

Department of Health Services

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,135.5	1,141.5	1,149.0 ^{1/}
Personal Services	20,148,900	28,583,300	28,583,300
Employee Related Expenditures	7,826,600	11,818,600	11,513,600
Professional and Outside Services	2,096,200	2,090,100	2,259,300
Travel - In State	395,000	526,100	526,100
Travel - Out of State	18,600	111,200	111,200
Other Operating Expenditures	15,553,500	17,085,600	17,507,100
Equipment	458,300	707,400	707,400
OPERATING SUBTOTAL	46,497,100	60,922,300	61,208,000 ^{2/}
SPECIAL LINE ITEMS			
Arizona State Hospital			
Arizona State Hospital-Operating	61,334,200	89,208,500	86,616,700 ^{3/}
Arizona State Hospital-Restoration to Competency	900,000	900,000	900,000
Arizona State Hospital-Sexually Violent Persons	9,321,400	10,951,800	10,881,900
Public Health			
Adult Cystic Fibrosis Care	78,900	105,200	105,200
AIDS Reporting and Surveillance	924,500	1,000,000	1,000,000
Alzheimer's Disease Research	3,625,000	3,625,000	4,125,000 ^{4/}
Biomedical Research Support	1,500,600	2,000,000	2,000,000 ^{5/}
Breast and Cervical Cancer and Bone Density Screening	538,700	1,369,400	1,369,400
County Tuberculosis Provider Care and Control	392,400	590,700	590,700
Dementia Awareness Campaign	0	0	750,000 ^{6/}
Dementia Services Program and Alzheimer's Disease State Plan	0	0	964,100 ^{7/}
Fentanyl Testing Strips and Mass Spectrometers	0	0	300,000
Funeral Services Regulation	0	870,000 ^{8/9/}	459,400 ^{9/}
Health Crisis Review Centers and Wraparound Services	0	0	5,000,000
Nonrenal Disease Management	0	198,000	198,000 ^{10/}
Nursing Care Special Projects	14,200	200,000	200,000
Poison Control Centers Funding	485,500	990,000	990,000
Psilocybin Research	0	0	5,000,000
Radiation Regulation	2,145,600	0	0
Renal Dental Care and Nutrition Supplements	225,000	300,000	300,000
Renal Transplant Drugs	137,300	183,000	183,000
Trauma Recovery Center Fund Deposit	0	0	7,000,000 ^{11/}
Family Health			
Family Health Pilot Program	197,100	3,000,000	0
Folic Acid Program	367,600	400,000	400,000
High Risk Perinatal Services	1,664,400	2,343,400	2,343,400
Homeless Pregnant Women Services	200,000	500,000	0
Newborn Screening Program	5,490,500	12,388,500	12,369,800
Nurse-Family Partnership Programs	0	0	2,500,000
Medical Provider Support			
Accelerated Nursing Programs	0	50,000,000	0
Behavioral Health Care Provider Loan Repayment Program	0	2,000,000 ^{12/}	1,000,000
Collaborative Care Uptake Fund Deposit	0	0	1,000,000
Medical Student Loan Fund Deposit	2,000,000	0	0
Arizona Nurse Education Investment Pilot Program	0	15,000,000	15,000,000
Preceptor Grant Program for Graduate Students	0	500,000	500,000 ^{13/}
AGENCY TOTAL	138,040,000	259,545,800	225,254,600 ^{14/15/}

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 APPROVED
FUND SOURCES			
General Fund	91,866,300	200,434,300	166,360,900
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	2,785,400	3,145,800	3,145,800
ASH Land Earnings Fund	650,000	650,000	650,000
Child Fatality Review Fund	179,800	196,500	196,500
Disease Control Research Fund	924,500	1,000,000	1,000,000
Emergency Medical Services Operating Fund	2,647,100	4,167,900	4,209,500
Environmental Laboratory Licensure Revolving Fund	529,100	1,001,700	995,500
Federal Child Care and Development Fund Block Grant	1,683,700	998,600	992,500
Health Services Licensing Fund	13,637,000	17,830,500	17,416,400
Health Services Lottery Monies Fund	200,000	200,000	0
Indirect Cost Fund	10,938,300	12,298,700	12,673,500
Newborn Screening Program Fund	5,540,300	12,821,300	12,802,900
Nursing Care Institution Resident Protection Revolving Fund	14,200	238,200	238,200
Prescription Drug Rebate Fund	2,500,000	0	0
Tobacco Tax and Health Care Fund - Medically Needy Account	592,600	700,000	700,000
Vital Records Electronic Systems Fund	3,351,700	3,862,300	3,872,900
SUBTOTAL - Other Appropriated Funds	46,173,700	59,111,500	58,893,700
SUBTOTAL - Appropriated Funds	138,040,000	259,545,800	225,254,600
Other Non-Appropriated Funds	64,450,100	105,698,200	105,698,200
Federal Funds	687,896,000	568,954,800	568,954,800
TOTAL - ALL SOURCES	890,386,100	934,198,800	899,907,600

