

Millionaires And Mental Health: Proposition 63 In California

What it is, and why it passed.

by **Richard M. Scheffler and Neal Adams**

ABSTRACT: In November 2004 California passed Proposition 63, a landmark piece of mental health and fiscal legislation. This initiative places a 1 percent tax on adjusted gross income over \$1 million, affecting about 30,000 taxpayers and raising \$1.8 billion (a 31 percent increase) in new revenues over the first three years to support county-operated mental health systems. Our analysis suggests that Proposition 63 passed with strong support from Democrats, urban dwellers, and social workers and in counties with high rates of homelessness. Proposition 63 faces challenges in implementation and provides unprecedented opportunities for transformation and change.

CALIFORNIA PASSED PROPOSITION 63, a landmark piece of mental health and fiscal legislation, in the November 2004 election. California has a long history of using the initiative process to pass laws that are often controversial and influence the rest of the nation. In 1911 California amended its constitution and allowed voters to bypass the legislative branch and directly place measures on the ballot through initiatives.¹ Of the 303 initiatives that qualified for the ballot since 1911, 104 were approved.² The first initiative that affected taxes was Proposition 10 (1914), which abolished the poll tax. Perhaps the best-known initiative is Proposition 13 (1978), which limited property taxes in California and is credited as beginning the anti-tax sentiment of the 1980s.³

Only twelve initiatives affecting taxes have passed, and only three—Proposition 99 (1988), Proposition 10 (1998), and the newly passed Proposition 63—increase taxes.⁴ Propositions 99 and 10 both increased taxes on cigarettes and dedicated the revenues to health programs.

Proposition 63 created the Mental Health Services Act (MHSA) and places a 1 percent tax on the adjusted gross income of earnings over \$1 million. These revenues are to be administered by the state's Department of Mental Health to support

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county-operated mental health services under various provisions of the MHSA. Under the new law, the state is not allowed to reduce mental health spending below its levels in 2003–04, and counties may use only 10 percent of the funding toward offsetting the costs of implementation, county planning, or administration. The initiative’s authors attempted to create the basic structure in policy and administration to assure that counties will use the money to expand the availability and scope of mental health services with the creation of new programs, including planned and integrated services for people with mental illnesses, while specifically prohibiting the use of these new funds for supplanting existing programs and services.⁵

The MHSA will also allow the state and counties to improve mental health services programs; reduce barriers to access; and encourage prevention, early intervention, and new training and education curricula. The initiative also creates an oversight and accountability commission that will approve new mental health programs and spending.

The new tax is expected to affect the wealthiest 0.1 percent of California’s taxpayers—roughly 30,000 taxpayers (the tax rate for people earning more than \$1 million would increase from 9.3 percent to 10.3 percent on every dollar they make over \$1 million)—raising \$275 million in its first (partial) year and \$800 million per year after that.⁶ This will be about a 31 percent increase to the current annual mental health budget of \$2.6 billion.

This paper explains how Proposition 63 passed, the arguments made in favor and in opposition, and its implications for California and the nation. We describe the voting pattern across California and examine the factors that affected the vote. Results from our analysis of California’s fifty-eight counties suggest that Proposition 63 passed because of strong support from Democrats in urban areas. Support was also found among social workers, while Hispanics opposed it. Using limited data, we found that the rate of homelessness in counties was statistically weak yet positively correlated with the support of Proposition 63.

How Did This Happen?

■ **Broad base of support.** Former Assemblyman Darrell Steinberg, a longtime champion of funding and improvement of mental health services, was instrumental in working with key stakeholders and mounting the petition drive necessary to place Proposition 63 on the ballot. In 2004 an initiative needed 5 percent of the number of votes cast for governor in the previous gubernatorial election, or 373,816 signatures, to be placed on the ballot.⁷ There are no geographic distribution requirements, but a petition can be circulated for only 150 days after the attorney general has approved the title and summary. Major contributors to the Proposition 63 petition included the California Council of Community Mental Health Services, the California Teachers Association Issues PAC, and the Service Employees International Union Committee on Political Education (COPE) Political Education and Action

(PEA)/SEIU General Fund.⁸ The initiative received enormous, if not unprecedented, support from an exceptionally large and diverse group of stakeholders, including physicians, health care, and nonphysician health professional organizations; mental health and substance abuse treatment providers; education, housing, and public safety organizations; and religious organizations.

