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## Report Highlights

### New Orleans Public Schools Funding

*Orleans Parish School Board and City of New Orleans*

Audit Control # 42250002

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#### Why We Conducted This Review

We received a legislative request to review the revenue forecasting error that was made public by New Orleans Public Schools (NOLA-PS) in October 2024. During fiscal year (FY) 2025, the school system had to resolve a revenue shortfall that would have required a \$41 million reduction in school funding.

#### What We Found

We found that NOLA-PS's actual revenue for FY 2024 was less than expected, partly due to overly-optimistic forecasting, and partly due to factors outside the school system's control. This required NOLA-PS to make budget adjustments in FY 2025. Specifically, we found the following:

- **In October 2024, NOLA-PS determined that it had ended FY 2024 with \$28 million (6.4%) less in ad valorem and sales taxes than it had originally forecast.** NOLA-PS had forecast that it would receive \$441 million in ad valorem and sales taxes, but actual revenues were only \$413 million. Key factors that contributed to the shortfall include overly-optimistic forecasts of ad valorem tax and sales tax collections, an economic downturn in Orleans Parish in FY 2024, and the Orleans Parish School Board's delay in adopting its ad valorem tax millages.
- **By default, NOLA-PS's funding formula would have required it to reduce funding for public schools in FY 2025 by \$41 million based on state and local revenue shortfalls, but instead it pulled \$35 million from its fund balance and other budget line items, so schools were ultimately provided with \$611 million (99.0%) of the \$617 million in the initial forecast.** Although NOLA-PS had initially hoped to use a settlement payment from CNO to fund some of these lost revenues, negotiations fell through, no payment occurred in FY 2025, and the underlying lawsuit remains pending.
- **Total NOLA-PS funding per pupil faces uncertainty as COVID-era federal grants have expired that provided \$1,764 in funding per pupil in FY 2024.** The deadline to obligate and expend these COVID-related federal grants occurred in FY 2025. Total funding per pupil, adjusted for inflation, reached an all-time high in FY 2022. NOLA-PS saw its district performance scores improve during these years and ranked sixth in the state for academic progress in FY 2024.

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### What We Found (Cont.)

The exhibit below shows how NOLA-PS resolved its budget shortfall for FY 2025. Specifically, the exhibit shows the sources of funds allocated to New Orleans public schools through its District Level Funding Allocation (DLFA) mechanism. As shown in the exhibit, NOLA-PS provided its schools with \$611 million (99.0%) of the \$617 million initially budgeted. As a result, the schools only had to absorb \$6 million of the \$41 million revenue shortfall, with the remaining \$35 million coming from fund balance and operating budget transfers.

Initial and Year-End DLFA for NOLA-PS FY 2025			
Category	Initial Forecast	Preliminary Year-End Results	Change from Initial to Year-End
<b>State funds (MFP)</b>			
Levels 1, 2, and 3	\$196.7	\$193.5	-\$3.2
Level 4, annual and monthly	30.5	30.5	0.0
State cost allocation for type II's	-7.2	-8.0	-0.8
Audit and mid-year adjustments	-2.4	-0.7	1.7
State funds (MFP) subtotal	217.6	215.3	-2.3
<b>Local funding</b>			
Base local revenue (ad valorem, sales)	361.0	342.4	-18.6
Deferred revenue	38.4	17.8	-20.6
Local funding subtotal	399.4	360.2	-39.2
<b>Other funding</b>			
Board-approved use of unassigned fund balance for DLFA	0.0	28.0	28.0
Board-approved transfer from operating budget to DLFA	0.0	7.0	7.0
Other funding subtotal	0.0	35.0	35.0
<b>Total state MFP and local funding</b>	<b>\$617.0</b>	<b>\$610.5</b>	<b>-\$6.5</b>
<b>Note:</b> Amounts in millions of dollars. Amounts shown include the amounts provided to OPSB-chartered CMOs as well as the direct-run Leah Chase School. <b>Source:</b> Prepared by legislative auditor's staff using information from NOLA-PS and the Louisiana Department of Education.			