

Department of Health Services

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,141.5	1,149.0	1,168.0 ^{1/}
Personal Services	26,004,600	29,224,500	30,335,300
Employee Related Expenditures	10,169,000	11,762,600	13,064,300
Professional and Outside Services	2,212,000	2,548,300	2,548,300
Travel - In State	430,100	761,500	761,500
Travel - Out of State	73,300	107,700	107,700
Other Operating Expenditures	16,450,300	16,516,300	16,982,300
Equipment	517,200	287,100	287,100
OPERATING SUBTOTAL	55,856,500	61,208,000	64,086,500 ^{2/3/}
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(719,200)
Arizona State Hospital			
Arizona State Hospital-Operating	85,818,900	86,616,700	78,309,600 ^{4/}
Arizona State Hospital-Restoration to Competency	813,200	900,000	900,000
Arizona State Hospital-Sexually Violent Persons	10,762,100	10,881,900	11,330,900
Public Health			
Adult Cystic Fibrosis Care	78,900	105,200	105,200
AIDS Reporting and Surveillance	798,200	1,000,000	1,000,000
Alzheimer's Disease Research	3,625,000	4,125,000	4,125,000 ^{5/}
Biomedical Research Support	1,500,600	2,000,000	2,000,000 ^{6/}
Breast and Cervical Cancer and Bone Density Screening	581,400	1,369,400	1,369,400
Counseling Services for Parents of Deceased Children	0	0	500,000
County Tuberculosis Provider Care and Control	468,000	590,700	590,700
Dementia Awareness Campaign	0	750,000	0
Dementia Services Program and Alzheimer's Disease State Plan	0	964,100	0
Fentanyl Testing Strips and Mass Spectrometers	0	300,000	0
Funeral Services Regulation	870,000	459,400	459,400
Health Crisis Review Centers and Wraparound Services	0	5,000,000	0
Heat Mitigation in Southern Arizona	0	0	500,000
Nonrenal Disease Management	145,900	198,000	198,000 ^{7/}
Nursing Care Special Projects	0	200,000	200,000
Poison Control Centers Funding	485,500	990,000	990,000
Preventative Health Services for Low-Income, Underserved Women	0	0	500,000
Psilocybin Research	0	5,000,000 ^{8/}	0
Renal Dental Care and Nutrition Supplements	225,000	300,000	300,000
Renal Transplant Drugs	137,300	183,000	183,000
Senior Health Promotion in Santa Cruz County	0	0	1,000,000
Southern Arizona Counseling and Community Service Grants	0	0	1,000,000
Trauma Recovery Center Fund Deposit	0	7,000,000	0
Family Health			
Family Health Pilot Program	812,900	0	0
Folic Acid Program	210,500	400,000	400,000
High Risk Perinatal Services	2,080,200	2,343,400	2,343,400
Homeless Pregnant Women Services	149,700	0	0
Newborn Screening Program	8,445,300	12,369,800	12,419,300
Nurse-Family Partnership Programs	0	2,500,000 ^{9/}	0
Medical Provider Support			
Accelerated Nursing Programs	5,477,400 ^{10/}	0	0

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 APPROVED
Behavioral Health Care Provider Loan Repayment Program	58,000 ^{11/}	1,000,000	1,000,000
Collaborative Care Uptake Fund Deposit	0	1,000,000 ^{12/}	0
Arizona Nurse Education Investment Pilot Program	15,000,000	15,000,000	0
Preceptor Grant Program for Graduate Students	223,100	500,000	500,000 ^{13/}
AGENCY TOTAL	194,623,600	225,254,600	185,591,200 ^{14/15/}
FUND SOURCES			
General Fund	143,335,500	166,360,900	122,466,300
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	3,022,400	3,145,800	3,395,700
ASH Land Earnings Fund	589,300	650,000	650,000
Child Fatality Review Fund	175,700	196,500	196,500
Disease Control Research Fund	798,200	1,000,000	1,000,000
Emergency Medical Services Operating Fund	3,714,900	4,209,500	4,260,700
Environmental Laboratory Licensure Revolving Fund	707,300	995,500	1,008,400
Federal Child Care and Development Fund Block Grant	998,500	992,500	1,011,300
Health Services Licensing Fund	16,656,100	17,416,400	17,607,900
Health Services Lottery Monies Fund	149,700	0	0
Indirect Cost Fund	11,906,800	12,673,500	13,323,700
Newborn Screening Program Fund	8,494,900	12,802,900	12,838,700
Nursing Care Institution Resident Protection Revolving Fund	0	238,200	238,200
Tobacco Tax and Health Care Fund - Health Research Account	0		3,000,000
Tobacco Tax and Health Care Fund - Medically Needy Account	435,500	700,000	700,000
Vital Records Electronic Systems Fund	3,638,800	3,872,900	3,893,800
SUBTOTAL - Other Appropriated Funds	51,288,100	58,893,700	63,124,900
SUBTOTAL - Appropriated Funds	194,623,600	225,254,600	185,591,200
Other Non-Appropriated Funds	72,760,600	105,864,000	105,864,000
Federal Funds	525,107,600	483,682,800	483,682,800
TOTAL - ALL SOURCES	792,491,800	814,801,400	775,138,000

AGENCY DESCRIPTION - The Department of Health Services (DHS) is responsible for the provision of most public health programs not administered by AHCCCS, the Arizona State Hospital (ASH), emergency medical services, state laboratory support, vital records maintenance, disease control, epidemiological monitoring, and radiation regulation.

