

# Budget Hearing

## Lump Sum

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Fiscal Year 2016-2017

April 21, 2016

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# Introduction

- The SRC adopted the District's proposed FY16-17 Lump Sum Statement on March 24, 2016
- The Lump Sum Statement was presented in the context of a Five-Year Plan, FY17-21
- While reinvesting in schools, the District is projecting modest surpluses in FY16 and FY17
- The District is not requesting additional funding from the City or State in FY17, above the current proposed amounts
- Persistent long-term challenges remain, requiring support from funders in future years

# Investments

- The District's Lump Sum and Preliminary Five-Year Plan, FY16-21, include over \$440 million of investments aligned with the Superintendent's Action Plan 3.0
  - \$84 million in FY16 (recurring and non-recurring); \$60 million in FY17 (predominantly recurring)
- Investments focus on: Literacy, College and Career Readiness, and Talent/Workforce Development
- Specific investments included in FY16 and FY17:
  - \$7.8 million of funding for schools to use at their discretion, allocated on a per pupil basis
  - At least one counselor in every school
  - At least one nurse per school (or one nurse per building if schools share a building)
  - Additional investments for new Renaissance charter schools and in-District turnaround schools
- Additional necessary investments have been identified by the District, which would require additional recurring resources from funding partners

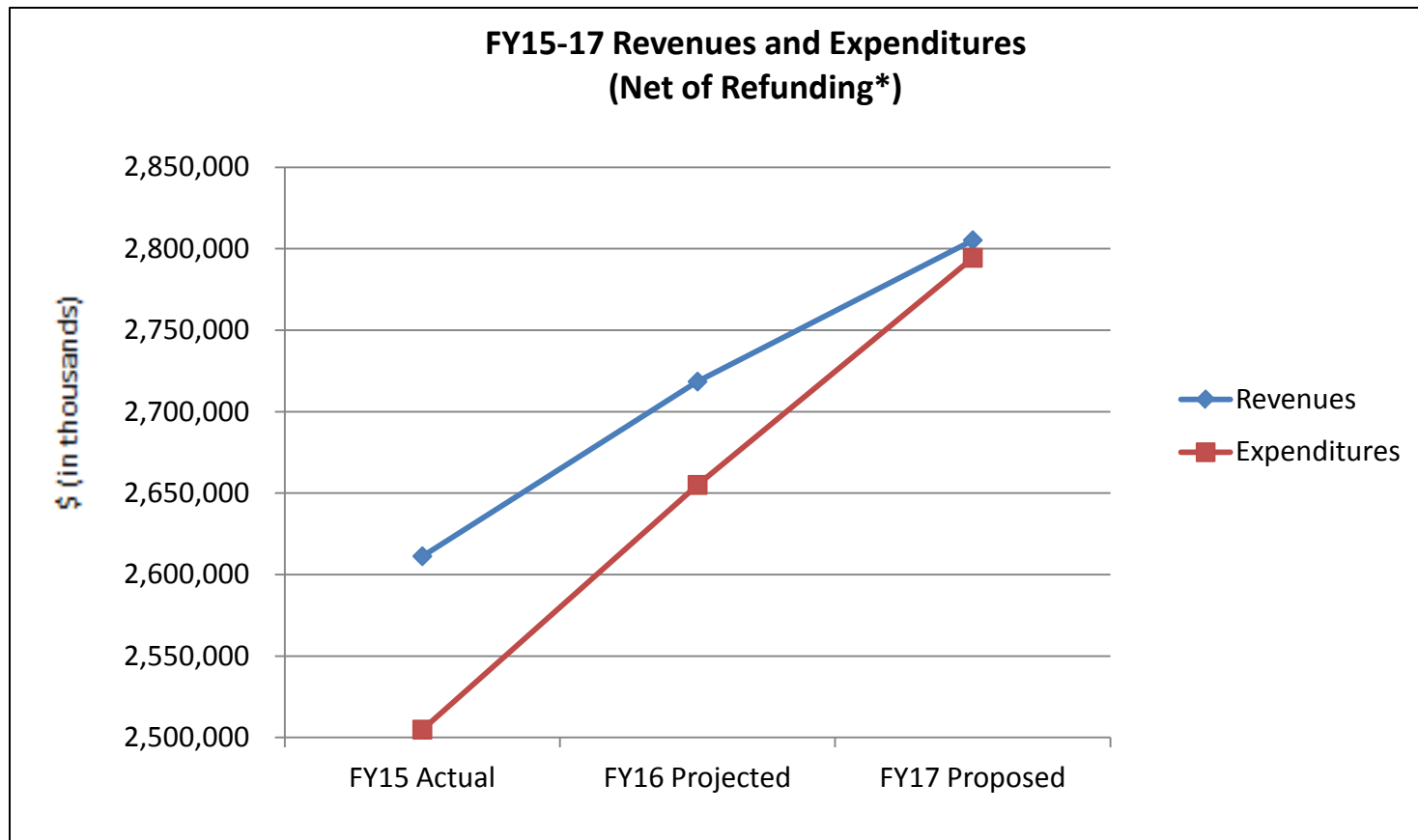
# Issues and Risks to the Budget

- The following issues and risks could materially affect the FY16 and FY17 Lump Sum projections:
  - Ongoing FY16 State Revenues Uncertainty
  - FY17 Governor's Proposed Budget
  - State Supreme Court Case Ruling
  - Potential Repayment of Variable Rate Debt

# Budget Overview

<b>SCHOOL DISTRICT OF PHILADELPHIA</b> <b>OPERATING BUDGET</b> <b>FISCAL YEARS 2015/2016 AND 2016/2017</b> Amounts in Thousands			
	<b>Actual</b>	<b>Projected</b>	<b>Proposed</b>
	<b>2014/2015</b>	<b>2015/2016</b>	<b>2016/2017</b>
Revenues	\$2,592,460	\$2,712,130	\$2,803,787
Other Financing Sources	\$317,952	\$6,344	\$1,489
Total Revenues and Other Financing Sources	\$2,910,412	\$2,718,474	\$2,805,276
Obligations	\$2,502,693	\$2,650,548	\$2,792,207
Other Financing Uses	\$302,584	\$4,500	\$2,252
Total Obligations and Other Financing Uses	\$2,805,277	\$2,655,048	\$2,794,459
Prior Year Fund Balance (Deficit) July 1	\$3,043	\$88,048	\$134,572
Fund Balance Prior to Changes in Reserves	\$108,178	\$151,474	\$145,389
Changes in Reserves	(\$20,130)	(\$16,902)	(\$9,702)
<b>Fund Balance (Deficit) June 30</b>	<b>\$88,048</b>	<b>\$134,572</b>	<b>\$135,687</b>

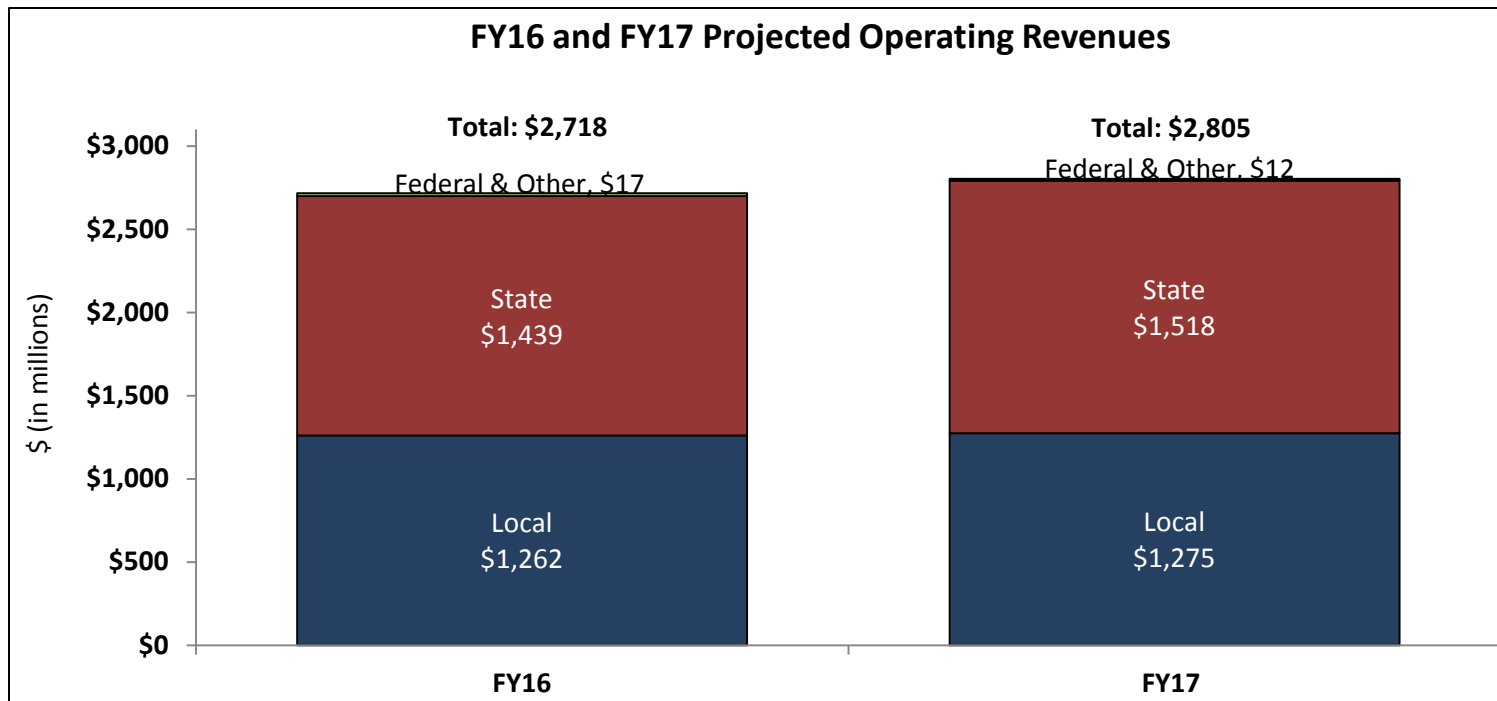
# Budget Overview (cont.)



