AGN. NO.

REVISED MOTION BY SUPERVISORS HOLLY J. MITCHELL AND HILDA L. SOLIS February 10, 2026

Securing Funding to Preserve Critical County Services Cut by H.R.1

The federal budget bill, H.R.1, also known as the "One Big Beautiful Bill Act," proposed and signed into law by President Donald Trump, includes massive funding cuts. In Los Angeles County (County), these cuts most severely impact the County's health care system. H.R.1 cuts billions in federal Medicaid funding to California and imposes new eligibility requirements and copays, resulting in reduced care for patients. The County has 3.3 million residents who rely on Medi-Cal. That is 1 in 3 County residents, including nearly one million children. Hundreds of thousands of them could face loss of coverage and reduced access to care. The implications of these cuts are on track to result in overcrowding of emergency rooms when residents are unable to access health care until they are experiencing a life-threatening crisis.

After accounting for H.R.1, recent Executive Orders from the Trump Administration on grant oversight, and new federal Terms & Conditions restrictions, the County's most impacted departments face projected losses totaling $2.4 billion over the next three years. Due to funding losses, County officials have already initiated hiring freezes and are contemplating service consolidations, potential layoffs of 5,000 staff, and facility closures in the coming years. Federal funding cuts will affect public health services such as chronic disease prevention, disease tracking and water safety, as well as the health care provided at the County's public hospitals and numerous clinics. The President's bill, H.R.1, and other reductions in health and public health funding by the Trump Administration

- MORE -

	MOTION
MITCHELL	_____
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disproportionately affect low-income families and several of the proposed cuts specifically target health care and public health providers.

The Department of Health Services (DHS) plays a pivotal role in protecting the health and wellness of County residents. In 2024, DHS medical teams provided immediate and comprehensive care to 600,000 specialty care patients, handled 260,905 emergency room visits, 192,502 urgent care visits, and performed 36,295 surgeries. The system also served 193,241 people at food distribution clinics, secured permanent supportive housing for 22,239 individuals, and distributed 413,074 Narcan doses. These DHS medical teams work across four County hospitals — Los Angeles General Medical Center, Olive View Medical Center, Rancho Los Amigos and Harbor-UCLA Medical Center — as well as 23 clinic sites and various mobile and community-based sites. The cuts in H.R.1 will result in unprecedented and catastrophic impacts on residents and on health care and social service providers.

The reductions at both the federal and state levels significantly affect Medicaid (Medi-Cal), which is a primary revenue source for DHS. In just four months following H.R.1's signing, the County lost an average of 1,000 people per day from Medi-Cal enrollment — over 120,000 people between July and November 2025. During the same four-month period, more than 27,000 children under age 18 lost their Medi-Cal coverage, equating to nearly 200 children per day. In that same four-month period following H.R. 1's passage, the County also lost over 70,000 CalFresh enrollees receiving food assistance, including approximately 27,000 who were children under age 18. This funding and coverage loss poses a serious threat to the long-term sustainability of critical safety-net services relied upon by County residents, as the County health care system faces more than $1 billion in cuts. DHS alone, for example, must absorb a projected federal revenue loss exceeding $700 million per year. Additionally, the Department of Public Health (DPH) projects a loss of $200-300 million in federal and state funds. DPH is also forecasting a minimum $42 million deficit this fiscal year, requiring various clinic closures, service reductions, personnel reassignments and possible terminations. This deficit will likely worsen given cuts to federal revenue.

The County health departments have been diligently examining every option to reduce expenditures and create efficiencies to avoid any health care service cuts to County residents. For example, DPH and DHS are limiting overtime to only essential clinical activities and those needed to respond to public health emergencies. Both departments are also restricting the distribution of County-issued cell phones, reducing lease and facility costs, lowering employee expenses by eliminating contract staff positions, implementing a soft hiring freeze, consolidating clinic services, and limiting travel and training expenses.

In addition to eliminating expenses, DHS is innovating ways to increase revenue. Although the great majority of their patients are Medi-Cal recipients, DHS is creating a new patient accounting/revenue cycle system to maximize opportunities to bill private health insurance companies. DHS has also set aside an emergency reserve, called the DHS Enterprise Fund, to use in times of crisis. That emergency reserve funding and these efficiency efforts, however, are not enough to prevent large service cuts, layoffs and hospital closures starting next year. Seventy percent (70%) of DHS's budget comes from federal funding, and only 6% comes from local revenue. When the federal government withdraws that support, there is no ongoing backup funding. There is nothing left to cut without closing hospitals and clinics.

H.R.1 cuts extend beyond the County-operated health care facilities and also impact other non-profit hospital and clinic providers that substantially contribute to the safety net for uninsured and low-income residents. Nonprofit community health centers, for example, are a critical component of the County's health care safety net, providing medical, dental, and behavioral health care to over 2 million County residents at more than 450 full time sites Countywide. Each year, these health centers serve 1 in 5 County residents, 1 in 3 County residents enrolled in Medi-Cal, and nearly 80,000 people experiencing homelessness. These private health centers disproportionately serve Medi-Cal enrollees, people experiencing homelessness, immigrants, and patients with complex medical and behavioral health needs—populations most likely to be harmed by federal and State policy changes. The County and the nonprofit community health centers have closely partnered for over 30 years to create a system of care for the uninsured and under-

resourced residents of our community. These public-private partnerships have improved access to care for hundreds of thousands of residents.

The Community Clinic Association of Los Angeles County projects that H.R.1 will have a disastrous impact on the health centers, forcing up to 1.5 million County residents off coverage, reducing covered benefits, and increasing the administrative burden required to keep people covered. Without local funding, health centers will also need to consider widespread service reductions and clinic closures as uncompensated care rises. Underfunding community-based primary care will shift patients into emergency departments and DHS facilities, increasing County uncompensated care and system strain. Stable clinic funding keeps care in lower-cost, preventative care settings.

