



**PITTSBURGH  
PUBLIC  
SCHOOLS**  
COMMUNICATION AND MARKETING  
341 S. BELLEFIELD AVE.  
PGH., PA 15213

---

For Immediate Release

Contacts: Ebony R. Pugh (412) 622-3616 or  
Lisa Fischetti (412) 622-3603

## **School District of Pittsburgh Presents Preliminary Budget for 2007 General Fund**

### ***Anticipates Adoption of a Balanced Budget Despite \$22 Million Operating Deficit for 2007***

PITTSBURGH, November 9, 2006 – Today, Pittsburgh Public Schools Superintendent Mark Roosevelt presented a Preliminary Budget of \$528.2 million for the District’s 2007 General Fund. The General Fund includes the District’s local revenues such as real estate and earned income taxes along with State appropriations for basic education. Not included in the General Fund are federal appropriations for Title 1 and state/federal funds for Special Education and Early Childhood, which are budgeted as supplemental programs. Private and foundation grants are also budgeted as supplemental funds.

A series of public hearings on the subject of the 2007 budget will take place during the next month. The Board of Education will vote on adoption of a final budget at its December 19 Legislative Meeting.

### **The District’s 2006 Year-End Projections**

As the calendar year comes to a close, the District now anticipates a break-even position by year end 2006. Since revenues will be able to cover expenses for this year, the District will not have to tap into its \$63 million Fund Balance. The Fund Balance represents the surpluses from prior years when the District’s expenses were less than its revenues.

The primary reason for the District’s improved 2006 financial outlook is one, non-recurring \$20 million adjustment that will be made to Special Education cash flow. This \$20 million adjustment coupled with savings from Right-Sizing and the State’s recent subsidy increase of nearly \$12 million annually for Pittsburgh significantly improves the District’s year-end financial position for 2006 and 2007.

Despite the progress being made in 2006, the District still faces a \$22 million operating deficit for 2007. The District will be able to cover the 2007 operating deficit by utilizing \$22 million from its surpluses, which would reduce the Fund Balance from \$63 million to almost \$41 million. However, to meet reserve requirements that support the District’s financial ratings, \$26 million of the nearly \$41 million would need to be set aside, leaving slightly more than \$14 million of surpluses available to balance the 2008 budget.

“While we will get by next year by using our accumulated surplus in our Fund Balance, the District must make critical changes in its expense structure in order to maintain solvency in 2008,” said Roosevelt. “This will involve difficult decisions by our Board and Staff in the coming months.”

- more -

**Page 2 –School District of Pittsburgh Presents Preliminary General Fund Budget for 2007**

**The District’s Preliminary Budget for the 2007 General Fund**

The 2007 Preliminary Budget of \$528.2 million is \$5.4 million less than this year’s budget of \$533.6 million, despite increased costs for health care, retirement and transportation. Roosevelt added, “The \$10 million annual savings from Right-Sizing is helping to balance against these expected increases where we have little discretion.”

In October, the District projected a 2007 Preliminary General Fund Budget with an operating deficit of between \$25 million - \$35 million. This range reflected items that were not incorporated into the budget such as: additional Charter Schools, an Alternative Education program, Facilities projects (Schenley, Rogers CAPA, High School Reform and Career Development), along with Technology projects.

The deficit will be reduced to \$22 million by incorporating a 6% across the board budget reduction resulting in a savings of \$10.2 million, while including \$12.2 million in budgetary contingencies and additional appropriations for items that are in concert with goals for 2007.

<b>Preliminary 2007 Budget for General Fund:</b>	
Preliminary 2007 Revenues	\$506.3 million
Preliminary 2007 Expenditures	\$528.2 million
Preliminary 2007 Operating Deficit	\$ 21.9 million
<b>The Fund Balance projection:</b>	
Projected Fund Balance at December 31, 2006	\$62.5 million
Less: Preliminary 2007 operating Deficit	\$21.9 million
Projected Fund Balance at December 31, 2007	\$40.6 million
Fund Balance Requirement (5% of budget)	\$26.4 million
Projected Unreserved Fund Balance at December 31, 2007	\$14.2 million

The District aims to halt the precipitous deterioration of its Fund Balance and grow the Fund through modest annual surpluses until a substantive safety net can be maintained at between \$50 million - \$60 million.

Since 2005, the District has lost \$4 million annually as a result of the District no longer being able to receive its share of the Regional Asset District’s Sales Tax and an additional \$4 million annually due to the inability to levy a mercantile tax. In 2007, the District begins experiencing the reduction in its wage tax as it is shifted to the City of Pittsburgh. Below is a chart showing the District’s reductions as a result of the State’s legislative action in November 2004 to bail out the City.

	<b>2007</b> (in millions)	<b>2008</b> (in millions)	<b>2009</b> (in millions)	<b>Cumulative Total 2007-09</b> (in millions)
<b>Regional Asset District (RAD)</b>	\$ 8.0	\$ 4.0	\$ 4.0	\$16.0
<b>Mercantile</b>	\$ 8.0	\$ 4.0	\$ 4.0	\$16.0
<b>Earned Income</b>	\$ 4.4	\$ 8.8	\$11.0	\$24.2
<b>TOTAL</b>	<b>\$20.4</b>	<b>\$16.8</b>	<b>\$19.0</b>	<b>\$56.2</b>

### Page 3 -School District of Pittsburgh Presents Preliminary General Fund Budget for 2007

The earned income tax will be phased as follows:

	<u>Annual Reduction</u>	<u>Total Reduction</u>
<b>2007</b> 0.10% reduction	\$4.4 million	\$ 4.4 million
<b>2008</b> 0.10% reduction	\$4.4 million	\$ 8.8 million
<b>2009</b> 0.05% reduction	\$2.2 million	\$11.0 million

Mr. Roosevelt reinforced that “Even in light of these revenues that have been removed from the District, tax increases are an option that I am not putting on the table.”

The District will continue working with State Officials on addressing the needs of the District.

“We must balance how we address two very intertwined and complex issues simultaneously – improving student achievement and getting our finances in order,” said Roosevelt. “To achieve this, we must restore confidence in our ability to manage effectively and stay on track with our Excellence for All reform agenda.”

#### **The Public Can Obtain More Information**

All Budget related materials can be accessed online at [www.pps.k12.pa.us](http://www.pps.k12.pa.us).

The key dates related to the Budget are as follows:

- 11/09/06 Release of Preliminary Budget
- 11/13/06 Regular November Public Hearing
- 12/04/06 Special Budget Public Hearing
- 12/11/06 Regular December Public Hearing
- 12/19/06 Legislative Meeting

In addition, the public can provide feedback by calling the **Parent Hotline at 412-622-7920**, sending an email to the Superintendent at [superintendentoffice@pghboe.net](mailto:superintendentoffice@pghboe.net), or mailing a letter to Superintendent’s Office, Pittsburgh Board of Education, 341 South Bellefield Avenue, Pittsburgh, PA 15213.

###