



**Chief
Executive
Office.**

COUNTY OF LOS ANGELES

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CHIEF EXECUTIVE OFFICER

Fesia A. Davenport

April 23, 2024

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**2024-25 RECOMMENDED COUNTY BUDGET
(3-VOTES)**

The 2024-25 Recommended Budget marks the first step in the County's annual budget process. In this letter, we recommend major investments in mental health services complemented by substantial funding to sustain our accelerated emergency response to the homelessness crisis, along with programs to create jobs, expand food resources, support families, and advance the Board of Supervisors' (Board) *Care First, Jails Last* vision.

The Chief Executive Office's (CEO) proposed adjustments in this letter bring the County Recommended Budget to \$45.4 billion, a decrease of nearly \$1.4 billion from the 2023-24 Final Adopted Budget (adopted in October 2023). This difference is due primarily to when the County's Auditor-Controller completes the closing of the books and determines the closing balances from unspent funds and overrealized revenues after the fiscal year in August. The closing balance is projected throughout the fiscal year but is not final and cannot be known prior to the completion of the closing process. Any fiscal year-end surplus is then included in the Final Adopted Budget in October as one-time funds, much of which is requested to be carried over to complete projects and other similar purposes. At this point in our budget process, the amount of the closing balance is uncertain and mid-year budgetary needs could arise reducing this amount. As such and consistent with prudent budgeting practices, we do not include these surplus funds so early in our budget process.



The proposed budget represents a balanced plan, devoting limited resources to the highest priority programs while maintaining the County's safety net, other basic services, and recent innovations aimed at alleviating poverty, such as the County's expanding guaranteed income programs. This budget also seeks to ensure we are prepared for challenges ahead, including safeguarding the County against both economic and cybersecurity threats.

The budget is based on a forecasted increase in revenues of \$390.2 million, which is significant, yet represents a lower growth rate than in recent prior years' budgets. These additional funds are needed to fund substantial increases in wages and benefits for the County's workforce as it provides vital services to County residents, along with growing public assistance caseload costs, previously approved Board and County policies and commitments, including the 10% set aside for Care First and Community Investment (CFCI) programming, as well as legal settlements, leaving limited funds for new programs and initiatives.

To better confront the economic challenges and pressures on the County budget detailed later in this letter, this Recommended Budget relies on the Board's unanimously adopted Fiscal Resilience protocol to assign tiered rankings to motions to ensure that funding is aligned with implementation readiness. This process aims to provide your Board with the information it needs to prioritize among competing demands for limited resources.

The 2024-25 Recommended Budget includes an increase of 835 budgeted positions, funded almost entirely with State and federal dollars, for a total of 116,159 budgeted positions.

The additional uses of these new revenues to support the priorities of the Board are outlined in greater detail below.

BUDGET OVERVIEW

As previously mentioned and displayed below, the 2024-25 Recommended Budget total of \$45.4 billion reflects a decrease of nearly \$1.4 billion in total financing uses when compared to the 2023-24 Final Adopted Budget from October 2023. This is due to decreases in the Total General County Fund group (comprised of the General Fund and Hospital Enterprise Funds) and Special Districts/Special Funds.

Fund Group (\$ in billions)	2023-24 Final Adopted Budget	2024-25 Recommended	Change	% Change
Total General County	\$35.934	\$35.284	-\$0.650	-1.8%
Special Districts/ Special Funds	10.809	10.093	-0.716	-6.6%
Total Budget	\$46.743	\$45.377	-\$1.366*	-2.9%
Budgeted Positions	115,324	116,159	835**	0.7%

**Though this represents an almost 3% reduction from the Fiscal Year (FY) 2023-24 Final Adopted Budget, additional funding may be allocated over the coming budget phases, as is customary.*

***The net increase in position count is funded primarily with outside revenue sources, including State and federal funding.*

The 835 new budgeted positions include:

- 452 positions within the Department of Mental Health (DMH) to support the Community Assistance and Recovery Empowerment (CARE) Act, also known as CARE Court; the Interim Housing Outreach Program providing services to help mentally ill homeless persons maintain housing stability; and various programs serving the Department’s directly-operated clinics and full-service partnership programs; as well as various Mental Health Services Act (MHSA)-funded programs;
- 122 positions to support various programs within the Department of Public Social Services (DPSS), including In-Home Supportive Services and administrative support positions;
- 48 positions to support various programs within the Department of Children and Family Services (DCFS), including the Parents in Partnership Program, youth engagement, childcare services, as well as administrative support positions;
- 40 positions for clinicians and support staff for the Department of Health Services (DHS) to fill various roles in the County’s hospital and clinic system;
- 29 positions needed to comply with the Department of Justice (DOJ) consent decree requirements in the jail system. These positions include plumbers and custodians as well as administrative staff working on compliance with the Rosas settlement; and
- 13 positions to support caseload increases and address National Association of Medical Examiners accreditation deficiencies.

