

# Budget Workshop

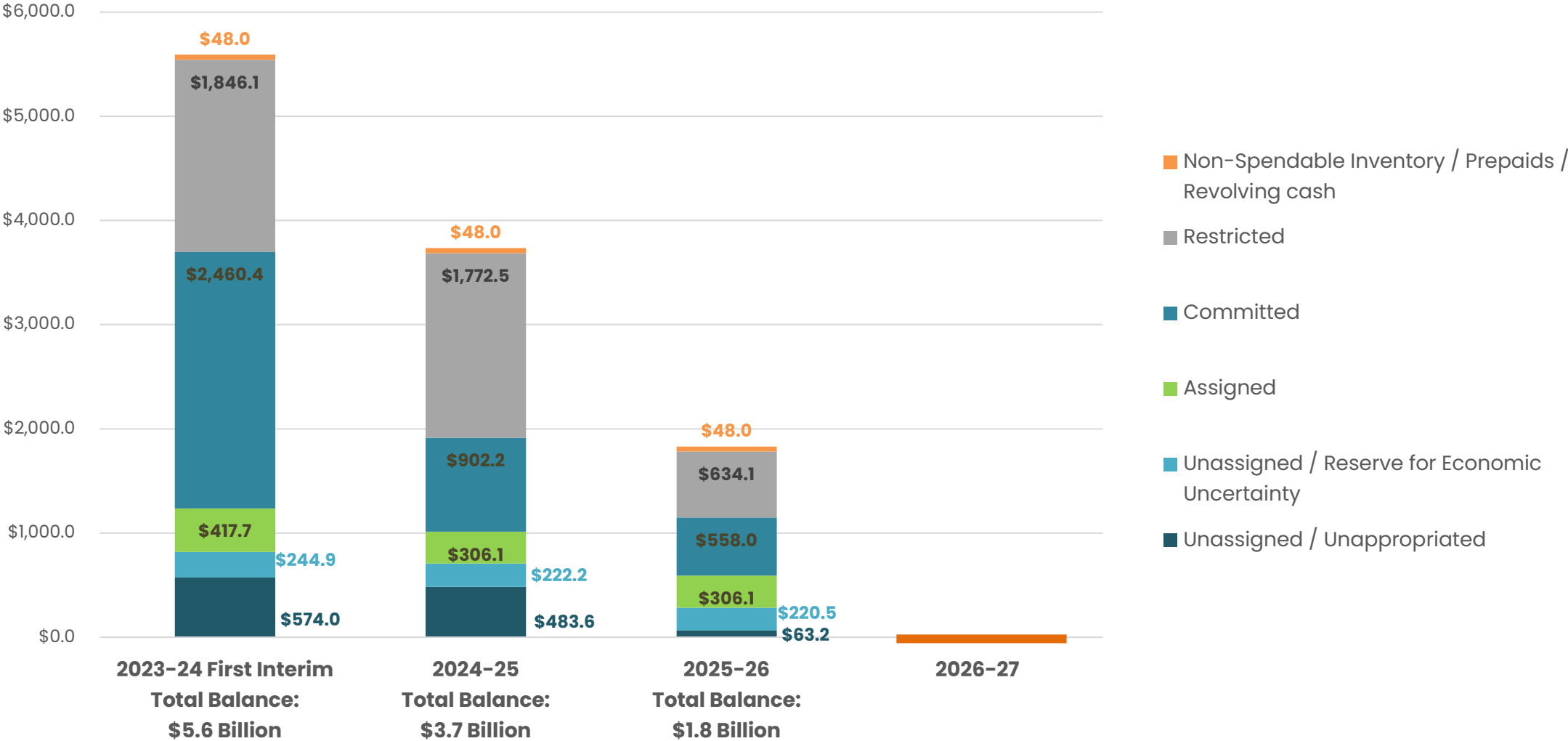
Board of Education  
December 15, 2023

# Agenda

- Icebreaker – Fiscal Health and Sustainable Budgeting
- Building Understanding: Budget Lifecycle
- Challenges
- Problem of Practice & Board Discussion
- Looking Ahead

# Multi-Year Projection: Ending Balances

Components of General Fund Ending Balance  
(Amounts in Millions)



# Alignment to 2022-26 Strategic Plan

4C

## Sustainable Budgeting

PILLAR 4

Operational  
Effectiveness

### OUR PRIORITY

Sustainably, equitably, and efficiently implement school and District budgets

### WHY THIS MATTERS

Providing the highest-quality instructional experience requires us to utilize our resources equitably, efficiently, and strategically to drive student achievement and well-being

# LAUSD Budget and Finance 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 a Budget and Finance Policy
- The Policy states that the District's budget shall be based on financial principles that shall keep the District viable and able to sustain its key programs over time, including:

Structurally Balanced  
Operating Budget

Appropriate Use of  
One-Time Revenues

Alignment of Budget  
with Expected  
Expenditures

Maintenance of  
Appropriate and  
Adequate Fund  
Balance and Reserves

Capital Plan

Prudent Debt  
Management

Program Sustainability

GASB Compliance

"The planning and budgeting process should be one that can be replicated in the future in order to ensure the district remains focused and **plans accordingly for reaching its student achievement goals.**"



# Sustainable Budgeting

PILLAR 4  
Operational  
Effectiveness

Our job on the Budget side is to sustainably leverage our **\$19 Billion in revenues** to serve over **400,000 students** and **74,700 staff** across over **1,200 schools**.

Most importantly, our responsibility is to ensure that we implement **sustainable budgets** to continue to support our programs and serve these students and staff in the long term.



## Icebreaker:

**What does sustainable budgeting mean to you? What does a fiscally healthy district look like to you?**



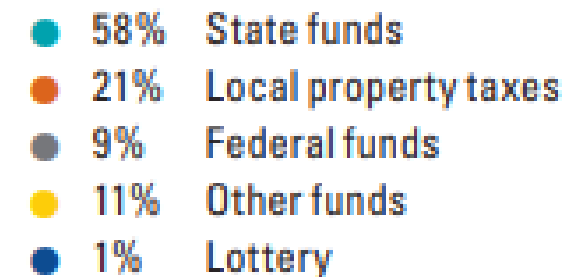
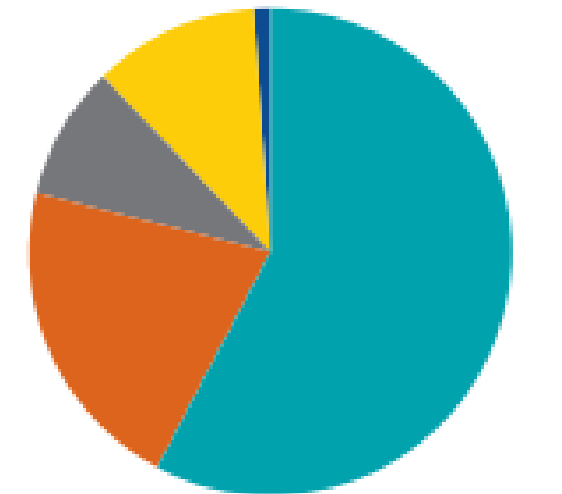


# **Building Understanding: Fiscal Year Lifecycle**

# California Education Funding

- **Proposition 98** drives how much overall funding goes to TK-14 education in California, using a complex formula to set a minimum funding level (about 40% of all state revenues) that grows (and shrinks) with the economy
- While intended to serve as a minimum, Prop 98 is usually treated as a maximum by the legislature – meaning K-14 education rarely gets more funding than the mandated minimum amount

## Main source of funding for school districts



# 2022-23 Budget Lifecycle

Legend: 2021-22 School Year, 2022-23 School Year, 2023-24 School Year



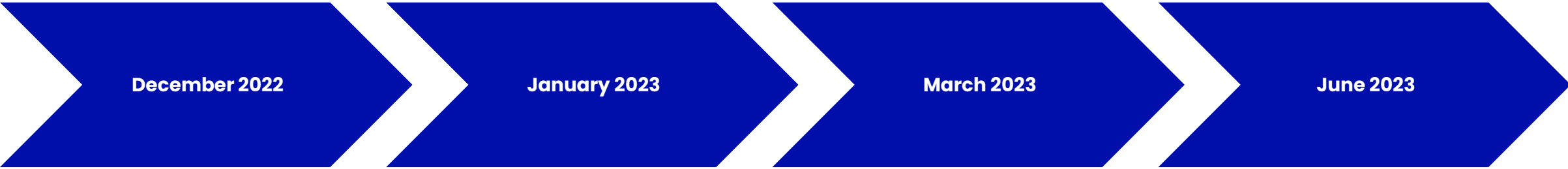
- Governor’s 2022-23 CA Proposed Budget

- 2022-23 CA May Revise

- 2022-23 Budget Adopted
- Updated 2021-22 Revenues and Expenditures

- Revised 2022-23 Budget
- Reflects State’s enacted 2022-23 budget
- Includes Estimated Budget