In order to meet the urgent health care needs of the County's residents and combat the looming potential closure of hospitals, clinics and the emergency room overcrowding crisis caused by H.R. 1, this Board must place a temporary 0.5% sales tax on the ballot at the next available election to be held June 2, 2026. This measure includes taxpayer oversight, audits and accountability measures that ensure the public will know how the funding is spent by the County. Preliminary polling shows 58% of County residents would support a temporary ½ cent sales tax increase to preserve health care services.

What is at stake should not be lost on anyone. Without this measure, the County will be forced to limit critical public health services and close hospitals and clinics in communities that depend on them, leaving neighborhoods without essential, life-saving care. Maternity wards will shut down. Children who have lost their Medi-Cal coverage will have nowhere to go when they are sick except overcrowded emergency rooms, driving up costs for everyone and leaving families with medical bills they cannot pay. Essential public safety protections that ensure mitigation of communicable diseases, clean water, and health services for the most vulnerable will be severely curtailed or eliminated, resulting in grave danger for all County residents.

This Board will continue to pursue any other options to prevent the collapse of the County's health care and social services safety net. Unfortunately, after exhausting every existing alternative, this temporary emergency measure is the only option that can be implemented quickly enough to prevent hospital closures and the loss of health care

access for at least hundreds of thousands of residents. This proposed measure would keep the County's health care system positioned to meet the demand it currently faces and prevent the potential closure of our public hospitals.

H.R.1 has created the largest federal health care cuts in U.S. history. These cuts are going to have both an immediate and generational impact. The unfortunate truth is that the blatant disinvestment in health care by our federal government requires strengthening local investments in the County. The County is authorized to impose a general retail transactions and use (sales) tax within both incorporated and unincorporated areas of the County to generate revenue dedicated to preserving and restoring health care services and other critical local services.

~~I~~ WE THEREFORE MOVE THAT THE BOARD OF SUPERVISORS:

1. Adopt the attached resolution ordering, calling and giving notice of a special election to implement a countywide general retail transactions and use (sales) tax measure to be placed on the June 2, 2026 Statewide Direct Primary Election to be held in the County of Los Angeles on June 2, 2026.
2. Approve the general sales tax ordinance (attached as Exhibit A to the Resolution), which, subject to majority approval by the voters, would:
    a. Impose a ½ percent (0.5 %) general sales tax until October 1, 2031;
    b. Establish a nine-member citizens' oversight committee to provide transparency and ensure fiscal accountability as to any revenues raised by the measure by:
        i. Reviewing the receipt and expenditures of the revenue from the sales tax, including the County's annual independent audit;
        ii. Making recommendations to the Board on how to allocate the general fund revenue generated by the sales tax;
        iii. Producing an annual oral or written report which shall be considered by the Board of Supervisors (Board) at a public meeting; and
        iv. The committee's responsibilities shall not include decision-making on spending priorities, financing plans or tax rate

projections or assumptions and the committee shall have no authority to direct, nor shall it direct, County staff or officials;

v. The Board shall give special consideration to organizational representatives most impacted by H.R.1 in making appointments to the citizens' oversight committee. Committee members must either reside or work in Los Angeles County. Citizens' oversight committee members shall serve a three-year term and are eligible to be reappointed by the Board, at its discretion.

c. Require the Auditor-Controller to cause a report to be prepared by an independent auditor and filed with the Board no later than ~~December 31st~~ March 31st of each year until all funds are expended, stating: (i) the amount of general sales tax proceeds collected and expended in such year; and (ii) the status of any projects or description of any services or programs funded from proceeds of the general sales tax.

3. Direct the Chief Executive Office's Legislative Affairs and Intergovernmental Relations Branch to support any legislative or administrative relief necessary to immediately implement the measure upon passage, including any needed exemptions from sales tax caps.

4. Adopt a spending plan expressing the Board's intent to allocate new general fund revenues generated by the general sales tax, if approved by the voters, in the following manner, subject to the County's annual budgeting process:

a. Up to forty-seven percent (47%) of revenue generated shall be used by the Department of Health Services (DHS) to fund a program under which a limited network of non-profit partner providers, licensed under Section 1204(a) of the California Health and Safety Code, shall furnish no-cost or reduced cost care to low-income residents of Los Angeles County who do not have health insurance. In addition, to the extent appropriate, the network may include a limited number of partner pharmacies, specialists, or ancillary service providers for services not available through the network health centers. Services available through the

program shall include, to the extent funding is available, outpatient medical, specialty, dental, mild-to-moderate behavioral health, diagnostic, pharmaceuticals, nutrition and medical supplies;

b. Five percent (5%) shall be used for school-based health needs and programs as determined by the governing board of L.A. Care Health Plan;
c. Ten percent (10%) shall be allocated to the Department of Public Health to support core public health functions and the awarding of grants to support health equity;
d. Five percent (5%) shall be allocated to the Department of Public Social Services to support Medicaid outreach and enrollment activities as well as work and volunteer programs;
e. Two-and-a-half percent (2.5%) shall be allocated to support Correctional Health Services;
f. Twenty-two percent (22%) shall provide financial support to DHS to safeguard its public hospital and clinic services.
g. Five percent (5%) shall be allocated to support non-profit safety net hospitals in Los Angeles County, as determined by meeting one of the following criteria:
    i. A critical access hospital in Los Angeles County; or
    ii. Non-profit hospitals that meet all of the following criteria:
        1. At least 40% of the local population within a 5-mile radius around the hospital is living below 200% of the Federal Poverty Level (FPL);
        2. The hospital's location is listed under Los Angeles County's Concentrated Disadvantage Index;
        3. The hospital's service area is listed in the highest two tiers of Los Angeles County's COVID-19 Vulnerability and Recovery Index;

