



Senate Fiscal Agency  
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**BILL ANALYSIS**

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Senate Bill 321 (Substitute S-1 as passed by the Senate)  
Sponsor: Senator Roger Kahn, M.D.  
Committee: Health Policy

Date Completed: 5-20-09

**RATIONALE**

In providing services and supports to the mentally ill and developmentally disabled under budgetary constraints, county-based community mental health (CMH) programs are trying to reduce costs and increase efficiency. To help them do this, it has been suggested that CMH programs should be authorized to form nonprofit entities through which they could provide certain administrative services to other CMH programs and unaffiliated human services entities.

**CONTENT**

The bill would amend the Mental Health Code to allow a community mental health services authority or organization formed under Chapter 2 (County Community Mental Health Programs), by resolution, to authorize the formation of a nonprofit entity to provide information technology and other integral administrative support services for organizations engaged in providing mental and behavioral health services, social services, substance abuse services, human services, or other health care services. The CMH services authority or organization could do so in furtherance of the public purpose of meeting the needs of the population served by that authority or organization in Michigan.

The authority or organization could enter into competitive bid contracts with a nonprofit entity established under the bill for the purchase of specified services.

The authority or organization could provide funding for the nonprofit entity as long as all of the following conditions were met:

- No funds from State appropriations allocated to the authority or organization or Federal funds were used for anything other than the contracted services provided by a nonprofit entity.
- Any revenue received from a nonprofit entity comported with all applicable State and Federal laws.
- Any funds the authority or organization received from a nonprofit entity were considered local funds and not be used to support or match any Federal programs.

The CMH authority or organization could elect or appoint members of the nonprofit entity's governing board as long as no board member, officer, or employee of the authority or organization served on the governing board of or in a policy-making position with a nonprofit entity.

Proposed MCL 330.1204c

**ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

**Supporting Argument**

Over the years, as county-based CMH programs were developed, each entity has had its own administrative staff for functions such as payroll, information technology, and finance. Advances in technology, however, have reduced the number of people needed to perform those functions and made it easier for different entities to connect with each other. Efficiency in serving CMH clients

could be improved if CMH programs coordinated with each other and with outside human services organizations regarding administrative systems. Thus, the bill would allow CMH authorities and organizations to create a nonprofit entity that could act as the mechanism through which nongovernmental organizations, such as United Way, could contract with CMH programs for software and other assets needed to perform administrative functions. Under such an arrangement, small and medium-sized human services organizations could reduce administrative costs, while the CMH program could bring in revenue to support its services. Additionally, the proposed nonprofit affiliates would protect the CMH program's assets from liability. Ultimately, these arrangements could enable county CMH programs to serve more people.

#### **Opposing Argument**

It is unnecessary for individual CMH programs to develop their own products and services to be sold or purchased through the proposed nonprofit entities. If the subsidiaries were to be established, however, these products should be developed and implemented uniformly across the State and under the direction of the Department of Community Health.

#### **Opposing Argument**

Community mental health programs should not devote valuable resources to subsidiaries that would sell products, such as information technology systems, to other entities within the human services arena. Doing so would be outside the scope of the CMH system's mission of supporting individuals with mental illness and developmental disabilities.

**Response:** Very little start-up money would be needed to establish the proposed nonprofits, and the arrangements could generate revenue that would go directly back to the CMH program. These additional resources would be used to provide services in fulfillment of the CMH program's purpose.

Legislative Analyst: Julie Cassidy

#### **FISCAL IMPACT**

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: Matthew Grabowski

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.