

Proposed FY 2026–27 Fiscal Stabilization Plan

May 21, 2026

Topics

- Recap the May Revision's impact on LAUSD's revenue and multiyear projection
- Review the Fiscal Stabilization Plan (FSP) adopted with the FY 2026 budget
- Proposed new FSP to cover labor agreements' costs and address the District's projected negative ending balance
- Next steps

LAUSD's Preliminary Multi-Year Projection

Notable Factors:

- Projections are based on FY2025–26 Estimated Actuals, updated since the Second Interim Financial Report
- \$1.5 billion estimated total annual ongoing costs for collective bargaining agreements (CBAs) at full implementation
- Long-term factors contributing to annual deficits:
 - Declining enrollment
 - Expiration of COVID relief funds
 - Rising costs

Collective Bargaining Agreement Investments

- Labor agreements represent an investment in our workforce, and in our schools, providing significant salary increases to our valued employees, and additional supports for students and families

- Recent Labor agreements include:
 - Additional Psychiatric Social Workers
 - Centrally-funded Community Representatives
 - Additional Pupil Services and Attendance Counselors
 - Additional School Psychologists
 - Additional Secondary Counselors
 - Reduced class sizes

Public Disclosure of Proposed Collective Bargaining Agreement

(Statutory Requirements)

- **AB 1200 (1991):** Created to ensure local educational agencies throughout California are adequately prepared to meet their financial obligations, and expanded public reporting requirements and the role of county offices of education (COEs) in monitoring school districts.
- **AB 2756 (2004):** Tightened fiscal oversight for school districts in response to significant financial failures, and enhanced the authority of COEs to monitor district finances and required rigorous, written certification of financial stability for collective bargaining agreements.
- **California Government Code Section 3547.5:** Mandates that costs incurred by the public-school employer under a collective bargaining agreement for the current and subsequent fiscal years must be disclosed at a public meeting. Additionally, the superintendent of the school district and the chief business official must certify in writing that the costs associated with the agreement can be met by the district during the term of the agreement.

LAUSD's Preliminary Multi-Year Projection

Governor's May Revision added additional Revenue to the MYP. For comprehensive planning, the FSP considers the Governor's revenue proposals that the District cannot include in the MYP

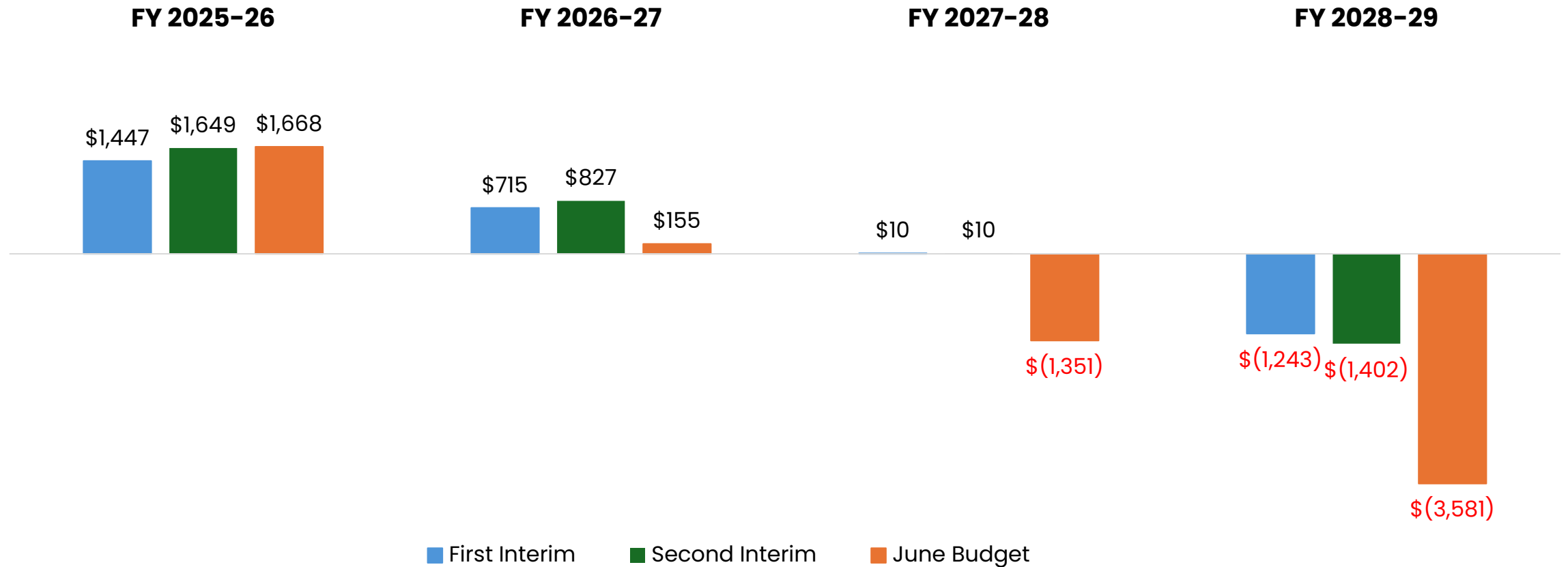
Revenue Sources* <i>(Dollars in Millions)</i>	FY 2026-27	FY 2027-28	FY 2028-29	MYP	New FSP
COLA for LCFF and SPED - ongoing	\$112	\$112	\$112	X	
Discretionary Block Grant (One-time)	\$328	\$0	\$0		X
Learning Recovery Emergency Block Grant (One-time)	\$68	\$0	\$0		X
SPED Base Rate (Ongoing)	\$187	\$189	\$190		X
Home-to-School Transportation (Ongoing)	\$19	\$20	\$20		X
Home-to-School Transportation (One-time)	\$26	\$0	\$0		X
Total	\$740	\$321	\$322		

