



2025 Legislative Preview

Presentation to Maricopa Family Support Alliance

November 1, 2024

Children's Action Alliance



An Arizona where all children and families thrive.

Children's Action Alliance is an independent voice that identifies and eliminates barriers to the well-being of children and families and creates opportunities through partnerships and policy solutions.



The Arizona Center for Economic Progress

**Research & Data
Analysis**

**Policy Advocacy &
Education**

**Community
Outreach &
Partnership**

We work with advocates, policymakers, and communities to connect-the-dots between the inequities in our economy and solutions to create a fair and socially just Arizona.





INAUGURAL

FAMILIES FIRST POLICY FORUM

LEARN, SHARE, COLLABORATE

- ✓ Preventing and responding to poverty
- ✓ Addressing hunger, child care and paid leave
- ✓ Protecting child and maternal health

 **THURSDAY**
14 NOV, 2024

 **TIME**
9:00AM - 4PM

REGISTER NOW



November 14, 2024

@The Children's Museum of Phoenix

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wildfire

Igniting Community Action
to End Poverty in Arizona

ArizonaAlliance
FOR COMMUNITY HEALTH CENTERS



You're invited!



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Getting ready for next legislative session



Arizona legislature



Current makeup:

Arizona House of Representatives 2023-2024

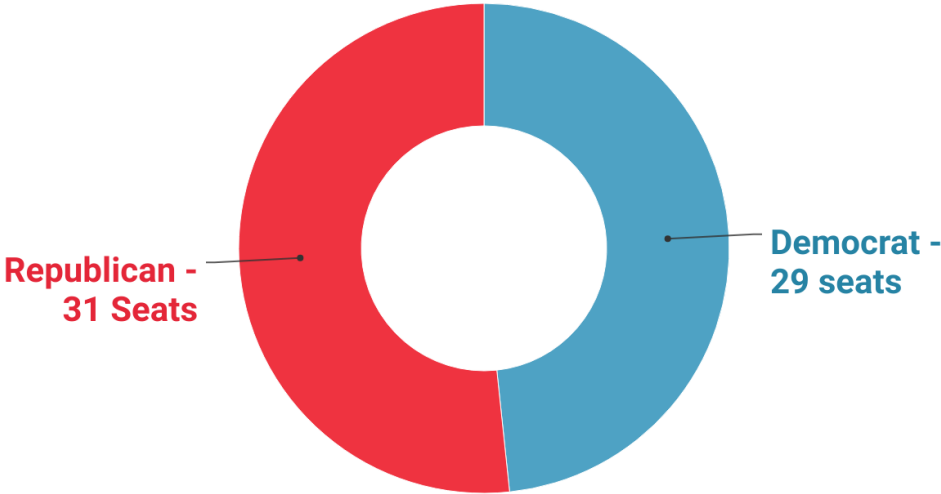


Chart: Children's Action Alliance • Created with Datawrapper

Arizona Senate 2023-2024

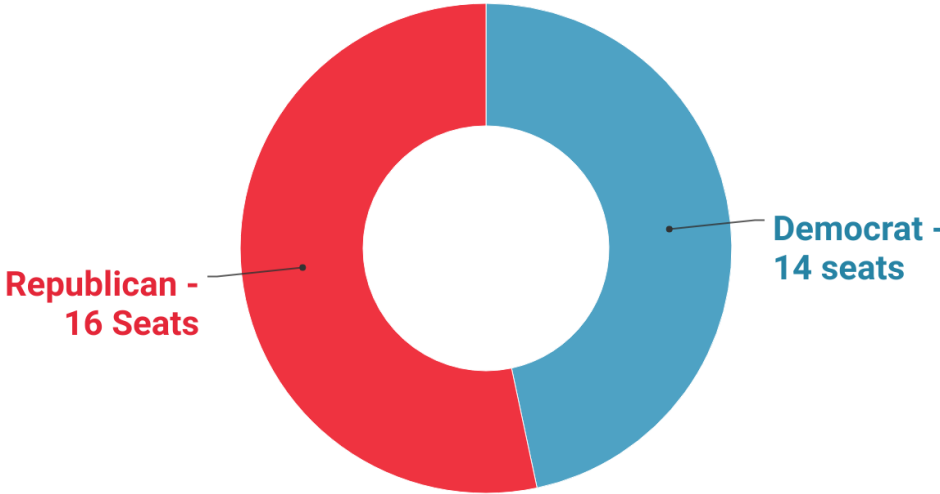
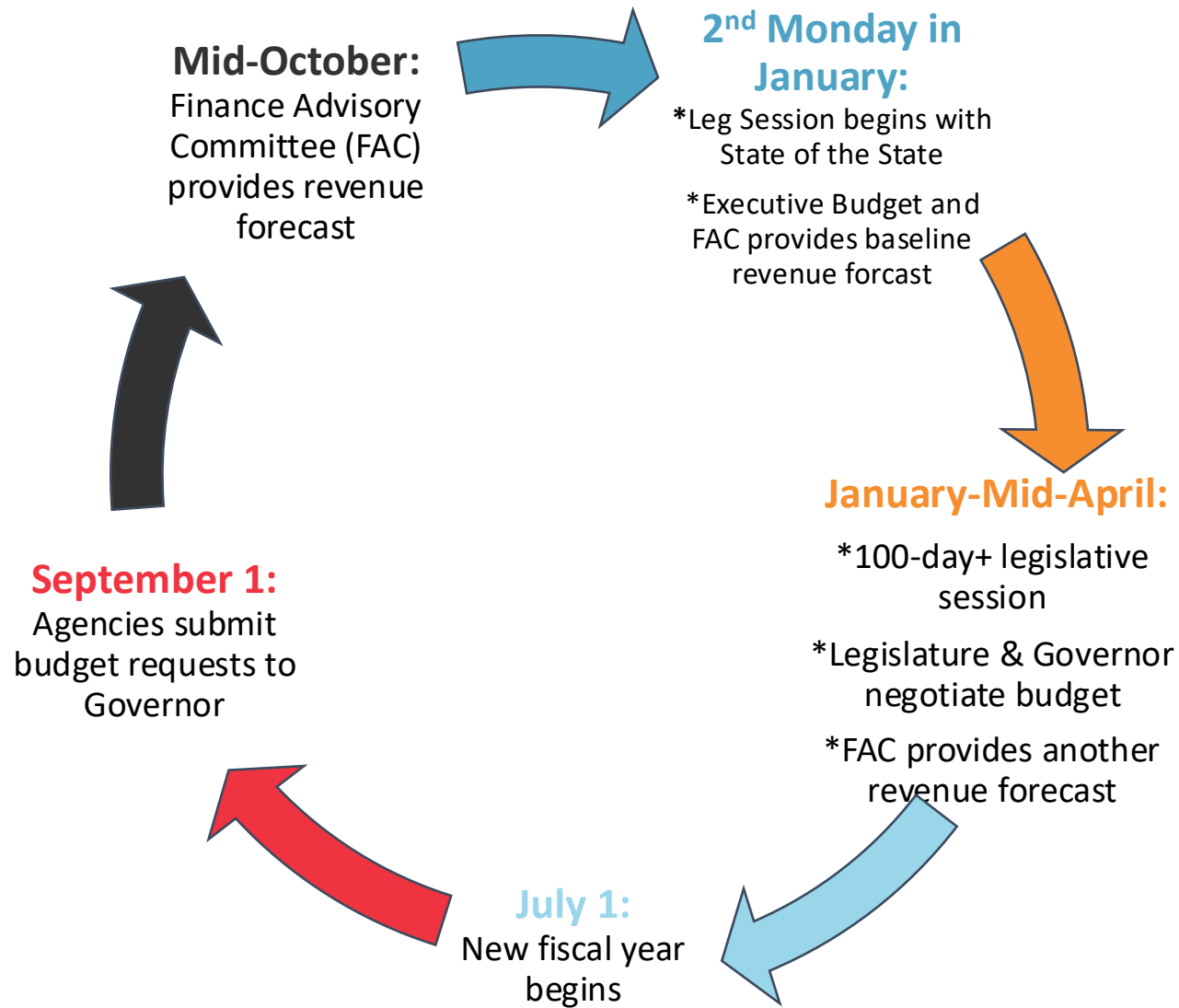


