Mental Health Services Expansion, Funding. Tax on Personal Incomes Above $1 Million.
### Mental Health Services Expansion, Funding. Tax on Personal Incomes Above $1 Million. Initiative Statute.

#### Summary
Establishes 1% tax on taxable personal income above $1 million to fund expanded health services for mentally ill children, adults, seniors. Fiscal Impact: Additional state revenues of about $800 million annually by 2006–07, with comparable annual increases in total state and county expenditures for expansion of mental health programs. Unknown partially offsetting savings to state and local agencies.

#### Arguments

**Pro**
Proposition 63 expands mental health care for children and adults, using programs proven to be effective. Paid for by 1% tax on taxable personal income over $1 million. Requires strict financial accountability. Supported by nurses, mental health professionals, law enforcement, educators. Let’s stop neglecting mental illness. Vote YES on Proposition 63.

**Con**
Proposition 64 closes a loophole allowing lawyers to file frivolous shakedown lawsuits against small businesses. Proposition 64 stops lawyers from pocketing most of the settlements from these hodgepodge lawsuits. Don’t be mislead by the trial lawyers’ smokescreen: 64 doesn’t change any of California’s consumer or environmental laws! Yes on Prop 64.

#### For Additional Information

**For**
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**Against**
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#### Summary
Allows individual or class action “unfair business” lawsuits only if actual loss suffered; only government officials may enforce these laws on public’s behalf. Fiscal Impact: Unknown state fiscal impact depending on whether the measure increases or decreases court workload and the extent to which diverted funds are replaced. Unknown potential costs to local governments, depending on the extent to which diverted funds are replaced.

#### Arguments

**Pro**
Proposition 64 closes a loophole allowing lawyers to file frivolous shakedown lawsuits against small businesses. Proposition 64 stops lawyers from pocketing most of the settlements from these hodgepodge lawsuits. Don’t be mislead by the trial lawyers’ smokescreen: 64 doesn’t change any of California’s consumer or environmental laws! Yes on 64.

**Con**
Newspaper headlines warn: “Consumers lose if initiative succeeds.” The LA Times reports Proposition 64 “would weaken a state law that allows private groups and government prosecutors to sue businesses for polluting the environment and for engaging in misleading advertising and other unfair business practices . . . the current law would be drastically curtailed.”

#### For Additional Information

**For**
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Mental Health Services Expansion, Funding. Tax on Personal Incomes Above $1 Million. Initiative Statute.

Mental Health Services Expansion, Funding, Tax on Personal Incomes Above $1 Million. Initiative Statute.

- Provides funds to counties to expand services and develop innovative programs and integrated service plans for mentally ill children, adults and seniors.
- Requires state to develop mental health service programs including prevention, early intervention, education and training programs.
- Creates commission to approve certain county mental health programs and expenditures.
- Imposes additional 1% tax on taxpayers’ taxable personal income above $1 million to provide dedicated funding for expansion of mental health services and programs.
- Prohibits state from decreasing funding levels for mental health services below current levels.

Summary of Legislative Analyst’s Estimate of Net State and Local Government Fiscal Impact:

- Additional state revenues of about $275 million in 2004–05 (partial year), $750 million in 2005–06, $800 million in 2006–07, and probably increasing amounts annually thereafter, with comparable annual increases in expenditures by the state and counties for the expansion of mental health programs.
- Unknown state and local savings from expanded county mental health services that partly offset the cost of this measure, potentially amounting to as much as the low hundreds of millions of dollars annually.

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. In addition, some counties arrange other types of assistance such as housing, substance abuse treatment, and employment services to help their clients. A number of counties have established so-called “systems of care” to coordinate the provision of both medical and nonmedical services for persons with mental health problems.

State Personal Income Tax System. California’s personal income tax was established in 1935 and is the state’s single largest revenue source.
MENTAL HEALTH SERVICES EXPANSION, FUNDING. TAX ON PERSONAL INCOMES ABOVE $1 MILLION. INITIATIVE STATUTE.

ANALYSIS BY THE LEGISLATIVE ANALYST (CONT.)

It is expected to generate an estimated $39 billion in revenues for the support of state government in 2004–05. The tax is levied on both residents and nonresidents, with the latter paying taxes on income derived only from California sources. Tax rates range from 1 percent to 9.3 percent, depending on a taxpayer’s income level.

PROPOSAL

This proposition establishes a state personal income tax surcharge of 1 percent on taxpayers with annual taxable incomes of more than $1 million. Funds resulting from the surcharge would be used to expand county mental health programs.

New Revenues Generated Under the Measure. This measure establishes a surcharge of 1 percent on the portion of a taxpayer’s taxable income that exceeded $1 million. The surcharge would be levied on all such tax filers beginning January 1, 2005. We estimate that 25,000 to 30,000 taxpayers would be subject to paying the surcharge.

Under this measure, beginning in 2004–05, the State Controller would transfer specified amounts of state funding on a monthly basis into a new state fund named the Mental Health Services Fund. The amounts transferred would be based on an estimate of the revenues to be received from the surcharge. The amounts deposited into the fund would be adjusted later to reflect the revenues actually received from the tax surcharge.

How This Funding Would Be Spent. Beginning in 2004–05, revenues deposited in the Mental Health Services Fund would be used to create new county mental health programs and to expand some existing programs. These funds would not be provided through the annual state budget act and thus amounts would not be subject to change by actions of the Legislature and Governor. Specifically, the funds could be used for the following activities:

- **Children’s System of Care.** Expansion of existing county system of care services for children who lack other public or private health coverage to pay for mental health treatment.
- **Adult System of Care.** Expansion of existing county system of care services for adults with serious mental disorders or who are at serious risk of such disorders if they do not receive treatment.
- **Prevention and Early Intervention.** New county prevention and early intervention programs to get persons showing early signs of a mental illness into treatment quickly before their illness becomes more severe.
- **“Wraparound” Services for Families.** A new program to provide state assistance to counties, where feasible, to establish wraparound services, which provide various types of medical and social services for families (for example, family counseling) where the children are at risk of being placed in foster care.
- **“Innovation” Programs.** New county programs to experiment with ways to improve access to mental health services, including for underserved groups, to improve program quality, or to promote interagency collaboration in the delivery of services to clients.
- **Mental Health Workforce: Education and Training.** Stipends, loan forgiveness, scholarship programs, and other new efforts to (1) address existing shortages of mental health staffing in county programs and (2) help provide the additional staffing that would be needed to carry out the program expansions proposed in this measure.
- **Capital Facilities and Technology.** A new program to allocate funding to counties for technology improvements and capital facilities needed to provide mental health services.

For text of Proposition 63 see page 102.
ANALYSIS BY THE LEGISLATIVE ANALYST (CONT.)

