ABSTRACT. The 1963 Community Mental Health Centers Act stimulated state government interest in assessing local needs for mental health services. In 1973 California began using 22 social indicators to calculate a county-by-county mental health service Need Index used in a formula for distributing incremental mental health funds. California's Need Index is misleading in that 99 percent of its variance across counties is explained by counties' population sizes alone. Stepwise multiple linear regression shows that 99 percent of the residual one percent of the variance in Need Index is explained by a mere five of the 22 social indicators. California's Need Index does not, therefore, represent adequately the factors influencing the need for public mental health funds. Methods for overcoming the defects in Need Index are suggested. Caveats and contextual analyses to guide social-indicator-based allocation of mental health funds are discussed.
state funds equitably became a political problem, particularly since the range in counties' per capita mental health expenditures was large. In the fiscal year (FY) 1975–76, the year analyzed below, per capita mental health expenditures in California's 58 counties ranged from $1.66 (Placer County) to $55.89 (San Francisco County.) The bottom quartile of counties expended $7.18 per capita, compared to $23.74 for the top quartile (Koran and Meinhardt, 1981).

In response to this disparity, the Department of Mental Hygiene convened a task force to design an "Equitable Allocation Formula" for distributing new mental health funds. The task force created a formula that used social indicators to measure each county's "relative mental health need". The formula also included a measure of each county's mental health resources. In 1973 California began using the Equitable Allocation Formula with the aim of gradually matching each county's share of statewide mental health resources to its share of statewide "need".

This paper describes the defects in California's social indicator definition of "need" for public mental health services. Many of these defects are generic, and are not limited to the California formula. The analysis may be useful, therefore, to mental health planners in other states.

THE CALIFORNIA EQUITABLE ALLOCATION FORMULA

The Equitable Allocation Formula (Formula 1, blow) assumes that each county's "resources" equal its annual expenditure of state mental health funds plus certain matching county and federal funds. After all counties receive a "cost of living" increase, those counties whose "resources" are less than their "needs", i.e., counties with "resource deficits", receive a percentage of the state's incremental mental health funds. Each county's percentage of the new funds equals its percentage of statewide resource deficits (Sorkin et al., 1973):

Formula 1

\[
\text{Equitable allocation of new funds} = \frac{(AB - C) \times 100}{D} \times \text{new funds},
\]

where:

- \( A \) = County's Need Index;
- \( B \) = total statewide mental health funds (including new funds);
- \( C \) = county's current resources;
- \( D \) = statewide sum of resource deficits.