JOINT LEGISLATIVE BUDGET COMMITTEE

Wednesday, December 18, 2024

9:30 a.m.

Senate Hearing Room 109

JLBC

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

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JOINT LEGISLATIVE BUDGET COMMITTEE
Wednesday, December 18, 2024
9:30 A.M.
Senate Appropriations, Room 109

MEETING NOTICE

- Call to Order

- Approval of Minutes of September 26, 2024.

- EXECUTIVE SESSION
  A. SECRETARY OF STATE - Review of FY 2025 Election Services Line Item Transfer Per A.R.S. § 38-431.03 (A)(9).
  *B. JLBC Annual Performance Review Per Rule 7.
  *C. ARIZONA DEPARTMENT OF ADMINISTRATION - Risk Management Annual Report Per Rule 14.
  D. ATTORNEY GENERAL - Consideration of Proposed Settlements Per Rule 14.

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

2. *ARIZONA DEPARTMENT OF ADMINISTRATION - Consider Approval of State Employee Travel Rate Adjustments.

3. *DEPARTMENT OF CHILD SAFETY - Review of Line Item Transfers.

4. *DEPARTMENT OF ECONOMIC SECURITY - Review of Plan for the Arizona Training Program at Coolidge.

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

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

7. DEPARTMENT OF ENVIRONMENTAL QUALITY - Solid Waste Program Fee Updates (Discussion Only).

8. AHCCCS/DEPARTMENT OF ECONOMIC SECURITY - Capitation Rate Changes for Plan Year 2025.

* Consent Agenda - These items will be considered in one motion and no testimony will be taken.

The Chairman reserves the right to set the order of the agenda.
12/10/2024
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.

MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

September 26, 2024

The Chairman called the meeting to order at 9:36 a.m., Thursday, September 26, 2024, in Senate Hearing Room 109. The following were present:

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

APPROVAL OF MINUTES

Representative Chaplik moved that the Committee approve the minutes of May 1, 2024. The motion carried.

Chairman Kavanagh announced that the following consent agenda item was being held:

5. AHCCCS/DEPARTMENT OF ECONOMIC SECURITY – Review of Capitation Rate Changes for Plan Year 2025.

CONSENT AGENDA

The following items were considered without further discussion:

B. ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Review for the Committee the Planned Contribution Strategy for State Employee and Retiree Medical and Dental Plans as Required Under A.R.S. § 38-658A

A.R.S. § 38-658A requires that, at least 10 days before ADOA enters into, or renews, contracts for medical and dental insurance coverage, the Director of ADOA meet with and review for the Committee, in Executive Session, the planned contribution strategy for each coverage plan. The contribution strategy refers to the portion of insurance premiums paid by state employees and by the state as an employer. ADOA requested review of its planned contribution strategy for Plan Year (PY) 2025. The JLBC Staff provided options.

1. ARIZONA BOARD OF REGENTS (ABOR) – Review of FY 2025 Tuition Revenues.

An FY 2025 General Appropriations Act footnote requires ABOR to submit to the Committee for review an expenditure plan for all projected FY 2025 tuition and fee revenues by expenditure category. The JLBC Staff provided options.

2. ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) – Consider Approval of Requested Transfer of Appropriations.

A.R.S. § 35-173 requires Committee approval of any transfer of spending authority within ADOA. ADOA requested review of a transfer of $1,800,000 of Risk Management Revolving Fund Monies from the Workers' Compensation Losses and Premiums line item to the Risk Management Administrative Expenses line item in FY 2024 to pay for the higher-than-budgeted expenses of Attorney General contracted legal staff. The JLBC Staff provided options.

3. ATTORNEY GENERAL (AG) – Review of Uncollectible Debts.

A.R.S. § 35-150E requires that the AG's annual report on uncollectible debts owed to the state be reviewed by the Committee before the debt can be removed from the state accounting system. The AG requested review of the AG's FY 2024 list of $30,201,500 in uncollectible debt. The JLBC Staff provided options.

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

Pursuant to A.R.S. § 41-1724G and A.R.S. § 41-1724H, DPS is required to submit to the Committee for review the FY 2025 expenditure plan for GIITEM Border Security and Law Enforcement Subaccount prior to expenditure. DPS requested review of the expenditure plan of $1,346,400 of the $2,396,400 FY 2025 appropriation to fund 3 existing programs: Detention Liaison Officer Program ($420,000), Border County Officers ($576,400), and Border Crimes Unit ($350,000). 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.

7. ARIZONA DEPARTMENT OF ADMINISTRATION/AUTOMATION PROJECTS FUND (APF) - Review of Automation Projects for ADOA One-Stop Portal, DWR Application Modernization and DES Client Authentication Portal.

A.R.S. § 41-714 requires Committee review prior to expenditure of any monies from the APF. ADOA requested review of 3 projects as follows:

1. $2,114,300 for FY 2025 maintenance and operations of ADOA's Business One-Stop Portal,
2. $2,500,000 for the Department of Water Resources IT Application Modernization, and
3. $6,000,000 for the Department of Economic Security Client Authentication Portal.

The JLBC Staff provided options.

Representative Chaplik moved *that the Committee approve consent agenda item 2 and give a favorable review of consent agenda items 1, 3, 6, and 7 with the JLBC Staff provisions. He further moved the Committee give a favorable review to the Executive Session item from the Arizona Department of Administration regarding the planned contribution strategy for state employee and retiree medical and dental plans.* The motion carried.

REGULAR AGENDA

4. ARIZONA DEPARTMENT OF EDUCATION (ADE) – Review of K-12 Broadband Connectivity Projects.

Mr. Gordon Robertson, JLBC Staff, stated A.R.S. § 15-249.07 requires ADE to submit for Committee review its annual report on K-12 broadband connectivity construction projects. The JLBC Staff provided options.

Elizabeth Neeley, Chief Information Officer, Department of Education, responded to member questions.

Representative Chaplik moved *that the Committee give a favorable review of ADE's annual report on the K-12 broadband connectivity construction projects.* The motion carried.

8. ARIZONA DEPARTMENT OF CORRECTIONS (ADC) – Review of FY 2025 Vacancy Savings Reallocation.

Mr. Geoff Paulsen, JLBC Staff, stated an FY 2025 General Appropriations Act footnote requires ADC to submit an expenditure plan for review by the Committee prior to spending any monies appropriated for Personal Services and Employee Related Expenditures (ERE) on anything other than Personal Services or ERE. ADC requested the Committee review of the department's plan to spend a total of $11,032,700.

The JLBC Staff provided options and a potential Chairman's provision:

A. As part of its December 15, 2024 semi-annual staffing report, ADC shall report to the Committee on the current status of correctional officer recruitment and retention and the department's plans and initiatives to improve staffing and reduce correctional officer vacancy levels.

Representative Chaplik moved *that the Committee give a favorable review of ADC's reallocation plan with the Chairman's provision.* The motion carried.

EXECUTIVE SESSION - Arizona Department of Administration, Risk Management Services - Consideration of Proposed Settlements under Rule 14.

Representative Chaplik moved that the Committee go into Executive Session. The motion carried.

At 9:50 a.m. the Joint Legislative Budget Committee went into Executive Session.
Representative Chaplik moved that the Committee reconvene into open session. The motion carried.

At 11:25 a.m. the Committee reconvened into open session.

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

1. *Acosta. v. State of Arizona, et al.*
2. *William Alexander v. Arizona Board of Regents, et al.*
3. *Mackenzie Brown v. State of Arizona, et al.*
4. *Mark Gale, et al. v. State of Arizona, et al.*
5. *Carolyn Harris v. State of Arizona, et al.*
6. *McKown & Malmberg Families v. Adult Probation Department, et al.*
7. *Christopher Mur and Morgan Leckliter, husband and wife, Individually, and Christopher Mur on behalf of all Statutory Beneficiaries of Decedent Virginia Ann Mur v. State of Arizona; Arizona Department of Transportation; Thomas Grader and Sabrina Grader, husband and wife*

The motion carried.

Without objection, the meeting adjourned at 11:25 a.m.

Respectfully submitted:

Kristy Paddack

Kristy Paddack, Secretary

Richard Stavneak

Richard Stavneak, Director

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/.

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STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

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azjlbc.gov

HOUSE OF REPRESENTATIVES

DATE: December 11, 2024

TO: Members of the Joint Legislative Budget Committee

FROM: Destin Moss, Assistant Fiscal Analyst

SUBJECT: Arizona Department of Administration/Automation Projects Fund - Review of Automation Projects for ADOA HRIS Modernization, AHCCCS MES Modernization, DPS Conceal Weapons Tracking System, and DHS A to Z Portal Participation

Request

A.R.S. § 41-714 requires Committee review prior to any monies being expended from the Automation Projects Fund (APF). The Arizona Department of Administration (ADOA) requests Committee review of 4 projects:

1) $6,841,200 for ADOA's Human Resources Information System (HRIS) Modernization,

2) $3,396,000 for the Arizona Health Care Cost Containment System (AHCCCS) Medicaid Enterprise System (MES) Modernization,

3) $494,500 for the Department of Public Safety (DPS) Concealed Weapons Tracking System, and

4) $700,000 for the Department of Health Services (DHS) to prepare for participation in the A to Z Portal.

Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the requests.

2. An unfavorable review of the requests.

Key Points

ADOA requests review of the following APF expenditures:

1) $6.8 million for ADOA's HRIS Modernization.
2) $3.4 million for the AHCCCS MES Modernization.
3) $494,500 for the DPS Concealed Weapons Tracking System.
4) $700,000 for DHS to prepare for participation in the A to Z Portal.

Analysis

ADOA – HRIS Modernization

ADOA operates the Human Resources Information System (HRIS), the state's central hub for salary and benefit administration, employee records, time and leave management, and other workforce data. In FY 2023, ADOA began working on a project to replace the current HRIS system, which is nearing the end of its useful life.

The FY 2023 and FY 2024 budgets included a total of $43.0 million for this project. The FY 2025 budget included an additional $6.8 million for this project. ADOA is requesting review of the entire FY 2025 appropriation to complete the first phase of the project and begin the second phase of development.

As part of ADOA's FY 2026 budget request, the agency estimated that it will need an additional $8.0 million for final-year development costs, in addition to $3.7 million for system administration and operation.

AHCCCS – MES Modernization

AHCCCS currently utilizes a mainframe-based application, which was developed using a now-outdated coding standard, to support its core business operations. The primary objective of the MES Mainframe Modernization project is to migrate the AHCCCS mainframe system to the cloud.

The FY 2024 budget included $13.2 million for Statewide HHIS Technology Projects, of which $2.8 million was dedicated to the MES Mainframe Modernization project. The FY 2025 budget included an additional $3.4 million for this project. ADOA is requesting review of the entire amount for continued development.

AHCCCS has estimated the project will cost a total of $114.3 million to complete. State costs are expected to be $13.4 million, as most of the funding for this project will come from federal funds. Additional funding will come from the state of Hawaii, which currently shares Medicaid systems with AHCCCS.

DPS – Concealed Weapons Tracking System

The FY 2020 budget included $410,000 for the replacement of the DPS Concealed Weapons Tracking System. The project was originally completed at the end of FY 2021, but the agency sought further upgrades to the system and received an additional $550,000 in the FY 2022 budget for system enhancements.

The FY 2024 budget included an additional $494,500 to continue to add features to the new system. ADOA is requesting review of the entire FY 2024 appropriation, which it will use to automate the review of some permit applications, replace physical letters to applicants with electronic ones, and improve tracking of applicants' criminal histories.

DHS – Preparation for A to Z Portal Participation

The FY 2024 budget included $15.0 million for Statewide HHIS Technology projects. The FY 2025 budget reduced that amount to $13.2 million and specified that $6.7 million was for a new platform to authenticate individuals applying for health and human service programs. At the September meeting, the Committee gave a favorable review of ADOA's plan to use $6.0 million of this appropriation in conjunction with the Department of Economic Security (DES) to create the platform, now called "A to Z Arizona."

In addition to DES, the Department of Health Services (DHS), AHCCCS, and ADOA have all agreed to participate in the new system. The system will provide verified users with a single, centralized, state-level account to allow for secure access to all state services.

ADOA is requesting review of the remaining $700,000 to begin data management and planning work to prepare DHS for integration into the new portal.

DM:kp

Katie Hobbs
Governor

Elizabeth
Alvarado-Thorson
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR
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November 26, 2024

The Honorable David Livingston, Chairman
Arizona House of Representatives
Joint Legislative Budget Committee
1700 West Washington Street
Phoenix, Arizona 85007

The Honorable John Kavanagh, Vice-Chairman
Arizona State Senate
Joint Legislative Budget Committee
1700 West Washington Street
Phoenix, Arizona 85007

Dear Representative Livingston and Senator Kavanagh:
The Arizona Department of Administration (ADOA) is submitting this request for review of fiscal year 2025 Automation Projects Fund (APF) expenditure plans for the following projects:

- Department of Administration - HRIS Modernization,
- Arizona Health Care Cost Containment System (AHCCCS) - Medicaid Enterprise System Mainframe Project,
- Department of Public Safety (DPS) - Concealed Weapons Tracking System,
- Department of Health Services (DHS) - Statewide HHIS Technology Projects.

The attached documents contain a detailed explanation of the proposed projects. We will be happy to meet with your staff to provide further explanation as appropriate.

Sincerely,

J.R. Sloan
State CIO

Enclosures
cc: Richard Stavneak, Director, JLBC Staff
Sarah Brown, Director, OSPB
Elizabeth Alvarado-Thorson, Director, ADOA
Geoff Paulsen, JLBC Staff
Destin Moss, JLBC Staff
Kyley Jensen, OSPB Staff
Rémy Gaudin, OSPB Staff
Jacob Wingate, Chief Financial Officer, ADOA

ARIZONA
DEPARTMENT OF **ADMINISTRATION**

Favorable Review Request Summary				
Agency	Project Name	APF Appropriation	Favorably Reviewed	Favorable Review Requested
ADOA	FY25 AZ360 / HRIS Modernization	$6,841,200	$0	$6,841,200
AHCCCS	FY25 Medicaid Enterprise System (MES) Modernization	$3,396,000	$0	$3,396,000
DPS	FY24 Concealed Weapons Tracking System	$494,500	$0	$494,500
DHS	FY24 Statewide HHIS Technology Projects	$13,200,000	$12,500,000	$700,000

ARIZONA
DEPARTMENT OF ADMINISTRATION

Agency: **Arizona Department of Administration - ADOA**

Project: **HRIS Modernization**

Appropriation: **Replacement of the Human Resources Information System**

CURRENT REQUEST

The Department of Administration is requesting a favorable review of the FY 2025 appropriations for the replacement of the Human Resources Information System, including $5,521,200 from the Automation Projects Fund HRIS subaccount and $1,320,000 from the Automation Projects Fund, to continue the first phase and begin the second phase of the Human Resources Information System (HRIS) Modernization Project. This project consists of replacement of the State of Arizona's enterprise HRIS before the current system reaches "end of life," expected to occur between 2024 and 2027.

FY 2023 Appropriation	FY 2023 Favorably Reviewed	FY 2023 Current Request	FY 2023 Remaining APF Funds Yet to be Reviewed
$22,397,800	$22,397,800	$0	$0

FY 2024 Appropriation	FY 2024 Favorably Reviewed	FY 2024 Current Request	FY 2024 Remaining APF Funds Yet to be Reviewed
$20,647,800	$20,647,800	$0	$0

FY 2025 Appropriation	FY 2025 Favorably Reviewed	FY 2025 Current Request	FY 2025 APF Remaining Balance
$6,841,200	$0	$6,841,200	$0

The State's current aging HRIS is an on-premise, 20-year-old legacy system that has been bolstered over its lifecycle with many third-party HR add-on systems to meet the State's workforce needs. The new, modern HRIS will be a cloud-based solution with an application leader, on par with our peers in state governments nationally. The solution will fill many gaps we currently experience in our existing HRIS. It will be a fully integrated system, allowing users access to the data they need without having to navigate numerous systems and will also enable the decommissioning of the supplemental systems currently deployed. The solution will incorporate user access management best practices and be AZRAMP compliant, ensuring data security and integrity. In addition, the solution can be accessed using multiple device types including mobile phones and tablets, meeting the needs of our diverse workforce and retirees on whatever device they prefer. Robust reporting and dashboards will allow users to analyze and take immediate action on information being reported to them.

The solution will be deployed in a vendor's cloud, with upgrades performed by the vendor at no additional cost at scheduled times throughout the year. The solution will be highly configurable and eliminate the need to perform most, if not all, customizations. Additionally, future upgrades will not impact the State's configuration. Regularly scheduled upgrades will allow the State to stay current with new features, industry trends and take advantage of implementing best practices that have been proven throughout both private and public sectors. The many benefits of the new solution will position the State to attract, retain and manage top talent for years to come.

The FY 2025 activities in support of the HRIS Modernization Program will continue to focus on reports configuration, interface configuration, training, data conversion, parallel payroll testing, and change management activities.

PROJECT DESCRIPTION

Background

Issues with the current HRIS:

- It is outdated, operating on legacy software (COBOL) that will lose vendor support by 2027.
- This lack of support will expose the state to security vulnerabilities and compliance issues.
- The system's reliance on an aging technical staff nearing retirement further exacerbates the risk of operational disruptions and increased costs.
- The current HRIS lacks essential functionalities, necessitating manual procedures and the use of multiple third-party systems, leading to inefficiencies and compliance risks.

Key issues highlighted in the 2018 HRIS Feasibility Study:

- Predominantly manual HR procedures.
- Difficulty in obtaining metrics for agency scorecards.
- Failure to meet agency needs for functionalities like future-dated transactions and classification management.
- Lack of mobile access for employees in agencies with field-based staff.

Solution

Our solution is to implement a full scale, integrated, single platform cloud solution that is an application leader favorable for large government enterprises. It will include the following functions:

- Core HR (personnel transactions, position management, workforce planning, etc.)
- Benefits
- Payroll
- Absence Management
- Time Entry
- Recruitment
- Talent Management (job posting, onboarding, performance management, employee relations, etc)
- HR Service Delivery (enterprise inquiries, central HR response, HR service desk, etc)
- Employee Self-Service

Our solution will allow employees access to the system using multiple device types such as mobile phones, PCs, laptops and tablets, closing a huge gap that many of our employees and retirees are experiencing with the current HRIS.

This solution will align with the State's "Cloud First" policy and create opportunities that come at no additional cost to the State such as automatic upgrades. This will ensure that the State's HRIS will always be using the latest technology, which affords the State the ability to take advantage of industry proven software and processes for years to come. The system will provide intuitive, user-friendly interfaces to help users take advantage of more system functionality and lead to greater opportunity for continual process improvement initiatives for agencies in the years to come.

Benefits

The benefits of this solution are numerous, allowing the State to carry out efficient and compliant HR services by using proven "best practice" business process flows. The modernized HRIS will have superior analytical reporting and dashboards that can be used across the entire state, providing HR personnel the ability to gain powerful people insights, perform "what if" scenarios, and take immediate action on those scenarios when desired. A secure, role-based, and user-friendly interface will allow our employees and retirees access to the system from any device type they choose, from anywhere in the United States.

Further benefits include:

- **Continuity of Operations:** The fully supported employee payroll, benefits, and human resource system will serve us for years to come. State-controlled configuration will allow us the flexibility for future initiatives.
- **Group State HR Assets:** By consolidating systems, we will eliminate the need for unique training, testing, upgrades, and integrations for each system.
- **Industry Best Security:** The system will be designed to achieve best standards for system security, performance, reliability, and availability, while also protecting employee personnel and financial information.
- **Current Technology:** The system will remove the need to self-fund ongoing system updates and upgrades.
- **Full Stack HR Support:** The system will provide malleable/configurable HR solutions that support the full employee lifecycle.
- **Changing Workforce:** HR personnel will be able to respond more effectively to the workforce changes post-pandemic; the system will be more connected, automated, distributed, and provide a better employee experience and service.
- **Operational Efficiencies:** The system will provide employees the capabilities to more effectively perform their work by having an intuitive user experience, taking advantage of best practice process flows and allowing system access from numerous device types including mobile phones, tablets, laptops, and PCs.
- **Robust Reporting:** The system will provide a single source for employee data, with analytical reports and dashboards that support decision making and allow users to take immediate action when required.
- **Digital Assistant:** Using the system's digital assistant, employees will be able to ask and get answers to questions by simply typing them in. The digital assistant can also guide the employee through the process of performing common tasks such as entering time sheets or requesting time off, finally routing the request for approval or denial.

Project Current Status:

As of October 7, 2024, the overall project status is GREEN, with a Go-Live date of May 20, 2025.

- The project has transitioned to green status due to the successful outcomes of early User Acceptance Testing (UAT) and Parallel Payroll testing.
- The project is currently in progress with UAT, End-to-End testing, and Parallel Payroll 2.
- Project teams are adhering to the Consolidated Sprint Plan timeline and project activities to meet the new go-live date.
- Risks and issues are being actively mitigated by project teams.
- The schedule has been adjusted to accommodate resource limitations, with prioritization on overlapping activities to meet the new go-live date.
- The Project Team is facing intense schedule pressure, but recent resource changes are improving output.
- Scope changes are being managed through proper channels.
- The project is actively tracking and mitigating risks.
- There are currently 7 open issues being managed and evaluated weekly.
- Parallel Payroll 1 concluded with accuracy levels in excess of 87%, measures higher than targeted for Parallel Payroll 2.
- Mock 2 conversion of data concluded in less than 50% of the time for Mock 1 and provided insight in how we will achieve the target of 4 days or less for conversion of data for system go live. A Mock 5 conversion is currently being evaluated for addition to the project plan.

PROJECT GOALS/MILESTONES

Description	***Start Date (Est.)***	***End Date (Est.)***
Fiscal Year 2023, 2024: *Phase 1A Timeline: August 2022 -May 2025* This timeline focuses on activities that were started in FY23 and continue through FY25 as Phase 1A completes in May 2025. **Human Resources Modules: Payroll, HR, Benefits, Workforce Management, Employee & Manager Self-Service, HR Service Management, Reporting & Analytics**		
Continue User Acceptance Testing (UAT): State executed testing of business processes, includes agency testing.	*7/29/2024*	*2/7/2025*
Continue Training Material Development: Develop materials that will train the trainers and lead instructors to deliver training to the agencies.	*5/6/2024*	*3/7/2025*
Continue System Demonstrations: Business process demonstrations attended by agencies, users and project stakeholders to gain buy in and agency adoption of the final solution.	*12/4/2023*	*11/15/2024*
Mock Conversions	*7/22/2024*	*1/3/2025*
Parallel Payroll	*8/26/2024*	*2/21/2025*

PROJECT COST DETAIL (FY2025 Appropriation)

The figures below represent ADOA's current expenditure plan for the funding included in the FY 2025 enacted budget. The expenditures will be incurred during the April - August 2025 timeframe. The majority of the project activities will be completed in the spring of 2025 timeframe, however, other activities and milestones will continue to be worked on during FY 2026. The department has submitted a separate budget request to cover expenditures past August 2025.