ECONOMIC OUTLOOK

The U.S. economy demonstrated resilience in 2023. Despite predictions of a recession, economic pressures from moderating but persistent inflation, and an elevated interest rate environment, the economy expanded by 2.5%. A positive economic outlook for 2024 is supported by continued resilience in consumer spending, a strong jobs market, nominal wage growth, and recent market optimism related to artificial intelligence technology. Based on projections by the Federal Reserve Board (Fed), most Fed participants signaled that it would be appropriate to gradually reduce the federal funds rate this year, which should boost moderate economic growth.

Our forecast for locally generated sales tax revenues reflects this moderate growth based on current revenue trends. The 2024-25 Recommended Budget includes an estimated increase of 1.7%, or \$1.5 million, from collections of sales and use taxes from County unincorporated areas.

For Proposition 172 Public Safety statewide sales tax revenues, although we expect nominal growth from the current fiscal year, the 2024-25 Recommended Budget reflects a 1.5% decline, or \$15.3 million, from the 2023-24 Final Adopted Budget. This is due primarily to the County's decreased percentage allocation of statewide sales and use tax revenues, as well as weaker than budgeted revenue growth in FY 2023-24. We expect Proposition 172 revenues to realign with pre-pandemic growth trends beginning in FY 2024-25 as pandemic-induced spending patterns return to a more stable and historical pattern.

Interest earnings rates and mortgage rates have remained elevated since the Fed hiked the federal funds rate to its current peak to ease inflation. The County has been affected by the high-rate environment. On the positive side, the County has benefited from higher interest earnings rates on cash deposits, adding \$53.0 million in additional interest earnings as part of this Recommended Budget.

Since mortgage rates have also moved dramatically higher when compared to the past decade, borrowing is more expensive for prospective buyers, leading to a significant drop in home sales transactions in 2023. After consulting with the County Assessor, we are forecasting a 4.75% increase to the 2024 tax assessment roll, which reflects the lowest growth since FY 2021-22 and results in a \$328.4 million increase in property tax revenue. Since the Assessor is scheduled to issue its official forecast in May 2024 and release the final roll in the summer of 2024, our office will update assessed value projections in future budget phases if needed.

A major economic uncertainty that will influence the growth of the economy is the course of inflation this year, which will help determine how soon the Fed may begin cutting rates. The Presidential Election scheduled for November 2024 may also affect economic sentiment and federal policy direction. Our office will continue to monitor the latest economic data and refine forecasts based on the latest trends throughout the year.

ABOUT THE BUDGET PROCESS

The Recommended Budget is the first step in the County's multi-part budget process, which includes Public Hearings in May; deliberations leading to the approval of the Adopted Budget in June; and the Supplemental Budget culminating with the approval of the Final Adopted Budget in the fall. This multi-part process enables the County to respond to fiscal and economic changes and opportunities that may not be available at the start of the budget year.

Most of the County's budget comes from State and federal sources and charges and fees for services provided to contract cities or the public. These revenues are tied to specific programs and may not be repurposed. Similarly, the bulk of locally generated revenues is committed to ongoing programs and services previously approved by the Board. As a result, the Recommended Budget highlights below focus on how new revenue and funding sources are allocated rather than the total cost of the County's operations, which account for the vast majority of the County's budget.

As always, funding requests far exceed available resources. Although we are recommending \$390.2 million in new funding, there are more than \$1.9 billion in unmet needs requests. Of this amount, we are deferring \$833.0 million in funding requests for consideration in future budget phases, leaving \$1.1 billion as an unmet need.