Chart: Children's Action Alliance • Created with Datawrapper

Arizona's annual budget cycle





Finance Advisory Committee

October 2024 Revenue Forecast



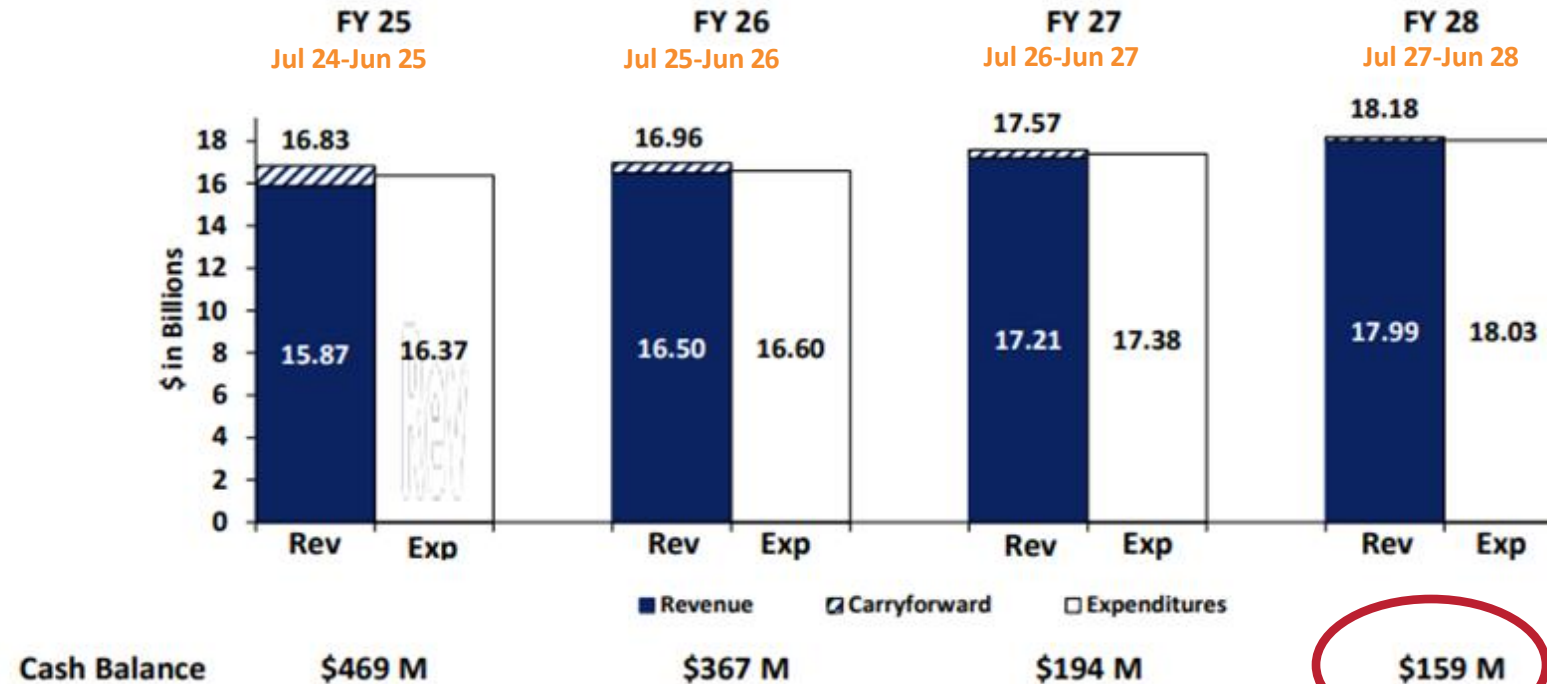
Revenue gains

Only have \$159 million to spend?



Projected Balance Falls to \$159 M by FY 28

- Each Year's Carryforward is Used to Balance the Following Year Budget





Ended with a \$425 million FY2024 forecast gain



About 60 percent of \$425M gain came from **non-tax revenues**

Total fiscal year 2024 forecast gain by revenue type

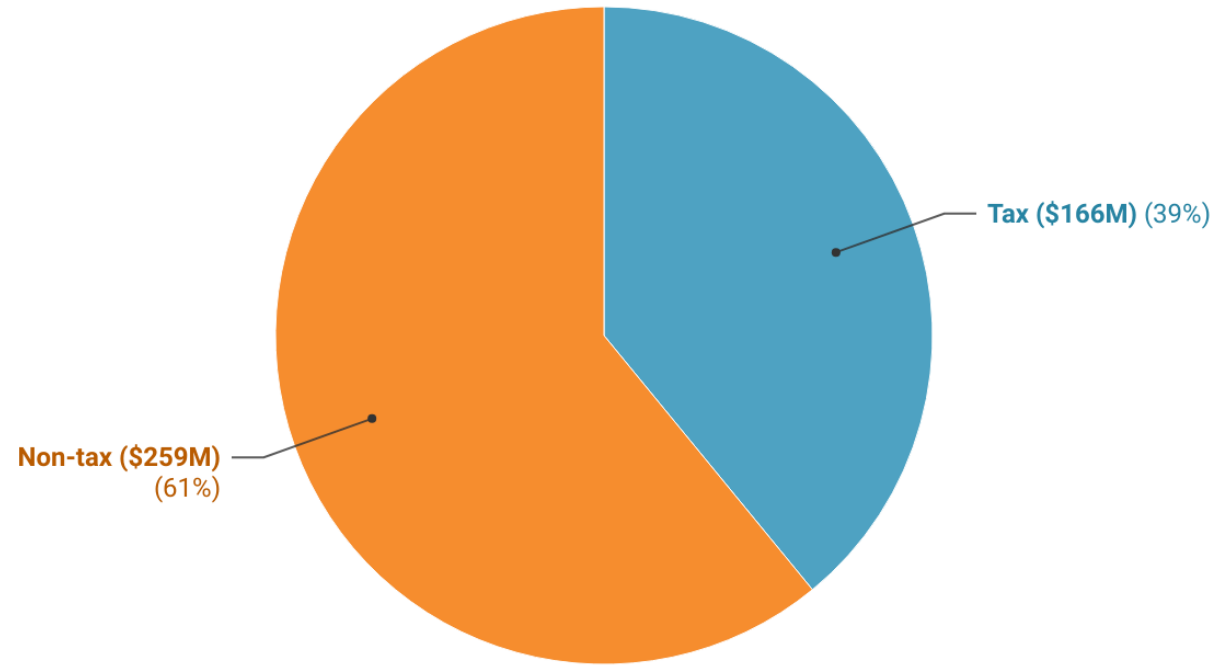


Chart: Arizona Center for Economic Progress • Source: Joint Legislative Budget Committee, Finance Advisory Committee Meeting October 2024 • Created with Datawrapper



