

**HOUSE SUBSTITUTE FOR  
SENATE BILL NO. 1009**

A bill to amend 1974 PA 258, entitled  
"Mental health code,"  
by amending section 205 (MCL 330.1205), as amended by 1996  
PA 588.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 205. (1) A county community mental health agency or a  
2 community mental health organization that is certified by the  
3 department under section 232a may become a community mental  
4 health authority as provided in this section through an enabling  
5 resolution adopted by the board of commissioners of each creating  
6 county after at least 3 public hearings held in accordance with  
7 the open meetings act, ~~Act No. 267 of the Public Acts of 1976,~~  
8 ~~being sections 15.261 to 15.275 of the Michigan Compiled Laws~~  
9 1976 PA 267, MCL 15.261 TO 15.275. The resolution is considered  
10 adopted if it is approved by a majority of the commissioners

1 elected and serving in each county creating the authority. The  
2 enabling resolution is not effective until it has been filed with  
3 the secretary of state and with the county clerk of each county  
4 creating the authority. If any provision of the enabling resolu-  
5 tion conflicts with this act, this act supersedes the conflicting  
6 provision.

7 (2) All of the following shall be stated in the enabling  
8 resolution:

9 (a) The purpose and the power to be exercised by the commu-  
10 nity mental health authority shall be to comply with and carry  
11 out the provisions of this act.

12 (b) The duration of the existence of the community mental  
13 health authority and the method by which the community mental  
14 health authority may be dissolved or terminated by itself or by  
15 the county board or boards of commissioners. These provisions  
16 shall comply with section 220.

17 (c) The manner in which any net financial assets originally  
18 made available to the authority by the participating county or  
19 counties will be returned or distributed if the authority is dis-  
20 solved or terminated. All other remaining assets, net of  
21 liabilities, shall be transferred to the community mental health  
22 services program or programs that replace the authority.

23 (d) The liability of the community mental health authority  
24 for costs associated with real or personal property purchased or  
25 leased by the county for use by the community mental health serv-  
26 ices program to the extent necessary to discharge the financial  
27 liability if desired by the county or counties.

1 (e) The manner of employing, compensating, transferring, or  
2 discharging necessary personnel subject to the provisions of  
3 applicable civil service and merit systems, and the following  
4 restrictions:

5 (i) Employees of a community mental health authority are  
6 public employees. A community mental health authority and its  
7 employees are subject to ~~Act No. 336 of the Public Acts of 1947,~~  
8 ~~being sections 423.201 to 423.217 of the Michigan Compiled Laws~~  
9 1947 PA 336, MCL 423.201 TO 423.217.

10 (ii) Upon the creation of a community mental health authori-  
11 ty, the employees of the former community mental health services  
12 program shall be transferred to the new authority and appointed  
13 as employees subject to all rights and benefits for 1 year. Such  
14 employees of the new community mental health authority shall not  
15 be placed in a worse position by reason of the transfer for a  
16 period of 1 year with respect to workers' compensation, pension,  
17 seniority, wages, sick leave, vacation, health and welfare insur-  
18 ance, or any other benefit that the employee enjoyed as an  
19 employee of the former community mental health services program.  
20 Employees who are transferred shall not by reason of the transfer  
21 have their accrued pension benefits or credits diminished.

22 (iii) If the former county community mental health agency or  
23 community mental health organization was the designated employer  
24 or participated in the development of a collective bargaining  
25 agreement, the newly established community mental health author-  
26 ity shall assume and be bound by the existing collective  
27 bargaining agreement. The formation of a community mental health

1 authority shall not adversely affect any existing rights and  
2 obligations contained in the existing collective bargaining  
3 agreement. For purposes of this provision, participation in the  
4 development of a collective bargaining agreement means that a  
5 representative of the community mental health agency or organiza-  
6 tion actively participated in bargaining sessions with the  
7 employer representative and union or was consulted with during  
8 the bargaining process.

9 (f) Any other matter consistent with this act that is neces-  
10 sary to assure operation of the community mental health authority  
11 as agreed upon by the creating county or counties.

12 (3) If a county community mental health agency or a commu-  
13 nity mental health organization becomes a community mental health  
14 authority pursuant to this section, both of the following apply:

15 (a) All assets, debts, and obligations of the county commu-  
16 nity mental health agency or community mental health organiza-  
17 tion, including but not limited to equipment, furnishings, sup-  
18 plies, cash, and other personal property, shall be transferred to  
19 the community mental health authority.

