

# ***EXECUTIVE DIRECTOR'S REPORT***

**September 30, 2024**

*The mission of the YPI Charter Schools (YPICS) is to prepare students for academic success in high school, as well as post--secondary education; prepare students to be responsible and active participants in their community; and enable students to become lifelong learners. Students at YPI Charter Schools will become active citizens who characterize the ideals of a diverse and democratic society. Students will provide service to their community, take responsibility for their own learning, and develop the habits of mind and body that will empower them to be successful in high school and beyond.*

## **State:**

### **“Big Three” Tax Revenues Impacting Fiscal Outlook**

*From School Services of California*

*Posted August 21, 2024*

The economic update released for August 2024 by the Department of Finance (DOF) highlights continuing growth for the U.S. gross domestic product and nationwide slowing of headline inflation, which was at 2.9% at the end of July 2024. The eyes of fiscal analysts have been on inflationary indicators, with markets and consumers alike hoping for a gradual decrease to interest rates and cost pressures from food, energy, transportation, and shelter, which all experienced mild decreases in year-over-year comparisons (see “[Inflation Continues to Cool](#)” in the August 2024 Fiscal Report). In the labor market, U.S. unemployment rose slightly to 4.3%, while California still outpaces the nation at 5.2% for the third consecutive month.

For California’s budget, which is largely dependent on the “Big Three” taxes (personal income tax [PIT], corporation tax [CT], and sales and use tax [SUT]), forecasts in the Enacted Budget are monitored closely. For July, which is not typically a large month for tax receipts, the preliminary General Fund cash receipts outpaced forecasts by \$983 million, or 10.1%, over forecasts, mostly in PIT and CT receipts. The DOF Finance Bulletin downplays the impact of this single month of strong PIT and CT payments, citing a variety of factors, including the need to consider tax withholding receipts over the course of multiple months to establish long-term trends, that the overage in CT receipts were likely due to large payments from a few corporations, and highlighting that SUT receipts were \$306 million, or 18.4%, below expectations. Shown below are 2024-25 year-to-date tax receipts for the “Big Three” taxes.

2024-25 Comparison of Actual and Forecast General Fund Revenues (Dollars in Millions)

Revenue Source	Forecast	Actual	Difference	Percent Difference
Personal Income	\$7,164	\$7,582	\$418	5.8%
Corporation	\$521	\$1,365	\$844	161.8%
Sales and Use	\$1,664	\$1,358	-\$306	-13.8%

The Legislative Analyst’s Office (LAO) released an “Updated ‘Big Three’ Revenue Outlook” article reflecting recent revenue and economic data, which results in higher “Big Three” revenue estimates. The updated forecast, which can be viewed on the LAO’s [website](#), shows PIT, CT, and SUT estimates more closely aligned with the revenue projections included in the 2024-25 Budget Act, and estimates a total revenue difference of only \$3.0 billion less through the 2024-25 fiscal year. The LAO notes there is still a broad range of where overall revenues could fall over the course of the entire fiscal year, with possibilities widening into 2025-26.

**Support for Statewide School Facilities Bond – Proposition 2**

According to a recent Joint Legislative Audit Committee Report, the State of California has issued about \$42 billion in general obligation bonds for school facility construction and modernization since 1998. Only about \$1.4 billion, or 3 percent, was accessible to charter public schools.

In 2016, the voters passed Proposition 16, a \$7 billion facility bond, 55.2% to 44.8%. The bond included \$500 million charter schools.

In 2020, the unfortunately named Proposition 13, a \$15 billion education facility bond, was defeated by the voters 47% to 53%. The bond included \$9 billion for K-12 facilities, of which \$500 million, or 5.56%, was allocated for charter schools.

Specifically, the LAO notes that actual revenues for the current year could be \$15 billion above or below forecast. The margin is even wider when looking at potential revenue scenarios for 2024-25, at \$30 billion higher or lower than the LAO’s latest projection. The improved revenue outlook is based on upward trends in income tax withholdings and the stock market. Similar to the latest UCLA Anderson Forecast, the LAO explains that indicators that have historically signaled

impending economic contractions (and consequently lower state revenues) may not be as reliable as they have been in the past.

Higher revenues increase two spending obligations for the state: Proposition 98 and Proposition 2 requirements. Proposition 98 generally requires the state to spend 40 cents of every state dollar on K-12 agencies and community colleges. Proposition 2 requires the state to make certain debt payments and set aside funds in its rainy-day account. After meeting the two requirements, from the \$9.5 billion in unexpected revenue, the state would net \$6 billion.

Finally, the LAO reminds us that the Budget Act contemplated a \$14 billion budget deficit in 2024-25, and that actual state revenues would need to exceed that amount to maintain current spending levels. Consequently, even with its latest projection of above-forecast revenues, the LAO predicts that Governor Gavin Newsom and California lawmakers will have to contend with a \$10 billion budget deficit next year.

The State Legislature placed Proposition 2 on the November 2024 ballot. This \$10 billion education facility bond includes \$8.5 billion for K-12 facilities, of which **\$600 million, or 7.06%**, is for charter schools. This is the largest amount, both in terms of dollars and percentage, that the charter school community has received in any statewide school bond. While those who support schools should support this proposition, the bond has two problematic issues.

