

Los Angeles Unified Fiscal Update Leading into FY26 Budget Adoption

May 19, 2025



@LASchools

AGENDA

- May Revision to Governor's Budget
- Insights Leading into FY26 Budget Adoption
- Latest Multi-Year Projection, exclusive of any possible health care variances and bargaining unit agreements
- Discussion

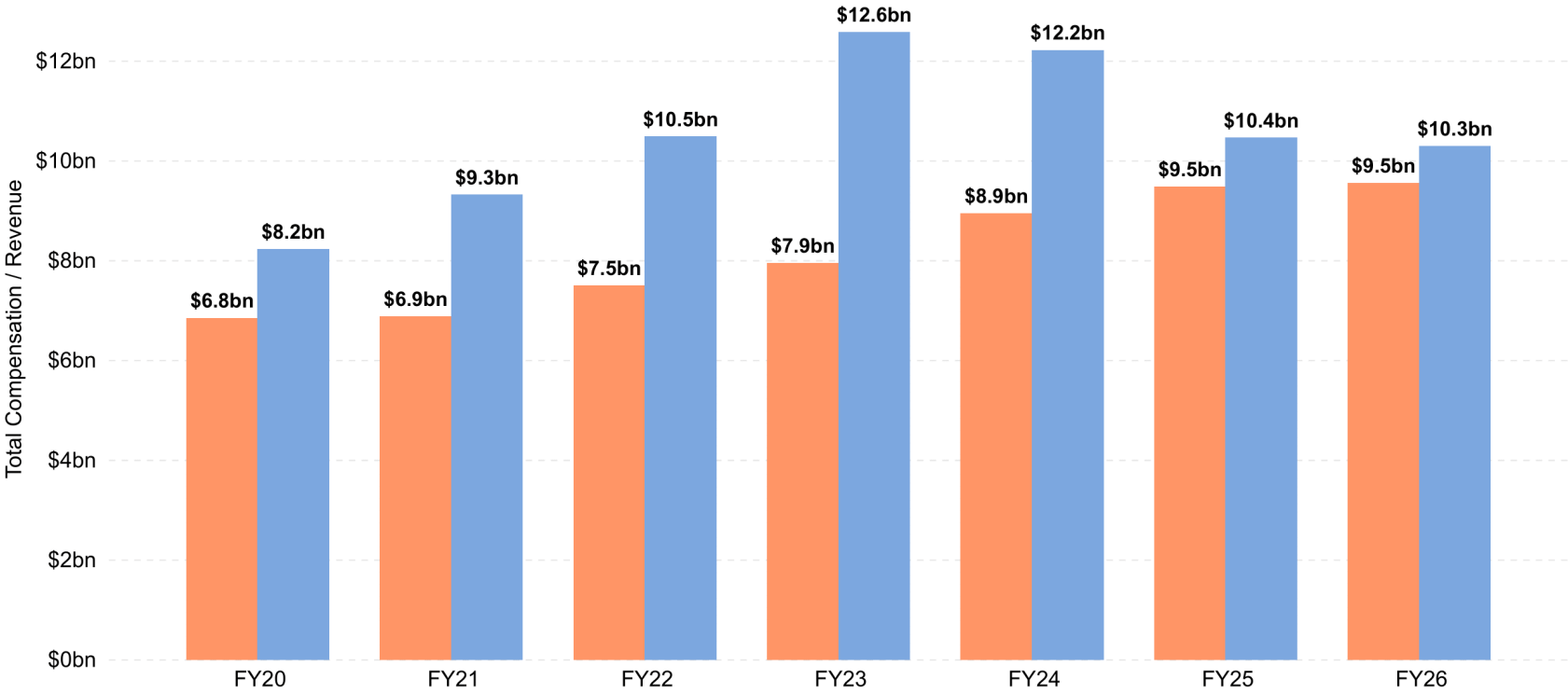
Governor's May Revise

What to Expect?

