ARIZONA HOUSE OF REPRESENTATIVES
Fifty-seventh Legislature - First Regular Session

COMMITTEE ON COMMERCE

Report of Regular Meeting
Tuesday, January 14, 2025
House Hearing Room 4 -- 2:00 P.M.

Convened 2:07 P.M.
Adjourned 5:10 P.M.

Members Present
Representative Aguilar
Representative Blackman
Representative Cavero
Representative Connolly
Representative Diaz
Representative Hendrix
Representative Villegas
Representative Wilmeth
Representative Way, Vice-Chairman
Representative Weninger, Chairman

Members Absent

MINUTES RECEIVED
CHIEF CLERK'S OFFICE
1/17/25

Agenda
Original Agenda – Attachment 1

Request to Speak
Report – Attachment 2

Committee Attendance
Report – Attachment 3

Presentations

Name	Organization	Attachments (Handouts)
Liam VanPelt	Arizona Auditor General	4
Barbara Richardson	Arizona Department of Insurance and Financial Institutions	5
Cassie DeCocq and Marc Owen	Arizona Auditor General	7
Joan Serviss	Arizona Department of Housing	8

Committee Action

Recommendation	Action	Vote	Attachments
Continuation with Revisions	Arizona Department of Insurance and Financial Institutions	10-0-0-0	6
Continuation with Revisions	Arizona Department of Housing	10-0-0-0	9

Abby Selvey
Abby Selvey, Committee Secretary
January 17, 2025

(Original attachments on file in the Office of the Chief Clerk; video archives available at http://www.azleg.gov)

Conv: 2:07 pm
Adjrn: 5:10 pm

REVISED - 1/14/25 **REVISED - 1/14/25** **REVISED - 1/14/25**

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-seventh Legislature - First Regular Session

REGULAR MEETING AGENDA

COMMITTEE ON COMMERCE

DATE Tuesday, January 14, 2025 ROOM HHR 4 (Note Room Change) TIME 2:00 P.M.

Members of the public may access a livestream of the meeting here:
https://www.azleg.gov/videoplayer/?clientID=6361162879&eventID=2025011009

Members:

Representative Aguilar	Representative Diaz	Representative Wilmeth
Representative Blackman	Representative Hendrix	Representative Way, Vice-Chairman
Representative Cavero	Representative Villegas	Representative Weninger, Chairman
Representative Connolly		

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1. Acting as the Commerce Committee of Reference

2. Sunset Review of the Arizona Department of Insurance and Financial Institutions
   - Presentation by the Office of the Auditor General
   - Presentation by the Department of Insurance and Financial Institutions
   - Public Testimony
   - Discussion and Recommendation

3. Sunset Review of the Arizona Department of Housing
   - Presentation by the Office of the Auditor General
   - Presentation by the Department of Housing
   - Public Testimony
   - Discussion and Recommendation

RA
~~01/08/2025~~
01/14/2025

eople 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.

ATTACHMENT 1

Information Registered on the Request to Speak System

House Commerce (1/14/2025)

2, Sunset Review of the Arizona Department of Insurance and Financial Institutions

Support:

Don Isaacson, STATE FARM INSURANCE COMPANIES; Kerry L. Hayden, Progressive Insurance, UNITED SERVICES AUTOMOBILE ASSN (USAA); Marie Isaacson, IMAGINE LEARNING; Marc Osborn, Kutak Rock LLP

Oppose:

Xenia Orona, representing self

All Comments:

Don Isaacson, STATE FARM INSURANCE COMPANIES: In support of extending DIFI for 8 years.; Marc Osborn, Kutak Rock LLP: I represent insurers in all industry categories. We support extending the agency for 8 years. Stability with our regulatory agency is important.; Xenia Orona, Self: Maricopa County is facing record evictions and Arizona is experiencing deep housing instability and many newly homeless families. Closing the Department of Housing's operations during this crisis would be like firing the fire department during a fire

3, Sunset Review of the Arizona Department of Housing

Support:

Jessica Raymond, representing self; Nicole Newhouse, representing self; Ruthee Goldkorn, representing self; Brandy Petrone, Keys To Change (Formerly HSC, Inc.); Mike Huckins, GREATER PHOENIX CHAMBER OF COMMERCE; Julie Rees, TOHONO O'odham KI:KI ASSOCIATION; Robert Dalager, Dominium; Marie Isaacson, STATE FARM INSURANCE COMPANIES; Ana Roscetti, VITALYST HEALTH FOUNDATION; Thomas Dunn, MANUFACTURED HOUSING INDUSTRY OF AZ

All Comments:

Nicole Newhouse, Self: Representing the Arizona Housing Coalition; Brandy Petrone, Keys To Change (Formerly HSC, Inc.): Keys to Change supports continuing the AZ Department of Housing. Please support its continuation.; Mike Huckins, GREATER PHOENIX CHAMBER OF COMMERCE: Support the Department and their affordable housing efforts.; Julie Rees, TOHONO O'odham KI:KI ASSOCIATION: Please continue ADOH for a minimum of 8 years.; Robert Dalager, Dominium: Support; Marie Isaacson, STATE FARM INSURANCE COMPANIES: In support of extending DIFI for 8 years.; Ana Roscetti, VITALYST HEALTH FOUNDATION: Vitalyst supports the continuation of the Arizona Department of Housing. They are vital in coordinating federal funding for affordable housing solutions for Arizona and overseeing federal resources and allocation to local communities.

ATTACHMENT 2

ARIZONA STATE LEGISLATURE

Fifty-seventh Legislature - First Regular Session

COMMITTEE ATTENDANCE RECORD

COMMITTEE ON COMMERCE

CHAIRMAN: Jeff Weninger VICE-CHAIRMAN: Michael Way

	DATE	01/14/25	/25	/25	/25	/25
	CONVENED	2:07pm	m	m	m	m
	RECESSED					
	RECONVENED					
	ADJOURNED	5:10pm				
MEMBERS						
Aguilar		✓				
Blackman		✓				
Cavero		✓				
Connolly		✓				
Diaz		✓				
Hendrix		✓				
Villegas		✓				
Wilmeth		✓				
Way, Vice-Chairman		✓				
Weninger, Chairman		✓				

√ Present --- Absent exc Excused

ATTACHMENT 3

Arizona Department of Insurance and Financial Institutions

Performance Audit and Sunset Review

Presenter: Liam VanPelt

Date: January 14, 2025

ARIZONA Auditor General
Making a Positive Difference

ATTACHMENT 4

Presentation overview

- Background information
- Problems identified
- Why the problems matter
- What led to the problems
- Key recommendations

ARIZONA Auditor General
Making a Positive Difference

Background

- Established in 2020 by consolidating Department of Financial Institutions, Automobile Theft Authority, and Department of Insurance
- Barbara Richardson oversees the Department
- Auditor General conducted previous sunset reviews of:
  - Department of Insurance in 2019
  - Department of Financial Institutions in 2013

ARIZONA Auditor General
Making a Positive Difference

Key statutory responsibilities

- Regulating the insurance industry
- Regulating financial institutions
  - Banks and credit unions
  - Financial service professionals and/or business entities, such as collection agencies, mortgage brokers, and loan originators
- Distributing Arizona Automobile Theft Authority (ATA) Fund monies to combat auto theft