20 (b) All the privileges and immunities from liability and  
21 exemptions from laws, ordinances, and rules that are applicable  
22 to county community mental health agencies or community mental  
23 health organizations and their board members, officers, and  
24 administrators, and county elected officials and employees of  
25 county government are retained by the authority and the board  
26 members, officers, agents, and employees of an authority created  
27 under this section.

1       (4) In addition to other powers of a community mental health  
2 services program as set forth in this act, a community mental  
3 health authority has all of the following powers, whether or not  
4 they are specified in the enabling resolution:

5       (a) To fix and collect charges, rates, rents, fees, or other  
6 charges and to collect interest.

7       (b) To make purchases and contracts.

8       (c) To transfer, divide, or distribute assets, liabilities,  
9 or contingent liabilities, unless the community mental health  
10 authority is a single-county community mental health services  
11 program and the county has notified the department of its inten-  
12 tion to terminate participation in the community mental health  
13 services program. During the interim period between notification  
14 by a county under section 220 of its intent to terminate partici-  
15 pation in a multi-county community mental health services program  
16 and the official termination of that participation, a community  
17 mental health authority's power under this subdivision is subject  
18 to any agreement between the community mental health authority  
19 and the county that is terminating participation, if that agree-  
20 ment is consistent with the enabling resolution that created the  
21 authority.

22       (d) To accept gifts, grants, or bequests and determine the  
23 manner in which those gifts, grants, or bequests may be used con-  
24 sistent with the donor's request.

25       (e) To acquire, own, operate, maintain, lease, or sell real  
26 or personal property. Before taking official action to sell

1 residential property, however, the authority shall do all of the  
2 following:

3       (i) Implement a plan for alternative housing arrangements  
4 for recipients residing on the property.

5       (ii) Provide the recipients residing on the property or  
6 their legal guardians, if any, an opportunity to offer their com-  
7 ments and concerns regarding the sale and planned alternatives.

8       (iii) Respond to those comments and concerns in writing.

9       (f) To do the following in its own name:

10       (i) Enter into contracts and agreements.

11       (ii) Employ staff.

12       (iii) Acquire, construct, manage, maintain, or operate  
13 buildings or improvements.

14       (iv) Subject to subdivision (e), acquire, own, operate,  
15 maintain, lease, or dispose of real or personal property, unless  
16 the community mental health authority is a single-county mental  
17 health services program and the county has notified the depart-  
18 ment of its intention to terminate participation in the community  
19 mental health services program. During the interim period  
20 between notification by a county under section 220 of its intent  
21 to terminate participation in a multi-county community mental  
22 health services program and the official termination of that par-  
23 ticipation, a community mental health authority's power under  
24 this subdivision is subject to any agreement between the commu-  
25 nity mental health authority and the county that is terminating  
26 participation, if that agreement is consistent with the enabling  
27 resolution that created the authority.

1       (v) Incur debts, liabilities, or obligations that do not  
2 constitute the debts, liabilities, or obligations of the creating  
3 county or counties.

4       (vi) Commence litigation and defend itself in litigation.

5       (g) To invest funds in accordance with statutes regarding  
6 investments.

7       (h) To set up reserve accounts, utilizing state funds in the  
8 same proportion that state funds relate to all revenue sources,  
9 to cover vested employee benefits including but not limited to  
10 accrued vacation, health benefits, the employee payout portion of  
11 accrued sick leave, if any, and worker's compensation. In addi-  
12 tion, an authority may set up reserve accounts for depreciation  
13 of capital assets and for expected future expenditures for an  
14 organizational retirement plan.

15       (i) To develop a charge schedule for services provided to  
16 the public and utilize the charge schedule for first and  
17 third-party payers. The charge schedule may include charges that  
18 are higher than costs for some service units by spreading nonrev-  
19 enue service unit costs to revenue-producing service unit costs  
20 with total charges not exceeding total costs. All revenue over  
21 cost generated in this manner shall be utilized to provide serv-  
22 ices to priority populations.

23       (5) In addition to other duties and responsibilities of a  
24 community mental health services program as set forth in this  
25 act, a community mental health authority shall do all of the  
26 following:

1       (a) Provide to each county creating the authority and to the  
2 department a copy of an annual independent audit performed by a  
3 certified public accountant in accordance with governmental  
4 auditing standards issued by the comptroller of the United  
5 States.