This measure specifies the portion of funds that would be devoted to particular activities. In 2004–05, most of the funding would be provided for expanding the mental health care workforce and for capital facility and technology improvements. In subsequent years, most funding would be used for new prevention and early intervention programs and various expansions of the existing types of services provided by counties directly to mental health clients.

Oversight and Administration. Under the terms of the proposition, each county would draft and submit for state review and approval a three-year plan for the delivery of mental health services within its jurisdiction. Counties would also be required to prepare annual updates and expenditure plans for the provision of mental health services.

The Department of Mental Health, in coordination with certain other state agencies, would have the lead state role in implementing most of the programs specified in the measure and allocating the funds through contracts with counties. In addition, a new Mental Health Services Oversight and Accountability Commission would be established to review county plans for mental health services and to approve expenditures for certain programs. The existing Mental Health Planning Council would continue to review the performance of the adult and children’s system of care programs. The Franchise Tax Board would be the lead state agency responsible for administration of the tax provisions of this proposition.

The measure permits up to 5 percent of the funding transferred into the Mental Health Services Fund to be used to offset state costs for implementation of the measure. Up to an additional 5 percent could be used annually for county planning and other administrative activities to implement this measure.

Other Fiscal Provisions. The proposition specifies that the revenues generated from the tax surcharge must be used to expand mental health services and could not be used for other purposes. In addition, the state and counties would be prohibited from redirecting funds now used for mental health services to other purposes. The state would specifically be barred from reducing General Fund support, entitlements to services, and formula distributions of funds now dedicated for mental health services below the levels provided in 2003–04.

The state would also be prohibited from changing mental health programs to increase the share of their cost borne by a county or to increase the financial risk to a county for the provision of such services unless the state provided adequate funding to fully compensate for the additional costs or financial risk.

Fiscal Effects

Revenue and Expenditure Increases. The tax surcharge would generate new state revenues of approximately $275 million in 2004–05,
$750 million in 2005–06, $800 million in 2006–07, and probably increasing amounts annually thereafter. (The impact in 2004–05 is a partial-year effect generated by increased taxpayer withholding, with the first full-year impact occurring in 2005–06.) The state and counties would incur additional expenditures for mental health programs basically mirroring the additional revenues generated by the surcharge.

**Reduction in Support Prohibited.** As noted earlier, this measure contains provisions that prohibit the state from reducing financial support for mental health programs below the 2003–04 level and that restrict certain other changes in mental health programs. Such restrictions could prevent the Legislature and Governor from taking certain actions in the future to reduce state expenditures for mental health services. As a result, state spending in the future could be higher than it otherwise would have been.

**State and County Administrative Costs.** This measure would result in significant increased state and local administrative expenditures related to the proposed expansion of county mental health services. These costs could amount to several millions of dollars annually for the state, with comparable additional costs incurred by county mental health systems on a statewide basis. These administrative costs would be largely if not completely offset by the additional revenues generated under this measure.

The state administrative costs associated with the tax provisions of this measure would be minor.

**Additional Federal Funds.** The expansion of county mental health services provided under this proposition—particularly the provisions expanding services for adults who are mentally ill—could result in the receipt of additional federal funds for community mental health services under the Medi-Cal Program. The amount of additional federal funds is unknown and would depend upon how the state and counties implement this proposal, but could potentially exceed $100 million annually on a statewide basis.

**Partially Offsetting Savings.** State and national studies have indicated that mental health programs similar to some of those expanded by this measure generate significant savings to state and local governments that partly offset their additional cost. Studies of such programs in California to date suggest that much of the savings would probably accrue to local government. The expansion of county mental health services as proposed in this measure would probably result in savings on state prison and county jail operations, medical care, homeless shelters, and social services programs. The extent of these potential savings to the state and local agencies is unknown, but could amount to as much as the low hundreds of millions of dollars annually on a statewide basis.
Almost 40 years ago, California emptied its mental hospitals, promising to fully fund community mental health services. That promise is still unfulfilled.

Hundreds of thousands of children and adults in California suffer from severe mental illnesses and cannot get the treatment they need. These children fail in school. Adults end up on the streets or in jail.

Proposition 63:
- Provides comprehensive mental health care for children, adults, and seniors.
- Helps individuals and families without insurance, or whose insurance doesn’t pay for needed services.
- Includes mental health treatment, general medical care, housing, job training, and prescription drugs.
- Is paid for by a 1% tax on income over $1 million per year—people earning less than $1 million per year won’t pay anything extra.
- Supports innovative programs that are proven to work.
- Requires annual oversight and accountability procedures to ensure funds are properly spent.

Proposition 63 also provides prevention services to help children, adults, and seniors get care before a mental illness becomes disabling.

The nonpartisan California Legislative Analyst concludes that Proposition 63 could save taxpayers hundreds of millions of dollars annually by reducing expenses for medical care, homeless shelters, and law enforcement.

CALIFORNIA’S DOCTORS AND NURSES SUPPORT PROPOSITION 63 BECAUSE TREATMENT WORKS

Mental illness does not have to be disabling. With proper care, children can return to a normal life and enjoy success in school. Adults and seniors can regain their dignity and find productive work.

Mental illness often goes untreated because people lack access to care. State funding covers only a fraction of those needing help. Families whose loved ones begin treatment often find their insurance inadequate.

Proposition 63 provides effective treatment for all of those being denied care. It gives medical professionals the tools to save lives.

POLICE CHIEFS SUPPORT PROPOSITION 63 BECAUSE IT WILL MAKE CALIFORNIA SAFER

Twenty percent of a police officer’s time is spent dealing with people with mental illnesses. One in three people who are homeless are on the streets only because of untreated mental illness.

Our prisons and jails are full of thousands of people with mental illnesses who would not be there if they had been offered treatment. We should provide care before people end up on the streets, or behind bars. Then our police officers can focus on criminals, instead of people who are ill and need help.

CALIFORNIA’S TEACHERS SUPPORT PROPOSITION 63 BECAUSE IT WILL HELP CHILDREN SUCCEED IN SCHOOL AND IN LIFE

It’s heartbreaking to watch children fall into mental illness. They struggle in school, unable to focus on learning. Left untreated, many withdraw from teachers, friends, and family. Finding it difficult to “fit in” at school, many drop out. All of these consequences are preventable.

Proposition 63 provides for early intervention and badly needed services. It will help children avoid mental illness, or cope with its effects, and get back on track to learning.

MANY OF US KNOW SOMEONE WHO HAS SUFFERED FROM A SEVERE MENTAL ILLNESS. IT IS TIME TO STOP THE SUFFERING.

PLEASE VOTE YES ON PROPOSITION 63.

For more: www.CampaignForMentalHealth.org

DEBORAH BURGER, President
California Nurses Association

CHIEF CAM SANCHEZ, President
California Police Chiefs Association

BART BARBARA KERR, President
California Teachers Association

REBUTTAL to Argument in Favor of Proposition 63

We must get the mentally ill off the streets and get them the treatment they need. For too long, those who suffer have been left without hope and without help.

