COUNTY OF LOS ANGELES
Public Health

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September 29, 2026

TO: Supervisor Hilda L. Solis, Chair
Supervisor Holly J. Mitchell, Chair Pro Tem
Supervisor Lindsey P. Horvath
Supervisor Janice Hahn
Supervisor Kathryn Barger

FROM: Barbara Ferrer, Ph.D., M.P.H., M.Ed.
Director

SUBJECT: FISCAL YEAR 2025-2026 YEAR-END APPROPRIATION ADJUSTMENTS (ALL DISTRICTS) (4 VOTES)

This letter is to request approval of Fiscal Year (FY) 2025-2026 year-end appropriation adjustments for the Department of Public Health (DPH) and provide a report back on the use of Board-directed Public Health Emergency funding.

IT IS RECOMMENDED THAT THE BOARD

1. Approve the FY 2025-26 year-end appropriation adjustments to align DPH's budget with its year-end financial position, including recognition of the Department's final operating expenses and related adjustments.

2. Receive and file DPH's report back on the utilization of:

    a. $20.0 million in one-time funding allocated to establish a Public Health Emergencies Reserve Fund.

    b. $5.0 million transferred from the Provisional Financing Uses (PFU) Board Directed Initiatives budget unit to the DPH FY 2025-26 operating budget; and

3. Approve any related technical and budgetary adjustments necessary to implement DPH's final Strategic Mitigation Plan and ensure the Department balances at year-end.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

On July 1, 2025, the Board of Supervisors (Board) adopted a motion directing actions to support DPH's financial stability and strengthen the County's ability to respond to public health emergencies. Specifically, the Board directed:

- The establishment of a County Public Health Emergencies Reserve Fund, supported by $20.0 million in one-time funding pursuant to the Fiscal Resilience Protocol, to enable DPH to respond to public health emergencies, including outbreaks, pandemics, bioterrorism preparedness and response, and environmental crises.
- The transfer of $5.0 million from the PFU Board Directed Initiatives budget unit to DPH's FY 2025-26 operating budget to protect public safety and preserve the most essential public health programs and services.

The Board also required DPH to report back in writing during the Supplemental Budget phase on the use and programming of these funds.

The recommended actions in this letter fulfill these directives by:
- Executing DPH's FY 2025-26 year-end appropriation adjustments.
- Presenting DPH's final financial status, including strategic actions taken to achieve a balanced year-end position.
- Providing a detailed report on the use of the $20.0 million Public Health Emergencies Fund and $5.0 million PFU transfer.

FISCAL IMPACT/FINANCING

In FY 2025-26, DPH faced extraordinary fiscal challenges, including:
- Unanticipated funding reductions or lower than expected allocations of federal and state grants and contracts.
- Impact of the net county cost (NCC) curtailment for sexual abuse claims settlement and other County-wide expenses as well as other local funding reductions (e.g., Measure H to A transition).
- New and increased expenses related to year 1 of the labor agreements, response to public health emergencies, and overall economic inflation.

Together, these pressures significantly reduced the resources available to sustain existing operations and required DPH to make difficult programmatic and operational decisions throughout the year. DPH undertook a comprehensive effort to reduce expenditures, realign resources, and preserve funding for the programs and services most critical to the health and safety of Los Angeles County residents.

Unanticipated Funding Reductions or Lower than Expected Allocations of External Grants and Contracts

Over 70% of DPH's overall FY 25-26 budget is funded with Medi-Cal or federal and state grants and contracts, demonstrating the department's success in drawing external support to enable the County to deliver legally mandated public health services. It is important to note that there is a wide variation in how local jurisdictions fund services for meeting public health mandates, with many comparable jurisdictions dedicating a larger proportion of local funding than Los Angeles County.

External grants and contracts for public health have varying durations and award amounts, but each has specific deliverables that must be met to draw down the funding. For more than 20 years, when grant/contract periods come to an end, DPH has successfully competed for renewal or replacement grant/contract opportunities, thereby ensuring stable and long-term funding for public health in LA County. Under the current federal administration, previously stable grant/contract funding opportunities were eliminated or reduced, impacting the expected revenue DPH needed to cover ongoing expenses, creating a fiscal crisis for FY 25-26. In addition, some of these grant/contract eliminations and reductions impact the out-year revenue for FY 26-27 and beyond, potentially weakening DPH's ability to meet public health mandates going forward.