■ **Wide implications.** Proposition 63 has potentially important implications not only for California but for other states as well. Some have begun to debate whether this is good social policy; does it set the stage for other special-needs advocates to propose categorical taxes to support their programs and services, and does it relieve the legislature of responsibility for establishing priorities in policy and spending? Perhaps more important is whether new money can make a difference in the quality and effectiveness of public mental health systems. In light of the call by the 2003 New Freedom Mental Health Commission report for transformation of America's mental health system, California's experiment in financing major system reform will be closely watched.⁹ Other states would be wise to observe the implementation challenges and impacts of this bold experiment before rushing to the ballot box.

■ **Media support.** Many newspaper columnists supported Proposition 63. These proponents concurred that mental health services were in dire need of more funding. However, many also expressed concern that the 1 percent tax on millionaires could be a bad precedent for public policy. George Skelton of the *Los Angeles Times* promoted Proposition 63, stating that it would "help mentally ill people escape sleeping under a blanket of newspapers in shopkeepers' doorways." He described Proposition 63 as a tax on people whose net worth will not be affected to any perceptible degree, and he implied that it will keep 50,000 mentally ill homeless people from "detering shoppers," panhandling, "creating stench," and deterring downtown development.¹⁰ He also suggested that ballot-box budgeting is the only solution.

An editorial in the *San Francisco Chronicle* also promoted Proposition 63. Labeling it "essential," the paper accused the state government of breaking a promise that mentally ill people would continue receiving treatment in community-based clinics, resulting in "legions of homeless people on our streets and prisons and jails that are filled with inmates whose lives might have taken a different turn if they had received treatment."¹¹ Although there was expressed concern about a tax with no sensible correlation between revenue source and purpose, it was outweighed by the consequences of the state's unwillingness to confront the issue.

■ **Rationales.** The proposition's supporters introduced it for a variety of reasons. First, mental health services are underfunded and have been for some time. The California Mental Health Planning Council maintains that the public mental health system leaves 600,000 Californians uncared-for and at \$66 per patient per year spends less than most other urbanized states.¹² Moreover, past efforts to improve the funding and accountability for the mental health system, including Medi-Cal Managed Care and realignment of state and county fiscal responsibility, have not im-

proved the problem; the recent budget crisis in California has only further exacerbated the problems of an overwhelmed and underresourced system.

A second rationale is the prevalence of the problem. Two million Californians suffer from mental illness every year, yet 19 percent of the population is uninsured and relies on public agencies for mental health treatment.¹³ Also, the demonstrable success of recent California initiatives to reduce homelessness and incarceration of the mentally ill, such as Assembly Bill 2034 (also sponsored by Steinberg), made the initiative more viable: The pitch that mental health treatment works was credible and easy to deliver.

Local concerns about the homeless mentally ill, the lack of affordable services, and the burden on local criminal justice and social service systems to meet the needs of this group have been growing. Also, the stakeholder/advocacy community across the state, including family members and primary consumers, has been well organized and collaborative. Another contributing factor is that California's situation mirrors that of the larger United States. The president's recent New Freedom Commission on Mental Health reported that nationally, the mental health system is "in shambles" and in need of reform—and California is no exception. Its report provides a basic strategic plan for system transformation but no ready source of funding to support the required changes.¹⁴ Finally, regarding the financing, earmarked taxes are politically more supported than taxes that just raise general revenue. More voters favor specifically targeting money to mental health services rather than donating to the general fund.

