

Department of Health Services
Public Health

A.R.S. § 36-103

JLBC Analyst: Beth Kohler

	FY 2000 Actual	FY 2001 Estimate	FY 2002 Approved	FY 2003 Approved
OPERATING BUDGET				
Full Time Equivalent Positions	205.7	240.7	242.7 ^{1/}	242.7 ^{1/}
Personal Services	3,760,900	4,002,100	4,187,900	4,398,800
Employee Related Expenditures	824,600	812,100	1,019,400	994,100
Professional and Outside Services	107,000	142,200	172,200	172,200
Travel - In State	80,200	111,800	111,800	111,800
Travel - Out of State	16,600	7,500	7,500	7,500
Other Operating Expenditures	826,800	971,800	1,007,400	1,007,400
Equipment	129,400	12,000	12,000	12,000
<i>Operating Subtotal</i>	5,745,500	6,059,500	6,518,200	6,703,800
Disease Control				
Tuberculosis Provider Care and Control	823,400	1,082,000	1,082,000	1,082,000
Vaccines	1,855,800	1,915,100	3,415,100 ^{23/}	4,415,100 ^{23/}
Arizona Statewide Immunization Information System	0	0	477,000	477,000
STD Control Subventions	6,600	52,500	52,500	52,500
AIDS Reporting and Surveillance	1,096,400	1,125,000	1,125,000	1,125,000
Laboratory Services	3,664,500	4,071,000	3,954,600	4,058,100
Kidney Program	92,600	101,000	101,000	101,000
Hepatitis C Surveillance	0	0	350,000	350,000
Local Health				
Direct Grants	578,000	578,000	578,000 ^{4/}	578,000 ^{4/}
Reimbursement to Counties	396,300	396,300	396,300 ^{5/}	396,300 ^{5/}
TCE Contamination	250,000	0	0	0
Primary Care				
Loan Repayment	96,800	100,000	100,000	100,000
Children's Health Insurance Program	0	1,000,000	0	0
Community Health Centers	2,167,400	4,000,000	1,000,000 ^{6/}	0
Disease Research				
DCRC Anti-Cancer Drug Discovery	0	2,000,000	1,000,000 ^{7/}	0
Alzheimer Disease Research	1,000,000	1,000,000	1,000,000	1,000,000
Emergency Medical Services				
University of Arizona Poison Control Center Funding	787,500	1,050,000	1,050,000 ^{8/}	1,050,000 ^{8/}
Poison Control Center Funding	600,000	800,000	800,000 ^{9/}	800,000 ^{9/}
EMS Operations	3,008,800	2,740,000	2,828,900	2,890,400
Trauma Advisory Board	224,400	250,000	250,000	250,000
SUBTOTAL	22,394,000	28,320,400	26,078,600	25,429,200
Additional Appropriations -				
Appropriation; Rural Ambulances, Ch. 283	0	0	1,700,000	200,000
Appropriation, Emergency Vaccines, Ch. 284	0	500,000	0	0
Tobacco Tax Allocation;				
Detoxification Services, Ch. 374	0	500,000 ^{10/}	200,000	200,000
Disease Control Research				
Commission; Grants, Ch. 387	0	0	1,000,000 ^{11/}	1,000,000 ^{11/}
Medically Underserved Areas;				
Capital; Appropriation, Ch. 384	0	0	3,000,000	3,000,000
TOTAL APPROPRIATIONS	22,394,000	29,320,400	31,978,600 ^{12/}	29,829,200 ^{12/}

	FY 2000 Actual	FY 2001 Estimate	FY 2002 Approved	FY 2003 Approved
FUND SOURCES				
General Fund	13,804,500	14,480,700	16,544,700	17,817,200
Other Appropriated Funds				
Poison Control Fund	1,387,500	1,850,000	1,850,000	1,850,000
Environmental Laboratory Licensure Revolving Fund	560,900	749,700	778,000	794,600
Newborn Screening Program Fund	240,500	250,000	0	0
Emergency Medical Services Operating Fund	3,233,200	2,990,000	4,778,900	3,340,400
Disease Control Research Fund	0	0	1,000,000	1,000,000
Tobacco Tax and Health Care Fund Medically Needy Account	3,167,400	7,000,000	6,027,000	5,027,000
Tobacco Tax and Health Care Fund Health Research Account	0	2,000,000	1,000,000	0
<i>Subtotal - Other Appropriated Funds</i>	<u>8,589,500</u>	<u>14,839,700</u>	<u>12,433,900</u>	<u>9,012,000</u>
TOTAL APPROPRIATIONS	22,394,000	29,320,400	31,978,600	29,829,200

