

STATEMENT BY

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1999-2000 LOS ANGELES COUNTY PROPOSED BUDGET

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Thank you for coming to the release of the 1999-2000 Proposed Budget for Los Angeles County; our first budget for the new millennium. The budget represents the second year of the County's long-term fiscal stabilization effort and also reflects further refinement of our strategic investment initiatives. While the atmosphere of crisis and impending doom that characterized the County budget picture to various degrees over the past several years has certainly lifted and our finances appear, at least guardedly, more secure, this is not the time to embark on major new locally-funded programs. Rather, it is a rare opportunity to invest in and strengthen our fundamental infrastructure -- both in terms of County staff and the physical plant. It is these elements that we count on to carry us through the hard times, and the very elements that are in some ways neglected when funds are scarce.

By capitalizing on our improved fiscal footing to address long-deferred physical maintenance and improvement projects and efforts to promote enhanced skills and professional development for our employees, we are preparing the County to better weather the future challenges we will inevitably face as we enter the new millennium.

We recognize that there are many pent up service demands which have accumulated during the multi-year budget crisis, and a significant portion of these service demands are being met in this budget with State and Federal dollars. However, we believe it prudent to delay large-scale use of local funding for new programs, apart from some targeted enhancements in municipal services to our unincorporated communities and public safety, pending a more sustained fiscal recovery.

In overall terms, the budget will increase to \$14.383 billion, a 5.1% growth (mostly in State- and Federally-funded programs) and shows a 4.9% increase in staffing.

As you know, understanding a county budget is very difficult because of the complexity of revenue streams and the obligations of mandated programs. Although the budget itself is quite large, the additional locally-generated funds available to the Board are quite small. In the January forecast to the Board, we estimated that we would have \$31.0 million surplus General Fund dollars to allocate and that is what is reflected in this budget.

At this point, I would like to turn to a few electronic charts to give you an overview of the budget . . .

As I indicated earlier, the focus for the next year continues to be on infrastructure, dealing with our structural problems and modest increases in General Fund programs. Because of the modest growth in local dollars, there are no dramatic changes in expenditure patterns. We have added \$30.0 million to continue buying down our reliance on excess earnings in our retirement system, and with the additional \$31.0 million, we are proposing the following major allocations:

nearly \$20.0 million for infrastructure and equipment-related expenditures;
\$1.4 million for enterprise-wide training and development of a county strategic plan;
\$2.5 million in the unincorporated area; and
\$5.2 million in public safety.

Significant State and Federally-funded changes include:

in DPSS, \$53.0 million and 931 positions for a projected 25.3% caseload growth, primarily related to the Board's goal of enrolling 100,000 kids in the Medi-Cal program;

in Mental Health, \$121.0 million and 695 positions for new or expanded services to children, substance-abusing mentally ill children and adults, and adult targeted case management; and

in the Department of Children and Family Services, funding and staff to reduce the caseload that social workers carry by 10%.

Other major changes reflect:

the redirection of \$31.3 million from General Relief assistance payments to the General Relief training program;
\$300,000 for census outreach program approved by the Board;
\$57.9 million in the Sheriff's Department to continue existing programs
187 additional positions for the District Attorney to implement audit recommendations in both criminal and family support operations; and expand investigations of welfare fraud, hate crimes, and gang activities.

Other than the use of LACERA funds, the Health Department continues to be our greatest financial challenge. Unlike other mandated programs (child protective services, CalWORKs, etc.), the revenues in the Health Department are not tied to automatic escalators. So, as revenue streams are lost and expenditures continue due to demand, the Department struggles to stay balanced. Progress is being made on 1115 waiver-related strategies, but much remains to be done. At the end of the Proposed Budget fiscal year on June 30, 2000, the waiver ends, and we will be asking the Board soon to begin the process of requesting an extension.

The Health Department budget is balanced with the use of one-time funds and a limit on the transfers to our hospitals from other hospitals to save \$5.0 million. The budget also

reflects the Board-approved expansion of both ambulatory care and public health. (No tobacco tax revenues are included in the budget.)

With respect to the unincorporated area services, we have, for the first time, broken out expenditures related to those communities. Much needs to be done refining the numbers, but the effort is consistent with the Board's focus on the 1.0 million people who live outside of incorporated cities, and look to the County to provide all local services.

How does the future look? Obviously, the continued expansion of the economy is relieving the pressure counties have been under for the past 10 years. The Board has been fiscally conservative in its approach to allocating new local dollars. As I said, we are not implementing major new locally-funded programs. At the State level, 5-6 new task forces/committees are looking at the State-local financial problems and the Governor has promised to do so, as well. Several bills have been introduced to return all or portions of the property tax transfer. I am optimistic that some progress will be made in resolving the structural problem that exists in California in local government in the near future.

These statewide efforts, coupled with the strategic investment and fiscal stabilization efforts we are pursuing on our own initiative, give us reason to look to the challenges and opportunities of the new millennium with greater confidence and optimism than we could have imagined only a few years ago. This budget represents an important step in that direction.