County of Los Angeles
CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
http://ceo.lacounty.gov

WILLIAM T FUJIOKA
Chief Executive Officer

July 29, 2010

To: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

RESPONSE TO MAY 18, 2010 BOARD MOTION – BRINGING CONTRACTED SERVICES IN-HOUSE TO MITIGATE COUNTY WORKFORCE REDUCTIONS

On May 18, 2010, on motion of Supervisors Ridley-Thomas and Molina, your Board directed the Chief Executive Officer (CEO) to develop a comprehensive list of County health, mental health, and social services currently provided through contractors, which would be impacted by the Governor's May Budget Revision (May Revise). In addition, your Board requested an analysis of bringing the impacted contract services in-house in the event the May Revise is implemented.

Our June 25, 2010, status update reported on the services in the Departments of Public Social Services (DPSS) and Public Health (DPH) that could be impacted by the May Revise. We also informed you that we would report on the feasibility of bringing in-house the continuing contracted services for the purpose of offsetting potential County workforce reductions.

The May Revise proposed the elimination of the CalWORKs program. The loss of CalWORKs and the associated funding would result in the reduction of approximately 4,321 positions in DPSS. Our Office worked with DPSS to determine the number of these potential layoffs that could be mitigated by bringing currently contracted services in-house utilizing staff that would otherwise be laid off.

The analysis consisted of the following actions:

- Reviewing all contracts and determining which contracted services could be brought in-house, and the appropriate level of DPSS staff that would be needed to perform these services;
- Determining the portion of each contract that consists of direct services that cannot be reduced;
- Identifying contracted services that can be reduced to achieve savings and fund staffing; and
- Determining contracted services that can be eliminated to achieve savings and fund staffing.

The analysis revealed that of the 4,321 impacted DPSS positions, 353 could be utilized to perform services brought in-house. Bringing the services in-house would be cost neutral as the $27 million cost of the positions would be fully funded by the reduced contracted services. Over half of the positions would be used to provide General Relief Opportunities for Work, Call Center, and Refugee Employment Program services.

Our Office also worked with DPH to review their Substance Abuse Prevention and Control (SAPC) Division's substance abuse prevention and treatment services to determine if potential layoffs could be mitigated by bringing these contracted SAPC services in-house.

The review included prevention and treatment programs whose funding would not be impacted by the May Revise, but excludes the Driving-Under-the-Influence programs whose provider base is regulated by mandate. Of the programs considered, and based on data from fiscal year 2008-09, SAPC contracted with 162 community agencies at a cost of $111 million to provide substance abuse prevention and treatment services at 159 sites. Bringing these contracted services in-house with the same geographic coverage, maintaining the current service level, and covering each of the 30 service modalities, would require approximately 3,451 County employees at an estimated operating cost of $267 million. The estimated cost is based on provider spending trends as well as the estimated salary and employee benefits of comparable County items as determined by SAPC.

Bringing these SAPC contracted services in-house would also result in logistical issues. The County would need space for treatment facilities, including appropriate space for residential treatment. Therefore, there would be additional costs associated with obtaining space and preparing the sites that is not included in the $267 million operating cost estimate. In addition, employees utilized to work in substance abuse treatment facilities would need training and must meet the associated licensing and certification requirements.

In summary, our analysis indicates that if the May Revise proposals are enacted, DPSS would lose the funding for 4,321 CalWORKs positions. The County would then have the option to retain 353 of these positions, at no additional cost, by reducing or eliminating existing contracted services and bringing them in-house. However, as noted above, bringing these SAPC contracted services in-house would result in significant logistical and possibly prohibitive issues.

If you have any questions, please contact me, or your staff may contact Kathy House, Acting Chief Executive Officer, at (213) 974-4530 or khouse@ceo.lacounty.gov.

WTF:BC:KH
DS:JB:cvb

c: Executive Office, Board of Supervisors
County Counsel
Public Health
Public Social Services