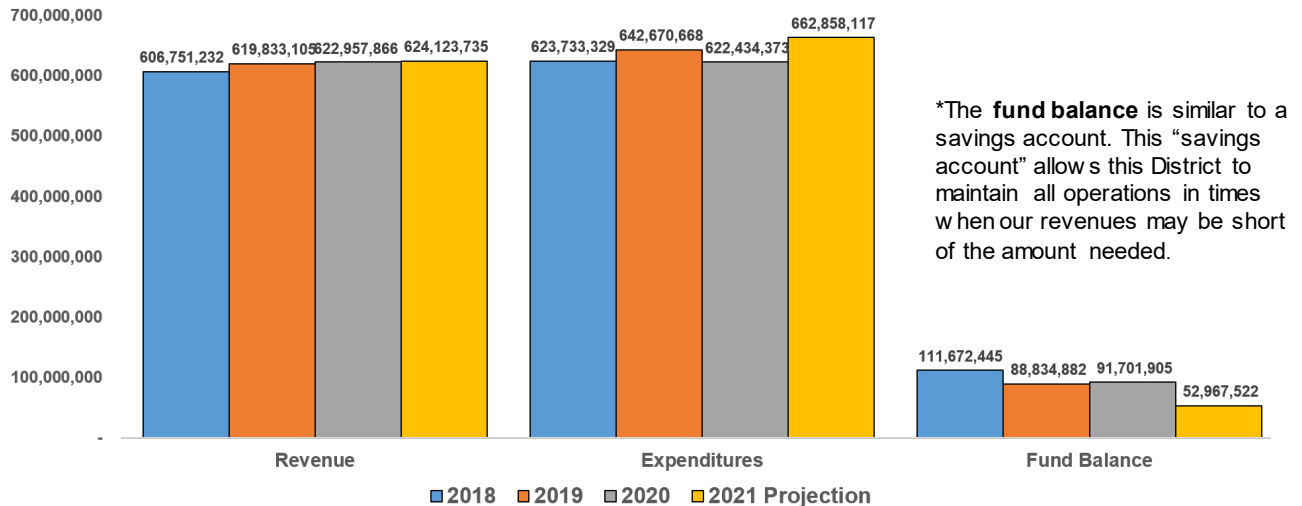


Imagining a Path for Every Student While Addressing Our Budget Deficit

The Pittsburgh Public Schools (PPS) 2021 operating budget includes a deficit of \$39.4 million. A deficit exists when revenue falls short of the amount needed to cover budgeted expenses. In budget years 2022 and 2023, deficits will continue to exist, and the District's fund balance* will no longer be the solution. **Based on our current forecast, the District is on track to deplete its fund balance in 2023. A plan to reduce expenditures is needed now.**



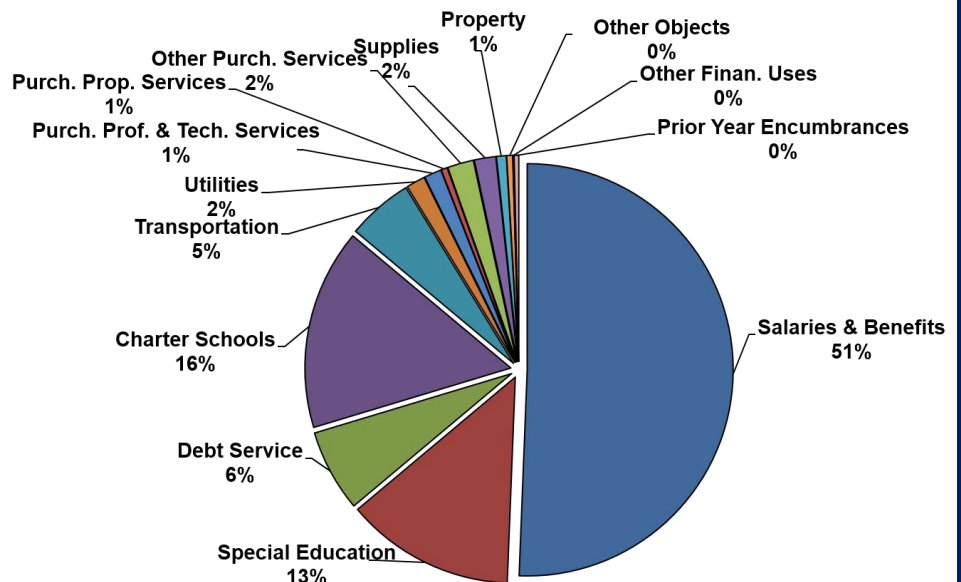
Building a Strong School System & Ensuring Long-Term Sustainability

Now is the time for the Board of Directors and administration to partner with students, families, and the Pittsburgh community to develop a plan that preserves student supports and programs while also:

- reducing operating costs, wherever possible;
- updating school feeder patterns; and
- addressing excess building capacity and the number of school buildings in operation.