FOOTNOTES

- 1/ Includes 733.5 GF and 28.1 OF FTE Positions funded from Special Line Items in FY 2025.
- 2/ Of the amount appropriated for the operating lump sum, \$100,000 shall be used for a suicide prevention coordinator to assist school districts and charter schools in suicide prevention efforts. On or before September 1, 2025, the department of health services, in consultation with the department of education, shall report to the governor, the president of the senate, the speaker of the house of representatives, the director of the joint legislative budget committee and the director of the governor's office of strategic planning and budgeting on the suicide prevention coordinator's accomplishments in fiscal year 2024-2025. (General Appropriation Act footnote)
- 3/ The amount appropriated to the operating lump sum in fiscal year 2024-2025 includes \$1,202,400 from the state general fund to support additional licensing compliance staff. This amount is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2026. (General Appropriation Act footnote)
- 4/ In addition to the appropriation for the department of health services, earnings on state lands and interest on the investment of the permanent state land funds are appropriated to the Arizona state hospital in compliance with the enabling act and the Constitution of Arizona. (General Appropriation Act footnote)

- 5/ The department of health services shall distribute monies appropriated for Alzheimer's disease research through a grant to a charitable organization that is qualified under section 501(c)(3) of the internal revenue code and that meets the following criteria:
1. Is headquartered in this state.
 2. Has been operating in this state for at least the last ten years.
 3. Has participating member institutions that work together to end Alzheimer's disease within a statewide collaborative model by using their complementary strengths in brain imaging, computer science, genomics, basic and cognitive neurosciences and clinical and neuropathology research.
 4. Has participating member institutions that educate residents of this state about Alzheimer's disease, research progress and resources to help patients, families and professionals manage the disease.
- The terms of the grant made to the charitable organization may not impose any requirements that were not imposed in prior grant agreements entered into between the department of health services and the charitable organization. (General Appropriation Act footnote)
- 6/ The department of health services shall distribute monies appropriated for the biomedical research support line item to a nonprofit medical research institute headquartered in this state that specializes in biomedical research focusing on applying genomic technologies and sequencing to clinical care, that has served as a resource to this state to conduct molecular epidemiologic analyses to assist with disease outbreak investigations and that collaborates with universities, hospitals and health science research centers and other public and private bioscience and related industries in this state. The recipient of these monies shall commission an audit of the expenditure of these monies and shall submit a copy of the audit to the department of health services on or before February 1, 2026. (General Appropriation Act footnote)
- 7/ The department of health services may use up to four percent of the amount appropriated for nonrenal disease management for the administrative costs to implement the program. (General Appropriation Act footnote)
- 8/ The amount appropriated for the psilocybin research line item in fiscal year 2023-2024 pursuant to Laws 2023, chapter 133, section 44 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 9/ The amount appropriated for the nurse-family partnership programs line item in fiscal year 2023-2024 pursuant to Laws 2023, chapter 133, section 44 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2027. (General Appropriation Act footnote)
- 10/ The amount appropriated for the accelerated nursing programs line item in fiscal year 2022-2023 pursuant to Laws 2022, chapter 313, section 44 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2025. (General Appropriation Act footnote)
- 11/ Of the amount appropriated to the department of health services for the behavioral health care provider loan repayment program line item in fiscal year 2022-2023 pursuant to Laws 2022, chapter 313, section 44, \$1,000,000 from the state general fund is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2025. (General Appropriation Act footnote)
- 12/ Laws 2024, Chapter 209, Section 120 clarifies that monies appropriated to the Collaborative Care Uptake Fund in FY 2024 are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations through FY 2025. (General Appropriation Act footnote)
- 13/ The amount appropriated to the department of health services for the preceptor grant program for graduate students is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations. Any monies remaining unexpended on July 1, 2026 revert to the state general fund. (General Appropriation Act footnote)
- 14/ The department of health services shall electronically forward to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate and house of representatives appropriations committees and the director of the joint legislative budget committee a monthly report comparing total expenditures for the month and year-to-date as compared to prior-year totals on or before the thirtieth of the following month. Each report shall include an estimate of potential shortfalls in programs, potential federal and other monies, such as the statewide assessment for indirect costs, that may be available to offset these shortfalls, and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation. (General Appropriation Act footnote)
- 15/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$64,086,500 and 406.4 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	FY 2025
General Fund	\$22,786,000
Child Fatality Review Fund	196,500
Emergency Medical Services (EMS)	4,260,700
Operating Fund	
Environmental Laboratory Licensure	1,008,400
Revolving Fund	

Federal Child Care and Development Fund (CCDF) Block Grant	1,011,300
Health Services Licensing Fund	17,148,500
DHS Indirect Cost Fund	13,323,700
Newborn Screening Program Fund	419,400
Nursing Care Institution Resident Protection Revolving Fund	38,200
Vital Records Electronic Systems Fund	3,893,800

DHS Indirect Cost Fund	103,300
Newborn Screening Program Fund	(13,700)
Vital Records Electronic Systems Fund	20,900

(Please see the Agency Detail and Allocations section.)

