

**JOINT LEGISLATIVE BUDGET COMMITTEE**

**Thursday, March 20, 2025**

**10:30 a.m. or Upon Adjournment of House and Senate**

**House Hearing Room 1**



STATE OF ARIZONA

## Joint Legislative Budget Committee

STATE  
SENATE

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

(602) 926-5491

azjlbc.gov

HOUSE OF  
REPRESENTATIVES

JOHN KAVANAGH  
VICE-CHAIRMAN  
LELA ALSTON  
DAVID C. FARNSWORTH  
BRIAN FERNANDEZ  
MARK FINCHEM  
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DAVID LIVINGSTON  
CHAIRMAN  
LORENA AUSTIN  
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MICHAEL CARBONE  
MATT GRESS  
JUSTIN OLSON  
STEPHANIE STAHL HAMILTON  
MICHAEL WAY

### JOINT LEGISLATIVE BUDGET COMMITTEE

Thursday, March 20, 2025

10:30 A.M.

House Hearing Room 1

### MEETING NOTICE

- Call to Order
- [Approval of Minutes of December 18, 2024.](#)
- 1. [Adoption of Committee Rules and Regulations.](#)
- 2. [DEPARTMENT OF CHILD SAFETY - Review of Line Item Transfers.](#)

The Chairman reserves the right to set the order of the agenda.

03/19/2025

KP

People with disabilities may request accommodations such as interpreters, alternative formats, or assistance with physical accessibility. Requests for accommodations must be made with 72 hours prior notice. If you require accommodations, please contact the JLBC Office at (602) 926-5491.



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### MINUTES OF THE MEETING

#### JOINT LEGISLATIVE BUDGET COMMITTEE

December 18, 2024

The Chairman called the meeting to order at 9:39 a.m., Wednesday, December 18, 2024, in Senate Hearing Room 109. The following were present:

|          |                            |  |
|----------|----------------------------|--|
| Members: | Senator Kavanagh, Chairman | Representative Livingston, Vice-Chairman |
|          | Senator Alston             | Representative Biasiucci                 |
|          | Senator Bennett            | Representative Carbone                   |
|          | Senator Diaz               | Representative Carter                    |
|          | Senator Fernandez          | Representative Gutierrez                 |
|          |                            | Representative Stahl Hamilton            |
| Absent:  | Senator Borrelli           | Representative Chaplik                   |
|          | Senator Hoffman            | Representative Schwiebert                |
|          | Senator Mesnard            |  |

#### APPROVAL OF MINUTES

Representative Livingston moved that the Committee approve the minutes of September 26, 2024. The motion carried by voice vote.

#### CONSENT AGENDA

The following items were considered without further discussion:

#### EXECUTIVE SESSION

##### B. JLBC Annual Performance Review Per Rule 7.

This item was for information only and no Committee action was required.

**C. Arizona Department of Administration (ADOA) – Risk Management Annual Report Per Rule 14.**

This item was for information only and no Committee action was required. The Committee received the Risk Management Annual Report pursuant to JLBC Rule 14. The Committee requests that future annual reports continue to include the following information:

- Status of open claims and lawsuits.
- Status of claims and lawsuits reported on the prior year annual report.
- Total number of claims and lawsuits filed with Risk Management during the prior fiscal year.
- Total settlement and judgment costs during the prior fiscal year.
- Number of liability settlements greater than the JLBC level and cost of each settlement.
- Number of liability cases taken to trial by Risk Management categorized by:
  - Number of verdicts for the state with detail of the associated judgment amounts.
  - Number of verdicts against the state with detail of the associated judgment amounts.
- Projected Risk Management Fund balance.
- Proposed changes to state insurance coverage, state statutes, and claim procedures.

**1. ARIZONA DEPARTMENT OF ADMINISTRATION/AUTOMATION PROJECT FUND (APF) – Review of Automation Projects for ADOA HRIS Modernization, AHCCCS MES Modernization, DPS Conceal Weapons Tracking System, and DHS A to Z Portal Participation.**

A.R.S. § 41-714 requires Committee review prior to any monies being expended from the Automation Projects Fund (APF).

ADOA requested review of four projects totaling \$11,431,700:

- \$6,841,200 for ADOA's HRIS Modernization.
- \$3,396,000 for the AHCCCS MES Modernization.
- \$494,500 for the DPS Concealed Weapons Tracking System.
- \$700,000 for DHS to prepare for participation in the A to Z Portal.

The JLBC Staff provided options.

**2. ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) – Consider Approval of State Employee Travel Rate Adjustments.**

A.R.S. § 38-624(C) requires the Committee to approve any changes to ADOA's maximum reimbursement rates for lodging, meal, and mileage expenses. ADOA requested the Committee approve ADOA's proposal to:

1. Increase the personal vehicle mileage reimbursement rate from 65.5 cents to 67.0 cents per mile to conform to the current federal government rate.
2. Increase the standard lodging rates by \$3, or roughly 2.8% and reduce non-standard rates by an average of \$(1), or (0.6%).
3. Increase the meal and incidental per diem reimbursement rates to the federal rate less \$10.

The Committee's approval excluded ADOA's proposal to increase the privately-owned aircraft mileage reimbursement rate from 99.5 cents to the federal rate of \$1.76 per mile.

The JLBC Staff provided options and a potential provision:

- A. Committee approval does not constitute an endorsement of additional appropriations to cover higher reimbursement costs.

**3. DEPARTMENT OF CHILD SAFETY (DCS) – Review of Line Item Transfers.**

An FY 2025 General Appropriation Act footnote requires Committee review of any transfers between certain Department of Child Safety line items or the operating budget. DCS requested Committee review of the following FY 2025 transfers:

- \$9,426,200 Total Funds (\$6,311,800 General Fund) from the Out-of-Home Support Services line item to the In-Home Mitigation line item.
- \$381,200 General Fund from the Adoption Services line item to the Permanent Guardianship Subsidy line item.
- \$651,600 Expenditure Authority from the Office of Child Welfare Investigations line item to the Operating Budget (\$530,900) and the Caseworkers line item (\$120,700).

The JLBC Staff provided options.

