



School District of Philadelphia

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

Third Quarter Financial Report

April 13, 2011

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The District Projects It Will End FY2010-11 with a Balanced Budget

Proposed late year cutbacks in FY11 PA funding will be offset through lower spending levels, savings from bond refinancing, and the use of SDP reserves that had been intended for use in FY12.

SCHOOL DISTRICT OF PHILADELPHIA Operating Funds Financial Statement				
	A FY2009-10 Actual	B FY2010-11 Estimated Actual Jan-11	C FY2010-11 Estimated Actual Mar-11	D FY2010-11 Increase/(Decrease from FY2009-10
	(\$ 000's)			
	Dec-10			
1 Fund Balance (Deficit) at Beginning of Year - July 1	\$28,073	\$28,058	\$28,058	(\$15)
2 <i>Local Tax Revenues</i>	\$784,791	\$776,958	\$776,958	(\$7,833)
3 <i>Grant from City of Philadelphia</i>	\$38,540	\$38,870	\$38,870	\$330
4 <i>Local Non-Tax Revenues</i>	\$28,050	\$27,597	\$27,597	(\$453)
5 <i>State Revenues</i>	\$1,312,826	\$1,376,168	\$1,304,168	(\$8,659)
6 <i>State Appropriated Stimulus & Ed Jobs Funds</i>	\$119,766	\$170,671	\$193,852	
7 <i>Federal Revenues</i>	\$172	\$6,059	\$6,059	\$5,887
8 Revenues - Total	\$2,284,145	\$2,396,323	\$2,347,504	\$63,359
9 <i>Other Financing Sources</i>	\$5,406	\$9,151	\$21,737	\$16,331
10 Total Revenues and Other Financing Sources	\$2,289,551	\$2,405,474	\$2,369,241	\$79,690
				\$0
11 Obligations	\$2,305,765	\$2,450,740	\$2,439,752	\$133,987
12 <i>Other Financing Uses</i>	\$2,073	\$2,289	\$2,289	\$216
13 Total Obligations and Other Financing Uses	\$2,307,838	\$2,453,029	\$2,442,041	\$134,203
14 <i>Excess (Deficiency) of Revenues & Other Financing Sources Over (Under) Obligations and Other Financing Uses</i>	(\$18,287)	(\$47,555)	(\$72,800)	(\$54,514)
15 <i>Other Financing Sources - Refinancing</i>	\$382,162	\$434,337	\$434,337	\$52,175
16 <i>Other Financing Uses - Refinancing</i>	\$353,329	\$414,841	\$414,841	\$61,512
17 Net Change due to Refinancing	\$28,833	\$19,496	\$19,496	(\$9,337)
18 Fund Balance Prior to Changes in Reserves	\$38,619	\$0	(\$25,245)	(\$63,864)
19 <i>Change in Reserves</i>	\$0		\$25,245	\$25,245
20 <i>Food Services Reserve</i>	(\$10,561)	\$0	\$0	\$10,561
21 <i>Transfer (to)/from Capital Fund (Systems Improvement)</i>	(\$9,886)	\$0	\$0	\$9,886
22 Fund Balance (Deficit) at Year End - June 30	\$28,058	\$0	\$0	(\$28,058)

OBLIGATIONS BY FUND				
	A FY2009-10 Projected Actual Obligations 12/1/2010	B FY2010-11 Estimated Actual (3/30/2011)	C FY2010-11 Estimated Actual (3/30/2011)	D FY2010-11 Increase/(Decrease from FY2009-10
	(\$ 000's)			
23 Obligations - Operating Funds	\$2,307,838	\$2,453,029	\$2,442,041	\$134,203
24 Expenditures - Categorical Funds	\$582,594	\$677,199	\$677,199	\$94,604
25 Obligations - Food Fund	\$84,876	\$83,091	\$83,091	(\$1,785)
26 Total Obligations	\$2,975,308	\$3,213,319	\$3,202,331	\$227,022