Operating Budget Lump Sum Reduction

Adjustments are as follows:

Licensing History Database Upgrades

The budget includes an increase of \$1,400,000 from the General Fund in FY 2025 for upgrades to the AZ Care Check portal, a searchable licensing history database. Of this amount, \$900,000 is appropriated on a one-time basis. The funding will be used to implement a quality metric system for residential care institutions within the system and to add new provider types, including Sober Living Homes.

One-Time Additional Licensing Compliance Staff

The budget includes a one-time increase of \$1,202,400 and 15 FTE Positions from the General Fund in FY 2025 to hire additional licensing compliance officers to assist with inspections and investigations of health care institutions. The 3-year budget plan associated with the enacted budget assumes this item will be funded with other fee revenues after FY 2025.

Annual Budget Reporting Tool Subscription

The budget includes an increase of \$160,000 from the Indirect Cost Fund in FY 2025 to support the cost of an annual budget reporting tool subscription previously funded with American Rescue Plan Act (ARPA) monies.

Additional Administrative Positions

The budget includes an increase of \$386,900 and 4 FTE Positions from the Indirect Cost Fund in FY 2025 to hire additional administrative staff, including 2 procurement specialists, 1 legislative specialist, and 1 budget analyst. Of this amount, \$5,400 is appropriated on a one-time basis.

Statewide Adjustments

The budget includes a decrease of \$(270,800) in FY 2025 for statewide adjustments. This amount consists of:

General Fund	(655,700)
Emergency Medical Services (EMS) Operating Fund	51,200
Environmental Laboratory Licensure Revolving Fund	12,900
Federal Child Care and Development Fund (CCDF) Block Grant	18,800
Health Services Licensing Fund	191,500

The budget includes a decrease of \$(719,200) from the General Fund in FY 2025 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2026 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2026 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Arizona State Hospital

ASH - Operating

The budget includes \$78,309,600 and 616.5 FTE Positions in FY 2025 for the ASH operating budget. These amounts consist of:

General Fund	75,413,900
ASH Fund	2,245,700
ASH Land Earnings Fund	650,000

Adjustments are as follows:

Remove One-Time Operating Costs

The budget includes a decrease of \$(5,970,000) from the General Fund in FY 2025 to remove one-time funding for registry staffing services.

Remove One-Time Surveillance System Upgrades

The budget includes a decrease of \$(3,500,000) from the General Fund in FY 2025 to remove one-time funding to replace the ASH video surveillance system.

Statewide Adjustments

The budget includes an increase of \$1,162,900 in FY 2025 for statewide adjustments. This amount consists of:

General Fund	1,163,000
ASH Fund	(100)

Background – This line item funds inpatient psychiatric hospitalization services for adult SMI residents. ASH residents that are subject to court-ordered treatment are treated in ASH's civil hospital, and residents charged with or serving a sentence for committing a crime are treated in ASH's forensic hospital. In FY 2023, ASH had an average

daily census of 109 patients in its civil commitment unit, 112 patients in its forensic unit, and 113 Sexually Violent Persons (SVPs), for a total of 334 patients.

ASH - Restoration to Competency

The budget includes \$900,000 from the ASH Fund in FY 2025 for ASH - Restoration to Competency. This amount is unchanged from FY 2024.

Background – This line item funds direct costs associated with the Restoration to Competency program. All other indirect costs are included in the Arizona State Hospital - Operating line item.

ASH provides treatment to restore to competency individuals who are found incompetent to stand trial. In FY 2023, there was an average daily census of 5 RTC patients treated at ASH. RTC patients are treated in ASH’s forensic unit.

The Health Care Budget Reconciliation Bill (BRB) continues a provision to exempt county expenditures on Restoration to Competency from county expenditure limitations.

ASH - Sexually Violent Persons

The budget includes \$11,330,900 and 112.5 FTE Positions from the General Fund in FY 2025 for ASH - Sexually Violent Persons. These amounts consist of:

General Fund	11,080,900
ASH Fund	250,000

Adjustments are as follows:

ASH Clinical Care Staff

The budget includes an increase of \$250,000 from the ASH Fund in FY 2025 to support additional clinical care staff for ASH's Sexually Violent Persons (SVP) program.

Statewide Adjustments

The budget includes an increase of \$199,000 from the General Fund in FY 2025 for statewide adjustments.

