

REFERENCE TITLE: child care; state lottery fund

State of Arizona
House of Representatives
Fifty-seventh Legislature
Second Regular Session
2026

HB 4099

Introduced by
Representatives Hernandez A: Hernandez C, Hernandez L

AN ACT

AMENDING SECTION 5-572, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2024, CHAPTER 210, SECTION 2; AMENDING SECTION 5-572, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2024, CHAPTER 210, SECTION 3; AMENDING TITLE 46, CHAPTER 7, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 46-812; RELATING TO CHILD CARE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. Section 5-572, Arizona Revised Statutes, as amended by Laws 2024, chapter 210, section 2, is amended to read:

5-572. Use of monies in state lottery fund; report

A. If there are any bonds or bond related obligations payable from the state lottery revenue bond debt service fund, the state lottery revenue bond debt service fund shall be secured by a first lien on the monies in the state lottery fund after the payment of operating costs of the lottery, as prescribed in section 5-555, subsection A, paragraph 1, until the state lottery bond debt service fund contains sufficient monies to meet all the requirements for the current period as required by the bond documents. Debt service for revenue bonds issued pursuant to this chapter shall be paid first from monies that would have otherwise been deposited pursuant to this section in the state general fund. After the requirements for the current period have been satisfied as required by the bond documents, the monies in the state lottery fund shall be expended for the expenses of the commission incurred in carrying out its powers and duties and in the operation of the lottery.

B. Of the monies remaining in the state lottery fund each fiscal year after appropriations and deposits authorized in subsection A of this section, \$10,000,000 shall be deposited in the Arizona game and fish commission heritage fund established by section 17-297.

C. Of the monies remaining in the state lottery fund each fiscal year after appropriations and deposits authorized in subsections A and B of this section, \$_____ SHALL BE DEPOSITED IN THE ARIZONA WORKING PARENTS SUPPORT FUND ESTABLISHED BY SECTION 46-812, \$5,000,000 shall be allocated to the department of child safety for the healthy families program established by section 8-481, \$4,000,000 shall be allocated to the Arizona board of regents for the Arizona area health education system established by section 15-1643, \$3,000,000 shall be allocated to the department of health services to fund the teenage pregnancy prevention programs established in Laws 1995, chapter 190, sections 2 and 3, \$2,000,000 shall be allocated to the department of health services for the health start program established by section 36-697, \$2,000,000 shall be deposited in the disease control research fund established by section 36-274 and \$1,000,000 shall be allocated to the department of health services for the federal women, infants and children food program. The allocations in this subsection shall be adjusted annually according to changes in the GDP price deflator as defined in section 41-563, and the allocations are exempt from the provisions of section 35-190 relating to lapsing of appropriations. If there are not sufficient monies available pursuant to this subsection, the allocation of monies for each program shall be reduced on a pro rata basis.

1 D. If the state lottery director determines that monies available
2 to the state general fund may not equal \$84,150,000 in a fiscal year, the
3 director shall not authorize deposits to the Arizona game and fish
4 commission heritage fund pursuant to subsection B of this section OR THE
5 ARIZONA WORKING PARENTS SUPPORT FUND PURSUANT TO SUBSECTION C OF THIS
6 SECTION until the deposits to the state general fund equal \$84,150,000 in
7 a fiscal year.

8 E. Of the monies remaining in the state lottery fund each fiscal
9 year after appropriations and deposits authorized in subsections A through
10 D of this section, \$1,000,000 or the remaining balance in the fund,
11 whichever is less, is appropriated to the department of economic security
12 for grants to nonprofit organizations, including faith-based
13 organizations, for homeless emergency and transitional shelters and
14 related support services. The department of economic security shall
15 submit a report on the amounts, recipients, purposes and results of each
16 grant to the governor, the speaker of the house of representatives and the
17 president of the senate on or before December 31 of each year for the
18 prior fiscal year and shall provide a copy of this report to the secretary
19 of state.

20 F. Of the monies remaining in the state lottery fund each fiscal
21 year after appropriations and deposits authorized in subsections A
22 through E of this section, and after a total of at least \$99,640,000 has
23 been deposited in the state general fund, \$1,750,000 shall be deposited in
24 the Arizona competes fund established by section 41-1545.01. The balance
25 in the state lottery fund remaining after deposits into the Arizona
26 competes fund shall be deposited in the university capital improvement
27 lease-to-own and bond fund established by section 15-1682.03, up to a
28 maximum of eighty percent of the total annual payments of lease-to-own and
29 bond agreements entered into by the Arizona board of regents.

30 G. All monies remaining in the state lottery fund after the
31 appropriations and deposits authorized in this section shall be deposited
32 in the state general fund.

33 H. Except for monies expended for debt service of revenue bonds as
34 provided in subsection A of this section, monies expended under subsection
35 A of this section are subject to legislative appropriation.

