

House Engrossed Senate Bill

2025-2026; human services

State of Arizona
Senate
Fifty-seventh Legislature
First Regular Session
2025

CHAPTER 241
SENATE BILL 1743

AN ACT

AMENDING TITLE 8, CHAPTER 4, ARTICLE 4, ARIZONA REVISED STATUTES, BY ADDING SECTION 8-521.03; AMENDING SECTIONS 36-573, 36-595.03, 41-608 AND 41-608.01, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 14, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-1970; REPEALING SECTION 41-3025.06, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 27, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-3027.09; AMENDING SECTIONS 41-3953, 41-3955 AND 41-3955.02, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 37, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-3956; AMENDING LAWS 2022, CHAPTER 316, SECTION 4; AMENDING LAWS 2023, CHAPTER 141, SECTION 3, AS AMENDED BY LAWS 2024, CHAPTER 217, SECTION 2; RELATING TO HUMAN SERVICES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 8, chapter 4, article 4, Arizona Revised Statutes,
3 is amended by adding section 8-521.03, to read:

4 8-521.03. Extended foster care comprehensive service model;
5 extended foster care success coaching program;
6 quality review committee; reporting requirements;
7 fund; definitions

8 A. WITHIN TEN DAYS AFTER THE EFFECTIVE DATE OF THIS SECTION, THE
9 DEPARTMENT SHALL PREPARE A SCOPE OF WORK FOR AN EXTENDED FOSTER CARE
10 COMPREHENSIVE SERVICE MODEL THAT INCLUDES SUPPORTIVE SERVICES AND REQUIRED
11 CASE MANAGEMENT PROVIDED BY CONTRACTED COMMUNITY PROVIDERS FOR YOUNG
12 ADULTS WHO PARTICIPATE IN THE EXTENDED FOSTER CARE PROGRAM. THE EXTENDED
13 FOSTER CARE COMPREHENSIVE SERVICE MODEL SCOPE OF WORK SHALL INCLUDE:

14 1. WEEKLY ENGAGEMENT WITH EACH YOUNG ADULT.
15 2. LIFE SKILLS TRAINING.
16 3. MENTAL AND PHYSICAL HEALTH AND WELL-BEING.
17 4. RELATIONAL PERMANENCY.
18 5. EDUCATION AND ENROLLMENT ASSISTANCE.
19 6. ASSISTANCE WITH ACCESSING SAFE HOUSING ATTAINMENT AND STABILITY
20 FOR YOUNG ADULTS.
21 7. CAREER AND EMPLOYMENT PLANNING AND READINESS.
22 8. ASSISTANCE WITH ACCESSING TRANSPORTATION SERVICES FOR YOUNG
23 ADULTS.

24 9. FLEXIBLE FUNDING TO SUPPORT THE UNIQUE NEEDS OF THE YOUNG ADULT,
25 INCLUDING EDUCATIONAL SERVICES AND JOB TRAINING OR WORKFORCE DEVELOPMENT.

26 B. THE EXTENDED FOSTER CARE COMPREHENSIVE SERVICE MODEL SHALL
27 INCLUDE AN EXTENDED FOSTER CARE SUCCESS COACHING PROGRAM FOR YOUNG ADULTS
28 IN THE EXTENDED FOSTER CARE PROGRAM. EACH EXTENDED FOSTER CARE SUCCESS
29 COACH SHALL HAVE A CASELOAD OF NOT MORE THAN TWENTY YOUNG ADULTS. THE
30 EXTENDED FOSTER CARE SUCCESS COACHING PROGRAM SHALL BE BASED ON A PRACTICE
31 THAT IS YOUTH DRIVEN AND SHALL DO THE FOLLOWING:

32 1. PROMOTE PERMANENT CONNECTIONS.
33 2. SUPPORT THE DEVELOPMENT OF AN EDUCATIONAL FOUNDATION AND SKILL
34 SET THAT ENABLES YOUNG ADULTS TO GAIN AND MAINTAIN EMPLOYMENT TO SUPPORT
35 THEIR FINANCIAL NEEDS.

36 3. ASSIST YOUNG ADULTS TO RESIDE IN SAFE, STABLE AND SECURE
37 HOUSING.

38 4. LINK YOUNG ADULTS TO APPROPRIATE SERVICES THAT ADDRESS PHYSICAL
39 AND BEHAVIORAL HEALTH NEEDS.

40 5. BUILD SKILLS FOR DEVELOPING PERSONAL AGENCY.

41 6. ENSURE THAT YOUNG ADULTS HAVE THE COGNITIVE AND SOCIAL-EMOTIONAL
42 COMPETENCIES ESSENTIAL TO SURVIVAL.

43 C. THE DEPARTMENT SHALL SUPERVISE AND MONITOR THE SUCCESS OF THE
44 EXTENDED FOSTER CARE SUCCESS COACHING PROGRAM.

1 D. EACH EXTENDED FOSTER CARE SUCCESS COACH SHALL:

2 1. SUCCESSFULLY COMPLETE A DEPARTMENT-ADMINISTERED FOSTER CARE

3 SUCCESS COACH TRAINING PROGRAM.

4 2. POSSESS A BACHELOR'S OR ASSOCIATE'S DEGREE OR HAVE EQUIVALENT

5 CREDITS EQUAL TO AN ASSOCIATE'S DEGREE. IN LIEU OF A DEGREE OR CREDITS,

6 AN EXTENDED FOSTER CARE SUCCESS COACH MAY POSSESS SKILLS THAT THE COACH

7 ACQUIRED THROUGH ALTERNATIVE ROUTES SUCH AS RELEVANT JOB TRAINING,

8 COMMUNITY COLLEGE ATTENDANCE, MILITARY SERVICE OR AN APPRENTICESHIP.

9 3. HAVE EXPERIENCE WORKING WITH YOUTH OR YOUNG ADULTS.

10 4. EXHIBIT THE BELIEF THAT ALL YOUNG ADULTS HAVE THE CAPACITY TO BE

11 SUCCESSFUL IN LIFE.

12 E. THE EXTENDED FOSTER CARE SUCCESS COACHING PROGRAM SHALL:

13 1. OPERATE FROM AN EVIDENCE-BASED FRAMEWORK.

14 2. ENSURE THAT THE YOUNG ADULTS SERVED ARE AWARE OF THEIR RIGHTS TO

15 NORMALCY.

16 3. ASSIST YOUNG ADULTS TO ADVOCATE WITH CAREGIVERS TO EXPERIENCE

17 ACTIVITIES AND OPPORTUNITIES THAT MEET INDIVIDUAL INTERESTS.

18 4. SUPPORT CAREGIVERS IN IDENTIFYING ROOT CAUSES OF BEHAVIORS THAT

19 PRESENT BARRIERS TO TRANSITION AND PROVIDE OPPORTUNITIES THAT ASSIST YOUNG

20 ADULTS IN HEALING AND ADDRESSING UNDERLYING TRAUMA.

21 5. DEVELOP FEEDBACK THAT ALLOWS YOUNG ADULTS TO COMMUNICATE THEIR

22 NEEDS AND SATISFACTION WITH PROVIDED SERVICES.

23 6. DELIVER INTERVENTIONS THAT ARE TAILORED TO EACH YOUNG ADULT'S

24 STRENGTHS AND EXPERIENCES.

25 F. THE DEPARTMENT SHALL SOLICIT AGENCIES TO ADMINISTER THE EXTENDED

26 FOSTER CARE COMPREHENSIVE SERVICE MODEL WITHIN THIRTY DAYS AFTER THE

27 EFFECTIVE DATE OF THIS SECTION AND SELECT AN AGENCY WITHIN NINETY DAYS

28 AFTER THE EFFECTIVE DATE OF THIS SECTION. THE DEPARTMENT SHALL IMPLEMENT

29 THE EXTENDED FOSTER CARE COMPREHENSIVE SERVICE MODEL WITHIN ONE HUNDRED

30 FIFTY DAYS AFTER THE EFFECTIVE DATE OF THIS SECTION.

31 G. THE DEPARTMENT SHALL ESTABLISH AN EXTENDED FOSTER CARE QUALITY

32 REVIEW COMMITTEE WITHIN THE DEPARTMENT CONSISTING OF DEPARTMENT STAFF

33 MEMBERS. THE COMMITTEE SHALL CONFIRM THAT A YOUNG ADULT WHO PARTICIPATES

34 IN THE EXTENDED FOSTER CARE PROGRAM MEETS ALL OF THE FOLLOWING:

35 1. THE ELIGIBILITY CRITERIA.

