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FESIA A. DAVENPORT
Chief Executive Officer

April 19, 2022

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:

FISCAL YEAR 2022-23 RECOMMENDED COUNTY BUDGET (3-VOTES)

The Fiscal Year (FY) 2022-23 Recommended Budget marks an important step forward in the County's efforts to move safely through the COVID-19 pandemic and into a broad-based, equity-focused economic recovery. Building on lessons learned during the pandemic and making full use of federal and State funds to jumpstart the County's recovery, this proposed $38.5 billion spending plan advances the Board of Supervisors' (Board) policy agenda and strengthens the County workforce to provide a wide range of vital services to the public.

The budget strikes a balance between funding an extensive range of mandated responsibilities while also continuing to build the foundation for a "Better than Before" recovery that lifts all communities, particularly those hardest hit by the health and economic impacts of the COVID-19 pandemic.

Among other actions, the FY 2022-23 Recommended Budget:

- Prioritizes the County's fight against homelessness with extensive investments in mental health outreach, supportive services and a wide range of housing programs to increase the supply of affordable housing and move people off the street and into safe living conditions.

- Fortifies the County's public health system to respond to future emergencies.

- Provides an additional $100 million, bringing the total investment to $200 million, for Year Two of Care First and Community Investment (CFCI) projects and programs to address racial disparities in the justice system as the County moves toward the full set-aside specified in Measure J by June 2024.

- Improves residents' quality of life with extensive investments in parks and aquatic programs, and $85.3 million in capital projects to enhance and expand access to open space and recreational facilities.

- Invests in key populations including older adults with funding for the LA Found locator program and foundational support for a new department focused on the aging population; start-up support for a new economic opportunity department and an Office of Labor Equity to protect workers in key industries; jobs for young people and support for LGBTQ+ youth; and ongoing support for services to small businesses.

This year's Recommended Budget reflects a generally positive economic outlook, with projected increases in property and sales tax revenues.

However, despite some optimism as public health restrictions are eased, the budget also reflects fiscal caution in light of substantial challenges, including an unsettled geopolitical climate that has created volatility in both financial and energy markets; the emergence of new coronavirus variants; pending litigation; inflationary pressures; and the rising costs of labor and benefits.

To help mitigate against these uncertainties, included in this budget is a recommendation to set aside funding in Appropriations for Contingencies as a hedge against unforeseen events. We also continue our work to close the gap in unfunded pension and retiree healthcare liabilities to ensure we meet our longstanding commitments to our employees and retirees.

As always, funding requests far exceed available resources. Departments submitted over $2.5 billion in unmet needs requests; of which, we are recommending funding $564 million in programs and deferring $603 million to future budget phases. The remaining $1.3 billion remains unfunded.

BUDGET OVERVIEW

As displayed below, the FY 2022-23 Recommended Budget total of $38.5 billion reflects a decrease of $807 million in total financing uses when compared to the FY 2021-22 Final Adopted Budget. This is due to decreases in the Total General County Fund group (made up of the General Fund and Hospital Enterprise Funds) and in Special Districts/Special Funds. The total number of budgeted positions increased by 513, bringing the total number of budgeted positions to 111,551.

Fund Group ($ in billions)	**2021-22 Final Adopted Budget**	**2022-23 Recommended**	**Change**	**% Change**
Total General County	$29.882	$29.543	-$0.339	-1.1%
Special Districts/ Special Funds	9.442	8.974	-0.468	-5.0%
Total Budget	**$39.324**	**$38.517**	**-$0.807***	**-2.1%**
Budgeted Positions	111,038	111,551	513**	0.5%

**Though this represents a two percent reduction from the FY 2021-22 Final Adopted Budget, additional funding may be allocated over the coming budget phases.*

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

ECONOMIC OUTLOOK

The decrease in COVID-19 community transmission has led to the easing of public health restrictions, and as a result, we expect sustained moderate growth in our economic outlook. However, inflationary pressures and geopolitical conflicts are contributing to greater uncertainty and risk slowing economic recovery and growth.

