

Proposition 63: Should Other States Follow California's Lead?

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On November 2, 2004, Californians passed a ballot initiative to increase funding for mental health care. This plan, known as Proposition 63, created the Mental Health Services Act, which dedicates funds to mental health services by imposing a 1 percent tax on personal income over \$1 million (1). Why did Proposition 63 generate such broad support? Was it a good idea? This column examines the popularity of Proposition 63 and evaluates whether it should serve as a model for other states.

Reasons for success

Proposition 63 was successful for three primary reasons. First, the tax increase will be paid by less than .1 percent of California's population of 35 million (1). People support health-related spending increases if they are not financially responsible for them (2).

Next, groups that supported Proposition 63 tended to be well funded and trusted by the public (3). Proponents poured several million dollars into the "Yes on 63" campaign (4). Supporters of the proposition included police, teachers, representatives from labor unions, and nurses—trusted groups that embody core values of many members of society and who make excellent advocates (3). These groups supported Proposition 63 because they believed that appropriate treatment of mental illness would be beneficial for society (5). In contrast,

opponents of the proposition—a few government officials and organizations supporting limited taxation—lacked broad popular and financial support (4). The money and prestige of the "Yes on 63" campaign dwarfed those of the opponents of the proposition. Furthermore, supporters of the proposition helped increase public awareness of the needs of persons with mental illness, including those who are homeless.

Finally, opponents' arguments were unconvincing. They suggested that California's millionaires would leave the state to avoid the tax increase (6). However, California's population of millionaires has increased over the past decade, even during periods of higher state and federal taxes (6). The Bush tax cuts of 2002 reduced the richest Californians' taxes far more than Proposition 63 would raise them. Even though California's personal income tax has grown faster than any other of the state's taxes, wealthy residents have not fled (6). Opponents also attacked the proposition for failing to consider whether mental health care is effective. However, studies have demonstrated repeatedly that untreated mental disorders can lead to disability, suicide, and decreased productivity at work and can contribute to homelessness, use of health services, and incarceration (5). Also, opponents failed to bring up arguments that might have been more convincing. For example, Proposition 63 sets aside a fixed portion of general revenues for mental health services, potentially requiring budget cuts in other areas during years of budget shortfall (6). Also, the new system would decrease flexibility in local spending for non-mental health related purposes, even though

counties would gain greater funding for mental health services (6). Overall, Proposition 63 had more money, stronger allies, and more appealing arguments.

Is Proposition 63 good for California?

Whether the Mental Health Services Act maintains the popularity of Proposition 63 remains to be seen. Although the Mental Health Services Act should provide access to needed mental health services for vulnerable populations, concerns remain about implementation, allocation, and effectiveness. Although in the community mental health system expenditures exceeded budgetary outlays of more than \$3 billion during fiscal year 2001 (7), the Mental Health Services Act creates substantial funding for mental health services—an estimated 26 percent annual funding increase for public mental health services in California (8). Therefore, implementing the Mental Health Services Act could reduce costs for many social and criminal justice services. The Mental Health Services Act will increase federal matching funds for Medi-Cal (Medicaid) enrollees. The act represents one of the largest initiatives related to mental health since the 1967 Lanterman-Petris-Short Act, which was signed by Governor Ronald Reagan and led to the closure of the state's mental hospitals (5). Overall, Proposition 63 expands access to social services and creates new pilot programs to improve mental health care.

Although the Mental Health Services Act appears promising, its success will be determined by its implementation. The initial draft of the Mental Health Services Act included

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six components: local planning process, system-of-care services (community services and support), capital facilities and technological needs, education and training programs, early intervention and prevention, and innovation (9). Discussions among stakeholders have focused on how funds will be allocated, how needs should be assessed, who will benefit from services, how outcomes will be evaluated, and how the Mental Health Services Act will be implemented (9). However, there is still no clear consensus on desired processes, goals, and outcomes.

Funding allocation was an important issue raised by stakeholders. Fifty-seven counties and one city are each eligible for a minimum distribution of \$75,000 (10). Funding will be distributed on the basis of the county's proportion of mental disorders in households with incomes less than 200 percent of the federal poverty level (10). There is extensive debate on how additional allocations of funds beyond initial outlays should be implemented. The timeline for counties to develop plans and justifications to submit for state approval for funding is short—countywide three-year plans are due by July 2005 (11).

The question of how to measure the success of the Mental Health Services Act remains unanswered. Potential suggested outcome measures include access to a safe living environment, meaningful ways to spend time, supportive relationships, ability to get needed assistance, ability to weather crises, and physical health (12). These outcomes are all quite broad, hard to measure, and potentially beyond the scope of the legislation. The Mental Health Services Act may be able to increase access to services for targeted populations but cannot guarantee improved health outcomes and meaningful interpersonal relationships. Without clear goals for success, allocating services effectively and meeting population needs will be difficult.