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

FOOTNOTES

- 1/ Includes 733.5 GF and 28.1 OF FTE Positions funded from Special Line Items in FY 2024.
- 2/ Of the amount appropriated for the operating lump sum, \$100,000 shall be used for a suicide prevention coordinator to assist school districts and charter schools in suicide prevention efforts. On or before September 1, 2024, 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 2023-2024. (General Appropriation Act footnote)
- 3/ 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)
- 4/ 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)

- 5/ 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, 2025. (General Appropriation Act footnote)
- 6/ The appropriation is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 7/ The appropriated amount for the dementia services program and Alzheimer's disease state plan line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2026. The legislature intends that the appropriation be used for fiscal years 2023-2024, 2024-2025 and 2025-2026. (General Appropriation Act footnote)
- 8/ Notwithstanding any other law, the department of health services may use up to \$870,000 from the health services licensing fund established by section 36-414, Arizona Revised Statutes, as amended by this act, to assist in the transference of authority, powers, duties and responsibilities from the state board of funeral directors and embalmers to the department of health services. (Laws 2023, Chapter 194) Based on guidance from Legislative Council, the appropriation is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations.
- 9/ Laws 2023, Chapter 194 appropriates \$870,000 from the Health Services Licensing Fund in FY 2023 to DHS. Chapter 194 also transfers the resources of the State Board of Funeral Directors and Embalmers as originally appropriated by the FY 2024 General Appropriation Act to DHS for FY 2024.
- 10/ 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)
- 11/ The amount appropriated in the trauma recovery center fund deposit line item shall be deposited in the trauma recovery center fund established by section 36-4102, Arizona Revised Statutes and is appropriated from the fund for the purposes of that section. Not more than five percent of the monies deposited in the fund may be used by the department of health services to administer the fund. The department shall use the remaining monies to provide all of the following:
 1. A technical assistance grant to help establish, train and coordinate a state pilot trauma recovery center.
 2. Three years of operational and service costs of the state pilot trauma recovery center.
 3. A grant to a public research institution to track data and outcomes of the state pilot trauma recovery center and to produce a report at the conclusion of the pilot. (General Appropriation Act footnote)
- 12/ Of the amount appropriated to the department of health services for the behavioral health care provider loan repayment program in fiscal year 2022-2023 pursuant to Laws 2022, chapter 313, section 44, \$1,000,000 from the state general fund is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2024. (FY 2024 General Appropriation Act footnote)
- 13/ The amount appropriated to the department of health services for the preceptor grant program for graduate students is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations. Any monies remaining unexpended on July 1, 2026 revert to the state general fund. (General Appropriation Act footnote)
- 14/ The department of health services shall electronically forward to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate and house of representatives appropriations committees and the director of the joint legislative budget committee a monthly report comparing total expenditures for the month and year-to-date as compared to prior-year totals on or before the thirtieth of the following month. Each report shall include an estimate of potential shortfalls in programs, potential federal and other monies, such as the statewide assessment for indirect costs, that may be available to offset these shortfalls, and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation. (General Appropriation Act footnote)
- 15/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$61,208,000 and 387.4 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	FY 2024
General Fund	\$20,839,300
Child Fatality Review Fund	196,500
Emergency Medical Services (EMS)	4,209,500
Operating Fund	

Environmental Laboratory Licensure Revolving Fund	995,500
Federal Child Care and Development Fund (CCDF) Block Grant	992,500
Health Services Licensing Fund	16,957,000
DHS Indirect Cost Fund	12,673,500
Newborn Screening Program Fund	433,100
Nursing Care Institution Resident Protection Revolving Fund	38,200
Vital Records Electronic Systems Fund	3,872,900
Adjustments are as follows:	

Statewide Adjustments

The budget includes an increase of \$285,700 in FY 2024 for statewide adjustments. This amount consists of:

General Fund	(125,800)
Emergency Medical Services (EMS) Operating Fund	41,600
Environmental Laboratory Licensure Revolving Fund	(6,200)
Federal Child Care and Development Fund (CCDF) Block Grant	(6,100)
Health Services Licensing Fund	(3,500)
DHS Indirect Cost Fund	374,800
Newborn Screening Program Fund	300
Vital Records Electronic Systems Fund	10,600

(Please see the Agency Detail and Allocations section.)