36 I. The commission shall transfer monies prescribed in this section
37 on a quarterly basis.

38 Sec. 2. Section 5-572, Arizona Revised Statutes, as amended by Laws
39 2024, chapter 210, section 3, is amended to read:

40 5-572. Use of monies in state lottery fund; report

41 A. If there are any bonds or bond related obligations payable from
42 the state lottery revenue bond debt service fund, the state lottery
43 revenue bond debt service fund shall be secured by a first lien on the
44 monies in the state lottery fund after the payment of operating costs of

1 the lottery, as prescribed in section 5-555, subsection A, paragraph 1,
2 until the state lottery bond debt service fund contains sufficient monies
3 to meet all the requirements for the current period as required by the
4 bond documents. Debt service for revenue bonds issued pursuant to this
5 chapter shall be paid first from monies that would have otherwise been
6 deposited pursuant to this section in the state general fund. After the
7 requirements for the current period have been satisfied as required by the
8 bond documents, the monies in the state lottery fund shall be expended for
9 the expenses of the commission incurred in carrying out its powers and
10 duties and in the operation of the lottery.

11 B. Of the monies remaining in the state lottery fund each fiscal
12 year after appropriations and deposits authorized in subsection A of this
13 section, \$10,000,000 shall be deposited in the Arizona game and fish
14 commission heritage fund established by section 17-297.

15 C. Of the monies remaining in the state lottery fund each fiscal
16 year after appropriations and deposits authorized in subsections A and B
17 of this section, \$_____ SHALL BE DEPOSITED IN THE ARIZONA
18 WORKING PARENTS SUPPORT FUND ESTABLISHED BY SECTION 46-812, \$5,000,000
19 shall be allocated to the department of child safety for the healthy
20 families program established by section 8-481, \$4,000,000 shall be
21 allocated to the Arizona board of regents for the Arizona area health
22 education system established by section 15-1643, \$3,000,000 shall be
23 allocated to the department of health services to fund the teenage
24 pregnancy prevention programs established in Laws 1995, chapter 190,
25 sections 2 and 3, \$2,000,000 shall be allocated to the department of
26 health services for the health start program established by section
27 36-697, \$2,000,000 shall be deposited in the disease control research fund
28 established by section 36-274 and \$1,000,000 shall be allocated to the
29 department of health services for the federal women, infants and children
30 food program. The allocations in this subsection shall be adjusted
31 annually according to changes in the GDP price deflator as defined in
32 section 41-563, and the allocations are exempt from the provisions of
33 section 35-190 relating to lapsing of appropriations. If there are not
34 sufficient monies available pursuant to this subsection, the allocation of
35 monies for each program shall be reduced on a pro rata basis.

36 D. If the state lottery director determines that monies available
37 to the state general fund may not equal \$84,150,000 in a fiscal year, the
38 director shall not authorize deposits to the Arizona game and fish
39 commission heritage fund pursuant to subsection B of this section OR THE
40 ARIZONA WORKING PARENTS SUPPORT FUND PURSUANT TO SUBSECTION C OF THIS
41 SECTION until the deposits to the state general fund equal \$84,150,000 in
42 a fiscal year.

43 E. Of the monies remaining in the state lottery fund each fiscal
44 year after appropriations and deposits authorized in subsections A through

1 D of this section, \$1,000,000 or the remaining balance in the fund,
 2 whichever is less, is appropriated to the department of economic security
 3 for grants to nonprofit organizations, including faith-based
 4 organizations, for homeless emergency and transitional shelters and
 5 related support services. The department of economic security shall
 6 submit a report on the amounts, recipients, purposes and results of each
 7 grant to the governor, the speaker of the house of representatives and the
 8 president of the senate on or before December 31 of each year for the
 9 prior fiscal year and shall provide a copy of this report to the secretary
 10 of state.

11 F. Of the monies remaining in the state lottery fund each fiscal
 12 year after appropriations and deposits authorized in subsections A
 13 through E of this section, and after a total of at least \$99,640,000 has
 14 been deposited in the state general fund, \$3,500,000 shall be deposited in
 15 the Arizona competes fund established by section 41-1545.01. The balance
 16 in the state lottery fund remaining after deposits into the Arizona
 17 competes fund shall be deposited in the university capital improvement
 18 lease-to-own and bond fund established by section 15-1682.03, up to a
 19 maximum of eighty percent of the total annual payments of lease-to-own and
 20 bond agreements entered into by the Arizona board of regents.

21 G. All monies remaining in the state lottery fund after the
 22 appropriations and deposits authorized in this section shall be deposited
 23 in the state general fund.

24 H. Except for monies expended for debt service of revenue bonds as
 25 provided in subsection A of this section, monies expended under subsection
 26 A of this section are subject to legislative appropriation.

27 I. The commission shall transfer monies prescribed in this section
 28 on a quarterly basis.

29 Sec. 3. Title 46, chapter 7, article 1, Arizona Revised Statutes,
 30 is amended by adding section 46-812, to read:

31 46-812. Arizona working parents support fund; Arizona working
 32 parents child care program; rules; report;
 33 definitions

34 A. THE ARIZONA WORKING PARENTS SUPPORT FUND IS ESTABLISHED
 35 CONSISTING OF MONIES RECEIVED FROM THE STATE LOTTERY FUND AS PRESCRIBED IN
 36 SECTION 5-572, SUBSECTION C. THE DEPARTMENT SHALL ADMINISTER THE FUND.
 37 MONIES IN THE FUND ARE CONTINUOUSLY APPROPRIATED AND ARE EXEMPT FROM THE
 38 PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF APPROPRIATIONS.

