

FY 2025-26

Second Interim Financial Report

Board of Education

March 10, 2026



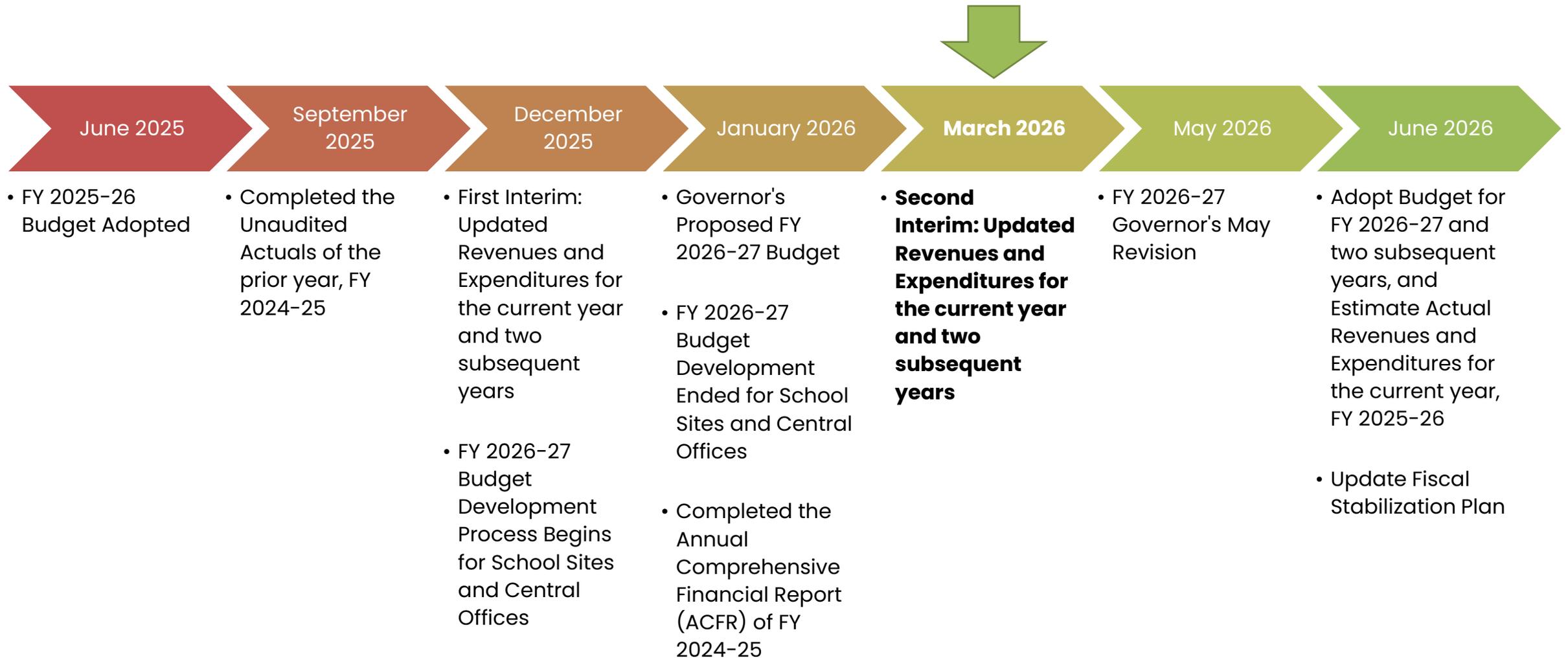
Topics

- Recap District's budget development timeline

- Summarize District's Second Interim Financial Report including:
 - General Fund major highlights and deficit spending
 - Summary reports for:
 - Adult Fund
 - Cafeteria Fund
 - Child Development Fund

- Recommend the Board approve the District's:
 - Positive certification of the 2025-26 Second Interim Financial Report
 - Submission of the 2025-26 Second Interim Financial Report to the Los Angeles County Superintendent of Schools (CSS)

Timeline



Second Interim: Background

- ❑ **Purpose:** Statutorily¹ required mid-year update to the current year budget and multiyear projections for the two subsequent years.