\$109 million FY2025 1st quarter forecast gain



\$109 million 1st quarter gain mostly from Insurance Premium Taxes

Total fiscal year 2025 1st quarter gain by revenue source

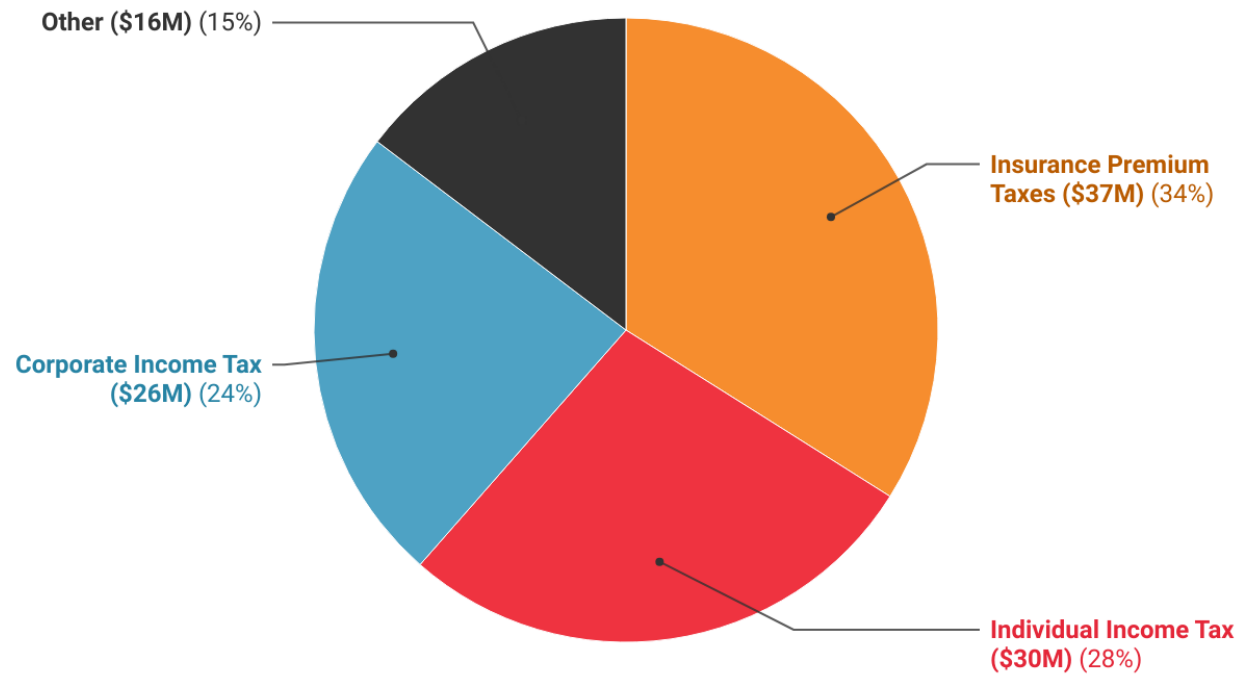


Chart: Arizona Center for Economic Progress • Source: Joint Legislative Budget Committee, Finance Advisory Committee Meeting October 2024 • Created with Datawrapper



Revenue forecast



Forecasting slow 1.8 percent revenue growth in FY2025



- Major tax categories would experience moderate growth:
 - Sales tax - 3.1 percent
 - Individual Income Tax - 5.7 percent
 - Corporate Income Tax - 3.2 percent
 - Insurance Premium - 7.5 percent
- Non-tax revenue will drop due to 2 main factors:
 - Highly volatile Medicaid Reconciliation Payments expected to fall 82 percent
 - Interest earnings forecasted to decline 33 percent



Spending adjustments



Fiscal year 2025 Supplemental Increases



- **DES Developmental Disabilities (\$76 million) :**
 - Mostly due to above-budget **capitation rate adjustment** of **11 percent** instead of **4 percent**
 - **Higher growth** partially due to **Parents as Paid Caregivers (PPCG) waiver**
 - Enacted budget **did not adjust DD funding** for **PPCG** due to uncertain cost
- **ADE – Basic State Aid (\$104 million):**
 - **\$61 million** for state share of prior year recalculations associated with ***Qasimyar* Property tax litigation**
 - **\$43 million** for revisions based on higher-than-anticipated **FY2024 state aid costs**



