How Our Budget is Funded

- Real Estate: $182,008,265 (27%)
- Earned Income Tax: $149,715,683 (22%)
- Real Estate Transfer Tax: $15,302,219 (2%)
- Other Local Revenues: $4,906,218 (1%)
- Basic Instructional Subsidy: $163,259,830 (24%)
- Social Security Payments: $7,951,325 (1%)
- Other State Revenues: $2,955,413 (1%)
- Retirement Contributions: $41,995,360 (6%)
- State Property Tax Reduction: $15,579,897 (2%)
- Transportation State Reimbursement: $13,695,627 (2%)
- Special Education State Reimbursement: $29,039,497 (4%)
- Other Sources Revenues: $5,504,924 (1%)
- Fund Balance: $39,433,800 (6%)
- Prior Year Encumb.: $2,500,000 (1%)
- Social Security Payments: $7,951,325 (1%)
- State Property Tax Reduction: $15,579,897 (2%)
- Transportation State Reimbursement: $13,695,627 (2%)
- Special Education State Reimbursement: $29,039,497 (4%)
- Other Sources Revenues: $5,504,924 (1%)
- Fund Balance: $39,433,800 (6%)
- Prior Year Encumb.: $2,500,000 (1%)

Expect great things.
How We Spend Our Budget

- **Salaries & Benefits**: $341,145,484 (51%)
- **Special Education**: $89,436,870 (13%)
- **Debt Service**: $43,399,171 (6%)
- **Charter Schools**: $106,033,980 (16%)
- **Transportation**: $34,813,366 (5%)
- **Utilities**: $9,979,377 (2%)
- **Purch. Prof. & Tech. Services**: $9,145,452 (1%)
- **Purch. Prop. Services**: $3,285,160 (1%)
- **Other Purch. Services**: $13,822,629 (2%)
- **Supplies**: $11,352,231 (2%)
- **Property**: $5,179,827 (1%)
- **Other Objects**: $3,175,311 (0%)
- **Other Finan. Uses**: $579,200 (0%)
- **Prior Year Encumbrances**: $2,500,000 (0%)
- **Other Purch. Services**: $13,822,629 (2%)
- **Charter Schools**: $106,033,980 (16%)
- **Transportation**: $34,813,366 (5%)
- **Utilities**: $9,979,377 (2%)
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- **Property**: $5,179,827 (1%)
- **Other Objects**: $3,175,311 (0%)
- **Other Finan. Uses**: $579,200 (0%)
- **Prior Year Encumbrances**: $2,500,000 (0%)

**Total Budget**: $341,145,484
Composition of Current Budget

- School Based, 46%
- Departmental Budgets, 26%
- Centrally Allocated School Based, 3%
- Fixed Costs, 25%
<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Total Revenues</td>
<td>$639,805,733</td>
<td>$624,161,000</td>
<td>$631,914,258</td>
<td>$639,224,007</td>
<td>$647,292,112</td>
<td>$655,323,863</td>
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<tr>
<td>Total Expenditures</td>
<td>$664,814,155</td>
<td>$639,761,677</td>
<td>$671,348,058</td>
<td>$678,204,994</td>
<td>$683,951,236</td>
<td>$691,892,941</td>
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<tr>
<td>Beginning Balance</td>
<td>$81,631,443</td>
<td>$88,834,882</td>
<td>$73,234,205</td>
<td>$33,800,405</td>
<td>($5,180,582)</td>
<td>($41,839,707)</td>
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<tr>
<td>Operating Surplus/(Deficit)</td>
<td>($25,008,422)</td>
<td>($15,600,677)</td>
<td>($39,433,800)</td>
<td>($38,980,987)</td>
<td>($36,659,124)</td>
<td>($36,569,078)</td>
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<tr>
<td>Ending Fund Balance</td>
<td>$56,623,021</td>
<td>$73,234,205</td>
<td>$33,800,405</td>
<td>($5,180,582)</td>
<td>($41,839,707)</td>
<td>($78,408,785)</td>
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<tr>
<td>Less Projected Reservations</td>
<td>($2,500,000)</td>
<td>($2,500,000)</td>
<td>($2,500,000)</td>
<td>($2,500,000)</td>
<td>($2,500,000)</td>
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<tr>
<td>Less Committed Fund Balance</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>Less Assigned Fund Balance</td>
<td>($20,879,089)</td>
<td>($39,433,800)</td>
<td>(38,980,987)</td>
<td>(36,659,124)</td>
<td>(36,569,078)</td>
<td>($34,614,013)</td>
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<tr>
<td>Unassigned Fund Balance</td>
<td>$33,243,933</td>
<td>$31,300,405</td>
<td>($7,680,582)</td>
<td>($44,339,707)</td>
<td>($80,908,785)</td>
<td>($115,522,797)</td>
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<tr>
<td>% Budgeted Expenditures</td>
<td>5.00%</td>
<td>4.89%</td>
<td>-1.14%</td>
<td>-6.54%</td>
<td>-11.83%</td>
<td>-16.70%</td>
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<tr>
<td>Minimum Fund Balance per Board Policy #721</td>
<td>$33,240,708</td>
<td>$31,988,084</td>
<td>$33,567,403</td>
<td>$33,910,250</td>
<td>$34,197,562</td>
<td>$34,594,647</td>
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</tr>
<tr>
<td>Compliance with Fund Balance Policy</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
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<tr>
<td>Funds needed to comply with Fund Balance Policy</td>
<td>$687,679</td>
<td>$41,247,985</td>
<td>$78,249,956</td>
<td>$115,106,346</td>
<td>$150,117,444</td>
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Our Current Financial Forecast