- ❑ **Due date:** March 16 for the period ending January 31.

- ❑ Three certification options upon reporting:
 - **Positive** – the District will meet its financial obligations for the current fiscal year and two subsequent years.

 - **Qualified** – the District may not be able to meet its financial obligations for the current or two subsequent fiscal years.

 - **Negative** – the District will not be able to meet its financial obligations for the current or subsequent fiscal year.

¹Ed Code 42130: Second Interim due no later than 45 days after the close of the period ending January 31

Second Interim: Recommended Action and Highlights

- **Recommended Action:** the Board certify as “**Positive**”, at second interim for the District’s current FY 2025–26 Budget and two subsequent years.

- **Highlights:**
 - In the Second Interim Financial Report, the District:
 - Expects to meet its financial obligations for the current and two subsequent years.

 - Updated the General Fund projections to include the FY 2024–25 audited actuals fiscal year true-up, investment valuation changes, enrollment decline, and current expenditure estimates.

 - Incorporated labor costs for tentative agreements and the cost to restore unfunded school site positions within the assigned balances.

 - The District uses ending fund balance to offset deficit spending and has begun to incorporate solutions within the Board–adopted fiscal stabilization plan.

Second Interim: General Fund Major Highlights

- ❑ Deficit spending is projected across all three years.
- ❑ General Fund balance is reduced to \$1,073 million by 2027-28.
- ❑ Within the \$1,073 million, 65% assigned for compensation increases, 25% primarily assigned/committed for schools, and 10% statutorily reserved.

Includes transfer of Fund 17 into the General Fund

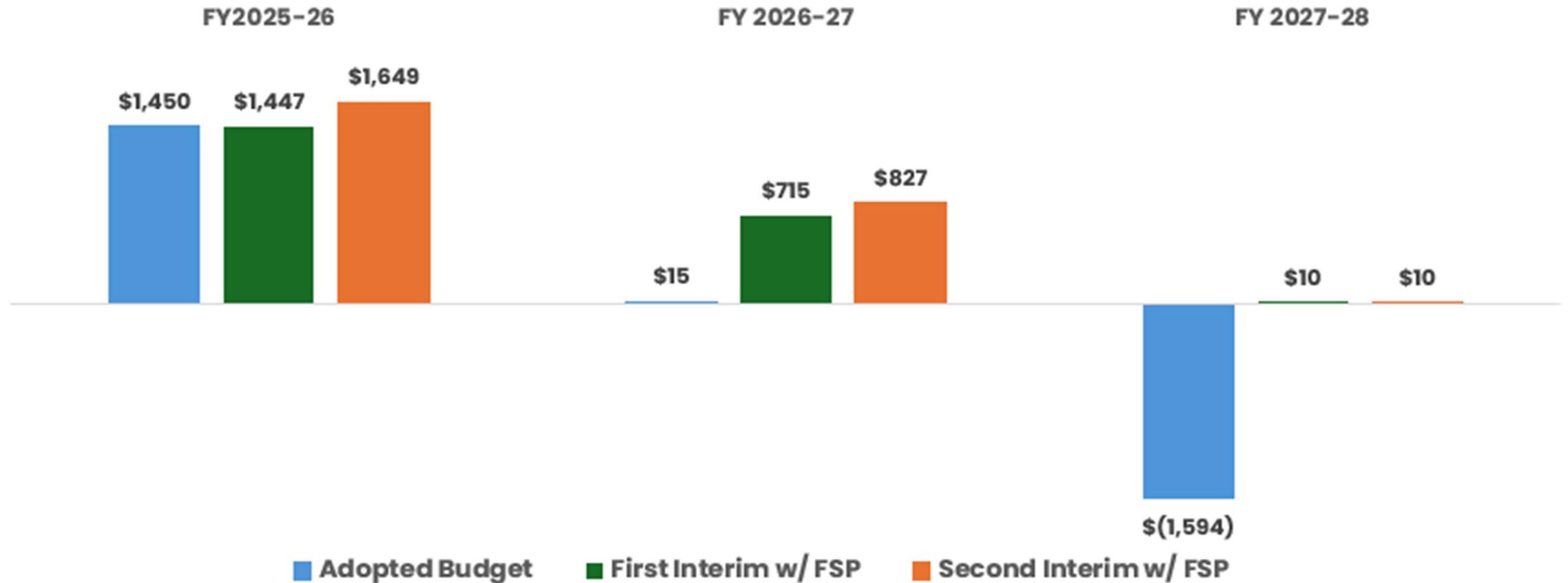
Description	FY 2025-26	FY 2026-27	FY 2027-28
General Fund Beginning Balance	\$4,515	\$3,206	\$1,701
Revenues	\$9,988	\$9,336	\$9,670
Expenditures	\$11,297	\$10,841	\$10,298
Deficit Spending	\$(1,309)	\$(1,504)	\$(628)
General Fund Ending Balance	\$3,206	\$1,701	\$1,073
Fund 17 ¹	\$600	\$498	-
Ending Balance with Fund 17	\$3,806	\$2,199	\$1,073
Components of General Fund Ending Balance:			
<i>Workforce Stabilization Assigned Balance</i>	\$109	\$174	\$465
<i>Bargaining Agreements Assigned Balance</i>	\$84	\$157	\$233
<i>Other (non-spendable, committed, other assignments, restricted, REU)</i>	\$1,364	\$544	\$365
<i>Unassigned/Unrestricted</i>	\$1,649	\$827	\$10
<i>Fund 17</i>	\$600	\$498	

