



THE SCHOOL DISTRICT OF
PHILADELPHIA

Budget Hearing

April 23, 2020



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The School District of Philadelphia's Presentation of the Revised projected Five-Year Plan for FY21-25 represents forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties which could affect the revenues and obligations of the School District include, among others, reduced governmental allocations, changes in economic conditions, mandates from other governments, and various other events, conditions and circumstances, many of which are beyond the control of the School District. Such forward-looking statements speak only as of the date of this presentation, **April 23, 2020**. The School District disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement 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.

Changes Since Lump Sum Budget – FY20

(in thousands)	FY20 Lump Sum	FY20 Revised	Change
Total Revenues	\$3,334,311	\$3,270,001	(64,310)
Total Expenditures	\$3,362,988	\$3,311,867	(51,121)
Fund Balance	\$153,745	\$140,556	(13,189)

- Revenue reductions primarily driven by loss of Use and Occupancy tax revenues, Liquor by the Drink Tax revenues, and real Estate Tax revenues
- Expenditure savings are net of both increased expenditures related to COVID and savings from closures and efforts to reduce expenditures
- Risks/Unknowns:
- **School Income Tax – Collections by end of April, assumptions assume full collections, total \$51m**
- Continued opportunities to identify additional savings would increase fund balance

FY21-FY25 Five Year Plan – Key Assumptions

City will begin to “reopen” by July 1, 2020

Projections assume revised real estate tax revenue estimates as provided by the City.

Base for Liquor by the Drink taxes reduced by 12% in FY21 relative to Lump Sum, resetting base revenue expectations for remainder of Five Year Plan

Reduction in Parking Authority, Rideshare and School Income Tax revenues, as well as interest income. Where applicable, new figures resets base revenue expectations for remainder of Five Year Plan

No change in City Grant

FY21-FY25 Five Year Plan – Key Assumptions

Proposed State Charter Rate Changes will not occur

State will cut Basic Education Subsidy and Special Education subsidy by maximum amount allowed under the Maintenance of Effort requirements of the Federal CARES Act (net reduction of \$108 million relative to Lump Sum)

District will receive \$130 million in Federal Stimulus funds (approximately \$14 million of which will be due to non-public schools)

Five Year Plan does not assume any new costs related to labor contracts

Revised Five-Year Plan Projections:

Deficit in FY21 requires immediate cuts; projected \$1.0B deficit by FY25

(in thousands)	FY20 Projected	FY21 Projected	FY22 Projected	FY23 Projected	FY24 Projected	FY25 Projected	CAGR FY21 to FY25
REVENUES & OTHER FINANCING SOURCES							
Local Tax Revenues	\$1,285,760	\$1,309,187	\$1,373,885	\$1,423,422	\$1,471,576	\$1,520,184	3.8%
Local Non-Tax Revenues	\$267,079	\$294,172	\$315,299	\$312,045	\$318,184	\$318,218	2.0%
State Revenues	\$1,692,742	\$1,616,218	\$1,619,671	\$1,643,401	\$1,665,314	\$1,688,645	1.1%
Federal Revenues	\$16,833	\$16,722	\$16,669	\$16,549	\$16,421	\$16,284	-0.7%
Other Financing Sources (excluding Refunding)	\$7,587	\$289	\$2,049	\$289	\$2,049	\$289	0.0%
TOTAL REVENUES & OTHER FINANCING SOURCES	\$3,270,001	\$3,236,588	\$3,327,573	\$3,395,705	\$3,473,544	\$3,543,620	2.3%
EXPENDITURES							
District Operated Schools	\$1,737,437	\$1,796,177	\$1,791,956	\$1,809,664	\$1,821,978	\$1,836,556	0.6%
Charter Schools (incl transportation)	\$1,089,033	\$1,203,234	\$1,247,408	\$1,302,276	\$1,366,979	\$1,422,603	4.3%
Other Non-District Operated Schools (incl transportation)	\$96,472	\$106,047	\$109,413	\$112,474	\$115,222	\$117,986	2.7%
Debt Service Expense (excluding Refunding)	\$288,218	\$311,515	\$314,864	\$352,889	\$321,561	\$324,561	1.0%
Administrative Support Operations (Central Offices)	\$124,016	\$130,544	\$129,660	\$130,461	\$131,355	\$132,103	0.3%
Undistributed Budgetary Adjustments	(\$25,432)	(\$19,174)	(\$19,108)	(\$19,040)	(\$18,971)	(\$18,901)	-0.4%
Expenditure Changes for Federal Revenues	\$0	(\$116,000)	\$0	\$0	\$0	\$0	-100.0%
Unidentified Expenditure Reductions to Achieve Positive Fund Balance in FY21	\$0	(\$38,000)	(\$38,000)	(\$38,000)	(\$38,000)	(\$38,000)	0.0%
Other Financing Uses (excluding Refunding)	\$2,122	\$1,683	\$1,683	\$1,683	\$1,683	\$1,683	0.0%
TOTAL EXPENDITURES & OTHER USES	\$3,311,867	\$3,376,026	\$3,537,875	\$3,652,408	\$3,701,807	\$3,778,591	2.9%
Refunding Revenues and Sources	\$350,938	\$0	\$0	\$0	\$0	\$0	
Refunding Expenditures and Uses	\$352,802	\$0	\$0	\$0	\$0	\$0	
OPERATING/FUND BALANCE							
Net Impact of Refunding	(\$1,864)	\$0	\$0	\$0	\$0	\$0	
Transfers from Reserves	(\$13,321)	(\$13,321)	(\$13,321)	\$28,259	(\$9,395)	(\$9,395)	
Reserve for Federal Cuts	\$0	\$0	(\$25,600)	(\$25,600)	(\$25,600)	(\$25,600)	
Reserve for Facilities	(\$25,000)	\$12,500	\$12,500	\$0	\$0	\$0	
Operating Surplus/(Deficit)	(\$82,051)	(\$140,259)	(\$236,723)	(\$254,043)	(\$263,258)	(\$269,966)	
Fund Balance at Beginning of Year - July 1	\$222,607	\$140,556	\$297	(\$236,426)	(\$490,468)	(\$753,727)	
ENDING FUND BALANCE							
Fund Balance at End of Year - June 30	\$140,556	\$297	(\$236,426)	(\$490,468)	(\$753,727)	(\$1,023,693)	
<i>Fund Balance as a % of Total Expenditures</i>	4.2%	0.0%	-6.7%	-13.4%	-20.4%	-27.1%	

Issue is not just about filling the gap in FY21, but large structural deficits in each year of Five Year Plan

Projected Annual Operating Deficits

Assumptions result in \$38m gap in FY21; \$1 Billion deficit by FY25

- \$38 million is equivalent to just over 1 percent of total budget
- After taking out Charter costs, Debt, and non District schools, \$38 million represents approximately 2 percent of District School Operations.
- Creates structural imbalance for District – over \$250 million annually
- Failure to solve for the long term issues will still leave the District with a \$240 million deficit a year from now

Five Year Plan Risks

- Economic Uncertainty
 - * Constantly evolving pandemic responses and resulting economic impacts
 - * No one can accurately predict the “new normal”
- No fund balance to manage unforeseen events, even beyond the economic uncertainty
 - * For example, environmental issues mid-year required more than \$15 million in additional mid-year spend
- No funds available for expiring labor contracts

Mitigation Steps Currently Underway

- Central Office Hiring Freeze
- Careful monitoring of School Budget Hiring trends
- Ongoing evaluation of current obligated funds in school and central office budgets for remainder of FY20
- Reviewing past expenditure reduction decisions for lessons learned regarding relative impact of cuts
- Reviewing proposed new investment spending to determine what can be delayed
- Reviewing and prioritizing all Action Items and Contracts

TIMELINE

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March

Board of Education
Lump Sum Vote

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April

Board of Education
Budget Hearing
Committee Meetings

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April

Board of Education
Action Meeting

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May

City Council
Budget Hearing

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May

Finance and Facilities
Committee Meeting

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May

Board of Education
Budget Vote



May

City Adoption of Tax
Measures for School District



June

State Budget
Adoption