36 2. HAS CONNECTIONS TO SUPPORTIVE ADULTS WHO ARE ACTIVELY INVOLVED

37 IN THE YOUNG ADULT'S LIFE.

38 3. HAS A PERSON-CENTERED CASE AND TRANSITION PLAN THAT SUPPORTS THE

39 YOUNG ADULT'S IDENTIFIED GOALS AND FUTURE PLANNING.

40 4. IS ACQUIRING INDIVIDUALIZED SKILLS TO DEVELOP THE TOOLS THAT ARE

41 NEEDED TO THRIVE OUTSIDE OF THE EXTENDED FOSTER CARE PROGRAM.

42 H. ON OR BEFORE NOVEMBER 1 OF EACH YEAR, THE DEPARTMENT SHALL

43 SUBMIT TO THE JOINT LEGISLATIVE BUDGET COMMITTEE, THE SENATE HEALTH AND

44 HUMAN SERVICES COMMITTEE, OR ITS SUCCESSOR COMMITTEE, AND THE HOUSE OF

45 REPRESENTATIVES HEALTH AND HUMAN SERVICES COMMITTEE, OR ITS SUCCESSOR

1 COMMITTEE, A REPORT ON THE EXTENDED FOSTER CARE COMPREHENSIVE SERVICE
2 MODEL. THE REPORT SHALL INCLUDE DATA AND STATISTICS ON:

3 1. THE SUPPORT AND SERVICES TO BE OFFERED BY THE EXTENDED FOSTER
4 CARE COMPREHENSIVE SERVICE MODEL.

5 2. THE EXTENDED FOSTER CARE PROGRAM'S ELIGIBILITY REQUIREMENTS.

6 3. THE YOUNG ADULT'S PROGRAM RESPONSIBILITIES.

7 4. CASE AND TRANSITION PLANNING OPPORTUNITIES.

8 5. HEALTH INSURANCE COVERAGE FOR YOUNG ADULTS IN THE EXTENDED
9 FOSTER CARE PROGRAM.

10 6. EDUCATIONAL OPPORTUNITIES FOR YOUNG ADULTS IN THE EXTENDED
11 FOSTER CARE PROGRAM.

12 7. OPPORTUNITIES FOR MENTORS THROUGH THE EXTENDED FOSTER CARE
13 PROGRAM.

14 8. TRANSPORTATION SERVICES FOR YOUNG ADULTS IN THE EXTENDED FOSTER
15 CARE PROGRAM, INCLUDING OBTAINING A DRIVER LICENSE.

16 9. HOUSING, INCLUDING SEMISUPERVISED LIVING ARRANGEMENTS IF THOSE
17 ARRANGEMENTS BEST MEET THE YOUNG ADULT'S NEEDS.

18 I. THE DEPARTMENT SHALL PROVIDE TO THE JOINT LEGISLATIVE BUDGET
19 COMMITTEE A QUARTERLY REPORT THAT INCLUDES ALL OF THE FOLLOWING:

20 1. THE NUMBER OF YOUNG ADULTS SERVED IN THE EXTENDED FOSTER CARE
21 COMPREHENSIVE SERVICE MODEL.

22 2. THE YOUNG ADULT'S PARTICIPATION IN REGULAR REVIEWS WITH EXTENDED
23 FOSTER CARE STAFF.

24 3. OTHER PERFORMANCE MEASURES AS UPDATED BY THE EXTENDED FOSTER
25 CARE QUALITY REVIEW COMMITTEE AND AS DETERMINED BY THE CHAIRPERSON OF THE
26 JOINT LEGISLATIVE BUDGET COMMITTEE.

27 J. THE EXTENDED FOSTER CARE COMPREHENSIVE SERVICE MODEL FUND IS
28 ESTABLISHED CONSISTING OF LEGISLATIVE APPROPRIATIONS. THE DEPARTMENT
29 SHALL ADMINISTER THE FUND. MONIES IN THE FUND ARE CONTINUOUSLY
30 APPROPRIATED AND ARE EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING
31 TO LAPSLING OF APPROPRIATIONS. THE DEPARTMENT SHALL USE MONIES IN THE FUND
32 FOR THE PURPOSES PRESCRIBED IN THIS SECTION.

33 K. FOR THE PURPOSES OF THIS SECTION:

34 1. "DEPARTMENT" MEANS THE DEPARTMENT OF CHILD SAFETY.

35 2. "YOUNG ADULT" MEANS A PERSON WHO IS AT LEAST SEVENTEEN AND
36 ONE-HALF YEARS OF AGE AND UNDER TWENTY-ONE YEARS OF AGE AND WHO
37 PARTICIPATES OR WILL PARTICIPATE IN THE EXTENDED FOSTER CARE PROGRAM
38 ESTABLISHED PURSUANT TO SECTION 8-521.02.

39 Sec. 2. Section 36-573, Arizona Revised Statutes, is amended to
40 read:

41 36-573. Annual report: group home incident reports: contracts

42 On or before January 1, ~~2024~~ and each year ~~thereafter~~, the
43 department of economic security shall provide an annual report to the
44 chairpersons of the health and human services committees of the senate and
45 the house of representatives, or their successor committees, the directors

1 of the Arizona health care cost containment system and the department of
2 health services and the designated entity conducting the developmental
3 disabilities group home monitoring ~~pilot~~ program pursuant to section
4 36-595.03 and shall provide a copy of the report to the secretary of
5 state. The report shall include at least the following information:

6 1. The number of incident reports that were received from group
7 homes in the preceding two years:

8 (a) Categorized by level of severity.

9 (b) That resulted in any type of contract sanction.

10 (c) That involved medication errors. The report shall include the
11 total number of times medication was distributed to clients.

12 (d) That resulted in changes to a behavioral treatment plan.

13 (e) That required additional staff training mandated by the
14 division after review of the incident report.

15 (f) That involved law enforcement.

16 (g) Aggregated by service provider and individual group home
17 without identifying the specific location or name of the home.

18 2. With respect to group home contracts and expenditures:

19 (a) The number of group home contracts by service provider.

20 (b) For each group home contract, the annual amount the division
21 paid the service provider for the group home services provided.

22 (c) The cost per client by service provider.

23 (d) The number of any type of contract sanction broken down by
24 reason for the sanction.

25 (e) The number of service providers from whom the division recouped
26 payments for group home services in the preceding year for medicaid fraud.

27 3. The number of medicaid fraud investigations of service providers
28 of group home services.

29 Sec. 3. Section 36-595.03, Arizona Revised Statutes, is amended to
30 read:

31 36-595.03. Developmental disabilities group home monitoring
32 program; clients with complex needs; designated
33 entity duties; expedited referral system;
34 reporting requirements; program review;
35 definition

36 A. The developmental disabilities group home monitoring ~~pilot~~
37 program is established in the department. SUBJECT TO AVAILABLE
38 APPROPRIATIONS, the department shall ~~oversee the pilot program for three~~
39 ~~years and~~ contract with the entity that has been designated by this state
40 to operate the protection and advocacy system for persons with
41 developmental disabilities in this state pursuant to the developmental
42 disabilities assistance and bill of rights act of 2000 (42 United States
43 Code sections 15041 through 15045) to conduct the ~~pilot~~ program.

1 B. The ~~scope of the pilot program shall require the~~ designated
2 entity, at a minimum, ~~to~~ SHALL do all of the following beginning January
3 1, ~~2023~~ 2026:

4 1. Monitor in person the group homes that provide services to
5 clients with complex needs to determine, at a minimum, whether:

6 (a) The client with complex needs receives the services identified
7 in the ~~client's~~ person-centered service plan OF THE CLIENT WITH COMPLEX
8 NEEDS, including medication monitoring and habilitation treatment, as
9 applicable.

10 (b) The provision of services identified in the person-centered
11 service plan of the client with complex needs has been effective in
12 addressing the ~~client's~~ complex needs.

