

ARIZONA STATE SENATE

RESEARCH STAFF



MICHAEL MADDEN
LEGISLATIVE RESEARCH ANALYST
HEALTH AND HUMAN SERVICES COMMITTEE
Telephone: (602) 926-3171

TO: JOINT LEGISLATIVE HEALTH AND
HUMAN SERVICES COMMITTEE OF
REFERENCE

DATE: February 27, 2026

SUBJECT: Sunset Review of the Arizona Department of Economic Security

Attached is the final report of the sunset review of the Arizona Department of Economic Security, which was conducted by the Joint Legislative Health and Human Services Committee of Reference.

This report has been distributed to the following individuals:

Governor of the State of Arizona
The Honorable Katie Hobbs

President of the Senate
Senator Warren Petersen

Speaker of the House of Representatives
Representative Steve Montenegro

Senator Carine Werner, Co-Chair
Senator Thomas "T.J." Shope
Senator Hildy Angius
Senator Rosanna Gabaldón
Senator Sally Ann Gonzales
Senator Kiana Sears
Senator Janae Shamp

Legislative Members

Representative Selina Bliss, Co-Chair
Representative Ralph Heap
Representative Patty Contreras
Representative Matt Gress
Representative Alma Hernandez
Representative Nick Kupper
Representative Sarah Liguori
Representative Chris Lopez
Representative Elda Luna-Nájera
Representative Christopher Mathis
Representative Beverly Pingerelli
Representative Jeff Weninger

CC: Senate Republican Staff
Senate Democratic Staff
Senate Research Staff
Senate Resource Center
House Republican Staff
House Democratic Staff
House Research Staff
House Chief Clerk

Arizona Department of Economic Security
Arizona State Library, Archives and Public Records

ARIZONA DEPARTMENT OF ECONOMIC SECURITY

Background

Pursuant to [A.R.S. § 41-3026.21](#), the Joint Legislative Audit Committee assigned the sunset review of the Arizona Department of Economic Security (DES) to the Senate Health and Human Services Committee of Reference and House Health and Human Services Committee of Reference.

DES was established in 1972, assuming the authority, power and duties of the Employment Security Commission of Arizona and its divisions, the State Department of Public Welfare, the Division of Vocational Rehabilitation, the State Office of Economic Opportunity and the State Office of Manpower Planning. DES provides protective and assistance services to Arizona's children, adults and families. DES administers programs related to children's services, guardianship and adoption, child support enforcement, developmental disabilities, vocational rehabilitation, domestic violence, adult protective services, medical assistance eligibility, nutritional assistance, independent living, employment assistance, and unemployment insurance. Its three primary goals are to strengthen individuals and families, increase self-sufficiency, and develop the capacity of communities ([Arizona State Library](#); [A.R.S. § 41-1954](#)).

The Director of DES is appointed by the Governor, serves at the pleasure of the Governor and is responsible for the direction, operation and control of DES ([A.R.S. § 41-1952](#)).

DES terminates on July 1, 2026, unless legislation is enacted for its continuation ([A.R.S. § 41-3026.21](#)).

Sunset Review Procedure

The Joint Legislative Health and Human Services Committee of Reference held a public meeting on Friday, January 30, 2026, to review the Auditor General's Performance Audit and Sunset Review Report, consider DES's responses to the statutorily-outlined sunset factors and receive public testimony.

Committee of Reference Recommendations

The Committee of Reference recommended that the Legislature continue DES for four years until July 1, 2030, and that statutory changes be made to improve the DES's ability to efficiently and accurately perform its duties as prescribed by law.

Appendices

- A. Meeting notice
- B. Committee minutes
- C. Committee materials
- D. Chairman's letter requesting DES response to the agency factors
- E. DES's Response to the agency factors pursuant to [A.R.S. § 41-2954](#)

Interim agendas can be obtained via the Internet at <http://www.azleg.gov/Interim-Committees>

ARIZONA STATE LEGISLATURE

INTERIM MEETING NOTICE OPEN TO THE PUBLIC

SENATE HEALTH AND HUMAN SERVICES COR AND HOUSE HEALTH & HUMAN SERVICES JOINT COMMITTEE OF REFERENCE

Date: Friday, January 30, 2026

Time: 10:00 A.M.

Place: HHR 1

Members of the public may access a livestream of the meeting here:

<https://www.azleg.gov/videoplayer/?clientID=6361162879&eventID=2026011087>

AGENDA

1. Call to Order
2. Roll Call
3. Sunset Review of the Arizona State Board of Nursing
 - Presentation by the Arizona Office of the Auditor General
 - Response by the Arizona State Board of Nursing
 - Public Testimony
 - Discussion and Recommendation
4. Sunset Review of the Arizona State Board of Pharmacy
 - Presentation by the Arizona Office of the Auditor General
 - Response by the Arizona State Board of Pharmacy
 - Public Testimony
 - Discussion and Recommendation
5. Sunset Review of the Arizona Regulatory Board of Physician Assistants
 - Presentation by the Arizona Office of the Auditor General
 - Response by the Arizona Regulatory Board of Physician Assistants
 - Public Testimony
 - Discussion and Recommendation
6.  Sunset Review of the Arizona Board of Occupational Therapy Examiners
 - Presentation by the Arizona Office of the Auditor General
 - Response by the Arizona Board of Occupational Therapy Examiners
 - Public Testimony
 - Discussion and Recommendation

