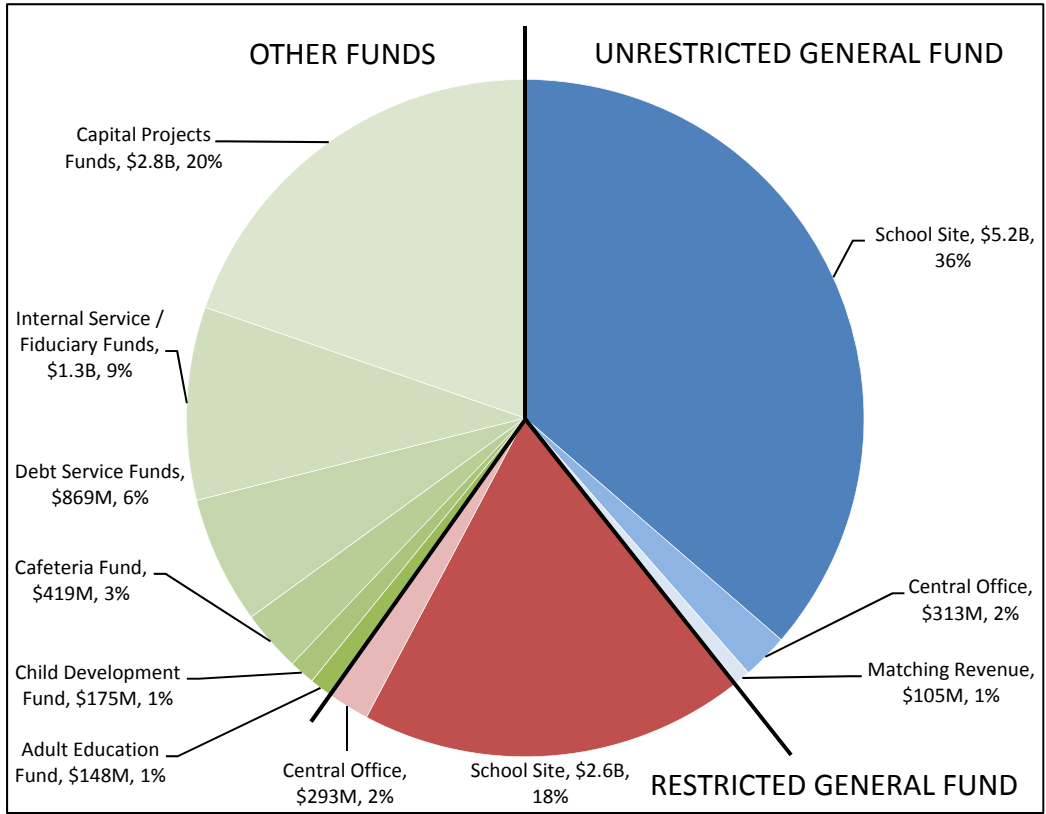




2019-2020 Superintendent's Final Budget



Description of Budgeted Expenditure Categories

UNRESTRICTED BUDGET
Funds that can be used for any general education purpose.

RESTRICTED BUDGET
Funds that must be used for a specific purpose.

SCHOOL SITE RESOURCES
Resources that support instructional and operational programs of schools.

CENTRAL OFFICE
Resources that support school sites and day to day operations of the District.

MATCHING REVENUE
Budgeted expenditures with corresponding specific revenues such as donations, E-rate and charter school fees for service.

CAPITAL PROJECTS FUNDS
Used for the acquisition or construction of capital facilities. Come primarily from sale of voter-approved bonds.

INTERNAL SERVICE/ FIDUCIARY FUNDS
Account for the payment of employee health & welfare benefits, worker's compensation, liability insurance and other post-employment benefits.

DEBT SERVICE FUNDS
Account for payment of interest and principal on the District's long-term bonds.

CAFETERIA FUND
Resources used to operate the District's food service program.

CHILD DEVELOPMENT FUND
Resources used to operate the District's Early Education Centers.

ADULT EDUCATION FUND
Resources used to operate the District's Adult Education programs.

Summary (all amounts in millions*)

Total Authorized Budget for FY 2019-2020 \$14,286.25

UNRESTRICTED BUDGET	Expenditure	% of Unrestricted
School Site Resources	\$5,194.32	92.5%
Central Office	\$313.49	5.6%
Matching Revenue	\$104.70	1.9%
Total Unrestricted Expenditures	\$5,612.52	100%

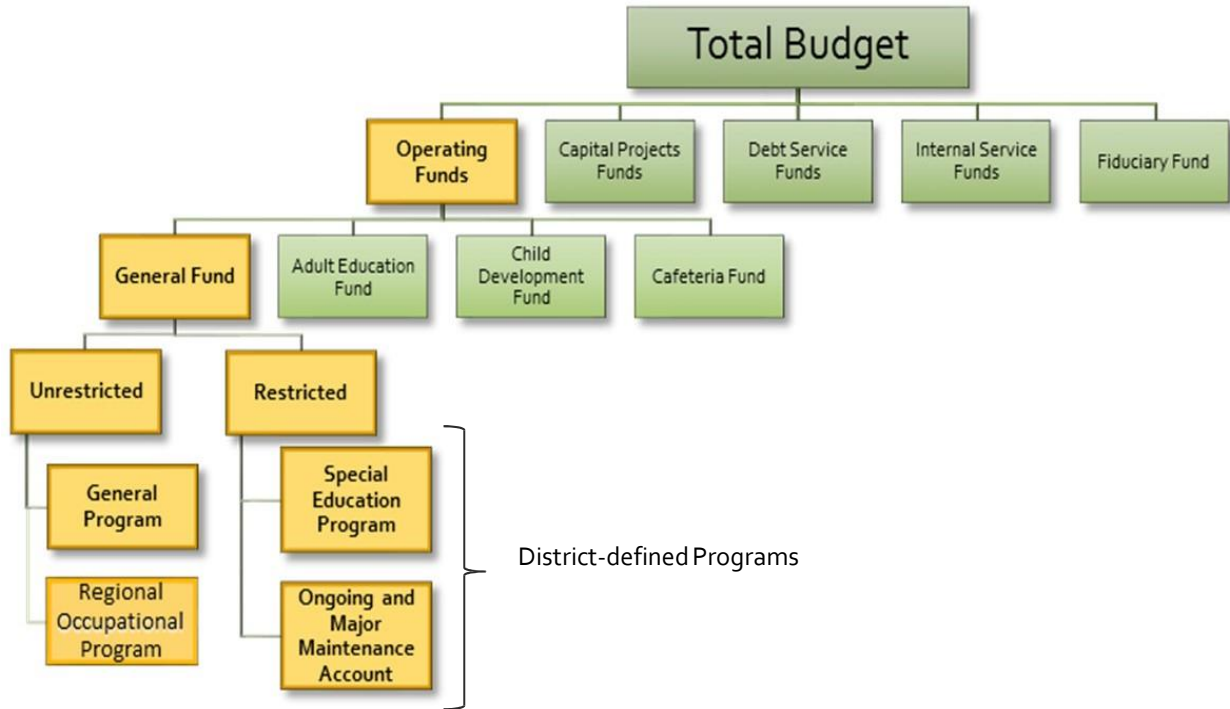
RESTRICTED BUDGET AND OTHER FUNDS	Expenditure	% of Restricted
Restricted General Fund - School Site	\$2,639.81	30.4%
Restricted General Fund - Central Office	\$293.03	3.4%
Capital Projects Funds	\$2,813.24	32.4%
Internal Service / Fiduciary Funds**	\$1,316.27	15.2%
Debt Service Funds**	\$869.17	10.0%
Cafeteria Fund	\$418.97	4.8%
Child Development Fund	\$175.14	2.0%
Adult Education Fund	\$148.09	1.7%
Total Restricted & Other Expenditures	\$8,673.73	100%

*Amounts may differ due to rounding.

**These funds are separately set out as required by law for accounting purposes and are also reflected elsewhere in the budget.

INTRODUCTION

LAUSD's budget is large and complex. The chart below shows the hierarchy of LAUSD's fund structure based on California's Standardized Account Code Structure (SACS). This will guide and help the reader understand the LAUSD's budget and its various components.



The following pages in this section are designed to look at LAUSD's fund structure from the overall total budget drilling down to the General Fund, which is the largest Operating Fund of LAUSD. Therefore, this section of the budget overview will focus on the General Fund.

THE TOTAL BUDGET

As required by California law, LAUSD's budget is classified and reported by "fund". The funds are categorized and grouped based on the use of the funds as follows:

1. **Operating Funds**, as discussed further below, is composed of the General Fund, Adult Education Fund, Child Development Fund, and Cafeteria Fund. These funds are used for the day-to-day operation of LAUSD schools and offices.
2. **Capital Projects Funds** for the purpose of acquisition or construction of capital facilities. The funding comes primarily from the sale of voter-approved bonds. These funds may not be used for the general day-to-day operations, as voters approved them for specific capitalized projects which will benefit current and future students.
3. **Debt Service Funds** are used for the payment of interest and principal of long-term bonds.
4. **Internal Service Funds** are used for the payment of employee health and welfare benefits, workers' compensation, and liability insurance. The majority of funds accumulated in the Internal Service Funds come from funds generated by positions funded in the other funds. For example, *the cost of a teacher's health and welfare benefits* funded by the General Fund is transferred from the General Fund to the Health and Welfare Fund, which is one of the Internal Service Funds.
5. **Fiduciary Fund** is composed of the Other Post-Employment Benefit (OPEB) Fund. This fund is dedicated for the health and welfare benefits of future retirees of LAUSD.

OPERATING FUNDS

As shown on the hierarchy of funds, the Operating Funds category is broken down into the following four individual funds:

1. **General Fund** - includes funds for the basic instructional and administrative expenditures of the District
2. **Adult Education Fund** - includes funds dedicated for the operation of the Adult Education program
3. **Child Development Fund** - includes funds dedicated for the operation of the Early Childhood Education program
4. **Cafeteria Fund** - includes funds for the food service programs

An instructional program such as the Early Childhood Education may cost more than the revenue it generates. Therefore, a support from the General Fund is necessary. This is also true for operational programs such as the ones offered by the Food Services Division.

GENERAL FUND

The General Fund includes “unrestricted” and “restricted” funds.

- Unrestricted General Fund – These are funds such as the Local Control Funding Formula (LCFF) Base Grant portion and one-time Mandated Cost Block Grant that can be used for any general-purpose expenditure.
- Restricted General Fund – These are funds such as the AB 602 Special Education and Title I funds that must be used for specific purposes.

The General Fund is further broken down into “District-defined Programs” as shown below.

General Fund’s District-defined Program	Unrestricted	Restricted
General Program	✓	
Special Education Program		✓
Regional Occupational Program	✓	
Ongoing and Major Maintenance Account		✓

Some district-defined programs within the General Fund may also need support. An example is the Special Education Program which is subsidized by the General Program (unrestricted). The support for the Special Education Program from the General Program is called an “inter-program transfer”, where the transfer of funds occurs *between District-defined programs* within the General Fund.

DESCRIPTION OF FUNDS

California State law requires school districts to organize their financial reporting by “fund”. The California School Accounting Manual (CSAM), which governs school district budgeting and accounting processes in California, defines “fund” as an accounting entity with a self-balancing set of accounts recording financial resources and liabilities. It is established to carry on specific activities or to attain certain objectives of a Local Educational Agency (LEA) in accordance with special regulations, restrictions, or limitations.” (Section 101, December 1998).

LEAs such as the Los Angeles Unified School District are required to budget by fund. The Superintendent’s Final Budget is comprised of a General Fund and 23 special funds. The uses of these funds are summarized below.¹

OPERATING FUNDS

*Fund 010: **General Fund*** is used to account for the basic instructional, support, and administrative operations of the District. The General Fund includes services to regular K-12 schools, the special education program, and other programs. The General Fund supports and accounts for both restricted and unrestricted funding sources and expenditures. The restricted sources are summarized in the Restricted General Fund section of this document.

*Fund 110: **Adult Education Fund*** is used to account separately for federal, state, and local revenues for adult education programs, as well as for expenditures that support this program. Expenditures in the Adult Education Fund are limited to those for adult education purposes. Moneys received for programs other than adult education may not be expended for adult education purposes (Education Code §52616[b]).

*Fund 120: **Child Development Fund*** is used to account for federal, state, and local revenues to operate child development programs. In the Los Angeles Unified School District, the Child Development Fund supports the activities of the Early Childhood Education Centers that operate throughout the District. This fund may be used only for expenditures for the operation of child development programs and may be subsidized by the General Fund as well.

*Fund 130: **Cafeteria Fund*** is used to account for federal, state, and local resources to operate the District’s food service program (Education Code §38091 and §38100).

¹ Definitions reflect the California School Accounting Manual descriptions where available, augmented by information from the District budget and the District’s 2017-18 Audited Annual Financial Report to reflect specific District use of various funds

CAPITAL PROJECTS FUNDS

Building Funds exist primarily to account for proceeds from the sale of bonds (Education Code §15146). Expenditures are most commonly made against Object 6000 – Capital Outlay accounts. As the result of the passage of multiple bond elections, the District operates six separate Building Funds.

*Fund 210: **Building Fund – Measure R*** accounts for the proceeds resulting from the passage of Measure R, a local school bond measure approved by the voters in March 2004, for new school construction and repairs to existing schools.

*Fund 211: **Building Fund – Proposition BB*** accounts for the proceeds resulting from the passage of Proposition BB, a local school bond measure approved by the voters in April 1997 for construction of new schools and repair and modernization of existing schools.

*Fund 212: **Building Fund*** accounts for proceeds from the sale of bonds prior to 1997, as well as state allowances and other resources designed for facilities expansion.

*Fund 213: **Building Fund – Measure K*** accounts for the proceeds resulting from the passage of Measure K, a local school bond measure approved by the voters in November 2002, for new school construction and repair and modernization of existing schools.

*Fund 214: **Building Fund – Measure Y*** accounts for the proceeds resulting from the passage of Measure Y, a local school bond measure approved by the voters in November 2005, for school construction and modernization, with the goal of returning all schools to a traditional calendar.

*Fund 215: **Building Fund – Measure Q*** accounts for the proceeds resulting from the passage of Measure Q which was a local school bond measure approved by the voters in November 2008 to fund critical repair and safety needs, create science labs and other specialized classrooms necessary to teach courses that would help students get into college or start careers after they graduate, and help create classrooms that are up to date in technology and high speed internet.

*Fund 250: **Capital Facilities Account Fund*** accounts for resources received from developer fees levied upon new residential, commercial, or industrial development projects within the District's boundaries. The dollars are used to obtain funds for the construction or acquisition of school facilities to relieve overcrowding.

*Fund 300: **State School Building Lease-Purchase Fund*** accounts for state apportionments received in accordance with California Education Code §17700-17780, primarily for relief of overcrowding.

*Fund 351: **County School Facilities Fund*** account for revenues and expenditures resulting from building projects funded primarily or in part from state bond elections or from matching funds. The District used to operate four separate County School Facilities Funds. In 2013-14, these four funds shown below were consolidated into one single County School Facilities Fund.

County School Facilities Fund - 1A accounts for school construction and modernization funds received from proceeds resulting from the passage of Proposition 1A in 1998, as well as for local matching funds.

County School Facilities Fund – Proposition 47 accounts for apportionments received from the State School Facilities Fund. The passage of Proposition 47 in November 2002 authorized the sale of bonds for new school facility construction, modernization projects, and facility hardship grants.

County School Facilities Fund – Proposition 55 accounts for the matching funds received as a result of the passage of Measure R. Proposition 55 was passed by the voters in March 2004.

County School Facilities Fund – Proposition 1D provides funding from the Kindergarten- University Public Education Facilities Bond Act of 2006. Proposition 1D was approved by the voters in the November 2006 general election. Funds provide additional dollars for existing school facilities programs. Funds also provide new dollars for seismic mitigation of the most vulnerable school facilities, creation of career technical education facilities, reduction of severely overcrowded sites, and incentives for the construction of high-performance “green” schools.

Special Reserve Funds for Capital Outlay Projects provide for the accumulation of General Fund moneys for capital outlay purposes (Education Code §42840). Transfers authorized by the governing board must be utilized for capital outlay purposes. The District operates four Special Reserve Funds:

*Fund 400: **Special Reserve Fund – Community Redevelopment Agency*** accounts for reimbursements of tax increment revenues from certain community redevelopment agencies based on agreements between the District and the agencies. The reimbursements are to be used for capital projects within the respective redevelopment areas covered in the agreements.

*Fund 401: **Special Reserve Fund*** accounts for District resources designated for capital outlay purposes such as land purchases, ground improvements, facilities construction and improvements, new acquisitions, and related expenditures.

*Fund 402: **Special Reserve Fund – FEMA – Earthquake*** accounts for funds received from the Federal Emergency Management Agency (FEMA) for capital outlay projects resulting from the January 17, 1994 Northridge earthquake.

*Fund 403: **Special Reserve Fund – FEMA – Hazard Mitigation*** accounts for funds received from FEMA and for the 25% District matching funds for the retrofit/replacement of pendant lighting and suspended ceilings in selected buildings at schools, offices, and Early Childhood Education Centers.

DEBT SERVICE FUNDS

*Fund 510: **Bond Interest and Redemption Fund*** accounts for the payment of the principal and interest on Proposition BB and Measures K, Q, R, and Y bond issues. Revenues are derived from ad valorem taxes levied upon all properties subject to tax by the District.

*Fund 530: **Tax Override Fund*** accounts for the accumulation of resources from ad valorem tax levies for the repayment of State School Building Aid Fund apportionments.

*Fund 560: **Capital Services Fund*** accounts for the accumulation of resources for the repayment of principal and interest on certificates of participation (COPs) and long-term capital lease agreements. Revenues are derived primarily from operating transfers from user funds and investment income.

INTERNAL SERVICE FUNDS

*Fund 670: **Health and Welfare Benefits Fund*** pays for claims, administrative costs, insurance premiums, and related expenditures for the District's Health and Welfare Benefits program. Medical and dental claims for the self-insured portion of the Fund are administered by outside claims administrators. Premium payments to Health Maintenance Organizations for medical benefits and to outside carriers for vision services, dental services, and optional life insurance are also paid out of this Fund.

*Fund 671: **Workers' Compensation Self-Insurance Fund*** pays for claims, excess insurance coverage, administrative costs, and related expenditures. An outside claims administrator manages Workers' Compensation claims for the District.

*Fund 672: **Liability Self-Insurance Fund*** pays for claims, excess insurance coverage, administrative costs, and related expenditures, and to provide funds for insurance deductible amounts. An outside claims administrator manages liability claims for the District.

FIDUCIARY FUNDS

*Fund 713: **Other Post-employment Benefits (OPEB) Fund*** accounts for resources to be distributed to a trust account for employees' Other Post-employment Benefits.

Student Body Funds at the school sites account for cash held by the District on behalf of the student bodies. The CSAM does not require that Student Body Fund moneys be reported to CDE as part of the District's budget. However, it must be included in the audited financial statements to meet GAAP reporting requirements.

SOURCES AND USES OF FUNDS

SOURCES OF FUNDS

Beginning Balance This section of the financial statements basically reflects the ending balance of the prior year. In addition, it may include adjustments due to audit or restatements of amounts.

Revenue This section entails the various types of revenues received. They are classified based on the source of funds such as the Local Control Funding Formula, federal, state, and local revenues. For example, entitlements or grants coming from the federal government such as the Federal IDEA and Title I are included under federal revenues; while entitlements or grants coming from the state such as the Special Education funding AB 602 is included in the state revenues. It may also include inter-fund transfers-in from other funds.

USES OF FUNDS

Expenditure This section reflects the amounts of funds spent or to be spent based on the type of expenditure which are called the objects of expenditures. These may be certificated and classified employees' salaries, employee benefits, books and supplies, contracts, and capital outlay. It may also include inter-fund transfers-out to other funds.

- *Certificated Salaries* include salaries for positions that require a credential or permit issued by the Commission on Teacher Credentialing such as salaries of school administrators, teachers, librarians, counselors, nurses, and certificated central office administrators.
- *Classified Salaries* include salaries for positions that do not require a credential or permit issued by the Commission on Teacher Credentialing such as salaries of instructional aides, school administrative assistants, bus drivers, carpenters, custodians, plumbers, and those non-certificated employees who supervise their work.
- *Employee Benefits* include employers' contributions to retirement plans and health and welfare benefits for employees, their dependents, retired employees, and board members; and other post-employment benefits.
- *Books and Supplies* include the cost of textbooks, instructional materials, general supplies, and fuel.

- *Services and Other Operating Expenses* include the cost of contracts, travel and conferences, dues and memberships, utilities, rentals, leases, repairs, and professional or consulting services.
- *Capital Outlay* includes the cost of facilities (land and buildings), books and media for new libraries or major expansion of school libraries, equipment, and equipment replacement. Most of LAUSD's capital outlay costs are in bond funds devoted specifically to school construction and modernization.
- *Other Outgo* includes pass through of apportionments to county-educated LAUSD-resident students, transfers of taxes to direct-funded (fiscally-independent) charter schools, bond redemptions, and bond interest and other service charges.

Ending Balance

This section entails the ending fund balance for the fiscal year which are classified into various categories. GASB 54 implemented a five-tier fund balance classification that sets the parameters and spending constraints as to use of funds.

- *Non-spendable Fund Balance* consists of funds that cannot be spent due to their form. These include inventory and prepaid items or funds that are legally or contractually-required to remain intact, such as the principal of a permanent endowment.
- *Restricted Fund Balance* consists of funds that are subject to externally-imposed and legal constraints.
- *Committed Fund Balance* consists of funds that are subject to internal policies and constraints. These policies are self-imposed by the District's highest level of decision-making authority.
- *Assigned Fund Balance* consists of funds that are intended to be used for a specific purpose by the district's highest level or an official with the authority to assign funds.
- *Unassigned Fund Balance* consists of residual fund balance that has not been classified in the previous four categories. It represents resources available for future spending.

BUDGET AND FINANCE POLICY SUMMARY

The Board of Education adopted the District's Budget and Finance Policy in June 2004. The Policy is intended to assist the Board of Education in making sound policy, guide the development of the District's budget, enhance the management of the District's finances, minimize the risk that the District's financial condition will create a need for Los Angeles County Office of Education (LACOE) action, and reduce potential audit concerns. The Board and Superintendent set priorities and allocate resources through the budget.

The Budget and Finance Policy was developed based on standards from the Government Finance Officers Association's (GFOA) "Recommended Budget Practices" document. The Policy is also consistent with the State Board of Education (Education Code Sections 33127, 33128), and current Governmental Accounting Standards Board (GASB) rules and standards. In any areas that LAUSD's budgeting and accounting practices were not in compliance with this policy at the time of its adoption, implementation was phased in.

In February 2009, effective for the 2010-11 financial statements, GASB issued Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions. This new standard has left the total fund balance amount unchanged, but has changed the categories, the terminology, and how the components of the fund balance are presented and established. The fund balance policy is intended to provide guidelines and to establish procedure for reporting fund balance.

In November 2013, the District adopted an updated Budget and Finance Policy that establishes a formula that calculates annual contributions to an Other-Post-Employment Benefit (OPEB) trust when the balances in the general fund exceed the 5% minimum reserve threshold.

Contrary to the policy of contributing to the OPEB trust when the balances in the general fund exceed the 5% minimum reserve threshold, no contributions were reflected in in FY 2018-19 and FY 2019-20. The planned annual contributions in these fiscal years were used to address the deficits in the out-years as part of the 2017-18 fiscal stabilization plan.

The Finance and Budget Policy is a "living document," which the District expects will evolve over time to best connect District policy, budgeting, and financing principles. The Budget and Finance Policy enumerates various broad principles for budgeting and financial operations, as follows:

Principle One: The budget should be based on the goals of the Board and Superintendent.

The Board and Superintendent have the primary responsibility for developing and articulating the District's goals. As the budget is developed and presented, these goals should be considered.

Principle Two: The budget should be based on sound financial principles.

LAUSD's budget should keep the District financially viable and able to sustain its key programs over time.

The following specific financial principles are explained in detail in the full Budget and Finance Policy document:

- Balanced Operating Budget
- Alignment of Budget with Expected Expenditures
- Adequate Reserves
- Revenue Maximization
- Revenue Estimation
- Cost Recovery Through Fees and Charges
- Multi-Year Capital Plan and Budget
- Asset Management
- Equipment Replacement
- Prudent Debt Management
- Program Sustainability
- GASB Compliance

Principle Three: The budget should be clear and easy to understand.

The budget should be organized and presented in such a way that readers can understand:

- What the District intends to do and how it intends to do it
- The District's overall financial condition
- The historical context for LAUSD programs

Consistent with the GFOA standards, LAUSD has identified guidelines for the presentation of budgets. These standards provided guidance for development of LAUSD's budgets from four perspectives, as a:

- Policy Document
- Financial Plan
- Operations Guide
- Communications Device

Principle Four: The budget should be timely and easy to manage at the school level.

The process of managing the budget is easier for schools and offices if they have access to systems and training. The Chief Financial Officer is responsible for defining the parameters under which schools and offices may manage their budgets, as set forth by the Board of Education.

Principle Five: The budget process should inform stakeholders.

Prior to the adoption of the final budget, District staff should present the budget to stakeholders. The Board should also conduct a formal public review of the budget, prior to its adoption. The District's Budget and Finance Policy can be found in its entirety on the Chief Financial Officer's website using the link to the *Superintendent's Final Budget 2019-20- Other Documents*.

HOW EDUCATION IS FUNDED IN CALIFORNIA

Prior to the 1970s, California's schools were financed largely with property tax revenues imposed for the benefit of local school districts. This led to dramatic differences in school district funding. A school district with very high property values could raise more revenue per pupil with a low property tax rate, while a district with low property values could raise less with a much higher property tax rate. The state attempted to reduce these differences by providing more state aid to low-property wealth districts. Despite this effort, per pupil revenues varied considerably between districts. In fiscal year 1968-69, for example, per pupil expenditures ranged from \$577 in Baldwin Park to \$1,232 in Beverly Hills.¹ This disparity led to the important Serrano v. Priest (1976) equal protection litigation, which was resolved through statutory enactments that called for a general equalization of state apportionment revenue to school districts.

In 1978, voters approved Proposition 13. The new law limited property tax rates to 1 percent of a property's assessed value at the time of acquisition. Proposition 13 reduced property tax revenues available for local governments and school districts. To cushion the impact to school districts, the state Legislature shifted state dollars to schools.

With the adoption of Proposition 98 (1988) and Proposition 111 (1990), a minimum funding level from State and local property taxes was provided to K-14 public schools. California schools today receive the large majority of their funding from the State, primarily from income and sales tax revenues. To a much lesser extent, districts also receive some local property revenues that are collected at the local level but distributed by the State. Income and sales taxes are more volatile revenue sources than property taxes. When the economy sours, unemployment rises, leading to fewer purchases. This correspondingly leads to less income and goods to be taxed. As a result, fewer dollars become available for schools.

California school districts therefore face dramatic cyclical funding variations as the economy rises and falls. Further, California's Governor and State Legislature, whose vote on the State Budget Act determines how State funds may be spent, have enormous control over the ability of local school districts to utilize funding to meet the specific needs of their students. Approximately 60% of all school district funds in California are general purpose in nature; the remaining 40% are restricted to specific purposes, such as the needs of special education students, low income students, limited English-proficient students, and specific grade levels. This greatly constrains local boards of education in their spending decisions. They are further constrained in their ability to raise taxes independently of the State. Bond issues, usually limited to building programs, require a 55% vote for passage. Parcel tax measures require a 2/3 vote.

In 2013, the Governor proposed revising the state's allocation formula for school districts to increase flexibility at the local level. This proposal is known as the Local Control Funding Formula (LCFF). Under LCFF, the state provides a base grant for all students and additional grants for high-need students such as English Learners and socio-economically disadvantaged pupils.

¹ California Budget Project, *School Finance in California and the Proposition 98 Guarantee* (April 2006).

The following provides information on legislation and court rulings that have significantly affected California's funding for education.²

Senate Bill 90 (1972) – In 1972, the Legislature established revenue limits for California public schools. The legislation placed ceilings on the amount of tax money each district could receive per pupil. This was in order to help reduce the wide differences in school funding between high and low property-wealth districts. The 1972-73 general purpose spending level became the base amount in determining each district's annual revenue limit.

Serrano v. Priest (1976) – This 1976 California Supreme Court decision declared the existing system of financing schools unconstitutional because it violated the equal protection clause of the State Constitution. The Court ruled that property tax rates and per pupil expenditures should be equalized and that, by 1980, the difference in revenue limits per pupil should be less than \$100 (the "Serrano band"). This allowable difference in revenue limits has subsequently been adjusted for inflation. In equalizing funding, districts are divided into three types: elementary, high school, and unified. They are then further divided into small and large districts to ensure that appropriate funding comparisons are made. Special purpose or "categorical" funds are excluded from this calculation.

Assembly Bill 65 (1977) – In response to the *Serrano* decision, the California State Legislature passed AB 65, creating an annual inflation adjustment based on a sliding scale in order to equalize revenue limits among districts over time. Higher inflation increases were provided to districts with low revenue limits, with lower (occasionally no) inflation adjustments for high revenue districts.

Proposition 13 (1978) – This constitutional amendment (the "Jarvis Amendment") approved by California voters in 1978 limits property taxes to 1% of a property's assessed value, and caps increases in assessed value at 2% annually or the percentage growth in the Consumer Price Index, whichever is less. It also mandated a 2/3 vote for approval of new taxes, such as parcel taxes.

Assembly Bill 8 (1978) – In response to Proposition 13, the Legislature established a formula for dividing property taxes among cities, counties, and school districts. This shielded schools from some of the measure's effects. In the process, the State replaced the lost property taxes and effectively took control of school district funding.

Gann Limit (Proposition 4, 1979) – Proposition 4 created a constitutional limit on government spending at every level in the State, including school districts. No agency's expenditures can exceed its Gann Limit, which is adjusted annually for inflation and population increase.

Senate Bill 813 (1983) – SB 813 provided additional money to school districts through equalization of revenue limits and new categorical programs, longer school day/year, and higher beginning teachers' salaries. It also established statewide model curriculum standards.

Lottery Initiative (1984) – In November 1984, voters approved Proposition 37, a constitutional amendment establishing the California State Lottery. Provisions guarantee that a minimum of 34% of total

² Many of these rulings have been amended by subsequent legislations.

lottery receipts be distributed to public schools, colleges, and universities. Funds are to supplement, not replace, State support for education. Lottery funds cannot be used for purchase or construction of facilities, for land, or research. Under Proposition 20, passed in March 2000, 50% of lottery funding above the 1997-98 funding level must be used for purchase of instructional materials.

Proposition 98 (1988) – This constitutional amendment guarantees a minimum funding level from State and property taxes for K-14 public schools in a complex formula based on State tax revenues. It also requires each school to prepare and publicize an annual School Accountability Report Card (SARC) that covers at least 13 required topics. A 2/3 vote of the Legislature and the Governor's signature are required to suspend Proposition 98 for a year.

Proposition 111 (1990) – This constitutional amendment changed the inflation index for the Gann Limit calculation, effectively raising the limit. Additionally, the minimum Proposition 98 funding guarantee was changed to reflect the growth of California's overall economy. It did so by shifting the adjustment from the growth of per capita personal income (which historically has tended to be a lower amount) to the growth in State per capita General Fund revenues plus one-half percent.

Assembly Bill 1200 (1991) – AB 1200 established a system for school district accounting practices that specifies how districts must report their revenues and expenditures. It requires that districts project their fiscal solvency two years out, and provide the State with Board-approved financial interim reports twice annually. County offices of education are responsible for monitoring and providing technical assistance to their districts. AB 2756 (2004) adds to the responsibilities and control of county offices of education over the budget and expenditure reporting of local districts.

Class Size Reduction, K-3 (SB 1777, 1996) – This legislation provided incentives for school districts to reduce K-3 classes to a pupil-teacher ratio of no more than 20 to 1, and provided additional funding to districts that met these ratios. A one-time allocation of \$25,000 per added classroom was also made available.

Senate Bill 1468 (1997) – This legislation changed the way average daily attendance (ADA) is counted, largely eliminating the concept of "excused absences" and basing ADA on students who are actually at school. To ensure that districts did not lose a large proportion of their revenue, the per-pupil revenue limit rate was adjusted by the average attendance rates of each individual school district.

