



# A CLOSER LOOK AT LOS ANGELES UNIFIED'S BUDGET

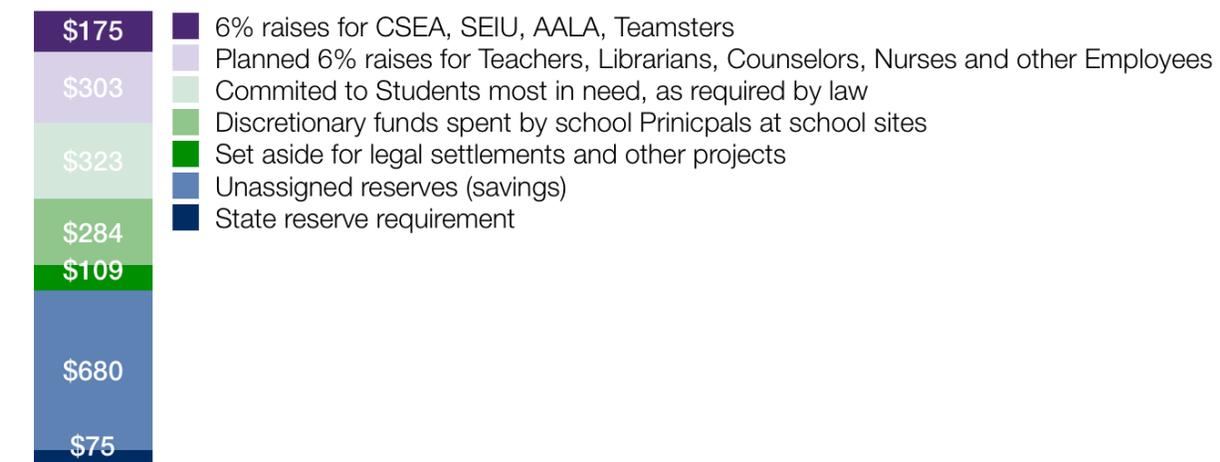
Los Angeles Unified operates schools serving approximately 500,000 students in K-12, making it the second-largest public-school district in the nation. School budgets in California are set in three-year increments and from July 2018 to June 2021, Los Angeles Unified will spend \$24 billion educating students. This includes its entire, existing \$1.8 billion reserve.

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
<b>Revenue</b>	\$7.4 billion	\$7.3 billion	\$7.2 billion	\$7.2 billion	\$7.2 billion
<b>Costs</b>	\$7.9 billion	\$7.7 billion	\$7.7 billion	\$8.0 billion	\$8.0 billion
<b>Deficit</b>	(\$500 million)	(\$400 million)	(\$500 million)	(\$700 million)	(\$800 million)

Los Angeles Unified's current financial situation is simply not sustainable. Unless something changes, Los Angeles Unified will be insolvent by 2021 when it will have depleted the \$1.8 billion reserve.



