



Board of Education Report

File #: Rep-384-24/25, **Version:** 2
In Control: Business & Finance Division

Agenda Date: 6/17/2025

Adoption of the Proposed 2025-26 Fiscal Stabilization Plan Business and Finance Division

Brief Description:

(Adoption of the 2025-26 Fiscal Stabilization Plan) Recommends adoption of the 2025-26 Fiscal Stabilization Plan as required by the Los Angeles County Office of Education to address the District's qualified budget status as stated in the 2025-26 proposed budget.

Action Proposed:

Adoption of 2025-26 Fiscal Stabilization Plan (FSP), as shown in Attachment A, to address the District's proposed budget with a qualified budget status as required by the Los Angeles County Office of Education (LACOE) in their oversight function for the state.

Background:

LA Unified currently has a structural deficit whereby in-year expenditures exceed in-year revenues. As revenues continue to decrease due to enrollment decline and loss of one-time COVID funds, expenditures have not been reduced proportionately. The 2025-26 proposed budget includes the drawdown of one-time fund balance over the multi-year projection due to continued deficit spending. The proposed budget includes a projected deficit of \$1.6 billion for Fiscal Year (FY) 2027-28 of operating funds which indicates a lack of going concern. On April 15, 2025, LACOE requested that LA Unified address its deficit spending through the submission of a Board-approved FSP. The FSP must identify specific expenditure reductions and/or revenue enhancements with associated cost savings and timelines to balance the budget prior to FY 27-28.

Expected Outcomes:

Adoption of the 2025-26 FSP, which outlines LA Unified's plan to address its projected \$1.6 billion deficit for Fiscal Year 2027-28, in compliance with LACOE's oversight responsibility on behalf of the state.

Board Options and Consequences:

Should the Board adopt the FSP, LA Unified will commence implementation to address its projected deficit spending. Reductions outlined in the FSP are expected to begin in FY 2026-27 and continue through FY 2027-28. During FY 2025-26, staff will outline specific action steps to implement the FSP and update the Board of its progress at each interim projection. Pending updates at the interim projections, amendments to the FSP may be proposed to the Board.

If the Board does not adopt the proposal, the FSP will not be implemented, and LA Unified will report a negative unrestricted unassigned ending balance in FY 2027-28. As a result, LACOE will issue a conditional approval of the District's 2025-26 Final Budget and require an FSP with their oversight and approval. Conditional approval means that the County Superintendent may approve the District's 2025-26 Final Budget on the condition that it take specific actions to remedy deficiencies in the multi-year projections.

Policy Implications:

Adoption of the Fiscal Stabilization Plan shall comply with LACOE's oversight responsibility on behalf of the state.

Budget Impact:

Adoption of the 2025-26 Fiscal Stabilization Plan, which if implemented as proposed over the next three years, will fully address LA Unified's projected \$1.6 billion deficit.

Student Impact:

Adherence to LACOE's oversight responsibility ensures that LA Unified shall continue to operate and serve its student population responsibly.

Equity Impact:

Component	Score	Score Rationale
Recognition	3	The Fiscal Stabilization Plan recognizes that student needs should be carefully considered when proposing any reductions to the District's expenditures.
Resource Prioritization	2	The Fiscal Stabilization contains proposed reductions and aims to avoid detriment to the District's most vulnerable student populations.
Results	2	The Fiscal Stabilization Plan includes proposed reductions and aims to avoid detriment to student needs.
TOTAL	7	

Issues and Analysis:

The proposed FSP includes the reduction of the Board of Education approved Fund 17 by 10% (approximately \$50 million) in the 2026-27 Fiscal Year. As noted above, during FY 2025-26, staff will outline specific action steps to implement the FSP and update the Board of its progress at each interim projection. If, based on 2025-26 interim projections, the proposed reduction to Fund 17 continues to be necessary to address the District's projected \$1.6 billion deficit, a resolution for adoption will be presented to the Board to transfer funds from Fund 17 to the General Fund.