Assembly Bill 602 (1997) – This legislation revised the state's allocation formula for special education funding for school districts. The formula distributes a large share of special education funds based on total student population of each school district, rather than the number of special education students at each district or the specific needs of those students.

Assembly Bill 1115 (1999) – Under the terms of this bill, an independent charter school is deemed a school of the chartering school district for the purposes of establishing its special education local plan ("SELPA") status unless it designates otherwise in its charter petition. As such, independent charter schools which are members of a school district's SELPA are entitled to an equitable share of special education services and funding.

Assembly Bill 1600 (1999) – This bill gave charter schools the option to receive funding directly from the State, rather than from their local district, in the form of a block grant.

Proposition 39 (2000) – This constitutional amendment established a 55% vote threshold for the issuance of school facilities construction bonds. In order to issue bonds under Proposition 39, the District must, among other things, use Proposition 39 bond funds only for those projects specifically listed in the ballot measure and strategic execution plans; create and maintain a citizens' bond oversight committee; and annually ensure that performance and financial audits are conducted for Proposition 39 facilities projects. Proposition 39 also requires the District to offer reasonably equivalent District school facility space to independent charter schools.

Proposition 49 (2002) – This voter initiative, otherwise known as the "The After School Education and Safety Program Act of 2002," increased state funding for before and after school programs at elementary and middle schools. Funding is provided to the District through a competitive grant process with priority given to school sites that have at least 50 percent of its students receiving free and reduced priced lunch. A portion of state funding under Proposition 49 satisfies the revenue limit guarantee under Proposition 98.

Assembly Bill 825 (2009) – Under the terms of this bill, the District receives funding for its Integration Program and for other instructional program needs as part of a Targeted Instructional Improvement Block Grant.

Senate Bill 1133 (Quality Education Investment Act of 2006) – Adopted in 2006 as a settlement of the CTA v. Schwarzenegger et al. lawsuit, the QEIA program provides targeted funding for eligible schools in API deciles 1, 2, and 3. The funding is to be used primarily for class-size reduction purposes and overall academic achievement goals. QEIA ended in fiscal year 2016-17.

Education Trailer Bill - Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4, 2009) – For fiscal years 2008-09 through 2012-13, this bill established: (1) Categorical Program Flexibility, which grouped categorical programs into Tiers I, II, and III, and identified Tier III programs as unrestricted; (2) the public hearing requirement as a condition for receipt of Tier III funds; (3) the use of 2008-09 as the base year in calculating for most of the Tier III categorical programs and use of 2007-08 as the base year for calculating the revenue limit-related Tier III categorical programs; and (4) the use of June 30, 2008 ending balances as unrestricted funds with a few program exceptions. See the glossary for additional details on Tiers I, II, and III programs. In addition, SBX3 4 relaxed K-3 Class Size Reduction penalties for fiscal years 2008-09 through 2011-12 only.

Proposition 30 (2012) – The initiative passed on November 2012 provides for a [personal income tax](#) increase over seven years for California residents with an annual income over \$250,000, through the end of 2018. This also provides for an increase in [sales tax](#) by 0.25 percent over four years (from January 1, 2013 through December 31, 2016). This initiative funds K-12 public education among other purposes.

Local Control Funding Formula (2013) – This legislation simplified the state's funding allocation formula for school districts. The new funding formula intends to increase transparency for state funding to schools and increase decision-making as to expenditure of funds at the local education agency level. Under LCFF,

the state provides a base grant for all students and additional grants for high-need students such as English learners, low income, and foster youth.

Proposition 39 (2013) – The California Clean Energy Jobs Act changed the corporate income tax code and allocates projected revenue to the state General Fund and the Clean Energy Job Creation Fund for five fiscal years beginning 2013-14. Under the initiative, available funds are to be used for eligible projects to improve energy efficiency and expand clean energy generation in schools. School Districts can request funding by submitting an application to the California Energy Commission.

Proposition 55 (2016) - Extends by twelve years the temporary personal income tax increases enacted in 2012 (Proposition 30) on earnings over \$250,000, with revenues allocated to K-12 schools, California Community Colleges, and, in certain years, healthcare. Proposition 55 will raise tax revenue by between \$4 billion and \$9 billion a year. Half of funds will go to schools and community colleges, up to \$2 billion a year would go to Medi-Cal, and up to \$1.5 billion will be saved and applied to debt.

Source: This section of the budget relies heavily on information found in the *State Funding of K-12 Education* section of the State Funding of Education website, from *EdSource*.

LOCAL CONTROL FUNDING FORMULA

Up until fiscal year 2012-13, the Revenue Limit was the basic and the largest financial support for District activities. In fiscal year 2013-14, Governor Jerry Brown implemented the new State funding formula for local education agencies called Local Control Funding Formula (LCFF). AB 97 was enacted, amending California Education Code 42238.07 which relates to education finance. The goal of LCFF is to significantly simplify how state funding is provided to local education agencies (LEAs), to create transparency of funding, and to grant local control of funds.

The LCFF eliminated the Revenue Limit and most of the state categorical program funding streams. The categorical programs that were folded in the LCFF are not bound by the program compliance requirements that existed before the implementation of LCFF. Below is a list of categorical programs participated in by LAUSD that are now folded in the LCFF.

- Administrator Training Program
- Adult Education
- Advanced Placement (AP) Program - Exam Fee Assistance
- Arts and Music Block Grant
- Bilingual Teacher Training and Assistance Program
- California High School Exit Exam Intensive Instruction
- California School Age Families Education (Cal-SAFE)
- Certificated Staff Mentoring Program
- Charter School Categorical Block Grant
- Charter School In-lieu of EIA
- Class-Size Reduction, Grade 9
- Class-Size Reduction, Grades K-3
- Community-Based English Tutoring (CBET)
- Community Day School Additional Funding
- Community Day School Additional Funding For Mandatory Expelled Pupils
- Core Academic Program (Supplemental Instruction)
- Deferred Maintenance
- Economic Impact Aid (EIA)
- Education Technology - California Technology Assistance Project (CTAP)
- Education Technology – Statewide Education Technology Services (SETS)
- Gifted & Talented Education (GATE)
- Instructional Materials, IMFRP
- Low STAR Score and at Risk of Retention (Supplemental Instruction)
- Math & Reading Professional Development
- Math & Reading Professional Development - English Learners
- Middle & High School Counseling
- National Board Certification Teacher Incentive Grant New
- Charter School Supplemental Categorical Block Grant
- Oral Health Assessments

Peer Assistance & Review Program
 Physical Education Teacher Incentive Program
 Professional Development Block Grant
 Pupil Retention Block Grant
 Pupil Transportation Programs
 Reader Services For Blind Teachers
 Regional Occupational Centers / Programs
 Remedial Program (Supplemental Instruction)
 Retained & Recommended for Retention (Supplemental Instruction)
 School and Library Improvement Block Grant
 School Safety & Violence Prevention Block Grant, Grades 8-12 (Carl Washington)
 School Safety Consolidated Competitive Grant
 Standards for Preparation and Licensing of Teachers (CTC)
 Targeted Instructional Improvement Block Grant
 Teacher Credentialing Block Grant (BTSA)
 Teacher Dismissal Apportionments

Unlike the Revenue Limit which was largely based on COLA and average daily attendance (ADA), the LCFF includes several variables to calculate an LEA's entitlement. These are ADA, COLA, enrollment, unduplicated pupil count, and gap funding percentage.

To familiarize one's self with the LCFF calculation, it would help to know the definitions of the various terminologies used in LCFF. Below are the various terminologies and their brief definitions in the order as they are encountered in the formula.

Grade Span	LCFF funding uses grade span ADAs such as K-3, 4-6, 7-8, and 9-12. Transition Kindergarten (TK) is included in the Kindergarten enrollment.
Average Daily Attendance (ADA)	The change in the reporting of ADA was driven by the LCFF formula where ADAs are summed into grade spans of K-3, 4-6, 7-8, and 9-12. LCFF uses the ADA of students from the beginning of the school year to the school month ending on or before April 15th of a fiscal year. This period of attendance is called the Second Principal Apportionment (P-2) ADA. After adjusting LAUSD's prior year ADA for students who transferred to and from LAUSD and charter schools, Education Code 42238.5 allows school districts to use the larger of the current year or prior year's P-2 ADA; while charter schools use the current year's P-2 ADA. A small portion of the funded ADA comes from the Annual ADA, i.e., ADAs from the beginning to the end of the school year. The ADAs are sub-totaled by grade span which is multiplied by the corresponding funding rates per ADA.

Cost of Living Adjustment (COLA)	This is a percentage calculated by the State and is based on the Implicit Price Deflator as of the month of May prior to the beginning of each fiscal year. The LCFF rates per ADA are increased annually to reflect the COLA.
Base Grant Per ADA	Each Base Grant Per ADA is composed of a base rate per ADA plus COLA. The Base Grant Per ADA is unique for each of the grade span and is applied to the respective grade span ADA to calculate the initial Base Grant Funding. For grades K-3, the Base Grant Per ADA includes the K-3 Grade Span Adjustment. The State provides an additional 10.4% of the initial K-3 Base Grant as funding for K-3 Class Size Reduction. For grades 9-12, the Base Grant Per ADA includes the 9-12 Career Technical Education (CTE) Adjustment. The State provides an additional 2.6% of the initial 9-12 Base Grant as funding for CTE.
Base Grant Funding	The Base Grant Funding is the result of multiplying the Base Grant Per ADA of each grade span by the funded ADAs of each respective grade span.
Enrollment	This refers to the total count of K-12 students enrolled as of the fall Census Day (first Wednesday in October).
Targeted Disadvantaged Students/Unduplicated Pupils	The unduplicated student count refers to pupils who are identified as either English Learner, met the requirements for free or reduced-priced meals, or in foster care. A student falling into one or more of the criteria mentioned is counted once even if the student meets more than one of the criteria; hence, the term unduplicated pupil count. All pupil counts are based on Fall 1 certified enrollment reported in the California Longitudinal Pupil Achievement Data System (CALPADS) as of fall Census Day (first Wednesday in October).
Unduplicated Pupil Percentage	This is calculated by dividing the total unduplicated pupil count by the total enrollment, and is used in the calculation of the Supplemental and Concentration Grant Funding. With the assumption of LCFF beginning in fiscal year 2013-14, this is expressed as an "average" percentage, i.e., for fiscal year 2014-15, 2-year average; for fiscal year 2015-16, a 3-year average; and for fiscal years 2016-17 and on, a 3-year average of the last three fiscal years including the current fiscal year.

Supplemental Grant Funding	Every Targeted Disadvantaged Student generates additional funding above the Base Grant Funding through the Supplemental Grant Funding. For each grade span, this is calculated by multiplying the Base Grant Funding by the Unduplicated Pupil Percentage times 20%.
Concentration Grant Funding	In addition to the Supplemental Grant Funding, school districts that have unduplicated pupil percentage greater than 55% are entitled to the Concentration Grant Funding. For each grade span, this is calculated by multiplying the Base Grant Funding by the Unduplicated Pupil Percentage in excess of 55% times 50%.
Allowance and Add-On Funding	For LAUSD, this includes the Targeted Instructional Improvement Block Grant (TIIBG) and the Home-To-School Transportation in the amounts received in fiscal year 2012-13.
LCFF Target Entitlement	The LCFF Target Entitlement is the sum of the Base Grant Funding, Supplemental Grant Funding, Concentration Grant Funding, and Allowance and Add-on Funding. It is recalculated for each of the implementation year based on the current fiscal year's funded ADA and COLA.
Floor Entitlement	This represents the minimum amount an LEA may receive for a LCFF fiscal year. This is composed of the following: 1) the 2012-13 Revenue Limit per ADA times the current year funded ADA, 2) total amount of the 2012-13 Categorical Programs that were folded into LCFF, and 3) the prior year cumulative gap rates per ADA times the current year funded ADA.
Current Year Gap	This is the difference between the Target Entitlement and the Floor Entitlement. If the Target Entitlement is greater than the Floor Entitlement, the LEA has not reached its full LCFF implementation entitlement. Hence, there is still a gap or a need to reach full implementation. Otherwise, the LEA will be funded based on the Target Entitlement and is deemed to have reached the full implementation amount of LCFF.
Statewide Gap Funding Rate	Based on the State's available resources, the Gap Funding Rate is set at the State level and is used to calculate the Current Year Gap Funding.

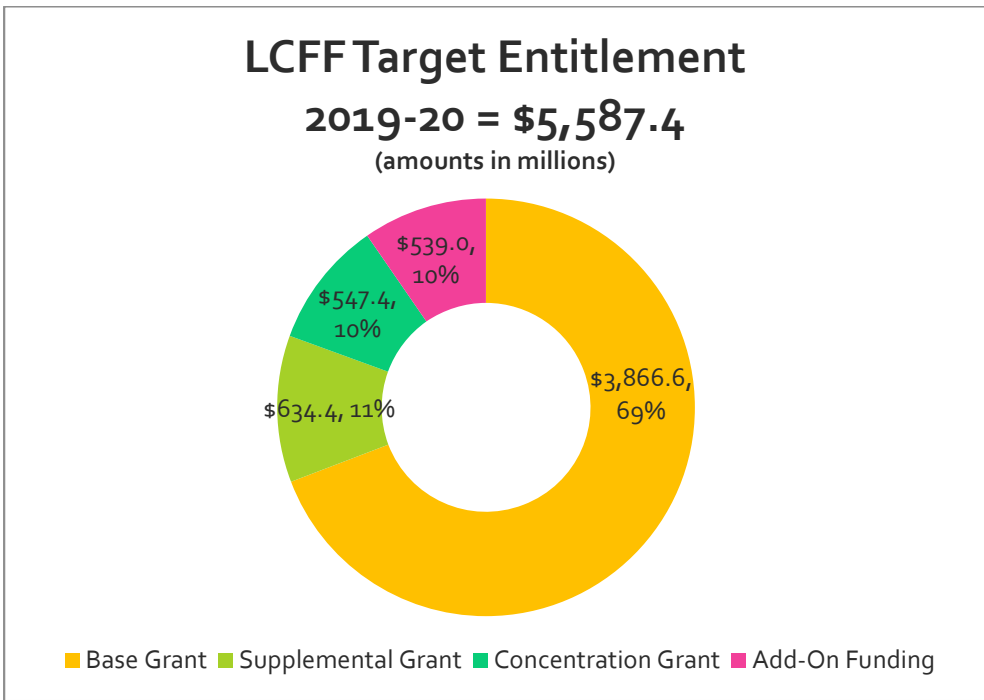
Current Year Gap Funding	This represents the “funded” portion of the gap between the Target Entitlement and the Floor Entitlement, and is funded incrementally each fiscal year until full funding of the Target Entitlement is realized.
Economic Recovery Target	It is the difference between the amount a school district or charter school would have received under the old funding system (Revenue Limit, Charter School Block Grants, and Categorical Programs) and the estimated amount it would receive for LCFF funding in 2020–21, based on certain criteria. This is not applicable to LAUSD because only school districts and charter schools that were at, or below, the 90th percentile of per-pupil funding rates of school districts under the old funding system as determined at the 2013-14 P-2 certification, are eligible for ERT payments.
Transition Funding	This represents the amount of LCFF entitlement a LEA receives for the fiscal year. If the Target Entitlement has not been realized, each current year’s LCFF funding is composed of the Floor Entitlement and the Current Year Gap Funding. If the Target Entitlement has been realized, the Transition Funding is the Target Entitlement. The Transition Funding is funded through: 1) local property taxes, 2) the Education Protection Act (EPA) which was enacted by Proposition 30 in November 2012, and 3) state aid. The portion of the Transition Funding that is not funded by local property taxes and EPA is funded by state aid.

As a condition of receiving the K-3 Grade Span Adjustment, LAUSD is required to maintain an average K-3 class size enrollment of not more than 24 pupils or a collectively-bargained alternative class size at each school site. Failure of one school site to maintain the maximum average K-3 class size of 24:1, will jeopardize the whole K-3 Grade Span Adjustment funding. On the other hand, charter schools do not have to maintain or make progress toward the required average class size of 24 pupils.

The Supplemental and Concentration Grant Funding are dependent on an LEA’s number of unduplicated student count, specifically, the percentage of the unduplicated count to total enrollment. And although LCFF funding is considered unrestricted, the Supplemental and Concentration Grant Funding are earmarked to be spent on the Targeted disadvantaged student population. LEAs are required to specify on the Local Control Accountability Plan (LCAP), the amount of expenditures for the Targeted Disadvantaged Student population.

The 2019-20 Governor’s May Revision Budget provides \$1.9 billion for LCFF to fund the 3.26% COLA. The COLA will now have a direct impact on the LEA’s LCFF entitlement ever since the 2018-19 Budget fully funded the LCFF target amount.

Below is a graph that shows LAUSD's LCFF Target Entitlement by component for the K-12 schools including affiliated charter schools.



STUDENT EQUITY NEEDS INDEX (SENI)

The District uses the Student Equity Needs Index score to allocate Targeted Student Population (TSP) funds to schools.

Overview

There are four fundamental principles in designing an equity-based funding formula:

- Equity – funds should be allocated according to need.
- Transparency – the methodology for allocating funds is clear, simple, and understandable.
- Fairness – schools with similar needs should receive similar funds per TSP student.
- Stability and Feasibility – funds should be allocated in a manner that causes minimal disruption to school planning.

Equity-Based Funding Formula

- Based on the school's SENI score, there are five rankings: Highest, High, Moderate, Low, and Lowest.
- Funds are allocated on a continuous per pupil rate based on the school's Student Equity Needs Index score.
- In Fiscal Year 2019-2020, some schools are held harmless to match their 2018-19 TSP allocation (Program 10183, 10400, 10405). It is a one-time hold harmless adjustment to transition to the new SENI ranking.
- The SENI per pupil rates for secondary schools are higher than elementary schools to recognize the higher costs of operating middle and high schools.

Student Equity Needs Index 2018 - Refresh

Student Equity Needs Index 2018					
	Index 2.0 Indicators of Need	Data Range	Index Weight		
			HS	MS	ES
Highest	Percentage of Foster Youth	Annual	5%	5%	5%
	Percentage of Homeless Youth	Annual	5%	5%	5%
High	Percentage of English Learners	Annual	5%	5%	5%
	Percentage of Standard English Learners	Annual	5%	5%	5%
Moderate	Percentage of Low-Income S.W.D.	Annual	5%	5%	5%
	Percentage of Unduplicated Students	Annual	20%	20%	20%
	Suspension Rates	Annual	5%	5%	5%
Low	1 st Grade DiBELS	Annual			30%
	Incoming 6 th /9 th Grade Math SBAC	Annual	10%	15%	
	Incoming 6 th /9 th Grade ELA SBAC	Annual	10%	15%	
	Chronic Absenteeism	Annual	5%	5%	5%
Lowest	I-Star Reports	3-Year Avg.	5%	5%	5%
	Asthma Severity Rate	3-Year Avg.	5%	5%	5%
	Non-Fatal Gun Shot Injuries	3-Year Avg.	5%	5%	5%
	A-G Completion Rate (High School Only)	Annual	10%		

STUDENT EQUITY NEEDS INDEX (SENI) SCHOOL PER PUPIL RATES

LOS ANGELES UNIFIED SCHOOL DISTRICT
 STUDENT EQUITY NEEDS INDEX (SENI) PER PUPIL RATES
 FY 2019-20
 As of March 13, 2019

Funding Source	Description	School Type	Program Code	SENI Rank	Per Pupil Rate	
					From	To
Targeted Student Population	Student Equity Needs Index (SENI)	Elementary School	10552	Highest	\$ 557.00	\$ 725.00
				High	\$ 505.00	\$ 557.00
				Moderate	\$ 458.00	\$ 505.00
				Low	\$ 387.00	\$ 458.00
				Lowest	\$ 203.00	\$ 386.00
Targeted Student Population	Student Equity Needs Index (SENI)	Middle School	10552	Highest	\$ 991.00	\$ 1,214.00
				High	\$ 887.00	\$ 973.00
				Moderate	\$ 808.00	\$ 884.00
				Low	\$ 675.00	\$ 783.00
				Lowest	\$ 422.00	\$ 658.00
Targeted Student Population	Student Equity Needs Index (SENI)	High School	10552	Highest	\$ 1,049.00	\$ 1,245.00
				High	\$ 940.00	\$ 1,042.00
				Moderate	\$ 822.00	\$ 936.00
				Low	\$ 682.00	\$ 820.00
				Lowest	\$ 431.00	\$ 671.00

STUDENT EQUITY NEEDS INDEX (SENI)

These allocations are based on equity-based funding formula based on the index.

School Type	SENI Ranking	No. of Schools	No. of Unduplicated Students	Total Allocation
Elementary	HIGHEST	102	40,109	25,512,948
	HIGH	102	43,475	25,142,566
	MODERATE	102	47,834	26,719,321
	LOW	102	45,376	22,206,586
	LOWEST	101	27,067	12,926,239
Elementary Total		509	203,861	112,507,660
Middle School	HIGHEST	18	11,151	13,025,076
	HIGH	18	15,523	14,863,576
	MODERATE	18	17,760	15,437,022
	LOW	18	14,941	13,541,837
	LOWEST	18	14,528	12,312,993
Middle School Total		90	73,903	69,180,504
High School	HIGHEST	23	18,732	22,591,599
	HIGH	24	18,458	19,543,546
	MODERATE	23	25,253	25,818,882
	LOW	23	22,567	19,686,078
	LOWEST	23	24,108	20,206,636
High School Total		116	109,118	107,846,741
Special Education School		15	2,321	796,902
Special Education School Total		15	2,321	796,902
Option School		52	5,800	2,099,226
Option School Total		52	5,800	2,099,226
Grand Total		782	395,003	292,431,033

Proposed Los Angeles Unified School District Investments to Support Targeted Youth

	Investment 2019-20	Investment 2020-21	Investment 2021-22
1	4 Year Old TK Program	\$ 58.27	\$ 58.27
2	A - G Dropout Intervention	\$ 10.27	\$ 10.27
3	Access Equity, Instruction and Local District	\$ 25.12	\$ 25.12
4	Advance Placement	\$ 1.90	\$ 1.90
5	Afterschool Program	\$ 7.34	\$ 7.34
6	Allocation to schools TSP	\$ 12.07	\$ 12.07
7	Arts Plan and Program	\$ 34.98	\$ 34.98
8	Bilingual Differential	\$ 1.00	\$ 1.00
9	Breakfast in The Classroom Incentive	\$ 1.60	\$ 1.60
10	Class Size Reduction Grades 4-12	\$ 28.50	\$ 57.60
11	Counselors	\$ 29.84	\$ 29.84
12	Diploma Project	\$ 2.31	\$ 2.31
13	Early Language and Literacy Plan	\$ 1.50	\$ 1.50
14	Elementary and Middle Schools Highest Need Class-Size Reduction	\$ 8.00	\$ 16.00
15	English Learner Coaches	\$ 4.89	\$ 4.89
16	Extended Transitional Kindergarten / Pre school Collaborative Expansion	\$ 10.42	\$ 10.42
17	Family Source System	\$ 1.53	\$ 1.53
18	Foster Youth Achievement Program	\$ 14.95	\$ 14.95
19	Health and Student Supports	\$ 2.86	\$ 2.86
20	Homeless Program	\$ 2.40	\$ 2.40
21	Innovation Focus Schools	\$ 1.63	\$ -
22	Innovation Schools - TSP Settlement	\$ 50.42	\$ -
23	Instructional Technology Support (VLC)	\$ 3.28	\$ 3.28
24	Local Control Accountability Support	\$ 0.21	\$ 0.21
25	M&O and Routine Maintenance	\$ 1.50	\$ 1.50
26	National Board for Professional Teaching Standards	\$ 2.02	\$ 2.02
27	Nurses - High School	\$ 9.72	\$ 9.72
28	Nursing Services	\$ 18.25	\$ 35.69
29	On-going Major Maintenance	\$ 33.01	\$ 33.01
30	Options Program	\$ 1.50	\$ 1.50
31	Per Pupil Schools - Targeted Support	\$ 47.00	\$ 47.00
32	Pre-school for All Expansion (PAL)	\$ 26.34	\$ 26.34
33	PSA/PSW/ Secondary Counselors	\$ 6.03	\$ 6.03
34	Reduce Math and EL	\$ 5.00	\$ 5.00
35	Regional Occupancy Programs	\$ 1.13	\$ 1.13
36	School Climate and Restorative Justice	\$ 2.19	\$ 2.19
37	School Enrollment Placement & Assessment	\$ 0.20	\$ 0.20
38	School Librarians	\$ 20.49	\$ 25.02
39	School Technology Support (MCSA)	\$ 10.24	\$ 10.24

	Investment 2019-20	Investment 2020-21	Investment 2021-22
40 Speech and Language Pathology Services for all PAL and Pre-school Collaborative	\$ 4.97	\$ 4.97	\$ 4.97
41 Standard English Learner	\$ 1.62	\$ 1.62	\$ 1.62
42 Student Engagement	\$ 0.25	\$ 0.25	\$ 0.25
43 Student Equity Needs Index	\$ 261.84	\$ 261.84	\$ 261.84
44 Student Equity Needs Index-Transitional	\$ 28.48	\$ 28.48	\$ 28.48
45 Transition Services for Target Student	\$ 6.70	\$ 6.70	\$ 6.70
Total	\$ 803.8	\$ 810.8	\$ 936.1

TITLE I, PART SOCIOECONOMICALLY DISADVANTAGED STUDENTS

These funds are used to meet the educational needs of low-achieving students in the District's highest-poverty schools.

Estimated Entitlement	\$ 335,867,828
Estimated Carryover	90,686,421
Total	\$ 426,554,249

Budgeted Expenditures	No. of Student	Rate	Amount
School Discretionary Per Pupil Allocations			
Poverty % = 100% -65%	336,776	\$ 735.00	\$ 247,530,360
Poverty % = 64.99% -50%	25,198	\$ 559.00	14,085,682
	361,974		\$ 261,616,042
	1,434	\$ 337.00	\$ 483,258
Subtotal			\$ 262,099,300
Parent Involvement Reservation			
Per Pupil Allocations			
Poverty % = 100% -65%	336,776	\$ 11.00	\$ 3,704,536
Poverty % = 64.99% -50%	25,198	\$ 9.00	226,782
	361,974		\$ 3,931,318
Hold Harmless	1,434	\$ 6.00	\$ 8,604
District Parent Educator Coaches			527,384
LD South Administrative Position			35,588
LD Mileage and Pending Distribution			296,701
Northeast Parent Community Facilitator			25,614
Parent Community Student Services Branch			834,618
Private Schools Proportionate Share			132,095
Subtotal			\$ 5,791,922
Private Schools			
Per Pupil Allocations			\$ 6,145,935
Mandatory Reservations (Reservation Required)			
Homeless Program			\$ 1,166,232
Neglected Program			700,940
Subtotal			\$ 1,867,172

Los Angeles Unified School District

2019-20 SUPERINTENDENT'S FINAL BUDGET

Targeted School Support

2019 Summer Programs*	\$	13,000,000
Current Year Programs		44,082,244
Subtotal	\$	57,082,244

Assistance to School (Reservation Allowed)

A-G Diploma Counselor	\$	12,941,755
College and Career Coach (Middle School)		9,373,073
Leveled Reading Program		7,304,000
Read Education for Acceleration and Differentiation (READ)		2,307,210
Middle School Student Aspirations Training		1,011,788
Winter Spring Plus-Credit Recovery		876,130
Jumpstart K-1		704,442
Salary Differentials		500,000
American Institutes for Research (AIR) Credit Recovery Study		451,520
SAP Prep PD		122,640
Equity in Math		100,000
SSC Training		85,000
Subtotal	\$	35,777,558

Administration and Indirect Cost

Administration-Basic	\$	4,723,550
Administration-Neglected		228,480
Administration-Private School		1,121,438
District Title I Coordinators and PCE Administrators		2,602,398
Prior Year Adjustment		100,000
Reserve -Entitlement and Carryover Adjustments		32,290,283
Indirect Cost		16,723,969
Subtotal	\$	57,790,118
Total Expenditures	\$	426,554,249

Notes: * \$29.7 million of FY 2018-19 budget is allocated to Beyond the Bell for the administration of Extended Learning Opportunities and Bridge Summer Programs which concludes on July 24, 2019 (FY 2019-20).

TITLE II, PART A SUPPORTING EFFECTIVE INSTRUCTION

These funds are intended to increase the academic achievement of all students by helping schools improve teacher and principal quality through professional development and provide low-income and minority students' greater access to effective teachers and principals.

Estimated Entitlement		\$	29,990,428
Estimated Carryover			2,249,917
Total		<u>\$</u>	<u>32,240,345</u>
Budgeted Expenditures			Amount
Pre K - 12 Curriculum Services			
Administrator Development		\$	876,079
A-G Intervention			2,556,597
College & Career Counseling			94,508
District positions			9,397,586
Deputy Supt/Instruction			3,675,228
Office of Curriculum, Instruction / School Support			341,901
Pupil Services and Attendance			606,940
Subtotal		<u>\$</u>	<u>17,548,839</u>
Human Resources (HR)			
HR-Beginning Teacher Growth & Development		\$	555,378
HR-Certificated Performance Evaluation Support			1,251,940
HR-Certificated Workforce Management			60,000
HR-District Intern - LISTOS Program			1,386,227
HR-NBC Teachers Unit			536,212
HR-Peer Assistance			108,000
HR-Professional Learning			1,799,980
HR-Teacher and Administrative Support			279,103
Subtotal		<u>\$</u>	<u>5,976,840</u>
Stipends			
Bilingual Differential Salaries			1,670,000
Subtotal		<u>\$</u>	<u>1,670,000</u>
Private Schools Equitable Share		\$	3,414,622
Other			
Indirect Cost	4.17%		1,152,517
Indirect Cost - Admin.(Private Sch	2.00%		575,816
Potential Funding Variance	6.50%		1,901,711
Subtotal		<u>\$</u>	<u>3,630,044</u>
Total Expenditures		<u>\$</u>	<u>32,240,345</u>

TITLE III, PART A IMMIGRANT

The purpose of the Title III Immigrant Education Program funds is to provide enhanced and supplemental instructional opportunities to immigrant students and their families, ensuring that immigrant students meet the same challenging grade level and graduation standards as all students.

Estimated Entitlement	\$	2,078,984
Estimated Carryover		1,650,417
Total	\$	3,729,401

Budgeted Expenditures	No. of Immigrant Students	Rate	Amount
Resources to Support Schools			
FY 19 Summer Program (Carryover)			\$ 390,504
Current Year Summer Program			1,020,000
Newcomer Coaches (7 FTEs)			864,619
Newcomer Counselors (8 FTEs)			973,240
Subtotal			\$ 3,248,363
Private Schools Equitable Share	288	\$ 92.35	\$ 26,597
Indirect Cost			\$ 149,291
Reserve for Adjustment			\$ 305,150
Total Expenditures			\$ 3,729,401

TITLE III, PART A LIMITED ENGLISH PROFICIENCY (LEP)

These funds are used to ensure that limited-English-proficient (LEP) students attain English proficiency and meet the same academic standards that other students are expected to meet.

Estimated Entitlement	\$	9,754,246
Estimated Carryover		8,790,340
Total	\$	18,544,586

<u>Budgeted Expenditures</u>	<u>No. of LEP Students</u>	<u>Rate</u>	<u>Amount</u>
Resources to Support Schools			
Local District Support to Schools			\$ 13,203,506
Multilingual and Multicultural Education Department			2,061,758
Professional Development			2,061,758
Subtotal			\$ 15,265,264
Private Schools Equitable Share	1,353	\$ 99.05	\$ 134,015
Indirect Cost (2% Cap)			\$ 363,619
Reserve for Adjustment			\$ 2,781,688
Total Expenditures			\$ 18,544,586

TITLE IV, PART A STUDENT SUPPORT AND ACADEMIC ENRICHMENT

These funds increase capacity by providing all students with access to a well-rounded education, improving school conditions for student learning, and improving use of technology in order to improve the academic and digital literacy of all students.

