



**County of Los Angeles  
2012-13 Recommended Budget**

Submitted to the  
**Board of Supervisors**

by

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and

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# County of Los Angeles

## 2012-13 Recommended Budget (in Billions)



Fund	FY 2011-12 Budget	FY 2012-13 Recommended Budget	Change From Budget	% Change From Budget
Total General County	\$ 18.499	\$ 18.224	\$ (0.275)	-1.5%
Special Funds/Districts	5.847	5.557	(0.290)	-5.0%
<b>Total Budget</b>	<b>\$ 24.346</b>	<b>\$ 23.781*</b>	<b>\$ (0.565)</b>	<b>-2.3%</b>
<b>Budgeted Positions</b>	<b>101,425</b>	<b>101,610</b>	<b>185</b>	<b>0.2%</b>

**\* Does not include all year-end fund balances.**

# Budget Economic Outlook



The current economic outlook for the nation and California shows slow positive growth for the remainder of 2012 and into 2013. Retail sales are showing strength as household positions improve and consumer confidence grows. County sales tax revenues are now on pace to return to pre-recessionary levels by 2012-13. Although the County's unemployment rate remains high, the labor market has made modest gains recently and economists expect this downward trend to slowly continue.

<u>Month</u>	<u>Unemployment Rate</u>
January 2011	12.5%
November 2011	12.1%
December 2011	12.0%
January 2012	11.8%

Unfortunately, the housing market continues to struggle with many obstacles in the way of a recovery. Those obstacles include the high unemployment rate, foreclosures, negative equity and tighter lending standards. In spite of this, some economists are predicting that the end of 2012 may be a turning point in the housing market.

# Budget Overview



Since 2008-09, the County has faced budgets that have been managed without service reductions, layoffs and furloughs. Our budget solution strategy had been to close the budget gaps with departmental curtailments and new revenue solutions coupled with one-time funding from County reserves and reductions in the County's capital program. To help control costs, the County implemented a hard-hiring freeze, a freeze on non-essential purchases and aggressively pursued savings through the Efficiency Initiative Program.

Today, we face a much more manageable ongoing deficit estimated at \$75.8 million and for the first time in four years, the recommended budget does not include any departmental curtailments. Although our budget gap solution includes the use of one-time funding, the County's reliance on such solutions continues to decline and for 2012-13 reflects less than 2% of the ongoing locally generated revenues.