■ **The arguments in favor.** There are six primary arguments in favor of Proposition 63: (1) Mental health services are underfunded. Absent new funds, the budget crisis in California further threatens current funding instead of supporting needed increases. (2) Increasing funding for mental health services will affect homelessness. Assemblyman Steinberg suggested that if Proposition 63 passed, the homeless population would drop dramatically in five years.¹⁵ The National Alliance for the Mentally Ill (NAMI) claims that there are 50,000 mentally ill homeless people in California, because of deinstitutionalization between 1957 and 1988 and a lack of adequate local service systems. (3) Proposition 63 also will affect incarcerated people. Better access to improved community-based services has been shown to be effective in "diverting" the mentally ill away from the criminal justice system. (4) The new structure will reduce spending in the health care system, because people who have mental health problems and lack community-based services inevitably end up using costly emergency and inpatient services. (5) Millionaires can afford to pay the tax. (6) There is a moral argument: It's the right thing to do.

■ **The arguments against.** The arguments against Proposition 63 include pro-business, anti-tax arguments: (1) Why tax millionaires? Shouldn't everyone pay for mental health? Why not tax people who earn \$900,000 or \$500,000? (2) Proposition 63 will create a countercyclical tax. Mental health services funding will fall in economic recessions, when the mentally ill are the most likely to be unable to pay for

mental health services. (3) Is a 1 percent tax the right amount? Maybe the system could really use an increase of \$2 billion per year. (4) Taxes like this set a bad precedent. They create a bad business climate and may drive millionaires from the state. (5) Creating special taxes to meet the needs of one disadvantaged population sets a bad precedent for bypassing the legislature in establishing statewide priorities and adequate funding. What group will be next to launch its own initiative and create its own tax? This is the first step on the slippery slope toward a 1 percent tax for every pet project. (6) There is some feeling that direct democracy could be dangerous. Propositions get onto the ballot in part because funds are used to gather and pay for the needed signatures. (7) There is little assurance that funds will be spent wisely.

Governor Arnold Schwarzenegger analyzed Proposition 63 and concluded that it would “create a new tax and government bureaucracy, making our already bad budget situation even worse.”¹⁶ He opposed Proposition 63, describing it as well-intentioned but challenging to the state’s current budget problems and a damper on California’s economy.

Why Did Proposition 63 Pass?

In many respects, it is somewhat surprising that Proposition 63 passed, and by such a substantial majority: 6,183,119 (53.8 percent) in favor to 5,330,052 (46.2 percent) opposed.¹⁷ However, it was not the only health-related measure on the ballot. Proposition 72 attempted an expansion of employer responsibility for health care coverage but was strongly opposed by the governor and the business community and was defeated (albeit by a margin of only 0.9 percent).¹⁸ Notably, it was defeated in ten of California’s counties that passed Proposition 63.¹⁹ In only one county—Imperial—were there more votes for Proposition 72 than for Proposition 63.²⁰

There was much visible support and little visible opposition: Supporters raised \$4.3 million, and opponents raised only \$17,500.²¹ The top contributors (\$100,000 or more) to the Proposition 63 campaign included the California Council of Community Mental Health Agencies, the California Healthcare Committee on Issues sponsored by the California Healthcare Association, the California State Council of Service Employees Issues Committee, the California Teachers’ Association Issues PAC, the Mental Health Association in Los Angeles County, Service Employees International Union COPE PEA/SEIU General Fund, and the Morongo Band of Mission Indians.²² The major contributors against Proposition 63 included William F. Cronk III, retired, of Lafayette, California; Robert Eichenberg, president of Ellison Ed. Eq., of Newport Beach; and Snider Executive Office.²³ There was no millionaire lobby.

Proposition 63 failed in thirty-four of California’s fifty-eight counties and passed in twenty-four (see Exhibit 1). Most of the counties in which it passed are on or near the coast; only three of the eastern and central counties passed Proposition 63. Although Proposition 63 did not pass in seven of the state’s twelve urban