Estimated Entitlement	\$ 21,573,705
Estimated Carryover	<u>17,551,081</u>
Total	<u>\$ 39,124,786</u>

Budgeted Expenditures	Amount
Pre K - 12 Curriculum Services	
Office of Curriculum, Instruction / School Support	<u>33,992,912</u>
Subtotal	<u>\$ 33,992,912</u>

Private Schools Equitable Share	<u>\$ 2,476,567</u>
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Other		
Indirect Cost	4.17%	863,611
Indirect Cost - Admin.(Private Schools)	2.00%	431,474
Potential Funding Variance	6.50%	<u>1,360,222</u>
Subtotal		<u>\$ 2,655,307</u>

Total Expenditures	<u>\$ 39,124,786</u>
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TARGETED STUDENT POPULATION

These funds are intended to support the needs fo Low Income, Foster Youth, Redesignated Fluent English Proficient (RFEPs), and English Learners (ELs).

Total Sources	\$ 22,525,125
Estimated Carryover	20,408,740
Total	\$ 42,933,865

Budgeted Expenditures	Rate	No. of	Amount
Programs			
Advanced Learning Options-Advanced Placement (AP) Readiness			\$ 380,000
College Readiness			502,115
Dual Language Education School Support			295,112
International Baccalaureate			3,694,264
Knowledge of English Yields Success (KEYS)/Asian Pacific and Other Languages Offi			604,984
LAS Links CTB-McGrawHill ELD Assessment for EL & SEL			300,000
LD Discretionary Funds/Access to Core Coaches			10,798,416
LD EL Achievement Plan			600,000
Master Plan/Office of Civil Rights and Voluntary Agreement			4,984,809
Subtotal			\$ 22,159,700
School Support			
Access, Equity, and Acceleration Team			\$ 727,840
Dual Language Bilingual Program			1,424,524
Counseling Coordinators			156,874
Federal & State Education Programs			10,000
Human Resources Certificated, Recruitment, Selection, and Credential			145,220
Local District East Administrator			148,789
Migrant Education			163,139
Multilingual and Multicultural Education Department			3,611,958
Office of Data and Accountability /School Information Branch			666,689
Parent and Community Services Branch			887,630
Reserved for Carryover Adjustments			11,152,189
School Enrollment Placement and Assessment (S.E.P.A.)			1,163,651
Translations Unit			185,664
UCLA/LAUSD Collaborative			329,998
Subtotal			\$ 20,774,165
Total Uses			\$ 42,933,865

SCHOOL STAFFING AND OTHER RESOURCES

Introduction

The School Staff and Resources section describes the staff and non-staff allocations made to most District schools based on Board-approved allocation rates or “norms.” Staffing ratios are provided for regular elementary schools, regular secondary schools, magnet and alternative schools, options schools, early childhood centers, community adult schools, regional occupational centers (ROC) and skills centers.

Personnel resources provided on a “norm” basis include positions such as teachers, principals, assistant principals, librarians, clerical, and other office personnel. Staffing allocations also included non-classroom support personnel such as guidance, welfare, attendance, physical and mental health personnel, campus aides, and maintenance and operations staff.

A separate listing is provided to show material and supplies allocation rates, which cover needs such as basic instructional materials, textbooks, custodial, gardening and operational supplies, and school/community advisory committee expenses.

For resources allocated specifically for students with disabilities, please see School Staff and Resources – Special Education.

Regular Elementary Schools

Staffing of elementary schools is based on established norm tables and District policies. The norm tables prescribe the numbers and types of positions for a given enrollment. For certain positions, enrollment is weighted or adjusted to reflect extraordinary need. In addition to norm tables, other District policies allocate off-norm positions to schools with identified special needs.

ELEMENTARY SCHOOL NORMS – 2019-20

Certificated Staff (based on District norm tables):

1	teacher per 24 students in kindergarten
1	teacher per 24 students in grades 1-3
1	teacher per 38 students in grades 4-6*
1	principal per school
1	assistant principal for schools with 1,000 to 1,809 students
2	assistant principals for schools with 1,810 to 2,419 students
3	assistant principals for schools with 2,420 or more students

Continuing for fiscal year 2019-20, elementary students enrolled in an approved Dual Language Programs such as Dual Language Two-Way Immersion, Dual Language One-Way Immersion, and World Language Immersion Programs (e.g., Spanish, Korean, Mandarin, French, etc.) will be normed separately from the non-dual language classes based on a 24:1 student teacher ratio for each program language in grades K-3. However, grades 4-5/6 will be normed separately based on the applicable grade 4-5/6 norm table.

*There will be 1 teacher per 36 students in grades 4-6 for the 75 targeted high need elementary schools and their associated magnet/dual language centers.

Substitute days – 10 days per norm register-carrying teacher

Classified Staff:

1	school administrative assistant per school, plus:
1	office technician for schools with enrollments up to 749
2	office technicians for schools with enrollment of 750 to 1,499
3	office technicians for schools with enrollment of 1,500 to 2,199
4	office technicians for schools with enrollment of 2,200 to 2,899
5	office technicians for schools with enrollment of 2,900 to 3,599
6	office technicians for schools with enrollment of 3,600 to 4,299
7	office technicians for schools with enrollment of 4,300 and above

*Designated schools involved in the court-ordered integration programs receive additional positions to provide an overall ratio of one teacher for every 29.5 students for non-targeted high need schools and 27.5 students for targeted high need schools in grades 4-6 for Predominantly Hispanic, Black, Asian and other Non-Anglo schools; and 35.0 students for non-targeted high need schools and 33 students for targeted high need schools in grades 4-6 for Desegregated/Receiver schools.

Regular Secondary Schools

Staffing of secondary schools is based on established norm tables and District policies. The norm tables prescribe the numbers and types of positions for a given enrollment. At the secondary level, teacher norm tables are modified to provide only five teaching periods. In addition, other District policies allocate off-norm positions to schools with identified special needs.

SECONDARY SCHOOL NORMS – 2019-20

Certificated Staff (based on District norm tables):

1	teacher per 41.5 students in middle schools*
1	teacher per 41.5 students in senior high schools**
1	principal per school
1	assistant principal, secondary counseling services per school with enrollment of 700 to 1,354
1	assistant principal per school with enrollment of 1,355 to 1,749
2	assistant principals per school with enrollment of 1,750 to 2,088
3	assistant principals per school with enrollment of 2,089 to 4,233
4	assistant principals per school with enrollment of at least 4,234

Continuing for fiscal year 2019-20, secondary schools with students enrolled in an approved Dual Language Program will be allocated 6 auxiliary periods for each program language at schools participating in this program, e.g., Dual Language Program and World Language Immersion Programs.

*There will be 1 teacher per 39.5 students in grades 6-8 for the 15 targeted high need middle schools and their related magnet centers.

Substitute days – 10 days per norm register-carrying teacher.

Classified Staff:

1	school administrative assistant per school, plus:
1	clerical position for middle schools with enrollments up to 700 plus 1 clerical position for each additional 450 students over 700
1	clerical position for senior high schools with enrollments of up to 700, plus 1 clerical position for each additional 450 students over 700
#	financial manager per middle school – financial manager at middle school will serve two (2) sites
1	senior financial manager per senior high school

*Designated middle schools involved in the court-ordered integration programs received additional positions to provide an overall ratio of one teacher for every 33.0 students in academic classes for non-targeted high need schools and 31.0 students in academic classes for targeted high need schools for Predominantly Hispanic, Black, Asian and other Non-Anglo schools; and 38.5 students in academic classes for non-targeted high need schools and 36.5 for targeted high need schools for Desegregated/Receiverschools.

**Designated senior high schools involved in the court-ordered integration programs received additional positions to provide an overall ratio of one teacher for every 33.0 9th and 10th grade students in academic classes for Predominantly Hispanic, Black, Asian and other Non-Anglo schools; and 38.5 9th and 10th grade students in academic classes for Desegregated/Receiverschools.

Magnet Schools

Several Magnet Schools provide services for both elementary and secondary students. Basic teacher allocations are determined by the magnet and alternative school norm tables for total enrollment. Other staff is based on District policy.

MAGNET SCHOOLS & CENTERS NORMS – 2019-20	
Magnet schools and centers identified as serving Predominantly Hispanic, Black, Asian, and Other Non-Anglo students:	
1	teacher per 24.0 students in grades K-3
1	teacher per 29.5. students in grades 4-5*
1	teacher per 33.0 students in grades 6-8**
1	teacher per 33.0 students in grades 9-12
All other magnet schools and centers:	
1	teacher per 24.0 students in grades K-3
1	teacher per 33.0 students in grades 4-5*
1	teacher per 35.5 students in grades 6-8**
1	teacher per 35.5 students in grades 9-12
Substitute days – 10 days per norm register-carrying teacher	
<p>*There will be 1 teacher per 27.5 students in grades 4-5 for Predominantly Hispanic, Black, Asian, and Other Non-Anglo and 1 teacher per 31 students in grades 4-5 for All other magnet centers for the associated magnet center(s) of the targeted high need elementary schools.</p> <p>** There will be 1 teacher per 31.0 students in grades 6-8 for Predominantly Hispanic, Black, Asian, and Other Non-Anglo schools and 1 teacher per 33.5 students in grades 6-8 for All other magnet centers for the associated magnet center(s) of the targeted high need middle schools.</p>	

Options Schools

Options schools serve students for whom placement in the regular school environment is not in the best interest of the students. Because these students require an individualized program to meet their unique academic and behavior needs, a lower pupil/teacher norm is provided.

CONTINUATION SCHOOL NORMS – 2019-20	
1	teacher per 29 students per continuation school
1	principal per continuation school
1	school office manager/clerk per continuation school
OPPORTUNITY AND COMMUNITY DAY SCHOOL NORMS – 2019-20	
1	teacher per 21 students per opportunity and community day school
1	principal per opportunity and stand-alone community day school
1	assistant principal per opportunity school and stand-alone community day school
1	school administrative assistant per opportunity school and stand-alone community day school
INDEPENDENT STUDY NORMS – 2018-19	
1	teacher per 30 students per independent study school
1	principal
2	assistant principals
1	school administrative assistant

Early Childhood Education Centers

Early Childhood Education Centers are staffed based on the guidelines and staffing ratios established by Education Code 8264.8, 5CCR 18290, 18291, and 18292 for administrative, certificated, and classified personnel. The Los Angeles Unified School District maintains at least the following minimum ratios in all early education centers.

Adult to child ratio	1 : 8
Teacher to child ratio	1 : 24

Staffing is allocated based on enrollment capacity and hours of operation. Compliance with these ratios shall be determined based on actual attendance.

EARLY CHILDHOOD EDUCATION CENTER NORMS – 2019-20	
Certificated Staff	
1	principal per two (2) early childhood education centers
1	teacher per 24 students in each early childhood education center
*	4-hour teacher
Classified Staff	
1	office manager per early childhood education center
1	housekeeper per early childhood education center
8	8-hour aides for early childhood education centers with enrollment capacity of 96, <i>plus</i>
4	3-hour aides for early childhood education centers with enrollment capacity of 96
10	8-hour aides for early childhood education centers with enrollment capacity of 120, <i>plus</i>
5	3-hour aides for early childhood education centers with enrollment capacity of 120
12	8-hour aides for early childhood education centers with enrollment capacity of 144, <i>plus</i>
6	3-hour aides for early childhood education centers with enrollment capacity of 144
14	8-hour aides for early childhood education centers with enrollment capacity of 168, <i>plus</i>
7	3-hour aides for early childhood education centers with enrollment capacity of 168
16	8-hour aides for early childhood education centers with enrollment capacity of 192, <i>plus</i>
8	3-hour aides for early childhood education centers with enrollment capacity of 192
1	4-hour Building and Grounds worker per early childhood education center

*Based on individual school needs

Community Adult Schools

Community Adult Schools (CAS) are staffed based on established staffing guidelines for administrative and classified personnel.

Teacher positions are allocated to Community Adult Schools from the teacher hour allocation. Due to wide variances in the programs offered at each site, teacher hours are allocated based on available funding and community needs. In addition, other District programs allocate additional positions to schools with identified special community needs.

COMMUNITY ADULT SCHOOL NORMS – 2019-20	
Certificated Staff	
1	principal
2	assistant principals, operations
2	assistant principals, adult counseling services
Classified Staff	
1	school administrative assistant
1	occupational center financial manager
1	school office computer coordinator
*	office technicians

*Based on individual school needs

Regional Occupational Centers (ROC)/Skills Centers (SC)

Regional Occupational Centers (ROC)/Skills Centers (SC) are staffed based on established staffing guidelines for administrative and classified personnel.

Due to wide variances in the programs offered at each site, teacher hours are allocated based on available funding and community needs. In addition, other District programs allocate additional positions to schools with identified special community needs.

ROC/SKILLS CENTER NORMS – 2019-20	
Certificated Staff	
1	principal
2	assistant principals, operations
2	assistant principals, adult counseling services
Classified Staff	
1	school administrative assistant
1	occupational center financial manager
1	school office computer coordinator
*	office technicians

*Based on individual school needs

Support Personnel

SUPPORT ALLOCATIONS – 2019-20

Custodial personnel are allocated to schools as follows:

Custodial Personnel – K – 12 Schools

Custodial Personnel allocations for K-12 schools are based on a combination of factors, mainly space (square footage of different types of areas) and student enrollment. For most K - 12 schools, allocations are based on the following:

- The minimum staffing allocation for a K-12 school is 16 hours and each school is allocated a Plant Manager within the allocation. Schools may also be allocated an Assistant Plant Manager based on the number of custodial hours on the night shift. The Plant Manager level is determined by the size of the campus. The placement of an Assistant Plant Manager as well as the levels of both the Plant Manager and Assistant Plant Manager can only be changed after review by Personnel Commission.
- Square footage area of interior space and exterior area hardscape and planted areas are used to determine a time value to clean the spaces daily.
- A Budget reduction factor is applied based on available funding for custodial staffing.
- An Enrollment factor of .41 minute per enrolled student is added back in after the above reduction.
- Custodial time is rounded to the nearest 4-hour increment to determine the amount of staffing budgeted for the school site.
- High schools and middle schools are also allocated C – basis School Facilities Attendant(s) whose main duty is to service restrooms and provide other miscellaneous duties within their job classification description when the school is in session.
- Pool custodians will be assigned to the Maintenance and Operations (M&O) Areas and will service schools' swimming pools in their respective M&O areas.

Custodial allocations are also augmented based on enrollment at schools using the criteria below. These criteria and allocations are subject to change based on availability of funds in Program 11694.

- Elementary schools with an enrollment greater than 606 students that are allocated 16 hours of custodial time will receive an additional 4 hours custodial allocation.
- Middle schools with an enrollment greater than 1,744 will receive an additional 4 hours custodial allocation.

Custodial Personnel – Special Education Centers and Special Education Program in K-12 Schools

Custodial staffing allocation for Special Education Centers and for combined special education and traditional school sites is first calculated like a traditional site. Custodial staffing hours may be added to site allocation due to:

- Special Education allocation rules below also apply to traditional schools with 500 or greater enrollment
 - Traditional sites or stand-alone special ed sites with 5 or greater classrooms designated for students in the following programs: PCC, PAL, PSC, AUT, IDS, MDS, IDM, MD, EE, VI, and DHH.
 - The following allocations will be made the sites described above:
 - 4 custodial hours if using 5-12 classrooms for designated programs
 - 8 custodial hours if using 13-17 classrooms for designated programs
 - 12 custodial hours if using 18-23 classrooms for designated programs
 - 16 custodial hours if using 24-29 classrooms for designated programs
 - 20 custodial hours if using 30 or more classrooms for designated programs

Custodial Personnel – Option Schools

Custodial allocations for continuation schools, opportunity schools, community day schools, and independent study schools are calculated similarly to K-12 sites subject to the following guidelines:

- Continuation schools, opportunity schools, community day schools, and independent study schools are often contained within a larger K-12 campus. For these sites, enrollment and square footage values are included in the main site's allocation.
- The continuation school, opportunity schools, community day school, or independent study school program contribute funding based on the size of the area used on the main campus. The time apportioned to the continuation schools, opportunity schools, community day schools, or independent study schools and the funding program are included on the main site's custodial allotment sheet.

When a continuation school, opportunity school, community day school, or independent study school is not co-located with a larger campus, custodial allocation is calculated similarly to a typical K-12 school site.

Custodial Personnel – Adult Education Sites

Custodial allocations for Adult Education sites are calculated similarly to K-12 sites. Stand-alone Adult Education sites are assigned to a team cleaning group consisting of an appropriate level plant manager and an assistant plant manager as needed. The Division of Adult Education funds custodial staffing for these sites. When Adult Education uses a portion of a larger host campus,

the Adult Education custodial team assigned to the Adult Ed centers in that area will provide custodial services for the campus areas used, in coordination with the site's plant manager and administrator. No additional custodial hours will be added to the host school site allotment, as the Adult Ed custodial team will provide needed custodial support.

Campus Aides

Campus aides are allocated to provide a range of three (3) to eight (8) hours of supervision support to schools subject to review and approval by Local District and District Operations based upon security considerations.

Librarians

District-funded credentialed school librarians are allocated to middle and senior high schools. For SPAN high schools with middle school enrollment, the allocation is based on the number of students in grades 6-12. Additional Teacher Librarian allocation to comply with the UTLA contract agreement was determined by E-Cast student enrollment as follows:

Enrollment	Fiscal Year
790 +	2019-20
1 - 789	2020-21

Schools may purchase additional librarian time from their budget based on student needs.

School Nurses

District funded credentialed school nurses are allocated in Program 10529 based on the following criteria:

- Student-based equity index and enrollment
- Projected number of new enrollees requiring immunization compliance review and students with grade-level specific immunization mandates (e.g., Kindergarten, Tdap and varicella/6th grade)
- Number of athletic teams on campus (all athletes require clearing of sports physicals, concussion follow-up including Return to Play [RTP] protocol, and re-admissions following other sports related injuries by credentialed school nurse)
- Projected number of students to receive vision (grades K, 2, 5, 8), audiometric, and scoliosis (grades 7, 8) screenings in mandated grade levels. Newly enrolling students in non-mandated grades will also receive these mandated screenings.
- Projected number of students with Individualized Education Plans (IEP) who require a health assessment by a credentialed school nurse as part of the IEP.
- Projected number of students with medical protocols (daily or as needed, e.g., g-tube feeding, catheterization, medication administration, excluding insulin)
- Projected number of students with diabetic care needs

School Psychologists

School Psychologists and related personnel are allocated to schools based primarily on student population size and type of school. The following allocations represent minimum requirements for general education K-12 schools.

Elementary Schools	.25 day per week
Middle Schools	.4 day per week
Senior High Schools	.5 day per week

In combination with special education and general education allocations, schools purchase additional psychological services based on need for services and the schools' ability to fund the positions from categorical funds.

Pupil Services and Attendance Counselors

Schools also purchase Pupil Services and Attendance Counselors based on both the need for child welfare and attendance services in the school population and the schools' ability to fund the positions.

Material and Supply Allocation Rates

Instructional material, school advisory committee expense funds, and various operational supplies are also allocated to schools according to fixed formulas.

INSTRUCTIONAL MATERIALS		
<u>Program</u>	<u>2018-19 Rate</u>	<u>2019-20 Rate</u>
General Education:		
K-6	\$16 per enrolled student	\$16 per enrolled student
7-8	\$20 per enrolled student	\$20 per enrolled student
9-12	\$22 per enrolled student	\$22 per enrolled student
Instructional Materials Block Grant	*	*
Community Adult Schools	*	*
Options Programs	\$739 per teacher	\$739 per teacher
Regional Occupational Centers and Skills Centers	*	*
Regional Occupational Program	*	*

**Allocations are determined based on school needs*

OPERATIONAL SUPPLIES		
	<u>2018-19 Rate</u>	<u>2019-20 Rate</u>
Custodial Supplies:		
Community Adult Schools	\$112.50 per custodial hour (separate site) + \$3.20 per enrolled student (all sites)	\$112.50 per custodial hour (separate site) + \$3.20 per enrolled student (all sites)
Continuation Schools	\$32.65 per custodial hour + \$7.49 per enrolled student	\$32.65 per custodial hour + \$7.49 per enrolled student
Opportunity Schools	\$75.50 per custodial hour + \$6.14 per enrolled student	\$75.50 per custodial hour + \$6.14 per enrolled student
Regular Schools	\$132.60 per custodial hour + \$3.80 per enrolled student	\$132.60 per custodial hour + \$6.00 per enrolled student
Special Education	\$53.95 per custodial hour + \$9.05 per enrolled student	\$132.60 per custodial hour + \$6.00 per enrolled student
Administrative Sites	\$204.00 per custodial hour	\$204.00 per custodial hour
School Community Advisory Council Expenses:		
Community Adult Schools	\$500.00 per school	\$500.00 per school
ROCs and Skills Centers	\$500.00 per school	\$500.00 per school

SCHOOL STAFF AND RESOURCES – SPECIAL EDUCATION

These do not include Related Services and their required teacher ratios.

<u>Acronym</u>	<u>Name</u>	<u>Teacher Norm for Students Up to 8 Years Old</u>	<u>Teacher Norm for Students 9 Years Old & Above</u>	<u>Notes</u>
AUT A	Autism – Alternate Curriculum	8	8	
AUT C	Autism – General Education Curriculum	8	8	
DHH	Deaf and Hard of Hearing	6	8	
ED	Emotional Disturbance	8	8	
IDM	Intellectual Disability Moderate	12	12	
IDS	Intellectual Disability Severe	10	10	
MD	Multiple Disabilities	8	8	
PAL	Preschool for All Learners	10	-	
PCC	Preschool Collaborative Classroom Early Education Centers	10	-	Also 1 GE Teacher, only at EECs.
PCC/ETK	Preschool Collaborative Classroom with Expanded Transitional Kindergarten	10	-	Total class norms at 24 with 8 SWD and 16 GE children. Also receives 1 GE Teacher. To replace PCC program at non-EEC locations.
PSC	Preschool Comprehensive Program	8	-	
RSP	Resource Specialist Program	28	28	
SLD	Specific Learning Disability	12	12	
VI	Visually Impaired	6	8	
	Special Education Centers	10	10	

DISTRICT CLASS SIZE

This section provides information related to student teacher ratios at District's schools.

District policy pertaining to the recommendation of staffing for most Certificated and Clerical personnel at District schools is based on recommended staffing tables that take into account student enrollment and other school characteristics.

The chart on the next page provides a historical comparison of teacher to student staffing ratios by school type and integration status.

Los Angeles Unified School District

2019-20 SUPERINTENDENT'S FINAL BUDGET

DISTRICT CLASS SIZE

Type of School	Subject(s)	Grade	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20 Targeted High Need Sch	2019-20 Targeted High Need Sch
		Level	Policy	Policy	Policy	Policy	Policy	Policy	Policy	Policy	Policy	Policy	Policy
Elementary District Norm	All	K	29.50	29.50	29.50	29.50	29.50	29.50	29.50	29.50	29.50	29.50	29.50
Elementary District Norm	All	1-3	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00
Elementary District Norm	All	4-5/(6)	39.00	39.00	39.00	39.00	39.00	39.00	39.00	39.00	39.00	36.00	38.00
Elementary PHBAO	All	K	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00
Elementary PHBAO	All	1-3	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00
Elementary PHBAO	All	4-5/(6)	30.50	30.50	30.50	30.50	30.50	30.50	30.50	30.50	30.50	27.50	29.50
Elementary PHBAO Magnet	All	K-3	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00
Elementary PHBAO Magnet	All	4-5/(6)	30.50	30.50	30.50	30.50	30.50	30.50	30.50	30.50	30.50	27.50	29.50
Elementary Desegregated	All	K	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00
Elementary Desegregated	All	1-3	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00
Elementary Desegregated	All	4-5/(6)	36.00	36.00	36.00	36.00	36.00	36.00	36.00	36.00	36.00	33.00	35.00
Elem Deseg Magnet	All	K-3	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00
Elem Deseg Magnet	All	4-5/(6)	34.00	34.00	34.00	34.00	34.00	34.00	34.00	34.00	34.00	31.00	33.00
Middle District Norm	All	6-8	42.50	42.50	42.50	42.50	42.50	42.50	42.50	42.50	42.50	39.50	41.50
Middle PHBAO	Academic - 4 periods	6-8	34.00	34.00	34.00	34.00	34.00	34.00	34.00	34.00	34.00	31.00	33.00
Middle PHBAO	Nonacad - 2 periods	6-8	42.50	42.50	42.50	42.50	42.50	42.50	42.50	42.50	42.50	39.50	41.50
Middle PHBAO	Combined	6-8	36.43	36.43	36.43	36.43	36.43	36.43	36.43	36.43	36.43	33.40	35.42
Middle PHBAO Magnet	All	6-8	34.00	34.00	34.00	34.00	34.00	34.00	34.00	34.00	34.00	31.00	33.00
Middle Desegregated	Academic - 4 periods	6-8	39.50	39.50	39.50	39.50	39.50	39.50	39.50	39.50	39.50	36.50	38.50
Middle Desegregated	Nonacad - 2 periods	6-8	42.50	42.50	42.50	42.50	42.50	42.50	42.50	42.50	42.50	39.50	41.50
Middle Desegregated	Combined	6-8	40.45	40.45	40.45	40.45	40.45	40.45	40.45	40.45	40.45	37.45	39.45
Middle Deseg Magnet	All	6-8	36.50	36.50	36.50	36.50	36.50	36.50	36.50	36.50	36.50	33.50	35.50

Los Angeles Unified School District

2019-20 SUPERINTENDENT'S FINAL BUDGET

RESTRICTED PROGRAM SCHOOL PER PUPIL RATES

LOS ANGELES UNIFIED SCHOOL DISTRICT
 PER PUPIL RATE COMPARISONS
 FY 2018-19 to FY 2019-20
 As of February 28, 2019

Funding Source	Description	Allocation Basis	Program Code	FY 2018-19	FY 2019-20	Difference
Title I, Part A **	Socioeconomically Disadvantaged	K-12: 65-100% Poverty	7S046	\$ 735.00	\$ 735.00	\$ -
		K-12: 50-64.99% Poverty		\$ 559.00	\$ 559.00	\$ -
Title I, Part A **	Socioeconomically Disadvantaged	Hold Harmless-Schools falling below 50% poverty for the first time in FY 2019-20	7S046	\$ 337.00	\$ 337.00	\$ -
Title I, Part A (Parents)	Socioeconomically Disadvantaged	K-12: 65-100% Poverty	7E046	\$ 11.00	\$ 11.00	\$ -
		K-12: 50-64.99% Poverty		\$ 9.00	\$ 9.00	\$ -
Title I, Part A (Parents)	Socioeconomically Disadvantaged	Hold Harmless-Schools falling below 50% poverty for the first time in FY 2019-20	7E046	\$ 6.00	\$ 6.00	\$ -
Title III	Limited English Proficient	Schools with not receive Access to Core Coach allocation and LD will submit SPSA/approved by MMED	7S176	\$ -	\$ -	\$ -
		Schools will receive allocation thru their LD	7U197/7T197			

** Title I Targeted Assistance Schools (TAS) will be funded from program 70S46.

DISTRICT ENROLLMENT TRENDS

This section provides information and data related to the number of students served in the District's schools.

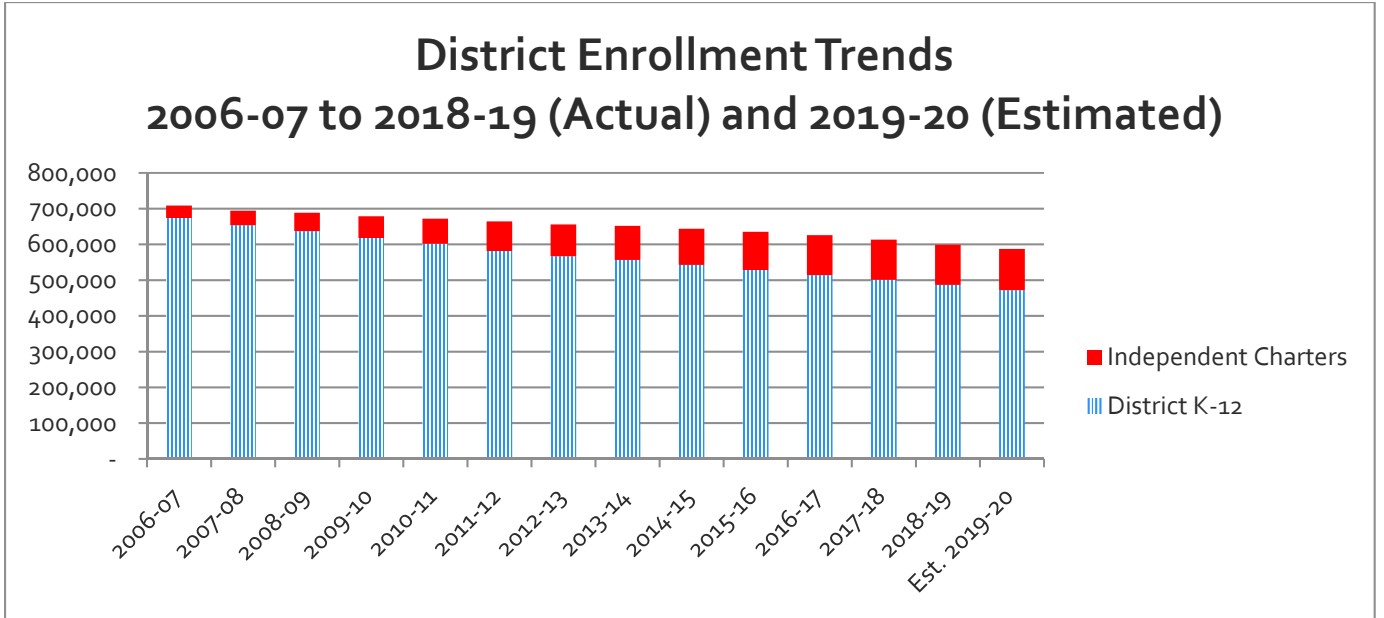
Enrollment and Enrollment Projections. To project enrollment, the Los Angeles Unified School District uses data on live births in Los Angeles County, historical grade retention ratios, economic factors, and other relevant information. Estimated enrollments in grades 1 through 12 are calculated using a variety of scenarios, generally involving weighted and true averages. The grade retention ratio measures the percentage of students expected to progress to the next grade level from one year to the next, based on past trends. Kindergarten enrollments are calculated as a percentage of live births in Los Angeles County from five years earlier.

Enrollment peaked in 2002-03 at 746,831, and has declined each year since. This is due to several factors, including the reduced birth rate in Los Angeles County and the increasing cost of living, including housing, in southern California.

Declining enrollment affects both revenue and expenditures. However, declining enrollment typically causes a more rapid decline in revenues after the first year. This is because declining enrollment districts are essentially "held harmless" for the decline from the previous year. Another contributing factor to the change in revenue and expenditure District-wide is the increase in the percentage of students enrolled in independent charter schools.

The District's enrollment projections differentiate between students in fiscally-independent charter and non-charter locations. This helps the District estimate the impact of fiscally-independent charter schools on the District's budget. The fiscally-independent charter school data include both schools that have converted from non-charter to fiscally-independent charter school status ("conversion charters") and schools that began their existence as fiscally-independent charter schools ("start-up charters").

The chart below shows the increase in the number of students enrolled in independent charter schools over the past decade. In contrast, the District's total K-12 enrollment has declined over the same period.