Increases in Operating Funds Expenditures: FY11 Compared to FY10

SCHOOL DISTRICT OF PHILADELPHIA

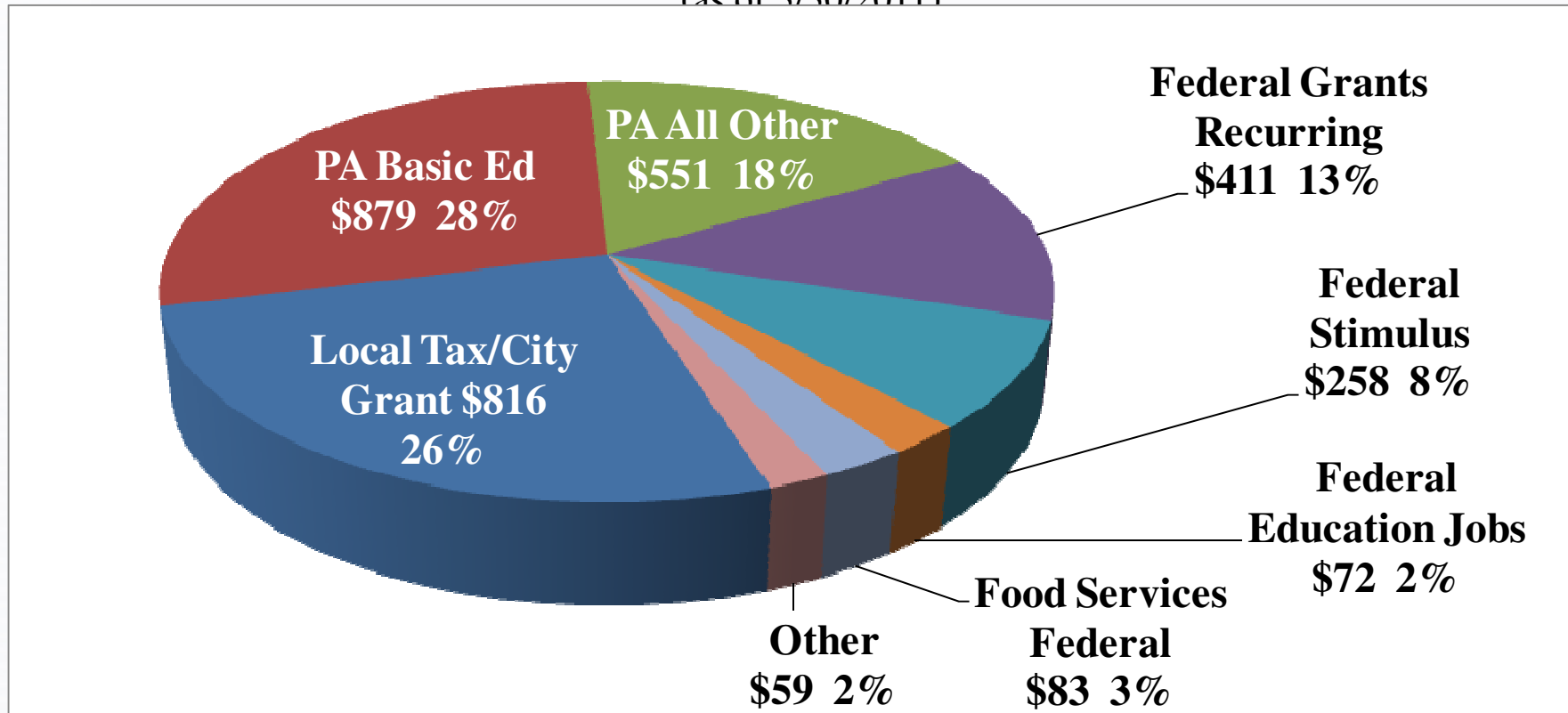
Operating Funds - Increases in Expenditures FY11 / FY10

1 Charter Schools	\$82.2
1a. Increase in Per Student Payments to Charters	\$16.9
1b. 7 New Renaissance Charters	\$36.9
1c. Other Charter Enrollment Growth	\$28.4
2 Elementary/Middle/High/CTE Schools - Instructi	\$26.4
3 Central Book Allotment	\$11.1
4 Special Ed	\$7.8
5 English Language learners	\$4.9
6 Alternative education	\$3.0
7 Facilities/Utilities	\$2.8
8 Education of Students in Placement	\$2.0
9 All Other	(\$5.9)
10 Total Op Funds Increase	\$134.2



SDP Funding Sources FY2010-11

(as of 3/30/2011)