¹Fund 17 is recalculated based on total General Fund expenditures and other financing uses

Second Interim with Fiscal Stabilization Plan (FSP)

(Dollars in Millions)

General Fund Unrestricted/Unassigned Ending Balances - Adopted Budget vs. First Interim vs. Second Interim



Second Interim Multi-Year Projection: General Fund Unrestricted/Unassigned

Factors Not Reflected in Multi-Year Projection

- Non-COLA related items of the Governor's January Proposed Budget
 - Student Support & Professional Discretionary Block Grant
 - Learning Recovery Emergency Block Grant (LREBG)
 - Special Education rate increase
 - Home-To-School Transportation
 - Community School grant
 - LAUSD's share, if any, of the \$5.6 billion Prop 98 withholding

- Future changes in compensation for labor partners without tentative agreements***

LAUSD Fiscal Stabilization Plan (FSP) – Updated

(Dollars in Millions)

Action	Adopted FSP FY 2026-27	Adopted FSP FY 2027-28	Updated FSP FY 2026-27	Updated FSP FY 2027-28
1) 10% of Fund 17	\$50	-	\$50	-
2) SENI & GFSP Carryover at 0%	\$360	\$65	\$360	\$65
3) SENI Allocation Reduction	\$75	\$200	\$99	\$200
4) Unfunded Positions	\$60	\$60	\$60	\$60
5) Consolidate District Footprint	\$30	\$30	-	\$30
6) Reassess Earmarked/Assigned Balances	\$115	\$0	\$53	\$140
7) Strategic Closure of School Positions	\$100	\$100	-	-
8) Bring Students Closer to School of Residence	\$15	\$15	\$1	\$15
9) Central Reductions	\$200	\$125	\$150	\$150
<i>Estimated Restored Positions</i>			<i>(\$70)</i>	
TOTAL	\$1,005	\$595	\$703	\$660

