

Department of Health Services

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,125.0	1,135.5	1,141.5 ^{1/}
Personal Services	19,707,300	23,425,500	24,625,000
Employee Related Expenditures	7,828,500	9,553,000	11,299,900
Professional and Outside Services	1,067,400	1,213,100	1,222,600
Travel - In State	341,800	401,200	435,200
Travel - Out of State	0	81,500	86,500
Other Operating Expenditures	14,311,600	19,598,100	19,485,500
Equipment	709,800	477,100	522,100
OPERATING SUBTOTAL	43,966,400	54,749,500	57,676,800 ^{2/3/}
SPECIAL LINE ITEMS			
FY 2023 Salary Increase	0	0	9,910,000
Arizona State Hospital-Operating	65,659,200	64,188,000	78,030,500 ^{4/5/}
Arizona State Hospital-Restoration to Competency	820,000	900,000	900,000 ^{6/}
Arizona State Hospital-Sexually Violent Persons	9,931,100	9,736,100	10,031,100 ^{7/}
Accelerated Nursing Programs	0	0	50,000,000 ^{8/}
Adult Cystic Fibrosis Care	78,900	105,200	105,200
AIDS Reporting and Surveillance	988,300	1,000,000	1,000,000
Alzheimer's Disease Research	1,125,000	3,625,000	3,625,000 ^{9/}
Behavioral Health Care Provider Loan Repayment Program	0	0	2,000,000
Biomedical Research Support	1,500,600	2,000,000	2,000,000 ^{10/}
Breast and Cervical Cancer and Bone Density Screening	900,400	1,369,400	1,369,400
County Tuberculosis Provider Care and Control	407,400	590,700	590,700
Emergency Medical Services Local Allocation	347,200	0	0
Family Health Pilot Program	0	1,500,000	3,000,000 ^{11/}
Folic Acid Program	355,900	400,000	400,000
High Risk Perinatal Services	2,138,200	2,343,400	2,343,400
Homeless Pregnant Women Services	50,000	200,000	500,000 ^{12/}
Medical Student Loan Fund Deposit	0	2,000,000	0
Newborn Screening Program	6,613,200	13,074,900	12,222,700
Nonrenal Disease Management	132,700	198,000	198,000 ^{13/}
Arizona Nurse Education Investment Pilot Program	0	0	15,000,000
Nursing Care Special Projects	68,400	100,000	200,000
Poison Control Centers Funding	656,800	990,000	990,000
Preceptor Grant Program for Graduate Students	0	0	500,000 ^{14/}
Renal Dental Care and Nutrition Supplements	225,000	300,000	300,000
Renal Transplant Drugs	137,300	183,000	183,000
Rural Prenatal Services	403,400	500,000	0
State Loan Repayment Program	926,200	0	0
Radiation Regulation	1,862,900	2,305,000	0
Nuclear Emergency Management Program	600,100	0	0
AGENCY TOTAL	139,894,600	162,358,200	253,075,800 ^{15/16/}
FUND SOURCES			
General Fund	93,627,700	103,419,200	194,834,300
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	2,364,100	2,883,600	3,145,800
ASH Land Earnings Fund	601,800	650,000	650,000
Child Fatality Review Fund	78,800	196,500	196,500
Disease Control Research Fund	988,300	1,000,000	1,000,000

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
Emergency Medical Services Operating Fund	4,075,600	3,831,300	4,167,900
Environmental Laboratory Licensure Revolving Fund	516,100	933,300	1,001,700
Federal Child Care and Development Fund Block Grant	878,000	1,884,100	998,600
Health Services Licensing Fund	12,695,200	15,570,600	16,960,500
Health Services Lottery Monies Fund	50,000	200,000	200,000
Indirect Cost Fund	10,561,000	11,302,100	12,298,700
Newborn Screening Program Fund	6,642,100	13,507,700	12,821,300
Nuclear Emergency Management Fund	600,100	0	0
Nursing Care Institution Resident Protection Revolving Fund	79,100	138,200	238,200
Prescription Drug Rebate Fund	0	2,500,000	0
Tobacco Tax and Health Care Fund - Health Research Account	2,500,600	0	0
Tobacco Tax and Health Care Fund - Medically Needy Account	580,900	700,000	700,000
Vital Records Electronic Systems Fund	3,055,200	3,641,600	3,862,300
SUBTOTAL - Other Appropriated Funds	46,266,900	58,939,000	58,241,500
SUBTOTAL - Appropriated Funds	139,894,600	162,358,200	253,075,800
Other Non-Appropriated Funds	94,434,000	90,508,800	92,596,000
Federal Funds	621,465,700	682,584,800	583,291,300
TOTAL - ALL SOURCES	855,794,300	935,451,800	928,963,100

