



Enriching Lives

# NEWS RELEASE

## COUNTY OF LOS ANGELES

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### **COUNTY BUDGET: SOLID**

A healthy local economy will allow the County to continue to improve services and build new facilities in 2007-08, particularly for public protection and health care, Chief Administrative Officer David E. Janssen said today in releasing the proposed \$21.241 billion budget.

Experiencing a third year of improved financing, the County plans to spend \$1.4 billion to improve or build jails, libraries, hospitals, animal shelters, fire and sheriff stations, parks, probation camps, juvenile halls and infrastructure.

It also plans to increase its 100,632 workforce by 1,425 employees to enhance sheriff patrols and anti-gang initiatives, and improve the care provided foster children, juvenile wards, mental health patients, jail inmates, and animals.

While improvements in services are wide-ranging, the majority of the increased funding -- more than \$370 million -- is designated for public protection and health care issues.

Specifically, an additional \$157.9 million is targeted for public safety, \$128.4 million for justice services, and \$82.7 million for health and mental health.

The Sheriff's Department, under a court order to improve conditions for inmates, is slated to receive \$19.3 million and 165.5 positions for its custody system, \$245 million to refurbish Sybil Brand Institute for Women and build new women barracks at Pitchess Detention Center, and \$16 million to design a major refurbishment at Men's Central Jail.

Another \$10 million is earmarked for custody medical services for the Sheriff's Department as it assumes responsibility for inmate outpatient medical services currently provided at LAC+USC Medical Center.

\$2.6 million is allocated to fully fund staff and operational costs associated with opening of the new Los Angeles Regional Crime Laboratory, scheduled to open in May, and \$9.1 million to offset the loss of revenue from the cancellation of the state prisoner housing contract.

The budget recommends providing \$17.3 million to add 105 deputies, eight support employees and one-time operation costs to enhance the patrols in the unincorporated areas.

Another \$6.4 million is included to hire 47 employees in the Sheriff's, District Attorney and Probation Departments to combat gang violence.

Under a federal decree to improve conditions for juvenile wards, the Probation Department would receive \$20.9 million to redesign camps, restructure camp management and increase

administration and support staff, increasing staff by 336 positions. Another \$47 million would be set aside for one-time and ongoing critical needs, bringing commitment of new funding to the department since 2005-06 to \$75.1 million.

To balance the Health Services Department budget, which is going up \$61.1 million in increased operational costs, Janssen recommends providing \$80 million from the General Fund, \$50 million of which would be designated as an intergovernmental transfer to generate \$100 million in additional revenues.

A 269-position decrease in Health Services is primarily due to discontinuing resident physician services at King-Harbor Hospital (249.5) and transferring 16 positions to the Department of Public Health. The majority of the cost of converting King-Drew Medical Center into King-Harbor Hospital is not included in the proposed budget; it will be addressed later in the budget process. The budget also does not include the impact of an improved nursing pay plan.

In preparing the health recommendations, Janssen said he used "very optimistic assumptions" – including receipt of \$143 million in managed care supplemental rate increases during 2006-07 -- which will be refined if needed in final changes to the Board before the budget is adopted in June.

The Mental Health Department for the third year is faced with having to cut existing positions while receiving substantial new revenue to add new programs and employees. Janssen recommends eliminating 147.3 positions to save \$9.5 million to reduce the department's structural deficit, while using \$68.1 million in new revenues from Proposition 63 to add 220.9 positions to convert the operation from clinical services to community-based, client and family-driven recovery-oriented services. Proposition 63 precludes its revenues from being used for existing programs. The department has indicated the reductions would have minimal impact since the positions are currently vacant and are spread throughout the department instead of being focused on any one program.

Despite adding programs and projects, Janssen said the budget is a conservative one that reflects an ongoing budgetary uncertainty at both the national and state level.

The economic outlook for the County remains positive with slightly slower growth through 2007-08.

"Continued job growth throughout the County coupled with increases in personal income will likely keep the economy from falling into a recession," Janssen said. While the housing bubble has not burst in the County, the housing market continues to contract.

Home prices continue to appreciate, but the slowing resale market presents the biggest risk to the County as it would impact property taxes, the County's most important source of funding. Property taxes account for approximately 61 percent of the locally-generated revenue.

The budget assumes a conservative 6 percent growth in property tax, 3.5 percent in local sales tax, and 3.3 percent in state realignment vehicle license fees.

