

JLBC Analyst: John Malloy/Matt Busby

	FY 2005 Actual	FY 2006 Estimate	FY 2007 Approved
OPERATING BUDGET			
Full Time Equivalent Positions	876.7	876.7	876.7 ^{1/}
Personal Services	23,613,100	26,108,900	30,261,700
Employee Related Expenditures	7,177,500	8,378,300	10,247,900
Professional and Outside Services	8,465,200	8,549,500	6,949,500
Travel - In State	54,400	31,900	31,900
Travel - Out of State	7,800	2,400	2,400
Other Operating Expenditures	3,827,500	2,617,300	7,893,000
Equipment	335,100	130,000	130,000
OPERATING SUBTOTAL	43,480,600	45,818,300	55,516,400^{2/}
SPECIAL LINE ITEMS			
Community Placement Treatment	6,704,800	6,704,800	6,704,800
Corrective Action Plan	879,100	3,564,600	0
Sexually Violent Persons	9,526,100	10,440,900	10,730,200
PROGRAM TOTAL	60,590,600	66,528,600	72,951,400^{3/}
FUND SOURCES			
General Fund	51,274,200	55,014,000	64,636,800
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	9,138,900	11,164,600	7,964,600
ASH Land Earnings Fund	177,500	350,000	350,000
SUBTOTAL - Other Appropriated Funds	9,316,400	11,514,600	8,314,600
SUBTOTAL - Appropriated Funds	60,590,600	66,528,600	72,951,400
Other Non-Appropriated Funds	973,700	831,300	831,300
TOTAL - ALL SOURCES	61,564,300	67,359,900	73,782,700

COST CENTER DESCRIPTION — Provides inpatient psychiatric hospitalization services for adolescent and adult seriously mentally ill residents. Over the 12-month period from May 2005 through April 2006, the Arizona State Hospital (ASH) has had an average census of 248 patients.

	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2007 Approved
PERFORMANCE MEASURES				
• % of adult clients successfully placed in community who return for another stay within 1 year of discharge	11.0	9.0	6.4	5.0

Operating Budget

The budget provides \$55,516,400 for the operating budget in FY 2007. This amount consists of:

	FY 2007
General Fund	\$48,332,500
Arizona State Hospital Fund	6,833,900
ASH Land Earnings Fund	350,000

The amount includes an increase of \$2,708,800 from the General Fund for statewide adjustments. (Please see the *Statewide Adjustments* section at the end of this *Appropriations Report* for details.)

The amount also includes the following adjustments:

^{1/} Includes 176 GF FTE Positions funded from Special Line Items in FY 2007.

^{2/} The \$55,516,400 lump sum appropriation includes \$3,100,000 from the state General Fund for salary increases for direct care workers and psychiatrists at the Arizona State Hospital. The Department of Health Services shall submit to the Joint Legislative Budget Committee an expenditure plan for the \$3,100,000 allocated for salary increases prior to the expenditure of these monies. (General Appropriation Act footnote, as adjusted for statewide allocations)

^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program.

Shift Corrective Action Plan Funding to Operating Budget

The budget provides an increase of \$3,564,600 from the ASH Fund in FY 2007 for shifting monies from the Corrective Action Plan line item to the operating budget.

Laws 2005, Chapter 5 provided \$1,281,400 from the ASH Fund in FY 2005 to help correct deficiencies identified by the federal government in an audit of the Hospital's operation. Funding was annualized in FY 2006. Funding is used to assist hiring and retaining nurses and other staff and to pay for increased drug costs.

Shift Operating from ASH Fund to General Fund

The budget provides an increase of \$1,600,000 from the General Fund and a corresponding decrease of \$(1,600,000) from the ASH Fund in FY 2007 for a fund shift to address decreasing revenues in the ASH Fund. The ASH Fund will not be able to support the amount that is appropriated from the fund due to an increase in the fund's appropriation in FY 2005 as well as decreasing revenues from the Restoration to Competency (RTC) program.

