

April 22, 2025

The Honorable Budget and Finance Committee
c/o Mandy Morales, Legislative Assistant
200 North Spring Street
City Hall Room 340
Los Angeles CA 90012

Re: Ethics Commission Budget for Fiscal Year 2025-26 (CF # 25-0600)
FOR COUNCIL CONSIDERATION

Dear Committee Members:

Thank you for the opportunity to discuss our FY 2025-26 department budget and the City's Public Matching Campaign Funds Trust Fund (the trust fund). We provide the following response to the April 10 letter from the Chair of the Budget and Finance Committee.

Operating Budget

The Ethics Commission agrees with and supports the Mayor's proposed budget for the Ethics Commission. This past November, the citizens of Los Angeles passed ballot measure ER, which, among other things, established a minimum budget for the Ethics Commission beginning with FY 2025-26. The budget proposal for fiscal year 2025-26 incorporates the minimum operating budget of \$7 million, as well as administrative recommendations made by the Ethics Commission. The proposed budget will help to ensure that we can continue to perform our Charter-mandated work at current levels.

Trust Fund

To help address next year's budget challenges, the proposed budget recommends withholding the FY 2025-26 appropriation to the trust fund. Charter section 471(c)(1) requires an annual General Fund appropriation to the trust fund that is equal to the current value of \$2 million in 1991 dollars. This amount must be adjusted each year to reflect changes in the Consumer Price Index (CPI), and the amount for FY 2025-26 is \$4,152,900.

Charter section 471(c)(1) allows the City Council, by two-thirds vote, to reduce or withhold the annual appropriation to the trust fund if all of the following occur:

- (1) The City Council declares a fiscal emergency by resolution for that fiscal year.

- (2) The trust fund balance does not fall below \$8 million in 1991 dollars adjusted for CPI.

For FY 2025-26, \$8 million in 1991 dollars adjusted for CPI is \$16,661,600. The trust fund balance is expected to be \$22 million at the end of the current fiscal year, exceeding the CPI-adjusted minimum balance that is required in order for the annual appropriation to be withheld.

- (3) The City Council has considered the Ethics Commission's analysis on projected costs and public funding needs for the next four years.

We project total payouts of \$11 million in FY 2025-26 for the regular 2026 primary election, which will include three Citywide and eight odd-numbered City Council seats. The trust fund balance at the end of FY 2025-26 (after matching funds payments for the primary election have been made) is projected to be \$11 million, and we believe the trust fund will remain solvent through the next fiscal year. However, based on the minimum mandatory trust fund balance and projected matching funds payments for the 2026 general election and the 2028 primary and general elections, we believe the mandatory appropriations for Fiscal Years 2026-27, 2027-28, and 2028-29 will be required.

We note that changes to City law, such as increasing the number of City Council districts or providing public funding for qualified LAUSD candidates, will also affect the trust fund balance. Not only could each of those changes further decrease the trust fund balance, they would likely require an increase to the mandatory annual appropriation in order to sustain a properly functioning matching funds program.

Thank you for supporting the important work of the Ethics Commission. We are happy to talk with you or your staff at any time.

Sincerely,



David Tristan
Executive Director

cc: Matt Hale, Deputy Mayor
Bernyce Hollins, Budget Chief, Mayor's Office
Austin Patrick, Senior Administrative Analyst, CAO's Office