



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

March 3, 2004

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District
YVONNE BRATHWAITE BURKE
Second District
ZEV YAROSLAVSKY
Third District
DON KNABE
Fourth District
MICHAEL D. ANTONOVICH
Fifth District

SACRAMENTO UPDATE

Legislature Adopts Mid-Year Reductions

On Thursday, February 26, 2004, the Legislature sent to Governor Schwarzenegger two parts of a \$990 million package of General Fund reductions to the current fiscal year 2003-04 budget. The package adopts \$295 million in reductions already initiated by the Governor under Sections 27 and 4.10 of the Budget Act, and adds \$145.8 million in new loans, transfers, disencumbrances, cuts, and reversions, and a \$475 million increase in the Vehicle License Fee (VLF) backfill loan. The last element of the package, a \$67 million suspension of the Natural Heritage Preservation Tax Credit, is pending action by the Assembly.

Among the notable reductions are: disencumbrance of \$5 million of dormant project funds from the Department of Housing and Community Development; reversion of \$3.9 million of unused funds from the California Housing Finance Agency to the General Fund; reduction of \$600,000 in General Fund support from the Department of Motor Vehicles; reversion of \$105 million of unencumbered funds for prior-year flood control projects from the Department of Water Resources to the General Fund; and reversions of \$27 million in prior-year savings and unspent current-year funds from various health and human service department budgets to the General Fund, including \$3.9 million in the Department of Health Services, \$2.6 million in the Department of Child Support Services, \$2.3 million in the Managed Risk Medical Insurance Board, and \$1.4 million in the Department of Mental Health. No details are available at this time as to whether these reductions will affect County programs or operations.

Each Supervisor
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The increase in the VLF gap loan is in addition to the \$825 million loan already included in the Fiscal Year 2003-04 State budget. The total VLF gap loan from local government to the State totals \$1.3 billion, and is to be re-paid by the State in FY 2006-07.

We will continue to keep you advised.

DEJ:GK
MAL:JF:ib

c: Executive Officer, Board of Supervisors
County Counsel
Local 660
All Department Heads
Legislative Strategist
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants