Fiscal Year 2025 Operating Budget
Board of Education Public Budget Kickoff

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

Mike Herbstman
Chief Financial Officer

December 7, 2023
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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) | ● 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) | ● 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) | ● 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) | ● 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) | ● 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

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**

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

Paths to...

...Compounding Deficiency

...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

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


“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