ARIZONA Auditor General
Making a Positive Difference

Department has taken steps to fulfill some statutory objectives

- Issued insurance producer licenses we reviewed to qualified applicants within time frames required by rule
- Followed State of Arizona Accounting Manual policies and procedures for purchasing and travel card transactions we reviewed

ARIZONA Auditor General
Making a Positive Difference

Problems identified

Department:

- Did not consistently consider licensee history or determine if violations were corrected which are recommended practices
- Lacked documentation explaining how it determined some enforcement actions

ARIZONA Auditor General
Making a Positive Difference

Department did not consistently consider and document licensees' history

	Residential appraiser	Bail bond agent
Violations	Unethical conduct	Deceptive practices
Complaint history	2	14 individual license 60 business license
Documented enforcement history	Complaint 1: letter of concern Complaint 2: disciplinary letter	X
Documented aggravating factors	Escalated enforcement action for repeat violations	X

ARIZONA Auditor General
Making a Positive Difference

Why this matters

- Inconsistent enforcement action and follow up to ensure violations are corrected increases risk of future violations and public harm
- Documenting how it determines enforcement actions:
  - May indicate if enforcement actions sufficiently deter future violations that could harm consumers
  - Reduces the risk of treating licensees unequally and allegations of unequal treatment

ARIZONA Auditor General
Making a Positive Difference

What led to this problem

Department lacks written guidance for taking consistent enforcement actions for most licensees

ARIZONA Auditor General
Making a Positive Difference

Key recommendations

Develop and implement policies and procedures consistent with recommended practices for all license types, including:

- A graduated and equitable system of enforcement actions
- Requirements to consider licensee history
- Documentation of how it determined enforcement actions

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Making a Positive Difference

Problem identified

Department did not comply with some State conflict-of-interest requirements or fully align its conflict-of-interest processes with recommended practices

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Making a Positive Difference

Department did not comply with some conflict-of-interest requirements

- Similar to our 2019 audit, disclosure form did not address all statutorily required disclosures
- Board members did not fully disclose substantial interests in Department's official public records
- Department's special disclosure file did not contain all disclosures of a substantial interest as required by statute

ARIZONA Auditor General
Making a Positive Difference

Why this matters

Department's noncompliance with some conflict-of-interest requirements:

- Increases the risk that employees and board/committee members did not disclose substantial interests that might influence or affect their official conduct
- May undermine the Department's integrity and erode public trust

ARIZONA Auditor General
Making a Positive Difference

Key recommendation

Department should revise and implement its conflict-of-interest policies and procedures, including its disclosure form, to align with all State requirements and recommended practices

ARIZONA Auditor General
Making a Positive Difference

Department did not sufficiently monitor recipients' use of ATA Fund monies

- Did not ensure Arizona Vehicle Theft Task Force used monies on authorized expenses
  - $4.5 million appropriated in fiscal year 2023
  - Must be used to pay 75% of employee salaries and expenses
- Did not ensure grant monies for an awarded grant we reviewed were used for intended purposes related to reducing automobile theft

ARIZONA Auditor General
Making a Positive Difference

Key recommendations

Department should ensure ATA Fund monies are used for authorized purposes, including:

- Collecting information from DPS demonstrating Task Force monies are used for authorized expenses
- Requiring staff ensure accuracy of vertical prosecution grant expenditure information, and implement a supervisory review process

ARIZONA Auditor General
Making a Positive Difference

Additional recommendations

Department should:

- Continue to prioritize, assign, and investigate all high-priority fraud referrals
- To help investigate and resolve insurance complaints within its time frame goals, revise its procedures to include steps for investigators and supervisors to monitor the timeliness of open complaints

Arizona Department of Insurance and Financial Institutions (DIFI)

Presentation to the House Commerce COR

Tuesday, January 14, 2025

ARIZONA
DEPARTMENT OF INSURANCE
& FINANCIAL INSTITUTIONS

ATTACHMENT 5

DIFI's Mission & Vision

Our mission is to protect consumers, provide certainty on regulatory matters, and perform with efficiency and integrity as good stewards of taxpayer resources.

Our vision is toward safe, innovative, competitive and readily available financial and insurance products and services with minimal regulatory and taxpayer burdens.

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& FINANCIAL INSTITUTIONS

Agency Overview

- DIFI was formed effective July 1, 2020, when the Department of Financial Institutions and the Arizona Automobile Theft Authority were consolidated into the Department of Insurance.
- DIFI's duties include:
  - Licensing individuals and companies operating in the insurance and financial services industries
  - Ensuring the financial solvency of licensed business entities
  - Facilitating compliance with Arizona's insurance and financial services laws
  - Resolving consumer complaints against licensees
  - Collecting taxes and assessments that support state government operations
  - Investigating insurance fraud against licensed insurance companies
  - Combatting auto theft through public outreach, and funding for law enforcement and prosecutors
  - Encouraging competition, innovation, and economic development

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& FINANCIAL INSTITUTIONS

DIFI At-a-Glance

FTEs

Appropriated - 159.4
Filled - 147

FY24 Consumers Assisted

17,257
(includes verified complaints)

Licencees

> 406,000 Individuals
> 37,000 Businesses

CY24 Rate/Form Filings

Rate Filings - 1,503
Form Filings - 2,236
(excludes ad and rule filings)

AATA FY24 Grants

$5,880,000
(14 total grants)

Financial Exams

Insurance: 33 (CY24)
Financial Inst: 602 (C/FY24)

FY24 Premium Taxes

$820,435,100

AZ CY23 Written Premium

$50,964,803,000
(admitted carriers)

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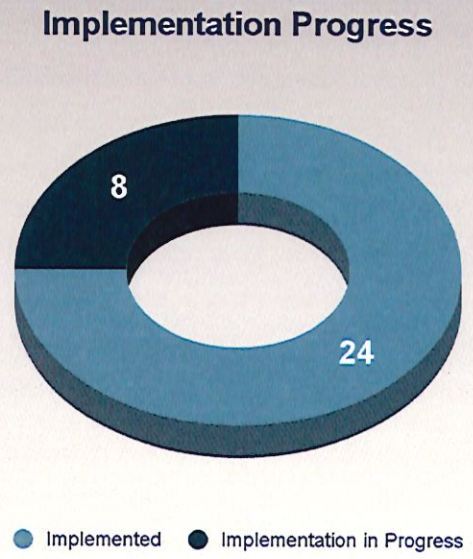
Agency Highlights

- Over $19,170,000 in consumer recoveries for FY24
- Arizona is #7 nationally and #12 globally by number of captive insurers
- In CYs 23-24:
  - ▲ 26% captive insurers
  - ▲ 1.7% admitted carriers
- Resiliency and Mitigation Council established in December 2024
- Closed 3,965 consumer complaints in FY24
- Established 3 industry-led advisory groups in CY24
- Improved consumer resources for homeowners insurance

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DEPARTMENT OF INSURANCE
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Auditor General Recommendations

- To date, the Department has implemented 24 of the 32 recommendations from the Auditor General, with 8 still in progress.
- DIFI expects nearly all recommendations to be fully implemented by March 2025.



