

## **Funding Options for Financial Sustainability**

### **Recommendations**

As described throughout this Report, continued investment in the behavioral health infrastructure is necessary to sustain and continue progress to create a system that meets Hoosiers where they are. The Commission recommends the General Assembly consider the following funding sources to support this investment:

**Additional Appropriations** – Line-item budget appropriations are a possibility for funding the Commission’s recommendations. The Commission commends the CMHF appropriation in 2023, which made the progress described in this Report possible.

**Alcohol Tax** – The Commission proposes two options for raising alcohol tax. The first proposed option being raising the alcohol tax by \$.10 per 12 oz of beer, 1.5 oz of liquor, and 5 oz of wine resulting in an estimated \$484.3 million revenue. The second proposed option being raising alcohol tax by \$0.15 per gallon resulting in an estimated \$251.9 million in revenue. Alcohol tax in Indiana has not increased since 1981 with Indiana ranking 43rd for lowest beer tax, 46th lowest liquor tax and 36th lowest wine tax.

**Cigarette Tax** – The Commission proposes a \$1.005 tax increase on a 20 pack of cigarettes for a total of \$2.00 resulting in an estimated \$350 million revenue, an additional \$132.6 million. Indiana’s cigarette tax has remained \$0.99 for 17 years while the average cigarette tax in the United States is \$1.74 with over half of states taxing a minimum of \$2.00. Additionally, the American Cancer Society estimates a 21% decrease in youth smoking with long-term health care cost savings of \$2.19 billion with a \$2.00 tax. This tax could also be extended to non-cigarette nicotine products.

**Operators of Sports Wagering Tax** – The Commission proposes a 5.5% increase in the tax rate for a total of 15% resulting in an estimated \$59 million in revenue. Indiana’s tax rate on operators was set at 9.5% in 2019 generating \$39.6 million in revenue.

**988 Surcharge** - The Commission recommends a one dollar (\$1) 988 surcharge as a sustainable funding option for the Crisis Response System, to be leveraged with Medicaid and other sources to sustain the system in the long term. The appropriated \$100 million (\$50 million/year) in funding for mental health from the CMHF has been a crucial system stabilizer and has continued to allow the state to make progress. However, as detailed in Part I, funding is needed to sustain current coverage and ensure the long-term system stability and sustainability.

The federal enabling legislation allows states to impose surcharges on phone bills similar to the surcharge that funds the 911 system. A 988 surcharge of one dollar is anticipated to bring in annual revenues of approximately \$90M per year.

Indiana is investing considerable one-time federal funding and state funding in the development of a comprehensive crisis response system, but the 988 surcharge is one option to provide a crucial, sustainable funding source.