39 B. THE DEPARTMENT SHALL USE THE MONIES IN THE FUND TO SUPPORT THE
 40 ARIZONA WORKING PARENTS CHILD CARE PROGRAM THAT IS ESTABLISHED IN THE
 41 DEPARTMENT TO PROVIDE CHILD CARE TO ELIGIBLE FAMILIES. THE DEPARTMENT
 42 SHALL ALLOW ALL ELIGIBLE PARENTS TO PARTICIPATE IN THE PROGRAM WITHOUT
 43 PAYING FEES AND REGARDLESS OF INCOME. THE DEPARTMENT SHALL PAY
 44 PARTICIPATING CHILD CARE PROVIDERS DIRECTLY FOR SERVICES PROVIDED TO

1 ELIGIBLE CHILDREN RATHER THAN REIMBURSING ELIGIBLE FAMILIES. THE
2 DEPARTMENT SHALL SET THE RATES FOR CHILD CARE BASED ON A BIENNIAL MARKET
3 RATE STUDY THAT IS DESIGNED TO COVER THE TRUE COST OF QUALITY CARE,
4 INCLUDING WAGES, BENEFITS AND OPERATION EXPENSES. THE DEPARTMENT MAY ADOPT
5 TIERED REIMBURSEMENT RATES TO INCENTIVIZE QUALITY OF CHILD CARE, EXTENDED
6 CHILD CARE HOURS AND INFANT AND TODDLER CARE.

7 C. THE DEPARTMENT SHALL ADOPT RULES THAT INCLUDE ALL OF THE
8 FOLLOWING:

- 9 1. THE ELIGIBILITY REQUIREMENTS AND VERIFICATION PROCEDURES.
10 2. THE REQUIREMENTS FOR PARTICIPATING CHILD CARE PROVIDERS.
11 3. THE TYPE OF PAYMENT SYSTEMS TO BE USED, INCLUDING FRAUD
12 PREVENTION.

13 D. ON OR BEFORE JUNE 30, 2027, THE DEPARTMENT SHALL SUBMIT AN
14 ANNUAL REPORT TO THE GOVERNOR, THE PRESIDENT OF THE SENATE AND THE SPEAKER
15 OF THE HOUSE OF REPRESENTATIVES AND SHALL PROVIDE A COPY OF THIS REPORT TO
16 THE SECRETARY OF STATE. THE REPORT MUST INCLUDE ALL OF THE FOLLOWING:

- 17 1. THE NUMBER OF ELIGIBLE CHILDREN AND ELIGIBLE FAMILIES WHO
18 BENEFITED FROM THE PROGRAM.
19 2. THE NUMBER OF CHILD CARE PROVIDERS THAT PARTICIPATED IN THE
20 PROGRAM, SEPARATED BY GEOGRAPHIC AREA.
21 3. THE TOTAL EXPENDITURE AMOUNT, INCLUDING ANY FUND BALANCE.
22 4. HOW THE PROGRAM IMPACTED THE WORKFORCE RATES FOR WORKING
23 PARENTS.

24 E. THE DEPARTMENT MAY IMPLEMENT THE PROGRAM IN PHASES BASED ON
25 AVAILABLE FUNDING AND PRIORITIZE THE PROGRAM BASED ON THE FOLLOWING:

- 26 1. INFANTS AND TODDLERS.
27 2. PARENTS WITHOUT CHILD CARE.
28 3. PARENTS WHO WORK NONTRADITIONAL HOURS AND WHO ARE IN NEED OF
29 CHILD CARE.
30 4. PARENTS WHO RESIDE IN RURAL AREAS AND WHO ARE IN NEED OF CHILD
31 CARE.

32 F. FOR THE PURPOSES OF THIS SECTION:

- 33 1. "ELIGIBLE CHILDREN" MEANS CHILDREN FROM INFANCY UNTIL ENTRY INTO
34 KINDERGARTEN.

- 35 2. "ELIGIBLE FAMILY" MEANS A PARENT OR LEGAL GUARDIAN WHO:

36 (a) IS CURRENTLY EMPLOYED OR SELF-EMPLOYED, IS ENROLLED IN JOB
37 TRAINING, EDUCATION OR WORKFORCE DEVELOPMENT PROGRAM OR IS ENGAGED IN A
38 JOB SEARCH.

39 (b) RESIDES IN THIS STATE.

- 40 3. "PROGRAM" MEANS THE ARIZONA WORKING PARENTS CHILD CARE PROGRAM.

41 Sec. 4. Effective date

42 Section 5-572, Arizona Revised Statutes, as amended by Laws 2024,
43 chapter 210, section 3 and this act, is effective from and after June 30,
44 2027.