Legislative Analysis

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USE OF GENERAL FUND REVENUE FOR SUBSTANCE USE DISORDER TREATMENT

House Bill 4057 as introduced
Sponsor: Rep. Steve Marino
Committee: Health Policy
Complete to 2-20-19

SUMMARY:

House Bill 4057 would amend the Michigan Liquor Control Code to direct an amount equal to 4% of the total net revenue from the previous fiscal year (as reported by the Liquor Control Commission in its annual financial report) from the general fund to Michigan's local community health agencies, beginning with Fiscal Year 2020-21. This money would be earmarked for the administration and delivery of substance use disorder (SUD) prevention and treatment programs, at least 25% of which could not be exclusively related to alcohol.

The bill would require the Department of Health and Human Services (DHHS) to explore federal funding, including grants, awards, and any federal matching funds for substance use disorder prevention and treatment programs. If these funds are available, they must be distributed to the DHHS-designated community health entities described in the bill. Any federal funds would be in addition to the earmark.

MCL 436.1221

BACKGROUND:

The bipartisan House C.A.R.E.S. (Community, Access, Resources, Education and Safety) mental health task force, formed on July 12, 2017, met with stakeholders and the public and toured facilities between July and October 2017 and released its report on January 17, 2018.[1] The report includes recommendations for improving care, developing methods of care, and enhancing care in Michigan's mental health system.

In its list of opportunities to develop methods of care, the report recommends capturing more funds for substance abuse services and programs. The report notes the following:

> Many individuals who need services for substance use disorders (SUD) seek help at local CMH systems. With the growing opioid problem in our state, we need to ensure that CMHs have strong financial support from the state to provide more outpatient services. Providing such services to addicts early can potentially get their addiction under control and keep them out of the corrections system.

[1] https://house.mi.gov/PDFs/HouseCARESTaskForceReport.pdf

FISCAL IMPACT:

House Bill 4057 would have an indeterminate fiscal impact on the state because future fiscal year general fund allocations would be subject to future appropriation.

The bill would earmark an amount equal to 4% of total net revenue collected under the Liquor Control Code (as reported in the Liquor Control Commission's Annual Financial Report) for department-designated community mental health entities for the administration and delivery of substance use disorder prevention and treatment programs. The earmark would begin in Fiscal Year 2020-21 and would continue each fiscal year thereafter. The bill stipulates that the 4% amount must be distributed from General Fund/General Purpose revenue; presumably the funding would come from the transfer made annually from the Liquor Purchase Revolving Fund (LPRF) to the general fund.

The second column in the accompanying table illustrates how much the earmark would have been in prior fiscal years (data are not yet available for FY 2017-18), while the fourth column shows how much would have lapsed from the LPRF to the GF following the deduction of the 4% earmark. While this bill would have no net state fiscal impact, any additional state general fund revenues earmarked for community mental health entities would decrease the amount of state general fund revenue available for other general fund supported activities by a like amount.

	4% of Total Net Revenue	Actual Transfer to General Fund	General Fund Transfer Less 4% Earmark
FY 2016-17	$17,940,000	$221,372,432	$203,432,432
FY 2015-16	$17,304,000	$209,559,512	$192,255,512
FY 2014-15	$16,140,000	$194,696,735	$178,556,735
FY 2013-14	$15,184,000	$176,840,786	$161,656,786

The state relies on local units of government, specifically the ten regional Prepaid Inpatient Health Plans (PIHPs), to administer and provide substance use disorder programming, and so the PIHPs could receive additional state funding each year equal to 4% of total net revenue received by the Liquor Control Commission. To the degree that any additional general funds provided to the PIHPs can generate additional federal revenues, the local PIHPs would also receive those additional federal revenues. The primary federal funds available for substance use disorder services are Medicaid matching funds and the Substance Abuse and Treatment Block Grant.

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