Expenditure Plan FY 2025 - FY 2026	
Personnel Services	1,571,036
Personnel Related Expenses	573,864
Professional and Outside Services	4,025,634
Other Operating Expenses	670,666
Total	**6,841,200**

ARIZONA
DEPARTMENT OF **ADMINISTRATION**

Agency: **Arizona Health Care Cost Containment System (AHCCCS)**

Project: **Medicaid Enterprise System (MES) Modernization**

Appropriation: **Replace the Medicaid Enterprise System Mainframe**

CURRENT REQUEST

The Department of Administration, in collaboration with Arizona Health Care Cost Containment System (AHCCCS), is requesting favorable review of $3,396,000 appropriated from the Automation Projects Fund in FY 2025 to support activities critical to the MES Modernization Program that is currently in process. The MES Modernization Program includes updating the Medicaid claims processing system while also installing a Fraud, Waste and Abuse (FWA) claim pre-processing and a post-payment Program Integrity (PI) analytics module. Additionally, AHCCCS will expand upon their investment in ServiceNow to support Call Center activities. The MES Modernization project is the final phase in transitioning the Prepaid Medicaid Management Information System (PMMIS) to a new cloud-based platform and implementing modules in ServiceNow, which began in 2023 with the System Integration (SI) Platform project. The new system will enable AHCCCS to continue to comply with rules and cybersecurity requirements established by the Centers for Medicare and Medicaid Services (CMS) while significantly improving the system's fraud detection capabilities. Upon approval of the Automation Projects Funds request, AHCCCS will present to the Information Technology Authorization Committee (ITAC) the specific project fund allocation through the change request process.

FY 2025 Appropriation	FY 2025 Favorably Reviewed	FY 2025 Current Request	FY 2025 APF Remaining Balance
$3,396,000	$0	$3,396,000	$0

*Federal expenditure authority corresponding to these funds will total $30,564,000 over FY 2025 - FY 2026

PROJECT DESCRIPTION

Background

AHCCCS serves over 2.4 million members and 109,000 providers with a Prepaid Medical Management Information System (PMMIS) that was designed and implemented over thirty (30) years ago. The homegrown system uses technology that is no longer taught in schools and is becoming impossible to find resources to support. AHCCCS must transition PMMIS to a new platform that follows the modernization modularity rules and cybersecurity requirements established by the Centers for Medicare and Medicaid Services. Further, the new system must be sustainable into the future with the technology necessary to provide the flexibility, agility, scalability, and data security required by AHCCCS and its governing bodies.

Solution

To ensure that the modernized PMMIS can integrate with the new Program Integrity pre-claims module and that legacy changes are implemented into the refactored code, AHCCCS must shift key resources that currently support the legacy system to focusing on the Refactor and Program Integrity projects. AHCCCS will need additional support due to the increased workload.

The AHCCCS reporting team requires support to review and migrate the legacy reports that currently run on the mainframe, migrating the active reports to the data warehouse prior to the completion of the refactor project. Many of the reports support state and federal reporting requirements and will require rigorous testing. A governance framework will be established, utilizing current investments in Informatica, to ensure that reports are properly documented, centrally located, and continuously evaluated for relevance and accuracy.

To support the Call Center, AHCCCS is seeking to further invest in their expenditure on a successful ServiceNow implementation and integrate the call center with ServiceNow Artificial Intelligence (AI) to produce call notes and call summarization, to supplement the current process. All calls will continue to be recorded, and periodic audits will be performed to ensure that the call notes and summarization generated by the ServiceNow AI is accurate. This will continue the ongoing optimization of Call Center functionality to better support the citizens of Arizona. An additional benefit of this enhancement will be in setting the foundation of analyzing patterns and comparing them with known fraud indicators, helping to identify potential fraud attempts in near real-time. Due to the complexity of integrating the systems and sensitivity of using artificial intelligence, AHCCCS is looking to have support from an experienced vendor.

AHCCCS will implement external user identity and authentication measures to ensure that external users are able to authenticate to the new systems securely and effectively. This project will utilize already purchased and utilized software to support internal users but will require vendor support with the necessary experience to support the implementation for external users to ensure that systems remain secure.

Due to the large number of projects underway while still maintaining the day-to-day business of managing the Medicaid Program, AHCCCS needs additional support from contracted project managers and business analysts with an understanding of the new technology, experience with supporting large scale projects, ability to support CMS required Certification and Outcome reporting, and knowledge in Medicaid. This will allow current staff to focus on day-to-day operations in support of member services and ongoing projects within the agency.

The professional services support will achieve compliance with Centers for Medicare & Medicaid Services (CMS) requirements to improve interoperability and sustainability of technology solutions that support Medicaid service delivery.

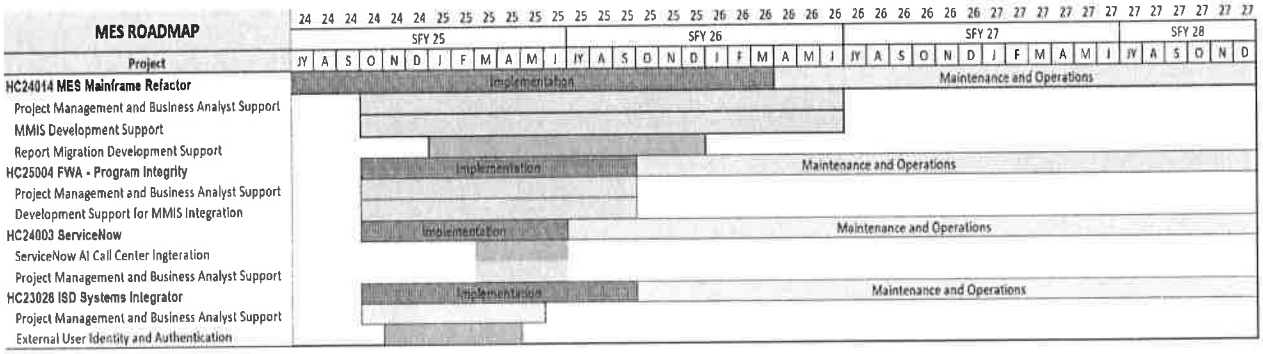
There are four approved projects that require additional support:

- **HC24014 MES Mainframe Refactor** (Approved Start - 4/1/2024):
  - Developer support
  - Project management and business analysis support
  - Report migration
- **HC25004 FWA - Program Integrity** (Approved Start - 10/4/2024):
  - Developer support
  - Project management and business analysis support
- **HC24003 ServiceNow** (Approved Start – 10/2/2023):
  - ServiceNow AI integration to Call Center
  - Project management and business analysis support
- **HC23028 ISD Systems Integrator** (Approved Start – 7/7/2023):
  - Implement External User Identity and Authentication

o Project management and business analysis support

The procurement methodology to support the described work will be a combination of existing vendor activity utilizing the modification pool dollars that are part of the contract and procurement from existing contracts through NASPO or other state contracting mechanisms in place.

Integrated Timeline



The investment in Professional Services to supplement AHCCCS ISD staff will provide the right skill sets at the right time to ensure that the current work ISD developers perform on the legacy system are supported as ISD upskill and participate in the DDI projects underway, while also ensuring that the day-to-day business continues to operate at the level necessary to support the citizens of Arizona and address legislative requirements. This investment will ensure that the work underway will lead to successful outcomes and the ability to continue support on the new platform.

The investment in improving the Call Center capabilities will allow the staff to handle the increased volume of calls that have occurred due to the fraud occurring in the behavioral health area, as well as handle the anticipated increase in volume as the Refactored MMIS comes online and other changes occurring as part of the modernization program. This anticipated increase in volume is based on typical member and provider behavior with modernization programs across all states and not an anticipation of issues with the systems.

AHCCCS continues to maximize on the investments already implemented, such as the toolset to support authentication, Informatica within the Data Warehouse domain, and ServiceNow to further accelerate the Call Center capabilities. There will be a new license required with ServiceNow to ensure the maximum benefit is achieved. The authentication licensing and Informatica licenses are in place and require no additional purchases to maximize the utilization of those components.

PROJECT GOALS/MILESTONES

Milestone / Task	Start Date	Finish Date	Duration
HC24014 MES Mainframe Refactor			
Project Management and Business Analyst Support	10/1/24	6/20/26	21 months
MMIS Development Support 10/1/24	10/1/24	6/20/26	21 months
Report Migration Development Support	1/1/25	12/30/25	12 months
HC25004 FWA - Program Integrity			
Project Management and Business Analyst Support	10/1/24	10/30/25	12 months

Development Support for MMIS Integration	10/1/24	10/30/25	12 months
HC24003 ServiceNow			
ServiceNow Artificial Intelligence and Call Center Integration	**3/1/25**	**6/30/25**	**4 months**
Project Management and Business Analyst Support	3/1/25	6/30/25	6 months
Planning and Discovery Sessions	3/1/25	3/30/25	1 month
Integrate ServiceNow AI with Call Center system	4/1/25	5/30/25	2 months
UAT AI and Call Center Integration	6/1/25	6/30/25	1 month
Go Live of AI Call Center Integration	7/1/25	7/1/25	Milestone
HC23028 ISD Systems Integrator			
External Identity and Authentication	**11/1/2**	**4/30/25**	**6 months**
Project Management and Business Analyst Support	10/1/24	5/30/25	6 months
Planning and Discovery Sessions	11/1/24	1/31/25	3 months
Configure external identify and authentication	2/1/25	3/30/25	2 months
Perform testing with select external entities	4/1/25	4/30/25	1 months
Go Live of External Identify and Authentication	5/1/25	5/1/25	Milestone

PROJECT COST DETAIL (APF)

Professional Services – Legacy Mainframe, Report Migration, Security, ServiceNow Integration	**$2,546,000**
IV&V (If Applicable) – N/A	**$0**
Design – N/A; included in Professional Services	**$0**
Migration – N/A; included in Professional Services	**$0**
Quality Management/Testing – N/A; included in Professional Services	**$0**
Hardware – N/A; AHCCCS Azure tenancy	**$0**
Software – N/A	**$0**
License & Maintenance Fees – ServiceNow AI, Support	**$850,000**
Total Cost for FY 2025	**$3,396,000**

ARIZONA
DEPARTMENT OF **ADMINISTRATION**

Agency: **Arizona Department of Public Safety**

Project: **Concealed Weapons Permit Unit - Permit Director Enhancements**

Appropriation: **Replace the Concealed Weapons Tracking System**

CURRENT REQUEST

The Department of Administration, in collaboration with the Arizona Department of Public Safety, is requesting favorable review of $494,500 appropriated from the Automation Projects Fund in FY 2024 to replace the concealed weapons tracking system.

FY 2024 Appropriation	FY 2024 Favorably Reviewed	FY 2024 Current Request	FY 2024 APF Remaining Balance
$494,500	$0	$494,500	$0

PROJECT DESCRIPTION

Background:

The Arizona Department of Public Safety (AZDPS) Concealed Weapons Permit Unit (CWPU) is engaged in continuous improvement of their business workflows and is streamlining their processes through technological improvements to their PermitDirector application. Following the implementation of the Permit Director application last year, CWPU identified areas within their workflow processes that could be streamlined by implementing enhancements and modifications to their permit application. An enhancement implemented last year provided an auto-clear function, allowing the system to approve permit applications for applicants without criminal history or other pertinent criminal justice information without the need for employee review. While the enhancement has helped reduce the workloads in CWPU, it was discovered a number of records were identified as false positives through the auto-clear function, requiring employees to manually review the records. It was decided enhancements to the auto-clear function by adding new search criteria is needed. The enhancements will reduce the need for manual review of permits waiting for final approval.

In the course of CWPU's suitability determination duties, the unit is responsible for notifying the applicant if they are denied a permit. This includes notifying current permit holders if new information provided results in a revocation of their permit. This notification occurs by sending denial/revocation letters through U.S. mail services to the applicants/permit holders. This is a time-consuming and costly process including postal consumables and employee resources. This project will reduce the operations of mailing the letters by allowing CWPU employees to send correspondence to the applicant/permit holder electronically through the PermitDirector application.

CWPU's ability in vetting current permit holders is limited to when the applicant renews their permit, which occurs every five (5) years. CWPU does not have capabilities to receive notifications on new out-of-state arrests (they do for in-state arrests through AZDPS's in-state rap back services) until the renewal process is initiated by the applicant. A permit holder that commits a precluding offense in another state may still carry a concealed weapons permit through the duration of their permit's life cycle, until they renew their permit. At that time, CWPU can become aware of an offense that precludes the permit holder from carrying a concealed weapon. This poses a public safety risk due to delays in the arrest notification process. CWPU's participation in the FBI's Noncriminal Justice Rap Back Program will resolve this issue. Rap Back provides subscribers to the program real-time notifications on applicants and provides updated information, such as new arrest events, arrest dispositions, wants and warrants, sex offender registration notifications, and other pertinent information that the business unit needs in their suitability determination of an applicant or current permit holder.

Method of Procurement (for initial requests):
Permitium, LLC. Is the current vendor for CWPU's permit application needs. No solicitation is involved as the project scope is limited to adding new programming modules or programming enhancements to existing modules in the vendor's system.

Solution:
The proposed solution will include four enhancements to the CWPU's application, PermitDirector:

Phase 1

Module 1: Auto-clear enhancements - The purpose of this enhancement is to further fine-tune the Auto-Clear abilities to approve applications by having the PermitDirector search for matching name, date-of-birth (DOB), and social security number (SOC) information to determine if the application needs manual review. This will reduce the false/pseudo positive record results CWPU currently has to review before manually clearing the application.

Module 2: E-Send Letters through PermitDirector Application - The purpose of this enhancement is to increase the efficiency and improve the process for CWPU's method of sending letters to their applicants. Currently, these letters are sent via U.S. Mail. The solution will replace the mailing method with electronically submitting the letters from the PermitDirector application to the applicants and provide a link for the applicant to review additional information and requests from CWPU to complete their application.

Phase 2 *Contingent upon APF funds extension through budgetary request

Inquire into Criminal History Directly from PermitDirector - this enhancement will increase the efficiency and improve the process for CWPU's method of retrieving criminal history information, reducing unnecessary steps in using a separate interface to retrieve the criminal history record information. The enhancement would enable PermitDirector to send a message key to the AZDPS Message Switch (CPI) directly, reducing process steps used in interfacing with a separate application to perform the same rap sheet inquiry functionality.

FBI's Noncriminal Justice Rap Back Program - The Rap Back Program benefits CCW in providing more up-to-date, expedited information on a current CCW cardholder, compared to the current process in which CCW may not become aware of a new arrest or other pertinent information until the cardholder renews their CCW permit The interval for permit renewals is every five (5) years. For CCW to participate in Rap Back, there are additional fields and data that need to be programmed into PermitDirector that will allow receipt of information from the FBI's Rap Back program, send data to Rap Back, and storage of additional fields/data within PermitDirector. The additional data fields are specified by the FBI and documented in their Electronic Biometric Transmission Specifications (EBTS).

National Fingerprint File (NFF) programming, Phase 2 - The FBI's NFF Program is an effort to decentralize the criminal history files contained at the FBI and instead "point" to each central state's repository for respective data contained in their systems to disseminate rap sheet requests the FBI receives. Historically, the states contain more complete and accurate criminal history record information than what is stored at the federal level. Phase 1 of this programming was completed at DPS for criminal inquiries in October 2023. To fulfill our program requirements as an NFF State, DPS is also required to implement programming that prevents applicant records for noncriminal justice purposes from being sent to the FBI when DPS has sufficient identifying information stored at the state-level to conduct background checks. A federal-level search of the applicants' fingerprints would be reduced to (1) new applicants with no prior record information on file at DPS and (2) do not have a Rap Back subscription on file with DPS.

Each of these enhancements will be handled as separate modules within the project. Each module will consist of:

- Discovery sessions to confirm and document business rules and configurations.
- Design documentation and configurations for documenting discoveries.
- Programming development.
- Site acceptance testing, following a predetermined test plan and utilizing pre-existing test servers and databases.
- Production implementation and go-live.
- User-acceptance testing and production acceptance (milestone).
- Milestone payment.

Benefits:

These enhancements to CWPU's PermitDirector application will save the business unit employees' time and resources by eliminating non value-added tasks. The time saved can be reallocated to eliminate current permit application backlogs and maintain daily workloads, thereby mitigating risks in creating new backlogs. This project will also create electronic means of communicating pertinent information to the permit applicants; information that is currently handled through U.S. mail. This will reduce operational costs to the business unit by reducing postage fees.

The inclusion of the Noncriminal Justice Rap Back Program into CWPU's workflows will increase the responsiveness of the unit in taking the appropriate action on active permits, providing real-time updates on a subject's criminal history record with information pertinent to the business unit's suitability determination. This is in alignment with CWPU's authority set forth in Arizona Revised Statute (A.R.S.) §13-3112 and is in alignment with the AZDPS's mission to provide public safety to the state of Arizona.

The inclusion of NFF Phase 2 will allow DPS to be recognized as a full NFF State by the FBI. The program will benefit applicants with decreased background check processing times by reducing/eliminating the wait time inherent in technical searches of fingerprints at the FBI.

PROJECT GOALS/MILESTONES: Phase 1

Define your goals and milestones, Start Date, End Date, and duration.

Description	***Start Date (Est.)***	***End Date (Est.)***	***Duration (weeks/months)***
Module 1 (Enhance Name-Based Background Search Logic)-Requirements/Design Phase	1/2/25	2/7/25	5 weeks
Module 2 (E-letters in Applicant Portal) - Requirements/Design Phase	2/3/25	2/28/25	4 weeks

Module 1 - Programming Development	1/27/25	3/21/25	8 weeks
Module 1 - Go-Live	3/24/25	3/24/25	0 weeks
Module 1 - User Acceptance Testing/Production Acceptance	3/24/25	4/4/25	2 weeks
Module 1 Milestone Payment	4/4/25	5/2/25	4 weeks
Module 2 - Programming Development	2/17/24	4/11/25	8 weeks
Module 2 - Go-Live	4/14/25	4/14/25	0 weeks
Module 2 - User Acceptance Testing/Production Acceptance	4/14/25	4/18/25	1 week
Module 2 Milestone Payment	4/18/25	5/16/25	4 weeks

PROJECT GOALS/MILESTONES: Phase 2 ***Contingent upon APF funds extension through budgetary request**
Define your goals and milestones, Start Date, End Date, and duration.

Description	***Start Date (Est.)***	***End Date (Est.)***	***Duration (weeks/months)***
Module 3 (Rap Sheet Retrieval) - Requirements/Design Phase	7/7/25	8/1/25	4 weeks
Module 4 (Noncriminal Justice Rap Back Integration) - Requirements/Design Phase	8/4/25	8/29/25	4 weeks
Module 3 - Programming Development	7/28/25	9/12/25	7 weeks
Module 3 - Go-Live	9/22/25	9/22/25	0 weeks
Module 3 - User Acceptance Testing/Production Acceptance	9/22/25	10/10/25	3 weeks
Module 4 - Programming Development	8/25/24	11/7/25	11 weeks
Module 3 - Milestone Payment	10/13/25	11/7/25	4 weeks
Module 4 - Go-Live	11/10/25	11/10/25	0 weeks
Module 4 - User Acceptance Testing/Production Acceptance	11/10/25	12/19/25	6 weeks
Module 4 - Milestone Payment	12/22/25	1/16/26	4 weeks

Expenditure Plan FY 2025 - FY 2026*	
Professional and Outside Services - Application configurations, quality assurance, project implementation services and user acceptance testing support by Permitium, LLC.	$298,580
Management/Contingency Reserve - Funds set aside for unexpected costs or issues arising during the project, ensuring project completion within budget.	$195,920
Total	**$494,500**

ARIZONA
DEPARTMENT OF **ADMINISTRATION**

Agency: **Arizona Department of Health Services (ADHS)**

Project: **ADHS Preparation and Planning for A to Z Arizona Portal**

Appropriation: **Statewide HHIS Technology Projects**

CURRENT REQUEST

The Department of Administration, in collaboration with the Arizona Department of Health Services, is requesting favorable review of $700,000 appropriated from the Automation Projects Fund in FY 2024 for statewide health and human services information system technology projects.

FY 2024 Appropriation	FY 2024 Favorably Reviewed	FY 2024 Current Request	FY 2024 APF Remaining Balance
$13,200,000	$12,500,000	$700,000	$0

PROJECT DESCRIPTION: A to Z Arizona portal - ADHS preparation to participate (Discovery Phase).

Background: DES/AHCCCS/ADOA/ADHS have agreed to participate in the new A to Z Arizona Portal. Initial planning has been conducted and architectural and client authentication approaches are being worked on. Additional planning needs to occur at the agency level in order to understand the work necessary to participate in the portal.

Method of Procurement (for initial requests): Existing State Contracts will be used via Quote / SOW / Task Order process as appropriate.

Solution: ADHS would like to start architecture and planning work to participate in the A to Z Arizona Portal for citizen services such as Vital Records (Birth and Death Certificate issuance). The MDM Consultant/Data Architect and Integration Architect/Consultant will be creating a data architecture, a data roadmap, and initial master data management implementation which are prerequisites to ADHS engaging in the implementation of services in the A to Z Arizona Portal.

Benefits: The A to Z Arizona Portal will help identify and enroll the right people to the right services and help reduce fraud, waste and abuse and improve on getting the right benefits to the right constituents faster. It will also provide a centralized single state-level account that will provide secured and verified access to all services. When the constituents get access to service benefits faster, their overall outcomes improve and enable them to better contribute to a workforce that will help move the state's economy forward.

PROJECT GOALS/MILESTONES:

Define your goals and milestones, Start Date, End Date, and duration.

Description	*Start Date (Est.)*	*End Date (Est.)*	*Duration (weeks/months)*
Master Data Management (MDM) Planning and Integration with State MDM Platform	01/01/2025	06/30/2025	6 Months
Identity Management Planning and Integration with State Identity management platform	01/01/2025	06/30/2025	6 Months
Architecture/Design of Interface to Portal Database	01/01/2025	06/30/2025	6 Months
Application Programming Interface (API) Planning (Design/Dev Planning)	01/01/2025	06/30/2025	6 Months

PROJECT COST DETAIL

Professional Services - MDM Consultant / Data Architect	**$200,000**
Integration Architect / Consultant	**$200,000**
Project Lead (33% FTE) **DBA / Data Architect** (33% FTE) **Solutions Architect** (33% FTE)	**$150,000**
IV&V (Not applicable for this phase**)**	$0
Design - Design of the new cloud architecture (Included above in Professional Services)	$0
Migration - (These funds are being requested for the design Phase Only)	$0
Quality Management/Testing (These funds are being requested for the design Phase Only)	$0
Hardware- (Part of Enterprise Solution and no costs associated for this phase)	$0
Software (Part of Enterprise Solution and associated costs are under License & Maintenance Fees for this phase)	$0
License & Maintenance Fees- MDM Solution SaaS fees - 1 Year	**$150,000**
Total Cost for FY 2025	**$700,000**

2

STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: December 11, 2024

TO: Members, Joint Legislative Budget Committee

FROM: Ethan Scheider, Assistant Fiscal Analyst

SUBJECT: Arizona Department of Administration - Consider Approval of State Employee Travel Rate Adjustments

Request

A.R.S. § 38-624C requires the Arizona Department of Administration (ADOA) to establish maximum reimbursement amounts for lodging, meal, and mileage expenses taking into consideration the amounts established by the federal government. These reimbursements compensate state employees traveling on official state business. Statute requires Committee approval of any rate change.

ADOA proposes an increase to the personal vehicle and privately-owned aircraft mileage reimbursement rate, meal and incidental expense per diem rates and maximum lodging rates to align with new federal rates.

Legislator mileage reimbursement rates are already tied to the federal rate by statute and would not be affected by the Committee's action.

Committee Options

The Committee has at least the following 2 options:

1. Approve the ADOA recommended increases in maximum lodging, meal, and vehicle and airplane mileage rates.

2. Approve the ADOA recommended increases in maximum lodging, meal, and vehicle mileage rates, excluding the ADOA recommended airplane mileage rate (Chairman's Option).