RECOMMENDED BUDGET HIGHLIGHTS

Homelessness, Mental Health, and Affordable Housing

- **Measure H Homeless Services and Housing** – Reflects a total budget of \$728.2 million to fund the County's multi-layered approach to combatting homelessness and the Homeless Emergency Declaration. The Emergency Declaration has enabled the County to accelerate service delivery, cut red tape, and jumpstart changes in our processes that are scaling and fast-tracking the ongoing work to prevent and end homelessness. This includes:
 - Strengthening partnerships with and supporting local jurisdictions and unincorporated areas;

- Hiring additional frontline staff such as outreach workers, housing navigators, mental health clinicians and substance use counselors; and
- Investing in innovative strategies to increase our housing stock such as unit acquisition (i.e., buying motels/hotels) and Project Homekey.

This significant investment includes \$108.2 million to fund the expansion of the County's relatively new Pathway Home program. With Pathway Home, people experiencing homelessness living in encampments are provided intensive outreach to bring them indoors and are connected to a range of supportive services aimed at keeping them housed long term. Funding also supports the dismantling of vacated encampments as well as site cleanup, including the disposal of refuse and sanitary cleaning.

It will also support:

- More than 500 County and Los Angeles Homeless Services Authority staff, over and above the staff at service providers who receive Measure H funds;
- An estimated 21,000 outreach engagements countywide;
- 3,838 Housing Navigation slots (23% increase over last year);
- 6,266 Interim Housing Beds (16.7% increase over last year);
- 5,000 households assisted in finding permanent housing in the private rental market, including through new efforts like master leasing whole buildings (25.4% increase over last year);
- 8,332 permanent housing subsidies (64.5% increase over previous years); and
- Wrap-around services for 27,500 people who are in permanent housing (21.1% increase over last year).

The budget also supports Board-directed housing developments and the administration of a range of homeless programs and services, with an emphasis on mental health supports.

- **MHSA Spending** – Adds \$60.4 million and 263 positions needed for various mental health services, including 169 positions for an Interim Housing Outreach Program providing mental health care and support to mentally ill homeless persons to facilitate housing stability, permanent housing, and prevent a return to homelessness and 58 positions to expand directly-operated clinics and full-service partnership services needed to ensure adequate capacity in the mental health care network.

- **Affordable Housing** – Provides \$30.0 million to maintain a total of \$100.0 million for the development and preservation of affordable housing. This funding will support affordable housing for very low- and extremely low-income households, individuals and families experiencing homelessness, as well as other supportive services such as eviction defense, mortgage relief, rapid re-housing, homeownership and acquisition.
- **Bringing Families Home** – Allocates \$14.4 million in State funding to DCFS to provide case management and outreach services to families in the child welfare system experiencing homelessness.
- **Flexible Housing Subsidy Pool** – Adds \$24.8 million to Housing for Health, primarily for bed costs, including approximately 400 additional beds, fully offset by funding from the State Department of Mental Health.

Care First, Jails Last

- **CFCI** – Sets aside 10% of ongoing locally generated unrestricted revenues to meet the Board’s commitment to *Care First, Jails Last* and support direct community investments and alternatives to incarceration. Based on this annual calculation, outlined in a related Board memorandum on March 23, 2023, the Recommended Budget allocates an additional \$12.3 million in ongoing funding to CFCI programs, bringing the County’s ongoing annual commitment to \$300.6 million. However, the total investment to CFCI programs is \$524.0 million, including \$223.4 million in one-time dollars—unspent funds from previous budget cycles being carried over for one-time use.
- **Independent Pretrial Services** – Adds 24 positions to support the initial launch of the Justice, Care and Opportunities Department’s independent pretrial services, delivering on the Board’s *Care First, Jails Last* vision for integrated, equitable and culturally competent pretrial and diversion services. Staff will oversee contracted community-based organizations delivering supportive services to pretrial individuals and provide screening and navigation support in courts and jails to help link individuals to these services to provide comprehensive care management and related services to the pre-adjudicated population.

- **DOJ Consent Decree** – Provides \$3.9 million in ongoing funding to DHS' Integrated Correctional Health Services to contract mental health group services for individuals in High Observation Housing to receive structured out-of-cell time in the County's jails under the terms of the DOJ settlement. Also sets aside \$9.3 million in the Provisional Financing Uses (PFU) budget unit for body-worn cameras for custody deputies to increase transparency and accountability in custody operations. These adjustments continue the County's commitment to improve conditions and mental health care for those who must remain in custody at its jails.

Immigrant Assistance Services

- **Represent LA** – Provides \$1.0 million from DHS to the Department of Consumer and Business Affairs (DCBA) to support the Represent LA program, which provides immigration legal services to eligible disabled immigrants who are experiencing or are at risk of homelessness and lacking clear residency status.