4. The hospital's service area is listed in the highest need quartile of the California Healthy Places Index (HPI) compiled by the Public Health Alliance;
5. The hospital's service area is listed in the highest need quartile of the Centers for Disease Control and Prevention's Social Vulnerability Index;
6. The hospital provides at least 75,000 emergency room visits per year to Medi-Cal and uninsured, Medi-Cal patients make up at least 70% of its total patients each year, and the hospital is not affiliated with a larger hospital or health care system;
7. The hospital's service area is federally designated as a Health Professional Shortage Area (HPSA).

h. Two-and-a-half percent (2.5%) for in-home supportive services (IHSS) for the elderly and those living with disabilities, with a priority on enhancing wages and benefits for IHSS providers;
i. One percent (1%) to provide financial support to the City of Pasadena Public Health Department and the City of Long Beach Department of Health and Human Services to safeguard their public services, to be divided between the cities proportionately based on what each city spent on core public health services over the past five fiscal years;
j. Unless otherwise specified, all non-County hospital funds shall be distributed in a needs-based manner that is primarily based on Medicaid Emergency Department volume.

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(YV/EA/VG)

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES PROVIDING FOR AND GIVING NOTICE OF AN ELECTION ON A GENERAL COUNTYWIDE TRANSACTIONS AND USE (SALES) TAX MEASURE TO BE HELD IN THE COUNTY OF LOS ANGELES ON JUNE 2, 2026, AND CONSOLIDATING THE SPECIAL ELECTION WITH THE STATEWIDE PRIMARY ELECTION TO BE HELD ON JUNE 2, 2026

WHEREAS, the County of Los Angeles (County) relies on federal funding to support the delivery of vital services to the public, including health care, food assistance, social services, public health programs, child welfare services, housing, public safety, and other services critical for the health and safety of the public.

WHEREAS, 3.3 million County residents (one in three) rely on Medi-Cal for healthcare coverage and almost 1.5 million County residents rely on the Supplemental Nutrition and Assistance Program (SNAP) (called CalFresh in California) for nutritional needs.

WHEREAS, on July 4, 2025, H.R. 1, also known as the "One Big Beautiful Bill Act," was signed into federal law. This law imposes, among other cuts to public services, extensive reductions in federal support for Medicaid and SNAP and may cause hundreds of thousands of County residents who rely on Medi-Cal to lose coverage and face reduced access to care. It could result in overcrowding of emergency rooms when residents are unable to get any health care until they are experiencing a life-threatening crisis.

WHEREAS, the cumulative fiscal impact of federal laws and policies imposed since January 20, 2025, including H.R. 1, Executive Orders on grant oversight, and new federal terms and conditions restrictions, has led the County's most impacted departments to project revenue losses totaling $2.4 billion over the next three years, which may result in hiring freezes, service reductions, potential layoffs of 5,000 staff, and facility closures in the coming years.

WHEREAS, federal funding cuts could affect public health services like chronic disease prevention, disease tracking, and water safety, as well as the health care provided at the County's four public hospitals, numerous clinics, partner non-profit safety net hospitals and community health centers, and these cuts will disproportionately affect low-income families and target health care and public health providers.

WHEREAS, proposed reductions at both the federal and State levels are expected to significantly affect Medicaid (Medi-Cal), which is a primary revenue source for the Department of Health Services (DHS). In just four months following H.R. 1's signing, the County lost an average of 1,000 people per day from Medi-Cal enrollment — over 120,000 people between July and November 2025. During the same four-month period, more than 27,000 children under 18 lost their Medi-Cal coverage, equating to nearly 200 children per day.

WHEREAS, from July 2025 to November 2025, since H.R. 1's signing, over 70,000 County residents were dropped from CalFresh enrollment — including almost 27,000 children under 18.

WHEREAS, this funding and coverage loss will cause a serious threat to the long-term sustainability of critical safety net services relied upon by County residents. DHS, for example, needs to absorb a projected federal revenue loss exceeding $700 million per year.

WHEREAS, the Department of Public Health (DPH) is projecting a $200-300 million loss in federal and State funds. DPH is forecasting a minimum $42 million deficit in fiscal year 2025-26, requiring various clinic closures, service reductions, personnel reassignments, and possible terminations. This deficit will likely worsen given cuts to federal revenue.

WHEREAS, Medicaid is the single largest source of revenue for Los Angeles County's health departments, including the 23 health centers and four acute care hospitals run by the County and many non-profit safety-net facilities that provide irreplaceable life-saving services for residents of Los Angeles County.

WHEREAS, many key provisions of H.R. 1 took effect immediately, including the prohibition on new provider taxes, which effectively negates Proposition 35 that voters approved in November 2024 and that would have extended the State's managed care organization (MCO) tax and provided needed support to the Medi-Cal program while also providing dedicated funding to public hospitals which was assumed in the current State and County budgets for the current fiscal year.

WHEREAS, H.R. 1 immediately freezes supplemental Medicaid funding and prevents the Los Angeles County health departments from being able to draw down expected and needed supplemental Medicaid payments causing a significant negative impact on the County budget immediately and escalating over time.

WHEREAS, the County will be required to provide certain health care and human services funded with revenue from the County's General Fund which will directly impact the County's ability to provide other vital services to County residents, including, but not limited to, social services, supportive services for unhoused residents, and public safety.

WHEREAS, pursuant to Parts 1.6 and 1.7 of Division 2 of the Revenue and Taxation Code, the County is authorized to impose a retail transactions and use (sales) tax in the incorporated and unincorporated territory of the County for general purposes, including health care and human services, at a rate of one-half percent (0.5%).