EXHIBIT 1
"Yes" Votes On Proposition 63 In California, By County, 2004

| County | "Yes" votes, by county | | County is coastal or near-coastal |
|------------------------------------|------------------------|---------|-----------------------------------|
| | Number | Percent | |
| Passed Proposition 63 | | | |
| San Francisco | 238,283 | 74.4 | ● |
| Alameda | 336,306 | 66.3 | ● |
| Santa Cruz | 62,773 | 65.5 | ● |
| Mendocino | 21,489 | 64.6 | ● |
| Marin | 59,721 | 63.3 | ● |
| Sonoma | 127,826 | 62.6 | ● |
| San Mateo | 155,906 | 60.6 | ● |
| Humboldt | 33,731 | 60.5 | ● |
| Los Angeles | 1,578,141 | 58.2 | ● |
| Monterey | 44,239 | 58.0 | ● |
| Alpine | 371 | 56.7 | |
| Santa Clara | 315,218 | 56.4 | ● |
| Lake | 9,898 | 56.3 | ● |
| Yolo | 37,710 | 56.3 | ● |
| Contra Costa | 186,674 | 55.9 | ● |
| Napa | 25,244 | 55.6 | ● |
| Solano | 77,748 | 55.3 | ● |
| Imperial | 12,997 | 54.8 | |
| Santa Barbara | 79,149 | 53.2 | ● |
| Del Norte | 4,635 | 52.8 | ● |
| San Benito | 9,541 | 52.6 | ● |
| Trinity | 3,115 | 51.7 | ● |
| Mono | 2,551 | 51.3 | |
| San Luis Obispo | 58,142 | 50.1 | ● |
| Did not pass Proposition 63 | | | |
| Siskiyou | 9,915 | 49.9 | |
| San Diego | 514,994 | 49.8 | ● |
| Sacramento | 211,037 | 49.6 | |
| Stanislaus | 63,438 | 49.4 | |
| San Joaquin | 83,387 | 49.3 | |
| Butte | 36,518 | 48.9 | |
| Nevada | 24,477 | 48.6 | |
| Fresno | 105,208 | 48.5 | |
| Tuolumne | 12,285 | 48.5 | |
| Inyo | 3,481 | 47.8 | |
| Merced | 23,707 | 47.8 | |
| Riverside | 241,969 | 47.7 | |
| Kings | 14,500 | 47.4 | |
| Mariposa | 3,402 | 47.4 | |
| Ventura | 135,106 | 47.0 | ● |
| Plumas | 4,989 | 46.6 | |
| San Bernardino | 206,679 | 46.6 | |
| Sierra | 863 | 46.5 | |

EXHIBIT 1
“Yes” Votes On Proposition 63 In California, By County, 2004 (cont.)

| County | “Yes” votes, by county | | County is coastal or near-coastal |
|------------------------------------|------------------------|---------|-----------------------------------|
| | Number | Percent | |
| Did not pass Proposition 63 | | | |
| Madera | 15,050 | 46.2 | |
| Calaveras | 9,757 | 45.8 | |
| Amador | 7,161 | 44.7 | |
| Tehama | 8,663 | 44.7 | |
| Lassen | 4,852 | 44.3 | |
| Tulare | 38,405 | 43.2 | |
| Yuba | 6,644 | 43.2 | |
| El Dorado | 34,880 | 42.8 | |
| Orange | 359,779 | 42.7 | ● |
| Kern | 81,789 | 41.7 | |
| Placer | 52,385 | 40.8 | |
| Shasta | 23,293 | 39.8 | |
| Glenn | 3,448 | 39.3 | |
| Sutter | 9,269 | 37.9 | |
| Colusa | 2,033 | 36.6 | |
| Modoc | 1,542 | 35.9 | |
| Statewide | 5,836,313 | 53.6 | |

SOURCE: California Secretary of State, “State Ballot Measures, Statewide Returns,” 4 November 2004, [vote2004.ss.ca.gov/Returns/prop/00.htm](http://vote2004.ss.ca.gov>Returns/prop/00.htm) (23 March 2005).

areas with populations greater than 750,000, it failed by a relatively small margin in those counties. In fact, despite the fact that the proposition did not carry in the county as a whole, these counties contributed 30.4 percent of total statewide votes in favor of Proposition 63—the ultimate determinant of its passage (Exhibit 2). Among all California counties, San Francisco had the highest percentage vote in favor of Proposition 63, at 74.4 percent (Exhibit 1). Los Angeles County provided the vast majority of total statewide “yes” votes, at 27.0 percent (Exhibit 2).

