

**Department of Health Services**  
**Summary**

A.R.S. § 36-103

Director: Catherine Eden

JLBC Analyst: Beth Kohler

	FY 2002 Actual	FY 2003 Estimate	FY 2004 Approved
<b>PROGRAM BUDGET</b>			
Administration	23,796,500	25,845,100	28,772,900
Public Health	29,326,200	27,860,100	39,242,500
Family Health	45,470,700	49,293,600	52,735,600
Behavioral Health	395,324,400	588,636,200	677,889,100
Arizona State Hospital	52,480,500	58,576,300	58,736,600
Federal Match Rate Change	0	0	(18,318,300) <sup>1/</sup>
Agencywide Lump Sum Reduction	0	0	0 <sup>2/</sup>
<b>AGENCY TOTAL</b>	<b>546,398,300</b>	<b>750,211,300</b>	<b>839,058,400</b>

**OPERATING BUDGET**

<i>Full Time Equivalent Positions</i>	1,789.9	1,662.1	1,701.5 <sup>3/</sup>
Personal Services	38,374,400	39,169,400	41,031,600
Employee Related Expenditures	9,026,100	9,764,700	10,303,000
Professional and Outside Services	7,389,100	11,690,200	12,280,400
Travel - In State	255,600	306,500	356,400
Travel - Out of State	34,100	22,700	30,300
Other Operating Expenditures	10,419,800	10,210,500	11,870,300
Equipment	1,053,800	370,300	225,900
<b>OPERATING SUBTOTAL</b>	<b>66,552,900</b>	<b>71,534,300</b>	<b>76,097,900</b>
Special Line Items (SLI)	479,845,400	678,677,000	762,830,500
Agencywide Lump Sum Reduction	0	0	0 <sup>2/</sup>
Additional Appropriations	0	0	130,000
<b>AGENCY TOTAL</b>	<b>546,398,300</b>	<b>750,211,300</b>	<b>839,058,400<sup>4/5/6/7/</sup></b>

**FUND SOURCES**

General Fund	279,068,700	302,014,900	317,300,100
<u>Other Appropriated Funds</u>			
Arizona Medical Board Fund	0	0	100,000
Arizona State Hospital Fund	5,370,800	6,605,700	8,300,000
ASH Land Earnings Fund	389,000	650,000	650,000
Capital Outlay Stabilization Fund	0	0	1,100,000
Child Fatality Review Fund	89,800	100,000	100,000
Children's Behavioral Health Tobacco Settlement Fund	4,382,400	0	0
Disease Control Research Fund	1,000,000	1,000,000	0
Emergency Medical Services Operating Fund	5,312,500	3,825,400	3,810,900
Environmental Laboratory Licensure Revolving Fund	585,600	790,400	822,800
Federal Child Care and Development Block Grant	344,100	401,300	410,800
Federal Temporary Assistance to Needy Families Block Grant	187,500	0	0
Health Research Fund	0	3,000,000	6,500,000
Indirect Cost Fund	4,852,500	6,590,800	6,873,300
Medical Services Stabilization Fund	8,000,000	2,000,000	0
Newborn Screening Program Fund	2,272,300	3,690,000	3,718,400
Nursing Care Institution Resident Protection Fund	0	38,000	38,000
Poison Control Fund	1,387,500	1,850,000	1,850,000
Serious Mental Illness Services Fund	12,277,700	0	0
Spinal and Head Injuries Trust Fund	3,000,000	0	0
State Lottery Fund	0	0	0
Substance Abuse Services Fund	1,850,000	3,350,000	0
TTHCF Health Research Account	1,000,000	0	0
TTHCF Health Education Account	0	2,500,000	0

	FY 2002 Actual	FY 2003 Estimate	FY 2004 Approved
TTHCF Medically Needy Account	13,507,100	17,817,000	29,424,800
Vital Record Electronic Systems Fund	0	0	1,400,000
SUBTOTAL - Other Appropriated Funds	65,808,800	54,208,600	65,099,000
<u>Other Expenditure Authority Funds</u>			
Federal Title XIX Funds	201,520,800	347,178,300	409,849,800 <sup>8/</sup>
Tobacco Litigation Settlement Fund	0	46,809,500	46,809,500 <sup>8/</sup>
SUBTOTAL - Other Expenditure Authority Funds	201,520,800	393,987,800	456,659,300
<b>AGENCY TOTAL</b>	<b>546,398,300</b>	<b>750,211,300</b>	<b>839,058,400</b>

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

PERFORMANCE MEASURES	FY 2002	FY 2002	FY 2003	FY 2004
	Appropriation	Actual	Appropriation	Appropriation
• % of agency staff turnover	9.5	12.7	9.0	9.0

**Federal Match Rate Change** — The federal Jobs and Growth Tax Relief Reconciliation Act of 2003 included a temporary increase of 2.95% in the federal matching assistance percentage (FMAP) for the last quarter of FY 2003 and all of FY 2004. Under the Title XIX program, state monies provide approximately a 33% match to the Federal Funds received. The federal legislation increases the federal share by 2.95%, providing more Federal Funds for each state dollar spent and generating General Fund savings. For DHS, this FMAP increase is estimated to save \$(18,318,300). These savings were assumed in the General Appropriation Act. The department was given the discretion to allocate the monies among its Title XIX

programs, with the expected distribution as follows: CRS: \$(1,298,100); and Behavioral Health: \$(17,020,200).

