

Department of Health Services

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,149.0	1,168.0	1,171.0
Personal Services	26,863,300	29,768,300	29,081,300
Employee Related Expenditures	10,173,400	12,109,100	12,489,700
Professional and Outside Services	1,880,000	2,826,100	2,826,100
Travel - In State	490,800	727,900	727,900
Travel - Out of State	109,100	131,800	131,800
Other Operating Expenditures	15,627,900	19,484,600	20,820,200
Equipment	339,400	311,500	311,500
OPERATING SUBTOTAL	55,483,900	65,359,300	66,388,500 ^{1/}
SPECIAL LINE ITEMS			
Arizona State Hospital			
Arizona State Hospital-Operating	78,431,400	81,637,800	81,763,100 ^{2/}
Arizona State Hospital-Restoration to Competency	793,800	900,000	900,000
Arizona State Hospital-Sexually Violent Persons	12,798,700	11,330,900	12,980,200
Public Health			
Adult Cystic Fibrosis Care	105,200	105,200	105,200
AIDS Reporting and Surveillance	893,600	1,000,000	1,000,000
Alzheimer's Disease Research	4,125,000	4,125,000	4,125,000 ^{3/}
Biomedical Research Support	1,500,600	2,000,000	2,000,000 ^{4/}
Breast and Cervical Cancer and Bone Density Screening	820,100	1,369,400	1,369,400
Counseling Services for Parents of Deceased Children	0	500,000 ^{5/}	0
County Tuberculosis Provider Care and Control	274,600	590,700	590,700
Dementia Awareness Campaign	243,300	0	750,000 ^{6/7/}
Dementia Services Program and Alzheimer's Disease State Plan	157,800	0	0
Fentanyl Testing Strips and Mass Spectrometers	203,300	0	0
Funeral Services Regulation	394,600	459,400	460,600
Health Care Directives Registry	0	0	2,000,000 ^{8/}
Health Crisis Review Centers and Wraparound Services	5,000,000	0	0
Heat Mitigation in Southern Arizona	0	500,000	0
Ibogaine Clinical Research Grants	0	0	5,000,000 ^{9/10/}
Nonrenal Disease Management	167,000	198,000	198,000 ^{11/}
Nursing Care Special Projects	44,200	200,000	200,000
Poison Control Centers Funding	485,500	990,000	990,000
Preventative Health Services for Low-Income, Underserved Women	0	500,000 ^{12/}	0
Psilocybin Research	212,300	0	0
Renal Dental Care and Nutrition Supplements	150,000	300,000	300,000
Renal Transplant Drugs	137,300	183,000	183,000
Senior Health Promotion in Santa Cruz County	0	1,000,000 ^{13/}	0
Southern Arizona Counseling and Community Service Grants	0	1,000,000 ^{14/}	0
Trauma Recovery Center Fund Deposit	7,000,000	0	0
Family Health			
Advisory Committee on Maternal Mental Health Technical Assistance	0	0	100,000
Folic Acid Program	258,200	400,000	400,000
High Risk Perinatal Services	2,142,500	2,343,400	2,343,400
Newborn Screening Program	11,407,200	12,419,300	15,212,100
Nurse-Family Partnership Programs	0	0	0
Medical Provider Support			
Accelerated Nursing Programs	0	0	0

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 APPROVED
Behavioral Health Care Provider Loan Repayment Program	107,800	1,000,000	1,000,000
Clinical Healthcare Training Program	0	0	100,000 ^{15/}
Collaborative Care Uptake Fund Deposit	1,000,000	0	0
International Medical School Collaboration	0	0	125,000 ^{16/}
Arizona Nurse Education Investment Pilot Program	15,000,000	0	1,500,000
Preceptor Grant Program for Graduate Students	118,600	500,000	0
AGENCY TOTAL	199,456,500	190,911,400	202,084,200 ^{17/18/}

