FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

September 28, 2023

Honorable Joe Stephenshaw, Director
California Department of Finance
1021 O Street, Suite 3110
Sacramento, CA 95814

Honorable Phil Ting, Chair
California State Assembly Committee on Budget
1021 O Street, Suite 8230
Sacramento, CA 95814

Honorable Nancy Skinner, Chair
California State Senate Committee on Budget and Fiscal Review
State Capitol, Room 502
Sacramento, CA 95814

Dear Director Stephenshaw, Chairperson Ting and Committee Members, and Chairperson Skinner and Committee Members:

This letter is submitted for your consideration in accordance with the Fiscal Crisis and Management Assistance Team's (FCMAT's) responsibilities under Assembly Bill (AB) 181 Section 36, which added Section 42163 to the Education Code (EC), regarding the Inglewood Unified School District. EC 42163(d) states:

> Funds described in subdivision (b) shall be allocated to Inglewood Unified School District upon the certification of the County Office Fiscal Crisis and Management Assistance Team, with concurrence from the Los Angeles County Superintendent of Schools, to the Assembly Committee on Budget, Senate Committee on Budget and Fiscal Review, and the Department of Finance that the activities described in subdivision (c) have been completed. Additionally, by October 1, 2023, the County Office Fiscal Crisis and Management Assistance Team, with concurrence from the Los Angeles County Superintendent of Schools, shall report to the Assembly Committee on Budget, Senate Committee on Budget and Fiscal Review, and the Department of Finance the progress that Inglewood Unified School District has made to complete the activities described in subdivision (c).

The intent of this letter is to provide you with FCMAT's findings regarding the district's achievement of the requirements outlined in EC 42163(c).

On March 30, 2023, FCMAT provided a letter in compliance with EC 42163, a copy of which is available at https://www.fcmat.org/PublicationsReports/lacoe-inglewood-usd-ab-181-letter.pdf. The district did not meet the requirements listed in EC 42163(a)(2) or (3). As such, the district did not receive an additional apportionment of state funds to help it achieve fiscal solvency in 2023-24. Furthermore, FCMAT and the Los Angeles County Superintendent of Schools provided joint recommendations for revisions to EC 42163(c), which were not included in any 2023-24 budget trailer bills. The analysis in this letter is based on the original criteria in EC 42163(c), not the criteria recommended by FCMAT in its March 30, 2023 letter.

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FCMAT Analysis and Findings Relative to Activities Defined in Education Code 42163(c)

1. Updated comprehensive operational reviews that compare the needs of the school district with those of similar school districts and provide data and recommendations regarding changes the school district can make to achieve fiscal sustainability, with a progress update on each of the recommendations.

   On September 12, 2023, the district received a contract from School Services of California to complete an operational review. This item was approved at the district's September 20, 2023 special board meeting.

   The scope of the review will include a comparative analysis of the organizational structure and staffing in the following district office divisions and departments:

   - Business Services (including Facilities, Maintenance, Operations & Transportation; Fiscal Services, inclusive of Payroll Services, Procurement Services; Risk Management; and Food Services).
   - Educational Services (including instructional program functions, instructional technology, special education, and student support services).
   - Human Resources.

   The review will include the following:

   - Determination, in conjunction with the district, of a list of districts to use for comparison.

   A copy of the contract is attached to this document as Exhibit A.

   Status: Contract for services to review is in place; review not yet started.

2. Adoption and implementation of necessary budgetary solutions.

   On June 28, 2023, the county administrator approved an updated fiscal stabilization plan (FSP) along with the 2023-24 adopted budget. The FSP was created as a collaborative effort by district staff and the county administrator. It includes reductions and cost-saving measures to be implemented over the next three years. The administration intends to provide updates on the progress of implementation at each reporting period, the next of which will be at first interim in December 2023. A graphic of the FSP from the budget presentation is shown as Figure 1:

Fiscal Stabilization Plan – Adopted Budget

Inglewood Unified School District			
Adopted Budget Fiscal Stabilization	**MYP**	**MYP**	**MYP**
Original Deficit	**($22,792,922)**	**(3,561,074)**	**(11,119,247)**
Total Reductions	$11,050,004	8,350,000	11,119,247
Current Deficit	**($11,742,919)**	**4,788,926**	**0**
Rev. 2/28/2023	***2023-2024***	**2024-2025**	**2025-2026**
Reduction in Overtime - Districtwide	$100,000	0	$250,000
Reduction in Certificated Personnel (1000s)	$2,280,626	$1,400,000	$1,570,000
Reduction in Classified Personnel (2000s)	535,047	$300,000	$1,125,000
Reduction Book and Supplies (4000s)	0	$2,500,000	$2,500,000
Reduction Professional Services (5000s)	$1,800,000	$3,300,000	$3,299,247
School Closures	0	$500,000	$1,500,000
Reduction in Transportation			$200,000
Reduction in Certificate Management		$350,000	$250,000
Reduction in Classified Management		0	$125,000
50% Budget reduction for 4XXX and 5XXX for the sites and departments from the general fund.	$6,334,331	0	$300,000
Total Reductions	$11,050,004	$8,350,000	$11,119,247

