

Department of Health Services

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,168.0	1,171.0	1,129.5
Personal Services	30,205,700	31,592,000	31,592,000
Employee Related Expenditures	12,258,300	14,346,200	15,532,600
Professional and Outside Services	1,751,800	1,916,200	1,916,200
Travel - In State	665,800	851,400	851,400
Travel - Out of State	58,600	65,400	65,400
Other Operating Expenditures	16,458,000	17,406,600	17,526,500
Equipment	534,000	210,700	210,700
OPERATING SUBTOTAL	61,932,200	66,388,500	67,694,800 ^{1/}
SPECIAL LINE ITEMS			
Arizona State Hospital			
Arizona State Hospital-Operating	73,622,600	81,763,100	84,249,300 ^{2/}
Arizona State Hospital-Restoration to Competency	601,700	900,000	900,000
Arizona State Hospital-Sexually Violent Persons	11,487,800	12,980,200	13,268,100
Public Health			
Adult Cystic Fibrosis Care	105,200	105,200	105,200
AIDS Reporting and Surveillance	948,200	1,000,000	1,000,000 ^{3/}
Alzheimer's Disease Research	4,125,000	4,125,000	4,125,000 ^{4/}
Biomedical Research Support	1,997,500	2,000,000	2,000,000
Breast and Cervical Cancer and Bone Density Screening	1,369,400	1,369,400	1,369,400
Cooling Centers for Heat Relief	0	0	400,000 ^{5/}
Counseling Services for Parents of Deceased Children	100,000	0	0
County Tuberculosis Provider Care and Control	590,700	590,700	590,700
Dementia Awareness Campaign	0	750,000	0
Dementia Services Program and Alzheimer's Disease State Plan	0	0	700,000
Enhanced Residential Treatment	0	0	250,000
Funeral Services Regulation	446,200	460,600	478,000
Health Care Directives Registry	0	2,000,000	0
Heat Mitigation in Southern Arizona	500,000	0	0
Ibogaine Clinical Research Grants	0	5,000,000	0
Nonrenal Disease Management	198,000	198,000	198,000 ^{6/}
Nursing Care Special Projects	3,000	200,000	200,000
Poison Control Centers Funding	990,000	990,000	990,000
Preventative Health Services for Low-Income, Underserved Women	63,100	0	0
Psilocybin Research	500,000	0	0
Radiation Protection System Grants	0	0	1,500,000 ^{7/}
Renal Dental Care and Nutrition Supplements	225,000	300,000	300,000
Renal Transplant Drugs	183,000	183,000	183,000
Senior Health Promotion in Santa Cruz County	185,600	0	0
Southern Arizona Counseling and Community Service Grants	46,000	0	0
Trauma Recovery Center Fund Deposit	0	0	0
Family Health			
Advisory Committee on Maternal Mental Health Technical Assistance	0	100,000	0
Folic Acid Program	368,700	400,000	400,000
High Risk Perinatal Services	2,343,400	2,343,400	2,343,400
Newborn Screening Program	10,082,500	15,212,100	16,069,400
Nurse-Family Partnership Programs	0	0	0

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
Medical Provider Support			
Behavioral Health Care Provider Loan Repayment Program	1,000,000	1,000,000	1,000,000
Clinical Healthcare Training Program	0	100,000	0
International Medical School Collaboration	0	125,000	0
Arizona Nurse Education Investment Pilot Program	0	1,500,000	0
Preceptor Grant Program for Graduate Students	404,100	0	0
AGENCY TOTAL	174,418,900	202,084,200	200,314,300 ^{8/9/}
FUND SOURCES			
General Fund	115,736,100	127,571,300	125,659,600
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	1,386,500	3,395,700	3,395,700
ASH Land Earnings Fund	2,859,000	1,596,600	1,596,600
Child Fatality Review Fund	169,800	196,500	196,500
Disease Control Research Fund	948,200	1,000,000	1,000,000
Emergency Medical Services Operating Fund	3,240,200	4,278,400	4,321,800
Environmental Laboratory Licensure Revolving Fund	720,300	1,013,100	1,032,400
Federal Child Care and Development Fund Block Grant	1,011,300	1,286,500	1,051,200
Health Services Licensing Fund	18,636,100	23,391,400	24,381,400
Health Services Lottery Monies Fund	0	2,000,000	2,600,000
Indirect Cost Fund	13,033,400	13,822,200	13,832,900
Newborn Screening Program Fund	10,398,100	15,631,200	16,491,600
Nursing Care Institution Resident Protection Revolving Fund	3,000	238,200	238,200
Tobacco Tax and Health Care Fund - Health Research Account	2,498,100	2,000,000	0
Tobacco Tax and Health Care Fund - Medically Needy Account	593,700	700,000	700,000
Vital Records Electronic Systems Fund	3,185,100	3,963,100	3,816,400
SUBTOTAL - Other Appropriated Funds	58,682,800	74,512,900	74,654,700
SUBTOTAL - Appropriated Funds	174,418,900	202,084,200	200,314,300
Other Non-Appropriated Funds	67,638,400	96,762,900	96,762,900
Federal Funds	480,075,300	415,001,700	415,001,700
TOTAL - ALL SOURCES	722,132,600	713,848,800	712,078,900