Pathway to Health Care and Well-being

- **Sexual Assault Council** – Adds \$1.8 million and 5 positions to the Department of Public Health (DPH) to establish a new Sexual Assault Council, which will support survivors in their recovery and develop policy recommendations to help prevent sexual violence. The Council will promote equitable services, prevention programs, law enforcement and other investigatory responses, and support justice-system involvement for adult survivors of sexual violence across all demographics.
- **Doula Hub** – Adds \$0.9 million to DPH for contract services for doula hub operations that will provide technical support to the doula provider workforce and expand access throughout the County.
- **Sexually Transmitted Infections** – Allocates \$7.5 million in Tobacco Settlement funding to DPH to support the County's response to the rise in sexual transmitted infections.

Public Safety

- **Academy Classes** – Allocates a net \$0.1 million in one-time funding to the Sheriff's Department to continue four academy classes initially funded in FY 2023-24. These classes are needed to adequately staff the jails to meet the requirements of the DOJ consent decree and help to close the Department's significant sworn vacancy gap, as well as to train a new generation of deputies. This does not expand the number of academy classes budgeted last year.

Jobs and Workforce Development

- **Office of Labor Equity** – Adds \$0.5 million and 3 positions for DCBA’s Office of Labor Equity to expand worker protections and support the enforcement of labor laws and minimum wage, as well as the development of local ordinances, specifically targeting three industries: private households; personal and laundry; and food services.
- **Guaranteed Income Program** – Allocates \$2.4 million in intrafund transfer from DCFS to DCBA for the expansion of the Guaranteed Income program to include a minimum of 200 additional transition age youth for two years, each of whom will each receive \$1,000 in monthly income support. Taken together with the County’s other guaranteed income programs, including Breathe, this would bring the number of people receiving these no-strings stipends to approximately 2,100.
- **Youth@Work Program** – Provides \$11.3 million to the Department of Economic Opportunity (DEO) to continue the Youth@Work Program, which provides youth with first-time, paid work experience and supports their development as part of our future adult workforce.
- **Preparing Los Angeles for County Employment (PLACE)** – Adds \$1.5 million to DEO to continue and expand PLACE, a program that prepares and places people with high barriers to employment into entry-level, permanent County jobs with a career pathway.
- **Auditor Intern Program** – Provides \$0.2 million to the Department of Auditor-Controller to recruit, train and hire college students for entry-level positions to address the County’s dire need to build and maintain a pipeline of staff with auditing experience.

Public Services Cost Increases

- **Foster Care Assistance** – Provides \$26.0 million, partially offset with State and federal revenue, to DCFS to pay for placement rate increases to foster families. Foster care assistance is paid on behalf of children in out-of-home placements who meet the eligibility requirements specified in applicable State and federal regulations and laws.

- **Adoption Assistance Program (AAP) and Kinship Guardianship Assistance Program (KinGAP)** – Adds \$69.6 million, partially offset with State and federal revenue, to DCFS for projected AAP and KinGAP placement rate increases to families and caseload growth. The AAP helps prospective adoptive parents meet additional expenses of children, including those with special needs. KinGAP provides funding to children and transition age youth who leave the juvenile court dependency system to live with a relative who acts as their legal guardian.
- **Addressing Electronic Benefit Transfer (EBT) Theft** – Provides \$81.1 million to DPSS, partially offset by State and federal funding, to replace EBT benefits for victims of EBT card theft through skimming and scamming, which took place statewide.
- **Increasing CalFresh Match to Maximize Food Assistance** – Includes \$17.4 million in additional funds to ensure that the County draws down all available CalFresh State and federal revenue to support individuals and families in need of food benefits.

Additional Support for Children, Families, Older Adults and People with Disabilities

- **Modernizing Older Californians Act** – Allocates \$2.9 million in State funding to the Department of Aging and Disabilities to provide supportive services for the Elderly Nutrition Program to address the needs of the growing 60+ population.
- **California Work Opportunity and Responsibility to Kids (CalWORKs) Stage One Child Care Program** – Adds \$71.2 million for DPSS, fully offset with State and federal revenues, to meet projected caseload increases for full-time childcare services for CalWORKs participants.

