



School District of Philadelphia

Budget Update for the School Reform Commission

Fiscal Year 2009-10

(July 1 2009 – June 30 2010)

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Chief Business Officer

October 14, 2009



FY2009-10 School District Budget – Current Projection

**School District
Revenue Update**



Where does SDP get its funding?

- In FY2008-09 the District received funding from 8 major sources: Local Taxes, City Grant, Local Non-Taxes and State Funds in the **Operating Funds**, State, Federal, and Private Grants in the **Categorical Funds** and Federal Aid in the **Food Service Fund**.
- In FY2009-10 the District has two additional sources of revenue: State-provided Federal Stimulus Funds and directly allocated Federal Stimulus Funds.

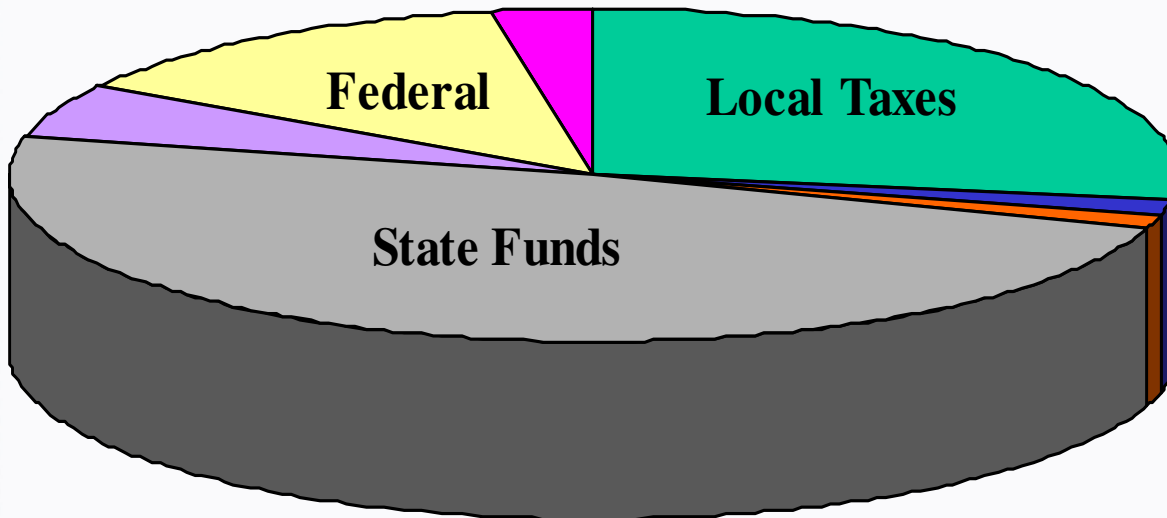
	A	B	C
	Prelim. Actual 10/1/09 FY2008-09	% of Total Unified FY2008/09 Budget	Current Projection 10/12/09 FY2009-10
Operating Funds			
1 Local Taxes	\$ 777	27%	\$ 778
2 City Grant	\$ 39	1%	\$ 39
3 Local Non-Tax Revenue	\$ 37	1%	\$ 60
4 State Funds	\$ 1,370	48%	\$ 1,314
5 State-Provided Stimulus Funds	\$ -	0%	\$ 120
	\$ 2,223	78%	\$ 2,311
Categorical Funds			
6 State Grants	\$ 154	5%	\$ 138
7 Federal Grants	\$ 372	13%	\$ 391
8 Federal Stimulus Formula Grants	\$ -	0%	\$ 107
9 Private Grants	\$ 4	0%	\$ 3
	\$ 530	19%	\$ 639
Food Service Fund			
10 Federal Grants	74.7	3%	78.5

**Total FY2008-09
Preliminary
Actual Revenues:
\$2,847 M**



Where does SDP get its funding?

Major Revenue Sources for the District's
Operating, Categorical, and Food Service Funds



**Total FY2008-09
Preliminary
Actual Revenues:
\$2,847 M**





Where does SDP get its funding?

The two largest sources of revenue for the District are the PA Basic Education Subsidy and Local Property Taxes:

- **PA Basic Education Subsidy** is the largest single funding source for SDP – contributing **33% of Total SDP Revenues** (\$933M) in 2008-09
- **Local Property Taxes** (Real Estate, Business Use & Occupancy) constitute the 2nd largest funding source for SDP - **25% of Total SDP Revenues** (\$711M) in 2008-09

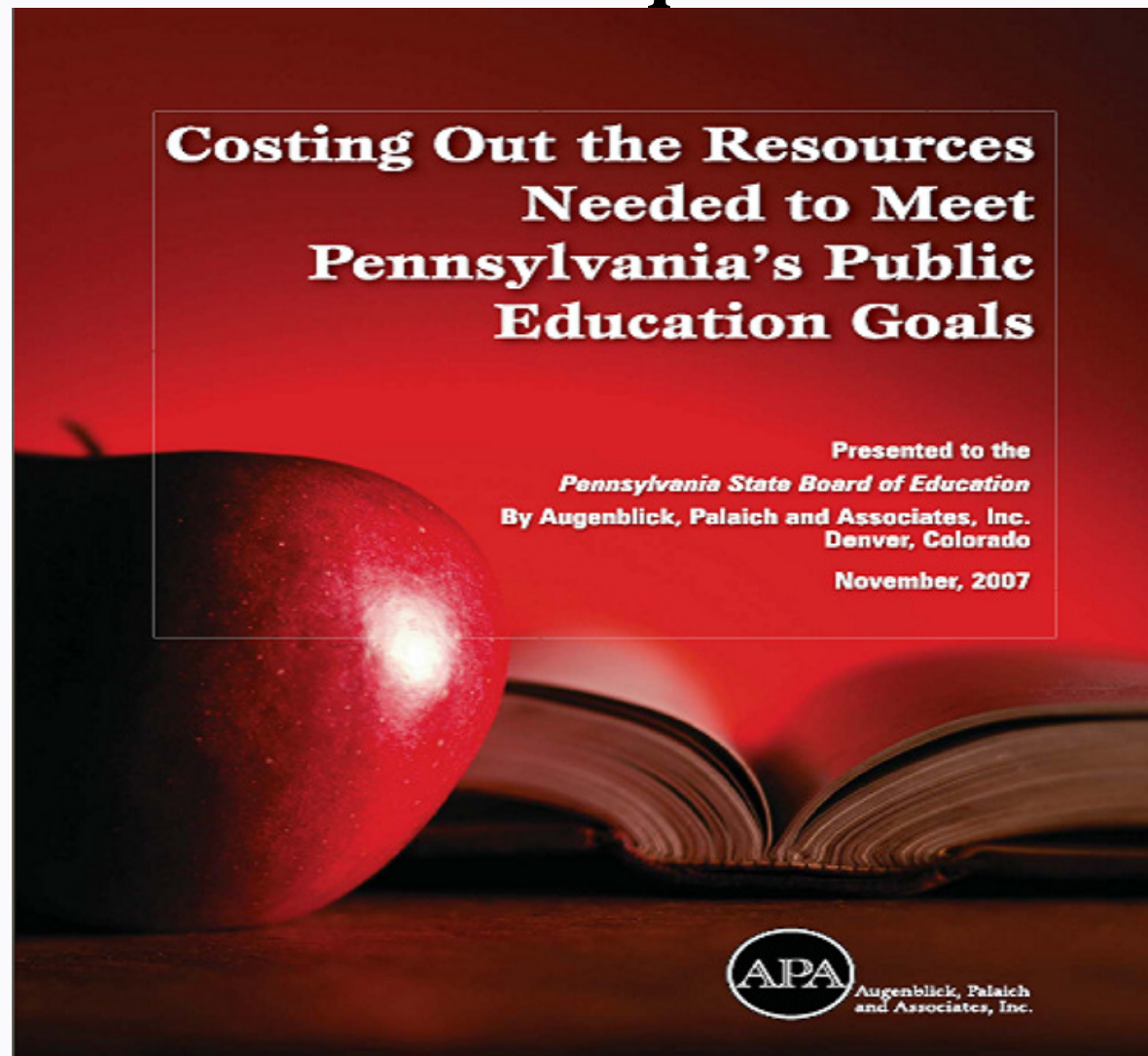


Does SDP have “adequate” revenue?