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, 2027, 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 2026-2027. (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, 2028. (General Appropriations Act footnote)
- 5/ The amount appropriated in the cooling centers for heat relief line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until October 31, 2027. (General Appropriations Act footnote)
- 6/ 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)
- 7/ The amount appropriated to the radiation protection system grants line item shall be used by the department to establish and administer a grant program to assist rural hospitals with the cost of installing radiation protection systems in cardiac catheterization procedure rooms in which real-time x-ray imaging procedure occur. (General Appropriations Act footnote)
- 8/ 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 must 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)
- 9/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$67,694,800 and 409.4 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
General Fund	\$19,329,800
Child Fatality Review Fund	196,500
Emergency Medical Services (EMS)	4,321,800
Operating Fund	
Environmental Laboratory Licensure	1,032,400
Revolving Fund	
Federal Child Care and Development	1,051,200
Fund (CCDF) Block Grant	
Health Services Licensing Fund	23,653,400
DHS Indirect Cost Fund	13,832,900
Newborn Screening Program Fund	422,200

Nursing Care Institution Resident	38,200
Protection Revolving Fund	
Vital Records Electronic Systems Fund	3,816,400

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$1,306,300 in FY 2027 for statewide adjustments. This amount consists of:

General Fund	889,200
Emergency Medical Services (EMS)	43,400
Operating Fund	
Environmental Laboratory Licensure	19,300
Revolving Fund	
Federal Child Care and Development	(235,300)
Fund (CCDF) Block Grant	
Health Services Licensing Fund	722,600
DHS Indirect Cost Fund	10,700

Newborn Screening Program Fund	3,100
Vital Records Electronic Systems Fund	(146,700)

(Please see the Agency Detail and Allocations section.)

Arizona State Hospital

ASH - Operating

The budget includes \$84,249,300 and 616.5 FTE Positions in FY 2027 for the ASH operating budget. These amounts consist of:

General Fund	80,407,000
ASH Fund	2,245,700
ASH Land Earnings Fund	1,596,600

Adjustments are as follows:

One-Time Facility Improvement Funding

The budget includes an increase of \$946,600 from the ASH Land Earnings Fund in FY 2027 for one-time technology-related facility improvement projects at ASH.

One-Time Operating Support

The budget includes a one-time increase of \$2,115,300 from the General Fund in FY 2027 for ASH operating costs.

Remove One-Time Facility Improvement Funding

The budget includes a decrease of \$(946,600) from the ASH Land Earnings Fund in FY 2027 to remove one-time funding for technology-related facility improvement projects at ASH, including replacement of patch cabling, the public-address system, key card system, and fire control system.

Remove One-Time Operating Support

The budget includes a decrease of \$(1,807,900) from the General Fund in FY 2027 to remove one-time funding for ASH operating costs.

Statewide Adjustments

The budget includes an increase of \$2,178,800 from the General Fund in FY 2027 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 2025, ASH had an average daily census of 113 patients in its civil commitment unit, 126 patients in its forensic unit, and 88 Sexually Violent Persons (SVPs), for a total of 327 patients.

ASH - Restoration to Competency

The budget includes \$900,000 from the ASH Fund in FY 2027 for ASH - Restoration to Competency. This amount is unchanged from FY 2026.

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 2025, 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 \$13,268,100 and 112.5 FTE Positions from the General Fund in FY 2027 for ASH - Sexually Violent Persons. These amounts consist of:

General Fund	13,018,100
ASH Fund	250,000

Adjustments are as follows:

One-Time Rehabilitation Funding

The budget includes an increase of \$1,480,200 from the General Fund in FY 2027 for one-time funding to support the operating costs of ASH's SVP program.