We agree! However, we are not swayed by those who would use nice words to pass a shortsighted measure that is guaranteed to cause long-term failure. The problems the mentally ill face require a REAL PLAN for the future; not promises of funding tied to dangerously volatile income sources, which can vanish in a heartbeat.

We all remember the economic bubble that burst in California a few years ago. Budget surpluses abounded, but suddenly without warning, the high incomes and windfalls disappeared—and took important tax dollars along with them! Overnight, looming deficits and program cuts appeared. This measure follows the same risky path, pinning itself to those very incomes. Such folly is unreliable and irresponsible.

TAXPAYER-FUNDED INTERESTS pushing this new bureaucracy claim that similar programs have “demonstrated their effectiveness” in terms of “providing services,” but that is not the same thing as reducing mental illness or manifestations of it. Nor does any evidence show that state and local costs have declined as a result.

We need to do something about mental illness, and reject fake solutions like Proposition 63 that only postpone serious fixes for later. This sleight-of-hand substitute is a feel-good proposal that doesn’t plan for the future and doesn’t make sense. Our children and families require better.

We urge you to vote NO on 63.

THE HONORABLE TIM LESLIE, Assemblyman
California State Legislature

DAVID YOW, Member
Citizens for a Healthy California
MENTAL HEALTH SERVICES EXPANSION, FUNDING. TAX ON PERSONAL INCOMES ABOVE $1 MILLION. INITIATIVE STATUTE.

ARGUMENT Against Proposition 63

Proposition 63 is a flawed attempt to fix a serious problem. Californians are compassionate, and that’s why we care about making sure that government is both responsible AND effective. This tax initiative, however, is neither. It promises wonderful things, but the benefit is much smaller and the price tag much larger than proponents are telling you.

This new law forces the Legislature to continue funding existing mental health programs at their current levels, regardless of effectiveness or efficiency. While United States Department of Justice investigations have found severe abuses within California’s Department of Mental Health, proponents suggest we expand that system rather than first resolving the problems it already faces.

As if that weren’t bad enough, Proposition 63 pins the hopes and needs of thousands of Californians upon a NARROWLY DRAWN SEGMENT OF A FEW TAXPAYERS’ INCOMES. That is not wise, and it is not safe. Of course, most people aren’t millionaires, but when those required to pay this tax end up leaving the state—the way they have been in increasing numbers since the Gray Davis days—they will take their tax dollars with them. The very same tax dollars this program needs to survive. That leaves the rest of us stuck trying to pay the tab, and helplessly watching other important services get cut to make up the difference.

On paper, this plan promises a lot. Helping the mentally ill sounds good. However, the measure itself is fatally flawed, because its funding structure is too narrowly drawn and highly vulnerable to even slight economic changes. So, you see, the failure to provide a long-term solution for mental health needs in our state will only create even bigger problems that need to be solved . . . and leave us with the original challenges, as well.

It is compassionate to help, but this plan is the wrong way to do it. It is time for real reform—not irresponsible measures like this one that merely substitute one broken bureaucracy for another. All Californians deserve a government that plans for the future, not one that threatens it with a nightmarish, risky scheme that will leave us with larger problems than ever before.

Join many Californians from all walks of life, including community leaders, state legislators, health care advocates, elected city officials, and others who care about the people in our communities in voting NO on this well-intended but short-sighted initiative. In the long run, this backward plan will only hurt those it’s meant to help.

DR. WILLIAM ALLEN, Professor UCLA Department of Economics

THE HONORABLE RAY HAYNES, Assemblyman California State Legislature

LEW UHLER, President National Tax Limitation Committee

REBUTTAL to Argument Against Proposition 63

PROPOSITION 63 HELPS EVERYONE IN CALIFORNIA. Treating mental illness doesn’t just mean helping individuals.

It means better schools and businesses, and safer communities.

Successful treatment keeps adults healthy, employed, and self-sufficient. It helps children stay and succeed in school. Police can focus on crime, instead of untreated mental illness.

PROPOSITION 63 EXPANDS A PROGRAM THAT WORKS.

After decades of neglecting mental illness, California began an experimental, community-based mental health program five years ago. It helps teenagers and adults get the care they need from one place. Special community teams offer treatment, medicines, housing, job training, and other assistance.

The program has been studied extensively. (See www.AB34.org.) The results show that three times more people found employment than had worked previously. Those enrolled had a 66% reduction in hospital days, and an 81% reduction in jail days.

A panel of nationally recognized experts calls this program a model for the nation.

Right now, the program is small, reaching fewer than 10% of those who could benefit. Thousands are turned away.

Proposition 63 makes this new model program available to the thousands now turned away.

PROPOSITION 63 REQUIRES STRICT ACCOUNTABILITY.

Under Proposition 63:

• Funding goes only to these proven, new programs.
• Bureaucrats can’t redirect the funding.
• An oversight panel of independent, unpaid members supervises expenditures.
• To ensure accountability, they can cut off programs that aren’t effective.

Proposition 63 only taxes individuals on their taxable, personal income over $1 million. The tax is just 1%. It’s even deductible from federal taxes.

Please vote YES on Proposition 63.

CARLA NIÑO, President California State PTA

ARETA CROWELL, President Mental Health Association in California

DR. DANA WARE, President California Academy of Family Physicians

Arguments printed on this page are the opinions of the authors and have not been checked for accuracy by any official agency.
Proposition 62 (cont.)

(f) The nomination of any candidate by the voters in any special voter choice open primary election for voter-nominated offices, as provided in subdivision (c) of Section 13541.

SEC. 99. Section 19301 of the Elections Code is amended to read:

19301. A voting machine shall provide in the general election for voting under the name of the office to be voted on, all the candidates for the office with the designation of the parties, if any, by with which they were each candidate is respectively nominated registered. The designation may be by usual or reasonable abbreviation of party names for all candidates for all offices, with the words “Registered as:” also appearing immediately before each party name for all candidates for voter-nominated offices. Any candidate using a political party registration designation must comply with the requirements of subdivision (a) of Section 8001 and is subject to the political party’s consent as specified in Section 7031. If a candidate has qualified for the ballot as a voter who designates “no party,” the words “Registered as: No Party” shall be printed instead of the name of a political party in accordance with the above rules. Any candidate using a registration designation of “no party” must comply with the requirements of subdivision (c) of Section 8001. If a candidate is registered with a political party and that party does not provide consent as specified in Section 7031, the candidate shall not be permitted to have his or her party registration status printed on the ballot. In this case, the space in which the registration status of a candidate would otherwise be printed shall be left blank.

SEC. 100. Broad Construction.

This act shall be broadly construed and applied in order to fully promote its underlying purposes and to be consistent with the United States Constitution and the California Constitution. If any provision of this act conflicts directly or indirectly with any other provision of law, or any other statute previously enacted by the Legislature, those other provisions shall be null and void to the extent that they are inconsistent with this act, and are hereby repealed.