ENROLLMENT PROJECTIONS

Norm Day Enrollment - Including Independent Charter Schools

	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 Actual	2019-20 Estimated	2020-21 Estimated	2021-22 Estimated
LA County - Live Births Lagged 5 Years	151,837	147,684	139,679	133,160	130,312	131,697	128,523	130,150	124,438	122,667
Graded Enrollment										
Kindergarten	53,262	55,315	55,604	56,420	55,599	53,412	50,802	51,176	49,187	48,602
Grade 1	52,143	50,892	49,751	46,870	46,625	45,783	44,043	42,715	43,961	42,767
Grade 2	50,353	51,070	49,664	48,747	45,849	45,438	44,612	42,935	41,562	42,840
Grade 3	48,736	49,154	49,773	48,646	47,618	44,477	44,069	43,289	41,645	40,339
Grade 4	47,755	47,783	47,629	48,615	47,295	46,302	43,327	43,022	42,159	40,568
Grade 5	47,068	47,384	46,792	47,041	47,776	46,301	45,344	42,017	42,101	41,374
Grade 6	46,020	45,173	45,435	44,884	44,802	45,114	43,383	42,765	40,111	39,934
Grade 7	46,150	45,269	44,050	44,116	43,847	43,430	43,695	42,016	41,459	39,047
Grade 8	45,295	45,381	44,207	43,410	43,541	42,823	42,509	42,819	41,230	40,627
Grade 9	55,872	53,339	52,493	49,354	48,438	47,202	46,946	47,054	47,939	46,695
Grade 10	49,478	48,282	46,757	47,826	45,722	44,775	43,454	43,100	42,546	42,867
Grade 11	42,308	41,822	42,227	40,267	40,906	40,486	39,692	38,516	37,412	36,920
Grade 12	36,748	36,489	37,113	37,734	37,100	37,630	37,069	36,136	34,590	33,622
Total graded enrollment	621,188	617,353	611,495	603,930	595,118	583,173	568,945	557,560	545,902	536,202
K-3 enrollment	204,494	206,431	204,792	200,683	195,691	189,110	183,526	180,115	176,355	174,548
4-6 enrollment	140,843	140,340	139,856	140,540	139,873	137,717	132,054	127,804	124,371	121,876
7-8 enrollment	91,445	90,650	88,257	87,526	87,388	86,253	86,204	84,835	82,689	79,674
9-12 enrollment	184,406	179,932	178,590	175,181	172,166	170,093	167,161	164,806	162,487	160,104
Total graded enrollment	621,188	617,353	611,495	603,930	595,118	583,173	568,945	557,560	545,902	536,202
Other enrollment										
Special day classes in regular schools	25,691	25,891	25,237	24,588	24,057	23,553	23,582	23,582	22,165	21,388
Special day classes in special ed schools	3,291	2,893	2,319	2,338	2,098	2,061	2,008	2,008	2,008	2,008
Continuation and opportunity schools	5,546	5,359	4,442	4,351	4,250	4,487	4,209	4,209	4,320	4,376
Total Other enrollment	34,528	34,143	31,998	31,277	30,405	30,101	29,799	29,799	28,493	27,772
Total graded and other enrollment	655,716	651,496	643,493	635,207	625,523	613,274	598,744	587,359	574,395	563,974

ENROLLMENT PROJECTIONS

Norm Day Enrollment - Independent Charter Schools Only

	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 Actual	2019-20 Estimated	2020-21 Estimated	2021-22 Estimated
LA County - Live Births Lagged 5 Years	151,837	147,684	139,679	133,160	130,312	131,697	128,523	130,150	124,438	122,667
Graded Enrollment										
Kindergarten	5,432	6,147	6,368	7,131	7,344	7,509	7,221	7,364	7,393	7,385
Grade 1	5,135	5,529	5,972	5,871	6,262	6,357	6,371	7,008	7,180	7,171
Grade 2	4,752	5,097	5,486	5,917	5,702	6,039	6,109	6,123	6,769	6,906
Grade 3	4,183	4,762	5,166	5,563	5,919	5,515	5,849	6,068	6,130	6,729
Grade 4	3,966	4,314	4,755	5,292	5,684	5,744	5,455	5,876	5,992	6,071
Grade 5	4,272	4,836	5,135	5,692	6,209	6,235	6,374	6,268	6,471	6,516
Grade 6	7,310	8,183	9,295	9,759	10,563	10,300	10,144	10,472	10,539	10,606
Grade 7	7,255	7,806	8,555	9,533	9,840	10,253	10,144	10,166	10,359	10,457
Grade 8	6,267	7,085	7,444	8,393	9,280	9,398	9,763	10,118	10,225	10,511
Grade 9	11,604	11,478	12,053	12,478	12,501	12,298	12,108	12,024	12,147	12,150
Grade 10	10,407	11,018	11,112	11,386	11,905	11,816	11,611	11,937	12,116	12,301
Grade 11	9,454	9,711	10,341	10,296	10,632	10,924	10,932	11,360	11,856	12,015
Grade 12	8,529	8,947	9,288	9,831	9,807	10,104	10,404	10,972	11,312	11,911
Total graded enrollment	88,566	94,913	100,970	107,142	111,648	112,492	112,485	115,756	118,489	120,729
K-3 enrollment	19,502	21,535	22,992	24,482	25,227	25,420	25,550	26,563	27,472	28,191
4-6 enrollment	15,548	17,333	19,185	20,743	22,456	22,279	21,973	22,616	23,002	23,193
7-8 enrollment	13,522	14,891	15,999	17,926	19,120	19,651	19,907	20,284	20,584	20,968
9-12 enrollment	39,994	41,154	42,794	43,991	44,845	45,142	45,055	46,293	47,431	48,377
Total graded enrollment	88,566	94,913	100,970	107,142	111,648	112,492	112,485	115,756	118,489	120,729
Other enrollment										
Special day classes in regular schools	546	468	90	0	0	0	0	0	0	0
Special day classes in special ed schools										
Continuation and opportunity schools										
Total other enrollment	546	468	90	0	0	0	0	0	0	0
Sub-total	89,112	95,381	101,060	107,142	111,648	112,492	112,485	115,756	118,489	120,729
Enrollment of Independent Charter Schools previously authorized by LAUSD Board of Education that will now be authorized by other										
Add: local/state agencies	0	0	0	0	0	0	0	0	0	0
Total graded and other enrollment	89,112	95,381	101,060	107,142	111,648	112,492	112,485	115,756	118,489	120,729

ENROLLMENT PROJECTIONS

Norm Day Enrollment - Excluding Independent Charter Schools

	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 Actual	2019-20 Estimated	2020-21 Estimated	2021-22 Estimated
LA County - Live Births Lagged 5 Years	151,837	147,684	139,679	133,160	130,312	131,697	128,523	130,150	124,438	122,667
Graded Enrollment										
Kindergarten	47,830	49,168	49,236	49,289	48,255	45,903	43,581	43,812	41,794	41,217
Grade 1	47,008	45,363	43,779	40,999	40,363	39,426	37,672	35,707	36,781	35,596
Grade 2	45,601	45,973	44,178	42,830	40,147	39,399	38,503	36,812	34,793	35,934
Grade 3	44,553	44,392	44,607	43,083	41,699	38,962	38,220	37,221	35,515	33,610
Grade 4	43,789	43,469	42,874	43,323	41,611	40,558	37,872	37,146	36,167	34,497
Grade 5	42,796	42,548	41,657	41,349	41,567	40,066	38,970	35,749	35,630	34,858
Grade 6	38,710	36,990	36,140	35,125	34,239	34,814	33,239	32,293	29,572	29,328
Grade 7	38,895	37,463	35,495	34,583	34,007	33,177	33,551	31,850	31,100	28,590
Grade 8	39,028	38,296	36,763	35,017	34,261	33,425	32,746	32,701	31,005	30,116
Grade 9	44,268	41,861	40,440	36,876	35,937	34,904	34,838	35,030	35,792	34,545
Grade 10	39,071	37,264	35,645	36,440	33,817	32,959	31,843	31,163	30,430	30,566
Grade 11	32,854	32,111	31,886	29,971	30,274	29,562	28,760	27,156	25,556	24,905
Grade 12	28,219	27,542	27,825	27,903	27,293	27,526	26,665	25,164	23,278	21,711
Total graded enrollment	532,622	522,440	510,525	496,788	483,470	470,681	456,460	441,804	427,413	415,473
K-3 enrollment	184,992	184,896	181,800	176,201	170,464	163,690	157,976	153,552	148,883	146,357
4-6 enrollment	125,295	123,007	120,671	119,797	117,417	115,438	110,081	105,188	101,369	98,683
7-8 enrollment	77,923	75,759	72,258	69,600	68,268	66,602	66,297	64,551	62,105	58,706
9-12 enrollment	144,412	138,778	135,796	131,190	127,321	124,951	122,106	118,513	115,056	111,727
Total graded enrollment	532,622	522,440	510,525	496,788	483,470	470,681	456,460	441,804	427,413	415,473
Other enrollment										
Special day classes in regular schools	25,145	25,423	25,147	24,588	24,057	23,553	23,582	23,582	22,165	21,388
Special day classes in special ed schools	3,291	2,893	2,319	2,338	2,098	2,061	2,008	2,008	2,008	2,008
Continuation and opportunity schools	5,546	5,359	4,442	4,351	4,250	4,487	4,209	4,209	4,320	4,376
Total other enrollment	33,982	33,675	31,908	31,277	30,405	30,101	29,799	29,799	28,493	27,772
Total graded and other enrollment	566,604	556,115	542,433	528,065	513,875	500,782	486,259	471,603	455,906	443,245

ENROLLMENT PROJECTIONS

Adult and Early Education Enrollment

	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 Actual	2019-20 Estimated	2020-21 Estimated	2021-22 Estimated
Early Education:										
Early Education Center	9,613	9,215	9,363	9,174	8,674	8,495	8,977	8,977	9,080	9,225
Transitional Kindergarten Expansion program	10,419	10,741	10,156	8,143	6,221	6,391	6,539	6,519	6,500	6,500
California State Pre-school program	3,747	4,089	4,217	4,173	3,970	3,620	3,529	3,445	3,445	3,445
Pre-K Special Day program	3,212	3,047	3,081	2,917	3,003	2,975	2,975	2,975	2,975	2,975
Cal-Safe program	55	58	62	47	47	47	47	47	47	47
Total Early Education	27,046	27,150	26,879	24,454	21,915	21,528	22,067	21,963	22,047	22,192
Adult Education (excludes concurrently-enrolled students)	81,233	79,392	75,031	63,628	66,824	65,286	61,472	64,527	63,762	63,254
Total adult and early education enrollment	108,279	106,542	101,910	88,082	88,739	86,814	83,539	86,490	85,809	85,446
Total enrollment (including affiliated and independent charter schools, adult education, and early education)	763,995	758,038	745,403	723,289	714,262	700,088	682,283	673,849	660,204	649,420

DISTRICT'S STUDENT ENROLLMENT

The table below provides the estimated District's enrollment count for 2019-20 school year, including affiliated and independent charter schools, early education centers, California State Pre-school Programs, pre-K special education, transitional kindergarten expansion program, and community adult schools.

Grade Level/Description	2019-20 Estimated
K-3 Enrollment	180,115
4-6 Enrollment	127,804
7-8 Enrollment	84,835
9-12 Enrollment	164,806
Total	557,560
Special Day Classes in Regular Schools	23,582
Special Day Classes in Special Education Schools	2,008
Continuation and Opportunity Schools	4,209
Other Enrollment	29,799
Total Graded and Other Enrollment	587,359
Early Education	18,988
Pre-K Special Education	2,975
Adult Education	64,527
Total	673,849

SPECIAL EDUCATION ENROLLMENT DATA REPORT BY DISABILITY

Students with Disabilities - Including Fiscally Independent Charter Schools

	ID	HH	DEAF	SLI	VI	ED	OI	OHI	SLD	DB	AUT	TBI	Total
Dec 2009	4,511	1,140	437	8,836	498	2,298	2,422	6,463	46,445	11	9,322	149	82,532
Dec 2010	4,543	1,248	422	12,264	495	2,076	2,419	7,067	40,961	23	10,555	142	82,215
Dec 2011	4,455	1,251	422	12,772	530	2,080	2,372	7,617	39,689	21	10,902	146	82,257
Dec 2012	4,388	1,265	391	12,536	508	1,862	2,242	8,185	39,010	19	12,225	134	82,765
Dec 2013	4,257	1,331	364	12,250	502	1,775	2,276	8,409	38,360	16	12,695	129	82,364
Dec 2014	4,251	1,312	341	11,881	486	1,683	2,263	9,021	37,899	18	13,494	110	82,759
Dec 2015	4,332	1,331	339	12,037	473	1,637	2,197	9,540	37,584	13	14,315	116	83,914
Dec 2016	4,321	1,389	342	12,481	463	1,716	2,148	10,260	37,198	16	15,133	117	85,584
Dec 2017	4,347	1,418	352	12,629	442	1,673	2,059	10,582	36,243	16	15,561	109	85,431
Dec 2018	4,271	1,447	338	12,579	423	1,569	1,970	10,833	35,116	15	16,067	102	84,730

Students with Disabilities - Excluding Fiscally Independent Charter Schools

	ID	HH	DEAF	SLI	VI	ED	OI	OHI	SLD	DB	AUT	TBI	Total
Dec 2009	4,425	1,070	425	8,243	480	2,247	2,378	6,017	43,364	11	9,028	139	77,827
Dec 2010	4,460	1,178	412	11,488	476	2,034	2,374	6,486	37,856	23	10,200	132	77,119
Dec 2011	4,342	1,173	412	11,806	514	2,009	2,304	6,777	35,917	21	10,389	135	75,799
Dec 2012	4,274	1,180	382	11,468	494	1,780	2,175	7,139	34,747	19	11,544	123	75,325
Dec 2013	4,144	1,239	355	11,171	490	1,697	2,208	7,287	34,000	16	11,928	118	74,653
Dec 2014	4,107	1,205	329	10,606	471	1,562	2,185	7,562	32,623	18	12,530	102	73,300
Dec 2015	4,156	1,207	324	10,675	457	1,493	2,113	7,842	31,434	13	13,149	110	72,973
Dec 2016	4,115	1,266	319	11,054	446	1,565	2,065	8,253	30,538	16	13,814	110	73,561
Dec 2017	4,148	1,291	325	11,434	423	1,518	1,970	8,390	29,357	16	14,114	99	73,085
Dec 2018	4,052	1,311	311	11,427	405	1,389	1,885	8,617	28,280	15	14,564	90	72,346

Students with Disabilities - Fiscally Independent Charter Schools Only

	ID	HH	DEAF	SLI	VI	ED	OI	OHI	SLD	DB	AUT	TBI	Total
Dec 2009	86	70	12	593	18	51	44	446	3,081	0	294	10	4,705
Dec 2010	83	70	10	776	19	42	45	581	3,105	0	355	10	5,096
Dec 2011	113	78	10	966	16	71	68	840	3,772	0	513	11	6,458
Dec 2012	114	85	9	1,068	14	82	67	1,046	4,263	0	681	11	7,440
Dec 2013	113	92	9	1,079	12	78	68	1,122	4,360	0	767	11	7,711
Dec 2014	144	107	12	1,275	15	121	78	1,459	5,276	0	964	8	9,459
Dec 2015	176	124	15	1,362	16	144	84	1,698	6,150	0	1,166	6	10,941
Dec 2016	206	123	23	1,427	17	151	83	2,007	6,660	0	1,319	7	12,023
Dec 2017	199	127	27	1,195	19	155	89	2,192	6,886	0	1,447	10	12,346
Dec 2018	219	136	27	1,152	18	180	85	2,216	6,836	0	1,503	12	12,384

BUDGET PRINCIPLES AND PROCESS

A. Principles of Budgeting and Accounting

The California School Accounting Manual and the California Education Code govern budget development for California school districts, and their standards form the basis for development of the District's Adopted Final Budget. Among these standards are:

Basis for Accounting. The California School Accounting Manual mandates that districts use either the accrual basis or the modified accrual basis in accounting for revenues and expenditures. The difference between the two is as follows:

- In the Modified Accrual Basis, revenues are recognized in the period when they become available and measurable, and expenditures are recognized when a liability is incurred, regardless of when the receipt or payment of cash takes place. School districts use the modified accrual basis in accounting for governmental funds such as the General Fund and Adult Education Fund.
- In the Accrual Basis, revenues are recorded when earned, and expenditures are recorded when a liability is incurred, regardless of when the receipt or payment of cash takes place. School districts use the accrual basis in proprietary funds such as Self-Insurance Funds.

Basis for Budgeting. The California School Accounting Manual also mandates the basis for school district budgeting. It requires that "generally, for California (school districts), the basis of budgeting should be the same as the basis of accounting used in the audited financial statements. Budgetary accounting must conform to the account codes in the standardized account code structure." California school districts are required to display their budgets by fund, by object, and by function.

Budgetary accounts are "projections and show how much is estimated to be spent or received during a given period of time to carry out the local educational agency's (LEA's) goals." In general, budgetary accounts have two purposes: (1) to record the estimated revenues of a fund by source and amount, and (2) to record and control the limits that are set on the expenditure levels by the appropriations. The recording of actual revenue and expenditures allows a comparison to the available amounts to be committed or expended within the limits set by law or by the governing board.

Revenue Budget. For each fund, the revenue budget anticipates all income from federal, state, and local sources, as well as the anticipated beginning balance. The total of beginning balance and income is the maximum amount a school district may legally budget to spend for any fund.

Expenditure Budget. Each fund has an expenditure budget reflecting the fund's authorized costs, and, for most funds, the anticipated expenditure level.

B. Budget Process

Budget Preparation. The first step in preparing the budget is to determine the cost to continue the existing program. Enrollment-related costs are adjusted for projected changes. Costs not directly controllable by the District, such as utilities, retirement contributions, insurance, continuing contractual obligations, and legal costs, are adjusted to reflect estimated expenditures for the coming fiscal year.

Estimates of income are developed based on a review of federal and State statutory provisions and local revenue sources. Beginning balance amounts for the budget year are calculated utilizing a comparison of anticipated revenues and expenditures for the current year. The projected beginning balances and revenues are compared to the cost of continuing current programs to determine whether budget reductions may be necessary or whether unanticipated amounts may be available for allocation.

Board and public participation. Board meetings are scheduled for discussion of proposed budget changes. A public hearing, at which any member of the public may address the Board regarding the District's proposed budget, is mandated prior to Board adoptions of the Final Budget in June.

C. Budget Revision Process

Budget adjustments. The Budget Services and Financial Planning Division either receives or initiates well over 20,000 requests annually to adjust or revise the adopted budget. Generally, a budget adjustment (B.A.) enables a school or office to use funds previously budgeted for a particular purpose.

Certain limitations apply to B.A.s. For example, schools or offices may not transfer funds from a restricted program into an unrestricted one (e.g., transfers from Title I into a District-funded school instructional material account would not be permitted).

B.A.s may be either continuous (ongoing), or limited to the remainder of the current fiscal year. They may be either "routine," requiring only normal handling by staff, or "non-routine," requiring formal approval by the Board of Education.

Categories of "non-routine" B.A.s are determined by the Board, and are currently defined as follows:

- A. All B.A.s from Undistributed Reserves.
- B. All B.A.s which increase the total number of regular, non-school-based budgeted positions, except for those that are fully funded from the budgeted resources of the requesting office ("cost-neutral" budget adjustments).

In addition to the above, California Education Code §42602 authorizes Boards of Education to increase income to reflect unanticipated new revenues during the course of the fiscal year.

ADOPTED BUDGET AND FINANCE POLICY (NOVEMBER 2013)

I. Purpose of the Budget and Finance Policy

The California School Accounting Manual, the State's financial guide for school districts, defines a budget as "a plan of financial operation consisting of an estimate of proposed income and expenditures for a given period and purpose". It is through the budget that the Board and Superintendent set priorities and allocate resources.

California school districts, including LAUSD, are bound by legal requirements, administrative regulations, and oversight protocols during the budget process. These include:

Legal Requirements for Budget

- Budgets must show a plan for all proposed expenditures of the school district and of all estimated revenues for the fiscal year (Education Code 42122).
- School districts may not spend more than authorized in the adopted Final Budget, as adjusted during the fiscal year (Education Code 42600).

Administrative Regulations for Budget

- The California School Accounting Manual provides detailed definitions of income and expenditure categories together with approved budget and accounting practices.
- The Superintendent of Public Instruction annually issues budget and expenditure documents that specify the income and expenditure categories to be reflected in each school district budget.

Oversight Processes for Budget

- The Los Angeles County Office of Education (LACOE) monitors the financial health of the District with oversight and review from the Superintendent of Public Instruction (Education Code 33127, 33128, 42120 et seq., 42637).
- Should a district's financial condition deteriorate below the State's standards, LACOE is authorized to take corrective action. This could include assuming management of that District's financial affairs (Education Code 42127.3).

The District must also comply with the Governmental Accounting Standards Board's (GASB) accounting standards and rules. The budget process should also strive to meet the Government Finance Officers Association's (GFOA) best practices for finance, accounting, and budgeting by government agencies.

Consistent with State law and regulation, the LAUSD budget is developed, adopted, refined and reviewed on a timely basis, through an annual cycle, as highlighted by the table below.

Timetable of LAUSD Budget Process

Timing	Activity
December	<ul style="list-style-type: none"> • First Interim Report released projecting current and future year's revenues, expenditures, and balances.
January	<ul style="list-style-type: none"> • Governor proposes the State Budget to the Legislature for the next fiscal year • District Staff analyzes Governor's Proposed State Budget for Board • District staff presents enrollment projections to Board
March	<ul style="list-style-type: none"> • Second Interim Report released projecting current year revenues, expenditures, & balances • Budget Services & Financial Planning Division presents • District's 3-year financial forecast to Board • Board discusses recommendations for Budget Issues • General Fund - funding levels presented
April	<ul style="list-style-type: none"> • Board receives input from stakeholders regarding next year's budget • Board votes on adoption of Budget Issues for next year's budget • School Budget Development
May	<ul style="list-style-type: none"> • Governor releases May Revision of proposed State Budget • Categorical Funding levels presented
June	<ul style="list-style-type: none"> • Board adopts Final Budget for coming year
June/July/August	<ul style="list-style-type: none"> • State budget adopted • If necessary, Board holds special meetings to consider changes to Final Budget

II. Finance and Budget Policy

To assist the Board of Education in making sound policy, guide the development of the District's budget, enhance the management of the District's finances, minimize the risk of LACOE action, and reduce potential audit concerns, the Board has adopted this Finance and Budget Policy which is based on five core principles. The budget should:

1. Be based on the goals of the Board and Superintendent.
2. Be based on sound financial principles.
3. Be clear and easy to understand.
4. Be timely, and easy to manage at the school level.
5. Be based on a process that informs stakeholders.

This policy was developed after reviewing the document "Recommended Budget Practices" developed by the GFOA. The policy is also consistent with the standards and criteria established by the State Board of Education (Education Code Sections 33127, 33128), as well as current GASB rules and standards. To the extent that LAUSD's current budgeting and accounting practices are not in compliance with this policy, implementation of this policy is to be phased in.

The Finance and Budget Policy is a "living document." LAUSD expects that it will evolve over time to best connect District policy, budgeting, and financing principles.

Principle One: The budget should be based on the goals of the Board of Education and Superintendent.

The Board of Education and Superintendent have the primary responsibility for developing and articulating the District's goals; these goals will be the framework for the budget.

Principle Two: The budget should be based on sound financial principles.

LAUSD's budget should be based on financial principles that will keep the District viable and able to sustain its key programs over time. The following specific financial principles, based on law, expert advice and experience, are offered to this end:

- a) Structurally Balanced Operating Budget
- b) Appropriate Use of One-Time Revenues
- c) Alignment of Budget with Expected Expenditures
- d) Maintenance of Appropriate and Adequate Fund Balance and Reserves
- e) Revenue Maximization
- f) Revenue and Expenditure Estimation
- g) Cost Recovery through Fees and Charges
- h) Capital Plan
- i) Asset Management
- j) Prudent Debt Management
- k) Program Sustainability
- l) GASB Compliance

A) STRUCTURALLY BALANCED OPERATING BUDGET

The Superintendent must annually prepare and recommend a structurally balanced budget where operating revenues are equal to, or exceed, operating expenditures (Education Code Sections 42100, 42127.5).

The Office of the Chief Financial Officer shall prepare the First and Second Period Interim Financial Reports in accordance with the law and make appropriate recommendations to the Board if financial adjustments are necessary. Annual appropriations shall be made to responsibly address all identified liabilities, including pension, vacation accrual, workers' compensation, and retiree health needs.

SECTION B IS DELETED PER BOARD OF EDUCATION AMENDMENT**~~B) APPROPRIATE USE OF ONE TIME REVENUES~~**

~~Ongoing District expenditures should not exceed ongoing revenues. One-time revenues should be applied first toward restoration of Operating Reserves (as described under Section D below). This will assist meeting the minimum three year reserve target amount in accordance with AB1200 (the "Three Year Sustainability Plan"). By definition, one-time revenues cannot be relied on in future budget periods. This policy on one-time revenues minimizes the disruptive effects on services.~~

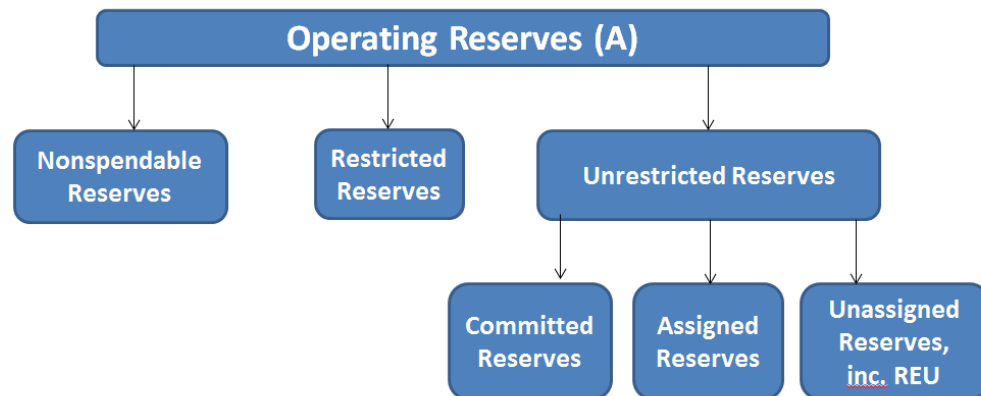
~~Any new or unanticipated unrestricted revenues recognized during the current fiscal year should also be applied to reduce any operating deficit or unplanned one-time mandatory cost before being used for other purposes.~~

C) ALIGNMENT OF BUDGET WITH EXPECTED EXPENDITURES

Actual expenditures should closely approximate the estimated appropriation. To the extent that funding is required for expenditures spanning fiscal years, appropriate financial techniques should be identified and employed.

D) MAINTENANCE OF APPROPRIATE AND ADEQUATE FUND BALANCES AND RESERVES

LAUSD shall strive to maintain certain reserve funds to provide financial stability. The reserves describe in these policies supersedes all prior District reserve policies. These reserve funds shall be for operations or for liabilities, and includes, but not limited to, the following described categories:



A. Operating Reserves:

The purpose of operating reserves is to set aside monies and to meet the minimum reserves policy target in the Three-Year Sustainability Plan.

The current classifications of fund balances¹ are as follows:

- Non-spendable fund balance (*inherently non-spendable*) This category includes reserves for Revolving Cash, Stores, and Prepaid Expenditures
- Restricted fund balance (*externally enforceable limitations on use*) This category includes balances related federal and state programs.
- Committed fund balance (*self-imposed limitations on use*)
- Assigned fund balance (*limitation resulting from intended use*)
- Unassigned fund balance (*residual resources for unrestricted use*)

General Fund Balance Policy:

The District shall maintain Total General Fund balances at a level which is 5 % or more of Total General Fund expenditures and net transfers out (the “5% Minimum Reserve Threshold”). This level is the minimum necessary to sustain the District’s strong credit ratings.

Reserve funding levels shall be reviewed annually and adjusted as appropriate. The reserve policy is as follows:

1. The District shall maintain at least the 5% Minimum Reserve Threshold in the Three-Year Sustainability Plan.
2. Whenever the District projects a failure to meet the 5% Minimum Reserve Threshold, all one-time monies received shall be set-aside until the Threshold is met in each of the years.
3. In addition, other recommendations will be developed to restore reserve balances. These recommendations will be completed within the next fiscal year.

¹ Under GASB Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions.

Reserve for Economic Uncertainties:

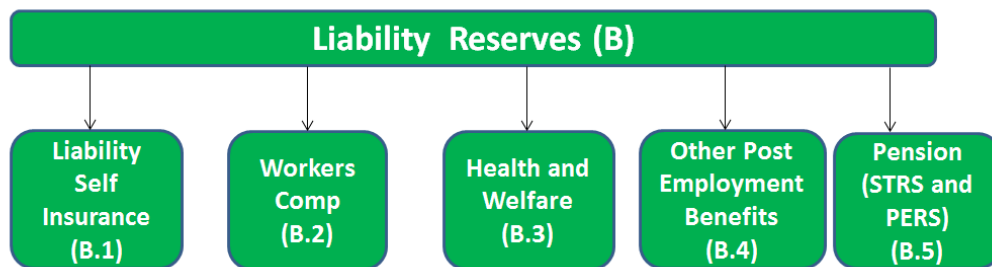
This is a legally required reserve which is currently at 1% of total General Fund expenditures and other financing uses.

Reserves for Revolving Cash, Stores, and Prepaid Expenditures:

The District's accounting practice establishes a reserve for revolving cash, stores, and prepaid expenditures.

B. Liability Reserves:

The purpose of the Liability Reserves is to set aside monies for legal liabilities. Funding these liability reserves provides resources to help prevent disruptive reductions to LAUSD operating programs.

B.1 Liability Self-Insurance Fund:

Liability Self Insurance funding will be based on the current year claims and the amount to fully fund the estimated liability as determined by a third party actuarial report.

B.2 Worker's Compensation Fund:

Worker's Compensation funding will be based on the current year claims and the amount to fully fund the estimated liability as determined by a third party actuarial report.

B.3 Health and Welfare Fund:

Health & Welfare funding will be based on the Health and Welfare Memorandum of Agreement in place.

B.4 Other Post-Employment Benefits (OPEB) Fund:

The District will establish an irrevocable trust for its OPEB liability (OPEB Trust) to:

1. Minimize encroachment on the District's operating budget;
2. Provide funding to protect retiree benefits;
3. Improve the return on investment on the Trust assets;
4. Align contributions to more adequately recover costs from federal, capital and grant programs;
5. Provide a proactive response to address the impacts of GASB 45 on the District's finances; and
6. Preserve the District's net assets.

Contributions to the Trust will be annually calculated and distributed as follows:

1. An annual per employee set aside, at rates consistent with the District's current budget assumptions and policies, will be contributed to the OPEB Trust on or before June 30th. Such contributions will be subject to maintaining an Unrestricted General Fund balance of 5% of the unrestricted revenue. These Trust contributions will be made from all appropriate funding sources. The annual OPEB per employee growth rates will continue until such time that the District will be able to reasonably meet its unfunded liability in accordance with GASB standards.²
2. In the event that the Unrestricted General Fund is above 5% of the unrestricted revenues (after the annual OPEB contribution has been determined), an additional contribution from the assigned OPEB reserve will be placed in the Trust.

~~B.5 Supplemental Pension Set-aside/Reserve Fund: (Revision adopted in June 2016)~~

~~Subject to the requirements of Principle Two Section B, fifty percent of any new one-time funds identified after the final budget adoption will be put into a Supplemental Pension Set-aside/Reserve Fund. This fund is established in anticipation of GASB 67 and 68.~~

E) REVENUE MAXIMIZATION

LAUSD receives the majority of its funding from the State of California. To supplement these funds, LAUSD shall seek additional revenues from other funding sources including the Federal Government, foundations, corporations, mandate funding, parent and community organizations, and through new and changes to funding legislations. These additional resources should be for purposes that are consistent with the District's goals and objectives and which complement the LAUSD's resources. LAUSD shall also seek the approval of granting agencies to provide flexibility in the use of scarce resources.

F) REVENUE AND EXPENDITURE ESTIMATION

LAUSD shall strive to include in the budget all revenues that can reasonably be expected for the fiscal year. The Chief Financial Officer shall appropriate funds for expenditure based on a prudent assessment of the risks associated with each revenue source. The authority to spend in part or all of the budgeted revenue will be provided based on revenue certainty.

Reserve for Anticipated Balances:

This is a non-budget add reserve requested by the Los Angeles County of Education to allow for technical adjustment for expenditure.

² As part of the 2017-18 fiscal stabilization plan, there is no OPEB contribution in FY 2018-19 and FY 2019-20.

G) COST RECOVERY THROUGH FEES AND CHARGES

LAUSD may charge fees to recover costs of certain services, such as those provided to charter schools. LAUSD shall set fees so that they cover the entire cost of the service provided, including all direct and indirect costs subject to any legal restrictions.

H) CAPITAL PLAN

LAUSD will strive to provide comprehensive planning and budgeting for its capital needs by:

- Developing, on a periodic basis, a Statement of Need for capital programs.
- Annually adopting a multi-year capital budget that identifies the projects planned, the estimated cost of each project, the expected sources of revenue for each project, and the fiscal year or years in which project funds must be committed.
- Annually presenting an analysis of the future operational impact of the capital projects.