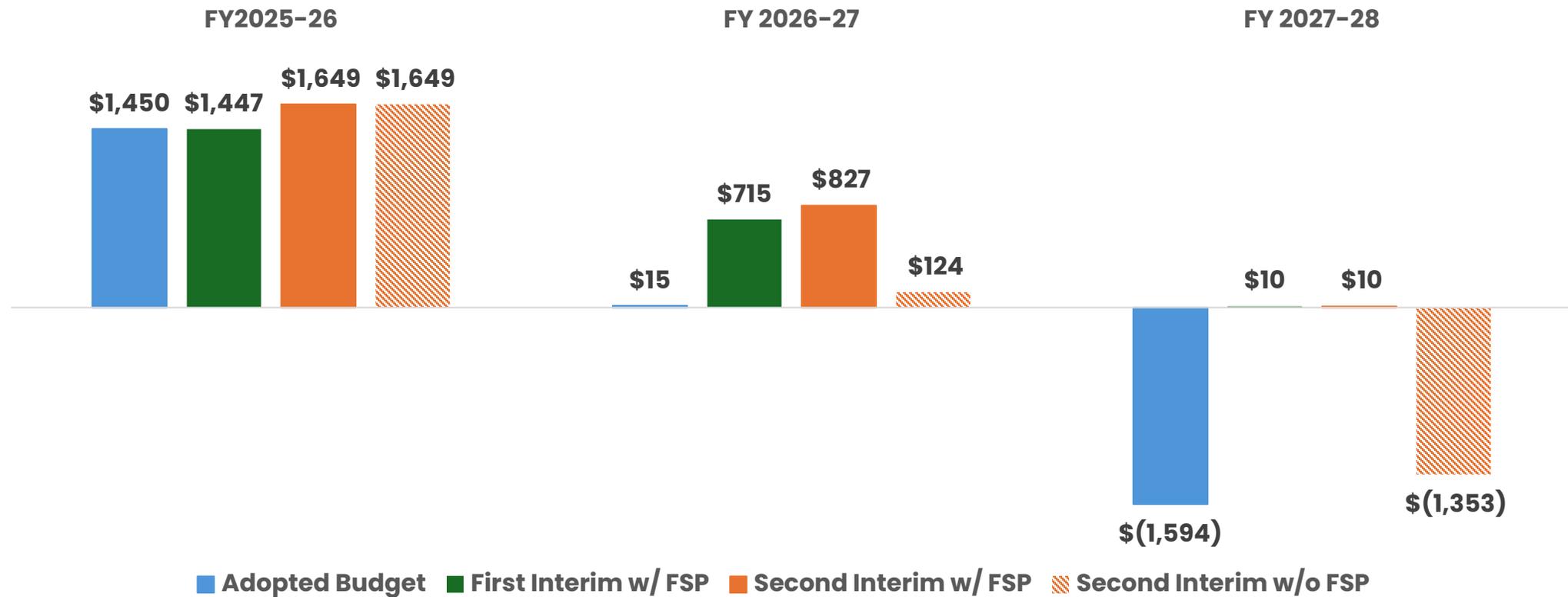
\$1.6 billion

\$1.36 billion

Second Interim *without* Fiscal Stabilization Plan

(Dollars in Millions)

General Fund Unrestricted/Unassigned Ending Balances – Adopted Budget vs. First Interim vs. Second Interim



Multi-Year Projection Model w/Revenue Estimates, Available Resources, and Compensation:

Additional Revenue Estimates & Available Resources:

- Additional revenue estimates are based on various methods used for allocations in previous years:
 - **\$52M** Updated COLA in LAO's latest fiscal outlook
 - **\$376M** of Non-COLA related items of the Governor's January Proposed Budget (e.g. Discretionary Block Grant, SPED base rate, LREBG)
- Estimated ending balances available to spend:
 - **\$465M** remain in workforce stabilization plan. \$796M reduced by \$70M restored positions, \$28M to certify positive, \$233M settled bargaining agreements.
 - **\$10M** unrestricted/unassigned ending balance

\$903M Total Additional Revenue Estimates & Available Resources

Costs for Compensation Offered:

- Estimate assumes percent increases comparable to settled agreements for:
 - UTLA
 - SEIU
 - AALA Teamsters Certificated
 - AALA Teamsters Classified
 - Trades
 - District Represented

