



Fiscal Year 2011-2012

(July 2011 – June 2012)

Budget Update

School Reform Commission

January 19, 2012

Budget Stress Arithmetic

Balanced but not balanced

+ Cost structure hard to change

+ Unpredictable mid-year cost
increases

+ ~~No control over revenue changes~~

Leadership consumed by budget

What Caused the District's FY12 Budget Gap?

- Reduction in Revenues - nine percent reduction in Operating Funds revenue and 30% reduction in Categorical Grants revenue
- Growth in costs required by law, contract or collective bargaining (wages, health benefits, pension contributions, utilities, charter school per pupil payments)
- Loss of non-recurring savings utilized to balance the District's FY11 budget

School District FY12 Budget Gap Update

\$617 “Solved” FY12 Gap – broken out in categories

Item	
Cuts to Schools	\$316 million
Debt savings – refinancing/other	\$79 million
Local funding	\$53 million
Cuts to Central Offices	\$45 million
PFT deferral and elimination of payment	\$58 million*
FY11 Surplus	\$31 million
Elimination of Unfunded Stimulus Programs	\$26 million
Cuts to Operating Support for Schools	\$23 million
Union cuts (other than PFT)	\$2 million
TOTAL	\$617 million

*\$16 million of the \$58 million in the PFT deferral/elimination of payment is from the categorical funds, and therefore is not included in the total.

**\$169 million of the “Solved”
FY12 Gap is made up of
non-recurring savings**

Schools have significantly cut “discretionary” costs

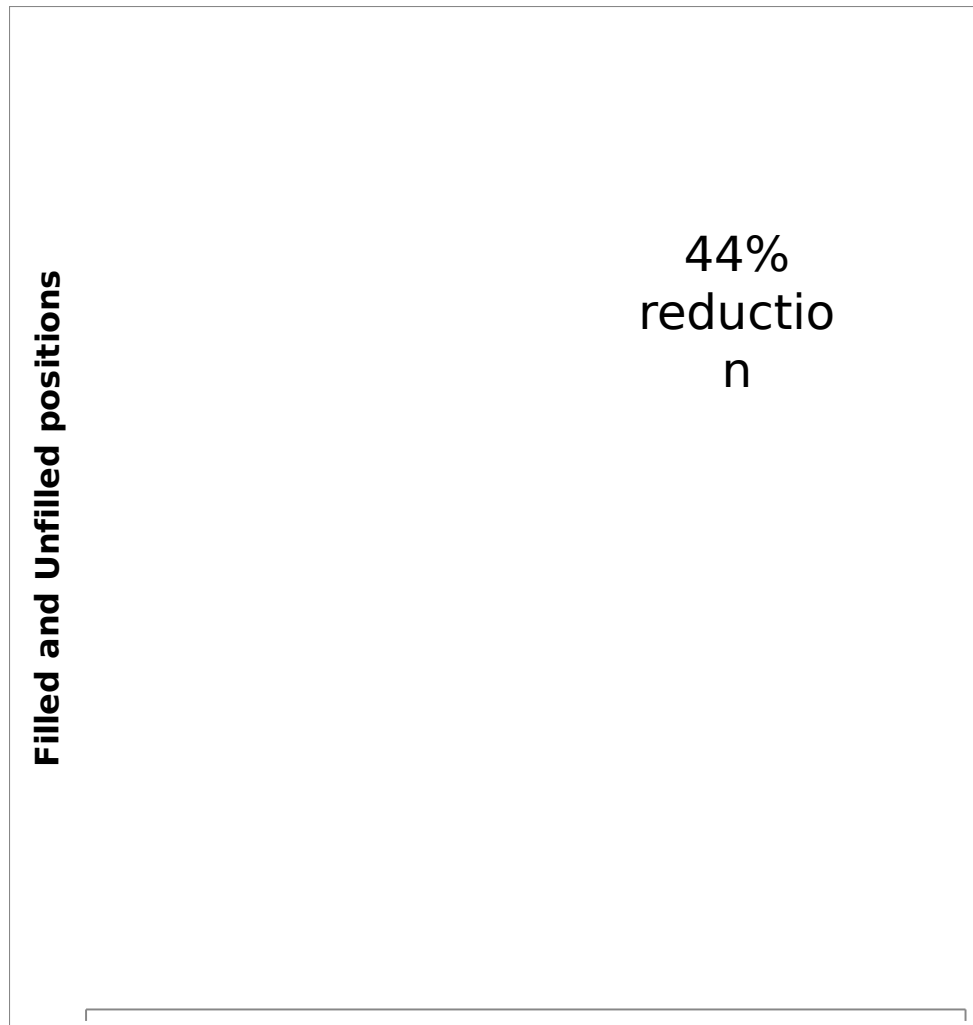


How have the cuts impacted Schools? One example:



	FY10-11	FY11-12	Diff (\$)	Diff (%)
Books Supplies, Equipment, Other	317,055	107,486	-209,569	-66%
Contracts	15,943	0	-15,943	-100%
Part-Time Salaries	199,048	103,681	-95,367	-48%
Total	532,046	211,167	-320,879	-60%

Central Office Staffing



- No significant reorganization
- No business process redesign
- Compliance deficiency

Options Menu for the \$61 million shortfall

Recommendations from Budget Implementation Committee/SDP Management	\$23.4
Central Office cuts (in progress)	\$0.9
Non-represented employees (furloughs, salary freeze and health benefit contributions)	\$1.0
Summer School reserve	\$1.4
Close buildings at 9pm	\$1.6
Freeze/reduce Non-Personnel Budgets	\$18.5
Further reductions in school-based services	\$15.2
Reduce Special Education budget	\$0.5
Reduce English Language Learners budget	\$0.6
Eliminate remaining Bilingual Counselor Assistants complement	\$1.0
Eliminate remaining Gifted Programs	\$1.0
Eliminate supplemental Counselors	\$1.5
Reduce Alternative Education budget	\$2.0
Cut Psychologists by 50%	\$2.5
Eliminate all Athletics spring program	\$2.8
Eliminate remaining Instrumental Music complement	\$3.3
Safety Officers	\$15.5
Examples of System-Wide Compensation Savings to Pursue	\$46.3
4 unpaid furloughs	\$17.1
Rescission of pay increase	\$13.9
Layoffs	\$5.8
Contribution holiday	\$3.5
Contribution to benefits	\$6.0

Looking Ahead to FY13

- Loss of \$169 million (non-recurring savings in FY12)
- Projected growth of \$100 million, including:
 - \$40 million in wage and benefit cost increases
 - \$31 million in debt service cost
 - \$17 million of repayments to PFT and SEPTA
 - \$12 million in pension fund increased contribution
- FY13 structural challenge is at \$269 million (\$391 million if current gap isn't closed), before adjusting for any potential additional costs and/or lost revenues