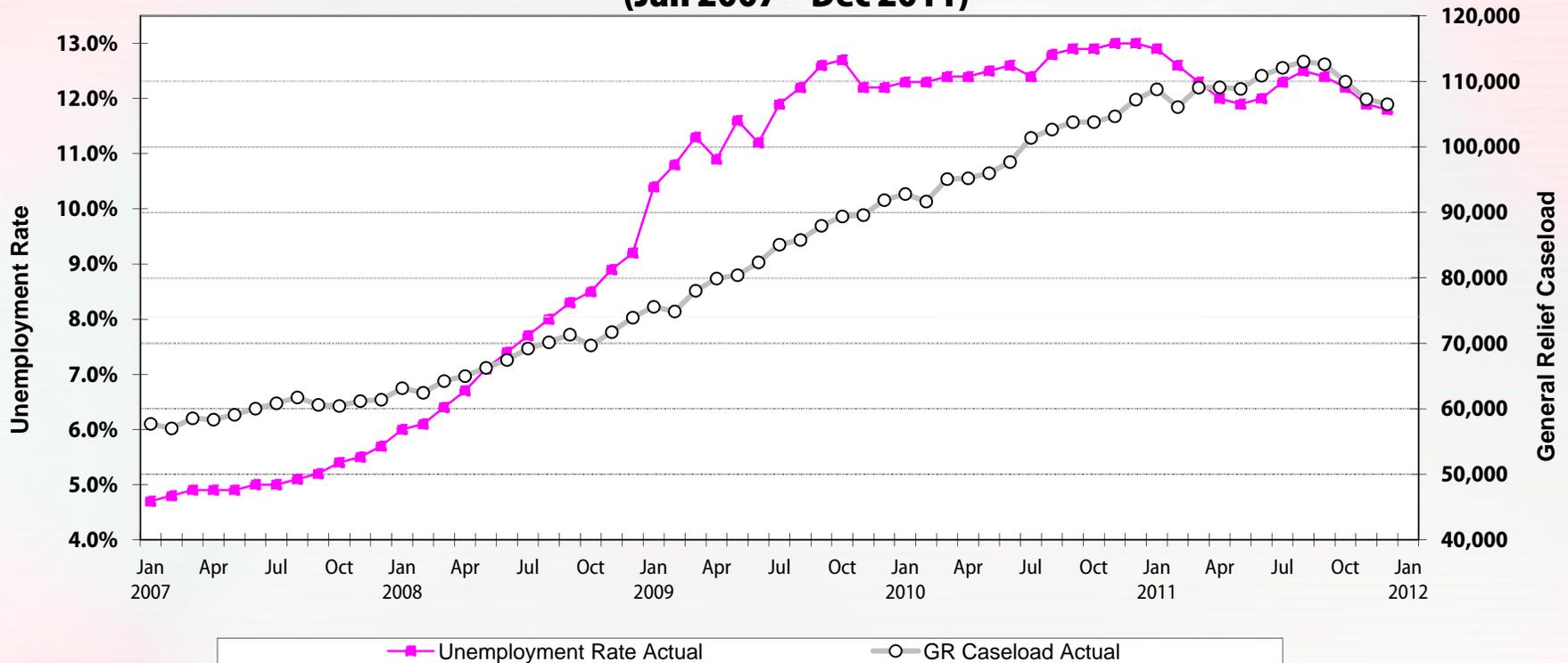
# Recommended Budget Overview



<b>Public Assistance Program</b>	<b>FY 2011-12 Adopted Budget</b>	<b>FY 2012-13 Recommended Budget</b>	<b>Change from FY 2011-12 Adopted</b>	<b>% Change from FY 2011-12 Adopted</b>
<b>General Relief Caseload Per Month</b>	<b>112,487</b>	<b>101,518</b>	<b>(10,969)</b>	<b>-9.8%</b>
<b>General Relief NCC</b>	<b>\$271,138,000</b>	<b>\$243,771,000</b>	<b>(\$27,367,000)</b>	<b>-10.1%</b>
<b>In Home Supportive Services Caseload Per Month</b>	<b>189,638</b>	<b>183,540</b>	<b>(6,098)</b>	<b>-3.2%</b>
<b>In Home Supportive Services - County Share</b>	<b>\$331,456,000</b>	<b>\$325,903,000</b>	<b>(\$5,553,000)</b>	<b>-1.7%</b>



## COMPARISON: Los Angeles County Unemployment Rate and General Relief (GR) Caseload (Jan 2007 – Dec 2011)



Fiscal Year	Actual 2007-08	Actual 2008-09	Actual 2009-10	Actual 2010-11	Estimate 2011-12	Change from 2007-08	% Change from 2007-08
<b>GR Caseload (monthly)</b>	62,897	74,763	91,499	106,349	108,216	45,319	72.1%

GR benefits \$221/month (\$2,652/annual)

# Financing Assumptions – Locally Generated Revenues



<b>Major Revenue Source (in Millions)</b>	<b>FY 2011-12 Adopted Budget</b>	<b>FY 2012-13 Recommended Budget</b>	<b>Change from FY 2011-12 Adopted</b>	<b>% Change from FY 2011-12 Adopted</b>
<b>Property Tax</b>	<b>\$3,751.0</b>	<b>\$3,831.0</b>	<b>\$80.0</b>	<b>2.13%</b>
<b>Local Sales Tax</b>	<b>\$36.0</b>	<b>\$36.0</b>	<b>\$0.0</b>	<b>0.00%</b>
<b>Public Safety Augmentation (Prop 172 Sales Tax)</b>	<b>\$582.2</b>	<b>\$617.9</b>	<b>\$35.7</b>	<b>6.13%</b>
<b>Realignment Sales Tax (Social Services only)</b>	<b>\$458.2</b>	<b>\$508.0</b>	<b>\$49.8</b>	<b>10.87%</b>
<b>Deed Transfer Tax</b>	<b>\$44.5</b>	<b>\$45.8</b>	<b>\$1.3</b>	<b>2.92%</b>



# Primary Drivers of Budget Changes

## 2012-13 NCC\* Budget Gap – (\$75.8) million

- ✓ Use of 2011-12 One-Time Budget Solutions – (\$185.3) million
- ✓ Unavoidable Cost Increases – (\$103.7) million
- ✓ Program Changes – (\$31.5) million
- ✓ Revenue Increases - \$187.7 million
- ✓ Assistance Caseload Reductions - \$33.1 million
- ✓ Use Ongoing Funding for One-Time Needs in 2011-12 - \$23.9 million

\*Net County Cost (NCC) is the portion of the County budget that is financed with locally generated revenues.



## Major Changes to the FY 2012-13 Recommended Budget

### Department of Health Services (DHS)

- There are major changes taking place in DHS' operations and Medi-Cal revenue streams as a result of the 1115 Waiver. They include the Healthy Way LA (HWLA) matched program, the transition of Seniors and Persons with Disabilities (SPDs) into Medi-Cal managed care, the transfer of the Office of Managed Care's lines of business to L.A. Care, and the State's transfer of various programs to the County, including health care for inmates previously treated in the State prison system, etc. There are also major changes related to national health care reform in the future, including changes associated with the proposed health insurance exchange. These significant program and system changes are complex and require DHS to develop new methods of projecting revenue based on new types of patient and payer mixes and different utilization patterns. DHS is working on improvements in data collection at the facilities and the development of various revenue projection models, which will provide more reliable revenue projections for future years as more experience is gained with the new programs and the other changes taking place throughout the system. The Recommended Budget includes a revenue placeholder of \$132.0 million while DHS continues to work diligently to develop and improve its revenue projections, which will be revised in a future budget phase.



