



## **Preparing for the FY2011-12 School District Budget**

# **Lump Sum Statement of Revenues and Expenditures**

**3/30/11**

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## **Preparing for the FY2011-12 School District Budget**

# **Background on the Lumpsum Statement**



## The Requirement to Adopt a Lumpsum Statement

Section 12-303(b) of the Philadelphia Home Rule Charter contains the following provision as part of its general provisions having to do with the finances of the School District of Philadelphia:

- *At least sixty (60) days prior to adoption of the annual operating budget, the Board shall adopt and submit to the Mayor and Council a lump sum statement of anticipated receipts and expenditures for the next fiscal year and a request for authority to levy taxes to balance its budget for the year.*

In adopting a Lump Sum Statement of Revenues and Expenditures, the School District must project the level of Operating Budget funding it can anticipate in the coming year based on current law and current budget proposals by the SDP's sponsoring governments. The District then determine the level of expenditure those projected revenues can support.

For FY12, the SDP projects that this Operating Budget expenditure level will be **\$2.169 billion**, a reduction of **\$273 million** from FY11. The analysis that leads to this conclusion is presented on the following slides.



## Preparing for the FY2011-12 School District Budget

# School District Revenue Sources



## Where does SDP get its funding?

- The District has historically been receiving 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 and FY2010-11 the District had two additional sources of revenue that are slated to expire in FY2011-12: State-provided Federal Stimulus Funds and directly allocated Federal Stimulus Funds.

	A	B	C
	Estimated FY2010-11	% of total FY2010-11	Current Projection FY2011-12
<b>Operating Funds</b>			
1 Local Taxes	\$ 777	25%	\$ 776
2 City Grant	\$ 39	1%	\$ 39
3 Local Non-Tax Revenue	\$ 28	1%	\$ 27
4 State Funds	\$ 1,498	48%	\$ 1,313
5 State-Provided Stimulus Funds + EJB	\$ 194	6%	
	\$ 2,369	76%	\$ 2,168
<b>Categorical Funds</b>			
6 State Grants	\$ 126	4%	\$ 46
7 Federal Grants	\$ 411	13%	\$ 384
8 Federally Allocated Stimulus Grants	\$ 132	4%	\$ 13
9 Private Grants	\$ 3	0%	\$ 3
	\$ 672	22%	\$ 446
<b>Food Service Fund</b>			
10 Federal Grants	83	3%	80

**Total FY2010-11  
Estimated Revenues:  
\$3,124 M**

**Total FY2011-12  
Current Revenue  
Projection:  
\$2,695 M**



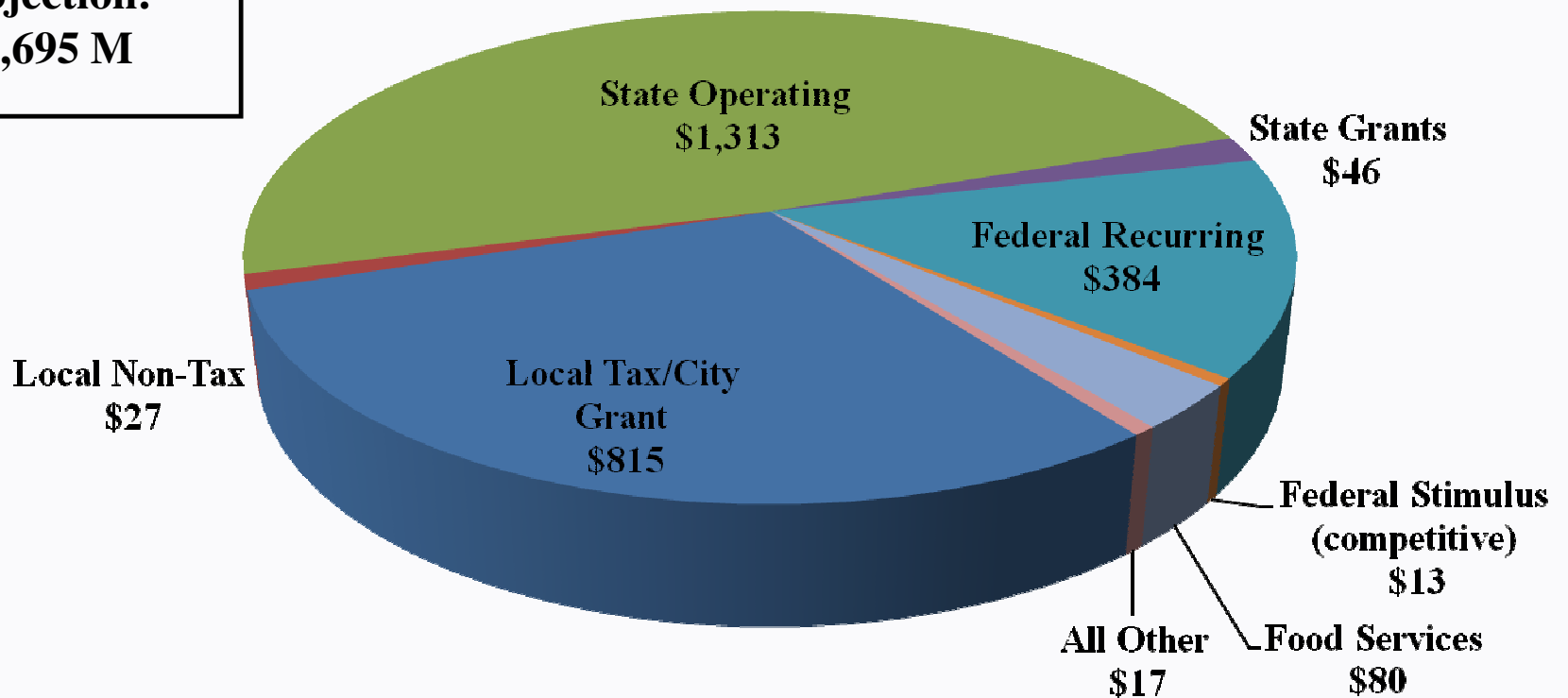
## Where does SDP get its funding?