7. Sunset Review of the Arizona Department of Economic Security
 - Presentation by the Arizona Office of the Auditor General
 - Response by the Arizona Department of Economic Security
 - Public Testimony
 - Discussion and Recommendation
8. Adjournment

Members:

Senator Carine Werner, Co-Chair
 Senator Hildy Angius
 Senator Eva Diaz
 ~~Senator Rosanna Cabaldón~~
 Senator Sally Ann Gonzales
 Senator Kevin Payne
 ~~Senator Kiana Sears~~
 ~~Senator Janae Shamp~~
 Senator Thomas "T.J." Shope
 Senator Priya Sundareshan

Representative Selina Bliss, Co-Chair
 Representative Ralph Heap
 Representative Patricia Contreras
 Representative Matt Gress
 Representative Alma Hernandez
 Representative Nick Kupper
 Representative Sarah Liguori
 Representative Chris Lopez
 Representative Elda Luna-Nájera
 Representative Christopher Mathis
 Representative Beverly Pingerelli
 Representative Jeff Weninger

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People with disabilities may request reasonable accommodations such as interpreters, alternative formats, or assistance with physical accessibility. If you require accommodations, please contact the Chief Clerk's Office at (602) 926-3032 or through Arizona Relay Service 7-1-1.

ARIZONA STATE LEGISLATURE

SENATE HEALTH AND HUMAN SERVICES AND HOUSE HEALTH & HUMAN SERVICES JOINT COMMITTEE OF REFERENCE

Minutes of the Meeting
January 30, 2026
10:00 A.M., HHR1

Members of the public may access a livestream of the meeting here:

<https://www.azleg.gov/videoplayer/?clientID=6361162879&eventID=2026011087>

Members Present:

Senator Carine Werner, Co-Chair
Senator Eva Diaz
Senator Sally Ann Gonzales
Senator Kevin Payne
Senator Thomas "T.J." Shope
Senator Priya Sundareshan

Representative Selina Bliss, Co-Chair
Representative Ralph Heap
Representative Patricia Contreras
Representative Alma Hernandez
Representative Nick Kupper
Representative Sarah Liguori
Representative Chris Lopez
Representative Elda Luna-Nájera
Representative Beverly Pingerelli
Representative Jeff Weninger

Members Excused:

Senator Hildy Angius

Representative Matt Gress
Representative Christopher Mathis

Staff:

Michael Madden, Senate Health and Human Services Research Analyst
Samuel Rosenberg, Senate Health and Human Services Assistant Research Analyst
Makenna Schouten, Senate Health and Human Services Research Intern
Ahjahna Graham, House Health and Human Services Research Analyst
Logan Kilbey, House Health and Human Services Research Intern

Co-Chair Werner called the meeting to order at 10:08 am and attendance was taken.

Senator Werner offered opening comments.

SUNSET REVIEW OF THE ARIZONA STATE BOARD OF PHARMACY

Presentation by the Arizona Office of the Auditor General

Katie Grzybowski, Office of the Auditor General, distributed and explained a PowerPoint presentation entitled "Arizona State Board of Pharmacy, Performance Audit and Sunset Review" (Attachment A).

Response by the Arizona State Board of Pharmacy

Kam Gandhi, Executive Director, Arizona State Board of Pharmacy, distributed and explained a PowerPoint presentation entitled "Arizona State Board of Pharmacy" (Attachment B). Mr. Gandhi answered questions posed by the Committee.

Public Testimony

Frank Thorwald, Member (Public), Arizona State Board of Pharmacy, testified in support of the continuation of the Arizona State Board of Pharmacy.

Discussion and Recommendation

Representative Bliss moved that the Joint House and Senate Health and Human Services Committee of Reference make a recommendation to continue the Arizona State Board of Pharmacy for 6 years, until July 1, 2032, and that statutory changes be made to improve the board's ability to efficiently and accurately perform their duties as prescribed by law. The motion CARRIED with a roll call vote of 13-0-6 (Attachment 1).

SUNSET REVIEW OF THE ARIZONA STATE BOARD OF NURSING

Presentation by the Arizona Office of the Auditor General

Jeff Gove, Office of the Auditor General, distributed and explained a PowerPoint presentation entitled "Arizona State Board of Nursing, Performance Audit and Sunset Review" (Attachment C).

Response by the Arizona State Board of Nursing

Joey Ridenour, Executive Director, Arizona State Board of Nursing, distributed and explained a PowerPoint presentation entitled "Arizona State Board of Nursing: Public Protection in a Period of Exponential Growth, January 2026" (Attachment D). Ms. Ridenour answered questions posed by the Committee.

Public Testimony

Kathryn Busby, Arizona Nurses Association, testified as neutral on the continuation of the Arizona State Board of Nursing.

Teresa Sanzio, representing self, testified as neutral on the continuation of the Arizona State Board of Nursing and answered questions posed by the Committee.

Discussion and Recommendation

Representative Bliss moved that the Joint House and Senate Health and Human Services Committee of Reference make a recommendation to continue the Arizona State Board of Nursing for 4 years, until July 1, 2030, and that statutory changes be made to improve the board's ability to efficiently and accurately perform their duties as prescribed by law. The motion CARRIED with a roll call vote of 14-0-5 (Attachment 2).