## Major Changes to the FY 2012-13 Recommended Budget

### Department of Mental Health (DMH)

- **Mental Health Services Act** – A \$58.6 million increase in appropriation for DMH primarily to continue the expansion of Prevention and Early Intervention (PEI) mental health contracted services. It also reflects funding for 8.0 positions to implement a countywide program to address the needs of veterans returning from Iraq and Afghanistan, active duty personnel, and their families. This increase in appropriation is fully offset with State Mental Health Services Act funds and, where appropriate, federal funds.
- **Mental Health Services for Special Education Pupils (AB 3632)** – Decrease in appropriation and revenue by \$128.4 million for DMH (\$82.4 million) and Children and Family Services (\$46.0 million) along with the elimination of 63.0 budgeted positions at DMH. This reduction is reflective of the State's transfer of responsibility for the AB 3632 program from counties to school districts.

### Public Works' Road Fund

- \$77.3 million decrease in appropriation and financing primarily due to the deletion of one-time funding for unincorporated area road projects, construction and maintenance activities (\$62.1 million) and various changes in operations (\$35.3 million). These funding decreases are partially offset by a \$20.1 million increase in Traffic Congestion Management program funding.



## Major Changes to the FY 2012-13 Recommended Budget

### Sheriff's Department

- Increase of \$13.4 million in appropriation fully offset with contract law enforcement services revenue primarily for services provided to the Metropolitan Transportation Authority (MTA). This adjustment adds 109.0 budgeted positions.
- \$3.4 million increase in appropriation fully offset with revenue from the 2011 Community Oriented Policing Services (COPS) Hiring Program Grant. This adjustment adds 25.0 budgeted positions.



## Capital Projects Summary

The 2012-13 Recommended Capital Projects/Refurbishments Budget appropriates \$1.1 billion for continued development, design, and construction of projects that address high-priority health, public safety, recreation, and infrastructure needs. The recommended appropriation reflects a decrease of \$51.4 million from the 2011-12 Final Adopt Budget, due to the completion of 17 projects in 2011-12. The recommended 2012-13 appropriation is highlighted by the following:

- ✓ \$367.0 million for public protection facilities, such as new construction at the Biscailuz Center Training Academy, construction of new fire stations in the Santa Clarita Valley, implementation of fire station privacy and access improvements, potable water system upgrades at fire stations, security improvements at Probation juvenile halls and camps, and construction of a new animal shelter in the east Antelope Valley;
- ✓ \$151.8 million for recreational facilities including construction of swimming pool facilities, community buildings, and gymnasiums at County parks, and facility refurbishments at County beaches;



## Capital Projects Summary

- ✓ \$380.0 million for health, public health, and mental health facilities, including build-out of a community hospital and construction of new multi-service ambulatory care centers at the Martin Luther King Jr. medical campus and High Desert in the Antelope Valley, construction of a mental health outpatient clinic at Harbor-UCLA Medical Center, completion of a new public health center in South Los Angeles, and construction of new surgery and emergency suites at Harbor-UCLA Medical Center;
- ✓ \$69.9 million for construction of new or replacement libraries in the unincorporated area of Stevenson Ranch, the San Gabriel Valley and Manhattan Beach; and
- ✓ \$58.6 million for high-priority infrastructure improvements in the County's roads, flood control and aviation facilities, soil and groundwater investigation and remediation activities, beautification of the County's Easter Hill complex, and watershed testing efforts.



## Extraordinary Maintenance

The County's infrastructure requires ongoing investment to meet performance requirements and expectations. As part of the Deferred Maintenance Program, approved by the Board of Supervisors (Board) on September 28, 2010, the 2011-12 Final Adopted Budget appropriated funds for critical repairs at public health centers, community and senior centers, County cultural institutions, and County waste water treatment facilities. By the close of 2011-12, 80 percent of those designated critical repairs and maintenance will be complete. The 2012-13 Recommended Budget appropriates \$111.9 million for the remainder of these and other high priority repairs, maintenance and accessibility modification needs at County facilities, including juvenile halls, animal shelters, County beaches, parks, and for various roof repairs throughout the County.



## State Budget Potential Impacts

On January 5, 2012, the Governor released his 2012-13 Proposed State Budget, which includes \$92.6 billion in State General Fund expenditures. Based upon an analysis of the Governor's budget, we estimate that the impact to the County would result in a net loss of approximately \$12.1 million at this time. The estimated loss primarily affects mental health and social service programs. Since the State budget situation continues to unfold and remains fluid, we are deferring recommendations to align the County budget with actions by the Governor and the Legislature until later phases of the State Budget process when their situation becomes clearer. Similarly, we are deferring Public Safety Realignment (AB 109) budget recommendations since AB 109 allocations to counties are expected to be addressed in the Governor's May Budget Revise. Furthermore, given that this program is relatively new, it is important to continue to track actual expenditures for at least six (6) months to ensure the appropriateness and accuracy of the funding allocation.