6       (b) Be responsible for all executive administration, person-  
7 nel administration, finance, accounting, and management informa-  
8 tion system functions. The authority may discharge this respon-  
9 sibility through direct staff or by contracting for services.

10       (6) A county that has created a community mental health  
11 authority is not liable for any intentional, negligent, or  
12 grossly negligent act or omission, for any financial affairs, or  
13 for any obligation of a community mental health authority, its  
14 board, employees, representatives, or agents. This subsection  
15 applies only to county government.

16       (7) A community mental health authority shall not levy any  
17 type of tax or, EXCEPT AS PROVIDED IN SUBSECTION (13), issue any  
18 type of bond in its own name or financially obligate any unit of  
19 government other than itself.

20       (8) An employee of a community mental health authority is  
21 not a county employee. The community mental health authority is  
22 the employer with regard to all laws pertaining to employee and  
23 employer rights, benefits, and responsibilities.

24       (9) As a public governmental body, a community mental health  
25 authority is subject to the open meetings act, ~~Act No. 267 of~~  
26 ~~the Public Acts of 1976, being sections 15.261 to 15.275 of the~~  
27 ~~Michigan Compiled Laws~~ 1976 PA 267, MCL 15.261 TO 15.275, and

1 the freedom of information act, ~~Act No. 442 of the Public Acts~~  
2 ~~of 1976, being sections 15.231 to 15.246 of the Michigan Compiled~~  
3 ~~Laws~~ 1976 PA 442, MCL 15.231 TO 15.246, except for those docu-  
4 ments produced as a part of the peer review process required in  
5 section 143a and made confidential by section 748(9).

6 (10) A COMMUNITY MENTAL HEALTH AUTHORITY MAY BORROW MONEY TO  
7 FINANCE OR REFINANCE THE PURCHASE OF REAL PROPERTY OR TANGIBLE  
8 PERSONAL PROPERTY OF THE AUTHORITY. THESE CONTRACTUAL OBLIGA-  
9 TIONS SHALL BE SECURED BY A MORTGAGE ON THE REAL PROPERTY OR A  
10 SECURITY INTEREST OR OTHER LIEN ON THE TANGIBLE PERSONAL  
11 PROPERTY. THESE CONTRACTUAL OBLIGATIONS SHALL BE FOR NOT LONGER  
12 THAN THE USEFUL LIFE OF THE COLLATERAL AND SHALL BE AUTHORIZED BY  
13 RESOLUTION APPROVED BY A MAJORITY OF THE COMMUNITY MENTAL HEALTH  
14 BOARD. UNLESS AN EXCEPTION TO PRIOR APPROVAL IS AVAILABLE UNDER  
15 SECTION 10 OR 11 OF CHAPTER III OF THE MUNICIPAL FINANCE ACT,  
16 1943 PA 202, MCL 133.10 AND 133.11, A MORTGAGE GIVEN BY A COMMU-  
17 NITY MENTAL HEALTH AUTHORITY TO FINANCE THE PURCHASE OF REAL  
18 PROPERTY UNDER THIS SUBSECTION SHALL BE APPROVED BY THE DEPART-  
19 MENT OF TREASURY, BUT IS NOT OTHERWISE SUBJECT TO THE MUNICIPAL  
20 FINANCE ACT, 1943 PA 202, MCL 131.1 TO 139.3.

21 (11) A COMMUNITY MENTAL HEALTH AUTHORITY MAY ENTER INTO AN  
22 INSTALLMENT PURCHASE AGREEMENT FOR THE PURCHASE OR REFINANCING OF  
23 TANGIBLE PERSONAL PROPERTY FOR PUBLIC PURPOSES. THE INSTALLMENT  
24 PURCHASE AGREEMENT FOR THE PURCHASE OF TANGIBLE PERSONAL PROPERTY  
25 SHALL NOT BE FOR A LONGER TERM THAN THE USEFUL LIFE OF THE TANGI-  
26 BLE PERSONAL PROPERTY. THE INSTALLMENT PURCHASE AGREEMENTS  
27 DESCRIBED IN THIS SUBSECTION ARE NOT SUBJECT TO THE PROVISIONS OF

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1 THE MUNICIPAL FINANCE ACT, 1943 PA 202, MCL 131.1 TO 139.3. THE  
2 TOTAL OF ALL OUTSTANDING INSTALLMENT PURCHASE AGREEMENTS UNDER  
3 THIS SUBSECTION SHALL NOT EXCEED 1% OF THE TAXABLE VALUE OF ALL  
4 PROPERTY LOCATED WITHIN THE AREA SERVED BY THAT COMMUNITY MENTAL  
5 HEALTH AUTHORITY.