In FY 25-26, DPH had $32.3 million in unanticipated reductions or lower than expected allocations in federal and state grants/contracts. Table 1 in the Appendix lists the details of these reductions including the service impact.

Impact of NCC Curtailment and Other Local Funding Reductions

Although NCC funding supports only 13% of DPH's overall annual budget, DPH's NCC allocation plays a critical role in enabling DPH to address budget shortfalls and meet new and emergent needs. For example, many of the federal grants that make up the large majority of DPH's budget have lower allowable rates compared to what the County Auditor-Controller specifies for both Employee-Benefit (EB) and Indirect rates. For example, the allowable federal grant/contract EB rate for DPH full-time employees (FTEs) that are funded by federal funds has been 59% for many years while the County EB rate is 66%, resulting in the need for NCC to help fill this 7% gap in annual benefits costs. In addition, some grants do not allow labor agreement bonus costs to be applied and have salary caps that limit the department's ability to cover the full salaries for certain higher paid classifications. As such, the NCC curtailment of $14M to offset the sexual abuse claims settlement and other county-wide expenses represented a significant challenge for the DPH budget in FY 25-26.

With the transition from Measure H to Measure A, the associated fiscal pressures of state and federal people experiencing homelessness (PEH)-related funding streams coming to an end, and overall cost-inflation, the County Department of Homeless Services and Housing (HSH) reduced DPH's allocation for PEH-related public health services by $938,000 in FY 25-26, and an additional $6.5M in FY 26-27.

New and Increased Expenses

In addition to revenue reductions, DPH's FY 25-26 budget was presented with the challenge of absorbing new and increased expenses in several categories. Across the board, overall economic inflation on the costs of services and supplies further strained DPH's already reduced grant/contract revenues and NCC allocation. In FY 25-26, DPH needed to identify $16.1M within existing funding to pay for the $5,000 employee bonus under year 1 of the recent labor agreements. Changes in grant terms and an unanticipated 7-month delay in the award of an ongoing HIV grant from the Centers for Disease Control and Prevention (CDC) in the latter half of FY 24-25 resulted in a one-time revenue accrual deficit in FY 25-26. Finally, DPH also had increased costs related to public health emergency response activities in FY 25-26.

STRATEGIC MITIGATION PLAN

The resulting $63 million deficit associated with the above noted challenges required implementation of a well-defined mitigation plan. DPH's response focused on reducing expenditure while maintaining essential public health services. The Department reduced contracts, temporary workers, and Services and Supplies (S&S) expenditure through operational efficiencies, service reductions, and the strategic use of available grant funding to offset eligible NCC expenditures. In addition, DPH closed 6 Public Health Clinics (Curtis Tucker, Ruth Temple, Pomona, Antelope Valley, Hollywood Health Center, and Skid Row Satellite) in February of 2026.

DPH also realigned its workforce to better match staffing with available funding. The Department eliminated 115 encumbered positions across programs, clinics, and administrative units, with affected employees reassigned to other funded and critically needed vacancies. These actions did not result in layoffs or terminations or reductions in employees' salary levels or classifications. In addition, DPH froze or eliminated more than 250 vacant positions, generating additional salary savings.

The Department also implemented an Enhanced Voluntary Time Off (EVTO) program, with more than 22% of employees participating.

Together, these actions generated savings totaling $47 million dollars which allowed DPH to absorb a substantial portion of its fiscal pressures while continuing to provide essential public health services.

Due to the significant savings noted above, DPH was able to achieve a balanced year-end position when including the funding of allowable emergency expenses under the Public Health Emergencies Act Fund. Table 2 in the Appendix provides additional details about each of the specific mitigation measures.

REPORT BACK ON BOARD-DIRECTED FUNDING

$20.0 Million Public Health Emergencies Fund

The Board established the $20 million Public Health Emergencies Fund to provide DPH with dedicated resources to respond to significant and emerging public health threats. During FY 2025-26, DPH responded to multiple public health emergencies and disease threats requiring investigation, case management, contact tracing, laboratory and field response, and other emergency activities.

