



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

FESIA A. DAVENPORT
Chief Executive Officer

Board of Supervisors
HILDA L. SOLIS
First District

HOLLY J. MITCHELL
Second District

SHEILA KUEHL
Third District

JANICE HAHN
Fourth District

KATHRYN BARGER
Fifth District

March 16, 2021

To: Supervisor Hilda L. Solis, Chair
Supervisor Holly J. Mitchell
Supervisor Sheila Kuehl
Supervisor Janice Hahn
Supervisor Kathryn Barger

From: Fesia A. Davenport
Chief Executive Officer

FY 2021-22 MEASURE J RECOMMENDED SET-ASIDE

This is to notify you that as part of the Fiscal Year (FY) 2021-22 Recommended Budget, the Chief Executive Office (CEO) will propose that \$100.0 million in ongoing Net County Cost (NCC) funding be set-aside in the Provisional Financing Uses (PFU) budget unit to finance the first year of Measure J programs and projects. This recommendation will provide the County's year-one "down payment" as we build up to the full set aside amount over three fiscal years.

Background

The Measure J charter amendment approved by the voters of the County of Los Angeles (County) on November 3, 2020, requires that the County "set aside a baseline minimum threshold of at least ten percent (10%) of the County's locally generated unrestricted revenues in the general fund (Net County Cost [NCC]), as determined annually in the budget process or as otherwise set forth in the County Code or regulations, to be allocated on an annual basis..." (Measure J, section (8)(A)).

Measure J identifies nine specific program categories where the funds may be expended:

Direct Community Investment (DCI):

1. Community-based youth development programs.
2. Job training and jobs to low-income residents focusing on jobs that support the implementation of the Alternatives to Incarceration (ATI) Workgroup recommendations as presented to the County Board of Supervisors on

March 10, 2020, especially construction jobs for the expansion of affordable and supportive housing, restorative care villages, and a decentralized system of care.

3. Access to capital for small minority-owned businesses, with a focus on black-owned businesses.
4. Rent assistance, housing vouchers, and accompanying supportive services for those at risk of losing their housing, or without stable housing.
5. Capital funding for transitional housing, affordable housing, supportive housing, and restorative care villages with a priority for shovel-ready projects.

ATI:

1. Community-based restorative justice programs.
2. Pre-trial non-custody services and treatment.
3. Community-based health services, health promotion, counseling, wellness and prevention programs, and mental health and substance abuse disorder services.
4. Non-custodial diversion and reentry programs, including housing and services.

The ten percent set-aside shall not be used for any carceral system or law enforcement agencies including the Sheriff's Department, the District Attorney or the Probation Department. The set-aside cannot supplant monies otherwise allocated for DCI and ATI uses. The Measure J set-aside shall be phased-in over a three-year period beginning on July 1, 2021, and incrementally grow to the full set-aside by June 30, 2024.

Calculating the Measure J Set Aside - Overview

Since passage of Measure J, the CEO has undertaken a detailed analysis of the County budget, at the Departmental and programmatic levels, to identify which portions of NCC fall into the restricted NCC or unrestricted NCC categories. This section discusses our process and the recommended year-one set-aside amount.

Restricted NCC consists of expenditure items for which the County lacks discretion over the obligation to expend funds. Restricted NCC consists of such things as legal settlements, maintenance of effort requirements, State and federal mandates, legally or contractually required payments, incurred debt service and unfunded employee benefits such as pension, retiree healthcare and workers' compensation. The remaining portion of NCC (Unrestricted NCC) serves as the basis of the ten percent set aside for Measure J programs and projects.

Our analysis is proceeding in two phases: the initial phase and a subsequent due-diligence phase. We have completed the initial phase and found that approximately \$3.0 billion of NCC fall into the Unrestricted NCC category and is therefore subject to the ten percent set-aside. As such, \$300.0 million would need to be set-aside over the next three (3) fiscal years. Consequently, we propose that one-third of this amount or \$100.0 million be earmarked as the recommended set-aside amount in the FY 2021-22 Recommended Budget.

During the due diligence phase, we will continue to work with the departments to verify all programmatic information and details used in our calculations. Although we do not anticipate large adjustments to the recommended set-aside amount, the process can easily take us into future budget phases. However, we are mindful that the Measure J Advisory Panel is meeting to develop proposals for Measure J investments and needs to know the recommended set-aside amount to guide initial planning efforts. Given the foregoing, we propose to include the recommended set-aside of \$100.0 million in the FY 2021-22 Recommended Budget and will complete the due diligence phase of our work once all tasks required to deliver the Recommended Budget are completed. It is worth reiterating that this is the first year of a three-year process and represents a substantial investment given the pandemic induced pressures on our County budget.

Completion of the initial phase marks a major milestone in the Measure J set-aside process. Up until now, we have been unable to comply with requests to provide or project a year one Measure J set aside-amount as our analysis had either not begun, was pending, or remained incomplete. We will continue to keep your offices and the Measure J Advisory Panel apprised of our progress, and seek Board approval of the recommended set-aside amount and any future adjustments throughout the budget process. Should you have any questions concerning this matter, please contact me, or your staff may contact Matthew McGloin at (213) 974-1694 or mmcgloin@ceo.lacounty.gov.

FAD:JMN:MM:gl

c: Executive Office, Board of Supervisors
County Counsel
Measure J Advisory Panel Chair
Alternatives To Incarceration
Anti-Racism, Diversity, and Inclusion