



School District of Philadelphia

Fiscal Year 2010-11
(July 2010 – June 2011)

Second Quarter Financial Report

January 19, 2011

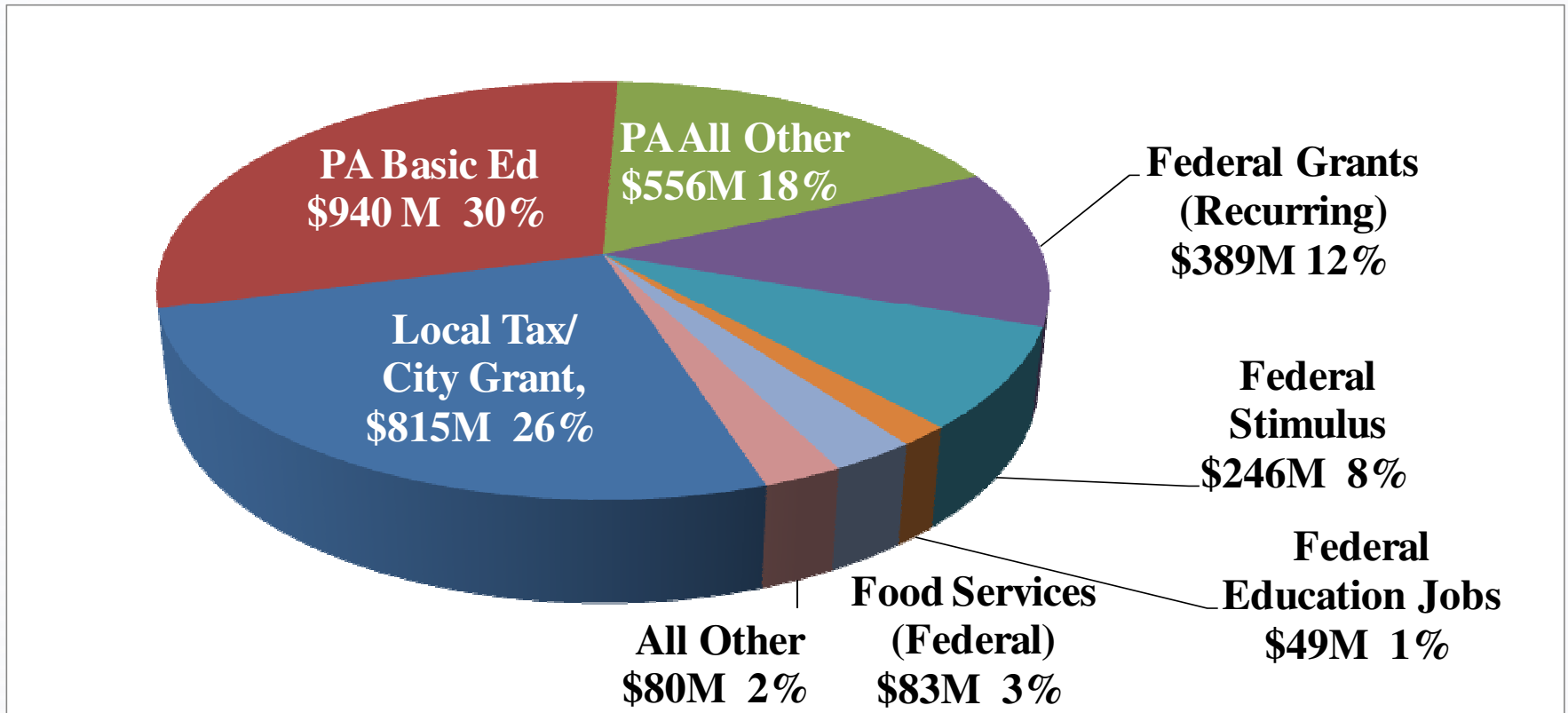
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SDP Funding Sources FY2010-11



**Total Revenue :
\$3,155M**

Total FY11 Local Tax/City Grant is \$815M (26%)
Total FY11 PA aid is \$1.4B (48%)
Total FY11 Federal aid is \$767M (24%)
Federal Stimulus + Ed Jobs funds are 9% of SDP revenues (\$295M)