District General Fund Expenditures

In 2021, the District's two most significant expenses are staff salaries and benefits and charter school tuition. Staff salaries and benefits account for 51% (\$341.1 M) of the total budget, and charter tuition is 16% (\$106 M). Other expenditures include special education, debt service, transportation, utilities, purchased professional and technical services, other purchased services, supplies, and property.



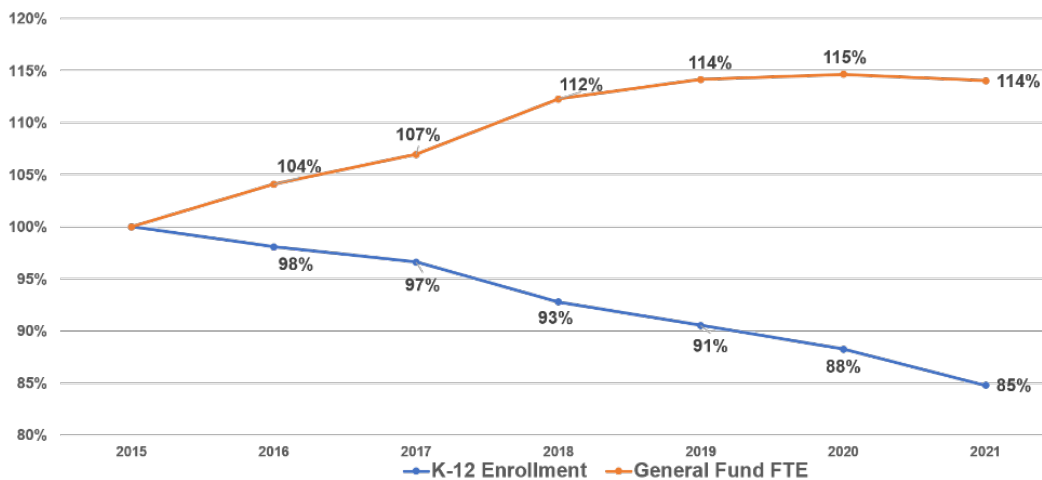


Charter School Expenditures Are Up 21%

The growth in charter school expenditures is a concern as year-to-date expenditures vastly exceed the prior year. Charter school expenditures include the tuition the District pays to charter schools for students to attend.

Increases in General Fund Staff Costs Outpace Enrollment Decline

Our growth in school and central office staff does not correspond to a growth in enrollment. We experienced an increase in general fund staff while experiencing a decline in enrollment. Since 2015, our general fund FTEs (full-time equivalent) have grown 14%, while our K-12 enrollment has declined 15%.



Revenues Are Not Increasing

The District's year-to-date real estate revenue is down \$11.4 million (7%) compared to the same period in 2020. At the State level, the subsidy allocations remained relatively flat.

- Basic Education Funding increased by \$451,052 (0.28% increase)
- Special Education Funding increased by \$41,054 (0.14% increase)
- Statewide Basic Education Funding increased by 4.0%
- Statewide Special Education Funding increased by 4.2%
- Ready to Learn Block Grant remained at level funding for all districts

Actions Are Needed Now to Address the Deficit & Plan for the Future

Based on our current forecast, our fund balance will be depleted by 2023. Immediate action must be taken to reduce expenditures and maintain the District's fund balance. Short-term recommendations include but not limited to:

- Utilizing approximately \$22 million of American Rescue Plan (ARP) ESSER III funding to prevent school-based workforce reductions (\$21 M in 2023 budget);
- Evaluating and identifying additional workforce and programmatic reductions to be implemented in 2023 and beyond; and
- Reducing annual capital improvement budget to \$30 – \$35 million.