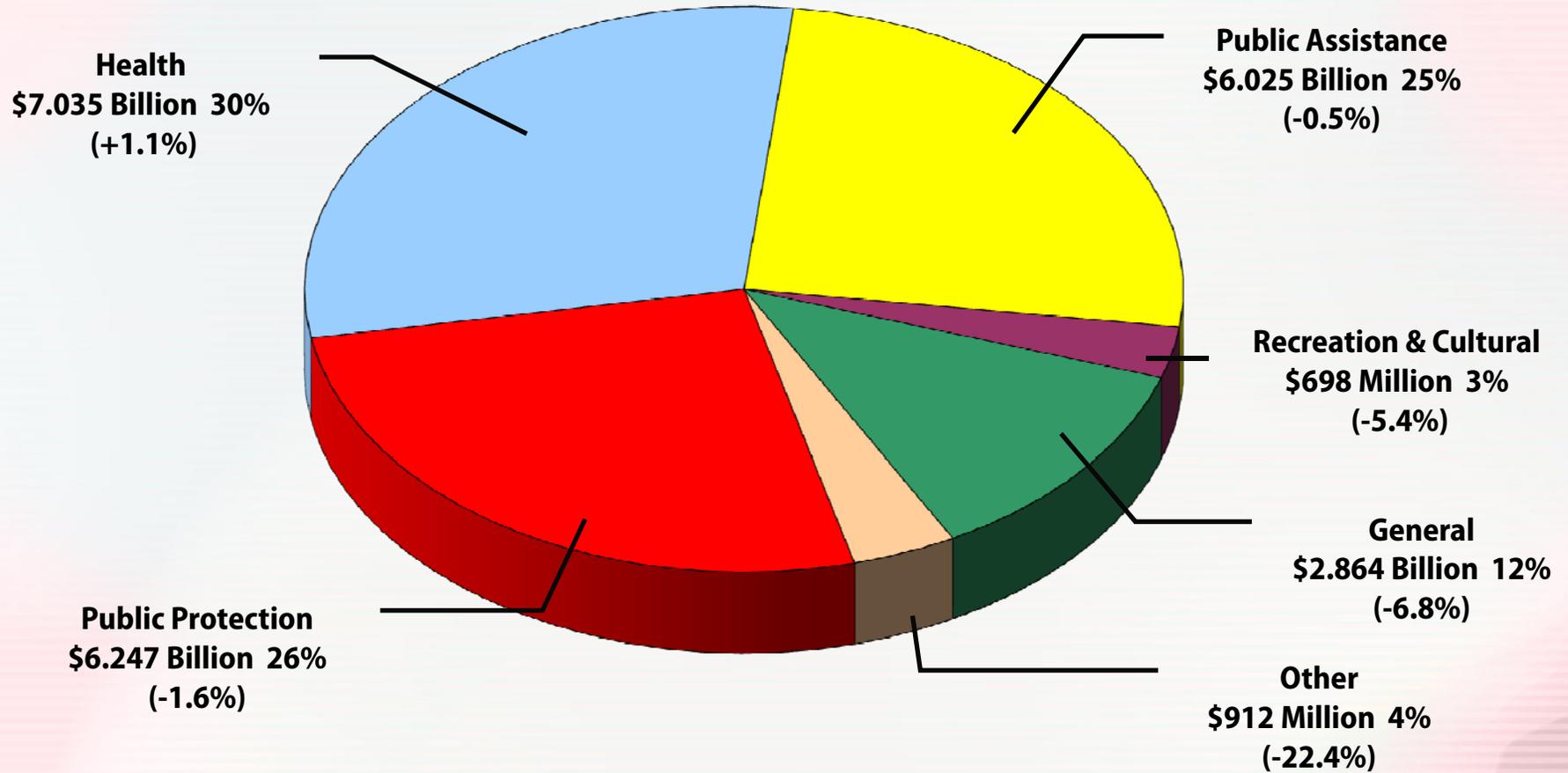
## **Federal Budget Potential Impacts**

On February 13, 2012, President Obama released his proposed \$3.8 trillion budget for Federal Fiscal Year (FFY) 2013, which will begin on October 1, 2012. Since major federal budget legislation is unlikely to be enacted until December 2012 at the earliest, and major changes enacted in federal legislation typically have a delayed effective date, it is highly unlikely that any future federal budget actions will have any effect on the County's budget during 2012-13.



