



BUDGET ADVOCATES REPORT November 2023

Los Angeles City Budget Update

There is the bad news and the good news. But the impact on the City's budget is up in the air because of the litigation involving the Measure ULA tax and the lack of transparency.

The bad news is the impact of the new and prospective labor agreements with the City's public sector unions will result in deficits of \$170 million this year (2023-24) and \$440 million next year (2024-25), a total of more than \$600 million.

The good news is that a Superior Court judge dismissed the challenge to the voter approved (57%) Measure ULA tax that will levy a 4% tax on property sales of \$5 million or more and 5.5% on sales of \$10 million or more. The plaintiffs plan to appeal.

This year, the City allocated only \$150 million of the estimated \$600 million in Measure ULA revenue because of the litigation risk. This leaves \$450 million in the ULA fund. Coupled with next year's ULA revenue of an estimated \$600 million, the City will have \$1.05 billion of ULA money for its homeless and related initiatives.

If the City decides to use all of the ULA funds, it would be able to repay the \$475 million that the General Fund allocated to this year's \$1.3 billion Homeless Services and Housing Program. These funds would be able to cover this year's shortfall of \$170 million and all but \$135 million of next year's projected short fall of \$440 million. To balance the General Fund budget, the City may need to rely on the Reserve Fund. This fund should be used only for emergencies, not operating expenses.

The remaining \$575 million of the ULA tax will be dedicated to the City's Homeless Services and Housing Program. This is \$700 million less than this year's appropriation of \$1.3 billion. Unlike last year, the City will not be able to rely on a one-time infusion from the already stressed General Fund or tap into the Proposition HHH money because the last \$261 million was allocated to this year's program. Instead, the City will have to rely on grants and other funds which totaled almost \$400 million this year and other sources of funds to match this year's \$1.3 billion expenditure level.

This is the best-case scenario. It assumes that the City will prevail in the Measure ULA litigation, that ULA revenues are \$600 million this year and next which some doubt, and that there is no slowdown in the economy. It does not provide for the Mayor's plan to restore the ranks of the Police Department and to fill the many vacant positions throughout the City.

By not releasing some or all of the ULA revenues, the City will have less exposure to an adverse decision on the Measure ULA litigation. But then it will have to resort to drastic

measures to balance the General Funds budget and fund the homeless program, including budget cuts, fewer services that are already at an inadequate level, layoffs and furloughs, and increased taxes and fees.

The Mayor and the City Council need to update Angelenos on the status of the budgets for this year and next year. Transparency is required.

Budget Advocates Activity

City Controller Mejia held a Zoom meeting October 26 to discuss the City Budget in a talk titled "How The Budget Process REALLY Works!" We hope you were able to attend. If not, you can watch the recording at this [link](#).

The Budget Advocates are creating appointments with the City Departments for the next White Paper. This is an exciting opportunity to build contacts with people who are in City Department leadership. You don't need to be a Budget Representative or a Board member. All Los Angeles stakeholders are eligible to work with us on this and no accounting experience is necessary. If you or someone you know has a passion for the work of one or more City Departments, please let us know at LABudgetAdvocates@gmail.com.

Many of the Neighborhood Councils have responded to our requests to know who their Budget Representatives are. Thank you. We ask each Neighborhood Council to appoint two Budget Representatives. To those of you who have not yet done so, please let us know who your Budget Representatives are. Please email their names and contact information to LABudgetAdvocates@gmail.com.

For more information, please visit our website at www.BudgetAdvocates.org.