**4. DEPARTMENT OF ECONOMIC SECURITY (DES) – Review of Plan for the Arizona Training Program at Coolidge.**

A.R.S. § 36-570 requires DES to submit a report for review by the Committee on or before November 1 of each year on the department's plans for the Arizona Training Program at Coolidge (ATP-C) and associated group homes, including any plans to close the facilities. DES requested Committee review of the department's plans for ATP-C. The JLBC Staff provided options and a potential provision:

- A. A favorable review by the Committee does not constitute an endorsement of additional appropriations to cover costs associated with the department's plans for ATP-C.

**5. JLBC STAFF – Consider Approval of Index for Arizona Department of Administration – School Facilities Division Construction Costs.**

A.R.S. § 41-5741(D)(3)(c) requires that the cost-per-square-foot factors used in ADOA School Facilities Division (SFD) new school construction financing be adjusted annually for construction market considerations based on an index identified or developed by the Joint Legislative Budget Committee as necessary, but not less than once each year. The JLBC Staff provided options.

JLBC Staff requested the Committee approve a 3.88% adjustment in the cost-per-square-foot factors. The new revised per-square-foot dollar amounts apply to districts that were awarded new schools by SFD during calendar year 2024. The revised rates are as follows:

| <u>Grade</u> | <u>\$ per square foot</u> |
|--------------|---------------------------|
| K-6          | \$342.04                  |
| 7-8          | \$361.11                  |
| 9-12         | \$418.04                  |

## **9. ARIZONA DEPARTMENT OF EDUCATION – Review of Federal Monies Report.**

A.R.S. § 15-1052 requires ADE to submit for review by the Committee its annual report on noncustodial and other federal monies received by the department. ADE requested review of the FY 2025 report of federal monies received.

*Representative Livingston moved that the Committee approve:*

- a) *ADOA's recommended increases in travel rate adjustments in Consent Agenda Item 2 except for private plane mileage. The Committee also approved the JLBC Staff provision;*
- b) *the 3.88% adjustment in the School Facilities Board cost-per-square foot factors in Consent Agenda Item 5.*

The motion carried by voice vote.

*Representative Livingston moved that the Committee give a favorable review to Consent Agenda items 1, 3, 4 and 9 with JLBC Staff provisions and Executive Session Items B and C.* The motion carried by voice vote.

### **EXECUTIVE SESSION**

*Representative Livingston moved that the Committee go into Executive Session.* The motion carried by voice vote.

At 9:43 a.m. the Joint Legislative Budget Committee went into Executive Session.

*Representative Livingston moved that the Committee reconvene into open session.* The motion carried by voice vote.

At 10:52 a.m. the Committee reconvened into open session.

### **D. Arizona Department of Administration, Risk Management Services - Consideration of Proposed Settlements under Rule 14.**

*Representative Livingston moved that the Committee approve the risk management settlements presented by the Attorney General's office in the cases of:*

1. *Sandra E. Lopez v. Brian Shaw*
2. *Francisco Calvillo v. State of Arizona, et al.*
3. *Reghunath Parthasarathi v. State of Arizona, et al.*
4. *Charles Pearce v. State of Arizona et al.*

The motion carried by voice vote.

### **A. Secretary of State (SOS) – Review of FY 2025 Election Services Line Item Transfer per A.R.S. § 38-431.03(A)(9)**

*Representative Livingston moved that the Committee give a favorable review to the Secretary of State's transfer request.* The motion carried by voice vote.

## **REGULAR AGENDA**

### **5. DEPARTMENT OF PUBLIC SAFETY (DPS) – Review of the Expenditure Plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Border Security and Law Enforcement Subaccount.**

Mr. Jordan Johnston, JLBC Staff, stated that pursuant to A.R.S. § 41-1724G and A.R.S. § 41-1724H, the Department of Public Safety (DPS) is required to submit to the Committee for review the entire FY 2025 expenditure plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Border Security and Law Enforcement Subaccount prior to expenditure. DPS requested review of \$1,050,000 for the Border Security and Law Enforcement Grants program.

The JLBC Staff provided options and a potential provision:

- A. DPS shall report to the Committee prior to implementing any changes to the proposed FY 2025 allocation of the grants. The Chairman shall decide whether the revisions require Committee review.

*Representative Livingston moved that the Committee give a favorable review of \$800,000 for GIITEM Border Security funding, which is the agency request excluding DPS' proposed grant to the Santa Cruz Sheriff's Office.*

*Representative Stahl Hamilton moved a substitute motion that the Committee give a favorable review of the entire agency request with a roll call vote. The substitute motion failed by a roll call vote of 5-6-0-5. (Attachment 1)*

The original motion carried by voice vote.

### **7. DEPARTMENT OF ENVIRONMENTAL QUALITY (DEQ) – Solid Waste Program Fee Updates (Discussion Only).**

Ms. Maggie Rucker, JLBC Staff, stated A.R.S. § 41-1008 requires Committee review of any fee increases exceeding the change in the Consumer Price Index (CPI) since the last fee change. DEQ requested review of 7 solid waste fee increases that exceed the rate of inflation. The department's request was included on the December 18, 2024 meeting agenda for discussion only.

Ms. Amanda Stone, Deputy Director, DEQ, responded to member questions.

The Committee requested the department provide the following information for their consideration at the next JLBC meeting:

- A table summarizing all 45 proposed fee increases, including current fee level, proposed fee level, percentage of program cost, and the number of regulated entities.
- The fee level that would be necessary for each of the 7 fees exceeding CPI if they were to fund 100% of the costs of regulating their respective entities.
- For each of the 7 funds exceeding CPI, an explanation of how the department determined what percentage of program costs would be covered by the relevant fee versus subsidized by other fees.

**8. AHCCCS/DEPARTMENT OF ECONOMIC SECURITY (DES) – Review of Capitation Rate Changes for Plan Year 2025.**

Mr. Chandler Coiner, JLBC Staff, stated an FY 2025 General Appropriation Act footnote requires the state Medicaid agencies to submit an expenditure plan to the Joint Legislative Budget Committee for review prior to implementing any changes in capitation rates. AHCCCS and DES requested Contract Year Ending (CYE) 2025 capitation rates (October 2024 – September 2025). The JLBC Staff provided options.

Mr. Jeff Tegen, Assistant Director, CFO , AHCCCS, responded to member questions.

*Representative Livingston moved that the Committee give an unfavorable review of the proposed capitation rate changes for both AHCCCS and the Department of Economic Security.*

*Representative Gutierrez moved a substitute motion that the Committee give a favorable review of the proposed capitation rate changes for both AHCCCS and the Department of Economic Security. The substitute motion failed by voice vote.*

The original motion carried by voice vote.

