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## **Economy & Efficiency Commission Presentation**

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*Editorial Note: Although every effort has been made to insure the accuracy of the material in this presentation, the scope of the material covered and the discussions undertaken lends itself to the possibility of minor transcription misinterpretations.*

**PRESENTATION BY  
Mr. David Janssen  
Chief Administrative Office  
Topic: Briefing on the Los Angeles County Budget  
July 13, 2000**

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Chairman Philibosian introduced Mr. David Janssen. Mr. Janssen stated that he would be discussing the overall Budget, the Health Department, and the 1115 Waiver. He commended the Commission on being engaged and interested in these issues.

Mr. Janssen stated that last year was Second Year Fiscal Recovery, this year is Third Year Fiscal Recovery, and next year can be anticipated to be the Fourth Year Fiscal Recovery. The Budget, as proposed in April, was slightly smaller than last year's Budget, decreasing by about \$200M in adjustments in the Public Works Department, and a reduction of \$265M in Proposition 10 monies (tobacco). Considering these revisions the Budget actually grew by \$324M. The growth of the state and Federal portion of the Budget has slowed over the previous two years. Of the \$324M only \$48M is general fund, local dollars; the rest are state and Federal dollars. That is substantially lower than former years when there were significant increases in Social Services and Mental Health Programs.

Mr. Janssen commented that the correctional population in the State of California has leveled out, although this may be temporary. Mr. Janssen stated since cases are more complicated whether crime goes up or down, law enforcement continues to need additional staff. The current jail population of the County jails is approximately 19,000 inmates, with the population cap of 22,000. The Sheriff has been able to reallocate \$18M of overtime money to address priorities in other areas of this budget. Mr. Janssen also stated that there have been almost no new judge positions in California since 1986, however the efficiency of the Courts has increased.

Mr. Janssen said that although the Children's Service's population had been increasing for eighteen years, two years ago it leveled out. The CalWorks General Relief (GR) population is down. Crime is down as a result of an aging population and tougher anti-crime laws. All of these programs are working because unemployment is at 4%.

Mr. Janssen stated that the County Budget is growing at a slower pace even though there is a \$13B surplus in the State Budget and \$200B at the Federal level. The growth in property tax is a little over 6%, and growth in vehicle license fees is at 5%; these are the two largest local revenues. In June the Budget increased to \$277M bringing it to \$15.277B, this includes the addition of 1,700 in staffing. Thirty million

dollars of the Budget surplus will go into maintaining existing departmental programs. Eighty per cent of the available dollars over the last 3 years has been put into one-time expenditures; the Board has not rushed into new programs. In addition, State of California and Federal dollars have been added to unincorporated areas.

Mr. Janssen passed out a 35-page handout of the 2000-01 proposed budget statistics entitled Celebrating Los Angeles County, 150th, 1850 - 2000. The County borrowed \$650M dollars this year, whereas in 1995-1996 the County borrowed almost \$1.4B. A six year plan will replace the use of excess earnings with both the County General Fund and departmental revenue in the fiscal year 2003 - 4. There is \$90M from the General Fund and another \$90M from the departmental funds going into the retirement system. Mr. Janssen commented that he has been talking to the markets about a ten-year plan, because in 2011-12 the County will have paid off it's pension bonds and will have about \$180M of General Funds available.

Commissioner Padilla asked Mr. Janssen to expand on the background of the excess earnings. Mr. Janssen stated that in 1993, there was a shift of property tax to the schools to help solve the State of California deficit problem. In 1993, the Los Angeles County Employees Retirement Association (LACERA) was earning excess dollars. The County negotiated an agreement with LACERA to share excess earnings over a period of five years. The County received 75% of \$1.6B. The State of California benefits from \$4.2B going into the Educational Revenue Augmentation Fund (ERAF).

Mr. Anderson stated that in 1983 the State Budget was approximately \$12B. He said he was comparing it to the surplus, and the surplus is just about what the budget was in 1983. Commissioner Stoke felt that the Board has exercised wisdom and judgment in what it has been doing for the last couple of years. He said that he understands that there is a proposal to expand the Board to nine. With an expanded Board there will be a new group to deal with in relation to the budgeters and the staff. Mr. Janssen said that a split Board majority put the proposal on the ballot, but he thought that a majority was going to oppose the expansion.

Commissioner Sylva asked whether Mr. Janssen believed the County is doing its utmost in the use of the property tax. She also asked what the County can do to increase that source of revenue. Mr. Janssen commented that the County receives \$1.4B in property tax. This would have been \$2.4B to the General Fund, if the State of California hadn't taken these funds. Commissioner Sylva asked about redevelopment agencies tax increments. Mr. Janssen said the only place the County can undertake redevelopment is in the unincorporated area. The entire unincorporated area of Los Angeles currently generates about \$35M of sales tax. Commissioner Sylva asked whether the County could co-ordinate the activities of redevelopment agencies to increase the revenues of the properties. Mr. Janssen stated that the cities aren't interested in doing that. Redevelopment has existed since the 50's in California, but after Proposition 13, when property taxes were capped, revenues to redevelopment agencies increased dramatically. There are 256 redevelopment agreements in Los Angeles County with ten under active renegotiation. There is almost nothing the Board can do in the property tax area. The one place that the Board has discretion is to raise utility tax revenue. In 1991, all Counties were given that ability, but most Counties did not use it since it only applied to unincorporated areas. Adopting it would have one portion of the tax base potentially funding services for everyone in the County.