- 2021-22 Unaudited Actuals
- Beginning Balance Updated for 2022-23 Budget

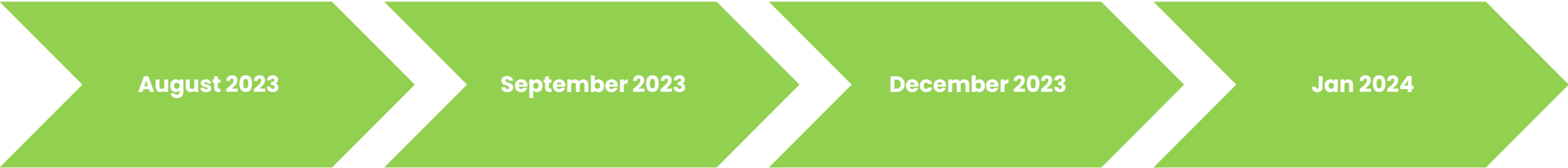


- First Interim
- Updated 2022-23 Revenues and Expenditures

- Final Audit of 2021-22 Expenditures

- Second Interim
- Updated 2022-23 Revenues and expenditures

- 2023-24 Budget Adopted
- Updated 2022-23 Revenues and Expenditures



- Revised 2023-24 Budget

- 2022-23 Unaudited Actuals
- Beginning Balance Updated for 2023-24 Budget

- First Interim
- Updated 2023-24 Revenues and Expenditures

- Final Audit of 2022-23 Expenditures

# New Factors Reflected in Multi-Year Projection

The following **new factors were incorporated** into the Multi-Year Projection at First Interim:

- Health and Welfare Benefits Agreement
- District-Represented and Non-Represented Classifications Compensation Proposal
- Maximization of grants that provide relief to Unrestricted General Fund
- Board approved supplemental funding specified debt

# Important Context for First Interim

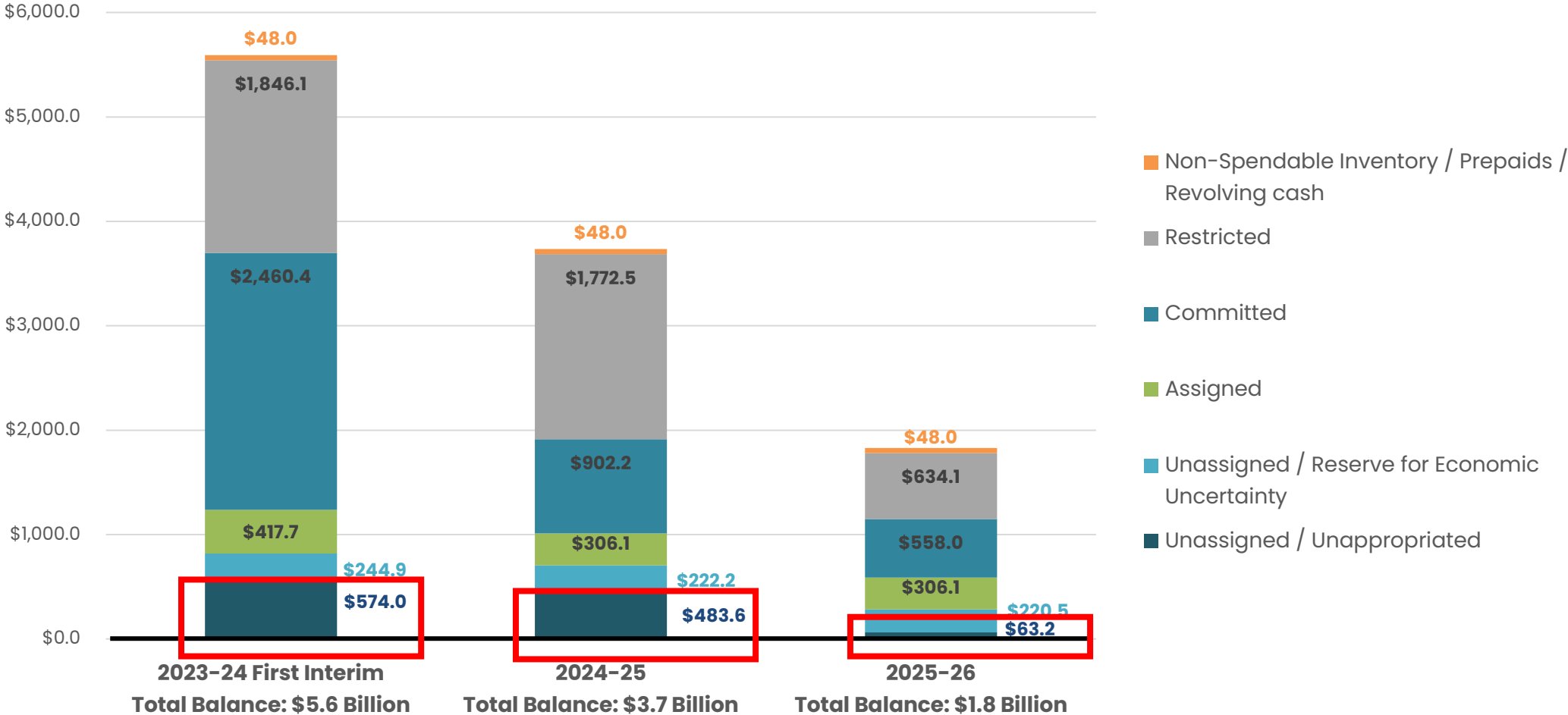
- Increase to the 2023-24 Unassigned/Unappropriated ending balance largely **due to additional transfers to ESSER 3**
  - This is **one-time** good news, as ESSER 3 is expiring 9/30/2024
- Unassigned/Unappropriated ending balances do not always improve at each checkpoint in a Fiscal Year's life cycle

# Budget Lifecycle: 2023-24 Fiscal Year So Far

<i>(amounts in millions)</i>	23-24 Adopted Budget (June 2023)	23-24 Revised Budget (August 2023)	23-24 at 22-23 Unaudited Actuals (September 2023)	23-24 1st Interim (December 2023)	23-24 2nd Interim (March 2024)	Estimated Actuals (June 2024)	Estimated Actuals (August 2024)	23-24 Unaudited Actuals (September 2024)
Beginning Balance	\$5,179	↓ \$5,124	↑ \$5,707	↑ \$5,719				
Revenue	\$10,561	\$10,593	\$10,593	↓ \$10,366				
Expenditure	\$11,667	↑ \$11,807	\$11,807	↓ \$10,494				
Ending Balance	\$4,073	↓ \$3,909	↑ \$4,493	↑ \$5,591				

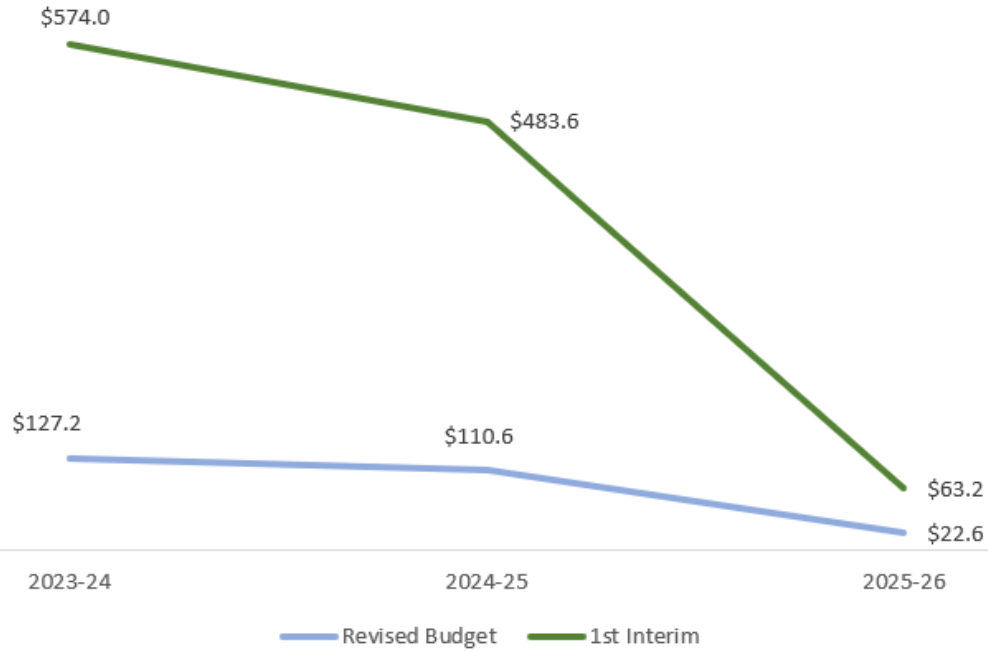
# Multi-Year Projection: Ending Balances