WHEREAS, section 2 of article XIIIC of the California Constitution, sections 53721-53724 of the California Government Code, and Part 1.6 of Division 2 of the California Revenue and Taxation Code authorize the County of Los Angeles to levy,

increase, or extend a general sales tax upon two-thirds vote of the Board of Supervisors and a majority vote of the electorate.

WHEREAS, the Board of Supervisors desires to levy a general sales tax at the rate of one-half percent (0.5 %), effective as of October 1, 2026, to continue for a period of five years.

WHEREAS, pursuant to article XIII C, section 2(b) of the Constitution and California Government Code section 53724(c), an election for the approval of a temporary general sales tax must be consolidated with a regularly scheduled general election for members of the governing body of the local government.

WHEREAS, the County's regularly scheduled elections are held on the same day as the statewide primary election in each even-numbered year, and the next regularly scheduled election for members of the Board of Supervisors and the next statewide primary election will be held on Tuesday, June 2, 2026.

WHEREAS, the Board of Supervisors deems it necessary, essential, and in the public interest to submit the sales tax measure to the qualified voters within the County at an election to be held on June 2, 2026, and to consolidate such election with the other elections to be held on that date.

WHEREAS, the tax revenues from this general sales tax levy would partly offset reductions in federal support imposed by H.R. 1 and help the County to continue to provide vital services, including health care and human services to the public.

WHEREAS, voter approval of this ordinance will not affect the County's existing sales taxes, which will continue to be levied.

WHEREAS, to promote accountability and transparency, this ordinance provides for the creation of a citizens' oversight committee that will review the receipt and expenditures of the revenues from the general sales tax and provide annual reporting of the committee's review at a public meeting.

NOW, THEREFORE BE IT RESOLVED by the Board of Supervisors of the County of Los Angeles that:

Section 1. Call of the Election and Purpose. An election shall be held and the same is hereby called and ordered to be held in the County on the 2nd day of June 2026, for the purpose of submitting to the voters: (1) the ordinance attached hereto as Exhibit A and incorporated herein (Ordinance) by this reference, which was approved by two-thirds vote of the Board of Supervisors. The Ordinance shall become effective if a majority of the qualified voters of the County of Los Angeles voting on the Ordinance measure set forth in Section 2, below, vote in favor of the measure.

Section 2. Ballot Measure. Pursuant to Elections Code section 10403, the measure shall appear on the ballot substantially as follows:

Essential Services Restoration Act for Los Angeles County General Sales Tax Measure	
Shall the measure to help our community address severe federal cuts enacted by the President and Congress; reduce the loss of essential services, including healthcare for County residents; reduce the risk of closing the County's four public hospitals and numerous clinics, and significant healthcare provider layoffs and other service cuts by enacting a 1/2 percent (0.5%) general sales tax for 5 years, generating approximately $1 billion annually, with independent audits, be adopted?	Yes
	No

Section 3. Proclamation. Pursuant to section 12001 of the Elections Code, the Board of Supervisors of the County of Los Angeles hereby PROCLAIMS that an election shall be held in the County on Tuesday, June 2, 2026, to vote upon the measure.

Section 4. Election Procedure. All qualified voters residing within the County shall be permitted to vote in the election and in all particulars not recited in this Resolution, the elections shall be held as nearly as practicable in conformity with the Elections Code of the State of California. The votes cast for and against the measure shall be separately counted, and if the measure receives a majority of the votes cast by the qualified electors voting on the measure, the general sales tax in the amount stated in the Ordinance shall be effective and ratified. Should another proposed measure with conflicting provisions appear on the same ballot, and each proposed measure receives a majority of votes, the proposed measure with the highest number of affirmative votes shall prevail, in conformity with section 9123 of the Elections Code.

Section 5. Sample Ballot. The Registrar-Recorder/County Clerk is instructed to print the entire proposed Ordinance in the sample ballot.

Section 6. Consolidation. The election called by this Resolution shall be consolidated with the other elections conducted by the Registrar-Recorder/County Clerk to be held in the County of Los Angeles on June 2, 2026, and the measure shall be placed on the same ballot in the order set forth in this Resolution. The precincts, polling places, vote centers, precinct board members, election workers, and facilities shall be the same as provided for the June 2, 2026, statewide primary election.

Section 7. Authority. This Resolution is adopted pursuant to sections 10403 and 12001 of the Elections Code and section 25201 of the Government Code. The Executive Officer-Clerk of the Board of Supervisors is ordered to file a copy of this Resolution with the Registrar-Recorder/County Clerk at least eighty-eight (88) days prior to the day of the election. The Registrar-Recorder/County Clerk is authorized,

instructed, and directed to prepare any documents and take any additional actions that may be necessary in order to properly and lawfully conduct the election.

Section 8. California Environment Quality Act. Based upon all of the facts before it on this matter, the Board of Supervisors finds that the submission of the measure to the voters is not subject to, or is exempt from, the California Environmental Quality Act (CEQA). Submission of the measure is not a project as defined by California Code of Regulations, title 14, section 15378(b)(4) because it relates to the creation of government funding mechanisms, which do not involve commitment to any specific project which may result in a potentially significant physical impact on the environment.

BE IT FURTHER RESOLVED:

The foregoing resolution was on the 10th day of February 2026, adopted by the Board of Supervisors of the County of Los Angeles and ex officio the governing body of all other special assessment and taxing districts, agencies, and authorities for which said Board so acts.

