



## BUDGET ADVOCATES REPORT December 2023

### Los Angeles City Budget Update

The [Second Financial Status Report](#) dated November 30<sup>th</sup> ([Council File 23-0600-S113](#)) showed that this year's budget is \$390 million below plan because of over-expenditures of \$297 million and a revenue shortfall of \$93 million.

The Police Department overspending was \$136 million due to the impact of the new labor agreement, projected hiring, and increased overtime. Other areas of overspending included the Fire Department (\$37 million), General Services (\$38 million), and Liability Claims (\$47 million).

Overall, revenues were off by slightly over 6% (\$93 million) versus plan, the major culprits being the documentary transfer and transient occupancy taxes.

To eliminate the shortfall, the City is considering the reappropriation of previous unused payroll funds, the savings from continuing employee vacancies, and the Reserve Fund.

The balance of the fiscal year is concerning. There is the continuing impact of the labor agreements with the police civilian unions. Other problem areas include increased Liability Claims, continuing overruns on the Human Resources and Payroll project, and the cost of the migrants bussed in from Texas and the fallout from the 2021 fireworks explosion on East 27<sup>th</sup> Street.

There is the possibility that future revenues will not meet expectations. If the 7% shortfall in the seven economically sensitive taxes (property, business, sales, utility, hotel, documentary, and parking) were to continue, there is the possibility that annual revenue may be \$300 million below plan.

There is a high likelihood that the previously projected shortfall of \$170 million for fiscal 2023-24 may increase.

Next year (2024-25), the deficit is projected to be more than \$400 million because of the significant budgetary impact of the recent labor agreements with the police, fire, and civilian unions. There is also the question of how to fund the billion-dollar homeless budget now that the HHH bond funds have been fully allocated.

### Budget Advocates Activity

The Budget Advocates are deep in the process of interviewing the City Departments in preparation for writing our annual white paper.

Last month, new Budget Advocates were elected to fill two vacancies: Lionel Mares in Region 1 and Connie Acosta in Region 7. Congratulations!

Each Neighborhood Council may have two Budget Representatives. If your NC has one or zero, please appoint as needed and let us know who your Budget Representatives are at [LABudgetAdvocates@gmail.com](mailto:LABudgetAdvocates@gmail.com).

For more information about the Budget Advocates, please visit our website at [www.BudgetAdvocates.org](http://www.BudgetAdvocates.org).