# Total Cost By Function

## \$23.781 Billion (- 2.3%)



**Budgeted Positions: 101,610 (0.2%)**

# Total Revenue

## \$23.781 Billion (- 2.3%)



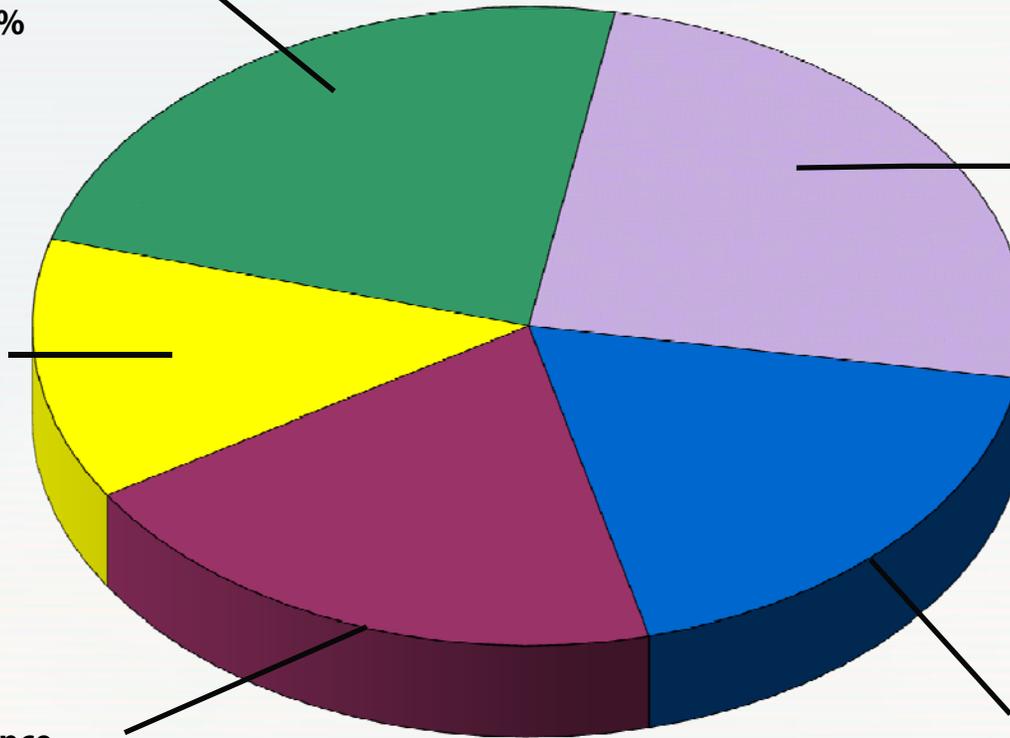
**Special Funds and Districts**  
**\$5.557 Billion 23%**  
**(-5.0%)**

**Other**  
**\$3.158 Billion 13%**  
**(+1.5%)**

**Federal Assistance**  
**\$4.761 Billion 20%**  
**(+1.0%)**

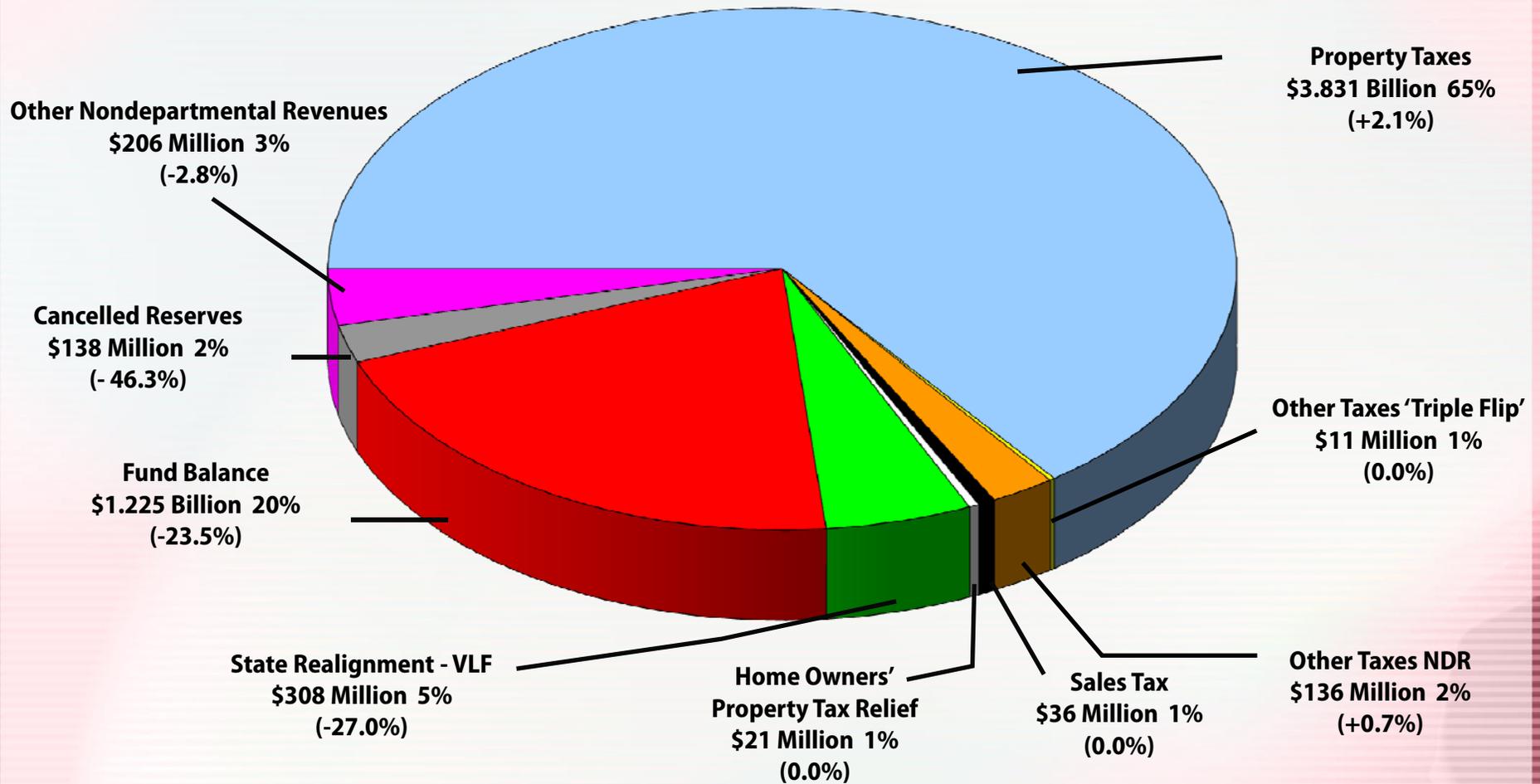
**Locally Generated Revenues**  
**\$5.912 Billion 25%**  
**(-8.3%)**

