



March 27, 2025

FY 2026 Lump Sum Budget FY 2026-30 Five-Year Fiscal Plan

Board of Education

Tony B. Watlington, Sr. Ed.D.
Superintendent

Mike Herbstman
Chief Financial Officer



THE SCHOOL DISTRICT OF
PHILADELPHIA

Overview



- **Where Have We Been:**
Academic and Financial Successes through Historic Underfunding
- **Where Are We Now:**
FY 2026 Lump Sum Operating Budget
- **Where Are We Going:**
FY 2026-30 Five-Year Financial Plan
- **Next Steps:**
Focus on Research, Execute on Strategic Plan & Get the Resources Needed



Where Have We Been?

Academic & Financial Successes through Historic Underfunding

- Funding Story
- Academic and Student Success
- Short-Term Fiscal Stability & Robust Financial Controls



The School District of Philadelphia Funding Story

- **In FY 2022, The District faced a deficit of more than \$300M due to:**
 - Decades of Inadequate, Inequitable and Unconstitutional Funding;
 - No State Appropriation Growth - FY 2021 or FY 2022; and
 - Effects of the Pandemic on Tax Revenues and Student Needs.
- **This was temporarily staved off by new COVID-19 Relief Funds**
 - While many other Districts across the country were able to use Federal COVID-19 Relief funds for supplementary learning and supports, the School District of Philadelphia was forced to use much of this funding to plug historic funding inadequacies.
- **During this short period of additional funding, the District made substantial Academic and Financial progress.**
- **Now that relief has sunset, The District faces a delayed funding cliff.**

Academic and Student Success

Spotlight Highlights:

In School Year 2023-24, we increased performance in 9 out of 13 areas.

Over the last two years, we have:



Increased student enrollment by **1,841 students**.

1,841 STUDENTS



Increased the number of students with regular attendance (90 percent or more days) by over **3,500**.

3,500 STUDENTS



Increased the percentage of **3rd grade students** scoring proficient or advanced in **reading** by **6.2%-points**.

+ 6.2%-POINTS



Increased the percentage of **3rd-8th grade students** scoring proficient or advanced in **math** by **5.5%-points**.

+ 5.5%-POINTS



Increased the percentage of **3rd grade students** scoring proficient or advanced in **math** by **6.6%-points**.

+ 6.6%-POINTS



Increased the number of students passing **NOCTI exams** by **13.6%-points**.

+ 13.6%-POINTS



Increased the 4-year graduation rate by **6.3%-points**.

+ 6.3%-POINTS

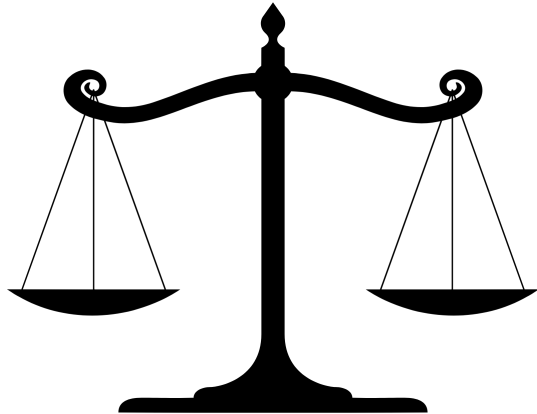


Reduced the number of students who **dropped out of school** by **1,400**.

1,400 STUDENTS

MOODY'S INVESTORS SERVICE

Fitch Ratings



Short-Term Fiscal Stability & Robust Financial Controls



Improved Credit Ratings

- Fitch Ratings:
 - Rating upgrade to BBB-, an investment-grade rating for the first time in District history (2024)
 - Outlook Upgrade from Stable to Positive (2023)
 - "... budgetary practices are sound..."
 - "Fitch believes that management will continue to actively address and minimize projected budget gaps..."
 - Highest possible short-term rating [F1+]
- Moody's Investor Services:
 - Rating upgrade to Baa2, an investment-grade rating and the highest District rating in at least four decades (2024)
 - Outlook Upgrade from Stable to Positive (2023)
 - Highest possible short-term rating [MIG 1]



Financial Reporting and Internal Control Excellence

- ACFR Independent Auditor's report unmodified (clean) for more than a decade.
- Federal Single Auditors designated District as "low risk" auditee, (due to its strong internal financial controls) and found no material findings from the Single Audit.
- ED and PDE have noted compliance function for other local governments.
- Awarded *Certificate of Achievement for Excellence in Financial Reporting* (GFOA) *Certificate of Excellence in Financial Reporting* (ASBO).



