



THE SCHOOL DISTRICT OF
PHILADELPHIA

Fiscal Year 2025 Operating Budget Board of Education Public Budget Kickoff

December 7, 2023

Tony B. Watlington, Sr. Ed.D.
Superintendent

Mike Herbstman
Chief Financial Officer

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Agenda

FY 2024 - FY 2028 Five-Year Plan Impacts

- Historical Budget Context
- December 2023 Considerations and Projection Updates
- Projections with December Considerations and Updates

From Structural Deficit to Fiscal Sustainability

- Additional Revenue Requirements to Close Budget Deficit
- Dynamic Uncertainty - Three Paths Forward
- Responsible Funding Requests and Expected Outcomes

FY 2025 Budget Development Process Changes

- FY 2025 Process Improvements and Future Projects
- Transformative Engagement Plans



FY 2024 - FY 2028 Five-Year Plan Impacts

Historical Budget Context

FY 2022 Budget Development

- + Decades of Inadequate and Inequitable Funding
- + No State Appropriation Growth - FY 2021 or FY 2022
- + Early Effects of the Pandemic on Tax Revenues
- + Emerging Student and Employee Needs
- = Projected FY 2022 Deficit > \$300 Million

Effective and Efficient Use of Pandemic Funding

- Lower Levels of Student Learning Loss than Other Large Urban Districts (Based on NAEP)
- Meaningful Recent Academic Advancement Towards Achieving the Board's Goals & Guardrails
- Balanced Operating Budgets, Improved Financial Rating Outlooks Financial Reporting and Internal Control Excellence

Fiscal Year 2024 - 2028 Five-Year Plan Impacts

December 2023 Considerations and Projection Updates

01	Local 634 Agreement (Five-Year Plan Impact: \$45.4M)	<ul style="list-style-type: none">• Tentative agreement reached 9/28/2023.• Membership ratification 10/6-7/2023.• Board of Education approval 10/12/23.
02	Future Labor Negotiations (Five-Year Plan Impact: TBD)	<ul style="list-style-type: none">• PFT (CBA Expiration Date: 8/31/2024)• CASA (CBA Expiration Date: 8/31/2025)• Local 32BJ (CBA Expiration Date: 8/31/2026)• SPAP (CBA Expiration Date: 8/31/2026)
03	Continuation of Critical ARPA Initiatives (Five-Year Plan Impact: TBD)	<ul style="list-style-type: none">• 783 positions including school allocations.• Learning recovery contracts and supports.• School climate and safety programs.• Environmental services contracts.• Most summer and after-school programs.• Maintenance, facilities and cleaning contracts.
04	Year 2-5 Implementation of Accelerate Philly (Five-Year Plan Impact: TBD)	<ul style="list-style-type: none">• Ongoing support of 37 year-one initiatives.• Initial implementation of 25 other strategic actions.• Continuance and maintenance of all 62.
05	Adequate & Equitable Funding (Five-Year Plan Impact: TBD)	<ul style="list-style-type: none">• Commonwealth Court declared current state school funding inadequate, inequitable and unconstitutional.• SDP underfunded by \$7,926 per student totaling \$1.6 billion annually (Per Dr. Matthew Kelly, PSU Professor and School Funding Expert).• Revised Projections include only 4.9% annual increase in state funding (same as current year) and Projections Based on City-Provided Data.