Since the initial economic shock from the COVID-19 pandemic in 2020, Gross Domestic Product (GDP), a snapshot of the estimated size and growth rate of the U.S. economy, has rebounded to pre-pandemic levels and continues to grow steadily. Other important economic indicators show that unemployment is lower and consumer spending is strong, which has helped bolster sales tax revenues.

Based on current revenue trends, we are forecasting increases in statewide sales tax and locally generated revenues relative to last fiscal year. For Proposition 172 Public Safety sales tax, we are projecting a $69.7 million increase, or 7.9 percent, primarily due to the steady rise in consumer spending. Similarly, we are projecting a $3.5 million increase from sales and use tax collected in unincorporated areas.

After consulting with the County Assessor, we are forecasting a six percent increase to the 2022 tax assessment roll, which results in a $381.2 million increase in property tax revenue. This forecast is preliminary as the Assessor is scheduled to issue its official forecast in May 2022 and release the final roll in the summer of 2022. We will continue to work with the Assessor to update assessed value projections.

While GDP, consumer spending, and our revenue changes reflect growth, we also remain cautious and prudent in our forecast. Recently and more prevalently, some economists and financial institutions have signaled a heightened possibility of recession later this year. This more pessimistic outlook is due primarily to two factors:

1) The inflation rate, which has increased dramatically over the past few months due to price increases caused by global supply chain disruptions and heavy consumer demand that is outweighing supply. When high inflation persists, it lowers consumer purchasing power and confidence, which can curb discretionary spending and lead to slower economic growth. The combination of the supply and demand imbalance, a tight labor market for employers resulting in wage increases, and historically low interest rates have all contributed to higher inflation. To control inflation, the Federal Reserve (Feds) plans to raise interest rates multiple times throughout the year. Some worry that the Feds' action to tame inflation will in turn slow the economic recovery and could lead to a recession or even usher in a period of stagflation.

2) The volatile geopolitical conflict in Ukraine, which poses considerable risk to economic growth and has further increased inflationary pressures and uncertainty, in addition to oil and commodity price surges.

In addition, the highly contagious Omicron variant this past winter demonstrated that outbreaks of new COVID-19 variants can cause unforeseen public health and economic disruptions, and we continue to monitor those closely along with the County Department of Public Health (DPH).

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 nimbly to fiscal and economic changes and opportunities that may not be available at the start of the budget year. In some cases, funding is set aside in the Provisional Financing Uses (PFU) budget unit as part of the Recommended Budget, while program implementation plans are being developed and finalized.

Programs approved by the Board in a prior fiscal year or the County's first phase of American Rescue Plan Act (ARPA) funding are not highlighted in the Recommended Budget. This includes programs such as the recently launched *Breathe: LA County's Guaranteed Income Program* and the Alternative Crisis Response call-in system, part of a new nationwide program launching this summer. Other major items expected to come before your Board in future phases include:

- Recommendations for the second installment of ARPA funding, which the County anticipates receiving in May 2022;

- Year Two CFCI recommendations, developed with input from the CFCI Advisory Committee; and

- The annual spending plan for Measure H, which will provide the framework for how to allocate these critical funds.

Most of LA County's budget is funded from State and federal sources or from fees for services provided. These revenues are tied to specific programs and may not be repurposed. Similarly, the bulk of locally generated revenue is committed to ongoing programs and services previously approved by the Board. As a result, the Recommended Budget highlights below focus primarily on programmatic changes rather than ongoing operations.

RECOMMENDED BUDGET HIGHLIGHTS

Homelessness, Mental Health and Affordable Housing

- **Measure H Homeless Services and Housing** – Reflects a total budget of $493.9 million, to fund Homeless Initiative strategies focused on prevention, outreach, interim housing, permanent housing, and supportive services to serve people at risk of or experiencing homelessness.

- **Mental Health Outreach and Transportation** – Adds $4.3 million and 24 positions, fully offset with Mental Health Services Act (MHSA) funding, to augment homeless care teams, enhance crisis intervention and transport services, and accommodate demand for the Department of Mental Health's outreach, engagement, and crisis response efforts.