(a) Except as provided in subdivisions (b) and (c), no provision of this act may be amended except by a constitutional amendment or statute, as appropriate, that becomes effective only when approved by the electorate.

(b) The Legislature may amend Section 2150, subdivision (a) of Section 2151, 2152, 2154, 2155, 2158, 2177, 3006, 3007, 3205, 3200, 3100, subdivisions (a) and (b) of Section 8001, 8022, 8025, subdivisions (a) and (b) of Section 8040, 8041, subdivision (a) of Section 8062, 8106, 8121, 8124, 8125, 8148, 8150, 8300, 8302, 8400, 8403, 8404, 8405, 8541, 8454, 8811, 12104, 12108, 13103, subdivision (e) of Section 13105, 13109, subdivisions (a) through (g) of Section 13111, 13203, subdivisions (a) and (b) of Section 13206, subdivisions (a) through (e) of Section 13207, 13208, 13217, 13230, 13261, 13262, subdivisions (a), (c), and (d) of Section 13300, 13302, 14102, 15104, subdivisions (a) and (b) of Section 15151, subdivision (a) of Section 15375, and 19301 of the Elections Code, to effect technical changes only and that are not inconsistent with the purposes of this act.

(c) Nothing in this act is intended to and shall not be construed to alter or to limit the existing power of the Legislature to alter existing law governing the means by which political parties either select delegates to national political party conventions at which a party nominee for President is chosen, or elect or select members of political party state and county central committees, or both.

SEC. 102. Conflicting Ballot Measures.

(a) In the event that this measure and another measure or measures normal to direct primary elections for voter-nominated offices, as provided in subdivision (c) of Section 13541 and is subject to the political party’s consent as specified in Section 7031, the candidate shall not be permitted to have his or her party registration status printed on the ballot. In this case, the space in which the registration status of a candidate would otherwise be printed shall be left blank.

(b) If this measure is approved by voters but superseded by any other conflicting ballot measure approved by the voters at the same election, and the conflicting ballot measure is later held invalid, this measure shall be self-executing and given full force of law.

SEC. 103. Severability.

If any provision of this act or the application thereof to any person or circumstance is held invalid, that invalidity shall not affect other provisions or applications of the act that can be given effect in the absence of the invalid provision or application. To this end, the provisions of this act are severable.

Proposition 63

This initiative measure is submitted to the people in accordance with the provisions of Section 8 of Article II of the California Constitution. This initiative measure amends and adds sections to the Revenue and Taxation Code, and adds sections to the Welfare and Institutions Code; therefore, new provisions proposed to be added are printed in italic type to indicate that they are new.

PROPOSED LAW

MENTAL HEALTH SERVICES ACT

SECTION 1. Title.

This act shall be known and may be cited as the “Mental Health Services Act.”

SEC. 2. Findings and Declaraions.

The people of the State of California hereby find and declare all of the following:

(a) Mental illnesses are extremely common; they affect almost every family in California. They affect people from every background and occur at any age. In any year, between 5 percent and 7 percent of adults have a serious mental illness as do a similar percentage of children—between 5 percent and 9 percent. Therefore, more than two million children, adults and seniors in California are affected by a potentially disabling mental illness every year. People who become disabled by mental illness deserve the same guarantee of care already extended to those who face other kinds of disabilities.

(b) Failure to provide timely treatment can destroy individuals and families. No parent should have to give up custody of a child and no adult or senior should have to become disabled or homeless to get mental health services as too often happens now. No individual or family should have to suffer inadequate or insufficient treatment due to language or cultural barriers to care. Lives can be devastated and families can be financially ruined by the costs of care. Yet, for too many Californians with mental illness, the mental health services and supports they need remain fragmented, disconnected and often inadequate, frustrating the opportunity for recovery.

(c) Untreated mental illness is the leading cause of disability and suicide and imposes high costs on state and local government. Many people left untreated or with insufficient care see their mental illness worsen. Children left untreated often become unable to learn or participate in a normal school environment. Adults lose their ability to work and be independent; many become homeless and are subject to frequent hospitalizations or jail. State and county governments are forced to pay billions of dollars each year in emergency medical care, long-term nursing home care, unemployment, housing, and law enforcement, including juvenile justice, jail and prison costs.

(d) In a cost cutting move 30 years ago, California drastically cut back its services in state hospitals for people with severe mental illness. Thousands ended up on the streets homeless and incapable of caring for themselves; many became homeless and are subject to frequent hospitalizations or jail. State and county governments are forced to pay billions of dollars each year in emergency medical care, long-term nursing home care, unemployment, housing, and law enforcement, including juvenile justice, jail and prison costs.

(e) With effective treatment and support, recovery from mental illness is feasible for most people. The State of California has developed several models of providing mental health services to children, adults and seniors with serious mental illness. A recent innovative approach, begun under
Assembly Bill 34 in 1999, was recognized in 2003 as a model program by the President's Commission on Mental Health. This program combi
ines prevention services with a full range of integrated services to treat the whole person, with the goal of self-sufficiency for those who may have otherwise faced homelessness or dependence on the state for years to come. Other innovations address services to other underserved populations such as traumatized youth and isolated seniors. These successful programs, including prevention, emphasize client-centered, family-focused and community-based services that are culturally and linguistically competent and are provided in an integrated services system.

(f) By expanding programs that have demonstrated their effectiveness, California can save lives and money. Early diagnosis and adequate treatment provided in an integrated service system is very effective; and by preventing disability, it also saves money. Cutting mental health services wastes lives and costs more. California can do a better job saving lives and saving money by making a firm commitment to providing timely, adequate mental health services.

(g) To provide an equitable way to fund these expanded services while protecting other vital state services from being cut, very high-income individuals should pay an additional 1 percent of that portion of their annual income that exceeds one million dollars ($1,000,000). About one-tenth of 1 percent of Californians have incomes in excess of one million dollars ($1,000,000). They have an average pre-tax income of nearly five million dollars ($5,000,000). The additional tax paid pursuant to this represents only a small fraction of the amount of tax reduction they are receiving because recent changes in the federal income tax law and only a small portion of what they save on property taxes by living in California as compared to the property taxes they would be paying on multi-million dollar homes in other states.

SEC. 3. Purpose and Intent.

The people of the State of California hereby declare their purpose and intent in enacting this act to be as follows:

(a) To define serious mental illness among children, adults, and seniors as a condition deserving priority attention, including prevention and early intervention services and medical and supportive care.

(b) To reduce the long-term adverse impact on individuals, families and state and local budgets resulting from untreated serious mental illness.

(c) To expand the kinds of successful, innovative service programs for children, adults and seniors begun in California, including culturally and linguistically competent approaches for underserved populations. These programs have already demonstrated their effectiveness in providing outreach and integrated services, including medically necessary psychiatric services, and other services, to individuals most severely affected by or at risk of serious mental illness.