Senator Sundareshan and Representative Hernandez explained their votes.

SUNSET REVIEW OF THE ARIZONA BOARD OF OCCUPATIONAL THERAPY EXAMINERS

Presentation by the Arizona Office of the Auditor General

Katie Grzybowski, Office of the Auditor General, distributed and explained a PowerPoint presentation entitled "Arizona Board of Occupational Therapy Examiners, Performance Audit and Sunset Review" (Attachment E). Ms. Grzybowski answered questions posed by the Committee.

Response by the Arizona Board of Occupational Therapy Examiners

Shaina Ganatra, Executive Director, Arizona Board of Occupational Therapy Examiners, offered comments and answered questions posed by the Committee.

Public Testimony

No public testimony took place.

Discussion and Recommendation

Representative Bliss moved that the Joint House and Senate Health and Human Services Committee of Reference make a recommendation to continue the Arizona Board of Occupational Therapy Examiners for 4 years, until July 1, 2030, and that statutory changes be made to improve the board's ability to efficiently and accurately perform their duties as prescribed by law. The motion CARRIED with a roll call vote of 16-0-3 (Attachment 3).

Senator Sundareshan explained her vote.

SUNSET REVIEW OF THE ARIZONA REGULATORY BOARD OF PHYSICIAN ASSISTANTS

Presentation by the Arizona Office of the Auditor General

Katie Grzybowski, Office of the Auditor General, distributed and explained a PowerPoint presentation entitled "Arizona Regulatory Board of Physician Assistants, Performance Audit and Sunset Review" (Attachment F). Ms. Grzybowski answered questions posed by the Committee.

Response by the Arizona Regulatory Board of Physician Assistants

Raquel Rivera, Executive Director, Arizona Regulatory Board of Physician Assistants, distributed and explained a PowerPoint presentation entitled "Performance Audit and Sunset Review, January 2026" (Attachment G). Ms. Rivera answered questions posed by the Committee.

Public Testimony

No public testimony took place.

Discussion and Recommendation

Representative Bliss moved that the Joint House and Senate Health and Human Services Committee of Reference make a recommendation to continue the Arizona Regulatory Board of Physician Assistants for 2 years, until July 1, 2028, and that statutory changes be made to improve the board's ability to efficiently and accurately perform their duties as prescribed by law. The motion CARRIED with a roll call vote of 12-4-3 (Attachment 4).

Senators Payne, Sundareshan, Gonzales and Representatives Contreras, Hernandez, Luna-Nájera and Bliss explained their votes.

SUNSET REVIEW OF THE ARIZONA DEPARTMENT OF ECONOMIC SECURITY

Senator Werner offered comments.

Presentation by the Arizona Office of the Auditor General

Timmy Sutton and Ashley Bjurstrom, Office of the Auditor General, distributed and explained a PowerPoint presentation entitled "Arizona Department of Economic Security, Performance Audits and Sunset Review" (Attachment H). Mr. Sutton and Ms. Bjurstrom answered questions posed by the Committee.

Response by the Arizona Department of Economic Security

Michael Wisehart, Director, Arizona Department of Economic Security, distributed and explained a PowerPoint presentation entitled "Committee of Reference, January 30, 2026" (Attachment I).

Public Testimony

No public testimony took place.

Discussion and Recommendation

Representative Bliss moved that the Joint House and Senate Health and Human Services Committee of Reference make a recommendation to continue the Arizona Department of Economic Security for 4 years, until July 1, 2030, and that statutory changes be made to improve the board's ability to efficiently and accurately perform their duties as prescribed by law. The motion CARRIED with a roll call vote of 16-0-3 (Attachment 5).

Senator Werner explained her vote.

Attached is a list noting the individuals who registered their positions on the agenda items (Attachment J).

Attached are the forms noting the individuals who submitted a Speaker slip on the agenda items (Attachment K).

There being no further business, the meeting was adjourned at 12:31 p.m.

Respectfully submitted,

Jeff Christophersen
Committee Secretary

(Audio recordings and attachments are on file in the Secretary of the Senate's Office/Resource Center, Room 115. Audio archives are available at <http://www.azleg.gov>)



Arizona Department of Economic Security

Performance Audits and Sunset Review

January 30, 2026

Timmy Sutton and Ashley Bjurstrom



PRESENTATION OVERVIEW

- ▶ Key context
- ▶ Problems identified
- ▶ Why the problems matter
- ▶ What led to the problems
- ▶ Key recommendations
- ▶ Other information included in the reports

KEY CONTEXT

Department established in 1972 to provide an integrated approach to human services for the public

- ▶ Department administers more than 60 programs, such as:
 - ▶ Unemployment insurance
 - ▶ Nutrition and income assistance, including SNAP
 - ▶ Programs and services for developmentally disabled individuals
 - ▶ Services and support for older Arizonans and vulnerable adults
- ▶ 7,985 FTE positions and 1,493 vacancies as of September 2025
- ▶ Michael Wisehart serves as Department Director

KEY CONTEXT

Department's sunset review included 4 reports

- ▶ Unemployment Insurance (UI) Program – June 2025
- ▶ Contract Oversight of Area Agencies on Aging (AAAs) – September 2025
- ▶ Division of Developmental Disabilities (DDD) – September 2025
- ▶ Sunset Review – September 2025

PROBLEM IDENTIFIED AND IMPACT

Department did not provide timely and quality customer service to some UI Program claimants

- ▶ Department provided poor customer service to some callers
- ▶ Unanswered calls and substantial wait times
- ▶ Inconsistent and potentially misleading Program information
- ▶ These issues potentially hindered claimants' access to benefits and increased staff workloads

11 recommendations to the Department

PROBLEM IDENTIFIED AND IMPACT

Department did not conduct timely on-site monitoring reviews for 5 of the 8 AAAs

- ▶ Department is responsible for overseeing AAAs to ensure the delivery of services to older adults or caregivers
- ▶ Department's on-site monitoring reviews for 5 of 8 AAAs were overdue by 3 months to 3 years and 5 months
- ▶ AAA noncompliance risks client health and misuse of public monies

3 recommendations to Department

PROBLEM IDENTIFIED

Department failed to investigate quality-of-care concerns and instead relied on vendor reported remediation efforts

- ▶ Incidents we reviewed should have been classified as quality-of-care concerns and investigated but were not, including:
 - ▶ Physical altercations between members
 - ▶ Members consuming medications not prescribed to them
 - ▶ Members not receiving prescribed medications
- ▶ Department did not classify 34,272 incident reports as quality-of-care concerns or investigate them because vendors reported remediating issues

WHY THE PROBLEM MATTERS

Department failure to investigate incidents allowed safety issues to persist and/or reoccur

- ▶ We reviewed similar incidents that occurred in calendar year 2024 from our sample of vendors and found:
 - ▶ 121 incidents involving medication errors, including group home staff failing to administer antipsychotic, anticonvulsant, and antidepressant medications
 - ▶ Department did not investigate any of the 121 incidents

WHAT LED TO THIS PROBLEM

Several factors contributed to the issues we identified, including:

- ▶ Department erroneously considered DDD-vendor-reported information regarding incident remediation
- ▶ AHCCCS did not adequately oversee the Department's assessment of quality-of-care concerns to ensure the Department classified, investigated, and resolved incidents in accordance with policy

RECOMMENDATIONS OVERVIEW

3 recommendations to Department, including:

- ▶ Follow AHCCCS policy for classifying incidents
- ▶ Report all incidents to AHCCCS

4 recommendations to AHCCCS, including:

- ▶ Provide training and additional guidance to the Department
- ▶ Ensure effective oversight of the Department's classification and investigation of incidents

PROBLEM IDENTIFIED

Department's SNAP improper payments exceed 6%

- ▶ Has taken steps to implement federal corrective action plans to reduce improper SNAP benefit payments
 - ▶ Identifying root-cause deficiencies for each improper payment
 - ▶ Periodically developing trainings to address root-cause deficiencies
- ▶ Department anticipated sending its federal fiscal year 2024 corrective action plan to FNS for approval in August 2025
- ▶ 1 recommendation to the Department to continue to develop and implement improper payment reduction efforts

WHY THE PROBLEM MATTERS

Federal legislation will require states with high error rates to pay SNAP benefit payment match

- ▶ Starting in federal fiscal year (FFY) 2028, states with payment error rates 6% or greater must pay SNAP benefit matching funds
 - ▶ Match ranges from 5% to 15% of total benefit payments
- ▶ FFY 2028 state match calculation
 - ▶ States can choose either FFY 2025 or FFY 2026 error rate
- ▶ FFY 2029 state match calculation
 - ▶ Will be based on FFY 2026 error rate

WHY THE PROBLEM MATTERS

Arizona could be required to pay 15% match for 2 years

- ▶ Arizona's estimated error rate for FFY 2025 exceeds 10%
- ▶ Would result in Arizona being required to pay 15% match in FFY2028
- ▶ 8 months remaining in FFY 2026 to reduce the Department's error rate and potentially reduce the State's required match for FFYs 2028 and 2029

WHY THE PROBLEM MATTERS

Fiscal impact of reducing improper payments/error rate

Example of State match based on the Department's benefits paid in FFY 2024

Federal fiscal year	2024 (approximate)
SNAP benefits paid	\$2 billion
5% State match	\$100 million
10% State match	\$200 million
15% State match	\$300 million

PLANNED EFFORTS

Department outlined additional steps it plans to take to reduce error rate in fiscal year 2027 budget request

- ▶ Hiring contracted personnel
- ▶ Building upon Department technologies
- ▶ Refining standard processes

OTHER ISSUES IDENTIFIED

Sunset review identified other problems/improvements

- ▶ Did not comply with some State conflict-of-interest requirements, process was not fully aligned with recommended practices
- ▶ Did not update UI Program IT system to reflect statutory eligibility changes, resulting in \$2.4 million in overpayments it waived and did not recover
- ▶ Did not timely resolve UI and public assistance appeals in accordance with federal and State requirements
- ▶ Can improve homeless services effectiveness assessment and cross reporting vulnerable adult abuse/neglect to other entities

INFORMATION ON PPCG

Parents as Paid Caregivers Program (PPCG) for minor children

- ▶ Allows parents of minor children enrolled in the Arizona Long Term Care System (ALTCS) program, including DDD members, to receive compensation for providing certain services to their children
- ▶ Established temporarily during the COVID-19 pandemic
- ▶ Approved as a permanent service beginning in April 2025

