Time Out-of-School Time Grant Fund Deposit
The budget includes a decrease of $(3,000,000) from the General Fund in FY 2027 to remove a one-time deposit into the Out-of-School Time Grant Fund. The FY 2026 appropriation is non-lapsing until June 30, 2027.

The FY 2026 Human Services BRB established the out-of-school time grant program and fund to expand child care for children between the ages of 5 and 12 who require child care during periods of time when school instruction is not being conducted, and whose households earn $150,000 or less a year.

The FY 2027 Human Services BRB expands the upper age limit to 18 years of age and removes the requirement to reduce the cost of out-of-school time care by at least two-thirds. Additionally, it allows grant monies for rural communities to be spent for capital purposes in a public building if a school district partners with a nonprofit organization with a history of offering out-of-school time services to eligible pupils.

Reentry Employment Services

The budget includes $3,000,000 and 31 FTE Positions in FY 2027 for Reentry Employment Services. This amount consists of:

General Fund	1,500,000
Health Services Lottery Monies Fund	1,500,000

Adjustments are as follows:

Reentry Employment Services
The budget includes a one-time increase of $3,000,000 and 31 FTE Positions to backfill WIOA federal funding for Reentry Employment Services. This amount consists of:

General Fund	1,500,000
Health Services Lottery Monies Fund	1,500,000

Background – This line item provides employment services to recently incarcerated individuals in partnership with the Arizona Department of Corrections. Services include assistance with finding and applying for jobs, job skills and training, specialized support, and provision of basic needs.

(Please see the Workforce Innovation and Opportunity Act Services line item for additional information on WIOA services and funding.)

Rehabilitation Services

The budget includes $7,249,100 in FY 2027 for Rehabilitation Services. This amount consists of:

General Fund	6,594,400
Spinal and Head Injuries Trust Fund	654,700

These amounts are unchanged from FY 2026.

Background – This line item funds services for the physically disabled to return them to the workforce. The federal government provides 78.7% of funding for every 21.3% of state match. Third-party partnerships with government and non-governmental agencies provide portions of the state match.

Workforce Innovation and Opportunity Act Services

The budget includes $85,824,200 from the Workforce Investment Act Grant in FY 2027 for the Workforce Innovation and Opportunity Act Services line item.

This amount is unchanged from FY 2026.

Background – These monies are the state's allotment of the federal WIOA Grant for job training activities of dislocated workers and disadvantaged adults and youth. Of the total grant received by the state, 85% is allocated to local governments and 15% is retained at the state level. There is no income eligibility for the program. For eligible adults, priority is given to veterans and their spouses, individuals who are below the poverty line, individuals receiving public assistance, and those who were recently laid off.

Eligible youths must be between the ages of 14 and 24 and have at least one barrier to employment such as homelessness, pregnancy, incarceration, or a disability.

Other Issues

This section includes information on the following topics:

- FY 2026 Supplemental
- Reduce Vacant FTE Positions
- Statutory Changes
- Long-Term Budget Impacts
- Auditor General Report
- Federal TANF Block Grant

FY 2026 Supplemental

The FY 2027 budget includes the following FY 2026 supplementals:

- $1,761,800 from the General Fund for summer food benefit administration. *(Please see the Summer Food Benefits Administration line item for further details.)*
- $82,818,700 from the General Fund and $216,304,700 from the Long Term Care System Fund expenditure authority for higher-than-budgeted DDD formula costs.

Reduce Vacant FTE Positions

The FY 2027 budget reduced the FTE count for DES by (100) Positions. While the agency table reflects the correct appropriated FTE, the narrative does not attempt to allocate this reduction in the agency budget. Agencies may use their discretion in allocation this FTE reduction within their budget and should reflect the changes in their FY 2028 budget request submittal pursuant to A.R.S. § 35-113. The FY 2028 JLBC Baseline will incorporate the changes as allocated by the agency.

Statutory Changes

The Human Services BRB makes the following statutory changes:

- As session law, establish the Supplemental Nutrition Assistance Program (SNAP) Fund as a non-appropriated fund used to house the federal share of the administrative costs of SNAP.
- As session law, continues to require recipients of Temporary Assistance for Needy Families (TANF) Cash Benefits to pass a drug test in order to be eligible for benefits if DES has reasonable suspicion the recipient uses illegal drugs.
- As session law, require DES to make the following changes in determining or evaluating SNAP eligibility:
  - Review DES' own information, information from the Lottery Commission and Department of Gaming to identify lottery or gambling winnings under the federal substantial winnings definition.
  - Review information from the Department of Health Services (DHS) that identifies individuals who have had a change in circumstances.
  - Review DES' own information as the state wage information collection agency and the agency that administers unemployment insurance benefits.
  - Review information from the Department of Corrections (DOC) that identifies individuals who have had a change in circumstances that affect SNAP eligibility.
  - Review information from federal sources including information on earned income, death master file, supplemental security income, beneficiary records, earnings and pension, child support enforcement data, and national fleeing felons.
- As session law, require DES to make the following changes regarding SNAP eligibility procedures:
  - Review a SNAP case if the Department receives reliable information that indicates a recipient's change in circumstances.
  - Prohibit relying solely on self-attestation to confirm residency for SNAP eligibility except in unusual circumstances.
  - Publicly post the number of SNAP cases investigated for intentional program violations or fraud, the number of SNAP cases referred to the Attorney General's Office, the amount of improper payments or expenditures, the amount of monies recovered, the amount of monies spent for improper payments as a percentage of cases that were investigated and reviewed, and the amount of monies spent by EBT card that occurred outside of the state.