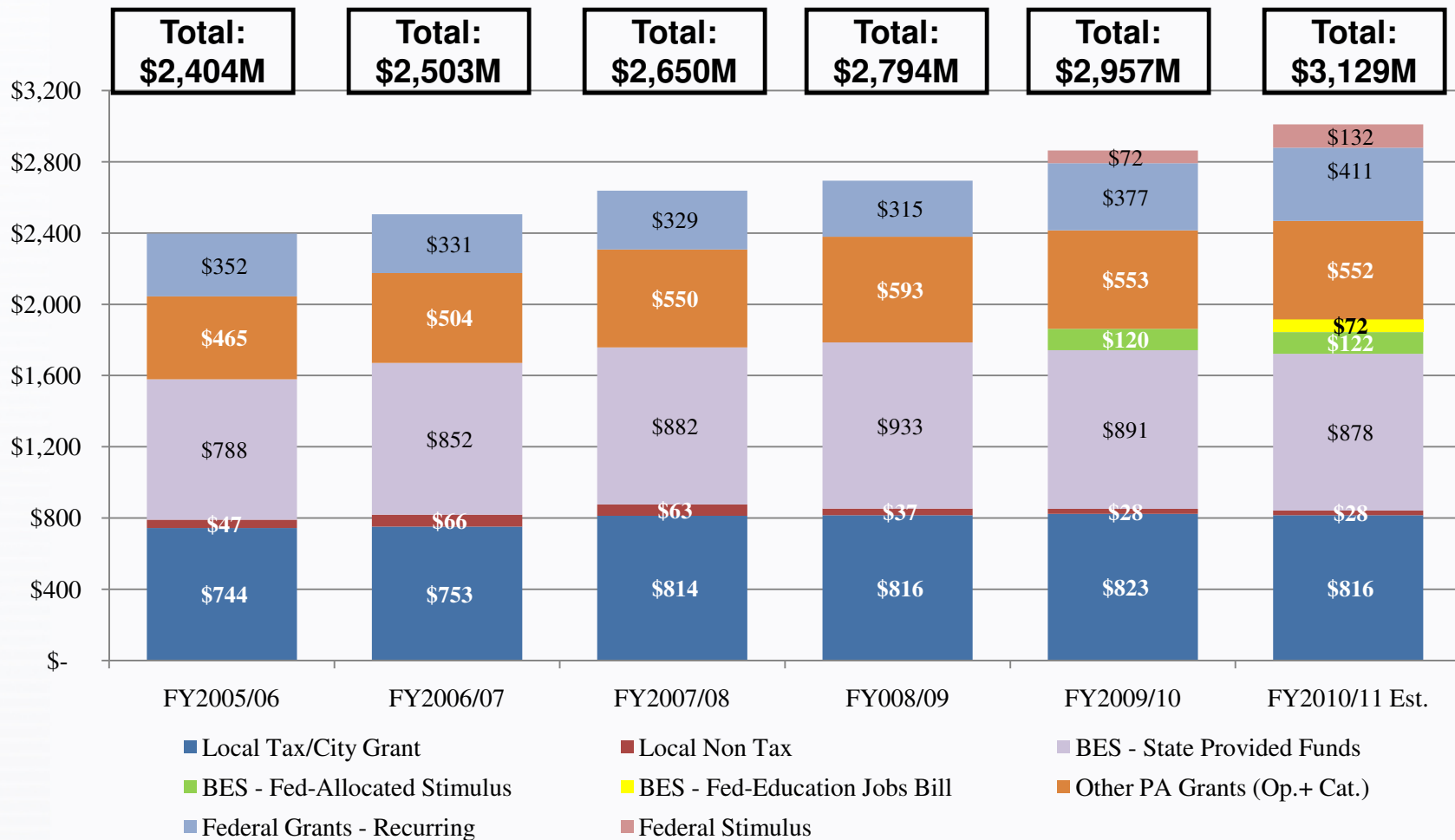


**Total Revenue :
\$3,129M**

Total FY11 Local Tax/City Grant is \$815M (26%)
Total FY11 PA aid is \$1.4B (46%)
Total FY11 Federal aid is \$767M (24%)
Federal Stimulus + Ed Jobs funds are 10.5% of SDP revenues (\$330M)