*LAUSD's potential share, if any, of the \$3.9 billion Prop 98 withholding is not included in the MYP or FSP

LAUSD's Preliminary Multi-Year Projection

Requires additional Board-approved cost-saving measures to fund CBAs' and address the District's projected negative ending balance

General Fund Unrestricted/Unassigned Ending Balances
(Includes the Updated COLA from Governor's May Revision)



Fiscal Stabilization Plan (FSP)

Superintendent and Chief Financial Officer can use the FSP as a basis to certify that funds will be available for the CBAs

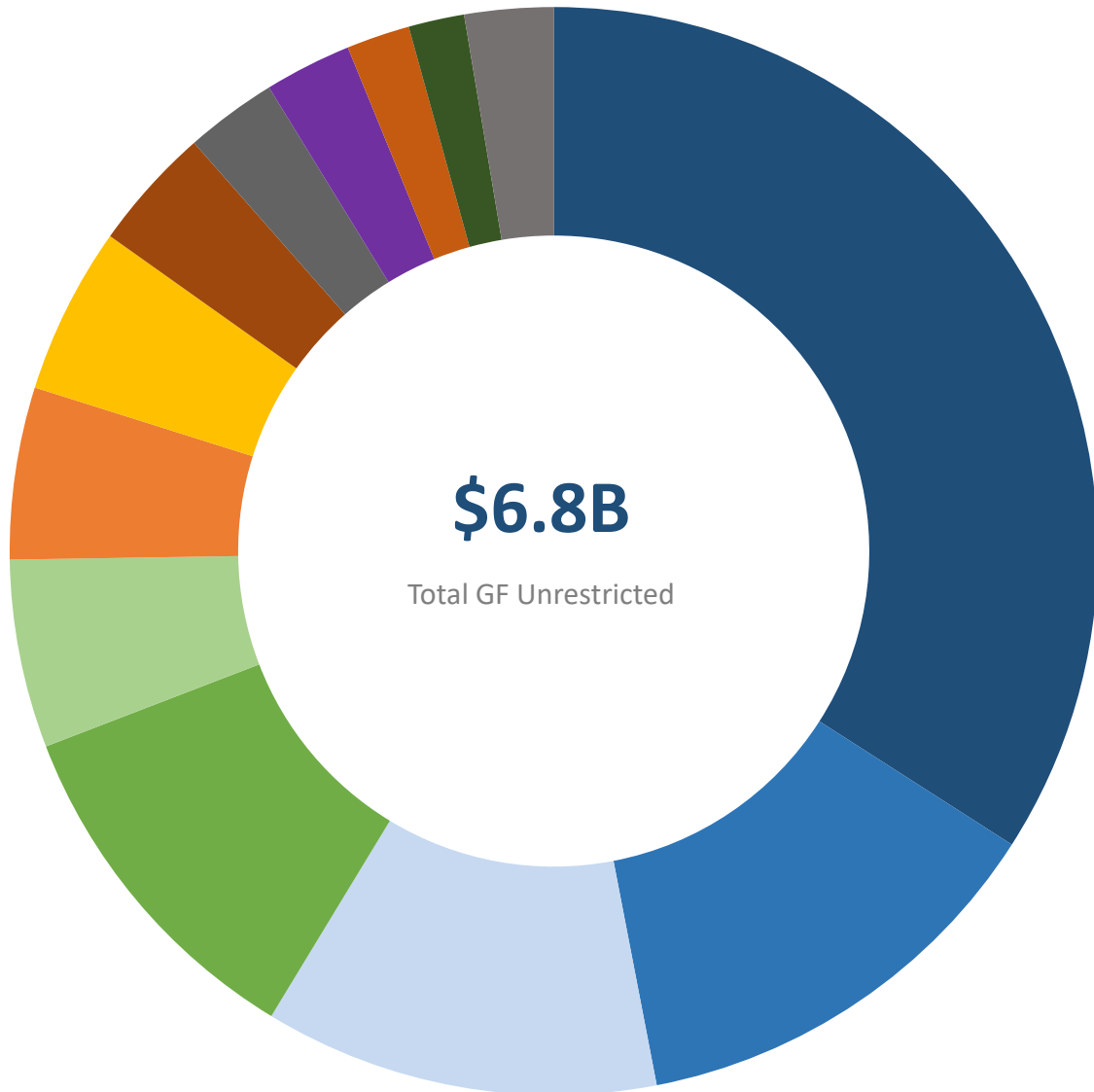
- ❑ A Board-approved plan that specifies steps the District will take to address the structural deficit.