- **Intensive Care Coordination** – Adds $1.2 million and 8 positions, fully offset with MHSA funding, for treatment authorization, care coordination, and service navigation among providers of the most intensive mental health services.

- **Street Medicine and Mobile Clinic Program** – Adds $3.9 million and 41 positions, fully offset by the Department of Health Services (DHS) revenues and the deletion of 41 vacant positions, to establish four mobile clinics to provide medical care to people experiencing homelessness across the County.

- **Affordable Housing** – Provides $26.6 million, comprised of $10 million in ongoing and $16.6 million in one-time funding, to maintain a total of $100 million for the development and preservation of affordable housing. This funding will support affordable housing for very low and extremely low-income households or homeless individuals and/or families, as well as other support services such as eviction defense, mortgage relief, rapid re-housing, homeownership, and acquisition.

- **Housing Support Program** – Provides $15.1 million to the Department of Public Social Services (DPSS), fully offset with State and federal revenues, to align with the projected expenditures for housing and homelessness assistance services provided by the Los Angeles Homeless Service Authority.

- **Accessory Dwelling Unit (ADU)** – Adds 3 positions to the Department of Regional Planning's Current Planning Division that would serve as ADU subject matter experts at the East, Metro, and West Area Offices, which will help increase housing inventory.

Strengthening Public Health Infrastructure

- **Public Health Crisis Mitigation - Staffing Infrastructure** – Adds $22.6 million and 116 positions, fully offset with grant funding and a realignment of existing departmental resources, to strengthen the workforce of DPH. These positions will primarily support current operational needs that have emerged from the COVID-19 pandemic and strengthen critical public health infrastructure for the County's local health department to mitigate future public health crises.

Health Services

- **Critical Care Staffing** – Reflects an increase of $33.2 million and 196 positions, fully offset with DHS revenues, to add nursing staff at critical care units across the Department to meet the State's regulatory requirements for hospitals that provide adult critical care services.

- **Perioperative Services** – Adds $6.2 million and 35 positions, fully offset with DHS revenues, to improve the surgical workflow and maximize capacity at various departmental facilities**.**

Care First and Community Investment

The Recommended Budget invests in the Board's *Care First, Jails Last* vision by adding another $100 million to the CFCI budget unit, which brings the total recommended amount to $200 million. This represents Year Two of a three-year ramp up to allocate ten percent of locally generated unrestricted revenues in the General Fund to CFCI programs, with the full set-aside amount to be reached by June 30, 2024.

Funding set aside in the CFCI budget unit is aimed at addressing racial injustice in the criminal justice system by providing direct community investments and alternatives to incarceration. Specific recommendations for these investments, reflecting the input of the CFCI Advisory Committee, will be presented to the Board later in the fiscal year and included in the Supplemental Changes Budget.

Other Justice-Related Programs

- **Reducing Structural Deficit for the Office of Diversion and Re-Entry (ODR)** – Provides $30 million in ongoing funding to support ODR's existing operations by partially addressing the imbalance between ongoing costs and ongoing funding.

- **Public Defense** – Sets aside $7.3 million, fully offset by Assembly Bill (AB) 1869 funds, in the PFU budget unit to assist with legal representation for both juvenile and adult indigent defendants. This funding will be provided to the Departments of Alternate Public Defender ($2.3 million) and Public Defender ($5 million) in a subsequent budget phase once staffing analyses are complete.

- **Expanded Academy Classes** – Sets aside $12.3 million in one-time funding in the PFU budget unit for the Sheriff's Department to establish more Academy classes to address its sworn vacancy gap and train a new generation of deputies.

- **Department of Justice (DOJ) Settlement** – Sets aside $15.3 million in ongoing funding in the PFU budget unit for the Sheriff's Department and Integrated Correctional Health Services (ICHS) to improve the conditions and mental health services in the County's jails under the terms of the DOJ settlement.

Diversity and Equity

- **Anti-Racism, Diversity, and Inclusion** – Allocates 4 positions to the Chief Executive Office (CEO) to enhance efforts and support deliverables and directives associated with various Board orders promoting anti-racism and diversity.