The Chairman is seeking additional information on the usage of the private airplane mileage rate.

Under either option, the Committee may consider the following provision:

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

Key Points
1) ADOA would increase travel rates to the current federal standard as noted: - personal vehicle mileage reimbursement would increase from 65.5 cents to the federal rate of 67.0 cents. - privately-owned aircraft mileage reimbursement would increase from 99.5 cents to the federal rate of $1.76 per mile. - the standard lodging rates would increase by $3, or roughly 2.8%. Non-standard rates would decrease on average by $(1), or (0.6)%. - the meal and incidental per diem reimbursement rates would increase to the federal rate less $10.
2) ADOA has the authority to waive the lodging reimbursement caps if circumstances warrant.
3) ADOA did not estimate the cost of its proposal. Based on available data, JLBC Staff estimates that the vehicle mileage rate increase would have a total funds impact of $67,000.

Analysis

Mileage

Annually, the federal government hires a specialized transportation-consulting firm to study nationwide travel market conditions. The study considered the average costs of depreciation, maintenance, repairs, fuel, and insurance. Based on this study, the U.S. General Services Administration (GSA) establishes a privately owned automobile mileage reimbursement rate, which is used for federal government employees and IRS tax purposes. The federal government updates the rates in January each year, most recently increasing the rate from 65.5 cents to 67.0 cents in January 2024.

ADOA proposes to match the federal rate and increase state employee mileage rates from 65.5 cents to 67.0 cents per mile. In FY 2024, the state reimbursed state employees a total of $2,992,000 for mileage. JLBC Staff estimate that ADOA's proposed increase would have an annualized impact of roughly $67,000, of which approximately $19,400 would come from the General Fund.

The state's public universities also use ADOA mileage reimbursement rates. Increasing the state reimbursement rate may lead to increases in reimbursements paid by the state's public universities. In addition, A.R.S § 15-342 requires school districts to use the travel rates set by ADOA. We do not have sufficient data to estimate the impact of any rate changes to the universities or school districts.

Additionally, the federal GSA regularly updates the mileage reimbursement rate for privately-owned airplanes, most recently increasing the rate to $1.76 per regular mile. ADOA proposes to increase the privately-owned aircraft mileage reimbursement from 99.5 cents to the federal rate of $1.76 per mile. While the federal rate is updated annually, ADOA's proposed mileage reimbursement rate would be the first rate increase since the 99.5 cent rate was established in 2006.

While mileage reimbursement is available to state employees who utilize a privately-owned aircraft for official state business, no employee has claimed reimbursement in at least 8 years. As a result, the Committee may consider the Chairman's option, which would approve the ADOA recommended changes in maximum lodging, meal, and personal vehicle mileage rates, excluding the airplane mileage rate. Under the Chairman's option, the privately-owned aircraft mileage reimbursement rate would remain at its current level of 99.5 cents.

Lodging

GSA also annually publishes a reimbursement schedule for hotel room rentals based on lodging industry economic data, effective at the beginning of the federal fiscal year (FFY) (October). The federal schedule establishes a standard rate but specifies additional non-standard rates for many cities, with seasonal distinctions in some cases. Lodging is more expensive in non-standard areas than in standard areas, depending on the season. For example, the current federal rate in the District of Columbia (DC) in October is $275 while the rate in July is $183.

At its December 2023 meeting, the Committee approved adjustments to match the federal rate FFY 2024 rate. ADOA recommends adopting the current FFY 2025 federal lodging rate as the state's maximum lodging reimbursement rate. ADOA's request would change the standard rate from $107 to $110, which is an increase of $3, or 2.8%.

In addition, the request would change most of the non-standard rates. For non-standard locations, the average change is $(1), or (0.6)%. Due to its length, the list of federal rates appears as an attachment only in the JLBC's online agenda materials.

ADOA does not have an estimated fiscal impact for their proposal because it does not have data for travel reimbursements by location.

Lodging Waivers

There are 2 mitigating factors in evaluating the state lodging rate:

1. The state rate does not apply to conference meetings.

2. The General Accounting Office (GAO) can waive the state rate for non-conference meetings. In addition, GAO may approve reimbursements above the federal rate. If the federal rate is not adopted, GAO would likely receive more requests for rate waivers.

Meal per diem

Per diem rates are used to reimburse meal expenses for in-state and out-of-state travel. The federal government conducts a nationwide study every 3 to 5 years to determine the average prices charged by restaurants in areas frequented by federal travelers. Since FY 2023 when the state last changed its rates, the federal standard per diem rate has increased from $59 to $68. Depending on the geographic area this federal schedule has 5 other tiers that increase in $5 increments to $92 per day.

ADOA sets the state per diem rates to be $10 less than the federal reimbursement rates in every tier. As a result, ADOA is requesting to increase the standard state per diem rate from $49 to $58, which is an increase of $9 or 18.4%. Actual per diem reimbursements are prorated depending on the length of travel and the meals (Breakfast, Lunch, and Dinner) consumed.

ES:kp

Geoffrey Paulsen

From: Jimmy Arwood <jimmy.arwood@azdoa.gov>
Sent: Tuesday, November 26, 2024 4:52 PM
To: David Livingston; John Kavanagh
Cc: Richard Stavneak; Geoffrey Paulsen; Ethan Scheider
Subject: ADOA Agenda Item Request: Travel Rates
Attachments: FY24-25 Travel Rate Comparison.xlsx; 5095 Reimbursement Rates - updates for FY25 rate changes - request.docx

Follow Up Flag: Follow up
Flag Status: Completed

Good afternoon Chairman Livingston and Vice-Chairman Kavanagh,

ADOA is requesting to place a Travel Rates change on the December JLBC agenda which are attached below.

Thank you,

Jimmy

--

Jimmy Arwood | ADOA
Deputy Assistant Director
of Legislative Affairs
Statewide Communication & Public Affairs
Arizona Department of Administration
m: 602-541-7614 | doa.az.gov

INTRODUCTION

This section SAAM establishes policies and procedures for travel-related matters that are infrequently encountered. All rates cited are for reimbursement of actual costs or mileage incurred while traveling on State business.

Mileage rates and lodging rates, under A.R.S. §§ 38-623 and 38-624, respectively, are established by the ADOA, reviewed by the JLBC, and published in SAAM by the GAO.

Effective dates of rates and other policy matters are shown in parentheses following section titles.

1. PERSONAL VEHICLE MILEAGE REIMBURSEMENT RATE (date after approval)

Sixty-seven cents **(67¢)** per mile.

2. PRIVATELY-OWNED AIRCRAFT MILEAGE REIMBURSEMENT RATE (date after approval)

One dollar and seventy-six cents **($1.76)** per mile.

Rate is based upon the shortest air routes from origin to destination. Landing and parking fees are reimbursable except those incurred at the location the aircraft is normally based.

Use of a privately-owned aircraft for State business requires the prior approval of the State Comptroller.

3. AIRPORT PARKING (01/09/23)

General Airport Parking Guidelines

While it is impractical to list parking rates for every airport in the country or even in the State, there are some general guidelines that all State travelers are to follow when parking at airports.

- Economy, long-term, off-premises parking serviced by shuttle is to be chosen when available.
- The State will not reimburse upcharges for covered or inside parking.

- Receipts with details will be required.
- In addition to base parking charges, employees will be reimbursed for any taxes, one-time fuel charges, or other non-optional fees that are imposed.
- Reservation fees are not reimbursable.
- Airport parking coupons may be available at a parking vendor's website and should be used when they result in a lower cost to the State.

Phoenix Airport Parking Facilities

For airport parking in Phoenix, a State employee may park wherever he finds it convenient to do so, but will only be reimbursed the lesser of the actual amount incurred or six dollars and fifty cents ($6.50) per day **base** parking charges.

The ParkingSpot2—4040 E. Van Buren St., Phoenix, AZ (602) 286-9212, 24/7 service — and The Parking Spot South—3025 S. 48th St., Phoenix, AZ (602) 244-8888, 24/7 service — currently offers rates that comply with State reimbursement limits. Travelers must present or acquire a Spot Club Card to take advantage of the discounted rate. They can do so by joining the vendor's Spot Club online before any anticipated travel at (https://theparkingspot.com/spot-club/sign-up?gCode=Stat1898).

State employees may also obtain the Club Card from the parking lot cashier by showing their official State picture identification badge when leaving the parking lot; the traveler will then be given a Spot Club Card and the appropriate discount. This newly issued Spot Club Card is to be registered online (https://theparkingspot.com/spot-club/sign-up) within two business days of the card having been issued.

A State employee with a smart phone and a personal credit card can also sign up for the Parking Spot App (https://theparkingspot.com/spot-club/sign-up?gCode=Stat1898), using the company code Stat1898. The State employee is to use a personal credit card, not the Employee Travel Card (ETC) in connection with the Parking Spot App (this is because the Parking Spot App can be used for personal as well as official State business parking.

An employee's failure to acquire a Spot Club Card will not justify the granting of an exception from the reimbursement limitation.

Tucson Airport Parking Facilities

For airport parking in Tucson, a State employee may park wherever he finds it convenient to do so, but will only be reimbursed the lesser of the actual amount incurred or five dollars ($5.00) per day **base** parking charges. The facilities listed below offer rates that comply with State reimbursement limits.

Quick Park Quick Shuttle

- 6448 and 6550 South Tucson Blvd., Tucson, AZ (520) 294-9000, 24/7 Service.
- 6840 and 6920 South Tucson Blvd., Tucson, AZ (520) 294-9000, 24/7 Service.

Tucson International Airport Parking -- Economy Parking

- 3034 E. Corona Rd. Tucson, AZ, 24/7 Service.

4. LONG-TERM SUBSISTENCE RATES (08/01/16)

Long-term subsistence involves at least thirty (30) days in travel status outside of a fifty (50) mile radius of both one's residence and duty post.

The lodging and meal reimbursement rates for the appropriate season and location may be reimbursed for up to the first seven (7) days of travel if arrangements for housing cannot be made before travel.

After this initial seven-day (7-day) period, meals will be reimbursed at the rate of fifty percent (50%) of the amounts allowed for full days contained elsewhere in this section of SAAM.

> For example: A State employee is on a long-term assignment to Los Angeles, CA. The daily meal allowance in effect at the time for Los Angeles is fifty-four dollars ($54). The amount of meal reimbursement that would be allowed while qualifying for a long-term subsistence allowance (i.e., after the initial 7-day period) in Los Angeles would be twenty-seven dollars ($27) per day ($54 x 50% = $27).

After this initial seven-day (7-day) period, daily long-term lodging will be reimbursed at the rate of twenty-five percent (25%) of the amount allowed for a day's short-term lodging. The rate that will be allowed is that which is in effect at the location on the first day of the agreement or lease. The calculation is to be based on a thirty-day (30-day) month for each month of the lease.

> For example: A State employee is on long-term assignment to Los Angeles, CA. After his initial seven (7) days in Los Angeles, he enters into a six-month (6-month) lease for an apartment. The lease begins on March 1 and runs through August 31. The lodging rate in effect on March 1 is one-hundred fifty-seven dollars ($157) a night. The monthly rent the traveler may pay is one thousand one hundred seventy-seven dollars and fifty cents ($1,177.50) per month ($157 x 25% x 30). This amount may be reimbursed during the course of the lease even though the short-term lodging allowance decreases by seven dollars ($7) per night on April 1.

Amounts requested or required in excess of those derived in accordance with the formulas established herein require the approval of the State Comptroller.

5. LODGING AND FULL-DAY MEAL AND INCIDENTAL EXPENSE REIMBURSEMENT RATES FOR DESTINATIONS LOCATED IN ALASKA AND HAWAII OR OUT-OF-COUNTRY (01/08/24)

For the current Alaska, Hawaii and out-of-country rates, you may contact the GAO at gaotravel@azdoa.gov or visit the US Department of Defense (DoD) website. Go to the GAO Website Travel Information page at https://gao.az.gov/travel/welcome-gao-travel and click on the "Current Alaska, Hawaii and Overseas Rates - Lodging and Meal Index" link found under Contiguous and Non-Contiguous Travel (Alaska, Hawaii, and Out-of-Country) in the Additional Travel Information section to find the rates for the appropriate location.

To determine the allowable reimbursement rates using the DoD website, the following adjustments and computations must be made:

- Lodging rates, as posted on the DoD website, apply as a room rate without further modification. To these rates may be added any taxes or other charges imposed by local governmental jurisdictions.
- To determine the reimbursement limitations on meals and incidentals in Alaska, Hawaii and out-of-country locations, add the DoD Local Meal Rate (not the Proportional Meal Rate) to the Local Incidental Rate and subtract ten dollars ($10) from that sum.
- The breakdown for partial day meals for Alaska, Hawaii and out–of–country locations can be done using the following percentages of the full-day limitations:

Breakfast	**20%**
Lunch	**25%**
Dinner	**55%**

6. MEAL & INCIDENTAL EXPENSE REIMBURSEMENT RATES, BY MEAL, FOR TRAVEL IN THE CONTINENTAL US (as they correspond to their applicable full day rates). (date after approval)

Full Day Rate	**$ 58.00**	**$ 64.00**	**$ 70.00**	**$ 76.00**	**$ 82.00**
Partial Day Rates					
Breakfast	**$ 12.00**	**$ 13.00**	**$ 14.00**	**$ 15.00**	**$ 16.00**
Lunch	**$ 14.00**	**$ 16.00**	**$ 18.00**	**$ 19.00**	**$ 21.00**
Dinner	**$ 32.00**	**$ 35.00**	**$ 38.00**	**$ 42.00**	**$ 45.00**
	$ 58.00	**$ 64.00**	**$ 70.00**	**$ 76.00**	**$ 82.00**

75% of Full Day Rates	$ 43.50	$ 48.00	$ 52.50	$ 57.00	$ 61.50

When travel involves an entire day, the full day meal reimbursement may be used without allocation between breakfast, lunch and dinner. When a meal is provided, the amount allowed for the meal provided is to be subtracted from the full day rate. For days of departure involving an overnight stay, the meal and incidental reimbursement limitation is 75% of the full day rate of the night's destination; for days of return, the meal and incidental limitation is 75% of the full day rate for the location in which the traveler stayed the previous night.

7. SINGLE DAY AND EXTENDED DAY MEAL REIMBURSEMENT LIMITS FOR TRAVEL NOT INVOLVING AN OVERNIGHT STAY (date after approval)

Single Day Reimbursement Limit	**$ 17.00**
Extended Day Meal Reimbursement Limit	**$ 32.00**

The Single and Extended Day Meal Reimbursement Limits may be used without allocation between breakfast, lunch or dinner. The Single and Extended Day Meal Reimbursement Limits are reduced by any meals provided to the traveler (using the amounts set forth in Meal & Incidental Expense Reimbursement Rates, by Meal, for Travel in the Continental US).

Single Day and Extended Day Reimbursements represent taxable payments to the traveler and will be treated as such in the State's automated systems.

The limits are for actual costs incurred; they are not per diems or fixed allowances.

8. MEAL AND INCIDENTAL REIMBURSEMENT LIMITS FOR DAYS OF DEPARTURE AND RETURN FOR TRAVEL INVOLVING AN OVERNIGHT STAY (10/22/18)

The Meal Reimbursement Limits for Days of Departure and Return for Travel Involving an Overnight Stay equal seventy-five percent (75%) of the applicable Full-Day Meal and Incidental Expense Reimbursement Limits. For days of departure, the applicable Full-Day Meal and Incidental Expense Limit is the rate in effect for that day's final destination (where one will sleep for the night), whether that destination is in-state, out-of-state, or out-of-country; for days of return, the rate in effect is the rate for the location in which the traveler last stayed the night, prior to his returning to his regular duty post and/or home. Days of Departure and Return Reimbursement Limits may be used without allocation between breakfast, lunch or dinner. The Days of Departure and Return Limits reduced by any meals provided to the traveler (using the amounts set forth in Meal & Incidental Expense Reimbursement Rates, by Meal, for Travel in the Continental US or the appropriate computation and allocation of Federal rates applicable to destinations or originations outside of the CONUS).

Irrespective of the above, a traveler may not be reimbursed for more than the Full-Day Reimbursement Rate in any period of twenty-four (24) or fewer consecutive hours. In such cases, the rate to be used is the higher of the rates that might otherwise apply to the day of departure and the day of return.

Meal reimbursements paid for days of departure and return do not represent taxable income to the recipient and will be so treated in the State's automated systems.

The limits are for actual costs incurred; they are not per diems or fixed allowances.

9. LEGISLATIVE SUBSISTENCE RATE (10/01/24)

Rates effective 10/1/24-9/30/25

Members of the State Legislature shall be paid subsistence for each day they are in regular or special session based on the following:

For the first 120 days of regular session:

Location of Permanent Residence	Daily Subsistence Rate
Within Maricopa County	$ 35.00
Outside of Maricopa County	$269.33

For session days beyond the first 120 days of regular session:

Location of Permanent Residence	Daily Subsistence Rate
Within Maricopa County	$ 10.00
Outside of Maricopa County	$134.67

10. LODGING AND FULL-DAY MEAL AND INCIDENTAL EXPENSE PAYMENT AND/OR REIMBURSEMENT LIMITS THAT INVOLVE OVERNIGHT STAYS FOR DESTINATIONS LOCATED IN THE CONTINENTAL UNITED STATES (~~01/08/24~~ date after approval)

For out-of-state locations treated as in-state, use the rates appropriate to the location. For example, if lodging is in Las Vegas, NV, and Las Vegas is treated as in-state, Las Vegas rates are to be applied.

Lodging rates are "room" or "rack" rates; taxes and other charges that are imposed by the applicable government authority may be reimbursed in addition to amounts shown.

The rates shown for meals and incidental are reimbursement limits for actual costs incurred, not per diems or fixed allowances.

For leap years, Feb 28 becomes Feb 29.

3

STATE OF ARIZONA

Joint Legislative Budget Committee

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azjlbc.gov

DATE: December 11, 2024

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. DCS requests review of transfers to realign funding between line items, as well as the transfer of $651,600 of Federal Expenditure Authority to correctly implement an FY 2023 salary adjustment.

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) To align funding with projected caseloads, DCS requests that $381,200 General Fund be transferred from the Adoption Services line item to the Permanent Guardianship Subsidy line item in FY 2025.
2) To reflect actual program expenditures, DCS requests that $9.4 million Total Funds ($6.3 million General Fund) be transferred from the Out-of-Home Support Services line item to the In-Home Mitigation line item, consistent with an FY 2024 supplemental adjustment.
3) To correctly implement the Expenditure Authority portion of the FY 2023 state employee salary increase, $651,600 is to be transferred from the Office of Child Welfare Investigations line item to the Operating Budget ($530,900) and the Caseworkers line item ($120,700).

Analysis

DCS reports a 12.3% increase in permanent guardianship caseloads in the past year, from an average of 2,983 in FY 2023 to 3,351 in FY 2024. In FY 2025, DCS expects permanent guardianship caseloads to increase 11% to 3,720, generating a shortfall of $381,200 within the Permanent Guardianship Subsidy line item. At the same time, DCS anticipates a General Fund surplus in its Adoption Services line item due to fewer children in foster care, and consequently, fewer finalized adoptions compared to previous years. As a result, DCS requests to transfer $381,200 General Fund from the Adoption Services line item to the Permanent Guardianship Subsidy line item in FY 2025.

DCS also requests to transfer $9,426,200 Total Funds ($6,311,800 General Fund; $3,059,300 TANF; and $55,100 Expenditure Authority) from the Out-of-Home Support Services line item to the In-Home Mitigation line item to realign program spending between the 2 line items. According to the department, prior to implementation of its Nurturing Parenting Program and Family Connections programs in FY 2024, DCS assumed the programs would receive 80% out-of-home referrals and 20% in-home referrals. However, the Nurturing Parenting Program has received an even split of out-of-home and in-home referrals while Family Connections has received 21% out-of-home and 79% in-home referrals, requiring additional funding to be shifted to the In-Home Mitigation line item. The proposed transfer is consistent with the FY 2024 supplemental adjustment included in the FY 2025 budget.

Finally, the FY 2023 General Appropriations Act (Laws 2022, Chapter 313) included a salary increase for all state employees. The corresponding federal Expenditure Authority increase in DCS was later appropriated in the FY 2024 General Appropriations Act (Laws 2023, Chapter 133). However, a portion of the Expenditure Authority increase was allocated to the Office of Child Welfare Investigations line item, which is ineligible to receive federal funding for personnel costs.

DCS plans to reallocate the funding in the Office of Child Welfare Investigations line item to the Operating Budget ($530,900) and the Caseworkers line item ($120,700).

MR:kp

ARIZONA DEPARTMENT OF CHILD SAFETY

Ben Henderson, Interim Director
Katie Hobbs, Governor

November 26, 2024

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:

- General Fund Appropriation Transfer Request – FY25
- Salary Increase Expenditure Authority SLI Reallocation Request – FY25 and Baseline Adjustment
- SLI Funding Alignment – FY25 and Baseline Adjustment

General Fund Appropriation Requests – FY25

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:

- Permanent Guardianship: The Department requests a total of $381,230 General Fund from the Adoption Services special line item for FY25
The Permanent Guardianship line item can support 3,633 average monthly caseload. Over the last year, Permanent Guardianship has exhibited growth rates higher than any point in the last 8 years. The year over year rates from FY 22-24 are: 3.6%; 5.3% and 12.3%. The Permanent Guardianship appropriation is currently $16.8 million. In the FY25, the Department forecasts expenditures of $17.2 million for 3720 children, which is resulting in shortfall forecasted at $0.4M.
- Adoption Services General Fund Surplus: The Adoption Services line item can support 33,046 average monthly caseload. With less children in the foster care population, there has been a decrease in case plans for adoptions, which resulted in fewer finalized adoptions than previous years and lower monthly caseload projected at 31,888 in FY25. Finalized adoptions were projected to reach 2,408, however, recent projections anticipate 2,041 new adoptions. Additionally, adoption placements have reduced in daily costs since FY 23. The adoption subsidy rate has reduced $22.11/day to $21.93/day due to children adoption into lower needs of

care. Due to reduced daily cost and lower than anticipated adoption caseload, the Department estimates $0.4 million General Fund Surplus available in Adoption Services.

BFY	Special Line Item	General Fund	TANF	Expenditure Authority	Total
2025	Permanent Guardianship	$381,230	-	-	$381,230
	Adoption Services	($381.230)	-	-	($381,230)
	Total	**$0.00**	**$0.00**	**$0.00**	**$0.00**

Expenditure Authority Reallocation Requests – FY25 and Baseline Adjustment

- The FY 25 Office of Child Welfare Investigations (OCWI) line item budget includes an $651,600 increase of Child Safety Expenditure Authority (EA) associated with salary increases that were part of the FY 23 budget. OCWI personnel costs are not eligible for federal funding, therefore Expenditure Authority relating to salary increases should not have been allocated to this line item. The EA salary increase adjustment to OCWI in FY 25 should have been placed in Operating Lump Sum and Caseworker line items as requested in FY 23 and FY 24. Therefore, the Department requests the Expenditure Authority to be reallocated from the OCWI line item to the Operating Lump Sum and Caseworker line items. The Department will allocate $530,900 of Expenditure Authority to Operating Lump Sum line item and $120,700 to Caseworker line item.