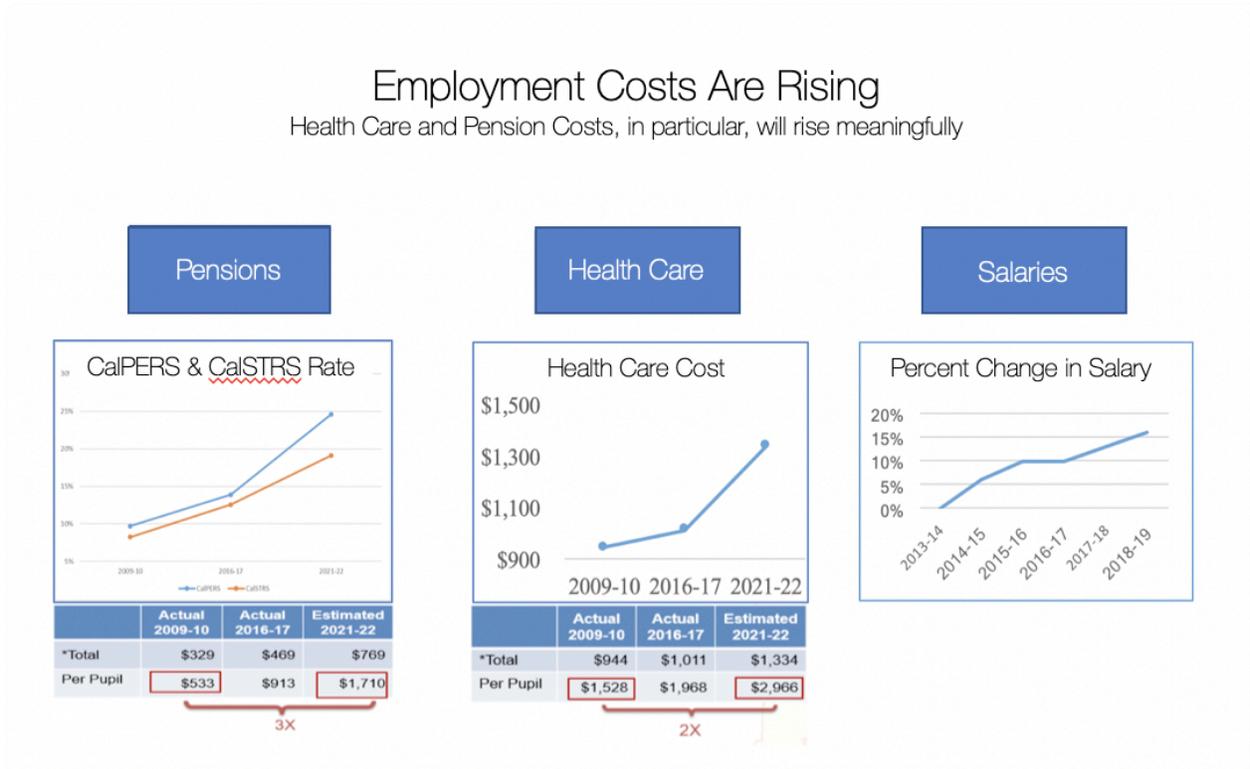
When the new school year begins in July 2019, Los Angeles Unified will have about \$800 million of the reserve left: \$500 million of the \$1.8 billion is already earmarked for federal and state-required programs, such as supporting students in poverty with tutoring and intervention programs. An additional \$500 million is being used for a 6% pay raise for all employees, including teachers; to pay for additional nurses, counselors and librarians, and to improve class size. Because of the budget shortfall, the remaining \$800 million will be completely depleted by the 2021-2022 school year. By then, Los Angeles Unified will not be able to meet even the 1% required reserve standard, let alone the state of California's 3% requirement.





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The budget shortfall is largely being driven by rising pension and healthcare benefit costs. Los Angeles Unified is in the unusual position of having little control over its employment benefit plans because they are set by a Health Benefits Committee, which UTLA chairs. In addition, Los Angeles Unified has a significantly larger unfunded liability for retiree and healthcare benefits than other school districts.



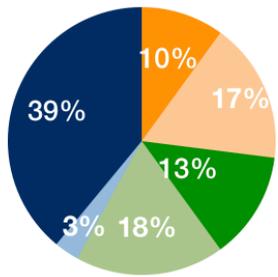


# HOW THE RESERVE WORKS AND WHY THERE IS NO SURPLUS

For more than a decade, the state of California has required school districts to set aside a minimum of 3% of its general fund each year for periods of economic uncertainty. Districts use their reserves to manage cash flow, mitigate volatility in funding, address unexpected costs, save for large purchases, and obtain higher credit ratings. Los Angeles Unified’s requirement is 1% less than all other school districts in California.

Public school districts classify money in their reserves in five ways: non-spendable, restricted (by law or external condition), committed (earmarked for future use by the school board), assigned (earmarked by the superintendent or other district official), or unassigned (all other funds).

Just under 40% of Los Angeles Unified’s \$1.8 billion reserve is currently unassigned, but all of the money in it will be spent within two years. There is no “surplus.” Here’s why:



- 6% raises for CSEA, SEIU, AAIA, Teamsters
- Planned 6% raise for teachers, librarians, counselors, nurses and other employees
- School-based commitments
- School-based equity programs
- Districtwide project commitments
- Unassigned reserve

Nearly 20% is committed for federal and state-required programs, such as tutoring and intervention programs, for the most vulnerable student population, including foster youth, students living in poverty and English learners.

