

Department of Health Services

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,130.5	1,125.0	1,135.5 ^{1/}
Personal Services	17,540,300	22,947,200	23,539,200
Employee Related Expenditures	7,203,000	9,492,800	9,351,400
Professional and Outside Services	960,000	3,792,000	3,792,000
Travel - In State	336,000	406,900	406,900
Travel - Out of State	65,100	82,900	82,900
Other Operating Expenditures	15,567,600	13,727,700	17,148,600
Equipment	347,400	428,500	428,500
OPERATING SUBTOTAL	42,019,400	50,878,000	54,749,500
SPECIAL LINE ITEMS			
Arizona State Hospital			
Arizona State Hospital-Operating	51,101,600	65,822,900	64,188,000 ^{2/}
Arizona State Hospital-Restoration to Competency	778,900	900,000	900,000 ^{3/}
Arizona State Hospital-Sexually Violent Persons	7,680,100	10,010,700	9,736,100 ^{4/}
Public Health/Family Health			
Adult Cystic Fibrosis Care	78,900	105,200	105,200
AIDS Reporting and Surveillance	986,200	1,000,000	1,000,000
Alzheimer's Disease Research	3,125,000	1,125,000	3,625,000 ^{5/}
Biomedical Research Support	1,498,800	2,000,000	2,000,000 ^{6/}
Breast and Cervical Cancer and Bone Density Screening	716,900	1,369,400	1,369,400
Community-Based Primary Care Clinic	670,300	0	0
County Tuberculosis Provider Care and Control	469,400	590,700	590,700
Critical Access Hospital Trauma Services	1,500,000	0	0
Emergency Medical Services Local Allocation	408,900	442,000	0
Family Health Pilot Program	0	0	1,500,000 ^{7/}
Folic Acid Program	317,000	400,000	400,000
High Risk Perinatal Services	2,130,500	2,543,400	2,343,400
Homeless Pregnant Women Services	74,900	100,000	200,000 ^{8/}
Medical Student Loan Fund Deposit	0	0	2,000,000
Newborn Screening Program	6,620,500	7,308,400	13,074,900
Nonrenal Disease Management	29,100	198,000	198,000 ^{9/}
Nursing Care Special Projects	64,900	100,000	100,000
Poison Control Centers Funding	485,500	990,000	990,000
Public Health Emergencies Fund Deposit	55,106,600	0	0
Renal Dental Care and Nutrition Supplements	150,000	300,000	300,000
Renal Transplant Drugs	91,500	183,000	183,000
Rural Prenatal Services	1,000,000	500,000	500,000 ^{10/}
State Loan Repayment Program	1,418,600	1,000,000	0
Vulnerable Caregiver Workshops	166,000	0	0
Bureau of Radiation Control			
Radiation Regulation	2,261,300	2,360,200	2,305,000
Nuclear Emergency Management Program	497,000	789,700	0
AGENCY TOTAL	181,447,800	151,016,600	162,358,200 ^{11/12/}
FUND SOURCES			
General Fund	77,183,700	95,897,900	103,419,200
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	2,391,300	2,573,400	2,883,600
ASH Land Earnings Fund	575,100	650,000	650,000
Budget Stabilization Fund	55,000,000	0	0

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
Child Fatality Review Fund	94,700	99,200	196,500
Disease Control Research Fund	986,200	1,000,000	1,000,000
Emergency Medical Services Operating Fund	4,911,700	5,841,900	3,831,300
Environmental Laboratory Licensure Revolving Fund	709,300	952,000	933,300
Federal Child Care and Development Fund Block Grant	882,600	911,500	1,884,100
Health Services Licensing Fund	14,346,000	16,241,300	15,570,600
Health Services Lottery Monies Fund	74,900	100,000	200,000
Indirect Cost Fund	8,785,800	10,678,600	11,302,100
Newborn Screening Program Fund	6,878,600	7,741,200	13,507,700
Nuclear Emergency Management Fund	497,000	789,700	0
Nursing Care Institution Resident Protection Revolving Fund	64,900	138,200	138,200
Prescription Drug Rebate Fund	1,000,000	0	2,500,000
Tobacco Tax and Health Care Fund - Health Research Account	3,498,800	3,000,000	0
Tobacco Tax and Health Care Fund - Medically Needy Account	467,000	700,000	700,000
Vital Records Electronic Systems Fund	3,100,200	3,701,700	3,641,600
SUBTOTAL - Other Appropriated Funds	104,264,100	55,118,700	58,939,000
SUBTOTAL - Appropriated Funds	181,447,800	151,016,600	162,358,200
Other Non-Appropriated Funds	66,190,100	64,978,300	64,978,300
Federal Funds	283,078,500	335,190,100	280,409,300
TOTAL - ALL SOURCES	530,716,400	551,185,000	507,745,800

