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# NEWS RELEASE

## COUNTY OF LOS ANGELES

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April 17, 2006

### COUNTY BUDGET: RESTORATION CONTINUES

Bolstered by a strong real estate market that is expected to increase property taxes by 8.5 percent, Los Angeles County Chief Administrative Officer David Janssen today presented a \$19.377 billion proposed budget that would continue for the second year restoration of services, particularly in public safety.

"We have a strong, stable local economy, but we are still recovering from having to make critical service cuts in recent years, including closing jails and not hiring new deputies," said Janssen.

Only last year, following the passage of Proposition 1A that prevented the state from taking local governments' property tax revenues, was the County able to start making restorations.

Janssen's new budget focuses on increasing funding in four areas: public protection, health, critical children's programs and homeless services.

The 2006-07 spending plan is actually \$503 million less than the current \$19.9 billion budget, but the decrease is due to the expenditure of one-time money in the 2005-06 fiscal year so will not result in the need to cut any services.

A substantial part of the decrease is funding needed for the replacement of LAC+USC Medical Center, which is expected to be completed in the spring of 2007. There is \$99 million earmarked for the \$820.6 million project in the coming year, but this is \$81.5 million less than in 2005-06. Also accounting for the drop was \$84.1 million in expected mental health funds included in the 2005-06 budget that did not materialize.

Janssen's budget provides for 953 new jail beds, restoring a total of 4,474 beds. The cost of the beds and 60 additional custody personnel would be \$31.4 million. Another \$9.2 million is allocated to complete the reopening of the Century Regional Detention Facility as a women's-only jail; \$25 million to increase jail security; and \$10 million for 154 positions to improve medical services in the jails.

Other new funding for public safety includes an additional \$12 million for a radio communication system between fire, sheriff and county police, bringing the total to \$52

million; \$2.7 million for 40 positions for the new crime laboratory set to open in mid-2007; and \$2.7 million for county police to add 32 officers to combat increased gang activities at county parks.

The Probation Department would receive \$17.4 million to hire 270 staff members to fully implement corrective actions at three juvenile halls as required by the federal Department of Justice, providing better supervision to an increasing violent population. An additional \$2 million and 30 positions would go to staff development and training.

Janssen proposes to spend \$4.5 million to create DNA units in the Alternate Public Defender, District Attorney and Public Defender offices to hire 30 employees to handle increased workloads resulting from passage of Proposition 69 DNA Fingerprint, Unsolved Crime and Innocence Protection Act.

Though it is not detailed in the proposed budget, Janssen will redirect approximately \$100 million to housing for the homeless. The Board of Supervisors approved this funding on April 4 after the proposed budget had been prepared. The item will be included in recommended changes before the supervisors vote on the budget in June.

The budget calls for adding 2,948.2 positions to the County workforce, bringing the total to 98,622.7, continuing to rank the County as the top employer in the five-county region.

The Children and Family Services Department is proposed to receive \$16.6 million to hire 466 people to spend more time with children under the care of the County and work more closely with the children's caregivers to promote better decisions.

The Health Services Department would get \$156 million for increased operational costs, including the addition of 828.7 new positions, more than half of whom would be nurses to meet the state-required hospital nurse-patient ratio.

Janssen noted that the financial situation of the Health Services Department continues to be serious, with a structural deficit in next year's budget of \$276 million. He proposes to balance the budget by using \$151 million of the department's reserves (leaving only \$2.5 million in this fund) and transferring \$47 million from the county General Fund, which could qualify the department for an additional \$47 million in federal Medicaid funds.

The Mental Health Department, as it did last year, has an unusual problem. It faces \$48.2 million in service cuts, while at the same time anticipating \$165.9 million from the state for new programs. The new revenue is from Proposition 63, which precludes use for existing programs. The department was in a similar situation in 2005-06, but was able to avoid \$25.3 million in cuts through a combination of one-time savings and use of one-time General Fund revenues. Janssen does propose \$2.1 million more for the public guardian division of the department to hire 16 employees to enhance probate conservatorship services and reduce caseloads and investigation times.

Janssen noted that the budget reflects a \$103.3 million reduction in CalWORKs assistance. The drop is due to some welfare recipients finding jobs and others not

qualifying for the aid any longer after reaching their time limits. The caseload for the In-Home Supportive Services program (which assists the aged and disabled), however, continues to rise (3.7 percent projected), with \$8.2 million more in funding necessary.

There is \$781.6 million in carryover appropriation to continue the development, design and construction of previously approved capital projects, including a new sheriff station and probation field office in Athens; refurbishment of the operating rooms and psychiatric emergency room at King-Drew Medical Center; new or replacement libraries in La Crescenta, Topanga Canyon, Whittier and Lawndale; completion of the LAC+USC Medical Center Replacement Project; and a countywide data center.

Janssen characterized the county's financial condition as strong, thanks to not only the real estate market but Proposition 1A. He said \$557 million in new revenue is expected in 2006-07, \$392 million of which is from property taxes.

Janssen cautioned, however, that the County must continue its conservative budgetary approach because a sharp slowdown in the resale housing market presents a risk. Property taxes, which account for 21 percent of the overall revenue and 65 percent of locally-generated revenue, is the County's most important source of funding.

He also noted the ongoing budgetary instability at both the national and state level. The County is threatened with major revenue losses in the governor's and president's proposed budgets – including \$200 million annually to county's hospitals -- but until lawmakers act on the spending plans, there is no way to determine what the ultimate result will be. These potential losses are not reflected in the County's proposed budget consequently.

Janssen's budget for the ninth year continues to reduce by an additional \$50 million the County's reliance on surplus retirement earnings to pay ongoing costs. By 2007-08, the County will reach its goal of not relying on the surplus earnings.

Revenue assumptions include a 8.5 percent growth in property tax, 3.5 percent in sales tax, and 6.1 percent in state realignment vehicle license fees.

Janssen will present his proposed budget to the Board of Supervisors on Tuesday, April 18. Public hearings are scheduled to begin May 10, with deliberations on June 26. The County's fiscal year begins July 1.

Detailed budget information is available on the County's website at <http://lacounty.info/budget.htm>