Attachments:

Attachment A - Fiscal Stabilization Plan

Submitted:

06/16/25

RESPECTFULLY SUBMITTED,

APPROVED & PRESENTED BY:

ALBERTO M. CARVALHO
Superintendent

PEDRO SALCIDO
Deputy Superintendent
Office of the Deputy Superintendent

REVIEWED BY:

APPROVED & PRESENTED BY:

DEVORA NAVERA REED
General Counsel

CHRISTOPHER D. MOUNT-BENITES
Chief Financial Officer
Business and Finance Division

___ Approved as to form.

REVIEWED BY:

NOLBERTO DELGADILLO
Deputy Chief Financial Officer

___ Approved as to budget impact statement.

ATTACHMENT A
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The proposed Fiscal Stabilization Plan details expenditure reduction strategies to achieve fiscal balance through FY 2027-28 for the currently projected \$1.6 billion deficit.

Item Description	FY 2025-26	FY 2026-27	FY 2027-28	Total
Reduction of Board of Education Approved Fund 17 by 10%	\$0	\$50m	\$0	\$50m
Reassess school carryover policies by need for FY 2026-27	\$0	\$360m	\$65m	\$425m
Targeted funding allocation reductions in FY 2026-27	\$0	\$75m	\$200m	\$275m
Reduction of unfunded positions in FY 2026-27	\$0	\$60m	\$60m	\$120m
Consolidate District footprint (campuses and programs) and evaluate academic Return On Investment (ROI)	\$0	\$30m	\$30m	\$60m
Reassess effectiveness of earmarked, unspent investments	\$0	\$115m	\$0	\$115m
Strategic closure of vacant school positions annually in February (except General Fund Restricted positions)	\$0	\$100m	\$100m	\$200m
Bring students closer to their school of residence	\$0	\$15m	\$15m	\$30m
Central operations, non-school-based reductions	\$0	\$200m	\$125m	\$325m
Subtotal	\$0	\$1,005m	\$595m	\$1,600m

FISCAL STABILIZATION PLAN

Name of School District:	Los Angeles Unified School District
The proposed agreement covers the period beginning:	July 1, 2025 to June 30, 2026
Governing Board approval date:	6/17/2025

Note: The instructions for completing the Fiscal Stabilization Plan (FSP) follow the template.

1. General Summary

Provide an overview of the district's current financial situation and the main objectives of the Fiscal Stabilization Plan.

The Los Angeles Unified School District (LAUSD) currently has a structural deficit whereby in-year expenditures exceed in-year revenues. As revenues continue to decrease due to enrollment decline and loss of one-time COVID funds, expenditures have not been reduced proportionately. The 2025-26 proposed budget includes the drawdown of one-time fund balance over the multi year projection (continued deficit spending). The proposed budget includes a projected deficit of \$1.6 billion for fiscal year 2027-28 of operating funds. The Los Angeles County Office of Education (LACOE), on April 15, 2025, sent a letter to the LAUSD that requested the LAUSD address its deficit spending through submission of a Board of Education-approved Fiscal Stabilization Plan (FSP). A Board of Education-approved FSP must identify specific expenditure reductions and/or revenue enhancements with associated cost savings and timelines to balance the budget prior FY 2027-28.

2. Implementation and Monitoring

Describe how the district will implement the Fiscal Stabilization Plan and monitor the financial impact of each action.

If approved by the Los Angeles Unified Board of Education on June 17, 2025, the LAUSD will implement the attached FSP that clearly delineates the actions the LAUSD will take to balance its projected deficit. The LAUSD, through State of California required reporting, will update the Board of Education and public of LAUSD's financial status through interim reporting and the 2026-27 budget adoption. Should the Board adopt the FSP, LA Unified will commence implementation to address its projected deficit spending. Reductions outlined in the FSP are expected to begin in FY 2026-27 and continue through FY 2027-28. During FY 2025-26, staff will outline specific action steps to implement the FSP and update the Board of its progress at each interim projection. Pending updates at the interim projections, amendments to the FSP may be proposed to the Board. Furthermore, the LAUSD will be launching budget transparency tools on July 1, 2025 which will enable the public to view the LAUSD and school site budgets so they may be informed of spending trends and investments.

3. Multiyear Budget Projection Changes

List the revenue enhancements and/or expenditure changes the district plans to make, and include (1) a description of each action, (2) object codes, and (3) projected financial impact by fiscal year.