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 730 GF and 53.1 OF FTE Positions funded from Special Line Items in FY 2022.
- 2/ 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)
- 3/ The Arizona State Hospital - Restoration to Competency line item includes monies for direct costs associated with the Restoration to Competency program. All other indirect costs are included in the Arizona State Hospital - Operating line item.
- 4/ The Arizona State Hospital - Sexually Violent Persons line item includes monies for direct costs associated with the Sexually Violent Persons program. All other indirect costs are included in the Arizona State Hospital - Operating line item.
- 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, 2023. (General Appropriation Act footnote)

7/ The department of health services shall distribute the monies appropriated for the family health pilot program line item to at least two nonprofit organizations to implement a statewide system to provide direct services, support services, social services case management and referrals to the biological or adoptive parents of children under two years of age, including unborn children. The purpose of the statewide system is to encourage healthy childbirth, support childbirth as an alternative to abortion, promote family formation, aid successful parenting and increase families' economic self-sufficiency. The statewide system services must be available to all residents of this state in both urban and rural areas. Monies may not be used for abortion referral services or distributed to entities that promote, provide referrals for or perform abortions. A nonprofit organization that receives the monies must demonstrate both:

1. Experience in marketing and serving the eligible patient population.
2. That the organization can begin serving clients statewide within sixty days after receiving monies pursuant to this section.

When determining which nonprofit organizations will participate in the family health pilot program, the department shall give preference to nonprofit organizations that are working and providing services in this state.

Each nonprofit organization that participates in the family health pilot program shall submit to the department of health services on a form prescribed by the department a quarterly report of the services and referrals the nonprofit organization provides, including all of the following information:

1. The number of clients served, either by referral or direct services.
2. The number of direct services provided and referrals made.
3. The number of women referred for medical services or medical care.
4. The number of women who received prenatal care.
5. The number of women who were referred for prenatal care.
6. The number of women who received nutrition services.
7. The number of women who were referred for nutrition services.
8. The number of individuals who received adoption services.
9. The number of individuals who were referred for adoption services.
10. The number of individuals who received educational and employment services. (General Appropriation Act footnote)

8/ The department of health services shall distribute monies appropriated for homeless pregnant women services to nonprofit organizations that are located in a county with a population of more than three million persons and whose primary function is to provide shelter, food, clothing and transportation for health services and support to homeless pregnant women and their children who are under one year of age. Monies may not be granted for abortion referral services or distributed to entities that promote, refer or perform abortions. (General Appropriation Act footnote)

9/ 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)

10/ The sum of \$500,000 is appropriated from the state general fund in each of fiscal years 2020-2021 and 2021-2022 to the department of health services to provide student loan repayment options for health care professionals who provide prenatal care in a health professional shortage area in this state as defined in 42 Code of Federal Regulations part 5. (FY 2020 General Appropriation Act footnote)

11/ 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. The 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)

12/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$54,749,500 and 352.4 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	FY 2022
General Fund	\$19,224,000
Child Fatality Review Fund	196,500
Emergency Medical Services (EMS) Operating Fund	3,831,300
Environmental Laboratory Licensure Revolving Fund	933,300
Federal Child Care and Development Fund (CCDF) Block Grant	1,884,100
Health Services Licensing Fund	13,265,600
DHS Indirect Cost Fund	11,302,100
Newborn Screening Program Fund	432,800
Nursing Care Institution Resident Protection Revolving Fund	38,200
Vital Records Electronic Systems Fund	3,641,600

FY 2022 adjustments are as follows:

Long-Term Care Surveyors

The budget includes an increase of \$1,634,700 and 16 FTE Positions from the General Fund in FY 2022 for additional surveyors in the department's Licensing Division. These positions will assist in the investigation of complaints submitted against long-term care facilities. *(Please see the Other Issues - Auditor General Report section for more information.)*

Cognitive Decline and Caregiver Modules

The budget includes an increase of \$160,000 from the General Fund in FY 2022 to fund cognitive decline and caregiver modules for Arizona's Behavioral Risk Factor Surveillance Survey.

One-Time Adoptions Records IT Upgrades

The budget includes an increase of \$1,000,000 from the General Fund in FY 2022 for one-time upgrades to the vital records IT system to allow the department to release birth records that were sealed due to an adoption pursuant to Laws 2021, Chapter 384.

Cyber Security

The budget includes an increase of \$674,500 from the Indirect Cost Fund in FY 2022 for cybersecurity costs, including \$164,500 for positions related to vulnerability management, \$200,000 for penetration testing, \$150,000 for cyber insurance, and \$160,000 for a patching tool.

Child Fatality Review Team Increase

The budget includes an increase of \$100,000 from the Child Fatality Review Fund in FY 2022 to address changes

in federal reporting guidance and increased complexity in the review of child fatality cases.

One-Time Child Care Licensing System Funding

The budget includes an increase of \$1,000,000 from the Federal CCDF Block Grant in FY 2022 for one-time development costs of a child care services licensing system.

Fund Shift

The budget includes a decrease of \$(37,300) from the EMS Operating Fund in FY 2022 to shift EMS operating costs to the non-appropriated Justice Reinvestment Fund.