**State Assistance**  
**\$4.393 Billion 19%**  
**(+3.9%)**



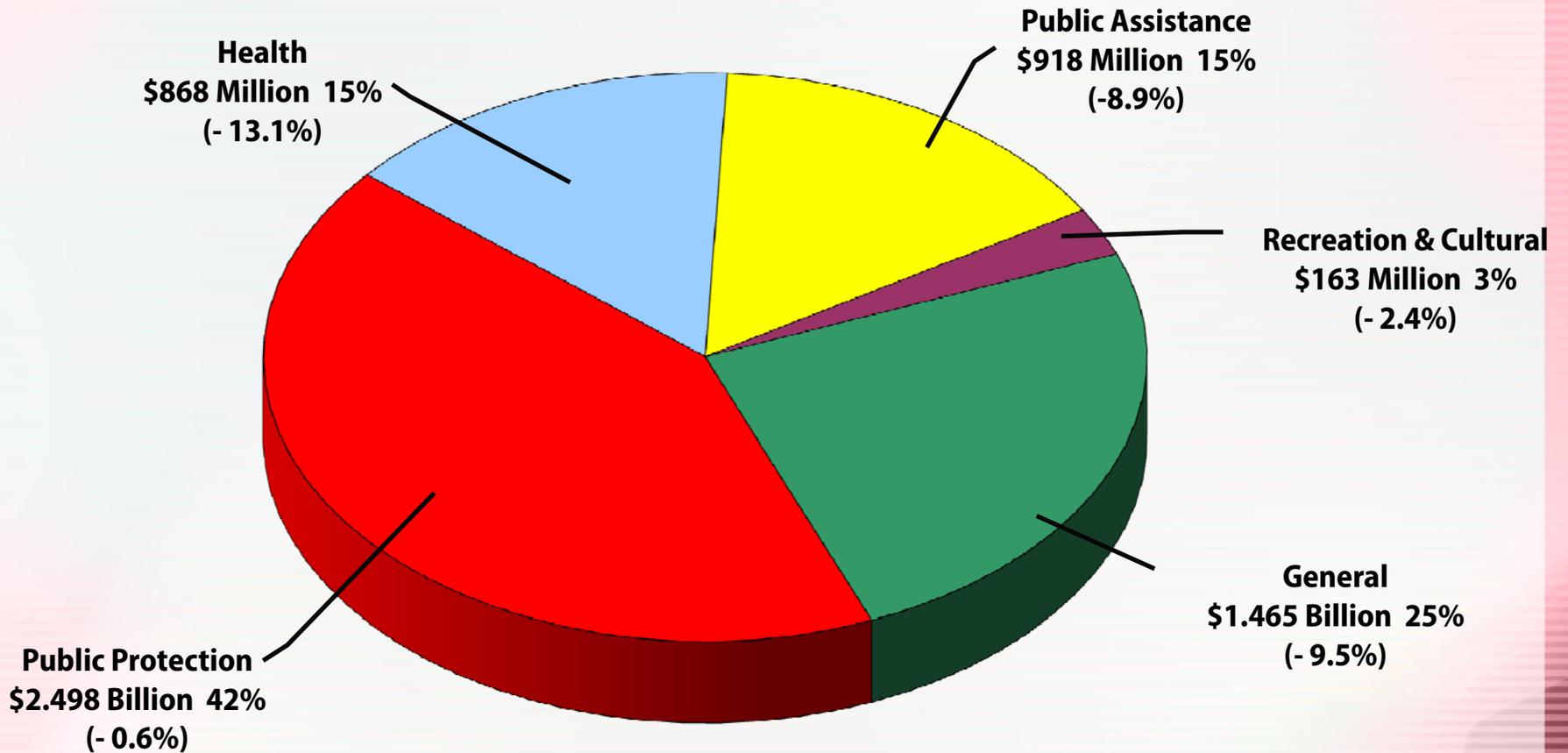
# Locally Generated Revenues

## \$5.912 Billion (- 8.3%)

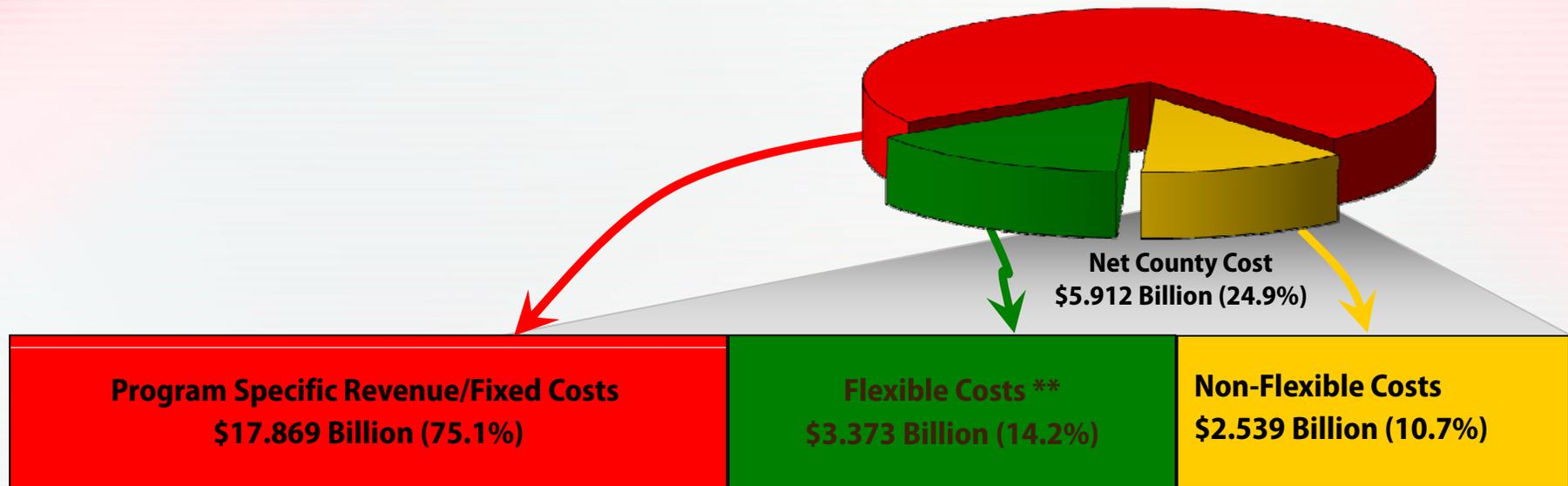


# Net County Cost By Function

## \$5.912 Billion (- 8.3%)



# Total Recommended Budget \$23.781 Billion\*



## Mandated vs. Discretionary Cost

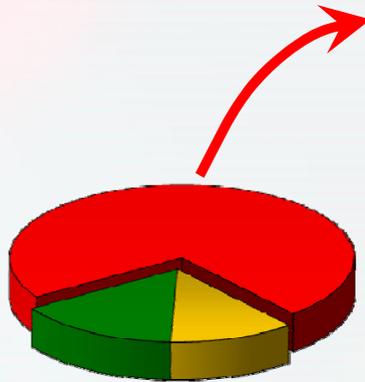
\* Excludes major interfund transfers of revenue that would artificially inflate the size of the total County budget

\*\* Flexible Costs include one-time only expenditures and mandatory functions with discretionary service levels



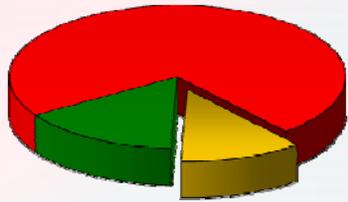
## Program Specific Revenue/Fixed Costs

**\$17.869 Billion (75.1%)**



(\$ in millions)

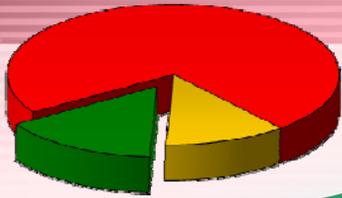
Health/Social Services	\$	9,391.5
Property Tax Administration	\$	87.8
Proposition 172 -		
Public Safety Augmentation Fund	\$	618.0
Sheriff	\$	523.5
District Attorney	\$	94.5
Special Funds/Districts	\$	5,557.3
Revenues That Offset Costs	\$	2,069.7
Trial Court Funding	\$	144.8