Enhanced Evidence-Based Budget Practices

- Processes implemented last year in alignment with *Accelerate Philly SA 5.8*.



Where Are We Now?

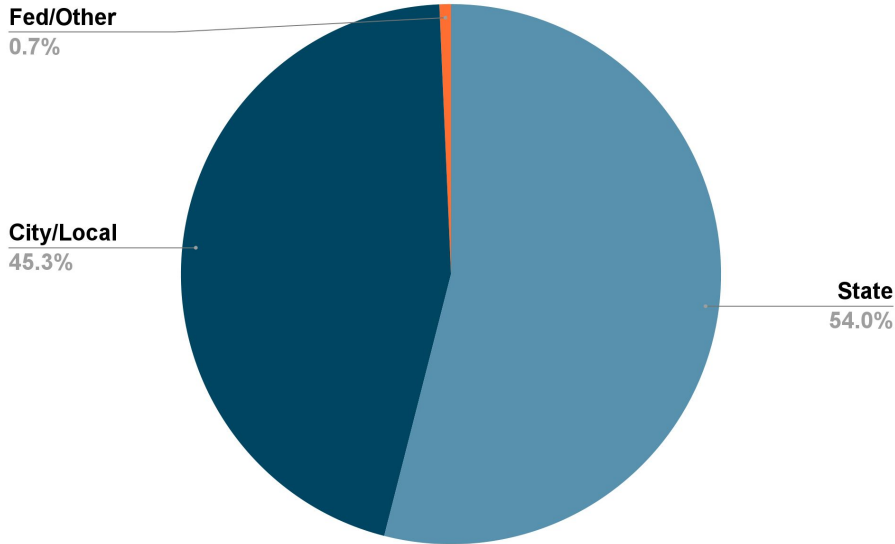
FY 2026 Lump Sum Operating Budget

- Revenue Budget Overview
- State and City Revenue Details
- Expenditure Budget Overview

FY 2026 Lump Sum Operating Budget

Revenue Budget Overview

FY 2026 Operating, Federal Relief and Ready-to-Learn Adequacy Revenue



Revenue Type*	FY 2025 Lump Sum	FY 2026 Lump Sum	Change (\$)	Change (%)
State Revenue**	\$2,347,163,022	\$2,507,494,122	\$140,442,244	6.8%
City and Local Revenue	\$2,091,505,060	\$2,105,834,042	\$14,328,982	0.7%
Federal Non-Covid	\$18,189,667	\$15,943,711	(\$2,245,956)	(12.3%)
Federal COVID-19 Relief	\$124,632,804	\$0	(\$124,632,804)	(100.0%)
Other (IDC & Transfers)	\$14,031,173	\$16,112,586	\$2,081,413	14.8%
Total Revenue	\$4,595,521,726	\$4,645,384,461	\$49,862,735	1.1%

- The School District does not have authority to raise taxes for itself (unlike the other 499 PA Districts).
- Without Federal Relief funding, District is 99.3% dependent on State and City/Local funding for Operations.
- Overall revenue is up 1.1% year-over-year.
- State Revenue projected up based on Governor's Proposal.
- City Revenue projected up based on Mayor's Proposal.
- All Federal COVID-19 funding ended in September 2024.

*Includes Operating Fund, COVID-19 Relief Grants and Ready-to-Learn Adequacy Grants.

**State Revenue excludes \$19.9 million cyber charter reimbursement.



State Revenue Details

Governor's Budget Proposal

The Governor's FY 2026 Budget Proposal would increase District Revenue by \$160.3 million from FY 2025.

State Revenue (\$s in Millions)	FY 2025 Amended	FY 2026 Lump Sum	Change
Basic Education	\$1,537.6	\$1,550.1	\$12.5
Ready to Learn - Adequacy	\$136.7	\$273.3	\$136.6
Special Education	\$186.7	\$192.3	\$5.6
Other State Revenue	\$486.2	\$491.7	\$5.5
Total Revenue	\$2,347.2	\$2,507.5	\$160.3

*Other State Revenue excludes \$19.9 million cyber charter reimbursement. Governor's proposed Cyber Charter rate cap would net District an additional \$50.3M in FY 2026.