(d) To provide state and local funds to adequately meet the needs of all children and adults who can be identified and enrolled in programs under this measure. State funds shall be available to provide services that are not already covered by federally sponsored programs or by individual's or families' insurance programs.

(e) To ensure that all funds are expended in the most cost effective manner and services are provided in accordance with recommended best practices subject to local and state oversight to ensure accountability to taxpayers and to the public.

SEC. 4. Part 3.6 (commencing with Section 5840) is added to Division 5 of the Welfare and Institutions Code, to read:

PART 3.6. PREVENTION AND EARLY INTERVENTION PROGRAMS

5840. (a) The State Department of Mental Health shall establish a program designed to prevent mental illnesses from becoming severe and disabling. The program shall emphasize improving timely access to services for underserved populations.

(b) The program shall include the following components:

(1) Outreach to families, employers, primary care health care providers, and others to recognize the early signs of potentially severe and disabling mental illnesses.

(2) Access to and linkage to medically necessary care provided by county mental health programs for children with severe mental illness, as defined in Section 5600.3, and for adults and seniors with severe mental illness, as defined in Section 5600.3, as early in the onset of these conditions as practicable.

(3) Reduction in stigma associated with either being diagnosed with a mental illness or seeking mental health services.

(4) Reduction in discrimination against people with mental illness.

(c) The program shall include mental health services similar to those provided under other programs effective in preventing mental illnesses from becoming severe, and shall also include components similar to programs that have been successful in reducing the duration of untreated severe mental illnesses and assisting people in quickly regaining productive lives.

(d) The program shall emphasize strategies to reduce the following negative outcomes that may result from untreated mental illness:

(1) Suicide.

(2) Incarcerations.

(3) School failure or dropout.

(4) Unemployment.

(5) Prolonged suffering.

(6) Homelessness.

(7) Removal of children from their homes.

(e) In consultation with mental health stakeholders, the department shall revise the program elements in Section 5840 applicable to all county mental health programs in future years to reflect what is learned about the most effective prevention and intervention programs for children, adults, and seniors.

5840.2. (a) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(b) Notwithstanding any other provision of law, only a small portion of what they save on property taxes by living in California as compared to the property taxes they would be paying on multi-million dollar homes in other states.

(c) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(d) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(e) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(f) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(g) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(h) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(i) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(j) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(k) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(l) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(m) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(n) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(o) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(p) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(q) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(r) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(s) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(t) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(u) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(v) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(w) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(x) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(y) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(z) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(1) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(2) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(3) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(4) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(5) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(6) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(7) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(8) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(9) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.

(10) The department shall contract for the provision of services pursuant to this part with each county mental health program in the manner set forth in Section 5897.
TEXT OF PROPOSED LAWS

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shall include reasonable and necessary administrative costs in establishing and administering a project pursuant to this chapter and shall be sufficient to create an incentive for all counties to seek to establish programs pursuant to this chapter.

SEC. 7. Section 5813.5 is added to the Welfare and Institutions Code, to read:

5813.5. Subject to the availability of funds from the Mental Health Services Fund, the State Department of Mental Health shall distribute funds for the provision of services under Sections 5801, 5802 and 5806 to county mental health programs. Services shall be available to adults and seniors with severe illnesses who meet the eligibility criteria in subdivisions (b) and (c) of Section 5600.3 of the Welfare and Institutions Code. For purposes of this act, seniors means older adult persons identified in Part 3 (commencing with Section 5800) of this division.

(a) Funding shall be provided at sufficient levels to ensure that counties can provide each adult and senior served pursuant to this part with the medically necessary mental health services, medications and supportive services set forth in the applicable treatment plan.

(b) The funding shall only cover the portions of those costs of services that cannot be paid for with other funds including other mental health funds, public and private insurance, and other local, state and federal funds.

(c) Each county mental health programs plan shall provide for services in accordance with the system of care for adults and seniors who meet the eligibility criteria in subdivisions (b) and (c) of Section 5600.3.

(d) Planning for services shall be consistent with the philosophy, principles, and priorities of the Recovery Vision for mental health consumers.

(1) To promote concepts key to the recovery for individuals who have mental illness: hope, personal empowerment, respect, social connections, self-responsibility, and self-determination.

(2) To promote consumer-operated services as a way to support recovery.

(3) To reflect the cultural, ethnic and racial diversity of mental health consumers.

(4) To plan for each consumer’s individual needs.

(e) The plan for each county mental health program shall indicate, subject to the availability of funds as determined by Part 4.5 (commencing with Section 5890) of this division, and other funds available for mental health services, adults and seniors with a severe mental illness being served by this program are either receiving services from this program or have a mental illness that is not sufficiently severe to require the level of services required of this program.

(f) Each county plan and annual update pursuant to Section 5847 shall consider ways to provide services similar to those established pursuant to the mentally Ill Offender Crime Reduction Grant Program Funds shall not be used to pay for persons incarcerated in state prison or parolees from state prisons.

(g) The department shall contract for services with county mental health programs pursuant to Section 5897. After the effective date of this section the term grants referred to in Sections 5814 and 5814.5 shall refer to such contracts.

SEC. 8. Part 3.1 (commencing with Section 5820) is added to Division 5 of the Welfare and Institutions Code, to read:

PART 3.1. HUMAN RESOURCES, EDUCATION, AND TRAINING PROGRAMS

5820. (a) It is the intent of this part to establish a program with dedicated funding to remedy the shortage of qualified individuals to provide services to address severe mental illnesses.

(b) Each county mental health program shall submit to the department a needs assessment identifying its shortages in each professional and other occupational category in order to increase the supply of professional staff and other staff that county mental health programs anticipate they will require in order to provide the increase in services projected to serve additional individuals and families pursuant to Part 3 (commencing with Section 5800), Part 3.2 (commencing with Section 5830), Part 3.6 (commencing with Section 5840), and Part 4 (commencing with Section 5850) of this division. For purposes of this part, employment in California’s public mental health system includes employment in private organizations providing publicly funded mental health services.

(c) The department shall identify the total statewide needs for each professional and other occupational category and develop a five-year education and training development plan.

(d) Development of the first five-year plan shall commence upon enactment of the initiative. Subsequent plans shall be adopted every five years.

(e) Each five-year plan shall be reviewed and approved by the California Mental Health Planning Council.

5821. (a) The California Mental Health Planning Council shall advise the State Department of Mental Health on education and training policy development and provide oversight for the department’s education and training plan development.

(b) The State Department of Mental Health shall work with the California Mental Health Planning Council so that council staff is increased appropriately to fulfill its duties required by Sections 5820 and 5821.

5822. The State Department of Mental Health shall include in the five-year plan:

(a) Expansion plans for the capacity of postsecondary education to meet the needs of identified mental health occupational shortages.