The Justice Reinvestment Fund was established by Proposition 207 and receives a portion of revenues from a 16.0% excise tax on recreational marijuana products. The ballot initiative authorizes DHS to spend a portion of monies in the fund to address public health issues in the state. *(See the Other Issues - Proposition 207 section for additional information).*

Statewide Adjustments

The budget includes a decrease of \$(660,400) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(113,700)
Child Fatality Review Fund	(2,700)
Emergency Medical Services (EMS) Operating Fund	(81,300)
Environmental Laboratory Licensure Revolving Fund	(18,700)
Federal Child Care and Development Fund (CCDF) Block Grant	(27,400)
Health Services Licensing Fund	(305,500)
DHS Indirect Cost Fund	(51,000)
Vital Records Electronic Systems Fund	(60,100)

(Please see the Agency Detail and Allocations section.)

Arizona State Hospital

ASH - Operating

The budget includes \$64,188,000 and 616.5 FTE Positions in FY 2022 for the ASH operating budget. These amounts consist of:

General Fund	61,554,400
ASH Fund	1,983,600
ASH Land Earnings Fund	650,000

FY 2022 adjustments are as follows:

Guilty Except Insane Monitoring

The budget includes an increase \$40,000 from the General Fund in FY 2022 for monitoring guilty except insane persons on conditional release pursuant to Laws 2021, Chapter 390.

Fund Shift

The budget includes a decrease of \$(310,000) from the Health Services Licensing Fund and a corresponding increase of \$310,000 from the ASH Fund in FY 2022 to shift funding sources for a portion of ASH operating costs.

Statewide Adjustments

The budget includes a decrease of \$(1,674,900) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(1,675,100)
ASH Fund	200

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 2020, ASH had an average daily census of 100 patients in its civil commitment unit, 121 patients in its forensic unit, and 95 Sexually Violent Persons (SVPs), for a total of 316 patients.

ASH - Restoration to Competency

The budget includes \$900,000 from the ASH Fund in FY 2022 for ASH - Restoration to Competency. This amount is unchanged from FY 2021.

Background – ASH provides treatment to restore to competency individuals who are found incompetent to stand trial. In FY 2020, there was an average daily census of 4 RTC patients treated at ASH. RTC patients are treated in ASH’s forensic unit.

The FY 2022 Health 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 \$9,736,100 and 112.5 FTE Positions from the General Fund in FY 2022 for ASH - Sexually Violent Persons. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(274,600) from the General Fund in FY 2022 for statewide adjustments.

Background – 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 2020, ASH had an average daily census of 95 Sexually Violent Persons (SVPs).

Public Health/Family Health

Adult Cystic Fibrosis Care

The budget includes \$105,200 from the General Fund in FY 2022 for Adult Cystic Fibrosis Care. This amount is unchanged from FY 2021.

This line item provides contracted care and treatment services through Phoenix Children’s Hospital for 20 individuals with cystic fibrosis.

AIDS Reporting and Surveillance

The budget includes \$1,000,000 from the Disease Control Research Fund in FY 2022 for AIDS Reporting and Surveillance. This amount is unchanged from FY 2021.

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 program also includes \$875,000 to provide medications under the Arizona AIDS Drug Assistance Program (ADAP), which also receives Federal Funds for the medications. The ADAP program served approximately 3,600 clients in FY 2020.

Alzheimer’s Disease Research

The budget includes \$3,625,000 in FY 2022 for Alzheimer’s Disease Research. This amount consists of:

General Fund	1,125,000
Prescription Drug Rebate Fund - State	2,500,000

FY 2022 adjustments are as follows:

Fund Shift

The budget includes a decrease of \$(1,000,000) from the TTHCF - Health Research Account and a corresponding increase of \$1,000,000 from the General Fund in FY 2022 to shift funding sources for Alzheimer’s Disease research.

One-Time Funding

The budget includes an increase of \$2,500,000 from the Prescription Drug Rebate Fund - State in FY 2022 for a one-time increase in Alzheimer’s Disease research

Table 1

Alzheimer's Disease Research Funding

	General Fund	Health Research Account	Prescription Drug Rebate Fund	TOTAL
FY 2015	\$1,375,000	\$1,000,000	-	\$2,375,000
FY 2016	125,000	1,000,000	-	1,125,000
FY 2017	125,000	2,000,000	-	2,125,000
FY 2018	125,000	2,000,000	-	2,125,000
FY 2019	125,000	3,000,000	-	3,125,000
FY 2020	125,000	2,000,000	\$1,000,000	3,125,000
FY 2021	125,000	1,000,000	-	1,125,000
FY 2022	1,125,000	-	2,500,000	3,625,000

funding. The 3-year budget plan also includes \$2,500,000 in one-time funding in FY 2023.

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. See *Table 1* for a funding history of the program.