FUND SOURCES

General Fund	146,977,000	122,466,300	127,571,300
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	3,039,600	3,395,700	3,395,700
ASH Land Earnings Fund	621,700	3,978,200	1,596,600
Child Fatality Review Fund	170,000	196,500	196,500
Disease Control Research Fund	893,600	1,000,000	1,000,000
Emergency Medical Services Operating Fund	3,445,900	4,260,700	4,278,400
Environmental Laboratory Licensure Revolving Fund	823,000	1,008,400	1,013,100
Federal Child Care and Development Fund Block Grant	977,200	1,011,300	1,286,500
Health Services Licensing Fund	15,821,300	19,599,900	23,391,400
Health Services Lottery Monies Fund	0		2,000,000
Indirect Cost Fund	12,129,600	13,323,700	13,822,200
Newborn Screening Program Fund	11,797,000	12,838,700	15,631,200
Nursing Care Institution Resident Protection Revolving Fund	44,200	238,200	238,200
Tobacco Tax and Health Care Fund - Health Research Account	0	3,000,000	2,000,000
Tobacco Tax and Health Care Fund - Medically Needy Account	408,200	700,000	700,000
Vital Records Electronic Systems Fund	2,308,200	3,893,800	3,963,100
SUBTOTAL - Other Appropriated Funds	52,479,500	68,445,100	74,512,900
SUBTOTAL - Appropriated Funds	199,456,500	190,911,400	202,084,200
Other Non-Appropriated Funds	74,785,900	97,415,300	97,415,300
Federal Funds	504,518,300	480,275,400	480,275,400
TOTAL - ALL SOURCES	778,760,700	768,602,100	779,774,900

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/ 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, 2026, 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 2025-2026. (General Appropriations Act footnote)
- 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 Appropriations Act footnote)
- 3/ 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 Appropriations Act footnote)

- 4/ 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, 2027. (General Appropriations Act footnote)
- 5/ The amount appropriated for counseling services for parents whose children have died as a result of violence in fiscal year 2024-2025 pursuant to Laws 2024, chapter 209, section 130 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2026. (General Appropriations Act footnote)
- 6/ The department of health services shall distribute the monies appropriated for fiscal year 2025-2026 for the dementia awareness campaign line item to a nonprofit organization to implement a public education campaign to increase awareness of Alzheimer's disease and dementia in rural and underserved urban areas in this state. The nonprofit organization that receives monies pursuant to this subsection must do all of the following:
 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.

On or before November 1, 2026, the department of health services shall submit a report regarding the impact of the public awareness campaign to the governor, the president of the senate and the speaker of the house of representatives. The department shall submit a copy of the report to the secretary of state. (General Appropriations Act footnote)
- 7/ The amount appropriated for the dementia awareness campaign line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2027. (General Appropriations Act footnote)
- 8/ On or before December 31, 2025 and June 30, 2026, the department of health services shall submit to the governor, the speaker of the house of representatives and president of the senate a report that includes the following information:
 1. An overview of the operations and technological capabilities of the health care directives registry.
 2. The total number of individual accounts.
 3. The number of individual accounts created in the preceding six months.
 4. The total number of document uploads.
 5. The total number of document uploads in the preceding six months.
 6. The total subscriber organizations using the health care directives registry.
 7. A description of the subscriber organizations using the health care directives registry in the preceding six months.
 8. The total number of active health care directives registry users.
 9. The total number of participant searches.
 10. The average time to process documents.
 11. An overview of the past growth in the health care directives registry year over year.

The department shall provide a copy of the health care directives registry reports to the secretary of state. (General Appropriations Act footnote)
- 9/ The department of health services shall use the monies appropriated for the ibogaine clinical research grants line item to award a grant to conduct a certified clinical research study on the use of ibogaine for the treatment of neurological diseases. The department may award a grant only to an entity that satisfies all of the following:
 1. Has a history of proven research and treatment of neurological diseases.
 2. Has a neurosurgery program with the requisite clinical and research facilities and that is staffed by professionals having expertise in the most challenging neurological and neurosurgical conditions.