BFY	Special Line Item	General Fund	Expenditure Authority	Total
2025	Office of Child Welfare Investigations	$0.00	($651,600)	($651,600)
	Operating Lump Sum	$0.00	$530,900	$530,900
	Caseworker	$0.00	$120,700	$120,700
	Total	$0.00	$0.00	$0.00

In-Home Mitigation SLI Funding Alignment – FY25 and Baseline Adjustment

The Department requests a total of $9.4M from Out of Home Services special line items into the In-Home Mitigation line item to align fund sources to the targeted programs/populations as requested and approved in the FY 24 Supplemental. Below are the detailed fund source allocations:

BFY	Special Line Item	General Fund	TANF	Expenditure Authority	Total
2025	In-Home Mitigation	$6,311,800	$3,059,300	$55,100	$9,426,200
	Out of Home Services	($6,311,800)	($3,059,300)	($55,100)	($9,426,200)
	Total	$0.00	$0.00	$0.00	$0.00

- In-Home Mitigation SLI Transfer
  The Parent Aide, Intensive and Moderate Family Services were replaced by the Nurturing Parenting Program (NPP) and Family Connections (FC) programs in FY 22. With the programs being piloted in FY 2022, the Department assumed the NPP and FC program was 80% out of home referrals and 20% in-home referrals. However, data has shown the Nurturing Parenting Program is approximately 50% Out of Home/50% In-Home and Family Connections is 21% Out

of Home/79% In-Home. This new In-Home heavy split leads to more need in the In-Home SLI to account for this and less in OOH. (In numbers, FC 5,429 In-Home and 1,418 OOH. NPP 2,175 In-Home and 1,995 OOH).

Sincerely,

Violeta Pivac
Budget Manager

Cc:
Ben Henderson, Interim Director, Arizona Department of Child Safety
David Lujan, Deputy 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
Cameron Dodd, Budget Analyst, Governor's Office of Strategic Planning and Budgeting
Maggie Rocker, JLBC Analyst, Joint Legislative Budget

4

STATE OF ARIZONA

Joint Legislative Budget Committee

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azjlbc.gov

DATE: December 11, 2024

TO: Members of the Joint Legislative Budget Committee

FROM: Chandler Coiner, Senior Fiscal Analyst

SUBJECT: Department of Economic Security - Review of Plan for the Arizona Training Program at Coolidge

Request

A.R.S. § 36-570 requires the Department of Economic Security (DES) to submit a report for review by the Joint Legislative Budget Committee (JLBC) 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.

Committee Options

The Committee has at least the following 2 options:

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

Under either option, the Committee may consider the following 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.

Analysis

ATP-C is a state-run, 24-hour residential facility for persons with a severe or profound cognitive disability. ATP-C consists of several intermediate care facilities (ICFs), which provide institutional services to clients. DES reports that ATP-C had an enrollment of 51 in June 2024, a decrease of (4) from a year prior.

At this time, DES has no plans to close the ATP-C ICFs.

In December 2022, DES closed the state-operated group homes (SOGHs) at ATP-C that still remained in operation. The closure of the homes was partly in response to federal regulations concerning home and community-based services that no longer allow group homes to be co-located with an ICF. All members residing at the SOGHs at the time have transferred to one of the on-campus ICFs.

The department plans to continue renovation work on the ICFs to bring electrical wiring up to code. Over the past year, the campus has consolidated from 7 licensed facilities to 5 as the population at ATP-C continues to decline due to a 1979 zero-growth policy. The department is currently seeking licensing and certification for one recently-renovated ICF and plans to eventually close another ICF once all renovation projects are complete.

The Committee may consider a provision clarifying that the Committee's review does not constitute an endorsement of DES' proposed appropriations for capital projects at ATP-C.

CC:kp

DEPARTMENT OF ECONOMIC SECURITY
Your Partner For A Stronger Arizona

Katie Hobbs
Governor

Angie Rodgers
Director

October 7, 2024

RECEIVED
NOV 26 2024
JOINT BUDGET COMMITTEE

The Honorable John Kavanagh
Chairman, Joint Legislative Budget Committee
Arizona Senate
1700 West Washington Street
Phoenix, Arizona 85007

The Honorable David Livingston
Vice-Chairman, Joint Legislative Budget Committee
Arizona House of Representatives
1700 West Washington Street
Phoenix, Arizona 85007

Dear Senator Kavanagh and Representative Livingston:

The Arizona Department of Economic Security is submitting its annual update on the plans for the Arizona Training Program at Coolidge (ATPC) within the Division of Developmental Disabilities (DDD), pursuant to Arizona Revised Statute §36-570. At this time, DDD does not have plans to close ATPC.

Background Summary

Over the past year, DDD has continued to improve the clinical care, infrastructure, and overall service provision to its members at ATPC. These improvements reflect a commitment to helping the members at ATPC live self-directed, healthy, and meaningful lives.

DDD worked with the Arizona Health Care Cost Containment System to come into compliance with the federal Home Community-Based Services rules issued by the Centers for Medicare and Medicaid Services, and has been since December 2022.

Future Planning

The Intermediate Care Facilities (ICFs) at ATPC are currently undergoing renovations to bring the electrical wiring up to code. ATPC currently has five licensed and certified ICFs: 10 Sandstone, 20 Sandstone, 50 Sandstone, 40 Oasis, and 50 Oasis. The five licensed and certified ICFs are needed to accommodate the residents during the renovations. The plan is to vacate buildings as the renovations are completed to bring the ICFs into compliance with the electrical code. 40 Sandstone's renovations were completed and are now awaiting licensing and certification. 20 Sandstone is the final building needing these improvements.

Upon receipt of 40 Sandstone's licensing and certification, and 20 Sandstone's renovation and licensing and certification, 10 Sandstone will be closed. There will be five licensed and certified ICFs upon completion of the aforementioned projects. The State Operated Residential Services

Executive Leadership Team meets when there is a change to the census at ATPC to review the current staffing level, resident needs, and if there is a possibility of consolidating ICFs.

When a staff position is vacated at ATPC, the administrator reviews the current needs and determines if that position is necessary to meet the needs of the facility or residents. All positions are reviewed by the Deputy Assistant Director for State Operated Residential Services before posting for recruitment.

If you have any questions, please contact Kathy Ber, Director of Public Affairs at (602) 542-4669 or kber@azdes.gov

Sincerely,

Angie Rodg

Angie Rodgers
Director

cc: Members of the Joint Legislative Budget Committee
Sarah Brown, Director, Governor's Office of Strategic Planning and Budgeting
Richard Stavneak, Director, Joint Legislative Budget Committee
Holly Henley, Director, Arizona State Library, Archives and Public Records

5

STATE OF ARIZONA

Joint Legislative Budget Committee

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azjlbc.gov

DATE: December 11, 2024

TO: Members of the Legislative Budget Committee

FROM: Gordon Robertson, Fiscal Analyst

SUBJECT: JLBC Staff – Consider Approval of Index for Arizona Department of Administration – School Facilities Division Construction Costs

Request

A.R.S. § 41-5741D3(c) requires that the cost-per-square-foot factors used in the Arizona Department of Administration (ADOA) School Facilities Division (SFD) new school construction formula "shall be adjusted annually for construction market considerations based on an index identified or developed by the Joint Legislative Budget Committee (JLBC) as necessary but not less than once each year."

Committee Options

The Committee has at least the following options:

1. Approve a 3.88% adjustment in the cost-per-square-foot factors. The adjustment is based on the Rider Levett Bucknall (RLB) Phoenix construction cost index, which the Committee has used since 2013. *(See Table 1)*
2. A different adjustment factor. ADOA has not offered a recommended adjustment.

Table 1

Cost-Per-Square-Foot Amounts

	K-6	7-8	9-12
Current Cost-Per-Square Foot Amounts	$ 329.26	347.62	402.43
Committee Option - Phoenix Construction Index 3.88%	342.04	361.11	418.04

Key Points

1) JLBC is annually required to adjust SFD new construction cost-per-square-foot factors.
2) Based on a local Phoenix construction cost index, prices have increased by 3.88% in the last year.
3) The Committee has used this same index for the last 11 years.
4) Based on the most recent data from SFD, the adjustment would increase new construction costs by $3 million in FY 2026, $10 million in FY 2027 and $8 million in FY 2028.
5) This estimate is subject to change as SFD updates its new construction projections on December 13.

Analysis

Background Information

Statute establishes funding amounts per-square-foot of space for new construction for grades K-6, 7-8, and 9-12. SFD may adjust the formula based on geographic or site conditions as defined in statute. Statute requires that the Committee adjust the cost-per-square-foot amounts at least once per year for construction market considerations.

Table 2 outlines the rate increases over the last 11 years. During 2013 – 2015, the Committee adopted a 0% adjustment, as the Great Recession caused construction costs to remain below the levels of November 2008 (which was the last Committee action before 2013). Apart from the Committee's annual inflation adjustment, the FY 2022 budget increased the cost-per-square-foot factors by 60% to address longer term construction market changes in school building standards, design, and technology requirements. This 60% legislative rate change was applied to FY 2022 school awards and retroactively to schools that had not started construction.

Table 2

Cost per Square Foot Rate Changes

Date Approved	Rate Increase
JLBC Approved Inflation Factor	
December 2013	0.00%
December 2014	0.00%
December 2015	0.00%
December 2016	4.31%
December 2017	3.12%
December 2018	6.19%
December 2019	5.29%
December 2020	2.76%
December 2021	6.63%
December 2022	7.27%
December 2023	6.52%
Legislative Rate Change	
July 2021 - FY 2022 Budget	60.00%

Adjustment Options

The Committee has used the RLB Phoenix construction cost index methodology since 2013. Since the Committee last approved an adjustment in December 2023, the RLB index has increased by 3.88%.

The ADOA School Facilities Division has not offered a recommended adjustment.

Fiscal Impact

The most recent list of new construction awards from SFD is from the prior capital planning cycle that started in December 2023. Based on this schedule, the state would be financing 17 projects at a cost of $627.5 million between FY 2026 and FY 2028, including land purchase costs.

For these projects, a 3.88% construction funding increase would cost $3.2 million in FY 2026, $9.9 million in FY 2027 and $8.4 million in FY 2028 million above the assumptions used in the enacted budget.

This cost estimate is subject to change, as SFD is scheduled to award schools to be funded in the FY 2026 budget on December 13, 2024. In addition to these awards, SFD will update its long-term projections for schools to potentially be funded in FY 2027 and FY 2028. This revised list of schools will receive the Committee's approved inflation adjustment and the projects will be included in the state's upcoming 3-year budget projection cycle (FY 2026 – FY 2028).

GR:kp

6

STATE OF ARIZONA

Joint Legislative Budget Committee

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azjlbc.gov

DATE: December 11, 2024

TO: Members of the Joint Legislative Budget Committee

FROM: Jordan Johnston, Principal Fiscal Analyst

SUBJECT: Department of Public Safety - Review of the Expenditure Plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Border Security and Law Enforcement Subaccount

Request

Pursuant to A.R.S. § 41-1724G and A.R.S. § 41-1724H, the Arizona Department of Public Safety (DPS) is required to submit for Committee review the entire FY 2025 expenditure plan for the GIITEM Border Security and Law Enforcement Subaccount prior to expending any monies.

The Committee gave a favorable review of a $1,346,400 expenditure plan from the GIITEM Subaccount in September. DPS has submitted for review its proposal to distribute the remaining $1,050,000 of the $2,396,400 appropriation from the Subaccount to fund the Border Security and Law Enforcement Grants program. Six County Sheriffs will receive funding from the program, which is the same number that were funded last year.

Committee Options

The Committee has at least the following 3 options:

1. A favorable review of the request.

2. A favorable review of $800,000, which would exclude the grant funding allocated to the Santa Cruz Sheriff's Office. (Chairman's Option)

3. An unfavorable review of the request.

Under any option, the Committee may also consider the following provision:

A. DPS shall report to the Committee prior to implementing any changes to the proposed FY 2025 allocation of the grants (*see Table 1*). The Chairman shall decide whether the revisions require Committee review.

Key Points

1) The Committee gave a favorable review of $1.3 million of the $2.4 million FY 2025 GIITEM Subaccount appropriation in September to continue funding 3 existing programs.
2) DPS is requesting review of the expenditure plan for the remaining monies to continue funding the Border Security and Law Enforcement Grants program.
3) Six rural counties would receive funding under the DPS proposal, which are the same counties that were funded in FY 2024.
4) DPS worked with the Arizona Sheriff's Association to determine the FY 2025 allocation of these funds.

Analysis

Pursuant to A.R.S. § 12-116.04, the GIITEM Border Security and Law Enforcement Subaccount receives revenues from a $4.00 surcharge assessed on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.

The subaccount monies are distributed by DPS to county sheriffs and other local law enforcement agencies to fund border security programs, personnel, and safety equipment. At its September 2024 meeting, the Committee gave a favorable review of $1.3 million of the total $2.4 million FY 2025 Subaccount appropriation to continue funding the Detention Liaison Officers Program ($420,000), Border County Officers Program ($576,400) and the Pima County Border Crimes Unit ($350,000).

The department has worked with the Arizona Sheriff's Association (ASA) to determine how the Border Security and Law Enforcement Grants will be distributed. DPS has allocated $1,050,000 for this program. This total amount and estimated allocation of monies to each county is unchanged from FY 2024.

Table 1 provides the FY 2024 GIITEM Border Security and Law Enforcement Grants expenditure plan reviewed by the Committee and the proposed FY 2025 plan.

Table 1

FY 2025 GIITEM Border Security and Law Enforcement Grants Proposed Expenditure Plan

	FY 2024 Reviewed Allocation	FY 2025 Proposed Allocation
County Sheriff		
Cochise County Sheriff's Office	$ 250,000	$ 250,000
Graham County Sheriff's Office	100,000	100,000
Greenlee County Sheriff's Office	100,000	100,000
La Paz County Sheriff's Office	100,000	100,000
Santa Cruz Sheriff's Office	250,000	250,000
Yuma County Sheriff's Office	250,000	250,000
Total	**$1,050,000**	**$1,050,000**

JJ:kp

ARIZONA DEPARTMENT OF PUBLIC SAFETY

2102 WEST ENCANTO BLVD. P.O. BOX 6638 PHOENIX, ARIZONA 85005-6638 (602) 223-2000

"Courteous Vigilance"

KATIE HOBBS
Governor

JEFFREY GLOVER
Director

November 25, 2024

Senator John Kavanagh, Chairman
Joint Legislative Budget Committee
1716 W. Adams
Phoenix, AZ 85007

Dear Senator Kavanagh:

Pursuant to A.R.S. § 41-1724, the Department of Public Safety (DPS) is submitting the remainder of its FY 2025 expenditure plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Border Security and Law Enforcement Subaccount (Subaccount). The JLBC gave a favorable review to the initial portion of the expenditure plan at its meeting on September 26, 2024.

DPS has allocated $1,050,000 from the GIITEM Fund in FY 2025 for border security and law enforcement grants to county sheriffs. Consistent with previous years, DPS consulted with the Arizona Sheriffs' Association (ASA) on the distribution of the grants. The ASA directed the money to be distributed to the counties as outlined below.

County Sheriff	FY 2025 Plan
Cochise	$ 250,000
Graham	100,000
Greenlee	100,000
La Paz	100,000
Pima [1/]	0
Pinal [2/]	0
Santa Cruz	250,000
Yuma	250,000
TOTAL	**$1,050,000**

[1/] The Pima Sheriff's Department has been allocated $350,000 from the Subaccount for the Border Crimes Unit, as included in the plan reviewed by the JLBC on September 27, 2024.
[2/] The Pinal Sheriff's Office has been allocated $500,000 from the GIITEM Fund pursuant to A.R.S. § 41-1724.

Recipient agencies may use the funding for any purpose consistent with statute. As required by A.R.S. § 41-1724, to receive the funding, recipient agencies must certify each fiscal year to the DPS Director that the agency is complying with A.R.S. § 11-1051. If one or more sheriffs' offices do not accept the funding, DPS intends to prorate unobligated amounts over those agencies that do accept the grants.

If you have any questions, please contact Phil Case, DPS Budget Director, at 602-223-2463 or pcase@azdps.gov.

Sincerely,

Kenneth Hunter

Jeffrey Glover, Colonel
Director

c: Representative David Livingston, Vice-Chairman
Sarah Brown, OSPB Director
Richard Stavneak, JLBC Director

7

STATE OF ARIZONA

Joint Legislative Budget Committee

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azjlbc.gov

DATE: December 11, 2024

TO: Members of the Joint Legislative Budget Committee

FROM: Maggie Rocker, Senior Fiscal Analyst

SUBJECT: Department of Environmental Quality - Solid Waste Program Fee Updates (Discussion Only)

Request

Pursuant to A.R.S. § 41-1008, the Department of Environmental Quality (ADEQ) requests Committee review of 7 solid waste fee increases that exceed the rate of inflation.

Committee Options

This item is for discussion only. The Committee may review this item at a future meeting pending more information from ADEQ on its proposal.

Key Points

1) ADEQ has not updated its solid waste program fees since they were first established in 2012.
2) In certain circumstances, fee increases exceeding the rate of inflation require JLBC review.
3) ADEQ is proposing to increase 7 solid waste fees above the 48.5% cumulative rate of inflation for the last 12 years.
4) Table 1 provides detail on the individual fees. Each fee increases by at least 100% and substantially more in some cases.
5) The 7 solid waste fee updates requiring review would generate $489,600 in additional revenue for the Solid Waste Fee Fund.

Analysis

ADEQ is responsible for regulating solid waste facilities. Laws 2024, Chapter 121 updated ADEQ's authority to set fees for these programs. Chapter 121 further provided legislative intent that:

- The fees may reflect the direct and indirect costs associated with regulating different types of solid waste facilities; and
- The fees are to be fairly assessed and impose the least burden and cost to the parties subject to the fees.

ADEQ is proposing to update 45 solid waste program fees in CY 2025, which would increase program revenues by $6.1 million.

Apart from Chapter 121, an existing statute (A.R.S. § 41-1008) requires JLBC review of fee increases exceeding the change in the Consumer Price Index (CPI) since the last fee change. JLBC review, however, is not required if the agency submits an annual report to the Legislature about its fees. Since there is no agency solid waste annual report, ADEQ is requesting JLBC review.

Since 2012, the CPI has grown 48.5%. Of ADEQ's 45 proposed solid waste fee increases, 7 are above the CPI threshold as outlined in *Table 1*. The 7 fee increases would yield $489,600 of the total $6.1 million in revenue referenced earlier.

Table 1

Solid Waste Annual Fee Updates Exceeding 2012 CPI

Fee	Current	Proposed	% Increase	# of Affected Entities	Revenue Increase
Used Tire Site	$75	$1,500	1,900%	61	$86,200
Waste Tire Site	75	2,000	2,567%	61	115,700
Self-Certification Waste Tire Site	250	3,000	1,100%	18	48,900
Self-Certification Transfer Stations	500	3,000	500%	49	121,900
Small Landfill Sites	2,500	5,000	100%	6	15,000
Biohazardous Medical Waste Transporters	750	1,500	100%	49	36,100
Septage Haulers	75	225	200%	439	65,800
TOTAL					**$489,600**

ADEQ Methodology

To determine the appropriate fee increase for each program, ADEQ calculated the actual operating costs for each program and then factored in additional indirect costs, such as salary and external contractor expenses. While the indirect cost varied by program, the average indirect cost factor was 22%. In addition, the department engaged with stakeholders and conducted a review of other states' fees to determine the appropriate fee level for each program. The ADEQ process resulted in substantial variation in the percent of program costs covered by the proposed level of fees. The proposed fees would cover between 34% to 75% of costs depending on the program.

Solid Waste Fee Updates by Facility Type

Tire Sites
ADEQ regulates tire sites that collect and handle used tires and waste tires. ADEQ currently charges an initial registration fee of $500 for used tire sites or waste tire sites and an annual $75 registration fee. ADEQ proposes increasing the annual registration fee to the following amounts:

- $1,500 for used tire sites storing 100-500 tires at any given time.
- $2,000 for waste tire sites storing 500-5,000 tires at any given time.
- Self-certification waste tire sites store more than 5,000 waste tires at any given time. ADEQ is proposing to increase the annual registration fee from $250 to $3,000. Self-certification, as opposed to seeking solid waste facility plan approval, allows certain facilities to certify their own compliance with standards and ordinances. According to DEQ, self-certification registration typically applies to larger operations and requires more time to review on account of more extensive documentation.

Transfer Stations
Transfer stations handle and store solid waste, such as garbage and biohazardous medical waste from households, for fewer than 90 days. Under ADEQ's request, the annual registration fee for transfer facilities subject to self-certification with a daily throughput of greater than 180 cubic yards would increase from $500 to $3,000.

Landfill Sites
Solid waste landfills accept household waste, including household hazardous waste. ADEQ is proposing to increase the annual registration fee for solid waste landfills receiving less than 60,000 tons annually from $2,500 to $5,000.

Biohazardous Medical Waste Transporters
ADEQ licenses companies that transport biohazardous medical waste generated by businesses, including hospitals, dentists, pharmacies, and veterinary clinics. ADEQ would increase the annual license fee for transporter companies from $750 to $1,500.

Septage Haulers
ADEQ licenses septage hauler vehicles and persons operating these vehicles that transport sewage and human waste removed from septic tanks and other onsite wastewater treatment facilities. After initial licensure, the license costs $75 to renew annually. ADEQ's request would increase the annual renewal amount to $225 per licensed vehicle.

MR:kp

Katie Hobbs
Governor

Arizona Department of Environmental Quality

Karen Peters
Deputy Director

November 25, 2024

The Honorable David Livingston, Chairman
Arizona House of Representatives
Joint Legislative Budget Committee
1700 West Washington Street
Phoenix, Arizona 85007

The Honorable John Kavanagh, Vice-Chairman
Arizona State Senate
Joint Legislative Budget Committee
1700 West Washington Street
Phoenix, Arizona 85007

Dear Representative Livingston and Senator Kavanagh,

The Arizona Department of Environmental Quality (ADEQ) is submitting this request for review of proposed fee right sizing for the ADEQ Solid Waste Program. Per A.R.S §41-1008, an agency shall submit the fee increase to the joint legislative budget committee for review before the fee is increased if the increase is in an amount that exceeds the percentage of change in the average consumer price index.

The attached documents contain a detailed explanation of the proposed fee increases.