(b) Expansion plans for the forgiveness and scholarship programs offered in return for a commitment to employment in California’s public mental health system and make loan forgiveness programs available to current employees of the mental health system who want to obtain Associate of Arts, Bachelor of Arts, master’s degrees, or doctoral degrees.

(c) Creation of a stipend program modeled after the federal Title IV-E program for persons enrolled in academic institutions who want to be employed in the mental health system.

(d) Establishment of regional partnerships among the mental health system and the educational system to expand outreach to multicultural communities, increase the diversity of the mental health workforce, to reduce the stigma associated with mental illness, and to promote the use of web-based technologies, and distance learning techniques.

(e) Strategies to recruit high school students for mental health occupations, increasing the prevalence of mental health occupations in high school career development programs such as health science academies, adult schools, and regional occupation centers and programs, and increasing the number of human service academics.

(f) Curriculum to train and retrain staff to provide services in accordance with the provisions and principles of Part 3 (commencing with Section 5800), Part 3.2 (commencing with Section 5830), Part 3.6 (commencing with Section 5840), and Part 4 (commencing with Section 5850) of this division.

(g) Promotion of the employment of mental health consumers and family members in the mental health system.

(h) Promotion of the meaningful inclusion of mental health consumers and family members and incorporating their viewpoint and experiences in the training and education programs in subdivisions (a) through (f).

(i) Promotion of the inclusion of cultural competency in the training and education programs in subdivisions (a) through (f).

SEC. 9. Part 3.2 (commencing with Section 5830) is added to Division 5 of the Welfare and Institutions Code, to read:

PART 3.2. INNOVATIVE PROGRAMS

5830. County mental health programs shall develop plans for innovative programs to be funded pursuant to paragraph (6) of subdivision (a) of Section 5892.

(a) The innovative programs shall have the following purposes:

(1) To increase access to underserved groups.

(2) To increase the quality of services, including better outcomes.

(3) To promote interagency collaboration.

(4) To increase access to services.

(b) County mental health programs shall receive funds for their innovation programs upon approval by the Mental Health Services Oversight and Accountability Commission.

SEC. 10. Part 3.7 (commencing with Section 5845) is added to Division 5 of the Welfare and Institutions Code, to read:

PART 3.7. OVERSIGHT AND ACCOUNTABILITY

5845. (a) The Mental Health Services Oversight and Accountability Commission is hereby established to oversee Part 3 (commencing with Section 5800), the Adult and Older-Adult Mental Health System of Care
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Act; Part 3.1 (commencing with Section 5820), Human Resources, Education, and Training Programs; Part 3.2 (commencing with Section 5830), Innovative Programs; Part 3.6 (commencing with Section 5840), Prevention and Early Intervention Programs; and Part 4 (commencing with Section 5850), the Children’s Mental Health Services Act. The commission shall replace the advisory committee established pursuant to Section 5814. The commission shall consist of 16 voting members as follows:

(a) Each county mental health program shall prepare and submit a three-year plan which shall be updated at least annually and approved by the department after review and comment by the Mental Health Services Oversight and Accountability Commission. The plan and update shall include all of the following:

(1) A program for prevention and early intervention in accordance with Part 3.6 (commencing with Section 5840) of this division.

(2) A program for services to children in accordance with Part 4 (commencing with Section 5850) of this division, to include a program pursuant to Chapter 4 (commencing with Section 18250) of Part 6 of Division 9 or provide substantial evidence that it is not feasible to establish a wrap-around program in that county.

(3) A program for services to adults and seniors in accordance with Part 3 (commencing with Section 5800) of this division.

(4) A program for innovations in accordance with Part 3.2 (commencing with Section 5830) of this division.

(5) A program for technological needs and capital facilities needed to provide services pursuant to Part 3 (commencing with Section 5800), Part 3.6 (commencing with Section 5840), and Part 4 (commencing with Section 5850) of this division. All plans for proposed facilities with that revenue shall demonstrate that the needs of the population to be served cannot be met in a less restrictive or more integrated setting.

(b) The department’s review and approval of the programs specified in paragraphs (1) and (4) of subdivision (a) shall be limited to ensuring the consistency of such programs with the other portions of the plan and providing review and comment to the Mental Health Services Oversight and Accountability Commission.

(c) The programs established pursuant to paragraphs (2) and (3) of subdivision (a) shall include services to address the needs of transition age youths 16 to 25.

(d) Each year the State Department of Mental Health shall inform counties of the amounts of funds available for services to children pursuant to Part 4 (commencing with Section 5850) of this division, and to adults and seniors pursuant to Part 3 (commencing with Section 5800) of this division. Each county mental health program shall prepare expenditure plans pursuant to Part 3 (commencing with Section 5800) and Part 4 (commencing with Section 5850) of this division, and updates to the plans developed pursuant to this section. Each expenditure update shall indicate the number of children, adults and seniors to be served pursuant to Part 3 (commencing with Section 5800), and Part 4 (commencing with Section 5850) of this division, and the cost per person. The expenditure update shall include utilization of unspent funds allocated in the previous year and the proposed expenditure for the same purpose.

(e) The department shall evaluate each proposed expenditure plan and determine the extent to which each county program has the capacity to serve the proposed number of children, adults and seniors pursuant to Part 3 (commencing with Section 5800), and Part 4 (commencing with Section 5850) of this division; the extent to which there is an unmet need to serve that number of children, adults and seniors; and determine the amount of available funds; and provide each county with an allocation from the funds available. The department shall give greater weight for a county or a population which has been significantly underserved for several years.

(f) A county mental health program shall include an allocation of funds from a reserve established pursuant to paragraph (6) of subdivision (a) for services pursuant to paragraphs (2) and (3) of subdivision (a) in years in which the allocation of funds for services pursuant to subdivision (c) are not adequate to continue to serve the same number of individuals as the county had been serving in the previous fiscal year.

5848. (a) Each plan and update shall be developed with local stakeholders including adults and seniors with severe mental illness, families of children, adults and seniors with severe mental illness, providers of services, law enforcement agencies, education, social
services agencies and other important interests. A draft plan and update shall be prepared and circulated for review and comment for at least 30 days to representatives of stakeholder interests and any interested party who has requested a copy of such plans.

(b) The mental health board established pursuant to Section 5604 shall conduct a public hearing on the draft plan and annual updates at the close of the 30-day comment period required by subdivision (a). Each adopted plan and update shall include any substantive written recommendations for revisions. The adopted plan or update shall summarize and analyze the recommended revisions. The mental health board shall review the adopted plan or update and make recommendations to the county mental health department for revisions.

(c) The department shall establish requirements for the content of the plans. The plans shall include reports on the achievement of performance outcomes for services pursuant to Part 3 (commencing with Section 5800), Part 3.6 (commencing with Section 5840), and Part 4 (commencing with Section 5850) of this division funded by the Mental Health Services Fund and established by the department.

