



**Chief
Executive
Office.**

COUNTY OF LOS ANGELES

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ACTING CHIEF EXECUTIVE OFFICER

Joseph M. Nicchitta

April 14, 2026

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:

**2026-27 RECOMMENDED COUNTY BUDGET
(3-VOTES)**

Los Angeles County (County) continues to face extraordinary financial pressures. Revenue growth we rely on for new programming has declined over time, operational costs are increasing, and federal funding for essential safety net services has been cut dramatically or is at risk of being cut. At the same time, the County must plan financially to pay \$4.8 billion to compensate the survivors of childhood sexual abuse under Assembly Bill 218 (AB 218)—the largest such settlement in American history.

Despite these challenges, the Chief Executive Office (CEO) is presenting a balanced 2026-27 Recommended Budget totaling \$48.8 billion that prioritizes preserving critical safety net programs and services that our most vulnerable County residents rely on. Importantly, we are not proposing any new cuts to programs and services to balance the budget. The significant reductions that your Board authorized for Fiscal Year (FY) 2025-26—including a three percent decrease to address the County's AB 218 obligations and a 5.5 percent reduction to resolve agreements with County unions—were essential to achieving a balanced budget.

This Recommended Budget begins to address the many challenges driven by H.R. 1 (the "Big Bill"), and other federal and State revenue reductions that take effect in 2026-27. We are proposing an investment to prevent catastrophic reductions in CalFresh. This proposed investment will preserve approximately \$194.0 million annually in federal and State revenue and more than 1,000 jobs in the Department of Public Social Services (DPSS).



We are also recommending funding to support County public defenders to address an increasing workload driven by more cases and new work requirements, and to maintain our commitments to our workforce and our contracted partners that operate County museums and cultural facilities.

The budget also proposes funding to shore up the County's emergency response infrastructure to address independent recommendations following the devastating January 2025 wildfire disasters by adding 44 new positions in the Office of Emergency Management (OEM), which would bring the total number of positions to 81. This represents the first phase of a multiphase investment in emergency response.

Given our many pressures, more than \$2.1 billion in departmental budget requests remain unfunded in this Recommended Budget.

Significant challenges remain. The County Departments of Health Services (DHS) and Public Health (DPH) will experience steep declines in federal support during FY 2026-27. This budget reflects an estimated \$662.2 million decline in revenue for our public hospital and health care systems, requiring that DHS draw down on reserves to maintain level services. In addition to the loss of federal funding, DPH recently closed seven clinics to address their structural deficit and has six clinics remaining.

The County, like other counties throughout the country, does not have the local financial resources to backfill the loss of federal support. We continue to advocate for increased federal funding and we are working with the State to secure support for our public hospitals and core public health programming that serve our nearly 10 million residents.

Recovery from the January 2025 wildfires remains a priority. The County created two infrastructure financing districts that will leverage new property tax growth to promote investment and support recovery in Altadena and unincorporated Santa Monica Mountains and Sunset Mesa. We are still pushing for federal disaster aid to help ensure that the recovery from the January 2025 wildfires is robust and inclusive.

The Recommended Budget sets aside \$300.0 million to help pay our multiyear settlement liability under AB 218. The hard hiring freeze your Board approved in February 2026 is central to guarding against deficit spending and protecting year-end fund balance required to realize this \$300.0 million.

The County faces more than 6,000 new pending AB 218 claims that are not part of the \$4.8 billion settlement. Litigation and potential liability costs will weigh on County resources for years to come, requiring that the County carefully manage its budget to preserve existing safety net programming. The scale of these potential costs, combined

with reductions in federal and State revenue, means that further curtailments and layoffs are possible in subsequent budget phases and years.

BUDGET OVERVIEW

The \$48.8 billion 2026-27 Recommended Budget reflects a decrease of nearly \$3.7 billion in total financing uses when compared to the 2025-26 Final Adopted Budget from September 2025. This decrease is due primarily to the reversal of one-time funding provided for one-time needs in FY 2025-26. The County’s total budgeted workforce is 115,885, representing a net decrease of 81 positions.

The Recommended Budget includes \$334.1 million in new net ongoing locally generated revenues, an increase from \$230.5 million in the 2025-26 Recommended Budget, but still lower than the \$390.2 million in FY 2024-25 and \$551.7 million in FY 2023-24.

The availability of one-time funds in later budget phases will depend on whether departments fully spend their FY 2025-26 budgets by June 30, 2026. The current projection suggests departments may spend more of their budgeted funding, and some are projecting deficits. Consequently, one-time fund balance available for reallocation in the Supplemental Changes budget phase may be more limited than in past budgets.