- As session law, requires DES to submit a report detailing the Department's efforts to improve the quality and timeliness of SNAP eligibility determinations, including specific goals for, actions taken and barriers faced during the reporting period by June 30, 2027.
- As session law, requires DES to submit a report on the anticipated error rate within 30 days of submission of the final month of SNAP quality control reviews to the US Department of Agriculture Food and Nutrition Services for FY 2026 and a monthly report on the number of SNAP cases, number of program participants and total benefits paid to persons who are categorically eligible for SNAP.
- As permanent law, beginning July 1, 2027, requires the department to contract with listening and spoken language providers in the state that provide speech and audition services to early intervention programs to infant and toddler children who are deaf or hard of hearing. Further requires the department to refer all eligible families with infants and toddlers who are deaf or hard of hearing to both contract listening and spoken language providers and ASDB.
- As permanent law, modifies the Out-of-School-Time Grant program within DES to state that the program shall target out-of-school time care for school aged children who are at least 5 years old and eligible for or enrolled in Kindergarten, and not older than 18.
- As session law, allow Out-of-School Time grant monies for rural communities to be spent for capital purposes in a public building if a school district partners with a nonprofit organization with a history of offering out-of-school time services to eligible pupils.

The Taxation BRB makes the following statutory changes:

- As session law, establishes the non-appropriated Unemployment Insurance Operating Fund for the administrative costs of the unemployment insurance (UI) program. Requires that experienced-rated employers pay a fee equal to 3.15% of their UI tax liability each quarter to the department in Calendar Year 2027. Of these fee collections, the first $8.0 million is deposited into the Unemployment Insurance Operating Fund, and any monies in excess of $8.0 million are deposited into the UI Benefits Fund. Requires the department to hold employers harmless by reducing each employer’s UI tax liability by (3.15)% each quarter. Includes a repeal date of December 31, 2027.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, DES’ General Fund costs, including Developmental Disabilities formula costs, are projected to increase by $65,811,900 in FY 2028 above FY 2027 and $166,528,900 in FY 2029 above FY 2028.

The FY 2028 estimate is based on:

- $147,274,300 for 5.0% DDD caseload growth, 3.0% capitation growth and an estimated 63.81% FMAP.
- $10,600,000 to annualize the SNAP administrative cost shift under H.R. 1.
- $(92,062,400) to remove one-time funding.

The FY 2029 estimate is based on:

- $170,296,200 for 5.0% DDD caseload growth, 3.0% capitation growth and an estimated 63.81% FMAP.
- $(3,767,300) to remove one-time funding.

Auditor General Report

In September 2025, the Auditor General published a performance audit of the Arizona Department of Economic Security Division of Developmental Disabilities, which included a review of member quality-of-care concerns and DDD processes for addressing, investigating, and correcting these concerns.

Findings from the report included that the Department did not appropriately classify and investigate some complaints by DDD members, and that the Department failed to investigate and resolve some reported quality-of-care violations.

The Auditor General made 16 recommendations as a result of this audit, 12 of which were addressed to DES and 4 of which were addressed to AHCCCS. Specifically, the Auditor General recommended that DES follow-up with DDD vendors as required by its policies, institute procedures for DDD vendors who do not follow corrective actions, and work with AHCCCS to review prior and future quality-of-care concerns.

None of these recommendations carried explicit budget implications. Both DES and AHCCCS agreed with the Auditor General's findings.

Federal TANF Block Grant

The budget appropriates $227,544,600 of the state's Federal TANF Block Grant monies in FY 2027. *Table 3* shows expected yearly revenues, expenditures, and fund balances across the 2 agencies that administer TANF funding.

Table 3

TANF Block Grant Spending

Revenues	**FY 2025 Actual**	**FY 2026 Estimated**	**FY 2027 Estimated**
Beginning Balance	$ 16,152,200	$ 12,990,500	$ 9,856,100
TANF Base Revenues	240,109,400	224,412,700	224,412,700
Total TANF Available	**$256,261,600**	**$237,403,200**	**$234,268,800**
Expenditures			
Department of Child Safety	$176,682,200	$160,985,500	$160,985,500
Department of Economic Security			
TANF Cash Benefits	$ 17,736,400	$ 22,736,400	$ 22,736,400
All Other TANF Expenditures	48,852,500	43,825,200	43,822,700
TOTAL - DEPARTMENT OF ECONOMIC SECURITY	**$ 66,588,900**	**$ 66,561,600**	**$ 66,559,100**
TOTAL - STATEWIDE	**$ 243,271,100**	**$ 227,547,100**	**$ 227,544,600**
Ending Balance	**$ 12,990,500**	**$ 9,856,100**	**$ 6,724,200**