

FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM



Los Angeles Unified School District

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Marcus Wirowek, Intervention Specialist
Jennifer Noga, Intervention Specialist
Michael H. Fine, Chief Executive Officer

Topics

- About Fiscal Crisis and Management Assistance Team (FCMAT)
- Fiscal Oversight
- Overview of FCMAT's Fiscal Health Risk Analysis (FHRA) tool
- Los Angeles Unified School District FHRA Results
- Fiscal Risk and the Path to Stability
- Subsequent Events
- Moving Forward

About FCMAT

- The Fiscal Crisis and Management Assistance Team (FCMAT) was created by the California Legislature* to help California's transitional kindergarten through grade 14 (TK-14) local educational agencies (LEAs) avoid fiscal insolvency.
- FCMAT is an external, independent state agency.
- FCMAT provides management assistance, fiscal crisis intervention and other services to LEAs.

*FCMAT was established under Assembly Bill (AB) 1200 (Chapter 1213, Statutes of 1991).

Fiscal Oversight

- Assembly Bill 1200 is landmark legislation that strengthened fiscal oversight of California schools and created a comprehensive statewide framework to improve local fiscal procedures and accountability standards.
 - The framework promotes collaboration between county superintendents and local school districts.
- School district governing boards have primary responsibility for maintaining their district's financial stability and serve as the first level of fiscal oversight.
- County superintendents provide the second level of fiscal oversight, monitoring district financial health and serving as intermediaries between school districts and the state.

Overview of FCMAT's FHRA

- FCMAT developed the FHRA tool to assess an LEA's risk of financial insolvency.
- The 2018-19 State Budget Act provided direction and resources to develop a strategy for proactive assessment of risks associated to insolvency.
- FCMAT conducts an FHRA to assess the risk of fiscal insolvency for LEAs that meet any of the following criteria:
 - A disapproved budget.
 - A negative interim report certification.
 - Three consecutive qualified interim report certifications.
 - A downgrade of an interim certification by the county superintendent.
 - **A lack of going concern designation by the county superintendent.**

Overview of FCMAT's FHRA (cont.)

- The tool consists of 138 “yes” or “no” questions across 20 key areas that FCMAT has identified as most commonly leading to fiscal insolvency.
- Each question and area is weighted based on its level of risk: high, moderate or low.
- The resulting total risk score is categorized as:
 - **High risk:** 40% or higher.
 - **Moderate risk:** 25%-39%.
 - **Low risk:** 24% or lower.

LAUSD FHRA

- The Los Angeles County Office of Education designated the district as a lack of going concern, triggering the FHRA.
- FCMAT's used the district's 2026-27 adopted budget and multiyear projections for the FHRA.
- FCMAT conducted fieldwork August 18-20, 2026.
- FCMAT's reports focus on systems and processes that may need improvement; areas functioning well are generally not discussed.

LAUSD FHRA Results

FHRA Risk Score

37.9%

Moderate risk

Overall Fiscal Solvency Risk

HIGH

Lack of going concern
elevates the district's
overall risk level

The district's projected inability to maintain the required minimum reserves for economic uncertainties in the two subsequent fiscal years, combined with the magnitude of its continued structural deficit spending, indicates significant fiscal risk.