Fund Group (\$ in billions)	2025-26 Final Adopted Budget	2026-27 Recommended	Change	% Change
Total General County	\$40.097	\$38.319	-\$1.778	-4.4%
Special Districts/ Special Funds	12.380	10.467	-1.913	-15.5%
Total Budget	\$52.477	\$48.786	-\$3.691*	-7.0%
Budgeted Positions	115,966	115,885	-81	-0.1%

**Though this represents a seven percent reduction from the 2025-26 Final Adopted Budget, additional funding may be allocated over the coming budget phases.*

As always, funding requests far exceed available resources. As noted above, this year we received budget requests totaling \$2.1 billion, which were detailed for the public during departmental budget presentations in February 2026.

BUDGET HIGHLIGHTS

New Department of Homeless Services and Housing

The Department of Homeless Services and Housing (HSH), established to consolidate homelessness efforts under a centralized structure and improve service delivery to a vulnerable population, became operational in January 2026.

The HSH budget is supported by a total of 573 positions, of which 175 positions are newly allocated and a net 398 positions are transferred from the CEO's Homeless Initiative budget and DHS' Housing for Health. This funding comes mostly from the Measure A half-cent sales tax and cannot be used for purposes unrelated to homeless services and housing.

Ongoing County Funding

Wages and Benefits

The CEO's budget recommendations reflect the fact that most County programs and services rely on people: social workers, public defenders, health and mental health clinicians and nurses, first responders, librarians, clerks, and all the other positions that make up its workforce. In total, nearly 60 percent or \$186.4 million of new ongoing revenue in this Recommended Budget is being invested in wages and benefits for our workforce. This funding recommendation is dictated by agreements reached during labor negotiations as previously approved by your Board (including a two percent cost-of-living adjustment in October 2026).

Assistance Caseload Changes

A total of \$51.2 million in new ongoing revenues is recommended to cover higher caseloads for the Department of Children and Family Services' (DCFS) adoption, foster care, and kinship programs, as well as the annual four percent increase in the County's share of cost for the IHSS program as required by the State.

Care First and Community Investment

In accordance with Measure J and Board Policy No. 4.031 to fund alternatives to incarceration and direct community investment, 10 percent of unrestricted, ongoing locally generated revenues net of restricted allocations is allocated to Care First and

Community Investment. This budget includes an increase of \$26.7 million, which represents the required set-aside amount in addition to the ongoing funding of \$287.7 million, for a total of \$314.3 million in ongoing program dollars in FY 2026-27.

Program Changes

New ongoing funding for program changes, the portion of the budget that can be allocated at your Board's discretion, totals \$63.2 million. Significant funding recommendations include \$40.1 million to cover the change to the County's required CalFresh local match resulting from the enactment of H.R. 1 (the "Big Bill"), \$12.0 million set aside in the Provisional Financing Uses (PFU) budget unit to hire staff to address workload issues in the Departments of the Alternate Public Defender and Public Defender, and \$9.9 million and 44 positions to expand staffing for OEM as part of a multi-year plan to strengthen long-term emergency operations.

One-Time County Funding

Recommendations in this budget phase also include the use of one-time funding, based on projected fund balance available at the FY 2025-26 fiscal year end. These one-time funds total \$3.5 billion, of which \$2.9 billion will be carried over to FY 2026-27 for unfinished programs and projects, including various capital and deferred projects.

The remaining \$554.0 million is newly allocated. Of the newly allocated total, we recommend \$300.0 million be set aside to pay for a portion of the County's first two settlements of AB 218 claims and \$100.0 million to support Affordable Housing, consistent with voter-approved Measure A requirements.

Other one-time allocations include: \$47.7 million for the Voting Solutions for All People election system and voting model for the November 2026 Gubernatorial General election; \$40.0 million for anticipated legal judgments and settlements; \$22.3 million set aside in the PFU budget unit for anticipated General Relief (GR) administration cost increases associated with aligning GR and CalFresh allocations; \$8.7 million to continue the implementation of the eTax filing system that will replace aging technology and make tax collection more efficient; and \$5.1 million for the organizational grants program administered by the Department of Arts and Culture (Arts).

Revenue Offset and Other Changes

In addition to the new funding allocations noted above, this Recommended Budget includes adjustments supported by other funding sources. Among those adjustments is \$0.5 million to fund a position in the CEO's Risk Management Branch to implement and

manage the countywide AB 218 Corrective Action Plan to prevent childhood sexual assault in County facilities, fully offset by intrafund transfers from departments.