Background – This line item funds direct costs associated with the SVP program. All other indirect costs are included in the Arizona State Hospital - Operating line item.

After serving their prison sentence, some persons convicted of sexually violent crimes may be remanded by the courts for further confinement and treatment. These individuals are housed at the Arizona State Hospital. In FY 2023, ASH had an average daily census of 113 Sexually SVPs.

Public Health

Adult Cystic Fibrosis Care

The budget includes \$105,200 from the General Fund in FY 2025 for Adult Cystic Fibrosis Care. This amount is unchanged from FY 2024.

In FY 2023, this line item provided contracted care and treatment services through Phoenix Children’s Hospital for 43 individuals with cystic fibrosis.

AIDS Reporting and Surveillance

The budget includes \$1,000,000 from the Disease Control Research Fund in FY 2025 for AIDS Reporting and Surveillance. This amount is unchanged from FY 2024.

The line item provides \$125,000 for a database system administered by Maricopa and Pima Counties to track the incidence of Acquired Immune Deficiency Syndrome (AIDS) and AIDS-related conditions. The remaining \$875,000 funds medications under the Arizona AIDS Drug Assistance Program (ADAP), which also receives Federal Funds for the medications. The ADAP program served approximately 2,974 clients in FY 2023.

Alzheimer’s Disease Research

The budget includes \$4,125,000 in FY 2025 for Alzheimer’s Disease Research. This amount consists of:

General Fund	3,125,000
TTHCF – Health Research Account	1,000,000

Adjustments are as follows:

One-Time Funding Shift

The budget includes a decrease of \$(1,000,000) from the General Fund and a corresponding increase of \$1,000,000 from the Tobacco Tax and Health Care Fund - Health Research Account in FY 2025 for a one-time shift in funding.

Background – DHS distributes funding in the line item to the Arizona Alzheimer’s Consortium (AAC). The AAC provides dollar-for-dollar matching grants to universities, hospitals, and research centers for research on the causes of Alzheimer’s disease.

Biomedical Research Support

The budget includes \$2,000,000 from the Tobacco Tax and Health Care Fund - Health Research Account in FY 2025 for Biomedical Research Support. Adjustments are as follows:

One-Time Funding Shift

The budget includes a decrease of \$(2,000,000) from the General Fund and a corresponding increase of \$2,000,000 from the Tobacco Tax and Health Care Fund - Health Research Account in FY 2025 for a one-time funding shift. The 3-year spending plan associated with the enacted budget assumes this shift in both FY 2025 and FY 2026. The FY 2027 Baseline will shift the appropriation back to the General Fund.

Background – This line item funds a nonprofit medical research institute headquartered in Arizona that specializes in biomedical research focusing on the application of genomic technologies and sequencing to clinical care, assists with disease outbreak investigations, and collaborates with universities, hospitals, and other bioscience and related industries in this state.

DHS distributes monies in this line item to the Translational Genomics Research Institute (TGen), a nonprofit medical research institution. In addition to these monies, the budget includes \$3,000,000 from the General Fund to Northern Arizona University (NAU) for biotechnology. *(Please see the NAU narrative for more information.)*

Breast and Cervical Cancer and Bone Density Screening

The budget includes \$1,369,400 and 1 FTE Position from the General Fund in FY 2025 for Breast and Cervical Cancer and Bone Density Screening. These amounts are unchanged from FY 2024.

The Well Woman Healthcheck program provides contracted cancer screenings for women over age 40 who lack health insurance and have incomes less than 250% of the FPL. Women who are diagnosed with breast and cervical cancer through this program are eligible to receive treatment through AHCCCS.

Counseling Services for Parents of Deceased Children

The budget includes \$500,000 from the General Fund in FY 2025 for Counseling Services for Parents of Deceased Children. Adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$500,000 from the General Fund in FY 2025 for DHS to distribute to

nonprofit organizations that provide counseling services for parents whose children have died as a result of violence.

County Tuberculosis Provider Care and Control

The budget includes \$590,700 from the General Fund in FY 2025 for County Tuberculosis Provider Care and Control. This amount is unchanged from FY 2024.

This line item provides reimbursement to hospitals and physicians for the care of hospitalized tuberculosis patients and for assistance to all county health departments for local tuberculosis control programs.

Dementia Awareness Campaign

The budget includes no funding in FY 2025 for a Dementia Awareness Campaign. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(750,000) from the General Fund in FY 2025 to remove one-time funding for a dementia awareness campaign for rural and underserved urban areas in Arizona.

The FY 2024 Health Care BRB instructed DHS to distribute the monies to a nonprofit organization that has expertise in dementia and provides care for individuals affected by Alzheimer's disease and other forms of dementia. The recipient organization must also have experience in marketing and public awareness campaigns and host a toll-free 24-hour hotline to provide dementia support and education. DHS is required to report on the impact of the public education campaign to the Governor, the President of the Senate, and the Speaker of the House of Representatives on or before June 30, 2025.