Promoting the Arts

- **Organizational Grants Program (OGP)** – Adds \$1.2 million to the Department of Arts and Culture to expand the OGP, a program that provides critical support and stability to arts and culture nonprofit organizations, including those that have been historically or are currently underfunded and under-resourced, such as those that represent communities of color, low-income communities, LGBTQ+, organizations serving people who are disabled, and other communities experiencing barriers to participation in the arts.

Investing in Information Technology

- **Cybersecurity** – Sets aside \$6.1 million in the PFU budget unit to protect and prevent growing threats against the County’s information technology infrastructure and reduce cybersecurity risks.
- **Voting Solutions for All People (VSAP)** – Sets aside \$9.0 million in ongoing funding in the PFU budget unit for the Department of Registrar-Recorder/County Clerk’s VSAP system. This adjustment continues a multi-year funding plan needed to support the County’s election model, which will require an additional \$27.0 million in ongoing funding in future years.

Sustainability and Energy Efficiency

- **Electric Vehicle (EV) Infrastructure** – Allocates \$3.8 million for the Internal Services Department to continue the multi-year EV Infrastructure project and expand the installation of EV charging stations at County facilities for use by the County fleet and employees, as well as visiting members of the public.

Investing in Public Assets

- **Capital Projects (CPs)** – Allocates \$2.0 billion for the continued development, design, and construction of 369 CPs in support of Board-directed priorities. This investment will improve the County’s ability to serve the public and protect the County’s real estate portfolio. The proposed CP budget unit reflects a decrease of \$135.3 million and the completion of 88 projects from the FY 2023-24 Final Adopted Budget.
- **Environmental Stewardship** – Provides \$234.1 million for continued water conservation projects, including 39 active stormwater projects, which are part of a countywide program to capture, divert and treat polluted stormwater runoff and comply with federal and State clean water regulations. During the last full water year ended in September 2023, the County captured more than 204 billion gallons of stormwater within its dams and spreading grounds – enough water to meet the needs of five million people for an entire year.
- **Enhancing Public Parks** – Includes \$167.7 million to enhance and expand access to County facilities, such as the Arboretum Propagation Greenhouse System replacement and the Veteran’s Memorial Community Regional Park paving repair projects, all of which will address deferred maintenance repairs and improvements at a range of County parks.

- **Reinvesting in County Facilities** – Provides \$240.0 million for the rehabilitation of County facilities funded by the Extraordinary Maintenance budget unit and long-term financing to support goals of the Strategic Asset Management Plan, primarily through the Facility Reinvestment Program. This program includes the highest-priority projects to sustain and/or rehabilitate County-owned facilities. This recommended allocation will:
 - Extend the useful life of County facilities and reduce facility replacement costs in the long run;
 - Allow the County to undertake the highest priority deferred maintenance projects to optimize the use of assets in their highest and best uses;
 - Establish stronger connections between County service priorities and asset decisions, better aligning our capital projects with the most pressing needs of County residents; and
 - Create a better enterprise-wide understanding of asset needs and priorities.

It should be noted that the above appropriations make use of one-time funds that are not available to fund ongoing programs.

FOLLOW-UP BUDGET ACTIONS

The Board requested the CEO to report back on the following items during the 2024-25 Recommended Budget.

Further Advancing Anti-racism, Diversity, Equity and Inclusion in Los Angeles County: Adopt the Countywide Racial Equity Strategic Plan and Creation of Board Policy

On July 11, 2023, the Board adopted the Racial Equity Strategic Plan (RESP) and asked the CEO to report back during the 2024-25 Recommended Budget on the availability of additional funding for two positions in the Anti-Racism, Diversion, and Inclusion (ARDI) Initiative unit to implement RESP countywide. Additional funding was identified and two new positions for ARDI are included in the 2024-25 Recommended Budget.

POTENTIAL STATE AND FEDERAL BUDGET IMPACTS

A significant portion of the County budget is comprised of revenues from the State and federal governments. State and federal budget highlights and the anticipated impact on the County budget are outlined below.

State Budget

On January 10, 2024, Governor Gavin Newsom released his 2024-25 January Proposed Budget (Proposed Budget). At the time of its release, the \$291.5 billion Proposed Budget forecasted State General Fund (SGF) revenues will be approximately \$44.0 billion lower than projected, with an estimated budget gap of \$37.9 billion (the latest estimates since then from the Legislative Analyst's Office indicate that the budget gap may be closer to \$73.0 billion). To close the projected revenue shortfall, the Proposed Budget includes a combination of \$13.1 billion from the State's reserves, \$8.5 billion in program reductions, \$5.7 billion from revenue sources and internal borrowing from special funds, \$5.1 billion in funding delays, \$3.4 billion in fund shifts, and \$2.1 billion in deferrals.