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& FINANCIAL INSTITUTIONS

Finding 1: Enforcement Actions

- In December 2024, DIFI's Enforcement Division adopted revised policies for reviewing proposed administrative actions that requires documentation of all factors considered and:
  - Establishes a graduated 4-level system to determine the severity of violations
  - Uses a scoring matrix to document how enforcement actions are determined
  - Encourages the use of corrective action plans or other measures to monitor compliance

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& FINANCIAL INSTITUTIONS

Finding 2: Conflict of Interest Requirements

- As of December 2024, DIFI revised its conflict of interest policies for staff and board/committee members to comprehensively address all potential conflict of interest issues, including:
  - Requiring all board/committee members to annually and before each meeting as necessary disclose any substantial interests
  - Filing all conflict of interest forms within the Department's HR Unit, which will be responsible for tracking and ensuring completion of such forms
  - Requiring review of all Independent Review Organization transmittal forms to ensure that there are no conflicts of interest with the reviewer

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DEPARTMENT OF INSURANCE
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Sunset Factor 2: The Department's effectiveness and efficiency in fulfilling its key statutory objectives and purposes.

- Licensing:
  - Adopted new policies for collection agency licensing, requiring submittals of credit reports and verification of fictitious name report submissions.
  - Updated the fee waiver form and will require submittal of federal tax returns.
- AATA:
  - Worked with DPS to receive monthly financial reports to ensure that 75% of Vehicle Theft Task Force grant monies are used for personnel costs.
  - Currently revising policies for grant compliance reviews and public meetings.
- Long-Term Care (LTC):
  - Revised policies and procedures for LTC rate filings, including higher utilization of contract actuaries. HB 2054: Agency bill to further alleviate the LTC filing backlog.
- IT:
  - Developed a plan to review and update 45 policies the state has in place for security of IT system, of which 18 are currently being updated.

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DEPARTMENT OF INSURANCE
& FINANCIAL INSTITUTIONS

Sunset Factor 6: The extent to which the Department timely investigated and resolved complaints that are within its jurisdiction.

- As of December 2024, DIFI's Market Regulation and Consumer Services Division revised its standard of work and retrained consumer representatives to ensure complaints are resolved timely, including:
  - Requiring early follow-up communications with non-responsive respondents
  - Documenting reasons for delay in cases that may take longer than 80 days to resolve
  - Generating regular case reports for supervisors to proactively identify delayed cases
  - Strengthening quality review processes to ensure accurate data entry

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Questions?

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& FINANCIAL INSTITUTIONS

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-seventh Legislature - First Regular Session

ROLL CALL VOTE

COMMITTEE ON Commerce

BILL NO. DEPT. OF INSURANCE & FINANCIAL INSTITUTIONS Recommend

DATE January 14, 2025

MOTION: Continuation w/ Revisions

	PASS	AYE	NAY	PRESENT	ABSENT
Aguilar		✓			
Blackman		✓			
Cavero		✓			
Connolly		✓			
Diaz		✓			
Hendrix		✓			
Villegas		✓			
Wilmeth		✓			
Way, Vice-Chairman		✓			
Weninger, Chairman		✓			
		10	0	0	0

Abby Selvey
COMMITTEE SECRETARY

APPROVED:

JEFF WENINGER, Chairman
MICHAEL WAY, Vice-Chairman

ATTACHMENT 6

Arizona Department of Housing

Performance Audit and Sunset Review

Presenters: Cassie DeCocq and Marc Owen

Date: January 14, 2025

ARIZONA Auditor General
Making a Positive Difference

ATTACHMENT 7

Arizona Department of Housing

- Established in 2002
- Joan Serviss oversees Department
- Auditor General conducted Department's 2010 sunset review
- Legislative CORs conducted Department's last sunset review in 2017

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Key statutory responsibilities

- Establish policies and programs to address affordable housing issues in the State
- Provide assistance to other entities for the development of affordable housing
- Maintain and enforce quality standards for manufactured and mobile homes and factory-built buildings

ARIZONA Auditor General
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Presentation overview

- Background information
- Problems identified
- Why the problems matter
- What led to the problems
- Key recommendations

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Arizona Department of Housing

Oversight of Selected Housing Programs

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Department responsible for overseeing affordable housing programs

Examples of the Department's affordable housing programs:

- **Emergency shelter program**—Short-term, temporary lodging for individuals or families experiencing homelessness
- **Special needs housing program**—Temporary and long-term rental assistance and supportive services for special needs populations, including homeless individuals with a disability and families fleeing domestic violence
- **Rental housing development program**—Financial support for the development of rental housing for low-income individuals or families

Department distributes monies from various federal and State sources

- Distributes monies for housing programs that it administers from several sources, including:
  - State Homeless Shelter and Services Fund for emergency shelters
  - Federal Continuum of Care for housing for individuals with special needs
  - State Housing Trust Fund and low-income housing tax credits for rental housing development
- Committed approximately $1.26 billion in federal and State monies and tax credits in fiscal year 2023

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Key components of overseeing grantees

- Conduct site inspections
- Ensure grantee expenses are supported and allowable
- Review grantee reports to assess project progress
- Conduct risk assessments of each grantee

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Problem identified

Department failed to provide sufficient oversight for projects we reviewed, including not ensuring grantees used monies to provide safe and sanitary housing or needed services for individuals experiencing or at risk of homelessness

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Case example

- 2023 monitoring review found that a grantee:
  - Failed to address health and safety issues
  - Misused grant monies
  - Lacked documentation demonstrating it provided services to participants
- Department had not conducted annually required monitoring review of grantee since 2019
- Department paid grantee $1.9 million

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Issue 1: Department did not conduct required site inspections

- Did not conduct required site inspections for 6 of 7 projects since the beginning of 2021
  - Did not inspect project awarded more than $1.5 million to provide rehousing and supportive services for 45 individuals experiencing homelessness
- Did not establish site inspection requirements for other projects
  - Did not inspect project awarded more than $13 million to provide temporary housing for individuals experiencing homelessness, including an outdoor space for 400 individuals

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Why this matters

Not conducting required site inspections put individuals in need at risk for living in unsafe or unsanitary conditions

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Making a Positive Difference

Issue 2: Department paid grantees without verifying expenses were allowed

Department approved and paid 22 of 29 grantee payment requests with more than $8.1 million of unsupported and/or unallowable expenses, including:

- More than $7.8 million for unsupported emergency shelter expenses
- More than $190,000 in unsupported housing assistance expenses consisting of rent or lease payments
- More than $88,000 in unsupported costs for staff administration and supportive services
- More than $4,000 for expenses that were not allowable

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Why this matters

Department:

- Cannot ensure public monies were used for their intended purpose, increasing the risk of misuse
- May need to collect repayment of unallowable expenses from grant recipients
- May be required to reimburse monies paid for unallowable expenses to the federal government or jeopardize future federal grants

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Issue 3: Department did not ensure grantees submitted required reports

- Grantees for 8 of 12 projects we reviewed either did not submit some required reports or submitted incomplete reports to the Department
- Department failed to take action to hold grantees accountable for providing required reports

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Why this matters

Department may not be aware if grantees have failed to provide housing and/or supportive services to individuals required by their funding agreements, limiting its ability to oversee and hold them accountable