Best Regards,

Jared Sprunger
Director Business and Finance, ADEQ

cc:
Richard Stavneak, Director, JLBC
Sarah Brown, Director, OSPB
Maggie Rocker, JLBC
Rudy Cen, OSPB

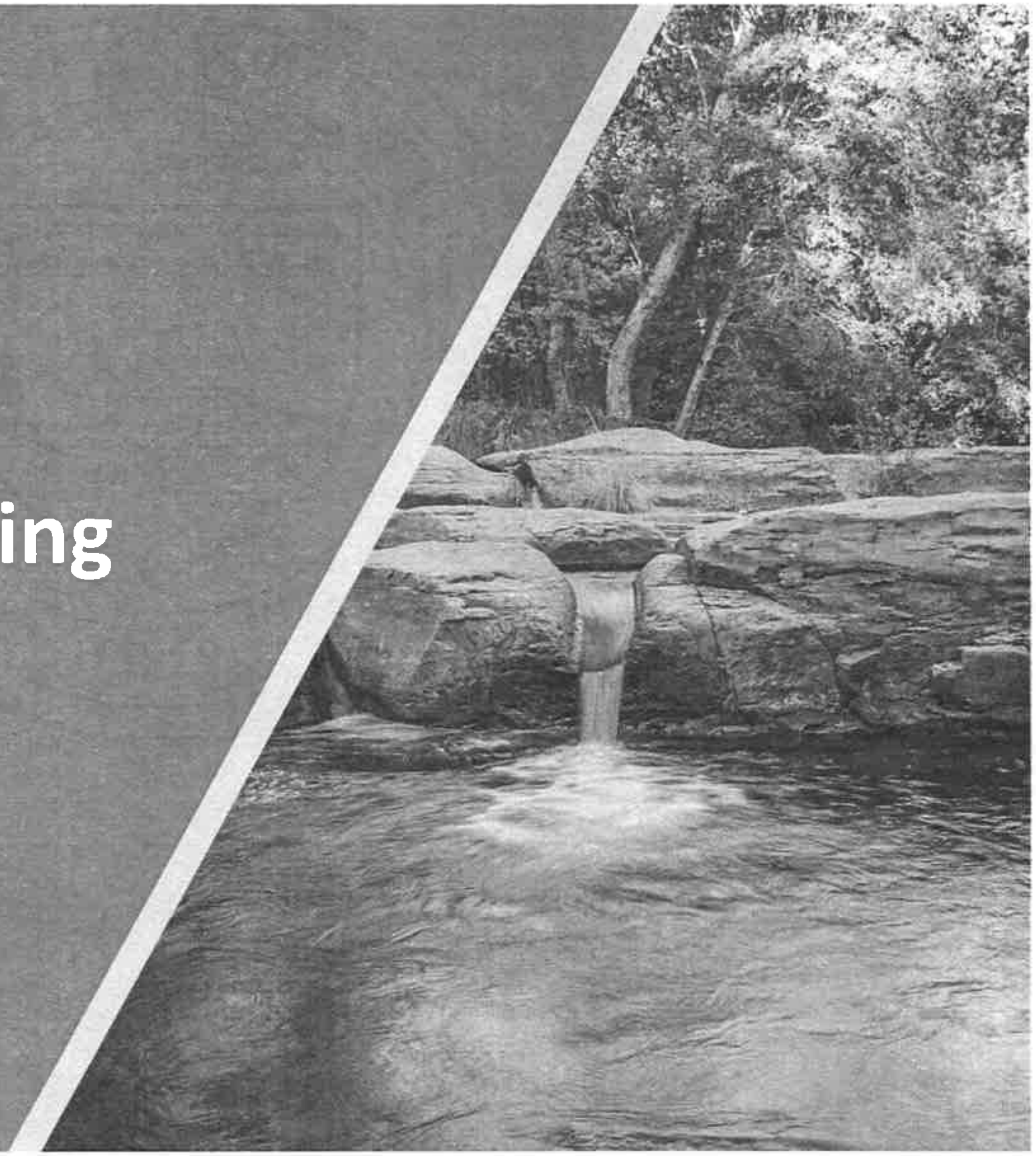
Solid Waste Fee Rightsizing

Waste Programs Division

September 5, 2024

ADEQ
Arizona Department
of Environmental Quality

Clean Air, Safe Water,
Healthy Land for Everyone

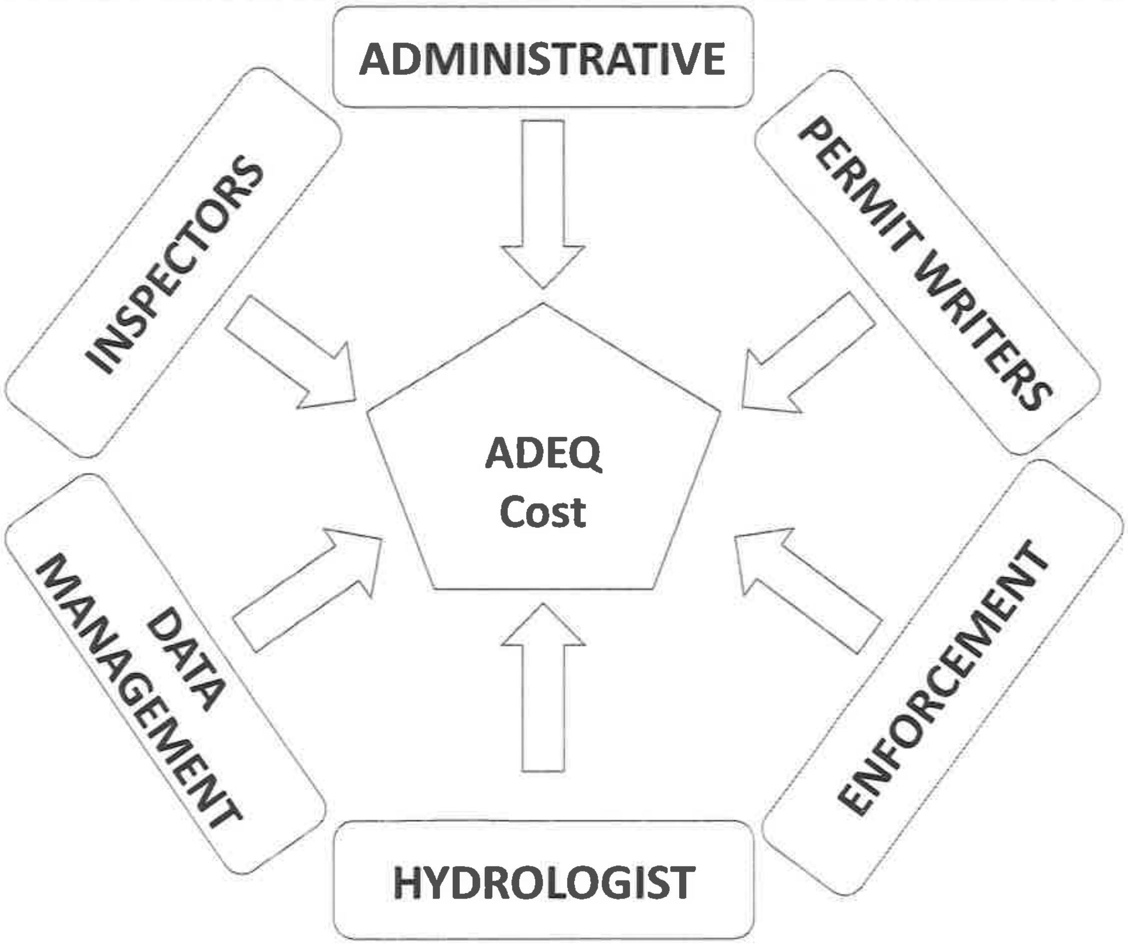


Key elements for JLBC

ADEQ Arizona Department of Environmental Quality

- ADEQ has not changed fees since they were established in 2012.
- HB2367, enacted in 2024, authorizes ADEQ to update fees.
- 46 fee updates, only 7 proposed above CPI.
- When considering fee adjustments, the Department accounts for administration costs and overall impact. ADEQ uses a comparative approach to final proposed fees to minimize impacts to small businesses and fee parity among similar facility types.
- Proposed fees are less than Department costs based on assessment fees across facility types and goal of minimizing imposed burden.

Methodology for Proposed Fees



- Department Functions + Regulated Activity = ADEQ cost
- Evaluated those costs against current fees
- Evaluated if they impose the least burden

What Goes Into ADEQ's Cost?

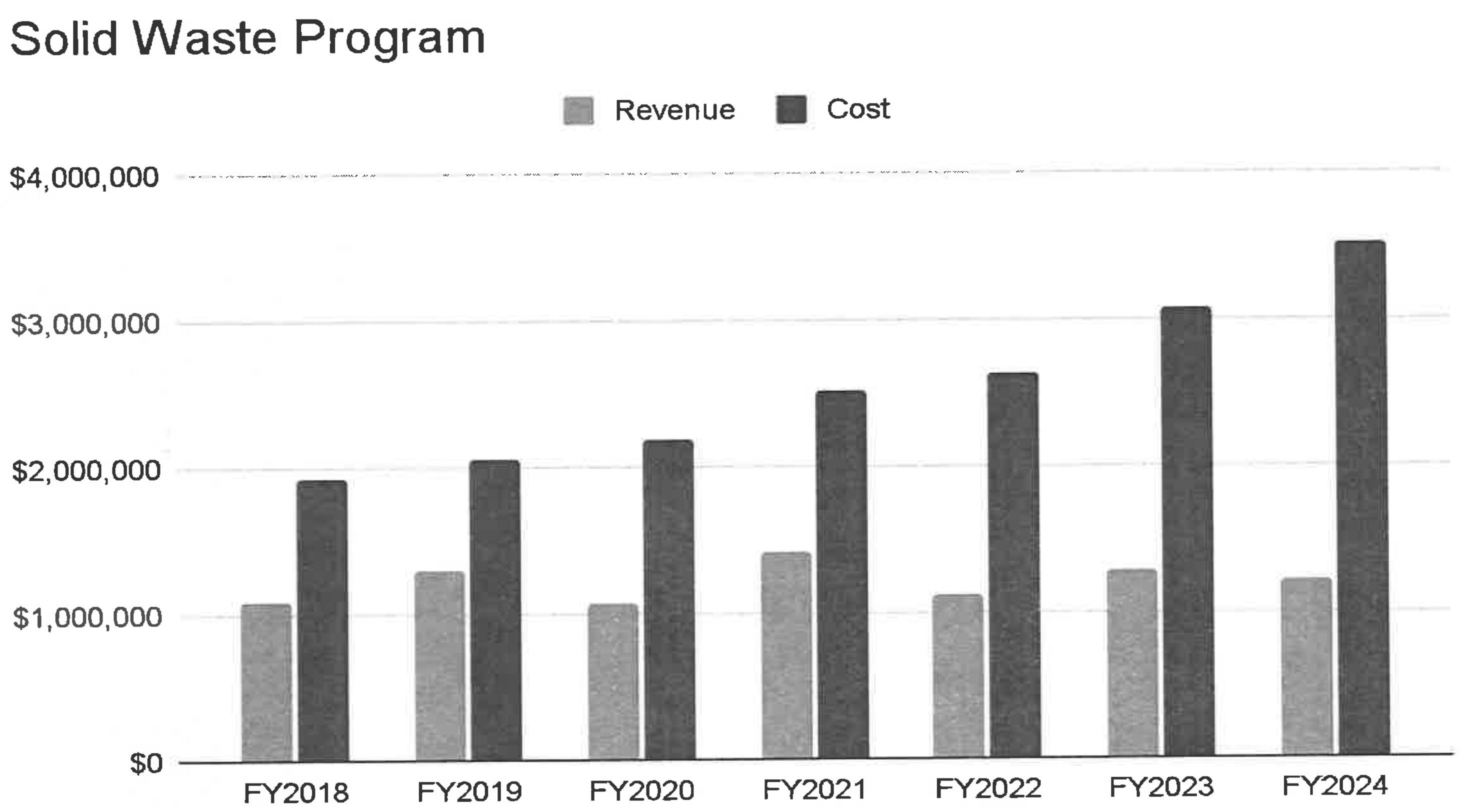
ADEQ Arizona Department of Environmental Quality

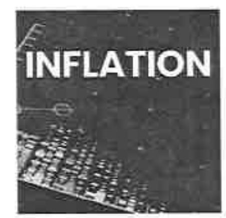
- **Administrative:** Leadership, IT, payroll, billing, human resources, legal, rules/ policy development, fleet services, employee related expenses
- **Pre-Inspection:** Historical data review, registrations, waste generation, review of applicable permits
- **Office Time:** Notification, distribution of resources
- **Inspection:** Staff time, medical monitoring, Personal Protective Equipment (PPE), documentation of the inspection
- **Post-Inspection:** Enforcement if necessary, case closure, filing, public records retention

How We Got Here

ADEQ Arizona Department of Environmental Quality

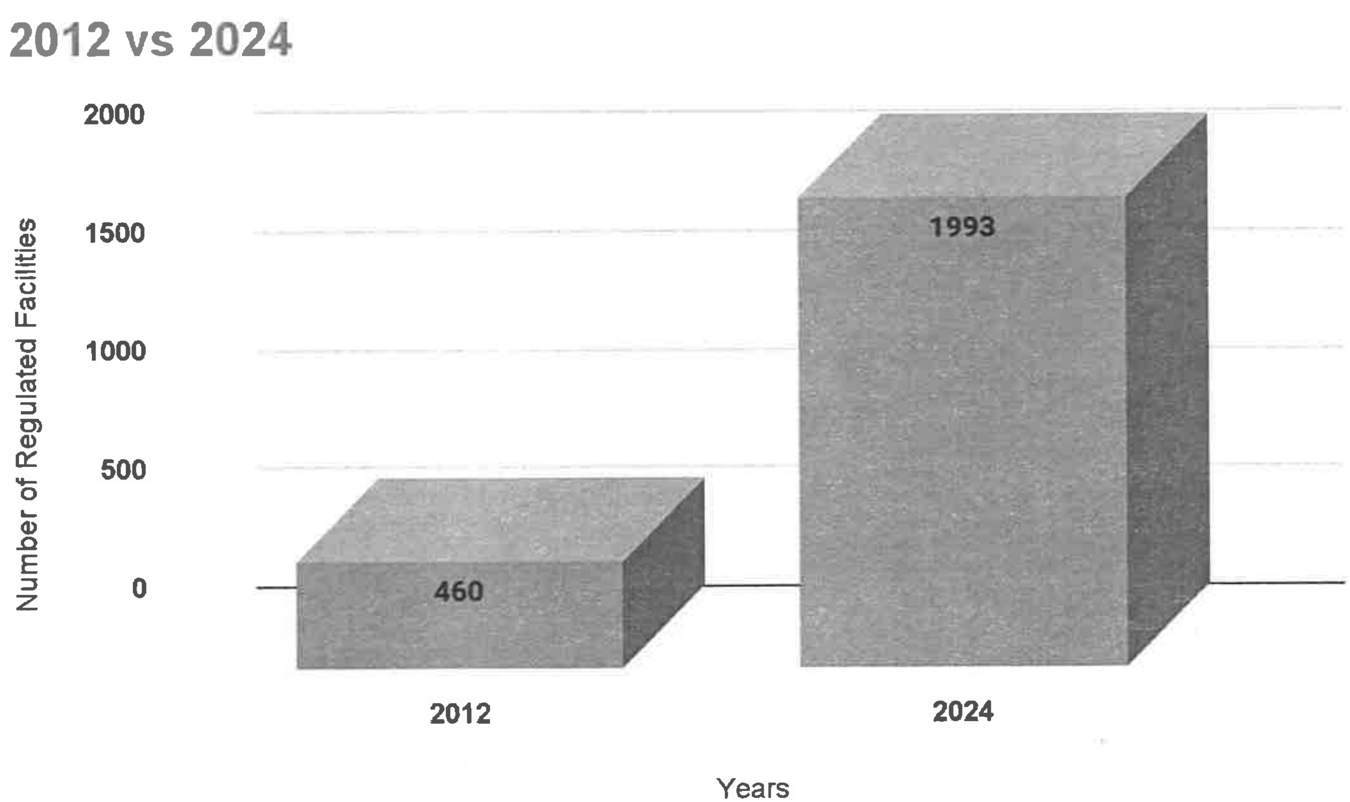
- Fee-for-Service model begins in 2012





48.5% since 2012 for Phx Urban Area

Regulated facilities since fee inception



- The number of regulated facilities has increased by 333% since 2012

Regulated facilities

Tire Sites

- Collection and proper handling of both used tires and waste tires.
- Required to register with ADEQ; inspected to ensure that they are not at risk of fires or vector breeding.

Transfer Facilities

- Manage solid waste as an intermediary for the purpose of proper disposal.
- Both municipal and commercial in operation.
- Required to register with goal of ensuring no risk of fire, vectors, or wind blown litter.

Landfill Sites

- Disposal of solid waste in a engineered facility that is approved by ADEQ for design and operation.
- Required to register with goal of ensuring no risk of fire, vectors, or wind blown litter.

Regulated facilities

ADEQ Arizona Department of Environmental Quality

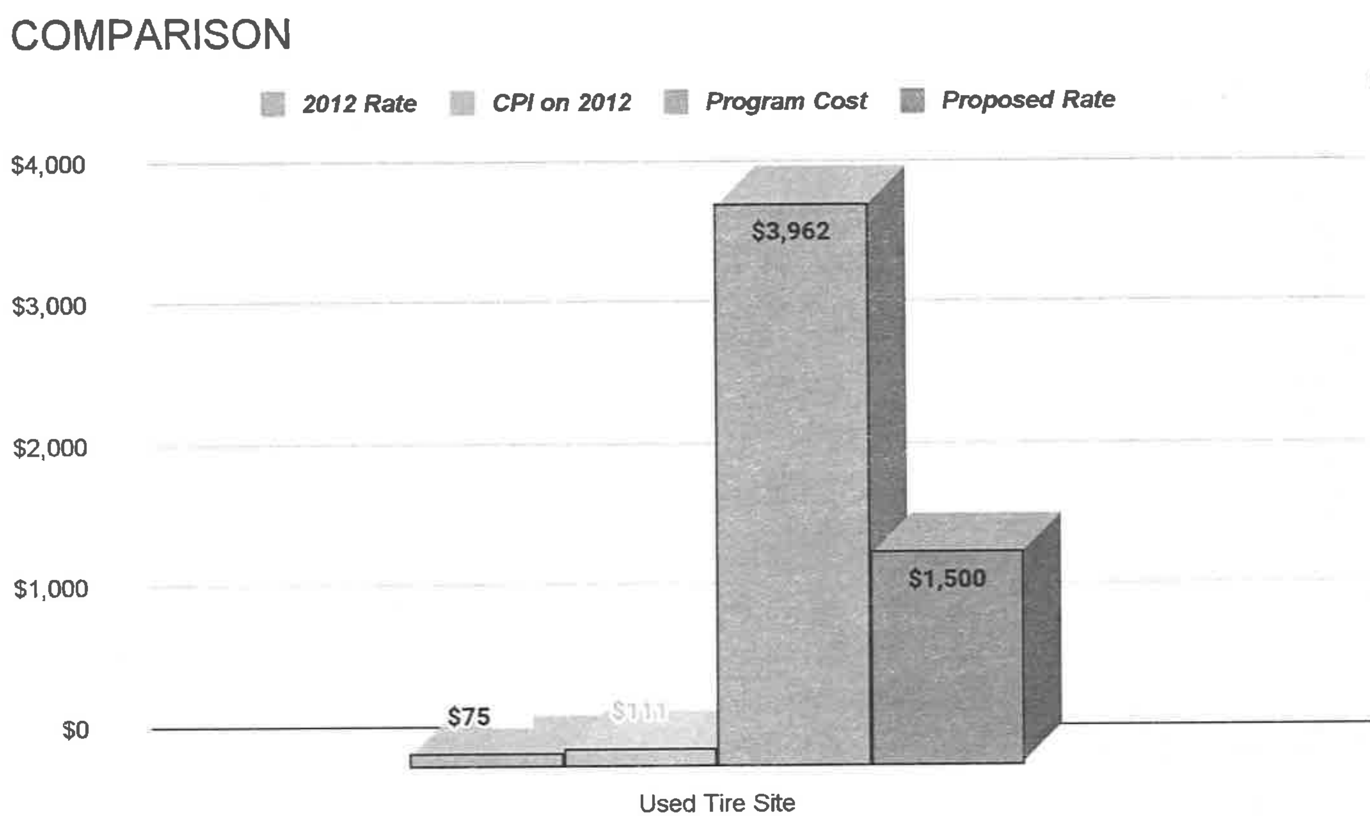
Biohazardous Medical Waste Facilities

- Manage waste generated from cultures and stocks, human blood and blood products, human pathological waste, research animal waste, trauma scene waste, tattoo and body modification waste, and sharps.
- Transporters are required to register with goal of ensuring the proper disposal of these waste for protection of the public.

Septage Haulers

- Operate equipment used to store, collect, transport or dispose of sewage or human waste. Both municipal and commercial in operation.
- Vehicles are licensed by ADEQ; inspected each year to ensure that they are leak-proof and fly-tight to prevent the generation of vectors or nuisances and that proper maintenance is taking place.

Used Tire Sites (>100 but <500 AGT*)

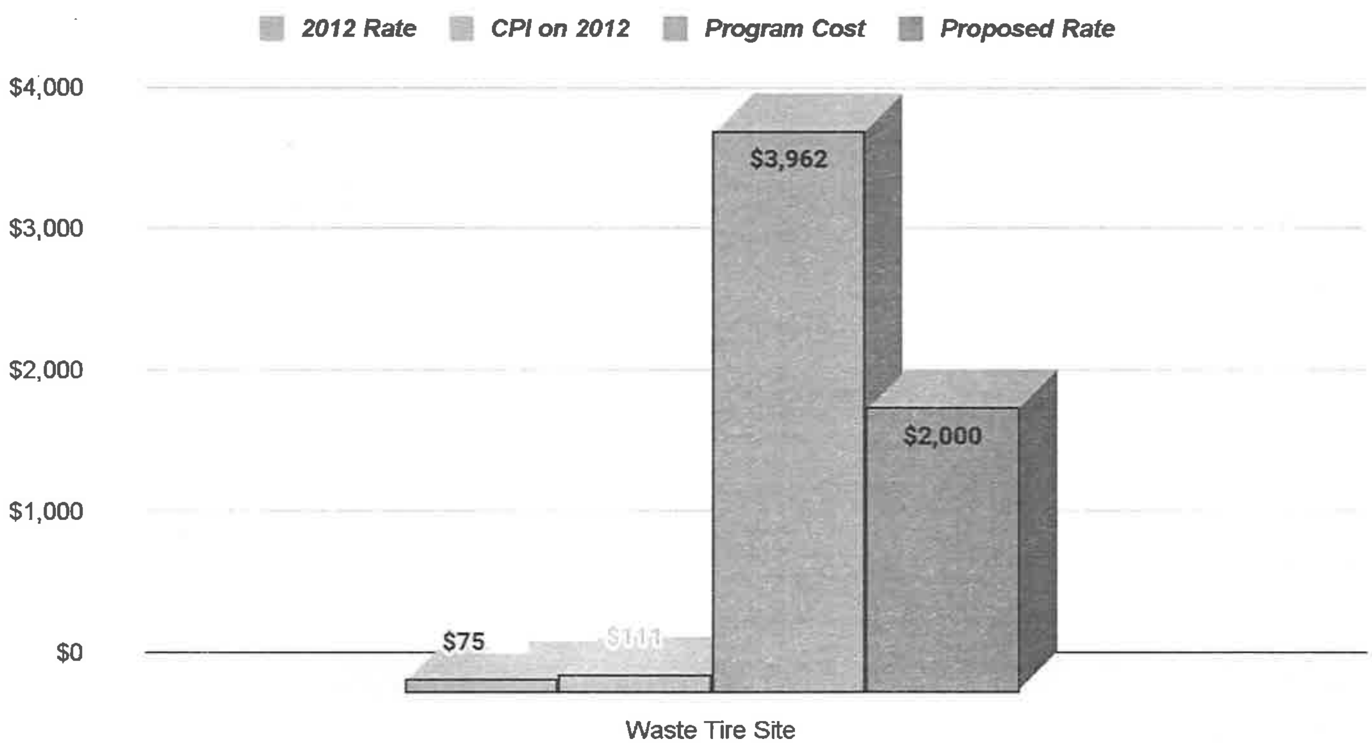


- Increasing the 2012 rate by CPI alone would only address 3% of Department cost

any given time

Waste Tire Sites (>500 but <5000 AGT)