Also included is \$17.8 million for DPSS' Cash Assistance Program for Immigrants, which provides cash assistance to eligible aged, blind, or disabled immigrants who would otherwise qualify for federal Social Security Income/State Supplementary Payment programs, but are ineligible due to immigration status. The program is funded entirely with State dollars and does not rely on federal support.

Other revenue offset adjustments include:

- \$82.5 million in State grants for energy efficiency and electric vehicle-related programs administered by the Internal Services Department;
- \$25.2 million in Fire District revenue to support the Fire Department's emergency operations, vehicle repair and maintenance costs, and general administrative expenses;
- \$5.3 million in federal and State funding and 41 positions for the Department of Mental Health (DMH) to provide pre-release services at juvenile justice settings, expanded service delivery at directly operated clinics, and launch a new psychiatric Nurse Practitioner residency program with Charles Drew University, and various other program changes;
- \$4.4 million in charges for services revenue for the Department of Animal Care and Control to support rising operational costs for medical supplies and food, expand low-cost spay and neuter services through partner organizations, and provide ongoing funding for the rodent abatement programs at animal care centers;
- \$2.7 million in Consumer Protection Settlement funds for 10 positions at the District Attorney to investigate and prosecute fraudulent AB 218 claims;
- \$2.2 million in federal and State revenue, and 11 positions for DMH to primarily provide operational, analytical, and technical support for high-priority programs, such as child and adolescent programs, Public Guardian services, mental health promotion, quality improvement, and Equity, Diversity, Inclusion, and Antiracism activities;
- \$1.5 million in LA County Library reserve funding for the department to purchase additional books and materials to strengthen service delivery and community access; and
- \$1.0 million in philanthropic funding for Arts' new Teen Arts Internship Program, which will provide internship opportunities at arts organizations to high school seniors.

Additionally, this Recommended Budget includes funding for the full-year cost of the \$0.74 per hour wage increase for contracted IHSS providers funded with \$40.1 million transferred from the PFU budget unit to DPSS.

Investments in Sustainability

Included in this budget is \$85.7 million to support the implementation of energy efficiency and electric vehicle–related programs, as well as to advance career pathway initiatives focused on urban forestry and stormwater management and urban runoff reduction projects. This investment reflects a coordinated approach to sustainability, workforce development, and environmental stewardship. The funding is primarily offset by a combination of \$82.5 million in State grant funds, \$1.9 million in Measure W revenue, and \$0.9 million in federal grant funding.

SUSTAINING INVESTMENTS IN CRITICAL PROGRAMMING

While we have highlighted some key adjustments included in this Recommended Budget, the majority of ongoing funding allocations made in prior years continue into the current budget. The Recommended Budget reflects sustained commitments that remain embedded across County departments.

Accordingly, this budget preserves significant investments in safety net services. Among other investments are \$277.5 million to support 6,164 interim housing beds, \$235.1 million for 32,517 permanent supportive housing slots, and \$383.4 million for 5,300 budgeted Office of Diversion and Reentry beds that help divert individuals with serious mental illness and substance use disorders from the jail system, as well as funding for mental health beds. The budget also maintains \$554.8 million for Correctional Health Services, ensuring that individuals in County jails receive necessary medical and mental health care.

ONGOING CHALLENGES

The challenges facing the County this year have been well documented in the run up to the Recommended Budget, but are worth mentioning again as we begin a new budget year.

AB 218

The County has agreed to pay \$4.8 billion in two separate settlements to compensate survivors of childhood sexual abuse who filed more than 11,000 claims against the County under AB 218. This law, which became effective in 2020, waived the statute of limitations to file a claim of childhood sexual assault by providing a three-year window to allow victims of childhood sexual abuse to come forward. The settlement financing plan will require annual payments totaling hundreds of millions of dollars through 2030 and substantial annual debt service payments through FY 2050-51.

With more than 6,000 new claims and an average monthly increase of 150 new filings, we expect that AB 218 will constrain County budgets for years to come. The County is committed to paying survivors and to reforming its operations to better protect children in its care. We also seek reform in Sacramento to eliminate loopholes that allow abusive attorneys to exploit the lack of records and witnesses for their financial gain, to the detriment of legitimate survivors and County residents who rely on robust County services to meet their basic daily needs.

Rebuilding After the January 2025 Wildfires

The Eaton and Palisades wildfires were among the worst natural disasters to strike the County in modern times. The County has experienced decreases in property tax revenues from the full or partial loss of properties in the affected areas, some decreases in our local sales tax-based revenues due to the loss and closure of businesses, and the waiver of fees for rebuilding. Extending the deadline for property owners in fire impacted areas to pay their real property taxes without penalties and interest may also slow revenue collections. Future Altadena and unincorporated Santa Monica Mountains/Sunset Mesa property tax revenues are being dedicated to direct investment in those communities under new disaster-related enhanced infrastructure financing districts.