COST CENTER DESCRIPTION — *The Public Health program provides funding for both state and local emergency medical services programs and poison control centers. In addition, the program provides funding for some county health programs, epidemiology and disease control, and treatment of a number of specific illnesses, as well as maintaining vital records services for birth and death certificates. The program also includes the State Health Laboratory, which provides laboratory testing for other state agencies, water testing, contagious disease testing and other public health related testing. The laboratory also monitors and evaluates the quality of laboratory testing statewide.*

- 1/ Includes 108.5 FTE Positions funded from Special Line Items in FY 2002 and FY 2003.
- 2/ The Department of Health Services shall report to the Joint Legislative Budget Committee by February 1, 2002 and February 1, 2003 on the amount of federal monies received for FY 2002 and FY 2003 for the 317 vaccines program. If the department receives more than \$1,188,000 in Federal 317 monies for vaccines purchase for FY 2002, the state General Fund amount of the state FY 2002 appropriation for the Vaccines Special Line Item equal to the amount by which the Federal monies exceed \$1,188,000, up to \$576,600, shall revert to the state General Fund. If the department receives more than \$1,266,400 in Federal 317 monies for vaccines purchase for FY 2003, the state General Fund amount of the state FY 2003 appropriation for the Vaccines Special Line Item equal to the amount by which the federal monies exceed \$1,266,400, up to \$961,000, shall revert to the state General Fund. (General Appropriation Act footnote)
- 3/ The Department of Health Services shall require the screening of potential recipients of vaccines for private insurance coverage, eligibility for the federal Vaccines for Children program and eligibility for the state Children's Health Insurance program. This requirement applies to vaccines purchased with state monies appropriated for the Vaccines Special Line Item for both the Federal 317 program and the state-only immunization program. (General Appropriation Act footnote)
- 4/ The appropriation for Direct Grants is to provide for local health work and a portion of the cost of employing 1 public health nurse and 1 sanitarian in each county and is to be divided equally among the 15 counties on a nonmatching basis. All monies that are received by a county under this appropriation and that are not used for the prescribed purposes revert to the state General Fund. (General Appropriation Act footnote)
- 5/ The \$396,300 appropriated in FY 2002 and FY 2003 for Reimbursement to Counties is to provide matching monies to counties for local health work on an equal matching basis and shall be distributed in the following manner: \$174,790 of the monies shall be distributed to counties with populations of less than 500,000 persons based on amounts received in FY 1997. The distribution for counties with a population of 500,000 persons or more but less than 1,000,000 persons is \$57,750, and for counties with a population of 1,000,000 persons or more the distribution is \$163,760. (General Appropriation Act footnote)
- 6/ The \$1,000,000 appropriated for Community Health Centers in FY 2002 shall be allocated to qualifying Community Health Centers pursuant to A.R.S. § 36-2907.06A. The monies shall not be used for abortion or abortion referral and counseling under the same conditions as set forth in A.R.S. § 36.2989A.9. (General Appropriation Act footnote)
- 7/ Appropriated by Laws 1998, Chapter 237.
- 8/ The \$1,050,000 appropriated in FY 2002 and FY 2003 for the University of Arizona Poison Control Center shall not be used to support any poison control center other than the one at the University of Arizona. The Department of Health Services shall transmit all of the appropriated amount to the University of Arizona for this purpose. (General Appropriation Act footnote)
- 9/ The \$800,000 appropriated in FY 2002 and FY 2003 for Poison Control Center funding shall only be expended for poison control services in counties with a population of more than 1,500,000 persons according to the most recent United States decennial census. (General Appropriation Act footnote)
- 10/ Pursuant to Laws 2001, Chapter 374, this appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.
- 11/ Pursuant to Laws 2001, Chapter 387, this appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.
- 12/ General Appropriation Act funds are appropriated as a Modified Lump Sum for the Program.