It does not include a potential \$23.7 million loss of income from the state nor major reductions proposed by President Bush. The County will continue to work with both branches of government to try to minimize any impacts and will deal with any financing issues once the state and federal budgets have been finalized.

Other budget items include:

- \$800,000 to the Department of Animal Care and Control to hire 16 employees for its centralized call center to reduce the long wait times and dropped calls.
- \$1.4 million to both the Alternate Public Defender and Public Defender Offices to hire eight and 11 employees respectively to handle increased workload.
- \$4.5 million to the Mental Health Department to fully implement a pilot project already approved by the Board to add 80 beds for intensive mental health services.
- \$22.8 million to the Department of Children and Family Services to hire 329 employees to reduce caseloads and workloads; and \$9.4 million for higher level of care for foster children.
- \$400,000 to the Regional Planning Department for 10 positions for zoning enforcement, land use application processing, and updating the General Plan and zoning ordinances.

The cost of providing services to the disabled and aging through the In-Home Supportive Services program, administered by the Department of Public Social Services, reflects a \$39 million increase, due to higher salaries for workers, increased caseloads and increased enrollment in the health care plan.

For the sixth consecutive year, the caseload for the IHSS program continues to rise while the number of persons receiving General Relief decreases. A 4.5 percent decrease in the GR caseload and anticipated lower-than-budgeted average cost per case is expected to save the County \$11.9 million.

The 2007-08 budget marks the end of the County's reliance on excess pension earnings to pay retirement costs. During the mid and late 1990s, the County relied heavily upon the use of unpredictable surplus retirement system earnings to meet its ongoing financing requirements. After Janssen became CAO in 1996, \$30 million - \$50 million was set aside each year to wean the County from reliance on these funds.

Janssen will recommend that an estimated \$400 million that remains in the pension fund surplus be used to meet a new challenge facing the County, funding retiree health costs. The County currently funds these benefits on a pay-as-you-go basis instead of pre-funding the costs as it does with retirements. New governmental accounting rules require the liability to be identified, and the County is working with the Los Angeles County Employees Retirement Association on that calculation. Janssen said the study will not be completed until the end of the month but the County knows the liability will be "substantial." The 2006-07 budget reflected a recognition that the County needed to start preparing for the issue by putting aside \$17 million.

Among the notable capital projects in the budget are:

- \$429.4 million for the improvements at Pitchess, Sybil Brand, and Men's Central Jail; new sheriff station and probation field office in Athens; security improvements at probation juvenile halls and camps; refurbishment and expansion of the coroner's facility; and new fire stations in the Antelope and Santa Clarita Valleys.
- \$228.1 million for 192 land acquisition and improvement projects at beaches and parks.

- \$194 million for general government facilities, including an animal shelter in the east Antelope Valley and an \$80 million contribution to the replacement of the Kenneth Hahn Hall of Administration.
- \$189.7 million for health and mental health facilities, including the final year of the LAC+USC Medical Center Replacement Project, construction of Harbor/UCLA Medical Center surgery/emergency room; Olive View/UCLA Medical Center emergency room/tuberculosis isolation unit and mental health urgent care center.
- \$119.1 million for new or replacement libraries in Acton/Agua Dulce, La Crescenta, Topanga Canyon, and unincorporated areas near Whittier and Lawndale; and refurbishment of Patriotic Hall.
- \$100 million for high priority infrastructural improvements at County fire, flood control and aviation facilities; soil and groundwater investigation and remediation activities, and watershed testing efforts.
- \$77.5 million for high priority repairs and maintenance needs at County facilities, including probation camps, juvenile halls, and parks.

The budget is \$197.7 million higher than the current \$21.044 billion budget. Locally generated revenue (mainly property tax) makes up 28 percent of the budget. This \$5.9 billion is what is known as net county cost and is what the Board of Supervisors has control over when allocating funding.

The budget allocates 28 percent (up 4 percent) to health and sanitation, 25 percent (up 3 percent) to public assistance, 27 percent (up 5 percent) to public protection, 13 percent (down 5 percent) to general government, 3 percent (up 4 percent) to recreation and culture, and 4 percent (down 32 percent) to other.

Janssen will present the budget to the Board of Supervisors on Tuesday, April 17 for adoption to allow public hearings to be held. Hearings will begin May 9, with adoption scheduled for June 18.