- In 2006 the Pennsylvania General Assembly ordered the Pennsylvania Board of Education to determine whether Pennsylvania’s school districts had sufficient resources to successfully educate every child, and if not, how large the “adequacy gap” was between available funding and the level of funding needed to enable all PA children to succeed in school.
- The Board of Education completed its study in November 2007. It determined that 474 of Pennsylvania’s 500 school districts lacked adequate funding. For the School District of Philadelphia, the annual “adequacy funding gap” was determined to be \$4,974 per student, or about \$800 million.
- In Act 61 of 2008 (the 2008-09 School Code Bill) the Commonwealth set a goal of providing over \$2 Billion of additional annual State Basic Education funding (over and above normal inflationary increases in other Education budget lines like Special Ed, Transportation, Retirement, etc.) to close the funding adequacy gap identified by the PA Board of Education.
- The Pennsylvania General Assembly included the first year of “adequacy” funding in the adopted FY2008-09 PA budget for Pennsylvania’s public schools. The FY2009-10 PA Budget recently approved by the General Assembly will provide PA school districts with the second year installment of “adequacy” funding.
- Objective analysis by the Commonwealth’s own state education board demonstrates that the School District of Philadelphia is not in any way “over” funded. On the contrary, the School District has achieved a great deal in the seven years since the creation of the Philadelphia School Reform Commission in 2002, with relatively limited resources. The District has moved from having only 1 of every 5 of its students achieving at grade level or better in 2001 to over 1 out of every 2 students achieving at grade level today. The level of additional support the District will receive from the Commonwealth in 2009 closes only a fraction of the funding gap the State Board of Education identified in 2007. The District is determined to finish the job of helping every child succeed, and will continue to advocate for the resources it needs to accomplish this task.



Does SDP have “adequate” revenue?





FY2009-10 School District Budget – Current Projection

Update on Local Revenues



FY2009-10 Local Tax Revenues Current Projection vs Adopted Budget

The FY2009-10 Current Projection anticipates a \$7.6M net increase in 2009-10 Local Tax and Non-Tax Revenues, compared to the SDP 09-10 Adopted Budget:

- A shortfall of \$2.3M in Real Estate Taxes
- An increase of \$6.9M in Business Use & Occupancy Tax
- An increase of \$2.3M in the School Income Tax

	FY2008-09 Preliminary Actual 10/1/09	FY2009-10 Adopted 5/27/09	FY2009-10 Current Projection 10/12/09	FY10 Current Proj. over/(under) FY10 Adopted
Local Tax Revenues/City Grant				
1 Real Estate Tax - Current	\$548,166,501	\$545,707,000	\$551,241,000	\$5,534,000
2 Real Estate Tax - Delinquent	\$50,662,332	\$58,380,000	\$50,580,000	(\$7,800,000)
3 Real Estate Tax - Total	\$598,828,833	\$604,087,000	\$601,821,000	(\$2,266,000)
4 Business Use & Occupancy Tax	\$112,265,689	\$105,800,000	\$112,700,000	\$6,900,000
5 Liquor Sales Tax	\$41,015,884	\$41,050,000	\$41,050,000	\$0
6 Grant from the City of Philadelphia	\$38,490,000	\$38,540,000	\$38,540,000	\$0
7 School Income Tax	\$25,334,694	\$20,500,000	\$22,800,000	\$2,300,000
8 TOTAL - Local Tax/City Grant	\$815,939,719	\$809,977,000	\$816,911,000	\$6,934,000
9 Parking Authority Contribution	\$3,800,588	\$1,750,000	\$1,750,000	\$0
10 Interest and Investments	\$11,585,062	\$37,868,000	\$37,868,000	\$0
11 Other Local Non-Tax Revenue	\$21,991,847	\$19,356,000	\$19,977,000	\$621,000
12 TOTAL - Other Local Non-Tax Revenues	\$37,377,497	\$58,974,000	\$59,595,000	\$621,000



FY2009-10 School District Budget – Current Projection

Update on Federal Revenues



FY2009-10 Federal Recurring Grants Current Projection vs Adopted Budget

The FY2009-10 Current Projection anticipates no change in the level of funding for Recurring Federal Grants, compared to the SDP FY09-10 Adopted Budget:

	A FY2008-09 Preliminary Actual 10/1/09	B FY2009-10 Adopted 5/27/09	C FY2009-10 Current Projection 10/12/09	D FY10 Current Proj. over/(under) FY10 Adopted
Federal Funding - Recurring Grants				
Title I (A)	\$179,709,844	\$182,844,199	\$182,844,199	\$0
IDEA - B	\$42,873,165	\$44,110,082	\$44,110,082	\$0
Headstart Basic	\$37,156,764	\$38,958,442	\$38,958,442	\$0
Title II (A) - Improving Teacher Quality	\$22,729,882	\$22,667,320	\$22,667,320	\$0
Title I - School Improvement	\$12,881,686	\$18,545,090	\$18,545,090	\$0
Nutrition Education	\$9,415,122	\$8,359,979	\$8,359,979	\$0
Title II (D) - Education Technology	\$4,076,348	\$4,076,348	\$4,076,348	\$0
Comprehensive Day Care	\$8,058,337	\$8,359,639	\$8,359,639	\$0
Title I (B) Reading First	\$11,621,675	\$0	\$0	\$0
All other Federal Grants	\$43,509,312	\$43,509,312	\$43,509,312	\$0
TOTAL - Federal Grants - Recurring	\$372,032,135	\$371,430,411	\$371,430,411	\$0



FY2009-10 Federally-Allocated Stimulus Funds

Current Projection vs Adopted Budget

The FY2009-10 Current Projection for Education Stimulus Funds directly allocated by the Federal Government anticipates no change from the SDP FY09-10 Adopted Budget:

	A FY2008-09 Preliminary Actual 10/1/09	B FY2009-10 Adopted 5/27/09	C FY2009-10 Current Projection 10/12/09	D FY10 Current Proj. over/(under) FY10 Adopted
56 Stimulus - Title I (A)		\$81,213,047	\$81,213,047	\$0
57 Stimulus - IDEA-B		\$23,452,850	\$23,452,850	\$0
58 Stimulus - Title II (D)		\$1,935,900	\$1,935,900	\$0
59 TOTAL - Stimulus Funds	\$0	\$106,601,797	\$106,601,797	\$0



FY2009-10 School District Budget – Current Projection

Update on State Revenues



SDP's Challenges in Budgeting PA Revenue

The District faces huge challenges in budgeting Pennsylvania revenues:

- The City Charter requires the SDP to present a budget for the coming year no later than the end of April and adopt a budget for the coming year no later than the last day of May.
- In order to be ready to start each school year with adequate staff and supplies, the District must begin working to fill vacancies in budgeted positions and select and order instructional materials in the Spring and finish that work by mid-Summer.
- The Commonwealth has consistently failed to adopt a final state budget any earlier than early July. This year final decisions were not made until a full month after the school year began.