Arizona State Hospital

ASH - Operating

The budget includes \$86,616,700 and 616.5 FTE Positions in FY 2024 for the ASH operating budget. These amounts consist of:

General Fund	83,720,900
ASH Fund	2,245,800
ASH Land Earnings Fund	650,000

Adjustments are as follows:

Increased Operating Costs

The budget includes an increase of \$7,035,200 from the General Fund in FY 2024 to fund contract increases. Of this amount, \$1,065,200 is ongoing for dietary services, pharmaceutical services, legal and risk management fees, building maintenance services, and fleet management. The remaining \$5,970,000 is one-time for registry staffing services.

One-Time ASH Surveillance System Upgrades

The budget includes a one-time increase of \$3,500,000 from the General Fund in FY 2024 to complete replacement of the ASH video surveillance system.

Remove One-Time Surveillance System Replacement

The budget includes a decrease of \$(7,100,000) from the General Fund in FY 2024 for the elimination of one-time funding to replace the ASH surveillance system. The FY 2023 budget required ASH to replace the current system with a system that includes both audio and visual capabilities.

Remove One-Time Supplemental Funding

The budget includes a decrease of \$(5,600,000) from the General Fund in FY 2024 to remove one-time FY 2023 supplemental funding associated with an ASH operating shortfall. (Please see Other Issues section for further details.)

Statewide Adjustments

The budget includes a decrease of \$(427,000) from the General Fund in FY 2024 for statewide adjustments.

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 2022, ASH had an average daily census of 103 patients in its civil commitment unit, 110 patients in its forensic unit, and 110 Sexually Violent Persons (SVPs), for a total of 323 patients.

ASH - Restoration to Competency

The budget includes \$900,000 from the ASH Fund in FY 2024 for ASH - Restoration to Competency. This amount is unchanged from FY 2023.

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

ASH provides treatment to restore to competency individuals who are found incompetent to stand trial. In FY 2022, there was an average daily census of 5 RTC patients treated at ASH. RTC patients are treated in ASH's forensic unit.

The FY 2024 Health Care Budget Reconciliation Bill (BRB) continues a provision to exempt county expenditures on Restoration to Competency from county expenditure limitations.

ASH - Sexually Violent Persons

The budget includes \$10,881,900 and 112.5 FTE Positions from the General Fund in FY 2024 for ASH - Sexually Violent Persons. Adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(69,900) from the General Fund in FY 2024 for statewide adjustments.

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

After serving their prison sentence, some persons convicted of sexually violent crimes may be remanded by the courts for further confinement and treatment. These individuals are housed at the Arizona State Hospital. In FY 2022, ASH had an average daily census of 110 Sexually Violent Persons (SVPs).

Public Health

Adult Cystic Fibrosis Care

The budget includes \$105,200 from the General Fund in FY 2024 for Adult Cystic Fibrosis Care. This amount is unchanged from FY 2023.

In FY 2022, this line item provided contracted care and treatment services through Phoenix Children's Hospital for 39 individuals with cystic fibrosis.

AIDS Reporting and Surveillance

The budget includes \$1,000,000 from the Disease Control Research Fund in FY 2024 for AIDS Reporting and Surveillance. This amount is unchanged from FY 2023.

The line item provides \$125,000 for a database system administered by Maricopa and Pima Counties to track the incidence of Acquired Immune Deficiency Syndrome (AIDS) and AIDS-related conditions. The remaining \$875,000 funds medications under the Arizona AIDS Drug Assistance Program (ADAP), which also receives Federal Funds for the medications. The ADAP program served approximately 3,047 clients in FY 2022.

Alzheimer's Disease Research

The budget includes \$4,125,000 from the General Fund in FY 2024 for Alzheimer's Disease Research. Adjustments are as follows:

Funding Increase

The budget includes an increase of \$500,000 from the General Fund in FY 2024 for Alzheimer's disease research grants.

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

Biomedical Research Support

The budget includes \$2,000,000 from the General Fund in FY 2024 for Biomedical Research Support. This amount is unchanged from FY 2023.

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 2024 for Breast and Cervical Cancer and Bone Density Screening. These amounts are unchanged from FY 2023.