An FY 2024 General Appropriation Act footnote makes these monies non-lapsing.

Dementia Services Program and Alzheimer's Disease State Plan

The budget includes no funding and 2 FTE Positions from the General Fund in FY 2025 for a Dementia Services Program and Alzheimer's Disease State Plan. Adjustments are as follows:

Remove One-Time Program Funding

The budget includes a decrease of \$(964,100) from the General Fund in FY 2025 to remove funding for DHS to establish a dementia services program and develop an

Alzheimer's disease state plan, as required by the FY 2024 Health Care BRB.

Among other provisions, the dementia services program is required to facilitate coordination of policies and programs related to dementia and Alzheimer's disease within the Legislature and Executive branch. In addition, the dementia services program is responsible for coordinating, publishing, and implementing the Alzheimer's disease state plan, which is required to assess the current and future impact of dementia and Alzheimer's disease in Arizona. The plan must also assess existing capacity and resources to address needs. The plan must be published on DHS's website and include recommendations for increasing access to care and treatment, improving the quality of care for affected persons, ensuring a coordinated statewide response, and advancing early detection and diagnosis. By July 1, 2024, and June 30, 2026, DHS must review and submit an updated Alzheimer's disease state plan to the Governor, the President of the Senate, and the Speaker of the House.

The FY 2024 General Appropriation Act included a footnote making these monies non-lapsing through FY 2026, after which the program's requirements are repealed. The footnote states that these monies are intended to be expended over 3 years. Any monies remaining unspent at the end of FY 2026 will revert to the General Fund.

Fentanyl Testing Strips and Mass Spectrometers

The budget includes no funding in FY 2025 for Fentanyl Testing Strips and Mass Spectrometers. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(300,000) from the General Fund in FY 2025 to remove funding for DHS to purchase and distribute fentanyl testing strips and mass spectrometers.

Fentanyl testing strips and mass spectrometers are both forms of drug checking technology. The test strips are dipped into water containing drug residue to determine the presence of fentanyl. The spectrometers are used to detect the compounds available in drugs.

Funeral Services Regulation

The budget includes \$459,400 and 4 FTE Positions from the Health Services Licensing Fund in FY 2025 for Funeral Services Regulation. These amounts are unchanged from FY 2024.

Background – On January 10, 2023, the Senate and House Commerce Committee of Reference recommended the State Board of Funeral Directors and Embalmers be terminated, with its powers and duties transferred to DHS. Laws 2023, Chapter 194 transferred the board to DHS, retroactive to March 31, 2023. Enacted with an emergency clause, Chapter 194 became effective immediately upon the Governor's signature on June 20, 2023.

Pursuant to Chapter 194, all unencumbered and unexpended monies were transferred to DHS on the effective date, and all fees and monies collected in accordance with funeral services statutes were deposited into the Health Services Licensing Fund. The legislation removed all statutorily set fees for funeral services and allowed DHS to determine the new amounts. To assist the DHS director in regulating funeral services, the legislation established an advisory committee consisting of seven members appointed by the Governor. The advisory committee is required to provide annual evaluations to the Governor regarding the performance of DHS in administering funeral services statutes.

Finally, Chapter 194 modified qualifications for individuals to receive embalmer and funeral director licenses, including requiring applicants to not have disqualifying criminal histories as determined by DHS.

Health Crisis Review Centers and Wraparound Services

The budget includes no funding in FY 2025 for Health Crisis Review Centers and Wraparound Services. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(5,000,000) from the General Fund in FY 2025 to remove one-time funding for grants for mental health crisis relief centers that provide short-term supportive housing and peer support.

Heat Mitigation in Southern Arizona

The budget includes \$500,000 from the General Fund in FY 2025 for Heat Mitigation in Southern Arizona. Adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$500,000 from the General Fund in FY 2025 to fund heat mitigation programs in southern Arizona.

Nonrenal Disease Management

The budget includes \$198,000 from the General Fund in FY 2025 for Nonrenal Disease Management. This amount is unchanged from FY 2024.

This line item provides funding for medication and other transplant-related services for nonrenal transplant patients who are ineligible for other public assistance programs.

Nursing Care Special Projects

The budget includes \$200,000 from the Nursing Care Institution Resident Protection Revolving Fund in FY 2025 for special projects related to long-term care facilities. This amount is unchanged from FY 2024.

Background – The Nursing Care Institution Resident Protection Revolving Fund receives deposits from civil penalties paid by nursing care institution administrators and assisted living facility managers for violations of their licenses or certifications. Historically, DHS’s operating budget has included an ongoing appropriation of \$38,200 from this fund for emergency patient relocation and patient personal property replacement.

Poison Control Centers Funding

The budget includes \$990,000 from the General Fund in FY 2025 for Poison Control Centers. This amount is unchanged from FY 2024.

