

LAUSD facing bankruptcy: Nearly 6,000 layoffs, healthcare cuts, furlough days

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On July 2, Los Angeles County Superintendent of Schools Debra Duardo issued the Los Angeles Unified School District a “Lack of Going Concern” determination, the formal finding that the nation’s second-largest district cannot meet its financial obligations.

In rejecting the district’s fiscal stability plan, she claimed that recent union contracts—which will cost an additional \$1 billion in the next school year—are unaffordable and could push the district toward insolvency and state receivership. This is an attempt to blame educators extremely modest pay increases for a crisis caused by systematic cuts and underfunding by both Democrats and the Trump administration.

The letter, addressed to school board President Scott Schmerelson, gives the district 45 days from its June 23 budget adoption to rewrite it; the deadline falls on August 7. Duardo has assigned a fiscal expert, Octavio Castelo. If the district fails, the county may escalate to a fiscal adviser with what the letter calls “stay and rescind authority:” the power of an unelected official to void the decisions of an elected board. If the district goes insolvent, a state administrator supersedes the board entirely.

The district’s own budget projects operating cash going into the negative by \$231 million in November 2027, unable to make payroll. Superintendent Andrés Chait, appointed in June days after Alberto Carvalho resigned under federal investigation, responded on July 8, a day after the window to appeal had closed. The district did not appeal. Schools, Chait said, “will continue to operate as normal.”

On June 16, the school board adopted a Fiscal Stabilization Plan (FSP) totaling \$3.649 billion in cuts and eliminating 5,690 positions. The largest single item is the Student Equity Needs Index, which directs money to schools with the highest-needs students; its funding is reduced by \$900 million and 4,500 positions, nearly four-fifths of all jobs destroyed. Unpaid furlough days will cost \$25 million each, healthcare “cost sharing” \$150 million, and the district will stop funding its retiree health trust entirely.

Duardo directs that furloughs be in effect by this autumn, or she will consider escalation. The Reductions in Force (RIF) must be completed by the January 2027 board meeting to meet the March 15 layoff notice deadline. No closure list has been

published.

The district enrolled 392,654 students in 2025–26, down from 409,108 the year before and a 2002–03 peak of 746,831, all reflecting the devastating impact on the working class of COVID-19, Trump’s violent ICE raids and soaring cost of living. Classified employees average \$35,500 a year, which the state classifies as “extremely low income.” By SEIU Local 99’s own account, one-third have been homeless or at high risk of it, and nearly one in four very often do not have enough to eat. Ten thousand classified workers get no district health insurance.

The Fiscal Stabilization Plan now being imposed was prepared by the SEIU Local 99 and UTLA bureaucracies’ cancellation of the LAUSD strike in April. The paltry raises in the latest contracts for teachers and classified staff are not the cause of the crisis; they represent only a fraction of what workers are owed after decades of stagnant pay and soaring living costs. Now these contracts are being blamed for the bankruptcy of LAUSD and face being nullified.

Contracts used to cancel strike and clear the way for cuts

The way for these cuts was paved by a massive betrayal by the union bureaucracy in the district. On the morning of April 14, nearly 70,000 LAUSD workers, including administrators, were set to walk out together for the first time in the district’s history. Teachers authorized strike action by 94 percent; classified staff voted by 97 percent. Then UTLA and AALA (Associated Administrators of Los Angeles) settled and left SEIU members isolated.

But in the middle of the night before picket lines were to go up, SEIU99 President Max Arias, then-UTLA President Cecily Myart-Cruz (who is also a member of the Democratic Socialists of America), and other union officials met behind closed doors with Democratic Mayor Karen Bass. The City Council, which includes four DSA members, passed a unanimous resolution urging settlement. At 2:00 a.m., SEIU99 announced a tentative agreement, and the strike was canceled.

The very next day, April 15, the county demanded a new stabilization plan, the second in 12 months. The district had promised reductions under the first, and as of March, \$231 million of them had been neither carried out nor even identified. It nonetheless eliminated 657 positions in May,

mostly in the district office. In June the board adopted the present plan.

On July 2, the county arrived to collect, naming the contracts first among the causes: \$1.13 billion this year, rising to \$1.44 billion in 2027–28, a “severe fiscal event” reflecting what Duardo calls “mismanagement” of the collective bargaining process. She also finds the district never provided the certification that state law requires.