The RTC census began to drop near the end of FY 2004 when Maricopa County started its own RTC program, resulting in a lower RTC census and a decrease in revenues to the ASH Fund. The department forecasts that the ASH Fund will only bring in approximately \$8 million in FY 2007. This amount reflects the further loss of RTC revenues due to the latest change in reimbursements (*see issue below*).

Restoration to Competency Funding

The budget provides an increase of \$1,600,000 from the General Fund and a corresponding decrease of \$(1,600,000) from the ASH Fund in FY 2007 to eliminate rural county contributions to the RTC program. Previously, rural counties were required to contribute 50% of the costs for individuals sent to the program. Maricopa and Pima Counties will continue to pay 86% of their RTC costs. Laws 2006, Chapter 331 permanently amends A.R.S. § 13-4512 to implement this change.

Shift Security Positions

The budget provides an increase of \$324,700 and 10 FTE Positions from the General Fund in FY 2007 for shifting security positions from the SVP line item to the Arizona State Hospital operating budget. The positions will be used to provide 24-hour surveillance of both the civil and forensic campuses. The 10 positions are no longer needed for the SVP program because the SVP population has not grown as projected. A corresponding decrease occurs in the SVP line item for no net change in funding to the agency.

ASH Salaries

The budget provides an increase of \$3,100,000 from the General Fund in FY 2007 for a 10% salary increase for all direct care workers at ASH. Direct care workers include nurses, social workers, mental health specialists,

occupational therapists, and psychology staff. In FY 2006, the turnover rate for direct care workers was 22% and the vacancy rate was 17%. The salary increase will impact 640 employees. A footnote in the General Appropriations Act requires that the department submit an expenditure plan to the JLBC prior to the expenditure of these monies.

Special Line Items

Community Placement Treatment

The budget provides \$6,704,800 for Community Placement Treatment in FY 2007. This amount consists of:

General Fund	5,574,100
ASH Fund	1,130,700

These amounts are unchanged from FY 2006.

This line item provides funding for housing, transportation, clinical support and meaningful day activities for State Hospital patients treated in the community.

Corrective Action Plan

The budget provides no funding for the Corrective Action Plan line item in FY 2007.

Shift to Operating Budget

The budget includes a decrease of \$(3,564,600) from the ASH Fund in FY 2007 to shift funding for the Corrective Action Plan to the operating budget. (*See ASH Operating Budget for additional information.*)

Sexually Violent Persons

The budget provides \$10,730,200 and 176 FTE Positions from the General Fund for Sexually Violent Persons (SVP) in FY 2007. This amount includes an increase of \$614,000 from the General Fund for statewide adjustments.

Shift Security Positions

The budget provides an increase of \$(324,700) and (10) FTE Positions from the General Fund in FY 2007 for shifting security positions from the SVP program to the Arizona State Hospital (*see ASH Operating Budget for additional detail*).

A Sexually Violent Person (SVP) is a person who has been convicted of or found guilty but insane of a sexually violent offense and who has a mental disorder that makes the person likely to engage in acts of sexual violence. There are currently 73 adjudicated individuals at ASH with SVP status that have completed their sentence with the Arizona Department of Corrections and are currently residing at ASH and 6 individuals living in the community but are still under ASH's jurisdiction and surveillance. An additional 14 individuals are awaiting determination.

The department reports that the overall census is declining, however, there is an increase in the residents that require

intensive treatment, resulting in the average cost of care of residents increasing.

If the individual is determined by the court or jury to be an SVP, the person is required by A.R.S. § 13-4606 to be committed to the State Hospital or another licensed behavioral health inpatient facility until such time as he or she is determined to no longer be a threat to public safety.

<i>Additional Legislation</i>

ASH Privatization

The Health and Welfare Budget Reconciliation Bill (Laws 2006, Chapter 331) permits DHS to privatize the State Hospital and requires the agency to report to the Joint Legislative Budget Committee by July 1, 2007 on whether DHS intends to go forward with privatization efforts.