

Statement By

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While the budget remains essentially unchanged in total dollars from the current year budget of \$12 billion, there is much of significance happening within those apparently stable figures. Some departments are showing increases in staff and dollars; however, most will face yet another modest reduction in resources available, while Health Services will be presenting efficiency and re-engineering savings, as well as additional revenue to mitigate its forecasted deficit. Even those departments that are experiencing an increase in some specific program(s) are being held to current year expenditures in the remaining parts of their operations.

Los Angeles County, as most other counties, has had a very rough five years. Although the economy has turned around throughout the State, it is a modest turnaround; although revenues are up (about \$100 million), we have a long way to go to dig ourselves out of the effects of the recession, court decisions, and the State takeaways of 1992-93 and 1993-94. In fact, I have included in the budget transmittal letter a brief discussion of the ongoing structural problem which the County is facing. Although the Board of Supervisors has made significant reductions in budget expenditures and employee count, we continue to struggle with budget gaps and an inability to meet critical needs. We are rapidly approaching the point where the only solution to the ongoing problem is in the hands of the State and federal governments.

There are but two simple parts to the budget gap -- expenditures and revenues. If you do not have revenues, then you must cut expenditures; and all the noise aside, the Board has never adopted an unbalanced budget, nor has it ever ended a fiscal year in the red. We are severely constrained on the revenue side by Proposition 13, Proposition 218, and Proposition 62 (Guardino decision). On the expenditure side, we are constrained not only by historic mandated programs but also by maintenance of effort (MOE) requirements.

The long-term solutions to the problem facing this and every other County are as follows: 1) for the State and federal governments to fully fund their mandates; 2) for the State to return the property tax transferred to schools in 1992-93 and 1993-94; 3) for the State to eliminate the existing MOEs so the Board has the flexibility to make reductions as necessary; or 4) provide counties a stable revenue source. Until one or all of these happen, we will continue to survive only by becoming more efficient, marginally reducing service levels, and by relying on one-time resources where

available. But let me make one thing clear; although the budget picture is precarious, the Board and I are determined to manage within the resources available, and will begin and end the fiscal year with a balanced budget.

Now, let me turn to some of the specifics in the budget. Regarding the Health Department, Mr. Finucane has been advising the Board for several months as to the short-term and long-term problems facing the Department. The 1115 waiver has been a critical element in our ability to continue to provide health services in this County; it has been the driving force behind the Board's efforts to move the service delivery system from one based on inpatient to one based on outpatient services. We have had tremendous success, recognized by HCFA, in making that change; the Board has already increased the number of outpatient facilities by 73 and the number of visits by almost 200,000. In addition, we have reduced the inpatient census at all facilities by 171.

But that is not enough. The waiver in itself was not intended to do anything other than stabilize the health delivery system, but the complexity of the funding streams and the overwhelming needs of the indigent population combine to make it difficult to find solutions. While the waiver requires us to reduce inpatient beds, we receive a significant amount of other revenue (Medicaid [1255 and 855]) based on the number of inpatients and costs. The federal government in 1993 capped Disproportionate Share Hospital (DSH) expenditures because of abuses of the system by other states (Los Angeles County is the model public hospital system for how the program was supposed to work). The amount of DSH revenue available has continued to decline as private hospitals have increased their draw down on this limited pool. The State has used \$229 million in DSH revenue as an administration fee. And the County General Fund, because of the State property tax transfer, has not been able to continue its support of the Department above the minimum required by law.

And so, not surprisingly, the Proposed Budget identified a \$123 million gap in the Health Department. We plan to meet this projected deficit by continuing to redirect, improve, and appropriately downsize the health system consistent with the waiver process. Specifically, to address the 1997-98 deficit, we are proposing the following.

First, continuing the Board's direction to streamline operations, we are proposing a savings of \$25 million based on planned internal efficiencies, including more cost-effective pharmacy and purchasing operations.

Second, several months ago, the Board approved retaining a firm to expand the Department's re-engineering efforts beyond Rancho Los Amigos. For next year, we are projecting additional departmentwide re-engineering savings of \$42 million,

which may result in the reduction of approximately 1,200 positions, although they cannot be detailed at this time. Examples of re-engineering efforts include work redesign, skill mix changes, consolidation of functions and services, and increased automation.

And finally, to accomplish these two reductions will be difficult for the Department and obviously disruptive to the operation, but it must be done. To provide the Department appropriate latitude to plan and focus their effort, we are not proposing further staff or service level reductions at this time. The \$67 million reduction in operations is a creditable first step in closing the Department's structural gap, and we will recommend that the Board move immediately on these items in order to allow the Department sufficient time in advance of July 1 to initiate appropriate action. Between now and budget deliberations, we will work locally, in Sacramento, and Washington, D. C. to increase our revenue stream to reduce or eliminate the need for further reductions; this includes pursuing relief from the DSH administrative fee with the State and the OBRA cap with the federal government.

Now, let me turn to the remainder of the budget. We are fully funding the opening and operation of Twin Towers by adding \$55.1 million in revenue-offset appropriation and 718 positions, due primarily to State and federal contract revenue. This will also add 1,800 new local beds to our jail system. At the same time, the service level of the Sheriff's Department overall will show a slight decrease because of our inability to fund inflationary increases, and of course, there are no dollars available for increased law enforcement outside the jail.