Components of General Fund Ending Balance  
(Amounts in Millions)



# Multi-Year Projection

Unassigned/Unappropriated Ending Balance  
amounts in millions



(in millions)	2023-24	2024-25	2025-26
Estimated Ending Balance at Revised Budget (August)	\$127.2	\$110.6	\$22.6
1 <sup>st</sup> Interim Estimated Balances	\$574.0	\$483.6	\$63.2
Change	\$446.8	\$373.0	\$40.6



# **Check For Understanding**

# **Future Challenges**

# Future Challenges: California Economy

- According to the Legislative Analyst Office's Fiscal Outlook for 2024–25, California faces a **\$68 Billion Deficit**.
- 2022–23 revenue is estimated to be \$26 billion below Budget Act estimates.
- The number of unemployed workers in California has risen nearly 200,000 since the summer of 2022. **This has resulted in a jump in the state's unemployment rate from 3.8 percent to 4.8 percent.**

# Future Challenges: California Education Finance

- With declines in California's K–12 enrollment projected to continue through the next decade, most districts and counties will face the fiscal challenges of downsizing.
  - Between 2022–23 and 2032–33, LA County is projected to lose 21% of its TK–12 students; statewide, the projected decline is 11%.
- **District funding is based on average daily attendance (not enrollment)**; this means that relatively low student attendance levels and high rates of chronic absenteeism—especially among low-income, Black, and Latino students—have fiscal implications.
- Because roughly 80% of current spending is for staffing (teachers, support staff, etc.), increases in personnel costs—such as health coverage and other benefits—can have an outsized fiscal impact.
  - Notably, rising pension contributions absorbed about 25% of the spending increase from 2013–14 to 2019–20.

# Factors Not Reflected in Multi-Year Projection: Revenues

- Federal:
  - Potential reductions in federal funding
  - Potential impact of economic downturn
- State:
  - Projected 2024-25 COLA of 1.27 percent compared to current assumption of 3.94 percent
  - Other potential reductions from the State's budget
- District:
  - Any future potential additional unrealized loss on cash balances
  - Changes to enrollment and attendance trends

# Factors Not Reflected in Multi-Year Projection: Expenditures

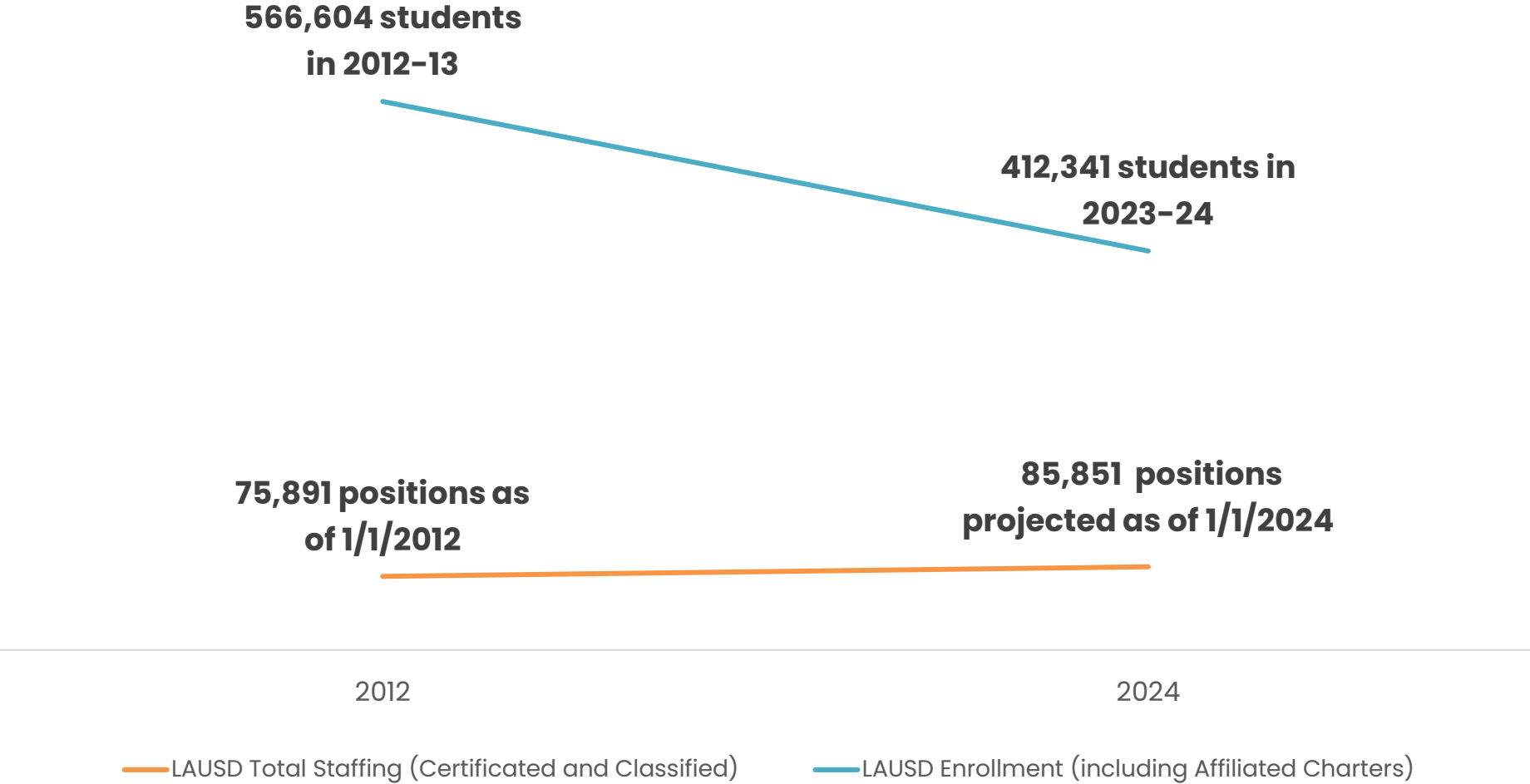
- Changes in Total Compensation
  - Future changes in wages and salaries
  - Future changes in staffing
  - Health & Welfare
  - Pension contributions
  - Additional OPEB Trust contributions
- Potential new major programmatic investments
- Cost of ESSER positions where alternative funding sources not identified

# LAUSD Cost Drivers & Financial Trends

- Declining enrollment and increasing staffing
- Rising labor costs/total compensation
  - Health & Welfare
  - Salaries
- Special Education costs