3. Has the ability to facilitate pioneering research and innovation in diagnosis and treatment of neurological conditions. (General Appropriations Act footnote)
- 10/ The appropriation is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriations Act footnote)
- 11/ 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 Appropriations Act footnote)
- 12/ The amount appropriated for preventative health services for low-income and underserved women and their families in fiscal year 2024-2025 pursuant to Laws 2024, chapter 209, section 130 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2026. (General Appropriations Act footnote)
- 13/ The amount appropriated for senior health promotion and coordination in Santa Cruz county in fiscal year 2024-2025 pursuant to Laws 2024, chapter 209, section 130 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2026. (General Appropriations Act footnote)
- 14/ The amount appropriated for counseling and community services in southern Arizona in fiscal year 2024-2025 pursuant to Laws 2024, chapter 209, section 130 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2026. (General Appropriations Act footnote)
- 15/ The amount appropriated for the clinical health care training program line item in fiscal year 2025-2026 shall be used by the department of health services for a onetime grant program to a public or private university to operate a clinical health care training program that both provides health care services to the working poor and provides hands-on learning experiences for students of this state. At a minimum, the program shall incorporate medical students, physician assistant students, nursing students, physical therapy students and pharmacy students. (General Appropriations Act footnote)
- 16/ The amount appropriated for the international medical school collaboration line item in fiscal year 2025-2026 shall be used by the department of health services for a onetime grant program to a public or private medical school in this state to establish a collaboration with an international medical school and provide international hands-on learning opportunities for students from this state. (General Appropriations Act footnote)
- 17/ 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 Appropriations Act footnote)
- 18/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$66,388,500 and 409.4 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
General Fund	\$18,440,600
Child Fatality Review Fund	196,500
Emergency Medical Services (EMS) Operating Fund	4,278,400
Environmental Laboratory Licensure Revolving Fund	1,013,100
Federal Child Care and Development Fund (CCDF) Block Grant	1,286,500
Health Services Licensing Fund	22,930,800
DHS Indirect Cost Fund	13,822,200
Newborn Screening Program Fund	419,100
Nursing Care Institution Resident Protection Revolving Fund	38,200
Vital Records Electronic Systems Fund	3,963,100

Adjustments are as follows:

Licensing Division Support

The budget includes an increase of \$3,933,300 in FY 2026 to fund healthcare facilities licensing operations and shift licensing costs from the General Fund. This amount consists of:

General Fund	(1,635,400)
Health Services Licensing Fund	5,568,700

Childcare Coaching Staff

The budget includes an increase of \$159,800 and 3 FTE Positions from the Health Services Licensing Fund in FY 2026 to hire coaching staff to increase the number of licensed childcare providers.

Remove One-Time Licensing Database Upgrades

The budget includes a decrease of \$(900,000) from the General Fund in FY 2026 to remove one-time funding associated with upgrades to the AZ Care Check portal, a searchable licensing history database.

Remove One-Time Licensing Staff Costs

The budget includes a decrease of \$(1,202,400) from the General Fund in FY 2026 to remove one-time funding to hire 15 additional licensing compliance officers. The 3-year budget plan associated with the FY 2025 budget assumed this item would be funded with other fee revenues after FY 2025.

Remove One-Time Administrative Staff Costs

The budget includes a decrease of \$(5,400) from the Indirect Cost Fund in FY 2026 to remove one-time costs associated with hiring additional administrative staff.

Remove One-Time Childcare Licensing Supplemental

The budget includes a decrease of \$(1,992,000) from the Health Services Licensing Fund in FY 2026 to remove one-time FY 2025 supplemental funding to backfill a loss in federal funding for childcare licensing. *(Please see Other Issues section for further details.)*

Statewide Adjustments

The budget includes an increase of \$1,035,900 in FY 2026 for statewide adjustments. This amount consists of:

General Fund	111,600
Emergency Medical Services (EMS) Operating Fund	17,700
Environmental Laboratory Licensure Revolving Fund	4,700
Federal Child Care and Development Fund (CCDF) Block Grant	275,200
Health Services Licensing Fund	53,800
DHS Indirect Cost Fund	503,900
Newborn Screening Program Fund	(300)
Vital Records Electronic Systems Fund	69,300

(Please see the Agency Detail and Allocations section.)

Arizona State Hospital

ASH - Operating

The budget includes \$81,763,100 and 616.5 FTE Positions in FY 2026 for the ASH operating budget. These amounts consist of:

General Fund	77,920,800
ASH Fund	2,245,700
ASH Land Earnings Fund	1,596,600

Adjustments are as follows:

One-Time Facility Improvements

The budget includes a one-time increase of \$946,600 from the ASH Land Earnings Fund in FY 2026 for technology-related facility improvement projects at ASH, including replacement of patch cabling, the public-address system, key card system, and fire control system.

One-Time Operating Support

The budget includes a one-time increase of \$1,807,900 from the General Fund in FY 2026 for ASH operating costs.