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 24.1 OF FTE Positions funded from Special Line Items in FY 2023.
- 2/ Of the amount appropriated for the department of health services operating lump sum in fiscal year 2021-2022, \$1,000,000 from the state general fund is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations, until June 30, 2023 for the purpose of vital records electronic system upgrades. (General Appropriation Act footnote)
- 3/ 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, 2023, 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 2022-2023. (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/ Of the amount appropriated for the Arizona state hospital - operating line item, \$7,100,000 is appropriated onetime to replace the state hospital surveillance system with a system that includes both video and audio capability. (General Appropriation Act footnote)
- 6/ 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.
- 7/ 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.
- 8/ The amount appropriated to the department of health services for accelerated nursing programs 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, 2024 revert to the state general fund. (General Appropriation Act footnote)

- 9/ 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)
- 10/ 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, 2024. (General Appropriation Act footnote)
- 11/ 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)
- 12/ 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, 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)
- 13/ 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)

- 14/ 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)
- 15/ 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)
- 16/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$57,676,800 and 387.4 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	<u>FY 2023</u>
General Fund	\$19,630,000
Child Fatality Review Fund	196,500
Emergency Medical Services (EMS) Operating Fund	3,961,700
Environmental Laboratory Licensure Revolving Fund	962,000
Federal Child Care and Development Fund (CCDF) Block Grant	926,800
Health Services Licensing Fund	16,092,300
DHS Indirect Cost Fund	11,733,600
Newborn Screening Program Fund	432,800
Nursing Care Institution Resident Protection Revolving Fund	38,200
Vital Records Electronic Systems Fund	3,702,900

FY 2023 adjustments are as follows:

Certificates of Necessity Procedures

The budget includes an increase of \$627,000 and 5 FTE Positions from the General Fund in FY 2023 to increase funding for issuing Certificates of Necessity for ambulance services in compliance with Laws 2022, Chapter 381, which modified requirements for the department's application and issuance procedures.

Suicide Prevention Coordinator

The budget includes an increase of \$100,000 and 1 FTE Position from the General Fund in FY 2023 to shift a suicide prevention coordinator position from AHCCCS to DHS. The coordinator assists school districts and charter schools with suicide prevention efforts. The budget requires DHS to submit an annual report to JLBC and OSPB on the coordinator's accomplishments.

Lease-Purchase Payment Increase

The budget includes an increase of \$134,700 from the Indirect Cost Fund in FY 2023 to fund a lease-purchase payment increase associated with the department's main office building.

Remove One-Time Caregiver Modules

The budget includes a decrease of \$(160,000) from the General Fund in FY 2023 to remove one-time funding for cognitive decline and caregiver modules for Arizona's Behavioral Risk Factor Surveillance Survey.

Remove One-Time IT Upgrades

The budget includes a decrease of \$(1,000,000) from the General Fund in FY 2023 to remove one-time funding for 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. The FY 2023 budget extended the lapsing date of this appropriation through the end of FY 2023.

Remove One-Time Licensing System Funding

The budget includes a decrease of \$(1,000,000) from the Federal CCDF Block Grant in FY 2023 to remove one-time funding for development costs of a child care services licensing system.

Consolidate Funding

The budget includes an increase of \$2,305,000 and 29 FTE Positions from the Health Services Licensing Fund in FY 2023 to consolidate the Radiation Regulation line item into the operating budget to simplify the budget display.

Statewide Adjustments

The budget includes an increase of \$1,920,600 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	839,000
Emergency Medical Services (EMS) Operating Fund	130,400
Environmental Laboratory Licensure Revolving Fund	28,700

Federal Child Care and Development Fund (CCDF) Block Grant	42,700
Health Services Licensing Fund	521,700
DHS Indirect Cost Fund	296,800
Vital Records Electronic Systems Fund	61,300

(Please see the Agency Detail and Allocations section.)

FY 2023 Salary Increase

The budget includes \$9,910,000 in FY 2023 for an FY 2023 Salary Increase. This amount consists of:

General Fund	7,833,800
Emergency Medical Services (EMS) Operating Fund	206,200
Environmental Laboratory Licensure Revolving Fund	39,700
Federal Child Care and Development Fund (CCDF) Block Grant	71,800
Health Services Licensing Fund	868,200
DHS Indirect Cost Fund	565,100
Newborn Screening Program Fund	165,800
Vital Records Electronic Systems Fund	159,400

Of these amounts, \$7,631,100 is for a 10% minimum state employee salary increase and \$2,278,900 is for selected market adjustments above 10%. The budget requires all agencies receiving salary increases to transfer the monies in this line item to the relevant line items as part of the FY 2024 budget request submittals. These submittals will include the reallocation for both FY 2023 and FY 2024. (Please see the Agency Detail and Allocations section.)