# LAUSD Cost Drivers & Financial Trends

## LAUSD Staffing and Enrollment over Time

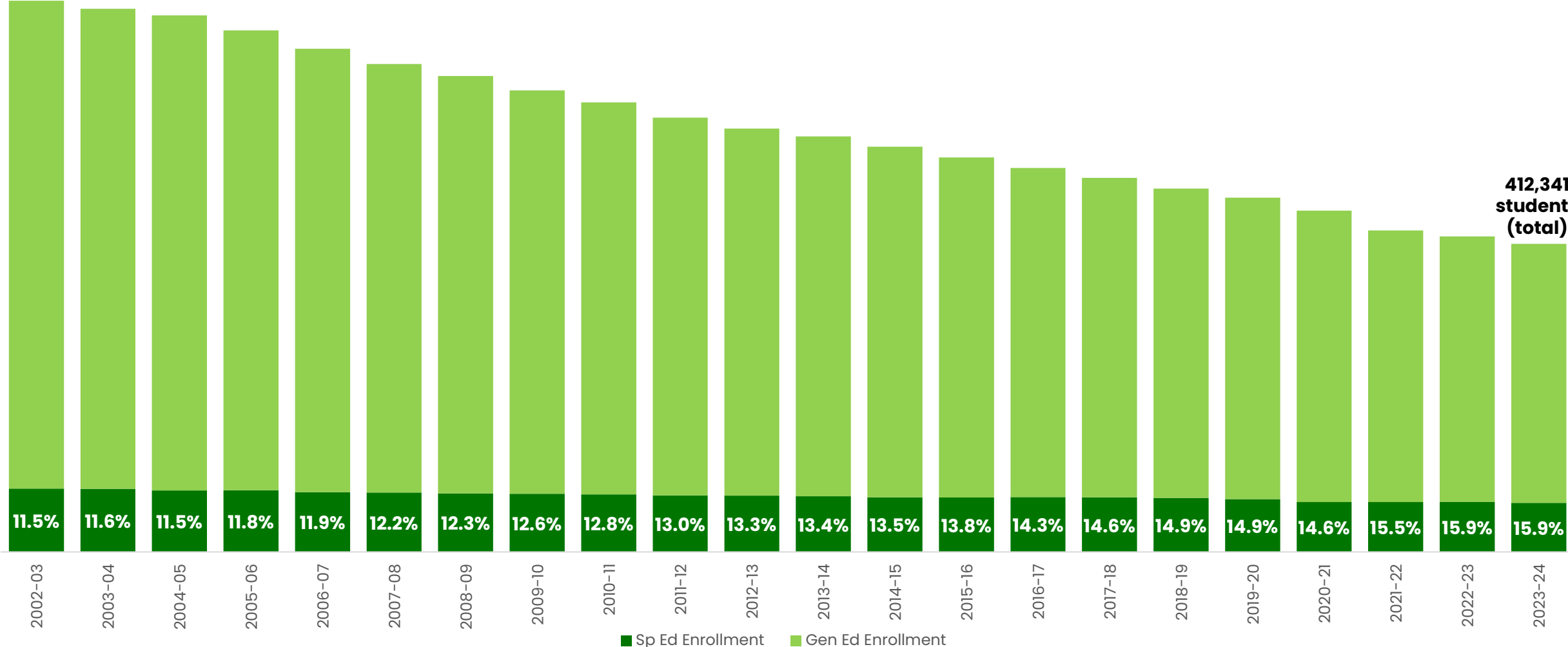




# LAUSD Cost Drivers & Financial Trends

As Enrollment Declines, Share of Students with Disabilities Has Increased

737,739 students (total)



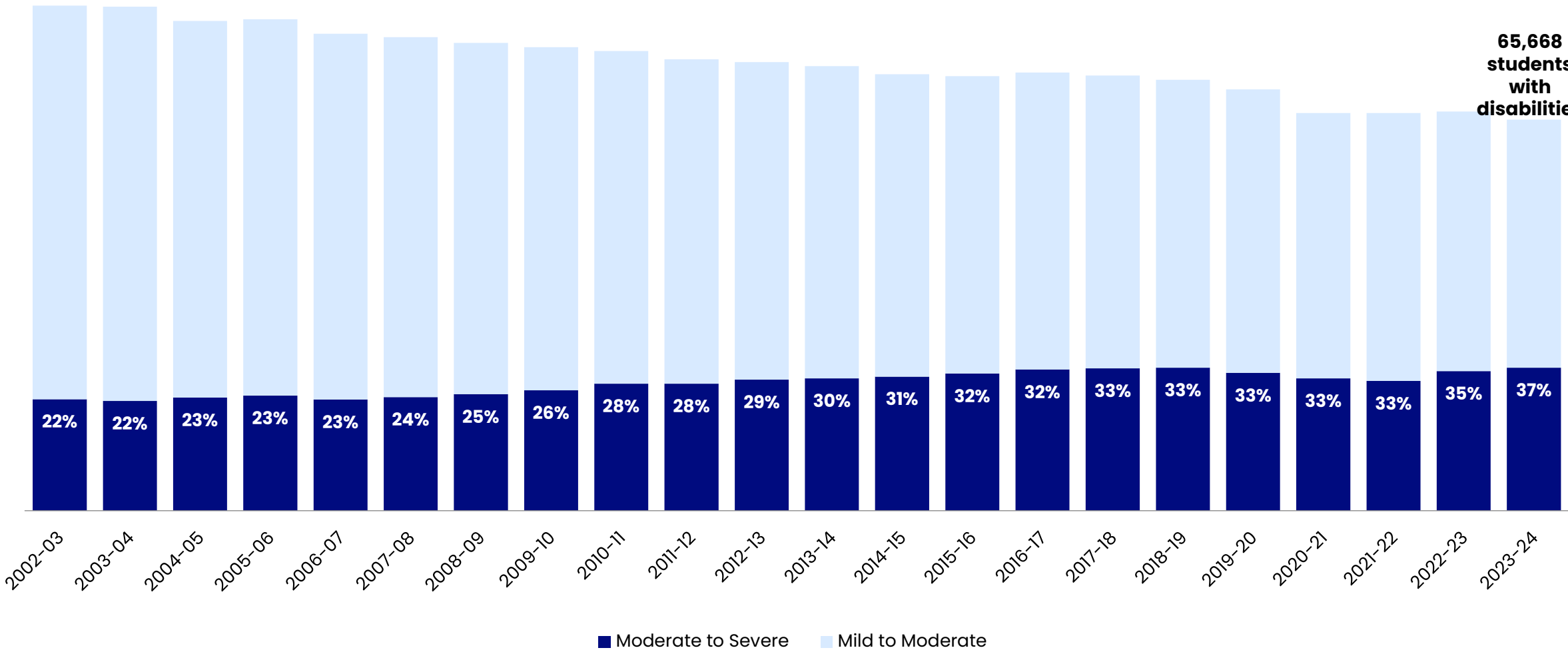
412,341 students (total)

# LAUSD Cost Drivers & Financial Trends

## Share of Students with Moderate to Severe Disabilities is Rising

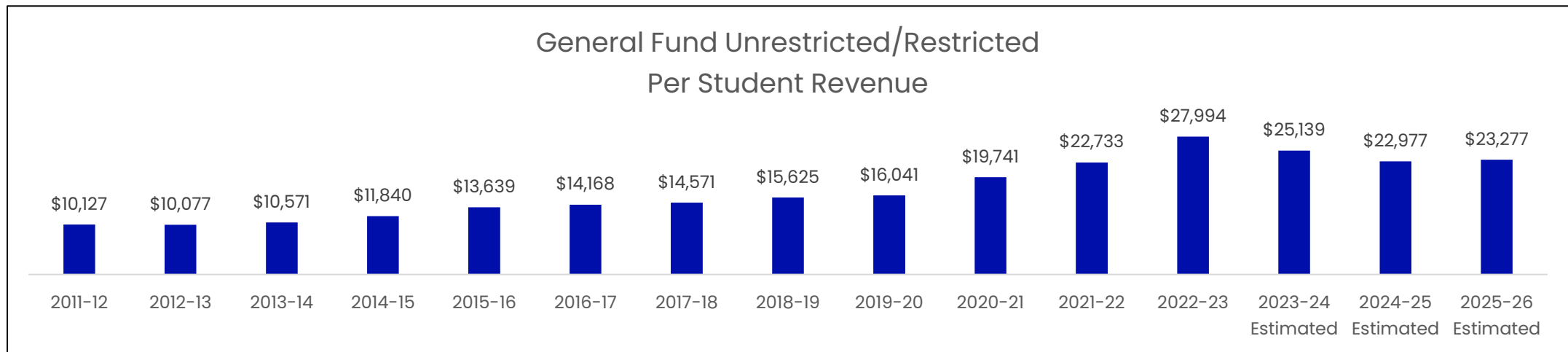
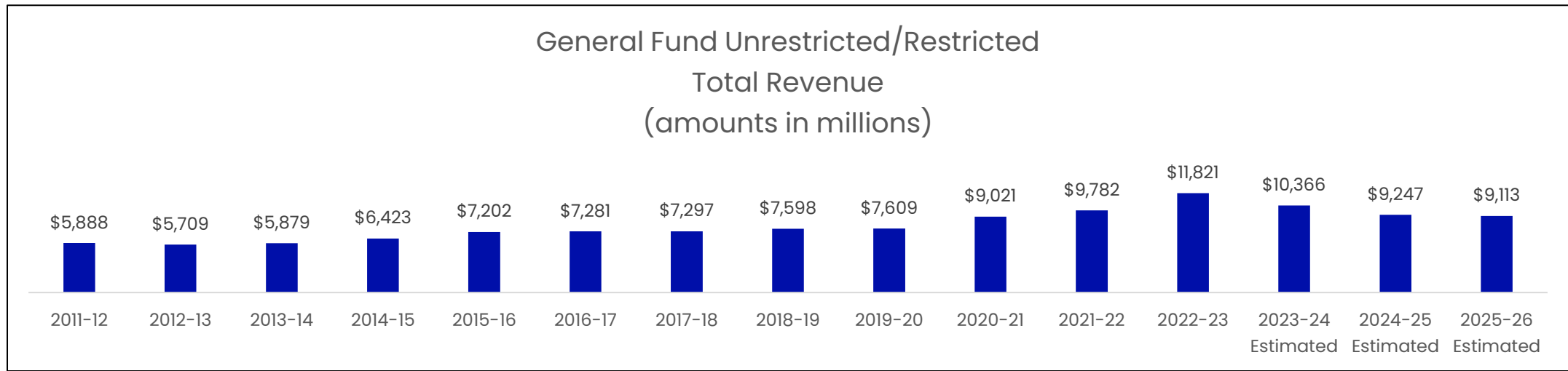
84,819 students with disabilities