### Projected FY2011-12 Revenues by Major Source

*Based on current law and current budget proposals by the SDP's sponsoring governments.*

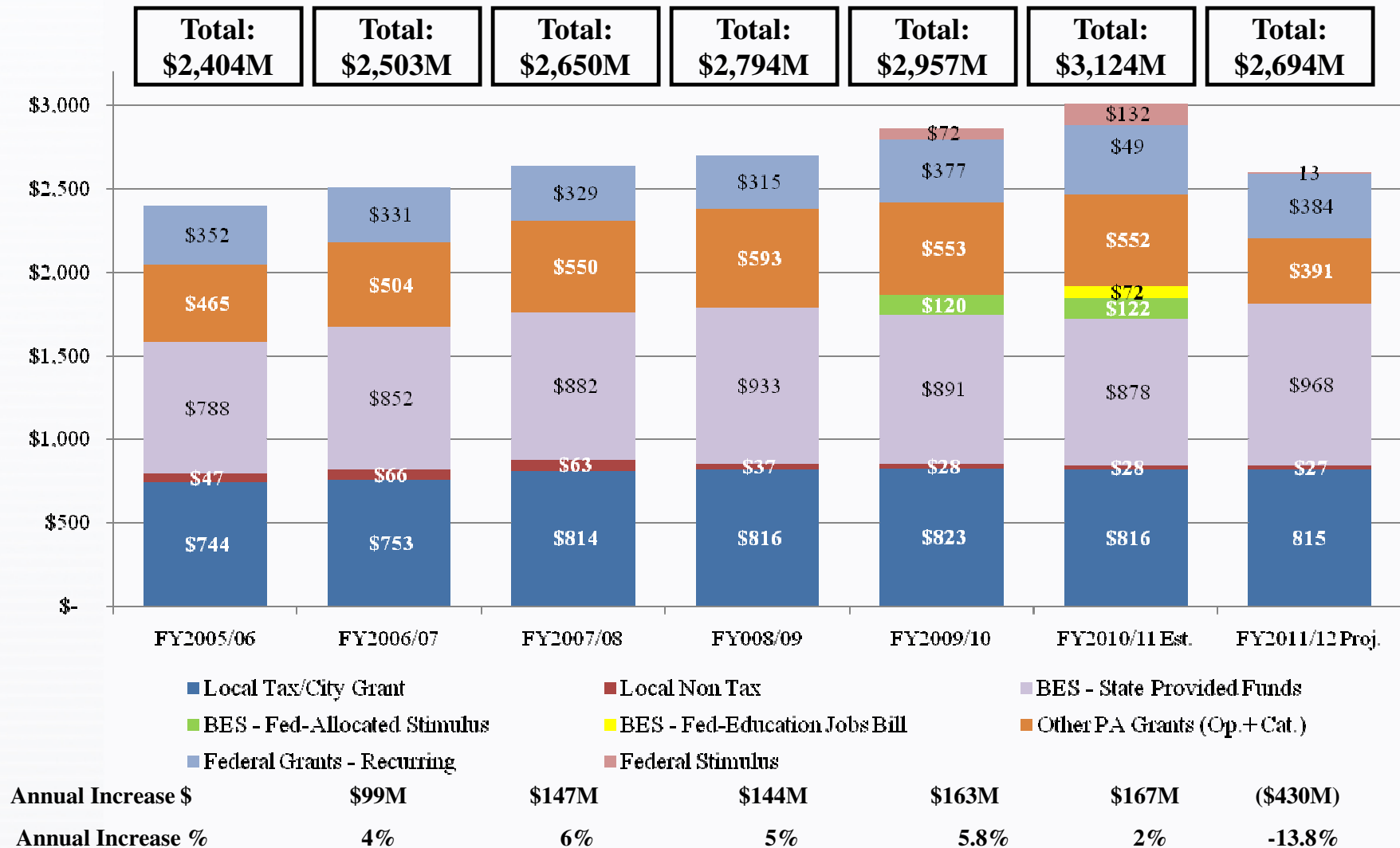
**FY2011-12  
Revenue Current  
Projection:  
\$2,695 M**