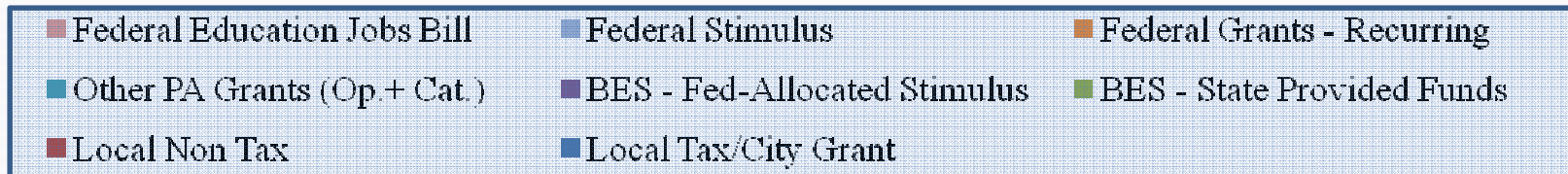
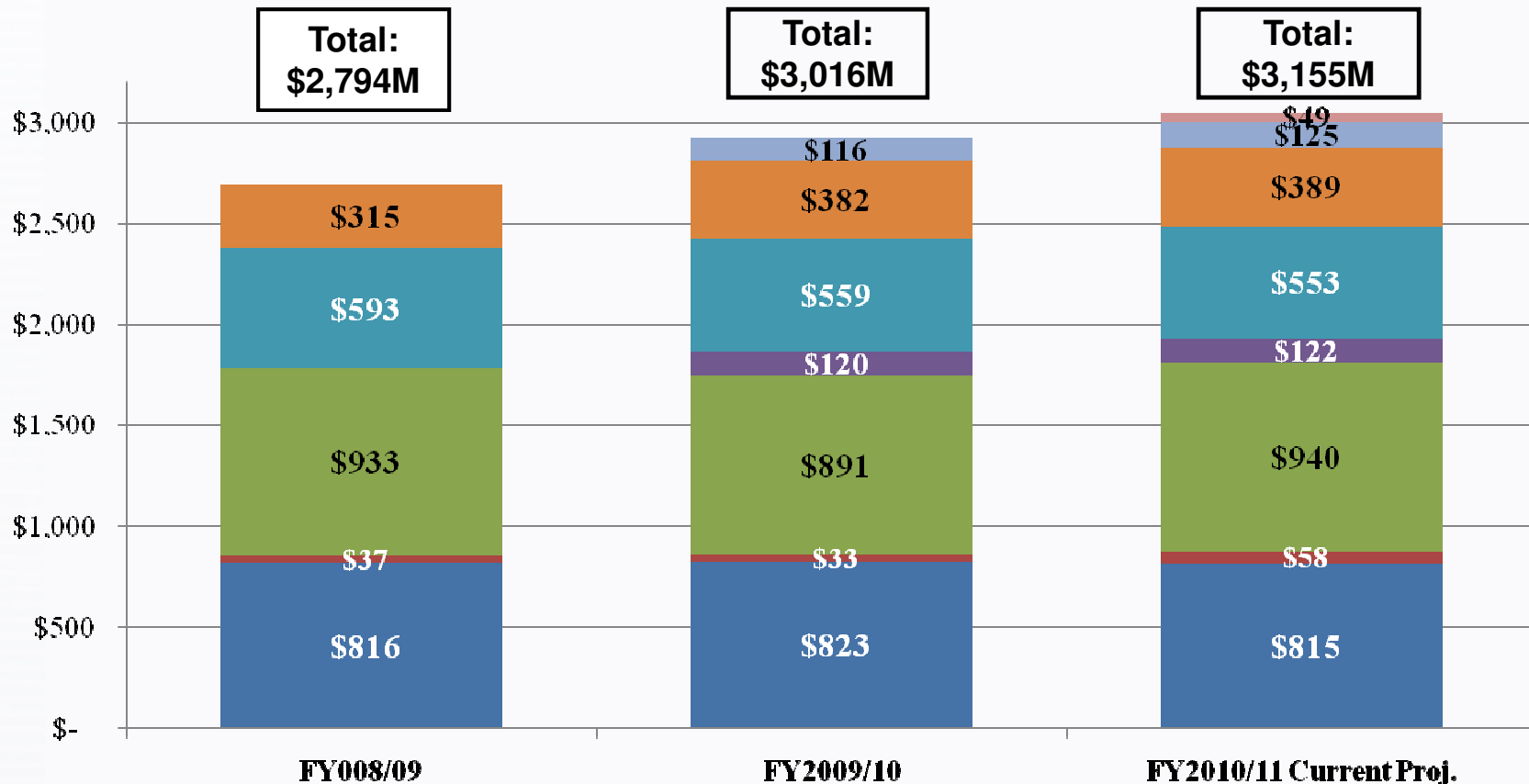


The School District typically receives most of its funding growth from state and local sources but because of the Recession, growth in SDP revenues in the past two years has come primarily from Federal Stimulus Funds

- **From FY2002 to FY2009 average annual growth** in recurring State revenue was **6.2%**. **Since the recession**, state funding growth has reversed trend and **declined** by about **1%** from **2009 to 2011**.
- **From FY2002 to FY2009 average annual growth** in local tax revenue and the city grant was **5%**. **Since the recession**, local funding has been flat, neither growing nor declining
- In **FY2010**, despite the lack of growth in City and State funding, the SDP experienced an **8% revenue increase**, solely due to **Federal Stimulus Funds**. In **FY2011**, revenue growth is projected to be **5%**.