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<tr>
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<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$639,805,733</td>
<td>$619,720,159</td>
<td>$631,914,258</td>
<td>$639,224,007</td>
<td>$647,292,112</td>
<td>$655,323,863</td>
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<td><strong>Total Expenditures</strong></td>
<td>$664,814,155</td>
<td>$624,080,776</td>
<td>$671,348,058</td>
<td>$678,204,994</td>
<td>$683,951,236</td>
<td>$691,892,941</td>
</tr>
<tr>
<td><strong>Beginning Balance</strong></td>
<td>$81,631,443</td>
<td>$88,834,882</td>
<td>$84,474,265</td>
<td>$45,040,465</td>
<td>$6,059,478</td>
<td>($30,599,647)</td>
</tr>
<tr>
<td><strong>Operating Surplus/(Deficit)</strong></td>
<td>($25,008,422)</td>
<td>($4,360,617)</td>
<td>($39,433,800)</td>
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<td>$6,059,478</td>
<td>($30,599,647)</td>
<td>($67,168,725)</td>
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<tr>
<td>Less Projected Reservations</td>
<td>($2,500,000)</td>
<td>($2,500,000)</td>
<td>($2,500,000)</td>
<td>($2,500,000)</td>
<td>($2,500,000)</td>
<td>($2,500,000)</td>
</tr>
<tr>
<td>Less Committed Fund Balance</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
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<td>($20,879,089)</td>
<td>($39,433,800)</td>
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<td>(36,569,078)</td>
<td>(34,614,013)</td>
</tr>
<tr>
<td><strong>Unassigned Fund Balance</strong></td>
<td>$33,243,933</td>
<td>$42,540,465</td>
<td>$3,559,478</td>
<td>($33,099,647)</td>
<td>($69,668,725)</td>
<td>($104,282,737)</td>
</tr>
<tr>
<td><strong>% Budgeted Expenditures</strong></td>
<td>5.00%</td>
<td>6.82%</td>
<td>0.53%</td>
<td>-4.88%</td>
<td>-10.19%</td>
<td>-15.07%</td>
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<tr>
<td>Minimum Fund Balance per Board Policy #721</td>
<td>$33,240,708</td>
<td>$31,204,039</td>
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<td>$34,594,647</td>
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<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
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<tr>
<td>Funds needed to comply with Fund Balance Policy</td>
<td>$30,007,925</td>
<td>$67,009,896</td>
<td>$103,866,286</td>
<td>$138,877,384</td>
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What has changed with our forecast?
It’s All About Revenues and Expenditures

- Revenues are $4.4 million lower than projected
- Expenditures are $15.7 million lower than projected
- The result is a $11.3 million reduction to the projected 2020 budget deficit
Major Revenue Changes