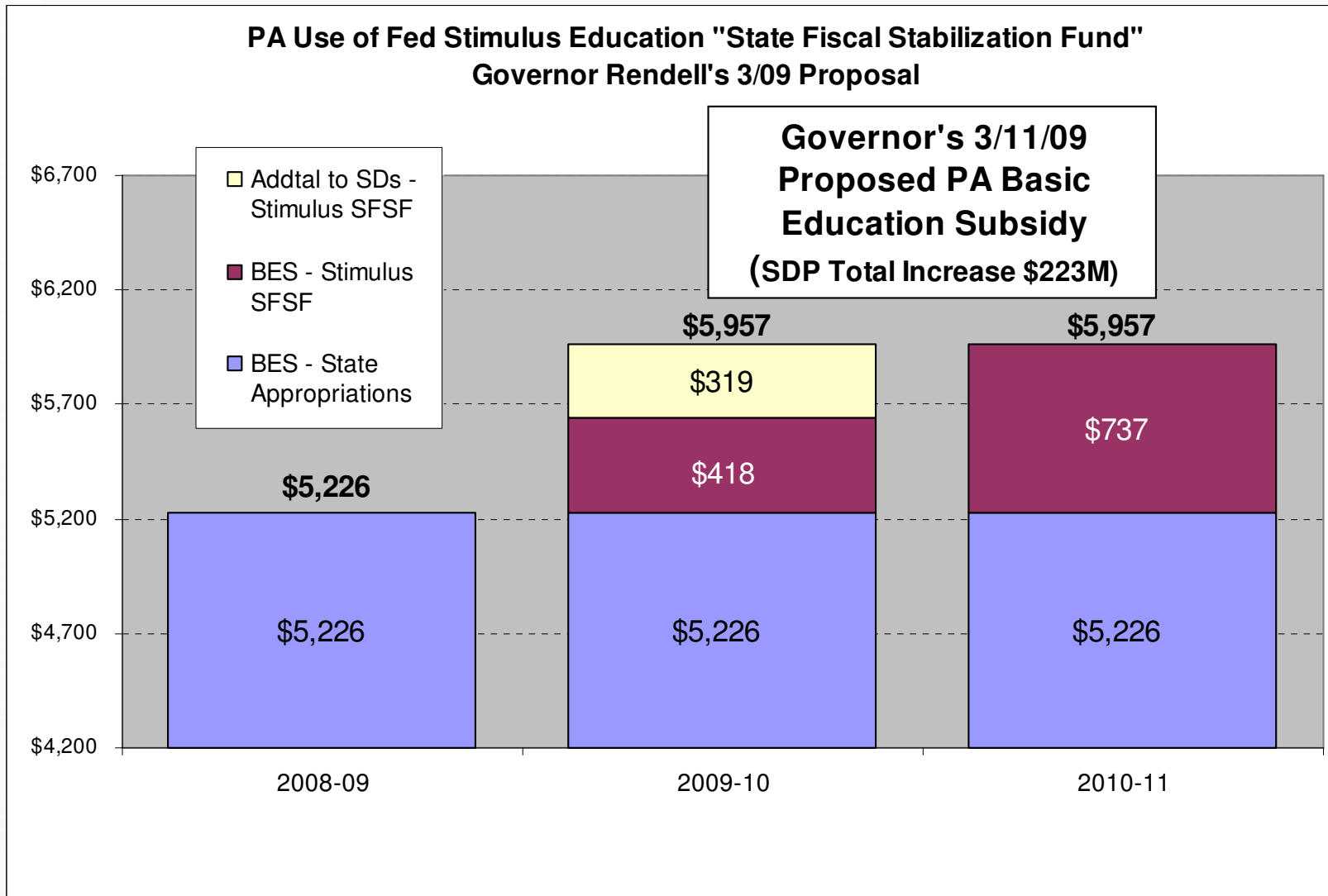
These facts require the SDP to adopt a budget based on an estimate or projection regarding state-provided funding.

- The State Constitution requires the Governor to propose a state budget for the coming year the first week in February. While the District knows that there is no guarantee that the final PA budget will be identical to what the Governor proposes, the District's practice is to base the revenue projections in its budget on the Governor's proposals.
- Until this year, there has never been an instance in recent memory where the General Assembly provided PA's school districts with less funding than the Governor proposed. The final level of funding has always been the same or higher.
- Governor Rendell has been a champion of adequate, equitable funding for Pennsylvania's public schools. If the SDP were to construct its budget assuming a lower level of funding than the Governor proposed, this would suggest that the SDP does not need and deserve the level of funding the Governor is proposing to provide.



The Governor's Proposed "Basic Education" Funding Plan for FY2009-10

- The economic downturn resulted in a revenue shortfall of \$3.25B for the Commonwealth of Pennsylvania in FY2008-09 and projected zero revenue growth in FY2009-10. The decline in revenue due to the recession threatened to make it impossible for the Commonwealth to implement the second year of the state's six year program to close Pennsylvania's education funding adequacy gap.
- Funding prospects changed when the Federal Government, through the American Recovery and Reinvestment Act (ARRA), provided states with "Education State Fiscal Stabilization Funds" (SFSF) specifically targeted to enable states to avoid drastic cuts in their PreK-12 and Higher Ed funding as a result of the recession.
- To qualify for Federal Stimulus SFSF Education funding, states have to maintain state-provided education funding at least at the 2006 level.
- Recognizing that PA public schools are inadequately funded, Governor Rendell proposed to maintain PA funding for PreK-12 in FY2009-10 at the FY2008-09 level and use all of the Commonwealth's Education SFSF funds to increase school funding, to continue making progress on funding the six year Adequacy Funding Formula.
- The Governor's plan would have increased the SDP's 2009-10 Basic Education funding by \$223M



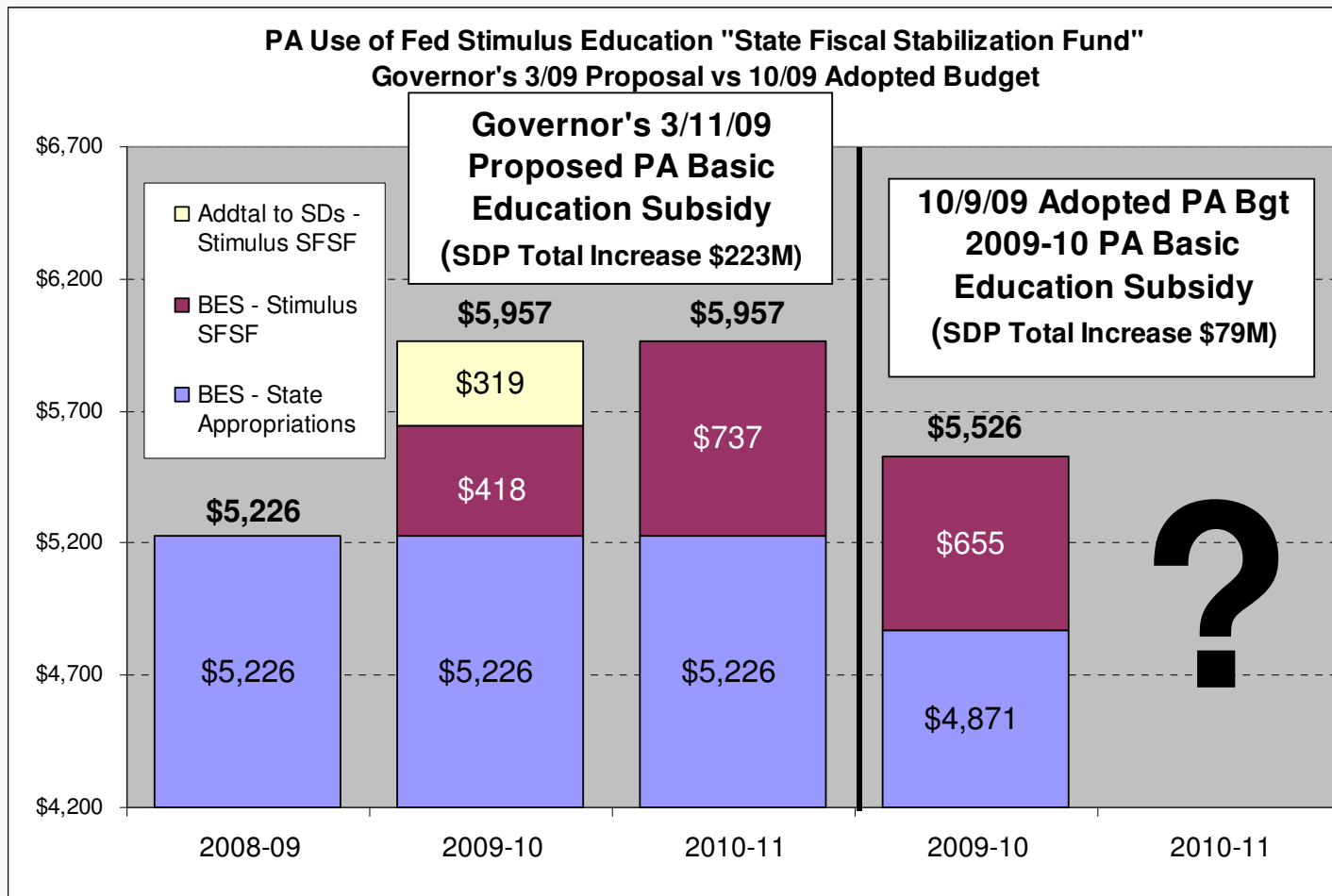


Final Decision:

The FY2009-10 PA Basic Education Subsidy

- The Pennsylvania Senate passed a proposed version of the FY2009-10 budget (SB 850) that provided for dollar-for-dollar cuts in PA Basic Education Subsidy for each dollar that school districts would receive in SFSF funding – the result for SDP would have been ZERO increase in combined PA Basic Education Subsidy/Federal Stimulus SFSF (compared to a \$223M increase under the Governor’s proposal).
- The FY2009-10 PA Budget adopted on 10/9/09 “splits the difference” between the Senate’s approach and the Governor’s plan: \$355M of Federal Stimulus SFSF is used to “replace” PA Basic Education funding and \$300M is used to increase combined PA Basic Ed/Federal SFSF by \$300M over FY2009-09 (the balance of PA’s SFSF Education funding is being used to offset cuts in PA funding for higher education).
- Result for SDP:
 - Not zero increase called for in SB 850
 - Not \$223M increase initially proposed by Governor Rendell
 - \$79M increase - \$144M less than the Governor’s proposal

Note: The same level of Federal Stimulus SFSF funding is available to the Commonwealth of Pennsylvania in FY2010-11.



Unlike the Governor's original 2009-10 budget plan, the final Adopted 2009-10 PA Budget uses \$355M of Federal Education Stimulus dollars to replace rather than augment state-provided Basic Education dollars this year and next. This gives school districts a \$300M Basic Education increase in 2009-10 (compared to the Governor's proposed \$730M increase). Unless additional state dollars are available in 2010-11, this plan could result in NO BES increase in 2010-11, and a possible \$655M BES REDUCTION in 2011-12. Total SFSF for K-12 is reduced from \$737M to \$655M because an additional \$82M of SFSF is used for Higher Education.



FY2009-10 PA Operating Revenues and PA-Provided Federal Education Stimulus – Current Projection vs Adopted Budget

The FY2009-10 Current Projection anticipates a net shortfall in PA Operating Funds and PA- Provided Federal Stimulus Funds of \$159.2 M compared to the SDP 09-10 Adopted Budget, including:

- Elimination of Additional PA Provided Federal Stimulus: \$102.1 M
- Reduction in the Basic Education Subsidy: \$42.4 M
- Reduction in Charter School Reimbursement: \$15.9M
- Increase in Debt Service: \$3.5M

	A FY2008-09 Preliminary Actual 10/1/09	B FY2009-10 Adopted 5/27/09	C FY2009-10 Current Projection 10/12/09	D FY10 Current Proj. over/(under) FY10 Adopted
State Funding + PA Provided Fed. Education Stimulus				
Basic Education Subsidy - PA Appropriations	932,628,910	\$932,594,000	\$891,065,045	(\$41,528,955)
Basic Education Subsidy - PA Provided Fed Stimulus/SFSF	\$0	\$120,588,000	\$119,766,295	(\$821,705)
Basic Education Subsidy	\$932,629,000	\$1,053,182,000	\$1,010,831,340	(\$42,350,660)
Additional PA-Provided Fed Stimulus/SFSF	\$0	\$102,181,947	\$0	(\$102,181,947)
Basic Education Subsidy and Addtl SFSF - TOTAL	\$932,629,000	\$1,155,363,947	\$1,010,831,340	(\$144,532,607)
Special Education Subsidy	\$131,336,393	\$131,371,000	\$131,363,964	(\$7,036)
Charter School Reimbursement	\$119,528,276	\$132,887,000	\$116,987,685	(\$15,899,315)
Transportation - SDP/Charter/Nonpublic	\$48,783,670	\$50,023,000	\$49,596,000	(\$427,000)
Alternative Education Grant	\$15,935,373	\$2,072,000	\$553,820	(\$1,518,180)
Debt Service	\$11,768,833	\$12,913,000	\$16,446,000	\$3,533,000
Vocational Education	\$10,587,915	\$9,356,000	\$9,608,000	\$252,000
Intermediate Unit Advances	(\$44,168,570)	(\$48,398,000)	(\$47,346,000)	\$1,052,000
All Other State Grants - Op Funds	\$143,307,252	\$148,049,000	\$146,394,191	(\$1,654,809)
TOTAL - State Funding + PA Provided Fed. Ed. Stimulus	\$1,369,708,142	\$1,593,636,947	\$1,434,435,000	(\$159,201,947)



FY2009-10 Major PA Grants Current Projection vs Adopted Budget

- The FY2009-10 Current Projection anticipates a shortfall in State Grant Funds of \$17.6M compared to the SDP FY09-10 Adopted Budget, including:
 - Reduction in the School Improvement Grant: \$8.0 M
 - Reduction in the Education Assistance Program: \$2.4 M
 - Elimination of funding for Classrooms for the Future: \$6.8 M

	A FY2008-09 Preliminary Actual 10/1/09	B FY2009-10 Adopted 5/27/09	C FY2009-10 Current Projection 10/12/09	D FY10 Current Proj. over/(under) FY10 Adopted
33	State Funding - Major Grants			
34	\$58,735,223	\$58,735,223	\$58,735,223	\$0
35	\$25,612,253	\$25,612,253	\$23,253,199	(\$2,359,054)
36	\$20,636,440	\$20,647,348	\$20,647,348	\$0
37	\$15,877,402	\$16,048,023	\$8,024,012	(\$8,024,012)
38	\$12,893,216	\$12,932,685	\$12,932,685	\$0
39	\$6,800,000	\$6,838,410	\$0	(\$6,838,410)
40	\$1,700,000	\$1,700,000	\$1,300,000	(\$400,000)
41	\$11,512,410	\$12,596,482	\$12,596,482	\$0
42	\$153,766,944	\$155,110,424	\$137,488,948	(\$17,621,476)



Total State Funding Shortfall - \$180M

- The PA Senate’s budget plan (Senate Bill 850, not passed by the House) would have reduced the District’s FY2009-10 revenues by \$301M – a 20.3% reduction from Adopted Budget.
- The PA House’s budget plan (House Bill 1416, not approved by the Senate) would have reduced the District’s FY2009-10 revenues by \$66.3M – a 4.5% reduction from Adopted Budget.
- The final FY2009-10 State Budget reduces District FY2009-10 revenues by \$179.5M – a 12.1% reduction.

