



**ARIZONA
COUNCIL**
OF HUMAN SERVICE PROVIDERS

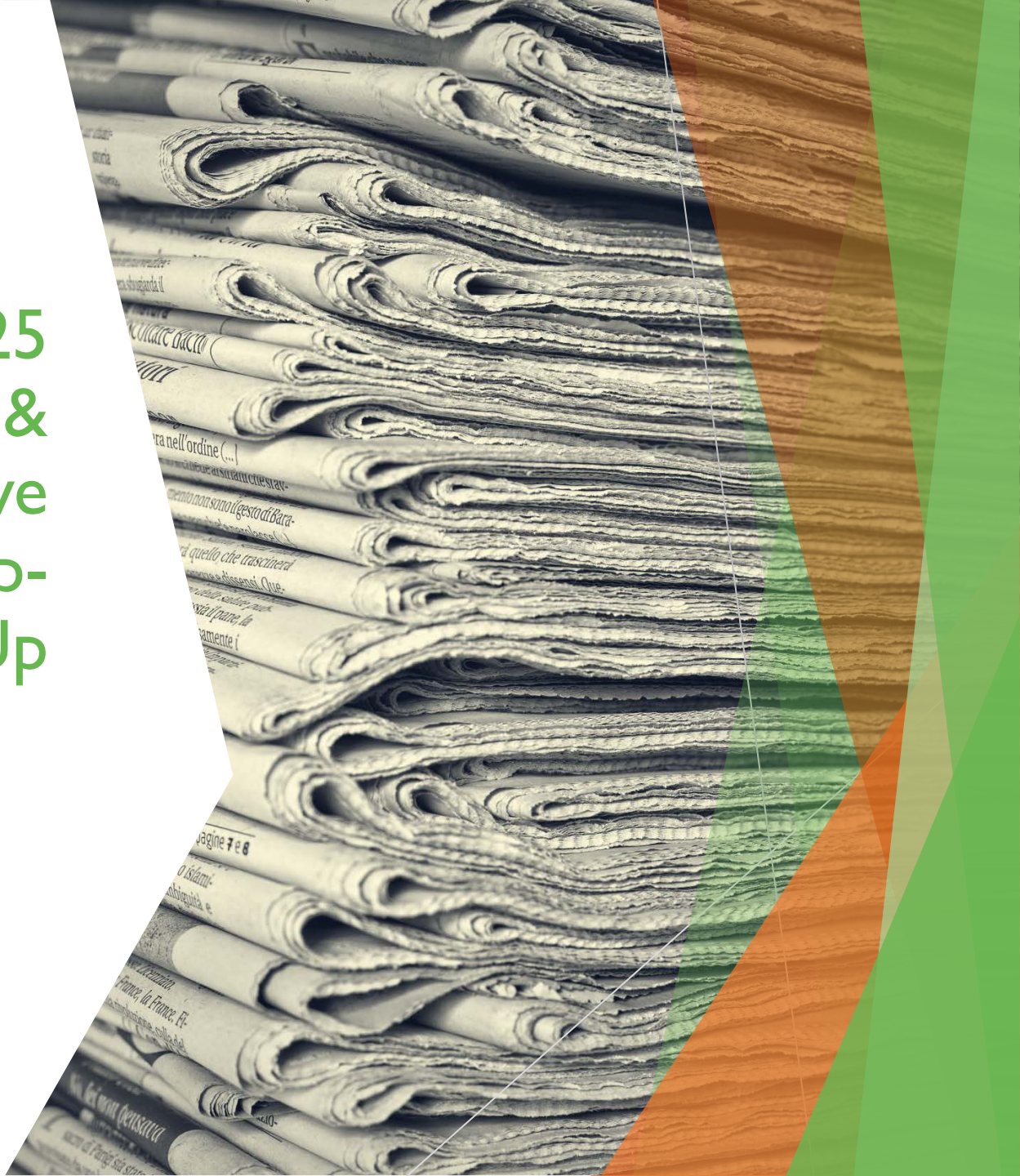
POLICY UPDATE

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Arizona 2025 State Budget & Legislative Session Wrap- Up



