

State Notes

TOPICS OF LEGISLATIVE INTEREST

September/October 2004



Healthy Michigan Fund Appropriations, FY 1993-94 Through FY 2004-05 **By Steve Angelotti, Fiscal Analyst**

The Healthy Michigan Fund (HMF) was established after the voters approved Proposal A, the March 1994 school finance reform constitutional amendment. Article IX, Section 36 of the Michigan Constitution reads, "six percent of the proceeds of the tax on tobacco products shall be dedicated to improving the quality of health care of the residents of this state". Legislation increasing the tobacco tax to 75 cents per pack of cigarettes, tie-barred to passage of Proposal A, took effect on May 1, 1994.

Public Act 121 of 1995 created the Healthy Michigan Fund within the Public Health Code to receive the proceeds under Article IX, Section 36 (MCL 333.5933). The Act states that money in the Healthy Michigan Fund "shall be used to improve the health of the citizens of this state" (MCL 333.5955).

Due to the May 1, 1994, effective date of the tobacco tax increase, the increase generated partial-year funding in fiscal year (FY) 1993-94 for Article IX, Section 36 purposes. In subsequent years, the Healthy Michigan Fund has received revenue over the full fiscal year. Language in the statute directs that unused revenue not lapse to the General Fund, which has led to a considerable amount of carry-forward HMF revenue.

Consumption of cigarettes and other tobacco products sold in Michigan has slowly declined over the past few decades. This rate of decline accelerated after 1994, in part due to an increase in cigarette smuggling after the tax increase. Under Public Act 187 of 1997, tobacco products sold in the State must have a stamp to help prevent smuggling. This requirement, effective September 1, 1998, led to an increase in tobacco tax revenue of nearly 9%. The long-term decline, however, has continued.

Full-year Healthy Michigan Fund revenue was in the range of \$35 million to \$40 million from FY 1994-95 to FY 2001-02. Total HMF appropriations in those years were less than the available tax and carry-forward revenue, due to concern about the slow decline in tobacco tax collections. By keeping a cushion available, the Department of Public Health (DPH) and (after FY 1995-96) the Department of Community Health (DCH) budget conference committees, which allocated the HMF funding, were able to avoid having to make reductions to programs.

In FY 2000-01 the decision was made to spend the carry-forward revenue, which led to the largest amount yet appropriated for HMF programming: over \$45.0 million.

Two events that occurred during 2002 had a significant impact on the Healthy Michigan Fund: State General Fund/General Purpose (GF/GP) revenue dropped, precipitating a fiscal crisis that has lasted to the present, and the tobacco tax was increased, leading to more revenue for the Healthy Michigan Fund.

The revenue drop led to major reductions in HMF program spending. By reducing spending on HMF projects, then using the freed-up revenue to support the Medicaid program, the State could save GF/GP funds and help reduce its deficit. The Healthy Michigan Fund



constitutional and statutory language directs that the Fund be spent to improve the health of Michigan residents, but the use of this revenue to support Medicaid fits within that parameter.

These reductions in HMF budget lines first were made through the Executive Order and budgetary savings reductions during FY 2001-02. A second, even larger set of reductions was made in the FY 2002-03 budget. In each year some of the HMF programs that were reduced received increases in GF/GP revenue, so the programs themselves, while seeing less HMF funding, were not reduced nearly as much as it would seem. For instance, the Pregnancy Prevention program's HMF funding was reduced from \$4,350,000 in FY 2000-01 to \$0 in FY 2002-03. The DCH conferees did include \$3,000,000 in GF/GP funding for the program in FY 2002-03, so the reduction in total funding available was \$1,350,000, not the full \$4,350,000.

On August 1, 2002, the tobacco products tax was increased from \$0.75 per pack of cigarettes to \$1.25 per pack. This increased baseline HMF funding by over \$20 million, to roughly \$55 million in FY 2002-03 and FY 2003-04. Only about \$18.1 million of this funding in FY 2003-04 was appropriated for HMF programs; the rest went to support the Medicaid base.

The appropriated funding for FY 2004-05 is \$43.4 million, of which just under \$30.5 million has been appropriated for programs, including several new initiatives. The ostensible reduction in HMF appropriations, in spite of another increase in the tobacco tax from \$1.25 per pack to \$2.00 per pack on July 31, 2004, is a bit of an illusion. Nearly all of the tobacco tax increase has been dedicated, by statute, to support the Medicaid program, so one can still argue that 6% of the tobacco tax is being used pursuant to its original designated purpose.