I) ASSET MANAGEMENT

The District will strive to:

- Budget appropriate amounts so that physical assets are properly maintained and replaced when needed.
- Maintain inventories of assets and the condition of major assets assessed on a regular basis to develop appropriate replacement and maintenance programs.
- Prepare a maintenance plan to sustain the need to maintain the value of its assets and protect the health and safety of students and employees.
- Annually estimate and set aside resources for preventative maintenance.

J) PRUDENT DEBT MANAGEMENT

LAUSD shall adhere to the Debt Management Policy as adopted by the Board of Education.

K) PROGRAM SUSTAINABILITY

To achieve sustainability, LAUSD should strive to:

- Link multi-year programs to multi-year funding. When funding is non-continuous, the program should be identified as limited.
- Set parameters for multi-year programs and offices by identifying specific “sunset dates” for program termination as well as the ending date for personnel assignments funded in the program.
- Make defined fiscal commitments rather than open-ended commitments (e.g. fund health benefits at a specific cost level rather than a specific service level).
- Identify impact on the budget of unfunded mandates and other spending pressures.

L) GASB STANDARDS FOR FINANCIAL ACCOUNTING AND REPORTING

The Governmental Accounting Standards Board promotes rules governing financial accounting and reporting. LAUSD shall comply with these rules. LAUSD shall strive to receive the GFOA Certificate for Excellence in Financial Reporting annually.

Principle Three: The budget should be clear and easy to understand.

A broad cross-section of stakeholders in the District rely on LAUSD's budget and related financial documents for crucial financial information. These stakeholders include parents, teachers, community groups, administrators, and oversight bodies. LAUSD's budget should be organized and presented in such a way that both lay persons and experts can understand:

- What the District intends to do and how it intends to do it
- The District's overall financial condition
- The historical context for LAUSD programs

In addition, LAUSD should strive to develop its annual budget in a manner consistent with the GFOA standards for budget presentation. These guidelines are established to provide appropriate disclosure of financial information to the public and other interested parties, while facilitating management decisions on program expenditures.

LAUSD has identified guidelines for the presentation of budgets consistent with GFOA standards from four perspectives:

- a) Policy Document
- b) Financial Plan
- c) Operations Guide
- d) Communications Device

Principle Four: The budget should be timely and easy to manage at the school level.

The process of managing the budget is easier for schools and offices if they have access to systems and training. The District will define the parameters under which schools and offices will manage their budgets.

Principle Five: The budget process should inform stakeholders.

Prior to the adoption of the final budget, District staff will inform stakeholders in accordance with the budget Timetable and materials will be posted to the website.

III. FUND BALANCE POLICY AND PROCEDURES

A. PURPOSE

This Fund Balance Policy establishes the policy and procedures for reporting and maintaining fund balance in the District's financial statements. The policy also authorizes and directs the Chief Financial Officer to prepare financial reports which accurately categorize fund balance as per Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions, effective beginning the 2010-11 fiscal year.

B. GENERAL POLICY

There are five separate components of fund balance. Each component identifies the extent to which the District is bound by constraints on the specific purpose for which amounts can be spent.

- Nonspendable fund balance (*inherently nonspendable*)
- Restricted fund balance (*externally enforceable limitations on use*)
- Committed fund balance (*self-imposed limitations on use*)
- Assigned fund balance (*limitation resulting from intended use*)
- Unassigned fund balance (*residual resources for unrestricted use*)

The first two components listed above are not addressed in this policy due to the nature of their restrictions. An example of nonspendable fund balance is inventory. Restricted fund balance is either imposed by law or constrained by grantors, contributors, or laws or regulations of other governments. This policy is focused on the last three components listed above.

The District considers restricted fund balances to have been spent first when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts.

C. PROVISIONS Committed Fund Balance

The Governing Board, as the District's highest level of decision-making authority, may commit Fund balances for specific purposes pursuant to constraints imposed by formal actions. Commitment of funds can be made through the adoption of the budget as long as the intent to commit the funds is specifically stated. These committed amounts cannot be used for any other purpose unless the Governing Board removes or changes the specific use through formal action. Governing Board action to commit fund balance needs to occur within the fiscal reporting period, no later than June 30. The amount which will be committed can be determined subsequently but prior to the release of the District's financial statements.

Pursuant to GASB 54, the District commits to maintaining the Deferred Maintenance and Adult Education funds to support programs for which the funds were originally established. Amounts transferred into or retained in the funds will be determined annually per Board adoption of the budget and approval of the year end unaudited actuals report.

Assigned Fund Balance

Amounts that are neither restricted nor committed may be constrained by the District's intent to be used for specific purposes. This policy hereby delegates the authority to assign amounts to the Superintendent, or designee.

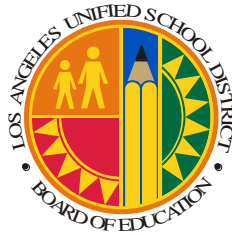
Unassigned Fund Balance

These are residual positive net resources for the General Fund in excess of what can properly be classified in one of the other four categories. There are some reserves that do not meet the requirements of the aforementioned components of fund balance. For financial statement reporting purposes, these reserves are included in the unassigned fund balance. This includes:

- **Reserve For Economic Uncertainty** – The District will maintain an economic uncertainty reserve, consisting of unassigned amounts, of at least 1% of total General Fund expenditures and other financing uses in accordance with Section 15450 of the California Code of Regulations. The primary purpose of this reserve is to avoid the need for service level reductions in the event that an economic downturn causes revenues to be substantially lower than budgeted. In the event that the District must expend all or part of this reserve, the District will identify and implement a budgetary plan to replenish this reserve the following year. This reserve may be increased by legal requirement.

Los Angeles Unified School District

DEBT MANAGEMENT POLICY



Prepared by:

The Office of the Chief Financial Officer

May 8, 2018

DEBT MANAGEMENT POLICY

Table of Contents

Background.....	1
Article I. Purpose and Goals	2
Article II. Authorization	3
Section 2.01 Authority and Purposes of the Issuance of Debt	3
Section 2.02 Types of Debt Authorized to be Issued	3
Section 2.03 State Law	5
Section 2.04 Annual Review of Debt Policy	6
Article III. Structural Features, Legal and Credit Concerns	6
Section 3.01 Structure of Debt Issues	6
Section 3.02 Sale of Securities	7
Section 3.03 Markets	7
Section 3.04 Credit Enhancements and Derivatives	7
Section 3.05 Impact on Operating Budget and District Debt Burden	8
Section 3.06 Debt Limitation	8
Section 3.07 Debt Issued to Finance Operating Costs	8
Section 3.08 Credit Rating Methodologies and Debt Burden Ratios	9
Section 3.09 Use of Corporations as Lessor for COPs Issues	12
Article IV. Related Issues	12
Section 4.01 Capital Improvement Program	12
Section 4.02 Reporting of Debt	12
Section 4.03 Financial Disclosure	12
Section 4.04 Review of Financing Proposals	13
Section 4.05 Establishing Financing Priorities	13
Section 4.06 Rating Agency and Credit Enhancer Relations	13
Section 4.07 Investment Community Relations	13
Section 4.08 Refunding and Restructuring Policy	14
Section 4.09 Investment of Borrowed Proceeds	14
Section 4.10 Federal Arbitrage Rebate Requirement	15
Section 4.11 Transaction Records	15
Section 4.12 Financing Team Members	15
Section 4.13 Special Situations	18
Appendix A LAUSD Long-Term Debt - Tax Compliance Procedures	19
Appendix B LAUSD Continuing Disclosure Procedures	33
Appendix C LAUSD Internal Control Procedures	40

Background

The policies set forth in this Debt Management Policy (the “Policy”) have been developed to provide guidelines for the issuance of general obligation bonds (“GO Bonds”), certificates of participation (“COPs”) and other lease-backed financings, tax and revenue anticipation notes (“TRANS”) and other forms of indebtedness by the Los Angeles Unified School District (the “District”). While the issuance of debt can be an appropriate method of financing capital projects, careful and consistent monitoring of such debt issuance is required to preserve the District’s credit strength and budgetary and financial flexibility.

The District has enjoyed some of the highest credit ratings of any major urban school district in the nation. Prior to the District’s GO Bond sale in March 2016, the District’s General Obligation Bond ratings were Aa2 by Moody’s Investors Service (“Moody’s”) and AA- by Standard & Poor’s Corporation (“S&P”). The District’s COPs have been rated A1 (Moody’s) and A+ (Standard & Poor’s). Following the passage of State Senate Bill 222, which effective January 1, 2016, created a statutory lien in the voter-approved property taxes that secure California school district GOs, some rating agencies modified their methodology. The ratings on the District’s GOs that were sold after SB222 became effective were AAA, AA+ and Aa2 by Fitch Ratings (“Fitch”), Kroll Bond Rating Agency (“KBRA”) and Moody’s, respectively.

High GO credit ratings reduce the interest costs paid by the District on the amounts borrowed, which results in lower property taxes paid by the District’s taxpayers to pay the debt service. Lower interest rates on the COPs reduce the burden on the District’s operating funds. The District’s debt management policies are intended to assist in maintaining the District’s high credit ratings so that access to borrowed funds is provided at the lowest possible interest rates, as well as to provide guidelines for the prudent use and management of debt issued to finance the District’s capital needs. Additionally, these policies set forth selection criteria for financial consultants and attorneys to ensure a fair and open selection process, provide opportunities for all firms (including small business enterprises) to participate in District contracts and result in the selection of the best-qualified partners.

The District faces continuing capital infrastructure and cash requirements and through the Facilities Improvement Program, has been engaged in building new schools and modernizing existing schools. The costs of these requirements have and will continue to be met, in large part, through the issuance of various types of debt instruments and other long-term financial obligations. Under “Proposition BB,” “Measure K,” “Measure R,” “Measure Y” and “Measure Q” adopted by the voters in April 1997, November 2002, March 2004, November 2005 and November 2008, respectively, the District has a combined \$20.605 billion in general obligation bond authorization for its Facilities Improvement Program and other capital and General Fund relief projects. Consequently, the District has seen an increase in its levels of debt and other obligations and needs to anticipate future issuance of debt obligations, some of which may be repaid from the District’s General Fund. With these additional debt issuances, the effects of decisions regarding the type of issue, method of sale, and payment structure become ever more critical to the District’s fiscal health. To help ensure the District’s creditworthiness, an established policy of managing the District’s debt is essential. To this end, the Board of Education of the District (the “Board”) recognizes this Policy to be financially prudent and in the District’s best economic interest. In addition, the District’s practices with respect to monitoring

its outstanding debt issues for compliance with all Internal Revenue Service requirements and other transaction requirements are set forth in Appendix A to this Policy.

Article I. **Purpose and Goals**

The purpose of this Policy is to provide a functional tool for debt management and capital planning, as well as to enhance the District's ability to manage its general obligation bond debt, tax and revenue anticipation notes, and lease financings in a conservative and prudent manner. This Debt Policy is intended to achieve the following policy objectives:

- The District shall strive to fund capital improvements from referendum-approved general obligation bond issues to preserve the availability of its General Fund for District operating purposes and other purposes that cannot be funded by such bond issues.
- The District shall endeavor to attain the best possible credit rating for each debt issue in order to reduce interest costs, within the context of preserving financial flexibility and meeting capital funding requirements.
- The District shall take all practical precautions and proactive measures to avoid any financial decision that will negatively impact current credit ratings on existing or future debt issues.
- The District shall remain mindful of its statutory debt limit in relation to assessed value growth within the school district and the tax burden needed to meet long-term capital requirements.
- The District shall consider market conditions and District cash flows when timing the issuance of debt.
- The District shall determine the amortization (maturity) schedule which will best fit with the overall debt structure of the District at the time the new debt is issued.
- The District shall match the term of the issue to the useful lives of assets whenever practicable and economic, while considering repair and replacement costs of those assets to be incurred in the future.
- The District shall, when pursuing the planning goals and objectives for the issuance of new debt, consider the impact of such new debt on overlapping debt of local, state and other governments that overlap with the District.
- The District shall, when issuing debt, assess financial alternatives to include new and innovative financing approaches, including whenever feasible categorical grants, revolving loans or other State/federal aid, so as to minimize the contribution from the District's General Fund.
- The District shall, when planning for the sizing and timing of debt issuance, consider its ability to expend the funds obtained in a timely, efficient and economical manner.

- The District shall ensure that local and emerging businesses will be considered and used in lead and other roles in the financing team when appropriate.

The key financial management tools and goals that are intrinsic to the Policy include:

- A. Budget and Finance Policy: The District recognizes the importance of emergency reserves, including liquidity in the General Fund, which can provide a financial cushion in years of poor revenue receipts. A reserve fund policy has been adopted by the Board as part of its Budget and Finance Policy.
- B. Capital Financing Plan: The Office of the Chief Financial Officer will prepare a Capital Financing Plan in conjunction with the capital budget.
- C. Annual Debt Report: The Chief Financial Officer will annually prepare for and submit to the Superintendent and the Board a Debt Report as further described under Section 4.02 herein.

Article II. **Authorization**

Section 2.01 **Authority and Purposes of the Issuance of Debt**

The laws of the State of California authorize the issuance of debt by the District and confer upon it the power and authority to make lease payments, contract debt, borrow money and issue bonds for public improvement projects. Under these provisions, the District may contract debt to pay for the cost of acquiring, constructing, reconstructing, rehabilitating, replacing, improving, extending, enlarging and equipping such projects; to refund existing debt; or to provide for cash flow needs. Prior to the sale of any debt issue, including financing leases as provided under State law, the District is required to submit a report of the proposed debt issuance to the California Debt Investment and Advisory Commission (“CDIAC”) that is to include a certification that the District has adopted local debt policies and that the debt issuance is consistent with those local debt policies.

Section 2.02 **Types of Debt Authorized to be Issued**

- A. Short-Term Debt: The District may issue fixed-rate and/or variable rate short-term debt, which may include tax and revenue anticipation notes (“TRANS”) when such instruments allow the District to meet its cash flow requirements. However, the District’s general objective is to manage its cash position in a manner so that internally generated cash flow is sufficient to meet expenditures. The District may also issue commercial paper to fund shorter-term acquisitions, such as equipment, or as interim funding for capital costs that will ultimately be replaced with longer-term COPs. In addition, the District may participate in an annual pooled financing of delinquent property taxes to the extent that the Chief Financial Officer determines such financing produces significant benefit to the District and bond anticipation notes (“BANs”) to provide interim financing for bond projects that will ultimately be paid from general obligation bonds.

- B. Long-Term General Obligation Bonds: GO Bonds may be issued under Article XIII A of the State Constitution, either under Section 1(b)(2) which requires at least a two-thirds majority or Section 1(b)(3) (“Proposition 39”) which requires approval by at least 55% of voters, subject to additional restrictions. Voter-approved general obligation bonds typically provide the lowest cost of borrowing and do not impact the District’s General Fund. General obligation bond debt, to the extent authorized for the District, requires either two-thirds approval of the voters (in the case of traditional general obligation bonds) or 55% approval of the voters (in the case of general obligation bonds issued pursuant to Proposition 39). In recognition of the difficulty in achieving the required voter approval to issue general obligation bonds, such bonds will be generally limited to facilities and projects that provide wide public benefit and for which broad public support has been generated. GO debt will not be used to fund District operations.
- C. Lease Financing: Lease obligations, including COPs, lease revenue bonds (“LRBs”) and other lease-purchase financings are a routine and appropriate means of financing capital facilities, including equipment. Lease obligations also have the greatest impact on budget flexibility. Therefore, efforts will be made to fund capital equipment with pay-as-you-go financing where feasible, and only the highest priority equipment purchases will be funded with lease obligations. In particular, lease financing for facilities is appropriate when there is insufficient time to obtain voter approval or in instances where obtaining voter approval is not feasible. If and when voter-approved GO Bond proceeds are available, the District may use such proceeds to refinance such lease financing. The District may issue COPs or LRBs in variable rate mode as provided for in Section 3.08A hereof. The District may use “asset transfer” COPs or LRBs to finance emergency capital needs in accordance with this Debt Policy. Additionally, asset transfer COPs or LRBs may be used if significant savings in financing costs can be generated compared to other financing alternatives.
- With the exception of leases undertaken through the District’s standard procurement process, all equipment with a useful life of less than six years shall be funded on a pay-as-you-go basis unless the following conditions are met:
- i. In connection with the proposed District budget, the Superintendent makes the finding that there is an “economic necessity” based on a significant economic downturn, earthquake or other natural disaster and there are no other viable sources of funds to fund the equipment purchase.
 - ii. The Board concurs with the Superintendent’s finding in the adoption of the budget.
 - iii. The debt ceilings in Section 3.08 of this Policy are not exceeded.
- D. Identified Repayment Source: The District will, when feasible, issue debt with a defined revenue source in order to preserve the use of General Fund supported debt for projects with no stream of user-fee revenues. Examples of revenue sources include voter-approved taxes that repay general obligation or special tax bonds.

- E. Use of Revenue Bonds: Revenue bonds supported solely from fees are not included when bond rating agencies calculate debt ratios. Repayment of such bonds would rely on dedicated, pledged funds such as developer fees. Accordingly, in order to preserve General Fund debt capacity and budget flexibility, revenue bonds will be preferred to General Fund supported debt when a distinct and identifiable revenue stream can be identified to support the issuance of bonds at a cost-effective rate.

- F. Pay-As-You-Go Financing: Except in extenuating circumstances, the District will fund routine maintenance projects in each year's capital program with pay-as-you-go financing. Extenuating circumstances may include unusually large and non-recurring budgeted expenditures, or when depleted reserves and weak revenues would require the delay or deletion of necessary capital projects.

- J. Use of Special Financing Structures: The District may use special financing structures permitted by the federal government if they are analyzed and expected to result in sufficiently lower financing costs versus traditional tax-exempt bonds and/or COPs/LRBs that offset any additional administrative and compliance costs and risks.

- K. Capital Appreciation Debt: The District may use Capital Appreciation Bonds ("CABs") for various forms of debt (e.g., GO Bonds, COPs, LRBs, etc.) pursuant to state law. CABs will not be used unless the Board determines it is necessary to issue them for urgent projects that cannot be more cost-effectively financed by an alternative method.

Section 2.03 State Law

Section 18 of Article XVI of the State Constitution provides the basic "debt limitation" formula applicable to the District.

Sections 1(b)(2) and 1(b)(3) of Article XIII A of the State Constitution allow the District to issue traditional general obligation bonds and Proposition 39 bonds, respectively. The statutory authority for issuing general obligation bonds (including CABs) is contained in Section 15000 *et seq.* of the Education Code. Additional provisions applicable only to Proposition 39 general obligation bonds are contained in Section 15264 *et seq.* of the Education Code. An alternative procedure for issuing general obligation bonds is also available in Section 53506 *et seq.* of the Government Code.

The statutory authority for issuing general obligation refunding bonds is contained in Articles 9 (commencing with Government Code Section 53550) and 11 (commencing with Government Code Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code.

The statutory authority for issuing TRANS is contained in Section 53850 *et seq.* of the Government Code. Authority for lease financings is found in Section 17455 *et seq.* of the Education Code, and additional authority is contained in Sections 17400 *et seq.*, 17430 *et seq.* and 17450 *et seq.* of the Education Code. The District may also issue Mello-Roos bonds pursuant to Section 53311 *et seq.* of the Government Code.

Section 2.04 **Annual Review of Debt Policy**

The Policy shall be reviewed and submitted to the Board for approval separately from the budget at least annually. The Chief Financial Officer is the designated administrator of the Policy and has overall responsibility, with the Board's approval, for decisions related to the structuring of all District debt issues. The Chief Financial Officer may delegate the day-to-day responsibility for managing the District's debt and lease financings. The Board is the obligated issuer of all District debt and awards all purchase contracts for bonds, COPs/LRBs, TRANs and any other debt issuances.

Article III. **Structural Features, Legal and Credit Concerns**

Section 3.01 **Structure of Debt Issues**

- A. Maturity of Debt: The duration of a debt issue shall be consistent, to the extent possible, with the economic or useful life of the improvement or asset that the issue is financing. The final maturity of the debt shall be equal to or less than the useful life of the assets being financed, and the average life of the financing shall not exceed 120% of the average life of the assets being financed. In addition, the District shall consider the overall impact of the current and future debt burden of the financing when determining the duration of the debt issue.
- i. General Obligation Bonds:
 - a. The final maturity of General Obligation Bonds will be limited to the shorter of the average useful life of the asset financed or 25 years when such bonds are issued pursuant to the Education Code.
 - b. The final maturity of General Obligation Bonds issued under the Government Code will be limited to the shorter of the average useful life of the asset financed or 40 years. Per AB 182, the maturity of the bonds may not exceed 30 years unless there is no compounding of interest.
 - c. General Obligation Bond issues will generally be sized to the amount reasonably expected to be required for up to two years' expenditure requirements.
 - ii. Lease-Purchase Obligations: The final maturity of equipment or real property lease obligations will be limited to the useful life of the assets to be financed. The final maturity of real property obligations will also consider the size of the financing.
 - iii. Mello-Roos Obligations and Revenue Bonds: These obligations, although repaid through additional taxes levied on a discrete group of taxpayers or from pledged developer fees, constitute overlapping indebtedness of the District and have an impact on the overall level of debt affordability. The District will develop separate guidelines for the issuance of such obligations as the need arises.

- B. Debt Service Structure: The District shall design the financing schedule and repayment of debt so as to take best advantage of market conditions, provide flexibility, and, as practical, to recapture or maximize its debt capacity for future use. Annual debt service payments will generally be structured on a level basis per component financed; however, principal amortization may occur more quickly or slowly where permissible, to meet debt repayment, tax rate, and flexibility goals.
- C. Capitalized Interest: Unless required for structuring purposes, the District will avoid the use of capitalized interest in order to avoid unnecessarily increasing the bond size and interest expense. Certain types of financings such as COPs or LRBs may require that interest on the debt be paid from capitalized interest until the District has use and possession of the pledged asset. However, the District may pledge assets using an asset-transfer structure as collateral for the issue in order to eliminate the need for capitalized interest.
- D. Call Provisions: The Chief Financial Officer and Controller, based upon analysis from the financial advisor of the economics of callable versus non-callable features, shall set forth call provisions for each issue.

Section 3.02 **Sale of Securities**

There are three methods of sale: competitive, negotiated, and private placement. The preferred method of sale shall be the competitive method as it is likely to result in the lowest interest cost to the District. All three methods of sale shall be considered for all issuance of debt, however, as each method has the potential to achieve the lowest financing cost given the right conditions. Any award through negotiation shall be subject to approval by the District, generally by the Chief Financial Officer or other person designated by the Chief Financial Officer, to ensure that interest costs are in accordance with comparable market interest rates. When a competitive bidding process is deemed the most advantageous method of sale for the District, award will be based upon, among other factors, the lowest offered True Interest Cost (“TIC”). A private placement sale is appropriate when the financing can or must be structured for a single or limited number of purchasers or where the terms of the private placement are more beneficial to the District than either a negotiated or competitive sale would provide.

Section 3.03 **Markets**

The District shall consider products and conditions in the capital markets in meeting the District’s financing needs. The District’s goal is to reach as broad a retail and institutional investor base as possible. When appropriate, the District shall consider syndicate policies that give priority to orders from local and regional investors to achieve the lowest cost of funds.

Section 3.04 **Credit Enhancements and Derivatives**

The District may enter into credit enhancement agreements such as municipal bond insurance, surety bonds, letters of credit, and lines of credit with commercial banks, municipal bond insurance companies, or other financial entities when their use is judged to lower borrowing costs, eliminate restrictive covenants, or have a net economic benefit to the financing. The District shall use a competitive process to select providers of such products to the extent

applicable. To assure that the District uses credit enhancement cost-effectively, the Chief Financial Officer will review an economic analysis, by maturity where appropriate, prepared by the financial advisor before selecting which maturities to insure.

The District may undertake certain hedging strategies in connection with its debt issues only if it provides a clear net economic benefit. The credit rating of any counterparty must be at least A+ at the time of the transaction. Authorized strategies include interest rate caps and their variants. The Chief Financial Officer may develop an appropriate policy regarding interest rate swaps and other derivatives for approval by the Board. Such policy, if approved, will be integrated into this Policy.

Section 3.05 Impact on Operating Budget and District Debt Burden

The potential impact of debt service and additional operating costs associated with new projects on the operating budget of the District, both short and long-term, will be evaluated. The projected ratio of annual debt service secured by the General Fund to General Fund expenditures is one method, as is the additional debt burden of overlapping agencies on taxpayers. The cost of debt issued for major capital repairs or replacements should be judged against the potential cost of delaying such repairs.

Section 3.06 Debt Limitation

Section 15106 of the Education Code limits the District's total outstanding bonded debt (i.e., the principal portion only) to 2.5% of the assessed valuation of the taxable property of the District. Thus, Section 15106 of the Education Code limits the issuance of new debt when the District has total bonded indebtedness in excess of 2.5% of the assessed valuation in the District. TRANs and lease payment obligations in support of COPs/LRBs generally do not count against this limit except as provided in Section 17422 of the Education Code.

Section 3.07 Debt Issued to Finance Operating Costs

The District cannot finance general operating costs from debt having maturities greater than thirteen months. However, the District may deem it necessary to finance cash flow requirements under certain conditions. Such cash flow borrowing must be payable from taxes, income, revenue, cash receipts and other moneys attributable to the fiscal year in which the debt is issued. General operating costs include, but are not limited to, those items normally funded in the District's annual operating budget and having a useful life of less than one year.

The CFO will review potential financing methods to determine which method results in the lowest cost to the District. Potential financing sources include Tax and Revenue Anticipation Notes, commercial bank lines of credit, temporary borrowing from the County of Los Angeles Treasurer, and internal temporary inter-fund borrowing. In analyzing the impact on District cost, the CFO will consider the lost interest earnings for the District funds providing temporary borrowing capacity.

Section 3.08 **Credit Rating Methodologies and Debt Burden Ratios**

Credit Rating Methodologies: After January 1, 2016, when SB222 became effective, Fitch rates California school district GO Bonds based on the strength of the property tax pledge and tax base that provides the security for their repayment. However, along with the GO bond rating, Fitch releases a separate Issuer Default Rating (IDR) that reflects their broader analysis of the overall credit quality of a district's operations including governance, management, financial performance, liquidity position, etc. KBRA also recognizes the strength of the property tax pledge and tax base, but also considers the overall credit quality of the districts' operations and provides a single rating on a district's GOs. Moody's and Standard and Poor's also release a single rating on GOs that incorporates a broad analysis of credit quality. For any District COPS/LRBs that are secured solely by the District's general fund, the ratings from all agencies are based on an analysis of the overall credit quality of the District. To achieve the highest credit ratings and lowest cost of funds on its GOs and COPS/LRBs across all rating agencies, it is therefore important for the District to consider the impact of financial decisions on the credit quality of its GOs and COPS/LRBs.

Debt Burden Ratios: As noted in Section 3.06, the District may issue "bonds" in an amount no greater than 2.5% of taxable property within the school district. The 2.5% issuance limit is known as the District's bonding capacity, with "bonds" referring to GO Bonds. Even though COPS/LRBs do not technically constitute "debt" under California's Constitution and, thus, are excluded from the 2.5% bonding limit, the rating agencies and the investor community evaluate the District's debt position based on all of its outstanding long-term obligations whether or not such obligations are repaid from taxpayer-approved tax levies, the General Fund or developer fee sources. Therefore, the debt burden ratios described below include both long-term GO Bonds and long-term COPS/LRBs as "debt" in the respective calculations.

The following debt burden ratios should be considered in developing debt issuance plans:

- *Ratio of Outstanding Debt to Assessed Value.* The ratio "Direct Debt" shall be calculated using GO Bonds, COPS and LRBs. In addition, the ratio "Overall Direct Debt" or "Overall Debt" shall be calculated by aggregating all debt issues attributable to agencies located in the District as presented in the California Municipal Statistics Overlapping Debt Statement. It is important to monitor the levels and growth of Direct Debt and Overall Debt as they portray the debt burden borne by the District's taxpayers and serve as proxies for taxpayer capacity to take on additional debt in the future.
- *Ratio of Outstanding Debt Per Capita.* The formula for this computation is Outstanding Debt divided by the population residing within the District, based upon population estimates using information from the United States Bureau of the Census and California Department of Finance. Ratios shall be computed for both "Direct Debt Per Capita" and "Overall Debt Per Capita".
- *Ratio of Annual Lease Debt Service to General Fund Expenditures.* The formula for this computation is annual lease debt service expenditures divided by General

Funds (i.e., General and Debt Service Funds) expenditures (excluding inter-fund transfers) as reported in the most recent Comprehensive Annual Financial Report.

- *Proportion of Fixed-Rate and Variable-Rate COPs Issues.* The District may benefit from some variable rate exposure in its portfolio of COPs/LRBs. However, the District shall keep its variable rate exposure, to the extent not hedged or swapped to a fixed rate, at or below 20% of the total principal of outstanding COPs/LRBs or \$100 million, whichever is less. “Hedges” include unrestricted cash resources as well as interest rate products such as caps and collars. Under no circumstances will the District issue variable rate debt for arbitrage purposes. If variable rate debt is used, the Chief Financial Officer will periodically, but at least annually, determine whether it is appropriate to convert the debt to fixed interest rates.
- A. Debt Affordability: The determination of how much indebtedness the District should incur will be based on a capital financing plan that is periodically developed by the Office of the Chief Financial Officer, which analyzes the long-term infrastructure needs of the District, and the impact of planned debt issuances on the long-term affordability of all outstanding debt. It will be based on the District’s current capital plan and will include all District financings to be repaid from the General Fund, special funds or *ad valorem* property taxes.
- B. Targets and Ceilings for Debt Affordability: While the bonds under the District’s multi-billion dollar GO program are repaid by voter-approved property taxes, it is the debt that is repaid from the District’s General Fund and other internal resources (typically, the District’s COPs and LRBs) that has the most direct impact on its credit ratings. As a result, these debt obligations must be carefully monitored to maintain a balance between General Fund debt and the resources available to repay the debt. However, the credit environment is also affected by the debt burden imposed by the District’s issuance of GO Bonds as well as the debt issuance of other agencies (for example, the City of Los Angeles, the County of Los Angeles and the Los Angeles Community College District) whose jurisdictions overlap those of the District (“Overlapping Debt”). The rating agencies will note the overall debt burden of the District which will include the overlapping jurisdictions’ debt.

The tax receipts used to repay the District’s General Obligation Bonds are levied and collected by the County of Los Angeles and are not controlled by the District. The District shall include data on the Overlapping Debt burden along with the debt that is repaid from the District’s General Fund or from any tax revenues deposited into special funds not supporting revenue bonds (the District’s Direct Debt) in the District’s annual Debt Report.

Table 1 below lists the debt burden factors that will be monitored by the Chief Financial Officer in the case of debt to be repaid from the General Fund or other District resources. These factors will be compared to targeted and maximum levels for those factors. The targets and ceilings are intended to guide policy. The targets and ceilings do not mean that debt issuance is automatically approved. On the contrary, each and every proposed debt issuance must be individually presented to and approved by the Board of Education.

Table 1

Debt Factor	Target	Ceiling
COP Debt Service Limit (gross)	2.0% of General Funds Expenditures	2.5% of General Funds Expenditures
COP Gross Annual Debt Service Cap		\$105 Million

Table 2 below indicates the benchmark debt burden ratios to be monitored by the Chief Financial Officer that recognize the combined direct debt and overall debt of the District, as applicable. The Office of the Chief Financial Officer shall annually prepare or cause to be prepared a Debt Report providing details of the calculations of debt ratios and projections of the impact of future debt issuance on the District’s direct debt. The Office of the Chief Financial Officer shall also develop appropriate appendices to the Debt Report containing relevant information on any rating agency and/or Government Finance Officers Association debt policy guidelines with respect to debt burden ratios.

Debt Ratios: The following table sets forth the debt ratios to be monitored under the Policy and their targeted levels.

Table 2

Debt Burden Ratio	Benchmark
Direct Debt to Assessed Value	Moody’s Median for Aa Rated School Districts with Student Population Above 200,000
Overall Debt to Assessed Value	
Direct Debt Per Capita	
Overall Debt Per Capita	

“Direct Debt” includes all debt that is repaid from the General Fund or from any tax revenues deposited into special funds not supporting revenue bonds.