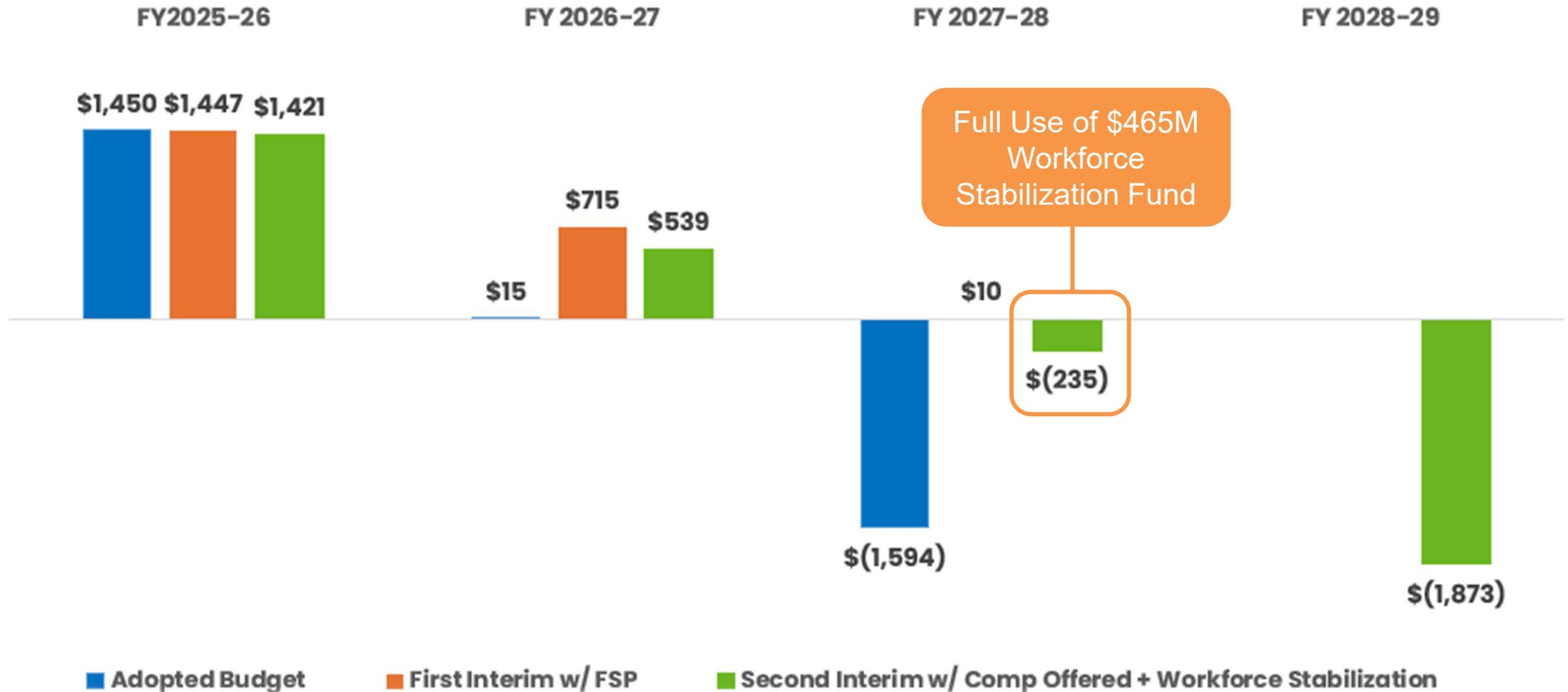
\$1.138B Total offered and not reflected in the Second Interim Financial Report

- \$235M** - FY 2027-28 projected negative balance after accounting for additional revenue estimates, available resources, and compensation offered.

Multi-Year Projection:

General Fund Unrestricted/Unassigned – w/ Cost of Labor Offers

(Dollars in Millions)



Second Interim: Adult Education Fund Major Highlights

(Dollars in Millions)

- The Adult Education Fund is projected to decrease from a beginning balance of \$48 million in 2025-26 to an ending balance of \$22 million in 2027-28.

Description	FY 2025-26	FY 2026-27	FY 2027-28
Beginning Balance	\$48	\$22	\$20
Revenues	\$167	\$170	\$174
Expenditures	\$193	\$172	\$172
Deficit	\$(26)	\$(2)	\$2
Ending Balance	\$22	\$20	\$22

Second Interim: Cafeteria Fund Major Highlights

(Dollars in Millions)

□ The Cafeteria Fund is projected to decrease from a beginning balance of \$274 million in 2025-26 to an ending balance of \$229 million in 2027-28.