Areas of Highest Fiscal Risk

**Collective
Bargaining
Agreements**

**Deficit
Spending**

**Contributions
& Transfers**

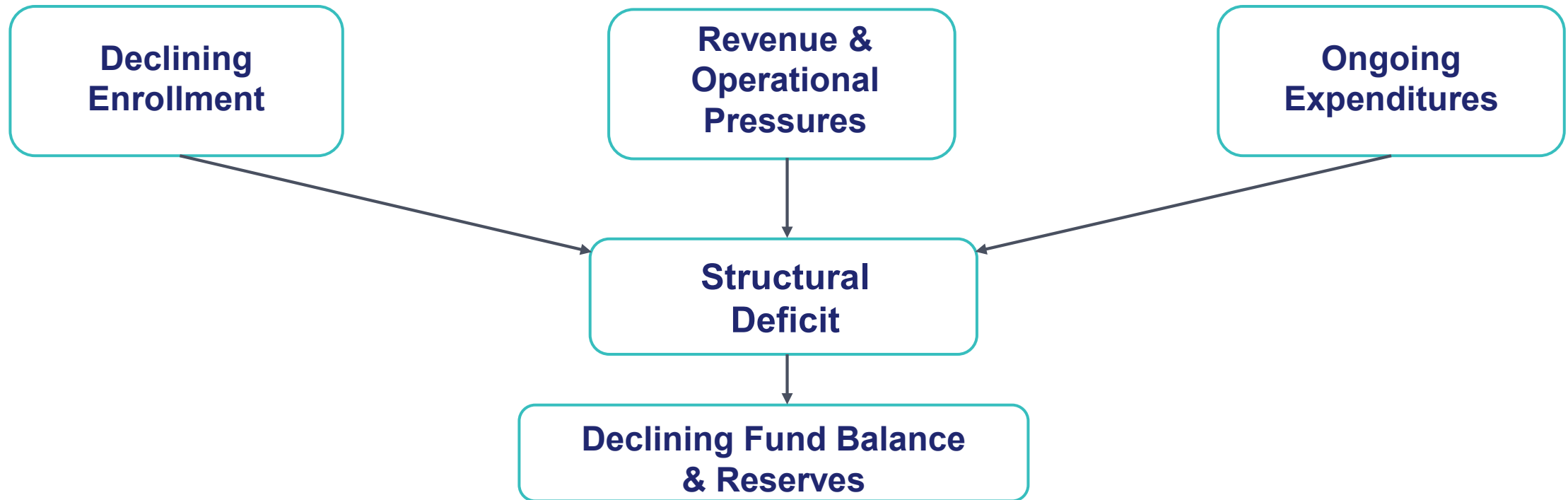
**Enrollment
& Attendance**

**Fund Balance
& Reserve
for Economic
Uncertainty**

**Position
Control**

These risks are interconnected and collectively affect the district's ability to restore and maintain fiscal stability.

The Structural Fiscal Challenge



Long-term fiscal stability depends on aligning the district's ongoing expenditures with sustainable ongoing revenues and current and projected enrollment.

Cash Management and Fiscal Solvency

Cash and fund balance are not interchangeable.

FUND BALANCE

Reflects financial resources on an accounting basis and does not necessarily indicate when cash is available.

CASH

Determines whether the district can meet its financial obligations when they come due.

WHY IT MATTERS

Accurate and complete cash flow projections are essential to identifying potential cash shortfalls early and determining whether temporary borrowing or other cash management strategies may be necessary.

Maintaining fiscal solvency requires both sustainable fund balances and sufficient cash to meet obligations when due.

Timing Matters



Repeat as conditions and assumptions change

The earlier a district responds to a structural imbalance, the more options it has available. Delays reduce those options and may require more significant actions over a shorter period.

What Drives the Structural Challenge?

Enrollment & Attendance

Declining enrollment affects revenue and requires alignment of staffing, facilities and other ongoing expenditures.

Compensation & Staffing

Collective bargaining commitments and staffing levels drive the district's largest ongoing expenditure category and its financial projections.

Contributions & Transfers

Increasing contributions, particularly for special education, place additional pressure on unrestricted resources.

**ONGOING
STRUCTURAL DEFICIT**

The Path to Fiscal Stability

Implement

Implement the Fiscal Stabilization Plan within required timelines and sustainable planned reductions.

Align

Align staffing, facilities and ongoing expenditures with sustainable revenues and current and projected enrollment.

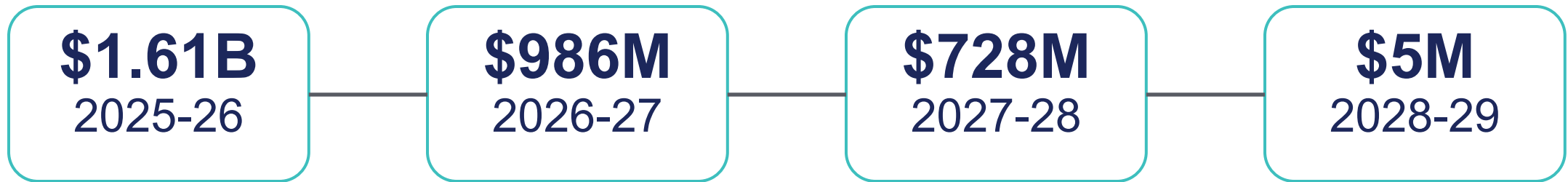
Monitor & Adjust

Monitor implementation, fund balance, cash flow, special education contributions, and other assumptions, and take timely corrective action.

Delays in taking corrective actions reduce the options available in subsequent years and may require more significant reductions over a shorter period.

Subsequent Events

Updated Unrestricted/Unassigned General Fund Ending Balance



The updated projections reflect an improved fiscal position compared with the adopted budget but continue to show a substantial decline in the unrestricted/unassigned fund balance.

The projections remain dependent on full implementation of the expenditure reductions included in the Fiscal Stabilization Plan.

Moving Forward

Restoring fiscal stability will require continued collaboration among the governing board, district administration, labor partners, the county superintendent and other educational partners.



Successful fiscal recovery depends not only on the Fiscal Stabilization Plan, but also on timely execution, transparent monitoring and prompt action when assumptions do not materialize.

Questions?

Thank you!