Remove One-Time Rehabilitation Funding

The budget includes a decrease of \$(1,520,300) from the General Fund in FY 2027 to remove one-time funding to support the operating costs of ASH's SVP program.

Statewide Adjustments

The budget includes an increase of \$328,000 from the General Fund in FY 2027 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 2025, ASH had an average daily census of 88 SVPs.

Public Health

Adult Cystic Fibrosis Care

The budget includes \$105,200 from the General Fund in FY 2027 for Adult Cystic Fibrosis Care. This amount is unchanged from FY 2026.

In FY 2025, this line item provided contracted care and treatment services through Phoenix Children's Hospital for 57 individuals with cystic fibrosis.

AIDS Reporting and Surveillance

The budget includes \$1,000,000 from the Disease Control Research Fund in FY 2027 for AIDS Reporting and Surveillance. This amount is unchanged from FY 2026.

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 4,540 clients in FY 2025.

Alzheimer's Disease Research

The budget includes \$4,125,000 from the General Fund in FY 2027 for Alzheimer's Disease Research. This amount is unchanged from FY 2026.

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 2027 for Biomedical Research Support. Adjustments are as follows:

Remove Funding Shift

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

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 2027 for Breast and Cervical Cancer and Bone Density Screening. These amounts are unchanged from FY 2026.

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 2027 for Counseling Services for Parents of Deceased Children. This amount is unchanged from FY 2026.

The FY 2025 budget appropriated \$500,000 from the General Fund for one-time funding of counseling services for parents whose children have died as a result of violence. An FY 2026 budget footnote made this appropriation non-lapsing through June 30, 2026.

Cooling Centers for Heat Relief

The budget includes \$400,000 from the Health Services Lottery Monies Fund in FY 2027 for Cooling Centers for Heat Relief. Adjustments are as follows:

One-Time Funding

The budget includes an increase of \$400,000 from the Health Services Lottery Monies Fund in FY 2027 to support existing cooling centers.

An FY 2027 budget footnote makes the appropriation non-lapsing through October 31, 2027.

County Tuberculosis Provider Care and Control

The budget includes \$590,700 from the General Fund in FY 2027 for County Tuberculosis Provider Care and Control. This amount is unchanged from FY 2026.

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

Dementia Awareness Campaign

The budget includes no funding in FY 2027 for a Dementia Awareness Campaign. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(750,000) from the General Fund in FY 2027 to remove one-time funding for a dementia awareness campaign for rural and underserved urban areas in Arizona.

An FY 2026 budget footnote instructed DHS to distribute the monies to a nonprofit organization that has expertise in dementia and provides care for individuals affected by Alzheimer's disease and other forms of dementia. The recipient organization must also have experience in marketing and public awareness campaigns and host a toll-free 24-hour hotline to provide dementia support and education. DHS is required to report on the impact of the public education campaign to the Governor, the President of the Senate, and the Speaker of the House of Representatives on or before November 1, 2026.

An FY 2026 budget footnote made these monies non-lapsing through June 30, 2027.

Dementia Services Program and Alzheimer's Disease State Plan

The budget includes \$700,000 from the Health Services Lottery Monies Fund in FY 2027 for a Dementia Services Program and Alzheimer's Disease State Plan. Adjustments are as follows:

One-Time Funding

The budget includes an increase of \$700,000 from the Health Services Lottery Monies Fund in FY 2027 for DHS to continue a dementia services program and Alzheimer's disease state plan, as required by the FY 2027 Health Care BRB.

Remove FTE Positions

The budget includes a decrease of (2) FTE Positions from the General Fund in FY 2027 to remove one-time FTE Positions funded in the FY 2024 budget. The associated funding was non-lapsing through FY 2026.

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, 2027, 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 budget included \$964,100 for this program with an intent statement that the monies be spent over a 3-year period through FY 2026.

Enhanced Residential Treatment

The budget includes \$250,000 from the Health Services Licensing Fund in FY 2027 for Enhanced Residential Treatment. Adjustments are as follows:

One-Time Licensing Costs

The budget includes a one-time increase of \$250,000 from the Health Services Licensing Fund in FY 2027 for licensing costs associated with enhanced residential treatment facilities.