Description	FY 2025-26	FY 2026-27	FY 2027-28
Beginning Balance	\$274	\$277	\$253
Revenues	\$521	\$512	\$514
Expenditures	\$518	\$536	\$538
Deficit	\$3	\$(24)	\$(24)
Ending Balance	\$277	\$253	\$229

Second Interim: Child Development Fund Major Highlights

(Dollars in Millions)

- ❑ The Child Development Fund is projected to decrease from a beginning balance of \$107 million in 2025-26 to an ending balance of \$81 million in 2027-28.

Description	FY 2025-26	FY 2026-27	FY 2027-28
Beginning Balance	\$107	\$118	\$97
Revenues	\$299	\$222	\$229
Expenditures	\$288	\$244	\$245
Deficit	\$11	\$(22)	\$(16)
Ending Balance	\$118	\$97	\$81

General Fund Unrestricted Assigned Balances

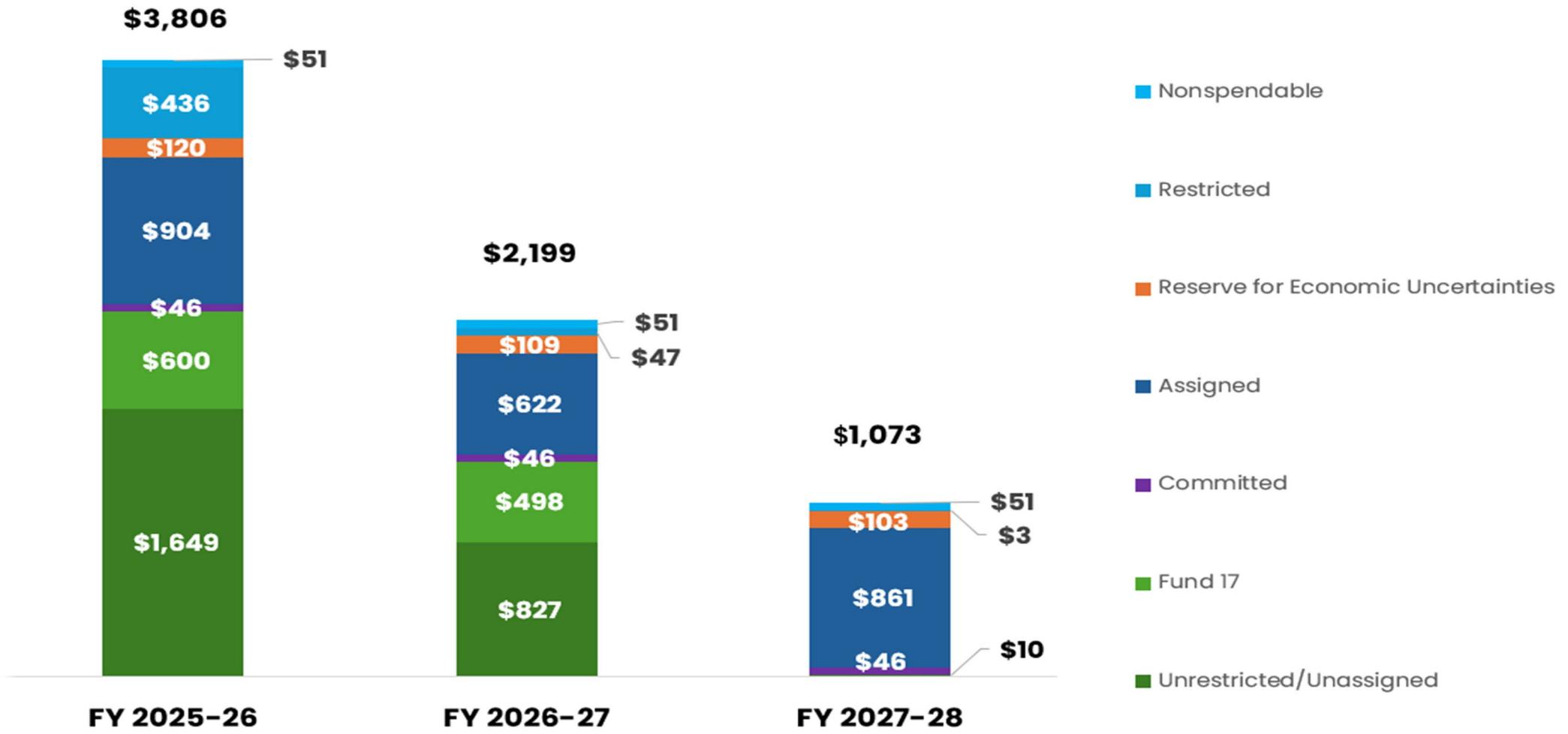
(Dollars in Millions)