Biomedical Research Support

The budget includes \$2,000,000 from the General Fund in FY 2022 for Biomedical Research Support. FY 2022 adjustments are as follows:

Fund Shift

The budget includes a decrease of \$(2,000,000) from the TTHCF - Health Research Account and a corresponding increase of \$2,000,000 from the General Fund in FY 2022 to shift funding sources for Biomedical Research Support.

Background – This line item funds a nonprofit medical research institute headquartered in Arizona that specializes in biomedical research focusing on applying 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 distributed 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 2022 for Breast and Cervical

Cancer and Bone Density Screening. These amounts are unchanged from FY 2021.

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.

County Tuberculosis Provider Care and Control

The budget includes \$590,700 from the General Fund in FY 2022 for County Tuberculosis Provider Care and Control. This amount is unchanged from FY 2021.

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.

Emergency Medical Services Local Allocation

The budget includes no funding in FY 2022 for the Emergency Medical Services Local Allocation line item. FY 2022 adjustments are as follows:

Fund Shift

The budget includes a decrease of \$(442,000) from the EMS Operating Fund in FY 2022 to shift funding for the EMS Local Allocation to monies received by DHS from a fund transfer authorized by Proposition 207. The initiative transferred \$19,000,000 from the Medical Marijuana Fund to DHS to fund public health programs. *(See the Other Issues - Proposition 207 section for additional information).*

This line item provides funding to 4 regional EMS Councils that distribute funding for EMS training and equipment to cities and towns with a population of fewer than 90,000 people.

Family Health Pilot Program

The budget includes \$1,500,000 from the General Fund in FY 2022 for a Family Health Pilot Program. FY 2022 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$1,500,000 from the General Fund in FY 2022 for a Family Health Pilot Program. The budget requires the department to distribute these monies to non-profit organizations to implement a statewide system to provide direct services, support services, social services case management and referrals to the biological or adoptive parents of children under 2 years of age, including unborn children.

The purpose of the statewide system is to encourage healthy childbirth, support childbirth as an alternative to abortion, promote family formation, aid successful parenting and increase families' economic self-sufficiency. The statewide system services must be available to all residents of this state in both urban and rural areas. The monies may not be used for abortion referral services or distributed to entities that promote, provide referrals for or perform abortions.

The 3-year budget plan also includes \$1,500,000 in one-time funding in FY 2023.

Folic Acid Program

The budget includes \$400,000 from the TTHCF - Medically Needy Account in FY 2022 for the Folic Acid Program. This amount is unchanged from FY 2021.

This line item provides funding for the distribution of folic acid to women of childbearing age to help prevent birth defects. In FY 2020, 30,311 women received folic acid education and multivitamins.

High Risk Perinatal Services

The budget includes \$2,343,400 from the General Fund in FY 2022 for High Risk Perinatal Services. FY 2022 adjustments are as follows:

Fund Shift

The budget includes a decrease of \$(450,000) from the EMS Operating Fund in FY 2022 to shift a portion of High Risk Perinatal Services program funding to the non-appropriated Justice Reinvestment Fund.

The Justice Reinvestment Fund was established by Proposition 207 and receives a portion of revenues from a

16.0% excise tax on recreational marijuana products. The ballot initiative authorizes DHS to spend a portion of monies in the fund to address public health issues in the state. (See the Other Issues - Proposition 207 section for additional information).

Program Expansion

The budget includes an increase of \$250,000 from the General Fund in FY 2022 to expand the High Risk Perinatal Services program to include all newborns with Neonatal Abstinence Syndrome and increase the number of community health nurse visits made under the program.

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.

Homeless Pregnant Women Services

The budget includes \$200,000 from the Health Services Lottery Monies Fund in FY 2022 for Homeless Pregnant Women Services. FY 2022 adjustments are as follows:

Program Increase

The budget includes an increase of \$100,000 from the Health Services Lottery Monies Fund in FY 2022 to increasing funding distributed by the department for Homeless Pregnant Women Services.

DHS is required to use monies in this line item to provide grants to non-profit organizations located in a county with more than 3 million persons and whose primary function is to provide shelter, food, clothing, and transportation services to homeless pregnant women and their children who are under the age of one.

The FY 2022 Health BRB continues a provision to permit the department to use the Health Services Lottery Monies Fund for Homeless Pregnant Women Services.

Medical Student Loan Fund Deposit

The budget includes \$2,000,000 from the General Fund in FY 2022 for a Medical Student Loan Fund Deposit. FY 2022 adjustments are as follows:

Fund Deposit

The budget includes an increase of \$2,000,000 from the General Fund in FY 2022 for deposit to the Medical Student Loan Fund. The fund is used by the Board of Medical Students Loans to distribute financial aid to

qualified resident medical students pursuant to A.R.S. 15-1723 and § 15-1724.

The Medical Student Loan Fund has been administered by DHS since FY 2013. Laws 2021, Chapter 442 transfers administration of the fund back to the Board of Medical Student Loans.

