

# Five Year Financial Plan

---

December 18, 2014



# The five-year financial plan is a valuable budgetary forecast tool which outlines the District's strategic priorities. It is not the District's budget.

- The five-year financial plan enhances the District's ability to invest strategically, provide transparency, and ensure that the District remains a responsible financial steward of public resources.
- Since the previous Five-Year Financial Plan in September 2012, District leadership has made difficult decisions to achieve fiscal stability. The District has:
  - Realized more than \$140 million in labor concessions
  - Closed 24 schools
  - Reduced administrative spending to less than 3% of budget
- The District has also:
  - Secured additional revenues totaling \$337 million
  - Expanded opportunities for students to attend high-quality District schools, invested in new school models, and converted three low-performing schools into Renaissance Charter schools
- While many of these steps allowed the District to spend within expected revenues, a balanced budget came at the expense of the District's students.



**Over the next five years, the District will build a system of great schools that will provide every student in Philadelphia with a high quality education. This requires an infusion of new, recurring resources in conjunction with effective implementation of the District’s Action Plan.**

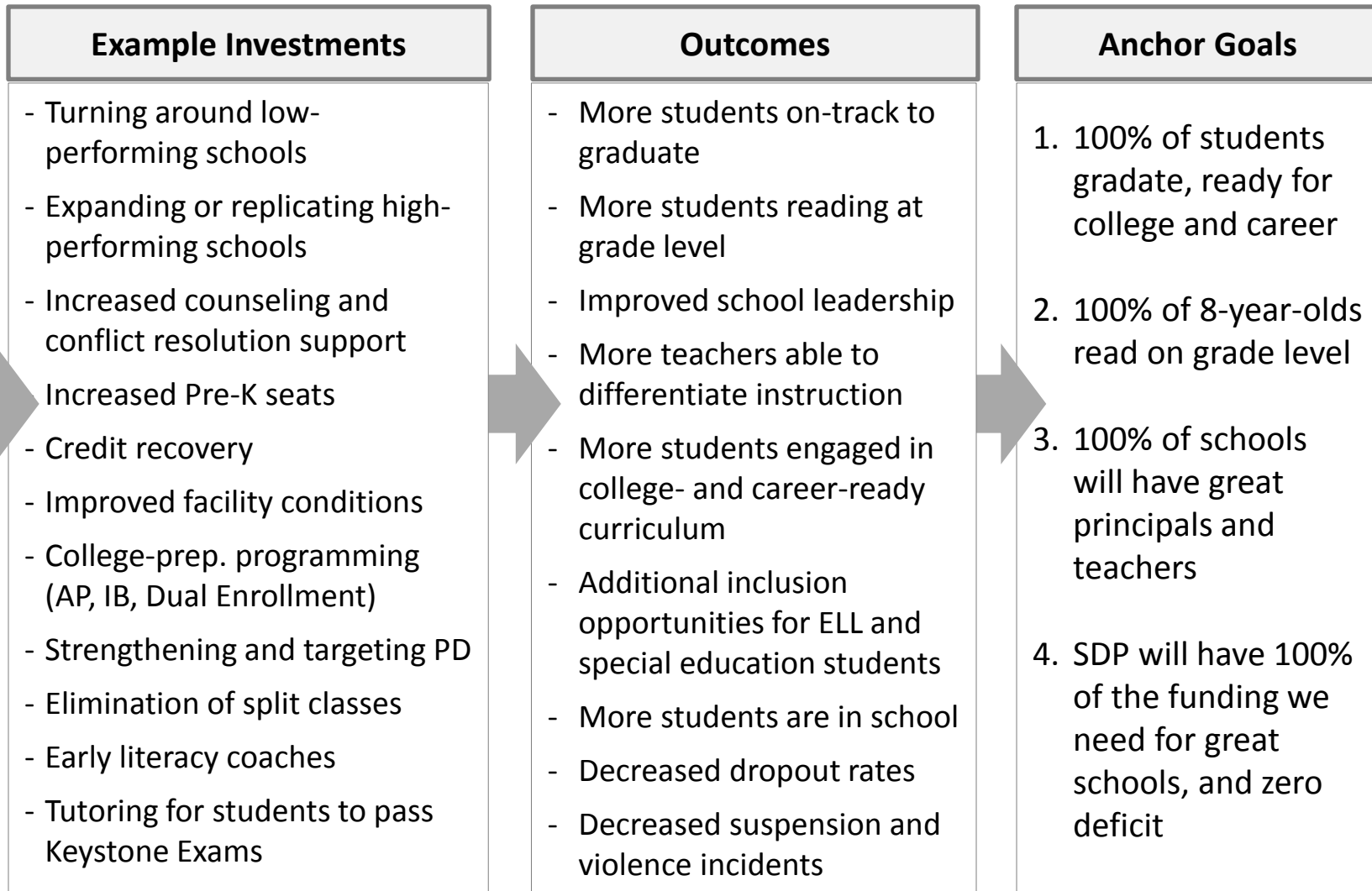
- To continue and expand its transformation of schools, the District is requesting \$309 million in new revenues and anticipates labor savings of \$49 million in FY16.