Arizona State Hospital

ASH - Operating

The budget includes \$78,030,500 and 616.5 FTE Positions in FY 2023 for the ASH operating budget. These amounts consist of:

General Fund	75,134,700
ASH Fund	2,245,800
ASH Land Earnings Fund	650,000

FY 2023 adjustments are as follows:

Increased Operating Costs

The budget includes an increase of \$6,927,400 from the General Fund in FY 2023 to fund operating cost increases associated with higher staffing levels and contract increases for dietary services, pharmaceutical services,

Attorney General legal fees, and Arizona Department of Administration building maintenance services.

One-Time Surveillance System Replacement

The budget includes an increase of \$7,100,000 from the General Fund in FY 2023 for one-time replacement of the ASH surveillance system. The budget requires ASH to replace the current system with a system that includes both audio and visual capabilities.

Hiring Bonuses

The budget includes an increase of \$705,000 from the General Fund in FY 2023 to fund \$5,000 hiring bonuses for ASH nurses, behavioral health technicians, and therapy specialists. The bonuses will be paid in increments throughout the first year of employment.

IT Projects

The budget includes an increase of \$262,100 from the Arizona State Hospital Fund in FY 2023 to implement an ongoing replacement schedule for IT hardware.

Debt Payoff Savings

The budget includes a decrease of \$(2,973,000) from the General Fund in FY 2023 to remove the cost of paying debt service for the ASH Forensic Hospital. The budget includes \$93,500,000 from the General Fund in FY 2022 appropriated to the Arizona Department of Administration to pay for the retirement or defeasance of lease-purchase agreements for the ASH Forensic Hospital and Arizona Department of Corrections prison beds and water supply projects. (Please see the Capital Outlay Debt and Lease Purchase Financing section for more information.)

Statewide Adjustments

The budget includes an increase of \$1,821,000 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	1,820,900
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 2021, ASH had an average daily census of 98 patients in its civil commitment unit, 113 patients in its forensic unit, and 95 Sexually Violent Persons (SVPs), for a total of 306 patients.

ASH - Restoration to Competency

The budget includes \$900,000 from the ASH Fund in FY 2023 for ASH - Restoration to Competency. This amount is unchanged from FY 2022.

Background – ASH provides treatment to restore to competency individuals who are found incompetent to stand trial. In FY 2021, there was an average daily census of 6 RTC patients treated at ASH. RTC patients are treated in ASH’s forensic unit.

The FY 2023 Health Care BRB continues a provision to exempt county expenditures on Restoration to Competency from county expenditure limitations.

ASH - Sexually Violent Persons

The budget includes \$10,031,100 and 112.5 FTE Positions from the General Fund in FY 2023 for ASH - Sexually Violent Persons. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$295,000 from the General Fund in FY 2023 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 2021, ASH had an average daily census of 95 Sexually Violent Persons (SVPs).

Public Health/Family Health

Accelerated Nursing Programs

The budget includes \$50,000,000 from the General Fund in FY 2023 for Accelerated Nursing Programs. FY 2023 adjustments are as follows:

New Program

The budget includes an increase of \$50,000,000 from the General Fund in FY 2023 to expand the number of nursing degrees. Of this amount, the FY 2023 Health Care BRB requires 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.

The FY 2023 Health Care BRB also stipulates 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.

The monies appropriated are non-lapsing through FY 2024. Any unspent monies at the end of FY 2024 will revert to the General Fund.

Adult Cystic Fibrosis Care

The budget includes \$105,200 from the General Fund in FY 2023 for Adult Cystic Fibrosis Care. This amount is unchanged from FY 2022.

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 2023 for AIDS Reporting and Surveillance. This amount is unchanged from FY 2022.

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 2,915 clients in FY 2021.

Alzheimer's Disease Research

The budget includes \$3,625,000 from the General Fund in FY 2023 for Alzheimer's Disease Research. FY 2023 adjustments are as follows:

Fund Shift

The budget includes an increase of \$2,500,000 from the General Fund in FY 2023 with a corresponding decrease of \$(2,500,000) from the Prescription Drug Rebate Fund – State to shift funding sources for Alzheimer's Disease research.

