

## **PROPOSITION 1 – IN DEPTH SUPPLEMENT**

**Authorizes \$6.38 Billion in Bonds to Build Mental Health Treatment Facilities for those with Mental Health and Substance Use Challenges; Provides Housing for the Homeless.**

### **Legislative Initiative**

**INTRODUCTION:** The California State Legislature, along with the Governor's signature, placed this proposition on the March 2024 ballot.

**BACKGROUND:** This proposition is part of the Behavioral Health Modernization project proposed by the Governor. It combined two bills to create Proposition 1. One bill amends the Mental Health Services Act that became law when voters passed an initiative in 2004. Law created by an initiative can only be amended by an initiative which is why this bill is included in Proposition 1.

The other bill proposes the \$6.38 million general obligation bond issue to be used for building treatment facilities and housing for homeless people who are suffering from substance abuse and or mental illness. In addition it provides housing for some veterans who are chronically without housing but who do not suffer from mental illness. A general obligation bond is paid from the General Fund of the State of California over 30 years at an interest rate defined by the markets at the time the bonds are issued.

**SITUATION:** According to the 2022 US Department of Housing and Urban Development's "Point in Time" count California has approximately 171,500 people experiencing homelessness. This is a count that occurs on a single day and is recognized as being incomplete. Of the people counted 10,400 of them are veterans and approximately 75,700 are suffering from severe mental illness and/or chronic substance abuse.

### Community Mental Health Care

According to the Legislative Analyst Office report in February 2023, nearly \$11 billion in new resources will "flow to behavioral health purposes, most of it from the last two state budgets. This is in addition to a baseline of about \$10-12 billion for public community mental health which is paid for by a combination of federal dollars, money from the "millionaire tax" created by Mental Health Care Services Act, money from "realignment funds" from the state, and some county money. Most of the new spending is for only one or two years. Approximately 75% of it is for infrastructure, workforce, and capacity building to help implement services and programs.

The new resources of \$11 billion comes from several new programs related to mental health and housing of those who need treatment. One is for children and youth services that includes the creation of online services for affected people, a program to expand the workforce to deal with the needs of the age group, and a host of other services. There is a Behavioral Health Continuum Infrastructure Program to provide grants to local governments to acquire or build a variety of behavioral health treatment facilities that meet the needs of the local population. There is another facilities program to support the building of transitional housing for people with serious behavioral health issues to move off the streets into more stable housing. The

current state budget proposal has reduced the amount of money going to the latter two programs.

Counties have the primary role in funding and delivering public behavioral health services for both mental illness and substance abuse disorders. In particular, counties are responsible for arranging and paying for community services for low income people with the highest needs. The services are not just restricted to those experiencing homelessness or veterans. They include services for children, youth, seniors through a variety of services and programs. Services and programs that are provided by prisons, Medicare, private insurance, and K-12 schools are not included in the public behavioral health services administered through the counties.

Financing for county level public behavioral health services comes from a variety of sources. The Legislative Analyst Office estimated in 2018-19 that \$10 billion went into public community mental health services. MediCal, a federal-state partnership provides 40% of public community mental health funding. The non-federal funding for such services has three sources. "Local realignment revenues" which comes from state collection of sales and use tax and vehicle license fees is provided for services once administered by the state which are now up to counties to perform. A relatively small portion comes from the state General Fund which is used to match non-county MediCal mental health services. The Mental Health Services Act provides funding as well.

The current Mental Health Services Act (MHSA) is funded by the "millionaire tax" of 1% on income over \$1 million. Approximately 95% of the revenue collected from this tax goes directly to the 58 counties of California to support a variety of programs designed to aid people who have or are at risk of having mental illness and to

aid people with drug and alcohol addictions who also have mental illness.

Under the current Act the largest amount of money is directed to a Community Services and Supports category. This category includes programs that directly treat people, such as outpatient services and crisis prevention programs. Under a regulation, not the MHSA statute, approximately 76% of the MHSA revenue goes to programs within this category. About half of that amount is to go to Full Service Partnerships (FSPs) which provide mental health care and wrap around services such as housing and employment support to people with the greatest mental health needs. In addition, about 20% of funds in the larger category can go to capital facilities, workforce, education, and prudent reserves.