Newborn Screening Program

The budget includes \$13,074,900 and 24.1 FTE Positions from the Newborn Screening Program Fund in FY 2022 for the Newborn Screening Program. FY 2022 adjustments are as follows:

Expand Newborn Screening Panel

The budget includes an increase of \$5,835,700 from the Newborn Screening Program Fund in FY 2022 for increased testing costs associated with expanding the number of conditions on the state's newborn screening panel. Of this amount, \$4,893,100 is for ongoing operating costs and \$942,600 is for one-time equipment purchases and start-up costs.

The FY 2022 Health BRB requires DHS to add Spinal Muscular Atrophy and X-Linked Adrenoleukodystrophy by December 31, 2022. The remaining 29 conditions included on the U.S. Department of Health and Human Services Recommended Uniform Screening Panel (RUSP) are required to be added by December 31, 2023.

Statewide Adjustments

The budget includes a decrease of \$(69,200) from the Newborn Screening Program Fund in FY 2022 for statewide adjustments.

Background – This line item funds the centralized testing of all newborns in the state for a standard set of 30 disorders, which will be increased to 61 by December 31, 2023. In FY 2020, the program provided screening for 78,327 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.

Nonrenal Disease Management

The budget includes \$198,000 from the General Fund in FY 2022 for Nonrenal Disease Management. This amount is unchanged from FY 2021.

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 \$100,000 from the Nursing Care Institution Resident Protection Revolving Fund in FY 2022 for special projects related to long-term care facilities. This amount is unchanged from FY 2021.

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' 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 2022 for Poison Control Centers. This amount is unchanged from FY 2021.

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 2020. 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 \$200,000 to the UA Poison Control Center in FY 2020.

Public Health Emergencies Fund Deposit

The budget includes no funding in FY 2022 for a Public Health Emergencies Fund Deposit. This amount is unchanged from FY 2021.

Laws 2020, Chapter 6 appropriated \$55,000,000 from the Budget Stabilization Fund in FY 2020 for a one-time deposit to the Public Health Emergencies Fund for expenses related to the COVID-19 public health emergency.

DHS may only use monies in the Public Health Emergencies Fund on a declaration of a public health emergency by the Governor and must submit a report of any expenditures from the fund to the Joint Legislative Budget Committee.

In June 2021, DHS reported \$67,260,700 in expenditures currently charged to the fund. Although the fund commitments are greater than monies available in the fund, the department expects monies received through the Federal Emergency Management Agency (FEMA) public assistance program to reimburse the difference. *Table 2* displays expenses charged to the Public Health Emergencies Fund as of June 15, 2021.

Table 2	
Public Health Emergencies Fund COVID-19 Expenditures	
COVID-19 Testing	\$20,921,000
Traveling Nurses	12,688,300
PPE Supplies	9,796,700
Post-Acute Bed Reserve	9,401,200
Communications	8,053,200
Arizona Surge Line	3,764,400
Warehousing	1,305,800
St. Luke's Hospital Build-Out	972,700
Contract Services	197,800
Vaccination System	79,400
Ventilators	37,800
Other	42,400
Total as of 6/15/21	\$67,260,700

Renal Dental Care and Nutrition Supplements

The budget includes \$300,000 from the TTHCF - Medically Needy Account in FY 2022 for Renal Dental Care and Nutrition Supplements. This amount is unchanged from FY 2021.

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 2022 for Renal Transplant Drugs. This amount is unchanged from FY 2021.

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 2020, 89 people received anti-rejection medication assistance.

Rural Prenatal Services

The budget includes \$500,000 from the General Fund in FY 2022 for Rural Prenatal Services. This amount is unchanged from FY 2021.

This line item provides medical student loan repayment options for rural prenatal health care providers practicing in medically underserved areas of the state. The FY 2020 General Appropriation Act appropriated these monies in FY 2021 and FY 2022, so these monies will not appear in the FY 2022 General Appropriation Act and will be removed in the FY 2023 budget.

DHS uses these monies to fund a portion of 2-year contracts for 24 prenatal care providers currently enrolled in the State Loan Repayment Program. In exchange for loan repayment assistance, the providers will work in a medically underserved area of the state for 2 years. *(Please see the State Loan Repayment Program line item for more information.)*

State Loan Repayment Program

The budget includes no funding in FY 2022 for the State Loan Repayment Program. FY 2022 adjustments are as follows:

Fund Shift

The budget includes a decrease of \$(1,000,000) from the EMS Operating Fund in FY 2022 to shift funding for the State Loan Repayment Program to the non-appropriated Justice Reinvestment Fund.

The Justice Reinvestment Fund was established by Proposition 207 and receives a portion of revenues from a 16.0% excise tax on recreational marijuana products. The ballot initiative authorizes DHS to spend a portion of monies in the fund to address public health issues in the state. *(See the Other Issues - Proposition 207 section for additional information).*

This line item provides loan repayment for health care providers who agree to practice in medically underserved areas of the state for at least 2 years. In FY 2020, this program funded 155 participants.