13 (c) ~~The services have resulted in a reduction in A BEHAVIOR~~
14 TREATMENT PLAN IS IN PLACE, IS COMPLIANT WITH DEPARTMENT RULES AND HAS HAD
15 A POSITIVE IMPACT ON behaviors that interfered with the ability of the
16 client with complex needs to live safely in the community.

17 (d) ~~All physical interventions used by the group home staff have~~
18 ~~complied with the behavioral treatment plan of the client with complex~~
19 ~~needs and applicable state laws.~~

20 2. Investigate quality of care complaints received by the
21 designated entity pursuant to subsection C of this section concerning any
22 group home funded by the department.

23 2. USE A MONITORING TOOL TO ASSESS WHETHER THE FOLLOWING CRITERIA
24 WERE SATISFIED:

25 (a) THE CLIENT WITH COMPLEX NEEDS RECEIVED THE PHYSICAL HEALTH AND
26 BEHAVIORAL HEALTH SERVICES THAT THE CLIENT REQUIRES AS OUTLINED BY THE
27 CLIENT'S HEALTH CARE PROVIDERS AND PERSON-CENTERED SERVICE PLAN, INCLUDING
28 REGULAR PHYSICAL ACTIVITY WITH MODIFICATION FOR THE CLIENT'S PHYSICAL
29 DISABILITY, IF ANY.

30 (b) THE CLIENT WITH COMPLEX NEEDS HAD THE CLIENT'S DIETARY
31 REQUIREMENTS MET, INCLUDING COMPLIANCE WITH ALL DIETARY ORDERS FROM THE
32 CLIENT'S HEALTH CARE PROVIDERS.

33 (c) THE FOOD PROVIDED IN THE GROUP HOME MET GENERALLY ACCEPTED
34 DIETARY STANDARDS AND GUIDELINES FOR HEALTHY AMERICANS IN ACCORDANCE WITH
35 THE UNITED STATES DEPARTMENT OF AGRICULTURE DIETARY GUIDELINES.

36 (d) THE GUARDIAN OF THE CLIENT WITH COMPLEX NEEDS AND THE CLIENT,
37 AS APPLICABLE, WERE INCLUDED IN ALL DECISIONS MADE REGARDING THE CLIENT
38 AND INFORMED OF ANY CHANGES TO THE CLIENT'S REGULAR ACTIVITIES OR DAILY
39 ROUTINE.

40 (e) GROUP HOME DIRECT CARE STAFF DEMONSTRATED THE KNOWLEDGE AND
41 SKILLS REQUIRED TO MEET THE MEDICAL AND BEHAVIORAL HEALTH CARE NEEDS OF
42 THE CLIENT WITH COMPLEX NEEDS AS OUTLINED IN THE CLIENT'S PERSON-CENTERED
43 SERVICE PLAN AND BEHAVIOR TREATMENT PLAN, IF APPLICABLE.

1 (f) THE CLIENT WITH COMPLEX NEEDS HAD ACCESS TO AND USED ALL
2 PRESCRIBED ADAPTIVE EQUIPMENT.

3 (g) GROUP HOME DIRECT CARE STAFF WORKED WITH THE BEHAVIORAL HEALTH
4 PROVIDERS SERVING THE CLIENT WITH COMPLEX NEEDS AS ALLOWED BY THE CLIENT
5 OR CLIENT'S GUARDIAN AND AS OUTLINED IN THE CLIENT'S PERSON-CENTERED
6 SERVICE PLAN AND BEHAVIOR TREATMENT PLAN, IF APPLICABLE.

7 (h) THE GROUP HOME OF THE CLIENT WITH COMPLEX NEEDS COMPLIED WITH
8 APPLICABLE INCIDENT REPORTING POLICIES, INCLUDING DOCUMENTING AND
9 REPORTING PHYSICAL INTERVENTIONS AND ANY OTHER EMERGENCY MEASURES TAKEN.

10 3. COMPLETE FOLLOW-UP MONITORING REVIEWS FOR GROUP HOMES THAT WERE
11 MONITORED PURSUANT TO PARAGRAPH 1 OF THIS SUBSECTION AND THAT THE
12 DESIGNATED ENTITY IDENTIFIED AS HAVING SIGNIFICANT QUALITY OF CARE
13 CONCERNS.

14 **3.** 4. Compile AND COMPLETE BOTH OF THE FOLLOWING:

15 (a) MONTHLY REPORTS TO THE DEPARTMENT DETAILING THE RESULTS OF ALL
16 MONITORING FROM THE PREVIOUS MONTH, INCLUDING IDENTIFIED SYSTEMIC ISSUES
17 AND RECOMMENDATIONS FOR IMPROVEMENT.

18 (b) A comprehensive ANNUAL report of all observations and outcomes
19 during the preceding year.

20 C. On or before January 1, ~~2023~~ 2026, the department shall
21 establish an expedited referral system to ensure that copies of all
22 INCIDENT REPORTS, quality of care complaints, INVESTIGATION RECORDS AND
23 CLIENT SERVICE REQUESTS FOR EACH GROUP HOME MONITORED PURSUANT TO
24 SUBSECTION B, PARAGRAPH 1 OF THIS SECTION are forwarded to the designated
25 entity for ~~investigation~~ REVIEW AND ANALYSIS pursuant to this section.
26 ~~The department shall identify quality of care complaints related to abuse,~~
27 ~~neglect and client safety as priorities for investigation.~~ If the
28 designated entity ~~substantiates an allegation in a quality of care~~
29 ~~complaint~~ IDENTIFIES CONCERNs DURING ITS FOLLOW-UP MONITORING REVIEWS, the
30 information shall be provided to the department, which shall share the
31 allegation with the service provider, and the independent oversight
32 committee on persons with developmental disabilities established by
33 section 41-3801.

34 D. The department shall:

35 1. Educate service providers on the requirements of the
36 developmental disabilities group home monitoring ~~pilot~~ program and the
37 role of the designated entity.

38 2. PROVIDE THE DESIGNATED ENTITY WITH ACCESS TO ALL NECESSARY
39 INFORMATION TO COMPLETE THE MONITORING REQUIREMENTS PURSUANT TO SUBSECTION
40 B OF THIS SECTION.

41 3. PROVIDE THE DESIGNATED ENTITY WITH QUARTERLY WRITTEN REPORTS
42 RESPONDING TO THE ISSUES IDENTIFIED IN THE DESIGNATED ENTITY'S MONTHLY
43 REPORTS FROM THE PREVIOUS QUARTER, INCLUDING IDENTIFYING THE ACTIONS TAKEN
44 IN RESPONSE TO THE IDENTIFIED SYSTEMIC ISSUES AND RECOMMENDATIONS RECEIVED
45 FROM THE DESIGNATED ENTITY.

1 4. PUBLISH ON THE DEPARTMENT'S PUBLIC WEBSITE ALL OF THE FOLLOWING:
2 (a) ALL OF THE DESIGNATED ENTITY'S MONTHLY AND ANNUAL REPORTS
3 PURSUANT TO SUBSECTION B, PARAGRAPH 4 OF THIS SECTION.

4 (b) ALL QUARTERLY REPORTS FROM THE DEPARTMENT PURSUANT TO PARAGRAPH
5 3 OF THIS SUBSECTION.

6 (c) THE MONITORING TOOL AND RELATED INSTRUCTIONS USED BY THE
7 DESIGNATED ENTITY TO MONITOR GROUP HOMES PURSUANT TO THIS SECTION.

8 E. On or before ~~December 31, 2025~~ JANUARY 15, 2026 AND EACH
9 JANUARY 15 THEREAFTER, the designated entity shall report to the governor,
10 the president of the senate and the speaker of the house of
11 representatives, and provide a copy of the report to the secretary of
12 state AND THE INDEPENDENT OVERSIGHT COMMITTEE ON PERSONS WITH
13 DEVELOPMENTAL DISABILITIES ESTABLISHED BY SECTION 41-3801, regarding the
14 observations and outcomes of the ~~pilot~~ program, including systemic issues
15 that were identified, the quality of services provided to persons with
16 developmental disabilities who have complex needs in this state and any
17 recommendations for service improvements.