- ❑ FSP must be designed to:
 - Meet current fiscal year financial obligations
 - Fulfill multiyear financial commitments
 - Maintain minimum reserve requirements

- ❑ Proposed actions are clearly defined and based on practical, detailed measures rather than general objectives.

LAUSD General Fund Unrestricted Budget FY2026

After mandates and labor agreements, options for General Fund cost reductions are limited



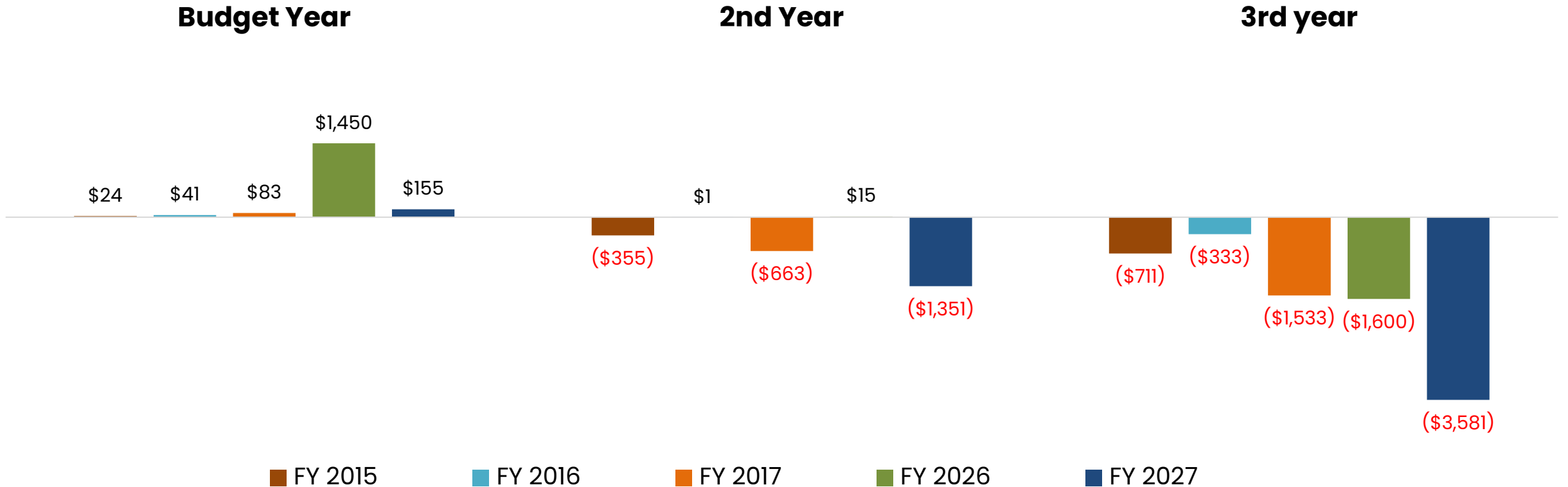
- Norm Positions - CBA**
 \$2,304.62M (34.1%)
Teachers, counselors, librarians, PSA, PSW, school psychologists
- Transportation**
 \$248.79M (3.7%)
Bus drivers, routing, vehicle maintenance
- Norm Positions - Non-CBA**
 \$1,106.51M (16.4%)
Principals, clerical, school admin assistants, financial managers, B&G Workers, Plant Managers
- SENI**
 \$792.84M (11.7%)
Student Equity Needs Index
- Instructional Materials**
 \$184.83M (2.7%)
Textbooks, classroom supplies, digital resources
- Utilities, Software & Hardware**
 \$474.08M (7.0%)
Electricity/gas, software licenses, devices
- BSAP**
 \$175.00M (2.6%)
Black Student Achievement Plan programs & staffing
- Whole Student Health, Wellness & Safety**
 \$378.58M (5.6%)
Mental health staff, nurses, school safety officers
- Special Education**
 \$127.29M (1.9%)
IEP services, special day classes, para-educators
- Direct Student Instruction & Support**
 \$336.05M (5.0%)
Curriculum, instructional coaches, tutoring programs
- GF School Allocation**
 \$112.15M (1.7%)
Discretionary funds allocated directly to schools
- Central Office**
 \$345.64M (5.1%)
District office, HR, finance, legal, communications
- Other**
 \$178.38M (2.6%)
District-wide costs, such Telecommunications