To date, the federal government has not responded to the Governor's February 2025 request for federal aid for rebuilding and recovery. We continue to work with our State and federal partners to secure badly needed funding to support our communities as they move toward full recovery, which will ultimately create a stronger, safer, more resilient County for all our residents.

Federal Funding Cuts

The federal administration's new policy changes have jeopardized hundreds of millions of federal dollars that support vital County services and programs. Changes to rules governing eligibility and work requirements for federal assistance under Medicaid

(Medi-Cal in California) and the SNAP food assistance program (CalFresh in California) are cutting administrative budgets and decreasing the availability of benefits for low-income individuals and families who then must turn to the County for assistance. The regulatory changes under H.R. 1, plus other reductions in federal funding, have already hit the County's DPH and DPSS and will have a devastating impact on DHS beginning January 1, 2027. Thoughtfully preparing for these impacts is essential.

Even without the budgetary pressures noted above, the County could not absorb the federal share of costs for hundreds of employees and entitlement benefits largely funded by federal dollars if that funding were to disappear. We are closely monitoring the shifts in federal policy and their potential impact on our federal revenue streams and on our budget. We will return to your Board with additional recommendations in a later budget phase to address new federal funding changes, as appropriate.

Limited Growth in Property Tax Revenues

While property taxes remain a primary source of County revenues and this year's revenues are projected to grow, the growth in revenue has been declining from a high of \$450.5 million in FY 2022-23 to \$314.8 million in FY 2026-27, a decline of nearly 30 percent, due to a sharp decline in home sales over much of that time period.

Creating a Sustainable Budget

All of these concerns have led us to work proactively on long-term budget solutions to help the County navigate these challenges, prepare to withstand new setbacks and emergencies, and invest strategically whenever possible. To achieve this, the CEO is working closely with department heads on options for increasing revenues (e.g., reconsidering the protocol for fee increases and waivers), reducing costs (e.g., by better managing central billing functions), and reallocating revenues (e.g., shifting dollars from low to high priorities and redirecting underutilized funds).

We want to limit any need for curtailments and layoffs to the extent possible, while ensuring that we can turn over a balanced budget with sufficient reserves to the elected County executive who will take over in 2028 under Measure G.

ECONOMIC OUTLOOK

Early indicators suggested the U.S. economy would remain resilient though constrained by continuing inflationary pressures and a weakening labor market. However, the recent geopolitical conflict in the Middle East has introduced significant uncertainty at the national level and has driven up gas prices. Coupled with ongoing local budgetary

pressures, this is contributing to a more challenging economic outlook for the County in the coming years.

Our forecast for sales tax revenues reflects modest growth based on current revenue trends. The 2026-27 Recommended Budget includes an estimated increase of one percent, or \$0.9 million, from sales and use tax collections in the County unincorporated areas. For Proposition 172 Public Safety statewide sales tax revenues, the 2026-27 Recommended Budget reflects a 1.9 percent increase, or \$18.3 million, from the 2025-26 Final Adopted Budget.

After consulting with the County Assessor, we are forecasting a 3.9 percent increase to the 2026 tax assessment roll, resulting in a \$314.8 million increase in property tax revenue. Since the Assessor is scheduled to issue its official forecast in May 2026 and release the final roll in the summer of 2026, our office will update assessed value projections in future budget phases, if needed.

In light of the current economic instability, it is important to remain adaptable and resilient. My office will continue to monitor emerging trends and make informed decisions to ensure the continued delivery of essential services, while refining our revenue forecasts as needed throughout the year.

THREE-YEAR OUTLOOK

Currently, the short-term outlook projects that we will be able to balance the budget through FY 2026-27 without across-the-board curtailments or layoffs. However, there are significant areas of concern as we look forward a few years. For instance, without meaningful new revenues, a restoration of federal funding cuts, or significant State assistance, our health departments in particular may find it difficult to avoid service reductions and/or layoffs in FYs 2027-28 or 2028-29. As our budget challenges continue to put pressure on the County's resources and there are additional reductions in federal and State funding in the future, there will be little to no flexibility to fund new programs or services for any departments or initiatives.