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Issue 4: Department did not conduct risk assessments

Department:

- Had not conducted risk assessments for 6 special needs housing projects we reviewed, as required by federal regulations and Department policy
- Had not conducted risk assessments for the emergency shelter projects we reviewed, which is inconsistent with recommended practices

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Why this matters

Risk assessments are intended to evaluate grantees' risk of noncompliance and to establish a grantee-specific monitoring plan based on the assessment

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What led to this problem

Department's failure to train staff and develop oversight processes contributed to its inadequate oversight

- New staff not adequately trained
- Staff were directed to not follow payment request review requirements and instead approve costs previously reimbursed
- Site visits were suspended during COVID-19 pandemic and not immediately resumed
- Department lacked written processes for overseeing emergency shelter projects

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Key recommendations

Develop a plan to implement the key practices for providing program oversight consistent with federal and State requirements and recommended practices, including:

- Conducting site inspections
- Verifying payment request expenses are supported and allowable prior to approving payments
- Ensuring grant recipients submit required project reports
- Conducting annual risk assessments and providing additional monitoring activities for grantees determined to be higher risk

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Key recommendations

- Develop and provide staff training on oversight policies, procedures, guidance, and requirements
- Review grantee payments since 2021 to identify unallowable expenses and recover those monies

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Problem identified

The Department lacks a process to systematically and comprehensively evaluate program performance, limiting its ability to ensure and demonstrate its programs are effectively addressing the State's housing problems

ARIZONA Auditor General
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Department does not systematically and comprehensively evaluate its programs

- Developed some goals and performance measures for its Rental Housing Development Program, but lacks outcome measures for assessing the overall effectiveness of the Program

- Has not developed a comprehensive performance measurement system to evaluate the effectiveness of its housing programs

ARIZONA Auditor General
Making a Positive Difference

Why this matters

Department does not have information it needs to assess if its programs and the monies it spent on them are effectively addressing the State's housing issues

ARIZONA Auditor General
Making a Positive Difference

Why this occurred

Department believed it had processes in place, but those processes did not include specific, measurable, and timebound goals

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Key recommendations

The Department should develop and implement a performance management system, including processes for:

- Establishing specific and measurable program performance measures and goals
- Tracking and assessing performance measures and outcomes
- Assessing the extent to which the Department and its programs are meeting their intended purposes, and timely modifying those programs as necessary

ARIZONA Auditor General
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Additional areas where Department can improve performance

- Failed to develop wire transfer policies and procedures to prevent and detect fraud, theft, waste, and abuse, resulting in a $2 million fraudulent transfer from the State Housing Trust Fund in 2023

- Conflict-of-interest procedures did not align with requirements, increasing the risk that employees did not disclose substantial interests, but policies were updated during the audit

ARIZONA Auditor General
Making a Positive Difference

Additional recommendations

- Ensure Department wire transfers are secure
- Continue to implement changes that it developed during the audit for conflicts of interest

ARIZONA Auditor General
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Department disagreed with some findings

- Did not assign responsibility to manufactured home licensees to correct or repair defects within 120 days for 2 of 10 complaints we reviewed, as required by federal regulations

- Federal regulation and Department policy do not specify that delays outside Department control are acceptable reasons for not timely resolving disputes

ARIZONA Auditor General
Making a Positive Difference

Department disagreed with some findings

- Did not implement all recommendations from 2011 to ensure fees cover regulatory costs for manufactured homes and factory-built buildings
- Could improve reporting on federal Low Income Housing Tax Credit program, consistent with recommended practices
- Our recommendations in these 2 areas are focused on improving performance, not statutory compliance

ARIZONA Auditor General
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Additional information found in report appendices

- Department-administered programs, funds, and tax credits, including fiscal year 2023 commitments
- State Housing Trust Fund revenues and expenditures for fiscal years 2022 through 2024
- Funding agreements and conditional awards from State Housing Trust Fund and Homeless Shelter and Services Fund for fiscal year 2024