6 (12) IF A COMMUNITY MENTAL HEALTH AUTHORITY HAS FINANCED THE  
7 PURCHASE OF PROPERTY IN A SUBSTANTIALLY SIMILAR MANNER TO THAT AS  
8 DESCRIBED IN SUBSECTION (10) OR (11), PRIOR TO THE EFFECTIVE DATE  
9 OF THE AMENDATORY ACT THAT ADDED THIS SUBSECTION, THAT PURCHASE  
10 IS RATIFIED AS IF IT WAS MADE UNDER SUBSECTION (10) OR (11).

11 (13) A COMMUNITY MENTAL HEALTH AUTHORITY MAY BORROW MONEY  
12 AND ISSUE NOTES BY RESOLUTION OF A MAJORITY VOTE OF ITS GOVERNING  
13 BOARD, WHICH NOTES SHALL NOT EXCEED 20% OF THE PREVIOUS YEAR'S  
14 ANNUAL INCOME AND SHALL MATURE NOT MORE THAN 18 MONTHS FROM THE  
15 DATE OF THEIR ISSUANCE. NOTES SHALL BE ISSUED FOR THE PURPOSE OF  
16 MEETING THE EXPENSES OF THE COMMUNITY MENTAL HEALTH AUTHORITY,  
17 INCLUDING THE EXPENSES OF OPERATION AND MAINTENANCE OF ITS FACIL-  
18 ITIES, AND PAYMENTS DUE TO ITS CONTRACTED SERVICE PROVIDERS. THE  
19 RESOLUTION AUTHORIZING THE ISSUANCE OF THE NOTES SHALL PROVIDE  
20 FOR THE PLEDGE OF INCOME AND REVENUES OF THE COMMUNITY MENTAL  
21 HEALTH AUTHORITY FOR THE PAYMENT OF THE NOTES, AND MAY ALSO PRO-  
22 VIDE FOR A SPECIAL SINKING FUND INTO WHICH THERE MAY BE PAID, AS  
23 COLLECTED, A SUFFICIENT FUND FROM THE REVENUES OF THE COMMUNITY  
24 MENTAL HEALTH AUTHORITY TO RETIRE BOTH THE PRINCIPAL OF AND  
25 INTEREST ON THE NOTES AT OR BEFORE MATURITY. THE RESOLUTION MAY  
26 ALSO AUTHORIZE 1 OR MORE OFFICERS OR BOARD MEMBERS OF THE  
27 AUTHORITY TO PROVIDE FOR THE MORTGAGE, PLEDGE, OR GRANT OF

1 SECURITY INTERESTS OR OTHER LIENS IN OTHER ASSETS OF THE  
2 COMMUNITY MENTAL HEALTH AUTHORITY AS ADDITIONAL SECURITY FOR THE  
3 PAYMENT OF NOTES. UNLESS AN EXCEPTION FROM PRIOR APPROVAL IS  
4 AVAILABLE UNDER SECTION 10 OR 11 OF CHAPTER III OF THE MUNICIPAL  
5 FINANCE ACT, 1943 PA 202, MCL 133.10 AND 133.11, NOTES ISSUED BY  
6 A COMMUNITY MENTAL HEALTH AUTHORITY UNDER THIS SUBSECTION SHALL  
7 BE APPROVED BY THE DEPARTMENT OF TREASURY, BUT ARE NOT OTHERWISE  
8 SUBJECT TO THE MUNICIPAL FINANCE ACT, 1943 PA 202, MCL 133.1 TO  
9 139.3. BEFORE APPROVING THE ISSUANCE OF A NOTE UNDER THIS SUB-  
10 SECTION, THE DEPARTMENT OF TREASURY SHALL DETERMINE THAT THE  
11 AMOUNT OF THE PROPOSED NOTE IS SUFFICIENT BUT NOT EXCESSIVE, THAT  
12 THE REVENUE AND INCOME PLEDGED FOR THE PAYMENT OF THE NOTES ARE  
13 SUFFICIENT, AND THAT THE NOTE AND THE PROCEEDINGS AUTHORIZING THE  
14 NOTE COMPLY WITH THIS ACT AND OTHER APPLICABLE LAW.