After implementing the fiscal mitigation measures described above, DPH requires $16.04 million of the $20.0 million Fund to pay for the responses to the public health threats noted earlier and maintain a balanced FY 2025–26 year-end financial position. In FY 25-26, DPH mobilized resources to address several emergent public health issues including the response to the Lineage warehouse fire in Boyle Heights, the ongoing subsurface temperature elevation event at the Chiquita Canyon Landfill, the Venice Canals animal disease, Mpox Clade I cases, flea-borne typhus, congenital syphilis, and increased case management and contact investigations for measles in the context of the nationwide measles outbreak, among others.

The use of the Fund allows DPH to address these immediate public health needs while limiting the impact of emergency response costs on ongoing operations. Following the $16.04 million allocation, $3.96 million will remain available for future public health emergencies. This remaining balance preserves the fiscal capacity envisioned by the Board when it established the Fund and provides DPH with resources to respond rapidly to emerging threats.

$5.0 Million PFU Transfer

Separately, the Board allocated $5.0 million to DPH from the Provisional Financing Uses (PFU) account in FY 2025-26. This PFU account was set up during the closing process of FY 2023-24 with funds from the under-spend of DPH's FY 23-24 NCC allocation. DPH used these funds to partially offset the $16.1 million cost of bonuses provided to employees in FY 2025-26. By offsetting a portion of the bonus costs, the funding helped preserve resources for essential programs and services.

These two combined strategies addressed substantial fiscal pressures while maintaining critical public health operations. The Department's actions, together with the Board-directed funding, enabled DPH to achieve a balanced FY 2025-26 year-end position while preserving resources to respond to future public health emergencies.

IMPLEMENTATION OF STRATEGIC PLAN GOALS
Approval of these actions is consistent with the County Strategic Plan North Star III: Realize Tomorrow's Government Today, Internal Controls and Processes, including strengthening fiscal resilience, improving operational effectiveness, and ensuring continuity of critical public services.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS
The recommended actions comply with Board directives issued on July 1, 2025, requiring DPH to report back on the use of PFU-transferred funds and the establishment and utilization of the Public Health Emergencies Reserve Fund. Approval of these actions ensures transparency, accountability, and proper stewardship of public funds.

CONTRACTING PROCESS
Not applicable.

IMPACT ON CURRENT SERVICES (OR PROJECTS)
The recommended year-end appropriation adjustments and deficit mitigation strategies are designed to preserve core public health services. The use of PFU funding and establishment of the Public Health Emergencies Reserve Fund have enabled DPH to maintain essential programs while strengthening emergency response capacity.

BF:bp

c: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors
Auditor-Controller

Attachments
Appendix

APPENDIX

Table 1: Unanticipated Funding Reductions and Lower than Expected Allocations of Federal and State Grants and Contracts

Grant/Contract	FY 25-26	FY 26-27	Service Impacts
Public Health AmeriCorps (Federal- Direct) (Eliminated)	$817,697	N/A	• Reduced capacity to engage community members with vital community outreach, health education, resource sharing, and communicable diseases investigation across Los Angeles County.
CalFresh Healthy Living Program (SNAP-ED) (Federal-Pass-Through) (Eliminated)	$9,769,135	$0* - no allocations in FY 26-27 *FY 24-25: $14,354,545, (last year of program) FY 25-26: $4,585,410 (CDPH provided one-time carry-in funding) $14,354,545 is the estimated projected amount lost (if H.R.1 had not eliminated this program)	• Reduced capacity to implement policy, systems and environmental change strategies to improve access to healthy food in food insecure communities to prevent diet-related chronic diseases. • In partnership with diverse sectors (e.g. charitable feeding, FQHCs, community-based organizations, schools, early childhood education, etc.), this work include redistributing fresh, surplus fruits and vegetables through the network of partners, facilitating healthy food distributions in food pantries, establishing food insecurity screening and referrals in health clinics, implementing strategies to increase healthy food selection in schools and ECE centers, etc.).
Community Violence Intervention Prevention Initiative (Federal-Direct) (Eliminated)	$557,621	$756,514	• Inability to provide accessible and culturally relevant mental health services for youth and young adult survivors of violence; establish self-care and healing services for Hospital Violence Intervention Program, Trauma Recovery Center, and Street Outreach case managers and community intervention workers; or be able to empower youth and young adult survivors of violence to build leadership skills and promote peace through a Peace Fellowship program.
Epidemiology and Laboratory Capacity for Prevention and Control of Emerging Infectious Disease cooperative agreement (Federal-Direct)	$2,442,382		• Reduced capacity to perform vector-borne and syndromic surveillance, hospital outreach, laboratory activities, and other disease surveillance, control, and prevention activities

