Los Angeles Unified School District Board of Education Meeting

May 19, 2025

Presented by
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President/CEO

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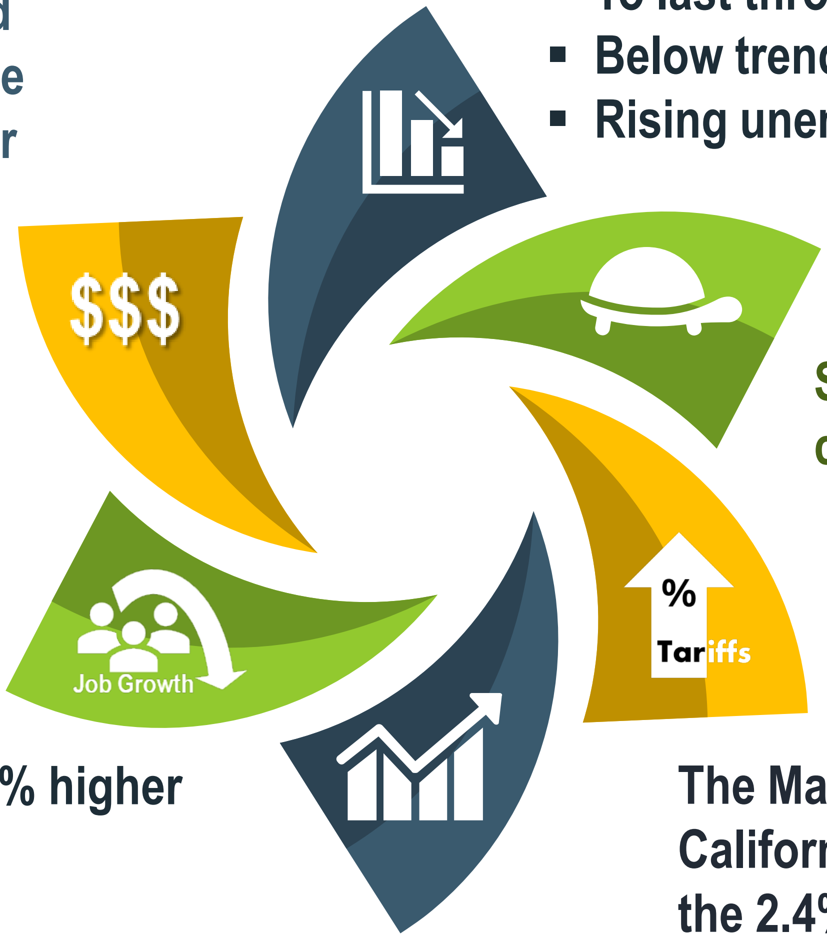
Executive Vice President

May Revision Assumptions

The "Big Three" sources of state revenue (i.e., personal income, corporation, and sales and use taxes) are projected to be lower by $4.8 billion over the three-year budget window when compared to January

The May Revision assumes a "Growth Recession"

- To last through the first three quarters of 2025
- Below trend growth
- Rising unemployment



Slow growth is expected to continue through 2028

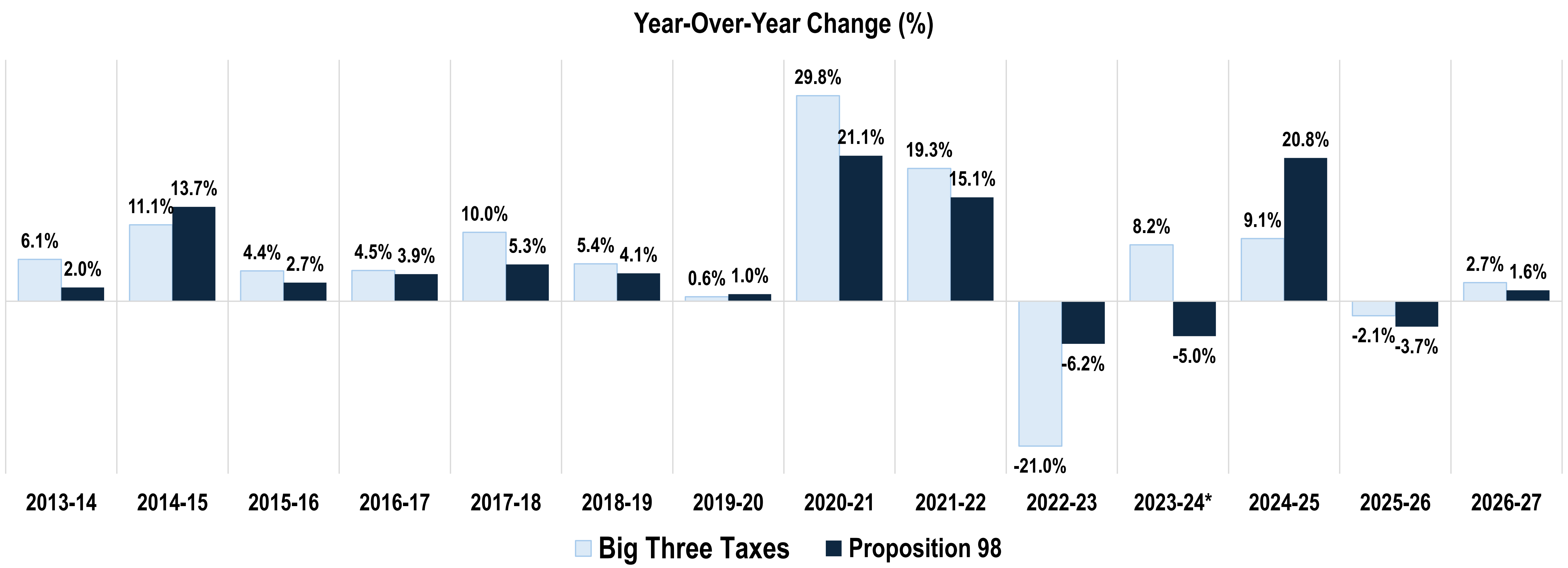
Job growth has been downgraded due to weaker labor market conditions and federal policy changes