\*Note: The chart is adjusted to exclude the effects of a refunding in FY15, which accounts for \$299.1 million of FY15 revenues and \$300.4 million of FY15 expenditures.

# Budget - Revenues

- Revenues are projected to increase 3.2% or by \$86.8 million from FY16 to FY17. The primary drivers include:
  - \$56.0 million increase in basic education and special education funding\*
  - \$15.2 million increase in real estate tax revenue collections
  - \$22.2 million increase in PSERS reimbursements

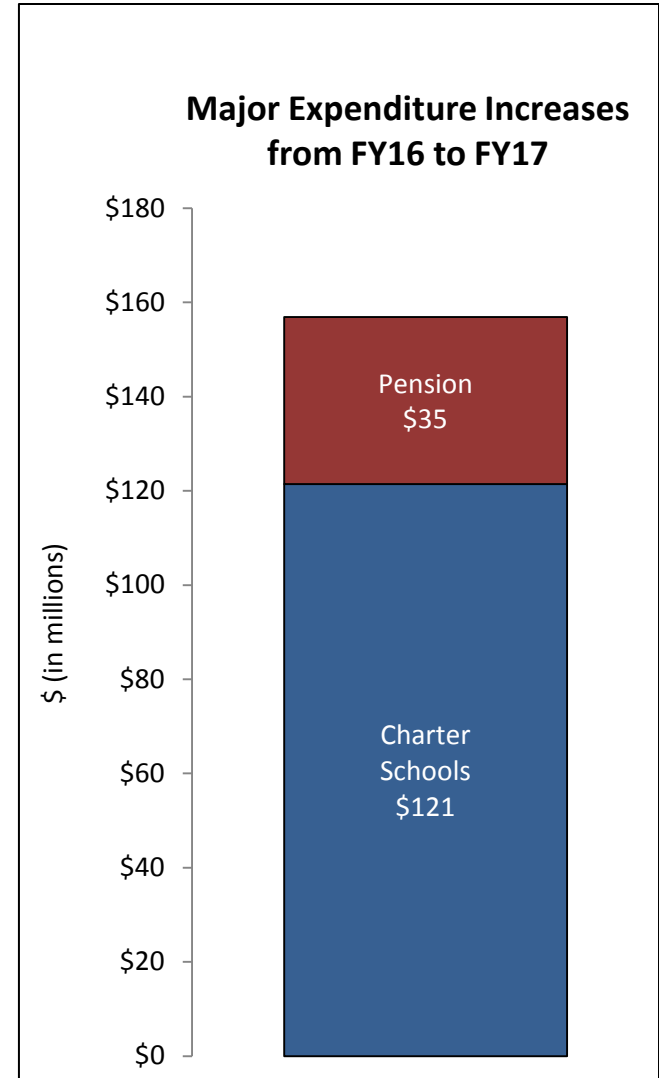


\*Note: The FY17 State revenues are consistent with the Governor's FY17 proposed budget presented on February 9, 2016.