### FY2011-12 Projected Revenue





## SDP Major Sources of Revenue -- FY05/06 to FY11/12







## Average Annual Growth in SDP Funding FY2002 to FY2008 and FY2009 to FY2012

Local, State and Federal funding for the School District of Philadelphia increased continuously from FY2001-02 until FY2008-09.

Growth in Local and State funding for the School District of Philadelphia has declined in the past three years due to the Recession and policy choices made at the state and local level.

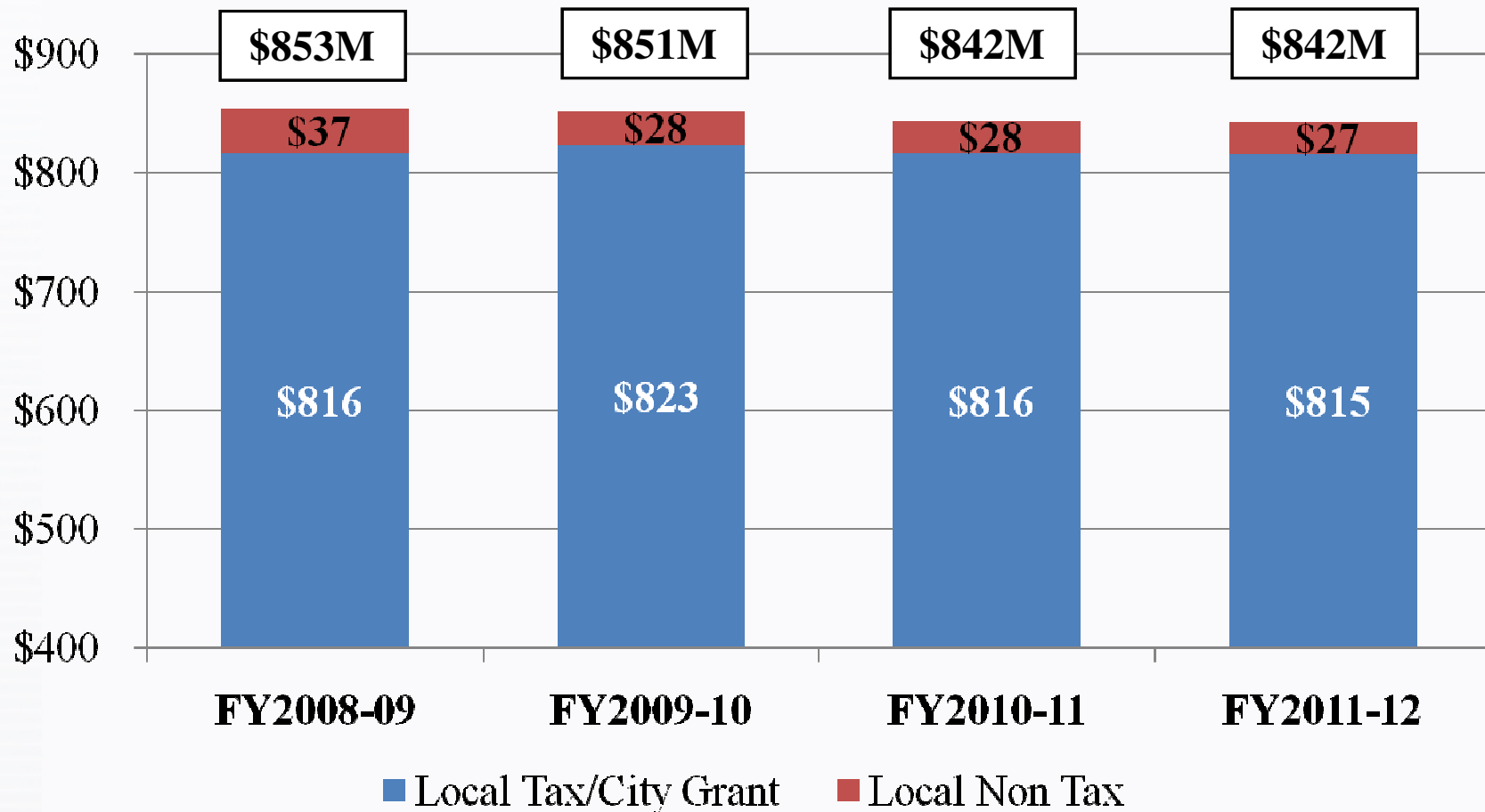
<b><u>Average Annual Growth</u></b>	<b>FY02 to FY09</b>	<b>FY09 to FY12</b>
<b>Local Tax/City Grant</b>	5.0%	-0.4%
<b>PA - Basic Education Subsidy (BES)</b>	4.2%	1.3%
<b>PA - All Other PA Operating Support</b>	7.1%	-7.6%
<b>PA - State Grants to SDP</b>	31.1%	-33.2%
<b>Federal Recurring Grants</b>	5.2%	2.6%