SDP Revenue by Major Source -- FY08/09 to FY10/11



Annual Increase \$ **\$144M**
Annual Increase % **5%**

Annual Increase \$ **\$222M**
Annual Increase % **8%**

Annual Increase \$ **\$139M**
Annual Increase % **5%**



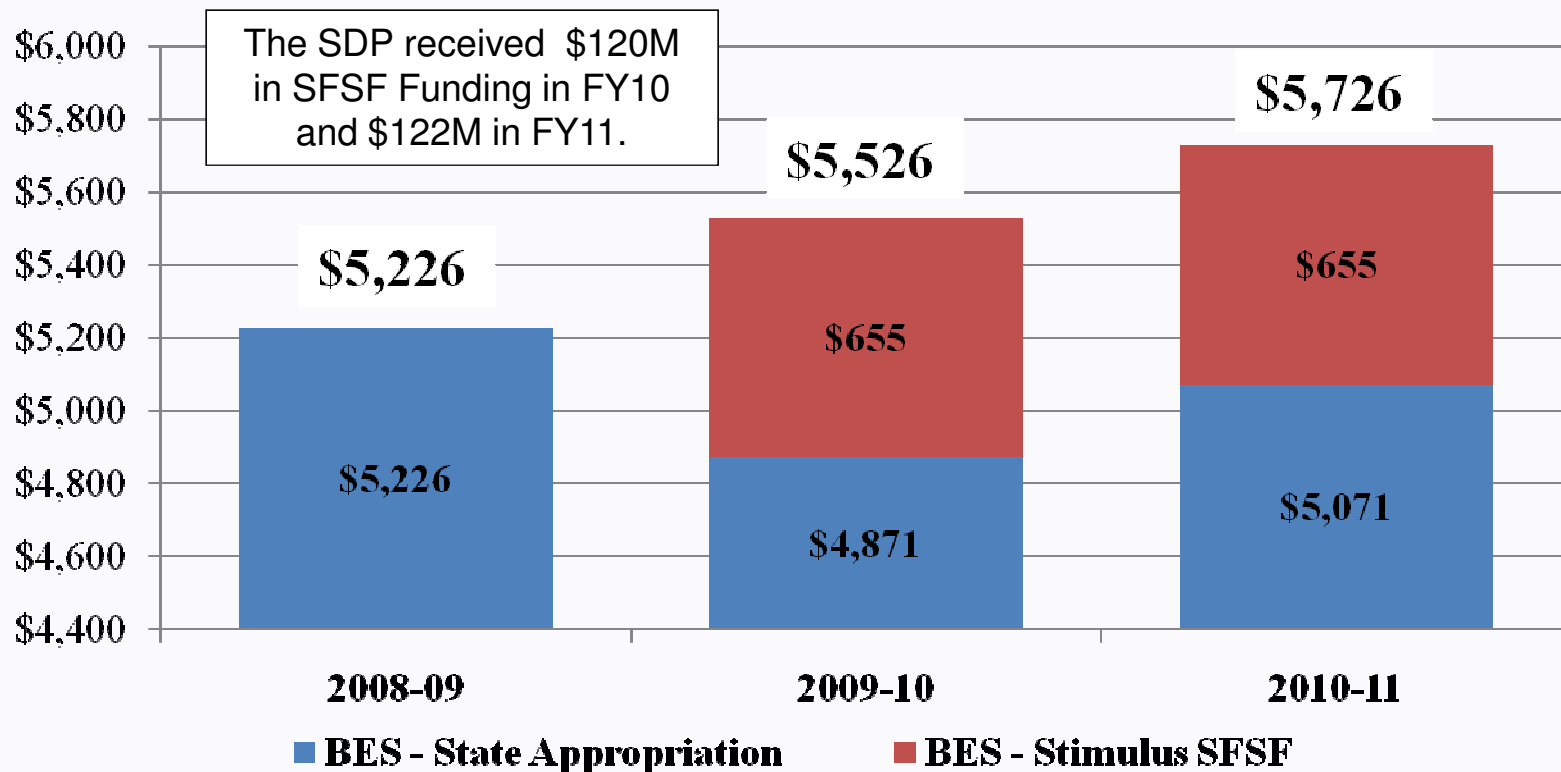
Federal Stimulus Funds Have Provided Virtually All Growth in SDP Revenues in the Last Two Years

	FY02 to FY09	FY09 to FY11
Local Tax/City Grant	5.0%	no growth
PA Basic Education Subsidy (w/o Stimulus)	4.2%	0.4%
PA Basic Education Subsidy (w Stimulus)	4.2%	6.7%
All Other PA Operating (in addition to BES)	7.1%	-1.3%
PA Grants	31.1%	-9.7%
Total PA Funding (w/o Stimulus)	6.2%	-1.1%
Total PA Funding (w/Stimulus)	6.2%	2.9%



The PA Basic Education Subsidy Increased from FY09 to FY11 PA BES Appropriations Were Cut in FY10 and Increased in FY11 But Are Still Lower Than in FY09

Federal Stimulus “State Fiscal Stabilization Funds” Have Filled the Resulting Gap



In FY2009-10, PA used \$355M of Federal Education Stimulus dollars to replace rather than augment the state-provided Basic Education Subsidy dollars. This gave PA school districts a net \$300M increase in BES and SFSF combined. In FY2010-11, PA increased the State BES Appropriation by \$200M. 2010-11 is the 2nd and final year of the “State Fiscal Stabilization Fund” Federal Stimulus Appropriation.



Does the 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 (“*Costing Out the Resources Needed to Meet Pennsylvania’s Public Education Goals*”) in **November 2007**. The Board 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.) **incrementally over six years** 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 **FY2010-11 PA Budget** provides PA school districts with a third year installment of “adequacy” funding, but at levels below the Act 61 target.



