INDIANA COUNCIL
of Community Mental Health Centers, Inc.

County Funding for Community Mental Health Centers – An Overview

State Called Conference for County Councils of Indiana
Indiana Grand Casino
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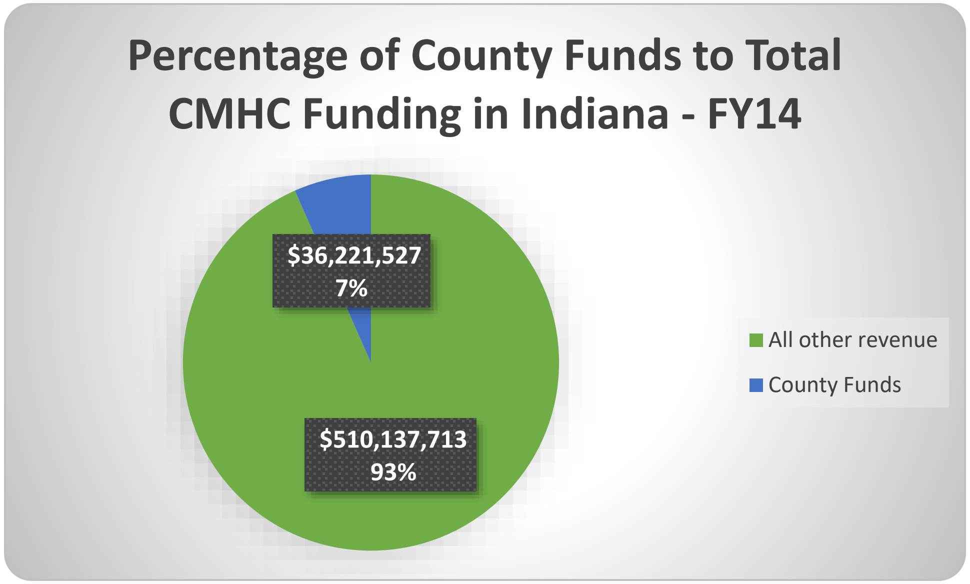
Background

- County government funding plays a vital role in the ability of community mental health centers to provide mental health and substance use services within local communities.
- Under Indiana Code 12-29-2-2 county governments **shall** fund community mental health centers based on a formula established under Section B of that chapter.
- In FY16, counties contributed approximately $37 million to community mental health services in Indiana or 7% of total CMHC funding.



Background

- County funding under IC 12-29-2-2 does not establish a tax levy, but rather a statutorily required funding levy that is adjusted annually by the statewide assessed value growth quotient (IC 6-1.1-18.5-2).
- Funding from counties to CMHCs is derived from each County Commissioner's budget.
- Counties may contribute additional funds to CMHCs through IC 12-29-2-1.2 for construction and operating expenses. Such authorized funding is above and beyond the required funding under IC 12-29-2-2.
- Under IC 6-1.1-18.5-10, CMHCs are not subject to statutory property tax levy limits, an indication of legislative support for ensuring adequate local funding levels for the mentally ill are maintained.
- Prior to 2004, county funding for CMHCs was derived through a tax levy, however, following the change to full market value, CMHCs experienced a "wind fall" and a modification was required to bring county CMHC funding in line with previous funding levels.
- Due to this impact, CMHCs and county government developed the funding language contained within IC 12-29-2-2 and the new law became effective in 2004.

Background

- Following this change, the state legislature developed “circuit breaker” protections for local government due to the impact of property tax rates caps on local budgets.
- Based on the Indiana Code circuit breaker language applies only to taxable levy units and consequently CMHCs have not been subject to such limitations.
- The Indiana Council of Community Mental Health Centers received a legal opinion on this matter from Krieg DeVault law firm on May 21st, 2014 which reinforced CMHCs are not subject to circuit breaker levy limits.
- County governments sought to make CMHCs subject to circuit breaker levy limits through legislation three years ago, however, the effort was defeated in the House Ways and Means Committee.
- In spite of this, some county jurisdictions have attempted to reduce CMHC funding citing circuit breaker protections.

County Financing of CMHCs

- County funding is used in combination with state funds provided to CMHCs through the Family and Social Services Administration (FSSA), Division of Mental Health and Addiction (DMHA) to provide the federal matching rate under the Medicaid Rehabilitation Option (MRO) program (subject to intergovernmental transfer requirements).
- For every $1 county dollar contributed to CMHCs, $3 in services are able to be provided in MRO services, thus county funding provides important leveraging of limited funds.
- Any reduction in county funds for CMHCs has a dramatic impact on the ability of CMHCs to match Medicaid services under the MRO program.
- Consequently, CMHCs have been focused on maintaining the required funding under IC 12-29-2-2 to ensure mental health and substance use treatment continues in local communities.
- Given the improved Medicaid access for mental health and substance use consumers under the HIP 2.0 program in Indiana, additional pressure has been placed on CMHCs to deliver mental health and substance use treatment services to the newly eligible population.