Without objection, the meeting adjourned at 12:40 p.m.

Respectfully submitted:

*Kristy Paddack*

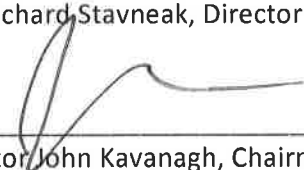
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Kristy Paddack, Secretary

***Richard Stavneak***

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Richard Stavneak, Director



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Senator John Kavanagh, Chairman

NOTE: A full audio recording of this meeting is available at the JLBC Staff Office, 1716 W. Adams. A full video recording of this meeting is available at <https://www.azjlbc.gov/jlbc-meetings/>.



## JOINT LEGISLATIVE BUDGET COMMITTEE

Meeting Date: December 18, 2024

**ITEM #: 6 – Department of Public Safety**  
**MOTION: Representative Stahl Hamilton’s substitute motion**

**ITEM #:**  
**MOTION:**

|                     | <u>PRESENT</u> | <u>ABSENT</u> | PASS     | AYE      | NAY      | PRESENT  | ABSENT   |
|---------------------|----------------|---------------|----------|----------|----------|----------|----------|
| SEN. ALSTON         | X              |               |          | X        |          |          |          |
| REP. BIASIUCCI      | X              |               |          |          | X        |          |          |
| SEN. BENNETT        | X              |               |          |          | X        |          |          |
| SEN. BORRELLI       |                | X             |          |          |          |          | X        |
| REP CARBONE         | X              |               |          |          | X        |          |          |
| REP. CARTER         | X              |               |          |          | X        |          |          |
| REP. CHAPLIK        |                | X             |          |          |          |          | X        |
| SEN. DIAZ           | X              |               |          | X        |          |          |          |
| SEN. FERNANDEZ      | X              |               |          | X        |          |          |          |
| REP GUTIERREZ       | X              |               |          | X        |          |          |          |
| SEN. HOFFMAN        |                | X             |          |          |          |          | X        |
| SEN. MESNARD        |                | X             |          |          |          |          | X        |
| REP. SCHWIEBERT     |                | X             |          |          |          |          | X        |
| REP. STAHL HAMILTON | X              |               |          | X        |          |          |          |
| REP. LIVINGSTON     | X              |               |          |          | X        |          |          |
| SEN. KAVANAGH       | X              |               |          |          | X        |          |          |
| <b>TOTALS</b>       | <b>11</b>      | <b>5</b>      | <b>0</b> | <b>5</b> | <b>6</b> | <b>0</b> | <b>5</b> |

|                     | PASS | AYE | NAY | PRESENT | ABSENT |
|---------------------|------|-----|-----|---------|--------|
| SEN. ALSTON         |      |     |     |         |        |
| REP. BIASIUCCI      |      |     |     |         |        |
| SEN. BENNETT        |      |     |     |         |        |
| SEN. BORRELLI       |      |     |     |         |        |
| REP CARBONE         |      |     |     |         |        |
| REP. CARTER         |      |     |     |         |        |
| REP. CHAPLIK        |      |     |     |         |        |
| SEN. DIAZ           |      |     |     |         |        |
| SEN. FERNANDEZ      |      |     |     |         |        |
| REP GUTIERREZ       |      |     |     |         |        |
| SEN. HOFFMAN        |      |     |     |         |        |
| SEN. MESNARD        |      |     |     |         |        |
| REP. SCHWIEBERT     |      |     |     |         |        |
| REP. STAHL HAMILTON |      |     |     |         |        |
| REP. LIVINGSTON     |      |     |     |         |        |
| SEN. KAVANAGH       |      |     |     |         |        |
| <b>TOTALS</b>       |      |     |     |         |        |





STATE OF ARIZONA

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DATE: March 19, 2025

TO: Members of the Joint Legislative Budget Committee

FROM: Richard Stavneak, Director

SUBJECT: Adoption of Committee Rules and Regulations

The Committee will consider the attached rules and regulations for adoption at its March 20th meeting. The rules are the same as in the prior session.

RS:kp  
Attachment

# JOINT LEGISLATIVE BUDGET COMMITTEE OF ARIZONA

## RULES AND REGULATIONS

### RULE 1

#### NAME OF COMMITTEE AND METHOD OF APPOINTMENT

The name of the Committee is the Joint Legislative Budget Committee, hereinafter referred to as the Committee, consisting of sixteen members designated or appointed as follows:

1. The majority leaders of the Senate and House of Representatives, the Chairmen of the Senate and House of Representatives Appropriations Committees, the Chairman of the Senate Finance Committee and the Chairman of the House of Representatives Ways and Means Committee.
2. Five members of the Senate and five members of the House of Representatives who are members of their Appropriations Committees shall be appointed to the Committee by the President of the Senate and the Speaker of the House of Representatives, respectively.

### RULE 2

#### STATUTORY POWERS AND DUTIES OF THE COMMITTEE

1. The Committee shall ascertain facts and make recommendations to the Legislature relating to the State budget, revenues and expenditures of the State, future fiscal needs, the organization and functions of State agencies or divisions thereof and such other matters incident to the above functions as may be provided for by rules and regulations of the Committee.
2. The Committee shall promulgate rules and regulations for the operation of the Committee.
3. The Committee shall have the powers conferred by law upon legislative committees.
4. The Committee shall make studies, conduct inquiries, investigations and hold hearings.
5. The Committee may meet and conduct its business any place within the State during the sessions of the Legislature or any recess thereof and in the period when the Legislature is not in session.
6. The Committee may establish subcommittees from the membership of the Legislature and assign to such subcommittees any study, inquiry, investigation or hearing, with the right to call witnesses, which the Committee has authority to undertake.

### RULE 3

#### CHAIRMAN OF THE COMMITTEE

The Chairman of the House of Representatives Appropriations Committee shall have a term as Chairman of the Committee from the first day of the First Regular Session to the first day of the Second Regular Session of each Legislature and the Chairman of the Senate Appropriations Committee shall have a term from the first day of the Second Regular Session to the first day of the next Legislature's First Regular Session.

JOINT LEGISLATIVE BUDGET COMMITTEE OF ARIZONA

RULES AND REGULATIONS

RULE 4

COMMITTEE PROCEEDINGS

The Committee proceedings shall be conducted in accordance with Mason's Manual of Legislative Procedure, except as otherwise provided by these rules.