Norm Positions - CBA alone = \$2,304.6M — 34.1% of the total budget

MYP for Adopted Budgets with Negative Outyear Balances

Over the last 12 years the District has acted multiple times to address fiscal challenges; more aggressive measures required in the FY 2027 FSP

Multi-Year Projection at June Adopted
General Fund Unrestricted/Unassigned Ending Balances



Current FSP Adopted with the FY2026 LAUSD Budget

(Dollars in Millions)

Action	Updated FSP FY 2026-27	Updated FSP FY 2027-28	Updated FSP FY 2028-29
1) 10% of Fund 17	\$50	-	-
2) SENI & GFSP Carryover at 0%	\$360	\$65	-
3) SENI Allocation Reduction	\$99	\$200	\$200
4) Unfunded Positions	\$60	\$60	\$60
5) Consolidate District Footprint	-	\$30	\$30
6) Reassess Earmarked/Assigned Balances	\$53	\$140	
7) Strategic Closure of School Positions	-	-	-
8) Bring Students Closer to School of Residence	\$1	\$15	\$15
9) Central Reductions	\$150	\$150	\$150
<i>Restored Positions to Mitigate Impact on Schools</i>	<i>(\$70)</i>		
TOTAL	\$703	\$660	\$455

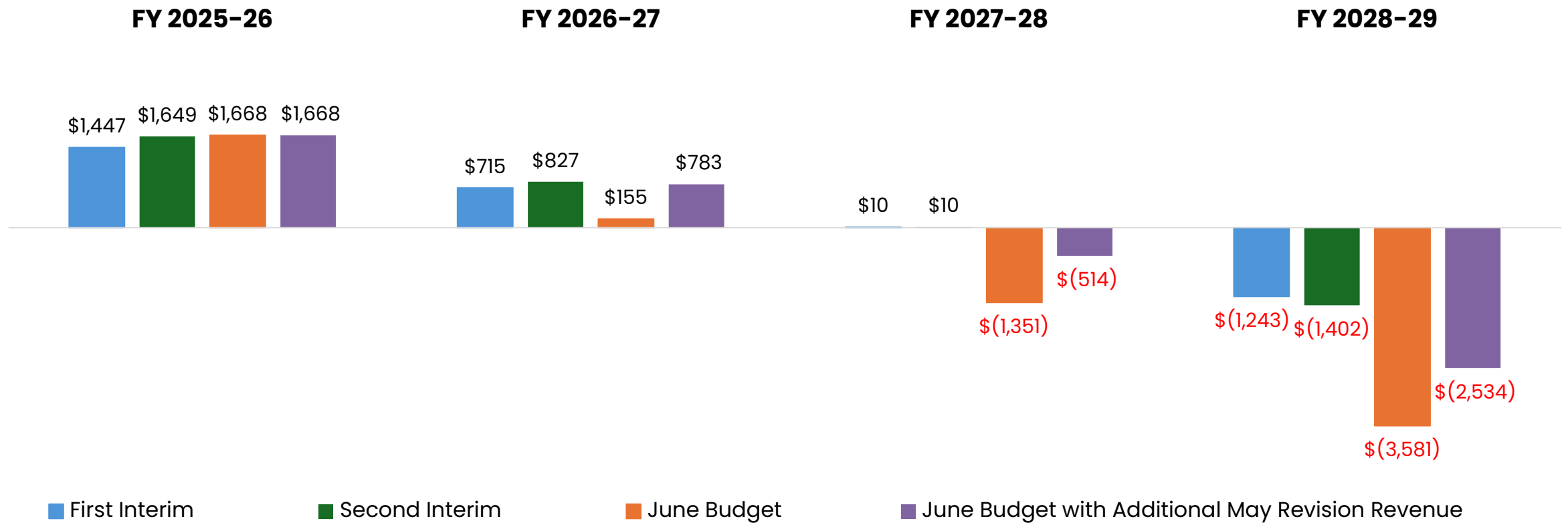
Savings fully reflected in MYP. New FSP will identify savings *above and beyond* the previous FSP.