SDP Federal Stimulus and Ed Jobs Funds By Category and Amount

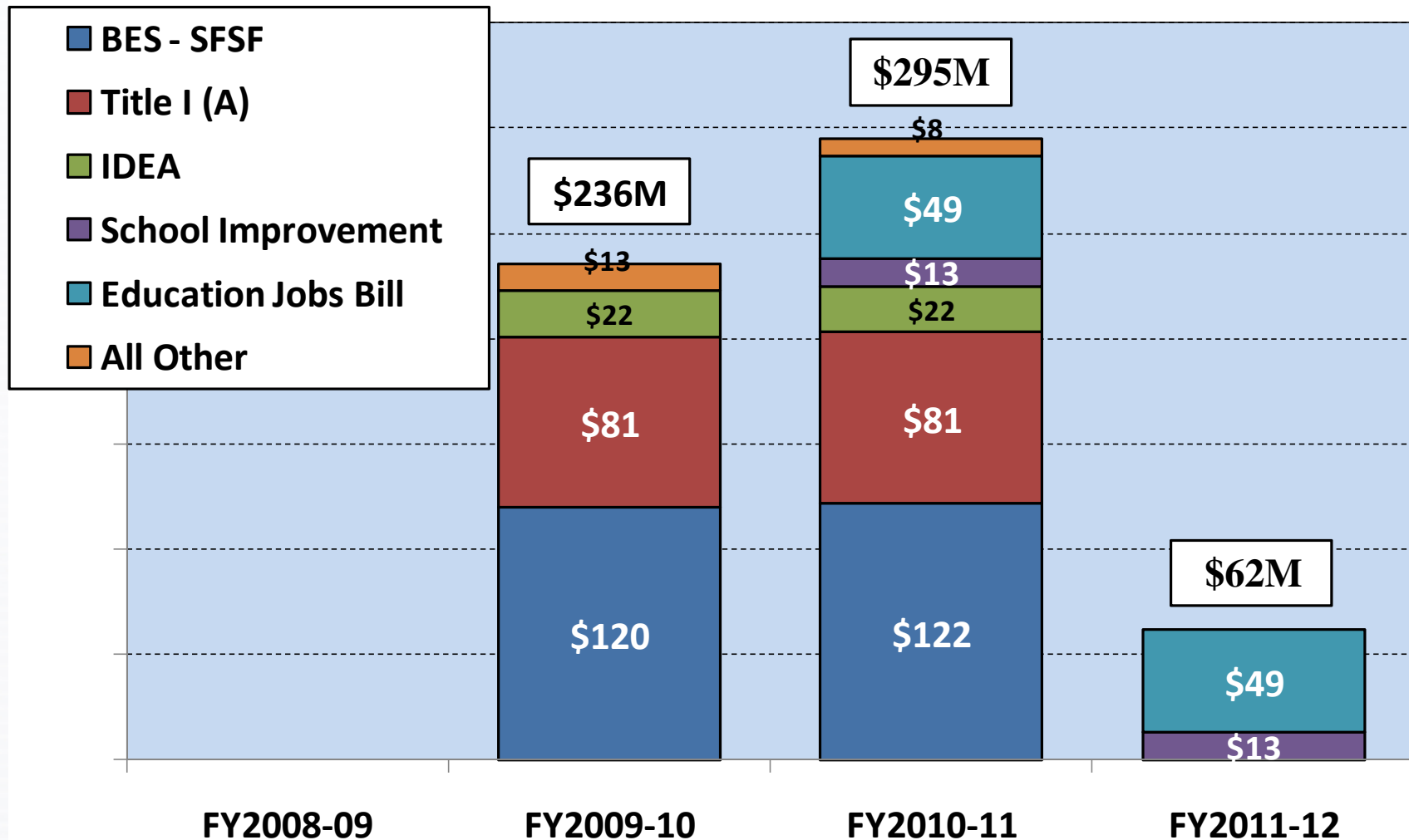
Annual Awards - Stimulus and Ed Jobs - FY10 through FY13

- Federally Allocated Stimulus: \$111M**
(Title I, IDEA, Education Technology, Other)
FY10 and FY11
- PA Allocated Stimulus: \$121M**
(State Fiscal Stabilization Fund)
FY10 and FY11
- Stimulus School Improvement Grants: \$ 13M**
FY 11 to FY 13
- New Federal Education Jobs Bill: \$ 49M**
FY11and FY12
(needs PA Legislative Appropriation) (see discussion on Slide 11)