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of uninsured clients receiving primary care services through the Tobacco Tax grants	55,000/48,864	60,000/55,000	60,000	65,000
• Number of clients receiving HIV medications through the Arizona Drug Assistance Program (average per month)	NA/500	550/633	724	800
• Immunization rate among 2-year-old children	75/77	80/78	80	82/84
• % of high school youth who smoked in the last month	NA/26.1	NA/26.1	25.6	25.1/24.9
• Exposure calls received at AZ Poison Control Centers	76,000/73,500	73,500/73,500	73,500	82,000
• Customer waiting time in Vital Records' lobby (in minutes)	NA/50	30/22	20	20

Agency Reorganization — The approved amount includes an increase of \$105,600 and 2 FTE Positions in both FY 2002 and FY 2003 above FY 2001 for agency reorganization. The approved amount transfers 2 FTE Positions and \$81,500 from the Administration Program and an additional \$24,100 from the Family Health Program to the Public Health program to reflect organizational changes requested by the agency. The net General Fund change for the agency is \$0.

Disease Control

Tuberculosis Provider Care and Control — Provides General Fund 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. The program also provides directly-observed therapy to tuberculosis patients deemed at-risk not to complete treatment, and therefore, possibly to develop drug-resistant tuberculosis.

Vaccines — Provides General Fund monies for the purchase of vaccines from the federal government for the state immunization program.

The approved amount includes a FY 2002 total increase of \$1,500,000 above FY 2001 and a FY 2003 total increase of \$2,500,000 above FY 2001 to supplement federal monies that provide vaccines to children and to provide funding for 2 new federally recommended vaccines.

Of the approved increases, \$288,000 in FY 2002 and \$480,100 in FY 2003 is for supplemental monies for the Federal Section 317 vaccines program, which is a public health program that promotes childhood immunization by providing immunizations to children in public settings such as malls and clinics. The department is projecting a shortfall for the program and the approved amounts phase-in supplemental funding for the current set of vaccines provided by the program.

The approved increases also include \$288,600 in FY 2002 and \$480,900 in FY 2003 to begin to phase-in Section 317 coverage of the newly recommended Hepatitis A and pneumococcal vaccines. The program has typically

provided all vaccines recommended for children by the Advisory Committee on Immunization Practices (ACIP). ACIP has recently added the Hepatitis A vaccine for children ages 6-18 (Hepatitis A vaccines are already provided to children under age 6) and a pneumococcal vaccine for children under age 5 to the list of federally recommended vaccines. The department expects to receive Federal Section 317 monies to cover only a portion of the costs of the new vaccines and the approved increase contains funding to supplement these federal monies. If the department receives more federal monies than currently predicted, a portion of the state funds will revert to the General Fund (*see footnote 2*).

The remainder of the approved increase, \$923,400 in FY 2002 and \$1,539,000 in FY 2003, is to begin to phase-in coverage of the new vaccines in the state-only immunization program, which provides vaccines to underinsured children. In the past, this program has provided all vaccines recommended by ACIP.

A footnote in the General Appropriation Act directs DHS to require the screening of potential recipients of vaccines for private insurance coverage, eligibility for the federal Vaccines for Children Program (which pays for vaccines for AHCCCS children, uninsured children, Native American children, and some underinsured children), and eligibility for the state Children's Health Insurance Program. This requirement applies to both the state-only immunization program (which currently screens recipients for other vaccine coverage) and the state supplemental funding for the Federal Section 317 program (which currently does not screen for other forms of vaccines coverage). The screening requirement does not apply to the Federal Funds for the Section 317 program.

The following table shows the estimated total funding for the Vaccines Special Line Item for the state-only immunization program and the Federal Section 317 Program.

	<u>FY 2002</u>	<u>FY 2003</u>
State Section 317		
Supplemental Funding	\$ 576,600	\$ 961,000
State-Only Immunization		
Program	<u>2,838,500</u>	<u>3,454,100</u>
Subtotal – State Funding	\$3,415,100	\$4,415,100
Federal Section 317 Funding	<u>1,188,000</u>	<u>1,266,400</u>
Total Funding ^{1/}	\$4,603,100	\$5,681,500

^{1/} Excludes other federal monies received for the Vaccines for Children Program

Laws 2001, Chapters 284 and 374 also provide supplemental funding of \$1,000,000 for FY 2001 from the Medically Needy Account of the Tobacco Tax and Health Care Fund for vaccines (see *Additional Appropriations section below for more information*).