A.R.S. § 36-1161 requires 2 poison control centers to be maintained in Arizona. DHS allocated \$647,300 to the University of Arizona Poison Information Center and \$342,700 to the Banner Poison Control Center in FY 2023. A.R.S. § 32-1907 allows the Board of Pharmacy to transfer up to \$1,000,000 from the Arizona State Board of Pharmacy Fund to the University of Arizona (UA) Poison Control Information Center. However, this amount is not reflected in the table at the beginning of this narrative. The Board of Pharmacy transferred \$500,000 to the UA Poison Control Center in FY 2023.

Preventative Health Services for Low-Income, Underserved Women

The budget includes \$500,000 from the General Fund in FY 2025 for Preventative Health Services for Low-Income, Underserved Women. Adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$500,000 from the General Fund in FY 2025 for DHS to distribute to a nonprofit organization that provides preventative health care services to low-income and underserved women and their families.

Psilocybin Research

The budget includes no funding from the General Fund in FY 2025 for Psilocybin Research. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(5,000,000) from the General Fund in FY 2025 to remove funding for DHS to provide psilocybin clinical research grants. An FY 2025 General Appropriation Act footnote makes the FY 2024 appropriation for this line item non-lapsing.

The FY 2024 Health Care BRB instructed DHS to distribute the monies as competitive research grants for phase I, II, and III clinical trials to evaluate the effects of whole mushroom psilocybin on treating specific disorders, including post-traumatic stress disorder. The Health Care BRB also established a psilocybin research advisory council charged with establishing criteria for qualifying clinical trials and overseeing the application process. By June 1 annually, the council must make recommendations on psychedelic-assisted therapy to the Governor, the President of the Senate, and the Speaker of the House of Representatives. The program is repealed on June 30, 2026.

Renal Dental Care and Nutrition Supplements

The budget includes \$300,000 from the TTHCF - Medically Needy Account in FY 2025 for Renal Dental Care and Nutrition Supplements. This amount is unchanged from FY 2024.

This line item provides pre-operative dental care and ongoing nutritional assistance for low-income renal disease patients. Funding in this line item treats kidney disease and associated kidney damage and provides transportation services for dialysis appointments.

Renal Transplant Drugs

The budget includes \$183,000 from the General Fund in FY 2025 for Renal Transplant Drugs. This amount is unchanged from FY 2024.

This line item provides funding for anti-rejection medications for renal transplant patients who cannot be listed for transplant because they cannot afford the cost of medications. In FY 2023, 64 people received anti-rejection medication assistance.

Senior Health Promotion in Santa Cruz County

The budget includes \$1,000,000 from the General Fund in FY 2025 for Senior Health Promotion in Santa Cruz County. Adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$1,000,000 from the General Fund in FY 2025 for the promotion and coordination of senior health in Santa Cruz County.

Southern Arizona Counseling and Community Service Grants

The budget includes \$1,000,000 from the General Fund in FY 2025 for Southern Arizona Counseling and Community Service Grants. Adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$1,000,000 from the General Fund in FY 2025 for DHS to distribute to nonprofit organizations that provide counseling and community services in southern Arizona.

Trauma Recovery Center Fund Deposit

The budget includes no funding and 1.5 FTE Positions from the General Fund in FY 2025 for a Trauma Recovery Center Fund Deposit. Adjustments are as follows:

Remove One-Time Fund Deposit

The budget includes a decrease of \$(7,000,000) from the General Fund in FY 2025 to remove a one-time deposit into the Trauma Recovery Center Fund.

An FY 2024 General Appropriation Act footnote instructed DHS to use the monies to provide a technical assistance grant to help establish a state pilot trauma recovery center, including 3 years of operational costs, and a separate grant to a public research institution to track data and outcomes of the state pilot trauma recovery center. The public research institution is required to produce a report at the conclusion of the pilot.

Family Health

Folic Acid Program

The budget includes \$400,000 from the TTHCF - Medically Needy Account in FY 2025 for the Folic Acid Program. This amount is unchanged from FY 2024.

This line item provides funding for the distribution of folic acid to women of childbearing age to help prevent birth defects. In FY 2023, 15,559 women received folic acid education and multivitamins.

High Risk Perinatal Services

The budget includes \$2,343,400 from the General Fund in FY 2025 for High Risk Perinatal Services. This amount is unchanged from FY 2024.

This line item provides contracted transport services for high risk perinatal care, hospital services, inpatient physician follow-up services, and community health nurse visits for newborns who spent at least 5 days in a neonatal intensive care unit. The purpose of the visits is to identify developmental issues and provide early intervention services to ensure school readiness by age 5.

Newborn Screening Program

The budget includes \$12,419,300 and 24.1 FTE Positions from the Newborn Screening Program Fund in FY 2025 for the Newborn Screening Program. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$49,500 from the Newborn Screening Program fund in FY 2025 for statewide adjustments.

Background – This line item funds the centralized testing of all newborns in the state for a standard set of 61 disorders. In FY 2023, the program provided screening for 78,801 newborns. The program also provides follow-up counseling for the parents of affected newborns. The State Health Laboratory is the designated laboratory for testing, but DHS may designate other laboratories as testing facilities for conditions or tests added to the screening program.