**Vetoes: General Appropriations; 2003-2004 and 2004-2005 (Chapter 262)** — The Governor line item vetoed the \$(2,524,500) General Fund agencywide lump sum reduction. The Governor's intent was to increase the department's total appropriation by a corresponding amount. The reduction represented the continuation of the portion of the lump sum reduction taken in FY 2003 that could not be allocated to a particular line item. This Appropriations Report has incorporated the veto without making an assessment of its legality. As of this writing,

- 1/ The reduction associated with the federal match rate change represents a reduction in the state General Fund appropriation associated with temporary changes to the federal matching assistance percentage designed to give fiscal relief to states. There shall be a corresponding \$18,313,300 increase in federal expenditure authority to the department. (General Appropriation Act footnote)
- 2/ The General Appropriation Act, as originally passed, included \$(2,524,500) in FY 2004 for a lump sum reduction. This amount was line item vetoed by the Governor. The Governor's intent was to increase the total appropriation by a corresponding amount. This Appropriations Report has incorporated the veto without making an assessment of its legality. As of this writing, there is pending litigation concerning the legality of this particular veto.
- 3/ Includes 389.7 GF and 156.2 OF FTE Positions funded from Special Line Items in FY 2004.
- 4/ In addition to the appropriation for the Department of Health Services, earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated to the State Hospital in compliance with the Enabling Act and the Constitution of Arizona. (General Appropriation Act footnote)
- 5/ A monthly report comparing total expenditures for the month and year-to-date as compared to prior year totals shall be forwarded to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of the Senate and House Appropriations Committees and the Director of the Joint Legislative Budget Committee by the thirtieth of the following month. The report shall include an estimate of (1) potential shortfalls in programs, (2) potential Federal and Other Funds, 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, and (3) total expenditure authority of the month and year-to-date for Seriously Mentally Ill State Match for Title XIX, Seriously Mentally Ill Non-Title XIX, Children's Behavioral Health Services, Children's Behavioral Health State Match for Title XIX, Mental Health Non-Title XIX, Substance Abuse Non-Title XIX, Seriously Emotionally Handicapped Children and Children's Rehabilitative Services. (General Appropriation Act footnote)
- 6/ Notwithstanding A.R.S. § 35-173C, any transfer to or from the amounts appropriated for Seriously Mentally Ill State Match for Title XIX, Seriously Mentally Ill Non-Title XIX, *Arnold v. Sarn*, Children's Behavioral Health Services, Children's Behavioral Health State Match for Title XIX, Mental Health Non-Title XIX, Substance Abuse Non-Title XIX, Mental Health and Substance Abuse State Match for Title XIX, Seriously Emotionally Handicapped Children, Children's Rehabilitative Services, AHCCCS - Children's Rehabilitative Services, Adult Cystic Fibrosis, Adult Sickle Cell Anemia, Community Placement Treatment, Sexually Violent Persons, Community Health Centers, Vaccines, Renal and Nonrenal Disease Management, AIDS reporting and surveillance, Telemedicine, University of Arizona Poison Center funding and the Poison Control Center funding shall require approval of the Joint Legislative Budget Committee. The amounts appropriated for these items shall be used exclusively for contracts for the provision of services to clients unless a transfer of monies is approved by the Joint Legislative Budget Committee or unless otherwise permitted to be expended for administrative costs as specified in this act. Monies shall not be used from these appropriated amounts for any other expenses of the Department of Health Services, unless a transfer of monies is approved by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 7/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program.
- 8/ These amounts are included in total expenditure authority.

there is pending litigation concerning the legality of this particular veto.

**Budget Reconciliation: Health and Welfare (Chapter 265)**

— The Health ORB as originally passed stipulated that Medically Needy Account allocations would be specified in the General Appropriation Act beginning in FY 2004. The Governor line item vetoed this provision.

The Health ORB as originally passed also suspended the deposits into and expenditures from the Health Crisis Fund for FY 2004. The Governor line item vetoed this provision, thus the fund will continue to receive \$1,000,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund and the Governor may authorize the expenditure of Health Crisis Fund monies pursuant to A.R.S. § 36-797.

**Additional Legislation: Budget Reconciliation; Health and Welfare (Chapter 265)** — In addition to the provisions discussed in *Public Health, Behavioral Health, and the Arizona State Hospital*, the Health ORB repealed 3 versions of statute providing for distributions from the Medically Needy Account of the Tobacco Tax and Health Care Fund.

The Health ORB amended A.R.S. § 36-2174 to stipulate that the Rural Primary Care Provider Loan Repayment Program is subject to the availability of monies. In addition, the legislation amended A.R.S. § 36-2907.07 to make the requirement for DHS to conduct evaluations of programs funded from the Medically Needy Account of the Tobacco Tax and Health Care Fund subject to the availability of monies. These programs were previously funded in statute and thus did not appear in the General Appropriation Act. There is no funding for either program in FY 2004.

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