- COLA at 2.3% instead of 2.43% in January
- Appropriates 24–25 Prop. 98 level by \$1.3 billion less in order to not over-appropriate if guarantee ends up being lower next year
- Exhausts remaining fund balance of Prop 98 Reserve at the end of 25–26
- \$1.8 billion deferral for LCFF payments from June 2026 to July 2026
- \$1.2 billion ongoing funds to lower TK ratio to 1:10
- Reduces Student Support and PD Discretionary Block Grant to \$1.7 billion (\$100 M less than Jan)
- Increases ELOP by \$515.5 million to expand access to more LEAs who have UPP of 55% or higher
- \$200 million one-time for PD for evidence-based reading for elementary school educators (likely to fund the science of reading bill)
- \$100 million one-time to fund stipends for student teachers
- \$90.7 million in additional ongoing funds to fully fund universal school meals
- Reduces \$177.5 million unspent school facilities funds from GF that were going to be used for wildfire school rebuilding. Instead schools can access Prop 2 bond funds
- Suspends statutory COLA for State Preschool Program by reducing nearly \$40 million in ongoing Prop 98 and GF

Compensation vs. Revenue (Operating Funds)

● Total Compensation (Salary & Benefits) ● Total Revenue



Total Compensation
as Percent of
Total Revenue

83%

74%

72%

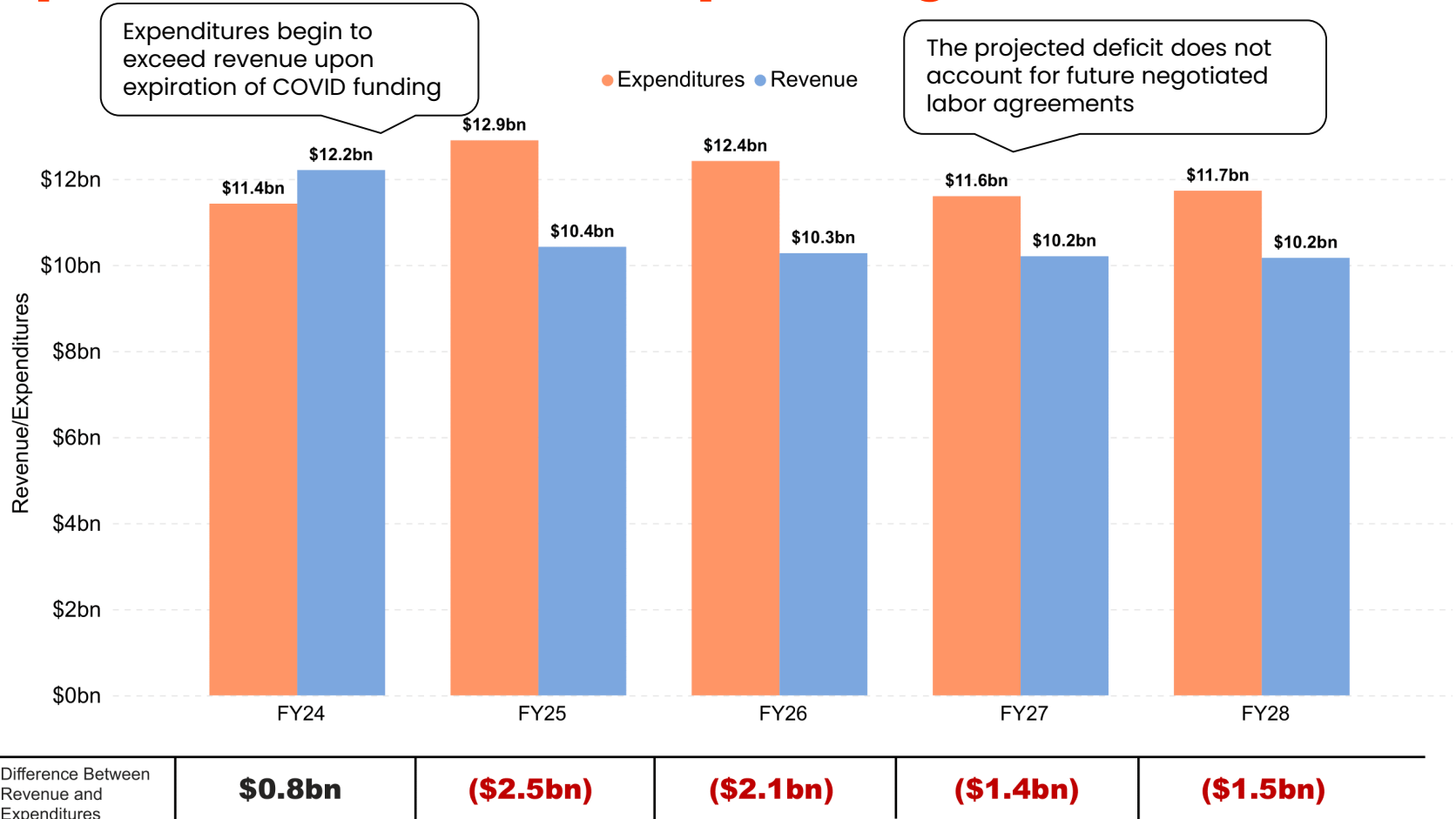
63%

73%

91%

93%

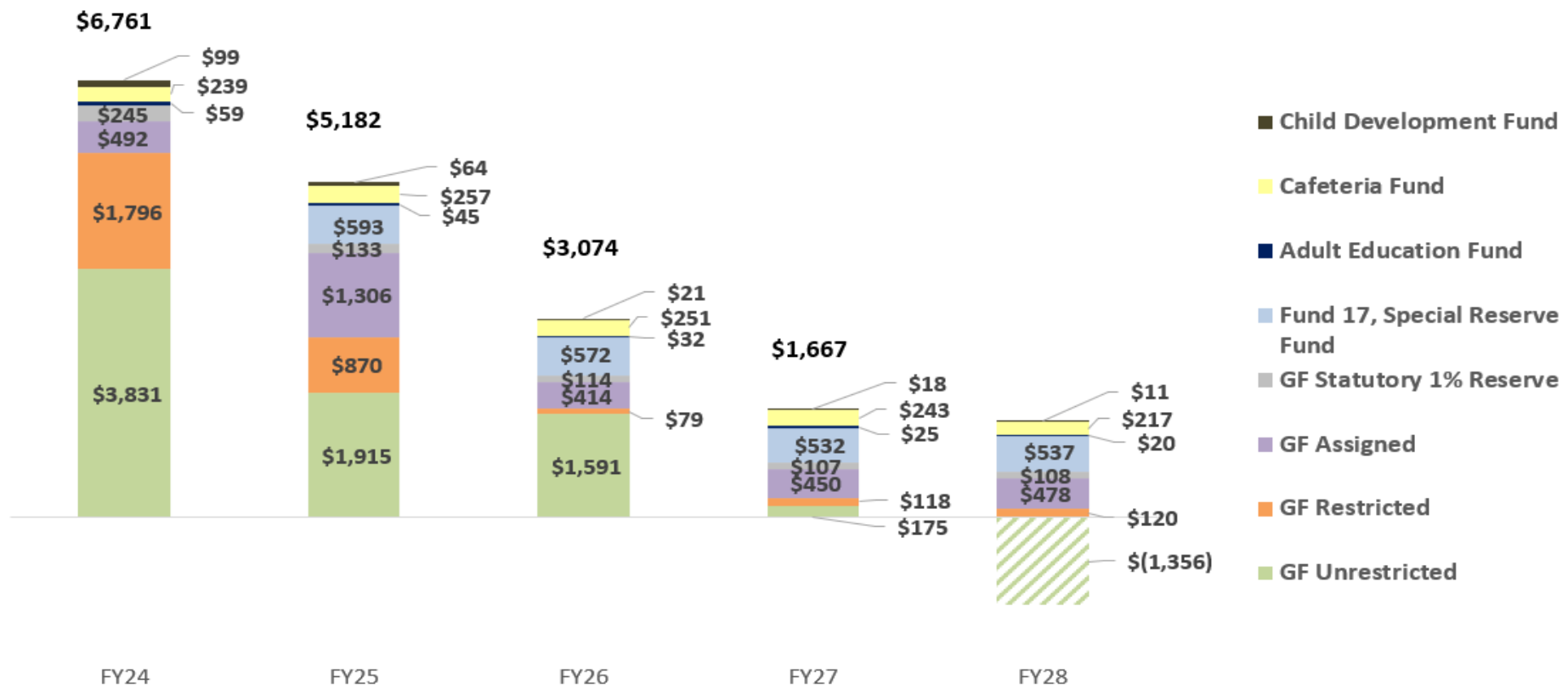
Expenses vs Revenues (Operating Funds)