Nurse-Family Partnership Programs

The budget includes no funding in FY 2025 for Nurse-Family Partnership Programs. Adjustments are as follows:

Remove One-Time Program Funding

The budget includes a decrease of \$(2,500,000) from the General Fund in FY 2025 to remove funding for DHS to fund nurse-family partnership programs. An FY 2025 General Appropriation Act footnote makes the FY 2024 appropriation for this line item non-lapsing through FY 2027.

Nurse-family partnership programs are home visiting programs that pair nurses with low-income, first-time mothers during their pregnancy and the first 2 years of the children's lives. Services typically include care coordination, case management, assessments and screenings, preventive education, referrals to health and human services, and job development resources, among other supports.

Medical Provider Support

Accelerated Nursing Programs

The budget includes no funding in FY 2025 for Accelerated Nursing Programs. This amount is unchanged from FY 2024.

The FY 2023 budget appropriated \$50,000,000 one-time to DHS to expand nursing programs. Of this amount, the FY 2023 Health Care BRB required DHS to distribute \$6,000,000 to a private university with a health sciences campus located in Phoenix that offers a 12-month accelerated nursing program. The recipient will use the monies for capital costs associated with adding a new cohort of accelerated nursing students.

DHS will distribute the remaining \$44,000,000 to public and private universities and community colleges located in Arizona for the purpose of expanding program capacity. The department is required to give priority to programs that can be completed within 12 months, but programs up to 18 months in length are also eligible for funding. Each institution receiving monies must use at least 80% of the award to provide scholarships and no more than 20% may be used for administrative expenses, including the cost of hiring faculty and purchasing equipment. The monies may not be used for capital costs.

In January 2023, DHS reported awarding \$43,100,000 of the \$44,000,000 appropriation: \$5.6 million to ASU for 104 scholarships; \$5.9 million to Creighton University for 80 scholarships; \$16.0 million to Grand Canyon University for 300 scholarships; \$6.4 million to NAU for 240 scholarships; and \$9.2 million to UA for 158 scholarships. At the end of FY 2023, DHS had expended \$5,477,400 million of the appropriation.

The FY 2023 Health Care BRB also stipulated that scholarship recipients agree to practice nursing in Arizona for at least 4 years after graduation from an accelerated nursing program. DHS is required to compile information from each institution and submit an annual report to JLBC and OSPB on October 1 of each year through 2030. The report will include data on the number of students receiving scholarships, the number of nurses who are currently completing the 4-year service commitment, and the number of students who have reimbursed the institution for not completing the service requirement.

An FY 2025 General Appropriation Act footnote makes these monies non-lapsing through FY 2025. Any unspent monies at the end of FY 2025 will revert to the General Fund.

Behavioral Health Care Provider Loan Repayment Program

The budget includes \$1,000,000 from the General Fund in FY 2025 for the Behavioral Health Care Provider Loan Repayment Program. This amount is unchanged from FY 2024.

A.R.S. § 36-2175 established the program to provide loan repayment assistance to providers who agree to serve in behavioral health facilities for at least 2 years, with priority given to applicants who intend to practice in the Arizona State Hospital or a behavioral health residential facility. For the first 2 years of service, the maximum award is \$50,000. For each subsequent year, the maximum award is \$25,000.

An FY 2025 General Appropriation Act footnote makes the FY 2023 appropriation for this line item non-lapsing through FY 2025.

Collaborative Care Uptake Fund Deposit

The budget includes no funding in FY 2025 for a Collaborative Care Uptake Fund Deposit. Adjustments are as follows:

Remove One-Time General Fund Deposit

The budget includes a decrease of \$(1,000,000) from the General Fund in FY 2025 to remove a one-time deposit into the Collaborative Care Uptake Fund, as created by the FY 2024 Health Care BRB.

Monies deposited into this fund are used to provide grants to primary care physicians (PCPs) in medical practices with fewer than 50 employees who establish and deliver services through the collaborative care model, an evidence-based, integrated behavioral health service

delivery method requiring a formal arrangement between a PCP, a care manager, and a psychiatrist. This line item also funds grants to collaborative care technical assistance centers that aid PCPs in providing integrated behavioral health services.

An FY 2025 General Appropriation Act footnote makes the FY 2024 appropriation for this line item non-lapsing through FY 2025. In addition, the Health Care BRB repeals this fund beginning on June 30, 2025, directing any unexpended funds be deposited into the General Fund.

Arizona Nurse Education Investment Pilot Program

The budget includes no funding in FY 2025 for the Arizona Nurse Education Investment Pilot Program. Adjustments are as follows:

Eliminate Funding

The budget includes a decrease of \$(15,000,000) from the General Fund in FY 2025 to eliminate the final year of funding for the Arizona Nurse Education Investment Pilot Program.