Bureau of Radiation Control

Radiation Regulation

The budget includes \$2,305,000 and 29 FTE Positions from the Health Services Licensing Fund in FY 2022 for Radiation Regulation. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(55,200) from the Health Services Licensing Fund in FY 2022 for statewide adjustments.

The FY 2022 Health BRB eliminates a longstanding provision with a fee raising authority and exemption related to establishing fees for radiation regulation. The provision included an intent clause that limited additional revenues to \$1,900,000. The Governor’s Regulatory Review Council approved a fee increase of \$2,108,600 for the Bureau of Radiation Control on November 3, 2020. DHS was previously required to deposit the first \$300,000 in radiation regulatory fees collected each fiscal year and 10% of the remaining fees to the General Fund. DHS estimated that of the total \$2,108,600 fee increase, \$210,800 will be deposited to the General Fund and \$1,897,800 will be available to spend for regulatory activities.

The FY 2022 Health BRB also includes a provision to eliminate the requirement that DHS deposit the first \$300,000 of fees collected to the General Fund, and includes a legislative intent statement that DHS reduce revenue generated from fees by \$300,000.

Radiation regulation includes oversight of the use, storage, and disposal of sources of radiation.

Nuclear Emergency Management Program

The budget includes no funding in FY 2022 for the Nuclear Emergency Management Program line item. FY 2022 adjustments are as follows:

New NEMF Assessment

The budget includes a decrease of \$(789,663) and (5.5) FTE Positions from the NEMF in FY 2022 for a new NEMF assessment.

Laws 2019, Chapter 24 appropriated \$789,663 and 5.5 FTE Positions from the NEMF to the department in both FY 2020 and FY 2021.

The Department of Health Services (DHS), the Department of Emergency and Military Affairs (DEMA), and the Department of Agriculture received monies from Chapter 24. The NEMF appropriation amounts for FY 2021 - FY 2023 are displayed in *Table 3*. (Please see the *Department of Agriculture and the Department of Emergency and Military Affairs narratives for more information*.)

The Legislature is required to biennially assess a fee against each group of public service and municipal corporations operating the Palo Verde Nuclear Generating Station. The fee is set at a level to offset the NEMF appropriation. The legislature enacts this revised fee level in a bill outside of the budget process.

DEMA has provided recommendations for the FY 2022 and FY 2023 NEMF funding levels for the 3 agencies as outlined in *Table 3*. The DEMA recommendation for FY 2022 and FY 2023 proposes that DEMA take over the offsite response activities from the Department of Health Services (DHS). This results in a shift of both funds and FTE Positions from DHS to DEMA. The budget decreases NEMF funding to the department by \$(789,663) in FY 2022 based on the DEMA recommendations.

Monies in the NEMF are used for the development and maintenance of a state plan for off-site responses to an emergency caused by an accident at a commercial nuclear generating station. NEMF monies are also used to provide for the equipment, personnel, facilities, training, and testing necessary to comply with federally prescribed criteria.

Department representatives assisted in the planning for off-site responses to an emergency at the Palo Verde

Table 3

Nuclear Emergency Management Fund

Agency	FY 2021		FY 2022		FY 2023	
	FTEs	Approp.	FTEs	Approp.	FTEs	Approp.
Emergency and Military Affairs ^{1/}	5.5	\$1,506,116	8.5	\$1,930,417	8.5	\$1,987,423
Health Services	5.5	789,663	0	0	0	0
Agriculture	<u>2.88</u>	<u>280,512</u>	<u>2.88</u>	<u>280,512</u>	<u>2.88</u>	<u>280,512</u>
Total	13.88	\$2,576,291	11.38	\$2,210,929	11.38	\$2,267,935

^{1/} The Emergency and Military Affairs appropriation includes the appropriations for the Maricopa County Department of Emergency Management and the City of Buckeye.

Nuclear Generating Station and participated in the annual response exercises.

Other Issues

This section includes information on the following topics:

- Statutory Changes
- Fund Transfers
- COVID-Related Spending
- Proposition 207 - Recreational Marijuana
- Medical Marijuana Fund Balance
- Auditor General Report

Statutory Changes

The FY 2022 Health BRB makes the following statutory changes:

- As session law, continue to exempt county expenditures on Restoration to Competency treatment at the Arizona State Hospital from county expenditure limitations.
- As session law, continue to notwithstanding A.R.S. § 5-572 and A.R.S. § 36-108.01 to allow the Health Services Lottery monies to be used for homeless pregnant women services. *(See Homeless Pregnant Women Services for more information.)*
- As permanent law, require DHS to report on July 1 of each year to the Joint Legislative Budget Committee on its distribution of Proposition 207 monies, including monies in the Justice Reinvestment Fund and monies received from a \$19,000,000 fund transfer from the Medical Marijuana Fund. *(See the Other Issues - Proposition 207 section for more information.)*
- As permanent law, eliminate the requirement that the first \$300,000 in radiation regulatory fees collected be deposited to the General Fund.
- As session law, require DHS to reduce fees collected for services provided by the Bureau of Radiation Control so that revenues generated by the fees are reduced by \$300,000.
- As session law, require DHS to add Spinal Muscular Atrophy and X-Linked Adrenoleukodystrophy to the newborn screening panel by December 30, 2021. As permanent law, require all congenital disorders that are included on the U.S. Department of Health and Human Services Recommended Uniform Screening Panel to be added by December 31, 2023.
- As permanent law, allow DHS to set fees for newborn screening and require any fee changes to be presented to the JLBC for review. The Legislature

intends that any fee increase not exceed the direct costs of testing.