“Overall Debt” includes any debt that is paid from general tax revenues and special assessments by residents in the District. This includes debt issued by other agencies whose taxing boundaries overlap the District, such as the City of Los Angeles, the County of Los Angeles and the Metropolitan Water District, but excludes revenue bonds with dedicated repayment sources.

- C. Monitor Impact on District Taxpayer of Voter-Approved Taxes: In addition to the analysis of the District’s debt affordability, the District will review the impact of debt issuance on District taxpayers. This analysis will incorporate the District’s General Obligation Bond tax levies as well as tax rates imposed by overlapping jurisdictions. It is important for the District to be aware of its share of the total overlapping debt. In addition, the District will monitor the performance of the actual tax levy rate for each General Obligation Bond authorization versus what the tax levy rate was expected to be at the time of the original bond election and include said performance in the Debt Report.

The Measure K, Measure R, Measure Y and Measure Q Bonds were each authorized with a tax levy limitation of \$60 per \$100,000 of assessed value to repay bonds issued under each authorization Measure.

Section 3.09 Use of Corporations as Lessor for COPs Issues

The District has established two special purpose corporations to assist in COPs financings as lessor: the LAUSD Financing Corporation and the LAUSD Administration Building Financing Corporation. The District shall use these corporations rather than private corporations as lessor whenever feasible. The District shall maintain proper records relating to the corporations and prepare audits as required.

Article IV. Related Issues

Section 4.01 Capital Improvement Program

Planning and management of the District's Capital Improvement Program rests primarily with the Facilities Services Division under the Superintendent's direction, subject to review by the Bond Oversight Committee (the "BOC") and approval by the Board of Education. The Facilities Master Plan and Strategic Execution Plans provide an overall description of the District's current Facilities Improvement Program, as supplemented by any proposed issuance of debt. The Facilities Services Division will, as appropriate, supplement and revise these plans in keeping with the District's current needs for the acquisition, development and/or improvement of District's real estate and facilities. The plans must include a summary of the total cost of each project, schedules for the projects, the expected quarterly cash requirements, and annual appropriations, in order for the projects to be completed. The Office of the Chief Financial Officer shall prepare an annual capital financing plan in conjunction with the capital program budget as part of the annual budget for the District.

Section 4.02 Reporting of Debt

The AAFR will include statements of indebtedness. The fiscal year debt statements in each AAFR certify the amount of (i) new debt issued, (ii) debt outstanding, and (iii) assessed valuation. The AAFR will be posted on the District's website, the District's dissemination agent's website and the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) website.

The CFO will also produce an annual Debt Report which covers the following information: (i) bonded debt limitation and assessed valuation growth, (ii) debt outstanding, (iii) bonds authorized but unissued, (iv) debt refundings, (v) tax rate performance on outstanding bonds, (vi) cost of district debt, and (vii) credit ratings. This report will be provided to the Board and uploaded to the District's website.

Section 4.03 Financial Disclosure

The CFO shall designate a Chief Disclosure Officer and Disclosure Coordinator. Together, they shall be responsible for the District's disclosure compliance functions, in conjunction with the disclosure counsel appointed by the District.

The District shall prepare or cause to be prepared appropriate disclosures as required by Securities and Exchange Commission Rule 15c2-12, the federal government, the State of California, rating agencies, bond insurers, underwriters, bond counsel, investors, taxpayers, and other persons or entities entitled to disclosure to ensure compliance with applicable laws and regulations and agreements to provide ongoing disclosure.

The District shall make available its annual AAFRs, budgets, and Official Statements on the District's website, the District's dissemination agent's website, and on the Electronic Municipal Market Access (EMMA) website so that interested persons have a convenient way to locate major financial reports and documents pertaining to the District's finances and debt.

Section 4.04 Review of Financing Proposals

All capital financing proposals involving a pledge of the District's credit through the sale of securities, execution of loans or lease agreements, or otherwise directly or indirectly lending or pledging of the District's credit initially shall be referred to the Chief Financial Officer who shall determine the financial feasibility of such proposal and make recommendations accordingly to the Board.

Section 4.05 Establishing Financing Priorities

The Chief Financial Officer shall administer and coordinate the Policy and the District's debt issuance program and activities, including timing of issuance, method of sale, structuring the issue, and marketing strategies. The Chief Financial Officer shall, as appropriate, report to the Superintendent and the Board regarding the status of the current and future year programs and make specific recommendations.

Section 4.06 Rating Agency and Credit Enhancer Relations

The District shall endeavor to maintain effective relations with the rating agencies, and credit enhancers. The Chief Financial Officer along with the District's general financial advisor shall meet with, make presentations to, or otherwise communicate with the rating agencies on a consistent and as appropriate basis in order to keep the agencies informed about the District's capital plans, debt issuance program, and other appropriate financial information. The CFO along with the District's General Financial Advisor shall communicate with credit enhancers as appropriate to determine if a cost effective product for the District is commercially available with reasonable terms and conditions.

Section 4.07 Investment Community Relations

The District shall endeavor to maintain a positive relationship with the investment community. The Chief Financial Officer shall, as necessary, prepare reports and other forms of communication regarding the District's indebtedness, as well as its future financing plans. This includes information presented to the media and other public sources of information. To the extent applicable, such communications shall be posted on the District's website.

Section 4.08 **Refunding and Restructuring Policy**

Whenever deemed to be in the best interest of the District, the District shall consider refunding or restructuring outstanding debt when financially advantageous or beneficial for debt repayment and structuring flexibility. The Chief Financial Officer shall review a net present value analysis of any proposed refunding in order to make a determination regarding the cost-effectiveness of the proposed refunding. The minimum net present value savings as a percentage of the refunded aggregate principal amount to be considered for a current tax-exempt refunding shall be no less than 3% per maturity unless, at the discretion of the Chief Financial Officer, a lower percentage is more applicable, for situations including, but not limited to, maturities with only a few years until maturity or COPs being defeased or redeemed from proceeds of GO Bonds or other structuring considerations. In addition, alternative structures such as taxable advance refundings or tax-exempt forward refundings may be acceptable if the net present value savings is in excess of 5% on a maturity by maturity basis and/or other benefits to the District are identified by the Chief Financial Officer and the District's financial advisor. For example, if the District has a very large refunding opportunity approaching and it would benefit from splitting the refunding into more than one sale, a taxable refunding of a portion of the bonds may be justified. Another consideration in deciding which debt to refinance and the timing of the refinancing shall be the maximization of the District's expected net savings over the life of the bonds.

The Chief Financial Officer may waive the percent savings per maturity threshold when evaluating a fixed rate refunding of variable rate debt, as the refinancing of certain variable rate structures may provide other substantial benefits to the District that include, but are not limited to, elimination of interest rate risk, renewal risk, and counterparty risk.

The Chief Financial Officer shall restructure escrow funds for the District's refunded Bonds and COPs from time to time when savings can be achieved. The Chief Financial Officer shall review a savings analysis of any proposed restructuring in order to make a determination regarding its cost-effectiveness. The target net savings shall be no less than \$1.0 million unless, at the discretion of the Chief Financial Officer, a lower amount is more appropriate given the nature of the particular escrow fund. Any savings from such restructuring shall be applied in accordance with legal and tax considerations and legal analysis at the time such savings are available.

Section 4.09 **Investment of Borrowed Proceeds**

The District acknowledges its on-going fiduciary responsibilities to actively manage the proceeds of debt issued for public purposes in a manner that is consistent with California law governing the investment of public funds and with the permitted securities covenants of related bond documents executed by the District. Where applicable, the District's official investment policy and legal documents for particular debt issuance shall govern specific methods of investment of bond related proceeds. Preservation of principal will be the primary goal of any investment strategy followed by the availability of funds, followed by return on investment.

The District shall competitively bid the purchase of investment securities (except State and Local Government Series (SLGs) issued by the US Treasury), investment contracts, float contracts, forward purchase agreements and any other investments pertaining to its tax-exempt debt issues. A duly registered investment advisor or the County of Los Angeles Treasurer-Tax Collector shall

solicit bids for investment products. Eligible and qualified providers, but not any of the members of the District's financial advisor pool, may bid on investment products.

The management of public funds shall enable the District to respond to changes in markets or changes in payment or construction schedules so as to (i) ensure liquidity and (ii) minimize risk.

Section 4.10 **Federal Arbitrage Rebate Requirement**

The District shall maintain or cause to be maintained an appropriate system of accounting to calculate bond investment arbitrage earnings in accordance with the Tax Reform Act of 1986, as amended or supplemented and applicable United States Treasury regulations related thereto.

Section 4.11 **Transaction Records**

The Chief Financial Officer or designee shall maintain complete records of decisions made in connection with each financing, including the selection of members of the financing team, the structuring of the financing, selection of credit enhancement products and providers, and selection of investment products. Each transaction file shall include the official transcript for the financing, the final number runs and a post-pricing summary of the debt issue. The Chief Financial Officer shall timely provide a summary of each financing to the Board.

Section 4.12 **Financing Team Members**

A. Retention of Consultants

- i. General: All financial advisors, investment advisors, bond counsel, disclosure counsel, tax counsel, and underwriters will be selected from pools to be created through a Request for Proposals (RFP) or Request for Qualifications (RFQ) process. In isolated instances, such contracts may be awarded on a sole source basis if it is clear that an RFP or RFQ process would not be feasible or in the District's interests. The District's contracting policies will apply to all contracts with finance professionals. Generally, contracts for financial advisors, investment advisors, underwriters, and bond, tax, and disclosure counsels will be for up to five years.

Members of the financing team for each specific transaction will be identified and presented to the Board as part of the financing transaction Board report or as a separate informative. If however, an urgent financing opportunity or need arises such that there is not enough time to obtain Board approval of the financing team through the regular process, the Superintendent may authorize the appointment of the team.

- ii. Underwriters: The minimum qualifications for underwriters to be considered for the District's underwriter pools are: the firm must have a permanent office in the State of California; the firm must have completed at least ten (10) financings in the prior two years; the firm must maintain net capital of at least \$100,000 at all times; the lead investment banker must have at least three years of experience working on large, complex transactions and must be authorized to sign a bond

purchase contract; the firm must hold and maintain at all times all appropriate and required Federal and State licenses and registrations; and the firm must at all times have at least one full-time professional employee with a NASD Series 53 license (Municipal Securities Principal).

Based on the evaluation of submitted statements of qualifications, underwriting firms will be assigned to one of four specific tiers:

Tier	Eligible Syndicate Assignments
Senior Manager	Senior, co-senior, or co-manager on any transaction
Co-Senior Manager	Co-senior or co-manager on any transaction; senior manager on transactions under \$200 million principal amount.
Co-Manager	Co-manager on any transaction.
Emerging Firm	Co-manager with a reduced liability on appropriate transactions.

In the event the District issues bonds through a negotiated sale, the selection of underwriters will be based upon a mini-RFP process and will generally be for a single transaction. The mini-RFP will specify the scoring system for selection of the underwriters and will consider the following factors in decreasing order of priority:

1. Past performance on financing transactions. Exceptionally strong or poor results on District transactions will carry extra weight.
2. Analysis of the District's financing needs and proposed financing structure, recommended marketing plan and determination that the firm has sufficient net capital.
3. Proposed underwriting fees, including takedown, direct expenses, and the cost of underwriter's counsel.
4. Demonstrated commitment, track record, and investment in the communities served by the LAUSD.

Underwriters may be selected for multiple transactions if multiple issuances are planned for the same project. In addition, the District will include at least one firm with an office within the District's boundaries on each standard, fixed rate financing transaction.

- iii. General Financial Advisor: The District will retain a general financial advisory team to provide general advice on the District's debt management program, financial condition, budget options and rating agency relationships. Additionally, the general financial advisor may be used on an as-needed basis to structure issuances of District debt obligations. Any firm serving as general financial

advisor must be duly registered at all times with both the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB) and must also hold any certifications and/or licenses required by the SEC and/or MSRB.

- iv. Bond Counsel, Tax Counsel, and Disclosure Counsel: The District will select bond, tax, disclosure and/or other financial counsel to assist with debt issuances or special projects that do not fall under the bonds, COPs, and TRANs categories of District debt obligations. Additionally, one or more of the firms may be selected to provide general legal advice on, among other things, debt financing, disclosure documents, and continuing disclosure.
- v. Range of Financings: Financial advisory, external legal counsel, and underwriting teams will be selected for the District's GOs, COPs, TRANs, Mello-Roos, special revenue bonds and any other bond program which may be created. Depending on particular expertise and consultant availability, some firms may be used on more than one program. However, efforts will be made to establish different teams to provide a number of firms the opportunity to participate in District contracts.

B. Use of Independent Financial Advisors

- i. Use of Independent Financial Advisors: Any firm serving as financial advisor must be duly registered as a municipal advisor on financings at all times with both the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB) and must also hold any certifications and/or licenses required by the SEC and/or MSRB. In recognition of the fact that in a financing the goals of the underwriters and the issuer may inherently conflict, the District will strive to hire financial advisors who do not participate in the underwriting or trading of bonds or other securities. Under certain circumstances, however, it may be in the District's interests to hire an investment banking firm to act as financial advisor on specific bond issues, although said firm must comply with any SEC and/or MSRB rules and restrictions pertaining to broker-dealer or investment banks serving as financial advisor.
- ii. Financial Advisor Pool: The CFO will maintain a pool of financial advisors separated into two tiers.
 - a. Firms in the General Financial Advisor Tier may be used for various financial projects for which the District requires advanced financial expertise not available within the District. The General FA Tier will also be used to select the District's Independent Registered Municipal Advisor (IRMA). Firms in the General FA Tier may serve as financial advisors on the District's debt issuances.
 - b. Firms in the Transactional Financial Advisor Tier may serve the district as financial advisors on the District's debt issuances.
 - c. SBE participation will be a consideration in the selection of financial advisors. The score for SBE participation will be a maximum of 5 points.

The point score will be commensurate to level of participation based on the value in contact dollars. For example, a vendor that proposes 25 percent SBE participation will get 25 percent of the five possible points (i.e. $5 \times .25 = 1.25$) and a certified SBE with 100 percent participation would get the full five points.

- iii. Independent Registered Municipal Advisor: The Office of the Chief Financial Officer will select a specific firm to serve as the District's IRMA, as defined by the SEC. In order to facilitate open communication with underwriters, the District will prepare and post on its website a letter stating that the District has an IRMA. Before acting on any proposal received from underwriters, the District will provide the proposal to the IRMA and consider all feedback received from the IRMA.
- iv. Use of Investment Advisors for Investment Advice: Although, in most instances, the Office of the Chief Financial Officer will make all investment decisions relative to temporary investments pending the expenditure of bond proceeds, an investment advisor may provide investment advice on refundings and other transactions with specialized investment needs. Any firm serving as investment advisor on a District transaction must be registered at all times as an investment advisor with both the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB), as applicable, must hold any certifications and/or licenses required by the SEC and/or MSRB, and must present its Form ADV or equivalent and written fee proposal to the District prior to commencement of any work.

C. Disclosure by Financing Team Members; Ethics

All financing team members will be required to provide full and complete disclosure, under penalty of perjury, relative to any and all agreements with other financing team members and outside parties. The extent of the disclosure may vary depending on the nature of the transaction. All financing team members shall abide by the Board's code of ethics.

Section 4.13 **Special Situations**

Changes in the capital markets, District programs, and other unforeseen circumstances may from time to time produce situations that are not covered by the Policy. These situations may require modifications or exceptions to achieve policy goals. Management flexibility is appropriate and necessary in such situations, provided specific authorization is received from the Board.

APPENDIX A

LOS ANGELES UNIFIED SCHOOL DISTRICT

LONG-TERM DEBT—TAX COMPLIANCE PROCEDURES

Statement of Purpose

This Tax Compliance Policy (the “Policy”) sets forth specific policies of the Los Angeles Unified School District (the “District”) designed to monitor tax compliance by the District with respect to Tax-Advantaged Obligations,¹ including but not limited to post-issuance tax compliance with applicable provisions of the Internal Revenue Code of 1986, as amended (the “Code”), and regulations promulgated thereunder (the “Treasury Regulations”).

This Policy is intended to document and supplement existing practices and describe various procedures and systems implemented and to be implemented to demonstrate compliance with the requirements that must be satisfied at the time of, and subsequent to, the issuance of Tax-Advantaged Obligations. Compliance with applicable provisions of the Code and the Treasury Regulations is an on-going process and an integral component of the District’s debt management program. Accordingly, implementation of this Policy will require ongoing surveillance through, and sometimes beyond, the final maturity of the related issue of Tax-Advantaged Obligations and, likely, consultation with legal counsel beyond the initial engagement for the issuance of particular obligations.

This Policy is meant to set forth best practices and procedures and is intended to be revised over time. The Policy is meant to be the District’s initiative to document compliance with the provisions of the Federal tax law addressing Tax-Advantaged Bonds. Given the size, scope, and complexity of the District’s financings and school construction and maintenance program, strict compliance with all elements of this Policy will require ongoing review and refinement of the Policy. Any failure to conform to any component of this Policy shall in no way infer that the District is not in compliance with the provisions of the Code applicable to Tax-Advantaged Obligations of the District.

Policies and Procedures Generally

The District’s Chief Financial Officer (“CFO”) will establish a Tax Compliance Officer to monitor tax compliance with regard to debt offerings. The CFO shall also be responsible for

¹ The District issues (i) bonds, certificates of participation and other obligations, the interest on which is intended to be excluded from gross income for federal income tax purposes (“Tax-Exempt Obligations”) and (ii) bonds and other obligations, which provide certain credits to bondholders in lieu of or in addition to interest payments or interest subsidy payments to issuers (*e.g.*, Build America Bonds and Qualified School Construction Bonds), that finance property that was otherwise eligible to be financed with proceeds of Tax Exempt Obligations (“Tax Credit/Subsidy Obligations,” collectively with Tax-Exempt Obligations, “Tax-Advantaged Obligations”).

ensuring an adequate succession plan for transferring tax compliance responsibility when changes in staff occur.

The Tax Compliance Officer should coordinate procedures for record retention and review of such records as more fully described herein and needs to gain familiarity with Internal Revenue Service (“IRS”) Forms 8038-G, 8038-B, 8038-CP, 14002, and relevant provisions of the Code and the Treasury Regulations, including but not limited to Treasury Regulations Sections 1.141-2, 1.141-3, 1.141-12, and 1.148-1 through 1.150-2.

The Tax Compliance Officer needs to review tax compliance procedures and systems on a periodic basis, but not less than annually, and consult with the District’s General Counsel, Chief Financial Officer, Chief Facilities Executive and bond counsel as appropriate and as needed.

Electronic media will be the preferred method for storage of all records maintained by the District in connection with tax compliance. Document maintenance requirements may change over time, and the Tax Compliance Officer shall consult with bond counsel to develop and maintain a comprehensive records retention policy so as to facilitate continuing compliance with the provisions of the Code applicable to the District’s Tax-Advantaged Obligations. The District will maintain the following categories of records with respect to each issue of its outstanding Tax-Advantaged Obligations:

- (i) Documentation relating to the authorization, sale, and issuance of Tax-Advantaged Obligations;
- (ii) Documentation setting forth the dates, amounts and purposes of each expenditure of Tax-Advantaged Obligations were expended, as more fully described under “Expenditure of Proceeds” below;
- (iii) Documentation of arrangements governing the use of Property Financed with Proceeds of each issue of Tax-Advantaged Obligations, as more fully described under “Private Use and Ownership” below; and
- (iv) Documentation relating to the investment of proceeds and replacement proceeds allocable to each issue of Tax-Advantaged Obligations.

The foregoing records shall be maintained by the District under the supervision of the Tax Compliance Officer for a period of not less than six years after the final payment of principal on such Tax-Advantaged Obligations, provided that with respect to property financed with proceeds of Tax-Advantaged Obligations, such records shall be maintained for a period of not less than six years after the final payment of principal on such Tax-Advantaged Obligations or any Tax-Advantaged Obligations issued to refund, directly or indirectly, the issue of Tax-Advantaged Obligations that financed such property.

Issuance of Obligations

With respect to each new issue of Tax-Advantaged Obligations, the Tax Compliance Officer is to (a) obtain and store a closing binder and/or CD or other electronic copy of the relevant and customary transaction documents, (b) confirm that bond counsel or tax counsel has filed with IRS Form 8038-G or Form 8038-B for such issue, and (c) coordinate receipt and retention of relevant books and records with respect to the investment and expenditure of the proceeds of such Tax-Advantaged Obligations. Documentation to be maintained shall include, but not be limited to:

- (i) Resolutions of the District and the County authorizing the issuance of the Bonds;
- (ii) Bond Purchase Agreement;
- (iii) (Preliminary Official Statement, Official Statement and any other documentation circulated to potential investors;
- (iv) Certifications with respect to delivery of Tax-Advantaged Bonds and the receipt of the purchase price therefor;
- (v) Tax Certificate or Tax Compliance Agreement (including exhibits, such as an issue price certificate of the underwriter or, in the event of a private placement, the purchaser);
- (vi) Schedules prepared by the Financial Advisor or Underwriter setting forth the sources and uses of funds, projected expenditure of proceeds, projected investment earnings on proceeds and computation of yields, together with any verification reports issued in connection with the issue;
- (vii) With respect to guaranteed investment agreements, or yield restricted defeasance escrows, documentation evidencing compliance with three-bid rules set forth in Treasury Regulation Section 1.148-5;
- (viii) Any verification reports issued with respect to the issue; and
- (ix) Information reporting forms filed with the Internal Revenue Service, and proofs of filings such forms.

Expenditure of Proceeds

The administrator of each office that is responsible for spending proceeds of the District's Tax—Advantaged Bonds will maintain records setting forth the date and amount of each disbursement of proceeds of Tax-Advantaged Obligations administered by its office, together with invoices or other proofs with respect to each disbursement, the name of the vendor or other payee, an identification of the facility or other property acquired, constructed, improved or renovated with the proceeds of such disbursement and a brief description of the actual work performed or property acquired with the proceeds of such disbursement. Within 120 days following the end of

each fiscal year of the District, the Tax Compliance Officer shall obtain records setting forth with respect to each disbursement of proceeds of Tax-Advantaged Obligations:

- (i) The date of such disbursement;
- (ii) The amount of such disbursement;
- (iii) The funding source (e.g., specific GO measure or COPs issue);
- (iv) The location code and location name;
- (v) The object of expenditure; and
- (vi) The project number and description, when available, or a brief description of the type of the expenditure.

Within six months after the end of each fiscal year, the Tax Compliance Officer shall prepare a report setting forth the date, amount and purpose of each disbursement of proceeds of each issue of Tax-Advantaged Bonds during the prior fiscal year (the "Issue Expenditure Reports"). The term "purpose" shall mean each separate school facility financed with a disbursement or a description of other property financed with such disbursement.

Private Use and Ownership

Tax-Advantaged Obligations may lose their tax status if a bond issue meets (1) the private business use test (*i.e.*, results in Private Use (defined below)) in Section 141(b)(1) of the Internal Revenue Code of 1986, as amended (the "Code") and (2) (a) the private security or payment test ("Private Security or Payments") in Section 141(b)(2) of the Code (collectively, the "Private Business Test"), or (b) the private loan financing test in Section 141(c) of the Code. The Private Business Test relates to the use of the proceeds of an issue and the test is met if more than the lesser of (1) \$15,000,000 and (2) 10 percent² of the proceeds of an issue meet both prongs of the Private Business test.

Definition of Private Payments. For purposes of this Policy, "Private Payments" means payments derived, directly or indirectly, in respect of property used or to be used for Private Use. The District will periodically enter into arrangements that result in Private Use but will not involve any Private Payments. Except in the case of certificates of participation, which involve leases of properties that are used in a Private Use or secures obligations that financed property used in a Private Use, or loans of bond proceeds, arrangements that result in Private Use, but do not

² Such ten percent limitation is reduced to five percent with respect to Private Use that is either unrelated to governmental uses of proceeds of the same issue, or disproportionate to related governmental uses of proceeds of such issue.

involve Private Payments, will not cause the District's general obligation bonds to become private activity bonds.³

Definition of Private Use. For purposes of this Policy, the term "Private Use" means any activity that constitutes a trade or business that is carried on by persons or entities other than state or local governmental entities ("Nongovernmental Entities"). State or local governmental entities are referred to herein as "Governmental Entities." The United States of America is not treated as a Governmental Entity. Any activity carried on by a person other than a natural person is treated as a trade or business. Any asset financed with Tax-Advantaged Obligations not owned by a Governmental Entity will be considered to be used in a Private Use.

In most cases, Private Use will occur only if a Nongovernmental Entity has a special legal entitlement to use the bond financed property. Such a special legal entitlement includes ownership or actual or beneficial use pursuant to a lease, management, service or incentive payment contract, output contract, research agreement or similar arrangement. Private Use may also be established solely on the basis of a special economic benefit to one or more Nongovernmental Entities.

Management and Service Contracts. With respect to management and service contracts, the determination of whether a particular contract results in Private Use shall be based on the application of the Code and Treasury Regulations, including particularly Revenue Procedure 97-13, 1997-1 C.B. 632, as amended by Revenue Procedure 2001-39, 2001-2 C.B. 39, a summary of which is attached hereto as Exhibit A. Such management and service contracts include, but are not limited to, operating agreements, construction management agreements, business services agreements, technical consulting services agreements and other similar agreements. Further, for purposes of determining the nature of a Private Use, any management or service contract that is properly characterized as a lease for federal income tax purposes is treated as a lease. Consequently, any such agreements, even though referred to as a management or service contract may nevertheless be treated as a lease. In determining whether a management or service contract is properly characterized as a lease, it is necessary to consider all of the facts and circumstances, including the following factors: (i) the degree of control over the property that is exercised by a nongovernmental person; and (ii) whether a nongovernmental person bears risk of loss of the financed or refinanced property.

Short-Term Use Exception. Arrangements fitting within either of the following two exceptions will not result in Private Use.

Use Pursuant to Generally Applicable and Uniformly Applied Rates. Use pursuant to an arrangement will not result in Private Use if (a) the arrangement does not transfer ownership of the property to a nongovernmental person, (b) the term of the use under the arrangement,

³ Private use alone may cause the Private Business Test limitations to be exceeded in the event that the obligations to that financed the privately used property are also secured by property used in a private use. For example, certificates of participation in a lease of property that is involved in a private use that finance property that is also used in a private business use may become taxable private activity bonds even if the District receives no payments with respect to such property.

including all renewal options, is not longer than 100 days, and (c) compensation under the arrangement is based on generally applicable and uniformly applied rates.

Use Pursuant to Negotiated Arm's Length Arrangements. Use pursuant to an arrangement will not result in Private Use if (a) the arrangement does not transfer ownership of the property to a nongovernmental person, (b) the term of the use under the arrangement, including all renewal options, is not longer than 50 days, and (c) the arrangement is a negotiated arm's-length arrangement and compensation under the arrangement is at fair market value.

Construction Contracts and Other Purchases of Capital Assets. A contract with a nongovernmental person to construct capital assets or to sell capital assets to the District does not generally result in Private Use unless additional services are being provided by the nongovernmental person in connection with such contract, *e.g.*, construction management or consulting services. Such services with respect to bond financed property must be analyzed for Private Use under Revenue Procedure 97-13.

Materials and Commodity Supply Contracts. A contract or purchase order for materials, commodities, inventory or other supplies from a nongovernmental person does not generally result in Private Use unless there are additional services being provided by the nongovernmental person in connection with the contracts, *e.g.*, consulting services. Such service arrangements with respect to bond financed property must be analyzed for Private Use under Revenue Procedure 97-13.

Ownership of bond financed property. If bond financed property is owned by a nongovernmental person, such ownership will be considered Private Use of the asset for purposes of the Private Use rules.

Leases of bond financed property. All leases of bond financed property to a nongovernmental person constitute Private Use of such property unless an exception for short-term use is satisfied.

Nonpossessory Incidental Use. Any non-possessory incidental use such as vending machines, bank machines and similar uses may be excluded from the Private Use rules to the extent of 2.5% of an issue of Tax-Advantaged Obligations. Such use of bond-financed property shall be tracked by Tax Compliance Designee.

Joint Ventures, Partnerships or other forms of Joint Ownership. Entry into a joint venture, partnership or other form of joint ownership with a nongovernmental person generally gives rise to Private Use. Such arrangements with respect to bond financed property must be reviewed by bond counsel.

Special Priority Rights or Special Economic Benefits. A contract which conveys special priority rights or special economic benefits in bond-financed property to a nongovernmental person may create Private Use. In determining whether special economic benefit gives rise to Private Use of bond financed property, it is necessary to consider all of the facts and circumstances, including one or more of the following factors: (a) whether the bond financed property is functionally related or physically proximate to property used in the trade or business of a nongovernmental

person; (b) whether only a small number of nongovernmental persons receive the economic benefit; and (c) whether the cost of the bond financed property is treated as depreciable by the nongovernmental person. Such arrangements with respect to bond financed property must be reviewed by bond counsel.

Compilation and Maintenance of Logs Listing Arrangements Potentially Involving Private Trade or Business Use.

From time to time, the District enters into the following types of arrangements involving bond financed property:

- Use Agreements and Leases with Charter Schools
- After School Programs
- Summer Camps
- Civic Center Leases
- Naming Rights
- Other Leases, Licenses or Use Agreements Involving Bond Financed Property

The arrangements described above will be referred to in this Policy as “Arrangements”.

The Tax Compliance Officer will retain copies of the Arrangements, and maintain a log listing such Arrangements, which shall note with respect to each Arrangement (i) whether such Arrangement conforms to the Short-Term Use Exception described above, and (ii) if not, the amount of payments to be received by the District and whether such payments exceed the District’s incremental costs of operating and maintaining the subject facility arising from the Private Use of the subject property.

The Tax Compliance Officer shall also compile and maintain a separate list of each arrangement described above that will not qualify for the Short-Term Use Exception and that provides payments to the District that will exceed the District’s incremental cost of operating and maintaining the subject facility arising from the arrangement (referred to as the “Potential Private Use Contract Log”).⁴ Each item listed in the Private Use Contract Log shall set forth (i) the issue or issues of Tax-Advantaged Bonds that financed property used in connection with such arrangement, (ii) the amount of proceeds of such issue allocable to such property, and (iii) the amount of payments expected with respect to such arrangement, net of the incremental costs incurred by the District to operate and maintain the facility as a result of such arrangement.

⁴ Arrangements involving property that was financed with proceeds of any of the District’s certificates of participation will be listed in the Potential Private Use Contract Log regardless of whether the District is to receive any payments under such Arrangements.

The Tax Compliance Officer shall also compile and maintain the following logs:

- *Property Disposition Log.* The Tax Compliance Officer shall compile and maintain a log listing all assets of the District purchased with proceeds of Tax Advantaged Obligations that have been sold or otherwise disposed by the District (each, a “Disposition”). The log should include with respect to each Disposition, the Issue of Tax-Advantaged Bonds that financed the acquisition, construction or renovation of such asset and the amount of proceeds of such issue that are allocable to such asset (the “Property Disposition Log”).
- *Private Loan Log.* The Tax Compliance Officer shall compile and maintain a log listing all proceeds of each issue of Tax-Advantaged Obligations applied to make loans to third parties (the “Private Loan Log”).

The Tax Compliance Designee shall update the respective logs at least annually.

Structuring of Arrangements to Avoid Private Use or Private Payments. It is the Policy of the District that to the extent consistent with the business objectives of the District, any potential Arrangement which might result in Private Use of bond financed property shall be structured so as to avoid or minimize Private Payments.

Dispositions. No transfer, sale or other proposed disposition of bond financed property by the District shall take place without the prior review and approval by the General Counsel, after consultation with bond counsel.

Remedial Actions. In the event that the District is unable to satisfy the limitations with respect to Private Use and Private Payments with respect to any issue of Tax-Advantaged Obligations, the Tax Compliance Officer shall consult with the General Counsel, the Chief Financial Officer and bond counsel and work with bond counsel to effect a remedial actions or take such other actions as shall be required to maintain the tax-advantaged status of such bonds. The Tax Compliance Officer shall provide any information regarding the bond financed property to effectuate such remedial action to the General Counsel and the Chief Financial Officer. The Tax Compliance Officer must maintain copies of the documentation with respect to the remedial action with the Potential Private Use Contract Log and attach such copies to the transcript of closing documents it maintains with respect to each affected issue of Tax-Advantaged Obligations.