Table 1 at the end of this article displays the 12-year HMF funding history of the 74 programs that have received HMF funding over the years. As one may see from the table, more than \$476 million has been appropriated from the Healthy Michigan Fund over the 12-year period. Of that amount, almost \$103 million has gone to support the Medicaid program while over \$373 million (78.4%) has gone to HMF programming.

The programs receiving the largest amount of HMF funding over the years are Smoking Prevention (\$48,956,300, over 10% of total HMF funding), Pregnancy Prevention (\$45,616,600), and Cancer Prevention (\$44,625,300). Other programs that have received large amounts of HMF funding include Mental Health Respite Care (\$24,000,000), Immunization (\$20,212,000), Diabetes (\$18,966,500), general Chronic Disease programs (\$16,857,400), and Violence Prevention (\$16,271,500).

While classifying programs as "prevention" programs is, in part, an exercise in semantics, it is clear that the majority of Healthy Michigan funding has gone to prevention efforts, as about 70% of all HMF programming (non-Medicaid) dollars have gone to programs generally regarded as preventive in nature. In FY 2003-04 and FY 2004-05, this percentage approaches 80% of HMF programming dollars, so the amount has been increasing in recent years.

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In the early years of the Healthy Michigan Fund, HMF revenue was used only once or twice for certain programs, such as Medicaid Substance Abuse Services, Children's Special Health Care Services, and Infant Support Services. This tendency has changed, though there have been a number of one-time or two-time HMF programs funded over the years.

Other programs began receiving funding fairly early in the history of the Fund and continued to receive funding in most of the subsequent years. These include teen centers, cancer prevention, dental programs, diabetes, immunizations, the Michigan essential health provider program, physical fitness, poison control, pregnancy prevention, mental health respite care, smoking prevention, tobacco tax enforcement, and violence prevention. These 13 programs account for more than 68% of the HMF appropriations for programming over the past 12 years.

For FY 2004-05 the legislative conference committee, after negotiations with the Executive branch, increased funding for a number of the "traditional" HMF programs and included funding for new initiatives, such as cardiovascular health, early hearing detection and screening, health disparities, infant mortality, and lead poisoning prevention. These increases, totaling almost \$12.4 million, will be the first expansion of HMF programming since the retrenchment after the start of the multiyear budget crisis.

After a few fits and starts, the bulk of Healthy Michigan Fund revenue has been used mostly to support a limited number of programs. This pattern has changed somewhat in the past few years as budgetary difficulties have led to an increase in the use of HMF revenue to support the Medicaid program. Even so, the vast majority of the over \$373 million in HMF program appropriations has gone to prevention programs, and the reliance on HMF money to support Medicaid is on the decline.

Table 1: HEALTHY MICHIGAN FUND APPROPRIATIONS HISTORY

	FY 1993-94	FY 1994-95	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99
Adolescent Health Care Services.....	\$0	\$750,000	\$850,000	\$850,000	\$850,000	\$850,000
African American Male Health Initiative	0	0	0	0	0	320,000
AIDS Medicaid Risk Pool	0	0	0	0	0	0
AIDS/HIV Risk Reduction.....	0	0	0	1,000,000	1,000,000	1,200,000
Alzheimer's Disease Outreach and Education.....	0	0	0	0	0	100,000
Cancer Prevention and Control	0	500,000	1,000,000	5,800,000	6,554,100	6,554,100
Cardiovascular Health.....	0	0	0	0	0	0
Child and Adult Arthritis.....	0	0	0	0	0	0
Children's Ombudsman Commission	0	600,000	800,000	0	0	0
Children's Special Health Care Services	0	0	2,750,000	0	0	0
Chronic Disease (unspecified)	1,500,000	7,850,000	7,507,400	0	0	0
Chronic Disease (Michigan Obesity Initiative)	0	0	0	0	0	0
Community Services (H.O.M.E. Program)	0	0	0	0	0	0
Dental Programs	0	200,000	350,000	150,000	150,000	150,000
Diabetes Local Agreements	0	0	0	2,000,000	2,200,000	2,700,000
Disease Surveillance (Deer Tuberculosis).....	0	0	0	0	500,000	0
EPSDT Outreach	0	1,450,000	1,400,000	0	0	0
Early Childhood Collaborative Secondary Prevention.....	0	0	0	0	0	0
Early Hearing Detection & Screening Program.....	0	0	0	0	0	0
Epidemiology (Behavioral Health Risk Survey)	0	0	0	0	0	0
Family Planning Local Agreements	0	0	0	0	0	0
Fish Advisory	0	0	0	0	0	0
Genetics Education.....	0	0	0	0	0	100,000
Health Education (Learning Center)	0	0	0	0	0	0
Health Education (Osteoporosis).....	0	0	0	0	150,000	650,000
Health Planning	0	0	0	2,000,000	2,000,000	2,000,000
Hepatitis C Testing and Counseling	0	0	0	0	0	0
Housing and Support Services.....	0	0	0	0	0	0
Immunization Local Agreements	2,500,000	500,000	1,481,000	1,931,000	1,750,000	1,750,000
Immunization Program Management	0	0	293,300	293,300	250,000	259,200
Immunization Program Management (hep. A).....	0	0	0	0	0	100,000
Implementation of Informed Consent Legislation.....	0	0	0	0	0	0
Infant Mortality	0	0	0	0	0	0
Infant Support Services Expansion	0	1,500,000	1,800,000	0	0	0
Infectious Disease (Nosocomial Infection).....	0	0	0	0	0	200,000
Injury Control Intervention Project (Brain Injury)	0	0	0	0	37,500	617,500
Injury Control Intervention Project ("Safe Kids")	0	0	0	0	0	0
Injury Control Intervention Project (Spinal Cord).....	0	0	0	0	0	0
Lead Abatement Program	0	0	0	0	0	0

Table 1: HEALTHY MICHIGAN FUND APPROPRIATIONS HISTORY

	FY 1993-94	FY 1994-95	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99
Lead Poisoning Prevention	0	0	0	0	0	0
Local Health Services	0	225,000	225,000	0	0	0
Local Maternal/Child Health Services.....	0	0	0	0	0	0
Local Public Health Surveillance	0	2,325,000	2,275,000	0	0	0
Maternal Outpatient Medical Services (MOMs)	0	0	0	0	0	0
Medicaid Substance Abuse Services	2,700,000	0	0	0	0	0
Michigan Center for Rural Health	0	200,000	0	0	0	0
Michigan Essential Health Care Provider	0	500,000	500,000	500,000	500,000	500,000
MIChild and Medicaid Outreach.....	0	0	0	0	0	500,000
Migrant Health Services.....	0	0	0	0	0	0
Minority Health (Asian Women Project).....	0	0	0	0	0	0
Minority Health (Health Disparities)	0	0	0	0	0	0
Morris Hood Wayne State Diabetes Outreach.....	0	0	0	0	0	0
Parkinson's Disease Programming.....	0	0	0	0	0	0
Physical Fitness, Nutrition and Health.....	300,000	1,850,000	1,250,000	1,250,000	1,250,000	1,250,000
Poison Control	0	300,000	300,000	300,000	300,000	300,000
Pregnancy Prevention Programs.....	1,500,000	4,450,000	4,350,000	4,350,000	4,350,000	4,350,000
Prenatal Care Outreach and Support	0	500,000	250,000	0	250,000	250,000
Primary Care Services	0	0	0	0	0	0
Respite Care (Mental Health).....	0	2,500,000	2,500,000	3,000,000	3,000,000	3,000,000
School Health and Education Programs.....	0	0	0	0	0	0
Senior Nutrition Services.....	0	500,000	500,000	0	500,000	500,000
Senior Olympics.....	0	0	0	0	0	0
Sexually Transmitted Disease (Hepatitis B).....	0	0	0	0	0	4,600,000
Smoking Prevention Program	1,200,000	4,900,000	3,859,300	4,880,000	4,873,100	4,873,100
Special Projects (Community Action Project)	0	0	0	0	0	0
Special Projects (Fetal Alcohol Syndrome).....	0	0	0	0	0	200,000
Special Projects (Palliative Care)	0	0	0	0	0	750,000
Special Projects (unspecified)	0	150,000	155,100	0	0	0
Sudden Infant Death Syndrome	0	0	0	0	0	400,000
Tobacco Tax Collection and Enforcement.....	300,000	800,000	800,000	800,000	809,100	809,100
Training and Evaluation	0	243,500	243,500	243,500	243,500	243,500
Violence Prevention	0	2,550,000	2,504,600	2,000,000	2,000,800	2,000,800
Vital Records and Health Statistics	0	256,500	256,500	0	0	0
Worksite Wellness	0	0	0	1,800,000	1,800,000	1,800,000
Subtotal Healthy Michigan Fund Projects	\$10,000,000	\$35,600,000	\$38,200,700	\$33,147,800	\$35,318,100	\$43,877,300
Medicaid Base Funding.....	0	0	0	5,000,000	0	0
TOTAL APPROPRIATIONS	\$10,000,000	\$35,600,000	\$38,200,700	\$38,147,800	\$35,318,100	\$43,877,300