INFORMATION ON PPCG

Potential contributing factors to the Department's \$122 million shortfall for DDD in fiscal year 2025

- ▶ Unexpected increase in State match costs
- ▶ Overall increase in DDD membership
- ▶ Increase in utilization of attendant care services, which parents can be compensated for through PPCG
 - ▶ Occurred in same fiscal year that AHCCCS directed Department to assess eligibility for attendant care services consistent with contract requirements, potentially expanding utilization of these services

INFORMATION ON PPCG

Legislation addressing shortfall modified program and required audit of PPCG

- ▶ Laws 2025, Ch. 93, appropriated \$109.2 million to the Department for fiscal year 2025 to pay DDD expenses
- ▶ Established new requirements for PPCG
 - ▶ Required our Office to conduct or contract for special audit of PPCG
 - ▶ Our Office has contracted for this audit, which will be published on or before August 1, 2026, but implementation of assessment tool is on hold



Arizona Department of Economic Security

Performance Audits and Sunset Review

January 30, 2026

Timmy Sutton and Ashley Bjurstrom





ARIZONA _____
DEPARTMENT OF
ECONOMIC SECURITY

Committee of Reference

January 30, 2026

Sunset Audit Recommendations Status

- The Department appreciates the partnership with the Auditor General and agrees with all of the recommendations
- Over 1/3 of the recommendations have already been implemented
- Over 50% will be completed in FY 2026



DES Overview

- Over 60 programs
- Leveraging \$1.9B to draw in \$6.8B in federal funds
- Oversight by 8 federal agencies, encompassing 10 federal administrations
- A robust network of 3,500 public-private partnerships and contracts



Questions?



Arizona State Legislature

1700 West Washington
Phoenix, Arizona 85007

June 10, 2025

Director Michael Wisehart
Department of Economic Security
1789 W. Jefferson St.
Phoenix, AZ, 85007

Dear Director Wisehart:

The sunset review process prescribed in Title 41, Chapter 27, Arizona Revised Statutes, provides a system for the Legislature to evaluate the need to continue the existence of state agencies. During the sunset review process, an agency is reviewed by legislative committees of reference (CORs). On completion of the sunset review, the CORs recommend to continue, revise, consolidate or terminate the agency.

The Joint Legislative Audit Committee (JLAC) has assigned the sunset review of the Department of Economic Security (Department) to CORs comprised of members of the Senate Health and Human Services Committee and the House of Representatives Health and Human Services Committee. JLAC has directed the Auditor General to conduct a performance audit of the Department.

Pursuant to A.R.S. § 41-2954, the COR is required to consider certain sunset factors in deciding whether to recommend continuance, modification or termination of an agency. In addition to the sunset factors, which are addressed in the Auditor General performance audit, please provide your agency's written response to the required factors as listed below:

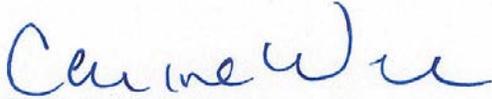
1. The extent to which the agency potentially creates unexpected negative consequences that may require additional review by the COR, including increasing the price of goods, affecting the availability of services, limiting the abilities of individuals and businesses to operate efficiently and increasing the cost of government.
2. The extent to which the agency has addressed deficiencies in its enabling statutes.
3. The extent to which the agency has determined whether the Attorney General or any other agency in Arizona has the authority to prosecute or initiate actions.
4. The consequences of eliminating the agency or consolidating it with another agency.

Your response should be received by September 1, so that we may proceed with the sunset review and schedule the required public hearing. Please submit the requested information to:

Michael Madden
Arizona State Senate
1700 West Washington
Phoenix, Arizona 85007

Thank you for your time and cooperation. If you have any questions, please feel free to contact me at (602) 926-3673 or Michael Madden, the Senate Health and Human Services Committee Research Analyst, at (602) 926-3072.

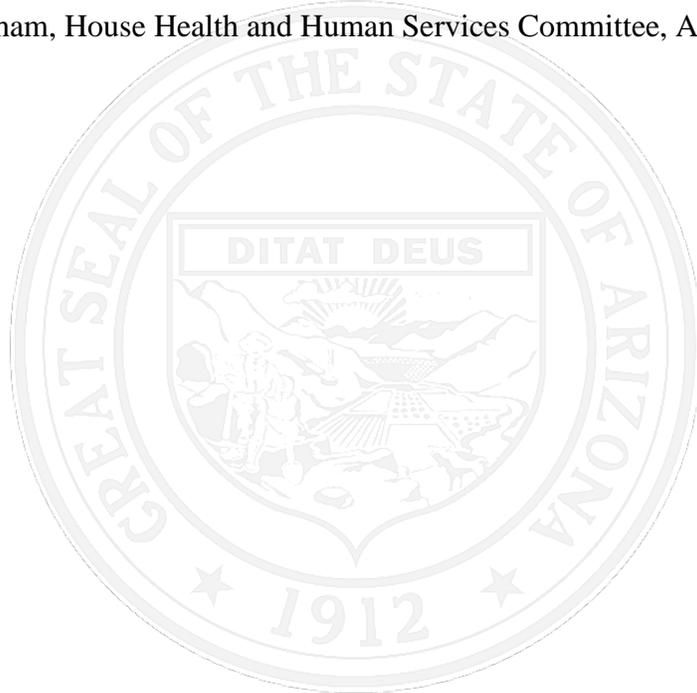
Sincerely,



Senator Carine Werner

Senate Health and Human Services Committee, Chair

cc: Representative Selina Bliss, House Health and Human Services Committee, Chair
Ahjahna Graham, House Health and Human Services Committee, Analyst