An Examination Of The Vote On Proposition 63

Key factors thought to have influenced the vote on Proposition 63 are as follows. (1) Liberality—Proposition 63 is a liberal policy that taxes the rich to give to the poor, and Democrats would be more likely to be in favor of it. (2) Income, as measured by median household income—it seems likely that counties with higher-income residents would be less likely to vote in favor of Proposition 63. (3) Mental health lobbying organizational presence in the county—as measured by those counties with a stronger NAMI presence and those counties that received NAMI contributions for Proposition 63. (4) Cultural diversity—as measured by racial and ethnic composition of the county. (5) Supply of mental health service providers—such as psychiatrists, psychologists, and social workers in the com-

EXHIBIT 2
Percentage Distribution Of Total Statewide “Yes” Votes On Proposition 63 In California, By County, 2004

| County | County population, 2000 | Percent of “yes” votes in county | Percent distribution of total statewide “yes” votes |
|--------------------------|--------------------------------|---|--|
| Major urban areas | | | |
| Los Angeles | 9,519,338 | 58.2 | 27.0 |
| Orange | 2,846,289 | 42.7 | 6.2 |
| San Diego | 2,813,833 | 49.8 | 8.8 |
| San Bernardino | 1,709,434 | 46.6 | 3.5 |
| Santa Clara | 1,682,585 | 56.4 | 5.4 |
| Riverside | 1,545,387 | 47.7 | 4.1 |
| Alameda | 1,443,741 | 66.3 | 5.8 |
| Sacramento | 1,223,499 | 49.6 | 3.6 |
| Contra Costa | 948,816 | 55.9 | 3.2 |
| Fresno | 799,407 | 48.5 | 1.8 |
| San Francisco | 776,733 | 74.4 | 4.1 |
| Ventura | 753,197 | 47.0 | 2.3 |
| All other areas | | | |
| San Mateo | 707,161 | 60.6 | 2.7 |
| Kern | 661,645 | 41.7 | 1.4 |
| San Joaquin | 563,598 | 49.3 | 1.4 |
| Sonoma | 458,614 | 62.6 | 2.2 |
| Stanislaus | 446,997 | 49.4 | 1.1 |
| Monterey | 401,762 | 58.0 | 0.8 |
| Santa Barbara | 399,347 | 53.2 | 1.4 |
| Solano | 394,542 | 55.3 | 1.3 |
| Tulare | 368,021 | 43.2 | 0.7 |
| Santa Cruz | 255,602 | 66.5 | 1.1 |
| Placer | 248,399 | 40.8 | 0.9 |
| Marin | 247,289 | 63.3 | 1.0 |
| San Luis Obispo | 246,681 | 50.1 | 1.0 |
| Merced | 210,554 | 47.8 | 0.4 |
| Butte | 203,171 | 48.9 | 0.6 |
| Yolo | 168,660 | 56.3 | 0.6 |
| Shasta | 163,256 | 39.8 | 0.4 |
| El Dorado | 156,299 | 42.8 | 0.6 |
| Imperial | 142,361 | 54.8 | 0.2 |
| Kings | 129,461 | 47.4 | 0.2 |
| Humboldt | 126,518 | 60.5 | 0.6 |
| Napa | 124,279 | 55.6 | 0.4 |
| Madera | 123,109 | 46.2 | 0.3 |
| Nevada | 92,033 | 48.6 | 0.4 |
| Mendocino | 86,265 | 64.6 | 0.4 |
| Sutter | 78,930 | 37.9 | 0.2 |
| Yuba | 60,219 | 43.2 | 0.1 |
| Lake | 58,309 | 56.3 | 0.2 |
| Tehama | 56,039 | 44.7 | 0.1 |
| Tuolumne | 54,501 | 48.5 | 0.2 |

EXHIBIT 2
Percentage Distribution Of Total Statewide “Yes” Votes On Proposition 63 In California, By County, 2004 (cont.)