- FY11 Total SDP Federal Stimulus + Fed Jobs \$295M**



Federal Stimulus and Education Jobs Bill Funds FY2009-10 to FY2011-12



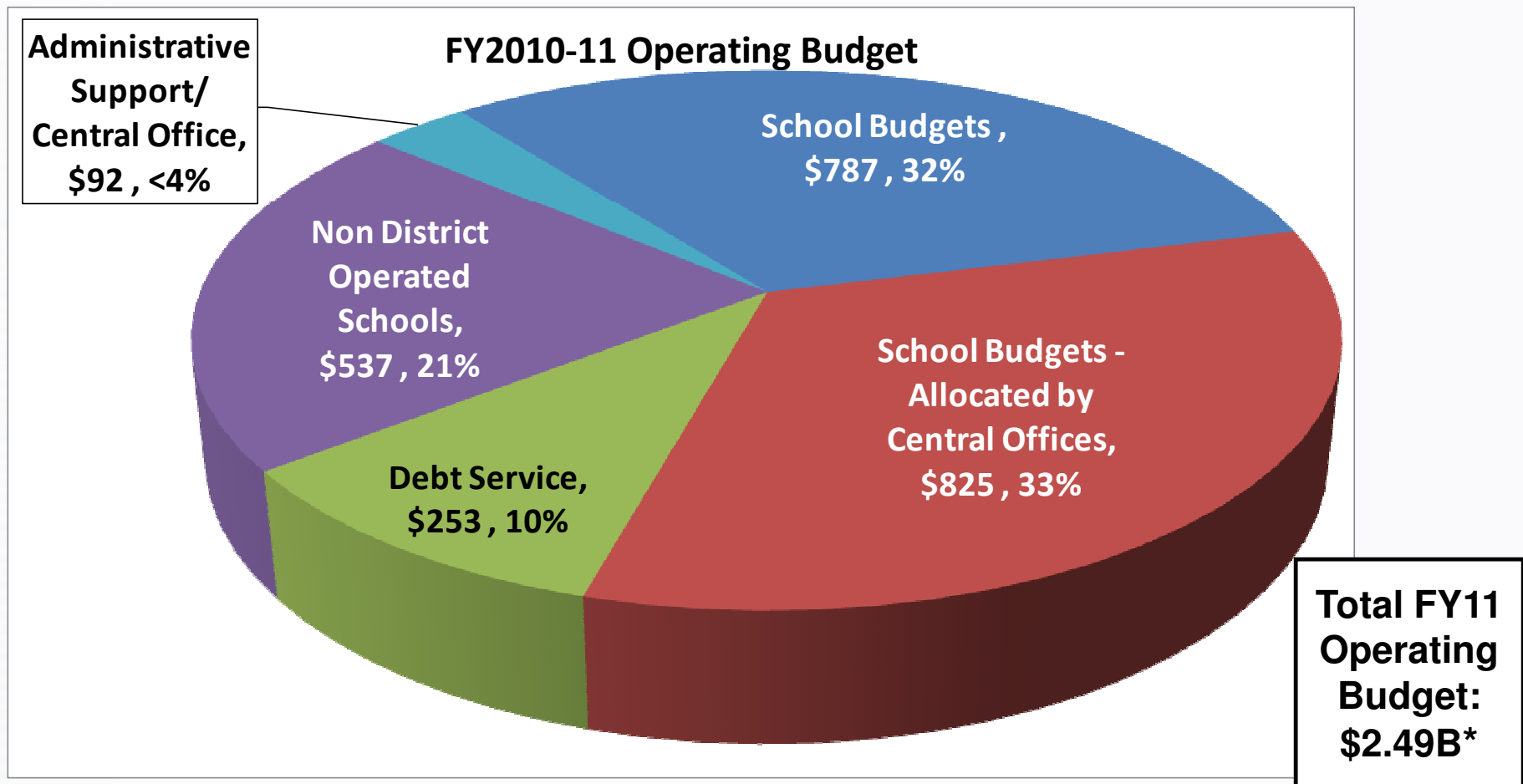


The School District Anticipates Receiving \$48.8M in FY2010-11 in Federal Education Jobs Bill Funding

- The Education Jobs Bill was enacted by the U.S. Congress in August 2010 and provides **\$10 billion** in assistance to state governments to save or create K-12 education jobs in the 2010-2011 and in 2011-12 school years.
- The Commonwealth of Pennsylvania will receive about **\$380M** to distribute to PA school districts. PA can distribute based the state's Basic Education Subsidy distribution or the allocation of Federal Title I funds to PA districts.
- The School District's share of PA Ed Jobs funds could be **\$97.6M**, assuming that Pennsylvania allocates Ed Jobs funds based on the Commonwealth's Basic Education formula. If only half of the SDP's Ed Jobs funds are spent in 2010-11, this will provide **\$48.8M** this year, with the balance available for the SDP 2011-12 budget.
- These funds must be appropriated by the PA General Assembly, which has not yet occurred.



How Does the District Spend its Operating Funds? 96% of the Operating Budget is Spent on Schools and Instructional Programs



* Prior to Education Jobs Funds Adjustment



How Does the District Spend its Operating Funds?

75% of Operating Funds are spent on District-Operated Schools

		A	B
		FY2010-11 (Current Budget 11/18/10)	
		OPERATING	Op %
District Operated Schools - Instructional			
1	Elementary/Middle/High/CTE/Deseg/Substitutes - Instructional	\$781,234,287	31%
2	Special Education	\$207,326,423	8%
3	Alternative Education	\$48,208,867	2%
4	English Language Learners	\$38,366,381	2%
5	Counselors	\$34,886,562	1%
6	Nurses	\$31,267,920	1%
7	Psychologists	\$15,587,066	1%
8	Athletics	\$7,633,477	0%
9	Librarians	\$5,933,769	0%
10	Instructional - All Other	\$32,104,350	1%
11	Instructional Support - Pupil/Family Support - All Other	\$48,801,740	2%
12	Total - District Operated Schools -- Instructional	\$1,251,350,842	50.1%
District Operated Schools - Operating			
13	Debt Service (less refunding)	\$253,510,532	10%
14	Facilities - Custodial/Maintenance	\$145,068,626	6%
15	Utilities	\$77,571,265	3%
16	Transportation	\$88,403,220	4%
17	School Safety	\$37,358,487	1%
18	All Other (Insurance, Postage, etc.)	\$12,407,952	0%
19	Total - District Operated Schools -- Operating	\$614,320,082	24.6%



How Does the District Spend its Operating Funds?