COMPARISON

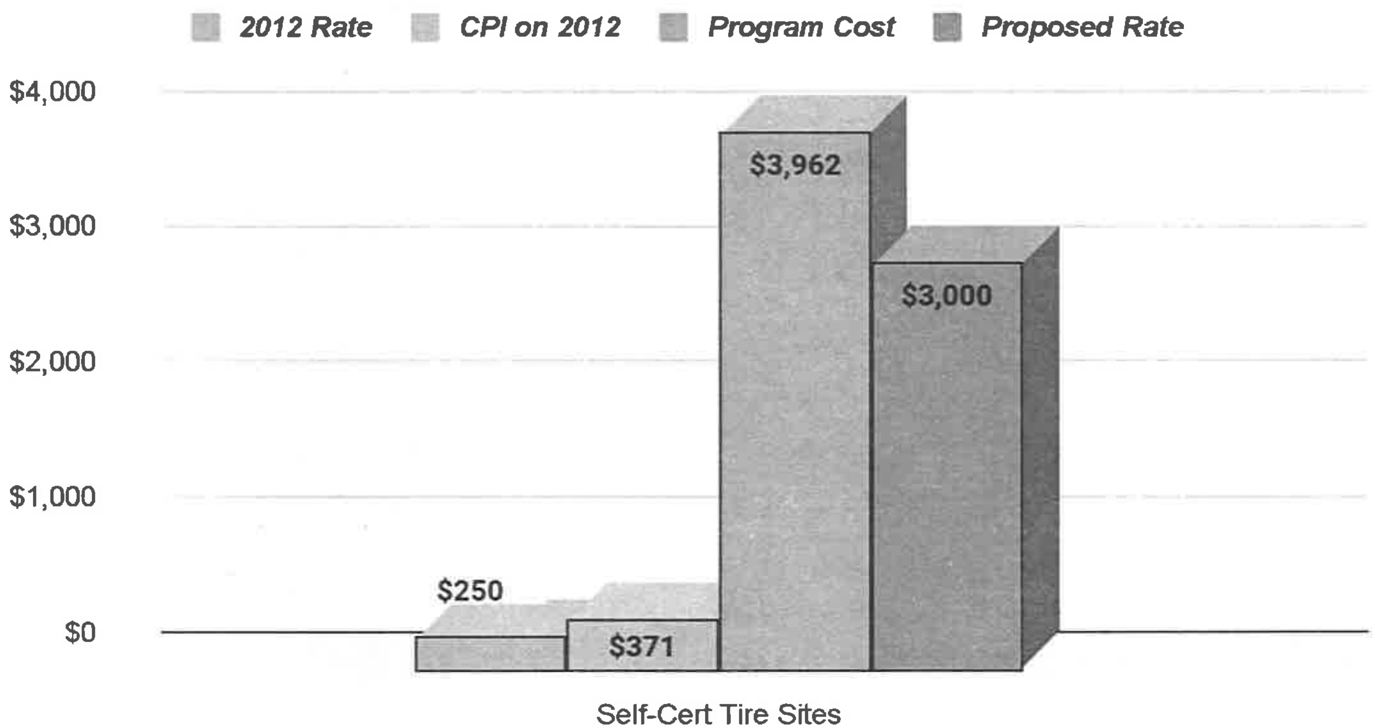


- While Department cost for each of these sites remains the same as for smaller sites, the higher fee encourages less storage at the site.
- This was critical in our review of a tiered system

Self-Certification Tire Sites (>5000 AGT)

ADEQ Arizona Department of Environmental Quality

COMPARISON

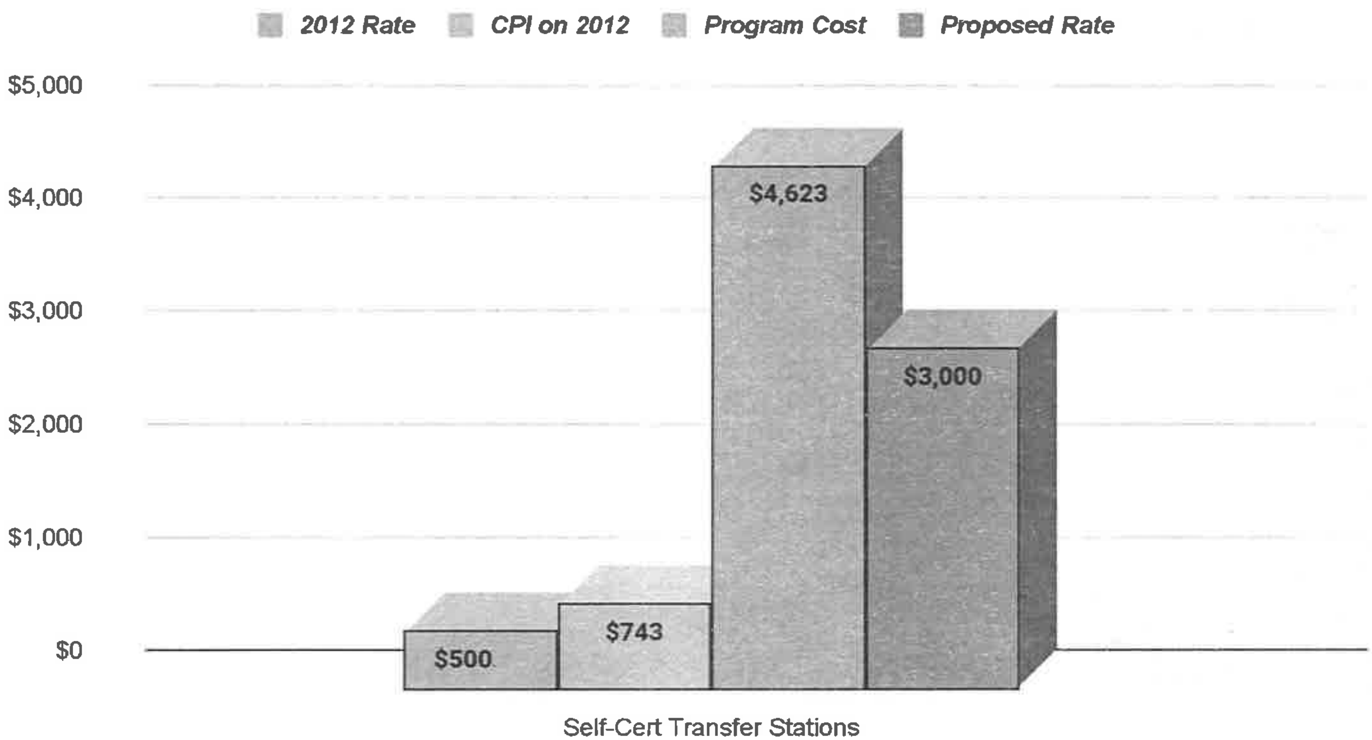


- While this category has the highest fee, this is for storing over 5,000 tires which can be equated to a large transfer station

Self-Certification Transfer Stations (>180 CY* Daily)

ADEQ Arizona Department of Environmental Quality

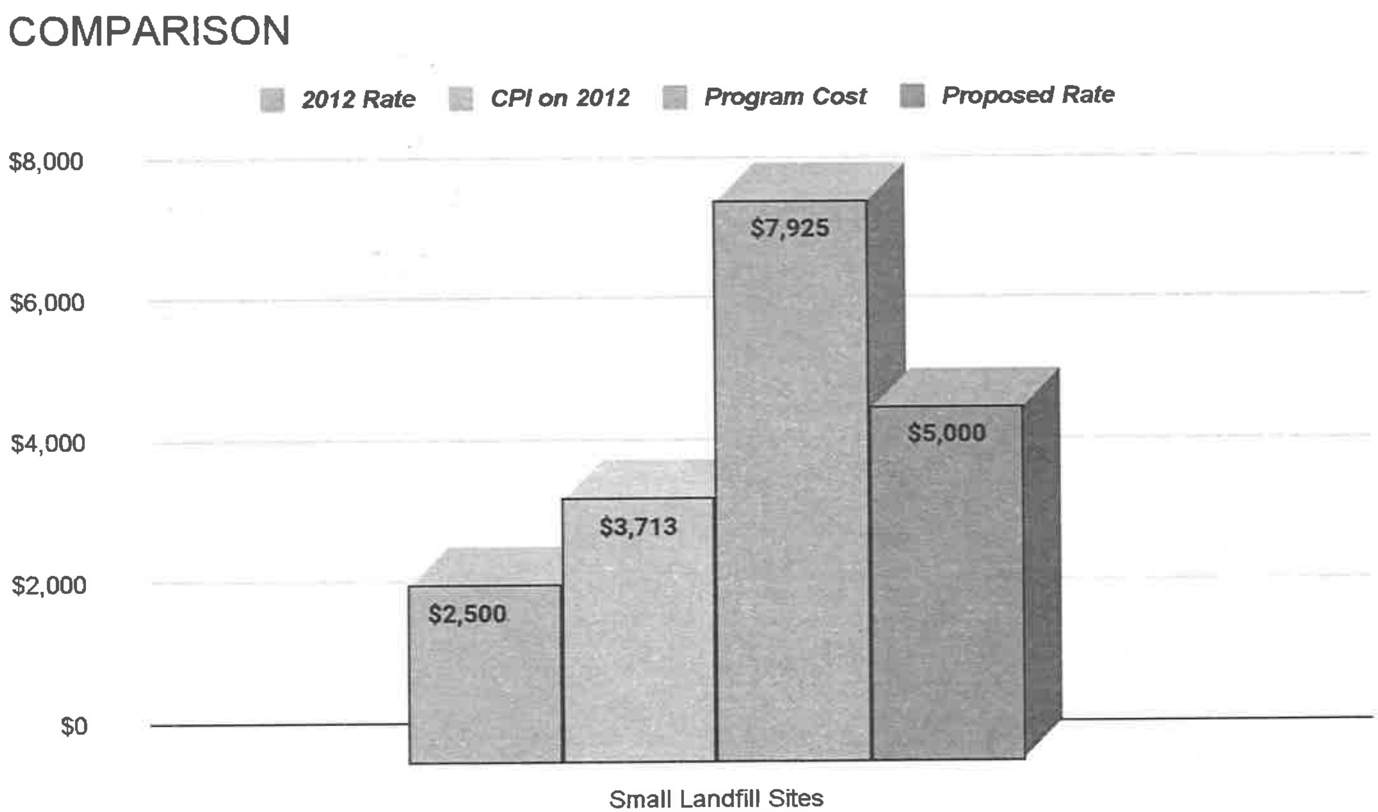
COMPARISON



- Increasing the 2012 rate by CPI alone would only address 16% of department cost

*cubic yards

Small Landfill Sites (<60K Tons per Year)

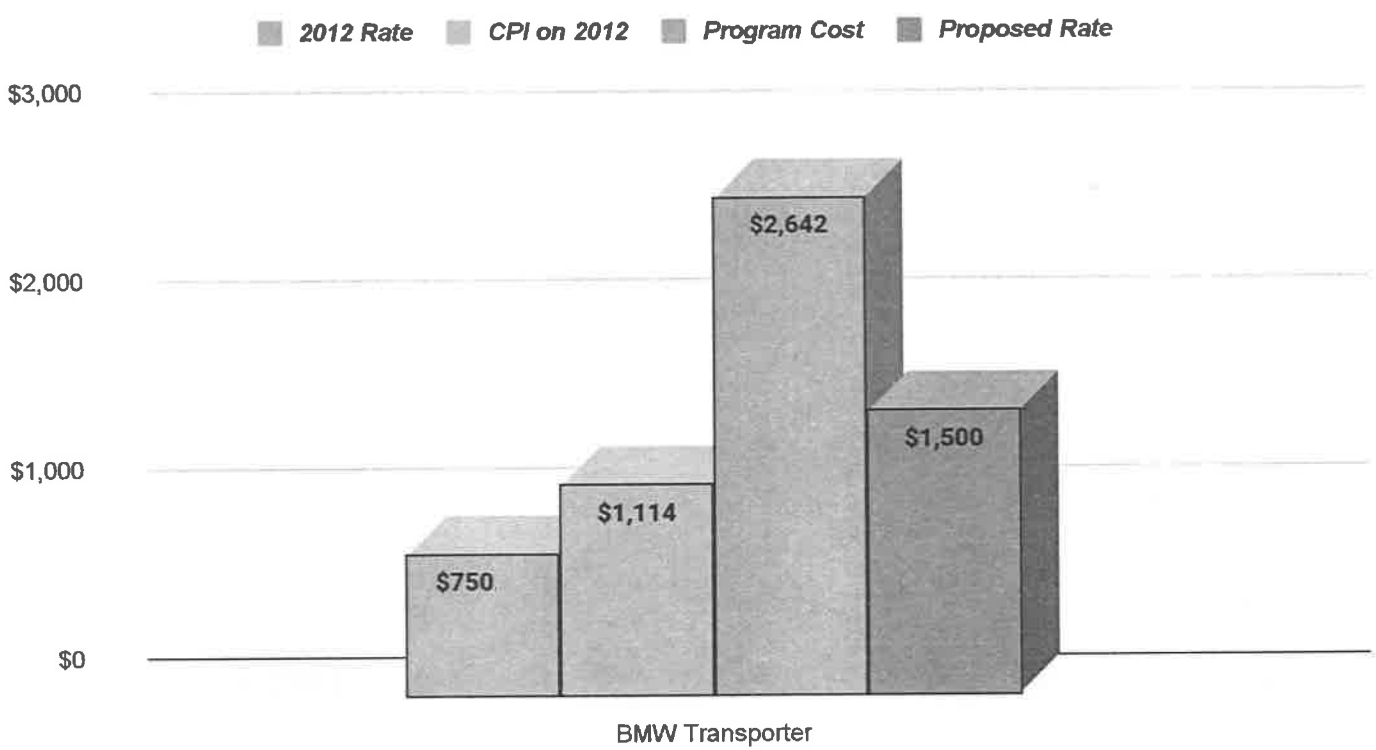


- Increasing the 2012 rate by CPI alone would only address 47% of program cost

Biohazardous Medical Waste Transporters

ADEQ Arizona Department of Environmental Quality

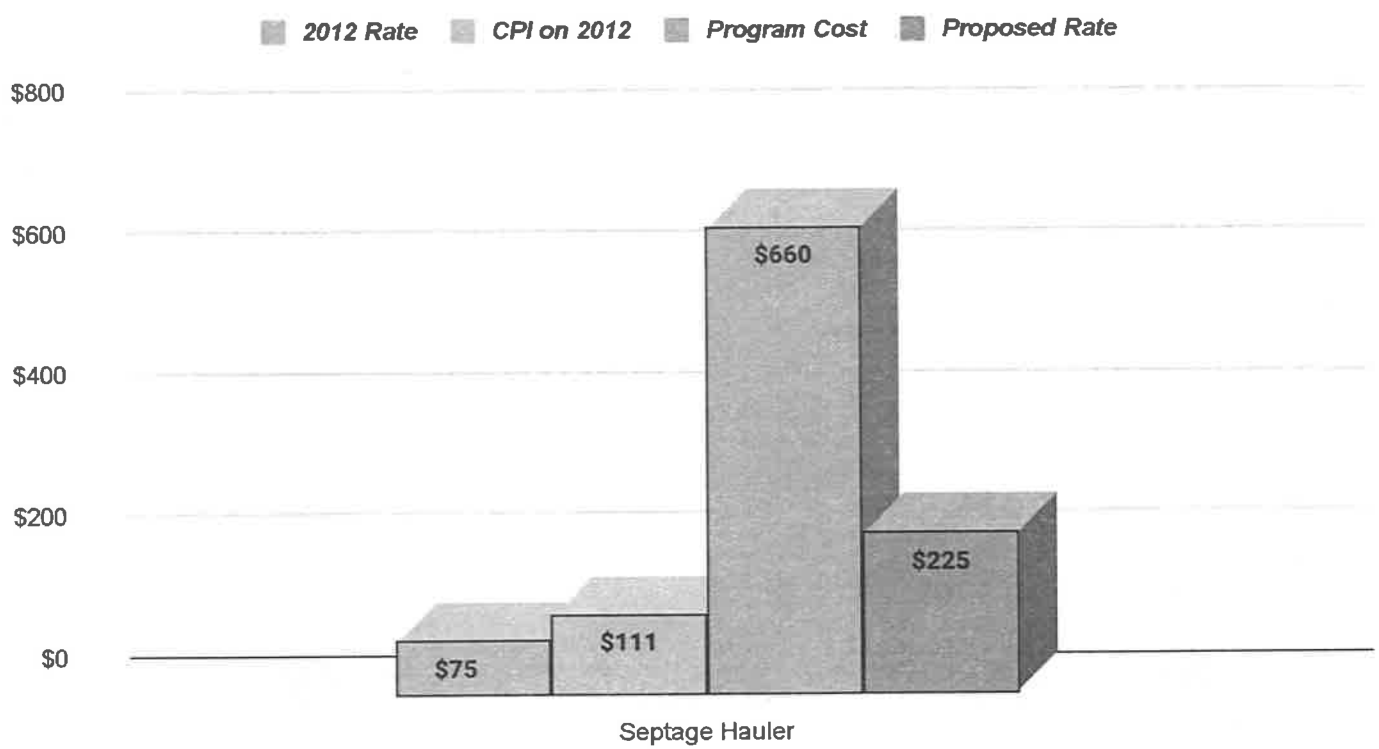
COMPARISON



- Increasing the 2012 rate by CPI alone would only address 42% of program cost

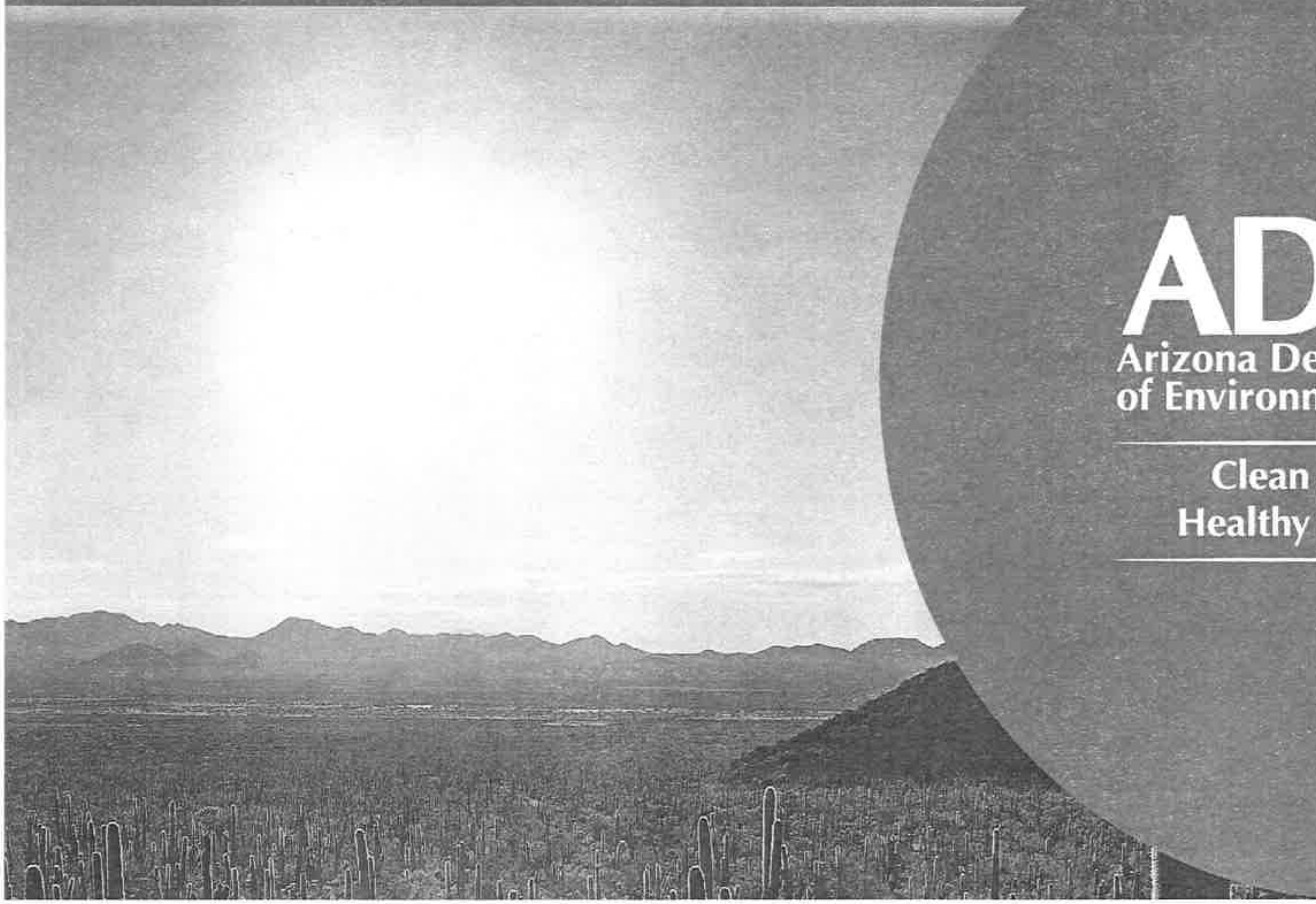
Septage Hauler (County Inspected)

COMPARISON



- Increasing the 2012 rate by CPI alone would only address 17% of program cost

Thank you



ADEQ
Arizona Department
of Environmental Quality

Clean Air, Safe Water,
Healthy Land for Everyone

Arizona Department of Environmental Quality

Katie Hobbs
Governor

Karen Peters
Deputy Director

November 20, 2024

Richard Stavneak, Director
Joint Legislative Budget Committee
1716 West Adams
Phoenix, Arizona 85007

RE: ADEQ Solid Waste Fee Increase - Additional Information

Dear Mr. Stavneak,

In response to an inquiry requesting more information on timing and revenue amounts for the planned fee right sizing for the ADEQ Solid Waste Program, please see the following page.