Figure 1 – Illustration of FSP

The district prepared a Microsoft Excel spreadsheet that outlines the FSP and has greater detail about what was included or excluded in the 2023-24 original budget multiyear projection. That document is included as Exhibit B and is the basis for the changes made in the FCMAT-prepared multiyear projection included in the deficit analysis section of this letter.

Status: In Progress.

3. Completion and implementation of multiyear, fiscally solvent budgets and budget plans.

As evidenced in item 2 above, the district has an approved FSP that includes reductions and budget solutions for the current year and the two subsequent years.

Although the district is addressing the budget concerns by reducing deficit spending, per the 2023-24 original budget multiyear projection, the district still predicts combined unrestricted and restricted deficit spending of $16.9 million in 2023-24, $1.9 million in 2024-25, and $9.1 million in 2025-26.

In the 2022-23 Local Control Funding Formula (LCFF) Carryover Table of the district's Local Control and Accountability Plan (LCAP), the district has identified LCFF carryover of $21.4 million. The deficit in 2024-25 can be attributed partially to spending the carryover, since the revenue would have been received in the prior year.

The district's 2023-24 original budget multiyear projection did not include all the reductions proposed in the FSP. FCMAT has prepared a multiyear projection that includes the reductions that can be quantified at this time. Assuming the FSP is implemented, the district projects deficit spending in 2023-24 but not in 2024-25 or 2025-26.

The district has not fully implemented previous FSPs.

The district will need to carefully implement the FSP and stay on track with proposed reductions to realize the savings and reductions in deficit spending per the adopted plan.

Status: In Progress

4. Qualification for positive certification pursuant to Article 3 (commencing with Section 42130) of Chapter 6.

   The district prepared its second interim report with a positive certification, and the Los Angeles County Office of Education concurred with the certification. The letter is attached as Exhibit C.

   The next interim report certification will be at 2023-24 first interim in December 2023.

   Status: Complete.

5. Sale or lease of surplus property.

   Reducing the number of school sites is a part of the FSP and is a priority for the county administrator. The district's school closure and consolidation committee met in October through December 2022 and discussed Worthington school as one of several possible schools for closure and consolidation. At its January 12, 2023 meeting, the committee voted unanimously **not** to recommend Worthington for consideration. The final decision to close the school was made at the district governing board meeting held on March 15, 2023.

   Worthington school will be closed over winter break in December 2023, and its students and staff will move to another school. This decision was made after consideration of an equity impact analysis that was performed for the district in compliance with EC 41329. The initial presentation of the equity impact analysis was made to the board on March 8, 2023.

   On September 6, 2022, the governor signed AB 1912 (Chapter 253/2022), codified in EC 41329, which requires a school district under financial distress to conduct an equity impact analysis when considering school closures or consolidations before reaching a final decision. AB 1912 requires the district to develop a set of metrics for the equity impact analysis, and to make those metrics public at a regularly scheduled meeting of the governing board of the school district so the public can provide input regarding the metrics being used to conduct the analysis. The metrics shall include, but are not limited to, the following:

   - The condition of a school facility.
   - The operating cost of a school and the associated savings resulting from a closure or consolidation.
   - The capacity of a school to accommodate excess pupils.
   - Special programs available at the schools being considered for closure or consolidation and whether those programs will be provided at the same current level at the schools to which pupils will be diverted.
   - Environmental factors, including, but not limited to, traffic and proximity to freeway access.
   - Balance of pupil demographics, including race or ethnicity, pupils with disabilities, English learners, foster youth, and homeless youth, in the schools being considered for closure or consolidation, and the resulting demographic balance of pupils after

placement in other schools, in order to determine if the decision to close or consolidate will have a disproportionate impact on any particular demographic group.

- Transportation needs of pupils.
- Aesthetics and the [risk of] blight and negative impact on the surrounding community.
- Impact on feeder school attendance patterns with the closure of any particular school and whether the closure will attenuate attendance at other schools or specialized programs as a result.

