



2022-23 Grants for Student Needs Update and Preliminary Operating Budget

To: Special Finance, Budget and Enrolment Committee

Date: 26 April, 2022

Report No.: 04-22-4306

Strategic Directions

- Provide Equity of Access to Learning Opportunities for All Students
- Allocate Human and Financial Resources Strategically to Support Student Needs

Recommendation

It is recommended that the 2022-23 Grants for Student Needs Update and Preliminary Operating Budget report be received.

Context

Staff have prepared this draft operating budget based on the Grants for Student Needs (GSN) technical papers released on March 25, 2022, and projected enrolment estimates for the upcoming school year. Based on this information, the 2022-23 preliminary financial projection is \$44.7M, or 1.5% of operating allocation and represents the current financial position before any adjustments arising from deficit reduction strategies.

Over the next few weeks, staff will engage in further analysis to identify strategies to reduce the 2022-23 projected deficit, while aligning with the Board's strategic budget drivers and Multi-year Strategic Plan. Staff will be bringing the deficit reduction recommendations to the Finance, Budget & Enrolment Committee (FBEC) meeting on May 16, 2022 for discussion and approval.

As reported at the FBEC meeting on April 7, 2022, the TDSB is forecasting a \$59.8M (2.1%) operating deficit for the 2021-22 school year. School boards are permitted to utilize reserves over 2% of their operating budgets across the 2020-21 and 2021-22 school years. However, for 2022-23, school boards are required to return to the 1%

deficit requirement and must seek the Ministry's pre-approval if they anticipate an in-year deficit of greater than 1%, or \$29.3M based on TDSB's operating allocation.

2022-23 Grants for Student Needs (GSN) Update

The following are key budget changes based on the 2022-23 Ministry funding announcement:

- The 2021-22 Supports for Student Fund was used for additional elementary and secondary teachers, central and school support staff, caretakers, and trades staff, as outlined in respective collective agreements. This funding will continue in 2022-23 and the TDSB will receive \$24.4M of this funding in the next school year.
- The additional COVID-19 staffing support funding from 2021-22 will continue in 2022-23. The TDSB will receive \$31.5M of this COVID-19 Learning Recovery funding supports and plans to fully utilize this funding for incremental staffing needs in 2022-23.
- The Recent Immigrant Supplement was introduced in 2021-22 to help maintain ESL supports during the decline in newcomer enrolment and this funding will continue in 2022-23. The TDSB will receive \$25.3M of this funding (\$24.7M in 2021-22). As such, the TDSB's 2022-23 ESL supports will continue to be maintained at pre-pandemic levels.
- The Ministry is providing additional investments of \$10M across the province for student mental health. Half of this amount will be used for evidence-based mental health programs and resources to support student resilience and mental well-being. There has also been an increase to the mental health and well-being base amount and per pupil amount in the GSN. The overall increase in the TDSB's mental health funding allocation is \$2.4M.
- The Ministry announced an increase to the Special Education Equipment (SEA) per pupil amount to support assistive technology for students with Special Education needs. The TDSB anticipates a \$0.6M increase in this funding compared to 2021-22.
- Increase of \$39.9M in funding provincially for Broadband Network Operations support in the GSN to help support network connectivity, infrastructure and security needs. The TDSB will receive \$4.4M of this funding for 2022-23.

- The Ministry is providing an increase of 5.45% for non-staff school operations allocation (includes 2.3% commodity price increases and 3.15% higher cost of running ventilation systems), and another 2.3% for other non-staff amounts outside of school operations allocation throughout the GSN.
- Cost increase of 2% to the Student Transportation grant.
- \$7.9M in province-wide funding to support the additional costs of French as a Second Language initiatives.
- A slight funding increase from a change to the online learning credit load benchmark calculation. The percentage of secondary students taking one course online will be changed from 16% (as announced last year) to 15%.
- The TDSB experienced significant declines in student enrolment in the last two years. This has resulted in negative impacts to the Board's financial position. The Ministry provided \$68.2M in funding stabilization in 2020-21, to help offset the revenue impact of declining enrolment, but this funding is no longer available to the TDSB in 2021-22 and 2022-23.

Priorities & Partnership Fund Update

The TDSB will receive approximately \$27M in Priorities & Partnership Fund (PPF) supports in 2022-23 based on the Ministry announcement. Please refer to Appendix C for more information:

- Tutoring Supports Program of \$20.8M – Half of this funding must be spent from April 2022 to August 2022 and the remainder from September 2022 to December 2022.
- Math Strategy of \$4.5M – To support student math performance and the implementation of de-streamed Grade 9 math course and elementary math curriculum.
- Indigenous Graduation Coach of \$0.23M – For recruitment of Indigenous Graduation Coaches.
- Summer Learning Special Education Supports of \$0.6M – For transition programs and staffing during the summer for students with special education needs.
- Various other PPF supports totalling \$0.83M.

In addition, the following items will be transferred from Priorities & Partnership Fund (PPF) to the GSN:

- Supporting Student Mental Health and Well-being and Positive School Climates allocation to the Mental Health and Well-Being grant.
- Special Education PPF funding to the Differentiated Special Education Needs Amount (DSENA).
- Amenagement Linguistique initiatives funding from PPF to the Language grant.
- Parent Reaching Out (PRO) grants from PPF to a new component of the Parent Engagement Allocation of GSN.
- Learning and Innovation Fund for Teachers funding from PPF to the GSN.