18 F. ON OR BEFORE JANUARY 1, 2030, THE HEALTH AND HUMAN SERVICES
19 COMMITTEES, OR THEIR SUCCESSOR COMMITTEES, IN THE SENATE AND THE HOUSE OF
20 REPRESENTATIVES SHALL:

21 1. REVIEW THE REPORTS SUBMITTED PURSUANT TO SUBSECTION E OF THIS
22 SECTION AND THE DEPARTMENT'S RESPONSES PURSUANT TO SUBSECTION D, PARAGRAPH
23 3 OF THIS SECTION TO THE DESIGNATED ENTITY'S MONTHLY REPORTS, INCLUDING
24 OBSERVATIONS AND OUTCOMES OF THE PROGRAM, SYSTEMIC ISSUES THAT WERE
25 IDENTIFIED, THE QUALITY OF SERVICES PROVIDED TO PERSONS WITH DEVELOPMENTAL
26 DISABILITIES WHO HAVE COMPLEX NEEDS IN THIS STATE, ANY RECOMMENDATIONS FOR
27 SERVICE IMPROVEMENTS AND ACTIONS TAKEN BY THE DEPARTMENT.

28 2. DETERMINE WHETHER THE PROGRAM SHOULD BE CONTINUED, MODIFIED OR
29 DISCONTINUED.

30 F. G. For the purposes of this section, "client with complex
31 needs" OR "CLIENT" means a client with dual disorders, including
32 psychiatric disorders and developmental disabilities, who engages in
33 behaviors that are disruptive, socially inappropriate or harmful or
34 dangerous to self or others, that interfere with functioning and quality
35 of life or that may cause destruction of property.

36 Sec. 4. Section 41-608, Arizona Revised Statutes, is amended to
37 read:

38 41-608. Veterans' donations fund; transfer; grants

39 A. The veterans' donations fund is established consisting of
40 monies, gifts and contributions donated to the department and monies
41 deposited pursuant to sections 28-2414, 28-2428, 28-2431, 28-2447,
42 28-2454, 28-2470.10, 28-2473, 28-2474, 28-2475, 28-2476 and 43-620. The
43 department shall administer the fund. Monies in the fund are continuously
44 appropriated. The monies in the fund are exempt from the provisions of
45 section 35-190 relating to lapsing of appropriations. THE DEPARTMENT

1 SHALL ANNUALLY TRANSFER FIFTEEN PERCENT OF ALL REVENUES RECEIVED BY THE
2 DEPARTMENT THAT ARE DEPOSITED IN THE VETERANS' DONATIONS FUND PURSUANT TO
3 THIS SECTION TO THE SUBACCOUNT ESTABLISHED PURSUANT TO SECTION 41-608.01
4 IN THE STATE HOMES FOR VETERANS TRUST FUND. The department shall adopt
5 rules or policies for grants of less than \$5,000 that encourage as much
6 competition as practicable.

7 B. The director or the director's designee may solicit and receive
8 donations, including in-kind donations, from the public for veterans. The
9 director shall deposit, pursuant to sections 35-146 and 35-147, the
10 monetary donations in the veterans' donations fund. Monies in the fund
11 are subject to state auditing procedures. Except for monies deposited
12 pursuant to sections 28-2431 and 28-2447, the donations may be used for
13 the benefit of the veterans within this state as grants, subject to
14 chapter 24 of this title, if applicable.

15 C. The director shall establish a separate subaccount in the
16 veterans' donations fund for the deposit of monies received pursuant to
17 section 28-2431, subsection C. The monies in the subaccount shall be used
18 for the construction and maintenance of the enduring freedom memorial
19 authorized pursuant to section 41-1363 for placement in Wesley Bolin
20 Plaza.

21 D. The director shall establish a separate subaccount in the
22 veterans' donations fund for the deposit of monies received pursuant to
23 section 28-2447, subsection F. The monies in the subaccount shall be used
24 for the benefit of women veterans in this state, including providing
25 shelter to homeless women veterans as grants, subject to chapter 24 of
26 this title, if applicable.

27 E. The director shall establish a separate subaccount in the
28 veterans' donations fund for the deposit of monies received pursuant to
29 section 28-2454, subsection C. The first \$32,000 in the subaccount shall
30 be reimbursed to the person that provides the \$32,000 pursuant to section
31 28-2454, subsection A. The director shall annually allocate monies from
32 the subaccount to a foundation that is qualified under section 501(c)(3)
33 of the United States internal revenue code for federal income tax purposes
34 and that is the nation's oldest and largest provider of need-based
35 scholarships to children of United States military members. The
36 foundation must:

37 1. Have been in existence for at least fifty-two years.
38 2. Have provided more than thirty-three thousand scholarships that
39 are valued at almost \$90,000,000.

40 3. Have a mission that includes honoring marines and educating
41 their children.

42 4. Award scholarship monies to children of marines and navy
43 corpsmen who were killed or wounded in combat or who have demonstrated
44 financial need.

1 F. The director shall establish a separate subaccount in the
2 veterans' donations fund for the deposit of monies received pursuant to
3 section 28-2470.10, subsection C. The first \$32,000 in the subaccount
4 shall be reimbursed to the person that provides the \$32,000 pursuant to
5 section 28-2470.10, subsection A. The director shall annually allocate
6 monies from the subaccount to a foundation that is qualified under section
7 501(c)(3) of the United States internal revenue code for federal income
8 tax purposes. The foundation must:

9 1. Have been in existence for at least twenty years.
10 2. Have a mission that includes providing college scholarships to:
11 (a) The sons and daughters of those who have served the United
12 States honorably as soldiers in the United States army.

13 (b) The spouses of enlisted soldiers on active duty in the United
14 States army.

15 3. Envision increasing its fundraising and visibility to encourage
16 more applicants to apply for scholarships and to provide larger
17 scholarships to an increasing number of deserving applicants to both:

18 (a) Reward army families for the sacrifices that army soldiers make
19 every day to serve their nation.

20 (b) Help the spouses and children of army soldiers become leaders
21 in society.

22 4. Award scholarship monies to:

23 (a) Children of former United States army members who were killed
24 while serving in the United States army or who received an honorable
25 discharge or medical discharge.

26 (b) Children of UNITED STATES ARMY MEMBERS IN GOOD STANDING SERVING
27 IN regular active duty, active duty reserve or active duty national guard
28 ~~United States army members in good standing.~~

29 (c) Spouses of ~~enlisted~~ UNITED STATES ARMY MEMBERS IN GOOD STANDING
30 SERVING IN regular active duty, active duty reserve or active duty
31 national guard ~~United States army members in good standing.~~

32 G. The director shall inventory and account for the use of any
33 tangible personal property donated to the fund.

34 H. THE DEPARTMENT MAY USE UP TO \$150,000 FROM THE VETERANS'
35 DONATIONS FUND EACH FISCAL YEAR TO ADMINISTER THIS SECTION. IN ADDITION
36 TO ANY OTHER FULL-TIME EQUIVALENT POSITIONS AUTHORIZED BY LAW, THE
37 DEPARTMENT IS AUTHORIZED TWO FULL-TIME EQUIVALENT POSITIONS TO ADMINISTER
38 THIS SECTION.

39 ~~H.~~ I. On notice from the director, the state treasurer shall
40 invest and divest monies in the fund as provided by section 35-313, and
41 monies earned from investment shall be credited to the fund.

1 Sec. 5. Section 41-608.01, Arizona Revised Statutes, is amended to
2 read:

41-608.01. State homes for veterans trust fund; purpose; subaccount

5 A. The state homes for veterans trust fund is established. The
6 director shall administer the fund for the sole purpose of operating and
7 maintaining state-operated nursing and domiciliary homes for Arizona
8 veterans.

9 B. The fund consists of monies deposited by the director from
10 monies generated by operating the Arizona veterans' homes, ~~and~~ monies
11 deposited pursuant to section 41-603.01 **AND MONIES TRANSFERRED BY THE**
12 **DEPARTMENT PURSUANT TO SECTION 41-608.**

13 C. THE DIRECTOR SHALL ESTABLISH A SEPARATE SUBACCOUNT IN THE FUND
14 FOR MONIES DEPOSITED PURSUANT TO SECTION 41-608, SUBSECTION A. THE MONIES
15 IN THE SUBACCOUNT SHALL BE USED FOR ANY OF THE FOLLOWING PURPOSES:

16 1. TO SUPPORT THE VARIOUS NEEDS OF THE VETERANS RESIDING AT THE
17 NURSING AND DOMICILIARY HOMES.