EC 41329(a)(2)(A) also requires the district to provide the following information:

- Factors used to identify the list of school closures or consolidations.
- Equity impact analysis findings for each school closure or consolidation.
- Plan for the use of the schools proposed for closure or consolidation once it becomes a vacated facility.
- Criteria used to assign displaced pupils to other schoolsites, or a description of the process of reassignment that will be used by the school district.
- Options and timeline for transitioning pupils to their new schools, including improving safe routes to schools and home-to-school transportation needs.

The report speaks favorably about the option of merging the Worthington and Woodworth-Monroe campuses and states:

> In summary, a January unification of the two sites will provide continuity and stability for the children as they transition to their new school. A January unification will ensure the dual immersion program is continued and children will have the support of their same teacher and classmates at the new site. More details of this transition will be addressed over the next few months to ensure a transition that best meets the needs of students, families and staff. A mid-year transition will not generate cost savings in the first year but is the most child-sensitive way to ensure that children feel comfortable and cared for in the process of school unification.

A copy of the equity impact analysis is included as Exhibit D.

The closure of Warren Lane School was approved in 2022 and completed in 2022-23. The school is being used as an administrative site.

The district entered into a contract with DCG Strategies on August 10, 2023; this is attached as Exhibit E. DCG Strategies is helping the district achieve the correct number and size of school sites for its student population. Based on the outcome of the DCG Strategies study, the district will determine the number of schools it needs.

Status: In Progress.

6. Growth and maintenance of any budgetary reserves.

   The district has increased or maintained its budget reserves each fiscal year starting in 2019-20.

Budget Reserves, 2017-18 through 2023-24

Year	Unrestricted	Restricted	Total
2017-18	$2,556,594	$3,225,191	$5,881,785
2018-19	$4,299,950	$1,260,455	$5,560,405
2019-20	$10,930,745	$3,749,194	$14,679,939
2020-21	$34,824,921	$12,638,236	$47,463,157
2021-22	$43,194,044	$26,796,883	$69,990,927
2022-23	$49,902,637	$53,187,889	$103,090,526
2023-24	$29,623,754	$40,205,327	$69,829,081

Source: Audited actuals, except for 2022-23, which is based on unaudited actuals, and 2023-24, which is estimated and based on the 2023-24 original budget.

Status: Complete

7. Approval of school district budgets by the Los Angeles County Superintendent of Schools

   The district adopted its 2023-24 budget on June 28, 2023. The Los Angeles County Superintendent of Schools approved the budget on August 29, 2023. The approval letter is included as Exhibit F.

   Status: Complete.

8. Prompt appointment following a competitive process of a permanent, experienced, and highly qualified chief business official for any vacancy of chief business official.

   No vacancy has existed since this provision was adopted in statute.

   Status: Not applicable at this time.

FCMAT Analysis and Findings Regarding Activities in Addition to EC 42163(c): Deficit Analysis

FCMAT used the district-prepared 2023-24 original budget multiyear projection as the basis for the deficit analysis portion of this letter. FCMAT reviewed the district-prepared multiyear projection for reasonableness, entered any FSP line not previously included on the district-prepared multiyear projection, updated the ending balance for 2022-23 to match the unaudited actuals, and validated the assumptions as follows:

Assumptions	2023-24*	2024-25	2025-26
Enrollment	5,967	5,776	5,588
ADA	5,240	5,072	4,907
Attendance Factor	87.82%	87.81%	87.81%
Unduplicated Percentage	89.14%	89.53%	88.90%
Statutory COLA	8.22%	3.94%	3.29%
Step and Column-Certificated	2.00%	2.00%	2.00%
Step Movement-Classified	2.00%	2.00%	2.00%
STRS Contribution Rate**	0.00%	0.00%	0.00%
PERS Contribution Rate**	1.31%	1.02%	0.60%
Workers' Compensation***	-29.27%	4.40%	4.40%
Health Benefits**	34.59%	5.00%	8.50%

* Percent changes measured from the district's 2022-23 estimated actuals costs for employee compensation factors.

**The percentages shown in the assumptions represent the change from one year to the next.

***The workers’ compensation rate change in 2023-24 is due to a one-time adjustment from 2022-23 to 2023-24.

The district has not settled with any bargaining units for 2023-24. No estimated expenditures are included in the projection below. Negotiations have begun with the two bargaining units for the 2023-24 fiscal year.