Commissioner Kennedy stated that during bad economic times there appeared to be a considerable amount of deferred maintenance. She asked if the county is attempting to address this problem. Mr. Janssen answered that the deferred maintenance is at least ¼ of the capital requests of over \$1B. Last year the County was able to allocate to capital and infrastructure about \$180M through the use of fund balance. Commissioner Kennedy mentioned that one of the issues that the two past grand juries have been concerned about are juvenile halls. She asked how they faired in the budget deliberation vis a vis the Sheriff. Mr. Janssen answered that, \$3.6M has been put into the Sheriff's Department to cover the loss of Federal funds. The other money provided was a one-time amount of \$3M, to help train the deputies. Last year the County received \$1.2M for beds for drug rehabilitation and put \$20M into Probation to improve the infrastructure.

Chairman Philibosian stated that the areas being considered for review by the Commission include Juvenile Hall and Probation Camp infrastructures. As to whether or not the Commission wanted to get involved would depend on the results of a report from the Auditor.

Mr. Janssen asked if the Commission would consider ERP (Enterprise Resource Planning). Mr. Janssen explained that this is a complicated software product that ties together financial, personnel, and human resources systems. Since each department has done their own planning, it will cost about \$195M to put such a system in Los Angeles County. To be successful the departments would have to adjust their business standards to the software product they chose. Making studies, to see where the money is available, would be an interesting idea.

Chairman Philibosian stated that the Commission is concerned about Juvenile Hall and Children's Services because that's where crime starts, although the Commission is not averse to getting involved in ERP.

Commissioner Padilla asked about the reliability of the unincorporated budget. Mr. Janssen answered that his office has been working with the departments, but the departments have difficulty in developing a real unincorporated area budget.

Vice Chair Lucente stated that this Commission has issued several reports on real estate asset management. Last year it was stated that a portion of these capital expenditures was earmarked for improvement of the real estate management information systems. Has any progress been made? Mr. Janssen answered that the County is making progress; the County is buying an asset management software program and will require its use by departments.

Q & P Commissioner Rew asked whether the decrease in crime was in all crime, or adult crime. Mr. Janssen answered that generally all crime was down, but the concern is about juvenile crime which is increasing in numbers. Q & P Commissioner Rew said historically when times are good, adult crime goes down and juvenile crime goes up. When times are bad, adult crime goes up and juvenile crime goes down. Mr. Janssen said that adult crime started dropping long before times went bad, in part, because the population has aged, and the County has put considerable funds into law enforcement. More people are locked up in California than in any place in the world. Chairman Philibosian commented on the need to intercept persons at the earliest possible ages. Commissioner Hill stated that there is one common denominator that she has seen from report on the incarcerated population - the inmates' inability to read. Mr. Janssen mentioned that child abuse is another factor.

Chairman Philibosian asked about long term planning on the 1115 Waiver? Mr. Janssen commented that if the department can increase outpatient care, and decrease inpatient care, in five years this problem would be resolved. But, all of the Federal money that currently comes to the County is based on inpatient care. The more the Health Department reduces inpatient care the more revenue they lose. The County started working with the Health Care Financing Administration (HCFA) a year and a half ago on an extension of the Waiver. In March 2000 the Administration wanted to eliminate the Waiver.

Commissioner Stokes mentioned that the system needs to be changed; the County needs to get Federal credit for the outpatients. Mr. Janssen said the Federal government refuses to do this. Commissioner Stokes said the County could reduce the inpatient population and use the money for outpatient services. Mr. Janssen stated that HCFA said this was not possible during their last negotiation with the County. All five Board members have commented on cutting services.

Commissioner Sylva asked about the shared responsibility between the public and private sectors for taking care of the indigent population. Historically, Los Angeles County has assumed a greater share than any mandated level of service. Mr. Janssen said that in Los Angeles the private hospitals are doing well because the County has a huge health care system that takes everybody, including transfers. He said he tried to stop transfers and save \$5M, but political pressure was applied to the Board. Long Beach Community is closing because they can not meet standards. In January of 2001 all hospitals have to submit to the State of California plans for meeting seismic safety requirements. It will cost \$40B to bring the facilities up to standard or they will start closing. With 57% of the hospitals in California in the black, the whole health care system requires Health Care Reform.

Chairman Philibosian thanked Mr. Janssen for his presentation and for his insightful comments into the County's budgetary process.

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Kenneth Hahn Hall of Administration, Room 163, 500 West Temple St.,  
Los Angeles, CA 90012  
Phone (213) 974-1491 FAX (213) 620-1437 [EMail EEComm@co.la.ca.us](mailto:EEComm@co.la.ca.us)  
WEB [eec.co.la.ca.us](http://eec.co.la.ca.us)