Periodic Review. Although the District will monitor Private Use of assets financed with Tax-Advantaged Obligations and Private Payments relating to such use, the Tax Compliance Officer will no less frequently than annually review and update the Potential Private Use Contract Log, the Disposition Log the Private Loan Log and the log that it maintains with respect to each issue of Tax-Advantaged Obligations. The Tax Compliance Officer shall at least annually prepare a detailed calculation of all existing Private Use and Private Payments, if any, that occurred during the prior year (the “Private Use Calculation”) with respect to each issue of the District’s Tax-Advantaged Obligations. The Potential Private Use Contract Log, the Disposition Log and the Private Use calculations are referred to herein as the “Annual Reports.” The Tax Compliance Officer will provide the Annual Reports, reflecting activity through the last day of each fiscal year, to the General Counsel by November 30th of the following fiscal year.

Arbitrage and Rebate

Section 148 of the Code, the regulations promulgated thereunder and the pronouncement relating thereto (the “Arbitrage Rules”) are intended to ensure that issuers, such as the District, are issuing Tax-Advantaged Obligations for the primary purpose of financing property needed by the District to carry-out its governmental purposes, and not for the purpose of taking advantage of the difference between its tax-advantaged costs of borrowing and its ability, if any, to invest proceeds of such obligations in higher yielding obligations. Continuing compliance with the Arbitrage Rules primarily involves ensuring that proceeds of Tax-Advantaged Obligations (“Proceeds”) are invested in accordance with yield limitations set forth in the Arbitrage Rules, except to the extent an exception to such yield limitation cannot be satisfied and rebating certain investment earnings to the United States Treasury. With respect to certain issues of Tax-Advantaged Obligations, the District will need to ensure that all proceeds and investment earnings are either expended on qualifying projects within specified periods, or portions of such issues are timely redeemed.

Specific post-issuance procedures to effect compliance with the Arbitrage Rules are addressed below. However, the procedures set forth herein are not intended to be exhaustive and further procedures may need to be identified and implemented, in consultation with the District’s staff, bond counsel, tax counsel, if any, and the District’s financial advisors and investment advisors. Since proceeds of the District’s bond issues are deposited in a Building Fund administered and invested by the Los Angeles County Treasurer and Tax Collector (the “County Treasurer”), and the County Treasurer collects and invests moneys to be used to pay debt service on the District’s Tax-Advantaged Obligations, the County Treasurer shall also be involved in the development and implementation of this Policy insofar as this Policy relates to compliance with the Arbitrage Rules.

Procedures Generally – the following policies relate to procedures and systems for monitoring post-issuance compliance generally with the Arbitrage Rules.

- (i) The Tax Compliance Officer shall be responsible for monitoring the District’s post-issuance arbitrage compliance issues. The Chief Financial Officer of the District shall be responsible for ensuring an adequate succession plan for transferring post-issuance arbitrage compliance responsibility when changes in staff occur.
- (ii) The Tax Compliance Officer should coordinate procedures for record retention and review in accordance with the provisions of this Policy described below. In addition, the Tax Compliance Officer shall ensure that adequate records are established and maintained to set forth the date, amount, and nature of each expenditure of proceeds of each issue of Tax-Advantaged Obligations and investment earnings thereon (the “Proceeds”). Such records shall be consistent with and may be part of the Issue Expenditure Reports described under “Expenditure of Proceeds” above. The Tax Compliance Officer shall also establish and maintain a record of each investment of Proceeds, which shall include (i) the purchase date, (ii) the purchase price, (iii) information establishing that the purchase price is the fair market value as of such date (e.g., the published quoted bid by a dealer in such an investment on the date of

purchase), (iv) any accrued interest paid, (v) the face amount, (vi) the coupon rate, (vii) periodicity of interest payments, (viii) disposition price, (ix) any accrued interest received, and (x) disposition date. To the extent any investment becomes allocable to Proceeds after it was originally purchased, it shall be treated as if it were acquired at its fair market value at the time it becomes allocable to Proceeds. To the extent Proceeds are maintained by the County Treasurer, the Tax Compliance Officer shall advise the County Treasurer of the requirement to maintain such records with respect to each investment of Proceeds by the County Treasurer, and obtain a copy of such records from the County Treasurer at least annually.

- (iii) The Tax Compliance Officer should review post-issuance arbitrage compliance procedures and systems with bond counsel or tax counsel at least annually.

The following procedures shall be implemented with respect to the issuance of each issue of Tax-Advantaged Obligations:

- (i) Following the issuance of each issue of Tax-Advantaged Obligations, the Tax Compliance Officer shall obtain and maintain each of the documents listed above under “Issuance of Obligations” including, a fully executed tax certificate with respect to such issue and any information reporting forms filed with the Internal Revenue Service with respect to each issue, together with proof of filing. A copy of such certificate and information reporting forms, together with the Timetable (as defined below), shall be provided to the County Treasurer as soon as practicable after the issue date of each issue of Tax-Advantaged Obligations.
- (ii) The Tax Compliance Officer should confirm that bond counsel has filed with the Internal Revenue Service (the “IRS”) the applicable information report (e.g., Form 8038-G, Form 8038 or Form 8038-B) for such issue.
- (iii) The Tax Compliance Officer should coordinate receipt and retention of relevant books and records with respect to the investment and expenditure of the proceeds of such Tax-Advantaged Obligations with other members of the District’s staff and staff of the County Treasurer.
- (iv) A record should be maintained with respect to each issue of Tax-Advantaged Obligations containing a schedule setting forth (i) the latest date such proceeds may be invested at an unrestricted yield, (ii) the benchmarks that must be satisfied in order to meet an exception to the arbitrage rebate rules, (iii) the dates on which any arbitrage rebate computations are required to be completed and arbitrage rebate is required to be paid to the United States Treasury and (iv) any date by which proceeds are required to either be expended or applied to redeem bonds and any other dates on which all or a portion of the Proceeds of such issue are required or expected to be expended (the “Timetable”)

Arbitrage – the following procedures should be carried-out from the issue date through the final redemption date of each issue of Tax-Advantaged Obligations:

- (i) The Tax Compliance Officer should coordinate the tracking of expenditures and any investment earnings with other applicable District staff, including staff of the Facilities Division. The Tax Compliance Officer should obtain and review at least monthly reports of the expenditure and investment of proceeds of each issue of Tax-Advantaged Obligations that are on deposit in the District's Building Fund. The Tax Compliance Officer should maintain a procedure for the allocation of proceeds of the issue and investment earnings to expenditures, including the reimbursement of pre-issuance expenditures.
- (ii) The Tax Compliance Officer should obtain a computation of the yield on each issue of Tax-Advantaged Obligations from the District's financial advisor and obtain from bond counsel or tax counsel a listing of all arbitrage yield restrictions attributable to Proceeds or amounts treated as proceeds of each issue. For example, with respect to each issue of qualified school construction bonds, the Tax Compliance Officer should obtain from tax counsel or bond counsel the yield limitation with respect to any invested sinking fund established for such issue.
- (iii) The Tax Compliance Officer should monitor compliance with the applicable "temporary period" (as defined in the Code and Treasury Regulations), and expectations for the expenditure of proceeds of the issue and advise the County Treasurer of the need to yield restrict investments with respect to proceeds that are not eligible to be invested at an unrestricted yield pursuant to a temporary period.
- (iv) The Tax Compliance Officer should coordinate with the County Treasurer and the bond trustee, if applicable, to ensure that investments acquired with proceeds of each issue of Tax-Advantaged Obligations are purchased at fair market value. In determining whether an investment is purchased at fair market value, any applicable Treasury Regulation safe harbor may be used. In the event Proceeds are invested in an investment contract or any other investment that is not traded on an established market, and for which fair market values are not continually published, the Tax Compliance Officer or County Treasurer shall consult with bond counsel or tax counsel to ensure that fair market rules set forth in the Treasury Regulations are satisfied.
- (v) The Tax Compliance Officer should coordinate with the County Treasurer, the Chief Facilities Executive, and the applicable bond trustee to avoid formal or informal creation of funds reasonably expected to be used to pay debt service on such issue without determining in advance whether such funds must be invested at a restricted yield.
- (vi) The Tax Compliance Officer should consult with bond counsel or tax counsel prior to engaging in any post-issuance credit enhancement transactions (e.g., bond insurance, letter of credit) or hedging transactions (e.g., interest rate swaps, caps).
- (vii) The Tax Compliance Officer should coordinate with bond counsel to identify situations in which compliance with applicable yield restrictions depends upon later investments and monitor implementation of any such restrictions.

- (viii) The Tax Compliance Officer should coordinate with the arbitrage rebate consultant, as described in (ix) below, to monitor compliance with six-month, 18-month or 2-year spending exceptions to the rebate requirement, as applicable.
- (ix) The Tax Compliance Officer should coordinate with Chief Financial Officer to ensure that the District continuously engages a firm nationally recognized in the area of arbitrage rebate compliance with respect to each issue of Tax-Advantaged Obligations to arrange, as applicable, for timely computation of arbitrage rebate or arbitrage yield reduction liability and, if rebate or a yield reduction payment is due to the IRS, for timely filing of Form 8038-T and, to arrange timely payment of such rebate liability. Such arbitrage rebate consultant shall also confirm whether any of the spending exceptions to the arbitrage rebate rules are satisfied. The Tax Compliance Officer should ensure that each arbitrage rebate consultant is provided with a copy of the Timetable with respect to each issue of Tax-Advantaged Obligations and that the contract or engagement letter with such arbitrage rebate consultant provides for such arbitrage rebate consultant to work with the District to refine the Timetable and provide timely notification to the Tax Compliance Officer of each deadline set forth in the Timetable. The Tax Compliance Officer shall maintain its records with respect to each issue of Tax-Advantaged Obligations copies of each report submitted by any arbitrage rebate consultant and each Form 8038-T filed by the District.
- (x) The Tax Compliance Officer should, in the case of any issue of refunding obligations, coordinate with the District's financial advisor, the applicable bond trustee, and the applicable escrow agent to arrange for the purchase of the refunding escrow securities, should obtain a computation of the yield on such escrow securities from the Treasury's outside arbitrage rebate specialist and should monitor compliance with applicable yield restrictions. Timetables should be adjusted to reflect the termination of temporary periods, the allocation of Proceeds of the refunded bonds as transferred proceeds of the refunding bonds and other matters resulting from such refunding.

Retention of Records

Retention of Records. As described above, the District is required to prepare the Annual Reports, which summarize and analyze certain underlying documentation related to the Tax-Advantaged Obligations. In addition to the requirement to retain the Annual Report, the District will also need to retain the related underlying documentation (the "Records") described below.

Records Required to be Retained. The Records that must be retained include, but are not limited to, the following:

- (i) All legal and accounting documents relating to proceeds of the Tax-Advantaged Obligations, including opinions of counsel and the tax certificate with respect to each issue of Tax-Advantaged Obligations.
- (ii) Expenditure of Proceeds of Tax-Advantaged Obligations as described below.

- (A) Documents evidencing the expenditure of the proceeds of the Tax-Advantaged Obligations and investment earnings thereon and the specific assets financed with such proceeds, including projected draw schedules and invoices (*e.g.*, records with respect to the bond accounts and funds);
 - (B) Documents setting forth all funds and accounts relating to the Tax-Advantaged Obligations;
 - (C) Documents pertaining to the investment of the proceeds of the Tax-Advantaged Obligations (*e.g.*, records with respect to the bond accounts and funds), including the purchase and sale of securities, guaranteed investment contracts, and swap/hedge transactions;
 - (D) With respect to all investments acquired in any fund or account in connection with the Tax-Advantaged Obligations, the information set forth under the heading “Arbitrage and Rebate” herein;
- (iii) Documents evidencing any allocations with respect to the proceeds of the Tax-Advantaged Obligations.
 - (iv) Documents evidencing the use and ownership of the bond financed property, including contracts for the use of such property (*e.g.*, the Annual Reports, and the logs described herein, and documents evidencing the sale or other disposition of the bond financed property.

Required Retention Periods. The District will retain the Records and Reports until the date that is six years after the complete retirement of the related Tax-Advantaged Obligations.

Form of Records. The District will keep all records in a manner that ensures complete access thereto for the applicable above described period either in hard copy or electronic format. If the records are kept in electronic format, compliance is necessary with the requirements of Revenue Procedure 97-22, 1997-1 C.B. 652, (or subsequent guidance provided by the Internal Revenue Service), which provides guidance for maintaining books and records by using an electronic storage system that either images their hardcopy books and records or transfers their computerized books and records to an electronic storage media (*e.g.*, an electronic data compression system).

Failure to Retain Records. A failure to maintain material records required to be retained by this Section may result in the loss of the tax status of the Tax-Advantaged Obligations and could cause additional arbitrage rebate to be owed.

Reissuance

The following policies relate to compliance with rules and regulations regarding reissuance of Tax-Advantaged Obligations issued by the District:

The CFO and the Tax Compliance Officer in conjunction with the General Counsel are to (a) identify and consult with bond counsel regarding any post-issuance change to any terms of an issue of Tax-Advantaged Obligations, (b) request bond counsel to determine whether such potential change would cause the issue to be treated as “reissued” for federal income tax purposes, and (c) confirm with bond counsel whether any “remedial action” in connection with a “change in use” (as such terms are defined in the Code and Treasury Regulations) must be treated as a reissuance for tax purposes.

Training

The District shall engage its bond counsel or special tax counsel to provide a seminar at least every three years, which shall be attended by the Tax Compliance Officer, representatives of the Chief Financial Officer, the General Counsel and the Chief Facilities Executive and staff members from each office of the District responsible for the expenditure of proceeds of the District’s Tax-Advantaged Obligations. The County Treasurer and members of the Bond Oversight Committee should also be invited to participate in such seminar. Such seminar shall include a review of the District’s compliance initiatives during the prior twelve-month period, discussions relating to restrictions on the use of proceeds of Tax-Advantaged Bonds, arbitrage requirements and recent developments in such areas.

APPENDIX B

LOS ANGELES UNIFIED SCHOOL DISTRICT CONTINUING DISCLOSURE PROCEDURES

I. INTRODUCTION

A. Purpose

These continuing disclosure procedures (“Continuing Disclosure Procedures” or “Procedures”) of the Los Angeles Unified School District (the “District”) are intended to (a) ensure that the District’s Continuing Disclosure Documents (as defined below) are accurate and comply with all applicable federal and state securities laws, and (b) promote best practices regarding the preparation of the District’s Continuing Disclosure Documents.

B. Definitions

1. “Continuing Disclosure Documents” means (a) annual continuing disclosure reports filed with the MSRB, (b) event notices and any other filings with the MSRB, and (c) debt reports filed with the California Debt and Investment Advisory Commission (CDIAC).
2. “Official Statements” means preliminary and final official statements, private placement memoranda and remarketing memoranda relating to the District’s securities, together with any supplements, for which a continuing disclosure obligation is required.

II. KEY PARTICIPANTS

A. Disclosure Practices Working Group

1. *Composition.* The Disclosure Practices Working Group (the “Disclosure Working Group”) has been created by the Chief Financial Officer (“CFO”) to have general oversight over the entire continuing disclosure process. Membership in the Disclosure Working Group shall be appointed by the CFO and consist of persons relevant to the disclosure process. The following persons currently constitute the Disclosure Working Group, commencing in December 2014.
 - a. Chief Financial Officer;
 - b. Chief Disclosure Officer;

- c. Disclosure Coordinator;
 - d. Disclosure Counsel; and
 - e. Any other individuals appointed by the CFO.
2. The Disclosure Working Group shall consult with external professionals (such as those with expertise as bond counsel, tax counsel, disclosure counsel, and financial advisor) or other interested parties as the CFO or any other member of the Disclosure Working Group determine is advisable related to continuing disclosure issues and practices. Meetings of the Disclosure Working Group may be held in person or via conference call.
 3. The Disclosure Working Group is an internal working group of the District staff (with the exception of Disclosure Counsel) and not a decision-making or advisory body subject to the provisions of the Ralph M. Brown Act (Government Code Section 54950 et seq.)
 4. *Responsibilities.* The Disclosure Working Group is responsible for:
 - a. Reviewing and approving all Continuing Disclosure Documents as contained in the District's Preliminary and Final Official Statements before such documents are posted;
 - b. Reviewing annually the District's status and compliance with continuing disclosure obligations including filings of Annual Reports and Notices of Listed Events as described in Sections III.B. and III.C. below;
 - c. Reviewing any items referred to the Disclosure Working Group; and
 - d. Evaluating the effectiveness of these Continuing Disclosure Procedures and approving changes to these Continuing Disclosure Procedures.

B. Chief Disclosure Officer

1. *Appointment.* The CFO, in consultation with the other members of the Disclosure Working Group, shall select and appoint the Chief Disclosure Officer.
2. *Responsibilities.* The Chief Disclosure Officer is responsible for:
 - a. Approving the Continuing Disclosure Documents, Listed Event Notices, and Voluntary Filings.

- b. Overseeing the work of the Disclosure Coordinator.

C. Disclosure Coordinator

1. Appointment. The CFO, in consultation with the other members of the Disclosure Working Group, shall select and appoint the Disclosure Coordinator (currently the Director of Capital Fund Compliance).
2. Responsibilities. The Disclosure Coordinator is responsible for:
 - a. Preparing and filing the Continuing Disclosure Documents and seeking assistance from professionals in the financial advisory and bond, tax, and disclosure counsel pools, as necessary;
 - b. Serving as a “point person” to communicate issues or information that should be or may need to be included in any Continuing Disclosure Document or a specific filing of, for example, a Listed Event Notice or a Voluntary Filing;
 - c. Monitoring compliance by the District with these Continuing Disclosure Procedures, including timely dissemination of the annual report and event filings as described in Sections III.B. and C. below;
 - d. Recommending changes to these Continuing Disclosure Procedures to the Disclosure Working Group as necessary or appropriate;
 - e. Following up with others, including management of outside consultants assisting the District, in the preparation and dissemination of Continuing Disclosure Documents to make sure that assigned tasks have been completed on a timely basis and making sure that the filings are made on a timely basis and are accurate;
 - f. Together with the CFO, coordinating the timely provision of information to Disclosure Counsel as needed to fulfill its responsibilities to the District;
 - g. In anticipation of preparing Continuing Disclosure Documents, soliciting “material” information (as defined in Securities and Exchange Commission Rule 10b-5) from District units;
 - h. Maintaining records documenting the District’s compliance with these Continuing Disclosure Procedures; and
 - i. Reviewing compliance with and providing appropriate certifications in connection with the various covenants in bond,

COPs, and TRANs documents. The Disclosure Coordinator shall review the bond documents to determine which covenants require an annual or regular certification and maintain a list of the same.

- j. Monitoring the websites and subscribing to the communications (e.g., news alerts, press releases, etc.) of each Rating Agency and Bond Insurer (defined herein) in order to be aware of any rating change as described in each Continuing Disclosure Document.

III. CONTINUING DISCLOSURE FILINGS

A. Overview of Continuing Disclosure Filings

1. Under the continuing disclosure undertakings in connection with its debt offerings, the District is required to file annual reports (“Annual Reports”) with the Municipal Securities Rulemaking Board’s (“MSRB”) Electronic Municipal Market Access (“EMMA”) system in accordance with such agreements in each year. Such Annual Reports are required to include the District’s audited financial statements and certain updated financial and operating information (or may incorporate by reference publicly-available documents that contain such information).
2. In accordance with each Continuing Disclosure Documents, if audited financial statements are not available by the date the Annual Report is required to be filed, unaudited financial statements are to be included in such Annual Report and audited financial statements shall be filed when such statements become available. If unaudited financial statements are filed, the cover page may include a disclaimer stating that such financial statements are unaudited and are subject to adjustments and modifications, the result of which will be presented in the audited financial statements. In addition, in accordance with the applicable Continuing Disclosure Document, the District shall file or cause to be filed a notice of any failure to provide its Annual Report on or before the date specified in a Continuing Disclosure Document.
3. The District is also required under its continuing disclosure obligations to file notices of certain events on EMMA.
4. In accordance with State law, the District is required to file annual debt reports (“CDIAC Reports”) with the CDIAC for any issue of debt, including capital leases, issued during the reporting period. The CDIAC Reports are due within seven months of the close of the reporting period, defined as July 1st to June 30th.

B. Annual Reports

The Disclosure Coordinator shall ensure that the preparation of the District’s Annual Reports commences as required under each specific

continuing disclosure obligation. Before any annual report is submitted to EMMA, the Disclosure Coordinator shall confer with the Disclosure Working Group as needed regarding the content and accuracy of any Annual Report.

C. Event Filings

Each member of the Disclosure Working Group shall notify the other members of the Disclosure Working Group if he or she becomes aware of any of the material events listed in any of the District's continuing disclosure certificates. The Disclosure Working Group may meet to discuss the event and to determine, in consultation with counsel from the bond, tax, and disclosure counsel pool to the extent determined by the Disclosure Coordinator and the CFO, whether a filing is required or is otherwise desirable.

D. Paying Agent, Bond Insurer, and Rating Agency Filings

1. The Disclosure Coordinator shall submit to each issuer of a financial guaranty insurance or municipal bond insurance policy guaranteeing the scheduled payment of principal of and interest on an outstanding issue of bonds when due (a "Bond Insurer"), paying agent and trustee such annual or interim financial information and other information as it may request in accordance with the respective agreements with the District.
2. Each member of the Disclosure Working Group shall notify the other members of the Disclosure Working Group if he or she becomes aware of any of the events for which Moody's Investor's Service, Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business or any other such rating agency then-rating the District's bonds (each, a "Rating Agency"), any Bond Insurer, paying agent or trustee of the District's bonds requires notice. The Disclosure Working Group may meet to discuss the event and to determine, in consultation with counsel from the bond, tax, and disclosure counsel pool to the extent determined by the Disclosure Coordinator and the CFO, whether a filing is required or is otherwise desirable.
3. The Disclosure Coordinator shall submit to each such Rating Agency such financial and other information it may request to obtain or maintain a rating on the Bonds

E. Uncertainty

The CFO may direct questions regarding the Procedures or disclosure to counsel from the bond, tax and disclosure counsel pool, the Office of General Counsel, or such other counsel or consultant as he/she deems appropriate.

F. Voluntary Disclosures

The District's policy is to only file annual financial information and operating data and listed event notices that are required under the Continuing Disclosure Documents and applicable federal securities laws. The Disclosure Coordinator may determine to file voluntary disclosure information that is not required under the Continuing Disclosure Documents.

G. CDIAC Reports

The Disclosure Coordinator shall ensure that the preparation of the CDIAC Reports shall commence as required under State law. Before any report is submitted to CDIAC, the Disclosure Coordinator shall confer with the Disclosure Working Group as needed regarding the content and accuracy of any CDIAC Report.

IV. DOCUMENTS TO BE RETAINED

The Disclosure Coordinator shall be responsible for maintaining records demonstrating compliance with these Continuing Disclosure Procedures. The Disclosure Coordinator shall retain an electronic or paper file ("Disclosure File") for each Annual Report that the District files or causes to be filed on EMMA. Each Disclosure File shall include final versions of the Continuing Disclosure Documents; written confirmations, certifications, letters and legal opinions described herein; copies of these Continuing Disclosure Procedures and a list of individuals to whom they have been distributed and the dates of such distributions; and a written record of the dates of meetings and/or conference calls of the Disclosure Working Group. The Disclosure File shall be maintained in a central depository for a period of five years from the later of the date of delivery of the securities referenced in the Continuing Disclosure Document, or the date the Continuing Disclosure Document is published, posted, or otherwise made publically available, as applicable.

V. EDUCATION

- A. The CFO shall ensure that the Disclosure Coordinator and the Disclosure Working Group are properly trained to understand and perform their responsibilities. Such training may include training sessions conducted by consultants with expertise in municipal securities law, municipal securities compliance and disclosure or by attendance at conferences, or other appropriate methods identified by the CFO.
- B. The District shall engage a law firm of nationally recognized standing in matters pertaining to the federal securities laws ("Disclosure Counsel") to provide a seminar at least every three years, which shall be attended by the Disclosure Coordinator, representatives of the Chief Financial Officer and the General Counsel, and members of the District's Board of Education. Members of the Bond

Oversight Committee should also be invited to participate in such seminar. Such seminar shall include a review of the District's disclosure compliance initiatives during the prior twelve-month period.

VI. AMENDMENTS

Other than timely meeting the requirements of its Continuing Disclosure Documents continuing disclosure certificates, any provisions of these Continuing Disclosure Procedures may be waived or amended at any time upon consultation with the CFO.

APPENDIX C

LOS ANGELES UNIFIED SCHOOL DISTRICT INTERNAL CONTROL PROCEDURES

I. PURPOSE

These internal control procedures (“Internal Control Procedures” or “Procedures”) of the Los Angeles Unified School District (the “District”) are intended to ensure that the proceeds of the issuance general obligation bonds (“GO Bonds”), certificates of participation (“COPs”) and other lease-backed financings, tax and revenue anticipation notes (“TRANS”) and other forms of indebtedness will be directed to the intended and allowable use.

II. BACKGROUND

The District has been authorized by voters to issue up to \$20.6 billion in GO bonds under five separate bond measures. Pursuant to the requirements of the bond measures, the Bond Oversight Committee (BOC) was established. The BOC is a 15-member independent oversight panel that reviews the recommendations for expenditure of the bond proceeds.

The District issues COPs to fund other capital needs not covered by the GO Bond authorizations. The Capital Fund Compliance Office was established to monitor the use of the proceeds from the issuance of GO Bonds and COPs.

District schools and offices enter into capital lease agreements for various equipment items such as computers, printers and copiers. The process for lease agreements is outlined in the District’s procurement manual.

III. KEY CONTROL ACTIVITIES

A. Authorization and Approval of Projects

1. A Strategic Execution Plan is presented to the Board of Education outlining the proposed projects, funding sources (primarily GO bonds) and project schedule.
2. The BOC meets monthly to review and to adopt resolutions recommending the expenditure of bond funds to the Board of Education. LAUSD staff present proposed projects to the BOC for consideration as "Strategic Execution Plan" (SEP) amendments.

3. After the review and recommendation from the BOC, the Board of Education reviews and adopts the amendments to the SEP.

B. Budget and Expenditure Authorization

1. Initial budgets and budget adjustments (BAs), such as those to create and control positions, for GO bond and COPs funding sources are reviewed and approved by the Office of Capital Fund Compliance for:
 - a. Required Board and BOC project approval
 - b. Appropriate use of funds under state and federal law
2. Expenditure transfers for GO bond and COPs funding sources are reviewed and approved by the Accounting and Disbursements Division for appropriate accounting treatment, and then approved by the Office of Capital Fund Compliance for bond-eligibility.

C. Procurement Manual

The District's procurement manual outlines internal control procedures for procuring supplies, equipment, and general and professional services, including contracts and equipment leases.

D. Equipment Inventory

Each District site is required to maintain equipment inventory records for equipment whose current market value exceeds \$500. The requirements and guidelines for inventory records are outlined in District Bulletin #BUL-953.1.

E. Fixed Assets Module

The District uses SAP's Fixed Asset Module to account for the District's fixed assets. This serves as a subsidiary ledger for fixed assets and handles the acquisition, depreciation and retirement of assets.

F. SAP

The District uses SAP for recording financial transactions. This provides for a workflow process that is used for enforcing internal controls. It also provides an audit trail for all transactions.

G. Audits

1. The GO Bond Funds are audited as part of the District's Annual Financial Audit.
2. The GO Bond Funds are also subject to an Audit of Agreed-Upon Procedures

each year.

3. COPs proceeds and capital leases are audited as part of the District's Annual Financial Audit

IV. References

- A. Facilities Strategic Execution Plans

<http://www.laschools.org/new-site/sep/>

- B. Facilities Policies and Procedures

<http://mo.laschools.org/policies-procedures/>

- C. ITD Strategic Execution Plans

<http://achieve.lausd.net/page/361>

- D. Procurement Manual

<http://achieve.lausd.net/Page/7468>

- E. Equipment Inventory Bulletin

http://notebook.lausd.net/pls/ptl/docs/PAGE/CA_LAUSD/FLDR_ORGANIZATIONS/FLDR_OFFICE_OF_CFO/INVENTORY%20BULLETIN%20953.PDF

CAPITAL BUDGET

For up-to-date information about the District's major capital programs, please visit the following District websites:

Existing and New Facilities:

<http://www.laschools.org/new-site/sep/>

Information Technology Division:

<https://achieve.lausd.net/page/12419>

GLOSSARY AND ABBREVIATIONS

GLOSSARY

Abatement – A complete or partial cancellation of an expenditure or revenue item.

Academic Performance Index (API) – The API measures student achievement on certain standardized tests. Several Governor's Initiative programs use schools' API scores and their growth over time on the Index to determine funding.

Accounts Payable – Amounts due and owed to private persons, business firms, governmental units, or others for goods received and/or services rendered. It includes amounts billed but not yet paid.

Accounts Receivable - Amounts due and owed from private persons, business firms, governmental units, or others for goods received and/or services rendered. It includes amounts billed but not received.

Accrual Basis of Accounting – An accounting method in which revenues are recorded when earned, and expenditures when a liability is incurred, regardless of when the receipt or payment of cash takes place. School districts use the accrual basis of accounting for proprietary funds such as the Cafeteria and Self-Insurance funds, and fiduciary funds such as the Annuity Reserve Fund. (See "Cash Basis of Accounting" and "Modified Accrual Basis of Accounting").

Administered Budget – An administered budget refers to resources managed by a division but spent elsewhere. For example, Facilities Services Division manages the utilities budget for schools and offices, but the expenditures are distributed to schools and offices.

Administrative Service Charge – A credit (negative) amount budgeted to reflect indirect administrative services costs charged to certain programs. This is necessary to eliminate duplication of the cost in the total District budget.

Ad Valorem Tax – A tax based on a percentage of the value of goods or services.

Arbitration – A form of alternative dispute resolution in which a third party reviews the evidence in the case and imposes a decision that is legally binding for both sides and enforceable.

Appropriation – An authorization granted by the governing board to make expenditures and to incur obligations for special purposes. An appropriation is usually limited in purpose, amount, and the time period during which it may be expended.

Audit – An examination of documents, records, and accounts for the purpose of (1) determining the propriety of transactions; (2) ascertaining whether transactions are recorded properly; and (3) determining whether statements drawn from accounts reflect an accurate picture of financial operations and financial status for a given period of time.

Authorized (budgeted) Amount – The maximum budget authority granted by the governing board, as opposed to the "estimated amount". "Authorized" and "estimated" amounts will differ when, for example, actual grant revenues or expenditures are projected to be less than the authorized amount.

Authorized Positions – Positions, both filled and vacant, for which authority is provided in the budget.

Average Daily Attendance – A measure of pupil attendance used as the basis for providing revenue to school districts and as a measure of unit costs. Only in-seat attendance is counted in computing ADA.

Base Grant Funding – In LCFF, it is the result of multiplying the Base Grant Per ADA of each grade span by the funded ADAs of each respective grade span. All students generate Base funding.

Bond – A certificate containing a written promise to pay a specified amount of money, called the face value, at a fixed time in the future, called the date of maturity, and specifying interest at a fixed rate, usually payable periodically.

Budget – A plan of financial operation consisting of an estimate of proposed revenue and expenditures for a given period and purpose. The term usually indicates a financial plan for a single fiscal year.

Budget Adjustment (or “Budget Transfer”) – Is an adjustment that may increase or decrease revenues or expenditures, or a change in amounts between objects of expenditures. The adjustment can be for the current fiscal year or for multi-years.

California State Lottery – Proposition 37, passed by the voters in November 1984, established the California Lottery. The lottery distributes funds to school districts for instructional purposes. Lottery funds cannot be used for purchase or construction of facilities, for land, or research. Because the initiative does not define “instructional,” school districts have wide latitude in the use of lottery funds. Districts are required to utilize 50% of any increased funding above the 1997-1998 base year for instructional materials.

Capital Expenditures – According to the California School Accounting Manual, capital expenditures are those “for sites, buildings, books, and equipment, including leases with option to purchase, that meet the LEA’s (Local Education Agency) threshold for capitalization.” Categories of expenses recorded as capital expenditures include land, buildings, site improvements, and some types of equipment. Equipment also includes library books and project management costs that can be assigned to an individual capital project.