In the Department of Public Social Services, we are showing State funding to support the full-year cost of the increases in the GAIN program -- \$40.8 million and 304 additional positions allowing us to increase the numbers of GAIN participants from 37,500 to 50,000. In the Department of Children's Services, because of the increased realignment revenue, we are able to fund 7 percent caseload increase and add 331 positions, thus bringing Department staffing up to the established yardstick level. And finally, in Mental Health, increased realignment revenue has allowed us to increase the services to inmates in our jails by \$8 million and 115 positions (see attached detail) -- this also addresses a recent report by the federal Department of Justice. And, we are not once again proposing the transfer of County parks to cities. (It may be a little more clear now why it is difficult to generalize about our budget.) While there are many other adjustments in the budget, they essentially maintain our current programs overall.

We have made improvements in the budget process this year at the direction of the Board. The budget documents provide more complete and hopefully more informative

detail about departmental expenditures. We have increased the revenue information, displayed program detail (we have over 200 in the County), and included organization charts and performance measures. In addition, we have been holding budget workshops with the Board that have provided even more information about how we operate. We are conducting for the first time in many years a comprehensive audit of much of the Sheriff's Department, and at Board direction, we have included \$1 million in the budget to audit every County department over a five-year cycle. More information -- more accountability -- better services -- is what this is all about.

Now, of equal importance, is what is not in the budget...as well as the assumptions we're making, and the risks we're taking:

- First, we have not included money for salary increases; most County employees have not had a raise for three years, and for many, it has been four and five years. An increase of 1 percent countywide costs \$38 million (\$21 million in the General Fund). Although salary increases continue to be a high priority, at this time there simply is no money to pay for them.
- We continue to include approximately \$310 million in LACERA earnings to cover our retirement contributions (\$157 million in the General Fund). At this time, we estimate that the earnings will carry us through at least 2000-01.
- We have assumed that only \$85 million in current year fund balance will be available for use in the General Fund for 1997-98; over the past few years, the County has been gradually reducing reliance on this one-time and often unpredictable funding source for ongoing operations -- as recently as 1994-95, over \$300 million was used.
- We are assuming voter approval (by the required 2/3) of special taxes on the June ballot (total: \$60 million) to replace the Fire Department benefit assessment and Library community facilities district charge jeopardized by passage of Proposition 218.
- We are assuming that the State will again approve a match waiver for the Department of Public Social Services that will save us \$9.3 million.
- We are assuming that the Governor's proposal to fund Probation Department juvenile programs (backfilling Title IV-A funding) will be adopted (\$52.1 million).
- We have not assumed repayment of the \$50 million transferred from the Metropolitan Transportation Authority.

- We have not included \$136 million to pay retroactive general relief (GR) benefits per the Gardner decision.
- We have not included any additional money to address the impacts of welfare reform, including the potential shift of legal immigrants from Supplemental Security Income to GR, possible termination of In Home Supportive Services eligibility for legal immigrants, or enactment of the limitations and restrictions embodied in the Governor's Temporary Assistance to Needy Families proposals.
- Departments are being asked to absorb at least \$30 million in fixed employee benefit cost increases.
- We have not included additional money for maintenance of our infrastructure.

At the same time, we have not budgeted utility user and business license revenue of \$47 million (Proposition 62 monies), pending a conclusive determination as to its availability. Additional revenue which many departments have generated has been used where possible to balance the budget, and not to increase services (Marina revenue, Public Defender's \$25 registration fee, State Criminal Alien Assistance Program revenue). Finally, we have also restored an operating reserve of \$29.7 million -- an important measure to assure the financial community of the County's continuing fiscal prudence.

Let me close by thanking our County workforce for the effort they have been and are making, and will continue to make on behalf of Los Angeles County residents.

COMPONENTS OF PROPOSED \$8.2 MILLION EXPANSION OF MENTAL HEALTH SERVICES IN THE JAILS

PROGRAM DESCRIPTION	COSTS	POSITIONS
Fifteen additional psychiatric inpatient beds in the Forensic Inpatient Program (FIP) for high security patients at Men's Central Jail. This is a 43 percent increase in beds (35 to 50) and will enable the treatment of 290 additional patients annually. Provides coverage 7 days per week, 24 hours per day.	\$1,353,000	25.0
Expansion of Forensic Outpatient Program (FOP) at Sybil Brand Institute. Expands coverage to 7 days per week, 24 hours per day and allows at least 3,000 additional patient assessments annually. Establishment of linkages with	\$1,263,000	21.0

community mental health programs will deter repeat incarceration of released mentally ill women.		
Expansion of FOP at Men's Central Jail (MCJ), North County Jail, Lynwood and MCJ Day Treatment. Expands coverage at MCJ to 7 days per week, 24 hours per day and increases coverage at outlying jails with a mentally ill population. Establishment of linkages with community mental health programs will deter repeat incarceration of released mentally ill offenders. Allows 8,000 additional patient assessments annually.	\$4,055,000	63.0
Creation of Training Programs in the Jail System. This training will be conducted by experienced jail programs professional staff and will be provided to both DMH and Sheriff's custody staff. It will focus on suicide assessment and prevention as well as techniques for working with the severely mentally ill.	Funded within existing resources	0.0
Expansion of Court and Alternative Sentencing Programs. This would expand service delivery by at least 2,500 additional mental health consumers caught up in the legal system. This expansion will reduce the number of incarcerated mentally ill through diversion programs and alternative sentencing programs.	\$301,000	6.0
Additional Metropolitan State Hospital beds and/or additional locked skilled nursing facility beds. There would be some combination of increases in these critically needed beds which are an alternative to incarceration. The additional skilled nursing facility beds would be used for the homeless diverted mentally ill. Logistical problems with Sheriff clearances must be resolved before the Metropolitan Hospital beds could be expanded.	\$1,264,000	0.0
TOTAL	\$8,236,000	115.0