Table 1: HEALTHY MICHIGAN FUND APPROPRIATIONS HISTORY							
	FY 1999-2000	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	12-Year Total
Adolescent Health Care Services.....		\$850,000	\$214,000	\$0	\$0	\$0	\$6,064,000
African American Male Health Initiative	320,000	320,000	320,000	0	0	0	1,280,000
AIDS Medicaid Risk Pool	400,000	400,000	0	0	0	0	800,000
AIDS/HIV Risk Reduction.....	1,000,000	1,000,000	1,000,000	0	0	0	6,200,000
Alzheimer's Disease Outreach and Education.....	290,000	290,000	290,000	290,000	290,000	400,000	1,950,000
Cancer Prevention and Control	6,411,200	6,561,200	4,911,200	1,535,600	1,642,300	3,155,600	44,625,300
Cardiovascular Health.....	0	0	0	0	0	2,598,200	2,598,200
Child and Adult Arthritis.....	0	50,000	50,000	0	50,000	100,000	250,000
Children's Ombudsman Commission	0	0	0	0	0	0	1,400,000
Children's Special Health Care Services	0	0	0	0	0	0	2,750,000
Chronic Disease (unspecified)	0	0	0	0	0	0	16,857,400
Chronic Disease (Michigan Obesity Initiative)	0	500,000	200,000	0	0	0	700,000
Community Services (H.O.M.E. Program)	0	1,000,000	0	0	0	0	1,000,000
Dental Programs	150,000	150,000	150,000	150,000	150,000	150,000	1,900,000
Diabetes Local Agreements	2,650,000	2,650,000	2,650,000	0	1,801,300	2,315,200	18,966,500
Disease Surveillance (Deer Tuberculosis).....	0	0	0	0	0	0	500,000
EPSDT Outreach	0	1,000,000	0	0	0	0	3,850,000
Early Childhood Collaborative Secondary Prev.	1,000,000	0	0	0	0	0	1,000,000
Early Hearing Detection & Screening Program.....	0	0	0	0	0	400,000	400,000
Epidemiology (Behavioral Health Risk Survey)	150,000	150,000	150,000	0	0	0	450,000
Family Planning Local Agreements	0	0	0	0	634,600	634,600	1,269,200
Fish Advisory	0	406,200	0	0	0	0	406,200
Genetics Education.....	0	0	0	0	0	0	100,000
Health Education (Learning Center)	300,000	0	0	0	0	0	300,000
Health Education (Osteoporosis).....	400,000	400,000	400,000	133,300	0	400,000	2,533,300
Health Planning	2,000,000	2,000,000	2,000,000	333,400	0	0	12,333,400
Hepatitis C Testing and Counseling	0	300,000	0	0	0	0	300,000
Housing and Support Services.....	500,000	0	0	0	0	0	500,000
Immunization Local Agreements	1,750,000	1,750,000	1,750,000	1,550,000	1,750,000	1,750,000	20,212,000
Immunization Program Management	267,600	267,600	267,600	274,100	274,100	294,100	2,740,900
Immunization Program Management (hep. A).....	100,000	0	0	0	0	0	200,000
Implementation of Informed Consent Legislation....	0	0	0	0	23,500	23,500	47,000
Infant Mortality	0	0	0	0	0	1,000,000	1,000,000
Infant Support Services Expansion	0	0	0	0	0	0	3,300,000
Infectious Disease (Nosocomial Infection).....	0	0	0	0	0	0	200,000
Injury Control Intervention Project (Brain Injury)	200,000	200,000	0	0	0	0	1,055,000
Injury Control Intervention Project ("Safe Kids")	0	500,000	500,000	0	0	0	1,000,000
Injury Control Intervention Project (Spinal Cord)....	0	110,000	0	0	0	0	110,000
Lead Abatement Program	0	1,000,000	0	0	0	0	1,000,000