**Non-Flexible Costs**  
**\$2.539 Billion (10.7%)**

<b>MOE &amp; Mandatory Costs/Services</b> \$2.474 Billion (10.4%)	
<b>Alternate Public Defender</b>	<b>\$ 53.3</b>
<b>District Attorney - Criminal</b>	<b>\$ 62.6</b>
<b>Health/Mental Health</b>	<b>\$ 483.7</b>
<b>Other Court Related</b>	<b>\$ 288.5</b>
<i>(Includes Indigent Defense of \$59.9)</i>	
<b>Probation - Other</b>	<b>\$ 271.6</b>
<b>Public Defender</b>	<b>\$ 171.4</b>
<b>Social Services</b>	<b>\$ 682.5</b>
<b>Sheriff</b>	<b>\$ 460.2</b>

<b>Other Non-Flexible Costs</b> \$65.0 Million (0.3%)	
<b>Grand Jury</b>	<b>\$ 1.8</b>
<b>Judgments &amp; Damages/Insurance</b>	<b>\$ 19.7</b>
<b>Museums Obligation</b>	<b>\$ 43.5</b>



**Flexible Costs**  
**\$3.373 Billion (14.2%)**

<b>Public Protection</b>	
<b>\$1.172 Billion (4.9%)</b>	
Community-Based Contracts	\$ 2.8
Coroner	\$ 27.9
District Attorney - Criminal	\$ 118.2
Emergency Preparedness	\$ 4.7
Fire - Lifeguards	\$ 26.0
Los Angeles Regional Interoperable Communications System (LA-RICS)	\$ 14.9
Probation - Camps/Support Services	\$ 214.3
Sheriff	\$ 763.3