Remove One-Time Supplemental Funding

The budget includes a decrease of \$(3,328,200) from the ASH Land Earnings Fund in FY 2026 to remove one-time FY 2025 supplemental funding associated with an ASH operating shortfall. *(Please see Other Issues section for further details.)*

Statewide Adjustments

The budget includes an increase of \$699,000 from the General Fund in FY 2026 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 2024, ASH had an average daily census of 113 patients in its civil commitment unit, 118 patients in its forensic unit, and 95 Sexually Violent Persons (SVPs), for a total of 326 patients.

ASH - Restoration to Competency

The budget includes \$900,000 from the ASH Fund in FY 2026 for ASH - Restoration to Competency. This amount is unchanged from FY 2025.

Background – This line item funds direct costs associated with the Restoration to Competency (RTC) 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 2024, there was an average daily census of 2 RTC patients treated at ASH. RTC patients are treated in ASH's forensic unit.

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

ASH - Sexually Violent Persons

The budget includes \$12,980,200 and 112.5 FTE Positions from the General Fund in FY 2026 for ASH - Sexually Violent Persons. These amounts consist of:

General Fund	12,730,200
ASH Fund	250,000

Adjustments are as follows:

One-Time Rehabilitation Funding

The budget includes a one-time increase of \$1,520,300 from the General Fund in FY 2026 to support operating costs for ASH's SVP program.

Statewide Adjustments

The budget includes an increase of \$129,000 from the General Fund in FY 2026 for statewide adjustments.

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

After serving their prison sentence, some persons convicted of sexually violent crimes may be remanded by the courts for further confinement and treatment. These individuals are housed at the Arizona State Hospital. In FY 2024, ASH had an average daily census of 95 SVPs.

Public Health

Adult Cystic Fibrosis Care

The budget includes \$105,200 from the General Fund in FY 2026 for Adult Cystic Fibrosis Care. This amount is unchanged from FY 2025.

In FY 2024, this line item provided contracted care and treatment services through Phoenix Children's Hospital for 58 individuals with cystic fibrosis.

AIDS Reporting and Surveillance

The budget includes \$1,000,000 from the Disease Control Research Fund in FY 2026 for AIDS Reporting and Surveillance. This amount is unchanged from FY 2025.

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 4,269 clients in FY 2024.

Alzheimer's Disease Research

The budget includes \$4,125,000 from the General Fund in FY 2026 for Alzheimer's Disease Research. Adjustments are as follows:

Remove One-Time Funding Shift

The budget includes an increase of \$1,000,000 from the General Fund and a corresponding decrease of \$(1,000,000) from the Tobacco Tax and Health Care Fund - Health Research Account in FY 2026 to remove a one-time shift in funding.

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

Biomedical Research Support

The budget includes \$2,000,000 from the Tobacco Tax and Health Care Fund - Health Research Account in FY 2026 for Biomedical Research Support. This amount is unchanged from FY 2025.

The FY 2025 budget shifted funding for this line item from the General Fund to the Tobacco Tax and Health Care Fund - Health Research Account on a one-time basis. The 3-year spending plan associated with the enacted FY 2025 budget assumed this shift in both FY 2025 and FY 2026. The FY 2027 Baseline will shift the appropriation back to the General Fund.

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

DHS has historically 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 2026 for Breast and Cervical Cancer and Bone Density Screening. These amounts are unchanged from FY 2025.

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

Counseling Services for Parents of Deceased Children

The budget includes no funding in FY 2026 for Counseling Services for Parents of Deceased Children. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(500,000) from the General Fund in FY 2026 to remove one-time funding for DHS to distribute to nonprofit organizations that provide counseling services for parents whose children have died as a result of violence.

A General Appropriations Act footnote makes the FY 2025 appropriation non-lapsing through June 30, 2026.

County Tuberculosis Provider Care and Control

The budget includes \$590,700 from the General Fund in FY 2026 for County Tuberculosis Provider Care and Control. This amount is unchanged from FY 2025.

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 2026 for a Dementia Awareness Campaign. Adjustments are as follows:

One-Time Funding

The budget includes an increase of \$750,000 from the General Fund in FY 2026 to fund a dementia awareness campaign for rural and underserved urban areas in Arizona.

A General Appropriations Act footnote 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 November 1, 2026.

A footnote makes these monies non-lapsing through June 30, 2027.

Dementia Services Program and Alzheimer's Disease State Plan

The budget includes no funding and 2 FTE Positions from the General Fund in FY 2026 for a Dementia Services Program and Alzheimer's Disease State Plan. These amounts are unchanged from FY 2025.