RULE 5

SUBCOMMITTEES

The Committee may establish subcommittees from the membership of the Legislature and assign to such subcommittees any study, inquiry, investigation or hearing with the right to call witnesses which the Committee has authority to undertake. Each such subcommittee shall include in its membership an equal number of Senate and House of Representatives members.

RULE 6

QUORUM

A majority of the members of the Committee shall constitute a quorum for the transaction of business.

RULE 7

LEGISLATIVE BUDGET ANALYST

The Legislative Budget Analyst (hereinafter "Director") shall be the Staff Director and the Chief Executive Officer of the Committee. The Director shall be appointed by the Committee and shall serve on a full-time basis. The Committee shall annually review the Director's performance and the Committee or the Chairman and Vice Chairman shall determine the Director's salary within the limits prescribed by law. The Chairman of the Committee may appoint a subcommittee to make recommendations concerning these matters.

In addition to the responsibilities prescribed by A.R.S. § 41-1273, the duties of the Director shall include any duties which shall be assigned by the Committee, including the following:

1. Compilation of information for the Committee.
2. A continuous review of State expenditures, revenues and analysis of the budget to ascertain facts, compare costs, workload and other data and make recommendations concerning the State's budget and revenue of the departments, boards, commissions and agencies of the State.
3. Act as administrative head of the Committee Staff, with authority to hire and dismiss such personnel as may be necessary for the proper conduct of the office, and fix compensation of staff members within any limits set by the Committee.

## JOINT LEGISLATIVE BUDGET COMMITTEE OF ARIZONA

### RULES AND REGULATIONS

4. Maintain the records and files of the Committee.
5. Shall make special reports for presentation to the Committee and to others as directed by the Committee.
6. Attend all meetings of the Committee and such other meetings and hearings as are necessary to facilitate the work of the Committee.
7. Examine as to correctness all vouchers for the expenditure of funds appropriated for the use of the Committee.

### RULE 8

#### AGENDA FOR MEETINGS

An agenda for each Committee Meeting shall be prepared by the Director and, whenever possible, mailed or delivered to members of the Committee, not less than one week prior to the meeting. The Director must have at least three weeks prior notice for any state agency-requested items that appear on the agenda, unless the Chairman of the Committee approves of a later submission.

### RULE 9

#### ORDER OF BUSINESS

The Order of Business at a Committee meeting shall be determined by the Chairman of the Committee. It shall normally be as follows:

1. Call to order and roll call
2. Reading and approval of minutes
3. Director's Report [if any]
4. Executive Session (including Rule 14 items)
5. Items requiring Committee review and/or approval
6. Other Business - For Information Only
7. Adjournment

### RULE 10

#### DISBURSEMENTS

1. All expenditures of the Committee shall be by vouchers properly itemized and supported by receipts and shall be approved by the Director when authorized by the Chairman of the Committee.
2. All contracts and studies authorized by the Committee shall be approved by the Committee after examination.

# JOINT LEGISLATIVE BUDGET COMMITTEE OF ARIZONA

## RULES AND REGULATIONS

### RULE 11

#### MEETINGS OF THE COMMITTEE

The Committee shall meet at such times and places as the Committee may determine. Additional special meetings may be called by the Chairman or by a majority of the members of the Committee.

### RULE 12

#### ADOPTION AND AMENDMENT OF THE RULES AND REGULATIONS

These rules and regulations shall be adopted and may be amended by a majority vote of the members of the Committee, provided that a quorum is present.

### RULE 13

#### FISCAL NOTES

1. The President of the Senate and the Speaker of the House of Representatives or their designees may each designate bills that shall have a fiscal note prepared regarding their impact.
2. The JLBC Staff shall prepare the fiscal notes utilizing an impact period that covers the full cost of the legislation. The fiscal notes shall indicate any local fiscal impact, where appropriate.
3. Fiscal notes shall not contain comments or opinions on the merits of the bill.
4. Exceptions to the procedure set forth in this rule shall be permitted with the approval of the Chairman and Vice Chairman of the Committee.
5. The Committee may amend or suspend this rule or any subsection hereof by a majority vote of those present and eligible to vote.
6. Procedures to implement this rule shall be prepared by the Director and approved by the Chairman and Vice Chairman of the Committee.

### RULE 14

#### STATE LIABILITY CLAIMS - PROCEDURE FOR SETTLEMENT WHEN COVERED BY RISK MANAGEMENT SELF-INSURANCE FUND

1. General provisions for presentation of settlement to the Committee:

JOINT LEGISLATIVE BUDGET COMMITTEE OF ARIZONA

RULES AND REGULATIONS

RULE 14 CONTINUED

STATE LIABILITY CLAIMS (CONT'D)

- A. Settlements of \$250,000 or less do not require approval of the Committee pursuant to A.R.S. § 41-621(N). The Department of Administration has authority to settle claims up to \$100,000 and the Attorney General has authority to settle claims between \$100,001 and \$249,999. All proposed liability settlements must be presented to the Committee in accordance with these provisions and accompanied by a report containing the information specified in Paragraph 3.
  - B. The report shall be filed with the Chairman of the Committee seven days before the meeting scheduled to consider the settlement proposal.
  - C. A limited number of items may be excluded from the written report and presented orally at the Committee meeting, if the Attorney General and Risk Management Division find the exclusion to be absolutely necessary for the protection of the State's case.
  - D. All Committee settlement proceedings and material prepared for such proceedings shall be required to be kept confidential.
  - E. Any plaintiff's inquiries regarding Committee meeting dates, times and agendas should be directed to the Attorney General's Insurance Defense Section which shall consult with the JLBC Staff Director.
2. At a Committee meeting at which a settlement proposal is considered:
- A. Material shall be presented by the Attorney General or retained defense counsel who had primary responsibility over negotiation of the settlement and/or handling of the case, together with the Manager of the Risk Management Division of the Department of Administration.
  - B. The Committee Chairman or a majority of the Committee, may request other witnesses to attend and testify at any settlement proposal meeting. When requested by a Committee member, the director of an agency named in a lawsuit for which a settlement is proposed shall be requested to appear at the meeting at which the settlement is proposed.
  - C. The presentation of the settlement proposal at the Committee meeting shall contain, at a minimum, the information required to be submitted pursuant to Paragraph 3.
  - D. In addition to the report, additional drafts, charts, pictures, documents or other items may be presented to the Committee by the Attorney General or Risk Management Division, if helpful in reviewing the merits of the settlement. Additional items shall be presented when requested by the Committee Chairman, or a majority of the Committee at a prior meeting, or a JLBC subcommittee to which the matter has been referred.