Fiscal year 2025 deletions for fiscal year 2026



- Examples of one-time funding in FY 2025 not carried over to FY 2026
 - **\$3.8 million** waive the reduced-price fee for school meals
 - **\$12 million** for child care assistance
 - **\$15 million** for Housing Trust Fund
 - **\$37 million** for Opportunity Weight
 - **\$12.5 million** for Healthy Families Program

Fiscal year 2026 Baseline Spending is expected to increase by \$232 million



FY 26 Ongoing Spending Changes

	<u>\$ in M</u>
ADE – K-12 Formula	524
Medicaid Formula	408
Other	(17)
Total	915

+

FY 26 One-Time Spending Deletions

	<u>\$ in M</u>
K-12 Building Renewal Grants	(183)
State Employee Health Insurance	(140)
ADE/DES Formula Supplementals	(180)
Other Agency Spending	(180)
Total	(683)

Total Spending Changes	\$232 M
Total Spending	\$16,597 M
% Change	1.4%





Breaking down the \$524 million K-12 increase



- Backfill loss of Prop 123 State Land Trust distribution:
- 2.0 percent inflation increase/other formula costs
- (0.9) percent district/charter enrollment decline
- 8.8 percent ESA student enrollment gain
 - Would bring totals to **90,000 students** and **\$912 million**

\$286 million
 +
 \$179 million
 +
 (\$31 million)
 +
 \$90 million

\$524 million



Fiscal year 2025 Supplemental Increases



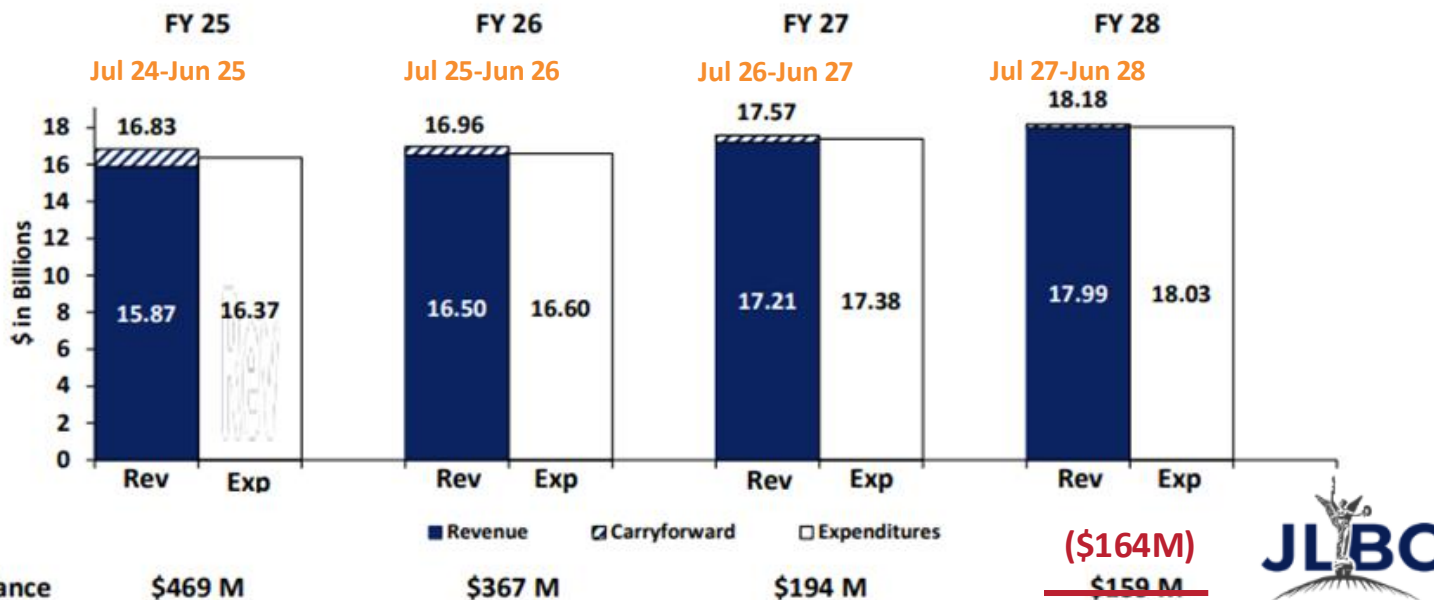
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Only have \$159 million to spend?



