CEO
Chief Executive Office
COUNTY OF LOS ANGELES

Overview of 2021-22 Budget Issues

Public Hearing
May 19, 2021

Embracing the Opportunity for Transformative Change

- As we continue to rise and rebuild from the COVID-19 pandemic, we are at a historic turning point.
- Thanks to this Board's leadership, we have the opportunity for once-in-a-generation transformative change.
- $36.2 billion Recommended Budget approved last month is just the beginning.

Reasons for Optimism

- L.A. County revenues trending in positive direction.
- American Rescue Plan—$1.9 billion in funding over 3 years.
- American Jobs Plan—currently being negotiated in Washington, D.C.
- State Budget focused on homelessness, housing, childcare and small businesses.

Budget Advances Key Board Priorities & Initiatives

- Advancing racial equity and justice system reform.
- Ramping up to implement Measure J to fund direct community investments and alternatives to incarceration.
- Supporting those disproportionately affected by the COVID-19 pandemic.
- Investing in affordable housing.
- Continuing our longstanding commitment to fighting homelessness.

Care First, Jails Last Initiatives

Measure J

- 3-year phase-in period beginning on July 1, 2021. Ordinance directs the County to **"incrementally grow to the full set-aside by June 30, 2024."**
- **$100 million** begins that phase-in period and is the largest single allocation of its kind in the Recommended Budget.
- Due diligence to determine projected/estimated amount of set-aside is continuing.
- Provides funding that can be used immediately while also giving us time to build to the full set-aside amount.

Care First, Jails Last Initiatives

Department of Youth Development

- Multi-year process currently underway to address legislative, labor and funding issues.

- Report to Board in the coming weeks to provide an update and recommendation for scaling up efforts underway to advance this work immediately as well as over the long term.

Decision Points Ahead

This year more than ever, we have significant budget changes in the months ahead.

- American Rescue Plan: In early June, we will present your Board with recommendations for the American Rescue Plan in four broad categories: Health, Economic Recovery, Equity Investments, and Sustainability & Preparedness.
- "Adopted Budget" Phase: We will return on June 28 to present the next budget phase—known as "Adopted Budget"—which will incorporate more up to date information on revenues and also the impact of the State's budget on Los Angeles County.
- Measure J Recommendations—CEO will present recommendations, including proposals from the Measure J Advisory Committee, to the Board sometime after June budget is adopted.
- Supplemental Budget—Final budget phase; goes to Board on October 5.

A Balanced Budget: Principles & Priorities

Principles: The Board's commitment to conservative budgeting principles—"living within our means"—has helped the County maintain fiscal stability through crises and economic downturns without layoffs, furloughs or extensive cuts in services.

Priorities:

- Maintaining a strong, stable and focused workforce to meet safety net responsibilities and public needs.
- Balancing ambitious policy agenda with budgetary and fiscal constraints to maintain a structurally balanced budget.
- Taking a multi-year approach to ensure ongoing funding for ongoing priorities over the long term.

Building on a Leaner Baseline Established in 2020-21 Budget

- **$369 million** in cuts to departments funded with locally generated revenues.
- Elimination of **2,586** positions.
- Hard freeze on non-essential hiring.

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Challenges on the Horizon

- Minimizing the revenue loss of Title IV-E Waiver revenue by providing services that can be funded with new Family First Prevention Services Act revenue.
- The LA Alliance homelessness lawsuit (under appeal by County) could cost an estimated $448 million and result in nearly 2,000 layoffs.
- The cost to replace and modernize the County's legacy technology systems is expected to exceed $450 million over the next five years.
- A five-year reinvestment strategy for existing County buildings and facilities is expected to cost $750 million.

Challenges on the Horizon

OTHER FINANCIAL PRESSURES

The County is facing more than $40.2 billion in unfunded liabilities.

- Retiree health benefits - $18.6 billion
- Retirement - $18.5 billion
- Workers' compensation - $3.1 billion

The County's retirement costs will increase significantly in coming years due to changes in the pension plans' rate of return assumptions and our commitment to prefund retiree health benefits.

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Upcoming Budget Phases

The next phases in the County's budget process are Adopted Budget Deliberations on **June 28** and Supplemental Budget on **October 5**.

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