18 2. TO PURCHASE ANY NECESSARY EQUIPMENT FOR THE NURSING AND
19 DOMICILIARY HOMES.

20 3. FOR ANY NECESSARY IMPROVEMENTS FOR THE NURSING AND DOMICILIARY
21 HOMES.

22 4. FOR ANY ONGOING MAINTENANCE REQUIRED FOR THE NURSING AND
23 DOMICILIARY HOMES.

24 ~~C.~~ D. Monies in the fund are subject to annual appropriation by
25 the legislature. The fund is exempt from the provisions of section 35-190
26 relating to lapsing of appropriations. Any monies in the fund remaining
27 unexpended or unencumbered at the end of the fiscal year do not revert to
28 the state general fund.

29 ~~D.~~ E. On notice from the director, the state treasurer shall
30 invest and divest monies in the fund **AND SUBACCOUNT** as provided by section
31 35-313, and monies earned from investment shall be credited to the fund
32 **AND SUBACCOUNT**.

33 Sec. 6. Title 41, chapter 14, article 1, Arizona Revised Statutes,
34 is amended by adding section 41-1970, to read:

41-1970. Out-of-school time grant program; fund; report; definitions

37 A. THE OUT-OF-SCHOOL TIME GRANT PROGRAM IS ESTABLISHED IN THE
38 DEPARTMENT TO EXPAND OUT-OF-SCHOOL TIME CHILD CARE FOR CHILDREN WHO ARE AT
39 LEAST FIVE AND NOT OLDER THAN TWELVE YEARS OF AGE AND WHO REQUIRE CHILD
40 CARE EITHER WHEN THE CHILDREN ARE OUT-OF-SCHOOL OR DURING PERIODS OF TIME
41 WHEN SCHOOL INSTRUCTION IS NOT BEING CONDUCTED.

42 B. THE GRANT PROGRAM SHALL:

43 1. INCREASE THE NUMBER OF ELIGIBLE PUPILS WITH ACCESS TO CHILD CARE
44 BEFORE SCHOOL, AFTER SCHOOL OR DURING PERIODS OF TIME WHEN SCHOOL
45 INSTRUCTION IS NOT BEING CONDUCTED.

1 2. INCREASE ACCESS TO AND THE AFFORDABILITY OF CHILD CARE FOR
2 CHILDREN AND THEIR FAMILIES.
3 3. ENABLE EMPLOYERS TO ATTRACT AND RETAIN A TALENTED WORKFORCE.
4 4. REDUCE THE COST OF CHILD CARE TO PARTICIPATING FAMILIES BY AT
5 LEAST TWO-THIRDS.
6 C. THE DEPARTMENT SHALL DO ALL OF THE FOLLOWING:
7 1. DEVELOP AN ANNUAL GRANT APPLICATION PROCESS.
8 2. PROVIDE GRANTS TO ASSIST WITH THE COSTS OF CHILD CARE TO
9 ELIGIBLE GRANTEES WHO PARTICIPATE IN THE GRANT PROGRAM.
10 3. MONITOR ELIGIBLE GRANTEES TO ENSURE GRANT PROGRAM AND FISCAL
11 COMPLIANCE.
12 4. DEVELOP METRICS TO MEASURE THE SUCCESS OF THE GRANT PROGRAM.
13 5. ALLOCATE AT LEAST THIRTY PERCENT OF GRANT MONIES FOR ELIGIBLE
14 GRANTEES IN RURAL COMMUNITIES, WHICH MAY BE USED IN ANY LOCATION IN THIS
15 STATE IF THERE ARE INSUFFICIENT GRANT APPLICATIONS FROM RURAL COMMUNITIES.
16 D. THE OUT-OF-SCHOOL TIME GRANT PROGRAM FUND IS ESTABLISHED
17 CONSISTING OF LEGISLATIVE APPROPRIATIONS. THE DEPARTMENT MAY NOT USE MORE
18 THAN FIVE PERCENT OF THE MONIES DEPOSITED IN THE FUND TO ADMINISTER THE
19 FUND. MONIES IN THE FUND ARE CONTINUOUSLY APPROPRIATED AND ARE EXEMPT FROM
20 THE PROVISIONS OF SECTION 35-190 RELATING TO LAPSLING OF APPROPRIATIONS.
21 E. ON OR BEFORE AUGUST 1, 2026 AND EACH YEAR THEREAFTER, THE
22 DEPARTMENT SHALL SUBMIT AN ANNUAL REPORT TO THE GOVERNOR, THE PRESIDENT OF
23 THE SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND SHALL
24 PROVIDE A COPY OF THIS REPORT TO THE SECRETARY OF STATE. THE REPORT SHALL
25 INCLUDE ALL OF THE FOLLOWING:
26 1. THE TOTAL NUMBER OF CHILDREN WHO ARE SERVED BY THE OUT-OF-SCHOOL
27 TIME GRANT PROGRAM, CATEGORIZED BY AGE OF THE CHILD AND THE COUNTY WHERE
28 THE CHILD IS SERVED. THE INFORMATION PROVIDED PURSUANT TO THIS PARAGRAPH
29 MAY NOT INCLUDE ANY INFORMATION THAT IDENTIFIES OR CAN BE USED TO IDENTIFY
30 A CHILD.
31 2. THE LOCATIONS OF PROGRAMS, CATEGORIZED BY COUNTY.
32 3. THE NUMBER OF NEW AND SUSTAINED CHILD CARE SLOTS.
33 F. THE DEPARTMENT MAY DEVELOP POLICIES AND PROCEDURES THAT ARE
34 NECESSARY TO IMPLEMENT THIS SECTION.
35 G. FOR THE PURPOSES OF THIS SECTION:
36 1. "ELIGIBLE GRANTEE" MEANS A NONPROFIT ORGANIZATION, PUBLIC SCHOOL
37 AND PUBLIC OR PRIVATE CHILD CARE PROVIDER THAT HAS DEMONSTRATED EXPERIENCE
38 PROVIDING CHILD CARE BEFORE SCHOOL, AFTER SCHOOL OR DURING PERIODS OF TIME
39 WHEN SCHOOL INSTRUCTION IS NOT BEING CONDUCTED.
40 2. "ELIGIBLE PUPILS" MEANS CHILDREN WHO ARE AT LEAST FIVE AND NOT
41 OLDER THAN TWELVE YEARS OF AGE AND WHO COME FROM A HOUSEHOLD EARNING
42 \$150,000 OR LESS PER YEAR.

1 Sec. 7. Repeal

2 Section 41-3025.06, Arizona Revised Statutes, is repealed.

3 Sec. 8. Title 41, chapter 27, article 2, Arizona Revised Statutes,
4 is amended by adding section 41-3027.09, to read:

5 41-3027.09. Arizona department of housing: termination July
6 1, 2027

7 A. THE ARIZONA DEPARTMENT OF HOUSING TERMINATES ON JULY 1, 2027.
8 B. TITLE 41, CHAPTER 37 AND THIS SECTION ARE REPEALED ON JANUARY 1,
9 2028.

10 Sec. 9. Section 41-3953, Arizona Revised Statutes, is amended to
11 read:

12 41-3953. Department powers and duties; definition

13 A. The department is responsible for establishing policies,
14 procedures and programs that the department is authorized to conduct to
15 address the affordable housing issues confronting this state, including
16 housing issues of ~~low income~~ **LOW-INCOME** families, ~~moderate income~~
17 **MODERATE-INCOME** families, housing affordability, special needs populations
18 and decaying housing stock. Among other things, the department shall
19 provide to qualified housing participants and political subdivisions of
20 this state financial, advisory, consultative, planning, training and
21 educational assistance for the development of safe, decent and affordable
22 housing, including housing for low and moderate income households. The
23 department is responsible for maintaining and enforcing standards of
24 quality and safety for manufactured homes, mobile homes and factory-built
25 buildings.

26 B. Under the direction of the director, the department shall:

27 1. Establish guidelines applicable to the programs and activities
28 of the department for the construction and financing of affordable housing
29 and housing for low and moderate income households in this state. These
30 guidelines shall meet or exceed all applicable state or local building and
31 health and safety code requirements and, if applicable, the national
32 manufactured home construction and safety standards act of 1974 and title
33 VI of the housing and community development act of 1974 (P.L. ~~93-383~~
34 [96-399](#), as amended by P.L. 95-128, 96-153 and 96-339). Guidelines
35 established pursuant to this paragraph do not apply to the department's
36 activities prescribed in section 35-726, subsection E.