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

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

Funeral Services Regulation

The budget includes \$460,600 and 4 FTE Positions from the Health Services Licensing Fund in FY 2026 for Funeral Services Regulation. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$1,200 from the Health Services Licensing Fund in FY 2026 for statewide adjustments.

Background – In 2023, the State Board of Funeral Directors and Embalmers was terminated, and its powers and duties were transferred to DHS beginning March 31, 2023. The funding in this line item is used to license, register, and regulate embalmers, prearranged funeral salespersons, crematories, and funeral homes.

Health Care Directives Registry

The budget includes \$2,000,000 from the Health Services Lottery Monies Fund in FY 2026 for the Health Care Directives Registry. Adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$2,000,000 from the Health Services Lottery Monies Fund in FY 2026 to support operations of the state's healthcare directives registry.

Statute requires DHS to designate a health information exchange organization to operate a health care directives registry, subject to the availability of monies. Health care directives are documents drafted to address an individual's future health care decisions, such as living wills and healthcare power of attorney forms.

A General Appropriations Act footnote requires DHS to submit a report to the Governor, the President of the Senate, and the Speaker of the House of Representatives on or before December 31, 2025, and June 30, 2026, detailing health care directives registry operations.

Heat Mitigation in Southern Arizona

The budget includes no funding in FY 2026 for Heat Mitigation in Southern Arizona. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(500,000) from the General Fund in FY 2026 to remove one-time funding for heat mitigation programs in southern Arizona.

Ibogaine Clinical Research Grants

The budget includes \$5,000,000 from the General Fund in FY 2026 for Ibogaine Clinical Research Grants. Adjustments are as follows:

One-Time Funding

The budget includes an increase of \$5,000,000 from the General Fund in FY 2026 for ibogaine clinical research grants.

A General Appropriations Act footnote instructs DHS to award a grant for a clinical research study on the use of ibogaine, a plant-based psychoactive compound, for the treatment of neurological diseases. The recipient entity must have a history of research and treatment of neurological diseases, have a neurosurgery program with the requisite facilities and staffing, and be able to facilitate research and innovation in diagnosis and treatment of neurological conditions.

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

Nonrenal Disease Management

The budget includes \$198,000 from the General Fund in FY 2026 for Nonrenal Disease Management. This amount is unchanged from FY 2025.

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 2026 for special projects related to long-term care facilities. This amount is unchanged from FY 2025.

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 2026 for Poison Control Centers. This amount is unchanged from FY 2025.

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 2025. 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 each the University of Arizona (UA) Poison Control Information Center and a poison and drug information center in Maricopa County. 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 2025.

Preventative Health Services for Low-Income, Underserved Women

The budget includes no funding in FY 2026 for Preventative Health Services for Low-Income, Underserved Women. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(500,000) from the General Fund in FY 2026 to remove one-time funding for DHS to distribute to a nonprofit organization that provides preventative health care services to low-income and underserved women and their families.

A General Appropriations Act footnote makes the FY 2025 appropriation non-lapsing through June 30, 2026.

Renal Dental Care and Nutrition Supplements

The budget includes \$300,000 from the TTHCF - Medically Needy Account in FY 2026 for Renal Dental Care and Nutrition Supplements. This amount is unchanged from FY 2025.

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 2026 for Renal Transplant Drugs. This amount is unchanged from FY 2025.

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 2024, 68 people received anti-rejection medication assistance.

Senior Health Promotion in Santa Cruz County

The budget includes no funding in FY 2026 for Senior Health Promotion in Santa Cruz County. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(1,000,000) from the General Fund in FY 2026 to remove one-time funding for the promotion and coordination of senior health in Santa Cruz County.

A General Appropriations Act footnote makes the FY 2025 appropriation non-lapsing through June 30, 2026.

Southern Arizona Counseling and Community Service Grants

The budget includes no funding in FY 2026 for Southern Arizona Counseling and Community Service Grants. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(1,000,000) from the General Fund in FY 2026 to remove one-time funding for DHS to distribute to nonprofit organizations that provide counseling and community services in southern Arizona.

A General Appropriations Act footnote makes the FY 2025 appropriation non-lapsing through June 30, 2026.

Trauma Recovery Center Fund Deposit

The budget includes no funding and 1.5 FTE Positions from the General Fund in FY 2026 for a Trauma Recovery Center Fund Deposit. These amounts are unchanged from FY 2025.

