



Proposition 1: Amendments to the Mental Health Services Act

February 2024

SDCTA Position:

OPPOSE

Rationale for Position:

Proposition 1 engages in ballot box budgeting, as defined by the Association, and the Association opposes ballot box budgeting.

Title: Proposition 1

Type: State-wide General Obligation Bond Authorization

Vote: Presidential Primary in March 2024

Status: On the ballot

Issue: Housing and Homelessness

Description: Changes to the Mental Health Services Act

Fiscal Impact: No change in taxes though this obligates \$6.38B in general obligation bonds

Background

Proposition 1 on California's 2024 ballot proposes to amend the existing Mental Health Services Act (MHSA) established in 2004 through Proposition 63. The proposed focus is to construct over 11,150 new behavioral health beds and provide housing for 26,700 treatment beds. This initiative purports to improve mental health services by enhancing both inpatient and outpatient capacities. The provision for outpatient facilities is said to be particularly noteworthy, catering to the diverse and widespread mental health needs of tens of thousands of individuals annually. Proposition 1 also allocates \$1 billion specifically for veterans' housing within the overall bond.¹

The MHSA was created to finance mental health needs of individuals and their families through a 1% tax on income exceeding \$1 million annually.² Recent developments surrounding Proposition 1 stem from Governor Newsom's approval of Senate Bill 326 and Assembly Bill 531 in August of 2023. The proposition introduces a substantial \$6.38 billion general bond obligation aimed at expanding California's mental health infrastructure.

Counties currently receive between \$10 and \$13 billion annually, with roughly one-third coming from the previously mentioned tax on incomes over \$1 million annually. Currently nearly 95

¹ [Office of Gov. Newsom](#)

² [DHCS](#)



percent of the funds go to counties, providing them with flexibility on how to allocate and spend that money. Proposition 1 seeks to modify this distribution, reducing the county allocation to around 90 percent. Additionally, Proposition 1 further requires counties to allocate more resources to housing, employment assistance, and education.

Proposition 1 introduces new provisions within the MHSA that mandate counties to expand drug and alcohol treatment services in the most effective manner possible. This includes creating spaces for individuals to stay briefly for treatment, transitional housing for those moving from intensive levels of care, and intensive treatment locations like psychiatric hospitals. The aim is to address the gaps in the current mental health infrastructure and provide a more comprehensive continuum of care for individuals struggling with substance abuse.

Many of these authorizations in the proposal have been triggered by the housing crisis in California, which has reached alarming levels with high costs rendering housing unaffordable for many. As of January 2022, 171,500 people were experiencing homelessness, including 10,400 veterans. To tackle this issue, a state program has been proposed to allocate funds for converting hotels, motels, and other buildings into shelters, providing temporary housing solutions.³

Of note, the Association opposed Proposition 63, the creation of the MHSA in 2004, citing a lack of oversight at the county level to ensure that the funding would be spent effectively, as well as the lack of connection between income level and the need for mental health services. The Association was neutral on a previous amendment to MHSA in Proposition 1E in 2009, which would have redirected funds from the MHSA to the Early and Periodic Screening, Diagnosis, and Treatment program.

Ballot Box Budgeting

The SDCTA defines ballot box budgeting as “any measure voted on by the people, whether put on the ballot by the people or an elected governmental body, that would limit a government body or elected officials’ ability to set budgeting priorities by tying their hands and permanently earmarking funds for a specific purpose.” The definition does not apply if the measure was put on the ballot by an elected body due to a legal obligation or if the measure identifies a new revenue source for funding.⁴

Governance Impact

³ [Legislative Analyst’s Office](#)

⁴ San Diego County Taxpayers Association. “SDCTA Definition of Ballot Box Budgeting.” San Diego County Taxpayers Association, February 20, 2003.
<https://www.sdcta.org/policy-reports-main/2022/2/1/sdcta-definition-of-ballot-box-budgeting>



The proposal, specifically in its final element, which if passed would be referred to as the “Behavioral Health Infrastructure Bond Act of 2024,” engages in ballot box budgeting. To be clear, the bonding authority is – in and of itself – not what engages in ballot box budgeting; the proposal allocates bond funds in discrete and seemingly arbitrary amounts to specific programs newly authorized within this proposal.

Of note, the MHSA has been amended administratively numerous times through legislative action, and current statute, as of 27 January 2020, defines authorities, processes, and oversight.⁵ But current statute does not direct specific appropriations as this proposal does.

Additionally, Proposition 1 gives the state much more oversight into the ways that counties spend money given to them by the MHSA. The proposition requires that money is spent primarily on housing and personalized support services. Additionally, a larger proportion of income tax introduced by the MHSA is allocated to the state. In combination, these factors could lead to the reduction of mental health services provided by certain counties.

Fiscal Impact

Proposition 1 does not propose any changes to existing taxes but focuses on reshaping how MHSA funds are utilized. The proposition does come with authority to issue \$6.38 billion in general obligation bonds, which will cost the state \$310 million dollars annually for 30 years. Payments would be made from the state's General Fund, anticipated to constitute less than a half of a percent of the General Fund.⁶

Proponents

Stakeholders, including over 50 mayors across California, support Proposition 1 due to its proposed revisions to the MHSA, claiming the proposal will address critical shortcomings in the state's mental health and substance abuse treatment infrastructure. The proponents argue the proposal responds to the urgent need for more effective and accessible treatment options but also aims to combat homelessness by repurposing existing structures into shelters and building housing units, with a special emphasis on supporting veterans.

Opponents

⁵ “MHSA Legislative Historical Information” and “Mental Health Services Act (amended in 2020),” California Department of Health Care Services at https://www.dhcs.ca.gov/services/MH/Pages/MH_Prop63.aspx

⁶ [Legislative Analyst's Office](#)



While most voters acknowledge the severity of the mental health and homelessness crisis in California, dissenting voices including from mental health advocates, do not see Proposition 1 as a solution. Opponents cite concerns on potential civil liberties issues arising from the loosening of eligibility rules for involuntary treatment, the possibility of diverting funds from more effective services, and the argument that addressing housing affordability directly might be a more impactful solution to homelessness.