- **Arts and Culture** – Adds $0.3 million and 1 position to the Department of Arts and Culture to act as the Director of Research and Evaluation. This position will lead systematic and strategic data collection and research for the Department to measure the impact and effectiveness of programs and countywide initiatives — all with a focus on diversity, equity, access, and inclusion.

Jobs and Workforce Development

- **Youth@Work Program** – Allocates $15.7 million to the Department of Workforce Development, Aging and Community Services (WDACS) for the Youth@Work Program. This Program is committed to the development and success of young people, providing them with first-time work experience and supporting their development into our future workforce.

- **Office of Labor Equity** – Includes $0.2 million in one-time funding for a consultant to assist the Department of Consumer and Business Affairs (DCBA) with developing a phased-in expansion plan and the centralization of the County's existing labor law enforcement and worker protection functions. The office will provide a place for workers to report violations, receive education, and seek relief through investigations and enforcement, while also equipping employers with the necessary information to keep them in compliance with applicable laws.

Creating Two New Departments

- **Aging and Economic Opportunity** – Sets aside $9.4 million in the PFU budget unit for costs associated with separating WDACS into two departments, one for the aging population and one for economic opportunity, aimed at providing more focused programs and services to the communities served.

Improving Public Service Through Assistance Caseload Changes

- **Foster Care Caseloads** – Provides $30.7 million to the Department of Children and Family Services (DCFS) primarily for placement rate increases. 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.

- **General Relief (GR) Caseloads** – Adds $18.0 million, consisting of $13.6 million ongoing and $4.4 million one-time funding, to DPSS. This funding is primarily for projected caseload increases and the Board's directive to allow the Department to temporarily waive GR terminations for individual recipients who cannot be contacted for purposes of renewing their annual agreements and those who are deemed employable and required to participate in the GR Opportunities for Work program.

- **In-Home Supportive Services (IHSS) Program** – Adds $25.6 million to DPSS for the IHSS Maintenance of Effort increase based upon State law that requires counties to adjust this base amount by a four percent inflation factor annually.

Support for Children, Families, Seniors and People with Disabilities

- **Medical Hubs** – Allocates $14.1 million to DCFS to continue medical hub services with ongoing funding. These services are critical and include forensic evaluation and other health-related needs for children in the child welfare system.

- **Upfront Family Finding** – Adds $3.7 million to DCFS to continue and expand Upfront Family Finding services. These services are designed to identify relatives and family friends where a detained child or youth can be placed and have been shown to result in better outcomes as a result of these placements.

- **LGBTQ+ Services** – Provides $2.8 million to DCFS to expand specialized services for children and youth that identify as LGBTQ+.

- **School of Origin** – Provides $3.0 million to DCFS to transport foster children and youth to their school of origin, resulting in less disruption to their learning.

- **California Work Opportunity and Responsibility to Kids (CalWORKs) Stage One Child Care Program** – Provides $22.8 million to DPSS, fully offset with State and federal revenues, to meet projected case increases for full-time childcare services for CalWORKs participants.

- **Housing and Disability Advocacy** – Provides $5.7 million to DPSS, fully offset with State revenues for services to be provided by DHS for the expansion of interim housing opportunities and community outreach.

- **LA Found** – Adds $0.6 million to WDACS for the LA Found program, which helps return individuals suffering from dementia, Alzheimer's disease, or autism who wander from their families and caregivers.

- **Adult Protective Services (APS) Home Safe Program** – Provides $9 million in State funding to WDACS for the expansion of the APS Home Safe Program, which supports individuals at risk of or experiencing homelessness.

Recreation and Libraries

- **Parks After Dark (PAD)** – Provides $6 million in funding to continue the Department of Parks and Recreation (DPR) PAD program. This adjustment provides $2 million of ongoing and $4 million in one-time funding to keep PAD operating until an ongoing funding source can be identified by DPR.

- **Summer Swim Program** – Sets aside $5 million in one-time funding in the PFU budget unit to extend DPR's summer swim program. This will allow time for our office to work with DPR to develop a long-term strategy to fund and implement an expanded summer swim program.

