



Budget and Finance Committee Meeting

October 3, 2011

Budget Development Update

General Fund

2011 Estimated Final

2012 Preliminary Budget



**Pittsburgh
Public Schools**



The Pathway to the Promise.™

Building a Sustainable District

- Our City's future depends on an educated, skilled workforce.
- It is our obligation to ensure that we build and maintain a strong, high-quality public school system.
- For PPS, sustainability means we must accelerate student achievement by putting in place a system that is affordable now and for long-haul.




Our Path to District Sustainability

- We need to do fewer things, better.
- We will be deliberate and thoughtful.
- We must lead through example and instill confidence in the path forward.
- We can no longer depend on an ever increasing revenue stream from the Commonwealth.



Phase 1: Central Office Reductions Were Necessary, But Not Sufficient to Close \$68-\$100 Million Gap

- Workforce reductions approved at Board's June 22, 2011 Legislative Meeting.
- 217 positions were eliminated resulting in 147 staff furloughs or layoffs.
- Decreases the District's total funding gap by ~\$11.1 million annually.



Phase 2: Change Educational Delivery of Services to Increase Promise-Readiness with Fewer Resources

- District realignment will be necessary.
 - *School closings and reconfigurations*
 - *Feeder pattern changes*
 - *Course reductions*
 - *Class size adjustments*
 - *Staff reductions*
- A combination of all the above could decrease our funding gap by additional \$30-40 million.

A Model for Addressing Under-enrolled Classes

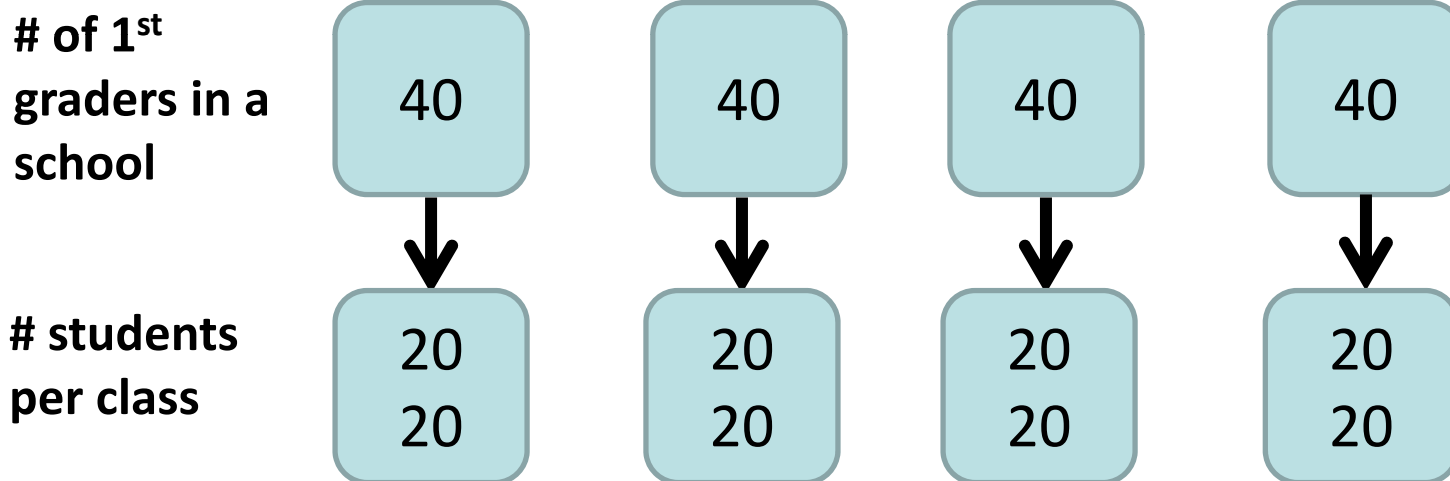
	Grades K-5	Grades 6-8	Grades 9-12
Principal	1	1	1
Asst. Principal	0-1	0-1	1-3
Pupil Services (SW, counselors, nurses, librarians, etc.)	1-2	1-2	2-6
Other Staff (clerical)	1-2	1-2	2-5
Maximum Class Size for Teachers	25	28	30
Actual Avg. Class Size	22	22	21
Approx. cost to support under-enrolled classes*	\$7.7 million	\$7.6 million	\$16.8 million

*K-5 enrollment: 12,148; 6-8 enrollment 5,601; 9-12 enrollment 7,366, calculation based on average teacher cost of \$100k per year; includes non-teaching periods of 1 in K-5, 2 in 6-8, 3 in 9-12. Paraprofessionals also provide instructional support; primarily used in PPS to support special education students. 6

The Reality of Addressing Under-enrolled Classes

Example at Elementary Level where class size maximum is 25:
40 - 1st graders at 4 different schools