\$1.36 billion

LAUSD's Preliminary Multi-Year Projection

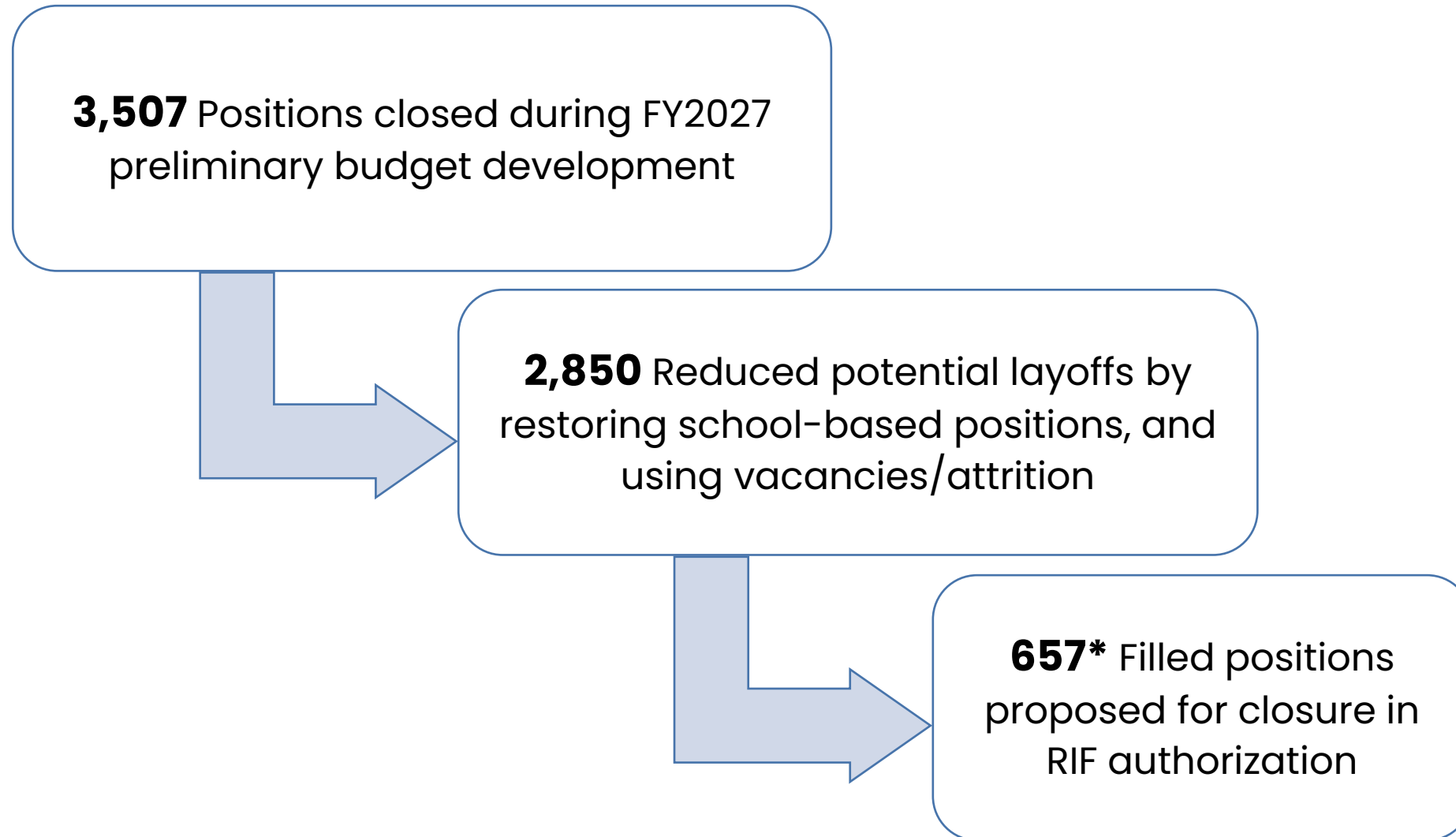
New FSP Required. The Governor's revenue proposals excluded from the MYP are insufficient to fund CBAs' costs and address the District's projected negative balance