# **School District 2011-12 Revenue Outlook**



## FY2011-12 SDP Revenues – Local Revenues Remain at About FY2008-09 Levels





## Impact of Governor's Proposed PA Budget

- The District's preliminary estimate is that the proposed FY12 PA budget will reduce Commonwealth-provided funding to the SDP by about \$292M:
  - \$107M of Basic Education funding
  - \$110 M of Charter School Reimbursement
  - \$55M of Accountability Block Grant funding
  - \$19M of Educational Assistance funding
  - \$1M for Dual Enrollment programs
- These cuts alone represent close to a 10% reduction in the District's overall funding compared to FY2010-11 and FY2009-10.



## FY2011-12 SDP Revenues – Impact of Governor’s Proposed PA Budget

The Corbett Administration’s proposed FY12 PA budget, if approved by the PA General Assembly, will reduce SDP FY12 revenues by at about \$292 million.

<b>SDP - FY2011-12 PA FUNDING</b>		
	<b>2010-11 Feb.'11 PA Proposal</b>	<b>2011-12 Governor's Proposal</b>
1 BES - State Appropriation	\$878	\$968
2 BES - Fed Stimulus (SFSF)	\$122	
3 EJB Funds Replacing BES Funds	\$72	
4 <b>PA Basic Education Subsidy (BES)</b>	<b>\$1,072</b>	<b>\$968</b>
5 All Other PA (excl. Retirement, Soc. Sec.)	\$469	\$280
6 <b>TOTAL PA AID (excl. Ret., Soc. Sec.)</b>	<b>\$1,540</b>	<b>\$1,248</b>
7 <b>FY12 Change from FY11</b>		<b>(\$292)</b>



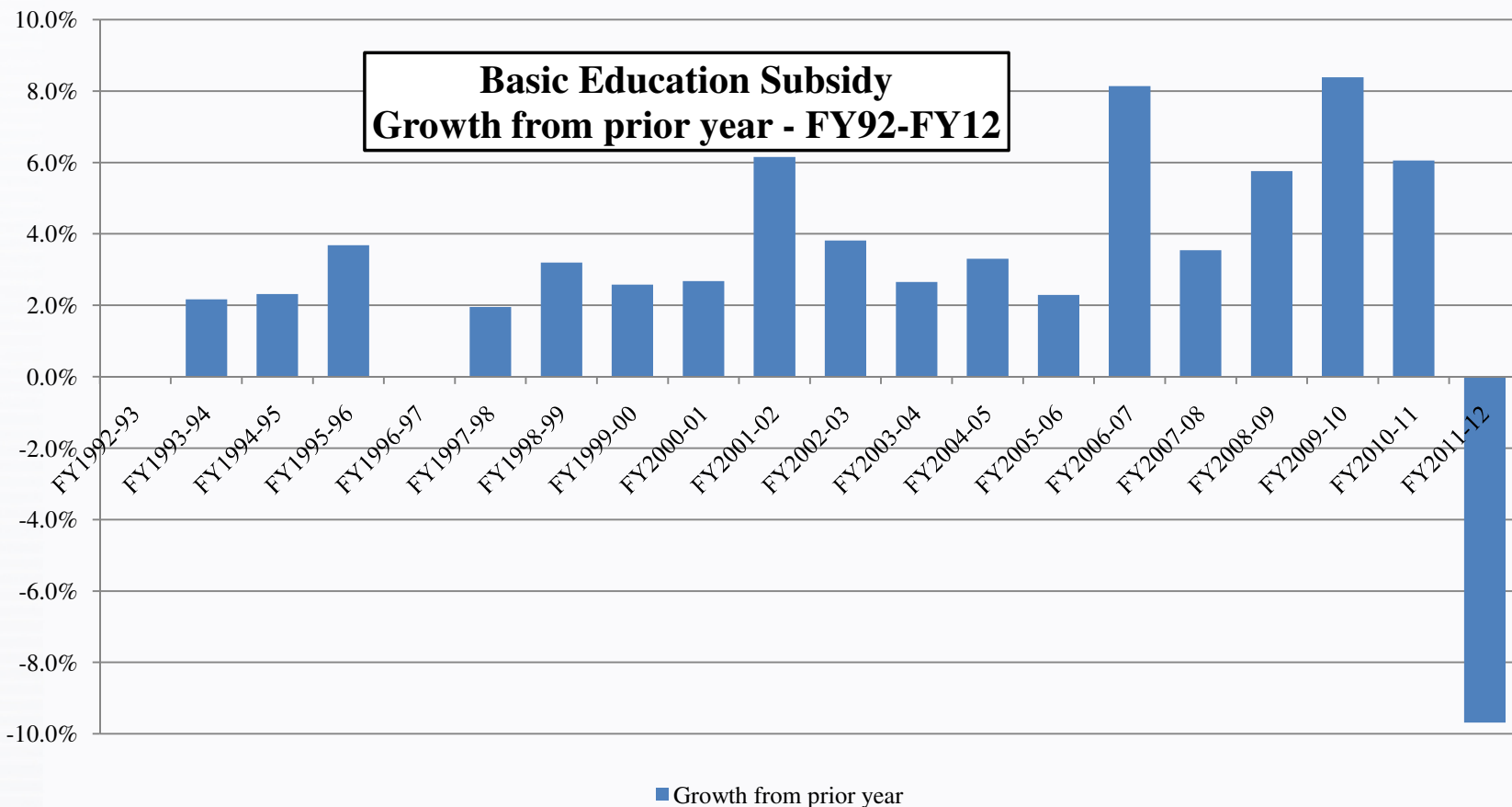
## The Proposed Decline in the Commonwealth's Basic Education Funding is Unprecedented