The MHSA has smaller categories as well. About 19% of the revenue is to go to prevention and early intervention programs, suicide prevention, and outreach to older people who have mental illness. Another 5% is used for technology integration and holistic care.

There is a shortage of treatment facilities in California. Such facilities can be clinics for outpatient care, temporary or transitional care facilities for those who need services for drug or alcohol abuse, and places for those who need longer term care for these issues. Estimates are that California needs enough treatment facilities to treat an additional 10,000 people each day. The recent state budget included \$2 billion to grant to local governments and tribal governments to build such facilities. About 75 % of that money is already awarded.

There is another \$3.7 billion in past state budgets for grants to local governments to acquire and renovate existing buildings into housing for people experiencing homelessness or who are very low income.

## Bonds

The California Constitution requires most new bonds to be approved by the voters in the state. Bonds are generally used to finance building projects such as schools, dams, prisons, and parks. The bonds are repaid from the General Fund over 30 years at an interest rate established by the market. California is currently repaying about \$80 billion of previously issued bonds, about \$6 billion per year. This is about 3 percent of the General Fund expenditures per year. Another \$30 billion in bonds have been approved for a variety of projects but have not yet been issued.

**PROPOSAL:** Proposition 1 has two sections, one related to amending the MHSA and one that issues bonds for new construction or for remodeling existing structures. The bond section does not add money to existing community mental health service programs.

## Amendments to Mental Health Services Act

Prop. 1 would not change the source or amount of funding that goes to MHSA programs from the millionaire tax. The bond issue would not add money to it either. Under Prop 1 the counties would receive approximately 90 % or more of the revenue to counties, a reduction from what is currently received. Prop. 1 directs counties to spend the revenue on particular services such as FSPs and housing interventions in different proportions than are currently used.

Prop. 1 would reshuffle the services and programs that fall within the MHSA into different broad categories. It would require counties to spend:

- 35% of the revenue for FSPs for such things as substance abuse disorder, assertive community treatment, and employment services for individuals. This percentage is required by statute, not by regulation.
- 30% for housing intervention, including subsidies for rent and family housing for children and youth. About half of the revenue is to be spent for housing people who have experienced chronic homelessness.
- 30% for behavioral health services and supports, including early intervention, services focused on various age groups within the population, capital facilities, and prudent reserves. The early intervention programs are to receive a majority of the money in this category.
- 5% for population based mental health based substance use disorder, including suicide and overdose prevention. This is not for individual treatment.

In sum, Prop 1 would direct counties to spend 65% of the revenue from the millionaires tax on FSPs and housing interventions, leaving the remainder of the revenue mostly for intervention services and for all the other services and programs offered by the counties.

The proposition would allow counties to request a state agency to allow the county to spend the money in different proportions from the category percentages listed. The counties can request up to a 5-7% variance in each category. Small counties with less than

200,000 population may also request an adjustment to the housing intervention amounts.

Also, Prop 1 amends the name of the Act. If passed it will be called the Behavioral Health Services Act.

### The Bond

Prop. 1 would allow the State to sell \$6.38 billion in bonds for building treatment facilities for those suffering mental illness and drug and alcohol disorder and also for housing for people experiencing homelessness and those who have very low income.

Approximately \$4.4 billion is to be used for:

- increasing capacity for treatment facilities such as short-term crisis stabilization, acute and subacute care, residential, or community-based behavioral health residential facilities.
- increasing capacity for the same services in counties, cities, and tribes for the same purposes. This portion takes the form of grants to the local governments.

The exact type of residential treatment facilities that may be built with these funds is unclear. Earlier versions of the bill that became Prop. 1 specified “unlocked” facilities. The version before the voter in Prop. 1 does not specify what kind of facility, other than least restrictive, may be built. This concerns the disability rights community that fears involuntary commitment of people with mental illness or substance use disorders in violation of their rights.

Just over half of the remaining \$2 billion of the bond is to be used for creating permanent supportive housing for **veterans** who are

homeless, chronically homeless, or at risk of homelessness. This can be new construction or the conversion of hotels, motels, or other buildings into housing. Supportive housing is set up for tenants to pay some rent and is linked to onsite or offsite services to support the tenant in achieving life skills to prevent future homelessness. The remainder of the \$2 billion is to be used for creating permanent supportive housing projects for persons who are homeless, chronically homeless, or are at risk of homelessness.