Over 21% of Operating Funds are spent on Non-District Operated Schools
 Less than 4% of Operating Funds are spent on District Administration

		A	B
		FY2010-11 (current budget 11/18/2010)	
		OPERATING	Op %
Non-District Operated Schools			
19	Charter Schools (incl. Transportation)	\$435,550,140	17%
20	Education of Students in Institutional Placements	\$65,166,289	3%
21	Nonpublic Schools (incl. Transportation)	\$36,078,592	1%
22	Total - Non- District Operated Schools	\$536,795,021	21.5%
Administrative Support Operations (Central Office)			
23	Assoc. Superintendent for Academics/Accountability	\$18,195,970	0.7%
24	Information Technology	\$14,002,483	0.6%
25	Finance	\$13,737,984	0.6%
26	Talent and Development Office/HR	\$11,941,454	0.5%
27	Assoc. Superintendent for Academic Support	\$9,078,103	0.4%
28	Facilities	\$7,805,248	0.3%
29	Office of the Superintendent/CEO	\$3,326,085	0.1%
30	All Other	\$14,031,508	0.6%
31	Total - Central Offices	\$92,118,835	3.7%
32	TOTAL BUDGET	\$2,494,584,780	
33	Transfer of Instructional Staff Costs to Fed. Ed. Jobs Bill	(\$48,818,821)	
34	TOTAL BUDGET (w/Fed. Ed. Jobs Bill Adjust.)	\$2,445,765,959	



Despite Significant Changes Since May 2010, the SDP Continues to Forecast a Balanced FY11 Budget – July 1, 2010-June 30, 2011

FY2010-11 Revenue and Expenditure Variances - 11/10 Current Budget vs. 5/10 Adopted Budget

	Adopted Budget 5/26/2010	Current Budget 11/18/2010	Variance
1 Prior Year FY2009-10 Ending Fund Balance	\$10,236	\$40,114	\$29,878
<u>Revenues - Forecast Variances</u>			
2 PA Basic Education Subsidy	\$1,105,725	\$1,062,176	-\$43,549
3 Fed Stimulus School Improvement (portion of grant deferred to FY12 + FY13)	\$51,996	\$13,153	-\$38,843
4 PA Pension Cost Reimbursement (offset by Exp. Reduction on Line 11)	\$51,799	\$35,308	-\$16,491
5 PA Charter School Reimbursement	\$113,970	\$110,298	-\$3,672
6 Parking Authority Contribution	\$4,500	\$7,284	\$2,784
7 PA Gaming Revenues	\$0	\$5,000	\$5,000
8 Sale of Property	\$564	\$7,615	\$7,051
9 Federal Education Jobs Bill (needs PA Legis. Appropriation)	\$0	\$48,819	\$48,819
10 All Other Net Revenue Adjustments			-\$4,203
			-\$43,104
<u>Expenditures - Forecast Variances</u>			
11 Pension Contribution (Positive Budgetary Impact)	\$80,815	\$55,450	\$25,365
13 Utilities - Current Rate Increase Forecast Lower than Budget	\$77,562	\$74,026	\$3,536
12 Renaissance Charters - Higher Enrollment (Negative Budgetary Impact)		\$4,304	-\$4,304
14 All Other Net Expenditure Adjustments (Net Positive Budgetary Impact)			\$10,933
			\$13,664
15 Projected FY11 Yr End Fund Balance - Adopted Budget	\$0		
16 Projected FY11 Yr End Fund Balance - Current Budget		\$438	



Holding the Line This Year Will Better Prepare the School District for Next Year

- The District has implemented spending restrictions on non-urgent expenditures. Managers are being asked to refrain from any new spending on personnel, contracts, equipment or supplies unless:
 - The District has a legal obligation to incur the expense.
 - The conditions of a grant or other external funding agreement require the District to incur the expense, and the external funding is paying for that expense.
 - There will be a serious, immediate negative impact on students if the expense is not incurred.
 - Not incurring the expense now will result in larger mandatory costs for the District between now and the end of FY 2011-12.
- The School District's goal is to outperform this year's budget, to provide the greatest possible buffer to deal with next year's budgetary challenges.



Change in Charter School Expenditures FY10 to FY11

	<u>FY2009-10</u>	<u>FY2010-11</u>	FY2010-11 Incr over FY2009-10
Charter Schools (incl. Transp.)	\$ 353,397,370	\$ 435,550,140	\$ 82,152,770

In FY11, School District payments to Charter School Expenditures are increasing by \$82 Million. This increase is due to the following factors:

- 5.2% and 4.1% mandated increases in regular and special education per pupil payments – existing enrollment **\$16.85 Million**
- Increase in enrollment of about **7,700 students** **\$65.30 Million**
 - 7 New Renaissance Charter Schools **4,347 students**
 - Expansion of Existing Charter Schools **2,749 students**
 - Growth in Cyber Charter Schools **500 students**



The K-12 Portion of the American Recovery and Reinvestment Act of 2009 Had TWO Objectives: Saving and Creating Jobs and Reforming Education

U.S. Department of Education

Guidelines to Implementing ARRA Funds

<http://www2.ed.gov/policy/gen/leg/recovery/implementation.htm>

Goals of the K-12 Portion of the Stimulus

“The *American Recovery and Reinvestment Act of 2009 (ARRA)* provides ...a historic opportunity to save hundreds of thousands of jobs, support states and school districts, and advance reforms and improvements that will create long-lasting results for our students and our nation...”