Unrestricted Revenue Changes	Object Codes	FY 2025-26	FY 2026-27	FY 2027-28	Total
Reduction of Board of Education Approved Fund 17 by 10%	Various	0	\$50,000,000	0	\$ 50,000,000
Total <u>Unrestricted</u> Revenue Change		0	\$50,000,000	0	\$50,000,000
Restricted Revenue Changes	Object Codes	FY 2025-26	FY 2026-27	FY 2027-28	Total
None		0	0	0	0
Total <u>Restricted</u> Revenue Change		0	0	0	0

Unrestricted Expenditure Changes	Object Codes	FY 2025-26	FY 2026-27	FY 2027-28	Total
Reassess school carryover policies by need for FY 2026-27	Various	0	-\$360,000,000	-\$65,000,000	\$ (425,000,000)
Targeted funding allocation reductions in FY 2026-27	Various	0	-\$75,000,000	-\$200,000,000	\$ (275,000,000)
Reduction of unfunded positions in FY 2026-27	Various	0	-\$60,000,000	-\$60,000,000	\$ (120,000,000)
Consolidate District footprint (campuses & programs) and evaluate academic Return on Investment (ROI)	Various	0	-\$30,000,000	-\$30,000,000	\$ (60,000,000)
Reassess effectiveness of earmarked, unspent investments	Various	0	-\$115,000,000	\$0	\$ (115,000,000)
Strategic closure of vacant school positions annually in February (except General Fund Restricted positions)	Various	0	-\$100,000,000	-\$100,000,000	\$ (200,000,000)
Bring students closer to their school of residence	Various	0	-\$15,000,000	-\$15,000,000	\$ (30,000,000)
Central Operations, non-school based reductions	Various	0	-\$200,000,000	-\$125,000,000	\$ (325,000,000)
Total <u>Unrestricted</u> Expenditure Change		0	-\$955,000,000	-\$595,000,000	-\$1,550,000,000
Restricted Expenditure Changes	Object Codes	FY 2025-26	FY 2026-27	FY 2027-28	Total
None		0	0	0	0
Total <u>Restricted</u> Expenditure Change		0	0	0	0

4. Revised Available Reserves Projections

The reserves calculation below is auto-calculated from the data entry in the MYP tab.

Description	Object Codes	Revised Multiyear Projections Available Reserves		
AVAILABLE RESERVES				
General Fund				
Stabilization Arrangements	9750	0	0	0
Reserve for Economic Uncertainties	9789	115,200,000	106,810,000	107,780,000
Unassigned/Unappropriated	9790	1,450,146,026	1,020,253,742	6,267,357
Negative Restricted Ending Balances	979Z	0	0	0
Special Reserve Fund - Noncapital Outlay (Fund 17)				
Stabilization Arrangements	9750	0	0	0
Reserve for Economic Uncertainties	9789	575,200,000	533,540,000	538,470,000
Unassigned/Unappropriated	9790	0	0	0
Total Available Reserves - by Amount		2,140,546,026	1,660,603,742	652,517,357
Total Available Reserves - by Percent		18.61%	17.09%	6.41%

5. Appendices

Include FSP Board Resolution and any other supporting documents (i.e. RIF resolutions for certificated and classified staff).

This template may be customized to fit the specific needs and circumstances of each school district. Ensure all financial data is accurate and up-to-date before submission for board approval.