The Proposed Budget includes the following funding reversions that the County is opposed to:

- \$336.0 million in SGF from FY 2022-23 that is projected to be unexpended in the CalWORKs Single Allocation (CWSA), as well as, \$40.8 million in SGF in FY 2023-24 and a reduction of \$40.8 million in SGF in 2024-25 and ongoing for the CWSA;
- \$134.1 million in SGF in FY 2023-24 and a reduction of \$134.1 million in SGF in FY 2024-25 and ongoing for Expanded Subsidized Employment; and
- \$55.0 million in SGF in FY 2023-24 and a reduction of \$71.0 million in SGF beginning in 2024-25 and ongoing for family stabilization.

The County is also opposed to the following funding reductions:

- \$47.0 million in SGF beginning in 2024-25 and ongoing for Employment Services Intensive Case Management;
- \$40.0 million one-time SGF in FY 2023-24, the third and final year of funding for the Public Defender Pilot Program;
- \$30.0 million in 2024-25 and ongoing for the Family Urgent Response System;
- \$195,000 in 2024-25 and \$25.5 million (\$18.8 million in SGF) in 2025-26 and ongoing for Housing Supplement for Foster Youth in Supervised Independent Living Placements;
- \$13.7 million SGF ongoing for the Housing Navigation and Maintenance Program; and
- \$8.3 million in 2024-25 and ongoing for the County Child Welfare Services Public Health Nursing Program.

Despite the \$37.9 billion projected revenue shortfall, the Proposed Budget sustains key investments made in prior fiscal years including:

- \$15.3 billion for homelessness;
- \$8.7 billion for mental health reforms; and
- \$1.1 billion for public safety.

The Proposed Budget also includes proposals of interest to the County that would increase the Managed Care Organization Tax, complete development of the statewide middle mile network, bolster law enforcement efforts to curb retail theft, increase CalWORKs grants, provide grants to county probation departments, and make automation changes for a reformed foster care payment structure, among others.

On March 14, 2024, the California State Senate released its “Step One: Shrink the Shortfall” early action plan to immediately decrease the projected State budget shortfall to a more manageable level for the critical time period leading up to the June 15 budget deadline date. This early action plan uses the current point-in-time shortfall estimate range of \$38.0 billion to \$53.0 billion. Shrink the Shortfall consists of \$17.1 billion in State budget solutions including \$4.7 billion in revenue sources and internal borrowing from special funds, \$3.9 billion in funding shifts, \$3.3 billion in program reductions, \$3.2 billion in delays, and \$2.21 billion in deferrals.

Step Two of the Senate’s State budget plan will be released later in the spring and provide a comprehensive proposal for a balanced, responsible budget that protects core programs and services. The State Assembly has not yet released its early action plan.

Since the State Budget plays an important role in funding important programs administered by the County, the CEO – Legislative Affairs and Intergovernmental Relations Branch will continue to monitor State Budget activities and advocate in support of the County’s priorities with the Governor and the Legislature.

Federal Budget

On March 8, 2024, President Joseph R. Biden, Jr. signed into law H.R. 4366, the Consolidated Appropriations Act, 2024, which contains \$467.5 billion for six of the 12 Federal Fiscal Year (FFY) 2024 appropriations bills, a \$1.5 billion increase over FFY 2023 enacted levels. This first tranche of bills funds several agencies, including the departments of Transportation, Veterans Affairs, Energy, Agriculture, Interior, and Housing and Urban Development, as well as the Environmental Protection Agency and the Food and Drug Administration. Funding for agencies included in this bill will last through FFY 2024, which ends on September 30, 2024.

Additionally, H.R. 4366 included the following eight County Community Project Funding and Congressional Directed Spending allocations. H.R. 4366 also included \$23.4 million in civil works funding for the County Drainage Area's (LACDA) operations and maintenance; \$300,000 for the LACDA Divestiture Study; and \$8,000 for Marina del Rey's operations and maintenance.