Sincerely,

Jared Sprunger

Jared Sprunger
Assistant Director, Business & Finance

Cc: Rudy Cen, Budget Analyst, Office of Strategic Planning and Budget
Sarah Brown, Director, Office of Strategic Planning and Budget
Maggie Rocker, Senior Fiscal Analyst, Joint Legislative Budget Committee

ADEQ Solid Waste Program Fee Right Sizing

Fee Description	New Fee Starts	Revenue increase estimated per fee
Special Waste Tonnage Quarterly Auto Shredder Fluff	January 2025 *	$100,476
Special Waste Tonnage Quarterly Petroleum Contaminated Soil	January 2025 *	Lumped w/ASF
Solid Waste Plan Review Fee	January 2025 *	$19,096
Waste Tire Fund ADOT Admin Transfer	July 2025	$588,557
Biomedical waste transportation Initial	January 2025	-$2,266
Biomedical waste transportation annual	January 2025 *	$36,086
Septage Hauler Initial Registration Fee	January 2025	$2,749
Septage Hauler Annual Registration Fee	January 2025 *	$65,830
Solid Waste Transfer Facility Self Certification Init Fee	January 2025	$5,200
Solid Waste Transfer Facility Self Certification Annual Fee	January 2025 *	$121,892
Solid Waste Waste Tire Facility Self Certification Init Fee	January 2025	$5,200
Solid Waste Waste Tire Facility Self Certify Annual Fee	January 2025 *	$48,926
Used Tire Site Initial Registration Fee	January 2025	$6,523
Used Tire Site Annual Registration Fee	January 2025 *	$86,236
Waste Tire Collection Site Initial Registration Fee	January 2025	$9,465
Waste Tire Collection Site Annual Registration Fee	January 2025 *	$115,718
Solid Waste Initial Disposal General Permit	January 2025 - no facilities expected	$0
Landfill Registration <12k tons - Non Municipal	January 2025 *	$30,222
Landfill Registration <60k tons - Non Municipal	January 2025 *	Lumped w/<12 tons
Landfill Registration <225k tons - Non Municipal	January 2025 *	$6,250
Landfill Registration >225k tons - Non Municipal	January 2025 *	$14,815
Landfill Registration <12K Tons	January 2025 *	$45,000
Landfill Registration <60K Tons	January 2025 *	$15,000
Landfill Registration <225K Tons	January 2025 *	$25,000
Landfill Registration >225K Tons	January 2025 *	$72,780
Landfill tonnage Onsite	January 2025 *	$3,488,278
Landfill tonnage Offsite	January 2025 *	Lumped w/Onsite
Plan Review Tire Sites	July 2025	**
Best Mgmt. Practices Transfer Stations	July 2025	$166,500
Used Oil Processor	July 2025	$225,000
Used Oil Burner	July 2025	$37,500
Used Oil Transporter	July 2025	$42,000
Used Oil Marketer	July 2025	$141,000
Biomedical Waste Treat	July 2025	$62,500
Biomedical Waste Disposal	July 2025	$12,500
Biomedical Waste Transfer	July 2025	**
Biomedical Waste Storage	July 2025	$30,000
Composting	Fee increase has been removed from rulemaking	$0
Septage w/ ADEQ Insp Initial registration	July 2025	$13,200
Septage w/ ADEQ Inspection	July 2025	$15,950
Special Waste Generating - Petroleum Contaminated Soil	July 2025	$31,500
Special Waste Generating - Auto Shredder Fluff	July 2025	$48,000
Special Waste Shipper	July 2025	$121,500
Special Waste Disposal/ Treat/ Store	July 2025	**
Landfills in post-closure	July 2025	$122,500
Battery Collection	July 2025	$159,975

* The new fees are effective January 2025, but the collection of the increased portion will be delayed until July 2025

** No data available for estimates **$6,136,657**

8

STATE OF ARIZONA

Joint Legislative Budget Committee

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azjlbc.gov

DATE: December 11, 2024

TO: Members of the Joint Legislative Budget Committee

FROM: Chandler Coiner, Senior Fiscal Analyst

SUBJECT: AHCCCS/Department of Economic Security - Review of Capitation Rate Changes for Plan Year 2025

Request

Pursuant to an FY 2025 General Appropriation Act footnote, the state's Medicaid agencies must present their plans to the Committee for review prior to implementing any changes in capitation rates. The request includes Contract Year Ending (CYE) 2025 capitation rates (October 2024 – September 2025) for the Arizona Health Care Cost Containment System (AHCCCS) and the Department of Economic Security's (DES) Arizona Long Term Care System (ALTCS) program.

Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the capitation rates.

2. An unfavorable review.

The Chairman plans to have a motion offered for an unfavorable review based on concerns with the DES Parents as Paid Caregivers program.

Analysis

The Federal government agrees to pay a flat per-member, per-month amount for each type of Medicaid enrollee.[1] Below, we discuss proposed changes to capitated programs within AHCCCS and DES.

Unless otherwise specified, the dollar values in this memo represent Total Funds.

Key Points

1. AHCCCS is proposing a capitation adjustment across the state's Medicaid programs, both within AHCCCS and DES – Developmental Disabilities (DD).
2. AHCCCS/DES implemented these rates in October 2024 at the beginning of the federal fiscal year.
3. The adjustment includes an average 3.6% increase across AHCCCS programs, which would cost $31.7 million above the General Fund budget.
4. DD rates would increase by 11.2% above the original FY 2024 rates, which we estimate would cost $76 million above the General Fund budget.
5. A significant share of the DD rate increase appears to be due to substantial cost increases in the Parents as Paid Caregivers (PPCG) program.
6. PPCG pays parents for providing attendant care and related services to DD minors in their home.
7. The program began with 100% federal funds, but those monies are expiring.
8. The Executive's FY 2025 budget proposed supporting the program with a General Fund appropriation, but no agreement was ever reached.
9. AHCCCS/DES cannot measure the cost of PPCG directly. Based on simplifying assumptions from their actuaries, we now estimate that PPCG may cost $57 million from the General Fund.

AHCCCS Rate Adjustment

Within AHCCCS, the rates are increasing by 3.6%, or approximately $462.0 million, in CYE 2025 (October 1, 2024 – September 30, 2025).

Members between the ages of 1 and 20 will be receiving the largest rate increase of 13.8%. These members tend to belong to population categories with a larger General Fund component. Due to this, we estimate the overall rate adjustment results in a $31.7 million General Fund cost above the FY 2025 budget.

The AHCCCS rate adjustment components are described in Attachment A.

DES – DD Rate Adjustment

Within DD, the rates are increasing by 11.2% compared to the original CYE 2024 rates. (The DD rates were revised mid-year but were not reviewed by the Committee.) The FY 2025 budget, however, assumed the rates would only be increasing by 4.0%. As a result, we estimate the 11.2% adjustment results in $76 million of General Fund costs above the FY 2025 budget.

A significant share of the 11.2% adjustment appears related to the Parents as Paid Caregivers program, which is described in more detail below. The overall DD rate adjustment components are also further described in Attachment A.

---

[1] The capitation rates are updated annually for changes in utilization and unit costs, as well as AHCCCS fee schedule changes and programmatic adjustments. Federal regulations require that AHCCCS establish rates that are "actuarially sound," meaning that the rates "are projected to provide for all reasonable, appropriate, and attainable costs that are required under the terms of the contract" with the managed care plan. The proposed rates must be certified by an actuary. These rates may include both unavoidable expenses as well as discretionary changes in the operation of the Medicaid program.

Parents as Paid Caregivers (PPCG)
During the COVID-19 pandemic, federal regulators temporarily allowed AHCCCS and its contractors to pay parents for providing attendant care and habilitation services to their minor children to address the shortage of direct care workers (DCWs) available for ALTCS during the pandemic. Attendant care includes assistance in day-to-day tasks such as cleaning, cooking, and personal hygiene, while habilitation services involve methods/trainings to improve the member's life skills and independence.

To participate, parents must meet all DCW requirements, which include being employed or contracted by a DD-related private agency and passing the necessary DCW competency tests. The agency is paid according to the DES rate schedule for attendant care and habilitation, and the parent is reimbursed based at a rate determined between the parent and the agency.

As part of the American Rescue Plan Act (ARPA), the federal government authorized the use of 100% federal dollars to pay for certain Medicaid home and community-based services (HCBS) starting in FY 2022. (This ARPA HCBS program was separate from the State and Local Fiscal Recovery Fund.) DES used $9.0 million in FY 2023 and $12.8 million in FY 2024 to operate PPCG. These monies are available to the state through March 2025.

Given that the program funding stream was time limited, AHCCCS/DES applied for a waiver to the federal government to continue PPCG as part of their ongoing operations. On February 16, 2024, the request for ongoing operation of the program was granted. As a result, the state will be required to provide a state match to fund the program beginning in April 2025 once the ARPA HCBS monies expire.

The federal approval required AHCCCS and DES to limit paid hours per parent to 40 hours per week (there was no cap on paid hours during the pandemic), but total hours of weekly service can still exceed 40 if the parent identifies an alternative caregiver. The program will remain in effect through September 30, 2027, at which point AHCCCS will need to request an extension from the federal government.

During the FY 2025 budget discussions this past spring, the projected PPCG cost continued to fluctuate to a considerable degree. The Executive's FY 2025 January budget proposal requested $4.2 million General Fund and $12.9 million Total Funds for PPCG. In a separate report in April, the Executive estimated the annual cost as $38.8 million General Fund and $116.5 million Total Funds. The final decision between the Executive and the Legislature was not to add any new specific funding for PPCG in the FY 2025 budget. There was, however, funding for the 4% overall DD capitation rate increase.

AHCCCS/DES submitted its proposed 11.2% FY 2025 capitation rates for JLBC review in September. PPCG is now estimated to cost $56.8 million General Fund and $165.5 million Total Funds annually based on information from the AHCCCS actuaries. AHCCCS claims data does not contain sufficient information to allow the actuaries to directly observe PPCG costs separately from other spending on attendant care and habilitation. As a result, the estimates are based on a set of simplifying assumptions developed by AHCCCS actuaries. The $165.8 million would be slightly less than half of the overall cap rate increase.

Based on its analysis of DD client data, DES believes that approximately 6,000 of the 23,000 DD enrollees under age 18 are using the PPCG benefit. In combination with AHCCCS' actuarial estimates, we estimate the DES usage figures would translate into a per client cost of $27,600 annually. But as noted above, these monies are first distributed to a contracted vendor who employs or subcontracts with the parent. DES does not know how much of the benefit package is being retained by the vendor.

Given that PPCG represents approximately half of the capitation rate increase, the other half reflects higher utilization of non-PPCG services, fee schedule adjustments, and other miscellaneous changes, as outlined in Attachment A.

AHCCCS/DES implemented the proposed capitation rates in October 2024 at the beginning of the federal fiscal year.

CC:kp

Attachment A
Rate Adjustment Components

The 3.6% rate adjustment within AHCCCS consists of the following:

1. $348.7 million for utilization-related factors. This includes the following: 1) a rebase associated with higher-than-anticipated utilization than the actuaries projected in developing the capitation rates last year, 2) projected changes in utilization (i.e. more use of services), 3) unit cost changes (i.e. changes in the "mix" of services used), and 4) a COVID-19-related "acuity adjustment."

   Based on actual utilization in CYE 2023 and recent trends, AHCCCS actuaries determined that use and cost of services was higher than anticipated in last year's capitation rates, resulting in an increase of 1.3%. The actuaries also anticipate that with the end of the pandemic-era prohibition on disenrollment in April 2023, the remaining AHCCCS population in CYE 2025 will likely have higher average health needs than in CYE 2024. As a result, the actuaries included an acuity adjustment of 1.5%.

2. $103.6 million for fee schedule and programmatic changes. These include:

   - Coverage for the processing, storage, and distribution of human breast milk in cases of medical necessity for infants.
   - Coverage of a prescription medication (resmetirom) that treats adults with nonalcoholic steatohepatitis.
   - Coverage of a prescription medication (semaglutide) to reduce the risk of heart problems in obese or overweight adults.
   - Coverage for corneal cross-linking treatment used to prevent the progression of corneal ectasia.
   - Requiring providers to offer annual syphilis testing for members aged 15 and older.
   - Requiring providers in the public mental health system to use a specific assessment tool for addiction treatment.
   - Expand preventative services to include services provided by a state-certified doula.

3. $9.7 million for increased administrative costs for the contracted health plans.

The 11.2% rate adjustment within DD consists of the following:

1. $290.1 million for utilization-related factors, including utilization of the PPCG program. The DD rate is not receiving an acuity adjustment similar to the one many population categories within AHCCCS are receiving.

2. $66.8 million for fee schedule and programmatic changes. This amount includes $26.5 million to account for minimum wage increases that will go into effect on January 1, 2025.

3. $2.8 million for additional case management costs, technical and administrative issues, and other adjustments.

AHCCCS
Arizona Health Care Cost Containment System

Katie Hobbs, Governor
Carmen Heredia, Director

September 3, 2024

The Honorable John Kavanagh
Chairman, Joint Legislative Budget Committee
1700 W Washington St.
Phoenix, Arizona 85007

Dear Senator Kavanagh:

The Arizona Health Care Cost Containment System (AHCCCS) has completed its actuarial analysis of Managed Care Organization (MCO) capitation rates that are effective beginning October 1, 2024, and respectfully requests to be placed on the agenda of the next JLBC meeting to review these rates.

In accordance with Federal regulations, MCO capitation rates must be actuarially sound and must be approved by the Centers for Medicare and Medicaid Services (CMS). They must cover the anticipated costs for providing medically necessary services to AHCCCS members. As such, capitation rates are developed to reflect the costs of services provided as well as utilization of those services by AHCCCS members. Capitation rate trends reflect a combination of changes in cost and utilization, calculated as a per member per month (PMPM) expenditure to AHCCCS Contractors (including other state agencies, the Arizona Department of Economic Security/Division of Developmental Disabilities (DES/DDD) and the Department of Child Safety Comprehensive Health Plan [DCS CHP]).

The Arizona Long Term Care System – Elderly and Physical Disability (ALTCS-EPD) Program was set to transition from a previous contract to a new contract with different MCOs effective October 1, 2024. That transition has been paused. Actuarially sound capitation rates were developed for the transition. AHCCCS actuaries are working to redevelop capitation rates for the prior MCOs that will be continuing to serve ALTCS-EPD members during the pause. The tables and figures referenced in this document use the rates which were developed for the transition. Final ALTCS-EPD capitation rates will be provided as soon as they are available and it is anticipated that the growth associated with the final ALTCS-EPD rates should be similar in total to those rates developed for the transition; therefore, those capitation rates are included herein as a proxy for the program.

Capitation rates are certified by actuaries when a new program is established. Rates must also be recertified every year to coincide with MCO annual contract periods. AHCCCS contracts are awarded on an October 1 through September 30 schedule.

In addition to the annual rate development, the capitation rates must be amended mid-year when action occurs that is expected to impact the MCOs' expenses by a material amount (as determined by the actuaries) and a rate adjustment is required to maintain actuarial soundness. AHCCCS strives to mitigate the need for mid-year capitation adjustments whenever possible, but has identified a few reasons why such action might be necessary during Contract Year Ending (CYE) 2025:

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- Adjustments have been included in this year's AHCCCS Complete Care (ACC) and AHCCCS Complete Care - Regional Behavioral Health Agreement (ACC-RBHA) capitation rates to reflect the unwinding of the COVID-19 Public Health Emergency (PHE) continuous coverage requirements. These adjustments may need to be revisited if there are material differences in actual experience vs projections associated with the average cost profiles of remaining enrollees. The actuaries will be evaluating the remainder of the CYE 24 experience to determine if, and how far, the acuity adjustments included in the CYE 25 capitation rates differ from more recent experience.
- A reduction in the requirements related to prior authorization and step therapy for oral antipsychotics was made after the development of the capitation rates; the actuaries will be monitoring the experience for these specific drugs to determine whether the change is having a material impact on the MCOs' costs.

This letter details the annual renewal of rates for CYE 2025 from October 1, 2024, through September 30, 2025, for the following programs: ACC, ACC-RBHA, DCS CHP, ALTCS-EPD, and ALTCS-DD (DES/DDD).

Before implementing the new capitation rates, AHCCCS is reporting its expenditure plan for review by the JLBC. This letter summarizes the capitation rates and their associated financial impacts.

Background and Summary

Rates outlined in this letter will be submitted to CMS to be effective October 1, 2024. The utilization and unit cost trends for all programs are detailed in the attached actuarial certifications. Anticipated increases in utilization of existing covered services attributable to specific initiatives or policy guidance are separately detailed. Provider rate adjustments and program changes are also identified.

In CYE 2025, capitation rate growth for all programs can be categorized into two major components:

- Capitation rate growth unrelated to COVID-19, driven primarily by changes in base data, changes in pharmacy expenses, as well as utilization and unit cost trends, and
- Capitation rate growth related to COVID-19, driven by the unwinding of the PHE, particularly the end of the Medicaid continuous coverage requirements and subsequent disenrollments, as well as reduced direct federal funding for COVID-19 vaccines and treatments.

On the next page, Table I displays the overall capitation rate growth unrelated to COVID-19 for all AHCCCS programs, including DES/DDD, as a 2.59 percent increase as shown in "Column 1." Table I also includes data detailing capitation changes related to COVID-19 which account for a 1.61 percent increase for all AHCCCS programs, including DES/DDD, as shown in "Column 2."

The combined, overall capitation rate increase (non-COVID-19 and COVID-19) for all AHCCCS programs, including DES/DDD, is projected to be 4.2 percent. See "Column 3" in Table I for overall capitation impacts by program. The capitation rate growth budgeted by the Legislature for SFY 2025 was 4.0 percent for AHCCCS and DES/DDD, as reported in the JLBC FY 2025 Appropriations Report. AHCCCS therefore anticipates the CYE 2025 capitation adjustments should be funded within existing resources.

Table I. CYE 2025 Capitation Rate Changes

	CYE 2025 Changes from CYE 2024 Rates		
	1	2	3
Program	**Unrelated to COVID-19**	**Related to COVID-19**	**Total**
ACC	0.66%	2.67%	3.33%
ACC-RBHA	5.70%	0.58%	6.29%
DCS CHP	23.30%	0.06%	23.36%
ALTCS-EPD	1.33%	0.01%	1.35%
AHCCCS Total	**1.57%**	**2.03%**	**3.60%**
ALTCS-DD	6.48%	0.04%	6.52%
TCM	4.00%	0.00%	4.00%
DES/DDD Total	**6.47%**	**0.04%**	**6.51%**
AHCCCS and DES/DDD Total	**2.59%**	**1.61%**	**4.20%**

Drivers of Growth Unrelated to COVID-19

An increase of 2.59 percent in the capitation rates is attributable to the following non-COVID-19 factors, which are described more fully in subsequent pages:

1. Rebase – Adjustments to medical expenses to reflect more recent incurred experience account for a net increase of 5.12 percent.
2. Trend – The assumed change in utilization and unit cost trends for medical services accounts for an increase of 1.63 percent.
3. Reimbursement and Programmatic Changes – Factors such as adjustments to fee schedules and differential provider rates, Proposition 206, and others account for a decrease of (3.42 percent).
4. Pharmacy Changes and Rx Rebates – Several changes in pharmacy costs, including formulary changes, account for a net decrease of (0.81 percent).
5. Administration, Case Management, and Care Management – Adjustments to the non-benefit cost component of the rates to reflect the costs to administer and manage the programs account for an increase of 0.08 percent.

The relative impacts of each of these drivers on the capitation rates for each program are summarized in Table II on the following page.

Table II. CYE 2025 Capitation Rate Change by Component - Unrelated to COVID-19

Program	Rebase	Trend	Reimbursement & Programmatic Changes	Pharmacy Changes & Rx Rebates	Admin, Case Management, & Care Management	Total
ACC	1.60%	1.17%	(1.04%)	(1.26%)	0.18%	0.66%
ACC-RBHA	7.04%	0.16%	(0.84%)	(0.83%)	0.17%	5.70%
DCS CHP	20.08%	5.02%	(2.65%)	(0.02%)	0.87%	23.30%
ALTCS-EPD	10.38%	1.73%	(10.30%)	0.13%	(0.61%)	1.33%
ALTCS-DD	10.67%	3.38%	(7.57%)	(0.10%)	0.08%	6.47%
Total	**5.12%**	**1.63%**	**(3.42%)**	**(0.81%)**	**0.08%**	**2.59%**

Rebase and Trends

Capitation rates for all programs except DCS CHP were rebased using actual experience incurred for the period of October 1, 2022, through September 30, 2023. The DCS CHP Program was rebased using experience incurred between April 1, 2021, and March 31, 2022. Across all programs, this adjustment results in an increase of 5.12 percent.

The inclusion of funding associated with increases for medical expense utilization and inflation is required in order to ensure that capitation rates are actuarially sound. The certifying actuaries developed and applied utilization and unit cost trends for categories of service primarily based on actual experience incurred during the period October 1, 2020, through December 31, 2023. Across all programs, the anticipated impact attributable to medical trend is an increase of 1.63 percent compared to the CYE 2024 capitation rates. As can be seen in Table III below, a key driver of medical trend is growth in home and community based services (HCBS), with an average expected trend rate of 6.0 percent across the ALTCS programs. The HCBS trends are responsible for 0.7 percent of the overall capitation rate growth attributable to changes in utilization and unit costs. The increase is more impactful in the ALTCS-DD population where utilization has increased the overall HCBS trend assumptions to above 6.5 percent for the program.

Table III. CYE 2025 Capitation Trends by Category of Service (COS)

	% Contribution to Cap Rate Change	Trend Rate
ACC, ACC-RBHA, and CHP Programs		
Pharmacy	0.1%	4.9%
Physician/Professional/Medical Services	0.1%	2.9%
Inpatient Hospital & Nursing Facility	0.1%	2.4%
Outpatient Hospital	0.1%	2.8%
Transportation	0.1%	3.2%
Community Health Centers	0.2%	4.0%
Other	0.1%	2.8%
Sub-Total Non-ALTCS Trend	**0.75%**	**3.22%**

ALTCS-EPD and DES/DDD Programs		
Home and Community Based Services	0.7%	6.0%
Acute Care & Behavioral Health	0.1%	4.4%
Nursing Facility and Institutions	0.1%	3.4%
Sub-Total ALTCS Trends	**0.88%**	**5.37%**
TOTAL TRENDS ALL COS	**1.63%**	**3.90%**

Reimbursement and Programmatic Changes

AHCCCS makes adjustments to provider rates based on access to care issues; based on Medicare rate adjustments when rates are tied to Medicare; to differentiate providers who support actions that improve patients' care experience, improve members' health, and reduce cost of care growth; and to meet federal or state requirements. The impact on overall AHCCCS capitation rates from these provider rate adjustments is a decrease of (3.24 percent). In addition, rates decreased (0.19 percent) for other programmatic changes. The combined impact across these rate development components is a decrease of (3.42 percent) to the capitation rates.

Pharmacy Changes

Several changes related to pharmacy expenditures are included in the CYE 2025 capitation rates, including changes to the formulary, market changes associated with provisions of the American Rescue Plan Act effective January 1, 2024, and projected MCO pharmacy rebates. Across all programs, these changes account for a net decrease of (0.81 percent) to the capitation rates.

Administration, Care Management, and Case Management

Across all programs, the adjustment of rates to address the costs to administer the programs and manage care for AHCCCS enrollees accounts for a net change of 0.08 percent. The net change also includes decreases to the underwriting gain percentage in CYE 2025 for the ACC, ACC-RBHA, and ALTCS-EPD populations. The underwriting gain is a non-benefit cost that covers contributions to reserves, risk margin, and cost of capital for the MCOs.

Drivers of Growth Related to COVID-19

An increase of 1.61 percent in the capitation rates is attributable to COVID-19, primarily driven by the unwinding of the COVID-19 PHE; with the end of the continuous coverage requirement, lower cost members began disenrolling from Medicaid during CYE 2023 continuing into CYE 2024, resulting in an increase in the average cost profile of the remaining Medicaid members. To account for this change in the average cost profile, AHCCCS actuaries applied acuity adjustment factors to the rates for a net increase of 1.15 percent across all programs.

The acuity adjustment factors are applied to the ACC and ACC-RBHA rates. The acuity adjustment factors incorporated into capitation rate development reflect the actual disenrollments through May 2024 and the differences in costs between disenrolled members and members who are still enrolled. The actuaries will continue to monitor the experience through the remainder of the contract year ending September 30, 2024, to judge whether the patterns of utilization and expenditures remain in line with the factors assumed. If the actual expenditures by risk group are materially different than projected, the acuity adjustment factors may need to be revisited. If, after review, the actuaries determine that adjustments to the capitation rates are necessary, a new contract with the revised capitation rates will be submitted, and if the change results in a capitation rate for any rate cell changing by more than the +/- 1.5% (de minimis allowable by CMS without recertification), an amended actuarial certification will be submitted.

Note that the CYE 2025 capitation rates also include increased costs associated with COVID-19 vaccines and treatments which were previously funded entirely by the federal government for a net increase of 0.47% across all programs.

Changes in Capitation Rates by Program

ACC Renewal Rates

The CYE 2025 renewal rates for ACC risk groups reflect an increase of 3.33 percent from the most recently submitted rates effective April 1, 2024. Several factors contributed to the change:

- 2.78 percent for rebase and trend adjustments,
- (0.77 percent) for provider reimbursement changes (fee schedule and differential provider rates),
- (0.27 percent) for other program changes,
- (1.26 percent) for pharmacy changes including MCO pharmacy rebates,
- 0.18 percent for administrative and case management, and
- 2.67 percent for COVID-19-related measures.