- The Commonwealth in the past 20 years has provided, at the very least, the same level of Basic Education Funding as it did in the prior year; in FY2011-12, the Governor is proposing to reduce funding levels to the level of FY2008-09.
- The average growth of the Commonwealth's year-to-year levels of Basic Education Funding was 3.6% for the past 20 years (FY1991-92 to FY2010-11); for FY2011-12, the Governor is proposing reducing Basic Education Funding by 9.7%.



## The Proposed Decline in the Commonwealth's Basic Education Funding is Unprecedented

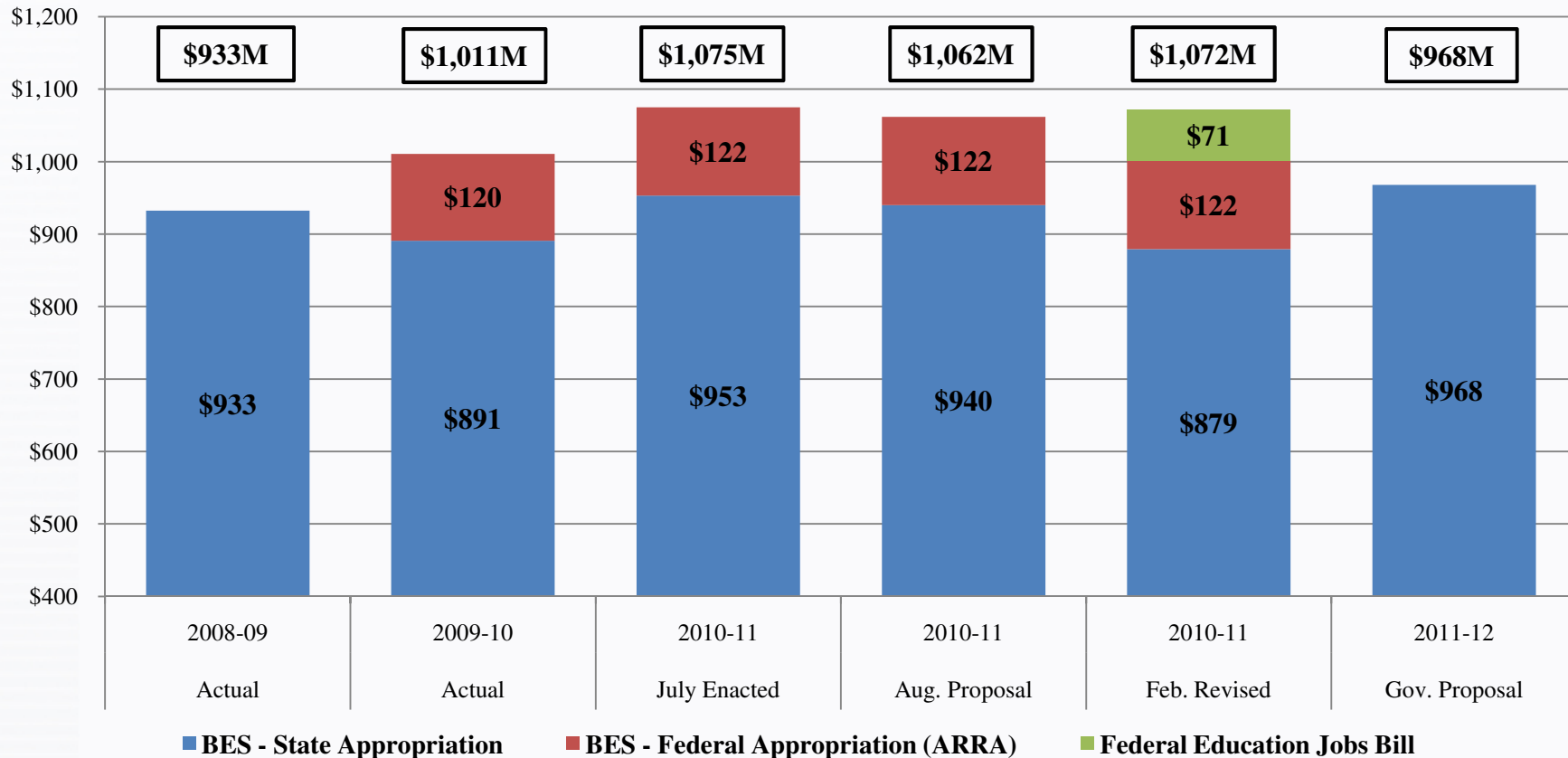
*FY2011-12 is the first time a Governor has proposed to provide Basic Education funding at a lower level than in the prior year*