<table>
<thead>
<tr>
<th>Date</th>
<th>Earned Income</th>
<th>Transportation</th>
<th>Sinking Fund</th>
<th>Social Security</th>
<th>Retirement</th>
<th>Tuition</th>
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<tr>
<td>11/30/2021</td>
<td>147,503,135.72</td>
<td>13,427,085.19</td>
<td>1,685,729.57</td>
<td>7,594,228.00</td>
<td>39,500,816.83</td>
<td>4,105,336.17</td>
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<tr>
<td>2/19/2021</td>
<td>141,937,001.08</td>
<td>15,866,062.33</td>
<td>1,181,035.87</td>
<td>7,416,600.32</td>
<td>39,812,317.07</td>
<td>3,796,266.14</td>
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Major Expenditures Changes

<table>
<thead>
<tr>
<th>Category</th>
<th>11/30/2021</th>
<th>2/19/2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>201,273,697.51</td>
<td>198,948,334.03</td>
</tr>
<tr>
<td>Retirement</td>
<td>74,400,492.70</td>
<td>73,567,440.71</td>
</tr>
<tr>
<td>Other Prof Services</td>
<td>8,192,643.22</td>
<td>6,155,899.80</td>
</tr>
<tr>
<td>Special Ed</td>
<td>86,218,743.00</td>
<td>84,218,743.00</td>
</tr>
<tr>
<td>Transportation</td>
<td>24,381,628.20</td>
<td>19,778,000.27</td>
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<tr>
<td>Charter Schools</td>
<td>107,702,456.66</td>
<td>106,924,572.38</td>
</tr>
<tr>
<td>Supplies/Books/Software</td>
<td>8,738,275.69</td>
<td>7,797,832.36</td>
</tr>
<tr>
<td>Tech Equipment</td>
<td>4,758,613.75</td>
<td>3,749,145.21</td>
</tr>
</tbody>
</table>

Changes:
- Salaries: $6,589,653.51
- Retirement: $-933,051.93
- Special Ed: $-2,798,643.22
- Transportation: $-$6,603,485.20
- Charter Schools: $-$978,884.28
- Supplies/Books/Software: $-$949,442.74
- Tech Equipment: $-$1,009,468.54
How did we get here?
Our Deficits Began in 2016/2017
We Benefit From a Strong Local Economy

![Graph showing the percentage contributions of Basic Ed, Earned Income, Real Estate, and Realty Transfer from 2013 to 2020.]
Retirement and Charter Costs Continue to Skyrocket

Salaries
Charter Schools
Net Retirement
Net Special Ed

Expect great things.
Our Region, City and District Have Changed

- Pennsylvania is one of the slowest growing states in the Country. As a result, Pennsylvania will lose one and maybe two Congressional seats.

- Allegheny County and the City of Pittsburgh’s population continues to decline.

- Our population is aging, with 85+ as the fastest-growing age group in the state.

- Family size is shrinking, with families waiting longer to have children.
Our Region, City and District Have Changed

• As a result of years of enrollment decline, 12 PPS schools are currently operating under half capacity. Another 40 PPS schools are between 50 and 80 percent capacity.

• Low-enrollment schools deny students the same level of opportunities through extracurricular activities, or because some teachers must currently split time between two or more facilities.
These Factors Have Lead to Our Declining Fund Balance
Governor’s Proposed Budget

School District of Pittsburgh
Governor's Proposed Budget - 2021/22

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
<th>VARIATION</th>
<th>% CHANGE</th>
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<tr>
<td>BASIC EDUCATION FUNDING BASE</td>
<td>$163,259,830</td>
<td>$163,259,831</td>
<td>$1</td>
<td>0.00%</td>
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<tr>
<td>STUDENT WEIGHTED BEF INCREASE</td>
<td>$0</td>
<td>$2,237,531</td>
<td>$2,237,531</td>
<td>N/A</td>
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<tr>
<td>TOTAL BASIC EDUCATION FUNDING</td>
<td>$163,259,830</td>
<td>$165,497,362</td>
<td>$2,237,532</td>
<td>1.37%</td>
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<tr>
<td>READY TO LEARN BLOCK GRANT</td>
<td>$3,955,423</td>
<td>$3,955,423</td>
<td>$0</td>
<td>0.00%</td>
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<tr>
<td>SPECIAL EDUCATION</td>
<td>$29,039,497</td>
<td>$30,628,764</td>
<td>$1,589,267</td>
<td>5.47%</td>
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<tr>
<td>TOTAL</td>
<td>$196,254,750</td>
<td>$200,081,549</td>
<td>$3,826,799</td>
<td>1.95%</td>
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</table>
Governor’s Proposed Budget