Please see Appendix Table 2 for more detail.

ACC-RBHA Renewal Rates

The CYE 2025 renewal rates for ACC-RBHA risk groups reflect an increase of 6.29 percent from the most recently submitted rates effective April 1, 2024. Several factors contributed to the change:

- 7.20 percent for rebase and trend adjustments,
- (0.75 percent) for provider reimbursement changes (fee schedule and differential provider rates),
- (0.09 percent) for other program changes,
- (0.83 percent) for pharmacy changes including MCO pharmacy rebates,
- 0.17 percent for administrative and case management, and
- 0.58 percent for COVID-19-related measures.

Laws 2024, Chapter 209 includes a footnote stating:

> "The legislature intends that the percentage attributable to administration and profit for the regional behavioral health authorities be nine percent of the overall capitation rate."

The percentage attributable to administration and profit of the actuarially sound CYE 2025 capitation rates and lump sum directed payments, for the unique RBHA services, is 8.49 percent.

Please see Appendix Table 3 for more detail.

DCS CHP Renewal Rates

The CYE 2025 renewal rates for CHP reflect an increase of 23.36 percent from the most recently submitted rates effective October 1, 2023. Several factors contributed to the change:

- 25.10 percent for rebase adjustments (including an acuity adjustment related to policy changes at DCS CHP purposefully reducing the number of children being removed from their homes, and significantly impacting the average cost profile of the new, smaller, cohort of children entering foster care) and trend adjustments,
- (0.22 percent) for provider reimbursement changes (fee schedule and differential provider rates),
- (2.42 percent) for other program changes,
- (0.02 percent) for pharmacy changes including MCO pharmacy rebates,
- 0.87 percent for administrative and case management, and
- 0.06 percent for COVID-19-related measures.

Please see Appendix Table 4 for more detail.

ALTCS-EPD Renewal Rates

The previously developed rates for CYE 2025 for ALTCS-EPD reflect an increase of 1.35 percent from the most recently submitted rates effective October 1, 2023. Several factors contributed to the change:

- 12.11 percent for rebase and trend adjustments,
- (10.05 percent) for provider reimbursement changes (fee schedule and differential provider rates),
- (0.24 percent) for other program changes,
- 0.13 percent for pharmacy changes including MCO pharmacy rebates,
- (0.61 percent) for administrative and case management, and
- 0.01 percent for COVID-19-related measures.

Please see Appendix Table 5 for more detail.

ALTCS-DD Renewal Rates

The CYE 2025 renewal rates for ALTCS-DD reflect an increase of 6.52 percent from the most recently submitted rates effective October 1, 2023. Several factors contributed to the change:

- 14.14 percent for rebase and trend adjustments, primarily driven by increased expenditures for attendant care services, habilitation services per 15 minutes, and applied behavioral analysis,
- (7.72 percent) for provider reimbursement changes (fee schedule and differential provider rates),
- 0.11 percent for other program changes,
- (0.10 percent) for pharmacy changes including MCO pharmacy rebates,
- 0.06 percent for administrative and case management, and
- 0.04 percent for COVID-19-related measures.

Additionally, CYE 2025 rates for targeted case management (TCM) reflect an increase of 4.00 percent from the most recently submitted rates effective October 1, 2023.

Please see Appendix Table 6 for more detail.

Lump Sum Payments

In addition to capitation amounts that are paid on a PMPM basis, AHCCCS also makes lump sum payments to MCOs that are associated with specific initiatives. Key initiatives are highlighted and summarized below.

Access to Professional Services Initiative

The Access to Professional Services Initiative (APSI) provides a uniform percentage increase to reimbursement for qualified practitioners. Under 42 CFR § 438.6(c), this is considered a "directed payment" arrangement and is subject to prior approval by CMS. The increase in reimbursement under this initiative ensures access to care for AHCCCS members and will allow providers to achieve quality outcomes, including reducing readmissions and increasing preventative screenings, that help to bend the health care cost curve. APSI provides a uniform percentage increase of 75 percent to otherwise contracted rates for qualified practitioners for all claims for which AHCCCS is the primary payer. The rate increase is intended to supplement, not supplant, payments to eligible providers. The initiative is funded via intergovernmental transfers (IGTs) and no General Fund monies are required. The total estimated payment amount for CYE 2025 is $310.4 million Total Fund.

Alternative Payment Model Initiative – Performance-Based Payments

In CYE 2016, AHCCCS began reimbursing MCOs under the Alternative Payment Model (APM) Initiative-Performance-Based Payments (PBP) Incentive. Under 42 CFR §§ 438.6(a) and (b), these payments are considered an incentive arrangement that provides limited funding to MCOs to support activities that advance the AHCCCS Quality Strategy. The purpose of the initiative is specifically to promote MCO activities that focus on quality improvement and that result in improved health outcomes and cost containment. This initiative is a key component to the AHCCCS goal to pursue and implement long term strategies that bend the cost curve while improving member health outcomes. PBP funding allows MCOs to make incentive payments to providers that meet specific performance objectives or criteria. Excluding DES/DDD, for CYE 2023 the total payment amount, which will be paid during CYE 2025, is estimated to be $70.8 million Total Fund.

HEALTHII Payments

Laws 2020, Chapter 46, Section 2 established a new hospital assessment that is deposited into the Health Care Investment Fund and used to make Hospital Enhanced Access Leading to Health Improvements Initiative (HEALTHII) directed payments (authorized under 42 CFR § 438.6(c) and subject to prior approval by CMS) to hospitals and to increase base reimbursement for services reimbursed by AHCCCS under the dental fee schedule and physician fee schedule. The HEALTHII payments are made as lump sum payments outside of base capitation rates, and so do not contribute to overall capitation rate growth. The total payments for HEALTHII during CYE 2025 are estimated to be $3.09 billion, and do not include any General Fund monies.

Nursing Facility - Supplemental Payments

The 2016 Medicaid Managed Care Final Rule required that pass-through payments to physicians and nursing facilities be phased out within five years of the effective date of the final rule. AHCCCS therefore transitioned the previous nursing facility pass-through payments into a 42 CFR § 438.6(c) directed payment arrangement, subject to prior approval by CMS. The Nursing Facility – Supplemental Payments (NF-SP) provide a uniform dollar increase per bed day for qualified facilities. The rate increase is intended to supplement, not supplant, payments to eligible providers. The NF-SP initiative is funded by the quarterly nursing facility assessments and no General Fund monies are required. The total NF-SP amounts for CYE 2025 are estimated to be $92.4 million Total Fund.

Pediatric Services Initiative

The Pediatric Services Initiative (PSI) is a directed payment arrangement under 42 CFR § 438.6(c) and is subject to prior approval by CMS. PSI provides an estimated uniform percentage increase of 16 percent for hospital services provided by a freestanding children's hospital or pediatric unit of a general acute care hospital with more than 100 beds. The increase in reimbursement under PSI ensures access to care for pediatric members and will support provider strategies to manage care for those members with complex conditions. Specifically, this program is anticipated to help reduce unplanned readmissions and hospital-acquired conditions, and thereby bend the health care cost curve. This initiative is funded via IGTs, and no General Fund monies are required. The total estimated payment amount for CYE 2025 is $59.1 million Total Fund.

Safety Net Services Initiative

The Safety Net Services Initiative (SNSI) is a directed payment arrangement under 42 CFR § 438.6(c) and is subject to prior approval by CMS. The SNSI directed payment provides a uniform percentage increase for inpatient and outpatient services provided by the eligible public safety net hospital. The SNSI uniform percentage increase is based on a fixed total payment amount and is expected to fluctuate based on utilization in the contract year. This increase is intended to supplement, not supplant, payments to the eligible public safety net hospital. This initiative is funded via IGTs, and no General Fund monies are required. The total estimated payment amount for CYE 2025 is $388.5 million Total Fund.

Targeted Investments 2.0 Payments

Under the approved 1115 Waiver, AHCCCS has a Targeted Investments 2.0 (TI 2.0) initiative which supports Arizona's goal to fully transform the Medicaid delivery system to an integrated whole person care structure by encouraging providers to thoughtfully develop infrastructure and protocols to optimize coordination of services designed to meet the member's acute, behavioral, and health-related social needs and address identified health inequities amongst their patient population. AHCCCS will achieve this goal by supporting providers throughout the state to develop and enhance care coordination processes with health care and community-based organizations and provide guidance, tools, and technical assistance for internal population health analyses. The TI 2.0 initiative is a directed payment arrangement under 42 CFR § 438.6(c), subject to prior approval by CMS, and is funded via Designated State Health Programs (DSHP) and IGT funding; no General Fund monies are required. The total payments for TI 2.0 during CYE 2025 are estimated to be $63.3 million Total Fund.

The actuarial certifications for the capitation rates are attached. Should you have any questions on any of these issues, please feel free to contact Erica Johnson, Chief Actuary, at erica.johnson@azahcccs.gov.

Sincerely,

Carmen Heredia
Director

cc: The Honorable David Livingston, Vice Chairman, Joint Legislative Budget Committee
Richard Stavneak, Director, Joint Legislative Budget Committee
Zaida Dedolph Piecoro, Health Policy Advisor, Office of the Governor
Sarah Brown, Director, Office of Strategic Planning and Budgeting
Cameron Dodd, Budget Manager, Office of Strategic Planning and Budgeting

Appendix Table 1A
CYE 2025 Medicaid Capitation Rates

Program	CYE 24 Rate			CYE 25 Rate			CYE 25 Change from CYE 24 Rates		
							1	2	3
	Unrelated to COVID-19	Related to COVID-19	Total	Unrelated to COVID-19	Related to COVID-19	Total	Unrelated to COVID-19	Related to COVID-19	Total
ACC	$410.99	$ 13.47	$424.46	$413.78	$ 24.82	$438.60	0.66%	2.67%	3.33%
ACC-RBHA	$62.58	$ 0.69	$63.27	$66.18	$ 1.06	$67.24	5.70%	0.58%	6.29%
CHP	$1,309.32	$ 12.78	$1,322.09	$1,617.35	$ 13.61	$1,630.97	23.30%	0.06%	23.36%
ALTCS-EPD	$5,503.26	$ (0.18)	$5,503.08	$5,576.71	$ 0.61	$5,577.32	1.33%	0.01%	1.35%
AHCCCS Total							**1.57%**	**2.03%**	**3.60%**
ALTCS-DD	$6,255.88	$ (1.89)	$ 6,253.99	$6,661.41	$ 0.40	$ 6,661.80	6.48%	0.04%	6.52%
TCM	$222.25	$0.00	$222.25	$231.13	$0.00	$ 231.13	4.00%	0.00%	4.00%
DES/DDD Total							**6.47%**	**0.04%**	**6.51%**
AHCCCS and DES/DDD Total							**2.59%**	**1.61%**	**4.20%**

Appendix Table 1B
CYE 2025 Capitation Rates by Risk Group

ACC	CYE 25 Proj MMs	CYE 24 Rates Total	CYE 25 Rates Total	Projected Expenditures: CYE 24 Rates CYE 25 Proj MMs	Projected Expenditures: CYE 25 Rates CYE 25 Proj MMs	Total Change from CYE 24 Rates
AGE < 1	531,600	$ 762.34	$ 782.50	$ 405,257,900	$ 415,975,500	2.6%
AGE 1-20	8,968,985	$ 213.41	$ 242.95	$ 1,914,037,300	$ 2,179,050,200	13.8%
AGE 21+	3,601,124	$ 425.78	$ 437.96	$ 1,533,289,500	$ 1,577,131,600	2.9%
Duals	1,609,998	$ 169.92	$ 162.86	$ 273,563,400	$ 262,208,800	(4.2%)
SSIWO	631,271	$ 1,296.76	$ 1,356.04	$ 818,607,500	$ 856,031,100	4.6%
ESA	5,877,101	$ 641.68	$ 636.27	$ 3,771,221,000	$ 3,739,410,800	(0.8%)
NEA	951,825	$ 469.95	$ 476.35	$ 447,311,300	$ 453,397,500	1.4%
Delivery	34,086	$ 7,270.71	$ 7,081.45	$ 247,829,500	$ 241,378,200	(2.6%)
Total	22,205,990	$ 424.46	$ 438.60	$ 9,411,117,400	$ 9,724,583,700	3.3%

ACC-RBHA	CYE 25 Proj MMs	CYE 24 Rates Total	CYE 25 Rates Total	Projected Expenditures: CYE 24 Rates CYE 25 Proj MMs	Projected Expenditures: CYE 25 Rates CYE 25 Proj MMs	Total Change from CYE 24 Rates
SMI	561,467	$ 2,298.79	$ 2,453.78	$ 1,290,694,400	$ 1,377,715,700	6.7%
Crisis	23,733,708	$ 8.88	$ 9.19	$ 210,819,100	$ 218,198,200	3.5%
Total	23,733,708	$ 63.27	$ 67.24	$ 1,501,513,500	$ 1,595,913,900	6.3%

DCS CHP	CYE 25 Proj MMs	CYE 24 Rates Total	CYE 25 Rates Total	Projected Expenditures: CYE 24 Rates CYE 25 Proj MMs	Projected Expenditures: CYE 25 Rates CYE 25 Proj MMs	Total Change from CYE 24 Rates
Integrated Rate	96,349	$1,322.09	$1,630.97	$ 127,382,600	$ 157,142,200	23.4%

ALTCS-EPD	CYE 25 Proj MMs	CYE 24 Rates Total	CYE 25 Rates Total	Projected Expenditures: CYE 24 Rates CYE 25 Proj MMs	Projected Expenditures: CYE 25 Rates CYE 25 Proj MMs	Total Change from CYE 24 Rates
Dual	269,502	$4,609.65	$4,692.75	$ 1,242,308,500	$ 1,264,704,600	1.8%
Non-Dual	59,074	$9,578.98	$9,612.78	$ 565,871,100	$ 567,868,000	0.4%
Total	328,576	$ 5,503.08	$ 5,577.32	$ 1,808,179,600	$ 1,832,572,600	1.3%
AHCCCS TOTAL	**23,158,296**			**$ 12,848,193,100**	**$ 13,310,212,400**	3.6%

DES/DDD	CYE 25 Proj MMs	CYE 24 Rates Total	CYE 25 Rates Total	Projected Expenditures: CYE 24 Rates CYE 25 Proj MMs	Projected Expenditures: CYE 25 Rates CYE 25 Proj MMs	Total Change from CYE 24 Rates
ALTCS-DD	536,106	$ 6,253.99	$ 6,661.80	$ 3,352,799,400	$ 3,571,430,600	6.5%
Targeted Case Management	90,497	$ 222.25	$ 231.13	$ 20,112,800	$ 20,916,900	4.0%
DES/DDD Total	**626,603**	**$ 5,382.86**	**$ 5,733.05**	**$ 3,372,912,200**	**$ 3,592,347,500**	6.5%
AHCCCS & DES/DDD TOTAL	**23,694,402**			**$ 16,221,105,300**	**$ 16,902,559,900**	**4.2%**

Appendix Table 1C
CYE 2025 Capitation Rate Change by Component

Program	Unrelated to COVID-19								Related to COVID-19		All
	Rebase	Trend	Fee Schedule Changes	DAP	Program Changes	Rx Rebates	Pharmacy Changes	Admin, Care Mgt, Case Mgt	COVID-19 Treatment Cost Changes	Acuity Adjustment	Total
ACC	1.6%	1.2%	(1.0%)	0.2%	(0.3%)	(0.0%)	(1.2%)	0.2%	0.8%	1.9%	3.3%
ACC-RBHA	7.0%	0.2%	(0.9%)	0.1%	(0.1%)	(0.0%)	(0.8%)	0.2%	0.1%	0.5%	6.3%
DCS CHP	20.1%	5.0%	(0.5%)	0.2%	(2.4%)	(0.0%)	(0.0%)	0.9%	0.1%	0.0%	23.4%
ALTCS-EPD	10.4%	1.7%	(9.6%)	(0.5%)	(0.2%)	0.0%	0.1%	(0.6%)	0.0%	0.0%	1.3%
AHCCCS Total %	**3.66%**	**1.17%**	**(2.16%)**	**0.08%**	**(0.26%)**	**(0.02%)**	**(0.98%)**	**0.08%**	**0.58%**	**1.45%**	**3.60%**
AHCCCS $ (Millions)	**$469.9**	**$150.6**	**($277.1)**	**$10.9**	**($34.0)**	**($3.0)**	**($125.5)**	**$9.7**	**$74.4**	**$186.2**	**$462.0**
DES/DDD Total %	**10.67%**	**3.38%**	**(7.14%)**	**(0.54%)**	**0.11%**	**0.01%**	**(0.11%)**	**0.08%**	**0.04%**	**0.00%**	**6.51%**
DES/DDD $ (Millions)	**$360.0**	**$114.0**	**($240.9)**	**($18.0)**	**$3.7**	**$0.5**	**($3.9)**	**$2.8**	**$1.2**	**$0.0**	**$219.4**
AHCCCS & DES/DDD TOTAL %	**5.12%**	**1.63%**	**(3.19%)**	**(0.04%)**	**(0.19%)**	**(0.02%)**	**(0.80%)**	**0.08%**	**0.47%**	**1.15%**	**4.20%**
Total $ (Millions)	**$829.9**	**$264.6**	**($518.0)**	**($7.1)**	**($30.3)**	**($2.5)**	**($129.3)**	**$12.5**	**$75.6**	**$186.2**	**$681.5**

Appendix Table 2
AHCCCS Complete Care (ACC) Program
CYE 2025 Capitation Rate Development

	PMPM	
Average CYE 2024 Rate	**$424.46**	
CYE 2025 Adjustments Unrelated to COVID-19	**PMPM Change**	**% Change**
Rebase	$6.81	1.60%
Trend	$4.98	1.17%
Fee Schedule Changes	$(4.08)	(0.96%)
DAP	$0.79	0.19%
Program Changes	$(1.14)	(0.27%)
Rx Rebates	$(0.15)	(0.04%)
Pharmacy Changes	$(5.19)	(1.22%)
Administrative, Case Management, and Care Management	$0.77	0.18%
CYE 2025 Adjustments Unrelated to COVID-19	**$2.79**	**0.66%**
CYE 2025 Adjustments Related to COVID-19	**PMPM Change**	**% Change**
COVID-19 Treatment Cost Changes	$3.27	0.77%
Acuity Adjustment	$8.08	1.90%
CYE 2025 Adjustments Related to COVID-19	**$11.34**	**2.67%**
Average CYE 2025 Rate	**$438.60**	**3.33%**

Appendix Table 3
AHCCCS Complete Care - Regional Behavioral Health Agreement (ACC-RBHA) Program
CYE 2025 Capitation Rate Development

	PMPM	
Average CYE 2024 Rate	**$63.27**	
CYE 2025 Adjustments Unrelated to COVID-19	**PMPM Change**	**% Change**
Rebase	$4.45	7.04%
Trend	$0.10	0.16%
Fee Schedule Changes	($0.54)	(0.86%)
DAP	$0.07	0.11%
Program Changes	($0.05)	(0.09%)
Rx Rebates	($0.00)	(0.00%)
Pharmacy Changes	($0.52)	(0.83%)
Administrative, Case Management, and Care Management	$0.11	0.17%
CYE 2025 Adjustments Unrelated to COVID-19	**$3.61**	**5.70%**
CYE 2025 Adjustments Related to COVID-19	PMPM Change	% Change
COVID-19 Treatment Cost Changes	$0.07	0.11%
Acuity Adjustment	$0.30	0.47%
CYE 2025 Adjustments Related to COVID-19	**$0.37**	**0.58%**
Average CYE 2025 Rate	**$67.24**	**6.29%**

Appendix Table
Comprehensive Health Plan (CHP) Program
CYE 2025 Capitation Rate Development

	PMPM	
Average CYE 2024 Rate	**$1,322.09**	
CYE 2025 Adjustments Unrelated to COVID-19	**PMPM Change**	**% Change**
Rebase	$265.44	20.08%
Trend	$66.39	5.02%
Fee Schedule Changes	($6.13)	(0.46%)
DAP	$3.20	0.24%
Program Changes	($32.06)	(2.42%)
Rx Rebates	($0.05)	(0.00%)
Pharmacy Changes	($0.20)	(0.01%)
Administrative, Case Management, and Care Management	$11.45	0.87%
CYE 2025 Adjustments Unrelated to COVID-19	**$308.04**	**23.30%**
CYE 2025 Adjustments Related to COVID-19	**PMPM Change**	**% Change**
COVID-19 Treatment Cost Changes	$0.83	0.06%
CYE 2025 Adjustments Related to COVID-19	**$0.83**	**0.06%**
Average CYE 2025 Rate	**$1,630.97**	**23.36%**

Appendix Table 5
Arizona Long Term Care System - Elderly and Physical Disability (ALTCS-EPD) Program
CYE 2025 Capitation Rate Development[1]

	PMPM	
Average CYE 2024 Rate	**$5,503.08**	

CYE 2025 Adjustments Unrelated to COVID-19	**PMPM Change**	**% Change**
Rebase	$571.22	10.38%
Trend	$95.17	1.73%
Fee Schedule Changes	($527.26)	(9.58%)
DAP	($26.06)	(0.47%)
Program Changes	($13.48)	(0.24%)
Rx Rebates	$1.18	0.02%
Pharmacy Changes	$6.16	0.11%
Administrative, Case Management, and Care Management	($33.48)	(0.61%)
CYE 2025 Adjustments Unrelated to COVID-19	**$73.45**	**1.33%**

CYE 2025 Adjustments Related to COVID-19	**PMPM Change**	**% Change**
COVID-19 Treatment Cost Changes	$0.79	0.01%
CYE 2025 Adjustments Related to COVID-19	**$0.79**	**0.01%**

Average CYE 2025 Rate	**$5,577.32**	**1.35%**

Appendix Table 6

Arizona Long Term Care System - Developmental Disabilities (ALTCS-DD) Program
CYE 2024 Capitation Rate Development

	Regular DD		Targeted Case Management	
	PMPM		PMPM	
Average CYE 2024 Rate	**$6,253.99**		**$222.25**	
CYE 2025 Adjustments Unrelated to COVID-19	**PMPM Change**	**% Change**	**PMPM Change**	**% Change**
Rebase	$671.46	10.74%	$0.00	0.00%
Trend	$212.73	3.40%	$0.00	0.00%
Fee Schedule Changes	($449.37)	(7.19%)	$0.00	0.00%
DAP	($33.66)	(0.54%)	$0.00	0.00%
Program Changes	$6.96	0.11%	$0.00	0.00%
Rx Rebates	$0.90	0.01%	$0.00	0.00%
Pharmacy Changes	($7.21)	(0.12%)	$0.00	0.00%
Administrative, Case Management, and Care Management	$3.71	0.06%	$8.89	4.00%
CYE 2025 Adjustments Unrelated to COVID-19	**$405.53**	**6.48%**	**$8.89**	**4.00%**
CYE 2025 Adjustments Related to COVID-19	**PMPM Change**	**% Change**	**PMPM Change**	**% Change**
COVID-19 Treatment Cost Changes	$2.29	0.04%	$0.00	0.00%
CYE 2025 Adjustments Related to COVID-19	**$2.29**	**0.04%**	**$0.00**	**0.00%**
Average CYE 2025 Rate	**$6,661.80**	**6.52%**	**$231.13**	**4.00%**