Arizona Statewide Immunization Information System (ASIIS) — Provides funding for ASIIS, which is a statewide immunization database that records all vaccinations provided in Arizona. The approved amounts are funded from the Medically Needy Account of the Tobacco Tax and Health Care Fund. Laws 2001, Chapter 234 authorized the transfer of Medically Needy Account monies for ASIIS.

The FY 2000 and FY 2001 operating costs of the database were funded from a one-time allocation from unspent Medically Needy Account monies previously appropriated to DHS in FY 1998. As these monies were from a prior year appropriation, they were not reflected in the DHS budget. The approved amount includes an increase of \$477,000 in both FY 2002 and FY 2003 above FY 2001 to provide for ongoing operational costs of the database.

(See *AHCCCS section for table of allocations from Medically Needy Account of the Tobacco Tax and Health Care Fund*.)

Sexually Transmitted Disease Control Subventions — Provides General Fund monies assistance to local venereal disease control programs.

AIDS Reporting and Surveillance — Provides \$125,000 in both FY 2002 and FY 2003 from the General Fund for a database system to track the incidence of Acquired Immune Deficiency Syndrome (AIDS) and AIDS-related conditions.

The approved amount also includes \$1,000,000 in both FY 2002 and FY 2003 from the Medically Needy Account of

the Tobacco Tax and Health Care Fund to supplement the Arizona Drug Assistance Program (ADAP). ADAP provides medications to uninsured, low-income persons with Human Immunodeficiency Virus (HIV). Laws 2001, Chapter 234 authorized the transfer of Medically Needy Account monies for ADAP. This program also receives Federal Funds for the medications.

(See *AHCCCS section for table of allocations from Medically Needy Account of the Tobacco Tax and Health Care Fund*.)

Laboratory Services — Provides laboratory testing for other state agencies, water testing, contagious disease testing and other public health related testing. The laboratory also monitors and evaluates the quality of private laboratory testing statewide. This line item includes 59.5 FTE Positions funded from the General Fund and 14.0 FTE Positions funded from the Environmental Laboratory Licensure Revolving Fund. The approved amount includes \$3,176,600 in FY 2002 and \$778,000 in FY 2003 funded from the General Fund and \$3,263,500 in FY 2002 and \$794,600 in FY 2003 funding from the Environmental Laboratory Licensure Revolving Fund.

The approved amount includes a Newborn Screening Program Fund decrease of \$(250,000) in both FY 2002 and FY 2003 below FY 2001. In FY 2000 and FY 2001, monies were appropriated from the Newborn Screening Fund to replace equipment at the state health lab. The approved amount eliminates funding for this issue.

(See *Capital Outlay Appropriations section below for more information*.)

Kidney Program — Reimburses provider hospitals and licensed dialysis centers for the transportation and medication costs of patients ineligible for other public assistance programs. This program is funded from the General Fund.

Hepatitis C Surveillance — Provides funding for surveillance and control efforts of Hepatitis C, which is the most common blood borne infection in the United States. Activities include maintaining a registry of Hepatitis C cases and improving healthcare provider reporting of cases. The approved amount is funded from the Medically Needy Account of the Tobacco Tax and Health Care Fund. Laws 2001, Chapter 234 authorized the transfer of Medically Needy Account monies for Hepatitis C Surveillance.

The program received funding in FY 2000 and FY 2001 from a one-time allocation from unspent Medically Needy Account monies previously appropriated to DHS in FY 1998. As these monies were from a prior year appropriation, this funding was not reflected in the DHS budget. The approved amount includes an increase of \$350,000 in FY 2002 and FY 2003 above FY 2001.

(See AHCCCS section for table of allocations from Medically Needy Account of the Tobacco Tax and Health Care Fund.)

Local Health

Direct Grants — See footnote 4 for a description of the program.

Reimbursement to Counties — See footnote 5 for a description of the program.