Grant/Contract	FY 25-26	FY 26-27	Service Impacts
(Reduced)			
Los Angeles City Immunization Cooperative Agreement 2025 (Federal-Direct) (Reduced)	$1,265,494		• Reduced capacity for DPH staff to provide vaccines for uninsured and underinsured residents. • Reduced resources to respond to vaccine preventable diseases
Refugee Health Promotion Project (Federal-Pass-Through) (Reduced)	$148,375		• Limited assistance for refugees/asylees/eligible entrants to L.A. County (including eligible Afghans) in obtaining care and treatment of significant medical or mental health conditions.
RHAP - Refugee Health Assessment Program (Federal-Pass-Through) (Reduced)	$128,445		• Reduced capacity for DPH to operate program for refugees/asylees/eligible entrants to L.A. County, leading to increased risk for undetected communicable or chronic disease, delayed diagnosis and treatment, or reduced access to mental health and prenatal care.
Ryan White Program - Ending the HIV Epidemic Initiative (Ending the HIV Epidemic: A Plan for America — Ryan White HIV/AIDS Program Parts A and B) (Federal-Direct) (Reduced)	$350,131		• Reduction in contract funding for treatment support for sexually transmitted disease services, including field delivered therapy, linkage to care, counseling and assistance • Reduced funding to deliver health communication campaigns for PEP, PREP, Ryan White Services, and community event participation.
Ryan White Program - Part A and Minority AIDS Initiative (HIV Emergency Relief Project Grants) (Federal-Direct) (Reduced)	$153,134	$468,537	• Reduced capacity for HIV care and treatment services for low-income people living with HIV including outpatient medical care, medical care management, oral health, housing services, transportation, legal services, nutrition support, mental health services and community planning.
TB Elimination and Laboratory Services Cooperative Agreement (Federal-Direct) (Reduced)	$259,401	$32,250	• Reduced TB surveillance capacity including ability to detect clusters and outbreaks.
TB Subvention - Base Award	$69,990		• Reduced capacity for the evaluation and treatment of TB disease contact

Grant/Contract	FY 25-26	FY 26-27	Service Impacts
TB Subvention - Food, Shelter, Incentive & Enablers (State-Direct) (Reduced)			investigation and treatment of contacts, and evaluation and treatment of new immigrants.
Public Health Infrastructure Grant (PHIG)/Infrastructure, Workforce, Data Systems (IWD) - A3A (Federal-Direct) (Reduced)	$1,026,752		• Reduced capacity for core data infrastructure and planning.
California Children's Services (CCS) (State-Direct) (Reduced Contract Allocation)	$3,266,235	$1,102,165	• Reduced capacity for DPH to provide children with serious CCS-eligible health conditions specialty medical care. • This lower allocation negatively impacts the timely approval of service authorization requests awaiting care from CCS providers.
Health Care Program for Children in Foster Care (HCPCFC) (State-Direct) (Reduced Contract Allocation)	$1,123,008	$1,231,348	• Reduced capacity to address the medical, dental, mental health, and developmental needs of foster youth within child welfare agencies.
Health Facilities Inspection (State-Direct) (Reduced Contract Allocation)	$4,268,214		• Reduced capacity to survey, investigate and inspect hospitals, skilled nursing facilities, and related health care facilities in LA County to enforce Federal, State and local licensing and certification requirements relating to medical care.
Health Facilities Inspection (Federal-Pass-Through) (Reduced Contract Allocation)	$4,442,427		• Reduced capacity to ensure that healthcare facilities comply with state and federal regulations
Radiation Control Program (State-Direct) (Reduced)	$1,208,083		• Reduced capacity for inspections of radiation facilities and equipment and DPH ability to monitor radioactive waste. • Reduced the number of inspections of hospitals and radiologic equipment by 40%.
EPA Community Change Grant (Federal-Direct)	$1,000,000	$1,000,000	• Inability to establish an Environmental Justice Academy in Los Angeles County to