Cumulative Revenue Request / Savings Above FY15 (in thousands)

	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>
City	\$ 102,964	\$ 178,951	\$ 241,160	\$ 304,349
State	\$ 205,928	\$ 357,901	\$ 482,319	\$ 608,698
<b>Revenue Request</b>	<b>\$ 308,892</b>	<b>\$ 536,852</b>	<b>\$ 723,479</b>	<b>\$ 913,048</b>
Labor Savings	\$49,132	\$51,365	\$54,048	\$57,240
<b>Total Revenues / Savings</b>	<b>\$358,024</b>	<b>\$588,217</b>	<b>\$777,527</b>	<b>\$970,288</b>



# These resources will enable the District and school leaders to better support students and improve the District's academic outcomes.



**New,  
Recurring  
Resources**



# The District's five-year financial plan for transformation includes:

- Investments in District schools of \$308 million in FY16 and \$485 million by FY19
  - The District is committed to direct the majority of these resources to schools
  - With District guidance and support from Assistant Superintendents, principals and their staffs will have the necessary flexibility to allocate resources in the ways that best address the needs of their students
- Charter sector growth of approximately 13,500 students over five years and total investments of \$360 million by FY19
- Labor savings of \$49 million in FY16 and over \$200 million by FY19

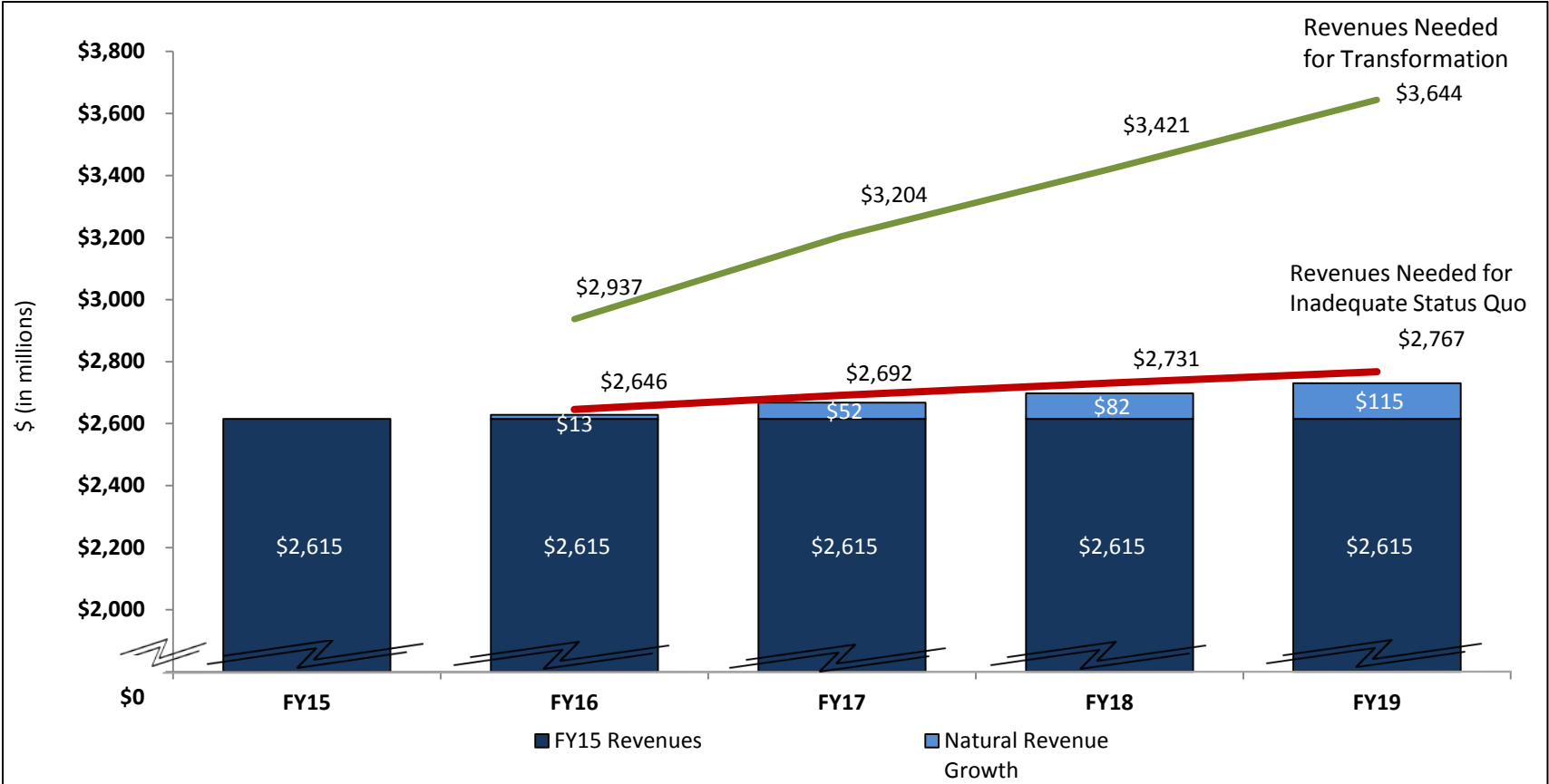


**Apart from providing new, recurring revenues, the State and City can help alleviate some of the District’s financial challenges through policy and practice changes.**

	Topic	Challenges	Recommendations / Requests