Further, H.R. 4366 included health-related extenders including: the elimination of the Medicaid Disproportionate Share Hospital Payment cuts through December 31, 2024; a permanent state option to provide Medicaid-covered services to individuals who have substance use disorders and reside in Institutions for Mental Diseases, regardless of the size of the facility, so long as such stays do not exceed 30 days per 12-month period; and a requirement that state Medicaid programs suspend rather than terminate Medicaid eligibility for persons in custody.

On March 18, 2024, Congress and the Biden Administration reached an agreement on the second tranche of bills for FFY 2024, which would provide funding for all remaining federal agencies, including the departments of Defense, Homeland Security, the Federal Communications Commission and other independent regulatory agencies, and Health and Human Services. This office will review the text of the legislation once it becomes available. Once the remaining package of FFY 2024 bills is enacted, the House and Senate Appropriations Committees will begin hearings on appropriations for FFY 2025, which will likely occur in April. Additionally, most members of Congress have begun to solicit earmark requests for FFY 2025.

President Biden also released on March 11, 2024, his \$7.3 trillion budget blueprint for FFY 2025. The budget request proposes approximately \$734.0 billion in non-defense discretionary funding in FFY 2025 and defense spending of approximately \$895.0 billion. Mandatory (entitlement) spending and interest on the national debt continue to represent the fastest growing components of the budget. Among other provisions, the President's budget request includes restoring the expanded Child Tax Credit, extending mandatory Medicare drug pricing negotiations to additional drugs, instituting national paid family leave programs, increasing affordable housing assistance, and funding environmental initiatives, among other proposals. The proposal also seeks to reduce the federal deficit by nearly \$3.0 trillion over the next ten years, primarily through increases in taxes.

SHORT- AND LONG-TERM BUDGET ISSUES

The County is challenged every year with balancing the increased demand on its services with limited available resources, while the cost of providing these services increases at a faster rate than available financing sources.

Yet we continue to be fiscally prudent and have prepared to address a few long-term budget issues by taking the following actions:

- Implementing the Board-approved, multi-year plan to prefund retiree healthcare benefits.
- Augmenting the Rainy Day Fund annually to reach a balance of \$978.6 million, which is roughly equal to one month's payroll for the County.
- Setting aside \$56.2 million in Appropriations for Contingencies as a hedge against unforeseen fiscal issues throughout the fiscal year, as directed by the Board's budget and fiscal policies.
- Increasing the Extraordinary Maintenance budget unit to help address deferred maintenance needs throughout the County. During this budget phase, we are recommending an additional \$5.0 million in ongoing funding for this effort.

However, many long-term budgetary issues will require significant investments through a longer, multi-year funding approach. Outlined below are some of the County's more significant budget issues:

- **Child Victims Act – Assembly Bill (AB) 218** – The County is facing one of its most serious fiscal challenges in decades: claims spurred by AB 218. Also known as the Child Victims Act, AB 218 extended the statute of limitations for filing childhood sexual assault claims and permitted alleged victims of any age to file civil claims through December 31, 2022. Rough estimates on the latest information puts the County's financial exposure at more than \$3.0 billion from claims alleging childhood sexual assault at various County and non-County facilities. Because of the gravity of these claims and the staggering potential liability, we are assessing the impact this will have on the County's finances and future programmatic funding needs. Any outcome from these claims will put further pressure on the County's budget, which is already strained by increased costs and slowing revenue growth. The County utilizes a pay-as-you-go approach to settlements and therefore, has not set aside funding to cover these costs at this time.
- **Other Post-Employment Benefits (OPEB)** – The Recommended Budget adds \$67.9 million in pre-funding contributions to the OPEB Trust Fund. This is the tenth year of a multi-year plan to reach the \$1.5 billion actuarially determined contribution (ADC). The ADC is recognized as the measuring stick indicating that these health benefits for retired members of our County workforce are adequately funded. Based on current projections for the OPEB prefunding plan, the OPEB ADC will be fully achieved by 2026-27.