- **Russell Walker Water Awareness, Training, Education and Recreation (WATER) Program** – Adds $0.5 million and 5 lifeguard positions to the Department of Beaches and Harbors' WATER Program, fully offset by an increase in Marina revenues. The Department continues to collaborate with DCFS, Probation Department, and DPR to include their youth and families in this program.

- **LA County Library** – Reflects the transfer of $4.2 million from the Library budget reserve to fund security services ($1.2 million), books and materials ($2 million), and various programs and marketing efforts ($1 million).

Information Technology Safeguards

- **Cybersecurity** – Sets aside $7.5 million, comprised of $5.8 million in ongoing and $1.7 million in one-time funding, in the PFU budget unit for the Internal Services Department to centrally protect and prevent threats to the County's information security assets while also reducing the County's cyber exposure risk.

- **Voting Choice Act (VCA)** – Adds $5 million in ongoing funding to the Registrar-Recorder/County Clerk to support the County's new election administration model (Voting Solutions for All People) and ensure compliance with California's VCA of 2016. This adjustment is part of a multi-year funding strategy to support the County's election model with ongoing funding, which will require an additional $27.3 million of ongoing funding.

Better Roads Ahead

- **Public Works Road Fund** – Reflects a $30.4 million increase in appropriation and revenue primarily due to increases in gas and sales tax revenues. Most of this increase ($26.7 million) will go towards financing the pavement preservation program and management of traffic safety improvement related projects.

Investing in Public Assets

- **Capital Projects (CP)** – Allocates $1.6 billion for the continued development, design, and construction of capital projects 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. In addition, sustainability initiatives, including water conservation projects, are being implemented at various County facilities. The CP budget unit reflects a decrease of $82.1 million and the completion of 70 projects from the FY 2021-22 Final Adopted Budget.

- **Environmental Stewardship** – Provides $188 million for continued water conservation projects including 32 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.

- **Enhancing Public Interaction with Recreational Opportunities** – Includes $85.3 million to enhance and expand access to County facilities, such as the MacLaren Community Park, 92nd Street Linear Park, and Whittier Aquatic Center, that provide open space and recreational opportunities.

- **Reinvesting in County Facilities** – Provides $403 million for the rehabilitation of County facilities funded by the Extraordinary Maintenance (EM) budget unit and long-term financing to support goals of the Strategic Asset Management Plan, primarily through the Facility Reinvestment Program. This program includes recommendations for and the implementation of the highest-priority projects to sustain and/or rehabilitate County-owned facilities. This allocation recommended in the FY 2022-23 EM budget unit and long-term financing will:
  - Extend the useful life of County facilities;
  - Allow the County to undertake the highest priority deferred maintenance projects in order to optimize the use of assets to their highest and best use;
  - Establish stronger connections between service priorities and asset decisions; and
  - Create a better enterprise-wide understanding of asset needs and priorities.

FOLLOW-UP BUDGET ACTIONS

The Board requested the CEO to report back on the following items during the FY 2022-23 Recommended Budget.

DOJ Staffing – Sheriff and Integrated Correctional Health Services Division
On December 7, 2021, the Board directed the CEO to provide recommendations to fully staff the Sheriff's Custody and DHS' ICHS Divisions to comply with DOJ requirements and to review the technology used to scan mail sent to County jails with the goal of improving narcotics detection. Several Sheriff's Department budget requests related to narcotics detection within the jails, including mail scanning technology, canine units, and handheld devices are being deferred to subsequent budget phases. The CEO's Jail Closure Implementation Team will conduct a review of all DOJ-related Sheriff and DHS' ICHS Division budget requests to assess how each aligns with the implementation strategy to depopulate the jail system and close Men's Central Jail as part of the Board's *Care First, Jails Last* vision. In the meantime, the CEO is recommending an initial set aside of $15.3 million in the PFU budget unit ($5 million for DHS' ICHS Division plus $10.3 million for Sheriff) for these efforts. The CEO will return to the Board in subsequent budget phases with related funding recommendations.

