

JLBC Fiscal Note

BILL # SB 1115

SPONSOR: Werner

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TITLE: AHCCCS; remote work; prohibition

STATUS: Introduced

Description

The introduced version of SB 1115 would prohibit Arizona Health Cost Care Containment System (AHCCCS) employees from working remotely.

Estimated Impact

We estimate the bill would have ongoing state costs of \$2.0 million to \$4.2 million annually for additional office space to house returning AHCCCS employees, depending on whether the agency were to utilize state-owned office space or private lease space. Additionally, AHCCCS estimates up to \$2.9 million in one-time state costs for equipment and move-in expenses.

This estimate represents half of the total costs associated with returning remote workers to the agency worksite, as 50% of these costs are eligible to be paid with federal funds. The ongoing cost paid from all funds would be \$4.1 million to \$8.4 million, and the total one-time cost from all funds could be up to \$5.7 million. These estimates are based, in part, on the fiscal impact estimate provided by AHCCCS.

We have asked the Arizona Department of Administration (ADOA) for their perspective on the bill's fiscal impact, but are yet to receive a response.

Analysis

Our estimated impact is based on the following assumptions:

- 1) AHCCCS estimates that the agency would need to acquire an additional 226,800 square feet to accommodate remote employees returning to the agency's worksite. This is based on the AHCCCS estimate that:
 - There are currently 1,134 AHCCCS employees who work remotely and do not have designated office space.
 - The current AHCCCS office at 150 N. 18th Ave. is 34,800 square feet and accommodates 120 in-office employees.
 - The agency would need approximately 200 square feet for each of the 1,134 employees returning to the office.
- 2) Based on an AHCCCS estimate, the agency would be able to rent private office space at \$37.22 per square foot annually, including utilities. The total funds cost would be \$8.4 million, with the state share being \$4.2 million.
- 3) If AHCCCS were able to locate in state-owned space, the cost would be \$17.87 per square foot, or \$4.0 million total funds (\$2.0 million state funds). According to ADOA's space allocation data from last spring, there was 150,700 square feet of vacant office space in the Phoenix Metropolitan area, spread across 6 buildings on the Capitol Mall. This is less square footage than AHCCCS' proposed 226,800 square feet, so this option may entail some private lease space as well.
- 4) AHCCCS estimates approximately \$5.7 million in one-time furniture, renovation, and related move-in costs for the new private office space.

2/4/25