City Revenue Details

Mayor's Budget Proposal

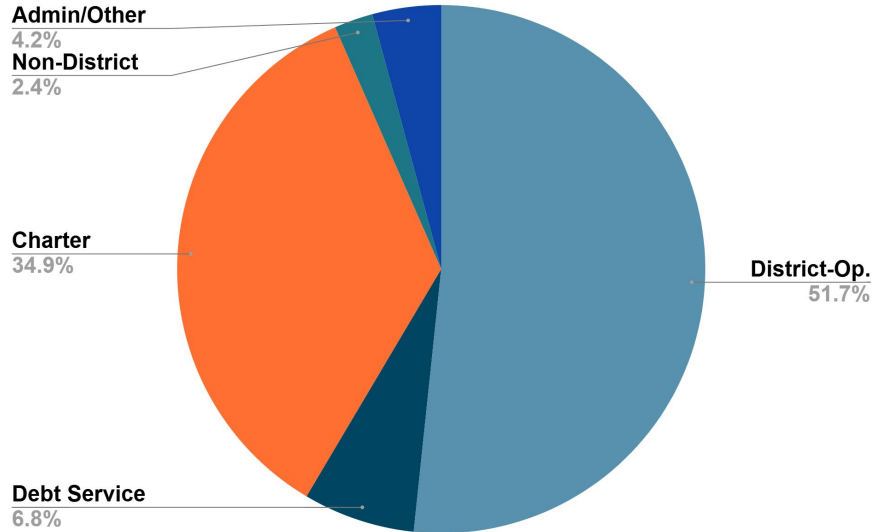
The Mayor's FY 2026 Budget Proposal would increase District Revenue by \$14.3 million from FY 2025.

City Revenue (\$s in Millions)	FY 2025 Lump Sum	FY 2026 Lump Sum	Change
Real Estate Taxes	\$1,189.6	\$1,190.4	\$0.8
City Grant to Schools	\$284.1	\$284.1	\$0.0
Business U&O	\$206.0	\$217.0	\$11.0
Other City Taxes	\$345.5	\$349.8	\$4.3
Other Non -Tax	\$66.3	\$64.6	(\$1.7)
Total Revenue	\$2,091.5	\$2,105.8	\$14.3

FY 2026 Lump Sum Operating Budget

Expenditure Budget Overview

FY 2026 Operating, Federal Relief and Ready-to-Learn Adequacy Expenditures



Expenditure Type*	FY 2025 Lump Sum	FY 2026 Lump Sum	Change (\$)	Change (%)
District-Operated Schools	\$2,525,006,048	\$2,595,613,584	\$70,607,536	2.8%
Debt Service	\$335,275,250	\$343,983,225	\$8,707,975	2.6%
Charter Schools (w/ Transport.)	\$1,557,474,365	\$1,748,717,325	\$191,242,960	12.3%
Non-District Operated Schools	\$117,285,416	\$119,213,763	\$1,928,347	1.6%
Administration and Other	\$207,750,693	\$212,666,962	\$4,916,269	2.4%
Total Expenditures	\$4,742,791,772	\$5,020,194,885	\$277,403,114	5.8%
Transfer for Debt Service	\$9,395,000	\$9,395,000	\$0	0.0%
Use of Assigned Fund Balance	(\$102,104,423)	(\$77,768,333)	\$24,336,090	(23.8%)
Total Expend., Transfers, Releases	\$4,650,082,349	\$4,951,821,526	\$301,739,177	6.5%

- District-Operated Schools budget up 2.8%.
- Debt service up due to low duration of TRAN in FY 2025.
- Charter school spending up due to rate increases from previous year's (FY 2025) non-federal expenditures, as ARPA funds dissipated.
- Accounts for transfers to Debt Service and use of Assigned Fund Balance for construction of two schools.

*Includes Operating Fund, COVID-19 Relief Grants and Ready-to-Learn Adequacy Grants.



The School District of Philadelphia

Where Are We Going?