| County | County population, 2000 | Percent of “yes” votes in county | Percent distribution of total statewide “yes” votes |
|------------|-------------------------|----------------------------------|---|
| San Benito | 53,234 | 52.6 | 0.2 |
| Siskiyou | 44,301 | 49.9 | 0.2 |
| Calaveras | 40,554 | 45.8 | 0.2 |
| Amador | 35,100 | 44.7 | 0.1 |
| Lassen | 33,828 | 44.3 | 0.1 |
| Del Norte | 27,507 | 52.8 | 0.1 |
| Glenn | 26,453 | 39.3 | 0.1 |
| Plumas | 20,824 | 46.6 | 0.1 |
| Colusa | 18,804 | 36.6 | 0.0 |
| Inyo | 17,945 | 47.8 | 0.1 |
| Mariposa | 17,130 | 47.4 | 0.1 |
| Trinity | 13,022 | 51.7 | 0.1 |
| Mono | 12,853 | 51.3 | 0.0 |
| Modoc | 9,449 | 35.9 | 0.0 |
| Sierra | 3,555 | 46.5 | 0.0 |
| Alpine | 1,208 | 56.7 | 0.0 |

SOURCES: County population figures are from U.S. Bureau of the Census, “California Quick Links,” quickfacts.census.gov/qfd/states/060001k.html (23 March 2005). Voting results are from California Secretary of State, “State Ballot Measures, Statewide Returns,” 4 November 2004, vote2004.ss.ca.gov>Returns/prop/00.htm (23 March 2005).

NOTE: Major urban areas are defined as counties with populations of 750,000 or more.

munity, who would benefit if Proposition 63 passed. (6) County preferences for mental health spending—as measured by current county spending on mental health per capita. Although counties get funds from the state, many spend additional funds on mental health. (7) Percentage of homeless residents in each county—this was an argument used to support Proposition 63. Unfortunately, data were available for only thirty-five of California’s fifty-eight counties. State averages were used where data were missing, to preserve degrees of freedom.

■ **Study data and methods.** The goal of this analysis was to estimate the independent effect of these variables on the probability of voting in favor of the proposition. Variables that we studied included county-level data on the percentage of registered Democrats, homeless residents, African Americans, and Hispanics; the extent to which NAMI organizations existed in the county; median household income; number of psychiatrists, psychologists, licensed social workers, marriage and family therapists, and physicians per capita; and county mental health spending per capita. Additional details of the analysis and regression results are available in an on-line supplement.²⁴

■ **Key findings.** *Percentage of registered Democrats.* This variable is highly significant and positively correlated to a “yes” vote. Proposition 63 is considered to be a “liberal” measure, and Democrats traditionally favor liberal measures.

“While Governor Schwarzenegger came out against Proposition 63, he did not actively campaign against it in the media.”

Percentage of Hispanic population in county (cultural diversity). This variable is highly significant and negatively correlated to a “yes” vote. Hispanic populations in the state have historically had lower rates of access to and use of mental health services.²⁵ There are several alternative explanations for the negative correlation to Proposition 63 votes, including differences in the perceived need for mental health services as compared with other voters, as well the lack of cultural competence in the service delivery system.

Per capita licensed social workers (supply of mental health service providers). Social workers account for a large proportion of all mental health professionals and are more likely to be employed by the county mental health system.²⁶ This explanation is consistent with the positive correlation to Proposition 63 votes.

Per voter NAMI contributions. The presence of NAMI in a county did not statistically affect the vote on Proposition 63.

County rates of homelessness. There is a common perception that a strong link exists between homelessness and mental illness.²⁷ We found a weak positive correlation between county rates of homelessness and “yes” votes on Proposition 63. Limitations in available data, discussed above, may explain the weak result. The two counties with the highest percentage of “yes” votes—San Francisco at 74.4 percent and Alameda at 66.3 percent—also have the highest percentage of homelessness among urban counties, at 4.03 percent and 2.49 percent, respectively. This was thought to be an especially important variable, as 54 percent of voters who voted “yes” did so out of concern for the number of homeless mentally ill people.²⁸

Median household income. Californians who earn more than \$1 million annually—those affected by Proposition 63—are likely to reside in counties with higher median household incomes. We found no correlation between median household income and a “yes” vote on Proposition 63. However, only 49 percent of voters with annual incomes above \$80,000 voted in favor of the proposition, while 63 percent of those with lower incomes approved the measure.²⁹