County Financing of CMHCs

- In the 2017 Indiana General Assembly, legislation was filed to dramatically change the process of designated a CMHC to serve a particular county.
- The proposal would have eliminated administrative rules concerning geographic primary service areas for community mental health centers and allow county commissioners to designate which community mental health centers receive funding from the county.
- The proposal would have also modified the funding formula to based payment on the number of individuals served in the county versus the total county population.
- This legislative proposal had numerous flaws, including;
    1. Impact on the Safety Net for Counties
    2. Leveraging Federal Funding under the Medicaid Program
    3. Investment in Local Community
    4. Impact on Federal Grants under SAMHSA
- Fortunately, the legislative was never acted upon and current statutes related to County CMHC funding remains.

County Financing of CMHCs

- Given the challenges of enforcing current Indiana Council statutes related to CMHC county funding, combined with legislative proposals that have the potential to undo the current funding process, the Indiana Council met with the Association of Counties (AIC) to work towards resolving these challenges.
- Through that process, Dave Bottorff, AIC Executive Director, expressed on-going concern over the issue of CMHCs not being subject to the circuit breaker limitation.
- In an effort to seek some compromise on this issues, the Indiana Council asked the AIC if they could develop an analysis indicating each counties overall net loss against the Assessed Value Growth Quotient (AVGQ).
- The AIC contracted with PolicyAnalytics LLC to develop a financial impact analysis.
- The following is a summary of the analysis:

County Financing of CMHCs

Summary of Findings

IC 12-29-2-2 provides that Community Mental Health Centers shall receive funding from a County's general fund that increases at the rate of the assessed value growth quotient (AVGQ, IC 6-1.1-18.5-2). However, the general fund property tax revenues received by the County are constrained by the "circuit breaker" rate caps embodied in 6-1.1-20.6.

In many cases, circuit breaker losses cause a reduction in property tax revenue so that the annual increase in *net* general fund property tax levy (defined as certified levy less circuit breaker loss) is less than that allowable by the AVGQ. In these cases, the requirement to increase funding to Community Mental Health Centers at a rate equal to the AVGQ causes the share of this funding to increase in proportion to other general fund obligations, and restricts available funding for other uses.

Methodology

In order to estimate the extent to which the stipulated increase in funding for community mental health centers exceeds the increase in county net general fund revenue, Policy Analytics was asked to compare the rate of annual increase in County general fund certified levy to the rate of increase in County general fund net levy between 2012 and 2016.

County Financing of CMHCs

The data source for this analysis is the "Impact of the Property Tax Caps" report published by the Department of Local Government Finance.

This analysis showed that between 2012 and 2016, general fund net levies increased at a slower rate than certified levies in 62 out of the 90 counties included in the analysis (Lake and LaPorte Counties were excluded due to data issues). ***In total, county general fund levies increased at an annual rate of 2.71% between 2012 and 2016 while net levies increased at a rate of 2.19% annually, a difference of 0.53% annually.***

The impacts vary significantly by county. For counties with low circuit breaker impacts, there is little variance between annual growth in certified and net levies. However, some counties, such as Clark, Howard, Blackford and Vanderburgh exhibit significantly lower growth rates in the net general fund levy than in the certified levy.

County Financing of CMHCs

- Keep in mind, the identified reduction of .53% between the certified levy and net levy growth rates in county change is between 2012 and 2016.
- The data is based on ninety (90) of ninety-two (92) counties as two counties were excluded from the analysis.

  Lake County was excluded from the analysis due to the effects of the unique LOIT funded property tax replacement credit enacted in 2014.

  Data for LaPorte County was not available in the 2012 and 2013 DLGF reports.

- As a result of this analysis, the Indiana Council Board has been discussing a possible compromise with county governments to eliminate the concern that CMHC are not bound by circuit breaker limitations.
- The hope is that by negotiating with the AIC on this matter, future threats to the CMHC County funding formula would be eliminated.
- Given limited impact on CMHC funding (using a potential rate reduction of .53% as a basis) our association believes it is good public policy to resolve this issue by requiring CMHCs, through a change in IC 12-29-2, to be bound by the net levy reduction compared to the AVGQ.

QUESTIONS?

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