General Fund Multiyear Projections (Unrestricted/Restricted)

	2022-23	2023-24	2024-25	2025-26
Revenues and Other Financing Sources				
LCFF Sources	113,268,504.05	113,179,489.00	105,999,053.00	102,916,539.00
Federal Revenue	29,854,183.95	36,880,865.00	10,525,514.56	10,525,514.56
Other State Revenues	47,549,363.45	26,066,250.00	25,633,796.00	25,633,796.00
Other Local Revenues	10,341,633.08	7,260,000.00	7,260,000.00	7,260,000.00
Other Financing Sources				
Transfers In	-	-	-	-
Other Sources	-	-	-	-
Contributions	-	-	-	-
Total, Revenues	201,013,684.53	183,386,604.00	149,418,363.56	146,335,849.56
Expenditures				
Certificated Salaries	43,626,640.18	40,509,918.00	39,397,882.38	40,185,840.04
Classified Salaries	18,467,587.47	19,925,587.00	17,383,063.88	17,622,437.97
Employee Benefits	35,271,846.05	36,337,180.00	35,763,299.48	39,211,626.75
Fiscal Stabilization Plan Reductions[1]	-	-	(2,050,000.00)	(5,370,000.00)
Books and Supplies	7,747,234.91	31,427,740.67	15,706,633.59	15,374,939.67
Fiscal Stabilization Plan Reductions[2]	-	-	(2,500,000.00)	(5,300,000.00)
Services and Other Expenditures	46,696,470.22	65,873,300.80	38,263,121.70	38,244,371.70
Fiscal Stabilization Plan Reductions[3]	-	(1,800,000.00)	(5,600,000.00)	(10,599,247.00)
Capital Outlay	66,723.30	1,397,001.00	-	-
Other Outgo (excluding Transfers of Indirect Costs)	3,728,162.51	4,031,984.00	4,031,984.00	4,031,984.00
Other Outgo - Transfers of Indirect Costs	(407,405.75)	(192,500.00)	(192,500.00)	(192,500.00)
Other Financing Uses				
Transfers Out	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00
Other Uses	-	-	-	-
Total, Expenditures	156,197,258.89	198,510,211.47	141,203,485.03	134,209,453.13
Net Increase (Decrease) in Fund Balance				
Net Increase (Decrease)	44,816,425.64	(15,123,607.47)	8,214,878.53	12,126,396.43
Fund Balance				
Beginning Fund Balance, as of July 1 (Unaudited)	59,209,614.19	103,090,525.91	86,166,918.44	84,231,796.97
Audit Adjustments/Other Restatements	(935,513.92)	-	-	-
Ending Fund Balance, as of June 30	103,090,525.91	87,966,918.44	94,381,796.97	96,358,193.40

Notes

1. Reductions in positions and overtime expenses to align with declining enrollment and school consolidation plans (certificated: 14 FTE in 2024-25, 15 FTE in 2025-26; classified: 3 FTE in 2024-25, 10 FTE in 2025-26; management: 3 FTE in 2024-25, 3 FTE in 2025-26).

2. Reductions in school and department budgets (50% cut), and in books and supplies to align with declining enrollment and school consolidation plans.

3. Reductions in expenses related to school closures (one school in 2024-25, three schools in 2025-26) and contracted special education services, including transportation.

As mentioned in item 3 above (Completion and implementation of multiyear, fiscally solvent budgets and budget plans), the district has worked diligently to identify reductions as a part of the FSP. As shown in this multiyear projection, the district can eliminate deficit spending in the two subsequent years of the multiyear projection if it implements the identified reductions.

Conclusion

The district is making progress toward fiscal solvency with the implementation of the FSP and resizing the number and capacities of schools based on enrollment. Staying the course with this plan of action will be essential in the coming years.

Another critical component of success for the district is the longevity and stability of its leaders. Consistency in instructional team leadership is essential, as shown in the FCMAT comprehensive review annual update published in July 2023. Since January 2023, the district has been led by a county administrator who is an experienced and knowledgeable school superintendent and who is focused on progress and improvement in all areas of the district's operations. Maintaining consistency among other capable district leaders is essential to progress.

Sincerely,

Tamara Montero

Tami Montero, CFE, SFO
FCMAT Chief Analyst

C: Brooks Allen, Executive Director, California State Board of Education

Chris Ferguson, Program Budget Manager, California Department of Finance

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Yong Salas, Consultant, Senate Budget and Fiscal Review Subcommittee #1 – Education

Erin Gabel, Consultant, Assembly Budget Subcommittee #2 – Education Finance

Debra Duardo, Los Angeles County Superintendent of Schools

Jim Morris, Inglewood Unified School District County Administrator

Exhibits

Exhibit A

Comparative Organizational Structure and Staffing Review

Exhibit B

Inglewood Unified School District Fiscal Stabilization Plan

Exhibit C

Inglewood Unified School District 2022-23 Second Interim Review Letter

Exhibit D

Equity Impact Analysis

Exhibit E

Inglewood Unified School District and DCG Strategies Agreement for Consulting Services

Exhibit F

Inglewood Unified School District 2023-24 Adopted Budget Letter