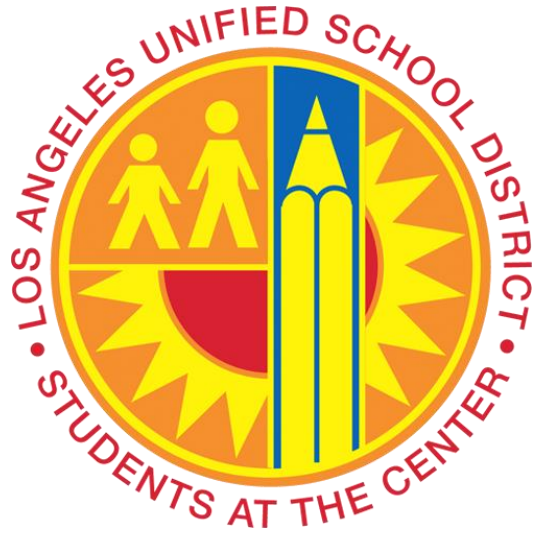


Second Interim Financial Report Fiscal Year 2021-22

Presentation to the Board of Education
Prepared by the Office of the Chief Financial Officer
March 8, 2022

Agenda

- State and LA Unified Outlook
- Second Interim
- Budget to Actuals
- Budget Development Calendar



State and LA Unified Outlook

Overall State Outlook

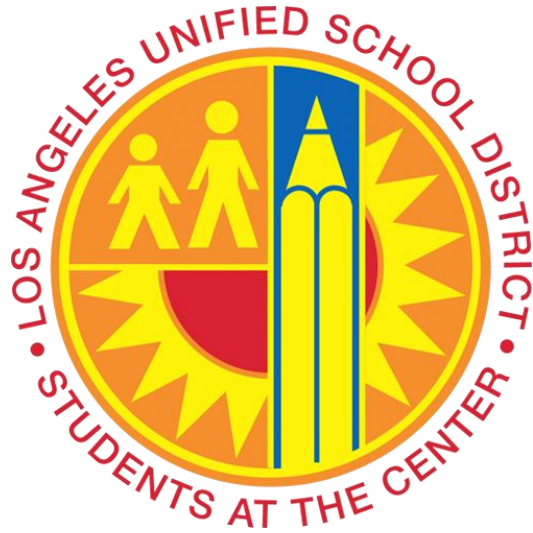
- Provides \$16.1 billion in new one-time and ongoing revenues for K-14 education
- Proposition 98 minimum guarantee of \$102 billion is the highest spending level for K-14 schools since the Proposition's enactment in 1988
 - Equates to 38% of the state budget
 - Prop. 98 State School Reserve balance estimated at \$9.7 billion
 - School district reserve cap operative in 2022-23
- Policy proposals including:
 - Changes to independent study
 - Extends substitute teacher authorization up to 60 cumulative days for any one assignment
 - Graduation requirement exemption for students with disabilities
 - New special education LCAP addendum by July 1, 2024

Statutory and Regulatory Matters

- When the State Prop 98 Reserve fund balance is at least 3% of the K-12 minimum guarantee, caps on local school district reserves are triggered
 - A 10% reserve cap for unassigned and assigned balances triggered in 2022-23
 - LA Unified reserves are at 27% and cap is at 10%
 - Projected reserve balances in FY 2022-23 exceed the reserve cap

LA Unified Fiscal Outlook

- Enrollment and Average Daily Attendance (ADA) are declining
- Decline in enrollment and reduction in ADA percentage offset by proposed changes to the State funding model for school districts and higher COLA
- ADA is below 400,001 beginning FY 2021-22
 - Reserve for Economic Uncertainty (REU) percentage increases to 2% from 1%
 - A 1% increase in the REU equates to ~\$100 million