**PA FY2009-10 Budget Proposals:
Estimate of Impact on the School District of Philadelphia FY2009-10 Budget
(Selected Budget Lines)**

	A	B	C	D E F			G	H
				Changes Compared to SDP's Adopted Budget				
		FY08-09 SDP Revenue from PA (Selected Budget Lines)	PA Revenue Projected in SDP's Adopted FY09-10 Budget (based on Gov's 3/09 Proposed Budget)	Senate-Passed PA FY09-10 Budget: Senate Bill 850 (not approved by the House)	House-Passed PA FY09-10 Budget: House Bill 1416 PN2433 (not approved by the Senate)	Final Adopted PA FY09-10 Budget: House Bill 1416 PN2772	FY09-10 SDP Revenue from PA (10/11/09 Estimate): HB1416 PN2772	FY09-10 SDP Estimate: Difference from FY08-09
1 Basic Education Subsidy (2009-10 Increase funded from Federal Stimulus)		\$932.6	\$1,053.0	(\$121.0)	(\$41.6)	(\$42.4)	\$1,010.7	\$78.1
2 Charter School Reimbursement		\$119.1	\$132.9	(\$43.0)	(\$2.0)	(\$15.9)	\$117.0	(\$2.1)
3 Fed Stimulus - State Fiscal Stabilization Fund (dist acc to Title I)		\$0.0	\$102.0	(\$102.0)	(\$12.0)	(\$102.2)	(\$0.2)	(\$0.2)
4 Non-public and Charter School Transportation		\$49.3	\$50.0	(\$0.5)			\$50.0	\$0.8
5 PA Accountability Block Grant		\$61.2	\$58.7	(\$1.2)			\$58.7	(\$2.5)
6 Education Assistance Program		\$26.6	\$25.6			(\$2.4)	\$23.3	(\$3.4)
7 Pre-K Counts		\$20.6	\$20.4	(\$10.2)	(\$1.5)		\$20.4	(\$0.2)
8 School Improvement Grants (Educational Empowerment)		\$15.9	\$16.1	(\$8.0)		(\$8.0)	\$8.0	(\$7.9)
9 Alternative Education Demonstration Grant		\$14.0	\$0.0				\$0.0	(\$14.0)
10 PA Headstart Assistance		\$12.9	\$12.9	(\$6.3)			\$12.9	\$0.0
11 Classrooms for the Future		\$6.8	\$6.8	(\$6.8)	(\$6.8)	(\$6.8)	\$0.0	(\$6.8)
12 Safe and Alternative Schools		\$2.0	\$2.1	(\$2.0)	(\$2.0)	(\$1.5)	\$0.6	(\$1.5)
13 Dual Enrollment		\$1.7	\$1.7	(\$1.7)	(\$0.4)	(\$0.4)	\$1.3	(\$0.4)
14 School Improvement Fund		\$1.1	\$1.1	(\$0.5)			\$1.1	\$0.0
Total Reduction vs SDP Adopted Budget (\$ Ms):		\$1,263.8	\$1,483.3	(\$301.2)	(\$66.3)	(\$179.5)	\$1,303.7	\$40.0
16 Change from Prior Year (\$)			\$219.5				\$40.0	
17 Change from Prior Year (%)			17.4%	-20.3%	4.5%		3.2%	



FY2009-10 School District Budget – Current Projection

Update on Total Revenues



FY2009-10 Projected Total Revenues

The FY2009-10 Current Projection anticipates that School District revenues will be **\$167M lower** than the May 2009 estimate in the SDP FY09-10 Adopted Budget

	A FY2008-09 Preliminary Actual 10/1/09	B FY2009-10 Adopted 5/27/09	C FY2009-10 Current Projection 10/12/09	D FY10 Current Proj. over/(under) FY10 Adopted
1 Local Tax	\$777,449,719	\$771,437,000	\$816,911,000	\$45,474,000
2 City Grant	\$38,490,000	\$38,540,000	\$38,540,000	\$0
3 Local Non-Tax Revenues	\$37,377,497	\$58,974,000	\$59,595,000	\$621,000
4 <i>Basic Education Subsidy - PA Appropriations</i>	<i>932,628,910</i>	<i>932,594,000</i>	<i>891,065,045</i>	<i>(\$41,528,955)</i>
5 <i>Basic Education Subsidy - PA Provided Fed Stimulus/SFSF</i>	<i>\$0</i>	<i>\$120,588,000</i>	<i>\$119,766,295</i>	<i>(\$821,705)</i>
6 PA Basic Education Subsidy - Total	\$932,629,000	\$1,053,182,000	\$1,010,831,340	(\$42,350,660)
7 <i>Additional PA-Provided Fed Stimulus/SFSF</i>	<i>\$0</i>	<i>\$102,181,947</i>	<i>\$0</i>	<i>(\$102,181,947)</i>
8 PA Basic Education Subsidy and Addtl SFSF - TOTAL	\$932,629,000	\$1,155,363,947	\$1,010,831,340	(\$144,532,607)
9 State Funding - Operating (excl. BES + PA-Provided Fed. Stimulus)	\$437,079,142	\$438,273,000	\$423,603,660	(\$14,669,340)
10 Federal Funding - Operating	\$325,865	\$202,000	\$169,000	(\$33,000)
11 Other Financing Sources	\$20,037,845	\$16,490,000	\$18,773,000	\$2,283,000
12 State Funding - Grants	\$153,766,944	\$155,110,424	\$137,488,948	(\$17,621,476)
13 Federal Funding - Recurring Grants	\$372,032,135	\$371,430,411	\$371,430,411	\$0
14 Federal Funding - Federally Allocated Stimulus Funds	\$0	\$106,601,797	\$106,601,797	\$0
15 Other Grants	\$3,773,447	\$3,096,070	\$3,096,070	\$0
16 Federal Funding - Food Service Fund	\$74,666,853	\$78,495,546	\$78,495,546	\$0
17 GRAND TOTAL	\$2,847,628,447	\$3,194,014,195	\$3,026,995,773	(\$167,018,422)



FY2009-10 School District Budget – Current Projection

The Gap Closing Challenge



Major Challenges Facing SDP in Maintaining Budget Balance in 2009-10

- **State Budget Shortfall** **(\$179.5M)**
 - State Fiscal Stabilization Fund (\$102 M)
 - Basic Education Subsidy (\$42.3 M)
 - Charter School Reimbursement (\$15.9 M)
 - School Improvement Funds (\$8M)
 - Classrooms for the Future (6.8M)

- **Medical Benefits – Rate Increase** **\$16.8M**

- **TOTAL GAP** **\$196.3M**



FY2009-10 SDP Medical Carrier Budget

- **Rate Caps and Premium Rates – Recent SDP History:**
 - Under the District’s medical insurance contracts that were in effect from FY 2005 through FY 2008, medical carrier rate increases were capped at 12%.
 - During the FY2005-FY2008 contractual period and extending into FY 2009, the District’s actual premium rates increased on average by only 6% to 7%, well under the rate caps.
- **Recent Medical Claim Trends:**
 - The current local/national medical “trend” is approximately 11.5%
 - SDP’s experience has been less than market trends for the past 4 years
- **The Issue.** Based on its prior positive experience, SDP budgeted reasonably for a 10% increase for the current year but is now being asked to pay 16% for its plans. If the School District had to fund this requested 16% increase from the SDP’s medical carriers, this would put SDP medical carrier costs over budget by:
 - \$13.7 M Operating Funds
 - 2.7 M Grant Funds
 - .4 M Food Service Fund/Other Funds
 - **\$16.8 M TOTAL**
- The SDP is negotiating for lower 2009-10 medical carrier rates.