Multiyear Projections Worksheet

Description		Object Codes	Revised Multi-Year Projections (UNRESTRICTED)		
			2025-26	2026-27	2027-28
REVENUES AND OTHER FINANCING SOURCES					
LCFF/Revenue Limit Sources	8010-8099		6,402,851,996	6,497,914,808	6,550,032,269
Federal Revenues	8100-8299		1,810,628	1,810,628	1,810,628
Other State Revenues	8300-8599		151,237,932	148,806,391	145,670,437
Other Local Revenues	8600-8799		283,786,008	229,771,932	191,070,154
Other Financing Sources					
Transfers In	8900-8929		47,325,000	71,660,000	30,000,000
Other Sources	8930-8979		10,000	10,000	10,000
Contributions	8980-8999		(1,711,154,278)	(1,659,672,458)	(1,720,397,929)
TOTAL REVENUES			5,175,867,286	5,290,301,301	5,198,195,559
TOTAL REVENUES WITH FSP CHANGES			5,175,867,286	5,340,301,301	5,198,195,559
EXPENDITURES AND OTHER FINANCING USES					
Certificated Salaries	1000-1999		2,688,377,594	2,747,503,560	2,728,542,267
Classified Salaries	2000-2999		853,280,781	832,601,906	831,205,922
Employee Benefits	3000-3999		1,965,134,523	2,056,312,529	2,159,496,472
Books and Supplies	4000-4999		692,873,065	580,367,395	575,038,027
Services and Other Operating Expenditures	5000-5999		559,285,308	507,970,165	515,512,949
Capital Outlay	6000-6999		39,248,414	69,424,251	79,684,550
Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499		7,653,474	7,653,474	7,653,474
Other Outgo - Transfers of Indirect Costs	7300-7399		(329,478,277)	(158,271,480)	(178,490,252)
Other Financing Uses					
Transfers Out	7600-7629		28,513,404	54,410,487	59,349,004
Other Uses	7630-7699				
Other Adjustments (B10 - DO NOT USE)					
TOTAL EXPENDITURES			6,504,888,286	6,697,972,287	6,777,992,413
TOTAL EXPENDITURES WITH FSP CHANGES			6,504,888,286	5,742,972,287	6,182,992,413
NET INCREASE (DECREASE) IN FUND BALANCE			(1,329,021,000)	(402,670,986)	(984,796,854)
FUND BALANCE					
Net Beginning Fund Balance			3,402,899,398	2,073,878,398	1,671,207,412
Ending Fund Balance			2,073,878,398	1,671,207,412	686,410,558
Components of Ending Fund Balance					
Nonspendable	9710-9719		49,411,619	49,411,619	49,411,619
Restricted	9740				
Committed					
Stabilization Arrangments	9750				
Other Commitments	9760		46,110,802	46,110,802	46,110,802
Assigned	9780		413,009,951	448,621,249	476,840,780
Unassigned/Unappropriated					
Reserve for Economic Uncertainties	9789		115,200,000	106,810,000	107,780,000
Unassigned/Unappropriated	9790		1,450,146,026	1,020,253,742	6,267,357
Total Components of Ending Fund Balance			2,073,878,398	1,671,207,412	686,410,558
AVAILABLE RESERVES					
General Fund					
Stabilization Arrangments	9750		0	0	0
Reserve for Economic Uncertainties	9789		115,200,000	106,810,000	107,780,000
Unassigned/Unappropriated	9790		1,450,146,026	1,020,253,742	6,267,357
Special Reserve Fund - Noncapital Outlay (Fund 17)					
Stabilization Arrangments	9750				
Reserve for Economic Uncertainties	9789		575,200,000	533,540,000	538,470,000
Unassigned/Unappropriated	9790				
Total Available Reserves			2,140,546,026	1,660,603,742	652,517,357

Multiyear Projections Worksheet

Description		Object Codes	Revised Multi-Year Projections (RESTRICTED)		
			2025-26	2026-27	2027-28
REVENUES AND OTHER FINANCING SOURCES					
LCFF/Revenue Limit Sources	8010-8099		32,558,650	32,558,650	32,558,650
Federal Revenues	8100-8299		842,015,738	643,406,842	644,696,693
Other State Revenues	8300-8599		1,574,836,251	1,616,184,432	1,538,234,011
Other Local Revenues	8600-8799		47,772,008	46,628,304	46,628,304
Other Financing Sources					
Transfers In	8900-8929				
Other Sources	8930-8979				
Contributions	8980-8999		1,711,154,278	1,659,672,458	1,720,397,929
TOTAL REVENUES			4,208,336,925	3,998,450,686	3,982,515,587
TOTAL REVENUES WITH FSP CHANGES			4,208,336,925	3,998,450,686	3,982,515,587
EXPENDITURES AND OTHER FINANCING USES					
Certificated Salaries	1000-1999		1,330,649,500	963,472,018	934,135,030
Classified Salaries	2000-2999		692,377,999	606,786,450	597,428,976
Employee Benefits	3000-3999		1,295,296,911	1,201,791,276	1,259,180,216
Books and Supplies	4000-4999		781,454,382	386,192,023	376,839,629
Services and Other Operating Expenditures	5000-5999		596,093,598	608,106,310	600,607,036
Capital Outlay	6000-6999		23,573,766	75,333,069	74,854,634
Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499				
Other Outgo - Transfers of Indirect Costs	7300-7399		280,461,409	131,003,130	146,079,407
Other Financing Uses					
Transfers Out	7600-7629				
Other Uses	7630-7699				
Other Adjustments (B10 - DO NOT USE)					
TOTAL EXPENDITURES			4,999,907,565	3,972,684,276	3,989,124,928
TOTAL EXPENDITURES WITH FSP CHANGE			4,999,907,565	3,972,684,276	3,989,124,928
NET INCREASE (DECREASE) IN FUND BALANCE			(791,570,640)	25,766,410	(6,609,341)
FUND BALANCE					
Net Beginning Fund Balance			870,268,583	78,697,943	104,464,353
Ending Fund Balance			78,697,943	104,464,353	97,855,012
Components of Ending Fund Balance					
Nonspendable	9710-9719				
Restricted	9740		78,697,943	104,464,353	97,855,012
Committed					
Stabilization Arrangments	9750				
Other Commitments	9760				
Assigned	9780				
Unassigned/Unappropriated					
Reserve for Economic Uncertainties	9789				
Unassigned/Unappropriated	9790		0	0	0
Total Components of Ending Fund Balance			78,697,943	104,464,353	97,855,012

