Legislative Analysis

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SUBSTANCE USE DISORDER SERVICES EARMARK

House Bill 4891 (H-1)
Sponsor: Rep. Matt Lori
Committee: Appropriations

Complete to 7-11-14

A SUMMARY OF HOUSE BILL 4891 (PROPOSED SUBSTITUTE H-1)

House Bill 4891 (H-1) would amend the Michigan Liquor Control Code (MCL 436.1221) to earmark a portion of the net revenues of the Liquor Control Commission to substance use disorder services. These services are defined in Section 6230 of the Public Health Code (MCL 333.6230).

The earmark will be distributed as a single payment to each of the regional substance use disorder service coordinating entities established under Section 204b of the Mental Health Code (MCL 330.1204b). Each of the entities will receive a portion of the total earmark on a per capita basis, as measured by the most recent decennial census.

The earmark would be distributed beginning in Fiscal Year 2015-16. For FY 2015-16 and FY 2016-17 the earmark equals 3% and 6%, respectively, of the net income of the Michigan Liquor Control Commission from the previous fiscal year. In FY 18, the earmark will be 9.5% of net income, and will remain at that percentage thereafter. The bill defines net income as "all revenue received from sales, taxes, licenses, and any other money collected pursuant to this act, less administrative expenses." Under the subsections (5 & 6) that are added by this bill, the definition of net income does not included returnable license fees. The distribution will be made from General Fund/ General Purpose revenue by the Department of Treasury.

There is some precedent for utilizing alcohol tax revenue to bolster substance abuse programs. The Liquor Control Code requires that the legislature appropriate 3.5% of the revenue generated from retailer's license and license renewal fees "for the purposes of promoting and sustaining programs for the prevention, rehabilitation, care, and treatment of alcoholics" (MCL 436.1543(1)). Additionally, a portion of monies received by counties through taxes levied on the sale of alcohol in convention facilities by the State Convention Facility Development Act (MCL 207.630) could, under certain circumstances, be distributed at the county level to substance abuse treatment programs.

FISCAL IMPACT:

As written, the bill would reduce General Fund (GF) revenues through a transfer of funds to the regional entities that manage substance use disorder services. Beginning with Fiscal Year 2015-16, a percentage of the Liquor Control Commission net income will determine the size of this transfer. Net income is defined as revenue from taxes and other sources, minus administrative expenses. An estimate for the cost of this bill over the first four years is provided in the table below.

Fiscal Year	% of Commission Net Income	Est. Amount Transferred (millions)
FY 2015-16	3.0%	$11.4
FY 2016-17	6.0%	$23.4
FY 2017-18	9.5%	$37.9
FY 2018-19	9.5%	$38.9

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