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 2024 for County Tuberculosis Provider Care and Control. This amount is unchanged from FY 2023.

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

Dementia Awareness Campaign

The budget includes \$750,000 from the General Fund in FY 2024 for a Dementia Awareness Campaign. Adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$750,000 from the General Fund in FY 2024 to fund a dementia awareness campaign for rural and underserved urban areas in Arizona.

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

A General Appropriation Act footnote makes these monies non-lapsing.

Dementia Services Program and Alzheimer's Disease State Plan

The budget includes \$964,100 and 2 FTE Positions from the General Fund in FY 2024 for a Dementia Services Program and Alzheimer's Disease State Plan. Adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$964,100 and 2 FTE Positions from the General Fund in FY 2024 for DHS to establish a dementia services program and develop an Alzheimer's disease state plan, as required by the FY 2024 Health Care BRB.

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

By July 1, 2024, and June 30, 2026, DHS must review and submit an updated Alzheimer's disease state plan to the Governor, the President of the Senate, and the Speaker of the House.

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

Fentanyl Testing Strips and Mass Spectrometers

The budget includes \$300,000 from the General Fund in FY 2024 for Fentanyl Testing Strips and Mass Spectrometers. Adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$300,000 from the General Fund in FY 2024 for DHS to purchase and distribute fentanyl testing strips and mass spectrometers.

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

Funeral Services Regulation

The budget includes \$459,400 and 4 FTE Positions from the Health Services Licensing Fund in FY 2024 for Funeral Services Regulation. Adjustments are as follows:

Agency Transfer

The budget includes an increase of \$476,800 and 4 FTE Positions from the Health Services Licensing Fund in FY

2024 to transfer the FY 2024 appropriation for the State Board of Funeral Directors and Embalmers (Funeral Board) to the department, pursuant to Laws 2023, Chapter 194.

Remove Supplemental Funding

The budget includes a decrease of \$(870,000) from the Health Services Licensing Fund in FY 2024 to remove one-time FY 2023 funding to assist in the transfer of powers and duties from the Funeral Board to the department, as authorized by Chapter 194. *(Please see Other Issues section for further details.)*

Statewide Adjustments

The budget includes a decrease of \$(17,400) from the Health Services Licensing Fund in FY 2024 for statewide adjustments.

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

Pursuant to Chapter 194, all unencumbered and unexpended monies were transferred to DHS on the effective date, and all fees and monies collected in accordance with funeral services statutes are deposited into the Health Services Licensing Fund. The legislation removes all statutorily set fees for funeral services and allows DHS to determine the new amounts.

To assist the DHS director in regulating funeral services, the legislation establishes an advisory committee consisting of seven members appointed by the Governor. The advisory committee will be required to provide annual evaluations to the Governor regarding the performance of DHS in administering funeral services statutes.

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

Health Crisis Review Centers and Wraparound Services

The budget includes \$5,000,000 from the General Fund in FY 2024 for Health Crisis Review Centers and Wraparound Services. Adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$5,000,000 from the General Fund in FY 2024 for DHS to provide grants for mental health crisis relief centers that provide short-term supportive housing and peer support.

Nonrenal Disease Management

The budget includes \$198,000 from the General Fund in FY 2024 for Nonrenal Disease Management. This amount is unchanged from FY 2023.

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

Nursing Care Special Projects

The budget includes \$200,000 from the Nursing Care Institution Resident Protection Revolving Fund in FY 2024 for special projects related to long-term care facilities. This amount is unchanged from FY 2023.

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

Poison Control Centers Funding

The budget includes \$990,000 from the General Fund in FY 2024 for Poison Control Centers. This amount is unchanged from FY 2023.

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 2022. A.R.S. § 32-1907 allows the Board of Pharmacy to transfer up to \$1,000,000 from the Arizona State Board of Pharmacy Fund to the University of Arizona (UA) Poison Control Information Center. However, this amount is not reflected in the table at the beginning of this narrative. The Board of Pharmacy transferred \$500,000 to the UA Poison Control Center in FY 2022.

Psilocybin Research

The budget includes \$5,000,000 from the General Fund in FY 2024 for Psilocybin Research. Adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$5,000,000 from the General Fund in FY 2024 for DHS to provide psilocybin clinical research grants.

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

Renal Dental Care and Nutrition Supplements

The budget includes \$300,000 from the TTHCF - Medically Needy Account in FY 2024 for Renal Dental Care and Nutrition Supplements. This amount is unchanged from FY 2023.