This is part of a national pattern in which contract ratifications have been followed immediately by cuts which the bureaucracy had worked to conceal. In Oakland, a 91 percent strike authorization ended in a tentative agreement as the district eliminated 421 positions. In San Francisco, the union shut down a four-day strike, and layoff notices followed within days under a multiyear fiscal recovery plan. In Chicago, the CTU concluded a contract in April 2025; three months later, more than 1,450 educators and staff received layoff notices. In Philadelphia, a 94 percent strike authorization was followed by a contract without a walkout in August 2025; the next April, the board voted to close 17 schools.

The assault on public education is bipartisan. While Trump and the Republicans move openly to liquidate the Department of Education, the Democrats administer austerity, expand charters and preside over district-level collapses like that unfolding in Los Angeles.

At a June 16 SEIU protest at the school board meeting, WWSW reporters spoke with workers about the impact of the ongoing layoffs and the role of the unions in pushing them through. Kailee, a literacy instructional aide laid off after four years, explained how the union rushed the last contract to block serious discussion. “We as union members were anticipating and waiting for the tentative agreement to be presented to us, unlike UTLA—they received theirs at least a week or two prior,” she said. “May 4 was when the tentative agreement was announced. May 8 was the deadline for us to vote yes as union members.” She has been forced to hold four jobs since graduating high school in 2017—retail, restaurant, education and now security at the World Cup—in order to survive.

Eleanor, a special education assistant, described how the cuts devastate both staff and students. “There was one layoff at our school. One of our special ed assistants was laid off. She had over 20 years in the district. She was working four hours a day, and then they cut one hour, which means she lost her medical benefits.” She continued: “This affects all of us because now we’re short on staff. It creates more work for us because now we have to do two jobs. Working in special ed even in elementary school, it can get dangerous. Sometimes it takes four of us to help one kid to calm down.”

Frank, a retired LAUSD teacher and UTLA member, summed up this reality: “Both parties are actually one party. They represent money and property. ... This is the crisis of capitalism right now. They want to turn each of us upside down and collect all the little bit of change that we have in our pockets.”

Rank-and-file committees needed to defend public education

The teachers unions are dominated by an unaccountable bureaucracy that enforces the demands of the state and corporations. They present false one-page “highlights” of contracts, rush votes, withhold information and collaborate in implementing layoffs and cuts while presenting themselves as defenders of “public education” and rewarding themselves with six-figure salaries.

Gloria Martinez, who became UTLA president on July 1 and makes about \$198,000, told the *Los Angeles Times*: “Labor contracts are not the issue.” School funding, she added, is set at the state level. SEIU Local 99 President Max Arias, whose total compensation is \$242,000, dismissed the district’s dire warnings as its typical fear mongering every few years. But neither union is preparing any action, let alone joint strike action, to fight the coming assault.

The appeal to Sacramento is a diversion. Democratic California Governor Gavin Newsom’s administration is itself preparing cuts against a \$21 billion state deficit.

The claim that there is “no money” for public education is a lie. The resources exist many times over to fully fund high-quality public education, pay living wages, guarantee pensions and healthcare, and provide housing and cultural access for all. The issue is who controls the wealth of society and in whose interests it is used: for the enrichment of a tiny oligarchy and for war, or for the needs of the working class.

In the 12 months to March 2026, California’s 246 billionaires increased their wealth by \$487.2 billion, to \$2.061 trillion, nearly half the state’s annual economic output. Twenty-three of the largest fortunes in America are held in Los Angeles County, where a cafeteria worker earns \$35,500. The sum of \$3.649 billion triggering the district’s crisis is a minuscule fraction of the wealth of this oligarchy. Trump’s 2027 budget meanwhile seeks \$1.5 trillion for the military while cutting non-defense spending by \$73 billion and pushing the burden back onto states and districts, in other words, the working class.

WWSW reporters raised the need for rank-and-file committees independent of the bureaucracy and the Democratic Party to fight for the mobilization of the working class and a socialist program. The International Workers Alliance of Rank-and-File Committees (IWA-RFC) is leading this fight on a global scale. Kailee agreed that “the working class has to unite all over the world, not just educators” but also “autoworkers, steel, healthcare workers,” and that “the working class is a revolutionary force.” The problem, she said, “is leadership and program.”



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