Second Interim

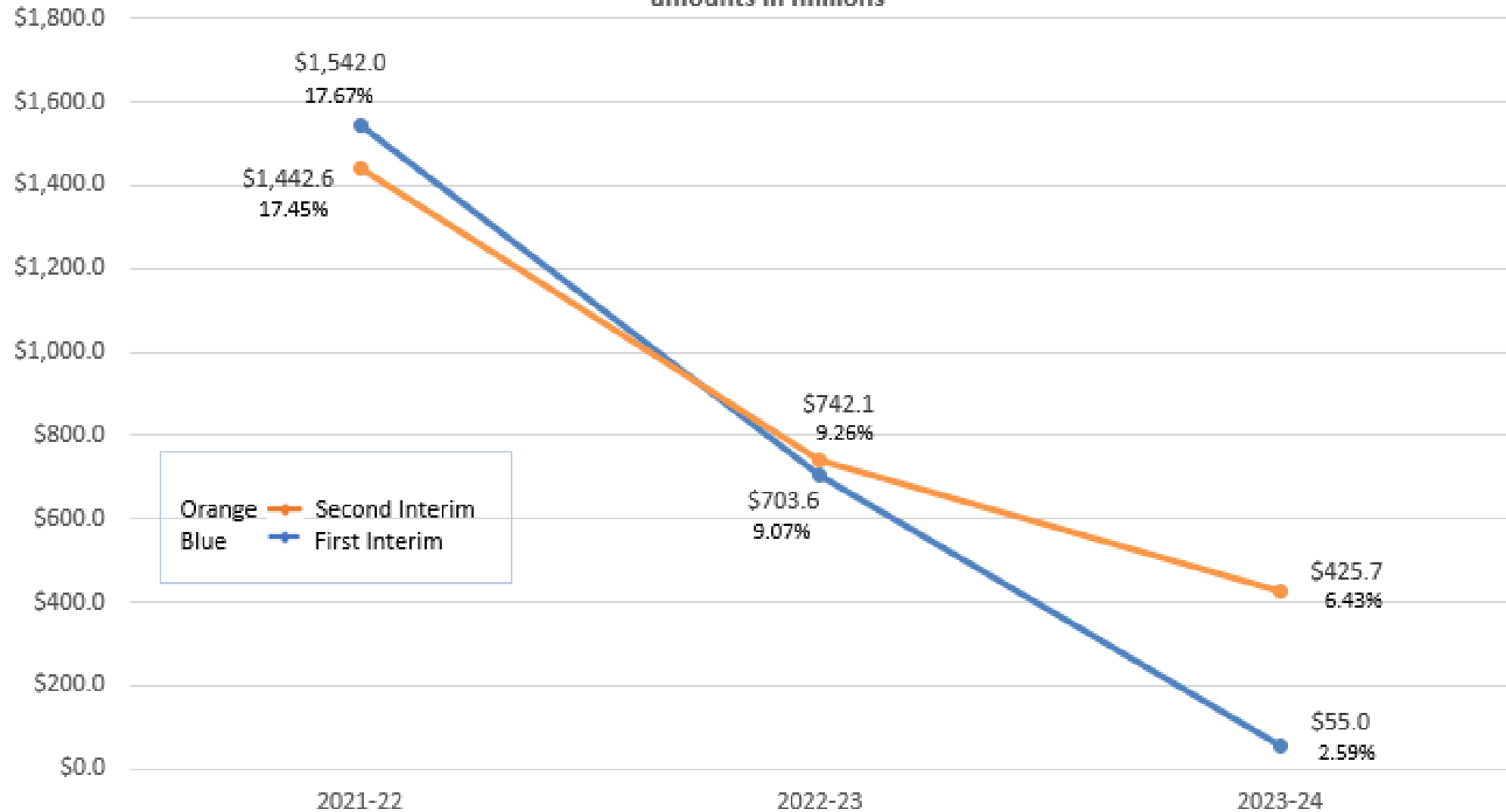
Second Interim Overview

- A midyear update to the current fiscal year and a forecast of the next two fiscal years
- A legal requirement in compliance with Ed Code Section 42100
- To be filed with the County Superintendent of Schools on or before March 15, 2022
- Staff is recommending to the Board that the District's Second Interim Report is certified as "Positive"
- "Positive" means that the District is projected to meet its financial obligations in fiscal years 2021-22 through 2023-24

Results of the Second Interim

- The Second Interim Report projects a General Fund – Unrestricted (Unassigned/Unappropriated) ending balance of \$1.4 billion in 2021-22
- Projected changes in revenues and expenditures through the end of 2023-24 results in a cumulative ending balance of \$425.7 million

Trends in General Fund Unassigned Ending Balances & Reserve Percentages from 2021-22 to 2023-24 amounts in millions



Components of General Fund Ending Balance

	2021-22	2022-23	2023-24
Non-Spendable – Inventory/Prepays/Revolving cash	\$47	\$47	\$47
Restricted	\$510	\$185	\$158
Committed	\$0	\$0	\$0
Assigned	\$1,387	1,832	\$1,932
Unassigned			
Reserve for Economic Uncertainty	\$200	\$205	\$192
Undesignated	\$1,443	\$742	\$426

- Reserve cap is 10% of General Fund Expenditures and Other Financing Uses
- Reserve Cap Amount ~\$1.0 billion or 10%
- Current Assigned and Unassigned Balance Reserves ~\$2.8 billion or 27%
- Reserves Above the Reserve Cap ~\$1.8 billion or 17%

Above amounts in millions

Assumptions for the Multi-year Projections

- The funding model is predicated upon guidance received from the Los Angeles County Office of Education that reflects the most likely outcome of the ongoing legislative session.
- Revenue for the Local Control Funding Formula (LCFF)
 - Cost-of-living adjustment (COLA) at 5.33% and 3.61% in 2022-23 and 2023-24.
 - The State's proposed funding model allows Districts to use the average of the prior 3 years' ADA in the computation of Funded ADA.