The FY 2024 budget appropriated \$7,000,000 from the General Fund on a one-time basis for deposit into the Trauma Recovery Center Fund. An FY 2024 General Appropriations Act footnote instructed DHS to use the monies to provide a technical assistance grant to help establish a state pilot trauma recovery center, including 3 years of operational costs, and a separate grant to a public research institution to track data and outcomes of the state pilot trauma recovery center. The public research institution is required to produce a report at the conclusion of the pilot.

Family Health

Advisory Committee on Maternal Mental Health Technical Assistance

The budget includes \$100,000 from the General Fund in FY 2026 for Advisory Committee on Maternal Mental Health Technical Assistance. Adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$100,000 from the General Fund in FY 2026 to provide technical assistance to an advisory committee on maternal mental health, established by Laws 2025, Chapter 201.

The committee is required to develop recommendations to enhance maternal health in rural hospitals and communities; develop recommendations to enhance access to evidence-based postpartum depression screening and referrals; and submit a report of its findings on or before December 31, 2026, to the Governor, President of the Senate, and Speaker of the House.

The committee is repealed after June 30, 2027.

Folic Acid Program

The budget includes \$400,000 from the TTHCF - Medically Needy Account in FY 2026 for the Folic Acid Program. This amount is unchanged from FY 2025.

This line item provides funding for the distribution of folic acid to women of childbearing age to help prevent birth defects. In FY 2024, 24,066 women received folic acid education and multivitamins.

High Risk Perinatal Services

The budget includes \$2,343,400 from the General Fund in FY 2026 for High Risk Perinatal Services. This amount is unchanged from FY 2025.

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

Newborn Screening Program

The budget includes \$15,212,100 and 24.1 FTE Positions from the Newborn Screening Program Fund in FY 2026 for the Newborn Screening Program. Adjustments are as follows:

Newborn Screening Program Expansion

The budget includes an increase of \$2,769,600 from the Newborn Screening Program Fund in FY 2026 to add MPS II, GAMT, and Krabbe Disease to the newborn screening panel.

Statewide Adjustments

The budget includes an increase of \$23,200 from the Newborn Screening Program Fund in FY 2026 for statewide adjustments.

Background – This line item funds the centralized testing of all newborns in the state for a standard set of 64 disorders. In FY 2024, the program provided screening for 82,652 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.

In addition to testing for all congenital disorders included on the federal Recommended Uniform Screening Panel, an FY 2026 Health Care BRB provision requires DHS to add Duchenne Muscular Dystrophy to the newborn screening panel.

Nurse-Family Partnership Programs

The budget includes no funding in FY 2026 for Nurse-Family Partnership Programs. This amount is unchanged from FY 2025.

The FY 2024 budget appropriated \$2,500,000 from the General Fund on a one-time basis to fund nurse-family partnership programs. An FY 2025 General Appropriations Act footnote made the FY 2024 appropriation for this line item non-lapsing through FY 2027.

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

Medical Provider Support

Accelerated Nursing Programs

The budget includes no funding in FY 2026 for Accelerated Nursing Programs. This amount is unchanged from FY 2025.

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 was to 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 was required to give priority to programs that can be completed within 12 months, but programs up to 18 months in length are also eligible for funding. Each institution receiving monies must use at least 80% of the award to provide scholarships and no more than 20% may be used for administrative expenses, including the cost of hiring faculty and purchasing equipment. The monies may not be used for capital costs.

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

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. By the end of FY 2024, 831 students had received scholarships.

An FY 2025 General Appropriations Act footnote made these monies non-lapsing through FY 2025.

Behavioral Health Care Provider Loan Repayment Program

The budget includes \$1,000,000 from the General Fund in FY 2026 for the Behavioral Health Care Provider Loan Repayment Program. This amount is unchanged from FY 2025.

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

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

Clinical Health Training Program

The budget includes \$100,000 from the General Fund in FY 2026 for a Clinical Health Training Program. Adjustments are as follows:

One-Time Program Funding

The budget includes a one-time increase of \$100,000 from the General Fund in FY 2026 for a grant to a public or private university to operate a clinical health training program.

A General Appropriations Act footnote states that the program should provide health care services to the working poor and provides hand-on learning experiences for Arizona students. The program is required to incorporate, at a minimum, medical students, physician assistant students, nursing students, physical therapy students, and pharmacy students.