Capital Outlay – Amounts paid for fixed assets or additions to fixed assets, including land or existing buildings, improvement of grounds, construction of buildings, additions to buildings, remodeling of buildings, or initial and additional equipment.

Capital Project Funds – District funds dedicated to facilities construction and repair.

Career Technology Education - A program of study that involves a multiyear sequence of courses that integrates core academic knowledge with technical and occupational knowledge to provide students with a pathway to postsecondary education and careers.

Carryover (or Carryforward) – Unexpended balances that are carried forward from one fiscal year to the next in accordance with programmatic or District guidelines. Funds may carry forward at a particular cost center or may be carried forward and redistributed as part of a new fiscal year’s allocation depending on program guidelines.

Cash Basis of Accounting – An accounting method in which revenues are recorded when cash is received and expenditures (or expenses) are recorded when cash is disbursed. School districts do not use the cash basis of accounting. (See “Accrual Basis of Accounting” and “Modified Accrual Basis of Accounting”).

Categorical Programs – Programs that fund activities that are supplemental to the District's basic instructional program. These programs may be included in the General Fund Restricted, Unrestricted, or in a number of special funds.

Certificated Salaries – Salaries paid for services that require a teaching credential. These include teachers, counselors, assistant principals, and principals.

Certificates of Participation (COPs) – A financing technique which provides funding through the sale of papers backed by a specific capital asset for capital cost items.

Charter School – Under State law, charter schools operate semi-autonomously of the District. A locally-funded (affiliated) charter school continues to receive funding from the District but develops curriculum that may differ from that of a non-charter school. A direct-funded (fiscally-independent) charter school receives funding directly from the State and develops curriculum in compliance with state and federal guidelines.

Child Days of Enrollment – Children's centers generate revenue based on Child Days of Enrollment as opposed to K-12 schools which uses average daily attendance as the basis for revenue.

Civic Center Rentals - Rental of space at school sites during non-school hours by designated groups. The District is required to charge an appropriate amount for the use of the facilities. These charges become part of the District's General Fund revenues.

Classified Salaries – Salaries for services that do not require a teaching credential such as clerical and custodial staff.

COLA – See "Cost of Living Adjustment"

Common Core State Standards (CCSS) - Common standards across all states for English and Math. This is a change from the previous state-by-state systems. Instead of taking the California Standards Test in May, students will take the new test, called the Smarter Balanced Assessment.

Community Day School (CDS) – A school site that serve students who have been expelled, referred by SARB, or denied attendance at a regular school site. By law, these schools must be located on sites separated from regular District campuses.

Compensatory Education – Comprised of Every Student Succeeds Act Titles I (Socioeconomically Disadvantaged Students), II (High Quality Teachers), and III (English Learners). Provides supplemental funding for schools qualifying for resources under program guidelines.

Concentration Grant Funding – In LCFF, school districts that have unduplicated pupil percentage greater than 55% are entitled to the Concentration Grant Funding. For each grade span, this is calculated by multiplying the Base Grant Funding by the Unduplicated Pupil Percentage in excess of 55% times 50%.

Concurrently-Enrolled – Students that are enrolled simultaneously in a K-12 school and in a Regional Occupational Center or Adult Education Program.

Continuous – See "Ongoing."

Cost of Living Adjustment (COLA) - This is a percentage calculated by the State and is based on the Implicit Price Deflator as of the month of May prior to the beginning of each fiscal year. The LCFF rates per ADA are increased annually to reflect the COLA.

Current Expense of Education – The current General Fund operating expenditures for kindergarten through grade twelve. This excludes expenditures for food services, community services, non-agency activities, fringe benefits for retired persons, acquisition and construction of facilities, and other outgo items.

Debt Limit – The maximum amount of legally-permitted debt.

Debt Service – Expenditures for retirement of debt and interest on debt (e.g., COPS and bonds).

Deficit Spending – The excess of actual expenditures over actual revenues (also referred to as an operating deficit).

Designated Ending Balance – The portion of the previous year's ending balance committed by statute or by District policy and therefore unavailable for general purpose spending.

Developer Fees – District revenue resulting from fees levied upon new residential, commercial, or industrial development projects within the District's boundaries in order to obtain additional funds for the construction of schools.

Direct Services – Services that are delivered at a school site where the student is the direct recipient or beneficiary of the services. Examples include personnel that provide direct, hands-on instruction to students.

District-Defined Programs – Programs within the General Fund that are summarized as distinct programs within the budget document. District-Defined Programs are selected for increased transparency in the budget because they have significant financial implications or because the Board has indicated a desire that financial information about the program be reflected in the budget document.

Education Protection Act (EPA) - The Education Protection Account (EPA) provides local educational agencies (LEAs) with general purpose state aid funding pursuant to Proposition 30, The Schools and Local Public Safety Protection Act of 2012, approved by the voters on November 6, 2012. The EPA funding is a component of an LEA's total LCFF entitlement as calculated in the Principal Apportionment.

Elementary and Secondary Education Act (ESEA) - In 1965, President Lyndon B. Johnson passed the Elementary and Secondary Education Act as a part of the "War on Poverty." ESEA emphasizes equal access to education and establishes high standards and accountability. The law authorizes federally funded education programs that are administered by the states. In 2002, Congress amended ESEA and reauthorized it as the No Child Left Behind Act (NCLB). In 2015, Congress amended NCLB and reauthorized it as the Every Student Succeeds Act (ESSA).

Employee Benefits – Expenditures for employer contributions to retirement plans, for social security, workers' compensation, unemployment insurance, health and medical benefits, and other employee "fringe benefits."

Encroachment – Costs of a district-defined program such as Special Education that exceed the program's earned income. Encroachment is covered through inter-program adjustments, usually from General Fund – Unrestricted Program resources.

Encumbrance – An obligation such as a salary, purchase order, contract, or other commitment to spend, that has been recognized in the accounting records but not yet finalized as a formal expenditure.

Enterprise Funds – Funds used to account for activities of an LEA (Local Education Agency) that, because of their income-producing character, are similar to those found in the private sector.

Entitlement – An apportionment that is based on specific qualifications or a formula defined in statute.

Estimated (Budgeted) Amount – The estimated amount of revenues or expenditures, as opposed to the "authorized" amount, which is the maximum budget authority granted by the governing board. "Authorized" and "estimated" amounts will differ when, for example, actual grant revenues or expenditures are projected to be less than the authorized amount.

Every Student Succeeds Act (ESSA) – ESSA was signed by President Obama on December 20, 2015, and reauthorizes the 50-year-old Elementary and Secondary Education Act (ESEA), the nation's national education law. See "Elementary and Secondary Education Act (ESEA)"

Expenditure – The cost of goods received or services rendered.

Federal Emergency Management Act (FEMA) – A funding source for building repairs related to the January 17, 1994 earthquake, and for hazard mitigation measures. FEMA funds may also be allocated for other natural disasters.

Federal Jobs Bill - United States Senate Bill S3206, otherwise known as the Keep Our Educators Working Act of 2010, provided \$23 billion to help keep teachers, principals, librarians and other school personnel employed as states faced crippling budget shortfalls.

Fees – Amounts collected from or paid to individuals or groups for services or for use of a facility or service rendered.

Fiduciary Funds – District funds utilized as holding accounts for amounts owed to employees under various agreements.

Final Budget – The Final Budget is the District's official operating budget upon board adoption, which must occur prior to June 30 of the preceding budget year. The Final Budget is submitted to the Los Angeles County Office of Education (LACOE) for approval in accordance with guidelines provided in the Education Code.

Fiscal Year – A period of one year, the beginning and ending dates of which are fixed by statute. The fiscal year for California school districts begins July 1st and ends on June 30th.

Function – Under the Standardized Account Code Structure (SACS), function refers to activities or services performed to accomplish a goal.

Fund – A sum of money or other resources set aside for the purpose of carrying on specific activities or attaining certain objectives.

Fund Balance – According to the California School Accounting Manual (Procedure No. 207), the fund balance is determined by subtracting the fund's total liabilities from the total assets. The difference is the fund balance.

Fund Balance Classification - GASB 54 implements a five-tier fund balance classification that depicts the extent to which the district is bound by spending constraint imposed on the use of its resources.

- **Non-spendable Fund Balance** consists of funds that cannot be spent due to their form. These include inventory and prepaid items or funds that are legally or contractually required to remain intact, such as the principal of a permanent endowment.
- **Restricted Fund Balance** consists of funds that are subject to externally imposed and legal constraints.
- **Committed Fund Balance** consists of funds that are subject to internal policies and constraints. These policies are self-imposed by the District's highest level of decision making authority.
- **Assigned Fund Balance** consists of funds that are intended to be used for a specific purpose by the district's highest level or an official with the authority to assign funds.
- **Unassigned Fund Balance** consists of residual fund balance that has not been classified in the previous four categories. It represents resources available for future spending.

General Fund – The fund used to summarize costs of the District's basic operations. The District's General Fund includes both restricted and unrestricted activities.

Goal – Under the Standardized Account Code Structure (SACS), a goal defines an objective or set of objectives for the LEA (Local Education Agency). It is used to account for the cost of instruction and other services by the instructional goals and objectives of an LEA.

Governor's Budget – The Governor's Proposed State Budget, or "Governor's Budget," is published each January, and represents his initial public disclosure of his financial assumptions and spending priorities for the coming fiscal year.

Grade Span – In LCFF, it refers to the grouping of student grade levels such as K-3, 4-6, 7-8, and 9-12.

Grant – A contribution, either in money or material goods, made by federal, state, or local entities to the District. Grants may be competitive or formula-based entitlements.

Implemented Budget – Budget for restricted programs that has been allocated to specific appropriations for expenditure.

Indirect Cost – Elements of cost necessary in the operation of a district or in the performance of a service that are of such nature that the amount applicable to each accounting unit cannot be determined readily. It consists of those business and administrative costs (e.g., accounting, budgeting, personnel, purchasing) that benefit the entire district.

Indirect Cost Rate – A method for claiming reimbursement of indirect costs from federal and state categorical funds. It is the ratio (expressed as a percentage) of the indirect costs to direct base costs.

Inter-fund Transfers – Income and expenditures initially recorded in the General Fund and then transferred, in accordance with accounting requirements, to a special fund.

Interim Reports – Accounting reports prepared as of a date or a period during the fiscal year. They include budgetary estimates, financial transactions during current year-to-date, and end-of-year projections. California school districts are required to publish a first interim report in December based upon October data, and a second interim report in March based on January data. A third interim report may be required by the County Office of Education if it has significant concerns regarding the financial viability of a district.

Internal Service Funds – District funds dedicated to self-insurance of costs such as employee health and medical benefits, liability insurance, and worker's compensation.

Inter-program Costs – Costs of a district-defined program that exceed the program's income must be covered from other General Fund revenues. Such costs are covered through "inter-program" transfers from the unrestricted General Program.

LCAP – Local Control Accountability Plan – See "Local Control Accountability Plan" below.

LCFF – Local Control Funding Formula – See "Local Control Funding Formula" below.

Least Restrictive Environment – A special Education program; describes the legal requirement to educate students with disabilities with their non-disabled peers to the greatest extent appropriate.

Limited – See "One-time."

Local Control Accountability Plan (LCAP) – A Board-adopted Districtwide plan identifying the academic interventions and strategies that will be implemented to address the academic needs of students receiving supplemental and concentration funding under the Governor's Local Control Funding Formula (LCFF). The plan is a required component of the annual District budget document adopted by each district Board of Education.

Local Control Funding Formula (LCFF) – The Governor's public education funding reform, which replaced the Revenue Limit funding formula and most state categorical sources, with a base grant funding, and needs-based supplemental grant funding based on the number of identified students who are English Learners, socio-economically disadvantaged, or who are in foster care. The formula also provides a concentration grant funding for Districts with unduplicated student counts exceeding 55% in any one of the previously mentioned supplemental funding categories.

Local Education Agency (LEA) – This pertains to a school district, a charter school, or a county office of education which operates a public elementary or secondary school.

Mandated Cost Reimbursements – The California constitution requires that the State reimburse local governmental entities, including school districts, for the cost of complying with State or court mandates. The reimbursement is known as a Mandated Cost Reimbursement.

May Revision (or "May Revise") – Published each May, this State document updates the Governor's Budget published in January with regard to the Governor's State revenue projections and spending priorities for the coming fiscal year.

Measure K – The "Safe Healthy Neighborhood Schools Act (of 2002)" is a school bond measure that authorizes LAUSD to issue \$3.35 billion in bonds for repair and renovation of existing schools and to build neighborhood schools to improve local schools and relieve classroom overcrowding. Passed by 64% of the Los Angeles County voters; November 2002. <http://www.laschools.org/bond/faq>

Measure Q – The “Safe, Healthy Neighborhood Schools Act (of 2008)” is a school bond measure that authorizes LAUSD to issue \$7 billion in bonds to continue repair/upgrade of aging classrooms. Passed by 69% of the Los Angeles County voters; November 2008. <http://www.laschools.org/bond/faq>

Measure R – The “Safe and Healthy Neighborhood Schools Improvement Act of 2004” is a school bond measure that authorizes LAUSD to issue \$3.87 billion in bonds to continue repair/upgrade of aging classrooms and build neighborhood schools. Passed by 63% of the Los Angeles County voters; March 2004. <http://www.laschools.org/bond/faq>

Measure Y – The “Safe and Healthy Neighborhood Schools Repair and Construction Measure of 2005” is a school bond measure that authorizes LAUSD to issue \$3.985 billion in bonds to continue repair/upgrade of aging classrooms and to build new neighborhood schools. Passed by 66% of the Los Angeles County voters; November 2005. <http://www.laschools.org/bond/faq>

Modified Accrual Basis of Accounting – In the modified accrual basis of accounting, revenues are recognized in the period when they become available and measurable, and expenditures when a liability is incurred, regardless of when the receipt or payment of cash takes place. School districts use the modified accrual basis of accounting for operating funds such as the General Fund and Adult Education Fund.

Multi-year Financial Plan – A plan that presents financial estimates of programs in tabular form for a period of years. These estimates reflect the future financial impact of current decisions. California school districts are required to publish three-year financial plans reflecting estimates for the budget year and two subsequent fiscal years.

Next Generation Science Standards (NGSS) - New K–12 science standards have been developed that are rich in content and practice, arranged in a coherent manner across disciplines and grades to provide all students an internationally benchmarked science education.

Norms – For most schools, the District uses Board-approved “norms” to determine the base number of teachers, school administrators, school clerical positions, and various resources at each school. Norms generally use student enrollments to determine the resources to be allocated to individual schools. For example, norms may dictate that schools should receive 1 teacher per 30 students, one clerical employee per 100 students, one counselor per 500 students, etc.

To calculate norm allocations, the District uses the number of students enrolled at each school on “norm day,” which is generally the Friday of the fourth week of school. Other factors may also be used in norm allocations. For example, the allocation of custodians is based on a complex formula that includes the school’s square footage. The District norms are published in the form of “norm tables” which describe the factors utilized in determining the individual norms.

Objects of Expenditure – California school districts are required to develop their budgets and report expenditures by “Object of Expenditure,” which reflects specific categories of cost such as Teachers’ Salaries, Textbooks, etc.

One-time – Revenue or expenditure line-items not expected to continue into the subsequent year.

Ongoing – Revenue or expenditure line-items that are expected to continue into the subsequent year.

Operational Budget – The positions and other resources which enable an operating unit to perform the functions for which it is responsible. Distinguished from administered budgets in that the unit controlling and benefiting from the resources are one and the same.

Overdraft – The amount by which expenditures and encumbrances exceed the budget available for them.

Pending Distribution – Accounts in the budget held for distribution to expendable appropriations during the course of the fiscal year. Generally, funds are placed in a Pending Distribution account because of funding uncertainty or because no spending plan has been received. Funds must be transferred from the Pending Distribution account to expendable accounts before spending may occur.

Position Control – A system developed to control salary and benefit costs by comparing budgeted positions to assignments and payroll so that only employees with budgeted positions and active assignments can be paid.

Program Code – Five-digit code used in budgeting and controlling expenditures. Use of program codes facilitates tracking and identification of specific expenditures. Also referred to as *Appropriation Code*.

Proposition 20 - The “Cardenas Textbook Act of 2000” – changed the way the portion of the state's annual lottery revenues are distributed to public education by mandating that of the future growth in lottery funds, 50-percent of that increase must go to K-14 public schools to be spent on instructional materials. Passed by **53%** the **California** voters; March 2000.

[http://ballotpedia.org/California_Proposition_20,_Lottery_Funds_for_Textbooks_\(2000\)](http://ballotpedia.org/California_Proposition_20,_Lottery_Funds_for_Textbooks_(2000))

Proposition 30 - The Schools and Local Public Safety Protection Act of 2012, approved by the voters on November 6, 2012, temporarily increases the state’s sales tax rate for all taxpayers and the personal income tax rates for upper-income taxpayers. This partly funds the LCFF.

Proposition 39 – The California Energy Conservation Grant, provides funding to support energy efficiency and alternative energy projects, along with related improvements and repairs that contribute to reduced operating costs and improved health and safety conditions in public schools.

Proposition 47 – The “Kindergarten-University Public Education Facilities Bond Act of 2002” – Authorized California to issue \$13.05 billion in bonds to provide funding for necessary education facilities to relieve overcrowding and to repair older schools. Funds will be targeted to areas of the greatest need and must be spent according to strict accountability measures. Passed by 59% of the California voters; November 2002.

[http://ballotpedia.org/California_Proposition_47,_Bonds_for_School_Construction_\(2002\)](http://ballotpedia.org/California_Proposition_47,_Bonds_for_School_Construction_(2002))

Proposition 49 – The “Before and After School Programs Act,” increased funding for before and after school programs in California. Starting in 2004-2005, it permanently earmarked a portion of the state's general fund for before and after school programs. Passed by 56.7% of the California voters; November 2002.

[http://ballotpedia.org/California_Proposition_49,_Funding_for_Before_and_After_School_Programs_\(2002\)](http://ballotpedia.org/California_Proposition_49,_Funding_for_Before_and_After_School_Programs_(2002))

Proposition 55 – The “State Kindergarten-University Public Education Facilities Bond Act of 2004” authorized the State of California to issue \$10 billion of general obligation bonds for construction and renovation of K-12 school facilities and \$2.3 billion of general obligation bonds for construction and renovation of higher education facilities. Passed by 50.1-percent of the California voters; March of 2004.

[http://ballotpedia.org/California_Proposition_55,_Bonds_for_Schools_\(March_2004\)](http://ballotpedia.org/California_Proposition_55,_Bonds_for_Schools_(March_2004))

Proposition 98 – The “Classroom Instructional Improvement and Accountability Act (of 1988): requires a minimum percentage of the state budget to be spent on K-14 education, guaranteeing an annual increase in education in the California budget. As a result of Proposition 98, a minimum of 40% of California's general fund spending is mandated to be spent on education. Passed by 50.7-percent of the California voters; November 1988.

[http://ballotpedia.org/California_Proposition_98,_Mandatory_Education_Spending_\(1988\)](http://ballotpedia.org/California_Proposition_98,_Mandatory_Education_Spending_(1988))

Proposition BB – A school bond measure that authorizes LAUSD to use \$2.4 billion in bonds for the construction of new schools and the repair and modernization of existing schools through the district to improve local schools and relieve classroom overcrowding. Passed by 71% of the Los Angeles County voters; April 1997. <http://www.laschools.org/bond/faq>

Proportionality Requirement – A Local Control Funding Formula calculation that identifies the minimum level of increased or improved services for students in need that must be demonstrated by the District each year.

Public Employees’ Retirement System (PERS) – Unless exempted by state law, classified employees, their district, and the State contribute to this retirement fund.

Quality Education Investment Act – Funds approved as part of the settlement of the *CTA v. Schwarzenegger* lawsuit, intended to improve education, primarily through class-size reduction, at Decile 1 and 2 schools. Funds are provided over a seven-year period, with participating schools determined through a random lottery. Schools must meet achievement criteria in order to remain eligible for funding. Funding for this program began in 2007-08.

RAB – See “Reserve for Anticipated Balances”

Regional Occupational Centers (ROC) – Provide vocational training classes for high school youth and adults in a variety of occupations.

Requisition – A document submitted initiating a purchase order to secure specified articles, services, or issuance of materials from stores, a warehouse, or a vendor.

Reserve – An account used to earmark a portion of a Fund, to indicate that it is not currently available for expenditure or is set aside for future use at the Board’s discretion. Amounts held in reserve cannot be expended without the Board’s formal approval.

Reserve for Anticipated Balances (RAB) – The Reserve for Anticipated Balances serves to identify the difference between the estimated and authorized budgeted revenues and/or authorized and estimated expenditures in the adopted budget.

Reserve for Economic Uncertainties (REU) – Districts are required to maintain a reserve to offset the potential impact of unanticipated expenditures or revenue shortfalls. For LAUSD, it is a minimum of 1% of General Fund total expenditures and other financing uses.

Restricted – Program funding that is limited to specific students or types of expenditure, e.g., Title I, AB 602 Special Education funds, etc. See “Categorical” and “Unrestricted.”

Revenues – The funding available to an organization from outside sources. Revenues are the primary financial resource of a fund.

Routine Restricted Maintenance Account or Routine Repair and General Maintenance Program – Provides for the repair of school district buildings, equipment, and grounds, as well as for planning and implementation of alterations and improvements of existing structures. School districts are required to commit 3% of their budgeted total General Fund expenditures and other financing uses for purposes of routine repair and general maintenance as a condition of participating in the State building program. The General Fund transfer to the Deferred Maintenance Fund, if any, can comprise half of one percent. Maintenance costs to other funds such as the Adult Education Fund or Child Development Fund can also be applied toward the 3% requirement.

SACS-2000 – The form used by local school districts to report financial information to the County Office of Education. It replaced the J-200 reporting form. “SACS” is the abbreviation commonly used for Standardized Account Code Structure.

Smarter Balanced Assessments - Next-generation assessments that are aligned to the Common Core State Standards (CCSS). (<http://www.corestandards.org/>) in English language arts/literacy and mathematics for grades 3-8 and 11. The Smarter Balanced Assessment System will give parents and students more accurate and actionable information about what students are learning. Because these assessments are computer adaptive (<http://www.smarterbalanced.org/assessments/>), they will also provide better information about the needs and successes of individual students.

Special Education Program – A school-based program providing instruction and support services based on an Individualized Education Program (IEP). To qualify for an IEP, a student must be assessed and determined to have a disability as defined by the Individuals with Disabilities Education Act (IDEA) and have a need for specialized services in order to access the instructional program.

Special Education Local Plan Area (SELPA) – IDEA requires that each State organize in a way that allows effective programming and services be provided to students with disabilities. In the State of California, the mechanism used to meet this requirement is the Special Education Local Planning Area or SELPA. Each SELPA develops and maintains a local plan describing how special education programs and services are provided to students with disabilities within the boundaries of the SELPA. Due to its size, the Los Angeles Unified School District is a single-district SELPA.

Special Education – Low Incidence – In order to ensure students with certain disabilities have access to highly specialized equipment and materials, the State of California provides restricted funding to support the needs of students who are Deaf or Hard of Hearing, Blind or Visually Impaired and/or who have serious physical disability. The state refers to these disabilities as “low incidence.”

Special Funds – Separate financial entities within the budget which provide for specified activities, as defined in the California Education Code. Examples are Adult Education Fund, Building Fund, Cafeteria Fund, etc.

Standardized Account Code Structure (SACS) – Statewide standardization of school district budgeting and accounting codes in order to increase uniformity of accounting and facilitate statewide data collection and analysis.

State Teachers’ Retirement System (STRS) – State law requires certificated employees, school districts, and the State to contribute to this retirement fund.

Statutory COLA – See “Cost of Living Adjustment”

Student Body Fund – An agency fund to control the receipts and the disbursements of student association activities. Student body funds are not the property of the school district and are not reflected in the District budget or accounts.

Student Equity Needs Index (SENI) – An index of school needs that includes community indicators such as suspension rates and English language arts and math assessments, as well as traditional indicators such as low-income and English learner student populations.

Student Integration Program – Combined the Court-Ordered and Voluntary Desegregation Programs to create a wide variety of programs to address the harms of racial isolation in District schools. The *Crawford v. LAUSD* legal decision formally created this program.

Supplemental Grant Funding – In LCFF, every student identified as either English Learner, eligible for free or reduced-priced meal, or foster youth, generate this funding. This is calculated by multiplying the Base Grant Funding by the Unduplicated Pupil Percentage times 20%. This funding is dedicated to students identified as indicated above.

Targeted Instructional Improvement Block Grant (TIIBG) – Funds the costs of ongoing desegregation efforts and, if funds remain, the needs of underachieving schools. It replaces Student Integration funding in the 2002-03 State Budget.

Targeted Student Population – Under the Local Control Funding Formula, targeted pupils are those classified as English learners (EL), meet income requirements to receive free or reduced-price meal (FRPM), foster youth, or any combination of these factors.

Tax and Revenue Anticipation Notes (TRANS) – Short-term notes issued in anticipation of receipt of revenues, typically for cash flow purposes.

Teachers As A Priority (TAP) Program – State-funded program intended to enhance the ability of low-performing schools to attract and retain quality teaching staff.

Undesignated Ending Balance – The portion of the current fiscal year's ending balance that is uncommitted and available for discretionary use for the following fiscal year. All balances are one-time in nature.

Ungraded – Some programs, such as special education, group children into classes based on ability level rather than grade level. Such programs are reflected in the "Ungraded" section of attendance/enrollment reports.

Unimplemented Budget – Reflects Restricted Program income that has not yet been received but is anticipated in the budget. As grants are received during the year, the budgets of these programs will be implemented, or placed into expendable appropriations.

Unrestricted – Refers to programs which provide funding that may be used for any educational purpose at the discretion of the Board of Education.

Weighted Student Formula – A method of allocating resources based on the characteristics of student populations. Weighted student formulas provide a basic per pupil allocation with additional resources – based on student weights – for economically-disadvantaged, English learners, special education, or other defined student populations.

ABBREVIATIONS

- A&I** – Alterations and Improvements of Buildings or Sites
- AB** – Assembly Bill. Applies to State legislation (e.g., Assembly Bill 602 would be abbreviated as AB 602)
- ABE** - Adult Basic Education Program
- ACA** – Assembly Concurrent Amendment
- ACR** – Assembly Concurrent Resolution
- ADA** – Average Daily Attendance
- AEP** – Adult Education Program
- AEWC** – Alternative Education and Work Center
- AFDC** – Aid for Dependent Children
- AP** – Advanced Placement
- API** – Academic Performance Index
- AYP** – Adequate Yearly Progress
- BA** – Budget Adjustment (“Budget Transfer”)
- BSA** – Budgeting for Student Achievement
- BTSA** – Beginning Teacher Support and Assessment
- CE** – Certificated Salaries
- CAEP** – California Adult Education Program
- CAH** – California High School Exit Examination
- CALPADS** – California Longitudinal Pupil Achievement Data System
- CalWORKs** – California Work Opportunity and Responsibility to Kids
- CAP** – Capacity Adjustment Program; a TIIBG/Student Integration Program
- CBEDS** – California Basic Education Data System
- CBEST** – California Basic Education Skills Test
- CBET** – Community-Based English Tutoring Program
- CDE** – Child Days of Enrollment (used in Child Development Fund)

- CDE** – California Department of Education
- CDS** – Community Day Schools
- COLA** – Cost of Living Adjustment
- Comp. Ed.** – Compensatory Education
- COPs** – Certificates of Participation
- CPI** – Consumer Price Index
- CPR** – California Performance Review
- CRA** – Community Redevelopment Agency
- CSAM** - California School Accounting Manual
- CSR** – Class Size Reduction
- CSR** – Comprehensive School Reform
- CST** – California Standards Test
- CTA** – California Teachers’ Association
- CTE** – Career Technology Education
- CTEIG** – Career Technology Education Incentive Grant
- CY** – Current Year
- DDP** – District-Defined Program
- DIS** – Designated Instructional Services (or Designated Instruction and Services); a Special Education program
- DOF** – California Department of Finance
- DRS**– Desegregated Receiver Schools; aTIIBG/Student Integration Program
- E.C.** – Education Code
- EIA** – Economic Impact Aid. This program has two components: EIA-Limited English Proficient and EIA-Compensatory Education
- ELAP** – English Language Acquisition Program
- EL** – English Learner

ELL – English Language Literacy Program

EPA – Education Protection Act

ERAF – Education Revenue Augmentation Fund

ERP – Enterprise Resource Planning

ESEA – Elementary and Secondary Education Act

ESSA – Every Student Succeeds Act

ESL – English as Second Language

FEMA – Federal Emergency Management Act, or Federal Emergency Management Agency

FRPM – Free or Reduced Price Meal

FSEP – Federal and State Education Programs

FTE – Full-time Equivalent

GAAP – Generally Accepted Accounting Principles

GASB – Governmental Accounting Standards Board

GATE – Gifted and Talented Education Program

GED – General Educational Development

GFOA – Government Finance Officers' Association

GO – General Obligation (Bond)

IASA – Improving America's Schools Act

IDEA – Individuals with Disabilities Education Act

IEP – Individualized Education Program

IMA – Instructional Materials (or "Materiel")

ITD – Information Technology Division

KLCS – TV – The District-owned and operated television station

LACOE – Los Angeles County Office of Education

LAEP – Los Angeles Educational Partnership

LAO – Legislative Analyst's Office

LCAP – Local Control Accountability Plan

LCFF – Local Control Funding Formula

LCI – Licensed Children’s Institution

LEA – Local Educational Agency

LEP – Limited English Proficient or Proficiency

LRE– Least Restrictive Environment; a Special Education program

NC – Non-Certificated (Classified) Salaries

NCLB – No Child Left Behind

NPA – Nonpublic Agency; a Special Education program

NPS – Nonpublic School; a Special Education program

NSF – National Science Foundation

OASDHI - Old Age, Survivors’, Disability and Health Insurance (Social Security)

OPEB – Other Post-Employment Benefits

P-1 – The First Principal Apportionment period (for attendance accounting and State allocation purposes)

P-2 – The Second Principal Apportionment period (for attendance accounting and State allocation purposes)

PD – Pending Distribution

PARS – Public Agency Retirement System

PERS – Public Employees’ Retirement System

PHBAO –Primarily Latino, Black, Asian, and Other Non-Anglo; a TIIBG/Student Integration Program

PI – Program Improvement

PL – Public Law. Applies to federal legislation (e.g., Public Law 94-142 would be abbreviated as PL 94-142)

PPF – Per Pupil Funding

PSP – Priority Staffing Program; a TIIBG/Student Integration Program

PWT – Permits With Transportation; a TIIBG/Student Integration Program

PYA – Prior Year Adjustment

QEIA – Quality Education Investment Act

QZAB – Qualified Zone Academy Bonds

RIF – Reduction in force

ROC/P – Regional Occupational Centers/Programs

RRGM – Routine Repair and General Maintenance

RSP – Resource Specialist Program; a Special Education Program

SACS – Standardized Account Code Structure

SARB – School Attendance Review Board

SARC – School Accountability Report Card

SB – Senate Bill. Applies to State legislation (e.g., Senate Bill 602 would be abbreviated SB 602)

SBE – State Board of Education

SCA – Senate Constitutional Amendment

SDC – Special Day Class; a Special Education program

SELPA – Special Education Local Plan Area

SENI – Student Equity Needs Index

SFP (or SFEP) – Specially-Funded Programs (or Specially-Funded Educational Programs). Now referred to as restricted programs.

SI – School Improvement Program

SRLDP – School Readiness Language Development Program; a TIIBG/Student Integration Program

STAR – Standardized Testing and Reporting

STRS – State Teachers' Retirement System

TAP (or TAAP) – Teachers As A Priority

TIIBG – Targeted Instructional Improvement Block Grant

TRANS – Tax and Revenue Anticipation Notes

TSP – Targeted Student Population

TUPE – Tobacco Use Prevention Education

UCTP – Urban Classroom Teacher Program; a TIIBG/Student Integration Program

WIA – Workforce Investment Act

WIOA – Workforce Investment and Opportunity Act (replaced WIA)

YRS – Year-Round Schools