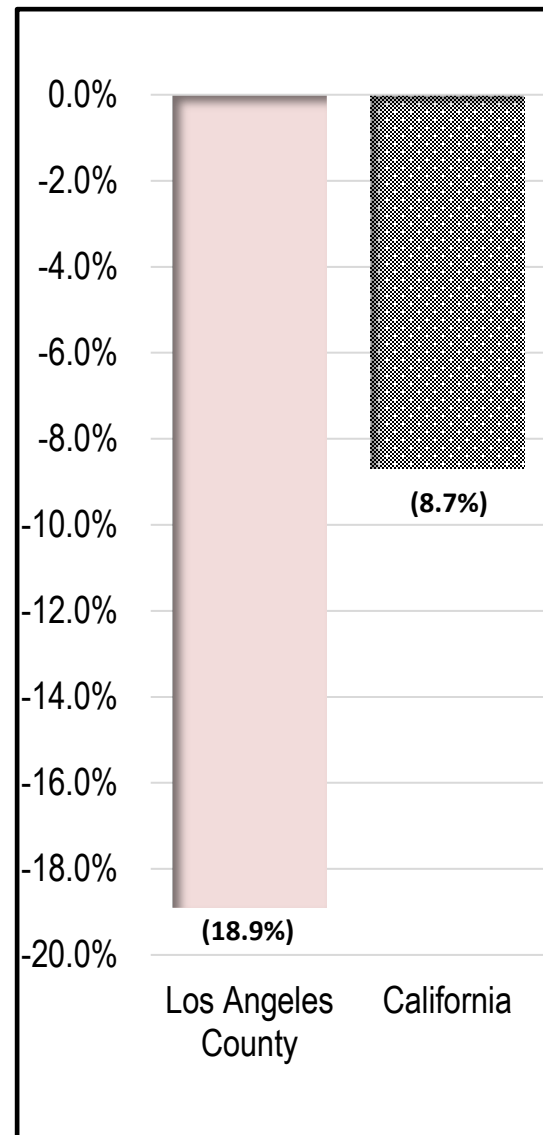
Assumptions for the Multi-year Projections (continued)

- Projected Enrollment
 - For 2022-23 is lower by 4.15% from Norm Day September 2021
 - For 2023-24 is lower by 4.43% from 2022-23
- Average Daily Attendance (ADA)
 - Decreased to 90% from 95% at First Interim

Not Reflected in Multi-Year Projections

- SB 830 supplemental funding for the gap in revenue between the current attendance-based model and the proposed enrollment-based model
- Lower CalPERS Employer rates scheduled for CalPERS Board approval in April 2022
- Successor Health and Welfare Benefits Agreement
- Contribution to the Other Post-Employment Benefits (OPEB) Trust Fund
- Capital Planning
- Impact of school calendar changes such as additional instructional days, professional development, etc.
- Included in the model are compensation agreements reached with the Associated Administrators of Los Angeles (AALA) and United Teachers Los Angeles (UTLA). Yet to be factored are subsequent agreements with any other bargaining units
- Increases in transportation services

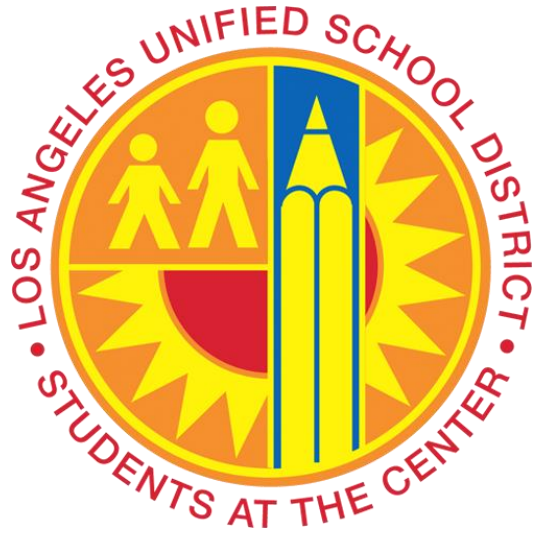
Declining Enrollment Projected, 2021-22 to 2030-31