International Medical School Collaboration

The budget includes \$125,000 from the General Fund in FY 2026 for International Medical School Collaboration. Adjustments are as follows:

One-Time Program Funding

The budget includes a one-time increase of \$125,000 from the General Fund in FY 2026 for a grant to a public or private medical school in Arizona to establish a collaboration with an international medical school.

A General Appropriations Act footnote states that the collaboration with the international medical school should provide international hands-on learning opportunities for Arizona students.

Arizona Nurse Education Investment Pilot Program

The budget includes \$1,500,000 from the General Fund in FY 2026 for the Arizona Nurse Education Investment Pilot Program. Adjustments are as follows:

One-Time Program Funding

The budget includes a one-time increase of \$1,500,000 from the General Fund in FY 2026 to expand the capacity of nursing education programs at community colleges in Arizona.

The 3-year spending plan associated with the enacted FY 2023 budget included \$15,000,000 from the General Fund for the pilot program in FY 2023, FY 2024, and FY 2025. The FY 2025 budget eliminated the final year of funding.

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, with DHS allocating these monies to the Arizona Board of Regents (ABOR) and community college districts based on the number of nursing students graduating in FY 2022. 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 Health Care BRB extends the repeal date of the program from January 1, 2027 to June 30, 2027, to reflect an additional year of funding in FY 2026. The BRB also removes ABOR as a recipient of Nurse Education Investment Program funding and directs the FY 2026 appropriation to community colleges.

Any monies remaining in the fund at the end of FY 2027 will revert to the General Fund.

Preceptor Grant Program for Graduate Students

The budget includes no funding in FY 2026 for a Preceptor Grant Program for Graduate Students. Adjustments are as follows:

Eliminate Funding

The budget includes a decrease of \$(500,000) from the General Fund in FY 2026 to remove one-time funding for the Preceptor Grant Program.

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 FY 2025 budget included 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 2025 Supplementals
- Statutory Changes
- Long-Term Budget Impacts

FY 2025 Supplementals

The FY 2026 budget includes an FY 2025 supplemental appropriation of \$1,992,000 from the Health Services Licensing Fund to backfill expiring federal funding that previously subsidized childcare licensing expenses.

The FY 2026 budget also includes an FY 2025 supplemental appropriation of \$3,328,200 from the ASH Land Earnings Fund for an operating shortfall at the Arizona State Hospital. The shortfall is primarily due to increased spending costs related to registry and permanent staffing, as well as external medical services.

Statutory Changes

The Health Care BRB makes the following statutory changes:

- As permanent law, adds Duchenne muscular dystrophy to the state's newborn screening panel.
- As permanent law, extends the repeal date of the Nurse Education Investment Pilot Program Fund by 6 months from January 1, 2027, to June 30, 2027, and revise to reflect an additional year of appropriation in FY 2026.
- As session law, removes the Arizona Board of Regents from the stated organizations that receive Nurse Investment Program funding.
- As session law, extends the Collaborative Care Uptake Fund (established by Laws 2023, Chapter 139, Section 4 and amended by Laws 2024, Chapter 215, Section 10) until June 30, 2027.
- As session law, continues to exempt county expenditures on Restoration to Competency treatment at the Arizona State Hospital from county expenditure limitations.
- As permanent law, repeals A.R.S. § 36-145 requiring DHS to submit a grant application under Title X for funding to provide family planning services.

Long-Term Budget Impacts

As part of the FY 2026 budget's 3-year spending plan, DHS's General Fund costs are projected to decrease by \$(8,903,200) in FY 2027 below FY 2026.

The FY 2027 estimate is based on:

- \$2,000,000 to restore funding for biomedical research support.
- \$(1,807,900) to remove one-time ASH operating funding.
- \$(1,520,300) to remove one-time ASH SVP program support.
- \$(750,000) to remove one-time dementia awareness campaign funding.
- \$(5,000,000) to remove one-time funding for ibogaine clinical research grants.
- \$(100,000) to remove one-time technical assistance for the Advisory Committee on Maternal Mental Health.
- \$(100,000) to remove one-time grant funding for a clinical health training program.
- \$(125,000) to remove one-time grant funding for an international medical school collaboration.
- \$(1,500,000) to remove one-time funding for the Arizona Nurse Education Investment Pilot Program.