Katie Hobbs
Governor

ARIZONA
— DEPARTMENT OF —
ECONOMIC SECURITY

Michael Wisehart
Director

August 27, 2025

Mr. Michael Madden
Legislative Research Analyst, Arizona State Senate
1700 West Washington Street
Phoenix, Arizona 85007

Dear Mr. Madden:

Thank you for the opportunity to participate in the sunset review process. Pursuant to Arizona Revised Statutes § 41-2954, the Arizona Department of Economic Security (DES/Department) has prepared the enclosed response addressing the four items identified in the June 10, 2025, letter from Senator Carine Werner.

DES provides assistance, care, and services to some of Arizona's most vulnerable populations and remains committed to strengthening individuals, families, and communities for a better quality of life. All DES Programs work to continually improve processes to ensure that qualified individuals receive services. The Department welcomes additional feedback from the sunset review process.

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

Sincerely,



Michael Wisehart
Director

Enclosure

Arizona Department of Economic Security
Written Statement Pursuant to A.R.S. § 41-2954(G)

- 1. The extent to which the agency potentially creates unexpected negative consequences that may require additional review by the committee of reference, including increasing the price of goods, affecting the availability of services, limiting the abilities of individuals and businesses to operate efficiently and increasing the cost of government.**

The Arizona Department of Economic Security (DES/Department) does not create unanticipated negative consequences related to [a] increasing the price of goods, affecting the availability of services, [b] limiting the abilities of individuals and businesses to operate efficiently or [c] increasing the cost of government. However, the availability of the Department's services and the efficiency of clients receiving those services can be impacted by factors outside of the Department's control, including the availability of federal and state funding, revisions to federal requirements, and economic trends that lead to more Arizonans needing DES services (e.g. employment rates, inflation, and cost-of-living).

For example, limited funding for the Child Care Assistance (CCA) Program has led to a client waiting list. As of August 1, 2025, the CCA Program had a waiting list of 4,032 families and 6,721 children. These families are in the low income working category and need child care services in order to maintain their employment. As a result of this waiting list, families who could benefit from Department-administered services are unable to receive them. This situation places the persons at risk of losing current or potential employment opportunities due to a lack of reliable child care and reduces the opportunity to become or remain self-sufficient. Fortunately, due to additional funds dedicated to the CCA Program in state Fiscal Year (FY) 2026, effective August 1, 2025, approximately 500 families on the waiting list were notified by DES that they can complete their eligibility process.

In addition, recent and impending changes to federal funding and federal requirements are leading to challenges and uncertainty around the continuation of federal programs. For example, some programs administered through the United States Department of Agriculture and the United States Department of Health and Human Services and under DES purview are at risk of being destabilized or eliminated, including the Low Income Home Energy Assistance Program, the Commodity Senior Food Program, and Short Term Crisis Services. This places clients who are unable to afford their utility bills and seniors needing nutrition support at greater risk for housing instability and food insecurity.

Despite these challenges, DES is committed to protecting vulnerable Arizonans by (a) coordinating and identifying solutions with the Legislature, Governor's Office, partner agencies, and other stakeholders; (b) continuing to innovate, including modernizing the

systems used to deliver services and simplifying and streamlining the client experience; (c) prioritizing highest-risk populations; and (d) requesting federal waivers or flexibilities for new rules that potentially add administrative burdens.

2. The extent to which the agency has addressed deficiencies in its enabling statutes.

Several statutory changes were pursued by the Department and subsequently enacted from 2018 through 2024 that clarify the Department's statutes, add statutory authority, or conform statutes to federal laws. These changes include:

- **Laws 2018, Chapter 14** states that child support, in a DES child support case (Title IV-D), transfers to a caretaker who has physical custody of a child for 30 consecutive days, regardless of if there is a custody order or not.
- **Laws 2018, Chapter 25** states that Unemployment Insurance (UI) benefits are only payable if there is no contract or reasonable assurance of work between or within terms of service for individuals who provide services to multiple educational employers. It directs the waived interest on an overpayment involving fraud to be treated as though it was recovered. It clarifies that DES cannot waive any fraud overpayments and penalties or collect any overpayments or interest that has been waived, but does permit DES to accept voluntary payments.
- **Laws 2018, Chapter 145** requires the Department to annually review and adjust the sliding fee scale and formula for determining child care assistance, and to post the most current payment rates, scale, and formula to the DES website.
- **Laws 2018, Chapter 160** establishes that employees and contractors in information technology, who have access to federal tax information at the Department, obtain a valid Level I fingerprint clearance card.
- **Laws 2019, Chapter 133** requires licensure of intermediate care facilities for individuals with an intellectual disability (ICF-IID) by January 1, 2020 and requires a Department of Child Safety central registry background check and an Adult Protective Services (APS) registry background check for any person who is employed or seeking employment in a position that provides direct services to children or vulnerable adults. Specifically, it requires DES to conduct an APS registry background check for any person who is employed or seeking employment in a position that provides direct services to children or vulnerable adults in any of the following: (a) a community residential setting; (b) an ICF-IID; (c) home and community-based services; and (d) day care for persons who have developmental disabilities. In addition, this law permits DES to conduct an APS registry background check for any person who is employed or seeking employment with DES or a DES contractor in a position that provides direct

services to children or vulnerable adults. Further, it mandates that DES use the information contained in the APS Registry to determine the following: (a) whether the person is qualified for home and community-based services certification for services provided to vulnerable adults or children; (b) whether the person who is employed or seeking employment with DES is qualified for a position that provides direct services to vulnerable adults or children; and (c) qualifications for positions that provide direct services to vulnerable adults or children for any of the following:

- i. A person who applies for a contract with DES and that person's employees;
 - ii. All employees of a contractor;
 - iii. A subcontractor of a contractor and the subcontractor's employees; and
 - iv. Prospective employees of a contractor or subcontractor at the request of the prospective employer.
- **Laws 2019, Chapter 321** makes various changes to APS statutes, including:
 - Defining the APS central intake unit as a unit of specialized staff within APS that is responsible for receiving reports of alleged abuse, neglect or exploitation of vulnerable adults or making the necessary resource referrals.
 - Authorizing APS to establish a multidisciplinary APS team to develop resources for prevention, intervention and treatment to better meet the community's needs for adult protection services.
 - Expanding the list of persons with a duty to report a reasonable belief that a vulnerable adult has been the victim of abuse, neglect or exploitation to include various health care and emergency personnel and employees of DES. If a person with a duty to report is an employee or agent of a health care institution and the health care institution's procedures require that all suspected abuse, neglect and exploitation be reported to APS, the individual is deemed to have complied with reporting requirements by reporting or causing a report to be made to the health care institution in accordance with the institution's procedures.
 - Protecting personal information of those involved in an APS Program. Specifically, unless otherwise provided by law, all personally identifying information concerning any person who is involved in an APS Program, including the reporting source's identity, other than a perpetrator against whom an allegation of abuse, neglect or exploitation has been substantiated, and all information that is gathered or created by APS and that is contained in APS records is confidential and may not be released except as specifically provided in this legislation. APS employees are added to the list of persons who may file an affidavit to request county officers and state agencies prohibit access to that person's residential address and telephone number contained in certain public records, and who must be notified of the expiration of restrictions on related public records.
 - Modifying the definition of "neglect" by removing "pattern" from the definition. The new definition of neglect states: "Neglect means the deprivation of food, water, medication, medical services, shelter,

supervision, cooling, heating or other services necessary to maintain a vulnerable adult's minimum physical or mental health.”

- **Laws 2020, Chapter 86** requires fingerprint clearance cards for employees or contractors of the Department of Health Services (DHS) and DES who have access to vital record systems. This includes those in information technology or county employee positions, and those who inspect facilities with children or vulnerable adults. Child care personnel, including volunteers, are required to have valid fingerprint clearance cards before starting employment or volunteer work or before being certified by DES as a child care home provider. DES and DHS are authorized to conduct background checks pursuant to the requirements of the federal Child Care and Development Block Grant (CCDBG) Act of 2014 that are not included in the fingerprint clearance card process for child care providers, child care personnel, employees and volunteers of child care providers, and anyone 18 years of age or older who works or resides in the home of a child care home provider.
- **Laws 2020, Chapter 89** allows DES to accept alternative forms of payment for child support obligations and the administrative lien process for child support arrears is modified. DES can perfect a lien by submitting a copy of the child support order rather than a notice of lien. DES is no longer obligated to send a notice to an obligor who is at least two months in arrears in making child support payments. When DES closes a Title IV-D case, DES must release any lien.
- **Laws 2021, Chapter 18** transfers an additional \$92,712,300 from the child care development fund block grant in FY 2021 to DES for child care services on top of any other appropriations made in the same FY.
- **Laws 2021, Chapter 60** defines “nursing-supported group homes” as a health care institution that is a community residential setting that is for no more than six individuals with developmental disabilities, operated by a service provider contracted with the DES that provides room and board, daily habilitation, and continuous nursing support and intervention.
- **Laws 2021, Chapter 313** extends the existence of the Developmental Disabilities Advisory Council through June 30, 2029 to help DES and its Division of Developmental Disabilities establish, review, and implement policies and programs for persons with developmental disabilities.
- **Laws 2024, Chapter 100** prohibits residential care institutions, nursing care institutions, and home health agencies from employing individuals that are on the APS Registry and requires these institutions and agencies to annually verify that each employee is not on the APS Registry. In addition, this law requires protective service workers to file for an order of protection or an injunction against harassment, as a third-party on behalf of a vulnerable adult, to prevent an alleged perpetrator from having access to the vulnerable adult. Further, this law authorizes DES or a protective services worker, in performing official duties, to access law enforcement records related to an APS case and requires a law enforcement entity to furnish relevant records to APS upon request. This law also clarifies that peace officers are required to provide related police records to the

APS Central Intake Unit as soon as possible. This law became effective on June 30, 2025.

3. The extent to which the agency has determined whether the attorney general or any other agency in this state has the authority to prosecute or initiate actions.