The Model: 160 students divided by 25/class = 6.4 teachers required



The Reality: 8 classes X 1 teacher per class = 8 total teachers required




2012 General Fund Budget Adoption Timeline

- June 22, 2011 Board certified no tax increase beyond 2012 index
- October 3, 2011 Budget Workshop
- October 20, 2011 Budget Workshop
- October 24, 2011 Regular Public Hearing
- November 2, 2011 Release of Preliminary 2012 Budget
- November 7, 2011 Committee Meeting
- November 21, 2011 Regular Public Hearing
- November 29, 2011 Special Noontime Budget Public Hearing
- December 5, 2011 Committee Meeting
- December 7, 2011 Special Legislative Meeting - 2012 Budget Adoption



Delay in Real Estate Reassessment Would Increase Budget Expense by \$2 Million

- County is behind schedule in completing real estate reassessments and a delay would require PPS to levy Real Estate Taxes without certified Assessments
- A delay in tax billings requires PPS to do the following:
 - Exhaust fund balance and all cash reserves
 - Borrow \$60 million to meet obligations
 - Secure a tax anticipation note with an estimated cost of \$2 million which is not currently in 2012 budget forecast
- PPS tax levy is required to be set between 1st Monday in December and December 31



2011 Estimated Final Expenditures and Revenues

2011 Estimated Final Expenditures \$532.6 million

2011 Estimated Final Revenues \$521.4 million

2011 Estimated Operating Deficit -\$11.2 million



2011 Projected Deficit

■ Because our expenditures were greater than our revenues, we already had projected a deficit for 2011.	\$ - 8.7 million
■ Adopted State funding cuts further reduce estimated revenues (for July-Dec 2011).	+ - 9.4 million
■ New Charter Schools (July-Dec 2011).	+ - 2.5 million
■ Central Office Reductions (August – Dec 2011)	+ 3.7 million
■ Non-staff Reductions	+ 2.8 million
■ Revenue & Expenditure Updates	+ <u>2.9 million</u>
Updated 2011 Projected Deficit	\$ - 11.2 million

2011 Projected Deficit Recap


Revenue and Expenditure Changes

Revenue Changes:

State Budget	-\$9.4 m	↓
Other Revenue And Exp. Updates	+\$2.9 m	↑

Expenditure Changes:

New Charter Schools	+\$2.5 m	↓
Central Office Red.	-\$3.7 m	↑
<u>Non-staff Red.</u>	<u>-\$2.8 m</u>	↑
Total	-\$ 4.0 m	↑



2012 Estimated Final Expenditures and Revenues

2012 Estimated Final Expenditures \$546.5 million

2012 Estimated Final Revenues \$508.3 million

2012 Estimated Operating Deficit -\$38.2 million



2012 Projected Deficit

- Original deficit projection prior to Governor's proposed cuts showed District already had a problem \$ - 53.6 million
- Adopted State funding cuts in June 2011 further reduce estimated revenues for calendar 2012 \$ - 2.7 million
- New Charter Schools add to expenses \$ - 5.0 million
- Revised Capital Plan helps address the problem \$ + 5.0 million
- Central Office reductions help address the problem \$ + 11.1 million
- Non-staff reductions help address the problem \$ + 3.4 million
- Revenue & expenditure updates help address problem \$ + 3.1 million
- Refinancing bonds help address problem \$ + 0.5 million

Current 2012 Projected Deficit

\$ - 38.2 million

2012 Projected Deficit Recap

Revenue and Expenditure Changes

Revenue Changes:

State Budget	-\$2.7 m	↓
Other Revenue And Exp. Updates	+\$3.1 m	↑

Expenditure Changes:

New Charter Schools	+\$5.0 m	↓
Revised Capital Plan	-\$5.0 m	↑
Central Office Red.	-\$11.1 m	↑
Non-staff Red.	-\$3.4 m	↑
<u>Bond Refinancing</u>	<u>-\$0.5 m</u>	↑
Total	-\$15.0 m	↑



2011 Budget compared with 2012 Preliminary Budget

2011 Adopted Budget \$540.9 million

2012 Preliminary Budget \$546.6 million

Increase \$ 5.7 million

Percentage increase in Budget 1.05%



Projected Unreserved Fund Balance

12/31/11 Unreserved Fund Balance \$58.9 million

Less 2012 Operating Deficit (\$38.2) million

12/31/12 Unreserved Fund Balance \$20.7 million

(This is \$4.2 million below District's Fund Balance Policy)