## The proposed FY2011-12 PA Education Subsidy returns the SDP to the level of FY2008-09

### SDP - Basic Education Subsidy

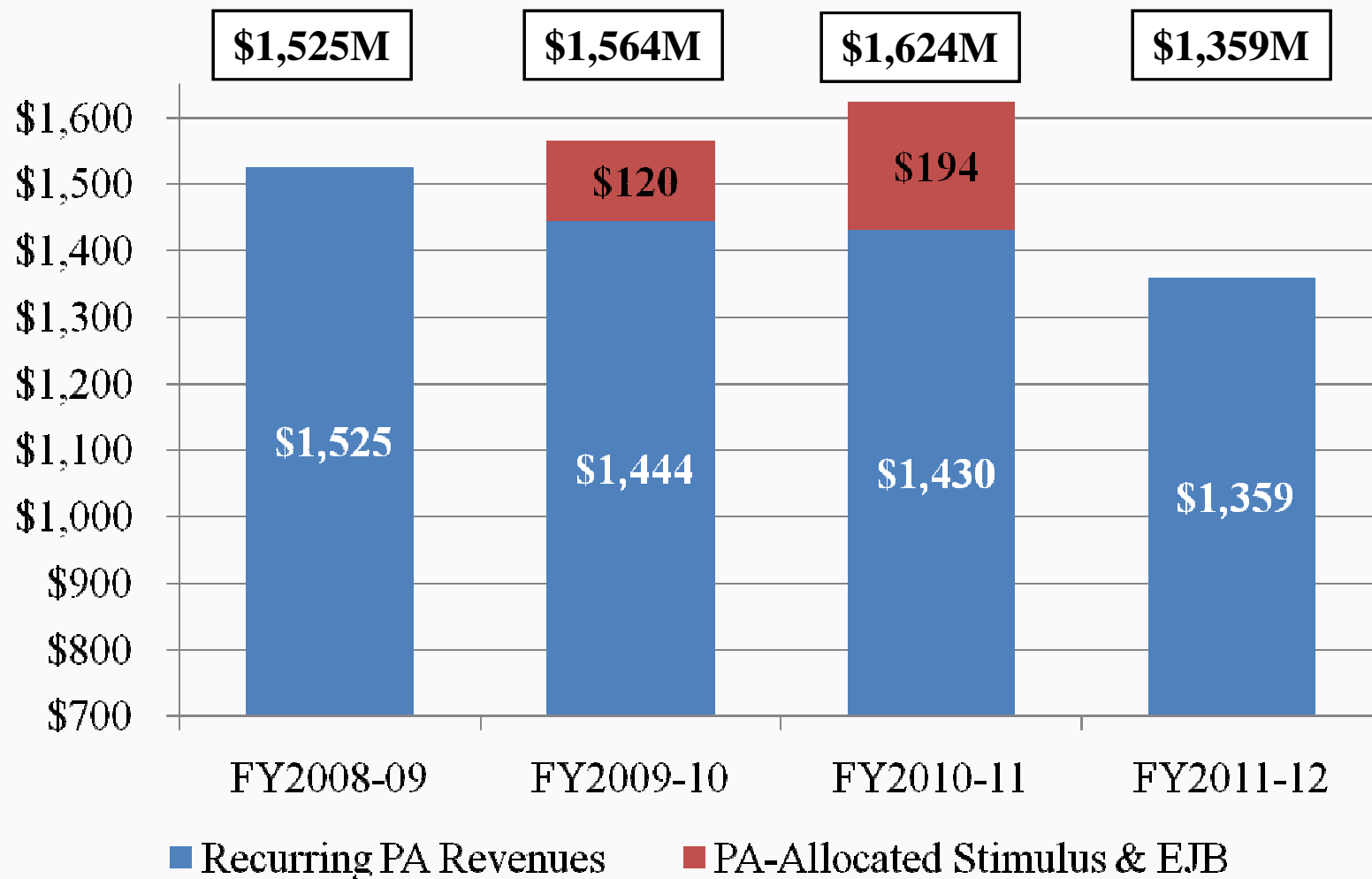






## School District of Philadelphia Projected 2011-12 State Revenues

State Revenues constitute 50% of the SDP's total projected FY2011-12 revenues.





## Proposed PA SD Cuts Hurt the Poorest Districts the Most

### Bottom 5 Districts with the Smallest Proposed Cuts

<i>School District</i>	<i>County</i>	<i>Proposed 2011/12 Cut per ADM<sup>1</sup></i>	<i>District's Poverty Concentration<sup>2</sup></i>
Upper Dublin SD	Montgomery	-\$97	9.23%
Wissahickon SD	Montgomery	-\$94	8.68%
Lower Merion SD	Montgomery	-\$84	7.08%
Tredyffrin-Easttown SD	Chester	-\$77	4.16%
Radnor Township SD	Delaware	-\$76	6.16%

### Top 5 Districts with the Largest Proposed Cuts

<i>School District</i>	<i>County</i>	<i>Proposed 2011/12 Cut per ADM<sup>1</sup></i>	<i>District's Poverty Concentration<sup>2</sup></i>
Chester-Upland SD	Delaware	-\$2,633	42.67%
Duquesne City SD <sup>3</sup>	Allegheny	-\$2,561	50.18%
York City SD	York	-\$1,545	79.54%
Clairton City SD	Allegheny	-\$1,480	80.47%
Philadelphia SD	Phila	-\$1,438	61.55%

**Average Proposed 2011/12 Cut per ADM: \$584**

**Average Poverty Concentration: 34.6%**

<sup>1</sup>Average daily membership (ADM) is the term used for all resident pupils of the school district for whom the school district is financially responsible. It is calculated by dividing the aggregate days membership for all children on active rolls by the number of days the school is in session

<sup>2</sup> Poverty Concentration = Relative wealth of a school district measured as the percentage of students eligible for free/reduced lunch (higher percentage equates to higher poverty level)

<sup>3</sup> Duquesne City School District loses an additional \$1.984 million with the elimination of the Basic Education Formula Enhancements line item that is not reflected here.