FY2009-10 School District Budget – Current Projection

Hold Harmless Items



FY2009-10 Budgeted Items Held Harmless

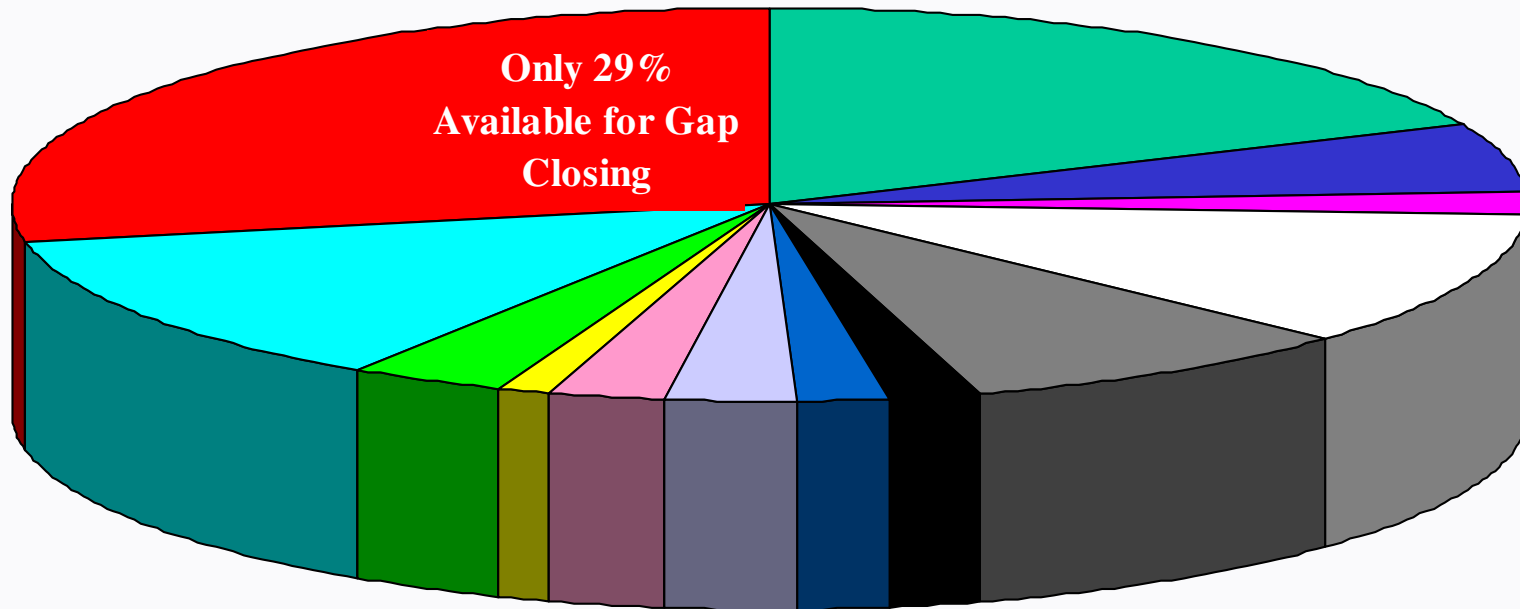
Many items in the School District budget cannot be cut because of requirements in Local, State or Federal Law, court decisions or collective bargaining agreements. This makes the work of closing the FY2009-10 budget gap more challenging.

School Budgets -- District Operated Schools -- Instructional			
1	Classroom Teachers (Regular Ed at Minimum Ratios)	\$549,729,007	PFT Contract -- 30:1 Grades K-3; 33:1 Grades 4-12
2	Classroom Teachers (Special Ed at Minimum Ratios)	\$167,647,994	PA Code -- varies by individual needs/IEPs
3	Principals and Assistant Principals	\$60,146,100	PA Code -- effectively requires 1 principal per school
4	Per Diem Substitute Service	\$14,419,926	Not mandated but SDP's ability to control costs is limited in short run
5	Philadelphia Learning Academies	\$4,080,000	PA Code -- requires education for expelled students
6	Instructional -- Mandated -- TOTAL	\$796,023,028	
School Budgets -- District Operated Schools -- Instructional Support			
7	Hospital/Homebound Services	\$2,187,796	PA Code -- SDP is responsible for service to hospital/homebound
8	Instructional Support -- Mandated -- TOTAL	\$2,187,796	
School Budgets -- District Operated Schools -- Operational Support			
9	Debt Service	\$251,134,417	US & PA Codes, Bond Covenants
10	Facilities -- One Building Engineer per School	\$18,777,471	City Code -- must be a Building Engineer on site when school is open
11	Transportation -- Special Education Services	\$52,657,000	US & PA Code -- some cost control may be possible
12	Transportation -- Bus Attendants -- Special Ed	\$8,887,210	US & PA Code -- some cost control may be possible
13	District Operated Schools -- Operational Support -- TOTAL	\$331,456,097	
Non-District Operated Schools			
14	Charter Schools -- Per Pupil Payments	\$338,250,176	PA Code
15	Services to Non-Public Schools -- Regular (Excl. Transportation)	\$16,350,044	Fully-reimbursed by PA -- revenue loss would offset savings
16	Non-District Operated Schools -- TOTAL	\$354,600,220	
District Operated Schools -- Pupil/Family Support			
17	Counselors and Related Positions -- One per school	\$27,506,162	PFT Contract
18	School Health/Nurses -- One nurse per 1,500 students	\$19,654,173	PA Code
19	Psychologists -- needed to prepare IEPs	\$12,205,773	US & PA Code -- some cost control may be possible
20	Librarians -- One LIMA per school with 1,000+ students	\$1,405,600	PFT Contract
21	District Operated Schools -- Pupil/Family Support -- TOTAL	\$60,771,708	
22	Total "Off Limits" from Spending Cuts -- Operating Budget	\$1,545,038,849	
Budgets Adjusted through Other Processes -- "Off Limits" to Across-the-Board Cuts			
23	Alternative Education -- Multiple Pathways	\$24,054,100	\$4.2 M reduction
24	Partnership Schools/EMOs -- Additional Payments	\$9,162,694	\$1.75 M reduction
25	Losses & Judgements	\$7,690,000	5% Cut -- SDP's ability to control costs is limited in short run
26	Insurance & Self Insurance Reserves	\$3,543,130	5% Cut -- SDP's ability to control costs is limited in short run
27	Utilities	\$83,997,268	5% Cut -- SDP's ability to control costs is limited in short run
28	Education of Students in Institutional Placements	\$69,730,600	PA Code -- SDP's ability to control costs is limited in short run
29	Supplementary Principals/Assistant Principals	\$2,829,396	75% Cut -- 17 positions reduced to 4 due to reassignment to schools
30	English Language Learners (Operating Only)	\$35,193,544	US/PA Code, YS Consent Decree -- some savings may be possible
31	Budgets Cut through Other Processes -- TOTAL	\$236,200,733	
32	Total Held Harmless from Across-the-Board Cuts	\$1,781,239,581	



FY2009-10 Budgeted Items Held Harmless

Only 29% of the FY2009-10 SDP Operating Budget is available for gap closing



■ Teachers - Regular	■ Teachers - Sp. Ed
■ Principals and AP	□ Charter Schools
■ Debt Service	■ Transportation
■ Counselors, Nurses, Psychologists, Librarians	■ Utilities
■ Stds in Inst. Placements	■ ELL
■ Other Harmless	■ Grants Harmless
■ Remaining Budget	



FY2009-10 School District Budget – Current Projection

The Gap Closing Plan



The Gap Closing Plan

Revenue Enhancements

- FY09 Surplus Higher Than Anticipated \$25.0M
- Improved FY10 Revenue Forecast – Local/Non-Tax/Other \$13.0M
- Title I – Additional Base Funds Available at End of FY2008-09 \$10.0M

Cost Savings Initiatives

- Temporary Borrowing – Reduced Cost of Issuance \$20.5M
- Institutional Placements – Cost Savings Initiatives \$ 3.5M
- Utilities – Cost Savings Initiatives \$ 4.2M
- Losses and Judgments – Cost Savings Initiatives \$ 0.4M
- Insurance – Cost Savings Initiatives \$ 0.2M
- Reduced Class Sizes – Augment Funding with Available Title II-A Funds \$11.0M
- Reduced Costs - Counselor Initiative - Not Implemented in Grades 5-6 \$ 6.6M
- Summer Enrichment Program – Lower Than Budgeted Expenditures \$ 1.7M
- Savings on EMO Partnerships – Lower Projected Enrollment \$ 1.8M
- Reduction in Central Offices’ Requests for Additional Resources \$ 7.4M
- Imagine 2014 Reductions (primarily business systems) \$36.3M
- 3% Reduction in Administrative Support Operations \$ 4.6M
- 3% Reduction in Non-Instructional Budgets/<1% in School Budgets \$11.4M
- Classrooms for the Future – State Funding Elimination \$ 6.8M
- Reduction in School Improvement Grant Allocations \$ 2.5M
- Special Assignment Principals – Returned to School-Based Positions \$ 2.1M
- Medical Carrier Rate Negotiation \$16.8M
- Use of Unbudgeted FY09 Grant Funds -- Federal School Improvement \$ 3.0M
- Multiple Pathways – Increase Program by 1,200 Students Not 1,500 \$ 4.2M
- Liquidation of Prior Year Open Encumbrances \$ 3.5M

