

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

A.R.S. § 36-103

Director: Susan Gerard

JLBC Analyst: John Malloy/Matt Busby

	<b>FY 2005 Actual</b>	<b>FY 2006 Estimate</b>	<b>FY 2007 Approved</b>
<b>PROGRAM BUDGET</b>			
Administration	32,746,100	34,274,300	37,134,500
Public Health	33,240,500	45,652,000	68,163,900
Family Health	59,998,700	75,503,300	83,583,000
Behavioral Health	814,857,900	914,519,800	963,409,400
Arizona State Hospital	60,590,600	66,528,600	72,951,400
<b>AGENCY TOTAL</b>	<b>1,001,433,800</b>	<b>1,136,478,000</b>	<b>1,225,242,200</b>
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1,734.5	1,735.5	1,771.9 <sup>1/</sup>
Personal Services	38,146,400	42,445,900	47,436,500
Employee Related Expenditures	11,609,500	13,810,300	16,517,500
Professional and Outside Services	9,320,000	9,341,800	7,741,800
Travel - In State	235,800	280,300	280,300
Travel - Out of State	34,700	21,600	21,600
Other Operating Expenditures	16,142,300	16,286,000	21,637,700
Equipment	817,000	196,800	196,800
<b>OPERATING SUBTOTAL</b>	<b>76,305,700</b>	<b>82,382,700</b>	<b>93,832,200</b>
Special Line Items (SLI)	925,128,100	1,054,095,300	1,131,410,000
<b>AGENCY TOTAL</b>	<b>1,001,433,800</b>	<b>1,136,478,000</b>	<b>1,225,242,200<sup>2/3/4/5/6/</sup></b>
<b>FUND SOURCES</b>			
General Fund	384,262,500	484,975,100	549,247,600
<u>Other Appropriated Funds</u>			
Arizona Medical Board Fund	62,600	100,000	0
Arizona State Hospital Fund	9,138,900	11,164,600	7,964,600
ASH Land Earnings Fund	177,500	350,000	350,000
Capital Outlay Stabilization Fund	1,534,400	1,576,100	1,576,100
Child Fatality Review Fund	97,400	100,000	100,000
Emergency Medical Services Operating Fund	3,958,300	5,057,200	5,231,200
Environmental Laboratory Licensure Revolving Fund	823,300	895,900	946,100
Federal Child Care and Development Fund Block Grant	658,300	760,900	802,200
Hearing and Speech Professionals Fund	115,000	307,800	329,800
Indirect Cost Fund	7,628,800	7,379,200	7,705,300
Newborn Screening Program Fund	2,942,800	3,740,800	6,076,500
Nursing Care Institution Resident Protection Fund	496,000	38,000	166,500
Poison Control Fund	1,650,000	1,850,000	0
Substance Abuse Services Fund	2,500,000	2,500,000	2,500,000
TTHCF Health Research Account	1,000,000	6,500,000	6,500,000
TTHCF Medically Needy Account	29,424,800	33,824,800	37,924,800
Vital Records Electronic Systems Fund	0	0	500,000
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>62,208,100</b>	<b>76,145,300</b>	<b>78,673,100</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>446,470,600</b>	<b>561,120,400</b>	<b>627,920,700</b>
<u>Expenditure Authority Funds</u>			
Federal Title XIX Funds	508,153,700	575,357,600	597,321,500
Tobacco Litigation Settlement Fund	46,809,500	0	0
<b>SUBTOTAL - Expenditure Authority Funds</b>	<b>554,963,200</b>	<b>575,357,600</b>	<b>597,321,500</b>
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>1,001,433,800</b>	<b>1,136,478,000</b>	<b>1,225,242,200</b>
<b>Other Non-Appropriated Funds</b>			
Other Non-Appropriated Funds	99,686,400	110,024,800	107,405,600
Federal Funds	242,954,300	271,894,800	271,894,800
<b>TOTAL - ALL SOURCES</b>	<b>1,344,074,500</b>	<b>1,518,397,600</b>	<b>1,604,542,600</b>

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**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.

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***Additional Legislation***

**FY 2006 Supplemental**

Laws 2006, Chapter 316 provides \$6,740,200 from the General Fund and \$5,100,000 in federal Title XIX expenditure authority in supplemental FY 2006 funding for the following issues: 1) \$2,500,000 from the General Fund and \$5,100,000 from Federal XIX expenditure authority for behavioral health services; 2) \$3,715,200 from the General Fund for FY 2006 payments to the federal government related to the Medicare Part D prescription drug benefit; 3) \$350,000 from the General Fund (with a corresponding \$(350,000) decrease from the Poison Control Fund) due to decreasing revenues from the telecommunication excise tax; and 4) \$175,000 from the General Fund for operating costs at the state laboratory. *(Please see individual cost center narratives for more details.)*

***Ch. 331 Health and Welfare Budget Reconciliation Bill***

Laws 2006, Chapter 331, adds statutory language that limits capitation rate adjustments to utilization of existing

services and inflation unless those changes are approved by the legislature or specifically required by federal law or court mandate.

<sup>1/</sup> Includes 418 GF, 176.2 OF and 12 EA FTE Positions funded from Special Line Items in FY 2007.

<sup>2/</sup> 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)

<sup>3/</sup> The department shall report to the Joint Legislative Budget Committee by March 1 of each year on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum shall be no more than 3%. Before implementation of any changes in capitation rates for the AHCCCS-Children's Rehabilitative Services Special Line Item and any Title XIX Behavioral Health line items, the Department of Health Services shall report its expenditure plan to the Joint Legislative Budget Committee for its review. Unless required for compliance with federal law, before the department implements any changes in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the department shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal analysis demonstrates that these changes will result in additional state costs of \$500,000 or greater for a given fiscal year, the department shall submit the policy changes to the Joint Legislative Budget Committee for review. The department shall also report quarterly to the Joint Legislative Budget Committee itemizing all policy changes with fiscal impacts of less than \$500,000 in state costs. If statutory language is enacted to prohibit these policy changes, the portion of the footnote regarding Joint Legislative Budget Committee review of policy changes shall not apply. (General Appropriation Act footnote)

<sup>4/</sup> 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 Chairpersons of the Senate and House of Representatives Appropriations Committees and the Director of the Joint Legislative Budget Committee by the 30th 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)

<sup>5/</sup> 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 Nontitle XIX, *Arnold v. Sarn*, Vital Records Maintenance, Folic Acid, Children's Behavioral Health Services, Children's Behavioral Health State Match for Title XIX, Mental Health Nontitle XIX, Substance Abuse Nontitle 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, High Risk Perinatal Services, County Prenatal Services Grant, Community Placement Treatment, Dual Eligible Copay Subsidy, Sexually Violent Persons, County Tuberculosis Provider Care and Control, Kidney Program, County Nutrition Services, 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 review by the Joint Legislative Budget Committee. The department may transfer monies between the amounts appropriated for Proposition 204 Children's Behavioral Health Services, Proposition 204 Seriously Mentally Ill Services, and Proposition 204 General Mental Health and Substance Abuse without review by the Joint Legislative Budget Committee but may not transfer monies to and from these line items to any other line item except as provided above without review by 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 reviewed 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 reviewed by the Joint Legislative Budget Committee. (General Appropriation Act footnote)

<sup>6/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program.