- **DCFS** – The Department is forecasting a structural deficit of more than \$235.0 million, due to the prior expiration of the Title IV-E Waiver and federal bridge funding under the Families First Transition Act Funding Certainty Grant, rising staff and placement costs, and the substantial expansion of State-mandated services for children and youth through age 21. The Department continues to be actively engaged in planning efforts to ensure a seamless integration of enhanced prevention and aftercare services under the Families First Prevention Services Act. The Department is also advocating with the State to maintain additional funding to assist in meeting service delivery requirements under the State’s mandates.
- **Other Department Deficits** – Other departments with an unresolved structural deficit include Fire and LA County Library, the latter of which is anticipated in 2029-30. DHS is also facing a future deficit based on a gap between revenues and operating costs.
- **Reliance on Measure H and Federal American Rescue Plan (ARP) Funds** – This 2024-25 Recommended Budget includes \$635.3 million in funding from these sources. Measure H will expire in 2027. All ARP funding must be spent down by 2026. It should be noted that ARP dollars were budgeted as one-time funding, which is not permitted to be used to hire permanent staff in support of these pilot programs and temporary supports for residents and businesses recovering from the impacts of the pandemic. The County does not have the ability to fund these programs and services on an ongoing basis once the federal funding is exhausted. Departments that determine that these programs and services provide significant benefits that fill ongoing needs for many County residents are encouraged to make efforts to find new federal or State programs that can support this work. If other federal or State funding is not secured, these programs and services will be curtailed in future years.
- **Information Technology Systems Replacement** – The unfunded cost to replace and modernize the County’s critical information technology legacy systems is expected to exceed \$450.0 million.
- **Deferred Maintenance** – The Facility Reinvestment Program is a \$750.0 million program approved by the Board to address deferred maintenance of existing County buildings and facilities. The \$750.0 million is an initial plan to address a larger backlog of the highest-priority deferred maintenance and building systems replacement projects and only \$642.0 million is currently funded.

- **Seismic Safety** – Hundreds of millions in funding will be required to improve the County’s ability to withstand a major earthquake and provide public services following an earthquake. An assessment and prioritization of high-risk buildings is in progress. Additional funding may also be needed as a result of the report back for the February 28, 2023, Board motion for Equitable Earthquake Resilience in the County, and Board’s adoption of a proposed building code ordinance for high-rise non-ductile concrete buildings.
- **Stormwater and Urban Runoff** – To address regulatory stormwater and urban runoff compliance in unincorporated areas, we estimate that \$625.5 million will be needed over the next five years. This amount will be partially offset with Measure W tax revenue as awards are made annually to County stormwater projects.

There are a number of other budget pressures, the full impacts of which are unknown at this time, including rising costs of litigation, the costs of dramatically expanding mental health resources to meet rapidly increasing demand, and uncertainties around federal appropriations and how the State will resolve its multi-billion dollar budget deficit.

BUDGET TIMETABLE

Below is the schedule for budget hearings and deliberations.

Board Action	Approval Date
Adopt Recommended Budget; Order the Publication of the Necessary Notices; Distribute the Recommended Budget; and Schedule Public Hearings	April 23, 2024
Commence Public Budget Hearings	May 15, 2024
Commence Final Budget Deliberations and Adopt Budget Upon Conclusion of Deliberations	June 24, 2024

Prior to deliberations on the Budget Year 2024-25 Adopted Budget, we will file reports on:

- May 2024 revisions to the Governor’s Budget and updates on other 2024-25 State and federal budget legislation and the impact on the County’s Recommended Budget;
- Final revisions reflecting the latest estimates of requirements and available funds;
- Issues raised in public hearings or written testimony;
- Specific matters with potential fiscal impact; and
- Other issues as instructed by the Board.

APPROVAL OF RECOMMENDED BUDGET

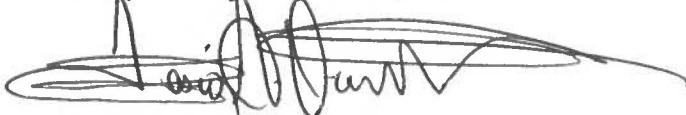
The matter before the Board is the adoption of the Recommended Budget.

- The documents must be available for consideration by the public at least 10 days prior to the commencement of public budget hearings.
- Adjustments to the budget, can be made during budget deliberations, prior to adoption of the Budget.
- Pursuant to State law (the County Budget Act), the Board may make changes to the Recommended Budget with a simple majority (3 votes) until adoption of the Budget, if changes are based on the permanent record developed during public hearings (e.g., Recommended Budget, budget requests, and all written and oral input by Supervisors, County staff and the public).
- Changes not based on the “permanent record” require four votes.

THEREFORE, IT IS RECOMMENDED THAT THE BOARD:

Approve the Recommended Budget for 2024-25; order the publication of the necessary notices; and set May 15, 2024, as the date that public budget hearings will begin.

Respectfully submitted,



FESIA A. DAVENPORT
Chief Executive Officer