<b>State</b>	State Funding Method	The State does not take into consideration the varying level of services that students across the State require	<u>Create of a fair funding formula</u> that includes more funding for students with additional needs
	Charter School Per Pupil Funding	The charter school funding mechanism passes along funding to charter schools for services which they do not provide	<u>Reform the charter school funding mechanism</u> to include only the cost of services for the types of students that charter schools serve
	Charter School Special Ed. Funding	The per pupil funding calculation for payment to charter schools does not allow for variations in rates for special ed. students	<u>Reform the per pupil calculation for special ed. students</u> to reflect cost; reform the IDEA pass-through
	PSERS	The State-established PSERS rate increases from 21.4% to 33.1% from FY15-FY19 , creating an unfunded PSERS mandate of approx. \$29 million	<u>Reform the pension formula</u> or provide additional revenues to relieve the District of uncontrollable cost growth
<b>City</b>		Identifying additional opportunities to support the District in its desire to realize its full City revenue potential	<u>Enhance practices</u> that allow for increases in revenues dedicated to the District

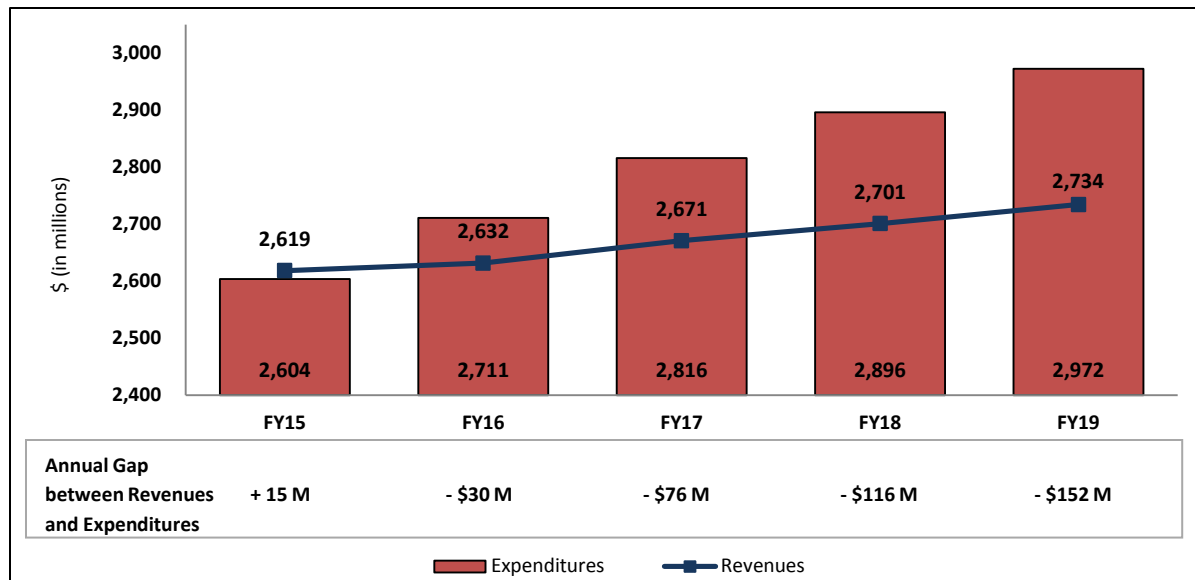


**While significant resources are needed to aid the District in transforming its schools, the District is committed to living within its means. Therefore, the plan proposed for adoption is based on the inadequate level of services in District schools today.**



