Proposition 1E

The Mental Health Services Act: Proposition 63 Amendments.

Background

County Mental Health Services

Counties are the primary providers of mental health care in California communities for persons who lack private coverage for such care. Both children and adults are eligible to receive such assistance. Counties provide a range of psychiatric, counseling, hospitalization, and other treatment services to patients. These services are intended to help improve the health and functionality of individuals with mental illness while also minimizing their potential for disability, homelessness, criminal activity, and hospitalization.

County mental health programs are paid for with a mix of state, local, and federal funds. Counties spend about $5 billion annually from these sources on these programs. Some support for county mental health programs is provided through the state budget act and thus is subject to annual actions by the Legislature and Governor. Some state revenues, however, are automatically set aside for the support of these programs.

Proposition 63

Mental Health Programs Funded With Personal Income Tax Surcharge. In November 2004, California voters approved Proposition 63, also known as the Mental Health Services Act. Proposition 63 provides state funding for certain new or expanded mental health programs through a personal income tax surcharge of 1 percent on the portion of a taxpayer's taxable income in excess of $1 million. Revenues generated by the surcharge are dedicated to the support of specified mental health programs and, with some exceptions, are not appropriated by the Legislature through the annual budget act. Full-year annual Proposition 63 revenues to date have ranged from about $900 million to $1.5 billion, and could vary significantly in the future.

Program Activities Supported From Proposition 63. Proposition 63 funding is generally provided for five major purposes: (1) expanding community services, (2) providing workforce education and training, (3) building capital facilities and addressing technological needs, (4) expanding prevention and early intervention programs, and (5) establishing innovative programs. Figure 1 provides additional detail on these major program activities, which are currently at different stages of planning and implementation.

Figure 1

Major Program Activities Supported With Proposition 63 Funding

- ***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 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. The DMH administers the mental health services required under the EPSDT program generally through county contracts. These services 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 one-half of the funding, with most of the remaining cost borne by the state and a small portion borne by the counties.

Proposal

This measure allows for the temporary redirection of some Proposition 63 funds to support EPSDT mental health services. Specifically, $226.7 million in Proposition 63 funds would be redirected in 2009-10, and between $226.7 million and $234 million would be redirected in 2010-11, to support EPSDT. In effect, these Proposition 63 revenues would be used to offset state costs that would otherwise be borne by the General Fund, thereby achieving savings to help address the state's current budgetary problem.

Fiscal Effects

Funding Redirection From Proposition 63 Programs to EPSDT

This measure would result in state General Fund savings of about $230 million a year for two years (2009-10 and 2010-11) from redirecting a portion of Proposition 63 funds to state-supported EPSDT mental health services. It would result in an equivalent reduction in Proposition 63 funding.

Other Potential Fiscal Effects

Additional Potential Fiscal Effects Due to Redirection of Proposition 63 Funds. The proposed temporary redirection in Proposition 63 funding would make less money available for mental health programs. To the extent that such programs are reduced, state and local governments could incur added costs for homeless shelters, social services programs, medical care, law enforcement, and county jail and state prison operations. The extent of these potential costs is unknown and would depend upon the specific programmatic changes that resulted from the redirection of Proposition 63 funding.

Potential Decrease in Federal Funds. As noted earlier, some Proposition 63 funds are used to draw down federal matching funds through the Medi-Cal Program. Thus, the redirection of Proposition 63 funds proposed in this measure could result in a decrease

in federal financial support. The amount of any reduction is unknown, and would depend on how the state and counties choose to adjust their programs in response to this redirection.

Impact of Alternative Budget Actions. Absent this measure, other budget reductions or revenue increases might need to be adopted to address the state's severe fiscal problems. The fiscal effects of these alternative budget-balancing solutions on state and local programs and state revenues are unknown.