65,668 students with disabilities



Moderate to Severe Mild to Moderate

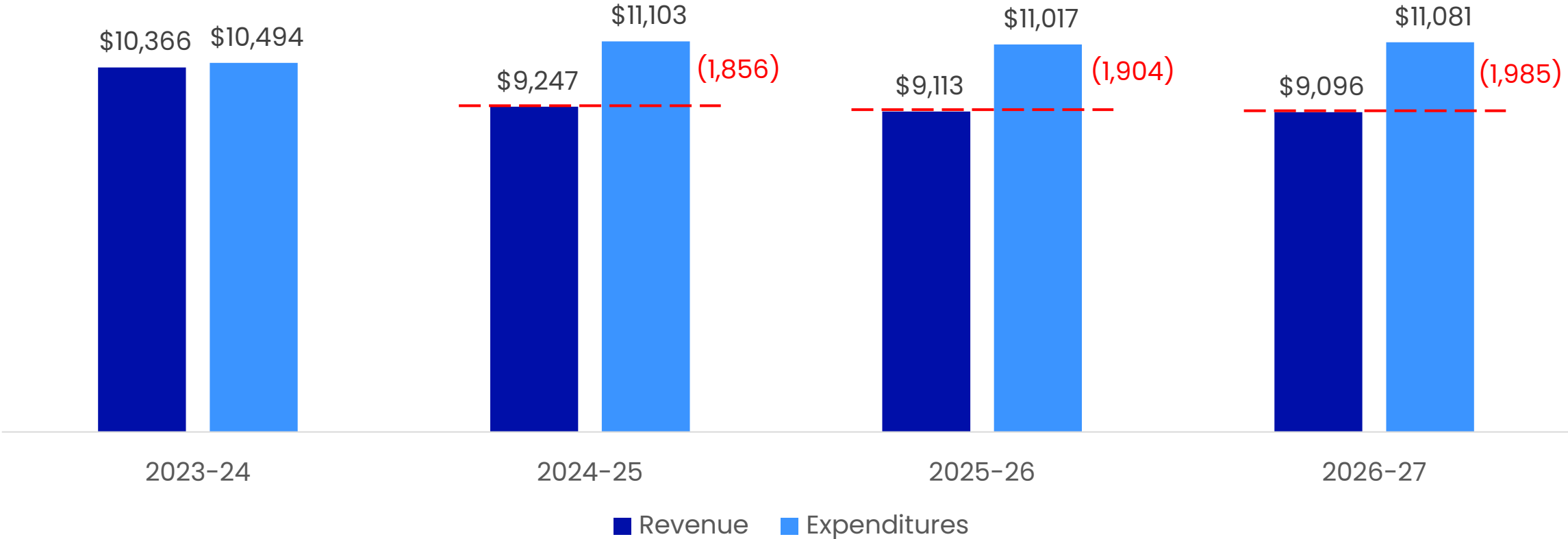
# General Fund Revenue Since 2011-12



- \* Estimated enrollment used for 2024-25 and 2025-26
- \* Estimated General Fund revenue used for 2023-24 through 2025-26

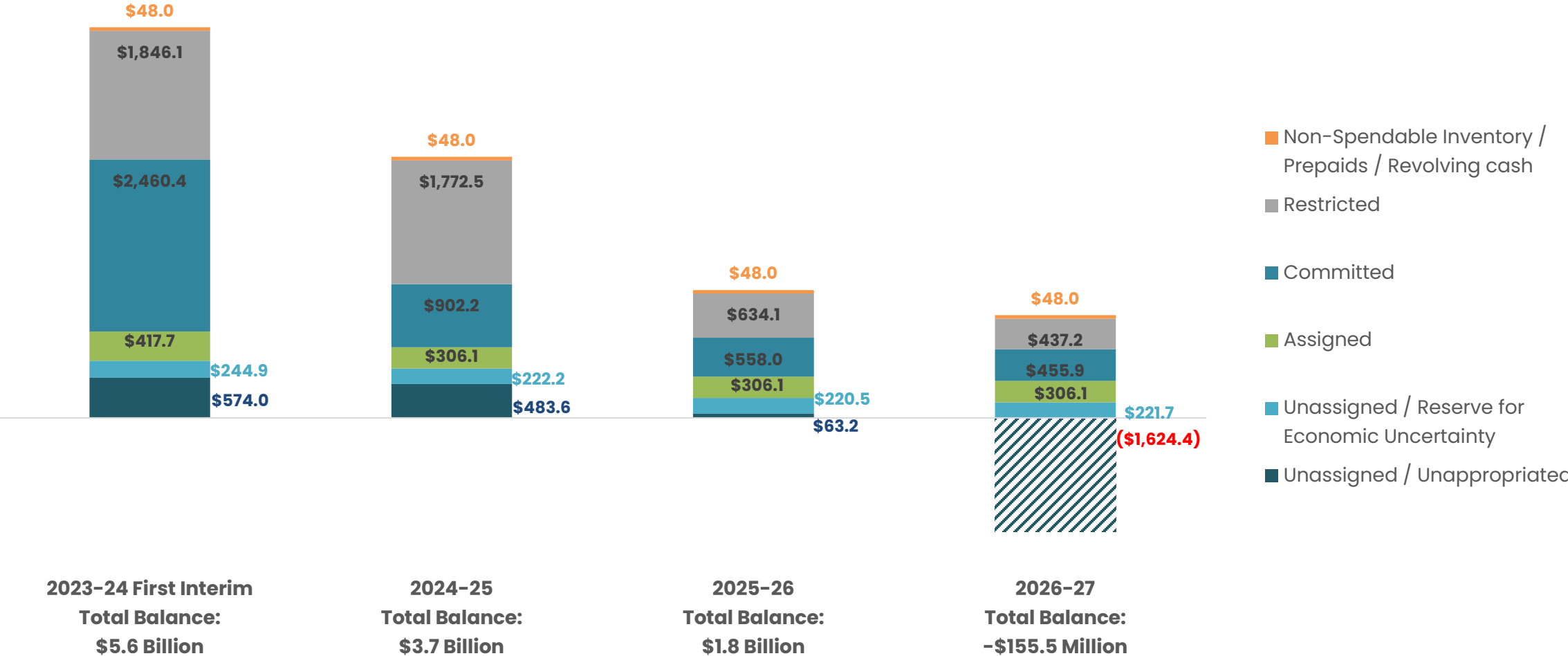
# Estimated General Fund Unrestricted/Restricted

General Fund Unrestricted/Restricted  
(amounts in millions)



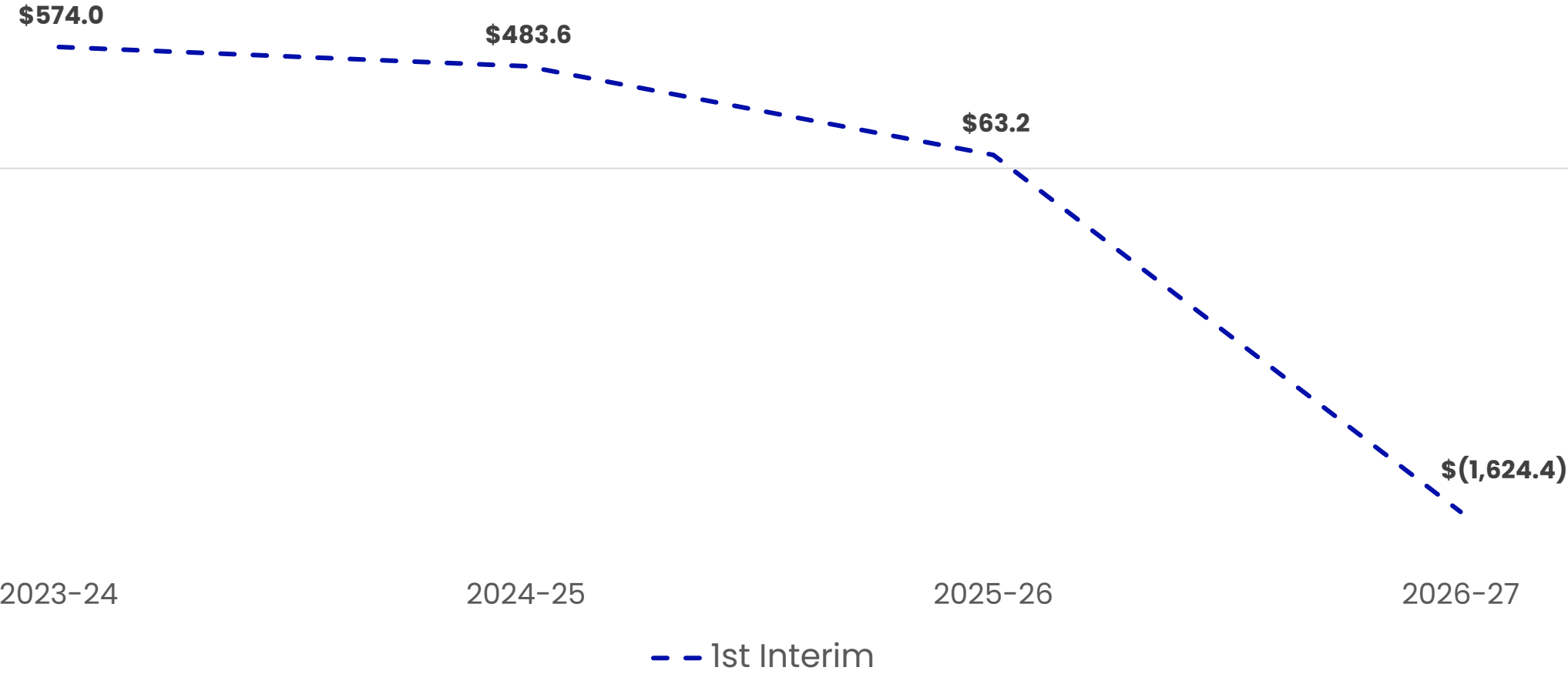
# Multi-Year Projection: Ending Balances