JOINT LEGISLATIVE BUDGET COMMITTEE OF ARIZONA

RULES AND REGULATIONS

RULE 14 CONTINUED

STATE LIABILITY CLAIMS (CONT'D)

- E. Upon a conclusion of the presentation, the Committee may accept the settlement as proposed, reject the settlement as proposed, recommend an alternative settlement with the advice of the Attorney General and Risk Management Division, request additional information, evaluations or appearances of witnesses, or the matter may be referred to a JLBC subcommittee for further study.
3. The written settlement proposal report submitted to the Committee for each settlement offer shall contain the following information:
- A. A one to two page executive summary of pertinent information related to the case that, at a minimum, summarizes information contained in items B, D, G, H, I, K, L, N and P below.
  - B. The names of the plaintiffs or claimants.
  - C. Whether a lawsuit has been filed, the date on which it was filed and the current status of the lawsuit. If a lawsuit has not been filed, the last date upon which a lawsuit could be filed.
  - D. The basic facts of the case including, first, the undisputed facts and secondly, those facts in dispute.
  - E. A summary of the basis or bases of liability claimed by plaintiff or claimant and the State's defenses to such liability, including the key evidence relied upon by each party.
  - F. The amount originally claimed by the plaintiff or claimant.
  - G. The identifiable damages and/or costs incurred by plaintiff or claimant to date.
  - H. Costs incurred by the State in defending the claim or suit to date.
  - I. Estimated costs to the State of defending the claim or suit through trial.
  - J. Attorney for plaintiff, Attorney General assigned to the case, retained defense counsel, if any.
  - K. Estimate of plaintiff or claimant's chances of prevailing in suit against the State.
  - L. Range of recovery likely at trial for plaintiff's claims.
  - M. Complete terms of settlement including:
    - 1. To whom payment is to be made;

JOINT LEGISLATIVE BUDGET COMMITTEE OF ARIZONA

RULES AND REGULATIONS

RULE 14 CONTINUED

STATE LIABILITY CLAIMS (CONT'D)

2. The amount of payment;
  3. The conditions, if any, attached to the payment; and
  4. Deadline for settlement, if any.
- N. Settlement recommendations of Attorney General and Risk Management and recommended response to settlement offer.
- O. Whether the State has any claim or right of recovery against other parties, e.g., subrogation or indemnification.
- P. An agency and an Arizona Department of Administration response that shall contain the following information:
1. Actions taken to eliminate or limit the future risk of liability to the state.
  2. Statement as to any disciplinary action(s) taken against any employee(s) that were negligent in carrying out their duties.
  3. An agency loss prevention plan approved by the Arizona Department of Administration (ADOA). If an approved plan is not available, ADOA will provide an explanation of why it is not approved at that time, and a timetable for submitting an approved plan.
4. In conjunction with the settlement procedures prescribed pursuant to this rule, the Risk Management Division shall:
- A. Annually report to the Committee on 1) the operations of the Division, 2) the status of pending claims and lawsuits, 3) information on actual judgements and settlements, 4) status of claims and lawsuits reported on the prior year annual report, 5) number of claims and lawsuits filed since the last report, 6) number of liability cases taken to trial with information on the verdicts and judgment amounts, and 7) projected fund balances.
  - B. With the assistance of the Attorney General, propose to the Committee any changes in State insurance coverage, State statutes, State liability principles or claims procedures which may help to limit future State liability.
  - C. Provide the Committee with an agency loss prevention plan that results from a judgment against the state in an amount equal to or greater than that which requires JLBC settlement authority. Within sixty days after payment of the judgment, ADOA will either indicate approval of the plan, provide an explanation of why it is not approved, or provide an explanation as to why a plan is no longer applicable.

JOINT LEGISLATIVE BUDGET COMMITTEE OF ARIZONA

RULES AND REGULATIONS

RULE 15

CONFIDENTIAL NATURE OF SERVICES

The Director, members of the JLBC Staff, and those charged with the duty of processing in any manner proposed budget estimates, recommendations or research, shall not, without consent of the recipient legislator(s), disclose to any other person whomsoever, the contents of any letter, memorandum, report, or other written communique.

This provision does not apply to regular JLBC Staff reports nor information which the Staff prepares and disseminates under the general authority of the Director that was not specifically requested by a legislator(s).

The violation of any provision of this rule by the Director, a member of his staff, or any person charged in any manner with the duty of processing proposed analysis or research may be deemed sufficient cause for dismissal by the Director and in the case of the Director, by the Committee.

7



STATE OF ARIZONA

## Joint Legislative Budget Committee

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SENATE

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STEPHANIE STAHL HAMILTON  
MICHAEL WAY

DATE: March 19, 2025

TO: Members of the Joint Legislative Budget Committee

FROM: Maggie Rocker, Senior Fiscal Analyst

SUBJECT: Department of Child Safety - Review of Line Item Transfers

### Request

Pursuant to an FY 2025 General Appropriations Act footnote, the Committee is responsible for reviewing the transfer of monies between most Department of Child Safety (DCS) line items. On March 5<sup>th</sup>, DCS requested review of a \$6.5 million General Fund transfer into the Congregate Care line item and a \$2.2 million General Fund transfer into the Extended Foster Care line item.

On March 19<sup>th</sup>, DCS further modified their request. DCS is asking for authority to transfer up to another \$10.0 million General Fund to the Congregate Care line item should the department confirm the existence of surplus funds in the following line items:

- Up to \$3.0 million from Adoption Services
- Up to \$4.0 million from Out-of-Home Support Services
- Up to \$3.0 million from In-Home Mitigation

The transfer authority for these 3 line items would exist until June 30, 2025 and DCS would notify the JLBC Chairman and JLBC director if the appropriation transfers occur. If the maximum surpluses are available, the total transfer into Congregate Care would be \$16.5 million.

### Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the request.
2. An unfavorable review of the request.