Projected Balance Falls to \$159 M by FY 28

- Each Year's Carryforward is Used to Balance the Following Year Budget



Excludes **\$323 million** in traditional “ongoing” one-time spending for **K-12 building repairs** and **state employee health insurance**

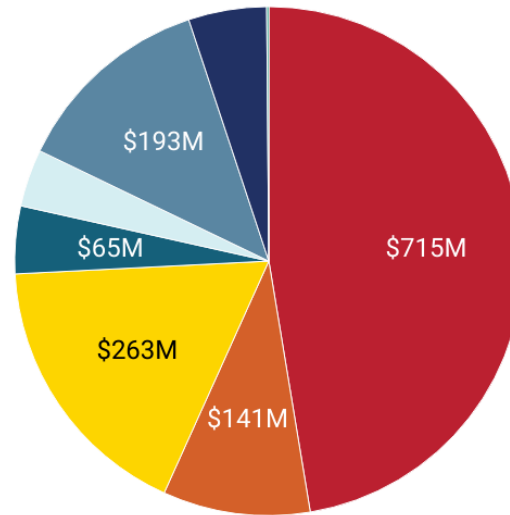
Are we really doing better?



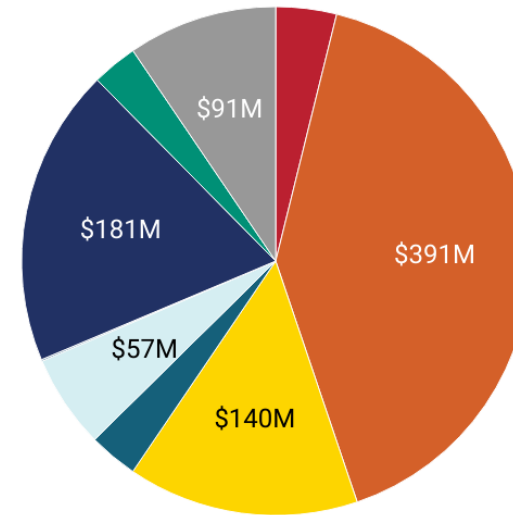
Fund transfers were mainly used to balance current budget while complete line item cuts will mostly balance the FY2025 budget

Types of budget tricks used to balance FY2024 and FY2025 budgets

- Fund transfers
- Complete cuts
- Partial cuts
- Surplus transfers
- Savings
- Delayed costs
- Cost shifts to other funds
- Repurposed costs
- Moves from ongoing to one-time



FY2024



FY2025

Chart: Arizona Center for Economic Progress • Source: Joint Legislative Budget Committee, Summary of FY2025 Budget Legislation • Created with Datawrapper



Agency Budget Requests for FY2026

September 2024

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Department of Education

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ADE - General Fund Requests



- **\$5 million** for increased costs for administering **Arizona English Language Learners Assessment (AZELLA)**
- **\$2.2 million** increased funding for 2 staff positions for the **Foundational Literacy Coaching Grant**
- **\$1.7 million** for increased cost for 10 staff positions for **Information Technology Operations**
- **\$250,000** for development and maintenance of **certification system**
- **\$1 million** for **Native American Code Writers Program**
- **\$435,600** for **Accountability and School Report Cards** application updates and 3 staff positions
- **\$190,300** for administrative cost including two staff positions for the **USDA summer electronic benefit transfer (S-EBT) /SUN Bucks program**



SUN Bucks (or Summer EBT) Program



- Provides a **\$120 grocery-buying benefit** to school-aged children living in families with low-incomes during the summer when schools are closed
- Ensures children living in low-income households continue to receive access to healthy, nutritious meals during the summer months when school meals are not available
- About **721,000 children in Arizona** are benefiting from this program
- Requires a 50% administrative funding match
 - DES cannot sustain its share of the administrative burden without additional matching funds

Expiration of Prop 123



- Since 2016, public schools have received an **increase of 6.9 percent** in funding from the state land trust distribution directed to **basic state aid**
- FY2026 budget will need to **back fill with \$286 million** from General Fund if Prop 123 expires

About 95 percent of the \$16.2 billion General Fund dollars in FY 2025 went to nine agencies