Components of General Fund Ending Balance  
(Amounts in Millions)



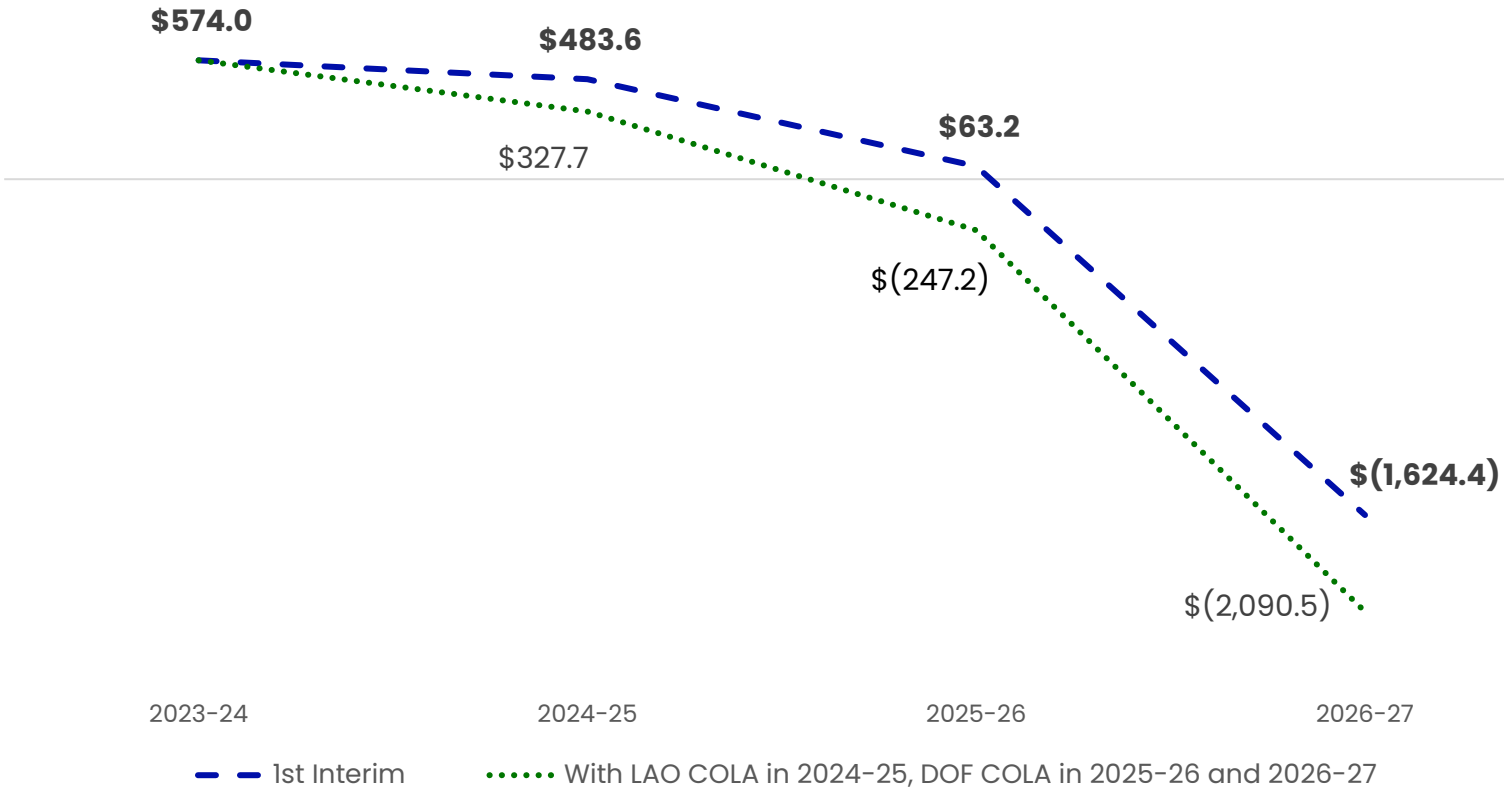
# Multi-Year Projection

Unassigned/Unappropriated Ending Balances  
(amount in millions)



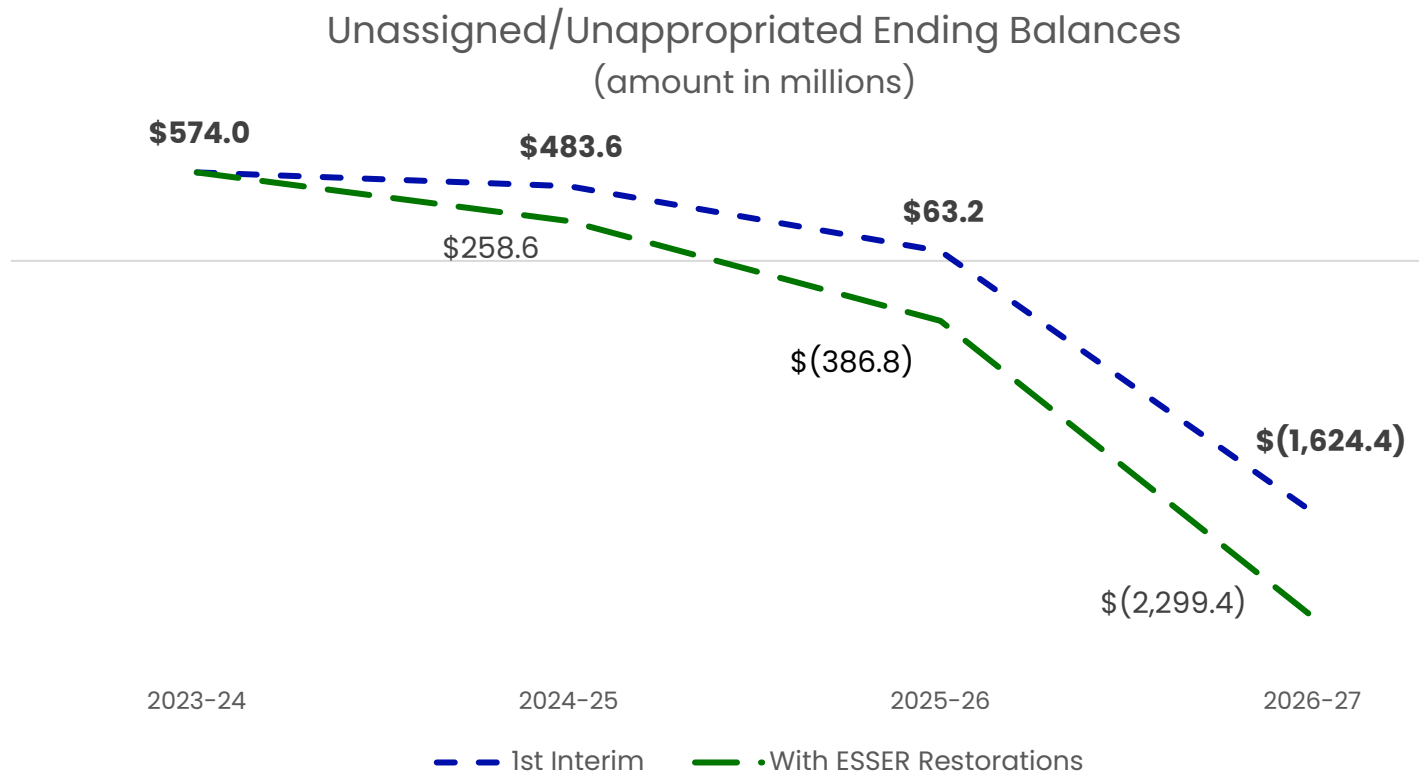
# Multi-Year Projection: Potential Impact of COLA