General Fund Unrestricted/Unassigned Ending Balances
 (Includes the Updated COLA from Governor's May Revision)



Strong Commitment to Staff Retention

Restored over 2,800 school-based employees for the 2026-27 school year



**220 IT positions pending Board approval of CBA*

Proposed FSP for FY2026-27 Adopted Budget

Action	New FSP FY 2026-27	New FSP FY 2027-28	New FSP FY 2028-29	Layoff Impact
Revenue				
1) Revenue from May Revision	\$628	\$209	\$210	
2) Attendance at 93% starting in 2026-27		\$21	\$41	
Expenditures				
3) Central Office Reductions - Contracts/Non-Labor	\$50	\$200	\$200	
4) Central Office Reductions - Positions		\$50	\$50	Yes
5) OPEB Trust Contribution at \$0	\$128	\$113	\$113	
6) Committed Balance		\$46		
7) SENI Allocation Reduction (from \$500M current allocation)		\$400	\$500	Yes
8) BSAP Reduction (from \$125M current allocation)		\$100	\$100	Yes
9) HEET Reduction (from \$10M current allocation)		\$10	\$10	Yes
10) Affiliated Charter Block Grant Reduction		\$7	\$7	Yes
11) Norm Position Reductions		\$25	\$25	Yes
12) Furloughs days - All Employees (\$25M/day)		\$50	\$125	
13) School Consolidation/Efficiencies/Repurposing			\$30	Yes
14) Health Insurance Premium Sharing (District covers 90%)		\$50	\$100	
TOTAL	\$806	\$1,280	\$1,511	

Proposed FSP assumes RIF final authorization on May 21. More cost reductions will be needed if not authorized or reduced.

Grand Total	\$3,597
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Potential Consequences of District's Fiscal Outlook

(LACOE's Guidance)

- Conditional approval or **disapproval of the Board Adopted 2026–27 Budget**, under EC 42127(d)(1) and (f)(1), due to questions about multiyear solvency.

- By November 8, 2026, if the District's budget is disapproved, EC 42127.1 authorizes the County Superintendent to:
 - Call for the formation of a budget review committee (BRC) or,
 - With state approval, waive that requirement and exercise the authority assigned to such a committee.

- Continued disapproval can result in increasing levels of county oversight and intervention, including development of a budget plan to guide the District through the fiscal year.

- Under EC 42127.3(b), the County Superintendent may take actions including:
 - Stay or rescind board actions inconsistent with the adopted plan;
 - Cancel purchase orders and prohibit non-salary warrants;
 - Require encumbrance of contracts and cash flow analyses; and
 - Withhold compensation of Board Members and the Superintendent for failure to provide requested financial information.