TCE Contamination — Provides General Fund monies for primary care services for low-income patients at a community health center in South Tucson. General Fund monies for this issue were eliminated in FY 2001. The FY 2002 funding for this issue is shown in the Additional Appropriations section.

Primary Care

Loan Repayment — These General Fund monies are used to pay physician and mid-level practitioner student loans in order to encourage providers to practice in rural areas.

Children's Health Insurance Program — Provides funding from the Medically Needy Account of the Tobacco Tax and Health Care Fund for grants to contracting qualifying health centers and hospitals. These grants provide funding for health care services for children eligible for the Children's Health Insurance Program who elect to receive direct, sliding fee scale medical and health care services, rather than health insurance coverage through AHCCCS.

The approved amounts include a decrease of \$(1,000,000) in both FY 2002 and FY 2003 below FY 2001 to eliminate the direct services component of the Children's Health Insurance Program. Utilization of the program has been lower than expected; only \$20,000 has been spent since the program's inception and no money was spent in FY 2000.

(See AHCCCS section for table of allocations from Medically Needy Account of the Tobacco Tax and Health Care Fund.)

Community Health Centers — Provides grants to qualifying community health centers. The grants funded through this Special Line Item are designated for expanding primary care services to Arizona's uninsured population. The approved amount is funded from the Medically Needy Account of the Tobacco Tax and Health Care Fund. Laws 2001, Chapter 234 authorized the transfer of Medically Needy Account monies for community health centers.

The approved amount includes a FY 2002 decrease of \$(3,000,000) below FY 2001 and a FY 2003 decrease of \$(4,000,000) below FY 2001 for total funding of

\$1,000,000 in FY 2002 and no funding in FY 2003. A General Appropriation Act footnote stipulates that these monies shall not be used for services in school-based clinics or for abortions or abortion referral and counseling.

(See AHCCCS section for table of allocations from Medically Needy Account of the Tobacco Tax and Health Care Fund.)

Disease Research

DCRC Anti-Cancer Drug Discovery — Provides funding for the support of cancer research projects directed at all phases of drug discovery, application, development, and clinical trials. Laws 1998, Chapter 237 appropriated \$5,000,000 in FY 1999, \$2,000,000 in FY 2000, \$2,000,000 in FY 2001, and \$1,000,000 in FY 2002 from the Health Research Account of the Tobacco Tax and Health Care Fund. There is no funding for this issue in FY 2003.

(See AHCCCS section for more information on the Health Research Account of the Tobacco Tax and Health Care Fund.)

Alzheimer's Disease Research — Provides funding from the General Fund for grants to universities, hospitals, and research centers in Arizona for dollar-for-dollar matching grants for research on the causes of Alzheimer's Disease.

Emergency Medical Services

POISON CONTROL FUND

The programs below are funded entirely through Poison Control Fund monies. Laws 1996, Chapter 5, 5th Special Session established the Poison Control Fund and allocated 0.3% of the revenues from the Telecommunication Services Tax to the fund. Laws 2001, Chapter 276 continues this allocation. The Telecommunications Services Excise Tax is a surcharge on local telephone bills and is currently levied at a total rate of 1.1%. The remainder of the tax, 0.8%, is allocated to the Telecommunication Devices for the Deaf (TDD) Fund administered by the Commission for the Deaf and the Hard of Hearing.

University of Arizona Poison Center Funding — Provides 24-hour poison education services and treatment information. The center receives approximately 70,000 calls annually, many concerning children, and a sizeable number from medical personnel seeking treatment advice for their patients. The approved amount includes total funding of \$1,050,000 in FY 2002 and FY 2003.

A General Appropriation Act footnote specifies that the entire \$1,050,000 must be passed through the U of A Poison Information Center.

Poison Control Center Funding — Provides funding for provision of poison control services in Maricopa County. The existing center is located at Good Samaritan Hospital in Phoenix. The approved amount includes total funding of \$800,000 in FY 2002 and FY 2003.

A General Appropriation Act footnote specifies that the \$800,000 may only be used for poison control services in counties with populations of more than 1.5 million, according to the most recent decennial census.