One-time set-aside for
cost of offers to unions
already made

Assigned Balances by Activity	FY 2025-26	FY 2026-27	FY 2027-28
Workforce Protection/Stabilization	\$145.3	\$173.5	\$465.3
Bargaining Agreement	83.8	156.9	232.6
Fiscal Stabilization Plan – School Carryover	360.0	-	-
Fiscal Stabilization Plan – Reassess Earmarked Balances	128.5	128.5	-
Access & Equity Programs	12.8	3.5	3.5
Community Schools	5.7	11.7	17.6
Greening / Climate / Cyber Protection	55.0	50.7	50.7
School Discretionary Funds	44.6	49.8	45.5
Violence & Drug Prevention	18.6	0.2	0.2
School Generated Donations	48.0	46.4	44.7
Community Challenge Grant	0.1	0.1	0.1
All Others	1.3	0.4	0.4
Grand Total	\$903.7	\$621.6	\$860.7

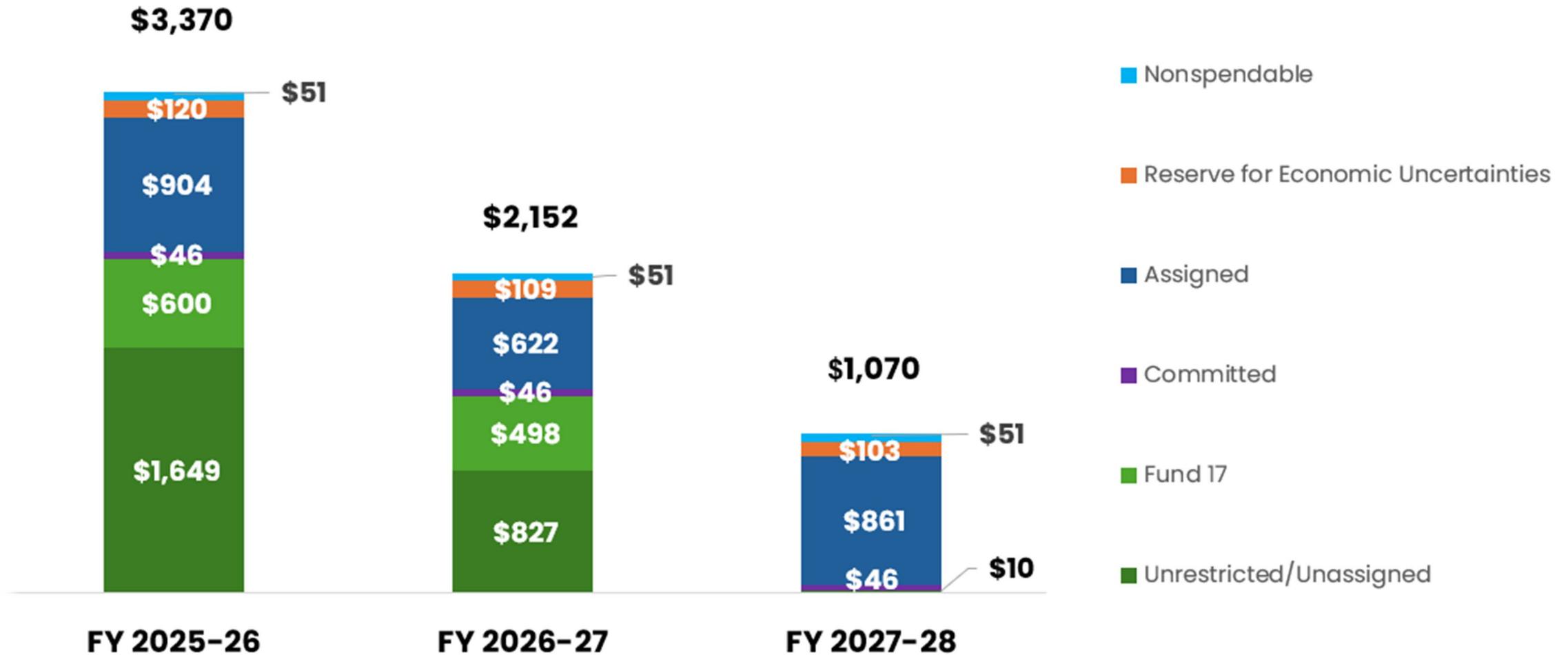
General Fund Unrestricted and Restricted Ending Balances Second Interim with Fiscal Stabilization Plan

