

## PROPOSITION 1E

### MENTAL HEALTH SERVICES FUNDING. TEMPORARY REALLOCATION. HELPS BALANCE STATE BUDGET.

Legislative Initiative Amendment

#### BACKGROUND

**County Mental Health Services.** Counties are the primary providers of mental health care to children and adults who lack coverage for such care. Mental health services include psychiatric, counseling, hospitalization, and other services intended to improve the health and functioning of the mentally ill and to minimize their becoming disabled or homeless, being hospitalized, or engaging in criminal activity.

County mental health services use a mix of funds from local, state, and federal sources, amounting to about \$5 billion a year. Some state revenues are automatically set aside for these programs. Others are provided through the state budget act, requiring action by the Legislature and the Governor.

**Proposition 63.** In 2004 the voters approved Proposition 63, the Mental Health Services Act, which provides state funding for certain mental health programs through a 1 percent personal income tax surcharge on taxable incomes above \$1,000,000. Revenues generated through the surcharge are dedicated to specified mental health programs and are not appropriated by the Legislature. Proposition 63 revenues have ranged from \$900 million to \$1.5 billion and could vary significantly in the future. \$2.9 billion had been collected by 2008, but delays in getting the program started meant that only \$1 billion had been approved for distribution.

Proposition 63 funds are to be used for five purposes: (1) expanding community services, (2) providing workforce education and training, (3) building capital facilities, (4) expanding prevention programs, and (5) establishing innovative programs. These program activities, which are in various stages of completion, are described by the Legislative Analyst in the official Voter Information Guide (see box).

- **Community Services.**

Expansion of “systems of care” for seriously emotionally disturbed children and adults with a serious mental illness, including both mental health treatment and services such as housing to assist patients.

- **Mental Health Workforce Education and Training.**

Stipends, loan forgiveness, scholarship programs, and other incentives to address existing shortages of mental health staffing in community programs and ensure a sufficient workforce to meet future demand.

- **Capital Facilities and Technology.**

New programs to allocate funding to counties for technology improvements and capital facilities for the provision of mental health services.

• ***Prevention and Early Intervention.***

State and local prevention and early intervention programs to identify persons showing early signs of mental illness and place them into treatment quickly before their illness becomes more severe.

• ***Innovation Programs.***

New programs to experiment with ways to improve access to mental health services (including underserved groups), to improve program quality, or to promote interagency collaboration in the delivery of services to clients.

***How Proposition 63 Programs Are Administered.*** The state Department of Mental Health (DMH), in coordination with certain other agencies, has the lead role at the state level in implementing most of the programs specified in the measure—generally through contracts with the counties. Counties draft and submit for state review and approval their plans for the delivery of certain mental health services funded under Proposition 63. Some Proposition 63 funds are used in combination with matching federal funding to provide mental health services for persons eligible under the Medi-Cal health care program. (Medi-Cal provides health care services to qualified low income persons, primarily consisting of families with children and the aged or disabled.)

***Restrictions on Use of Proposition 63 Funds.*** Proposition 63 imposes various restrictions on the state and on counties regarding spending on mental health programs. For example, Proposition 63 revenues must be used to expand mental health services and cannot be used for other purposes. The state is specifically barred from reducing General Fund support for mental health services below the levels provided in 2003-04.

***Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) Program.*** The EPSDT is a federally mandated program that requires states to provide a broad range of screening, diagnosis, and medically necessary treatment services—including mental health services—to Medi-Cal beneficiaries under age 21. Through county contracts administered by the DMH, services provided include group and individual counseling and assistance in stabilizing children and young adults who experience a mental health crisis.

Total expenditures for EPSDT specialty mental health services now exceed \$1 billion annually. The federal government provides about half of the funding, with most of the remaining cost borne by the state and a small portion borne by the counties.