Total Net Benefit: \$196.5M



FY2009-10 School District Budget – Current Projection

**Imagine 2014 Initiatives and
Other Education Reforms
Preserved in the Revised
SDP FY2009-10 Budget**



The Revised FY2009-10 SDP Budget preserves *Imagine 2014* Initiatives & Other SDP Education Reforms that will accelerate gains in student achievement

- **Preserved: Reduced Class Sizes in K-3 Classrooms**
 - Empowerment Schools -- K at 20:1; Grades 1-3 remain at 22:1
 - Other Non-AYP Schools -- K at 23:1; 1-3 at 24:1
 - All schools making AYP -- K at 23:1; 1 at 25:1; 2-3 at 26:1
- **Added: Standardized Curriculum for Corrective Reading and Math and Reading Mastery**
- **Maintained and Expanded: Staffing Enhancements and Other Supports for 95 Empowerment Schools, including:**
 - Parent Ombudsmen -- dedicated to reaching out and promoting parental involvement
 - Student Advisors -- focused on providing additional support to struggling students
 - School Based Instructional Specialists – teacher leaders who support instructional programming
 - Rigorous School Improvement Plans



SDP *Imagine 2014* Initiatives and Other School Reforms Preserved in FY 2009-10 Budget (Continued)

- **Preserved: Increased Number of Counselors to achieve more personalized learning environments; Ratio of Students to Counselors decreased from 500:1 to**
 - 250:1 in Middle Grades
 - 300:1 in High Schools
- **Preserved: New Rosters in All Comprehensive High Schools to include 1 additional period allowing for:**
 - Increased coursework options and more time for remediation, enrichment and acceleration
 - Common planning time for teachers
- **Added: Number of English Language Learner Teachers Increased by 43.5**
- **Added: More flexible schedules for 9th graders who have failed English I or Algebra I, allowing them to make-up the course in the second semester**



***SDP Imagine 2014* Initiatives and Other School Reforms Preserved in FY 2009-10 Budget (Continued)**

- **Added: Programs Tailored to Needs of Overage Middle Grade Students**
- **Preserved: Special Education Enhancements:**
 - Increase opportunities for Special Education students to participate in classes and activities with other students
 - Improved level of support for Special Education students as described in their Individualized Educational Plans (IEPs)
- **Preserved: Realigned Social Service Supports to more strongly link students and families to the City's social services providers**
 - Enhanced focus on Empowerment Schools and high schools while providing some coverage for all schools



FY2009-10 School District Budget – Current Projection

**How does the
Revised FY2009-10 Budget
compare to the
Adopted FY2009-10 Budget?**

School District of Philadelphia



Dr. Arlene C. Ackerman, Superintendent of Schools

Michael J. Masch, Chief Business Officer

FY2009-10 Consolidated Budget - Current Projection 10/12/09

A	B	C	D
	% of Total Exp	% increase FY10 Adopt. ovr FY09	% increase FY10 Revsd ovr FY09
School Bgts - Instruction/Administration			
1 K-8	16%	10%	8%
2 High Schools	9%	17%	16%
3 Middle Schools	4%	15%	15%
4 Career and Technical High Schools	2%	34%	4%
5 Deseg	0.4%	71.0%	7.1%
6 Substitute Service	1%	-22%	-22%
7 School Bgts - Instruction/Admin. - Op.Funds - Total	31%	10%	9%
8 SPECIAL EDUCATION - TOTAL	9%	22%	16%
9 ELL	1%	10%	24%
10 Counselors/Social Service Support Staff/Psychologists	2%	106%	77%
11 Nurses	1%	8%	8%
12 Parent and Community Support	1%	40%	35%
Schools - Operational Support			
13 Facilities	6%	4%	3%
14 Transportation	4%	3%	2%
15 Utilities	4%	6%	0%
16 School Police/Safety	2%	5%	2%
17 Schools - Op Support - Total	15%	4%	2%
18 Alternative Education	1%	3%	-8%
Central Offices			
19 Chief Academic Officer	1%	13%	0%
20 Chief of School Operations	0.4%	14.5%	4.4%
21 Chief Business Officer	2%	62%	3%
22 Other Admin Expenses	1%	37%	27%
23 All Central Office Budgets	4%	16%	7%
Other Major Expenditure Items			
24 Debt Service	11%	14%	14%
25 Charter School Payments	15%	8%	8%
26 Students in Residential Treatment Facilities	3%	5%	0%
27 Nonpublic School Support	2%	13%	12%
28 Temporary Borrowing	1%	2018%	234%
29 Other Major Expenditure Items - Total	30%	14%	11%
30 All Other	5%	16%	6%
31 Consolidated Total		14.3%	9.6%

The Revised FY2009-10 SDP Budget provides for a 9.6% increase in expenditures, compared to the 14.3% increase in the May 2009 Adopted FY2009-10 Budget.



FY2009-10 School District Budget – Current Projection

Financial Statement

School District of Philadelphia



Dr. Arlene C. Ackerman, Superintendent of Schools

Michael J. Masch, Chief Business Officer

SCHOOL DISTRICT OF PHILADELPHIA

Operating Funds Financial Statement - FY2009-10 Proposed Budget

	A FY2008-09 Prelim. Act. 10/1/2009	C FY2009-10 Adopted 5/27/2009	C FY2009-10 Revised 10/12/2009	D FY2009-10 Revised over/under Adopted	
(\$ 000's)					
1	Fund Balance (Deficit) at Beginning of Year - July 1	(\$476)	\$3,070	\$28,141	\$25,071
2	Local Tax Revenues	\$777,450	\$771,437	\$778,371	\$6,934
3	Grant from City of Philadelphia	\$38,490	\$38,540	\$38,540	\$0
4	Local Non-Tax Revenues	\$37,377	\$58,974	\$59,595	\$621
5	State Revenues	\$1,369,708	\$1,491,455	\$1,434,435	(\$57,020)
6	Federal Revenues	\$326	\$202	\$169	(\$33)
7	Revenues	\$2,223,351	\$2,360,608	\$2,311,110	(\$49,498)
8	Other Financing Sources	\$20,038	\$16,490	\$18,773	\$2,283
9	Total Revenues and Other Financing Sources	\$2,243,389	\$2,377,098	\$2,329,838	(\$47,260)
10	Obligations	\$2,195,620	\$2,363,678	\$2,339,206	(\$24,472)
11	Other Financing Uses	\$20,038	\$16,490	\$18,773	\$2,283
12	Total Obligations and Other Financing Uses	\$2,215,658	\$2,380,168	\$2,357,979	(\$22,189)
13	Excess (Deficiency) of Revenues & Other Financing Sources Over (Under) Obligations and Other Financing Uses	\$27,731	(\$3,070)	(\$28,141)	(\$25,071)
14	Fund Balance Prior to Changes in Reserves	\$27,255	\$0	\$0	(\$0)
15	Change in Reserves	\$887	\$0	\$0	\$0
16	Fund Balance (Deficit) at Year End - June 30	\$28,141	\$0	\$0	(\$0)

SCHOOL DISTRICT OF PHILADELPHIA

**SDP Total Obligations -
FY2008-09 Prelim. Actual to FY2009-10 Revised**

	A FY2008-09 Prelim. Act. 10/1/2009	C FY2009-10 Adopted 5/27/2009	C FY2009-10 Revised 10/12/2009	D FY2009-10 Revised over/under Adopted	
(\$ 000's)					
17	Obligations - Operating Funds	\$2,215,658	\$2,380,168	\$2,357,979	(\$22,189)
18	Obligations - Categorical Funds	\$529,573	\$738,421	\$618,617	(\$119,803)
19	Obligations - Food Services Fund	\$74,667	\$78,496	\$78,496	\$0
20	Obligations - Total Unified Budget	\$2,819,897	\$3,197,084	\$3,055,092	(\$141,992)