Grant/Contract	FY 25-26	FY 26-27	Service Impacts
(Eliminated)			empower residents to advocate for equitable solutions and engage in shaping a sustainable future. Note: $500,000 was budgeted for FY24-25 and FY28-29 for a total of $3M loss.
TOTAL Grant/ Contract Reductions	**$32,296,524**	**$4,590,814**	

Table 2. FY 25-26 Strategic Mitigation Measures Enabling Balanced Year-End Closing*

Mitigation Measure	Impact
Recognition of Medi-Cal Administrative Activities revenue from 2010-11 and FY 2011-12	$1M
Prior-year commitment cancellations from FY 17-18 through FY 22-23	$10M
Allowable reallocation of unspent grant/contracts dollars to deficit	$31.6M
Elimination of 115 encumbered positions effective April 1, 2026. (Reflects 3 months of salary savings for FY 25-26)	$3M
Enhanced Voluntary Time Off (EVTO) Program	$1.3M
Public Health Emergencies Fund for emergency response activities	$16M
FY 25-26 Budget Deficit	**BALANCED**

*Contribution of savings from funded vacancy eliminations and operational efficiencies not reflected.

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BOARD OF SUPERVISORS

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August 15, 2026

COUNTY OF LOS ANGELES

REQUEST FOR APPROPRIATION ADJUSTMENT

DEPARTMENT OF PUBLIC HEALTH

AUDITOR-CONTROLLER:

THE FOLLOWING APPROPRIATION ADJUSTMENT IS DEEMED NECESSARY BY THIS DEPARTMENT. PLEASE CONFIRM THE ACCOUNTING ENTRIES AND AVAILABLE BALANCES AND FORWARD TO THE CHIEF EXECUTIVE OFFICER FOR HER RECOMMENDATION OR ACTION.

ADJUSTMENT REQUESTED AND REASONS THEREFORE

FY 2025-26

4 - VOTES

SOURCES		USES	
GENERAL FUND		**PUBLIC HEALTH**	
A01-304U		A01-PH-90-9068-24500	
COMMITTED FOR PUBLIC HEALTH EMERGENCIES		HRSA RYAN WHITE PROG - PART A / MINORITY AIDS INITIATIVE	
DECREASE OBLIGATED FUND BALANCE	**16,039,000**	**DECREASE REVENUE**	**13,474,000**
		PUBLIC HEALTH	
		A01-PH-88-8827-24500	
		STATE-CHRONIC DISEASE & INJURY PREVENTION (CDIP)	
		DECREASE REVENUE	**2,565,000**
SOURCES TOTAL	**$ 16,039,000**	**USES TOTAL**	**$ 16,039,000**

JUSTIFICATION

Reflects the Department of Public Health's use of obligated fund balance Committed for Public Health Emergencies to support expenditures necessary to preserve public health and safety.

Ben G. Phan, M.Sc., M.A. Digitally signed by Ben G. Phan, M.Sc., M.A. Date: 2026.08.15 22:28:32 -07'00'

AUTHORIZED SIGNATURE BEN G. PHAN, CFO

BOARD OF SUPERVISOR'S APPROVAL (AS REQUESTED/REVISED)

REFERRED TO THE CHIEF EXECUTIVE OFFICER FOR---

☐ ACTION

☑ RECOMMENDATION

AUDITOR-CONTROLLER

BY Andrea Turner Digitally signed by Andrea Turner Date: 2026.08.18 10:36:26 -07'00'

B.A. NO. 942

DATE 8/18/26

☑ APPROVED AS REQUESTED

☐ APPROVED AS REVISED

CHIEF EXECUTIVE OFFICER

BY Kieu-Anh King Digitally signed by Kieu-Anh King Date: 2026.08.18 10:59:27 -07'00'

DATE 8/18/26