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 2024 for Renal Transplant Drugs. This amount is unchanged from FY 2023.

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 2022, 68 people received anti-rejection medication assistance.

Trauma Recovery Center Fund Deposit

The budget includes \$7,000,000 and 1.5 FTE Positions from the General Fund in FY 2024 for a Trauma Recovery Center Fund Deposit. Adjustments are as follows:

One-Time Fund Deposit

The budget includes a one-time increase of \$7,000,000 and 1.5 FTE Positions from the General Fund in FY 2024 for deposit into the Trauma Recovery Center Fund.

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

Family Health

Family Health Pilot Program

The budget includes no funding in FY 2024 for a Family Health Pilot Program. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(3,000,000) from the General Fund in FY 2024 to eliminate one-time funding for the Family Health Pilot Program.

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. The final FY 2023 budget increased FY 2023 one-time funding to \$3,000,000. The budget removes this funding 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. *(Please see the FY 2023 General Appropriation Act and the FY 2023 Appropriations Report for the specific distribution requirements.)*

Folic Acid Program

The budget includes \$400,000 from the TTHCF - Medically Needy Account in FY 2024 for the Folic Acid Program. This amount is unchanged from FY 2023.

This line item provides funding for the distribution of folic acid to women of childbearing age to help prevent birth defects. In FY 2022, 28,708 women received folic acid education and multivitamins.

High Risk Perinatal Services

The budget includes \$2,343,400 from the General Fund in FY 2024 for High Risk Perinatal Services. This amount is unchanged from FY 2023.

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 no funding in FY 2024 for Homeless Pregnant Women Services. Adjustments are as follows:

Remove Funding

The budget includes a decrease of \$(500,000) in FY 2024 to eliminate funding for the Homeless Pregnant Women Services program. This amount consists of:

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

The 3-year spending plan associated with the enacted FY 2022 budget included one-time appropriations of \$100,000 from the Health Services Lottery Monies Fund in FY 2022 and FY 2023, and \$300,000 from the General Fund in FY 2023. The FY 2024 budget removes this funding and eliminates the remaining \$100,000 of Health Services Lottery Monies funding.

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.

Newborn Screening Program

The budget includes \$12,369,800 and 24.1 FTE Positions from the Newborn Screening Program Fund in FY 2024 for the Newborn Screening Program. Adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(18,700) from the Newborn Screening Program Fund in FY 2024 for statewide adjustments.

The FY 2022 Health Budget Reconciliation Bill (BRB) required 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 2022, the program provided screening for 78,871 newborns. The program also provides follow-up counseling for the parents of affected newborns. The State Health Laboratory is the designated laboratory for testing, but DHS may designate other laboratories as testing facilities for conditions or tests added to the screening program.

Nurse-Family Partnership Programs

The budget includes \$2,500,000 from the General Fund in FY 2024 for Nurse-Family Partnership Programs. Adjustments are as follows:

One-Time Program Funding

The budget includes an increase of \$2,500,000 from the General Fund in FY 2024 for DHS to fund nurse-family partnership programs.

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

Medical Provider Support

Accelerated Nursing Programs

The budget includes no funding in FY 2024 for Accelerated Nursing Programs. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(50,000,000) from the General Fund in FY 2024 to remove one-time funding to expand the number of nursing degrees.

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

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

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

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

An FY 2023 General Appropriation Act footnote makes these monies non-lapsing through FY 2024. Any unspent monies at the end of FY 2024 will revert to the General Fund.

Behavioral Health Care Provider Loan Repayment Program

The budget includes \$1,000,000 from the General Fund in FY 2024 for the Behavioral Health Care Provider Loan Repayment Program. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(1,000,000) from the General Fund in FY 2024 to remove one-time funding for a loan repayment program for health care providers who practice in behavioral health facilities in Arizona. An FY 2024 General Appropriations Act footnote makes the FY 2023 appropriation for this line item non-lapsing through FY 2024.

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

Collaborative Care Uptake Fund Deposit

The budget includes \$1,000,000 from the General Fund in FY 2024 for a Collaborative Care Uptake Fund Deposit. Adjustments are as follows:

One-Time General Fund Deposit

The budget includes an increase of \$1,000,000 from the General Fund in FY 2024 for deposit into the Collaborative Care Uptake Fund, as created by the FY 2024 Health Care BRB.