SDP Major Sources of Revenue -- FY05/06 to FY10/11

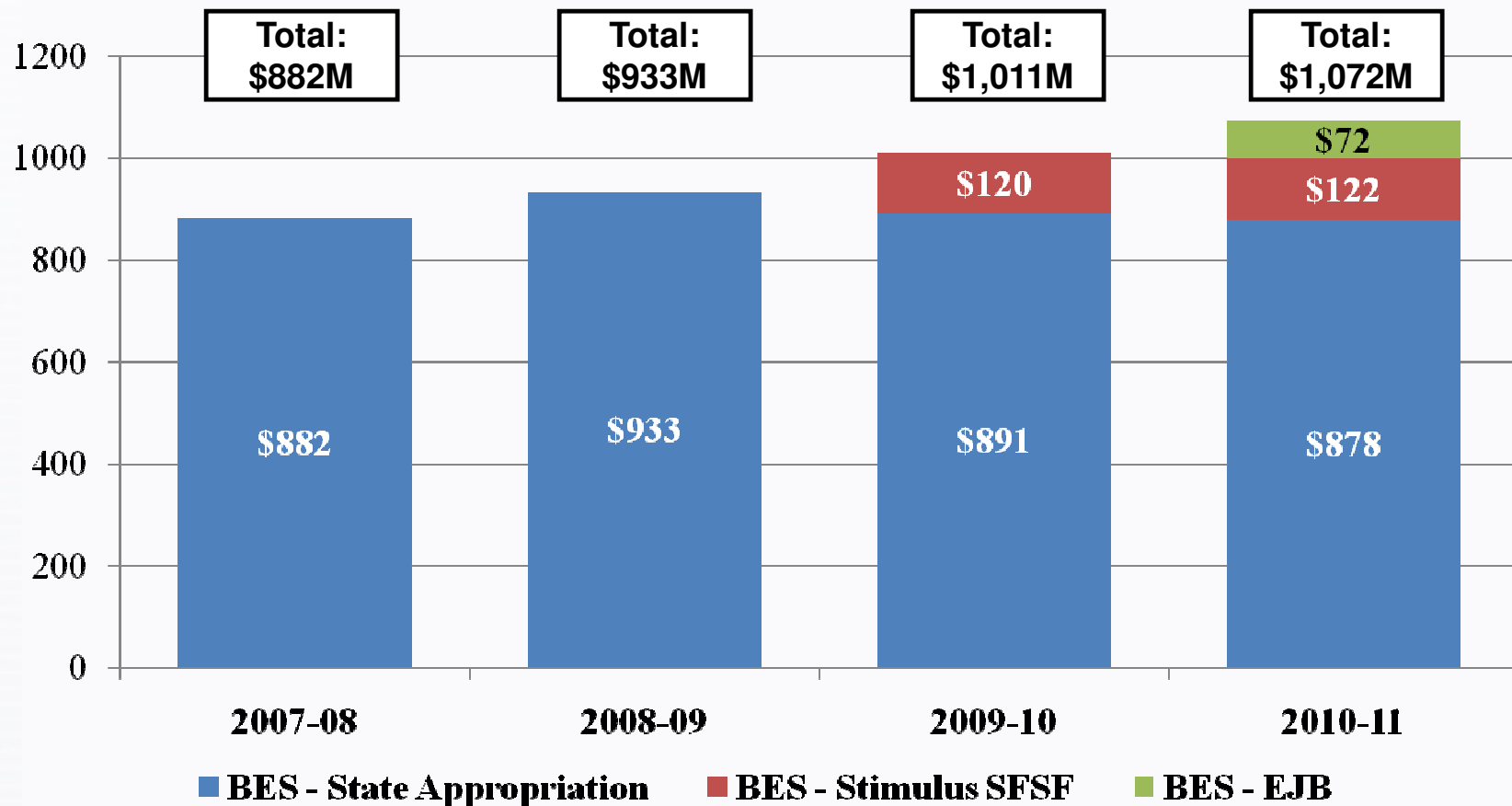


Annual Increase \$	\$99M	\$147M	\$144M	\$163M	\$172M
Annual Increase %	4%	6%	5%	6%	6%



The SDP's PA Basic Education Subsidy Has Increased from FY09 to FY11 Solely Through the State's Use of Stimulus Funds

PA BES Appropriations Have Been Cut Back to the Level of FY08





SDP Federal Stimulus and Ed Jobs Funds By Category and Amount

- SDP revenues increased in FY10 and FY11 solely due to the District's receipt of Federal Stimulus and Federal Education Jobs funding.
- **Annual Awards – Stimulus and Ed Jobs FY10 through FY13:**
 - \$123M** **Federally Allocated Stimulus** (Title I, IDEA, Education Technology, Other), FY10 and FY11
 - \$122M** **PA Allocated Stimulus**, FY10 and FY11
 - \$ 13M** **Stimulus School Improvement Grants**, FY11 to FY 13
 - \$ 72M** **Federal Education Jobs Bill (used to replace State Basic Education Appropriations)**, FY11 only
 - \$330M** **FY11 Total SDP Federal Stimulus + Fed Jobs**
- In the absence of Stimulus Funding (and excluding Retirement Reimbursement), the SDP's FY10 and FY11 revenues would have been 3% and 2% below FY09 levels respectively.