37 2. Accept and allocate any monies as from time to time may be
38 appropriated by the legislature for the purposes set forth in this
39 article.

40 3. Perform other duties necessary to administer this chapter.

41 4. Perform the duties prescribed in sections 35-726 and 35-728.

42 5. Stimulate and encourage all local, state, regional and federal
43 governmental agencies and all private persons and enterprises that have
44 similar and related objectives and purposes, cooperate with the agencies,

1 persons and enterprises and correlate department plans, programs and
2 operations with those of the agencies, persons and enterprises.

3 6. Conduct research on its own initiative or at the request of the
4 governor, the legislature or state or local agencies pertaining to any
5 department objectives.

6 7. Provide information and advice on request of any local, state or
7 federal agencies, private persons and business enterprises on matters
8 within the scope of department activities.

9 8. Consult with and make recommendations to the governor and the
10 legislature on all matters concerning department objectives.

11 9. Make annual reports to the governor and the legislature on its
12 activities, including the geographic location of its activities, its
13 finances and the scope of its operations. THE ANNUAL REPORTS SUBMITTED
14 PURSUANT TO THIS PARAGRAPH SHALL ALSO INCLUDE ALL OF THE FOLLOWING
15 OUTCOME-BASED METRICS FOR DEPARTMENT-FUNDED PROJECTS AND INITIATIVES:

16 (a) THE NUMBER OF AFFORDABLE HOUSING UNITS DEVELOPED IN THIS STATE.
17 (b) THE NUMBER OF INDIVIDUALS HOUSED IN PERMANENT SUPPORTIVE
18 HOUSING ENVIRONMENTS IN THE PAST YEAR AND RELATED HOUSING OUTCOMES FOR
19 THOSE EXITING PERMANENT SUPPORTIVE HOUSING FOR WHICH THE DEPARTMENT HAS
20 CONVEYED FUNDING.

21 (c) ANY IMPROVEMENTS IN HOUSING ACCESSIBILITY FOR UNDERSERVED AND
22 RURAL POPULATIONS IN THIS STATE.

23 10. Maintain and enforce standards of quality and safety for
24 manufactured homes, mobile homes and factory-built buildings and enforce
25 rules adopted by the board pursuant to section 41-4010.

26 11. AS A CONDITION OF FUNDING FOR EMERGENCY SHELTER AND
27 TRANSITIONAL HOUSING PROGRAMS THAT RECEIVE GRANTS OR OTHER SOURCES OF
28 FUNDING FROM THE DEPARTMENT, ADOPT POLICIES AND PROCEDURES CONCERNING
29 RESPONDING TO AN ALLEGED SALE, MANUFACTURE OR POSSESSION OF DANGEROUS
30 DRUGS AND NARCOTIC DRUGS AS DEFINED IN SECTION 13-3401. THESE POLICIES
31 SHALL INCLUDE CLEAR SIGNAGE ON THE FACILITIES DENOTING A DRUG-FREE ZONE.

32 C. Under the direction of the director, the department may:
33 1. Assist in securing construction and mortgage financing from
34 public and private sector sources.

35 2. Assist mortgage financing programs established by industrial
36 development authorities and political subdivisions of this state.

37 3. Assist in the acquisition and use of federal housing assistance
38 programs pertinent to enhance the economic feasibility of a proposed
39 residential development.

40 4. Assist in the compliance of a proposed residential development
41 with applicable federal, state and local codes and ordinances.

42 5. Prepare and publish planning and development guidelines for the
43 establishment and delivery of housing assistance programs.

44 6. Contract with a federal agency to carry out financial work on
45 the federal agency's behalf and accept payment for the work.

1 7. Subcontract for the financial work prescribed in paragraph 6 of
2 this subsection and make payments for that subcontracted work based on the
3 expectation that the federal agency will pay for that work.

4 8. Accept payment from a federal agency for work prescribed in
5 paragraph 6 of this subsection and deposit those payments in the Arizona
6 department of housing program fund established by section 41-3957.

7 9. Contract for the services of outside advisers, consultants and
8 aides reasonably necessary or desirable to enable the department to
9 adequately perform its duties.

10 10. Contract for and incur obligations reasonably necessary or
11 desirable within the general scope of department activities and operations
12 to enable the department to adequately perform its duties.

13 11. Use any media of communication, publication and exhibition in
14 the dissemination of information, advertising and publicity in any field
15 of its purposes, objectives or duties.

16 12. Adopt rules deemed necessary or desirable to govern its
17 procedures and business.

18 13. Contract with other agencies in furtherance of any department
19 program.

20 14. Use monies, facilities or services to provide contributions
21 under federal or other programs that further the objectives and programs
22 of the department.

23 15. Accept gifts, grants, matching monies or direct payments from
24 public or private agencies or private persons and enterprises for the
25 conduct of programs that are consistent with the general purposes and
26 objectives of this article and deposit these monies in the Arizona
27 department of housing program fund established by section 41-3957.

28 16. Establish and collect fees and receive reimbursement of costs
29 in connection with any programs or duties performed by the department and
30 deposit the fees and cost reimbursements in the Arizona department of
31 housing program fund established by section 41-3957.

32 17. Provide staff support to the board of manufactured housing.

33 D. For the purposes of this section, the department is exempt from
34 chapter 23 of this title.

35 E. The department is the designated state public housing agency as
36 defined in the United States housing act of 1937 (42 United States Code
37 sections 1401 through 1440) for the purpose of accepting federal housing
38 assistance monies and may participate in the housing assistance payments
39 program. Federal monies may be secured for all areas of this state
40 subject only to the limitations prescribed in subsection F of this
41 section.

42 F. For areas of this state where an existing public housing
43 authority has not been established pursuant to section 36-1404, subsection
44 A, the department acting as a public housing agency may undertake all
45 activities under the section 8 tenant-based rental housing assistance

1 payment program, except that the department shall not undertake a section
2 8 tenant-based rental housing assistance payment program within the
3 boundaries of a city, town or county unless authorized by resolution of
4 the governing body of the city, town or county. If the department accepts
5 monies for a section 8 tenant-based rental housing assistance payment
6 program for areas of this state where an existing public housing authority
7 has been established pursuant to section 36-1404, subsection A, the
8 department shall only accept and secure federal monies to provide housing
9 for the seriously mentally ill or other populations with disabilities.
10 The department may accept and secure federal monies for undertaking all
11 contract administrator activities authorized under a section 8
12 project-based rental housing assistance payment program in all areas of
13 this state and this participation does not require the authorization of
14 any local governing body.

15 G. The department shall not itself directly own, construct, operate
16 or rehabilitate any housing units, except as may be necessary to protect
17 the department's collateral or security interest arising out of any
18 department programs.

19 H. Notwithstanding any other provision of this section, the
20 department may obligate monies as loans or grants applicable to programs
21 and activities of the department for the purpose of providing housing
22 opportunities for low or moderate income households or for housing
23 affordability or to prevent or combat decaying housing stock. Unless
24 otherwise required by federal or state law, any loan repayments shall be
25 deposited in the Arizona department of housing program fund established by
26 section 41-3957.

27 I. For any construction project financed by the department pursuant
28 to subsection C of this section, except for contract administration
29 activities in connection with the project-based section 8 program, the
30 department shall notify a city, town, county or tribal government that a
31 project is planned for its jurisdiction and, before proceeding, shall seek
32 comment from the governing body of the city, town, county or tribal
33 government or an official authorized by the governing body of the city,
34 town, county or tribal government. The department shall not interfere
35 with or attempt to override the local jurisdiction's planning, zoning or
36 land use regulations.

37 J. The department has the administrative responsibility through its
38 hearing officer function concerning alleged violations of the Arizona
39 mobile home parks residential landlord and tenant act under title 33,
40 chapter 11.

41 K. The **ARIZONA** department **OF HOUSING** shall act consistently with
42 the minimum standards of the United States department of housing and urban
43 development so as to be designated the ~~state inspector~~ for
44 manufactured homes and related industries. The **ARIZONA** department **OF**

1 HOUSING shall implement all existing laws and regulations established by
2 the federal government, its agencies and this state for that purpose.