Fund Transfers

The budget includes the following transfers from this agency's funds to the Sexual Violence Services Fund in FY 2022:

Health Services Licensing Fund	2,370,900
Indirect Cost Fund	1,339,000
Health Services Lottery Monies Fund	93,700

COVID-Related Spending

As part of the state response to COVID-19, the Executive has allocated monies for state agency-related programs. As of June 2021, the Executive's spending plan included a total of about \$76,500,000 for DHS-related programs. Of this amount, about \$4,900,000 is from the Arizona Coronavirus Relief Fund for personal protective equipment and about \$71,600,000 from the federal Coronavirus Relief Fund for testing, contact tracing, surge capacity, and the AZ Stay Connected Program.

In addition to COVID-related spending, the Executive has allocated monies from the federal Coronavirus Relief Fund to reimburse state agencies for public health and public safety expenditures. In FY 2020, DHS was reimbursed for a total of \$16,010,200 in expenditures. Of this amount, \$14,677,900 was for General Fund spending. This reduced spending increased the agency's General Fund reversion beyond what it would have otherwise been. The remaining \$1,332,300 of FY 2020 reimbursements offset non-General Fund spending. As a result, these fund balances are higher than they otherwise would have been. In FY 2021, DHS was also reimbursed for \$4,013,500 in non-General Fund expenditures.

The federal government has also passed multiple pieces of legislation to distribute relief funds to the states. DHS is expected to receive approximately \$1.9 billion in federal funds for its response. This includes \$1.5 billion for testing, contact tracing and mitigation, \$224 million for vaccine-related grants, \$153 million for recruiting and training a public health workforce, and \$30 million for other preparedness grants.

(Please see the COVID-Related Spending Summary at the front of this book for more information).

Proposition 207 – Recreational Marijuana

Proposition 207, approved by voters in the November 2020 general election, legalizes the sale and consumption of marijuana and marijuana products for adults 21 years of age and older. The initiative established the Smart and Safe Arizona Fund, which receives monies from a 16.0% excise tax on all recreational marijuana. Before any distributions are made from the fund, state agencies receive monies based on self-determined "actual and reasonable" costs associated with certain requirements of the initiative:

- Department of Health Services: regulation of the recreational marijuana industry.
- Department of Revenue: collection of the 16.0% excise tax.
- The Supreme Court: processing expungement petitions for certain marijuana offenses.
- Department of Public Safety: amendments to its criminal records based on granted expungement petitions
- State Treasurer: Administration of the Smart and Safe Arizona Fund

The Department of Public Safety (DPS) initially estimated the costs of processing expungement petitions to be \$29,323,600, which is based off the total number of convictions for marijuana possession. Since expungement petitions are voluntary, the number of petitions filed in other states is significantly lower than the total number of charges, and Proposition 207 only allows petitions for those convicted of possession of 2.5 ounces or less, the DPS estimate is likely overstated. After adjusting for these factors, the JLBC Staff estimates that total state agency distributions will likely be no more than \$5,000,000. After state agency distributions, the remaining funds will be distributed accordingly:

- 33.0% to community college districts, including:
 - 4.95% divided equally among each district.
 - 0.165% divided equally among each provisional district.

- 27.885% divided among the districts according to enrollment.
- 31.4% to municipal police and fire departments, divided according to the number of individuals from each department enrolled in the Public Safety Personnel Retirement System.
- 25.4% to the Highway User Revenue Fund.
- 10.0% to the Justice Reinvestment Fund, including:
 - 3.5% to county health departments.
 - 3.5% to DHS for grants to qualified non-profit organizations that provide justice reinvestment programs.
 - 3.0% to DHS to address public health issues affecting that state.
- 0.2% to the Attorney General for enforcement.

The initiative also mandated a one-time transfer of \$45,000,000 from the Medical Marijuana Fund (*see Other Issues - Medical Marijuana Fund Balance for more information*). Of this amount, \$19,000,000 will be distributed to DHS for public health programs and enforcement of the initiative, \$15,000,000 will be deposited to the Arizona Teachers Academy Fund, \$10,000,000 will be distributed to the Governor's Office of Highway Safety for grants to reduce impaired driving, and \$1,000,000 will be deposited to the Smart and Safe Arizona Fund.