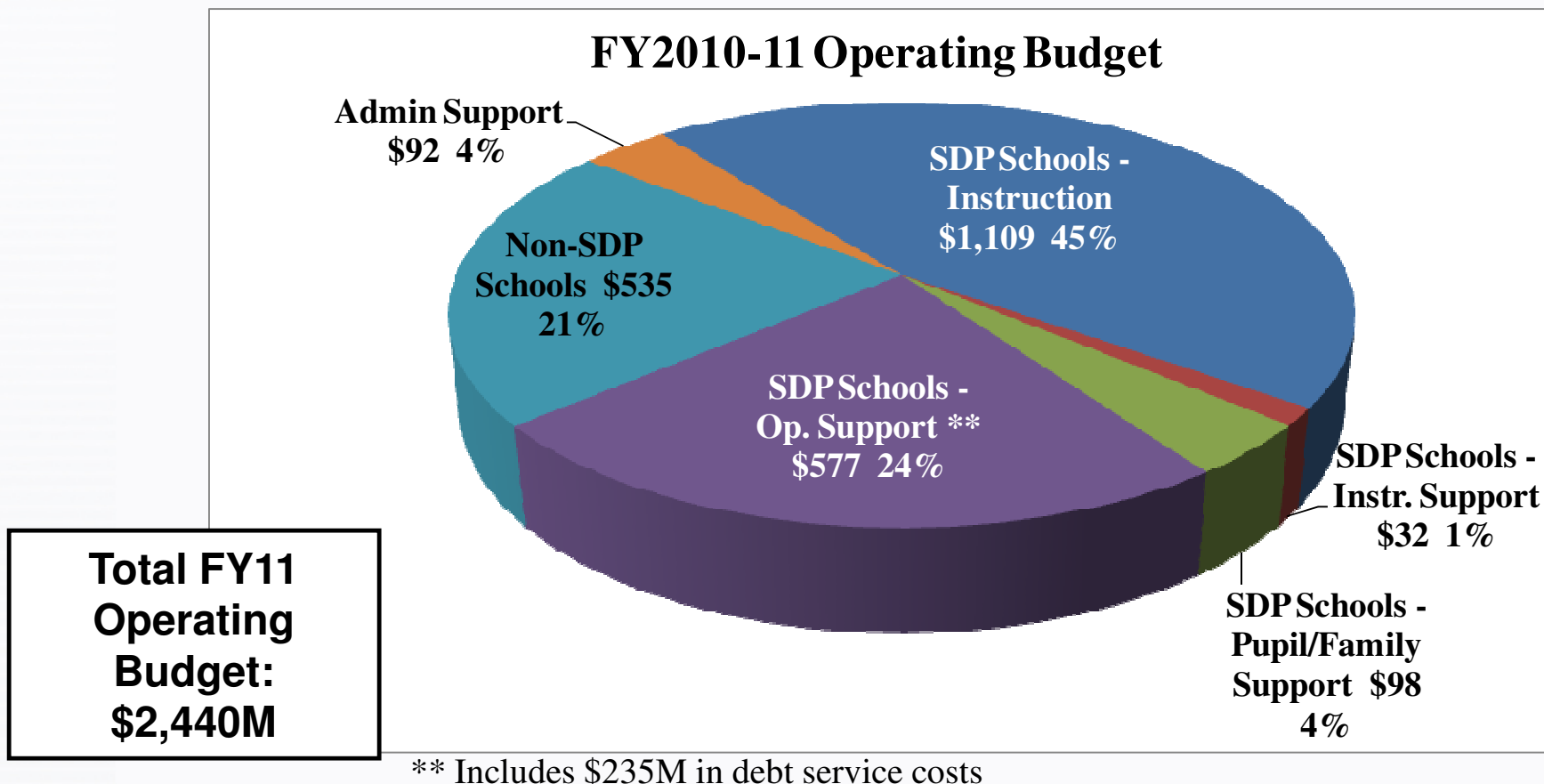


Grant Funds represent 24% of the District's FY2010-11 Budget

SDP FY2010-11 Estimated Grant Funds		(\$ in mill)
<u>State Funds</u>		
Accountability Block Grant		\$58
Education Assistance Program		\$19
Pre-K Counts		\$20
PA Headstart Assistance		\$13
All Other State Grants - Categorical Funds		\$16
Subtotal		\$126
<u>Federal Recurring & Stimulus</u>		
Title I (A) - Recurring, Stimulus, Prior Year Deferred		\$301
IDEA - B - Recurring, Stimulus, Prior Year Deferred		\$65
Headstart Basic		\$39
Title II (A) - Improving Teacher Quality		\$22
Dept. of Labor		\$29
Title I - School Improvement		\$18
Stimulus School Improvement		\$13
All other Federal Recurring & Stimulus Grants		\$60
Subtotal		\$547
<u>Food Fund (Federal Support - USDA)</u>		\$83
TOTAL Grant Funds		\$760



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





How Does the District Spend its Operating Funds?

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

	A	B
	FY2010-11 (Current Proj. 03/30/11)	
	OPERATING	Op %
District Operated Schools - Instructional		
1 Elementary/Middle/High/CTE/Deseg/Substitutes - Instructional	\$760,806,102	34%
2 Special Education	\$206,633,152	9%
3 Alternative Education	\$46,100,330	2%
4 English Language Learners	\$36,109,896	2%
5 Counselors	\$31,263,076	1%
6 Nurses	\$30,233,371	1%
7 Psychologists	\$13,968,191	1%
8 Athletics	\$8,348,112	0%
9 Librarians	\$4,951,992	0%
10 Instructional - All Other	\$59,599,944	3%
11 Instructional Support - Pupil/Family Support - All Other	\$41,159,340	2%
12 Total - District Operated Schools -- Instructional	\$1,239,173,506	55.9%
13 Debt Service (less refunding)	\$234,729,532	11%
District Operated Schools - Operating		
14 Facilities - Custodial/Maintenance	\$144,997,426	7%
15 Utilities	\$61,602,425	3%
16 Transportation	\$89,559,793	4%
17 School Safety	\$35,613,659	2%
18 All Other (Insurance, Postage, etc.)	\$16,236,716	1%
19 Total - District Operated Schools -- Operating	\$348,010,019	15.7%



How Does the District Spend its Operating Funds?

21% of Operating Funds are spent on Non-District Operated Schools

4% of Operating Funds are spent on District Administration

		A	B
		FY2010-11 (current proj. 03/30/2011)	
		OPERATING	Op %
Non-District Operated Schools			
19	Charter Schools (incl. Transportation)	\$435,550,140	17%
20	Education of Students in Institutional Placements	\$62,701,384	3%
21	Nonpublic Schools (incl. Transportation)	\$36,423,719	1%
22	Total - Non- District Operated Schools	\$534,675,243	21.4%
Administrative Support Operations			
23	Total - Admin. Support Operations	\$92,424,887	3.7%
24	TOTAL OPERATING BUDGET	\$2,440M	



Focus on Non Personnel Expenditures

Contracts

Materials Supplies & Equipment



Contracted Services are 12% of the FY11 Operating Budget and 16% of the FY11 Categorical Budget

	FY2010-11 Operating Budget	% of Total Oper. Budget	FY2010-11 Categorical Budget	% of Total Cat. Budget
Contracted Services	\$287,937,451	12%	\$105,970,109	16%
All Other	\$2,154,103,786	88%	\$571,228,509	84%
TOTAL - FY2010-11 Budget	\$2,442,041,237	100%	\$677,198,618	100%

95% of the Operating Budget and 61% of the Categorical Budget for Contracts is Spent in Schools (does not incl. Charters)

	FY2010-11 Oper. Contr. Svs	% of Total Oper. Contr. Svs	FY2010-11 Cat. Contr. Svs	% of Total Cat. Contr. Svs
School Budgets (incl. Non-District Schools, excl. Charters)	\$273,802,479	95%	\$64,841,631	61%
Administrative Support	\$14,134,972	5%	\$41,128,478	39%
TOTAL - Contracted Services	\$287,937,451	100%	\$105,970,109	100%



12% of the District's Total Operating Budget is Spent on Professional and Technical Contracts