The FY 2022 budget included a one-time increase of \$2,500,000 from the Prescription Drug Rebate Fund - State for Alzheimer's Disease research funding. The 3-year budget plan also included \$2,500,000 in one-time funding in FY 2023, which was included in the FY 2023 Baseline. The final FY 2023 budget included the \$2,500,000 from the General Fund as ongoing.

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.

Behavioral Health Care Provider Loan Repayment Program

The budget includes \$2,000,000 from the General Fund in FY 2023 for the Behavioral Health Care Provider Loan Repayment Program. FY 2023 adjustments are as follows:

New Program

The budget includes an increase of \$2,000,000 from the General Fund in FY 2023 for a loan repayment program for health care providers who practice in behavioral health facilities in Arizona. Of this amount, \$1,000,000 is one-time.

The program was established in the FY 2023 Health Care BRB 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.

Biomedical Research Support

The budget includes \$2,000,000 from the General Fund in FY 2023 for Biomedical Research Support. This amount is unchanged from FY 2022.

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 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 2023 for Breast and Cervical Cancer and Bone Density Screening. These amounts are unchanged from FY 2022.

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 2023 for County Tuberculosis Provider Care and Control. This amount is unchanged from FY 2022.

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.

Family Health Pilot Program

The budget includes \$3,000,000 from the General Fund in FY 2023 for a Family Health Pilot Program. FY 2023 adjustments are as follows:

Program Increase

The budget includes an increase of \$1,500,000 from the General Fund in FY 2023 to increase Family Health Pilot Program funding on a one-time basis.

The FY 2022 budget included \$1,500,000 in initial funding from the General Fund for a Family Health Pilot Program. The 3-year budget plan also included \$1,500,000 in one-

time funding in FY 2023, which was included in the FY 2023 Baseline. The final FY 2023 budget increases FY 2023 one-time funding to \$3,000,000. This funding will be removed in FY 2024.

The department is required 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.

Folic Acid Program

The budget includes \$400,000 from the TTHCF - Medically Needy Account in FY 2023 for the Folic Acid Program. This amount is unchanged from FY 2022.

This line item provides funding for the distribution of folic acid to women of childbearing age to help prevent birth defects. In FY 2021, 32,499 women received folic acid education and multivitamins.

High Risk Perinatal Services

The budget includes \$2,343,400 from the General Fund in FY 2023 for High Risk Perinatal Services. This amount is unchanged from FY 2022.

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 \$500,000 in FY 2023 for Homeless Pregnant Women Services. This amount consists of:

General Fund	300,000
Health Services Lottery Monies Fund	200,000

FY 2023 adjustments are as follows:

Program Increase

The budget includes an increase of \$300,000 from the General Fund in FY 2023 to increase Homeless Pregnant Women Services program funding on a one-time basis.

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 2023 Health Care 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 no funding from the General Fund in FY 2023 for a Medical Student Loan Fund Deposit. FY 2023 adjustments are as follows:

Remove One-Time Fund Deposit

The budget includes a decrease of \$(2,000,000) from the General Fund in FY 2023 to remove a one-time deposit to the Medical Student Loan Fund. The fund is used by the Board of Medical Student 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 \$12,222,700 and 24.1 FTE Positions from the Newborn Screening Program Fund in FY 2023 for the Newborn Screening Program. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(942,600) from the Newborn Screening Program Fund in FY 2023 to remove one-time equipment and start-up costs associated with expanding the number of conditions on the state's newborn screening panel.

Statewide Adjustments

The budget includes an increase of \$90,400 from the Newborn Screening Program Fund in FY 2023 for statewide adjustments.

The FY 2022 Health Budget Reconciliation Bill (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.

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 2021, the program provided screening for 74,693 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 2023 for Nonrenal Disease Management. This amount is unchanged from FY 2022.

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

Arizona Nurse Education Investment Pilot Program

The budget includes \$15,000,000 from the General Fund in FY 2023 for the Arizona Nurse Education Investment Pilot Program. FY 2023 adjustments are as follows:

New Program

The budget includes an increase of \$15,000,000 from the General Fund in FY 2023 for the Arizona Nurse Education Investment Pilot Program established by Laws 2022, Chapter 330. The monies are appropriated one-time and will be deposited to the newly-created Arizona Nurse Education Investment Pilot Program Fund to increase the capacity of nursing education programs in Arizona.

Chapter 330 requires DHS to allocate monies to the Arizona Board of Regents 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.