The SDP Used Its Stimulus Funds as the Federal Government Intended – to Invest in Reforms AND Avoid Cutbacks and Layoffs

- **Title I, IDEA and School Improvement Stimulus Funds** allowed the District to **invest in educational reform programs** it would not have otherwise been able to initiate and to **add additional staff**.
- This enabled the District to implement strategic reforms and determine which ones have the greatest impact on improving student performance.
- But **Stimulus State Fiscal Stabilization Funds** ALSO enabled the District to **avoid large-scale layoffs and cutbacks in existing programs and services**. If there had been no Stimulus funds, the District would have to **cut at least \$57 million** from its Operating Budget in FY10.
- The District invested in educational reforms that enhanced student achievement with the knowledge that at the end of two years alternative funding sources would be needed..



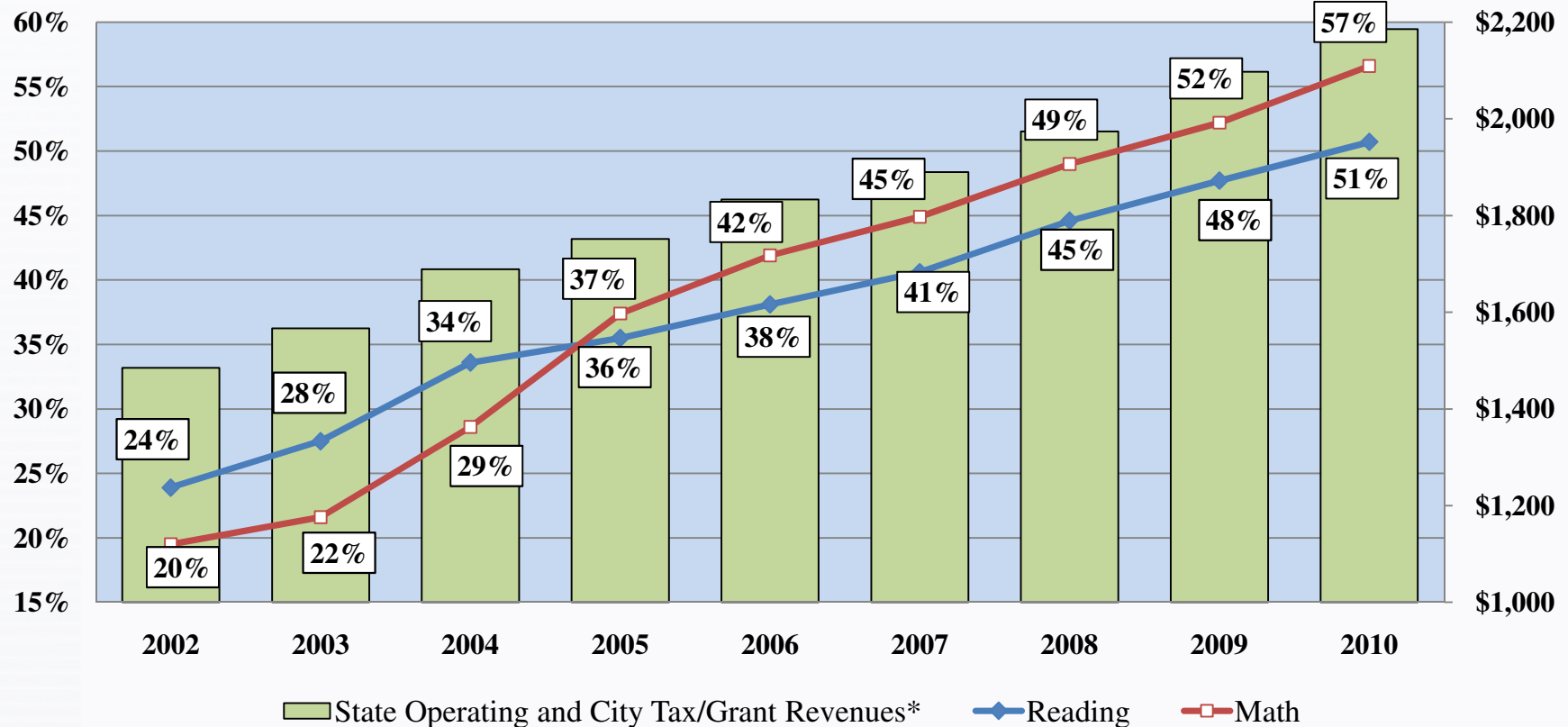
How Stimulus Funds Were Used to Support Imagine 2014 Educational Reforms

Initiative	FY2010-11
Expanded Summer School (\$32M increase over FY09)	\$42.0
Reduced Class Sizes in K-3 Classes	\$25.0
Revised High-School Rosters (one extra period, more electives, common planning time)	\$13.8
Improved Student:Counselor Ratios	\$10.8
New Textbook Adoption	\$10.0
Increased School Based Social Services	\$9.4
Streamline and Improve the IEP process for Special Ed Students	\$9.2
Increased Services for English Language Learners (Add'l ELL Teachers, Regional Enrollment Centers, Newcomer Learning Academies)	\$8.8
A/B High-School Schedules to Support Struggling Students	\$4.3
Enhanced Reading Programs for Struggling K-8 Students	\$3.6
Expanded In-School Suspension Programs	\$3.6