One method of allocating funds and measuring outcomes has been proposed. A recovery model that focuses on integrated service delivery, treatment of underserved populations, inclusion of consumers and

families, social service support, and empowerment is recommended as a means to effectively use the funding of the Mental Health Services Act to improve the quality of life of persons with mental illness (11). In other words, system transformation rather than expansion alone is necessary (7). Demonstrating effective use of funds of the Mental Health Services Act will be crucial for maintaining ongoing public support and for determining the success of the act.

How should states approach mental health funding?

Proposition 63 raises the concept of “mental health exceptionalism”—that is, whether we should consider mental health as categorically different from other health and medical care (13,14). Although one of the sponsors of the proposition, Darrell Steinberg, agreed with critics that “ballot-box budgeting” should be discouraged, he argued that “mental health is an exception” (15). Exceptionalism can lead to improved awareness of illness-specific needs and increased access to treatment. However, exceptionalism can also lead to separated and uncoordinated, rather than integrated, health care services and lack of parity in insurance coverage, both of which can cause suboptimal treatment and health outcomes.

States have different ways to approach this concern. For example, in 1994 Vermont passed legislation that created a review system for managed care that is specifically limited to mental health (13). In contrast, in 1995 Rhode Island created the Special Legislative Commission to evaluate managed care plans. The commission focused on both medical and mental health care in response to complaints about a managed behavioral health plan that limited access to care and choice of providers (13). To prevent managed care plans from limiting treatment options for either mental health or medical care, Rhode Island specifically did not treat mental health as exceptional.

Under California's initiative system, several health-related measures appeared on the 2004 ballot, focusing on specific categories of health care services and research—for example, stem cell research, funding for emergency

services, children's hospital services, and mental health services—rather than one larger health-related initiative. Thus the 2004 initiatives followed the exceptionalism model.

There are valid arguments for and against exceptionalism. On one hand, it may be best left to the state legislature to devise an overall, integrated plan for all health-related issues. However, vulnerable subpopulations, such as those with mental illness, are often left out of that process, which argues for a more tailored and initiative-based approach if any improvements are to be made.

Should state ballot initiatives be used to fund social programs?

The success of Proposition 63 raises the larger question of whether “democracy by initiative” is a beneficial way of making public policy (16). California is a leader among states that use ballot questions to address a wide range of policy issues, including term limits, tobacco taxes, “three strike” mandatory sentencing laws, gaming regulations, and wildlife protection, in addition to numerous health-related measures (16). Originally designed to prevent special interest groups from having too great an influence on state politics, initiatives give more control to citizens (17). Initiatives are popular both in California and elsewhere. In fact, as of 2000, a total of 24 states had ballot initiative processes (17). Also, states that have ballot initiatives show increased voter turnout compared with states that do not have such initiatives (18).

Yet the initiative process circumvents the checks and balances that define state governments, which can lead to long-lasting and unintended consequences (17). For example, California's policy choices are still constrained by Proposition 13, which was passed in 1978 and limits property tax increases. Proposition 13 decreased the ability of local officials to provide residents with desired public services (17). Proposition 63 may have similar unwanted effects. It mandates funding of mental health services at a given level, which could force the governor and the legislature to cut funding for a broad range of other social services. We don't know what the unanticipated consequences

of Proposition 63 will be, who will benefit most, and who may be worse off as a result. Therefore, even though initiatives may be popular, they may not be desirable.

Should this approach be recommended to other states?

Although the National Mental Health Association suggests that other states consider using the initiative process to fund mental health services (19), there are several reasons why this model might not work for them. Critics suggest that taxing only certain segments of the population to implement a social agenda may not be ideal (20). Economists suggest that if there is popular support for raising a tax, it would be better to put the money raised into the general budget rather than lock the money into specific uses (21). Even supporters of Proposition 63 were concerned about the policy implications of singling out a group of income earners to raise revenue for a cause or interest group (22). Furthermore, not all states have ballot initiative processes.

Finally, other states' income distributions are different from California's. California has one of the greatest income disparities between rich and poor of any state (23). States vary widely in median income, income distribution, and absolute numbers of wealthy residents. California may have more millionaires to support the tax increase. However, California may also have more persons with mental illness and more persons without adequate housing who can be served by Proposition 63. For these reasons, it may not be advisable to recommend a measure similar to Proposition 63 for other states. Despite these cautions, advocates in other states who repeatedly seek funding for persons with mental illness will be tempted to emulate Proposition 63 because of its success.

Conclusions

Advocates for persons with mental illness have tried for decades to improve mental health services in California. Previous attempts to increase spending for mental health repeatedly failed in the legislature. This time proponents had a winning combination of factors. Proposition 63 took

this issue directly to Californians with an attractive funding model, effective advocates, and weak opposition. California has chosen to dedicate millions of dollars to provide vital mental health services to its citizens—an unexpected, but important, health policy success. However, the political success of Proposition 63 highlights important policy questions. Will the Mental Health Services Act succeed in improving care, and how should California define success? Are ballot initiatives a wise method of enacting health policy? And should other states follow the California model? Persons concerned about the provision and funding of health services now have a fascinating natural experiment to test these questions. ♦

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