(Dollars in Millions)



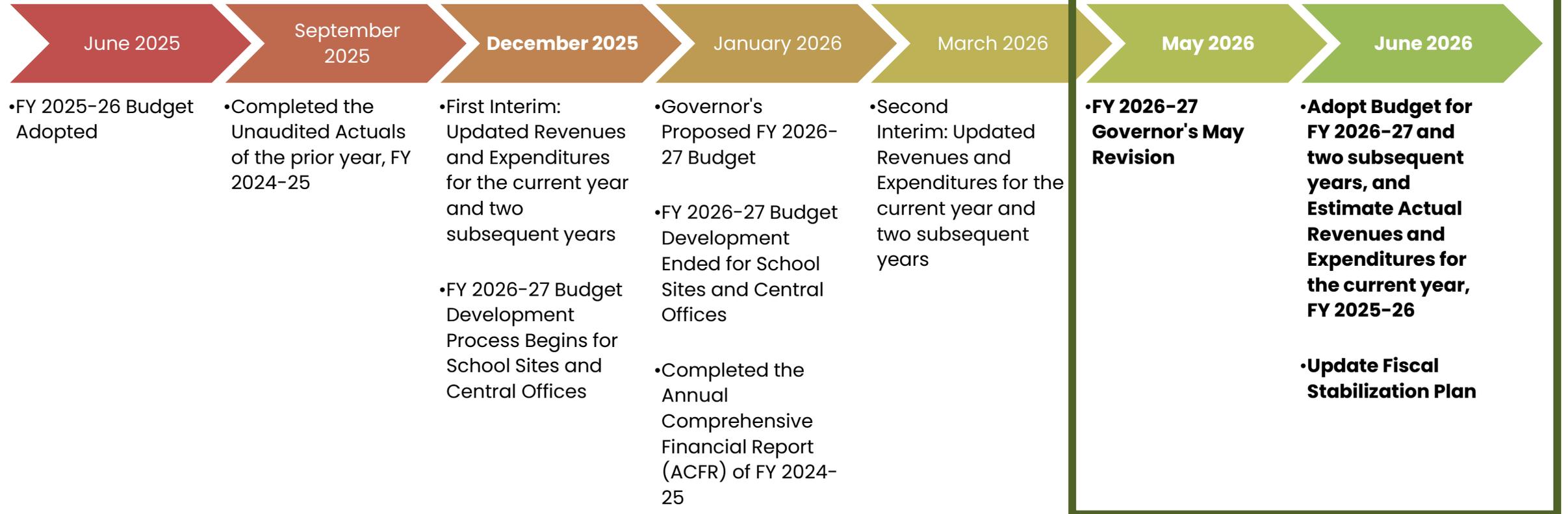
General Fund Unrestricted Ending Balances Second Interim with Fiscal Stabilization Plan

(Dollars in Millions)



Next Steps

- ❑ March 16: Submit Second Interim to LACOE
- ❑ May 13: FY 2026–27 Governor's May Revision
- ❑ June 16: FY 2026–27 LCAP/Budget Public Hearing
- ❑ June 23: FY 2026–27 LCAP/Budget Adoption



Thank you