

**SUBSTITUTE FOR  
SENATE BILL NO. 638**

A bill to amend 1974 PA 258, entitled  
"Mental health code,"  
(MCL 330.1001 to 330.2106) by adding sections 207c and 207d.

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

1           **Sec. 207c. (1) The jail diversion fund is created within the**  
2 **state treasury.**

3           **(2) The state treasurer may receive money or other assets from**  
4 **any source for deposit into the fund. The state treasurer shall**  
5 **direct the investment of the fund. The state treasurer shall credit**  
6 **to the fund interest and earnings from fund investments.**

7           **(3) Money in the fund at the close of the fiscal year must**  
8 **remain in the fund and must not lapse to the general fund.**

9           **(4) The department of treasury is the administrator of the**

1 fund for auditing purposes.

2 (5) The department shall expend money from the fund, upon  
3 appropriation, for the following purposes:

4 (a) Making grant distributions as provided in sections 207d  
5 and 207f.

6 (b) Contracting with an independent organization to evaluate  
7 grant recipients.

8 (c) Paying the reasonable expenses of staff services to  
9 administer and enforce the statutory requirements of the grant  
10 fund.

11 Sec. 207d. (1) Subject to appropriation to the jail diversion  
12 fund under section 207c, the department shall create a behavioral  
13 health jail diversion grant program, using half of appropriated  
14 funds, to provide competitive grants to assist local units of  
15 government that apply according to the criteria outlined in this  
16 section.

17 (2) The department shall distribute grants to local units of  
18 government to establish or expand behavioral health jail diversion  
19 programs in coordination between community agencies and law  
20 enforcement agencies.

21 (3) The department must give priority to local units of  
22 government in counties without an urbanized area of at least 50,000  
23 people and to programs that adhere to best practices as identified  
24 by the council.

25 (4) Grant applications may be made by any applicable local  
26 unit of government and must be distributed to local units of  
27 government using a prospective payment methodology.

28 (5) Each local unit of government receiving a grant under this  
29 section must provide to the department a copy of a memorandum of

1 understanding between the involved community agencies and law  
2 enforcement agencies that delineates how the agencies will be  
3 coordinated.

4 (6) The department must create an application process with  
5 selection criteria for grants under subsection (3) and a grant  
6 dispersal process under subsection (4). The department must post  
7 the application process, selection criteria, and grant dispersal  
8 process on the department's website.

9 (7) The department must seek federal authority as outlined  
10 under section 9813 of the American rescue plan act of 2021, Public  
11 Law 117-2, to utilize enhanced federal Medicaid matching funds for  
12 the operation of eligible programs receiving grants under this  
13 section as long as that funding is available.

14 (8) Each year, a local unit of government that receives a  
15 grant under this section must cooperate with an organization,  
16 selected by the department, to describe and evaluate the activities  
17 and results of the local unit of government related to grant  
18 dollars disbursed under this section. The department may utilize a  
19 portion of funding appropriated to the jail diversion fund to  
20 contract with an independent organization to fulfill this  
21 requirement.

22 (9) The department or evaluating organization must determine  
23 the specific metrics required in the report and notify the local  
24 units of government at the time of the first grant disbursement.

25 (10) Not later than September 30, 2023 and annually after  
26 that, the department must compile and submit an annual report to  
27 the senate and house appropriations subcommittees on the department  
28 budget, the senate and house fiscal agencies, the senate and house  
29 policy offices, and the state budget office, and publish a copy of

1 the report on its internet website. The report must contain all of  
2 the following for the immediately preceding fiscal year:

3 (a) The name of each local unit of government that received a  
4 grant and the total amount of the grant.

5 (b) Details about any subgrant disbursed by each local unit of  
6 government that received a grant under this section.

7 (c) An analysis of the activities undertaken by grant  
8 recipients as part of their project.

9 (d) An appropriate summary of metrics reported by grant  
10 recipients as required under subsection (8).

11 (11) The responsibilities of the department under this section  
12 include all of the following:

13 (a) Create the behavioral health jail diversion grant program,  
14 review grant applications, and distribute grants.

15 (b) Determine appropriate staffing and resource allocation for  
16 grant review, administration, and other duties.

17 (c) Coordinate with the council to determine appropriate  
18 staffing and resource allocation for grant review, administration,  
19 and other duties.

20 (d) Manage external evaluation and ensure that metrics are  
21 collected by grant recipients in order to determine program results  
22 and inform best practices.

23 (e) Provide technical assistance and coordination, and  
24 facilitate sharing of best practices among grant recipients.

25 (12) As used in this section:

26 (a) "Behavioral health disorder" means a mental illness or  
27 substance use disorder, whether or not the mental illness or  
28 substance use disorder has been formally diagnosed, a developmental  
29 disability, or an intellectual disability.

1           (b) "Behavioral health jail diversion program" means a program  
2 under which an individual with a behavioral health disorder who  
3 otherwise would have been arrested or processed through the  
4 traditional criminal justice system is instead rerouted away from  
5 the criminal justice system, pre-arrest or post-arrest and before  
6 jail incarceration or conviction.

7           (c) "Community agency" means a public or private agency or  
8 organization that provides services toward preventing, improving,  
9 or resolving health, mental health, social, or environmental  
10 problems that affect individuals, families, specific groups, or  
11 communities, including a community mental health agency.

12           (d) "Council" means the mental health diversion council  
13 established under the department or another council or body as  
14 determined appropriate by the department.

15           (e) "Local unit of government" means a city, village,  
16 township, or county or a delegate of a city, village, township, or  
17 county for the purpose of grant application and implementation.

18           Enacting section 1. This amendatory act does not take effect  
19 unless Senate Bill No. 637 of the 101st Legislature is enacted into  
20 law.