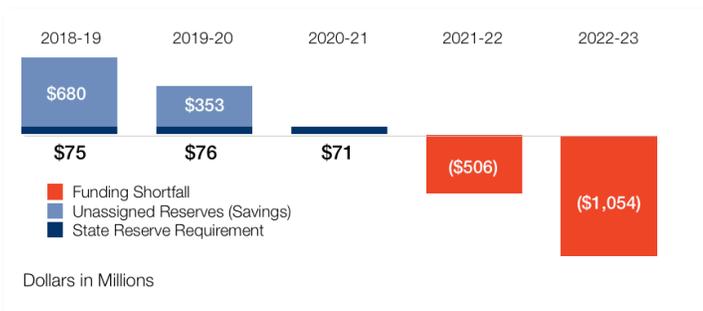
Nearly 30% will be used to pay for 6% raises for all employees, including educators, and to pay for additional nurses, counselors and librarians and to lower class sizes.

Nearly 15% is discretionary funds already sent to schools to spend in school year 2019-20. Principals can decide to use these funds for a variety of needs for their schools, such as instructional materials.

About 5% is designated for district-wide expenses such as replacing aging vehicles. Finally, as required by law, \$75 million must be held in reserve.

Because of the growing budget shortfall, the remaining \$700 million (the unassigned reserve) will be completely depleted by the 2021-22 school year when the Los Angeles Unified will not be able to meet even the 1% required reserve requirement.

Los Angeles Unified’s current financial situation is simply not sustainable, and unless something changes, it will be insolvent by 2021 when it will have completely depleted the entire \$1.8 billion reserve. In California, school districts are taken over by the state if they become insolvent, like Oakland, Compton and Inglewood.



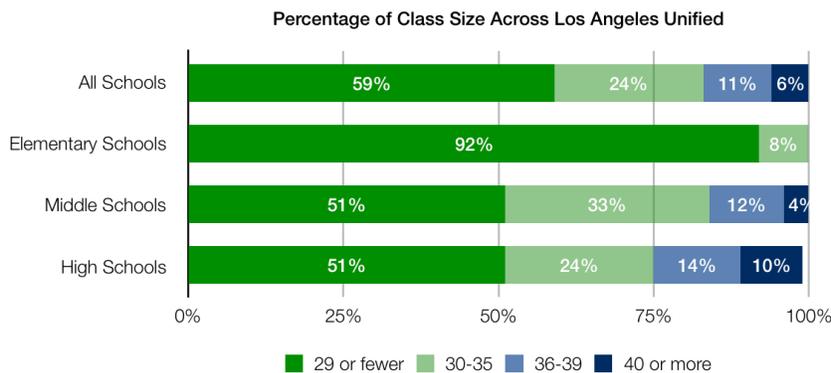


# CLASS SIZE: WHAT'S BEHIND THE NUMBERS

There has been much discussion about class size in Los Angeles Unified and what additional efforts the school district can afford to further decrease the number of students in each class.

In order to have an informed discussion about that issue, it is important to understand exactly how large class size actually is in Los Angeles Unified's schools and how it compares to other large school districts in California.

As of October 2018, the average number of students in a Los Angeles Unified school classroom, excluding physical education and team activity classes, was 26. Nearly 60% of all Los Angeles Unified schools and 92% of the elementary schools have 29 or fewer students in each classroom.



Only 6% of schools have 40 or more students in a classroom. We recognize that it is challenging for those educators that have large classes and agree that we must do better.

That is why, as part of our most recent offer to UTLA's leadership, we included \$30 million of additional funding to reduce the number of students in a classroom and increase the number of counselors, librarians and nurses at our schools.

Los Angeles Unified has the second-lowest average class size of California's top 10 largest school districts. San Francisco, with an average of 25 students in a class, is the only large district in California that has fewer. However, the San Francisco School District also has a lower total annual compensation rate for its teachers, spending \$83,406 per teacher compared with Los Angeles Unified's current annual compensation rate of \$84,108 which would increase to \$89,100 if the proposed 6% raise goes into effect.

	Average District Class Size	Grades K-3	Grades 4-6	Grades 7-8	Grades 9-12
San Francisco	25.10	19.63	26.39	26.60	25.35
Los Angeles	25.97	22.11	28.50	28.43	25.12
Fresno	27.32	22.15	28.53	29.13	27.44
San Diego	28.46	23.08	29.68	29.72	28.80
Elk Grove	28.56	23.59	27.05	30.75	28.80
San Bernardino City	28.94	21.74	29.80	30.68	29.84
Santa Ana	29.33	27.71	29.94	30.46	28.88
Capistrano	29.66	23.41	30.48	31.05	29.77
Long Beach	30.04	24.90	32.39	33.38	29.11
Corona-Norco	30.69	26.97	28.48	31.62	31.12