General Fund appropriations in state fiscal year 2025

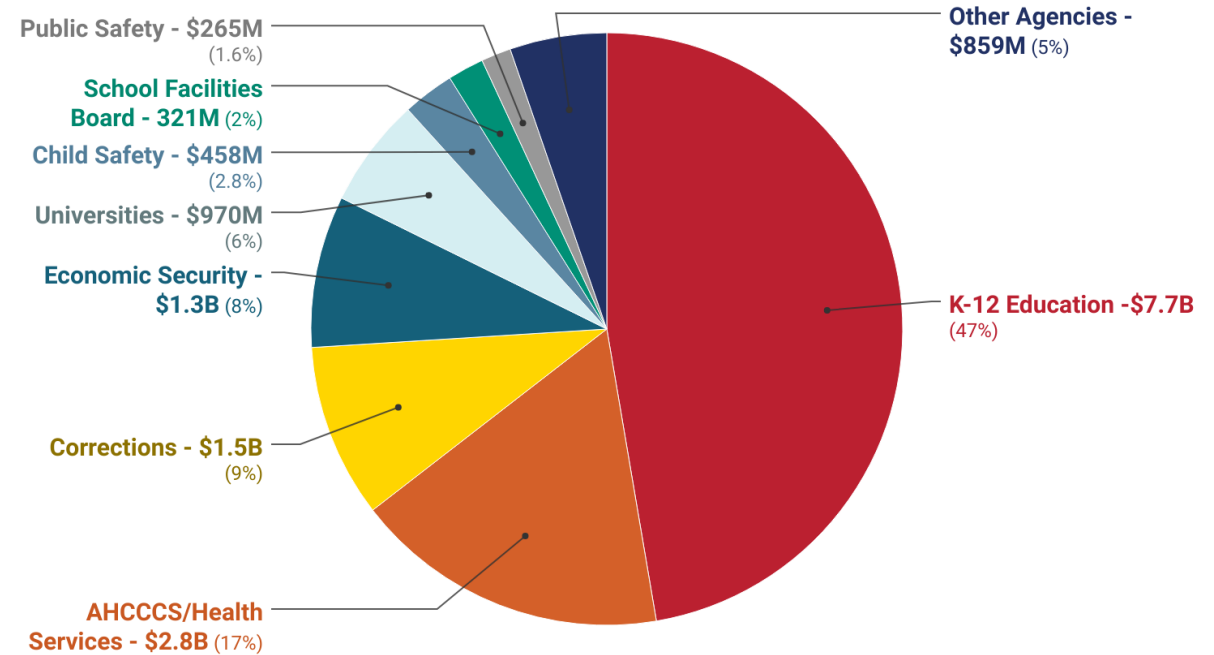


Chart: Arizona Center for Economic Progress • Source: Joint Legislative Budget Committee, FY 2025 Appropriations Report • Created with Datawrapper



Department of Economic Security

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DES - General Fund Requests



- **\$315.7 million** for Developmental Disability caseload growth/capitation rate increase
- **\$57.7 million** (+**\$51 million** CCDF) to compensate **Child Care** providers at federally required rates and to meet current demands
 - **Note:** Does not eliminate waiting list
- **\$17 million** to address a structural shortfall for **Adult Protective Services**
- **\$8.3 million** for **Information Technology Roadmap**
- **\$1.5 million** for **SUN Bucks Summer Food Program** administrative costs
- **\$1 million** for **Eligibility Income Verification** for determining medical eligibility



Department of Child Safety

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DCS - General Fund Requests



- **\$30.6 million** for Caregiver support and family-like settings to address increased costs plus loss of federal funding
 - **\$23.2 million** for Congregate Care
 - **\$7.4 million** for Foster Home Recruitment and Supervision
- **\$2.2 million** to address increased **Permanent Guardianship caseload (11 percent over two years)**
- **\$20.3 million** to address increased costs associated with implementing new **Child Welfare Information System**



DCS - Accomplishments



- **Out-of-home care population** has **fallen below 8,500 children** for the first time since January 2010
- Reduced the **utilization of Congregate Care**, reaching **below 1,500 children** in group homes and shelters the lowest in over a decade.
- Successfully implemented the **Kinship Support Services contract** to help support and license kinship caregivers helping to prevent children from being placed into congregate care settings
- Current **96 percent filled rate** of **1,406 Caseworker positions**, a feat only accomplished once in the last 8 years
- Established a **stand-alone prevention unit** to work with other state agencies, nonprofits, the faith community, and others to provide resources and supports to families to reduce child welfare system involvement and enable all children and families in Arizona to thrive.



Caregiver supports & family-like settings

Fiscal year 2025 supplemental

- **\$36.4 million** (\$29.4 million General Fund + \$7 million Expenditure Authority)
- To address the impact of **reduced federal reimbursement** from IV-E eligibility, **increased cost** of business, the **continued support** of Developmentally Disabled youth, and **continued support** for KSS

Line Item	Funding Issue	General Fund Request	Expenditure Authority Request	Total Funding Request
Home Recruitment, Supervision and Support	Kinship Support	\$0	\$7,000,000	\$7,000,000
Congregate Care	IV-E FFPSA	\$8,042,050	\$0	\$8,042,050
	GH Contract	\$11,000,000	\$0	\$11,000,000
	DDD Placements	\$10,349,406	\$0	\$10,349,406



Permanent Guardianship Subsidy Program



- Projected to reach **4,110 placements**
 - Current funding can only support **3,633 placements**, requiring **\$2.2 million**
 - Key program in **reducing the number of children in out-of-home care** with approximately 85% coming from kinship care



Continuing support for youth transitioning to adulthood



- Expected to increase from **860** to **890** in FY 2026, **requiring \$434k** in added expenditure authority
- Identified **increased need for transitional housing** to provide an appropriate step-down from supervised to less restrictive placements that meet the developmental needs
- Aims to **increase** transitional housing **capacity by almost 80%**, **from nearly 90 beds** at the end of FY 2024 **to expected 160** in FY 2026.





Kinship Placement Stabilization



- Implemented the **KSS program** to improve supports for kinship providers and minimizing barriers
 - KSS later became **Licensed Foster Families and Adoptive Families**
- Over the course of this short rollout, DCS has referred **over 1600 families** to receive KSS supports
 - **445** of previously under-supported families now have an open application for foster care licensure.