Among the western states that have legalized recreational marijuana, Colorado, Washington, and Oregon have 3 full years of sales data available. Each state had a different experience in how quickly its recreational program was fully implemented. As a result, the JLBC Staff's Proposition 207 fiscal note estimates were based on the third-year sales of these other states. Arizona's third-year excise tax revenue is estimated to be \$166,337,000. Please see *Table 4* for the estimated Smart and Safe Arizona Fund distributions in the third year of revenues.

Medical Marijuana Fund Balance

Proposition 203 passed in the 2010 General Election, creating the Medical Marijuana Program within DHS. In

Agency Distributions (estimated)	\$ 5,000,000
Community Colleges (33%)	53,241,200
Police, Fire, and Sheriff Departments (31.4%)	50,659,800
Highway User Revenue Fund (25.4%)	40,979,600
Justice Reinvestment Fund (10%)	16,133,700
AG Enforcement (0.2%)	<u>322,700</u>
Smart and Safe Arizona Fund	\$166,337,000

FY 2020, there were 259,840 cardholders and 7,820 dispensary agents in the DHS medical marijuana registry.

To operate the program, DHS charges application fees to cardholders and dispensaries which are deposited to the non-appropriated Medical Marijuana Fund

The Medical Marijuana Fund's balance has continued to since the program's inception in 2010 (see Table 5).

In FY 2020, the fund had revenues of \$41,002,100 compared to spending of \$17,225,800. Laws 2019, Chapter 318 extended expiration dates of patient cards from 1 year to 2 years. As a result, DHS estimated that annual fund revenue would decrease to \$24,687,900.

Proposition 207, approved by voters in November 2020 general election, legalizes the sale and consumption of marijuana and marijuana products for adults 21 years of age and older. DHS estimates that the ballot initiative will impact participation in the medical marijuana program, resulting in fund revenues of \$15,000,000 in FY 2021. This compares to estimated FY 2021 spending of \$31,256,300, which includes \$18,500,000 of ongoing operating spending and \$12,756,300 in one-time spending for costs associated with a e-licensing system project.

Proposition 207 also includes a one-time transfer of \$45,000,000 from the Medical Marijuana Fund. Of this amount, \$19,000,000 will be distributed to DHS for public health programs and enforcement of the initiative, \$15,000,000 will be deposited to the Arizona Teachers Academy Fund, \$10,000,000 will be distributed to the Governor's Office of Highway Safety for grants to reduce impaired driving, and \$1,000,000 will be deposited to the Smart and Safe Arizona Fund.

In addition, Laws 2021, Chapter 398 includes the following Medical Marijuana Fund transfers:

- \$5,000,000 for county public health departments.
- \$4,000,000 for medical student loans and loan repayment programs.
- \$2,500,000 for suicide prevention.
- \$2,000,000 for mental health research.
- \$1,000,000 for the health care directives registry established pursuant to A.R.S. § 36-3291.

- \$250,000 for marijuana research grants.

The estimated FY 2021 ending fund balance after accounting for the above revenue impacts and fund transfers is about \$16,497,500. Ongoing operating expenditures are expected to decrease as participation in the medical marijuana program declines.

Auditor General Report

In September 2019, the Auditor General published a DHS performance audit that included recommendations for improvements to the department's policies and procedures for regulating long-term care facilities.

Specifically, the audit recommended DHS put policies in place to ensure complaints and self-reports for long-term facilities be prioritized, investigated, and resolved in a timely manner, and according to Center for Medicare and Medicaid Services (CMS) guidelines.

The audit's recommendations are based on findings from a sample of 33 complaints and 37 self-reports from 5 long-term care facilities, which showed that 42% of complaints were uninvestigated and had been open for between 229 and 851 days, and 65% of self-reports were uninvestigated and open for between 173 and 904 days. In DHS' response to the audit, it stated that the findings are based on a "narrow non-representative sample" of the 4,959 complaints received by the department over a 2-year period.

In its response to the audit, DHS also reported that establishing investigation timeframes as recommended would require an additional appropriation of \$3,269,300 and 44 FTE Positions. The department requested this additional funding in its FY 2022 budget request. The audit also recommended the Legislature establish a task force to study and propose options for changes to the department's investigation process.

The FY 2021 budget included a footnote that requires DHS to report to the Joint Legislative Budget Committee for review by May 31, 2021 on its progress in implementing the audit recommendations. DHS reported that staffing for long-term care surveyors has decreased from 21 FTE

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Revenue	\$28,565,700	\$33,759,500	\$41,002,100
Spending	12,623,400	14,686,400	17,225,800
Ending Balance	49,654,300	68,727,400	92,503,700
Number of Cardholders	173,140	205,609	259,840
Number of Dispensary Agents	5,261	6,383	7,820

Positions to 16 FTE Positions due to turnover, all high priority complaint investigations have been completed on time, and its policies and procedures for conducting investigations have been updated in accordance with audit recommendations.

The FY 2022 budget includes \$1,634,700 and 16 FTE Positions from the General Fund to assist in the investigation of complaints submitted against long-term care facilities.