3 L. FOR THE PURPOSES OF THIS SECTION, "PERMANENT SUPPORTIVE HOUSING"
4 MEANS LONG-TERM HOUSING ASSISTANCE PAIRED WITH SUPPORTIVE SERVICES THAT
5 ARE AIMED AT INDIVIDUALS EXPERIENCING HOMELESSNESS OR INDIVIDUALS WITH
6 SPECIAL NEEDS.

7 Sec. 10. Section 41-3955, Arizona Revised Statutes, is amended to
8 read:

9 41-3955. *Housing trust fund; purpose; annual report*

10 A. The housing trust fund is established, and the director shall
11 administer the fund. The fund consists of monies from unclaimed property
12 deposited in the fund pursuant to section 44-313, monies transferred
13 pursuant to section 35-751 and investment earnings.

14 B. On notice from the department, the state treasurer shall invest
15 and divest monies in the fund as provided by section 35-313, and monies
16 earned from investment shall be credited to the fund.

17 C. Except as provided in subsection D of this section, fund monies
18 shall be spent on approval of the department for developing projects and
19 programs connected with providing housing opportunities for low and
20 moderate income households and for housing affordability programs.

21 ~~Pursuant to section 44-313, subsection A,~~ A portion of fund monies shall
22 be used exclusively for housing in rural areas.

23 D. Fund monies may be spent on constructing or renovating
24 facilities and on housing assistance, including support services, ~~for~~
~~persons who have been determined to be seriously mentally ill and to be~~
~~chronically resistant to treatment.~~ FUND MONIES SHALL BE AWARDED IN THE
27 FOLLOWING ORDER OF PRIORITY FOR THE FIRST FOUR MONTHS OF EACH FISCAL YEAR:

28 1. CONSTRUCTING OR RENOVATING EMERGENCY SHELTER FACILITIES OR FOR
29 ANY OPERATIONAL EXPENSES FOR EMERGENCY SHELTER SERVICES.

30 2. CONSTRUCTING OR RENOVATING TRANSITIONAL HOUSING UNITS.

31 3. CONSTRUCTING OR RENOVATING OTHER TYPES OF SHELTER OR HOUSING AS
32 DETERMINED BY THE DEPARTMENT TO BEST SERVE THE NEEDS OF INDIVIDUALS WHO
33 HAVE BEEN DETERMINED TO BE SERIOUSLY MENTALLY ILL AND CHRONICALLY
34 RESISTANT TO TREATMENT.

35 E. For the purposes of subsection C of this section, in approving
36 the expenditure of monies, the director shall give priority to funding
37 projects that provide for operating, constructing or renovating facilities
38 for housing for low-income families and that provide housing and shelter
39 to families that have children.

40 F. AFTER THE FOUR-MONTH PERIOD PRESCRIBED IN SUBSECTION D OF THIS
41 SECTION, FUND MONIES THAT HAVE NOT BEEN AWARDED OR ENCUMBERED PURSUANT TO
42 THE PRIORITY LIST PRESCRIBED IN SUBSECTION D OF THIS SECTION MAY BE SPENT
43 BASED ON STAKEHOLDER FEEDBACK.

1 G. THE DEPARTMENT SHALL SUBMIT FOR REVIEW BY THE JOINT LEGISLATIVE
2 BUDGET COMMITTEE ALL PROGRAMS ESTABLISHED BY THE DEPARTMENT AND FUNDED BY
3 THE HOUSING TRUST FUND PURSUANT TO THIS SECTION.

4 ~~F.~~ H. The director shall report annually to the legislature on the
5 status of the housing trust fund. The report shall include a summary of
6 facilities for which funding was provided during the preceding fiscal year
7 and shall show the cost and geographic location of each facility and the
8 number of individuals benefiting from the operation, construction or
9 renovation of the facility. The report shall also include the number of
10 individuals who benefit from housing assistance pursuant to subsection D
11 of this section. The report shall be submitted to the president of the
12 senate and the speaker of the house of representatives, and a copy
13 provided to the secretary of state, not later than September 1 of each
14 year.

15 G. Monies in the housing trust fund are exempt from the
16 provisions of section 35-190 relating to lapsing of appropriations.

17 ~~H.~~ J. An amount not to exceed ten percent of the housing trust
18 fund monies may be appropriated annually by the legislature to the
19 department for administrative costs in providing services relating to the
20 housing trust fund.

21 ~~H.~~ K. For any construction project financed by the department
22 pursuant to this section, the department shall notify a city, town, county
23 or tribal government that a project is planned for its jurisdiction and,
24 before proceeding, shall seek comment from the governing body of the city,
25 town, county or tribal government or an official authorized by the
26 governing body of the city, town, county or tribal government. The
27 department shall not interfere with or attempt to override the local
28 jurisdiction's planning, zoning or land use regulations.

29 Sec. 11. Section 41-3955.02, Arizona Revised Statutes, is amended
30 to read:

33 A. The military transitional housing fund is established consisting
34 of LEGISLATIVE APPROPRIATIONS AND monies allocated from any federal
35 sources, including monies provided by affordable housing legislation and
36 unused or undesignated donations and undesignated federal monies for which
37 military transitional housing is eligible. The director shall administer
38 the fund. Monies in the fund are continuously appropriated. Monies shall
39 be deposited in the fund by order of the governor and shall be spent on
40 newly constructed transitional housing, in cooperation with veteran owned
41 and operated nonprofit organizations and for-profit organizations that
42 serve military members who are transitioning to veteran status. MONIES
43 MAY ALSO BE USED FOR SUPPORTIVE SERVICES AND TRANSITIONAL UNIT
44 REHABILITATION FOR VETERANS. Monies in the fund are exempt from the
45 provisions of section 35-190 relating to lapsing of appropriations.

1 B. Fund monies shall be spent for developing projects and programs
2 to provide transitional housing opportunities for military members
3 separating from the military to be housed in newly constructed housing
4 facilities **AND REHABILITATED HOUSING FOR VETERANS**. Monies cannot be spent
5 on unoccupied hotels and motels designated for homeless veterans. Fund
6 monies may only be spent for the specific purpose of providing
7 transitional housing for military members who will be separating or who
8 have recently separated from the military **OR FOR VETERANS** and may be spent
9 on purchasing and constructing transitional housing facilities for
10 military members who are transitioning into civilian life **AND**
11 **REHABILITATING HOUSING UNITS FOR VETERANS**.

12 C. On or before September 1 of each year, the director shall submit
13 a report on the status of the military transitional housing fund,
14 including a summary of facilities for which funding was provided during
15 the preceding fiscal year, the cost and geographic location of each
16 facility and the number of individuals benefiting from the operation,
17 purchase or construction of the facility, to the president of the senate
18 and the speaker of the house of representatives and provide a copy of the
19 report to the secretary of state.

20 D. The department may use not more than ten percent of the fund
21 monies annually to administer the fund.

22 E. For any construction project financed by the department pursuant
23 to this section, the department shall notify a city, town, county or
24 tribal government that a project is planned for its jurisdiction and,
25 before proceeding, shall seek comment from the governing body of the city,
26 town, county or tribal government or an official authorized by the
27 governing body of the city, town, county or tribal government. The
28 department may not interfere with or attempt to override the local
29 jurisdiction's planning, zoning or land use regulations.

30 F. For the purposes of this section, "undesignated federal monies"
31 means federal stimulus monies and monies originating from federal
32 affordable housing legislation, the United States department of veterans
33 affairs or the United States department of housing and urban development
34 that have not been allocated or approved for a specific purpose or project
35 within three months after the applicable expenditure deadline for the
36 monies.

37 Sec. 12. Title 41, chapter 37, article 2, Arizona Revised Statutes,
38 is amended by adding section 41-3956, to read:

39 41-3956. Comprehensive performance measurement system;
40 tracking system; wire transfer protocols;
41 reporting requirements; definitions

42 A. THE DEPARTMENT SHALL:

43 1. ESTABLISH AND IMPLEMENT A COMPREHENSIVE PERFORMANCE MEASUREMENT
44 SYSTEM THAT REQUIRES ALL OF THE FOLLOWING:

1 (a) ANNUAL GOALS WITH MEASURABLE BENCHMARKS FOR EACH HOUSING
2 PROGRAM IN THIS STATE.