Monies deposited into this fund are used to provide grants to primary care physicians (PCPs) in medical practices with fewer than 50 employees who establish and deliver services through the collaborative care model, an evidence-based, integrated behavioral health service delivery method requiring a formal arrangement between a PCP, a care manager, and a psychiatrist. This line item also funds grants to collaborative care technical assistance centers that aid PCPs in providing integrated behavioral health services.

Arizona Nurse Education Investment Pilot Program

The budget includes \$15,000,000 from the General Fund in FY 2024 for the Arizona Nurse Education Investment Pilot Program. This amount is unchanged from FY 2023.

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

The 3-year spending plan associated with the enacted FY 2023 budget included \$15,000,000 from the General Fund for this line item in FY 2023, FY 2024, and FY 2025. Of this amount, the Arizona Board of Regents (ABOR) expects the universities to receive \$5.7 million annually through FY 2025, with \$3.0 million for ASU, \$1.4 million for NAU, and \$1.3 million for UA. The remaining \$9.3 million will go to community college programs.

These monies are one-time through FY 2025. Any monies remaining in the fund at the end of FY 2026 will revert to the General Fund.

Preceptor Grant Program for Graduate Students

The budget includes \$500,000 from the General Fund in FY 2024 for a Preceptor Grant Program for Graduate Students. This amount is unchanged from FY 2023.

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

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

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

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

Other Issues

This section includes information on the following topics:

- FY 2023 Supplementals
- Statutory Changes
- Long-Term Budget Impacts

FY 2023 Supplementals

The FY 2024 budget includes an FY 2023 supplemental appropriation of \$5,600,000 from the General Fund for an operating shortfall at the Arizona State Hospital. The shortfall is primarily attributable to higher-than-anticipated registry staffing and pharmacy costs.

The FY 2024 budget also includes an FY 2023 supplemental appropriation of \$870,000 from the Health Services Licensing Fund to assist in the transference of Funeral Board responsibilities to the department, as required by Laws 2023, Chapter 194. The legislation instructed all unexpended and unencumbered monies from the Funeral Board Fund be transferred to the Health Services Licensing Fund on the bill's effective date, June 20, 2023.

Statutory Changes

The Health Care BRB makes the following statutory changes:

- As session law, continues to exempt county expenditures on Restoration to Competency treatment at the Arizona State Hospital from county expenditure limitations.
- As session law, establishes the non-appropriated Collaborative Care Uptake Fund and directs DHS to use the fund to award grant monies to primary care physicians meeting certain requirements related to behavioral health integration. Allows DHS to use up to 3% of monies in the fund for administrative costs.
- As session law, establishes the Dementia Services Program within DHS and requires the Department to develop an Alzheimer's Disease State Plan. Requires DHS to review and submit an updated state plan to

the Legislature on or before July 1, 2024. Includes a delayed repeal date of June 30, 2026.

- As session law, instructs DHS how to distribute monies appropriated for a dementia public awareness campaign and require DHS to report on the impact of the campaign by June 30, 2025.
- As session law, stipulates that monies appropriated to DHS for psilocybin research be used to distribute competitive grants for phase I, II, and III clinical trials to evaluate the effects of whole mushroom psilocybin on treating specified disorders, including PTSD. Allow up to 2% of monies in the fund to be used for administrative costs. Establishes the psilocybin research advisory council to oversee the competitive grant application process and make recommendations to the Legislature on psychedelic-assisted therapy annually. Includes a delayed repeal date of June 30, 2026.

Long-Term Budget Impacts

As part of the FY 2024 budget's 3-year spending plan, DHS's General Fund costs are projected to decrease by \$(31,984,100) in FY 2025 below FY 2024 and \$(15,500,000) in FY 2026 below FY 2025.

The FY 2025 estimate is based on \$(31,984,100) to remove one-time funding as follows:

- \$(3,500,000) for ASH surveillance system upgrades.
- \$(5,970,000) for ASH registry staffing costs.
- \$(750,000) for a dementia awareness campaign.
- \$(964,100) for a dementia services program and Alzheimer's disease state plan.
- \$(300,000) for the purchase of fentanyl testing strips and mass spectrometers.
- \$(5,000,000) for grants to mental health crisis relief centers.
- \$(5,000,000) for psilocybin research grants.
- \$(7,000,000) for trauma recovery center grants.
- \$(2,500,000) for nurse-family partnership programs.
- \$(1,000,000) for a deposit into the Collaborative Care Uptake Fund.

The FY 2026 estimate is based on:

- \$(15,000,000) for the removal of one-time nurse education investment pilot program funding.
- \$(500,000) for the removal of one-time grants for preceptor training programs.