EDWARD YEN
Executive Officer
Board of Supervisors

By: _____ Deputy

APPROVED AS TO FORM:

DAWYN R. HARRISON
County Counsel

By: _____
EVA CHU
Senior Deputy County Counsel

ANALYSIS

This ordinance amends Title 4 – Revenue and Finance, of the Los Angeles County Code, by adding Chapter 4.70, the Essential Services Restoration Act for Los Angeles County General Retail Transactions and Use Tax, to impose a general countywide tax of one-half percent (0.5 %) on all retail sales consummated at the retailer's place of business, and on the storage, use or other consumption of tangible personal property. Revenues generated from the retail transactions and use tax will be placed in the County general fund and may be used for any County services. The ordinance will become effective only after approval by a two-thirds vote of the County Board of Supervisors and a majority of the qualified voters voting in an election on the issue.

DAWYN R. HARRISON
County Counsel

By _____
MICHAEL S. BUENNAGEL
Senior Deputy County Counsel
Government Services Division

MSB:eg

Requested: 01/16/2026

Revised: 01/21/2026

ORDINANCE NO._____

An ordinance amending Title 4 – Revenue and Finance of the Los Angeles County Code, to add Chapter 4.70 – Essential Services Restoration Act for Los Angeles County General Retail Transactions and Use Tax, relating to a general county-wide retail transactions and use tax.

WHEREAS, the County of Los Angeles (County) relies on federal funding to support the delivery of vital services to the public, including health care, food assistance, social services, public health programs, child welfare services, housing, public safety, and other services critical for the health and safety of the public.

WHEREAS, 3.3 million County residents (one in three) rely on Medi-Cal for healthcare coverage and almost 1.5 million County residents rely on the Supplemental Nutrition and Assistance Program (SNAP) (called CalFresh in California) for nutritional needs.

WHEREAS, on July 4, 2025, H.R. 1, also known as the "One Big Beautiful Bill Act," was signed into federal law. This law imposes, among other cuts to public services, extensive reductions in federal support for Medicaid and SNAP and may cause hundreds of thousands of County residents who rely on Medi-Cal to lose coverage and face reduced access to care. It could result in overcrowding of emergency rooms when residents are unable to get any health care until they are experiencing a life-threatening crisis.

WHEREAS, the cumulative fiscal impact of federal laws and policies imposed since January 20, 2025, including H.R. 1, Executive Orders on grant oversight, and new federal terms and conditions restrictions, has led the County's most impacted departments to project revenue losses totaling $2.4 billion over the next three years, which may result in hiring freezes, service reductions, potential layoffs of 5,000 staff, and facility closures in the coming years.

WHEREAS, federal funding cuts could affect public health services like chronic disease prevention, disease tracking and water safety, as well as the health care provided at the County's four public hospitals numerous clinics, partner non-profit safety net hospitals and community health centers, and these cuts will disproportionately affect low-income families and target health care and public health providers.

WHEREAS, proposed reductions at both the federal and State levels are expected to significantly affect Medicaid (Medi-Cal), which is a primary revenue source for the Department of Health Services (DHS). In just four months following H.R. 1's signing, the County lost an average of 1,000 people per day from Medi-Cal enrollment — over 120,000 people between July and November 2025. During the same four-month period, more than 27,000 children under 18 lost their Medi-Cal coverage, equating to nearly 200 children per day.

WHEREAS, from July 2025 to November 2025, since H.R. 1's signing, over 70,000 County residents dropped from CalFresh enrollment — including almost 27,000 children under 18.

WHEREAS, this funding and coverage loss will cause a serious threat to the long-term sustainability of critical safety net services relied upon by County residents. DHS, for example, needs to absorb a projected federal revenue loss exceeding $700 million per year.

WHEREAS, the Department of Public Health (DPH) is projecting a $200-300 million loss in federal and State funds. DPH is forecasting a minimum $42 million deficit in fiscal year 2025-26, requiring various clinic closures, service reductions, personnel reassignments, and possible terminations. This deficit will likely worsen given cuts to federal revenue.

WHEREAS, Medicaid is the single largest source of revenue for Los Angeles County's health departments, including the 23 health centers and four acute care hospitals run by the

County, and many non-profit safety net facilities that provide irreplaceable lifesaving services for residents of Los Angeles County.

WHEREAS, many key provisions of H.R. 1 took effect immediately, including the prohibition on new provider taxes, which effectively negates Proposition 35 that voters approved in November 2024 and that would have extended the State's managed care organization (MCO) tax and provided needed support to the Medi-Cal program while also providing dedicated funding to public hospitals which was assumed in the current State and County budgets for the current fiscal year.

WHEREAS, H.R. 1 immediately freezes supplemental Medicaid funding and prevents the Los Angeles County health departments from being able to draw down expected and needed supplemental Medicaid payments causing a significant negative impact on the County budget immediately and escalating over time.

WHEREAS, the County will be required to provide certain health care and human services funded with revenue from the County's General Fund which will directly impact the County's ability to provide other vital services to County residents, including, but not limited to, social services, supportive services for unhoused residents, and public safety.

WHEREAS, pursuant to Parts 1.6 and 1.7 of Division 2 of the Revenue and Taxation Code, the County is authorized to impose a retail transactions and use (sales) tax in the incorporated and unincorporated territory of the County for general purposes, including health care and human services, at a rate of one-half percent (0.5%).

WHEREAS, section 2 of article XIIIC of the California Constitution, sections 53721-53724 of the California Government Code, and Part 1.6 of Division 2 of the California Revenue and Taxation Code authorize the County of Los Angeles to levy, increase, or extend a general sales tax upon two-thirds vote of the Board of Supervisors and a majority vote of the electorate.

WHEREAS, the Board of Supervisors desires to levy a general sales tax at the rate of one-half percent (0.5 %), effective as of October 1, 2026, to continue for a period of five years.

WHEREAS, the tax revenues from this general sales tax levy would partly offset reductions in federal support imposed by H.R. 1 and help the County to continue to provide vital services, including health care and human services to the public.