■ **Another confounder that explains the vote.** One other confounder potentially explains the vote. While Governor Schwarzenegger came out against Proposition 63, he did not actively campaign against it in the media. This likely mitigated the impact of his opposition. In contrast, the governor actively campaigned against Proposition 72. Based in part upon his support for California’s “business interests,” the voters narrowly defeated this health-related measure. This mild form of an employer mandate was much more threatening to the broader business community. Opponents of Proposition 72 raised \$18.4 million, compared with supporters’ \$14.9 million, and of those who voted against it, most did so because of the projected burden on businesses and creation of another government-run program.³⁰

Implementation Of Proposition 63

In fiscal year 2004–05, the tax will go into effect, and the Mental Health Services Fund will receive revenues to expand current programs.³¹ These amounts should not be subject to changes made by the legislature or the governor. Each county will prepare a three-year plan for its funding allocation, subject to state review and approval, and will be required to submit annual reports. Under contract with the state, county mental health departments will have primary responsibility for local implementation and expenditure of the new money and may make local allocations to community-based providers. A new Mental Health Services Oversight and Accountability Commission will be created to review the counties' plans for mental health expansion services and to approve expenditures. The existing Mental Health Planning Council will continue to review the current county system of care programs.

The new revenues will be used for the following activities, as specified in each county's plan including: expansion of existing county programs for children and adult/older adult systems of care, prevention of early intervention, wraparound services for youth and families, innovation programs, mental health workforce education and training, capital facilities, and technology. In the first few years, the proposition specifically designates more funds for expanding and training the mental health care workforce, capital investment and facility development, and technological improvements. In addition, some of the money will be directed to new efforts at prevention and early intervention programs, along with the expansion of existing services.

The proposition allows up to 5 percent of the funding to be transferred into the Mental Health Services Fund, to offset the costs of implementation. An additional 5 percent may be put toward county planning or other administrative costs that might ensue. The state and the counties are prohibited from redirecting current mental health funds to other programs. The state may not reduce general-fund support, entitlements to services, and formula distributions of funds allocated to mental health services below their levels in 2003–04. The state is also barred from changing mental health programs to increase the costs or financial risk borne by a county without compensating that county.

Concluding Comments

It will take many years for Proposition 63's impact to be fully understood. California's fifty-eight counties have considerable autonomy in their use of funds, so major programmatic variations can be expected. Can the success of earlier targeted initiatives to address the needs of the homeless be successfully taken to scale and expanded into broader systems change? Will the multiple expectations of advocates be met sufficiently to maintain the current coalition and bonhomie? Should other states with ballot initiatives move toward creating similar tax strategies? Will legislatures take this as a clarion call that the needs of the mentally ill

cannot be put off or minimized without public reaction? The mental health community in California and the nation will be carefully watching to see what unfolds.

■ **Lessons learned.** There are numerous things that we can learn from Proposition 63. Financing questions and the impact on delivery of mental health services are among the most important. How mental health funds will flow from the state to the counties, what decision process will be used to determine those flows, what mechanism will be used to decide the amount of funding counties will receive, and what degree of flexibility the counties will be allowed will all be important in understanding the impact of Proposition 63. To varying degrees, counties will expand, reduce, or eliminate existing programs; develop new programs; and expand access. Understanding the fiscal impact of the new funding will also be important. Will the counties pull back current funding for mental health, lessening the impact of Proposition 63, or will they increase current funding in new and important ways?

■ **Addressing inequity.** Inequity is a major issue in mental health, as it is in the health care system overall. Proposition 63 aims to eliminate disparities among ethnic and racial groups, as well as among urban and rural counties. How counties respond to this new challenge and their move toward greater equity needs to be examined. Ultimately, the impact of Proposition 63 will be seen not only in the county mental health care systems, but also in the mental health status of each county. It is hoped that the legislation will also affect the broad societal indicators of mental/public health, such as reductions in the rates of homelessness, suicide, hospitalization, and school drop-out as well as involvement in the criminal justice system. These broad societal indicators, although complex, will be important benchmarks to use in evaluating the ultimate success of Proposition 63.

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The authors extend special thanks to Andrea Murphy, Nona Kocher, and Mistique Felton for the incredible energy they contributed to this paper.

NOTES

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