



June 23, 2025

RE: 2025-26 Budget

Dear Board of Education,

We are very disappointed to see that the proposed 2025-26 budget contains an irreversible and unnecessary allocation to the OPEB Trust that will seriously hinder the district's financial outlook over the next three years. This is \$336 million in 2025-26 and a total of \$1.1 billion projected over the next three years. This is *not* the allocation to cover the actual annual cost of retiree benefits, but an additional discretionary allocation to a trust fund that is neither required nor responsible. District officials are trying to squirrel away an extra \$1 billion into this restricted reserve while claiming to be in a structural deficit and then proposing \$1.6 billion in cuts to our schools in a Fiscal Stabilization Plan. Adding insult to injury, the district claims this deficit was caused in part by these voluntary trust contributions, and then outrageously proposes to increase them.

**We strongly object to this provision of the budget and believe the Board should not make any ad hoc OPEB trust contributions during an FSP. The district should return these allocated amounts to the general fund budget for 2025-26 and the projections**

**for FY 2027 and 2028 and rescind an equal amount of the proposed cuts in the Fiscal Stabilization Plan (\$1.1 billion).**

The district created a massive three-year deficit projection through this outrageous proposal to increase trust contributions by ~1,000 percent. This is a manufactured crisis, designed to confuse and divide people about our health benefits, and scare our school communities. This budget, if not amended, would lead to a \$2 billion restricted reserve to please banks and credit rating agencies, at the expense of our schools.

### **Fear Tactics and Misinformation**

The CFO Chris Mount, who accepted a position elsewhere while developing this budget, told the Board last week that “most districts have fully funded OPEB trusts.” This is untrue. Only 7 percent of districts have trusts that are fully prefunded (meaning they could cover the full cost of retiree health benefits if every single eligible employee were to retire tomorrow). Most of these prefunded districts have *fewer than 1,000 students*. The majority of school districts with OPEB trusts are partially pre-funded just like LAUSD. Sadly, these trusts are often used to manufacture a crisis, not protect our benefits.

### **Our Retiree Benefits are NOT Underfunded**

Board practice in 2024-25 was to contribute \$40 million to the trust. Past practice has also been to withhold contributions during a Fiscal Stabilization Plan. The 2024 Actuarial Report states that with that policy, if the district had to pay benefits out of the fund, the trust would last until 2038. *The district has never had to dip into the trust to pay for benefits.*

Mount says these contributions are necessary to cover the “unfunded liability” of retiree benefits. This liability figure is a theoretical cost if every single LAUSD eligible employee retiring tomorrow. In other words, a made-up crisis. In fact, *there has been no underfunding of these benefits* on an annual basis, and the trust has only grown. Meanwhile, since 2017, the future net liability of retiree health benefits for LAUSD has shrunk by 33 percent, over \$4.5 billion.

LAUSD does not have the luxury of stashing extra billions to earn investment income like Harvard University or other private non-profits with endowments not accountable to the public. If the District wants to put \$9 billion in a trust, it should ask the state for an extra \$9 billion instead of taking it from operational funds to justify staff cuts and school closures.

Please take action to amend this budget and protect our schools from these unnecessary and irresponsible allocations.

Sincerely,

Associated Administrators of Los Angeles/Teamsters Local 2010

CSEA Los Angeles Chapter 500

Education Workers United SEIU Local 99

Teamsters Local 572

United Teachers Los Angeles

Los Angeles School Police Association

L.A./Orange Counties Building & Construction Trades Council

Los Angeles School Police Management Association

cc: LAUSD Superintendent Alberto Carvalho