WHEREAS, voter approval of this ordinance will not affect the County's existing sales taxes, which will continue to be levied.

WHEREAS, to promote accountability and transparency, this ordinance provides for the creation of a citizens' oversight committee that will review the receipt and expenditures of the revenues from the general sales tax and provide annual reporting of the committee's review at a public meeting.

The people of the County of Los Angeles ordain as follows:

SECTION 1. Chapter 4.70 is hereby added to read as follows:

CHAPTER 4.70 ESSENTIAL SERVICES RESTORATION ACT FOR LOS ANGELES COUNTY GENERAL RETAIL TRANSACTIONS AND USE TAX

SECTIONS:

4.70.010 Title.

4.70.020 General Tax.

4.70.030 Operative Date.

4.70.040 Purpose.

4.70.050 Contract with State.

4.70.060 Transactions Tax Rate.

4.70.070 Place of Sale.

4.70.080 Use Tax Rate.

4.70.090 Adoption of Provisions of State Law.

4.70.100 Limitations on Adoption of State Law and Collection of Use Taxes.

4.70.110 Permit Not Required.

4.70.120 Exemptions and Exclusions.

4.70.130 Amendments.

4.70.140 Enjoining Collection Forbidden.

4.70.150 Citizens' Oversight Committee and Annual Audit.

4.70.160 Annual Report.

4.70.170 Severability.

4.70.180 Effective Date.

4.70.190 Execution.

4.70.200 Termination Date.

4.70.010 Title.

This Chapter shall be known as the "Essential Services Restoration Act for Los Angeles County General Retail Transactions and Use Tax" ordinance. The County of Los Angeles hereinafter shall be called "County." This ordinance shall be applicable in the incorporated and unincorporated territory of the County.

4.70.020 General Tax.

The Essential Services Restoration Act for Los Angeles County General Retail Transactions and Use Tax hereby adopted is enacted solely for general governmental purposes for the County and not for specific purposes. All of the proceeds from the tax imposed by this ordinance shall be placed in the County's general fund and used for purposes consistent with general fund expenditures of the County.

4.70.030 Operative Date.

The "Operative Date" means the first day of the first calendar quarter commencing more than 110 days after the election on this ordinance.

4.70.040 Purpose.

This ordinance is adopted to achieve the following, among other purposes, and directs that the provisions hereof be interpreted in order to accomplish those purposes:

A. To impose a retail transactions and use tax in accordance with the provisions of Part 1.6 (commencing with section 7251) of Division 2 of the Revenue and Taxation Code and section 7285 of Part 1.7 of Division 2, which authorizes the County to adopt this tax ordinance and shall be operative if a majority of the electors voting on the measure vote to approve the imposition of the tax at an election called for that purpose.

B. To adopt a retail transactions and use tax ordinance that incorporates provisions identical to those of the Sales and Use Tax Law of the State of California insofar as those provisions are not inconsistent with the requirements and limitations contained in Part 1.6 of Division 2 of the Revenue and Taxation Code, including adoption by reference of the provisions of sections 7261 and 7262 of the Revenue and Taxation Code, as now in effect or as later amended.

C. To adopt a retail transactions and use tax ordinance that imposes a tax and provides a measure therefor that can be administered and collected by the California Department of Tax and Fee Administration in a manner that adapts itself as fully as practicable to, and requires the least possible deviation from, the existing statutory and administrative procedures followed by the California Department of Tax and Fee Administration in administering and collecting the California State Sales and Use Taxes.

D. To adopt a retail transactions and use tax ordinance that can be administered in a manner that will be, to the greatest degree possible, consistent with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code, minimize the cost of collecting the retail transactions and use taxes, and at the same time, minimize the burden of record keeping upon persons subject to taxation under the provisions of this ordinance.

4.70.050 Contract with State.

Prior to the Operative Date, the County shall contract with the California Department of Tax and Fee Administration to perform all functions incident to the administration and operation of this retail transactions and use tax ordinance; provided, that if the County shall not have contracted with the California Department of Tax and Fee Administration prior to the Operative Date, it shall nevertheless so contract and in such a case the Operative Date shall be the first day of the first calendar quarter following the execution of such a contract.

4.70.060 Transactions Tax Rate.

For the privilege of selling tangible personal property at retail, a tax is hereby imposed upon all retailers in the incorporated and unincorporated territory of the County at the rate of one-half percent (0.5 %) of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in said territory on and after the Operative Date of this ordinance.

4.70.070 Place of Sale.

For the purposes of this ordinance, all retail sales are consummated at the place of business of the retailer unless the tangible personal property sold is delivered by the retailer or his agent to an out-of-state destination or to a common carrier for delivery to an out-of-state destination. The gross receipts from such sales shall include delivery charges, when such charges are subject to the State sales and use tax, regardless of the place to which delivery is made. In the event a retailer has no permanent place of business in the State or has more than

one place of business, the place or places at which the retail sales are consummated shall be determined under rules and regulations to be prescribed and adopted by the California Department of Tax and Fee Administration.

4.70.080 Use Tax Rate.

An excise tax is hereby imposed on the storage, use, or other consumption in the County of tangible personal property purchased from any retailer on and after the Operative Date of this ordinance for storage, use, or other consumption in said territory at the rate of one-half percent (0.5 %) of the sales price of the property. The sales price shall include delivery charges when such charges are subject to State sales or use tax regardless of the place to which delivery is made.

4.70.090 Adoption of Provisions of State Law.

Except as otherwise provided in this ordinance and except insofar as they are inconsistent with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code, all of the provisions of Part 1 (commencing with section 6001) of Division 2 of the Revenue and Taxation Code are hereby adopted and made a part of this ordinance as though fully set forth herein.