EMERGENCY MEDICAL SERVICES OPERATING FUND

The programs below are funded entirely through Emergency Medical Services (EMS) Operating Fund monies. The EMS Operating Fund receives 48.8% of the Medical Services Enhancement Fund revenues, which in turn receives monies from a 13% surcharge on fines charged for criminal offenses and traffic violations. The purpose of the EMS Operating Fund is to provide a variety of statewide emergency medical services.

EMS Operations — Provides funding for the operating costs of programs that relate to emergency medical services. The functions of these programs include, but are not limited to, the regulation of ambulance services and providers, assistance to rural EMS providers through equipment grants and technical assistance, and the coordination and planning for the provision of local EMS programs. This Special Line Item includes funding for 35 FTE Positions in both FY 2002 and FY 2003.

The approved amount includes a decrease of \$(100,000) in both FY 2002 and FY 2003 from FY 2001 for the elimination of one-time appropriations. Laws 2000, Chapter 327 appropriated \$100,000 from the EMS Operating Fund for a one-time demonstration project on the central medical direction of emergency medical services. The approved amount reflects the elimination of funding for this issue.

(See Additional Appropriations Section below for more information.)

Trauma Advisory Board — Provides funding for operating expenses of the Trauma Advisory Board. The Trauma Advisory Board was established in 1994 (A.R.S. § 36-2222) to recommend standards for a statewide trauma system, for maintaining the confidentiality of information throughout the quality assurance process, and for uniform data collection for a statewide trauma registry.

OTHER ISSUES

Additional Appropriations: Appropriation: Rural Ambulances (Chapter 283) — This legislation appropriates \$1,500,000 in FY 2002 from the EMS Operating Fund to DHS for distribution to rural areas to improve emergency medical services. The legislation also appropriates

\$200,000 in both FY 2002 and FY 2003 from the EMS Operating Fund to DHS for distribution to rural areas for increased costs associated with providing ambulance services.

Appropriation: Emergency Vaccines (Chapter 284) — This legislation appropriates \$500,000 as a supplemental appropriation for FY 2001 from the Medically Needy Account of the Tobacco Tax and Health Care Fund to the DHS Vaccines Special Line Item for emergency vaccines. *(see Vaccines section above for more information on the Vaccines Special Line Item and Chapter 374 below for additional supplemental appropriations for emergency vaccines. See also AHCCCS section for table of allocations from Medically Needy Account of the Tobacco Tax and Health Care Fund.)*

Tobacco Tax Allocation: Detoxification Services (Chapter 374) — This legislation contains both appropriations and allocations, the latter of which have historically been treated as non-appropriated. The distributions are detailed below:

Appropriations:

This legislation appropriates \$200,000 in both FY 2002 and FY 2003 to DHS from the Medically Needy Account of the Tobacco Tax and Health Care Fund to reimburse local health departments. These amounts reflect a one-time biennium appropriation.

The amount shall be distributed as follows:

Coconino County	\$36,200
Gila County	\$5,440
Mohave County	\$30,780
Yavapai County	\$25,820
Yuma County	\$101,740

This legislation also appropriates \$500,000 as a supplemental appropriation for FY 2001 from the Medically Needy Account of the Tobacco Tax and Health Care Fund to the DHS Vaccines Special Line Item for emergency vaccines. This appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations *(see Vaccines section above for more information on the Vaccines Special Line Item and Chapter 284 above for additional supplemental appropriations for emergency vaccines)*.

In addition, the legislation appropriates monies to the DHS Behavioral Health Program for Non-Title XIX Children's Behavioral Health Services, the University of Arizona for a new telemedicine program for behavioral health and for a new pilot program to determine the efficacy of using telemedicine services in school health clinics (these appropriations are in addition to the ongoing telemedicine programs), and to AHCCCS for HealthCare Group reinsurance. *(See Allocations section below and see also the Additional Appropriations sections in DHS Behavioral*

Health, University of Arizona and AHCCCS for more information.)