Unassigned/Unappropriated Ending Balances  
(amount in millions)



Cost of Living Adjustment (COLA) %	2024-25	2025-26	2026-27
LAUSD MYP (Based on Department of Finance)	3.94%	3.29%	3.19%
Legislative Analyst's Office Estimate	1.27%	-	-

# Multi-Year Projection: Potential Impact of ESSER Positions



	2023-24	2024-25	2025-26	2026-27
First Interim	\$574.0	\$483.6	\$63.2	\$(1,624.4)
Estimated Cost of ESSER Positions		\$(225.0)	\$(225.0)	\$(225.0)
<b>With ESSER Positions funded out of General Funds</b>	<b>\$574.0</b>	<b>\$258.6</b>	<b>\$(386.8)</b>	<b>\$(2,299.4)</b>

Amounts in Millions



# 2023-24 ESSER 3 Positions

Category	Budgeted Amount	Budgeted FTE	Filled FTE	Filled %
Interventionists	\$67,574,333	448	359	80%
Alt Schedule Teachers	\$41,306,719	329	290	88%
PSWs	\$40,010,120	255	222	87%
Various Central Office	\$31,954,571	198	184	93%
APEISs	\$31,015,106	197	193	98%
B&G Workers	\$22,810,678	242	79	33%
ITS CoS Support	\$21,394,746	164	155	94%
Intervention Aides	\$15,754,824	216	166	77%
Navigators	\$15,016,523	170	137	81%
Speech Pathologists	\$9,189,105	59	58	98%
LVNs	\$8,811,445	84	73	87%
Psychologists	\$7,526,615	49	34	71%
SHHS Region Support	\$3,258,101	19	19	100%
Various Other HEET Positions	\$836,301	6	5	82%
<b>TOTAL</b>	<b>\$316,459,187</b>	<b>2,436</b>	<b>1,973</b>	<b>81%</b>

# 2023-24 ESSER 3 Positions

- 81% of ESSER 3 funded positions are currently filled
- Alternative funding sources (e.g. Title 1) identified in some cases, but in most cases positions are not funded in 2024-25
  - Retention of any ESSER 3 positions for 2024-25 will necessitate an offsetting reduction elsewhere in the budget
- Incumbent employees will remain in existing job classifications through 6/30/2024, helping ensure ESSER 3 funds expended before deadline
  - To the extent there is ESSER 3 underspend, ESSER 3 funds will be used on other existing eligible expenses
- To mitigate workforce disruption in 2024-25, employees may be in different roles and different funding sources

# **Check For Understanding**

**10 minute Break**

# **Problem of Practice & Board Discussion**

# 2023-24 Budget Alignment to Strategic Plan

Priority	Priority Name	2023-24 Budgeted Expenditures
1A	High-Quality Instruction	\$4,027,776,826.00
1B	Enriching Experiences	\$1,421,827,724.00
1C	Eliminating Opportunity Gaps	\$4,405,189,017.00
1D	College and Career Readiness	\$362,567,289.00
<b>Pillar 1 (Academic Excellence) Total</b>		<b>\$10,217,360,856.00</b>
2A	Welcoming Learning Environments	\$167,615,759.00
2B	Whole-Child Well-Being	\$798,944,010.00
2C	Strong Social-Emotional Skills	\$4,575,099.00
2D	Outstanding Attendance	\$250,161,538.00
<b>Pillar 2 (Joy and Wellness) Total</b>		<b>\$1,221,296,406.00</b>
3A	Strong Relationships	\$156,129,038.00
3B	Accessible Information	\$31,588,817.00
3D	Honoring Perspectives	\$7,031,332.00
<b>Pillar 3 (Engagement and Collaboration) Total</b>		<b>\$194,749,187.00</b>
4A	Data-Driven Decision-Making	\$7,270,297.00
4B	Modernizing Infrastructure	\$4,496,442,085.00
4C	Sustainable Budgeting	\$691,594,669.00
4D	District of Choice	\$249,132,938.00
<b>Pillar 4 (Operational Effectiveness) Total</b>		<b>\$5,444,439,989.00</b>
5A	Diverse Workforce	\$169,136,137.00
5B	Professional Learning	\$204,872,667.00
5C	Staff Wellness	\$1,521,704,417.00
5D	High Performance Standards	\$4,056,412.00
<b>Pillar 5 (Investing in Staff) Total</b>		<b>\$1,899,769,633.00</b>
<b>GRAND TOTAL</b>		<b>\$18,977,616,071.00</b>

# 2023-24 Budget Alignment to Strategic Plan

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1A	High-Quality Instruction	\$4,027,776,826.00
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1D	College and Career Readiness	\$362,567,289.00
<b>Pillar 1 (Academic Excellence) Total</b>		<b>\$10,217,360,856.00</b>

# Board Retreat – Summary

In response to the activities at the Board retreat, participants shared the following recommendations for the district:

<b>Adopt</b>	<b>Adapt</b>	<b>Abandon</b>
<ul style="list-style-type: none"><li>• Growth mindset</li><li>• Tutoring services</li><li>• Enrichment</li><li>• Psychological Social Worker support</li><li>• Intensive math support</li><li>• Identifying gifted students</li><li>• Reclassification pathways</li></ul>	<ul style="list-style-type: none"><li>• Extracurricular activities</li><li>• Attendance intervention</li><li>• Emergent bilingual support</li><li>• Out of classroom staffing</li></ul>	<ul style="list-style-type: none"><li>• Leadership turnover</li><li>• Carryover budget model</li></ul>



## Pillar 1: Academic Excellence

High-Quality  
Instruction

Enriching  
Experiences

Eliminating  
Opportunity Gaps

College and  
Career Readiness

### Board Discussion:

Thinking back to our discussion of what a fiscally healthy District looks like and considering the Strategic Plan Pillar 1: Academic Excellence, ***which 1-2 strategies/investments do you think are the most important in helping the District reach its four goals?***

- Review the Strategic Plan Pillar 1 strategies on pages 24, 26, 28 and 30
- Share any additional data/information you would need to make decisions about these strategies/investments

*The LAUSD 2022-26 Strategic Plan is available at: [achieve.lausd.net/StrategicPlan](https://achieve.lausd.net/StrategicPlan)*

## Pillar 1: Academic Excellence

High-Quality  
Instruction

Enriching  
Experiences

Eliminating  
Opportunity Gaps

College and  
Career Readiness

***Which 1-2 strategies/investments do you think are the most important in helping the District reach its four goals?***

### **Fishbowl Protocol**

1. Board Members share and discuss
2. Superintendent and staff discuss and respond
3. Board Members share final thoughts

*The LAUSD 2022-26 Strategic Plan is available at: [achieve.lausd.net/StrategicPlan](https://achieve.lausd.net/StrategicPlan)*

# Looking Ahead

# Looking Ahead: 2023-24 and Beyond

<i>(amounts in millions)</i>	23-24 Adopted Budget (June 2023)	23-24 Revised Budget (August 2023)	23-24 at 22-23 Unaudited Actuals (September 2023)	23-24 1st Interim (December 2023)	23-24 2nd Interim (March 2024)	Estimated Actuals (June 2024)	Estimated Actuals (August 2024)	23-24 Unaudited Actuals (September 2024)
Beginning Balance	\$5,179	↓ \$5,124	↑ \$5,707	↑ \$5,719				
Revenue	\$10,561	↑ \$10,593	\$10,593	↓ \$10,366				
Expenditure	\$11,667	↑ \$11,807	\$11,807	↓ \$10,494				
Ending Balance	\$4,073	↓ \$3,909	↑ \$4,493	↑ \$5,591				

# Budget Timeline



Adopted 2023-24 Budget

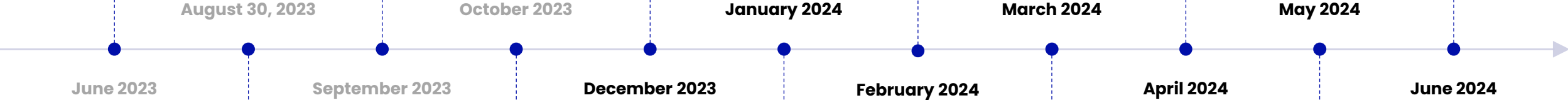
- 2022-23 Unaudited Actuals
- Norm Day, Sept 15th, 2023