### Key Points

- 1) DCS reports that it will have insufficient funding to support congregate care placements by March 24<sup>th</sup> and for extended foster care by the end of May.
- 2) On March 5<sup>th</sup>, DCS requested to transfer \$6.5 million General Fund to the Congregate Care line item from surpluses in the Kinship Care (\$5.0 million) and Foster Home Placement (\$1.5 million) line items.
- 3) On March 19<sup>th</sup>, DCS further requested to transfer up to another \$10.0 million into Congregate Care between now and June 30<sup>th</sup> should they determine that surpluses exist in these line items:
  - a. Up to \$3.0 million from Adoption Services
  - b. Up to \$4.0 million from Out-of-Home Support Services
  - c. Up to \$3.0 million from In-Home Mitigation
- 4) The Department estimates the March 5<sup>th</sup> transfers would cover its congregate care shortfall until April 24<sup>th</sup>. The March 19<sup>th</sup> transfers would potentially allow DCS to cover the shortfall for a longer time period.
- 5) DCS is also requesting a \$2.2 million General Fund transfer to the Extended Foster Care line item from a \$(2.2) million Adoption Services line item surplus.

## Analysis

### Congregate Care Transfer

A longstanding General Appropriations Act footnote requires Committee review of transfers between most DCS line items. The proposed transfers into the Congregate Care line item would continue a combination of one-time transfers and supplemental appropriations that have covered excess costs in the Congregate Care line item since FY 2022.

The Congregate Care line item funds the placement costs of children in DCS custody in group homes or other settings with 6 or more children. Prior year federal legislation reduced reimbursement for congregate care placements exceeding 14 days. Since implementation of the legislation, the department reports that congregate care placements eligible for federal reimbursement have dropped from 48.7% to 8.6%. The department has reduced the number of congregate care placements from 2,067 in June 2022 to 1,515 in January 2025, but the caseload reductions have not been of a sufficient magnitude to offset the federal funding reductions.

To address the FY 2024 shortfall, the FY 2025 budget included one-time backfill funding of \$25.6 million. To cover the current year shortfall, the Executive's FY 2026 January budget proposed an FY 2025 supplemental of \$29.4 million General Fund. The Executive has since reduced the FY 2025 supplemental proposal to \$22.9 million General Fund in light of the March 5<sup>th</sup> requested transfer. If any of the March 19<sup>th</sup> transfers come to fruition, the supplemental request would presumably decline further. The Executive is also proposing a \$23.2 million ongoing increase from the General Fund for congregate care beginning in FY 2026 to resolve the funding shortfall on an ongoing basis.

The Congregate Care line item has a Total Funds appropriation of \$103.7 million in FY 2025, consisting of \$42.4 million from the General Fund, \$21.4 million from the appropriated federal Temporary Assistance Needy Families (TANF) Block Grant and \$39.9 million in other federal expenditure authority.

Extended Foster Care Transfer

DCS is also proposing to transfer \$2.2 million from the Adoption Services line item to the Extended Foster Care program. This latter optional program provides support services to 18–20 year-olds aging out of foster care. According to DCS, the transfer request is due to 14% caseload growth that they attribute to a coaching program encouraging participation in the program. The surplus in adoption is based on a declining out-of-home caseload, which has lowered the number of children exiting DCS custody via adoption. Since June 2024, the overall out-of-home population has declined by (5.2)%.

In its request letter, DCS states that it would need this transfer by the end of May when it would exhaust its existing Extended Foster Care line item appropriation.

MR:jbu

# ARIZONA DEPARTMENT OF CHILD SAFETY

Kathryn Ptak, Director  
Katie Hobbs, Governor

March 19, 2025

Representative David Livingston  
Chairman  
Joint Legislative Budget Committee  
1716 West Adams St.  
Phoenix, Arizona 85007

Dear Chairman Livingston:

Per the Chairman's requests, please see the following:

1. Does the Department have additional Temporary Assistance for Needy Families (TANF) monies that are unobligated and available, which can be used towards addressing the Congregate Care special line item shortfall in FY 2025?

The Department of Child Safety has \$15.6 million in available, unobligated, TANF monies as part of the FY 2025 allocation from the Department of Economic Security. The FY 2026 Executive Budget proposal contemplates utilizing these available TANF monies to resolve the cash shortfall within the operating lump sum for FY 2025.

The Department does not have available, unobligated, TANF monies from prior fiscal year allocations.

For FY 2025, the Congregate Care special line item (SLI) received \$21.4 million in TANF appropriation authority under the Federal TANF Block Grant as noted in the FY 2025 Appropriations Report. As seen in the monthly cash flow table below, the Department is utilizing the full expenditure authority in FY 2025.

If additional TANF appropriation was provided for the Congregate Care SLI, the Department anticipates that there would be an additional \$2.5 million to \$3.0 million in eligible TANF expenditures above the existing \$21.4 million TANF appropriation. To utilize additional TANF monies for Congregate Care in FY 2025, the TANF appropriation for the Congregate Care SLI would need to be adjusted.

2. To identify if additional surpluses are available to be utilized to address the shortfall in Congregate Care and proactively avoid the need of an additional Joint Legislative Budget Committee meeting.

The Department has preliminarily identified the following additional special line items that may have General Fund surpluses:

- Adoption Services SLI
- Out-of-Home Support SLI
- In-Home Mitigation SLI

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The Department continues to analyze if those surpluses will materialize and can be utilized to address the cash shortfall within the Congregate Care special line item. In addition to the original request (see Appendix A), the Department requests the following authority to perform appropriation transfers, once the amount is confirmed. This authority will allow the Department to be proactive in continuing to address the Congregate Care SLI shortfall and remaining solvent.

- Up to \$3.0 million from Adoption Services SLI
- Up to \$4.0 million from Out-of-Home Support Services SLI
- Up to \$3.0 million from In-Home Mitigation SLI

The Department requests this authority until June 30, 2025 and would notify the Chairman and JLBC staff if an appropriation transfer occurs.

In summary, the table below displays the monthly cash flow, which aligns with the monthly financial reports sent to JLBC staff. The cash flow illustrates the favorable review of \$6.5 million in appropriation transfers, as originally requested, and the complete utilization of FY 2025 TANF expenditure authority.

