

Analysis of Proposition 1

Chamber Commentary by Robert A. Hufnagel

Proposition 1 will be on the California ballot on Tuesday, March 5, 2024. This proposition authorizes \$6.38 billion dollars (yes, that's billion with a "B") to build mental health treatment facilities for those with mental health and substance abuse challenges, and housing for the homeless. *Can we afford it? Is it worth it? Will it solve the homeless problem?*

The affordability question requires a review of the bond process. If the Proposition passes, then California can sell bonds to investors to generate \$6.38 billion dollars. However, those bonds must be repaid just like a mortgage, meaning principal + interest each year until paid in full. This amounts to \$310 million dollars that must be paid each year for the next 30 years, conservatively estimated to total \$9.3 billion in the end assuming a favorable interest rate. Yearly payments of \$310 million dollars come directly from the State's general fund, which is currently facing a \$68 billion dollar shortfall this year and a \$155 billion cumulative deficit over the next four years. The State is not projected to have the money to pay for this for the next five years. That means higher taxes or cuts to other programs to make up for the difference if this Proposition passes.

Is Proposition 1 worth it depends on your perspective. First, it amends existing law to allow the money to be used for substance abuse in addition to mental health – meaning it considers drug abuse as a mental health issue. Second, it amends the Mental Health Services Act of 2004 to shift some of the revenue from that tax from the Counties to the State. Third, it limits Counties on how they can use said funds. Therefore, Counties get less money and less control with the passage of Proposition 1.

The California Legislature concluded that California does not have enough places where people can get mental health care or substance abuse treatment. This Proposition dedicates approximately \$4.4 billion to build mental health care treatment centers and \$2 billion to house the homeless. There is little discussion in the Proposition as to what these mental health care treatment centers consist of, what exactly they do, how much does it cost to build, or where they will be built. Whereas housing for the homeless is largely defined as the State granting or loaning money to local governments to turn hotels, motels, and other buildings into housing or construct new housing. Since the State controls where and how the money is spent, the Cities and Counties will be limited in how this money is used.

Moreover, the Proposition does not state how many units

will be built, where, how operated, or how many people will be housed. Critics argue that converting hotels/motels or building new units is either too expensive or has not worked in Los Angeles and San Francisco. The per capita costs per person or unit is unknown.

Proposition 1 adds and revises certain provisions of the Welfare & Institutions Code (68 pages of two-column small print). Every new law starts with "findings" that purport to justify the need or purpose of the new law, or in this case, the \$6 billion dollars. Interestingly, the law states that that one in ten Californians meet the criteria for a substance use disorder, there was a 121% increase in opioid deaths between 2019-2021, and an estimated 82% of all homeless experienced a serious mental health condition. These are shocking numbers and the Legislature does not provide any explanation as to how or why that is. The skeptic may want to know what caused the above conditions before spending \$6 billion to treat (not cure) it.

Will this Proposition work if we have not gotten to the root cause of the problem? Proponents will argue that this is needed to build capacity and treat people in need. Opponents will argue the costs are too high and the benefits short-lived, especially if people in crises cannot be removed from the streets, we do not prevent the influx of fentanyl, reform the negative effects of Proposition 47 and AB109, and/or any other such condition that contributed to the explosion of people on the street.

The proposed law also creates multiple local behavioral health boards for added oversight and governance of the programs created with the bond money. While this may provide accountability, to the skeptic it is more bureaucracy, and to the pessimist, potential corruption with unnamed political appointees acting as board members controlling the money. The law requires that these new board members be filled with homeless advocates and mental health professionals, but not taxpayer advocates. The unanswered question is whether Proposition 1 will help the mentally ill and homeless, or simply enrich those who are supposed to help?

By way of example, the City of Los Angeles passed a \$1.2 billion dollar bond called Proposition HHH to fund housing for homeless in 2016. The County of Los Angeles passed Measure H to increase sales taxes by 0.25% fund services for homeless in 2017. Seven-to-eight years later, anyone can walk through Los Angeles and tell you that the homeless problem is worse than ever. Will Proposition 1 yield better results? Voters will decide on March 5, 2024.