A.R.S. § 36-1802 requires these monies to be deposited into the Arizona Nurse Education Investment Pilot Program Fund to increase the capacity of nursing education programs in Arizona. DHS allocates these monies to the Arizona Board of Regents (ABOR) and community college districts based on the number of nursing students graduating in FY 2022, which includes programs for nursing assistants, licensed practical nurses, registered nurses, and advanced practice nurses. Recipients may use the monies to pay operating costs necessary to increase the number of faculty members teaching in nursing programs and for capital expenses directly related to additional faculty and students.

The 3-year spending plan associated with the enacted FY 2023 budget included \$15,000,000 from the General Fund for this line item in FY 2023, FY 2024, and FY 2025. The FY 2025 budget eliminates the final year of funding. Of the \$15,000,000 appropriation in FY 2024, the universities received \$5.7 million annually through FY 2025, with \$3.0 million for ASU, \$1.4 million for NAU, and \$1.3 million for UA. The remaining \$9.3 million went to community college programs.

Any monies remaining in the fund at the end of FY 2026 will revert to the General Fund.

Preceptor Grant Program for Graduate Students

The budget includes \$500,000 from the General Fund in FY 2025 for a Preceptor Grant Program for Graduate Students. This amount is unchanged from FY 2024.

A.R.S. § 36-1806 establishes this program to expand the capacity of preceptor training for graduate students pursuing degrees as physicians in allopathic or osteopathic medicine, advanced practice nurses, physician assistants, or dentists. In the nursing profession, preceptors are licensed clinicians who supervise nursing students completing their clinical hours. DHS is required to allocate the monies to the 5 largest statewide nonprofit organization representing these professions in proportion to the number of active licenses within each.

The organizations will distribute monies to physicians, certified nurse midwives, registered nurse anesthetists, clinical nurse specialists, registered nurses, physician assistants, and dentists who serve as volunteer preceptors who provide sufficient evidence of completing a preceptorship with a graduate student. Awards will be distributed on a first-come first-serve basis at a maximum of \$1,000 per preceptor per calendar year, with priority given to primary care preceptorships in rural areas of the state.

The 3-year spending plan associated with the enacted FY 2023 budget included \$500,000 from the General Fund for this line item in FY 2023, FY 2024, and FY 2025.

The budget includes a footnote making these monies non-lapsing through FY 2026. Any monies remaining unspent at the end of FY 2026 will revert to the General Fund.

Other Issues

This section includes information on the following topics:

- Statutory Changes
- Long-Term Budget Impacts
- Fund Transfers
- Opioid Settlement Funds – Overdose Reversal Medication

Statutory Changes

The Health Care BRB makes the following statutory changes:

- As session law, continues to exempt county expenditures on Restoration to Competency

treatment at the Arizona State Hospital from county expenditure limitations.

- As session law, allows the Collaborative Care Uptake Fund (established by Laws 2023, Chapter 139, Section 4) to be used beyond FY 2024 and exempts monies in the fund from lapsing. Repeals the fund on June 30, 2025, and directs unexpended or unencumbered monies to be deposited into the General Fund.

Long-Term Budget Impacts

As part of the FY 2025 budget's 3-year spending plan, DHS's General Fund costs are projected to decrease by \$(5,107,800) in FY 2026 below FY 2025 and increase by \$2,000,000 in FY 2027 above FY 2026.

The FY 2026 estimate is based on:

- \$(900,000) for the removal of one-time costs associated with licensing history database upgrades.
- \$(1,202,400) for the removal of one-time funding for additional licensing compliance staff.
- \$(5,400) for the removal of one-time costs associated with additional administrative staff.
- \$1,000,000 to restore funding for Alzheimer's disease research.
- \$(500,000) for the removal of one-time counseling services for parents of deceased children.
- \$(500,000) for the removal of one-time heat mitigation programs in southern Arizona.
- \$(500,000) for the removal of one-time preventative health services for low-income, underserved women.
- \$(1,000,000) for the removal of one-time senior health promotion in Santa Cruz County.
- \$(1,000,000) for the removal of one-time grant funding for Southern Arizona counseling services.
- \$(500,000) for the removal of one-time grants for preceptor training programs.

The FY 2027 estimate is based on \$2,000,000 to restore funding for biomedical research support.

Fund Transfers

The budget includes the following transfers from this agency's funds to the General Fund:

	FY 2024
Disease Control Research Fund	\$1,300,000
Prescription Drug Rebate Fund	1,000,000
Health Services Lottery Monies Fund	3,700,000

Opioid Settlement Funds – Overdose Reversal Medication

The budget appropriates \$1,000,000 from the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund to the Attorney General for a transfer to the Department of Health Services Opioid Remediation Fund to distribute and equip first responders with overdose reversal medication. A General Appropriation Act footnote required this transfer to occur by the sooner of July 3, 2024, or within 3 calendar days after sufficient monies become available in the Consumer Remediation Subaccount.

Monies in this line item come from a portion of monies deposited into the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund pursuant to a settlement with opioid distributors. Please see the Attorney General – Department of Law section for more details on the requirements of this transfer.