Impact of Sustaining our Workforce

- Our priority is providing enriching learning environments for students and our workforce is integral in achieving that goal. We are proactively evaluating and implementing sustainable strategies to minimize impacts to schools.
- Following 2025–2026 budget development, approximately 2,400 employees whose positions were not funded by specific schools or offices were reassigned into equivalent, funded positions.
- Approximately 1,100 classified employees remain in unfunded positions. While employees will continue to work their assigned hours in their assigned classifications, PC will work to transition employees in unfunded positions into funded vacancies as they arise throughout the year.
- Maintaining the currently unfunded positions is estimated to cost \$60 million.

Preliminary FY26 Budget Fund Balances – Operating Funds*



*Amounts in millions – The projected deficit does not account for future negotiated labor agreements.

Fiscal Sustainability in LAUSD:

Outlook

- Structural deficit of approximately \$1.4B
 - Does not include future labor agreements/negotiated salary or benefits
- Leverage next year (FY26) to plan for FY27 and FY28
- In June, we will be proposing a fiscal stabilization plan (FSP)
- The Board can revise the FSP for 1st Interim (December 2025)

FY25

- Implemented Strategic Budgeting for Central Office; swept unspent dollars and used hiring freeze (over \$100m saved across all funds)
- Maximized restricted funds for over \$100m of General Fund Relief
- Eliminated carryover for Central Office
- **Adopt qualified budget and present fiscal stabilization plan**

FY26

- Implement fiscal stabilization plan for qualified budget
- Continue maximization of restricted funds
- **Identify reduction opportunities, including closing vacancies, sweeping unspent dollars, and implementing tiered equitable strategies to optimize workforce in FY27**

FY27

- Implement fiscal stabilization plan with revised fiscal information
- Assess additional vacancy closures, maintaining hiring freezes and enacting staff reassignments and reduction in force.
- **Identify and revise cost saving strategies for FY28**

FY28

- Enact reductions identified for FY 28, which may include Reductions in Force
- Implement necessary budget balancing strategies to **close the deficit and avoid negative certification**

What is a Fiscal Stabilization Plan?