	Professional/Technical Contracts	FY11 Curr Bgt	% of Tot. FY11
		Op Funds	Prof/Tech Bgt
1	Alternative Education	\$40	14%
2	Facilities	\$23	8%
3	Professional Development	\$16	5%
4	Special Education	\$9	3%
5	Information Technology	\$7	3%
6	Elementary - K-8 Education	\$6	2%
7	Debt Service	\$6	2%
8	District Support for Property Tax Assessment	\$4	1%
9	Partnership Schools/EMOs	\$4	1%
10	High Schools (incl. CTE)	\$4	1%
11	Summer Programs	\$3	1%
12	Extended Day Programs	\$3	1%
13	General Counsel	\$2	1%
14	Finance	\$2	1%
15	Athletics	\$2	1%
16	SubTotal - Professional Services Contracts	\$129	45%
17	Education of Students in Res Placement	\$65	23%
18	Services to Non-Public Schools (incl. Transp.)	\$39	14%
19	Bus Transportation - SDP Operated Schools	\$32	11%
20	Utilities	\$16	5%
21	Hospital/Homebound Instruction	\$1	0%
22	Total - All Prof/Technical Contracts	\$287	100%



School Budgets – 85% of Total Contracted Services (including non-SDP schools, but excluding Charter Schools)

SDP School Budgets - Contracted Services	FY2010-11 Op. Contr. Svcs	% of Oper. Contr. Svcs	FY2010-11 Cat. Contr. Svcs	% of Cat. Contr. Svcs
Students in Institutional Placements	\$65	24%	\$0	0%
Non Publics: Services + Transportation	\$39	14%	\$3	4%
Bus Transportation-Directly Operated Schools	\$32	12%	\$0	0%
School Maintenance & Repair Services	\$23	8%	\$1	2%
Alternative Education	\$40	14%	\$2	4%
Utilities	\$16	6%	\$0	0%
Professional Development	\$16	6%	\$8	12%
Special Education-Specialized Services	\$9	3%	\$9	14%
Elementary - K-8 Education	\$6	2%	\$3	4%
Secondary Education (incl. CTE)	\$4	1%	\$18	28%
All Other	\$24	9%	\$21	33%
Total	\$274	100%	\$65	100%



Administrative Support Offices – 15% of Total Contracted Services

Admin. Support Offices - Contracted Services	FY2010-11 Op. Contr. Svs	% of Oper. Contr. Svs	FY2010-11 Cat. Contr. Svs	% of Cat. Contr. Svs
Information Technology	\$7	50%	\$0	0%
Space Rental & Property Management	\$4	25%	\$0	0%
General Counsel's Office	\$2	14%	\$0	0%
Secondary School Reform	\$1	7%	\$3	7%
Specialized Instructional Services Office	\$0	0%	\$12	29%
Early Childhood Education Office	\$0	0%	\$14	35%
Accountability Office	\$0	0%	\$8	19%
Grants Development and Compliance Office	\$0	0%	\$2	6%
All Other	\$1	7%	\$2	5%
Total	\$14	100%	\$41	100%

School District of Philadelphia



Dr. Arlene C. Ackerman, Superintendent of Schools

Michael J. Masch, Chief Financial Officer

	FY11 Curr Bgt Op Funds	% of Tot. FY11 MSE Op Bgt
Materials/Supplies		
1 Utilities	\$61,602,425	65%
2 Facilities - Custodial/Maintenance	\$6,390,778	7%
3 Transportation	\$4,029,420	4%
4 Elementary/K-8	\$4,403,993	5%
5 Special Education	\$2,971,283	3%
6 High Schools	\$3,184,012	3%
7 English Language Learners	\$2,233,866	2%
8 Deseg Funds - School Budgets	\$1,750,751	2%
9 Early Childhood	\$192,745	0%
10 Academic Divisions (incl. Promise Academies)	\$846,874	1%
11 Middle Schools	\$891,273	1%
12 Postage	\$754,257	1%
13 Associate Superintendent for Academics	\$353,879	0%
14 Associate Superintendent for Academic Support	\$412,681	0%
15 Facilities - Space Rental/Property Mgmt	\$235,640	0%
16 School Safety	\$293,570	0%
17 Athletics	\$332,819	0%
18 Psychologists (Specialized Services)	\$198,500	0%
19 Alternative Education Division/Office	\$180,205	0%
20 Information Technology	\$144,135	0%
21 School Nurses/School Health	\$135,682	0%
22 Talent Development/HR	\$122,213	0%
23 Facilities - Records Mgmt/Warehouse	\$125,478	0%
24 Finance	\$56,040	0%
25 Grants Development + Compliance Office	\$15,699	0%
26 All Other	\$2,943,679	3%
27 Total Materials/Supplies	\$94,801,897	100%
28 Central Offices (some included in all other)	\$1,003,938	1%

Just 4% of the District's Operating Budget is Spent on Materials Supplies and Equipment. Excluding utilities, the number is only 1%



Focus on Charter Schools



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:

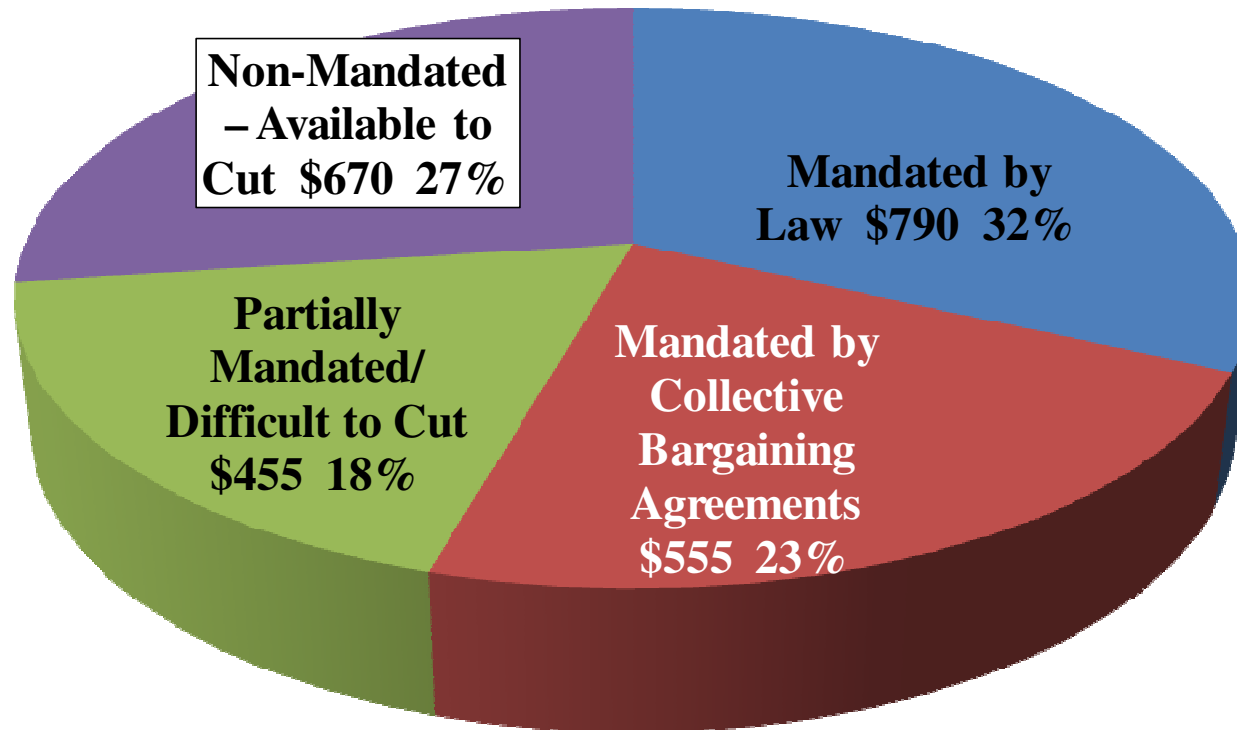
- 5.2% and 4.1% mandated increases in regular and special education per pupil payments – existing enrollment **\$16.85 Million**
- Increase in enrollment of about **7,700 students** **\$65.30 Million**
 - 7 New Renaissance Charter Schools **4,347 students** **\$36.9M**
 - Expansion of Existing Charter Schools **2,749 students** **\$23.1M**
 - Growth in Cyber Charter Schools **500 students** **\$ 5.3M**



Focus on Mandated Expenditures



A Significant Portion of the SDP Operating Budget is Subject to Mandates That Prohibit or Limit Spending Reductions





FY2010-11 Operating Budget: Selected Major Items That Are Subject to Mandate

<ul style="list-style-type: none"> • Debt Service/Temporary Borrowing • Per-Student Payments to Charter Schools (includes \$15.2M in Charter School student transportation costs) • Maximum Allowable Class Size <ul style="list-style-type: none"> - Grades K-3, 30:1; Grades 4-12, 33:1; CTE Classes 24:1 <p><u>Actual</u> SDP class sizes are lower, in some cases significantly lower. These are the PFT contract maximums.</p> • Prep Time Support <ul style="list-style-type: none"> - Minimum 5 periods per teacher per week Gr. 1-12 - 6-8 periods per week in Middle Schools • Transportation for Special Education Students • Minimum of 1 Counselor per School 	<p>\$254M</p> <p>\$436M</p> <p>\$ 417M</p> <p>\$99M</p> <p>\$51M</p> <p><u>\$25M</u></p> <p>\$1,682M</p>
<p>TOTAL OF THESE ITEMS (does not include <u>all</u> mandated items)</p> <p>% of OPERATING BUDGET</p>	<p>69%</p>



Focus on the District's Utilization of Stimulus Funding



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

- **Federal Title I and IDEA Stimulus Funds** could only be used by the School District to **invest in new or expanded educational reform programs, and add staff to implement those programs. The SDP was prohibited from using these funds for construction projects OR to fund existing expenses.**
- The availability of these funds enabled the District to implement strategic reforms and determine which of those reforms have the greatest impact on improving student performance.
- But **State Fiscal Stabilization (SFS) Stimulus funds** were provided to the District for a different purpose -- to enable the District to **avoid large-scale layoffs of existing staff and cutbacks in existing programs and services.**
- If there had been no SFS Stimulus funds, the District would have to cut **over \$120 million** from its Operating Budget, the equivalent of over **1,200 teacher positions.**



Stimulus and Ed Jobs Funds Were Used to Replace PA Basic Education Appropriations

These replacements helped to balance the Commonwealth budget without cutbacks to state education aid, but did not provide school districts with any additional funding.