Fiscal Year 2024 - 2028 Five-Year Plan Impacts

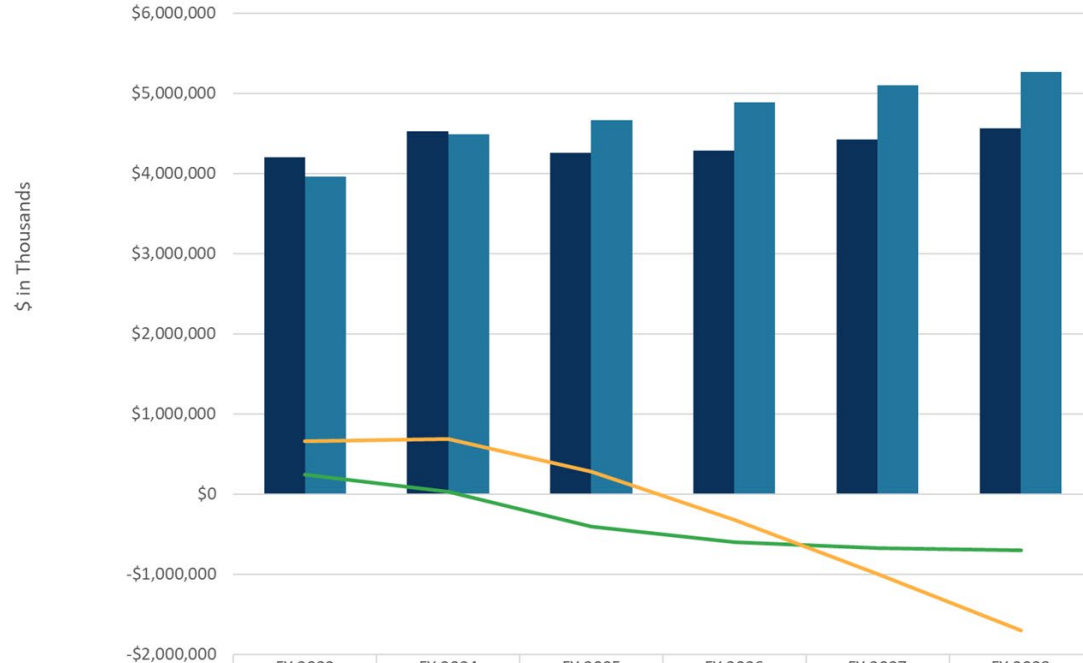
Projections with December 2023 Considerations and Updates

FY 2024:
Balanced Budget

FY 2025:
Structural Deficit
Begins

FY 2026:
Depleted Fund Balance

FY 2027 and Beyond:
Runaway Deficit



	FY 2023 Amended	FY 2024 Projected	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected
Total Revenue and Other Funding Sources	\$4,205,469	\$4,522,949	\$4,256,206	\$4,288,815	\$4,422,645	\$4,564,431
Total Expenditures, Other Uses and Net Transfers	\$3,957,640	\$4,493,237	\$4,664,026	\$4,889,965	\$5,098,278	\$5,266,653
Operating Surplus (Deficit)	\$247,829	\$29,712	-\$407,820	-\$601,150	-\$675,633	-\$702,222
Projected Ending Fund Balance	\$656,003	\$685,715	\$277,896	-\$323,254	-\$998,887	-\$1,701,109

Note: Includes Operating Funds and Federal Recovery Funds. Also includes 4.9% State revenue growth (aligned to FY 2024 percentage Growth) and projections from City-provided data.

From Structural Deficit to Fiscal Sustainability

Additional Revenue Requirements to Close Budget Deficit

(\$ in Millions)	FY 2025	FY 2026	FY 2027	FY 2028
Annual Budget Deficit (Assuming no State or City Revenue Growth)	-\$581.2	-\$917.8	-\$1,128.0	-\$1,294.8
State Revenue Growth Based on Same Percentage Increase as FY 2024	\$101.2	\$207.4	\$318.8	\$435.6
City Revenue Growth Based on City-Provided Assumptions	\$72.2	\$109.2	\$133.6	\$157.0
Annual Budget Deficit (With Normal State/City Increases)	-\$407.8	-\$601.1	-\$675.6	-\$702.2
Savings from Contingency Reduction and Strategic Fund Alignments	\$86.0	\$51.0	\$51.0	\$51.0
Savings from Central Office Vacant Position Analysis, Non-Personnel Budget Reviews, Modified ZBB and Data-Driven Program Analysis	\$47.0	\$56.0	\$60.0	\$60.0
Private/Foundation Funding Additional Expectations	\$12.0	\$14.0	\$16.0	\$18.0
Annual Budget Deficit (Before Use of Fund Balance)	-\$262.8	-\$480.1	-\$548.6	-\$573.2
Multi-Year Commitment to Draw Down Fund Balance	\$125.0	\$175.0	\$100.0	\$25.0
Revenue Needed to Close Budget Deficit (Above Standard Increases)	\$137.8	\$305.1	\$448.6	\$548.2
Annual Incremental Revenue Needed to Close Budget Deficit (Above Standard Increases)	\$137.8	\$167.3	\$143.5	\$99.6

From Structural Deficit to Fiscal Sustainability

Dynamic Uncertainty: Three Paths Forward

Paths to...