FY 2026-30 Five-Year Financial Plan

- Major Five-Year Financial Plan Considerations
- FY 2026-30 Five-Year Financial Plan

Five-Year Fiscal Plan

Major Five-Year Plan Considerations

01

Labor Contracts

- PFT, CASA, SPAP (CBA Expiration Date: 8/31/2025)
- 32BJ District 1201 SEIU (CBA Expiration Date: 8/31/2026)
- Local 634 (CBA Expiration Date: 9/30/2027)

02

Accelerate Philly Continued Implementation

- Ongoing support of 47 year-one and two strategies.
- Implementation of 15 remaining strategic actions.
- Continued maintenance of all 62 strategic actions.

03

Adequate & Equitable State Funding

- Commonwealth Court declared state school funding inadequate, inequitable and unconstitutional.
- SDP Adequacy Gap: \$1.2 Billion per year
- State moving along 10+-Year Path Towards Adequacy

04

Federal COVID-19 Relief Funding Sunset

- Funding ended on September 30, 2024.
- Funding used effectively and efficiently to support academic and student outcome improvements.

05

Uncertainty of Federal Revenue Sources

- Dependant on >\$500 million annually.
- Supports students facing poverty, students with disabilities, English-learners, pre-K, student meals and other supports for our most vulnerable students.

FY 2026-30 Five-Year Financial Plan

FY 2025:

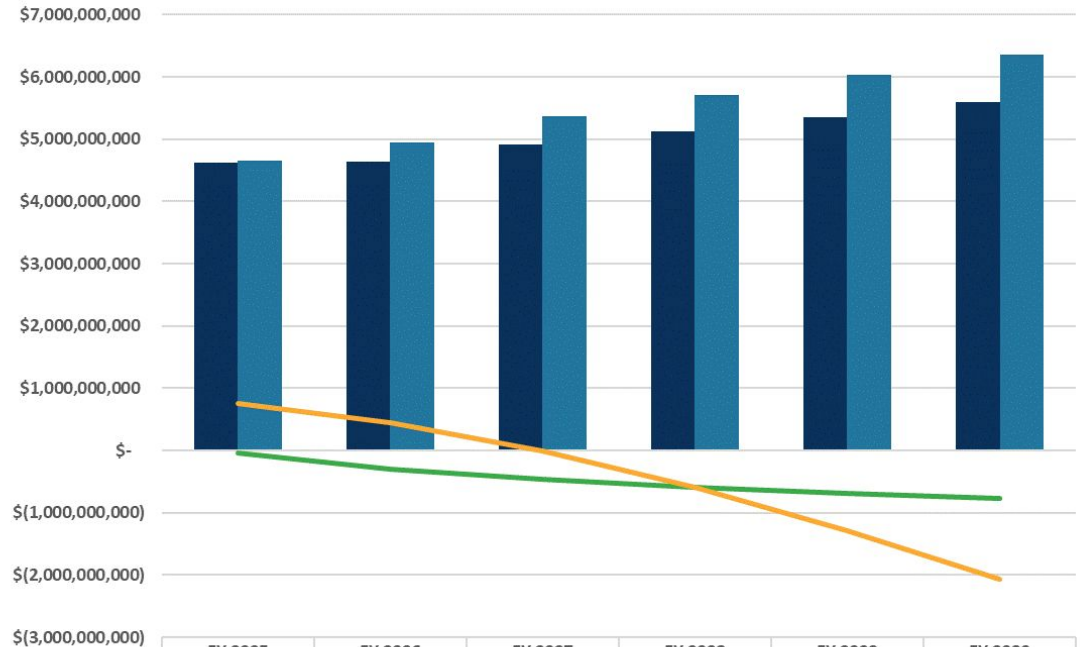
Requires \$35M in Use of Fund Balance to close deficit.

FY 2026:

Projected to use ~40% of fund balance to cover \$306M deficit.

FY 2027 and Beyond:

Will require steadfast State and City progress towards adequacy targets, continued sound fiscal practices and difficult programmatic decisions to avoid structural deficit.



	FY 2025 Lump Sum	FY 2026 Lump Sum	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected	FY 2030 Projected
Revenues*	\$4,615,410,582	\$4,645,384,461	\$4,905,497,918	\$5,126,766,823	\$5,344,946,905	\$5,586,818,297
Expenditures, Transfers & Uses	\$4,650,082,349	\$4,951,821,552	\$5,371,128,974	\$5,711,743,471	\$6,037,305,817	\$6,361,068,457
Annual Surplus (Deficit)	\$(34,671,766)	\$(306,437,092)	\$(465,631,056)	\$(584,976,648)	\$(692,358,912)	\$(774,250,160)
Fund Balance	\$757,417,166	\$450,980,074	\$(14,650,982)	\$(599,627,630)	\$(1,291,986,541)	\$(2,066,236,702)

*FY 2025 Revenue includes \$19.9 million cyber charter reimbursement which will represent a difference from the Revenue Budget Overview slide.