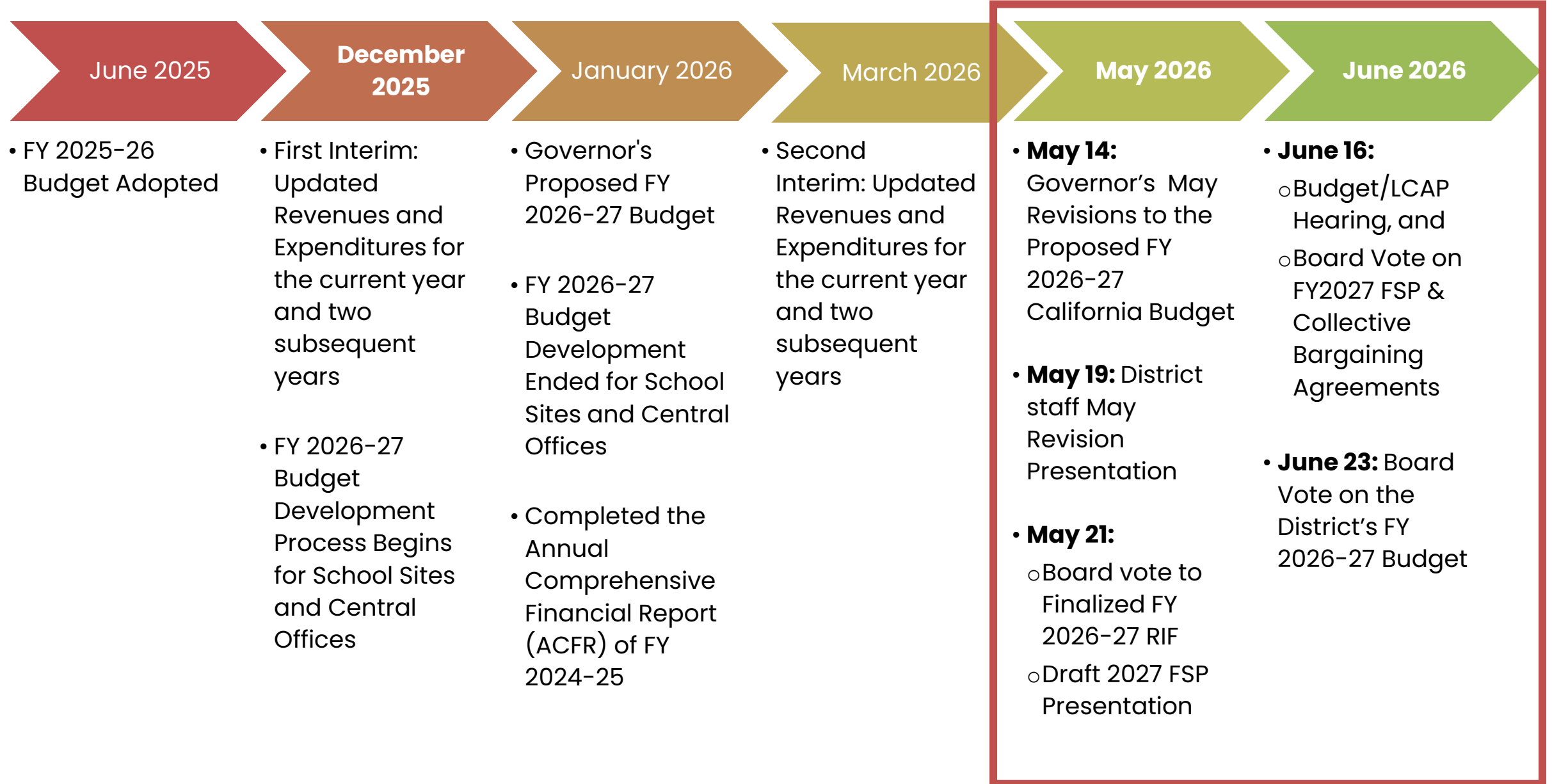
Potential Consequences of District's Fiscal Outlook

(LACOE's Guidance)

- **Fiscal Expert** could be appointed:
 - Authority: Technical assistance only; no veto over the Board
 - Role: Targeted support — accounting, budget development, cash management, internal controls, position control, MYPs
 - Trigger: Initial intervention when a district may be unable to meet obligations for the current or two subsequent fiscal years.
- **Fiscal Advisor** could be appointed:
 - Authority: Acts on behalf of the County Superintendent, including stay-and-rescind authority over Board actions inconsistent with the District's ability to meet its obligations (EC 42127.6(e)(2))
 - Role: Longer-term oversight of policy, governance, and operations
 - Independence: Represents the County Superintendent; not directed by the District
 - Trigger: Advanced intervention — typically a negative certification, denied/no appeal under EC 42127.6(d), or other emergency measures

An adopted Fiscal Stabilization Plan provides an outline of the District's strategy to address its projected deficit as required by LACOE and in compliance with their oversight responsibility on behalf of the state.

Next Steps



Thank you