Sustaining Jail-Based Diversion

On June 22, 2021, the Board directed the CEO to provide regular updates on efforts to identify ongoing funding for ODR's jail-based diversion work. Our office has taken steps been to reduce ODR's structural deficit. The FY 2022-23 Recommended Budget includes the addition of $30 million in ongoing NCC to replace one-time funding to support operations. This budget recommendation will help reduce the deficit to $29 million, and ODR is expected to have sufficient funding to sustain existing operations through FY 2025-26. The CEO will continue to work with ODR to identify and implement ongoing funding solutions and will provide updates during future budget phases.

Community-Based Crisis Response and Violence Interruption Pilot Program

On July 13, 2021, the Board instructed the CEO to identify sustainable funding for core DPH Office of Violence Prevention (OVP) activities, as well as funding to support OVP's expansion through the Trauma Prevention Initiative (TPI) expansion and Crisis Response and Violence Intervention Program (CRVIP). OVP has available Measure B funding to support their core operations and TPI expansion through December 2022, as well as funding to support the new CRVIP three-year pilot for several more years. The Board has also approved an unprecedented amount of funding for community investments in trauma prevention partnerships through federal ARPA funding totaling $20 million, a portion of which can be used as bridge funding to support OVP and its current operations until ongoing funding is identified. The CEO will continue to explore all available options for ongoing funding including AB 109, CFCI, and Measure B, and will target the FY 2022-23 Supplemental Budget phase to report back with an update on these efforts.

Strengthening Victim Services in the County

On August 31, 2021, the Board directed the CEO to report back during the FY 2022-23 Recommended Budget with funding to expand victim services programs, including collection assistance for restitution. The District Attorney's Office (DA) is in the process of filling 20 available Victim Service Representative (VSR) vacancies to increase capacity and improve the Department's ability to facilitate timely access to services for victims in communities countywide, particularly those that are underserved. Once the VSR vacancies are filled, the DA and our office will assess their operations to determine if additional staff is warranted. Additionally, to address recruitment and retention issues with the VSR position, the DA continues to work with CEO to review the qualifications required to serve as a VSR and conduct a classification study, with a report back anticipated by April 30, 2022. The CEO recommends that the DA maximize existing resources by addressing VSR vacancies and complete the classification study to address recruitment and retention issues before additional resources are requested for this program.

Office of Labor Equity

On November 30, 2021, the Board directed the CEO in consultation with DCBA, to report back during the FY 2022-23 Recommended Budget with funding recommendations for a phased-in expansion of the new office. The Recommended Budget includes $0.2 million in one-time funding for a consultant to assist DCBA with developing a phased-in expansion plan and the centralization of the County's existing labor law enforcement and worker protection functions. The office provides a place for workers to report violations, receive education, and to get relief through investigations and enforcement, as well as equip employers with the necessary information to keep them in compliance with County policies. Upon completion of the consultant's report, the CEO will work with DCBA to review its findings and proposals and include appropriate funding recommendations in future budget phases.

POTENTIAL STATE AND FEDERAL BUDGET IMPACTS

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

State Budget

On January 10, 2022, Governor Gavin Newsom released his $268 billion Proposed Budget. The Governor's *California Blueprint* (as he refers to his State budget proposal) addresses five key areas: COVID-19, climate change, homelessness, inequality and keeping streets safe. Major investments in these areas include:

- $2.7 billion to ramp up COVID-19 response efforts.
- $2 billion for mental health housing and services.
- $2 billion in new grants and tax credits to build more housing.
- $1.2 billion for forest management.
- $750 million for immediate drought response.
- $255 million in grants to local law enforcement and to create a new Smash and Grab Enforcement Unit.

On February 9, 2022, Governor Newsom signed five early State budget action related bills, three of which appropriate funding for items of interest to the County, including funding for COVID-19 related purposes, small business relief, and childcare providers, as follows:

- $1.9 billion for COVID-19 related purposes including: $599 million of statewide testing; $487 million for hospital and medical surge; $399 million for vaccine distribution and administration; $206 million to treat COVID-19 and minimize exposure to incarcerated individuals and staff; $50 million for the procurement of personal protective equipment; and $18 million for contract tracing, among others.