- CA Dept of Finance projected in June 2021 that LA County's enrollment would decline annually by 2.3% beginning in FY 2022-23 to 2030-31
 - This forecast incorporates changes to kinder age due to universal TK
- In comparison, LA Unified projects an average annual decline of 3.61% for the same period
- This is a change from prior forecasts that show an average decline of 2.7% as recently as 2020-21
- In California, Average Daily Attendance (ADA) declined by 8.5% from 2019-20 to 2021-22

LCFF and COLA

Governor's 2022-23 Proposed Budget	LA Unified Est. 3-Year Fiscal Impact	One-Time /Ongoing	Fund	Notes
COLA for LCFF	\$511M	Ongoing	GF Unrestricted	22-23 COLA from 2.48% to 5.33% = \$156M 23-24 COLA from 3.11% to 3.61% = \$178M 24-25 COLA from 3.54% to 3.64% = \$177M
COLA for Categoricals	\$36M	Ongoing	GF Restricted	Special Education (\$11.5M), Mandated Block Grant (\$0.50M), and others; \$12M annually
Mitigating Declining Enrollment	up to \$1B	Ongoing	GF Unrestricted	Revenue ADA is the greater of current year, prior year, or average of three prior years. \$586M in 22-23; \$388M in 23-24; \$179M in 24-25
Expansion of Universal TK: \$639M	\$192M	Ongoing	GF Unrestricted	Qualifying ADA increases for students turning 5 years old between Sept. and Feb. for 22-23; \$64M annually; qualifying age to expand through 2024-25



Budget to Actuals

Budget to Actuals - General Fund Unrestricted

	Budget 2021-22	Actuals 2021-22	Variance by Dollars
Total Revenues	\$6,236	\$6,233	(\$3)
Total Expenditures	\$7,265	\$5,804	\$1,461
Unassigned/Unappropriated Ending Balance	\$1,104	\$1,443	\$338

Amounts in Millions

- Salary and benefit savings due to various vacant positions
- Projected underspending on some carryover programs (i.e., General Fund School Program & TSP)
- Shift of spending to available one-time COVID funding resources
- As addressed in Superintendent Carvalho's 100 Day Plan, a broad fiscal analysis will be conducted
 - Budget-to-actual variances will be at the core of this analysis, including an analysis of filled as compared to vacant positions

COVID-19 Federal & State Grants

CARES Act CRF LLMF \$489M (spent-\$489M) expiration date 5/31/21			State Funding – \$1.2B (spent 304M; available \$904)	Federal Funding - \$4.7B (spent \$1.8B; available \$2.9B)
GF LLMF \$48M (spent-\$48M) expiration date 6/30/21				
In Person Instruction Grant \$178M (spent-\$105M; available-\$73M) expiration date 9/30/2024				
Expanded Learning Opportunities Grant \$395M (spent-\$138.1M; available-\$256.9M)[\$71.5M expiration date 9/30/23; \$323.4M expiration date 9/30/24]				
CARES Act – GEER LLMF \$32M (spent-\$31.9M; private school availability \$0.1M) expiration date 9/30/22		Liquidation 12/29/22		Liquidation Period: No new expenditures can be made, but funds can be drawn down for expenditures made during the period of availability.
CARES Act – ESSER I \$290M (spent-\$288M; private school availability \$2M) expiration date 9/30/22		Liquidation 1/28/23		
California Community Schools Partnership Program \$6M (spent-\$1.4M; available-\$4.6M) expiration date 9/30/22				Funding period: Period of time that the grantee can incur obligations to carry out activities authorized by the award. Also known as period of availability or period of performance.
CRRSA Act - ESSER II \$1.15B (spent-\$896.1M; available-\$253.9M) expiration date 9/30/23		Liquidation 1/28/24		
			ARP Act - ESSER III \$2.57B (spent-\$0; available \$2.57B) expiration date 9/30/24	Liquidation 1/28/25
	ARP Act - Screening Testing for Schools \$82.2M (spent-\$79.1M; available \$3.1M) expiration date 7/31/22			
	ARP Act – Emergency Connectivity Fund \$102M (spent-\$16M; available \$86M) expiration date 6/30/23			
	Expanded Learning Opportunity Program - \$243M (available \$243M) expiration date 6/30/23	Expanded Learning Opportunity Program - \$140M (available \$140M) (TBD)	Expanded Learning Opportunity Program - \$140M (available \$140M) (TBD)	
	Special Education Dispute Prevention and Learning Recovery Support \$56M (spent-\$10.9M; available-\$45.1M) expiration date 6/30/23			
	LEA Response Fund \$7.9M (spent-\$2.4M; available-\$5.5M) expiration date not specified			