Inflation assumptions are about 1.0% higher than Governor's Budget estimates

The May Revision forecasts a 27.0% average California tariff rate, significantly higher than the 2.4% tariff rate in 2024

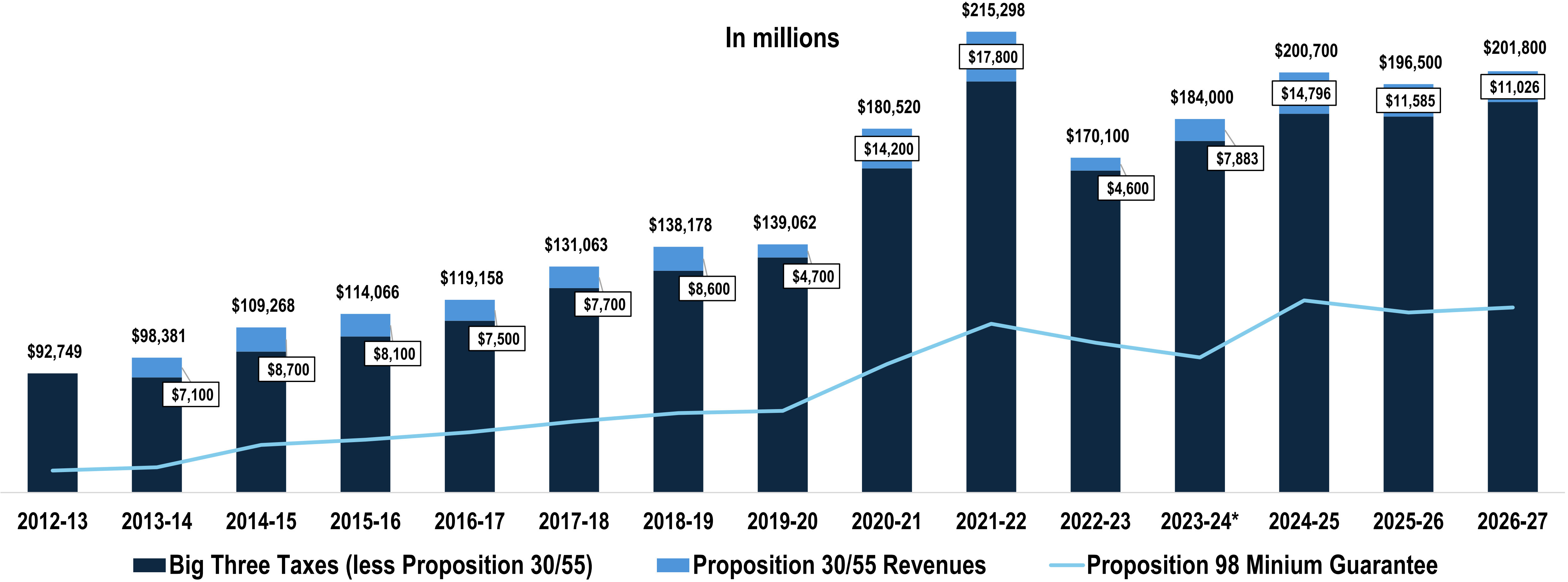
State Revenues and Education Funding

- **Based on the Governor's latest estimates, state revenues and Proposition 98 will worsen before slowly recovering**



The Effect of Proposition 30/55 Revenues

- **Proposition 30/55 revenues constitute 6.0% of Big Three revenues, and about 10% of total education funding**



Risks to the State and Proposition 98

The present is uncertain . . . the future is even more so

- Today's condition requires the state to once again deplete the education rainy day fund, leaving no reserves in the event of an economic downturn
- Governor Newsom's latest revenue and education funding assumptions do <u>not</u> assume a recession
- Federal policy changes pose multi-billion dollar risks to California's General Fund
  - Medicare/Medicaid—California receives over $100 billion in federal funding for Medi-Cal
  - Trade and Tariffs—California is the 4th largest economy in the world
  - Immigration—California's low-skilled and farming industries rely on immigrants

The State General Fund is not in a condition to absorb an economic shock.