(d) Mental health services provided pursuant to Part 3 (commencing with Section 5800), and Part 4 (commencing with Section 5850) of this division, shall be included in the review of program performance by the California Mental Health Planning Council required by paragraph (2) of subdivision (c) of Section 5772 and in the local mental health board’s review and comment on the performance outcome data required by paragraph (7) of subdivision (a) of Section 5604.2.

SEC. 11. Section 5771.1 is added to the Welfare and Institutions Code, to read:

5771.1. The members of the Mental Health Services Oversight and Accountability Commission established pursuant to Section 5845 are members of the California Mental Health Planning Council. They serve in an ex officio capacity when the council is performing its statutory duties pursuant to Section 5772. Such membership shall not affect the composition requirements for the council specified in Section 5771.

SEC. 12. Section 17043 is added to the Revenue and Taxation Code, to read:

17043. (a) For each taxable year beginning on or after January 1, 2005, in addition to any other taxes imposed by this part, an additional tax shall be imposed at the rate of 1 percent on that portion of a taxpayer’s taxable income in excess of one million dollars ($1,000,000).

(b) For purposes of applying Part 10.2 (commencing with Section 18401) of Division 2, the tax imposed under this section shall be treated as if imposed under Section 17041.

(c) The following shall not apply to the tax imposed by this section:

(1) The provisions of Section 17039, relating to the allowance of credits.

(2) The provisions of Section 17041, relating to filing status and recomputation of the income tax brackets.

(5) The provisions of Section 17045, relating to joint returns.

SEC. 13. Section 19602 of the Revenue and Taxation Code is amended to read:

19602. Except for amounts collected or accrued under Sections 17935, 17941, 17948, 19532, and 19561, and revenues deposited pursuant to Section 19602.5, all moneys and remittances received by the Franchise Tax Board as amounts imposed under Part 10 (commencing with Section 17001), and related penalties, additions to tax, and interest imposed under this part, shall be deposited, after clearance of remittances, in the State Treasury and credited to the Personal Income Tax Fund.

SEC. 14. Section 19602.5 is added to the Revenue and Taxation Code, to read:

19602.5. (a) There is in the State Treasury the Mental Health Services Fund (MHS Fund). The estimated revenue from the additional tax imposed under Section 17043 for the applicable fiscal year, as determined under subparagraph (B) of paragraph (3) of subdivision (c), shall be deposited to the MHS Fund on a monthly basis, subject to an annual adjustment as described in this section.

(b) (1) Beginning with fiscal year 2004–2005 and for each fiscal year thereafter, the Controller shall deposit on a monthly basis in the MHS Fund an amount equal to the applicable percentage of net personal income tax receipts as defined in paragraph (4).

(2) (A) Except as provided in subparagraph (B), the applicable percentage referred to in paragraph (1) shall be 1.76 percent.

(B) For fiscal year 2004–2005, the applicable percentage shall be 0.70 percent.

(3) Beginning with fiscal year 2006–2007, monthly deposits to the MHS Fund pursuant to this subdivision are subject to suspension pursuant to subdivision (f).

(4) For purposes of this subdivision, “net personal income tax receipts” refers to amounts received by the Franchise Tax Board and the Employment Development Department under the Personal Income Tax Law, as reported by the Franchise Tax Board to the Department of Finance pursuant to law, regulation, procedure, and practice (commonly referred to as the “102 Report”) in effect on the effective date of the act establishing this section.

(c) No later than March 1, 2006, and each March 1 thereafter, the Department of Finance, in consultation with the Franchise Tax Board, shall determine the annual adjustment amount for the following fiscal year:

(1) The “annual adjustment amount” for any fiscal year shall be an amount equal to the amount determined by subtracting the “revenue adjustment amount” for the applicable revenue adjustment fiscal year, as determined by the Franchise Tax Board under paragraph (3), from the “tax liability adjustment amount” for applicable tax liability adjustment tax year, as determined by the Franchise Tax Board under paragraph (2).

(2) (A) (i) The “tax liability adjustment amount” for a tax year is equal to the amount determined by subtracting the estimated tax liability increase from the additional tax imposed under Section 17043 for the applicable fiscal year under subparagraph (B) from the amount of the actual tax liability increase from the additional tax imposed under Section 17043 for the applicable tax year, based on the returns filed for that tax year.

(ii) For purposes of the determinations required under this paragraph, actual tax liability increase from the additional tax means the increase in tax liability resulting from the tax of 1 percent imposed under Section 17043, as reflected on the original returns filed by October 15 of the year after the close of the applicable tax year.

(iii) The applicable tax year referred to in this paragraph means the 12-calendar month taxable year beginning on January 1 of the year that is two years before the beginning of the fiscal year for which an annual adjustment amount is calculated.

(B) (i) The estimated tax liability increase from the additional tax for the following tax years is:

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>Estimated Tax Liability Increase from the Additional Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$634 million</td>
</tr>
<tr>
<td>2006</td>
<td>$672 million</td>
</tr>
<tr>
<td>2007</td>
<td>$713 million</td>
</tr>
<tr>
<td>2008</td>
<td>$758 million</td>
</tr>
</tbody>
</table>

(ii) The “estimated tax liability increase from the additional tax” for the tax year beginning in 2009 and each tax year thereafter shall be determined by applying an annual growth rate of 7 percent to the “estimated tax liability increase from additional tax” of the immediately preceding tax year.

(3) (A) The “revenue adjustment amount” is equal to the amount determined by subtracting the “estimated revenue from the additional tax” for the applicable fiscal year, as determined under subparagraph (B), from the actual amount transferred for the applicable fiscal year.

(B) (i) The “estimated revenue from the additional tax” for the following applicable fiscal years is:

<table>
<thead>
<tr>
<th>Applicable Fiscal Year</th>
<th>Estimated Revenue from Additional Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004–05</td>
<td>$254 million</td>
</tr>
<tr>
<td>2005–06</td>
<td>$653 million</td>
</tr>
<tr>
<td>2006–07</td>
<td>$690 million</td>
</tr>
<tr>
<td>2007–08</td>
<td>$733 million</td>
</tr>
</tbody>
</table>

(ii) The “estimated revenue from the additional tax” for applicable fiscal year 2007–2008 each applicable fiscal year thereafter shall be determined by applying an annual growth rate of 7 percent to the “estimated revenue from the additional tax” of the immediately preceding applicable fiscal year.

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Determining Ability to Pay applicable to other publicly funded mental
sick services pursuant to Part 3 (commencing with Section 5800), and Part 4 (com-
ming with Section 5850) of this division.