Next Steps:

Focus on Research, Execute on Strategic Plan & Get the Resources Needed

- Accelerate Philly Priority Investments
- High Levers for Accelerating Student Achievement
- Investments in the Future of Philadelphia


Accelerate Philly Priority Investments



PRIORITY AREA 2
Partner with families and community

Parent University

Parent Ambassadors




PRIORITY AREA 3
Accelerate academic achievement

**Core Instructional Materials
(Science)**

Accelerate Philly Schools

**Extended-Day/Extended-Year
Schools**


High-Impact Tutoring



PRIORITY AREA 4
Recruit and retain diverse
and highly effective educators

**Black and Latino Male Educator
Recruitment and Retention**


**Teacher/Principal
Recruitment and Retention**



PRIORITY AREA 1
Improve safety and well-being
(physical, social-emotional, and environmental)

Facility Improvements

**School Safety
(Physical, Social-Emotional and
Environmental)**



PRIORITY AREA 5
Deliver efficient, high-quality,
cost-effective operations

**Central Office Performance
Evaluation System**

Project Management Culture

High Levers for Accelerating Student Achievement

	LEVER	ACCELERATE PHILLY STRATEGY
1	Highly qualified, well supported, stable teachers over time	4.2 Pilot recruitment and retention incentives for teachers and principals to reduce vacancies in hard to staff schools.
2	Highly qualified, well supported, stable principals over time	4.2 Pilot recruitment and retention incentives for teachers and principals to reduce vacancies in hard to staff schools. 4.10 Launch surveys that provide principals, Assistant Superintendents, and District leaders with feedback from their direct reports.
3	High quality, standards aligned, and culturally appropriate curriculum (both academic & SEL)	3.2 Purchase and implement standards-aligned core instructional resources for math (in partnership with teachers, school leaders, and parents and guardians). 3.3 (ELA) and 3.4 (Science) 3.17 Reorganize learning networks to place resources closer to families and communities and to improve student outcomes.
4	Adequate time on task (regular teacher and student attendance) and rigorous core instruction	1.7 Identify, audit and improve school climate programs. 3.9 Provide more support to teachers in the areas of content knowledge, student engagement, and culturally and linguistically relevant instructional practices. 3.13 Expand 9th Grade On-Track (Success Networks) to reduce dropouts and increase four year graduation rates.
5	Schools engage parents and guardians as partners	2.1 Launch a two-way communications system 2.3 Launch a Superintendent's parent and guardian advisory group. 2.3 Relaunch Parent University. 2.3 Establish Parent Ambassador Role.

An aerial photograph of Philadelphia, showing a dense urban landscape of brick buildings in the foreground and a prominent skyline of modern skyscrapers in the background under a cloudy sky. A semi-transparent dark horizontal band is overlaid across the middle of the image, containing white text.

Over the last three years, the School District of Philadelphia has proven, that with adequate funding, our District, our Schools and Our City will Accelerate...

Our Students deserve adequate investment.

FY 2026 Budget Development Process

Public Run of Show

- **December-February:** Budget Process Kickoff and Early Stakeholder Engagement
- **February 4:** Governor's Budget Address and Proposed Budget
- **March 13:** Mayor's Budget Address and Proposed Budget
- **March:** School Budget Meetings
- **March 27:** Board Meeting - Lump Sum Budget and Five-Year Plan
- **April 24:** Board of Education Budget Hearing
- **April 29:** City Council Budget Hearing
- **May 29:** Board Meeting - Operating and Capital budgets adoption





THE SCHOOL DISTRICT OF
PHILADELPHIA

“All witnesses agree that every child can learn. It is now the obligation of the Legislature, Executive Branch, and educators, to make the constitutional promise a reality in this Commonwealth.”

*Pennsylvania Commonwealth
Court President Judge Renée
Cohn Jubelirer*

Thank you and Questions