Bipartisan Budget Overview



Negotiated budget passed after initial partisan gridlock



Prioritizes one-time investments and targeted ongoing funding

Health & Human Services Investments

\$45M for childcare
assistance

\$17.5M for homeless
services & \$5M for
aging housing
assistance

Funding for AHCCCS
traditional healing,
speech therapy &
cochlear implants

\$4.3M for rural
critical access
hospitals

\$4M for graduate
medical education

\$1.5M for nursing
education at
community colleges

\$1M for veterans'
mental health
programs

\$750K dementia
awareness campaign

\$600K Child Family
Representation Pilot
Program

Support for Rural
Maternal Health
Advisory Committee

Other Budget Priorities



SALARY INCREASES FOR
STATE LAW
ENFORCEMENT



AZ PROMISE
SCHOLARSHIP
FUNDING



SCHOOL LUNCH
RESOURCES & FACILITY
IMPROVEMENTS



TRANSPORTATION
PROJECTS &
INNOVATION
FUNDING



IBOGAINE CLINICAL
RESEARCH: \$5M



HEALTHCARE
INTEROPERABILITY
GRANTS: \$1M

Legislative Session Highlights

Highly political and prolonged session (166 days)

Record number of vetoes by Governor Hobbs (174)

Key bipartisan progress on water, criminal justice, and housing

Contentious debates over agency oversight and budget control

Political Outlook

Partisan tensions likely to persist into 2026 election cycle

Both parties used session to highlight campaign priorities

Potential for continued gridlock on major policy initiatives

Expect ongoing disputes over budget control and agency oversight

Health and human services funding will remain a key negotiation point

HR I



Overview of HR I, also called the Big Beautiful Bill



Focus on impacts to Medicaid, SNAP, and Higher Education



Implications for Health and Human Services providers

Medicaid

§71101 – Home equity limit: From Jan 1, 2028, states can't bypass federal home value cap for Medicaid nursing care.

§71109 – Eligibility: From Oct 1, 2026, federal funds cover only citizens, nationals, or LPRs (few exceptions).

§71118 – Waiver budget rules: State Medicaid experiments can't cost the feds more than regular Medicaid.

§71114–§71117 – Provider payments: Tighter rules on provider taxes and big state payments.

§71119 – Work requirements: Some adults must meet work or service rules unless exempt.

§71120 – Cost-sharing: Higher out-of-pocket for certain adults above income threshold.

§71121 – HCBS: Updates to home/community care coverage rules.

Real State Budget Exposure: Provider Tax Caps

HR 1 limits provider taxes, a major AHCCCS financing source.

By FY2032, Arizona would collect ~\$600M/year less from provider taxes.

Lost state funds mean ~\$1.8B/year less in federal Medicaid match.

Total AHCCCS budget impact ≈ \$2.4B/year without state action.

Backfill Options for Arizona

Option 1: Replace Lost Provider-Tax Revenue

- State invests ~\$600M/year by FY2032.
- Preserves ~\$1.8B/year in federal match.
- Avoids ~\$2.4B/year in AHCCCS cuts.

Option 2: No Backfill

- AHCCCS budget reduced by ~\$2.4B/year by FY2032.
- Potential provider payment cuts and service reductions.
- Greater uncompensated-care burden on hospitals

SNAP

§10101 – Locks in food cost formula, only inflation adjustments; no major hikes before Oct 1, 2027.

§10102 – Clarifies who's exempt from work rules (e.g., under 18, over 65, medically unfit, caregivers, pregnant, Native American).

§10103 – Utility allowance auto-applies only if elderly or disabled member present.

§10104 – Internet costs excluded from shelter deductions.

§10105 – States with high payment errors pay more (from FY2028).

§10106 – Federal share of admin costs drops from 50% to 25% in FY2027.

§10107 – Ends national nutrition/obesity grant after FY2025.

§10108 – Restricts immigrant eligibility to citizens, LPRs, certain entrants, COFA migrants.

Estimated Fiscal Impact to Arizona

State cost-sharing for SNAP benefits begins FY2028:

- Annual benefits \approx \$2.015B.
- State share: 5%=\$101M; 15%=\$302M; 25%=\$504M depending on payment error rate.

SNAP administration costs increase immediately:

- State share rises from \sim \$93.1M \rightarrow \sim \$139.6M (+\$46.5M/year).

Higher Education & Workforce Development



§81001 – Ends Grad PLUS from July 1, 2026; new caps for grad/unsubsidized and Parent PLUS loans.



§83002 – Workforce Pell Grants from 2026–27 for short, job-focused programs meeting quality/earnings standards.



§83001 – Pell eligibility tightened: counts foreign income, bars high-income households, removes some exceptions (July 1, 2026).



§82003–§82005 – Borrower relief: rehab loans twice, limit forbearance, PSLF credit, +\$1B servicing funds.



§84001 – No aid for programs with low graduate earnings (from July 1, 2026).

Conclusion



Summary of potential challenges for providers



Strategies to mitigate negative impacts



Importance of advocacy and policy engagement



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Questions?

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