



2003-2004

First Interim Financial Report

Los Angeles Unified School District
Accounting and Disbursements Division
December 9, 2003

Amended to reflect correction presented to the Board of Education orally on December 9, 2003

Purpose

- Required by law.
- Based on data through October 31, 2003
- Requires Board certification

The Bottom Line

- District will meet all current financial obligations for 2003-04
 - Projecting a positive ending balance of \$171 million for the General Fund, Regular Program
- Projected revenue are lower than budgeted
- Projected expenditures are lower than budgeted



Expenditure/Revenue Imbalance

Revenue	\$5,919
– Expenditures	\$6,327
<hr/>	
Deficit	\$408

in millions of dollars

Revenues (in millions)

Modified Budget	First Interim Projection	Difference
\$6,481	\$5,919	\$562

Revenue Assumptions

- Placeholder grant revenue (\$498M)
- Reduction in ADA (\$38M)
- Lower FEMA and Medi-Cal Billing (\$19M)
- Property tax transfer to charter schools offset by higher interest, delinquent tax collection (\$4M)
- Transfers (\$3M)

Expenditures (in millions)

Modified Budget	First Interim Projection	Difference
\$6,982	\$6,327	\$655

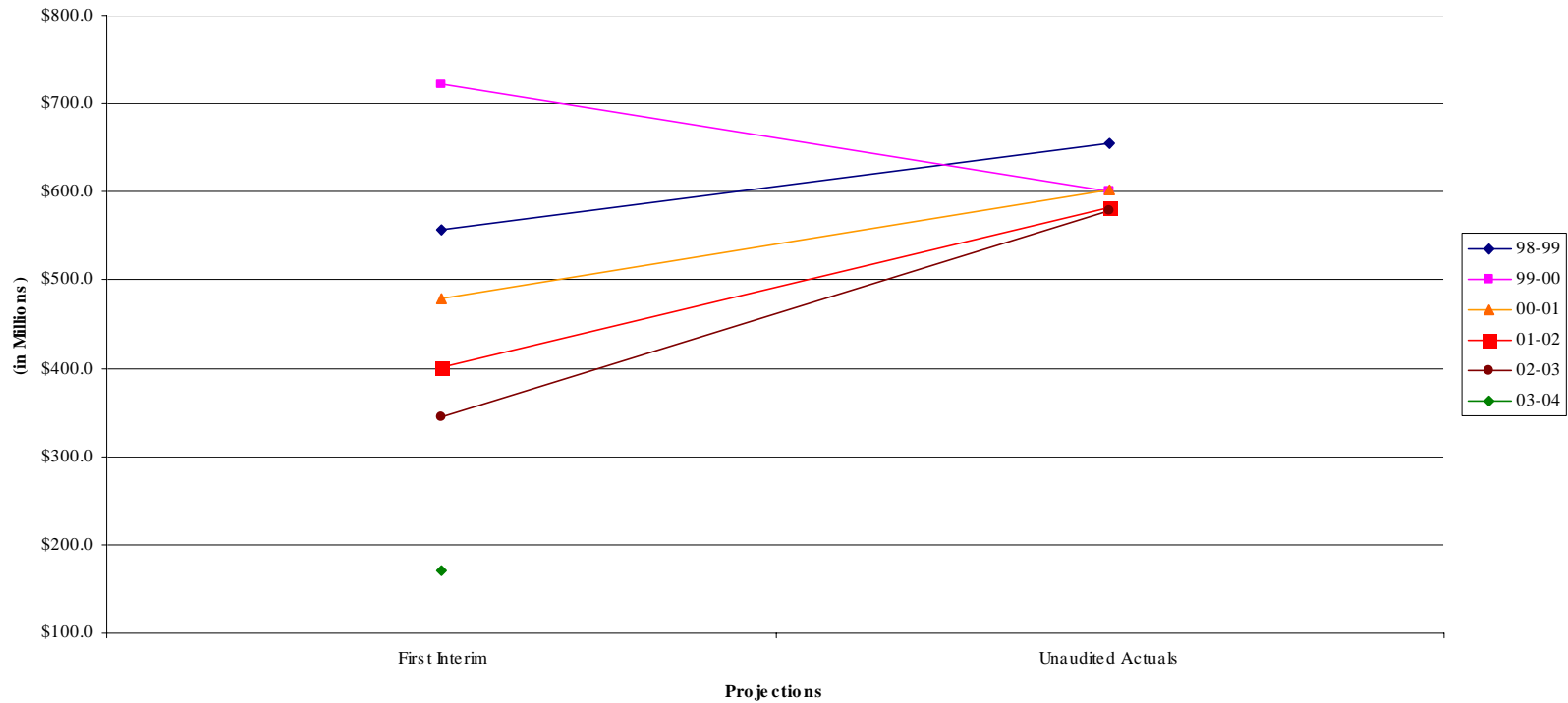
Expenditure Assumptions

- Reduced certificated salaries (\$91M)
- Reduced classified salaries (\$52M)
- Lower benefit costs (\$26M)
- Lower books and supplies (\$103M)
- Lower contracted services (\$75M)
- Lower capital outlay (\$41M)
- Transfers out and other uses (\$267)