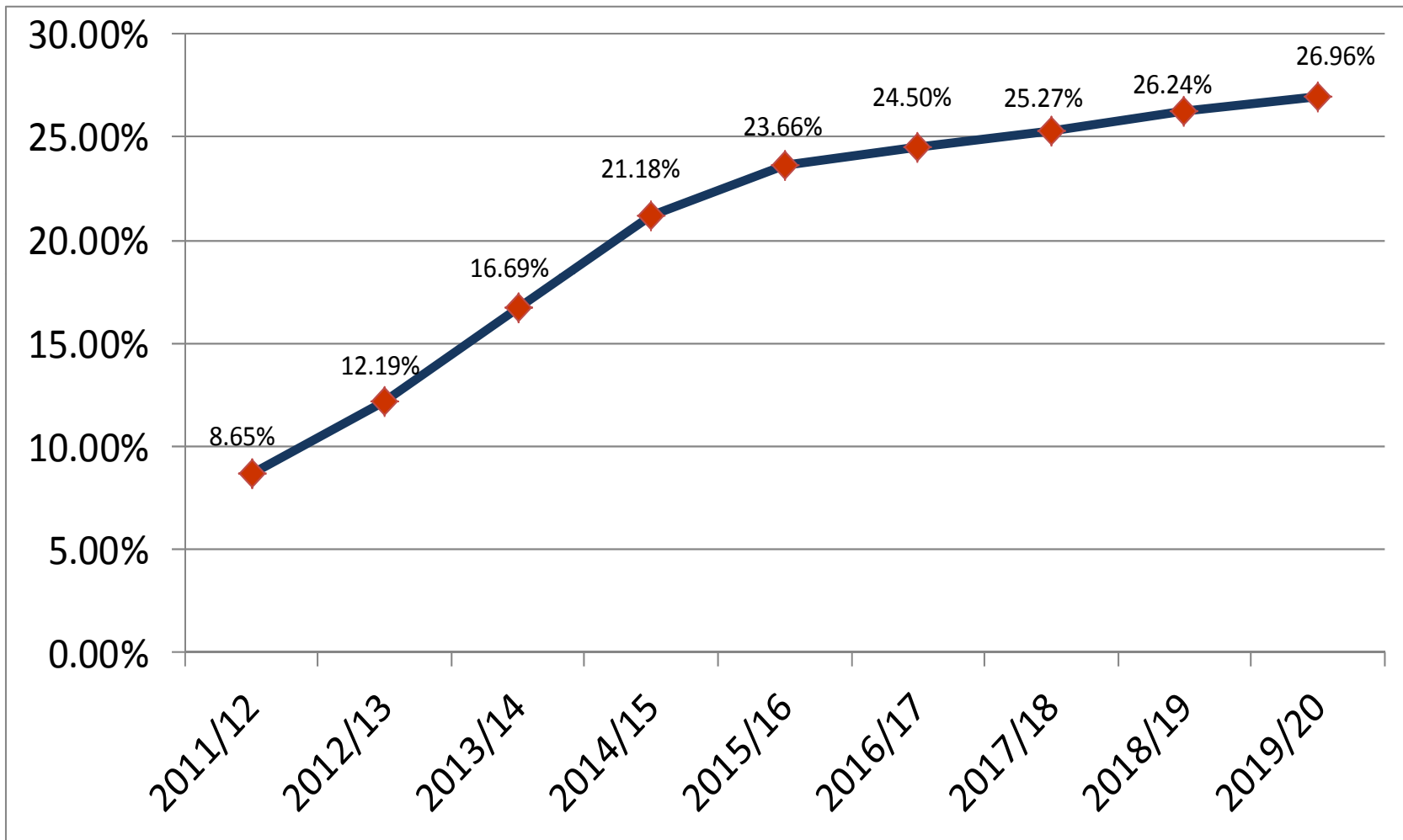
Note: To comply with the District's Fund Balance Policy, and to cover the estimated 2012 Operating Deficit, the District would need to reduce expenditures by \$42.4 million vs \$38.2 million.



Major Expenditure Increases from 2011 to 2013

	<u>2012</u>	<u>2013</u>	<u>Total</u>
Medical Insurance	\$0.3	\$3.1	\$3.4
Retirement Contribution	7.7	9.1	16.8
Charter Schools	8.3	1.4	9.7
Special Ed Contribution	0.9	3.0	3.9
Total	\$17.2m	\$16.6m	\$33.8m

Current Projected PSERS Employer Contribution Rates



50% of PSERS expenditures are reimbursed by the Commonwealth



Our Risks – and how accounted for in the long term forecast

- Charter Schools – no assumption of new charter schools (deadline for application is 11/15/11)
- State/Federal Funding – no further reductions made to State or Federal Funds
- Port Authority – did not account for possible rate increases and reduction in routes
- Real Estate Reassessment – did not account for increased costs should there be a delay
- Local Economy / Tax Collections – flat, no decline
- Healthcare – won't grow greater than 8%
- PSERS Contribution – won't change beyond currently approved by PSERS Board



Next Steps

- More detail in packets
 - Revenue and expenditure summaries – 2011 estimated final and 2012 projections
- October 20, 2011 Budget Workshop
 - Educational Delivery Model