Laws 2026, Chapter 237 requires the Arizona Health Care Cost Containment System (AHCCCS) to establish and administer a 3-year Seriously Mentally Ill (SMI) Enhanced Residential Treatment pilot program. The Medicaid-funded pilot program, subject to federal approval, will cover standard AHCCCS physical/behavioral health services, as well as stays in enhanced residential treatment facilities, which provide continuous supervision and structured day-to-day supports. Eligibility is limited to individuals that: have an SMI designation; require an enhanced level of care; and have incomes up to 224% of the FPL, or \$35,784 per year. The legislation establishes an enrollment cap of up to 60 qualifying SMI adults to be placed at one of these facilities. Additionally, AHCCCS may

choose to increase the number of enrollees in the program, subject to available funding and review by the JLBC. DHS is responsible for licensing and implementing standards for these facilities. *(Please see the AHCCCS narrative for additional details.)*

Funeral Services Regulation

The budget includes \$478,000 and 4 FTE Positions from the Health Services Licensing Fund in FY 2027 for Funeral Services Regulation. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$17,400 from the Health Services Licensing Fund in FY 2027 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 no funding in FY 2027 for the Health Care Directives Registry. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(2,000,000) from the Health Services Lottery Monies Fund in FY 2027 to remove one-time funding 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.

An FY 2026 budget footnote required 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 2027 for Heat Mitigation in Southern Arizona. This amount is unchanged from FY 2026.

The FY 2025 budget included \$500,000 from the General Fund for one-time funding of heat mitigation programs in southern Arizona.

Ibogaine Clinical Research Grants

The budget includes no funding in FY 2027 for Ibogaine Clinical Research Grants. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(5,000,000) from the General Fund in FY 2027 to remove one-time funding for ibogaine clinical research grants.

An FY 2026 budget footnote instructed 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.

An FY 2026 budget footnote made these monies non-lapsing.

Nonrenal Disease Management

The budget includes \$198,000 from the General Fund in FY 2027 for Nonrenal Disease Management. This amount is unchanged from FY 2026.

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 2027 for special projects related to long-term care facilities. This amount is unchanged from FY 2026.

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 2027 for Poison Control Centers. This amount is unchanged from FY 2026.

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 did not report a transfer to the UA Poison Control Center in FY 2025.

Preventative Health Services for Low-Income, Underserved Women

The budget includes no funding in FY 2027 for Preventative Health Services for Low-Income, Underserved Women. This amount is unchanged from FY 2026.

The FY 2025 budget appropriated \$500,000 from the General Fund for one-time funding of preventative health care services for low-income and underserved women and their families.

An FY 2026 budget footnote made the FY 2025 appropriation non-lapsing through June 30, 2026.

Radiation Protection System Grants

The budget includes \$1,500,000 from the Health Services Lottery Monies Fund in FY 2027 for Radiation Protection System Grants. Adjustments are as follows:

One-Time Funding

The budget includes an increase of \$1,500,000 from the Health Services Lottery Monies Fund in FY 2027 to support radiation protection system installation grants.

An FY 2027 budget footnote specifies that DHS shall use the funding to administer grants to rural hospitals for the cost of installing radiation protection systems, as defined by Laws 2026, Chapter 142, in cardiac catheterization procedure rooms in which real-time x-ray imaging procedures occur.

Renal Dental Care and Nutrition Supplements

The budget includes \$300,000 from the TTHCF - Medically Needy Account in FY 2027 for Renal Dental Care and Nutrition Supplements. This amount is unchanged from FY 2026.

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 2027 for Renal Transplant Drugs. This amount is unchanged from FY 2026.

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 2025, 97 people received anti-rejection medication assistance.

Senior Health Promotion in Santa Cruz County

The budget includes no funding in FY 2027 for Senior Health Promotion in Santa Cruz County. This amount is unchanged from FY 2026.

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

An FY 2026 budget footnote made the FY 2025 appropriation non-lapsing through June 30, 2026.

Southern Arizona Counseling and Community Service Grants

The budget includes no funding in FY 2027 for Southern Arizona Counseling and Community Service Grants. This amount is unchanged from FY 2026.

The FY 2025 budget appropriated \$1,000,000 from the General Fund for one-time funding of counseling and community services in southern Arizona.

An FY 2026 budget footnote made the FY 2025 appropriation non-lapsing through June 30, 2026.

Trauma Recovery Center Fund Deposit

The budget includes no funding and 0 FTE Positions in FY 2027 for a Trauma Recovery Center Fund Deposit. Adjustments are as follows:

Remove FTE Positions

The budget includes a decrease of (1.5) FTE Positions from the General Fund in FY 2027 to remove one-time FTE Positions funded in the FY 2024 budget. The associated funding was non-lapsing through FY 2026.