# This inadequate status-quo plan includes:

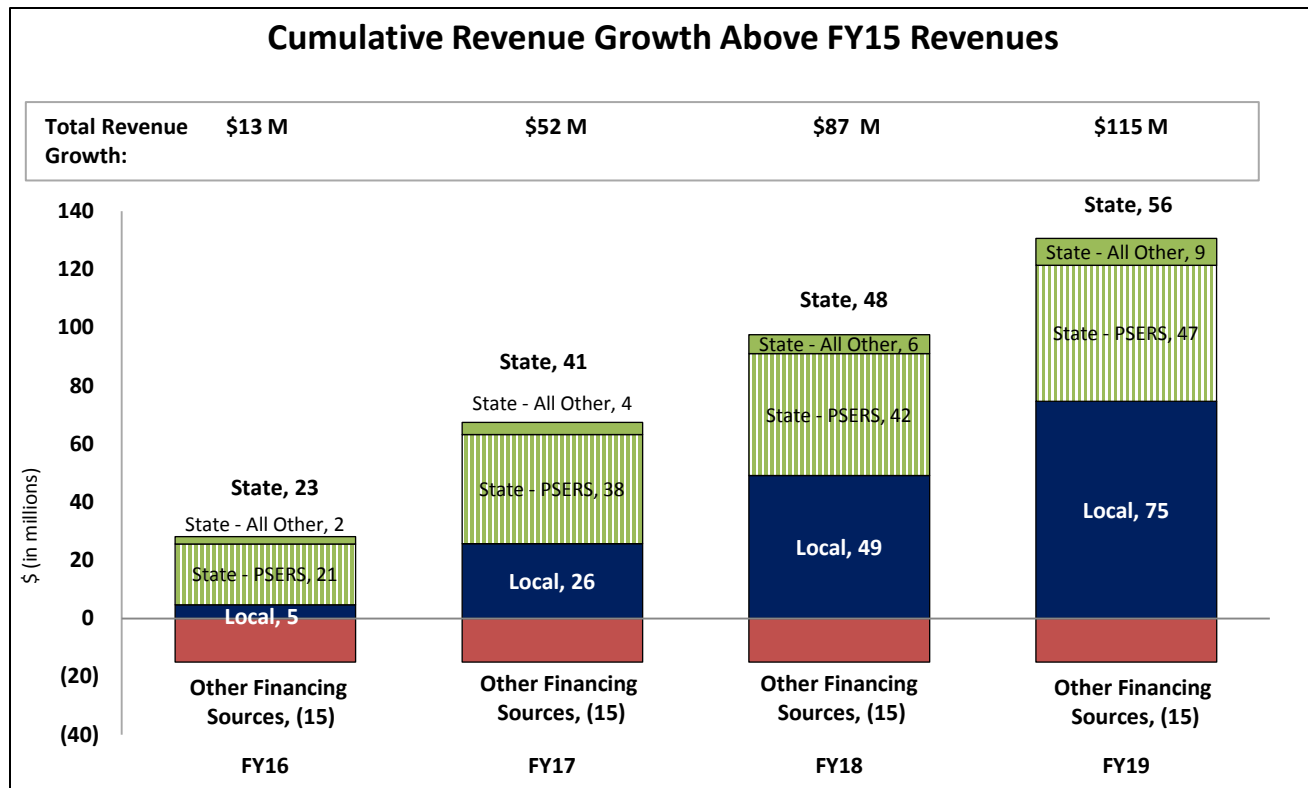
- Revenue growth of \$115 million over five years, which is a compounded annual growth rate of 1.1%
- Expenditure growth of \$282 million over five years, which is a compounded annual growth rate of 2.6%; the large majority of this cost growth is out of the District's control
- Labor Savings of \$49 million in FY16 and over \$200 million over the five years
- Gap between revenue and expenditures of \$30 million in FY16 and a cumulative gap of \$374 million over the five years; this gap will need to be closed though additional revenues or expenditure reductions