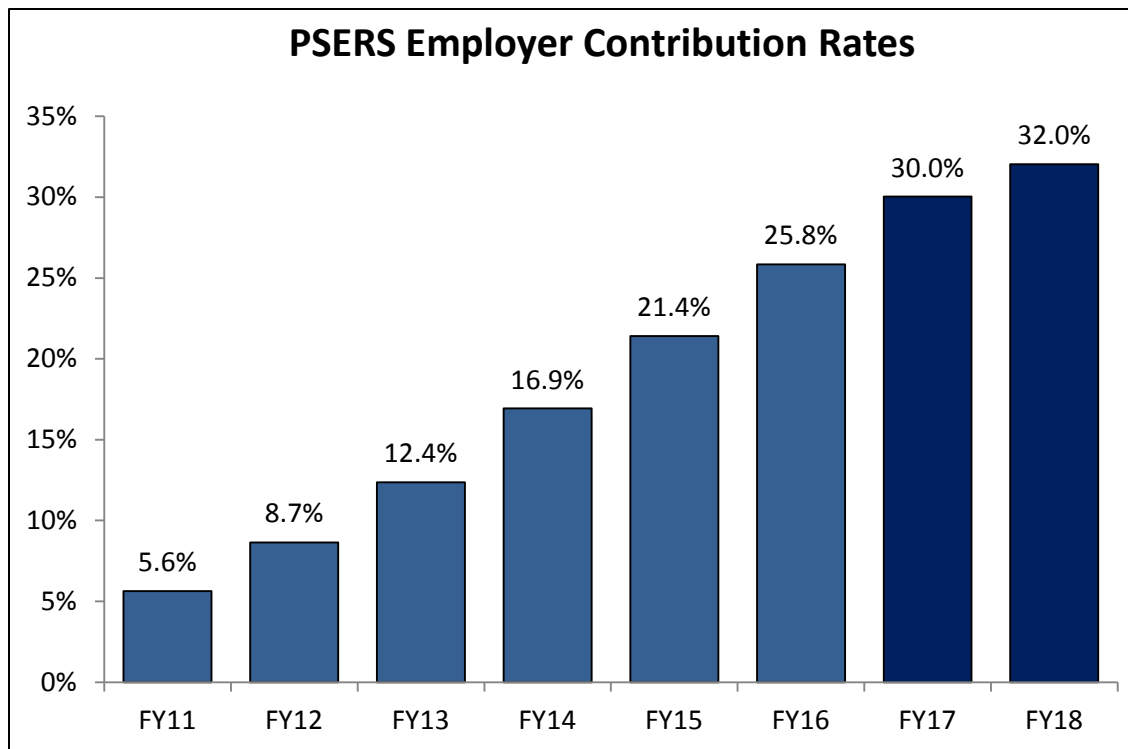
# Budget - Expenditures

- The Lump Sum Statement includes expenditures and other uses of:
  - FY16 – \$2,665.0 million
  - FY17 – \$2,794.5 million
- The primary cost drivers of the \$139.5 million increase from FY16 to FY17 are rising charter school and pension costs
  - Charter school payments have increased from 18% of operating obligations in FY11 to a projected 31% in FY17
  - Retirement contributions are expected to grow by 18.7% from FY16 to FY17



# Rising Cost of Personnel Benefits

- The increase in retirement contribution costs is due to increasing PSERS employee contribution rates



\*Note: PSERS stands for the Pennsylvania Public School Employees' Retirement

# Additional Resources

- In addition to the operating fund, the District also has the following funds:
  - **Grant Funds** – includes grant funding to supplement school services
  - **Capital Fund** – includes borrowed funds for capital improvements
  - **Food Services Fund** – an enterprise fund that provides meals to the District’s students
  - **Health Insurance Fund** – District to create this fund by the end of FY16 to segregate self-insured health-related sources and uses