4.70.100 Limitations on Adoption of State Law and Collection of Use Taxes.

In adopting the provisions of Part 1 of Division 2 of the Revenue and Taxation Code:

A. Wherever the State of California is named or referred to as the taxing agency, the name of this County shall be substituted therefor. However, the substitution shall not be made when:

1. The word "State" is used as a part of the title of the State Controller, State Treasurer, State Board of Equalization, State Treasury, or the Constitution of the State of California;

2. The result of that substitution would require action to be taken by or against this County or any agency, officer, or employee thereof rather than by or against the California Department of Tax and Fee Administration, in performing the functions incident to the administration or operation of this ordinance.

3. In those sections, including, but not necessarily limited to, sections referring to the exterior boundaries of the State of California, where the result of the substitution would be to:

a. Provide an exemption from this tax with respect to certain sales, storage, use or other consumption of tangible personal property which would not otherwise be exempt from this tax while such sales, storage, use, or other consumption remain subject to tax by the State under the provisions of Part 1 of Division 2 of the Revenue and Taxation Code, or;

b. Impose this tax with respect to certain sales, storage, use, or other consumption of tangible personal property which would not be subject to tax by the State under the said provision of that code.

4. In sections 6701, 6702 (except in the last sentence thereof), 6711, 6715, 6737, 6797, or 6828 of the Revenue and Taxation Code.

B. The word "County" shall be substituted for the word "State" in the phrase "retailer engaged in business in this State" in section 6203 of the Revenue and Taxation Code, and in the definition of that phrase in section 6203.

1. "A retailer engaged in business in the County" shall also include any retailer that, in the preceding calendar year or the current calendar year, has total combined

sales of tangible personal property in this State or for delivery in the State by the retailer and all persons related to the retailer that exceeds five hundred thousand dollars ($500,000). For purposes of this Section, a person is related to another person if both persons are related to each other pursuant to section 267(b) of Title 26 of the United States Code and the regulations thereunder.

4.70.110 Permit Not Required.

If a seller's permit has been issued to a retailer under section 6067 of the Revenue and Taxation Code, an additional transactor's permit shall not be required by this ordinance.

4.70.120 Exemptions and Exclusions.

A. There shall be excluded from the measure of the transactions tax and the use tax the amount of any sales tax or use tax imposed by the State of California or by any city, city and county, or county pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law or the amount of any state-administered transactions or use tax.

B. There are exempted from the computation of the amount of transactions tax the gross receipts from:

1. Sales of tangible personal property, other than fuel or petroleum products, to operators of aircraft to be used or consumed principally outside the County in which the sale is made and directly and exclusively in the use of such aircraft as common carriers of persons or property under the authority of the laws of this State, the United States, or any foreign government.

2. Sales of property to be used outside the County which is shipped to a point outside the County, pursuant to the contract of sale, by delivery to such point by the retailer or his agent, or by delivery by the retailer to a carrier for shipment to a consignee at such

point. For the purposes of this paragraph, delivery to a point outside the County shall be satisfied:

a. With respect to vehicles (other than commercial vehicles) subject to registration pursuant to Chapter 1 (commencing with section 4000) of Division 3 of the Vehicle Code, aircraft licensed in compliance with section 21411 of the Public Utilities Code, and undocumented vessels registered under Division 3.5 (commencing with section 9840) of the Vehicle Code by registration to an out-of-County address and by a declaration under penalty of perjury, signed by the buyer, stating that such address is, in fact, his or her principal place of residence; and

b. With respect to commercial vehicles, by registration to a place of business out-of-County and declaration under penalty of perjury, signed by the buyer, that the vehicle will be operated from that address.

3. The sale of tangible personal property if the seller is obligated to furnish the property for a fixed price pursuant to a contract entered into prior to the Operative Date of this ordinance.

4. A lease of tangible personal property which is a continuing sale of such property, for any period of time for which the lessor is obligated to lease the property for an amount fixed by the lease prior to the Operative Date of this ordinance.

5. For the purposes of subparagraphs 3 and 4 of this Section, the sale or lease of tangible personal property shall be deemed not to be obligated pursuant to a contract or lease for any period of time for which any party to the contract or lease has the unconditional right to terminate the contract or lease upon notice, whether or not such right is exercised.

C. There are exempted from the use tax imposed by this ordinance, the storage, use or other consumption in this County of tangible personal property:

1. The gross receipts from the sale of which have been subject to a transactions tax under any state-administered transactions and use tax ordinance.

2. Other than fuel or petroleum products purchased by operators of aircraft and used or consumed by such operators directly and exclusively in the use of such aircraft as common carriers of persons or property for hire or compensation under a certificate of public convenience and necessity issued pursuant to the laws of this State, the United States, or any foreign government. This exemption is in addition to the exemptions provided in sections 6366 and 6366.1 of the Revenue and Taxation Code.

3. If the purchaser is obligated to purchase the property for a fixed price pursuant to a contract entered into prior to the Operative Date of this ordinance.

4. If the possession of, or the exercise of any right or power over, the tangible personal property arises under a lease which is a continuing purchase of such property for any period of time for which the lessee is obligated to lease the property for an amount fixed by a lease prior to the Operative Date of this ordinance.

5. For the purposes of subparagraphs 3 and 4 of this Section, storage, use, or other consumption, or possession of, or exercise of any right or power over, tangible personal property shall be deemed not to be obligated pursuant to a contract or lease for any period of time for which any party to the contract or lease has the unconditional right to terminate the contract or lease upon notice, whether or not such right is exercised.

6. Except as provided in subparagraph 7, a retailer engaged in business in the County shall not be required to collect use tax from the purchaser of tangible personal property, unless the retailer ships or delivers the property into the County or participates within the County in making the sale of the property, including, but not limited to, soliciting or receiving the order, either directly or indirectly, at a place of business of the retailer in the County or

through any representative, agent, canvasser, solicitor, subsidiary, or person in the County under the authority of the retailer.