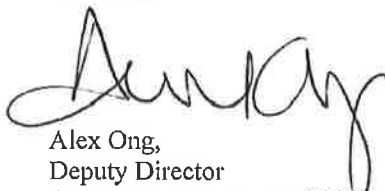
DCS Congregate Care GF & TANF Cash Flow  
FY 2025

|                  | July          | August <sup>1</sup> | September      | October        | November <sup>2</sup> | December       | January <sup>3</sup> | February est. <sup>4</sup> | March est. <sup>5</sup> | April est. <sup>6</sup> | May est. <sup>7</sup> | June est.       | July est.       | Total           | Appropriation | Approp. Transfer | Supplemental Need <sup>8</sup> |
|------------------|---------------|---------------------|----------------|----------------|-----------------------|----------------|----------------------|----------------------------|-------------------------|-------------------------|-----------------------|-----------------|-----------------|-----------------|---------------|------------------|--------------------------------|
| GF Revenue       | \$ 10,589,375 | \$ -                | \$ -           | \$ 10,589,375  | \$ -                  | \$ -           | \$ 10,589,375        | \$ 10,589,375              | \$ 8,500,000            | \$ -                    | \$ -                  | \$ -            | \$ -            | \$ 30,168,750   | \$ -          | \$ 8,500,000     | \$ 8,500,000                   |
| TANF Revenue     | \$ 5,355,750  | \$ -                | \$ -           | \$ 5,355,750   | \$ -                  | \$ -           | \$ 5,355,750         | \$ -                       | \$ -                    | \$ 5,355,750            | \$ -                  | \$ -            | \$ -            | \$ 16,067,250   | \$ -          | \$ -             | \$ 16,067,250                  |
| GF Expenditure   | \$ -          | \$ (5,001,691)      | \$ (5,211,263) | \$ (2,558,598) | \$ (1,930,300)        | \$ (1,279,991) | \$ (10,409,297)      | \$ (1,034,839)             | \$ (9,859,791)          | \$ (5,703,722)          | \$ (2,927,806)        | \$ (7,800,529)  | \$ (7,859,393)  | \$ (71,749,000) | \$ 42,157,500 | \$ -             | \$ (29,591,500)                |
| TANF Expenditure | \$ -          | \$ (2,295,059)      | \$ (1,188,938) | \$ (214,871)   | \$ (4,072,476)        | \$ (910,869)   | \$ (210,166)         | \$ (5,739,542)             | \$ (188,283)            | \$ (5,355,750)          | \$ -                  | \$ -            | \$ -            | \$ (21,423,000) | \$ 21,423,000 | \$ -             | \$ (0)                         |
| Cash Position    | \$ 15,945,125 | \$ 8,091,508        | \$ 1,691,179   | \$ 9,662,836   | \$ 9,859,770          | \$ 1,616,811   | \$ 8,442,472         | \$ 10,257,988              | \$ 6,499,959            | \$ 796,228              | \$ (1,191,378)        | \$ (13,012,107) | \$ (12,891,590) | \$ (91,172,090) | \$ 63,740,500 | \$ 8,500,000     | \$ (22,891,590)                |

<sup>1</sup>Expenditures represent what was incurred through actual caseloads in the prior month for the current fiscal year. This explains why there were no expenses in July for FY 2025.  
<sup>2</sup>For November, February, and April, the TANF expenditures are significantly higher to hedge the General Fund shortfalls and/or to reallocate expenditures to the proper source.  
<sup>3</sup>For January and March, the General Fund expenditures are significantly higher due to reallocating expenditures to the proper source. Ineligible expenditures were temporarily applied to Title III-E Funds to bridge the funding gap that has resulted from the shortfalls.  
<sup>4</sup>Receipt of General Fund Quarter 4 allotment allowed the Department to pay expenditures through February and into March.  
<sup>5</sup>Appropriation Transfer of \$6.5 million General Fund will allow the Department to pay expenditures through March.  
<sup>6</sup>Receipt of TANF Quarter 4 allotment will allow the Department to pay expenditures through April.  
<sup>7</sup>Reflects most up to date expenditure projections that would indicate the Department would need additional funding by May to pay Week 1 May expenditures.  
<sup>8</sup>Reflects projected General Fund supplemental need at current projected caseloads.

The Department greatly appreciates the Chairman’s attention on this critical item.

Sincerely,



Alex Ong,  
Deputy Director  
Arizona Department of Child Safety

- Cc:
- Kathrine Ptak, Director, Arizona Department of Child Safety
  - Reynaldo Saenz, Assistant Director of Finance and Accounting, Arizona Department of Child Safety
  - Violeta Pivac, Budget Manager, Arizona Department of Child Safety
  - Christopher Gustafson, Chief Legislative Liaison, Arizona Department of Child Safety
  - Steven Heinsma, Budget Analyst, Governor’s Office of Strategic Planning and Budgeting
  - Maggie Rocker, JLBC Analyst, Joint Legislative Budget

The original agenda request follows in Appendix A

# ARIZONA DEPARTMENT OF CHILD SAFETY

Kathryn Ptak, Director  
Katie Hobbs, Governor

March 5, 2025

Representative David Livingston  
Chairman  
Joint Legislative Budget Committee  
1716 West Adams St.  
Phoenix, Arizona 85007

Dear Representative Livingston:

The Department requests to be placed on the Joint Legislative Budget Committee agenda for the following request:

- Congregate Care General Fund Appropriation Transfer Request – FY 2025
- Extended Foster Care General Fund Appropriation Transfer Request – FY 2025

Congregate Care General Fund Appropriation Requests – FY 2025

Pursuant to Laws 2024, Chapter 313, Section 17, the amount appropriated for any line item may not be transferred to another line item or the operating budget unless the transfer is reviewed by the Joint Legislative Budget Committee. The Department requests that the committee review the following General Fund (GF) transfer requests:

| BFY  | Special Line Item     | General Fund  | TANF          | Expenditure Authority | Total         |
|------|-----------------------|---------------|---------------|-----------------------|---------------|
| 2025 | Congregate Care       | \$6,500,000   | -             | -                     | \$6,500,000   |
|      | Kinship Care          | (\$5,000,000) | -             | -                     | (\$5,000,000) |
|      | Foster Home Placement | (\$1,500,000) |               |                       | (\$1,500,000) |
|      | <b>Total</b>          | <b>\$0.00</b> | <b>\$0.00</b> | <b>\$0.00</b>         | <b>\$0.00</b> |

- Congregate Care: To address solvency and short-term liquidity in the Congregate Care special line item, the Department requests \$5.0 million General Fund from the Kinship Care special line item and \$1.5 million General Fund from the Foster Home Placement special line item for a cumulative transfer of \$6.5 million General Fund into the Congregate Care special line item. By March 24, 2025, the Department will be unable to pay obligations relating to the daily care of children in group home placements without the requested transfer. This will lead to children having to be removed from these homes, resulting in their lives being further uprooted and increased risks for runaways and other unsafe situations as a result. The Department would have no other option but to undertake emergency measures by having kids stay in welcome centers or sleep in DCS offices. With the proposed appropriation transfer, the Department can maintain liquidity until April 24, 2025. The Department has engaged in the following activity during quarter three to maintain liquidity:

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- February provider payments:
  - a. Quarterly Allotment Advance: Requested complete quarter four allotment of \$10.5M General Fund be advanced into quarter three. This allows the Department to fund for placements through March 24<sup>th</sup>.
  