FY2009-10 School District Budget – Current Projection

Imagine 2014 Phase One Revised FY2009-10 Budget



Imagine 2014 Phase One – Revised Budget

	A	B	C	D	E
					Current \$
	<u>Category</u>	<u>Name</u>	<u>Budget Prior to Exec. Cabinet Reductions</u>	<u>Executive Cabinet Reductions</u>	<u>Total \$</u>
1	Student Success	Develop flexible scheduling and student grouping patterns	\$16,770,192	0	\$16,770,192
2	Student Success	43.5 ELL Teachers	\$3,943,275	0	\$3,943,275
3	Student Success	A/B H.S. Schedules	\$2,951,550	0	\$2,951,550
4	Student Success	Create Regional Early Childhood Centers	\$844,084	(422,042)	\$422,042
5	Student Success	Establish day care centers in selected high schools	\$216,000	0	\$216,000
6	Student Success	Reading Programs	\$4,445,000	0	\$4,445,000
7	Student Success	Parent Ombudsmen and Student Advisors	\$4,496,732	0	\$4,496,732
8	Student Success	Increased Social Services	\$8,337,800	(3,000,000)	\$5,337,800
9	Student Success	Enhancements for (gifted) students in all elementary empowerment schools	\$822,915	0	\$822,915
10	Student Success	Open 3 additional Career and Tech HS's	\$600,000	(350,000)	\$250,000
11	Student Success	Open 1 small HS for future Phila teachers	\$100,000	0	\$100,000
12	Student Success	Student Success and College Access centers in all HS	\$727,000	(727,000)	\$0
13	Student Success	3 Regional Newcomer Welcome Centers	\$0	0	\$0

Note: Reduction in funding does not mean initiative is cancelled or curtailed – implementation will be carried out using existing SDP staff and resources



Imagine 2014 Phase One – Revised Budget (cont'd)

	A	B	C	D	E
			Budget Prior to Exec. Cabinet Reductions	Executive Cabinet Reductions	Current \$
	Category	Name			Total \$
14	Student Success	Implement IEP process with fidelity and use incentives	\$7,755,174	0	\$7,755,174
15	Student Success	Assistive Technology & Curriculum Materials for Spec Ed	\$4,990,819	0	\$4,990,819
16	Student Success	Implement phase-in model of inclusion whenever possible for special education students	\$0	0	\$0
17	Student Success	Intramural Programs	\$252,686	0	\$252,686
18	Student Success	Outside School Easy-to-Access Enrichment	\$780,621	(520,414)	\$260,207
19	Student Success	School Options for Out-of-School Youth	\$991,086	(991,086)	\$0
20	Student Success	Strengthen Summer Bridge Programs	\$191,037	0	\$191,037
21	Student Success	Summer School	\$6,000,000	0	\$6,000,000
22	Student Success	Summer School	\$6,000,000	0	\$6,000,000
23	Student Success	Wrap-Around Services	\$703,696	0	\$703,696
24	Student Success	Peer Mediation	\$971,350	0	\$971,350
25	Student Success	In-House Suspension	\$3,824,541	0	\$3,824,541
26	Student Success	Expand the Parent University	\$500,000	0	\$500,000
27	Student Success	Differentiated Supports	\$560,000	0	\$560,000
28	Student Success Total:		\$77,775,558	(6,010,542)	\$71,765,016

Note: Reduction in funding does not mean initiative is cancelled or curtailed – implementation will be carried out using existing SDP staff and resources



Imagine 2014 Phase One – Revised Budget (cont'd)

				Current \$
<u>Category</u>	<u>Name</u>	<u>Budget Prior to Exec. Cabinet Reductions</u>	<u>Executive Cabinet Reductions</u>	<u>Total \$</u>
30	Quality Choices School Identification Metrics	\$2,438,022	(1,219,016)	\$1,219,006
31	Quality Choices Total:	\$2,438,022	(1,219,016)	\$1,219,006
32	Great Staff Onsite Recruitment	\$878,218	0	\$878,218
33	Great Staff Teacher Affairs	\$262,512	(131,256)	\$131,256
34	Great Staff Peer Assistance Program	\$2,547,683	(2,547,683)	\$0
35	Great Staff Professional Development	\$2,450,000	0	\$2,450,000
36	Great Staff Financial and Non-Financial Incentives	\$262,549	(262,549)	\$0
37	Great Staff Differential Compensation	\$0	0	\$0
38	Great Staff HR Improvement Plan	\$50,000	0	\$50,000
39	Great Staff Total:	\$6,450,962	(2,941,488)	\$3,509,474
40				
41	Accountable Adults Performance Measures for all Schools and Departments	\$363,008	(363,008)	\$0
42	Accountable Adults Remove Low Performers	\$100,000	(100,000)	\$0
43	Accountable Adults Total:	\$463,008	(463,008)	\$0

Note: Reduction in funding does not mean initiative is cancelled or curtailed – implementation will be carried out using existing SDP staff and resources



Imagine 2014 Phase One – Revised Budget (cont'd)

	A	B	C	D	E
					Current \$
	<u>Category</u>	<u>Name</u>	<u>Budget Prior to Exec. Cabinet Reductions</u>	<u>Executive Cabinet Reductions</u>	<u>Total \$</u>
44	World-Class Operations	Replacement and Upgrades to SDP Systems - Records Management	\$2,000,000	(2,000,000)	\$0
45	World-Class Operations	Replacement and Upgrades to SDP Systems - Facilities	\$3,000,000	(3,000,000)	\$0
46	World-Class Operations	Replacement and Upgrades to SDP Systems - Finance	\$7,700,000	(7,700,000)	\$0
47	World-Class Operations	Replacement and Upgrades to SDP Systems - Procurement	\$1,500,000	(1,500,000)	\$0
48	World-Class Operations	Replacement and Upgrades to SDP Systems - IT	\$9,000,000	1,000,000	\$10,000,000
49	World-Class Operations	Replacement and Upgrades to SDP Systems - Educational Technology	\$12,500,000	(12,500,000)	\$0
50	World-Class Operations	Title IID Technology	\$1,935,900	0	\$1,935,900
51	World-Class Operations Total:		\$37,635,900	(25,700,000)	\$11,935,900
52	Student Success	Reduced Class Sizes	\$23,102,355		\$23,102,355
53	Student Success	Create structured personalized environments	\$12,059,989		\$12,059,989
54	Reduce Class Size & Counselor Total:		\$35,162,344	0	\$35,162,344
55	GRAND TOTAL		\$159,925,794	(36,334,054)	\$123,591,740

Note: Reduction in funding does not mean initiative is cancelled or curtailed – implementation will be carried out using existing SDP staff and resources



**How Does the School District's
Current Budget Problem Compare to
the Deficit the District Experienced in
the Fall of 2006?**



How Does the School District's Current Budget Problem Compare to the Deficit the District Experienced in the Fall of 2006?

There is no comparison – the two situations are completely different.

- In October 2006, the School District announced that in the fiscal year ending on June 30 2006, the District spent \$73 million more than it received that year in revenue. Because the District went into FY2005-06 with a \$50 million surplus, that left the District with a \$23 million deficit as of June 30 2006.
- In October 2009, the School District is not reporting on a deficit that has already occurred. It is highlighting a \$180 million shortfall in revenue from one particular source – the Commonwealth of Pennsylvania – relative to what the District budgeted from that source for the current fiscal year.
- The School District could not “lock down” final state revenue numbers for 2009-10 until now because it is only now – 100 days into the current fiscal year – that the Commonwealth of Pennsylvania has finally adopted its budget for this year. The School District is acting immediately to incorporate the state's final revenue decisions in its financial planning.
- In the present situation, the District is not dealing with an unanticipated problem after it has already occurred. It is acting proactively to insure that a problem does not occur.



School District of Philadelphia

Budget Update for the School Reform Commission

Fiscal Year 2009-10

(July 1 2009 – June 30 2010)

*Michael J. Masch
Chief Business Officer*

October 14, 2009