Data as of 2/11/22

SY 2020-21	SY 2021-22	SY 2022-23	SY 2023-24	SY 2024-25
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Path to Recovery Expenditures: Budget to Actuals

Focus Area (PTR)	Services PTR	Actual Exp 2020-21	Planned Budget 2021-22	Modified Budget 2021-22	Actual Exp 7/1/2021 - 2/11/2022	Projected Exp 2021-22	Total Projected Exp 2020-22	(Over) Under Spending based on modified budget	Projected FEMA Reimbursement
		a		b		c	d = a+c	e = b-c	
Safest Possible School Environment	Child Care	1	-	(1)			1	(1)	
	COVID-19 Testing, Contact Tracing & Vaccinations*	101	155	302	302	598	699	(296)	250
	Custodial and Facility Costs	27	151	74	26	77	104	(3)	
	PPE	2	33	49	23	43	45	6	
	Transportation		65	13	6	16	16	(3)	
Safest Possible School Environment Total		131	404	437	357	734	865	(297)	250
Address Learning Gaps	College & Career Readiness	-	25	20	1	5	5	15	
	Computers, Internet Access & Helpdesk Support	22	167	174	49	182	204	(8)	
	Humanizing Education for Equitable Transformation	-	21	21	5	9	9	12	
	Instruction and Online Learning Technology & Content	55	255	93	90	184	239	(91)	
	Primary Promise	1	200	200	46	84	85	116	
	Professional Development	-	85	14	1	13	13	1	
	Summer & Enrichment	19	157	164	48	47	66	117	
	Tutoring & Small Group Instruction	-	54	24	5	21	21	3	
	Upper Elementary and Secondary Learning Supports	2	69	-	46	91	93	(91)	
Addressing Learning Gaps Total		99	1,033	710	291	636	735	74	
Support for Mental Health & Specialized Population	Mental Health Supports	6	177	88	30	23	29	65	
	Special Education	-	129	85	16	54	54	31	
Support for Mental Health & Specialized Population Total		6	306	173	46	77	83	96	-
Additional Initiatives	SENI	-	300	300	51	300	300	-	
	Other - (COS, Family Engagement, Support Network & Other)	62	61	(14)	74	69	131	(83)	
	Other - Stipend	10	-	(10)	95	95	105	(105)	
Additional Initiatives Total		72	361	276	220	464	536	(188)	-
Grand Total		308	2,104	1,596	914	1,911	2,219	(315)	250

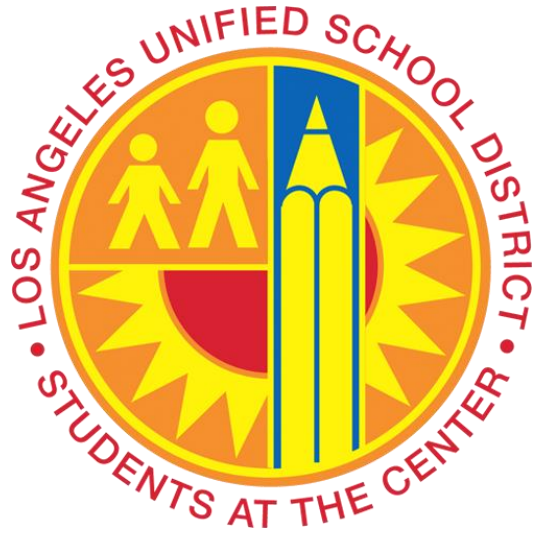
Forecast for actual spend of SENI ESSER is less than \$100m; our operating premise is that the balance will be carried over into 2022-23.

All other funds will not be carried over.

\$250M of COVID-19 testing and vaccination expenditures shall be submitted to FEMA for reimbursement.

Tutoring and small group instructions expenses in FY 2021 is primarily funded by CRF-LLMF.

Amounts in Millions



Budget Development Calendar

Budget Development Calendar

- January – Governor released 2022-23 state budget proposal
- February 15 to April 8 – School Budget Development
- May 13 – Governor releases updated May Revision budget proposal
- June – Deliverables related to Superintendent’s 100-Day Plan
- June 14 – Public hearing for Proposed LCAP and Budget
- June – State budget bill must be passed in the Legislature
- June 21 – Proposed LCAP and Budget submitted to Board for adoption
- Mid-August – 45-day Budget Revision, if needed



Thank You