7. "A retailer engaged in business in the County" shall also include any retailer of any of the following: vehicles subject to registration pursuant to Chapter 1 (commencing with section 4000) of Division 3 of the Vehicle Code, aircraft licensed in compliance with section 21411 of the Public Utilities Code, or undocumented vessels registered under Division 3.5 (commencing with section 9840) of the Vehicle Code. That retailer shall be required to collect use tax from any purchaser who registers or licenses the vehicle, vessel, or aircraft at an address in the County.

D. Any person subject to use tax under this ordinance may credit against that tax any transactions tax or reimbursement for transactions tax paid to a County imposing, or retailer liable for a transactions tax pursuant to Part 1.6 of Division 2 of the Revenue and Taxation Code with respect to the sale to the person of the property the storage, use, or other consumption of which is subject to the use tax.

4.70.130 Amendments.

A. All amendments subsequent to the effective date of this ordinance to Part 1 of Division 2 of the Revenue and Taxation Code relating to sales and use taxes and which are not inconsistent with Part 1.6 and Part 1.7 of Division 2 of the Revenue and Taxation Code, and all amendments to Part 1.6 and Part 1.7 of Division 2 of the Revenue and Taxation Code, shall automatically become a part of this ordinance, provided, however, that no such amendment shall operate so as to affect the rate of tax imposed by this ordinance.

B. The Board of Supervisors may repeal this ordinance or amend it in a manner which does not result in an increase in the tax imposed herein, without further voter approval.

The Board of Supervisors may likewise by ordinance adopt and add additional provisions to Chapter 4.70, or amend any existing provisions of Chapter 4.70, as they may already relate to this ordinance in any manner which does not result in an increase in the tax imposed herein, without further voter approval. If the Board of Supervisors repeals this ordinance or any provision of Chapter 4.70, it may subsequently reenact it without voter approval, as long as the re-enacted ordinance or section does not result in an increase in the tax imposed herein.

4.70.140 Enjoining Collection Forbidden.

No injunction or writ of mandate or other legal or equitable process shall issue in any suit, action, or proceeding in any court against the State or the County, or against any officer of the State or the County, to prevent or enjoin the collection under this ordinance, or Part 1.6 of Division 2 of the Revenue and Taxation Code, of any tax or any amount of tax required to be collected.

4.70.150 Citizens' Oversight Committee and Annual Audit.

A. The Board of Supervisors shall establish a citizens' oversight committee advisory to the Board of Supervisors to provide transparency and ensure fiscal accountability of the retail transactions and use tax. The committee shall review the receipt and expenditure of the revenue from the transactions and use tax, including the County's annual independent audit. This advisory committee shall make recommendations to the Board on how to allocate the County's general fund revenue generated by the retail transactions and use tax. The committee's review shall be completed in conjunction with the County's budget process. The committee shall produce an annual oral or written report on its review, which shall be considered by the Board at a public meeting. Any final written report shall be a public record. To preserve the integrity and independence of the oversight process, the committee's

responsibilities shall not include decision-making on spending priorities, financing plans or tax rate projections or assumptions and the committee shall have no authority to direct, nor shall it direct, County staff or officials.

B. The Board of Supervisors shall appoint nine (9) members to the citizens' oversight committee with special consideration given to organizational representatives most impacted by H.R. 1. Committee members must either reside in or work in Los Angeles County. Citizens' oversight committee members shall serve a three-year term and are eligible to be reappointed by the Board of Supervisors, at their discretion.

C. For so long as any proceeds of the retail transactions and use tax remain unexpended, the Auditor-Controller shall cause a report to be prepared by an independent auditor and filed with the Board of Supervisors no later than March 31 of each year, stating: (i) the amount of retail transactions and use tax proceeds collected and expended in the prior year; and (ii) the status of any projects or description of any services or programs funded from proceeds of the retail transactions and use tax.

4.70.160 Annual Report.

In order to ensure public fiscal accountability, the County shall provide a public report summarizing all expenditures of funds raised pursuant to the retail transactions and use tax on an annual basis and shall subject the funds to independent audit/oversight by the citizens' oversight committee created pursuant to this ordinance or in a manner otherwise directed by the Board of Supervisors.

4.70.170 Severability.

If any provision of this ordinance or the application thereof to any person or circumstance is held invalid, the remainder of the ordinance and the application of such provision to other persons or circumstances shall not be affected thereby.

4.70.180 Effective Date.

This ordinance relates to the levying and collecting of the County's retail transactions and use tax and shall be considered as adopted upon the date the vote is declared by the Board of Supervisors, and shall go into effect 10 days after that date.

4.70.190 Execution.

The Chair of the Board of Supervisors is authorized to attest to the adoption of this ordinance by the voters of the County.

4.70.200 Termination Date.

The authority to levy the tax imposed by this ordinance shall terminate on October 1, 2031.

SECTION 2. This Ordinance, and all the provisions thereof, shall become effective only upon affirmative passage by a majority of the eligible voters of this County pursuant to article XIIIC, section 2 of the California Constitution and applicable provisions of the Revenue and Taxation Code.

SECTION 3. The purpose of this Ordinance is to establish a government funding mechanism for general County purposes, and the County is not committing to a course of action with respect to the tax revenue and, therefore, the ordinance is not a "project" subject to the California Environmental Quality Act (CEQA) pursuant to section 15378, subdivision (b)(4), of the CEQA Guidelines.

I, hereby, certify that the foregoing ordinance was PASSED, APPROVED and ADOPTED by the people of the County of Los Angeles voting on the 2nd day of June 2026.

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Chair of the Board of Supervisors

[CH470ECCC]