In Philadelphia Higher Student Achievement Has Gone Hand-in-Hand with Increased Funding

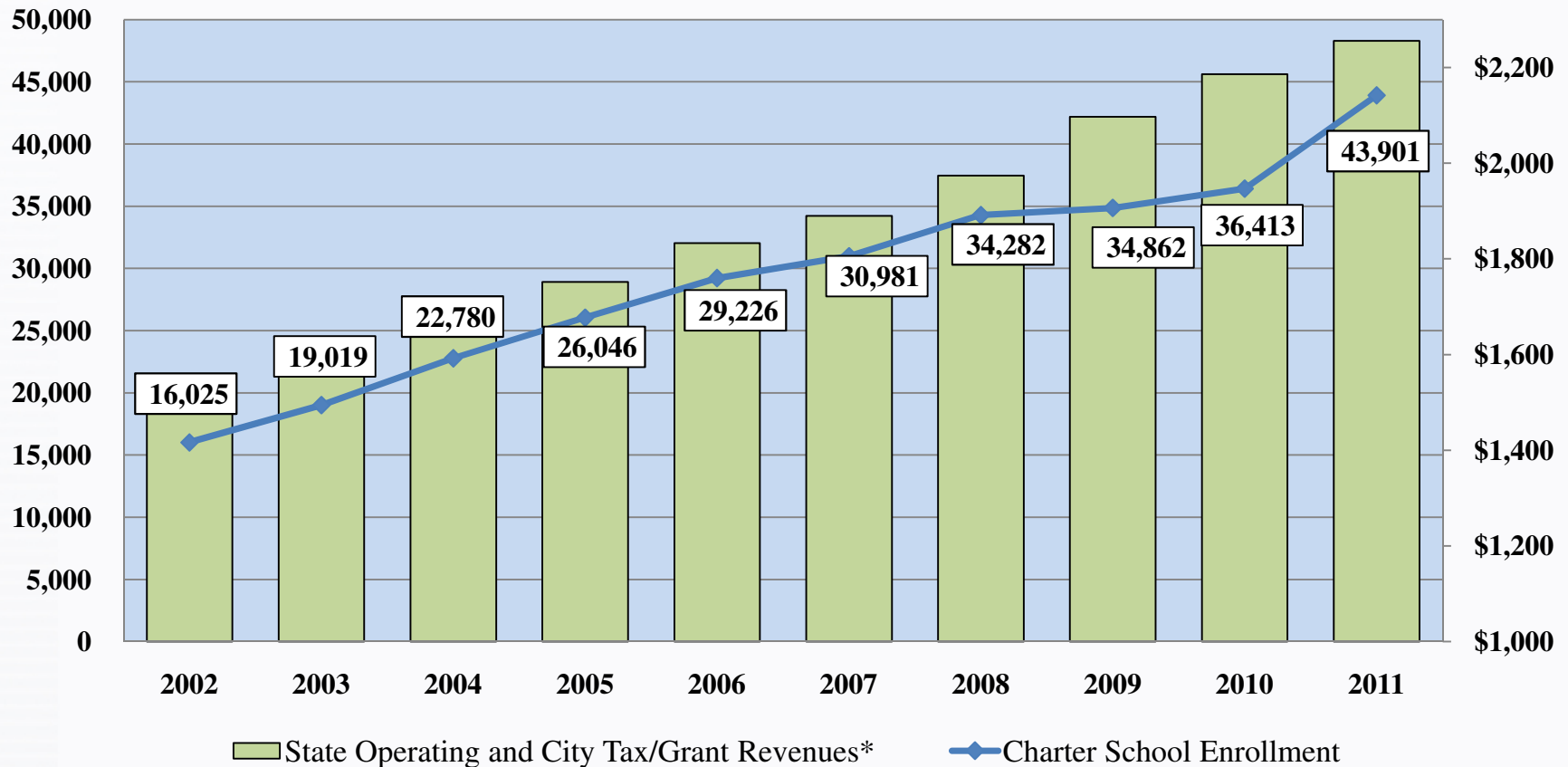
**Percentage of Students Advanced or Proficient:
District-Operated Schools - All Grades Combined (left axis)
State and Local Tax Revenue (right axis)**





In Philadelphia Expanded School Choice Has Gone Hand-in-Hand with Increased Funding

Charter School Enrollment – incl. Cyber Charters (left axis)
State and Local Tax Revenue (right axis)





SRC Financial Oversight of District Operations

The SDP has made a number of improvements to financial oversight:

- **SRC Finance Committee**
 - Meets monthly
 - Reviews monthly SDP Financial Reports – YTD/Yr-End Projections
- **Monthly SDP Managers’ Financial Reports – YTD Budget-to-Actual**
 - Available on-line to all SDP office and program managers
 - Include budget-to-actual complement reports and vendor reports
- **Quarterly Financial Reports to the Public**
 - First Quarter – October
(includes preliminary report on prior year’s year-end results)
 - Second Quarter – January
(includes final report on prior year’s year-end results)
 - Third Quarter – April
(included with budget proposal for the next fiscal year)



School District of Philadelphia

Fiscal Year 2010-11
(July 2010 – June 2011)

Second Quarter Financial Report

January 19, 2011