Multiyear Projections Worksheet

Description		Object Codes	Revised Multi-Year Projections (COMBINED)		
			2025-26	2026-27	2027-28
REVENUES AND OTHER FINANCING SOURCES					
LCFF/Revenue Limit Sources		8010-8099	6,435,410,646	6,530,473,458	6,582,590,919
Federal Revenues		8100-8299	843,826,366	645,217,470	646,507,321
Other State Revenues		8300-8599	1,726,074,183	1,764,990,823	1,683,904,448
Other Local Revenues		8600-8799	331,558,016	276,400,236	237,698,458
Other Financing Sources					
Transfers In		8900-8929	47,325,000	71,660,000	30,000,000
Other Sources		8930-8979	10,000	10,000	10,000
Contributions		8980-8999	0	0	0
TOTAL REVENUES			9,384,204,211	9,288,751,987	9,180,711,146
TOTAL REVENUES WITH FSP CHANGES			9,384,204,211	9,338,751,987	9,180,711,146
EXPENDITURES AND OTHER FINANCING USES					
Certificated Salaries		1000-1999	4,019,027,094	3,710,975,578	3,662,677,297
Classified Salaries		2000-2999	1,545,658,780	1,439,388,356	1,428,634,898
Employee Benefits		3000-3999	3,260,431,434	3,258,103,805	3,418,676,688
Books and Supplies		4000-4999	1,474,327,447	966,559,418	951,877,656
Services and Other Operating Expenditures		5000-5999	1,155,378,906	1,116,076,475	1,116,119,985
Capital Outlay		6000-6999	62,822,180	144,757,320	154,539,184
Other Outgo (excluding Transfers of Indirect Costs)		7100-7299, 7400-7499	7,653,474	7,653,474	7,653,474
Other Outgo - Transfers of Indirect Costs		7300-7399	(49,016,868)	(27,268,350)	(32,410,845)
Other Financing Uses					
Transfers Out		7600-7629	28,513,404	54,410,487	59,349,004
Other Uses		7630-7699	0	0	0
Other Adjustments (B10 - DO NOT USE)					
TOTAL EXPENDITURES			11,504,795,851	10,670,656,563	10,767,117,341
TOTAL EXPENDITURES WITH FSP CHANGES			11,504,795,851	9,715,656,563	10,172,117,341
NET INCREASE (DECREASE) IN FUND BALANCE			(2,120,591,640)	(376,904,576)	(991,406,195)
FUND BALANCE					
Net Beginning Fund Balance			4,273,167,981	2,152,576,341	1,775,671,765
Ending Fund Balance			2,152,576,341	1,775,671,765	784,265,570
Components of Ending Fund Balance					
Nonspendable		9710-9719	49,411,619	49,411,619	49,411,619
Restricted		9740	78,697,943	104,464,353	97,855,012
Committed					
Stabilization Arrangments		9750	0	0	0
Other Commitments		9760	46,110,802	46,110,802	46,110,802
Assigned		9780	413,009,951	448,621,249	476,840,780
Unassigned/Unappropriated					
Reserve for Economic Uncertainties		9789	115,200,000	106,810,000	107,780,000
Unassigned/Unappropriated		9790	1,450,146,026	1,020,253,742	6,267,357
Total Components of Ending Fund Balance			2,152,576,341	1,775,671,765	784,265,570
If you are the SELPA AU and you choose to exclude from the reserve calculation the Special Education pass-through funds distributed to SELPA members, enter the amounts here.					
Total Expenditures used to calculate the Reserve Percentage			11,504,795,851	9,715,656,563	10,172,117,341