**Source:** PA House Appropriations Committee



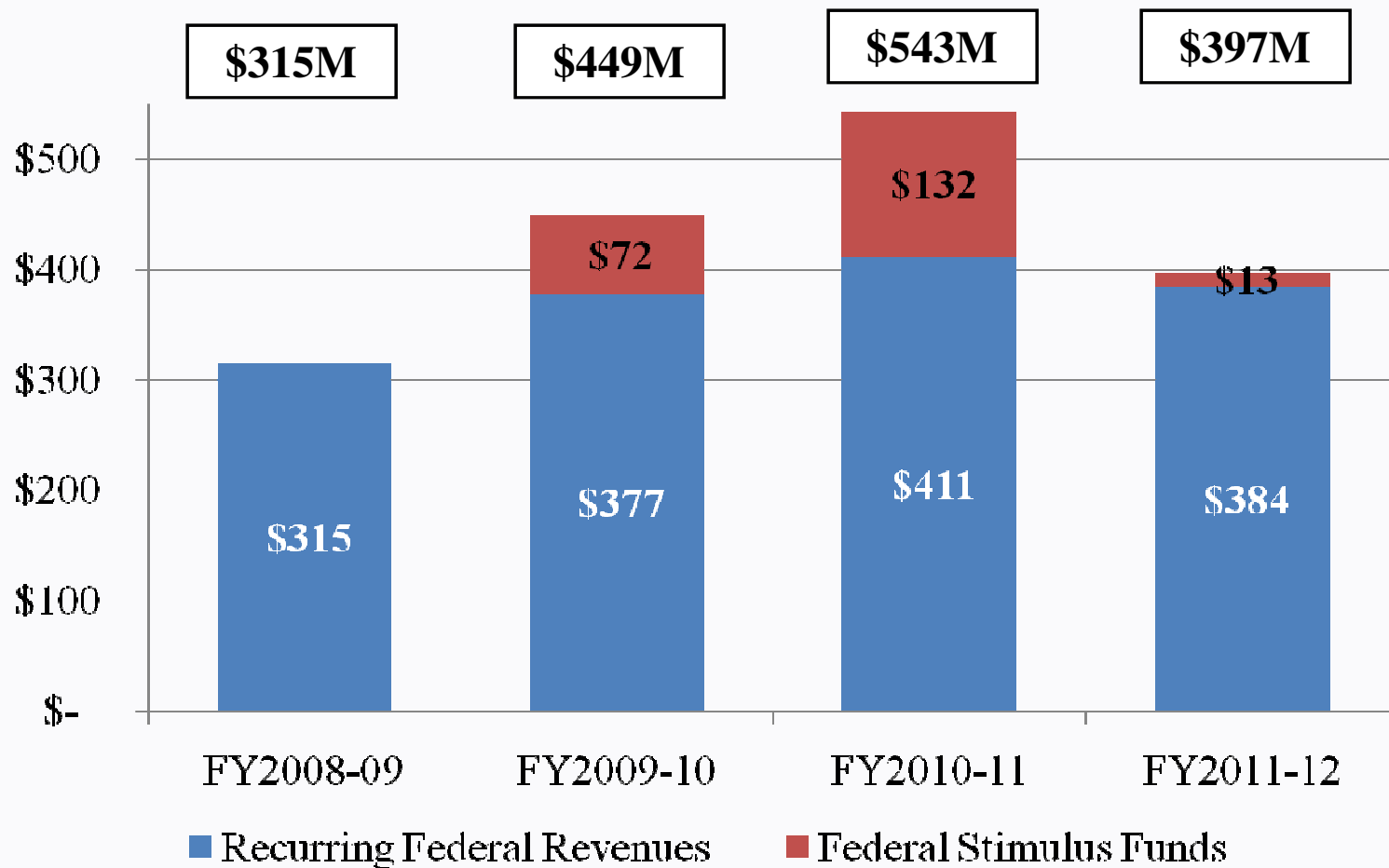
## Federal Support in FY2011-12

- Directly-provided Federal Stimulus dollars (Title I, IDEA, Other) are slated to expire in FY2011-12, in the amount of approximately \$118M.



## School District of Philadelphia Projected 2011-12 Federal Revenues

Federal Recurring Revenues constitute 14% of the total FY2011-12 Projected SDP Revenues.  
These revenues have remained at approximately the same levels since FY2009-10





## Known Challenges as of 3.30.11 SDP FY2011-12 Budget

The \$272 million forecast reduction in the SDP's FY12 Operating Budget is just one part of an overall \$629M FY12 SDP budget gap.

Projected Changes in Resources in FY12	
<b><u>PA-Provided Stimulus/Education Jobs Funds - Reduction</u></b>	
PA-Provided - State Fiscal Stabilization Fund	\$122
PA-Provided - Education Jobs Fund	\$71
<i>(Federal funds used to replace PA funds in FY10 + FY11 not replaced)</i>	<b>\$193</b>
<b><u>PA State Appropriations - Reduction</u></b>	
Net Reduction (\$186M in Decreases less \$86M in Increases)	<b>\$100</b>
<b><u>Increase in PA Pension Reimbursement</u></b>	
	<b>(\$21)</b>
<b>TOTAL - Reductions in PA Revenue</b>	<b>\$272</b>
Loss of Directly-Provided Federal Stimulus (Title I, IDEA, Other)	\$116
Change in Earnings from Refunding + Interest Earnings	\$33
Use of Reserves + Surplus to Offset FY11 Cuts in PA Revenues	\$66
<b>TOTAL - Decreased Resources</b>	<b>\$487</b>
<b>Projected Increased Costs in FY12</b>	
<b>Charter Schools</b> (mandated per-pupil incr., proj. enrollment incr.)	\$39
<b>Pension Payments</b> (net of PA reimbursement)	\$17
<b>Other Mandated Increases</b> (medical, Rx, utilities, debt service, etc.)	\$86
<b>TOTAL - Increased Costs</b>	<b>\$142</b>
<b>TOTAL</b>	<b>\$629</b>
	<b>% of FY11 Budget</b>
	<b>20%</b>

(Prior to corrective action to reduce the identified budget gap)



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# Lump Sum Statement of Revenues and Expenditures

3/30/11

***Preliminary Data, Subject to Change***

All forward-looking statements of the School District of Philadelphia are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. The School District disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any changes in the School District's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.