3 (b) MECHANISMS FOR DATA COLLECTION AND REVIEW TO ASSESS THE
4 EFFECTIVENESS OF THE HOUSING PROGRAMS ADMINISTERED BY THE DEPARTMENT.

5 (c) QUARTERLY REPORTING TO THE PRESIDENT OF THE SENATE AND THE
6 SPEAKER OF THE HOUSE OF REPRESENTATIVES REGARDING PROGRAM PERFORMANCE
7 OUTCOMES, SUGGESTED IMPROVEMENTS FOR AFFORDABLE HOUSING, REDUCTIONS IN
8 HOMELESSNESS AND OTHER KEY METRICS.

9 2. ESTABLISH SECURE WIRE TRANSFER PROTOCOLS TO MITIGATE FRAUD
10 RISKS, INCLUDING ALL OF THE FOLLOWING:

11 (a) DUAL AUTHORIZATION FOR ALL WIRE TRANSFERS THAT EXCEED \$10,000.

12 (b) WORKING WITHIN THE DEPARTMENT'S AUTHORITY TO IMPLEMENT
13 REAL-TIME FRAUD DETECTION AND REPORTING MEASURES THAT ARE INTEGRATED INTO
14 THE FINANCIAL MANAGEMENT SYSTEM.

15 (c) MANDATORY RECONCILIATION AND AUDITING OF ALL WIRE TRANSFERS ON
16 A MONTHLY BASIS.

17 3. ENGAGE THE BOARD OF MANUFACTURED HOUSING TO REVIEW REGULATORY
18 FEES ASSOCIATED WITH MANUFACTURED HOUSING IN THIS STATE TO ENSURE
19 ALIGNMENT WITH REGULATORY COSTS. ANY FEE CHANGES SHALL BE APPROVED BY THE
20 BOARD OF MANUFACTURED HOUSING ESTABLISHED BY SECTION 41-4009. ALL
21 COMPLAINTS RELATED TO MANUFACTURED HOUSING MUST BE RESOLVED WITHIN THE
22 UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT GUIDELINES
23 PURSUANT TO 24 CODE OF FEDERAL REGULATIONS PART 3288.

24 4. ESTABLISH A TRACKING SYSTEM THAT MONITORS COMPLAINT RESOLUTION
25 TIMELINES. THE DEPARTMENT SHALL PROVIDE QUARTERLY REPORTS REGARDING ANY
26 UNRESOLVED COMPLAINTS TO THE BOARD OF MANUFACTURED HOUSING, THE PRESIDENT
27 OF THE SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

28 5. REQUIRE ALL STAFF TO COMPLETE A CONFLICT OF INTEREST DISCLOSURE
29 FORM ANNUALLY, REVIEW ALL FORMS TO DETERMINE WHETHER THERE ARE ANY
30 SUBSTANTIAL INTEREST DISCLOSURES AND MAINTAIN A SPECIAL FILE OF ALL
31 SUBSTANTIAL INTEREST DISCLOSURES.

32 B. THE DEPARTMENT SHALL REPORT ANY INSTANCE OF FRAUDULENT ACTIVITY
33 INVOLVING STATE MONIES TO THE GOVERNOR, THE JOINT LEGISLATIVE BUDGET
34 COMMITTEE AND THE AUDITOR GENERAL WITHIN TEN BUSINESS DAYS. THE
35 DEPARTMENT SHALL INITIATE RESTITUTION EFFORTS WITHIN THIRTY DAYS AFTER
36 IDENTIFYING THE FRAUDULENT ACTIVITY.

37 C. FOR THE PURPOSES OF THIS SECTION:

38 1. "COMPREHENSIVE PERFORMANCE MEASUREMENT SYSTEM" MEANS A
39 SYSTEMATIC PROCESS FOR TRACKING, EVALUATING AND REPORTING ON PROGRAM
40 OUTCOMES, INCLUDING ESTABLISHING GOALS, PERFORMANCE BENCHMARKS AND
41 MEASURABLE OUTCOMES.

42 2. "WIRE TRANSFER PROTOCOLS" MEANS SECURE PROCESSES AND STANDARDS
43 TO PREVENT UNAUTHORIZED FINANCIAL TRANSFERS.

1 Sec. 13. Laws 2022, chapter 316, section 4 is amended to read:

2 Sec. 4. Delayed repeal

3 Section 36-595.03, Arizona Revised Statutes, as ~~added~~ AMENDED by
4 this act, is repealed from and after December 31, ~~2026~~ 2027.

5 Sec. 14. Laws 2023, chapter 141, section 3, as amended by Laws
6 2024, chapter 217, section 2, is amended to read:

7 Sec. 3. Homeless shelter and services fund; annual report;
8 delayed repeal; transfer of monies

9 A. The homeless shelter and services fund is established consisting
10 of legislative appropriations, other monies directed to be deposited in
11 the fund and investment earnings on monies in the fund. The Arizona
12 department of housing shall administer the fund. Monies in the fund are
13 continuously appropriated.

14 B. The Arizona department of housing shall use monies in the fund
15 for the purposes prescribed in this section. Monies in the fund shall be
16 used to award grants pursuant to title 41, chapter 23, Arizona Revised
17 Statutes, to counties, cities, towns, Indian tribes and nonprofit
18 organizations for programs that provide shelter and services to
19 unsheltered persons who are experiencing homelessness.

20 C. Monies in the fund are exempt from the provisions of section
21 35-190, Arizona Revised Statutes, relating to lapsing of appropriations.

22 D. On or before December 31, ~~2024~~ OF EACH FISCAL YEAR, the Arizona
23 department of housing shall submit a report to the governor, the president
24 of the senate and the speaker of the house of representatives describing
25 all grants awarded in that year.

26 E. From and after June 30, ~~2025~~ 2027, this section is repealed and
27 any unexpended and unencumbered monies remaining in the homeless shelter
28 and services fund established by this section are transferred to the state
29 general fund.

30 Sec. 15. Quarterly reporting; delayed repeal

31 A. The Arizona department of housing shall provide quarterly
32 reports to the president of the senate and the speaker of the house of
33 representatives regarding the use of monies from the housing trust fund
34 pursuant to section 41-3955, Arizona Revised Statutes, as amended by this
35 act, that include all of the following:

36 1. Details on all financial transactions in the housing trust fund.
37 2. Detailed information on recipients of monies from the housing
38 trust fund and any projected and realized results and analyses of the
39 performance of the housing trust fund in comparison to the goals of the
40 housing trust fund.

41 B. The Arizona department of housing shall also conduct a review of
42 approved and paid payment requests since July 1, 2021 to identify any
43 improper payments made to grantees and how to recover those monies. The
44 status of the review and recovery activities shall be outlined in the
45 quarterly reports pursuant to subsection A of this section.

1 C. This section is repealed from and after December 31, 2026.

2 Sec. 16. Department of economic security; drug testing; TANF
3 cash benefits recipients

4 During fiscal year 2025-2026, the department of economic security
5 shall screen and test each adult recipient who is otherwise eligible for
6 temporary assistance for needy families cash benefits and who the
7 department has reasonable cause to believe engages in the illegal use of
8 controlled substances. Any recipient who tests positive for the use of a
9 controlled substance that was not prescribed for the recipient by a
10 licensed health care provider is ineligible to receive benefits for a
11 period of one year.

12 Sec. 17. Purpose

13 Pursuant to section 41-2955, subsection B, Arizona Revised Statutes,
14 the legislature continues the Arizona department of housing to address the
15 affordable housing issues confronting this state, including housing issues
16 of low and moderate income families, housing affordability, housing for
17 special needs populations and decaying housing stock, to maintain
18 standards of quality and safety for manufactured homes, factory-built
19 buildings, mobile homes and accessory structures and to adjudicate
20 complaints regarding and ensure compliance with the Arizona mobile home
21 parks residential landlord and tenant act.

22 Sec. 18. Retroactivity

23 Sections 7 and 8 of this act apply retroactively to from and after
24 July 1, 2025.

25 Sec. 19. Effective date

26 Section 41-3955, Arizona Revised Statutes, as amended by this act,
27 is effective from and after December 31, 2025.

APPROVED BY THE GOVERNOR JUNE 27, 2025.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JUNE 27, 2025.