

Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 1013 (Substitute S-1 as reported)
Sponsor: Senator Bev Hammerstrom
Committee: Families, Mental Health and Human Services

Date Completed: 2-23-00

RATIONALE

The Mental Health Code, under provisions adopted by Public Act 417 of 1998, states that a community mental health (CMH) services program may carry forward the "operating margin" up to 5% of the program's State share of the operating budget for the fiscal years ending September 30, 1999, and September 30, 2000. ("Operating margin" means the excess of State revenue over State expenditures for a single fiscal year, excluding capitated payments made under a managed care system. In the case of a CMH authority, the carryforward is in addition to reserve accounts the authority has established for employee benefits and/or for depreciation of capital assets and for expected future expenses for an organizational retirement plan.) This means that a CMH services program may retain a portion of its unspent appropriations for use in the following fiscal year, rather than returning the funds to the State. Prior to the passage of Public Act 417 of 1998, the Code allowed for the carryforward until March 29, 1999; Public Act 417 extended the carryforward authorization for fiscal year (FY) 1998-99 and FY 1999-2000. Some people believe that the current authorization for CMH services programs to carry forward that portion of their operating margin should be extended to FY 2000-01 and that the 5% limitation on the amount of the operating margin that can be carried forward should be eliminated.

CONTENT

The bill would amend the Mental Health Code to revise a provision that allows a community mental health services program to carry forward certain funds to the next fiscal year. The Code allows a CMH services program to carry forward the operating margin, up to 5% of the program's State share of the operating budget for FY 1998-99 and FY 1999-2000. Under the bill, the carry forward option would apply in the fiscal year ending September 30, 2001, and would not be limited to 5% of the State share of the operating budget.

MCL 330.1226

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

Community mental health services programs should be encouraged to be innovative and efficient in the delivery of mental health services. Being allowed to retain a portion of their unspent budgeted funds can help to accomplish that purpose. Extending by one year the Mental Health Code's authorization for CMH services programs to carry forward those funds would be in the best interests of the health of Michigan's citizens. In addition, eliminating the 5% limit on the carryforward authorization would provide additional money to CMH services programs for that purpose.

Response: If keeping excess funds encourages innovation and efficiency, perhaps the carryforward provision should be made permanent, rather than merely extended another fiscal year. The introduced version of the bill would have eliminated any sunset on the carryforward authorization. In addition, the authorization in the sunset could inadvertently eliminate the ability of CMH programs to retain those funds in the current fiscal year, because it would delete the authorization for the fiscal year ending September 30, 2000 (or FY 1999-2000).

Opposing Argument

The bill should not eliminate the 5% cap on the amount that a CMH services program may carry forward. Without this cap in place, the currently budgeted carryforward would be about \$45 million rather than \$30 million. These excess funds have already been budgeted for other items, and the Legislature would have to come up with that funding from elsewhere in the budget.

Opposing Argument

The CMH carryforward authorization should not be extended; it should be eliminated. It is inappropriate to allow a governmental entity to keep funds supplied

by taxpayers that the entity does not need. If the CMH programs do not have a use for all of the money budgeted to them in a given fiscal year, those excess funds should lapse to the State. Continuing to allow the CMH programs to keep a portion of their unspent budgeted funds would just encourage those governmental entities to request more money from the State than needed to provide mental health services for the fiscal year.

Response: The carryforward authorization encourages innovation in the delivery of mental health services by CMH programs. In addition, CMH programs are funded differently than most State programs. Mental health services are provided by the local CMH programs under a contract with the State. It would be inappropriate for the State to ask for the return of contractual payments.

Legislative Analyst: P. Affholter

FISCAL IMPACT

In FY 1998-99 CMH boards were able to carry forward about \$30 million due to the 5% carryforward provision. This funding otherwise would have lapsed to the State. Repeal of the sunset would not alter current policy. If it takes effect, however, the sunset will decrease State expenditures by up to \$30 million per year. In addition, the elimination of the 5% ceiling on the carryforward would prevent about \$15 million from lapsing to the State, so the net fiscal impact on the State would be a cost of \$45 million. Furthermore, the bill in its current form refers only to FY 2000-01. It would appear that this bill, if passed in its current form, would eliminate the carryforward provision in FY 1999-2000, which would result in a net gain to the State of \$30 million in and only in FY 1999-2000.

Fiscal Analyst: S. Angelotti

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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.