Group Homes



- DCS is combating:
 - **Reduced IV-E funding** due to FFPSA,
 - **Increased placement rates** from contract solicitation, and
 - **Continued support** of children with developmental disabilities
- Requests **ongoing \$23 million** to support:
 - **\$6 million** to fund permanent **federal funding loss** from FFPSA implementation
 - **\$8.3 million** for **solicitation cost** of the Group Home provider network
 - **\$8.8 million** to **continue placement** of Group Home children with Developmental Disabilities



DCS Goals

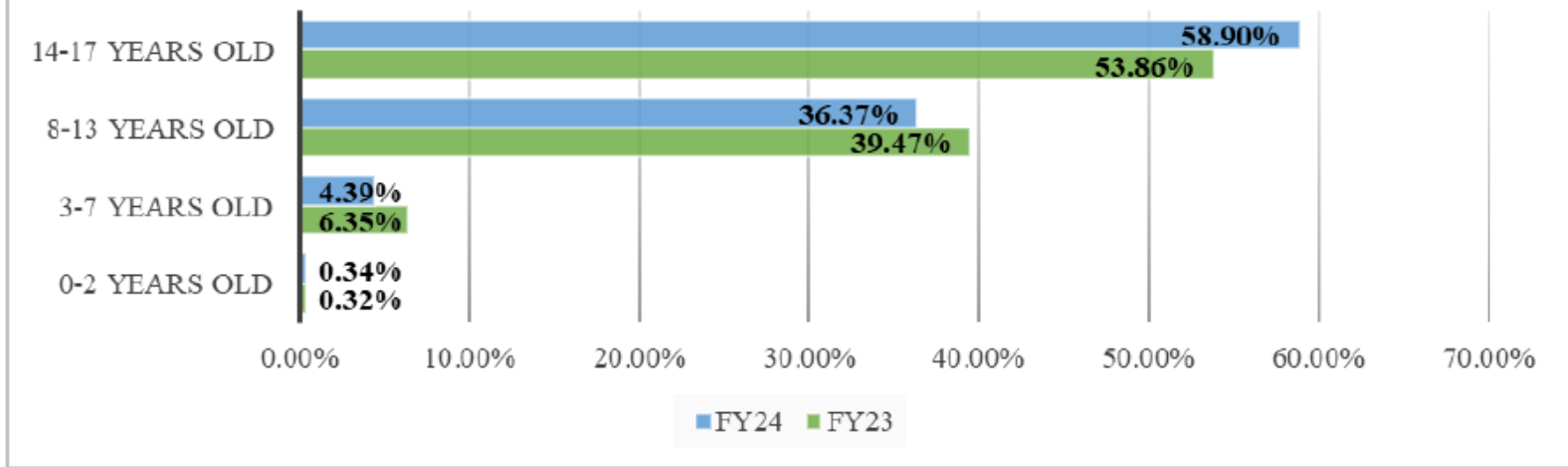


- **Increase** family-like settings and **further reduce** reliance on group home facilities
- **Kinship Support Services (KSS) and Foster Adoption Support (FAS)** contracts in FY 2024 have already increased caregiver support to help recruit and retain kinship and licensed foster families



Arizona Department of Child Safety
FY 2026 Decision Package: Caregiver Supports & Family-Like Settings

Current Age Ranges of Children in Group Home Placements



OBJ



Arizona Health Care Cost Containment System (AHCCCS)

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AHCCCS - General Fund Requests



- **\$224.5 million** for caseload/capitation increases
 - **\$5.3 million** for KidsCare
- **\$11.4 million** for support for increasing workload/caseload
- **\$1.2 million** for **UofA Arizona Perinatal Psychiatry Access Line**
- **\$10.5 million** for **Crisis Services**



KidsCare - \$5.3 million



- Beginning in FY 2024, KidsCare **eligibility increased** from 200% FPL to 225% of the federal poverty level (FPL).
- KidsCare projected to increase at a greater rate than other programs in next two years
- Without additional funding, AHCCCS may cap KidsCare enrollment to reduce costs.
- Also requesting **\$319,100** for **Medicaid Assistance and Specialty Programs (MASP) Unit** to hire additional staff



Arizona Perinatal Access Line (A-PAL) - \$1.2 million



- **Perinatal** is the period of time when one becomes pregnant and up to a year after giving birth.
 - Maternal health influences the child's health in the first five years
- In Arizona, there are **many barriers to accessing** high-quality and immediately responsive perinatal mental health services
 - **A-PAL** helps address these challenges and provide equitable access across the state, including to residents living in border communities and tribal nations that were severely impacted by the pandemic



Questions



Matt Jewett

Director of Health Policy

mjewett@azchildren.org

Geraldine Miranda

Economic Policy Analyst

gmiranda@azeconcenter.org