**All Other Costs**  
**\$2.201 Billion (9.3%)**

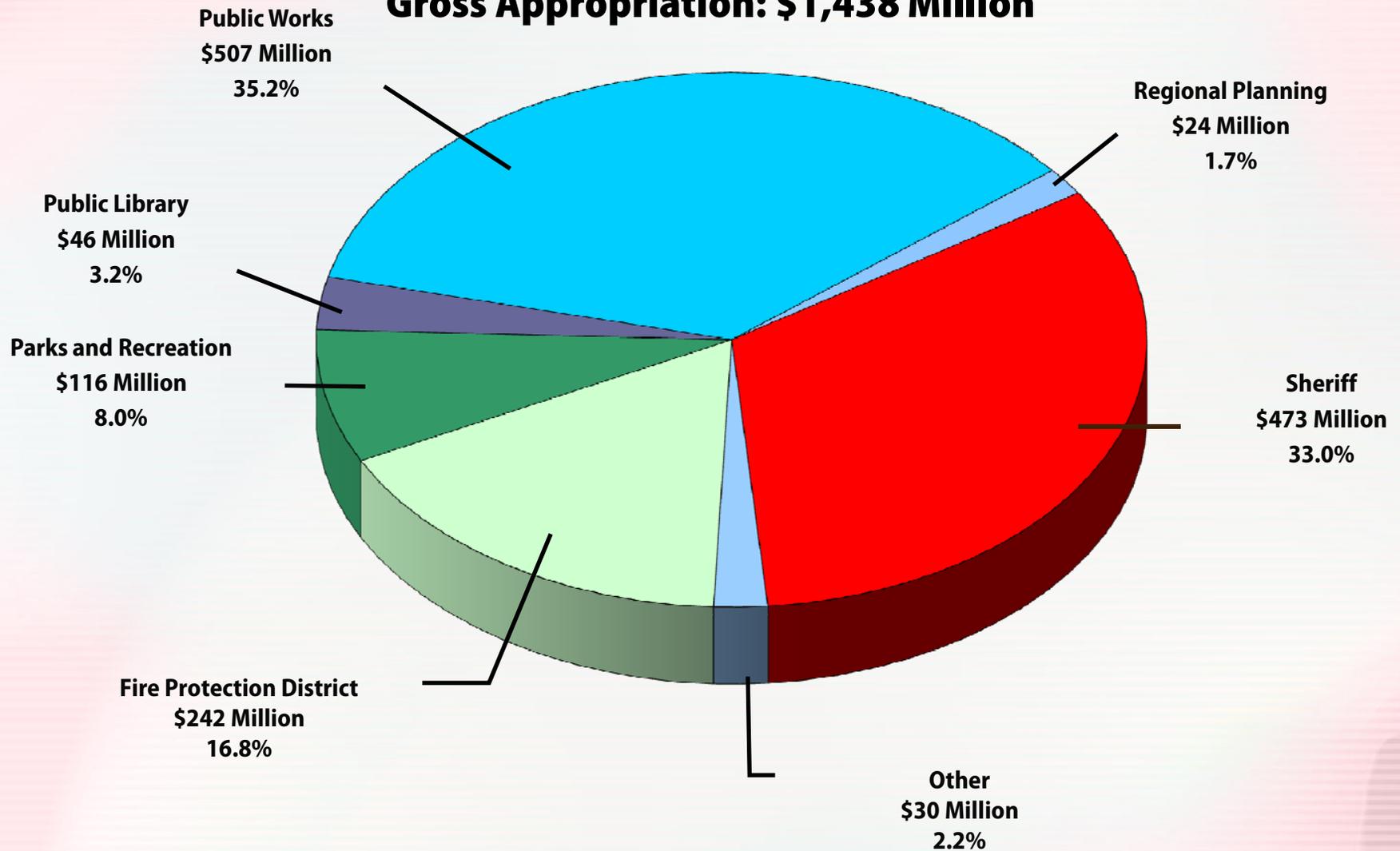
Agr. Comm./Wts. & Measures	\$ 9.4
Animal Care and Control	\$ 19.7
Capital Projects	\$ 545.4
Consumer Affairs	\$ 4.3
Countywide Services	\$ 116.5
Extraordinary Maintenance	\$ 93.2
General Government	\$ 448.1
Health - Drug Court	\$ 1.8
Health - GF Contribution	\$ 273.5
Health - Tobacco	\$ 104.9
Health/Mental Health - Others	\$ 35.5
Homeless Services	\$ 59.4
Other Public Services	\$ 153.1
Other Recreation and Cultural	\$ 16.1
Parks and Recreation	\$ 104.1
Project & Facility Development	\$ 51.9
Provisional Financing Uses	\$ 148.0
Regional Planning	\$ 16.3
Reserves/Designations	\$ 0.0

Flexible Costs include one-time only expenditures and mandatory functions with discretionary service levels



# Unincorporated Area Services Program Summary

## Gross Appropriation: \$1,438 Million





## 2012-13 Budget Calendar

<b>Event</b>	<b>Date</b>
<b>Recommended Budget Released</b>	<b>April 16, 2012</b>
<b>Public Hearings</b>	<b>May 16, 2012</b>
<b>Budget Deliberations</b>	<b>June 25, 2012 until conclusion</b>