ABOUT THE BUDGET PROCESS

The Recommended Budget is the first step in the County's multi-part budget process, which includes Public Hearings beginning May 6; deliberations leading to the approval of the Adopted Budget on June 22; and the Supplemental Budget culminating with the approval of the Final Adopted Budget on September 29. This multi-part process enables

the County to respond to fiscal and economic changes and opportunities that did not exist at the start of the budget year.

Although the County's budget is very large, most of it is already "spoken for." The majority of funding comes from State and federal sources, as well as charges and fees for services provided to contract cities or to the public. Generally speaking, these revenues are tied to specific programs and services and may not be repurposed for uses that are different from the use restrictions tied to the program or service, unless a waiver is obtained from the funding entity.

Funding covers the costs to implement programs including costs for: staff, salaries, employee benefits, office space, direct benefits to service recipients and the provision of a wide range of services by outside providers. Similarly, the bulk of our locally generated revenue is already committed to ongoing programs and services approved by your Board in prior years. As part of our budget process, we focus on the changes (i.e., additional revenue) to our budget – a convention known as incremental budgeting. The Recommended Budget Book details both existing and newly recommended funding.

The budget process is guided by fiscal policy, which has kept the County's budget sound for many years. Those policy mandates include directives to fund ongoing costs with ongoing revenue/resources and fund mandatory obligations before discretionary ones, as well as dictating the set aside of 10 percent of ongoing, unrestricted local revenues to alternatives to incarceration and direct community investment, as originally envisioned by Measure J.

LONG-TERM BUDGET CONCERNS

In addition to the budget pressures identified earlier in this letter, we have identified several needs that will require significant investments through a longer, multi-year funding approach. The most significant of these are outlined below:

- **Other Post-Employment Benefits (OPEB)** – The 2026-27 Recommended Budget adds \$25.0 million net County cost (NCC) in pre-funding contributions to the OPEB Trust Fund. This is the 12th year of a multi-year plan to reach the estimated \$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. This multi-year plan will ensure that we have a secure and stable funding source for these expenses.

- **Department Deficits** – Several departments have unresolved structural deficits. These are often the result of ongoing departmental expenses that exceed the department’s ongoing revenue streams and/or ongoing NCC. In some cases, departments have certain one-time reserves that they can use to balance their budget, which can delay when they are unable to support ongoing costs and might end the fiscal year in a deficit. A few of the departments that we are currently tracking include:
 - The LA County Library anticipates a budget deficit in FY 2030-31 when their one-time special fund reserves are estimated to be depleted.
 - DCFS is projected to have a structural deficit of more than \$200.0 million by FY 2031-32 when its one-time reserves are exhausted.
 - DHS is also facing a future deficit due to a gap between ongoing revenues and operating costs. The Recommended Budget reflects DHS’ use of \$743.6 million of one-time fund balance primarily for the anticipated shortfall in federal and State revenue for DHS. DHS currently projects their one-time fund balance will be exhausted in FY 2028-29.
- **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 previously approved by your Board to address deferred maintenance of existing County buildings and facilities. The \$750.0 million funds an initial plan to address a larger backlog of the highest-priority deferred maintenance and building systems replacement projects. This is comprised of \$546.0 million in previously approved one-time NCC and \$204.0 million in short-term borrowing, which is planned to be long-term debt-financed in FY 2029-30 at \$20.0 million annually for 15 years.
- **Seismic Safety** – Approximately \$1.5 billion is estimated to be the total cost to upgrade County buildings to withstand a major earthquake and continue to provide public services following an earthquake. To date, \$110.0 million has been funded for high-priority seismic retrofit projects. The remaining need of \$1.4 billion will be reviewed and considered for future funding based on the assessment and prioritization of seismic deficiencies and in the context of the County’s budgetary constraints at the time.

- **Stormwater and Urban Runoff** – To address regulatory stormwater and urban runoff compliance in unincorporated areas, Public Works estimates that \$737.1 million will be needed over the next five years. This amount is partially offset with Measure W tax revenue and may change as awards are made annually to County stormwater projects, and with contributions from city/agency partners on some projects.

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 14, 2026
Commence Public Budget Hearings	May 6, 2026
Commence Final Budget Deliberations and Adopt Budget Upon Conclusion of Deliberations	June 22, 2026

Prior to deliberations on the 2026-27 Adopted Budget, we will file reports on:

- May revisions to the Governor’s Budget and updates on other FY 2026-27 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 your Board.

APPROVAL OF RECOMMENDED BUDGET

The matter before your 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), your 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 2026-27; order the publication of the necessary notices; and set May 6, 2026, as the date that public budget hearings will begin.

Respectfully submitted,



JOSEPH M. NICCHITTA
Acting Chief Executive Officer