- In FY2009-10, the State used **\$42M** of State Fiscal Stabilization funds to replace BES State Appropriations for the SDP.
- In FY2010-11, the State is using Pennsylvania's entire Federal Education Jobs Appropriation, **\$72M**, to replace BES – State Appropriations directed to SDP
- **\$114M**: FY10-FY11 Stimulus and Ed Jobs Funding Used to Replace State Basic Education Appropriation



Areas in Which Stimulus Funds Were Used by the SDP to Support Imagine 2014 Educational Reforms

<u>Initiative</u>	<u>FY2010-11</u>
1 Expanded Summer School (net increase \$32M)	\$42.0
2 Reduced Class Sizes in K-3 Classes	\$25.0
3 Revised High-School Rosters	\$13.8
4 Improved Student:Counselor Ratios	\$10.0
5 Core Curriculum Re-Design	\$10.0
6 Implement IEP process with Fidelity	\$9.2
7 Increased School Based Social Services	\$7.0
8 Improved Services for English Language Learners	\$6.4
9 A/B High-School Schedules to Support Struggling Students	\$4.3
10 Expanded In-School Suspension Programs	\$4.2
11 Enhanced Reading Programs for Struggling K-8 Students	\$3.6
TOTAL	\$135.5



What Lies Ahead

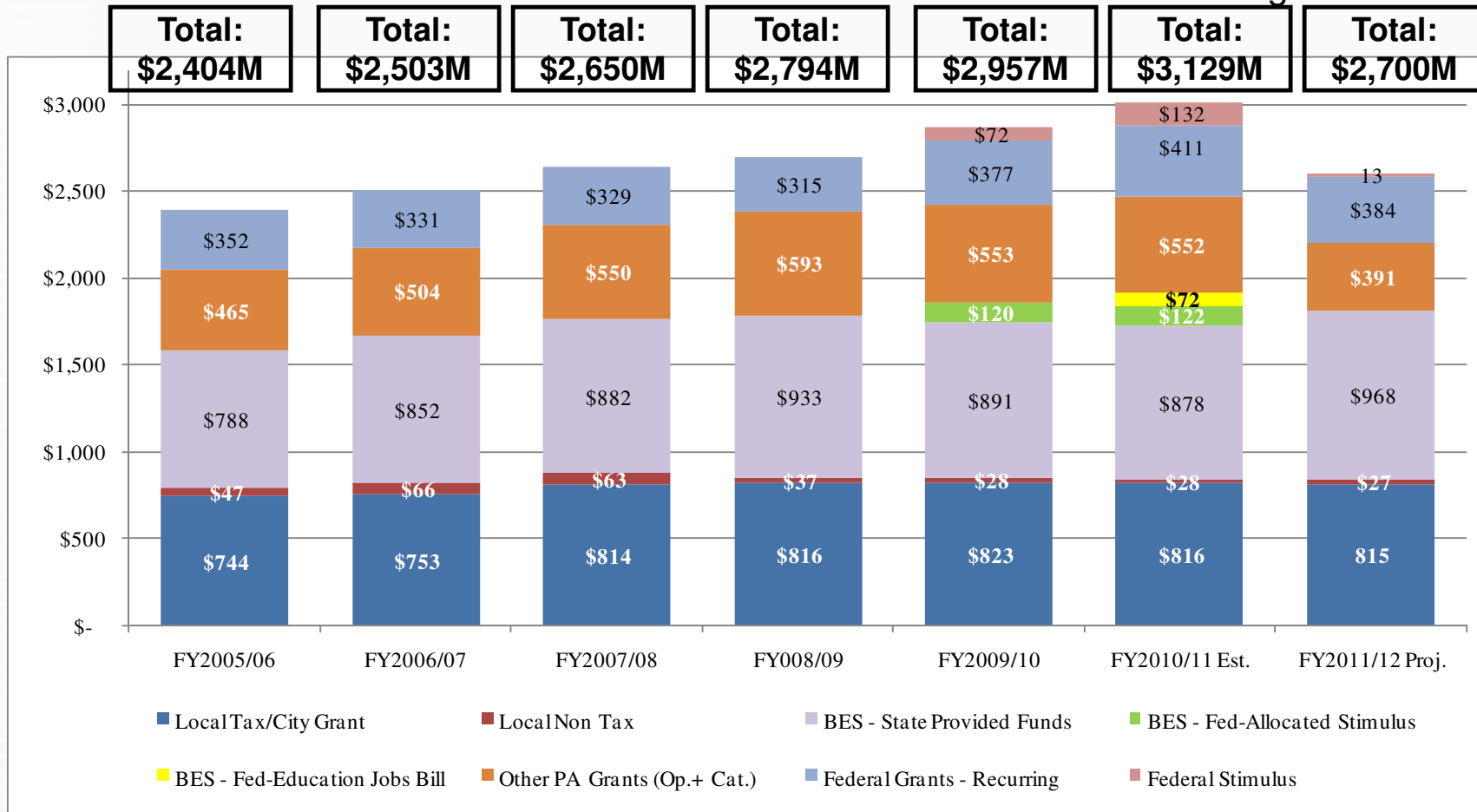
FY2011-12 Projected Revenues

The District Anticipates Losing 15% of its Revenues in the Upcoming Fiscal Year



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

Anticipated funding cuts will put SDP revenues back to the level of FY08 – two years before the advent of the Recession and Federal Stimulus funding



Annual Increase \$	\$99M	\$147M	\$144M	\$163M	\$172M	(\$429M)
Annual Increase %	4%	6%	5%	6%	6%	-15%



School District of Philadelphia

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(July 2010 – June 2011)

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