

Budgetary Pressures and Impacts

Charting Our Path in a Time of Crisis

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| CEO.

CEO. New Concerns To Address

- **Budgeting for FY 2026-27 is well underway** – all department budget requests have been submitted.
- The County's **overlapping budget pressures have increased** based on new threats to federal funding and potential state cuts.
- A review of FY 2025-26 actual spending has revealed **year-end NCC deficits projected to exceed \$200 million**.

LA County

BUDGET CRISIS IN THE MAKING

Due to the budget cuts approved by the Board, the County's budget is solvent and it will require fiscal discipline to remain that way.

COSTS	KNOWN	FUTURE	POTENTIAL IMPACTS
 Federal	 Roughly \$1.1 billion in Big Bill impacts alone by 2027-28.	 +\$400-900 million more in ongoing funding lost.	Big Bill cuts in health care, nutrition, green resilience. Possible facility closure(s) and potential estimated 5,000 layoffs in next five years.
 AB 218	 \$4 billion tentative settlement is just the start.	 2,900+ additional cases pending.	3% cuts already imposed; 310 vacant positions eliminated; some programs reduced.
 Labor	 \$2 billion (\$778 million in NCC) to fund COLAs and bonuses.	 36 tables actively negotiating. Unions continue to bring proposed salary increases to the tables.	5.5% cuts imposed in Supplemental will cut and close numerous programs to fund COLAs and bonuses; some layoffs anticipated.
 Fires			
 Probation Receivership			

LA County

BUDGET CRISIS

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3% CUTS
To help pay for AB 218 settlements

Parks & Recreation

- Shorter park hours, reduced swim season, and cutbacks in the Parks After Dark program

Justice, Care & Opportunities

- Ends College and Careers programs at two community colleges, reducing support for Justice-involved individuals

5.5% CUTS
To fund cost of negotiated labor agreements

Parks & Recreation

- Shortens swim season to 10 weeks
- Cancels Parks After Dark summer program
- Closes regional parks and lakes every Monday and Tuesday

Probation

- Closes Santa Monica and Valencia offices, increasing travel burden

Beaches & Harbors

- Less frequent beach cleaning and shorter restroom hours due to staff cuts

Animal Care & Control

- Slower animal adoptions due to loss of animal control staff
- Slower response to resident complaints due to fewer enforcement positions

Economic Opportunity

- Cuts about 100 youth jobs for vulnerable populations (e.g., foster, homeless, LGBTQ)

Public Health

- Cuts staffing for disease control and prevention

FEDERAL CUTS
Including the Big Bill

Strategies to Reduce Costs and Maintain Balanced Budget:

- Hiring Freeze
- Furloughs
- Layoffs
- Merging Departments
- Facility Closures

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CEO. Higher Fixed Costs, Lower Revenues



- **The County's fixed costs for FY 2026-27** (including a 2% COLA taking effect this year) **are expected to outpace revenues**.
- In addition, **federal cuts are creating financial challenges for departments for FY 2025-26** that are expected to worsen next year.
- **Departments are already doing more with less** due to 8.5% curtailments, leaving little room to absorb revenue impacts.
- The County must make its **AB 218 settlement liability** payments: \$1.2 billion this fiscal year and \$1.2 billion next fiscal year.

CEO. Past as Prologue

The last time the County faced financial challenges of this magnitude was in the mid-1990s.

- Challenges then included huge reductions in federal health care funding, limited local revenue growth due to a recession, and local property taxes shifting from counties to schools.
- The crisis prompted changes to Board budget policy– a sound strategy that has guided us over decades.
- We are much better equipped today to handle multiple threats.
- Now is the time to prepare the County by:
 - Making changes now to protect safety net services and mitigate impacts to the County workforce
 - Quickly building consensus around the best tools to address budget gaps
 - Being rigorous in setting Board funding priorities

NEWS
L.A. COUNTY FACING DRASIC SPENDING CUTS
By PUBLIC
Los Angeles Times
CALIFORNIA

State Report Says L.A. County Fiscal Crisis Is Massive : Budget: Legislative analyst's study was requested by lawmakers skeptical of problem's dimensions. It confirms major cutbacks probably will be necessary.

Los Angeles Times
CALIFORNIA

L.A. County to Lay Off 300 Health Workers : Budget: Supervisors approve cuts to save \$3.6 million. Employees say downsizing will tax an already stressed system.

CEO. Department Head Strategy Session

- Given the degree of difficulty in budgeting under these crisis conditions, we are **working closely with our County departments** to find solutions.
- CEO organized a **department head budget strategy meeting** on January 21.
- Department heads shared a wide range of perspectives but also many common themes.
- Early consensus built around new ideas for increasing revenues and consolidating costs.
- Reallocating resources will likely require additional Board guidance.
- Working groups are being established to pursue near-term opportunities, including central agency billing and duplication of expenses.



CEO. Budgeting to Fund the Board's Existing Priorities



- Sweep set-asides that do not reflect the County's highest priorities
- Revisit legacy allocations where funds are underused or lower priority
- Prioritize restricted funding to free up NCC
- Right-size revenue-funded programs to reduce NCC



- Reduce operating overhead (IT licenses, utilities, back office, equipment refresh)
- Re-evaluate discretionary expenditures
- Address unnecessary expenditures
- Establish hiring and/or spending freezes



- Evaluate the sale or revenue-generating potential of surplus County real estate
- Gradually right-size existing fees
- Change property management model to reduce maintenance and repairs expense
- Monitor new proposed parcel and sales tax measure

CEO. Risks and Uncertainties Loom Large

- The County is operating in an unpredictable environment shaped by both real financial stressors and political gamesmanship
- The impacts of the “Big Bill” will be felt this year but hit hardest in 2027-28
- Governor’s Proposed Budget does not reflect support for counties to brace for these impacts
- Federal grants for multiple departments continue to be reduced
- Revenue disruptions are abrupt and even threats that don’t materialize stress resources and trigger new legal and administrative expenses



CEO. Next Steps

- Slow County spending to prevent deficit spending this fiscal year by implementing a countywide hiring and spending freeze.
- Continue working with departments to **evaluate reallocations, revenue increases and expense cuts** to include in the Recommended Budget.
- The **consequences of these choices will extend beyond this fiscal year.**
- This year will also be the **second year of public department budget presentations**, which will generate additional public feedback for the Board in advance of Recommended Budget.
- The first set of public department budget presentations is February 12.

Thank you.

Questions?

| CEO.