- $150 million in State General Funding for the California Small Business COVID-19 Relief Grant Program to fund remaining eligible waitlisted grant applicants.

- $27.2 million to cover administrative costs associated with providing reimbursement rate supplements to family childcare providers.

On March 15, 2022, Governor Newsom announced the award of $61 million in funding for additional Project Homekey sites in the County.

At this time, it is yet to be determined how much of the funding described above will be allocated to the County. Since the State Budget plays an important role in funding many programs administered by the County, we will continue to monitor State Budget activities and advocate for County-supported proposals currently being considered by both the Governor and the Legislature.

Federal Budget

In calendar year 2021, President Joseph R. Biden, Jr. signed into law two key pieces of legislation: the ARPA (H.R. 1319, Public Law 117-2), which provided $1.9 trillion in funding to respond to the COVID-19 pandemic, and the Infrastructure Investment and Jobs Act, known as the "Bipartisan Infrastructure Law" (H.R. 3684, Public Law 117-58), which provided $1 trillion in new spending and investments through Federal Fiscal Year (FFY) 2026 for roads, bridges, transit, water, energy, broadband, environmental remediation, and resilience. President Biden has also signed three short-term Continuing Resolutions for FFY 2022.

The Bipartisan Infrastructure Law provides $1 trillion over five years, including $550 billion in new spending. Of this amount, $343.2 billion is dedicated to reauthorizing highway and transit spending for five years. The legislation also provides $266 billion over the same period for other infrastructure sectors such as water, power and energy, broadband, environmental remediation, and resilience. California is expected to receive $26.95 billion for highways and $11.98 billion for transit over the next five years. Metro will receive most of the funding for the Los Angeles region and is responsible for allocating that funding within the County. The bill also includes $43.3 billion for the new Bridge Investment Program; $65 billion for broadband programs to address the digital divide; $55 billion for water infrastructure including significant new funding for the Drinking Water and Clean Water State Revolving Funds; and more than $17 billion in essential funding to the U.S. Army Corps of Engineers; among funding for other programs of interest to the County. However, until Congress passes an appropriations bill for transportation, monies provided for surface transportation projects in the Bipartisan Infrastructure Law will not be fully available for expenditure.

On March 15, 2022, President Biden signed into law H.R. 2471 – the Consolidated Appropriations Act of 2022, which contains $1.5 trillion in omnibus spending consisting of all 12 FFY 2022 appropriations bills, in addition to $13.6 billion in supplemental funding to support Ukraine. Additionally, the Joint Explanatory Statements accompanying H.R. 2471 contains Community Project Funding and Congressional Directed Spending (also known as earmarks).

In total, the 12 annual appropriations bills provide $730 billion in non-defense funding, a $46 billion (6.7 percent) increase over FFY 2021; and $782 billion in defense funding, a $42 billion (5.6 percent) increase over FFY 2021 enacted levels.

The measure includes funding to: 1) expand childcare and early learning programs; 2) expand access to homeownership; 3) provide broadband to rural communities; 4) create jobs by rebuilding the nation's infrastructure; 5) provide help for small businesses, create green energy jobs, training, and apprenticeship programs; 6) strengthen nutrition assistance, increase affordable housing; and 7) address gender-based violence.

On March 28, 2022, President Biden released his $5.8 trillion proposed budget for FFY 2023. Since this budget serves as a blueprint, its programs must be passed by Congress and signed by the President to take effect through the appropriation process.

It has yet to be determined how much funding in the President's budget could be allocated to the County. Since the Federal Budget plays an important role in funding many programs administered by the County, we will continue to monitor Federal Budget activities and advocate for County-supported proposals currently being considered by both the President and Congress.

SHORT AND LONG-TERM BUDGET ISSUES

The County, like all governmental entities, must balance the demands for new services and unavoidable cost increases within the amount of new revenue estimates. Given the County's limited authority to raise revenues, the Board has adhered to conservative budget practices. As we begin this initial stage of the budget process, we are once again challenged by the demand for County services that far exceeds the available financing sources—a situation that is even more pronounced during uncertain times.