ARIZONA Auditor General
Making a Positive Difference

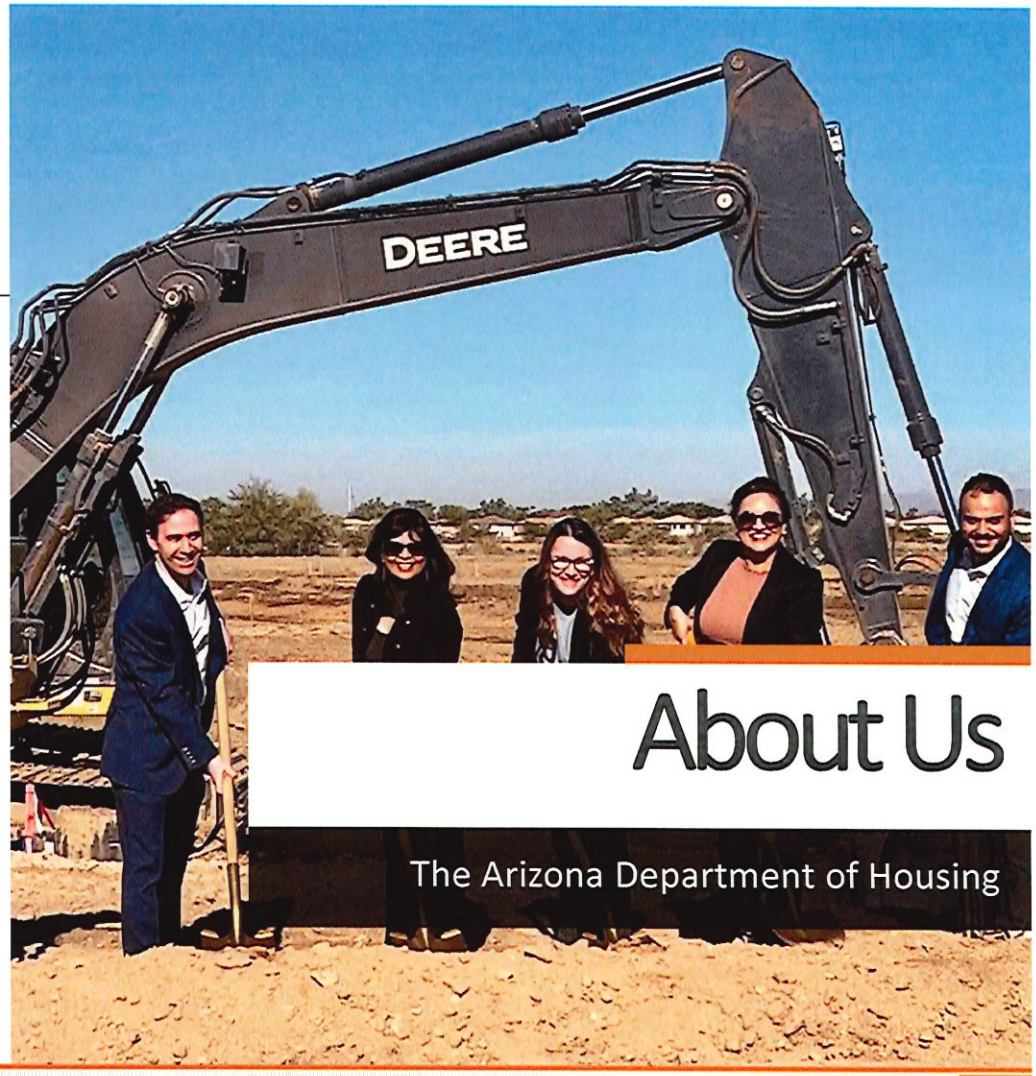


Sunset Audit Review Hearing

Arizona Department of Housing Director Joan Serviss

ARIZONA
DEPARTMENT OF HOUSING

ATTACHMENT 8



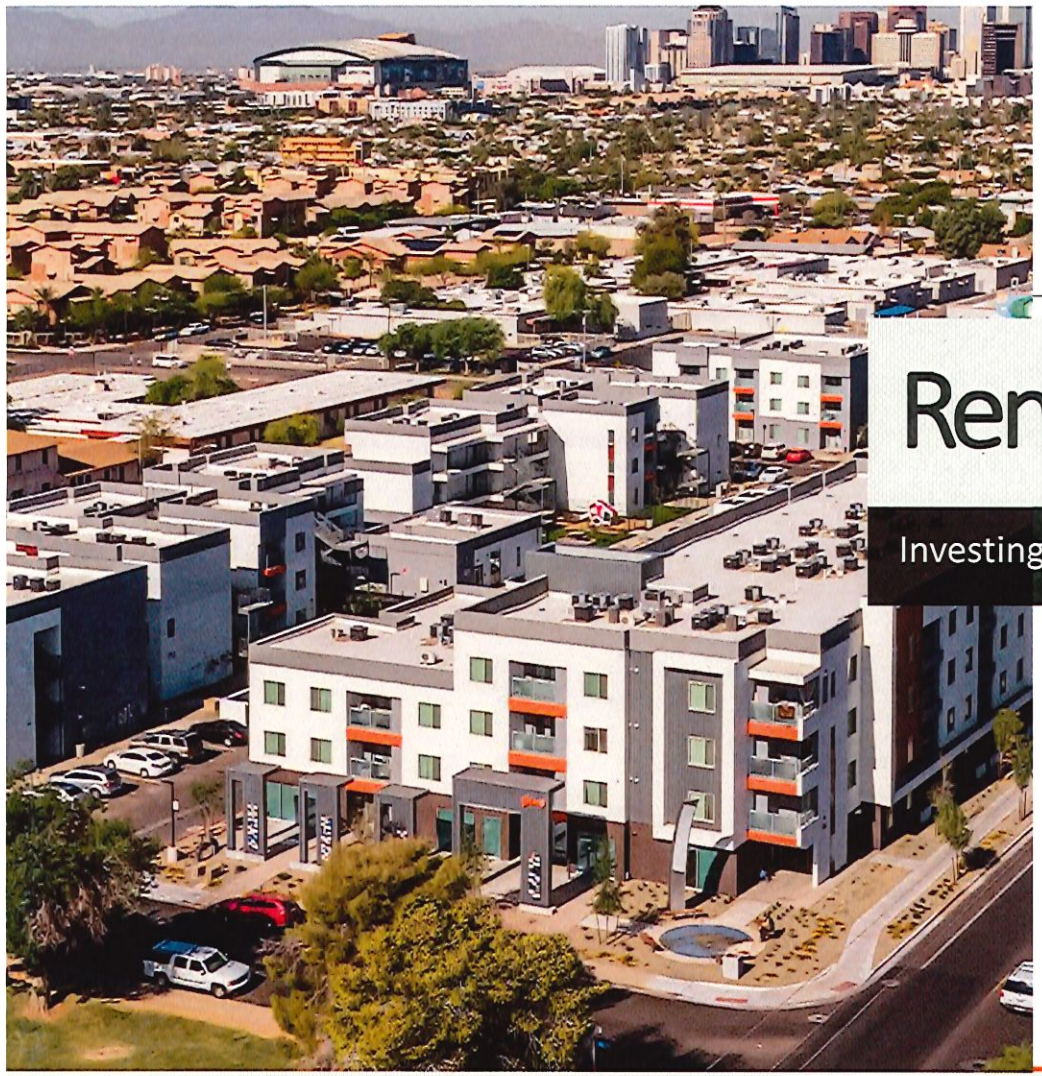
About Us

The Arizona Department of Housing

Funding quality affordable housing and community revitalization to benefit all Arizonans and ensure safe manufactured buildings throughout the state

- A cabinet-level agency created in 2002
- Funded primarily through Federal resources and administrative fees
- FY2025 annual budget of $248 million and 99 FTE

ARIZONA DEPARTMENT OF HOUSING



Rental Housing

Investing in Affordable Housing Throughout Arizona

Low Income Housing Tax Credit Program

- Increased rural housing units by 175%
- Streamlined Department regulations to encourage development
- Increased transparency and engagement with stakeholders

ARIZONA DEPARTMENT OF HOUSING

Rental development during audit time period



$237.8 Million
committed to acquire
and renovate
1,794 Existing Units

+



$1.92 Billion
committed to construct
8,785 New Units

=



$2.16 Billion
for the development or
re-development of
10,458 Rental Units

Source: ADOH's Annual Reports FY20/21 – FY23/24

Statewide manufacturing, licensing, permit, and inspection program resulting in standardized regulatory processes and a reduced burden on stakeholders