- 1st Interim Financial Report
- Quarterly 2023-24 Budget to Actuals Analysis
- BOE engagement

- Central Office 2024-25 Budget Development Process Begins
- Allocation Letters for SY 2024-25 Sent to Principals
- School Front End Opens for School Sites

- Central Office 2024-25 Budget Development Ends
- School Front End Closes for School Sites

- 2024-25 Budget Adoption
- Quarterly 2023-24 Budget to Actuals Analysis



Adoption of State Enacted 2023-24 Budget Adjustments

- School Site Budget Development for SY 2024-25
- School Site community/staff/stakeholder engagement

- Governor's 2024-25 Proposed Budget
- 2022-23 Audited Financial Report
- Announcement of School Carryover for SY 2024-25

- 2nd Interim Financial Report
- Quarterly 2023-24 Budget to Actuals Analysis

2024-25 May Revision

# Looking Ahead: 2024–25 Budget Development

- January 10 – Governor releases 2024–25 State Budget proposal
- February 13 to March 22 – School Budget Development
- Mid-May – Governor releases updated May Revision budget proposal
- June 15 – State budget bill must pass in the Legislature
- June 18 – Public hearing for Proposed LCAP and Budget
- June 25 – Proposed LCAP and Budget submitted to the Board for adoption
- August – Budget revision, if needed

# Additional Context: Capital Planning

Potential Funding Strategy	Example of Use
<b>General Obligation Bonds</b> <ul style="list-style-type: none"><li>• Can fund school facilities</li><li>• Subject to voter approval</li><li>• Paid by property taxes</li></ul>	<ul style="list-style-type: none"><li>• Constructing new schools</li><li>• Renovating existing schools</li></ul>
<b>Certificates of Participation (COPs)</b> <ul style="list-style-type: none"><li>• Can fund any capital asset, including school facilities</li><li>• Secured by the General Fund</li><li>• Paid by General Fund over time, unless other funds are eligible and available</li></ul>	<ul style="list-style-type: none"><li>• Non-academic sites</li><li>• SAP Financial System</li></ul>
<b>Pay-As-You-Go Financing</b> <ul style="list-style-type: none"><li>• Can fund any capital asset</li><li>• Can fund operating expenses</li><li>• Often paid from General Fund</li></ul>	<ul style="list-style-type: none"><li>• On-going maintenance</li><li>• Non-capital costs</li></ul>

# What to Expect: Capital Planning

- The 2024-25 budget will include a dedicated capital plan section updating the 2023-24 capital plan.
- In June, the Board will be asked to approve an estimated \$1.175 billion GO Bond issuance in 2024-25.
  - Measure Q: \$600 million
  - Measure RR: \$575 million
- Proposal to join the Facilities & Procurement Committee meeting on January 30<sup>th</sup> to continue the Capital Planning conversation.



# Public Feedback Opportunity

**We welcome public feedback! Please share your input on the District's Local Control and Accountability Plan (LCAP)!**

***Agradecemos los comentarios del público! ¡Por favor comparta su opinión sobre el Plan de Responsabilidad y Control Local (LCAP) del Distrito!***

**What are the most important things Los Angeles Unified needs to do to support and increase success for every student over the next three years?**

***“¿Cuáles son las cosas más importantes en las que nuestro Distrito necesita pensar para apoyar a su(s) hijo(s) durante los próximos tres años del nuevo ciclo LCAP?”***



**Scan the QR Code using your smartphone's camera or go to [tejoin.com](https://tejoin.com) and enter code **199-730-099****

***Escanea el código QR usando la cámara de su teléfono móvil o vaya al sitio [tejoin.com](https://tejoin.com) e ingresa el código **199-730-099*****

# Closing

# Appendix

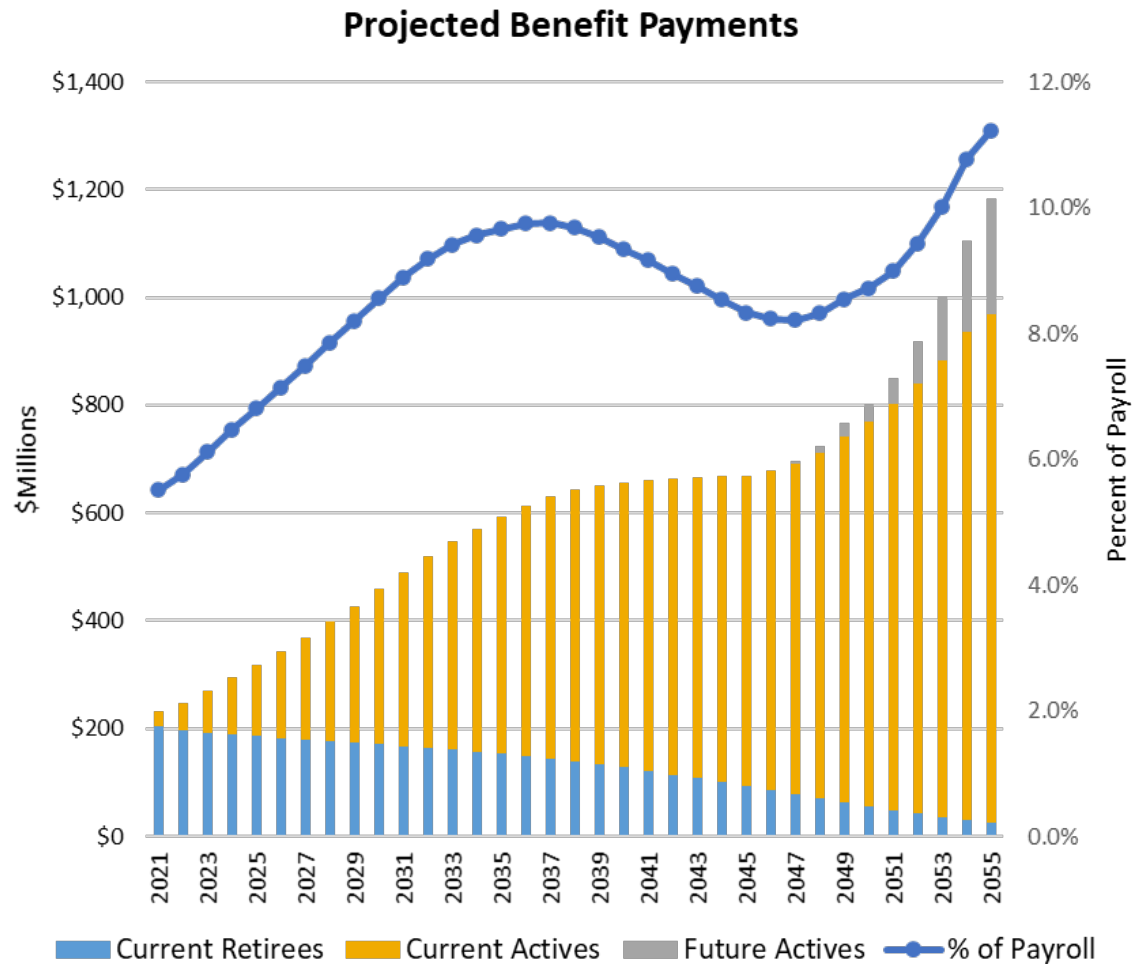
# Budget Lifecycle: 2022-23 Fiscal Year

General Fund estimated revenues and expenditures, and their corresponding impact on ending balances, are updated throughout the fiscal cycle. The table below shows how the 2022-23 financials changed from one checkpoint in the cycle to the next:

(amounts in millions)	22-23 Adopted Budget (June 2022)	22-23 Revised Budget (August 2022)	22-23 at 21-22 Unaudited Actuals (September 2022)	22-23 1 <sup>st</sup> Interim (December 2022)	22-23 2 <sup>nd</sup> Interim (March 2023)	Estimated Actuals (June 2023)	Estimated Actuals (August 2023)	22-23 Unaudited Actuals (September 2023)
Beginning Balance	\$3,568	\$3,568	\$3,400	\$3,333	\$3,328	\$3,324	\$3,324	\$3,324
Revenue	\$10,835	\$12,164	\$12,164	\$11,407	\$11,259	\$11,599	\$11,599	\$11,821
Expenditure	\$11,700	\$12,004	\$12,004	\$9,808	\$9,467	\$9,744	\$9,744	\$9,438
Ending Balance	\$2,703	\$3,728	\$3,561	\$4,932	\$5,120	\$5,179	\$5,179	\$5,707

+\$3,004

# OPEB Benefit Payments Projected to Grow as a Share of Budget



- Benefit payments are expected to rise quickly in the next few years, both in nominal amounts and relative to payroll
- The majority of future benefit payments are attributable to current active employees
- \$233M additional annual contribution required to fund current liability over 30 years
- Future hires based on current active provisions