First, as has happened in the past, charter schools need to receive a proportional amount of funding based on a per-student basis. Charter students comprise approximately **12.2 percent** of K-12 student enrollment in California. A proportionate amount in the bond would be **\$1.037 billion**. Second, “hardship language” is not included in this bond. (Hardship assistance allows charter schools that cannot meet the 50 percent matching funds requirement to apply for and receive bond funds.) School districts that meet specific financial criteria benefit from state financial hardship options, which can help districts that cannot raise the local matching share. Because charter schools cannot pass local school bonds independently, they must rely on private financing to be repaid with general operating funds to meet their local matching requirement.

This bond campaign is primarily the work of the California Building Industry Association (CBIA). CBIA had previously indicated a \$10 million campaign budget, but it is unclear whether they can raise that amount of funding. The most recent poll has the measure leading 59 percent to 34 percent. The campaign highlights support from the California Teachers Association, the California School Nurses Organization, and the Community College League of California. The principal opponent of the bond is the Howard Jarvis Taxpayers Association.

Additionally, voters will see other bonds on the November ballot, including the state “Climate Bond,” which requests approval for a \$10 billion bond. Many districts also have local school bonds on the ballot, including the Los Angeles Unified School District (LAUSD), which requests the voters’ approval for a \$9 billion bond.

## **LAUSD Public Hearing**

On Tuesday, September 10, 2024, LAUSD held a Public Hearing for charter schools that will be renewed on November 19, 2024. Over 200 families from across 16 charter schools with upcoming renewals attended this meeting. Monseñor Oscar Romero is up for renewal. Our MORCS Parent Ambassadors, led by Cynthia Jimenez, MORCS Parent Coordinator, attended the meeting and were prepared to advocate for the MORCS renewal. However, the LAUSD Board only allowed one speaker per school, and each person was only allocated 2 minutes to address the board; Ms. King-Berg spoke on behalf of MORCS. Thank you, Chief Operations Officer Mr. Duenas, for joining the team alongside Executive Administrator Mr. Zepeda. A special thank you to our Chief Accountability Officer, Ena Lavan, for doing the significant lift with preparing the renewal document and for making this event possible. You can see a picture of the day below:



**YPICS News: MORCS  
Renewal submitted to  
LAUSD on  
September 10, 2024**



The official charter renewal vote is scheduled for November 19, 2024. We will need to have at least nine (9) speakers for MORCS (the parents who were prepared to speak on September 10 will be invited back to speak at the 11/19/24 meeting) and an even greater number of attendees at the renewal meeting. We will know recommendations for the Charter Schools Division by November 4, 2024.

## District 3

### General election

General election for Los Angeles Unified School District Board of Education District 3

Incumbent [Scott Mark Schmerelson](#) and [Dan Chang](#) are running in the general election for Los Angeles Unified School District Board of Education District 3 on November 5, 2024.

Candidate



**Scott Mark Schmerelson** (Nonpartisan)



[Dan Chang](#) (Nonpartisan)

**BP** Incumbents are **bolded and underlined**.

**C** = candidate completed the [Ballotpedia Candidate Connection](#) survey.

If you are a candidate and would like to tell readers and voters more about why they should vote for you, [complete the Ballotpedia Candidate Connection Survey](#).

Do you want a spreadsheet of this type of data? [Contact our sales team](#).

### Nonpartisan primary election

Nonpartisan primary for Los Angeles Unified School District Board of Education District 3

The following candidates ran in the primary for Los Angeles Unified School District Board of Education District 3 on March 5, 2024.

	Candidate	%	Votes
✓	<b><u>Scott Mark Schmerelson</u></b> (Nonpartisan)	44.5	50,669
✓	<a href="#">Dan Chang</a> (Nonpartisan)	29.0	33,004

Los Angeles (Pico Union)

## District 5

### General election

General election for Los Angeles Unified School District Board of Education District 5

Karla Griego and Graciela Ortiz are running in the general election for Los Angeles Unified School District Board of Education District 5 on November 5, 2024.

Candidate



Karla Griego (Nonpartisan)



Graciela Ortiz (Nonpartisan)

**BP** There are no [incumbents](#) in this race.

**C** = candidate completed the [Ballotpedia Candidate Connection](#) survey.

If you are a candidate and would like to tell readers and voters more about why they should vote for you, [complete the Ballotpedia Candidate Connection Survey](#).

Do you want a spreadsheet of this type of data? [Contact our sales team](#).

### Nonpartisan primary election

Nonpartisan primary for Los Angeles Unified School District Board of Education District 5

Karla Griego and Graciela Ortiz defeated [Fidencio Gallardo](#) and [Victorio R. Gutierrez](#) in the primary for Los Angeles Unified School District Board of Education District 5 on March 5, 2024.

	Candidate	%	Votes
✓	Karla Griego (Nonpartisan)	<div style="width: 36.7%;"><div style="width: 36.7%;"></div></div> 36.7	24,065
✓	Graciela Ortiz (Nonpartisan)	<div style="width: 28.8%;"><div style="width: 28.8%;"></div></div> 28.8	18,845

This is a gentle reminder that we must all register to vote, do our research, participate in the process, and remember to vote early. This entire election will be one of the most consequential of our lifetimes.