Allocations:

This legislation modifies existing allocations and establishes new allocations from the Medically Needy Account of the Tobacco Tax and Health Care Fund to both DHS and AHCCCS. The legislation contained the following provisions for DHS allocations:

- Qualifying Community Health Centers: a decrease of \$(260,000) in FY 2003, for total allocations of \$5,000,000 in FY 2002, and \$4,740,000 in FY 2003. Also includes a decrease of \$(10,400) in FY 2003 for the administrative costs related to the program.
- Detoxification Services: \$375,000 in FY 2002 and FY 2003 to provide detoxification services in counties with populations of 500,000 or less. Also includes \$15,000 in each year for the administrative costs related to the program.
- Telemedicine: \$250,000 in FY 2002 and FY 2003 to continue the telemedicine pilot programs to facilitate access to medical services for individuals living in medically underserved areas. Also includes \$10,000 in each year for the administrative costs related to the program.
- Non-Renal Disease Management: a decrease of \$(130,000) in FY 2002 and FY 2003, for a total allocation of \$70,000 in each year. Also includes a decrease of \$(5,200) in each year for the administrative costs related to the program.
- Trichloroethylene (TCE) Contamination: \$250,000 in FY 2002 for health care services in areas contaminated by TCE. Also includes \$10,000 for the administrative costs related to the program.

The legislation as originally passed included a decrease of \$(5,000,000) for mental health grant programs. This item, however, was line item vetoed by the Governor, resulting in the \$5,000,000 allocation continuing.

The legislation also establishes, beginning in FY 2004, Medically Needy Account allocations for AHCCCS and DHS programs that are set as a percentage of the account revenue (*see Additional Appropriations section in AHCCCS for information on the AHCCCS program modifications and the actual percentages established.*).

The legislation also specifies that of the \$8,000,000 allocated to DHS in FY 2002 and FY 2003 for psychotropic medications, \$2,000,000 may be used for non-SMI services to non-Title XIX clients.

(*See AHCCCS section for table of allocations from Medically Needy Account of the Tobacco Tax and Health Care Fund.*)

Disease Control Research Commission: Grants (Chapter 387) — This legislation contains both appropriations and allocations, the latter of which have historically been

treated as non-appropriated. The distributions are detailed below:

Appropriations:

This legislation appropriates \$1,000,000 in both FY 2002 and FY 2003 to DHS from the Disease Control Research Fund for distributions to universities, hospitals, and research centers for grants for “Alzheimer’s research, recruitment, and retention efforts”. However, DHS will only receive funding if monies from the Tobacco Litigation Master Settlement are distributed to the various public health programs listed in A.R.S. § 5-522, pursuant to Proposition 204. The appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

The bill as originally passed also included a General Fund appropriation of \$100,000 in both FY 2002 and FY 2003 to DCRC for grants for Parkinson’s Disease research. The appropriation would have been exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. This appropriation, however, was line item vetoed by the Governor. (*See Allocations below.*)

Allocations:

This legislation allocates \$800,000 in both FY 2002 and FY 2003 from the Disease Control Research Fund to DCRC for Parkinson’s Disease research. The allocation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. The legislation also allocates \$200,000 in both FY 2002 and FY 2003 from the Disease Control Research Fund to DCRC for research on diseases of the brain. However, DCRC will only receive funding if monies from the Tobacco Litigation Master Settlement are distributed to the various public health programs listed in A.R.S. § 5-522, pursuant to Proposition 204.

The legislation also directs the Office of the Auditor General to conduct a special review of the Disease Control Research Fund and the Health Research Fund by October 1, 2001.

Medically Underserved Areas: Capital: Appropriation (Chapter 384) — This legislation contains both appropriations and allocations, the latter of which have historically been treated as non-appropriated. The distributions are detailed below:

Appropriations:

This legislation appropriates \$1,500,000 in both FY 2002 and FY 2003 from the Medically Needy Account for capital construction grants for hospitals that provide services in rural or medically underserved areas, and \$1,500,000 in both FY 2002 and FY 2003 from the Medically Needy Account for capital construction grants for other healthcare providers in rural or medically underserved areas. The legislation also allocates Medically Needy Account monies to DHS for health service districts.

Allocations:

This legislation allocates \$150,000 in FY 2002 and FY 2003 from the Medically Needy Account of the Tobacco Tax and Health Care Fund to DHS for health service districts to assist districts in the services related to medical clinics and ambulances in medically underserved areas (pursuant to A.R.S. § 48-2202) and to assist applicants wishing to establish new health service districts. The legislation also allocates up to \$6,000 for administrative costs related to the program.