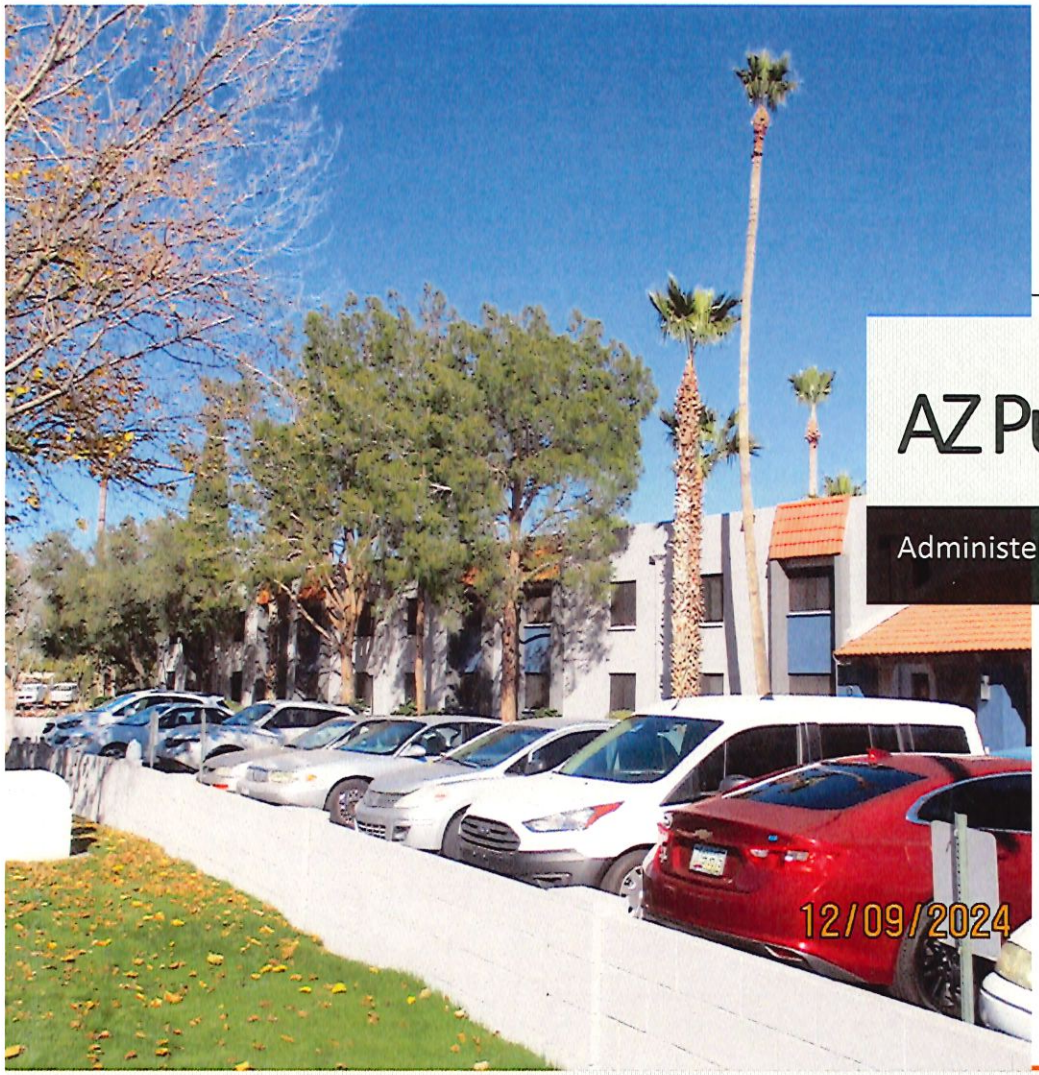
- Consumer and industry focused
- One stop shop for statewide licensing, plan review, permitting, inspections, factory certification, and building construction regulation
- Innovation-driven with industry growth



Office of Manufactured Housing

Ensures safe and sustainable units while supporting diverse housing and a variety of commercial and revenue generating special events across the state.

ARIZONA DEPARTMENT OF HOUSING



AZ Public Housing Authority (APHA)

Administering Affordable Housing & Performing Contract Administration

High-Performing Public Housing Authority and Performance-Based Contract Administrator

- Serving Yavapai County, AZ with just over 300 Housing Choice Vouchers
- Administering over 8,000 units statewide with project-based rental assistance
- All APHA functions are targeted to house Arizona's most vulnerable

ARIZONA DEPARTMENT OF HOUSING

Addressing Homelessness

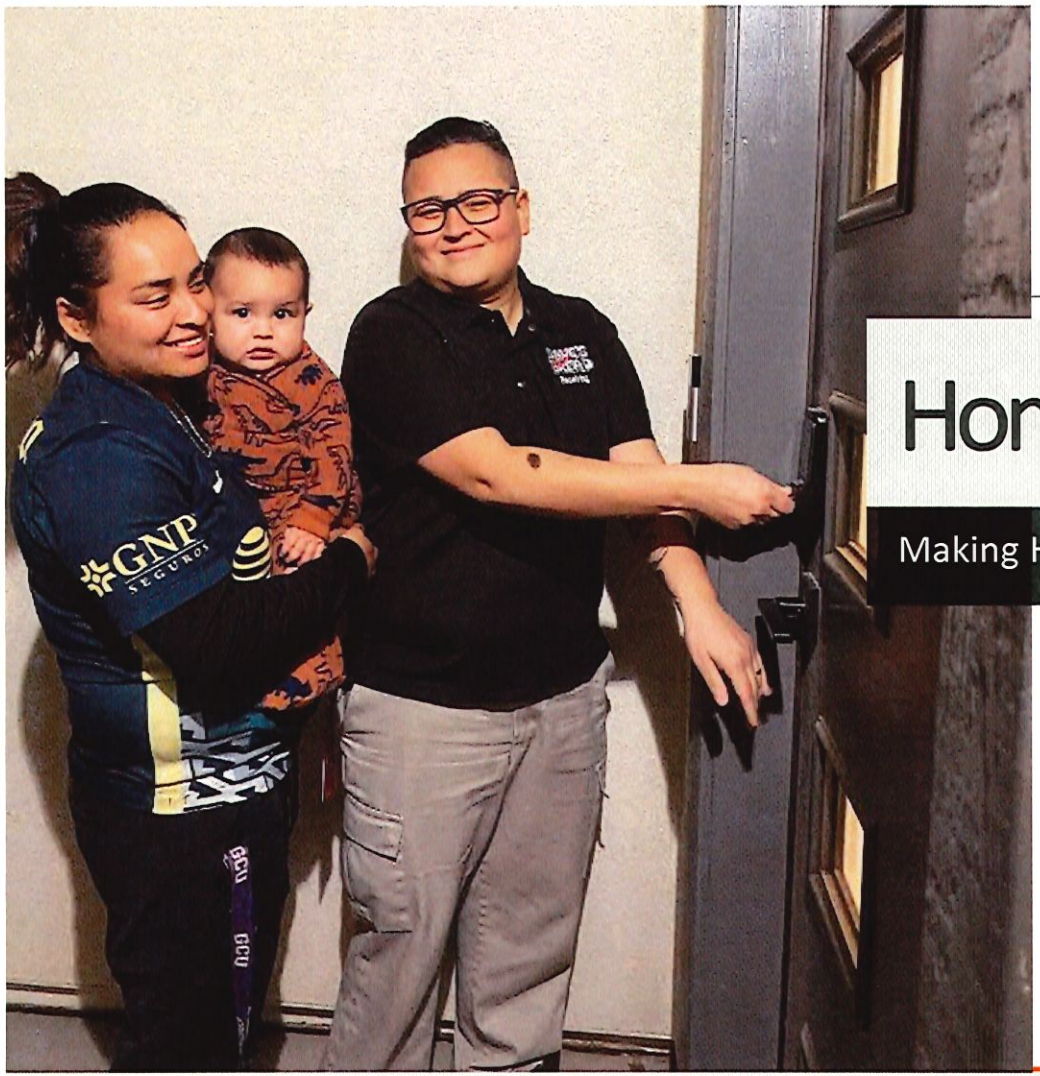
- Rapid Rehousing Rental Assistance
- Transitional Housing
- Emergency Shelter
- Shelter Services and Operations
- Established Local Coalitions to End Homelessness serving 13 Counties