## **THE PROPOSAL**

Proposition 1E amends the Mental Health Services Act (Proposition 63) to transfer funds, for a two-year period, from mental health programs under that act to pay for mental health services for children and young adults provided through the EPSDT. In 2009-10, \$226.7 million would be redirected; in 2010-11 between \$226.7 and \$234 million would be redirected. The redirected funds would offset state costs for the EPSDT otherwise paid for by the General Fund, thus achieving savings to help balance the budget.

## **FISCAL EFFECT**

Proposition 1E would result in state General Fund savings of about \$230 million each year for two years, 2009-10 and 2010-11. It would result in an equivalent reduction in Proposition 63 spending.

***Additional Potential Effects.*** To the extent that programs now funded with Proposition 63 funds are cut, state and local governments could incur added costs for homeless shelters, social service programs, medical care, law enforcement and county jail and state prison operations. The extent of these potential costs is unknown and would depend on which existing programs are cut.

***Potential Decrease in Federal Funds.*** Some Proposition 63 funds are now used to draw down federal matching funds through the Medi-Cal program. Depending on how the state and counties choose to adjust their programs in response to Proposition 1E reductions, they could lose federal matching support.

## **WHAT A YES OR NO VOTE MEANS**

A **YES** vote means that some of the funding provided by Proposition 63 to support the expansion of community mental health programs would be redirected for two years to the state General Fund.

A **NO** vote means that all Proposition 63 funds would continue to be used to support the expansion of community mental health programs, and will not be redirected into the state General Fund.

## **SUPPORTERS SAY**

- Delays in getting new programs started have resulted in \$2.5 billion in unspent tax funds. Proposition 1E puts these unspent funds to use by redirecting them to help balance the state budget.
- Partial, temporary cuts to Proposition 63 programs now will help the state to avoid more severe budget problems that could require even deeper cuts in programs later.
- Proposition 1E ensures that the state will provide required funds for the Early Periodic Screening, Diagnosis and Treatment Program, a use consistent with the approach of Proposition 63.

## **OPPONENTS SAY**

- This is a stopgap measure that does nothing to address the state's fundamental fiscal crisis. The amount of money this proposition would transfer to the General Fund is a small fraction of the state budget, but in many cases it provides the only meaningful source of help for our most vulnerable citizens.
- Proposition 1E seriously cuts mental health programs mandated by the voters that are helping many people living with mental illness in our communities.

- It is shortsighted to cut Proposition 63 programs—their early intervention features prevent more serious mental illness later and they save the state money by reducing homelessness, hospitalization and school failures.

## **SUPPORT AND OPPOSITION**

Ballot arguments in support are signed by State Senate President Pro tempore Darrell Steinberg, (a co-author of Proposition 63).

Ballot arguments in opposition are signed by State Senator Lou Correa.

### **PRO**

Budget Reform Now [http://www.cabudgetreformnow.com/?\\_c=xuh34ocxze1whw](http://www.cabudgetreformnow.com/?_c=xuh34ocxze1whw)

California Teachers Association:

<http://www.cta.org/issues/current/May+19+Special+Election+Initiatives.htm>

California Taxpayers Association: <http://www.caltax.org/>

California Chamber of Commerce: <http://www.calchamber.com/Pages/Default.aspx>

### **CON**

No on Prop. 1E: <http://www.NoProp1E.com>

National Association for the Mentally Ill, California: <http://www.namicalifornia.org>

California Council of Community Mental Health Agencies: <http://www.cccmha.org/>

National Association of Social Workers, California: <http://www.naswca.org/>

## **FOR MORE INFORMATION**

California Secretary of State: <http://www.voterguide.sos.ca.gov/>

Legislative Analyst's Office: <http://www.lao.ca.gov>

Campaign Finance Information: <http://cal-access.sos.ca.gov/campaign/>

Ballotpedia: [http://ballotpedia.org/wiki/index.php/California\\_2009\\_ballot\\_propositions](http://ballotpedia.org/wiki/index.php/California_2009_ballot_propositions)

California Budget Project: [www.cbp.org](http://www.cbp.org)

EdSource: <http://www.edsource.org/election09.html>