(See AHCCCS section for table of allocations from Medically Needy Account of the Tobacco Tax and Health Care Fund.)

Capital Outlay Appropriations: Chapter 237 — This legislation appropriates \$2,342,900 from the General Fund in FY 2003 to the Arizona Department of Administration (ADOA) for Certificates of Participation (COPs) costs for the lease-purchase of the design and construction of a new state health laboratory. The legislation also allows up to 3 FTE Positions to manage the project and authorizes ADOA to issue up to \$30,000,000 in COPs to fund the project. The Governor line item vetoed a \$2,342,900 General Fund appropriation for FY 2002.

Vetoed Appropriations: Tobacco Tax Allocation; Detoxification Services (Chapter 374) — The Governor vetoed the decrease of \$(5,000,000) from the Medically Needy Account of the Tobacco Tax and Health Care Fund in both FY 2002 and FY 2003 for mental health grant programs. The related decrease of \$(200,000) for the administrative costs of the program was also eliminated. *(See Additional Appropriations for more information on this bill).*

Disease Control Research Commission; Grants (Chapter 387) — The Governor vetoed the General Fund appropriation of \$100,000 for both FY 2002 and FY 2003 to DCRC for grants for Parkinson's Disease research. *(See Additional Appropriations for more information on this bill).*

Additional Legislation: Omnibus Budget Reconciliation; Health (Chapter 234) — Sets the rate of the Telecommunications Services Excise Tax at 1.1% of local telephone bills for FY 2002 and FY 2003. Allocates 0.8% of the tax to the Arizona Commission for the Deaf and the Hard of Hearing (ACDHH) and 0.3% to the Department of Health Services for poison control centers. In the absence of this provision, all monies collected from the tax would be allocated to ACDHH. This legislation also authorizes the transfers of Medically Needy Account monies for various health programs.

Health Education Account; Audit (Chapter 313) — This legislation transfers the responsibilities for evaluating both the programs funded from the Health Education Account of the Tobacco Tax and Health Care Fund and the DHS programs funded from the Medically Needy Account of the Tobacco Tax and Health Care Fund from DHS to the Auditor General. The bill transfers \$380,000 from the

Health Education Account to the Auditor General in FY 2002 for the evaluations of the Health Education Account programs. The bill also requires AHCCCS to transfer \$300,000 annually, beginning in FY 2004, from the Medically Needy Account to the Auditor General for evaluations of the programs funded from the Medically Needy Account that are administered by DHS.

The bill as originally passed also included an annual allocation, beginning in FY 2003, of 3.5% of the Health Education Account to the Auditor General for evaluations. This allocation, however, was line item vetoed by the Governor. Therefore, the Legislature will need to re-establish this funding mechanism in some manner in a future legislative session.

(See AHCCCS section for more information about the Health Education Account of the Tobacco Tax and Health Care Fund.)

Other Issues: Proposition 204 — At the 2000 General Election, voters approved Proposition 204, which expands the AHCCCS program to individuals with incomes below 100% of the Federal Poverty Level and specifies that the public health programs listed in A.R.S. § 5-522, as enacted in 1996, shall be funded from the monies the state receives from the Tobacco Litigation Master Settlement *(see AHCCCS section for more information on Proposition 204)*. The allocations are determined by the Proposition and are not subject to appropriation.

Proposition 204 requires the Joint Legislative Budget Committee to calculate annual inflation adjustments for the programs to determine the funding amount for each program. An Attorney General opinion states that the inflation shall be calculated since 1996 and that the FY 2001 amounts should not be prorated. At the May 2001 JLBC meeting, the Committee approved \$2,170,904 to the Disease Control Research Commission for Disease Control Research for FY 2001 *(see the AHCCCS section for a complete list of the programs)*.

The Proposition specifies that the public health programs receive funding after the AHCCCS expansion. The JLBC Staff estimates that there will be sufficient tobacco settlement monies to fund the FY 2002 allocations, but whether the programs will receive monies in FY 2003 is uncertain. If there are not sufficient monies to fully fund all the programs, the funding will be adjusted on a prorated basis in line with the monies available.

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