Special Needs

Housing and Services for the Most Vulnerable Arizonans

ARIZONA DEPARTMENT OF HOUSING



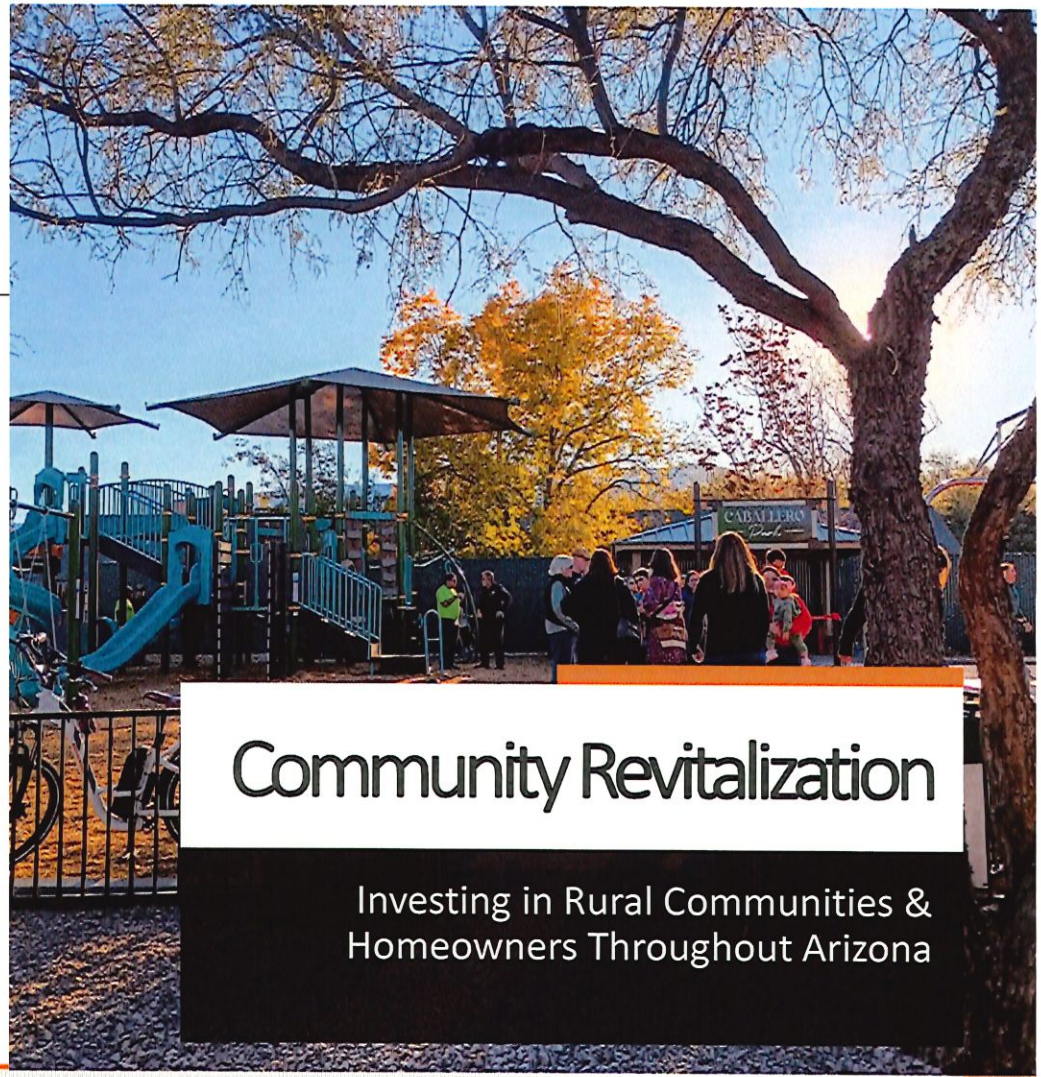
Homebuyer Programs

Making Homeownership a Reality

- Arizona is Home – Downpayment and Mortgage Rate Reduction Assistance Program
- Homeowner Assistance Fund – Mortgage Foreclosure Prevention Program (COVID Relief)

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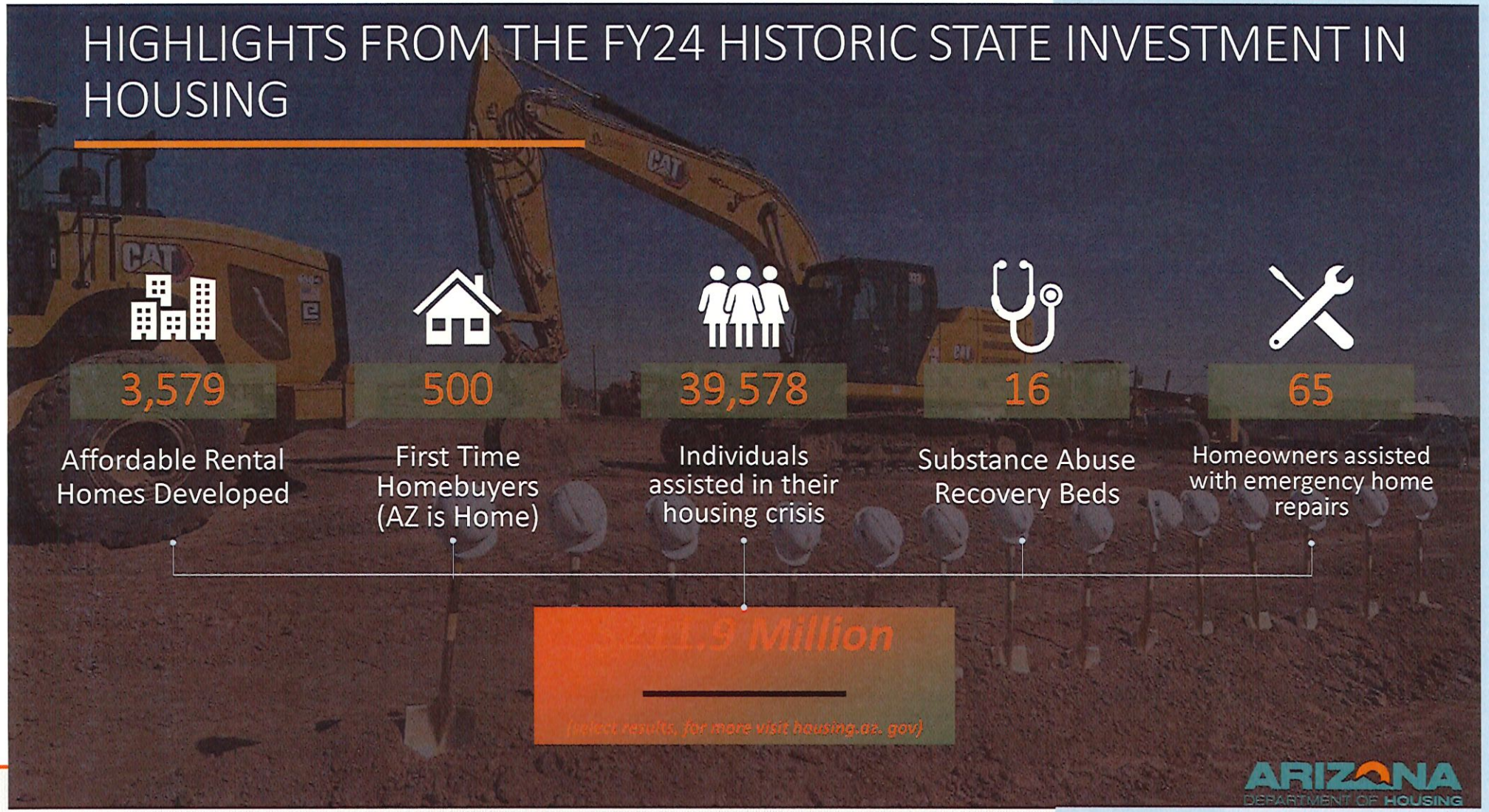
- Infrastructure Improvements (roads, parks, streetlights, water and wastewater projects)
- Homeowner Housing Rehabilitation
- Weatherization (retrofit energy efficiencies for homeowners throughout the State)
- Supported food banks and food insecurity programs