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 budget 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 no funding in FY 2027 for Advisory Committee on Maternal Mental Health Technical Assistance. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(100,000) from the General Fund in FY 2027 to remove one-time technical assistance funding for 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 2027 for the Folic Acid Program. This amount is unchanged from FY 2026.

This line item provides funding for the distribution of folic acid to women of childbearing age to help prevent birth defects. In FY 2025, 32,745 women received folic acid education and multivitamins.

High-Risk Perinatal Services

The budget includes \$2,343,400 from the General Fund in FY 2027 for High-Risk Perinatal Services. This amount is unchanged from FY 2026.

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 \$16,069,400 and 26.1 FTE Positions from the Newborn Screening Program Fund in FY 2027 for the Newborn Screening Program. Adjustments are as follows:

Duchenne Muscular Dystrophy Screening

The budget includes an increase of \$754,900 and 2 FTE Positions from the Newborn Screening Program Fund in FY 2027 to add Duchenne Muscular Dystrophy to the newborn screening panel.

Statewide Adjustments

The budget includes an increase of \$102,400 from the Newborn Screening Fund in FY 2027 for statewide adjustments.

Background – This line item funds the centralized testing of all newborns in the state for a standard set of 65 disorders. In FY 2025, the program provided screening for 78,498 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.

The FY 2026 budget added MPS II, GAMT, and Krabbe Disease to the newborn screening panel. In addition to testing for all congenital disorders included on the federal Recommended Uniform Screening Panel, an FY 2026 Health Care BRB provision required DHS to add Duchenne Muscular Dystrophy to the newborn screening panel.

Nurse-Family Partnership Programs

The budget includes no funding in FY 2027 for Nurse-Family Partnership Programs. This amount is unchanged from FY 2026.

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 budget 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

Behavioral Health Care Provider Loan Repayment Program

The budget includes \$1,000,000 from the General Fund in FY 2027 for the Behavioral Health Care Provider Loan Repayment Program. This amount is unchanged from FY 2026.

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.

Clinical Health Training Program

The budget includes no funding in FY 2027 for a Clinical Health Training Program. Adjustments are as follows:

Remove One-Time Program Funding

The budget includes a decrease of \$(100,000) from the General Fund in FY 2027 to remove a one-time grant to a public or private university to operate a clinical health training program.

An FY 2026 budget footnote required that the program provide health care services to the working poor and hand-on learning experiences for Arizona students. The

program is also 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 no funding in FY 2027 for International Medical School Collaboration. Adjustments are as follows:

Remove One-Time Program Funding

The budget includes a decrease of \$(125,000) from the General Fund in FY 2027 to remove a one-time grant for a public or private medical school in Arizona to establish a collaboration with an international medical school.

An FY 2026 budget footnote required that the collaboration with the international medical school provide international hands-on learning opportunities for Arizona students.

Arizona Nurse Education Investment Pilot Program

The budget includes no funding in FY 2027 for the Arizona Nurse Education Investment Pilot Program. Adjustments are as follows:

Remove One-Time Program Funding

The budget includes a decrease of \$(1,500,000) from the General Fund in FY 2027 to remove one-time funding 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. The FY 2026 budget subsequently added back \$1,500,000.

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 FY 2026 Health Care Budget BRB extended 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 removed ABOR as a recipient of Nurse Education Investment Program funding and directed 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 2027 for a Preceptor Grant Program for Graduate Students. This amount is unchanged from FY 2026.

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:

- Reduce Vacant FTE Positions
- Statutory Changes
- Long-Term Budget Impacts

Reduce Vacant FTE Positions

The FY 2027 budget reduces the FTE count for DHS by (40) Positions. While the agency table reflects the correct appropriated FTE, the narrative does not attempt to allocate the reduction in the agency budget. Agencies may use their discretion in allocating this FTE reduction within their budget and should reflect the changes in their FY 2028 budget request submitted pursuant to A.R.S. § 35-113. The FY 2028 JLBC Baseline will incorporate the changes as allocated by the agency.

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, continues the Dementia Services Program within DHS in FY 2027 and continues to require 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 June 30, 2027.

Long-Term Budget Impacts

As part of the FY 2027 budget's 3-year spending plan, DHS's General Fund costs are projected to decrease by \$(4,295,500) in FY 2028 below FY 2027. The FY 2028 estimate is based on:

- \$(2,115,300) to remove one-time ASH operating funding.
- \$(1,480,200) to remove one-time ASH SVP program support.
- \$(700,000) to remove one-time funding for dementia services.