DES's Office of Inspector General works closely with the Arizona Attorney General's Office (AGO) . Most investigations submitted for criminal prosecution are sent to the AGO, but under some circumstances, the investigation may be submitted to one of the county attorney offices around the state. Arizona Revised Statutes (A.R.S.) § 41-192(A)(1) requires the Attorney General to act as the Department's legal advisor and to provide all the legal services the Department requires. In addition, the Department's enabling statute, A.R.S. § 46-133, authorizes the Attorney General to act as its attorney, meaning that the Attorney General has the authority to represent and defend the Department in matters pertaining to all the programs the Department administers. The Attorney General, as well as the appropriate county attorney, have concurrent jurisdiction to prosecute individuals who have committed fraud as well as other criminal acts against the Department, such as the unlawful acquisition and use of benefits from the Supplemental Nutrition Assistance Program (SNAP) and the Temporary Assistance for Needy Families (TANF) Cash Assistance Program. Finally, A.R.S. § 23-656(B), regarding administration and enforcement of the chapter pertaining to employment security, designates the Attorney General as the prosecuting agency for labor-related violations of the law. At the request and under the direction of the Attorney General, the county attorney of the county in which the employer has a place of business, or where the alleged violator resides, may also assist with criminal prosecution.

4. The consequences of eliminating the agency or of consolidating it with another agency.

Terminating the Department would significantly impact the public health, safety, and well-being of Arizonans. The Department helps to protect and provides critical assistance services to Arizona's most vulnerable residents, including persons with disabilities, children, the elderly, and those facing life-changing challenges such as domestic violence, homelessness, hunger, and unemployment. If the Department were terminated without the programs and services it administers being provided by another agency, Arizona would violate federal laws by not providing federally mandated human service programs for Arizonans in need, and abuse, neglect, and exploitation of the elderly and individuals with disabilities could go unreported and untreated. Without the services provided by the Department, either directly or through its over 5,000 contracts with community organizations, governmental agencies, Tribal governments, and other community partners, these persons would be at risk of harm.

The Department provides a vital network of critical supportive human services. It is responsible for providing employment, training, and rehabilitation services, which are

designed to assist persons to qualify for and find employment as well as supportive services to assist those who have lost employment through no fault of their own via the UI Program. The Department is responsible for child support enforcement services, which help reinforce the responsibility of parents to provide financially for their children; the SNAP or TANF Cash Assistance Programs, which provide supplemental food-purchasing support and cash assistance for eligible low-income families or households while also helping to connect those individuals to work through employment and rehabilitation services; determining eligibility for the Arizona Health Care Cost Containment System, as well as Social Security Administration (SSA) disability benefits; providing early intervention services to infants and toddlers with developmental delays; helping ensure Arizonans receive quality child care services, such as by helping eligible families pay for quality child care and helping oversee child care providers; and APS, which investigates allegations of abuse, neglect, or exploitation of vulnerable or incapacitated adults. These services are essential to assist individuals on their path to employment and self-sufficiency. Without this temporary support, many Arizonans would struggle to meet their basic needs and ultimately contribute to their communities.

The Department also provides critical assistance to individuals with developmental disabilities, and their families. Many times these services enable individuals to live independently and avoid costly institutionalization. Finally, the Department provides services that result in a direct positive impact on the safety of vulnerable adults and families through services to vulnerable adults, the homeless, and those threatened by domestic violence.

All states have one or more human services agencies that provide services to its citizens that are similar to the services the Department provides. The Department was formed by combining several existing state human service agencies into a single comprehensive agency. The integrated structure improves the coordination and delivery of human services by providing access to an array of programs and services through a single state agency. Because of the existing structure of the Department, it can provide comprehensive services to vulnerable individuals and families, increasing the overall impact of these services. It can also leverage federal and state funds to deliver services in the most effective and efficient manner possible. The Department serves approximately three million Arizonans annually.

Combining the Department with other agencies would result in a loss of the efficiencies and coordination gained by consolidating human services in one agency. Even if its functions were transferred to another agency, the disruption in service delivery during transition could create confusion and negative impacts for clients, partners, and stakeholders.

As DES is the designated agency to receive federal grants for a variety of mandated services and programs, alternate state agencies would need to be identified should the agency be terminated. And while DES is the designated state agency to administer state

and federal programs for Arizona as identified below, termination of DES would impact the delivery of other support services administered by DES despite DES not serving as the designated state agency.

- Disability Determinations for the SSA
- Medicaid Eligibility Determinations
- SNAP benefits and work opportunities
- TANF benefits and work opportunities
- Unemployment Compensation
- Vocational Rehabilitation
- Workforce Investment and Opportunity Act Dislocated Worker, Adult, and Youth Employment Programs
- CCDBG
- IV-D Child Support Services
- Refugee Resettlement Services
- APS
- Domestic Violence Services
- Sexual Violence Services
- Short Term Crisis Services
- Hunger Program Coordination
- Homeless Services Coordination
- Utility Assistance
- Intellectual and Developmental Disabilities Programs and Services
- Early Intervention Services
- State Health Insurance Program (Medicare enrollment assistance)
- Long Term Care Ombudsman
- Reentry Services
- Registered Apprenticeship Program
- Veterans Employment Programs
- Older Americans Act Legal Services Assistance
- Tuberculosis Control Program
- Achieving a Better Life Experience Act Program