First Interim Overview

	<u>Mod. Bgt.</u>	<u>1st Interim</u>
Beginning Balance	\$ 579	\$ 579
Projected Revenues	<u>6,481</u>	<u>5,919</u>
Total Resources Available	\$ 7,060	\$ 6,498
Projected Expenditures	<u>6,982</u>	<u>6,327</u>
Ending Balance	\$ 78	\$ 171

Comparison First Interim Projection to Ending Balance



Comparison First Interim Projection to Ending Balance

Fiscal Year	First Interim	Unaudited Actuals	\$ Change	% Change
98-99	\$557	\$655	\$98	17.59%
99-00	\$722	\$601	(\$121)	-16.76%
00-01	\$480	\$602	\$122	25.42%
01-02	\$402	\$583	\$181	45.02%
02-03	\$345	\$579	\$234	67.84%
03-04	\$171			N/A

Potential Ending Balance Increase

- Five Year average % Change is 27.8%.
- Applying the 5-year avg. percent change, the Ending Balance for 2003-04 would be \$218 million.
- This is an increase of \$47 million.

Potential Ending Balance Increase

- Removing the high and low percent changes between the First Interim Projections and the Unaudited Actuals, the average percent change is 29.4%.
- Using this figure, the ending balance for 2003-04 would be \$221million.
- This is an increase of \$50 million.

Multi-Year Projections

- The District is required to provide to the County a three-year revenue and expenditure projection
- The 2003-04 First Interim projection is the starting point for the 2004-05 and 2005-06 projections

2003-04 Regular & Specially Funded Programs

	Revenues	Expenditures	Deficit
Regular Programs	\$4,907	\$5,291	\$(384)
Specially Funded Programs	\$1,012	\$1,036	\$(24)
Total General Fund	\$5,919	\$6,327	\$(408)

2004-05 Regular Program–Revenue Changes

2003/04 Revenue Base	4,907	2003/04 First Interim Projection
<u>Estimated Changes in Revenue</u>		
Change in Federal Revenue	(13)	Loss in Federal Hazard Mitigation and FEMA funding
Change in Other Revenue	(2)	Various reductions in smaller revenue items
Total Change in Revenue	(15)	
2004/05 Revenue Estimate	4,892	

2004-05 Reg. Program-Expenditures Changes

2003/04 Expenditure Base	5,291	2003/04 First Interim Projection
<u>Estimated Changes in Expenditures</u>		
Employee Benefits	82	To maintain employee health and medical benefits at existing service levels
Utilities Cost Increases	12	To cover estimated inflationary increases and rate changes
COP Financing Costs	9	To cover COP financing costs
Continuing Program Costs	24	Standard Based Promotion, multi-track schools conversions, Workers' Comp
Special Education Costs	38	Of this amount, \$18 million is for nonpublic school growth.
Instructional Materials	(14)	Reflects anticipated reductions to Instructional Materiel Block Grant revenue
Hazard Mitigation	(13)	Reflects anticipated reduction in federal Hazard Mitigation revenue
FEMA Expenditures	(1)	Reflect anticipated reduction in federal FEMA - Earthquake revenue
Total Changes in Expenditures	137	
 2004/05 Expenditure Base	 5,428	

2004/05 Regular Program Deficit

- 2004/05 Revenue Estimate \$4,892
- 2004/05 Expenditure Estimate \$5,428
- **2004/05 Deficit** **\$ (536)**

- **Required Board Actions** **\$ 536**

2005-06 Regular Program – Revenue Changes

2004/05 Revenue Base	4,892	
<u>Estimated Changes in Revenue</u>		
Change in State Revenue	58	Assumes a 2.3% Cost of Living Adjustment (COLA) from the State
Change in Federal Revenue	(13)	Reflects the continued loss in Hazard Mitigation and FEMA funding
Change in Other Revenue	29	Assumes a 2.3% Cost of Living Adjustment (COLA) for Categorical Programs
Total Change in Revenue	74	
2005/06 Revenue Estimate	4,966	

2005-06 Reg. Program-Expenditure Changes

2004/05 Expenditure Base	5,428	
2004/05 Budget Reductions	<u>(536)</u>	Assumes that all reductions in 2004-05 are ongoing
2004/05 Expenditure Base	4,892	
<u>Estimated Changes in Expenditures</u>		
Employee Benefits	93	Maintenance of employee health & medical benefits at existing service levels
Utilities Cost Increases	14	Estimated inflationary increases and rate changes
Continuing Program Costs	(2)	Reduction in ongoing program costs
Special Education Costs	18	Nonpublic school growth
Hazard Mitigation	(10)	Reflects anticipated reduction in federal Hazard Mitigation revenue
FEMA Expenditures	(5)	Reflect anticipated reduction in federal FEMA - Earthquake revenue
Total Changes in Expenditures	108	
2005/06 Expenditure Base	5,000	

2005/06 Regular Program Deficit

- 2005/06 Revenue Estimate \$4,966
- 2005/06 Expenditure Estimate \$5,000
- **2005/06 Deficit** \$ (34)

- **Required Board Actions** \$ 34

Next Steps

- Closely follow Legislature's efforts to address the deficit, and work in Sacramento to implement District's legislative agenda.
- Develop a plan of action based on the Governor's recommendations to the legislature.
- Based on the Governor's January budget proposal, present the Five-Year Forecast in February.