• Governor’s Education budget has a 21.6% increase in Basic Education Funding (BEF) over 2020-21 appropriations, for a total of $1.35 Billion in new appropriations.

• Includes an additional $1.15 Billion distributed through the student-weighted formula and $200 Million distributed for sustained investment in school districts.

• Governor would allocate all of the existing BEF ($6.25 billion) through the student-weighted funding formula. The aforementioned $1.15 billion increase would be needed to hold district harmless. Please note that the increase would be funded by an increase the State personal income tax.

• If all existing funding is allocated via the funding formula and there is no personal income tax increase, 337 of the 500 districts in the Commonwealth would see a decrease in BEF.

   Pittsburgh would see a $93 million decrease in funding.
How does the funding formula work?

**Enrollment Statistics**
- 3-Year Avg. of Avg. Daily Membership

**Student Data**
- Students in poverty + Poverty levels + English language learners + Charter schools + Geographic sparsity

**District Data**
- Median Household Income + Local capacity to generate revenue

= Share of State Basic Education Funding
How does the funding formula work?

• Funding distributed on a prorate based on the product of the following three factors:
  • Student-weighted average daily membership (SWADM)
  • Median Household Index (MHI)
  • Local Effort Capacity Index (LECI)
    • One student based factor and two local economic factors
• So what is our formula enrollment?
  • SWADM x MHI x LECI
  • $33,730.956 \times 1.2719 \times 0.74 = 31,747.778$
• This makes us the 10th largest district in terms of formula enrollment
  • Currently the 2nd largest district in terms of actual enrollment
State SWADM Ranking

- Philadelphia – 309,521.553 (1st)
- **Pittsburgh – 33,730.956 (2nd)**
- Allentown City – 32,817.478 (3rd)
- Reading – 30,507.418 (4th)
- Erie City – 19,350.423 (5th)
- Bethlehem Area – 19,212.790 (6th)
- Central Bucks – 18,999.068 (7th)
State Formula Funding Ranking

• Philadelphia – $1,375,843,902.43 (1\textsuperscript{st})
• Reading – $232,267,692.60 (2\textsuperscript{nd})
• Allentown City – $222,660,430.47 (3\textsuperscript{rd})
• Erie City – $101,468,102.40 (5\textsuperscript{th})
• Pittsburgh – $69,979,661.83 (10\textsuperscript{th})
• Bethlehem Area – $57,158,783.67 (14\textsuperscript{th})
• Central Bucks – $21,340,765.39 (34\textsuperscript{th})
State Medium Household Income Ranking

- Reading – 1.9189 (5th)
- Erie City – 1.6294 (15th)
- Allentown City – 1.5238 (26th)
- Philadelphia – 1.3444 (68th)
- Pittsburgh – 1.2719 (99th)
- Bethlehem Area – 0.9710 (310th)
- Central Bucks – 0.5539 (486th)
State Local Effort & Capacity Index Ranking

- Allentown City – 2.02 (3rd)
- Reading – 1.8 (10th)
- Philadelphia – 1.5 (36th)
- Erie City – 1.46 (41st)
- Bethlehem Area – 1.39 (56th)
- Central Bucks – 0.92 (360th)
- Pittsburgh – 0.74 (479th)
We Still Need to Address Our Finances

• Reduced costs due to the pandemic has resulted in a lower than projected deficit for 2020
• We have a structural deficit that needs to be addressed
  • Projected to be $39.4 million in 2021
• We cannot continue to run a deficit beyond next year
• We are vulnerable to changes in State and Local funding
  • Commercial real estate appeals due to the pandemic
  • Future changes in State funding