(d) Prior to making the allocations pursuant to subdivisions (a), (b) and (c), the department shall also provide funds for the costs for itself, the California Mental Health Planning Council and the Mental Health Services Oversight and Accountability Commission and other duties pursuant to the programs set forth in this section. Such costs shall not exceed 5 percent of the total of annual revenues received for the fund. The planning costs shall include funds for the costs of consumers, family members and other stakeholders to participate in the planning process and for the planning and implementation required for private provider contracts to be significantly expanded to provide additional services pursuant to Part 3 (commencing with Section 5800), and Part 4 (commencing with Section 5850) of this division.
Proposition 63 (cont.)

achievement of the outcome measures set forth in Part 3 (commencing with Section 5800), Part 3.6 (commencing with Section 5840), and Part 4 (commencing with Section 5850) of this division.

(e) In 2004–05 funds shall be allocated as follows:

(1) 45 percent for education and training pursuant to Part 3.1 (commencing with Section 5820) of this division.

(2) 45 percent for capital facilities and technology needs in the manner specified by paragraph (2) of subdivision (a).

(3) 5 percent for local planning in the manner specified in subdivision (c) and

(4) 5 percent for state implementation in the manner specified in subdivision (d).

(f) Each county shall place all funds received from the State Mental Health Services Fund in a local Mental Health Services Fund. The Local Mental Health Services Fund balance shall be invested consist-ent with other county funds and the interest earned on such investments shall be transferred into the fund. The earnings on investment of these funds shall be available for distribution from the fund in future years.

(g) All expenditures for county mental health programs shall be consistent with a currently approved plan or update pursuant to Section 5845.

(h) Other than funds placed in a reserve in accordance with an approved plan, any funds allocated to a county which have not been spent for their authorized purpose within three years shall revert to the state to be deposited into the fund and available for other counties in future years, provided however, that funds for capital facilities, technolog-ical needs or education and training may be retained for up to 10 years before reverting to the fund.

(i) If there are still additional revenues available in the fund after the Mental Health Services Oversight and Accountability Commission has determined there are prudent reserves and no unmet needs for any of the programs funded pursuant to this section, including all purposes of the Prevention and Early Intervention Program, the commission shall develop a plan for expenditures of such revenues to further the purposes of this act and the Legislature may appropriate such funds for any purpose consistent with the commission’s adopted plan which furthers the purposes of this act.

5893. (a) In any year in which the funds available exceed the amount allocated to counties, such funds shall be carried forward to the next fiscal year to be available for distribution to counties in ac-cordance with Section 5892 in that fiscal year.

(b) All funds deposited into the Mental Health Services Fund shall be invested in the same manner in which other state funds are invest-ed. The fund shall be increased by its share of the amount earned on investments.

5894. In the event that Part 3 (commencing with Section 5800) or Part 4 (commencing with Section 5850) of this division, are restruct-ured by legislation signed into law before the adoption of this measure, the funding provided by this measure shall be distributed in accordance with such legislation; provided, however, that nothing herein shall be construed to reduce the categories of persons entitled to receive services.

5895. In the event any provisions of Part 3 (commencing with Section 5800), or Part 4 (commencing with Section 5850) of this divi-sion, are repealed or modified so the purposes of this act cannot be accomplished, the funds in the Mental Health Services Fund shall be administered in accordance with those sections as they read on January 1, 2004.

5897. (a) Notwithstanding any other provision of state law, the State Department of Mental Health shall implement the mental health services provided by Part 3 (commencing with Section 5800), Part 3.6 (commencing with Section 5840), and Part 4 (commencing with Section 5850) of this division through contracts with county mental health programs or counties acting jointly. A contract may be exclusive and may be awarded on a geographic basis. As used here-in, a county mental health program includes a city receiving funds pursuant to Section 5701.5.

(b) Two or more counties acting jointly may agree to deliver or sub-contract for the delivery of such mental health services. The agreement may encompass all or any part of the mental health services provided pursuant to these parts. Any agreement between counties shall delineate each county’s responsibilities and fiscal liability.

(c) The department shall implement the provisions of Part 3 (commencing with Section 5800), Part 3.2 (commencing with Section 5830), Part 3.6 (commencing with Section 5840), and Part 4 (commencing with Section 5850) of this division through the annual county mental health services performance contract, as specified in Chapter 2 (commencing with Section 5650) of Part 2 of Division 5.

(d) When a county mental health program is not in compliance with its performance contract, the department may request a plan of correc-tion with a specific timeline to achieve improvements.

(e) Contracts awarded by the State Department of Mental Health, the California Mental Health Planning Council, and the Mental Health Services Oversight and Accountability Commission pursuant to Part 3 (commencing with Section 5800), Part 3.1 (commencing with Section 5820), Part 3.2 (commencing with Section 5830), Part 3.6 (commencing with Section 5840), Part 3.7 (commencing with Section 5845), Part 4 (commencing with Section 5850), and Part 4.5 (commencing with Section 5890) of this division, may be awarded in the same manner in which contracts are awarded pursuant to subdivisions (g) and (h) of Section 5814 shall apply to such contracts.

(f) For purposes of Section 5775, the allocation of funds pursuant to Section 5892 which are used to provide services to Medi-Cal benefici-aries shall be included in calculating anticipated county matching funds and the transfer to the department of the anticipated county matching funds needed for community mental health programs.

5898. The department shall develop regulations, as necessary, for the department or designated local agencies to implement this act. In 2005, the director may adopt all regulations pursuant to this act as emergency regulations in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. For the purpose of the Administrative Procedure Act, the adop-tion of regulations, in 2005, shall be deemed an emergency and neces-sary for the immediate preservation of the public peace, health and safety, or general welfare. These regulations shall not be subject to the review and approval of the Office of Administrative Law and shall not be subject to automatic repeal until final regulations take effect. Emergency regulations adopted in accordance with this provision shall not remain in effect for more than a year. The final regulations shall become effective upon filing with the Secretary of State. Regulations adopted pursuant to this section shall be developed with the maximum feasible opportunity for public participation and comments.

SEC. 16.

The provisions of this act shall become effective January 1 of the year following passage of the act, and its provisions shall be applied prospectively.

The provisions of this act are written with the expectation that it will be enacted in November of 2004. In the event that it is approved by the voters at an election other than one which occurs during the 2004–05 fiscal year, the provisions of this act which refer to other fiscal years shall refer to the year that is the same num-ber of years after the first fiscal year as that year is in relationship to 2005–06.

SEC. 17.

Notwithstanding any other provision of law to the contrary, the department shall begin implementing the provisions of this act immedi-ately upon its effective date and shall have the authority to immedi-ately make any necessary expenditures and to hire staff for that purpose.

SEC. 18.

This act shall be broadly construed to accomplish its purposes. All of the provisions of this act may be amended by a two-thirds vote of the Legislature so long as such amendments are consistent with and further the intent of this act. The Legislature may by majority vote add provi-sions to clarify procedures and terms including the procedures for the collection of the tax surcharge imposed by Section 12 of this act.

SEC. 19.

If any provision of this act is held to be unconstitutional or invalid for any reason, such unconstitutionality or invalidity shall not affect the validity of any other provision.