**...Compounding
Deficiency**

The image depicts a stylized landscape with three mountains of varying heights and three winding rivers. The rivers are light blue and flow from left to right. The background is a gradient of light blue. The text labels are placed above each river.

**...Insufficient
Continuity**

**...Accelerated
Prosperity**

From Structural Deficit to Fiscal Sustainability

Responsible Funding Requests and Expected Outcomes

Compounding Deficiency

State/City Funding at Standard Annual Growth Level

FY 2025 State/City Funding

- State Standard Growth: \$101M
- City Standard Growth: \$72M



- Increased Inadequacy of Funding.
- Substantial Reductions in Educational and Other Services to Students.
- Over-Commitment of Fund Balance.
 - Runaway Deficit.

Insufficient Continuity

State/City Funding Increases to Address Deficit Only

FY 2025 State/City Funding

- State Growth to Balance: \$209M
- City Growth to Balance: \$102M



- Continued Insufficiency of Funding.
 - Current Inadequate Educational and Other Service Levels to Students.
 - Short-Term Fiscal Stability.

Accelerated Prosperity

State/City Funding Increases to Move Towards Adequacy

FY 2025 State/City Funding

- State Growth to Prosper: \$357M
- City Growth to Prosper: \$144M



- Statewide Funding Adequacy In 5 Years.
 - Vastly Improved Educational and Other Service Levels to Students.
 - Perpetual Fiscal Sustainability.

A prioritized list of initiatives will be presented this winter.

FY 2025 Budget Development Process Changes

Transformative Engagement

Stakeholder Group	November/ December	January	February	March	April/May
Students	Group-Specific Survey (Budget Priorities)	Discussions with Student Board Members And Student Advisory Group		Group-Specific Survey (Reactions to Lump Sum)	BOE Budget Hearing City Budget Hearing
Parents/Guardians (Families)	Group-Specific Survey (Budget Priorities)	PCAC Focus Group	Parent and Guardian Advisory Group Discussions	Group-Specific Survey (Reactions to Lump Sum)	BOE Budget Hearing City Budget Hearing
Teachers	Group-Specific Survey (Budget Priorities)	Teacher Advisory Group Discussions	Teacher Advisory Group Discussions	Group-Specific Survey (Reactions to Lump Sum)	BOE Budget Hearing City Budget Hearing
Principals	Group-Specific Survey (Budget Priorities)	Principal Advisory Group Discussions	Principal Advisory Group Discussions	Group-Specific Survey (Reactions to Lump Sum)	BOE Budget Hearing City Budget Hearing
Support and Administrative Employees	Group-Specific Survey (Budget Priorities)	Support Employee and School Administrator Focus Groups	Central Office Staff Focus Groups	Group-Specific Survey (Reactions to Lump Sum)	BOE Budget Hearing City Budget Hearing
External, Community and Faith-Based Partners	General Survey (Budget Priorities)	Discussions with Specific Partners/Advocates including Mayor's Commissions	Discussions with Specific Partners/Advocates including Mayor's Commissions	General Survey (Reactions to Lump Sum)	BOE Budget Hearing City Budget Hearing
Labor Partners (Unions)	Labor Partner Meetings Priority Discussions	Labor Partner Meetings Priority Discussions		Lump Sum Budget Preview	BOE Budget Hearing City Budget Hearing
City Government Partners/Funders	Financial Discussions with City Finance, Finance/Priority Discussions with Ed. Committee, City Gov. Leadership and Transition Team	Financial Discussions with City Finance, Finance/Priority Discussions with City Government and Council Leaders	Financial Discussions with City Finance, Finance/Priority Discussions with Education Committee	Financial Discussions with City Finance, Lump Sum Budget Preview	City Budget Hearing
State Partners/Funders	Delegation Meeting	Governor's Administration Discussions	Legislative Leader Discussions	Lump Sum Budget Preview	
Other Community Members	General Survey (Budget Priorities)			General Survey (Reactions to Lump Sum)	BOE Budget Hearing City Budget Hearing



THE SCHOOL DISTRICT OF
PHILADELPHIA

“All witnesses agree that every child can learn. It is now the obligation of the Legislature, Executive Branch, and educators, to make the constitutional promise a reality in this Commonwealth.”

*Pennsylvania Commonwealth
Court President Judge Renée
Cohn Jubelirer*

Thank you and Questions