- Foster Home Placement and Kinship Care General Fund Surpluses:
  - a. Foster Home Placement special line item
    - i. The Department requests \$1.5M General Fund surplus from the Foster Home Placement special line item to the Congregate Care special line item.
      - The Foster Home Placement special line item can support 3,260 average monthly caseload. In FY 2025, the Department carried an average monthly caseload of 2,616. In FY 2024, the average monthly caseload was 2,951. Caseloads have been driven by foster home capacity, as licensed homes declined from FY 2024 to FY 2025 by 5% (2,087 to 1,975). The declining licensed foster home capacity has been an on-going issue since the COVID-19 pandemic. The Department’s goal is to increase licensed foster homes through the Kinship Support contract.
  - b. Kinship Care special line item
    - ii. The Department requests \$5.0M General Fund surplus from Kinship Care special line item to Congregate Care special line item.
      - The Kinship Care special line item can support 6,083 children. Caseloads have declined by 10% from an average monthly caseload of 4,769 in FY 2024 to 4,276 in FY 2025. Much of the caseload decrease is attributed to fewer children entering the child welfare system and kinship families becoming Permanent Guardians.

Extended Foster Care General Fund Appropriation Requests – FY 2025

Pursuant to Laws 2024, Chapter 313, Section 17, the amount appropriated for any line item may not be transferred to another line item or the operating budget unless the transfer is reviewed by the Joint Legislative Budget Committee. The Department requests that the committee review the following General Fund (GF) transfer requests:

| BFY  | Special Line Item    | General Fund  | TANF          | Expenditure Authority | Total         |
|------|----------------------|---------------|---------------|-----------------------|---------------|
| 2025 | Extended Foster Care | \$2,192,000   | -             | -                     | \$2,192,000   |
|      | Adoption Services    | (\$2,192,000) | -             | -                     | (\$2,192,000) |
|      | <b>Total</b>         | <b>\$0.00</b> | <b>\$0.00</b> | <b>\$0.00</b>         | <b>\$0.00</b> |

- Extended Foster Care: To address solvency and the General Fund shortfall in the Extended Foster Care special line item, the Department requests a General Fund transfer of \$2,192,000 from the Adoption Services special line item. Without this appropriation transfer, the Extended Foster Care special line item will become insolvent by the end of May. As a result, the Department will be unable to pay obligations relating to the placements of extended foster care young adults. This will lead to an increased risk of homelessness for young adults aging out of the system and will result in these young adults no longer

receiving essential services to assist them in navigating living arrangements (shelter, employment, education) and ensuring an effective support system is in place for them to be successful. The Executive has approved an allotment change to shift a portion of Quarter 4 allotment to Quarter 3 to allow the Department to remain solvent in Quarter 3 and compensate providers through March.

Caseload: Throughout FY 2025, the Department has experienced a caseload increase, which is forecasted to reach a monthly average of 916 children in extended foster care placements by the end of FY 2025. The increase has been driven by the success of the Extended Foster Care Coaching program, which supports the Department’s effort to increase youths participating in the extended foster care program, where young adults have continuous assistance and support while pursuing higher education and/or employment. Caseloads in Extended Foster Care have increased 14% year over year compared to FY 2024.

- Structural Shortfall: Table 1 below demonstrates the FY 2025 Extended Foster Care special line item projected financial position. The Extended Foster Care appropriation is currently \$19.9 million. The Department forecasts expenditures of \$22.1 million, which is resulting in the shortfall forecasted at \$2.19 million GF. The Department has sufficient expenditure authority.

**Table 1: FY 2025**

|                        | <b>Extended Foster Care SLI</b>   |                   |
|------------------------|-----------------------------------|-------------------|
|                        | <i>(in \$1000)</i>                |                   |
|                        | <b>FY 2024</b>                    | <b>FY 2025</b>    |
| <b>Caseload</b>        |                                   | 806      916      |
| <b>Annualized Cost</b> | <b>\$17,627.1</b>                 | <b>\$21,940.5</b> |
| <b>Fund Sources</b>    |                                   |                   |
|                        | <b>GF</b>                         | <b>\$13,542.0</b> |
|                        | <b>EA</b>                         | <b>\$8,537.2</b>  |
|                        | <b>Needed Total Appropriation</b> | <b>\$22,079.2</b> |
|                        | <b>Current Appropriation</b>      | <b>\$19,887.2</b> |
|                        | <b>Shortfall</b>                  | <b>\$2,192.0</b>  |

- Adoption Services General Fund Surplus:
  - a. Adoption Services special line item
    - i. The Department requests \$2.19M General Fund surplus from the Adoption Services special line item to the Extended Foster Care special line item.
      - The Adoption Services special line item can support 33,046 average monthly caseload. With fewer children in the foster care population, there has been a decrease in case plans for adoptions, which has resulted in fewer finalized adoptions than previous years and lower projected monthly caseload at 31,838 in FY 2025. Additionally, adoption placements have reduced in daily costs since FY 2024 due to the adoption subsidy rate decreasing from \$21.92/day to \$21.78/day due to lower levels of care among placements. Due to reduced daily cost and lower than anticipated adoption caseload, the Department estimates \$2.19 million General Fund Surplus available in Adoption Services.

Sincerely,

Violeta Pivac  
Budget Manager

Page 4

Cc:

Kathrine Ptak, Director, Arizona Department of Child Safety

Alex Ong, Deputy Director, Arizona Department of Child Safety

Reynaldo Saenz, Assistant Director of Finance and Accounting, Department of Child Safety

Christopher Gustafson, Chief Legislative Liaison, Arizona Department of Child Safety

Steven Heinsma, Budget Analyst, Governor's Office of Strategic Planning and Budgeting

Maggie Rocker, JLBC Analyst, Joint Legislative Budget