Community Revitalization

Investing in Rural Communities & Homeowners Throughout Arizona

ARIZONA DEPARTMENT OF HOUSING


HIGHLIGHTS FROM THE FY24 HISTORIC STATE INVESTMENT IN HOUSING
3,579
Affordable Rental Homes Developed
500
First Time Homebuyers (AZ is Home)
39,578
Individuals assisted in their housing crisis
16
Substance Abuse Recovery Beds
65
Homeowners assisted with emergency home repairs
$211.9 Million
(select results, for more visit housing.az. gov)
ARIZONA
DEPARTMENT OF HOUSING

ADOH Impact during audit time period



600,932

Arizonans benefited from department resources



Source: ADOH's Annual Reports FY20/21 – FY23/24

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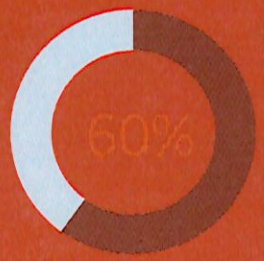


ADOH's Response to Sunset Audit

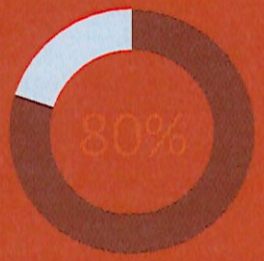
Impact and Implementation

ARIZONA DEPARTMENT OF HOUSING

Oversight of Selected Housing Programs



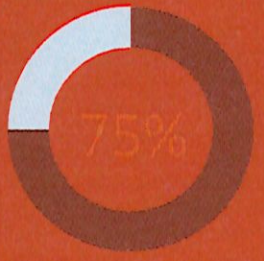
Recommendation 1



Recommendation 2



Recommendation 3



Recommendation 4



Recommendation 5

Recommendations	Implementation Status
Develop & Implement Written Plan on Program Oversight	60%
Ensure Implementation of Plan through Regular Reporting on Key Metrics	80%
Evaluate Oversight Processes and Align with Auditor General Recommended Practices	70%
Provide Periodic Training to Relevant Staff on Department's Program Oversight	75%
Review Prior Approved Payments	15%

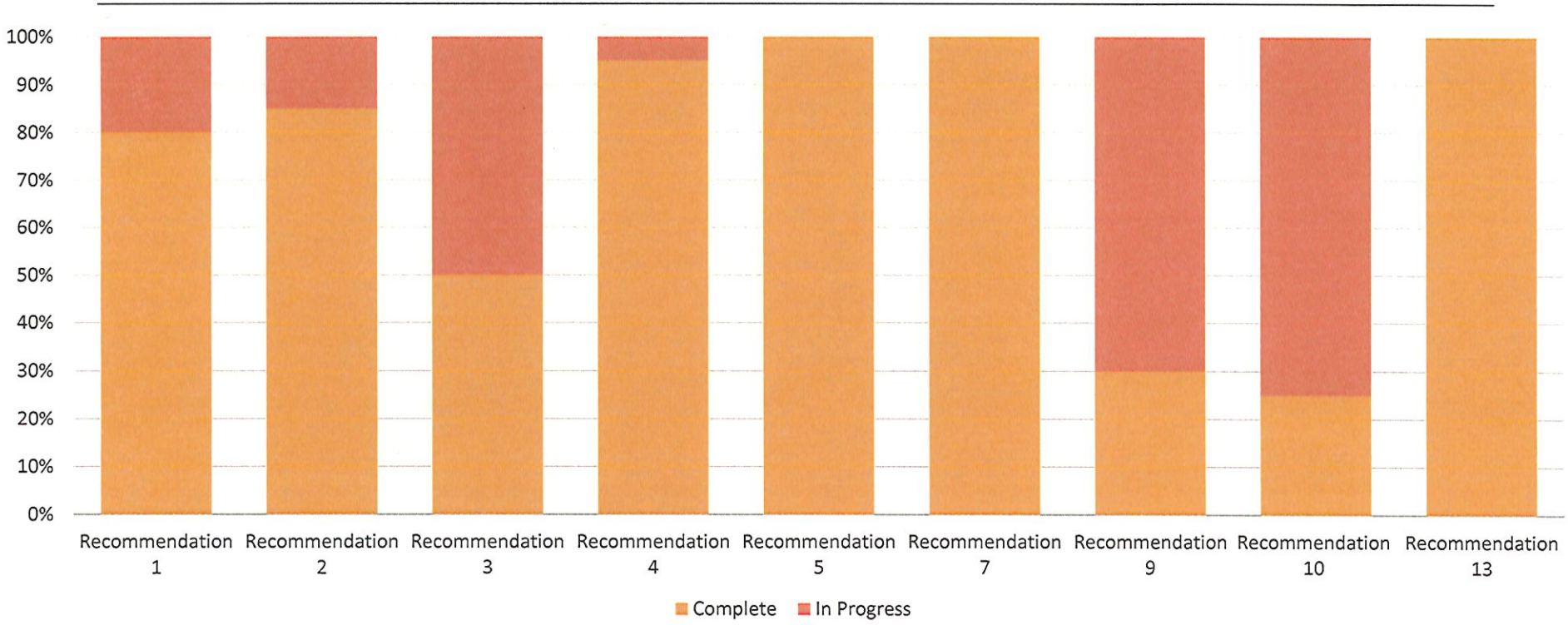
Sunset Factors

ADOH's grantee hacked resulting in $2 million fraudulent wire transfer

Background:

- In June 2023, ADOH wired $2 million to a Valley non-profit granted during the prior administration. Later in December, ADOH learned that the nonprofit was hacked, resulting in a $2 million transfer to a fraudulent account
- ADOH worked quickly to resolve the situation and coordinated with ADOA, the AZ Department of Homeland Security through their Cyber Command, the FBI, and the AZ Treasurer
  - The $2 million was recovered, minus the insurance deductible (which was absorbed by the nonprofit)
- The Department has significantly strengthened its controls over wire transfers to prevent fraud. We are committed to protecting public funds and maintaining the highest standards of financial accountability

Sunset Recommendation Implementation Tracker





Thank You

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housing.az.gov

ARIZONA DEPARTMENT OF HOUSING

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-seventh Legislature - First Regular Session

ROLL CALL VOTE

COMMITTEE ON Commerce BILL NO. DEPT. OF HOUSING

DATE January 14, 2025 MOTION: Continuation with Revisions

	PASS	AYE	NAY	PRESENT	ABSENT
Aguilar		✓			
Blackman		✓			
Cavero		✓			
Connolly		✓			
Diaz		✓			
Hendrix		✓			
Villegas		✓			
Wilmeth		✓			
Way, Vice-Chairman		✓			
Weninger, Chairman		✓			
		10	0	0	0

Abby Selvey
COMMITTEE SECRETARY

APPROVED:
JEFF WENINGER, Chairman
MICHAEL WAY, Vice-Chairman

ATTACHMENT 9