## **FISCAL EFFECTS**

As mentioned above this proposition would not increase the amount of revenue going to the counties for community based mental health care services. It shifts approximately \$140 million from the counties to the state. The counties would be required to provide more housing and individual services but will have less to support other services and programs that they now offer. The counties may need to find other sources of revenue to continue to support the services they currently offer or cut or reduce the services.

It is estimated that payments on the bond would cost \$310 million per year for 30 years after they are sold. This is less than one half of one percent of the State's annual budget.

Cities, counties and tribal governments will be able to seek grant money from these bonds to use for building housing and treatment facilities for those suffering from mental illness and substance abuse disorders. Those entities would have to fund their continued maintenance and operating costs in the future.

Estimates are that the bond will be able to create treatment centers of various types for up to 6,800 people at any one time.



Further, the housing part will provide 4,350 housing units, half of which will be for veterans. This will reduce statewide homelessness by a small amount.

## **SUPPORTERS' ARGUMENTS**

- Prop. 1 provides funds for creating supportive housing settings where Californians who suffer from mental illness, substance abuse, and homelessness can live, recover, and thrive.
- Prop. 1 does not raise taxes but will still help create long term solutions for Californians who need help.
- This proposition makes better use of existing funds by prioritizing getting people off the streets and into appropriate care.
- Prop. 1 allows cities and counties to manage mental health and addiction treatment services within their communities.

**SUPPORTERS:** (Signers of official ballot arguments are in **boldface** type.)

Brian K. Rice, President, **California Professional Firefighters**

James Espinoza, President, **The Veteran Mentor Project**

Jessica Cruz, Chief Executive Officer, **National Alliance on Mental Illness - California**

Stephen Peck, Director, **California Association of Veteran Service Agencies**

Jennifer Barrera, CEO, **California Chamber of Commerce**

Alan W. Barcelona, Chair, **Orange County Coalition of Police and Sheriffs (OC Cops)**

California Medical Association

[Yes on 1: Treatment not Tents](#)

## **OPPONENTS' ARGUMENTS:**

- Prop. 1 will cost the state \$10 billion over the years. It is credit card buying during a time when interest rates are high.
- Prop. 1 actually diverts almost one third of the MHSA money from services that counties already offer by imposing state priorities in favor of housing interventions.
- The diversion of money to priorities set by Prop. 1 will lead to the cutting of services in the counties and loss of treatment services to people who need them.
- Prop.1 sets up funding for time limited and potentially involuntary locked treatment beds.

**OPPONENTS:** (Signers of official ballot arguments are in **boldface** type.)

Senate Minority Leader **Brian W. Jones**

Assemblymember **Diane B. Dixon**

Heidi Strunk, CEO, **Mental Health America Of California**

Andrea Wagner, Exec. Dir., **California Association of Mental Health Peer-Run Organizations**

Paul Simmons, Exec. Dir., **Depression and Bipolar Support Alliance Of California**

<https://californiansagainstprop1.com/>

**Campaign Finance Information** is found on Cal-Access, the California Secretary of State's website.

<https://www.sos.ca.gov/campaign-lobbying/cal-access-resources/measure-contributions/>

**Please consult this site for current information.**

As of the date of this publication the following information is found:

Supporters:

Yes on Prop 1- Governor Newsom's Ballot Measure Committee	\$10,200,000
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Opponents:

Californians Against Proposition 1	\$0
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<https://lao.ca.gov/Publications/Report/4782>

<https://lao.ca.gov/Publications/Report/4792>

<https://lao.ca.gov/handouts/health/2023/Behavioral-Health-Initiatives-Overview-022823.pdf#page=5>

<https://vig.cdn.sos.ca.gov/2024/primary/pdf/complete-vig.pdf>

<https://lao.ca.gov/BallotAnalysis/Proposition?number=1&year=2024>

[https://files.hudexchange.info/reports/published/CoC\\_PopSub\\_State\\_CA\\_2022.pdf](https://files.hudexchange.info/reports/published/CoC_PopSub_State_CA_2022.pdf)