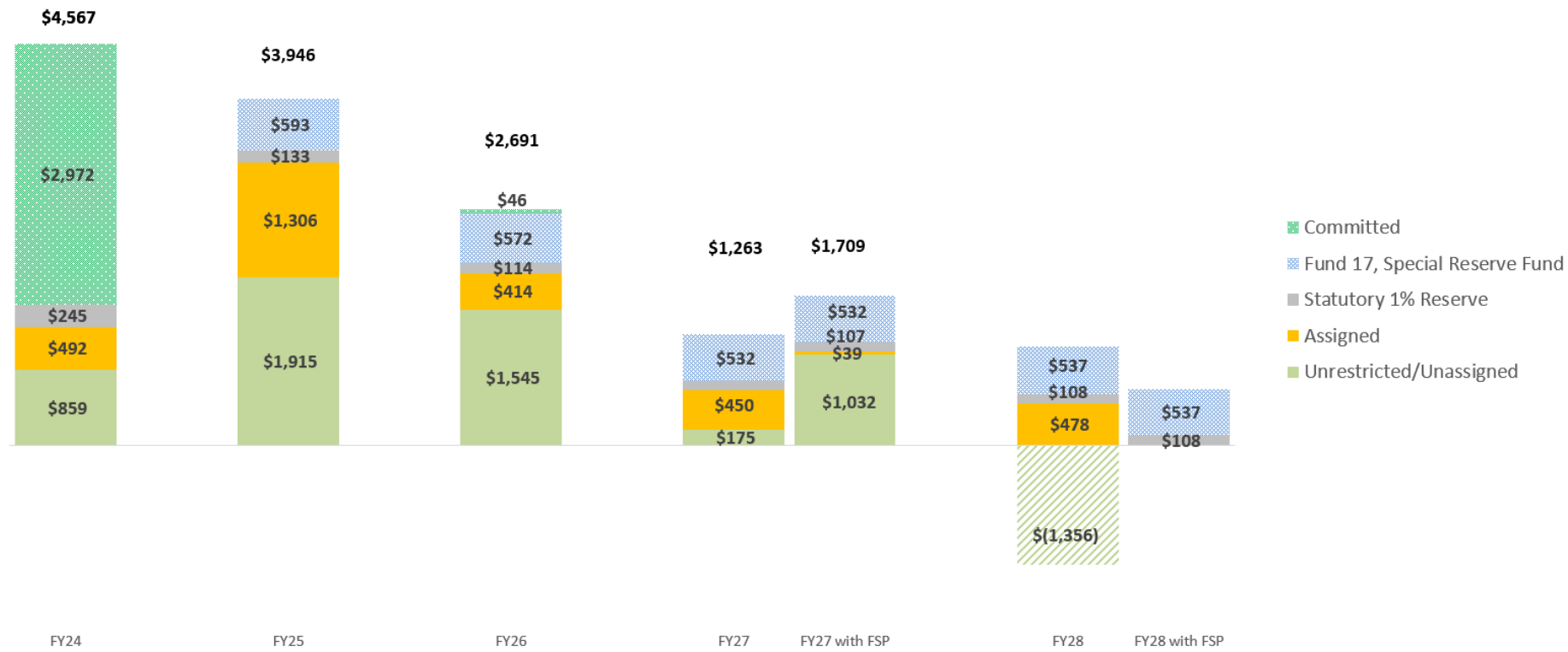
- A required critical plan for school districts facing structural budget deficits
- Oversight designed to ensure districts:
 - Meet current fiscal year financial obligations
 - Fulfill multiyear financial commitments
 - Maintain minimum reserve requirements
- Proposed actions that are well-defined and grounded in a solid, detailed plan rather than general objectives
- Required aspect of oversight by the Los Angeles County of Education when a school district submits a qualified or negative budget due to a structural budget deficit and/or deficit spending

Proposed Fiscal Stabilization Plan to address \$1.4B

Action	FY 26 Estimated Savings	FY 27 Estimated Savings	FY 28 Estimated Savings
Reassess school carryover policies by need for FY 27	\$0	\$360m	\$65m
Cap and norm positions in FY 27	\$0	\$200m	\$200m
Reduction of unfunded positions in FY 27	\$0	\$60m	\$60m
Consolidate district footprint (campuses and programs) and evaluate academic ROI	\$0	\$20m	\$20m
Reassess effectiveness of earmarked, unspent Investments	\$0	\$65m	\$0
Strategic closure of vacant school positions annually in February (except GF restricted)	\$0	\$90m	\$90m
Bring students closer to their school of residence	\$0	\$15m	\$15m
Central operations, non-school-based reductions	\$0	\$70m	\$70m
Total	\$0	\$880m	\$520m
		Grand Total	\$1.4B

*Fund 17 has a balance of \$532m/5% or General Fund expenditures in FY 27
 FSP assumes all non-required assignments and commitments dropped in FY 27
 Numbers are rounded.

Preliminary Unrestricted General Fund MYP with Fiscal Stabilization Plan* Includes Fund 17



*Amounts in millions – The projected deficit does not account for future negotiated labor agreements.

Preliminary June Adopted FY26 Budget Assumptions

Preserves unfunded positions (a result of no layoff)

Maintains Board reserve (i.e. Fund 17) at 5% in FY27

The June adopted budget will be qualified

LACOE requires that a fiscal stabilization plan be approved in tandem with June adopted budget

Includes funding to protect against federal uncertainties pending board approval

Proposed June Adopted FY26 Budget Priorities

BSAP
\$125M

+\$25M for FY 26

Arts in Schools
\$231M

Supplemental TBA

Greening with Partners
+\$3M

\$1M/yr for 3 years

TK
\$186M

Teachers & Aides

Student Centers
+\$1.2M

Expanded Supports

Protecting Investments
+\$46M for FY 26

Federal Program Reserve

**Workforce Protection
Program**

+\$60m for FY 26

Thank you