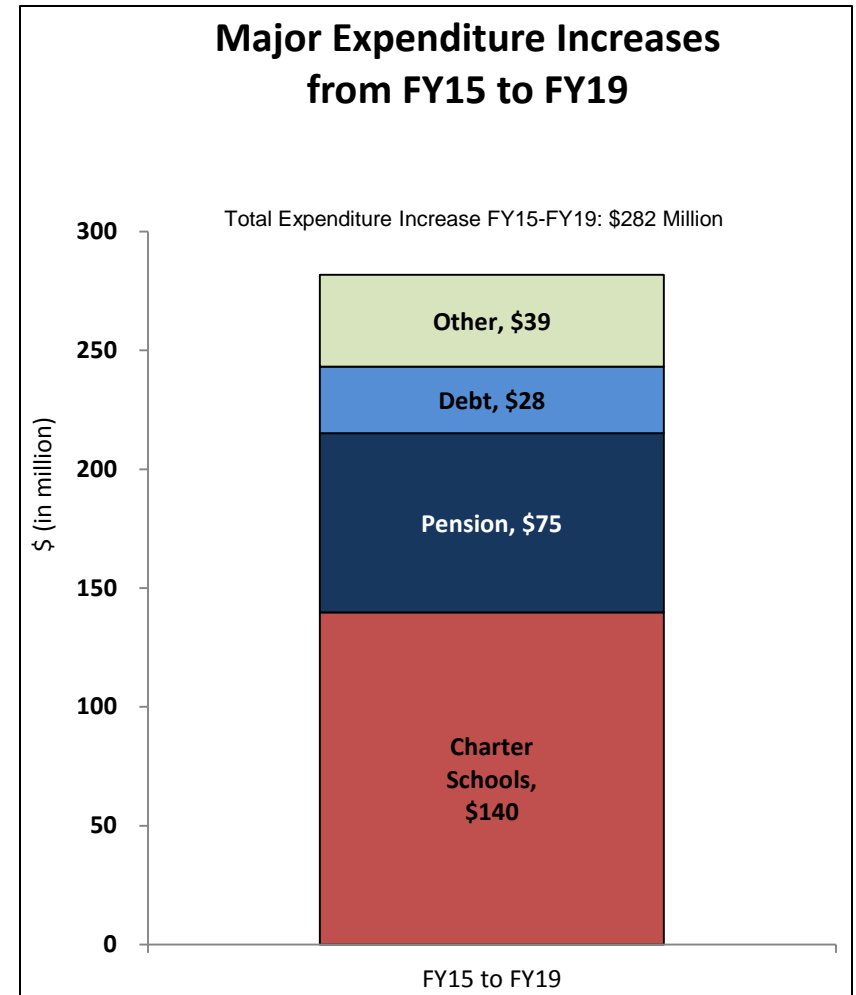
# Revenue Assumptions

- After years of significant reductions, the District cannot continue to cut its way to solvency. The District faces a revenue, rather than expenditure, problem.
- Revenues are projected to increase by just 0.5% between FY15 and FY16 and by an annual compounded rate of only 1.1% over five years.



# Expenditure Assumptions

- The plan assumes that service levels in FY16 through FY19 will remain similar to FY15 levels, which are wholly inadequate and fail to provide students and educators with the supports needed to transform schools
- Approximately 86% of the District's expenditure growth between FY15 and FY19 can be attributed to three categories:
  - Charter Schools
  - Pension
  - Debt
- The rise in expenditure growth is partially offset by assumed labor savings of \$49 million in FY16 and over \$200 million during the five years of the plan



**Meeting the conditions of a five-year financial plan that focuses on the transformation of schools will demonstrate the commitment of the City, State, and labor unions to the students of Philadelphia and provide much needed investment to a system that has been depleted in recent years.**

Cumulative Revenue Request / Savings Above FY15 (in thousands)

	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>
City	102,964	178,951	241,160	304,349
State	205,928	357,901	482,319	608,698
<b>Revenue Request</b>	<b>308,892</b>	<b>536,852</b>	<b>723,479</b>	<b>913,048</b>
Labor Savings	\$49,132	\$51,365	\$54,048	\$57,240
<b>Total Revenues / Savings</b>	<b>\$358,024</b>	<b>\$588,217</b>	<b>\$777,527</b>	<b>\$970,288</b>