Table 1: HEALTHY MICHIGAN FUND APPROPRIATIONS HISTORY							
	FY 1999-2000	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	12-Year Total
Lead Poisoning Prevention	0	0	0	0	0	1,000,000	1,000,000
Local Health Services	0	0	0	0	0	0	450,000
Local Maternal/Child Health Services.....	0	0	0	0	246,100	246,100	492,200
Local Public Health Surveillance	0	0	0	0	0	0	4,600,000
Maternal Outpatient Medical Services (MOMs)	0	0	0	4,000,000	1,586,000	1,575,500	7,161,500
Medicaid Substance Abuse Services	0	0	0	0	0	0	2,700,000
Michigan Center for Rural Health	0	0	0	0	0	0	200,000
Michigan Essential Health Care Provider	500,000	500,000	500,000	0	0	0	4,000,000
MIChild and Medicaid Outreach.....	0	0	0	0	0	0	500,000
Migrant Health Services.....	0	0	0	0	0	340,000	340,000
Minority Health (Asian Women Project).....	100,000	0	0	0	0	0	100,000
Minority Health (Health Disparities)	0	0	0	0	0	900,000	900,000
Morris Hood Wayne State Diabetes Outreach.....	0	500,000	500,000	208,300	0	400,000	1,608,300
Parkinson's Disease Programming.....	0	200,000	0	0	0	200,000	400,000
Physical Fitness, Nutrition and Health.....	1,250,000	1,250,000	1,250,000	0	0	900,000	11,800,000
Poison Control	300,000	300,000	300,000	300,000	300,000	300,000	3,300,000
Pregnancy Prevention Programs.....	4,350,000	4,350,000	3,500,000	0	5,033,300	5,033,300	45,616,600
Prenatal Care Outreach and Support	250,000	250,000	250,000	250,000	0	0	2,250,000
Primary Care Services	0	400,000	0	0	0	0	400,000
Respite Care (Mental Health).....	3,000,000	3,000,000	3,000,000	1,000,000	0	0	24,000,000
School Health and Education Programs.....	0	0	0	0	0	500,000	500,000
Senior Nutrition Services.....	500,000	500,000	500,000	167,000	167,000	167,000	4,001,000
Senior Olympics.....	100,000	100,000	0	0	0	0	200,000
Sexually Transmitted Disease (Hepatitis B).....	0	0	0	0	0	0	4,600,000
Smoking Prevention Program	4,895,100	4,895,100	4,895,100	1,906,200	3,114,200	4,665,100	48,956,300
Special Projects (Community Action Project)	120,000	0	0	0	0	0	120,000
Special Projects (Fetal Alcohol Syndrome).....	200,000	200,000	200,000	0	0	0	800,000
Special Projects (Palliative Care)	700,000	8,800	0	0	0	0	1,458,800
Special Projects (unspecified)	0	0	0	0	0	0	305,100
Sudden Infant Death Syndrome	0	200,000	0	0	0	0	600,000
Tobacco Tax Collection and Enforcement.....	810,000	810,000	810,000	810,000	810,000	810,000	9,178,200
Training and Evaluation	243,500	243,500	243,500	0	220,000	220,000	2,388,000
Violence Prevention	2,705,100	2,005,100	505,100	0	0	0	16,271,500
Vital Records and Health Statistics	0	0	0	0	0	0	513,000
Worksite Wellness	1,800,000	3,800,000	(1,500,000)	0	0	0	9,500,000
Subtotal Healthy Michigan Fund Projects	\$40,562,500	\$45,367,500	\$29,806,500	\$12,907,900	\$18,092,400	\$30,478,200	\$373,358,900
Medicaid Base Funding.....	0	0	5,336,000	41,200,000	38,524,700	12,921,800	102,982,500
TOTAL APPROPRIATIONS	\$40,562,500	\$45,367,500	\$35,142,500	\$54,107,900	\$56,617,100	\$43,400,000	\$476,341,400

Source: Budget histories