Over the last few years, the County has prepared to address long-term budget issues by taking several actions:

- Implementing the Board-approved, multi-year plan to prefund retiree healthcare benefits.

- Augmenting the Rainy Day Fund to achieve the prescribed balance of $733.3 million.

- Setting aside funding, in accordance with County budget and fiscal policies, in Appropriations for Contingencies as a hedge against unforeseen fiscal issues throughout the fiscal year. This Recommended Budget adds $20.2 million for this purpose, bringing the FY 2022-23 total to $45.3 million.

We are also adding $5 million to the EM budget unit to help address deferred maintenance needs throughout the County.

Looking forward, we recognize that many long-term budgetary issues will require significant investment by the County and may require a multi-year funding approach. Outlined below are some of our more significant budget issues:

- **Pensions** – On January 8, 2020, the Los Angeles County Employees Retirement Association lowered the rate of return assumption used for the valuation of pension plan assets from 7.25 to 7.00 percent and changed the 30-year layered amortization methodology used to fund future unanticipated changes in unfunded liabilities to a maximum of 22 years. This is noteworthy because these changes, along with adjustments for prior-year investment performance, resulted in increased retirement contribution costs beginning in FY 2020-21 and continuing through FY 2022-23.

- **Other Postemployment Benefits (OPEB)** – The Recommended Budget adds $69.2 million in pre-funding contributions to the OPEB Trust Fund. This is the eighth 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 we are adequately funding OPEB. Based on current projections for the OPEB prefunding plan, the OPEB ADC will be fully achieved by FY 2026-27.

- **DCFS** – With the expiration of federal bridge funding under the Families First Transition Act Funding Certainty Grant, coupled with rising staff and placement costs, DCFS is forecasting a budget deficit of more than $300 million. 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 also is advocating with the State for additional funding to assist in meeting service delivery requirements under the State's mandates, including expanding programs and populations to be served per these mandates.

- **Information Technology Systems Replacement** – The unfunded cost to replace and modernize the County's critical information technology legacy systems is expected to exceed $450 million.

- **Deferred Maintenance** – The Facility Reinvestment Program is a $750 million program to address deferred maintenance of existing County buildings and facilities. The $750 million is an initial plan to begin to address a much larger backlog of the highest priority deferred maintenance and building systems replacement projects.

- **Seismic Safety** – In order to improve the County's ability to survive a major earthquake and to provide public services following an earthquake, additional funding, estimated to exceed $2 billion, is needed to upgrade County buildings and facilities following completion of the ongoing assessment of high-risk buildings.

- **Stormwater and Urban Runoff** – To address regulatory stormwater and urban runoff compliance in the unincorporated areas, we estimate that $717 million will be needed over the next five years. This amount may be partially offset with Measure W tax revenue.

- **Structural Deficits for Special Fund/District Departments** – Two County departments, which reside outside the County general fund because they receive a dedicated portion of property taxes for services provided, are projecting structural deficits.

  - **LA County Library** – Historically, the amount of property tax revenues collected in the unincorporated areas (UA) and the 49 cities for services has been insufficient to fully offset the department's operating costs. The deficit is projected to be $13.1 million for 2022-23.

  - **Fire District** - Revenue from property taxes and other sources does not sufficiently fund ongoing operating costs and required investments in equipment, facilities and vehicles. The projected deficit is $39.1 million for 2022-23.

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 19, 2022
Commence Public Budget Hearings	May 11, 2022
Commence Final Budget Deliberations and Adopt Budget Upon Conclusion	June 27, 2022

Prior to deliberations on the FY 2022-23 Adopted Budget, we will file reports on:

- May 2022 revisions to the Governor's Budget and updates on other 2022-23 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

- 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 ten days prior to the commencement of public budget hearings.

- Adjustments to the budget, including revisions to reflect the Board's funding priorities and State and federal budget actions, 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 2022-23; order the publication of the necessary notices; and set May 11, 2022, as the date that public budget hearings will begin.

Respectfully submitted,

FESIA A. DAVENPORT
Chief Executive Officer