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

Nursing Care Special Projects

The budget includes \$200,000 from the Nursing Care Institution Resident Protection Revolving Fund in FY 2023 for special projects related to long-term care facilities. FY 2023 adjustment are as follows:

Program Increase

The budget includes an increase of \$100,000 from the Nursing Care Institution Resident Protection Revolving Fund in FY 2023 to increase Nursing Care Special Projects program funding.

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 2023 for Poison Control Centers. This amount is unchanged from FY 2022.

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 2021. 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 2021.

Preceptor Grant Program for Graduate Students

The budget includes \$500,000 from the General Fund in FY 2023 for a Preceptor Grant Program for Graduate Students. FY 2023 adjustments are as follows:

New Program

The budget includes an increase of \$500,000 from the General Fund in FY 2023 for a Preceptor Grant Program for Graduate Students established by Laws 2022, Chapter 330. The monies are appropriated one-time 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. Chapter 330 requires DHS to allocate the monies to the 5 largest statewide nonprofit organization representing these professions in proportion to the number 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 a 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.

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

Renal Dental Care and Nutrition Supplements

The budget includes \$300,000 from the TTHCF - Medically Needy Account in FY 2023 for Renal Dental Care and Nutrition Supplements. This amount is unchanged from FY 2022.

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 2023 for Renal Transplant Drugs. This amount is unchanged from FY 2022.

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 2021, 38 people received anti-rejection medication assistance.

Rural Prenatal Services

The budget includes no funding from the General Fund in FY 2023 for Rural Prenatal Services. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(500,000) from the General Fund in FY 2023 to remove one-time funding for rural prenatal services. The funding provided 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 one-time in FY 2021 and FY 2022.

DHS used 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.

Bureau of Radiation Control

Radiation Regulation

The budget includes no funding in FY 2023 for Radiation Regulation. FY 2023 adjustments are as follows:

Consolidate Funding

The budget includes a decrease of \$(2,305,000) and (29) FTE Positions from the Health Services Licensing Fund in FY 2023 to consolidate the Radiation Regulation line item into the operating budget to simplify the budget display.

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

Other Issues

Statutory Changes

The FY 2023 Health Care BRB would:

- 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, establishes the Behavioral Health Care Provider Loan Repayment Program to provide loan repayment assistance to behavioral health technicians, nurses, physicians, psychiatrists, psychologists, and other behavioral health providers who agree to work in a behavioral health hospitals or behavioral health residential facility for at least 2 years. Awards are limited to the amount of principal, interest and related expenses of educational loans

and are capped at \$50,000 in the first 2 years of service and \$25,000 for subsequent years.

- As session law, requires DHS to distribute monies appropriated for accelerated nursing programs as follows:
 - \$6,000,000 to a private university with a health sciences campus located in Phoenix for capital costs associated with adding a new cohort of accelerating nursing students.
 - \$44,000,000 to public and private universities and community colleges for the purpose of expanding accelerated nursing programs. Requires at least 80% of the monies to be used for scholarship costs and no more than 20% to be used for faculty and equipment costs. Requires scholarship recipients to practice nursing in Arizona for at least 4 years after graduation. States that priority will be given to 12-month programs, but programs up to 18 months in length are also eligible. Requires students to reimburse universities if the service commitment is not fulfilled. States that the monies do not supplant other institutional aid sources and may only be used for newly added program seats. Requires recipients to report annually on the number of students awarded a scholarship, number of students completing a service commitment, and the number of students required to provide reimbursement.
- As session law, accelerates the transfer of the Psychiatric Security Review Board to the Superior Court from June 30, 2023 to January 1, 2023.
- As session law, provides a rulemaking exemption for air ambulance service medical staffing.

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.

We estimate that excise tax collections will be approximately \$120,142,800 in FY 2022, increasing to \$132,157,000 in FY 2023 and \$145,372,700 in FY 2024. These estimates are based on recreational marijuana sales in the first quarter of FY 2022. Actual collections will ultimately depend on total sales generated at full implementation of the program.

Before any distributions are made from the fund, DHS, the Department of Revenue, the Supreme Court, the Department of Public Safety, and the State Treasurer receive monies based on self-determined "actual and reasonable" costs associated with certain requirements of the initiative. Agencies have not yet determined how much will be used for administrative costs.

After state agency distributions, the remaining funds are distributed accordingly:

- 33.0% to community college districts, including:
- 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:
- 0.2% to the Attorney General for enforcement.

Since agencies have not yet determined FY 2023 administrative costs, we are not able to estimate how much will be distributed to each recipient.