2022-23 Revised Forecast and Working Funds Reserves

At the February 16 meeting, staff presented a preliminary 2022-23 forecast. Below is a revised forecast and explanation of the changes based on current information:

TORONTO DISTRICT SCHOOL BOARD 2022-23 Projected Financial Projection (\$ million)			<u>\$M</u>	<u>%</u>
21-22 Financial deficit as reported at the January 13, 2022 FBEC			(\$65.1)	-2.2%
Revenue changes				
GSN decrease relating to declining enrolment			(18.8)	
GSN increase - Teacher qualification & experience funding			8.5	
GSN increase - Broadband, mental health and other funding			8.4	
One-time COVID Learning Recovery Fund			31.5	
Decrease in EWPF and ISP funds			(14.8)	
Increase in international student tuition revenues			4.5	
Increase in interest income			2.5	
Increase in permit revenues			3.0	
Total Revenue Changes			24.8	
Compensation expense changes				
Reduction in school-based staffing due to enrolment, net of rate changes			18.2	
Cost reduction from end of EWPF and ISP funds			14.8	
Increase in staffing costs from use of COVID Learning Recovery Fund			(31.5)	
Increase in central staffing costs, and CPP and EI increases			(4.6)	
Increase in long term disability costs due to rate changes			(3.3)	
Central staff gapping savings			5.0	
Total Compensation Changes			(1.4)	
Operational expense changes				
Insurance cost savings			2.0	
Reduction in Board funded COVID expenses			1.0	
Utilities and other facilities cost increases			(6.0)	
Total Operating Expense Changes			(3.0)	

Changes to financial position

20.4

Updated 2022-23 Financial Position – (Deficit)**(44.7) -1.5%****Explanation of Changes:****Revenue Changes:**

Item and Amount	Description
GSN decrease relating to declining enrolment – (\$18.8M)	The projected enrolment is anticipated to decrease by over 3,700 ADEs in 2022-23. Although there is a slight increase to the March 2022 enrolment compared to original projections, enrolment is still expected to decline. This decrease is offset by slight increase in recent immigrant supplement and other GSN changes.
GSN increase – Teacher Q&E funding - \$8.5M	Average teacher salary costs are based on the experience and qualifications of teachers. Based on the projections, there will be an increase in funding under this grant to offset anticipated costs.
GSN increase – Broadband, mental health and other - \$8.4M	\$4.4M from the new \$19.34 Broadband per pupil amount in the Pupil foundation grant will be used to offset IT infrastructure costs to be incurred in 2022-23. There is an increase of \$2.4M in student mental health allocation and PPF transferred to the GSN in 2022-23. There is also \$1M in local special education priorities grant, and \$0.6M increase in school operations allocation.
Increase in international student revenue - \$4.5M	There is a projected increase in international student enrolment of approximately 342 students in 2022-23 due to the gradual lifting of restrictions on international travel.
Increase in interest revenue - \$2.5M	There is a projected increase in interest revenues next year compared to 2021-22 due to recent increases in the bank prime rate in March and April 2022.
Increase in permit revenue - \$3M	There is a projected increase in permit revenues due to lifting of government restrictions and resumption of permit activities.

Revenue/Expense Changes:

COVID Learning Recovery Fund - \$31.5M	Funds will be used for additional secondary teachers, Vice-Principals, school-based support staff and caretakers. Note: the breakdown of the positions is outlined in the March 3, 2022 FBEC report.
Decrease in EWPF and	Based on the collective agreement, the Investment in System

ISP funds – \$14.8M	Priorities and Education Worker Protection Funding will end on August 30, 2022. As such, the positions relating to this funding will also be ending this year.
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Expenditure Changes:

Reduction in school-based staffing costs - \$18.2M	There is a reduction in school-based staffing costs compared to last year due to declining enrolment and net of payroll and benefit cost increases.
Increase in central staffing costs and CPP, EI increases - \$4.6M	There are increases in the employer portion of CPP and EI payments and increases in central staffing costs due to payroll and benefit cost increases.
Long term disability cost increase - \$3.3M	Based on the Board's employee benefits actuary report, due to the increase in LTD claims, the contribution rate will be increased from 2.35% to 2.92% of payroll to fund the expected cost of claims.
Additional in-year Central gapping savings - \$5.0M	Based on historic trends, there are normally savings relating to the timing difference in filling vacant positions. Staff will monitor and report savings realized on a quarterly basis.
Decrease in insurance costs - \$2.0M	There is a reduction in 2022-23 insurance premiums of \$2M compared to the budget at 2021-22 revised estimates.
Reduction in Board funded COVID expenses - \$1.0M	At revised estimates, the board is anticipating approximately \$1M in board-funded pandemic expenditures in 2021-22. These costs, such as PPE and other supplies not provided by the Ministry, are expected to cease in 2022-23.
Increase in utilities and other facilities costs – (\$6.0M)	There have been significant increases observed in natural gas prices and other facilities and operating costs, such as maintenance and caretaking supplies.

Other Factors impacting 2022-23 Operating Budget

The following items have been identified as factors that could impact the 2022-23 operating budget:

Revenue Impact – Revenues from permits, cafeteria sales, leases, international students, childcare, extended day programs and community programs are expected to increase compared to 2021-22 levels. However, it is still difficult to accurately project these revenues due to ongoing uncertainties around the pandemic.

Enrolment – Student enrolment has a significant impact on funding and is therefore a risk to any financial projection. Staff will review the enrolment trends and report on any significant changes prior to the final budget approval in June.

Use of Benefit Reserves – There is risk in using benefit reserves for the in-year deficit because, should actuarial costs increase above the remaining reserves, the additional cost would impact the operating budget of the Board.

Action Plan and Associated Timeline

Staff will present the 2022-23 deficit reduction recommendations at the upcoming May 16, 2022 FBEC meeting and revised budget at the June 8 FBEC meeting for approval. Once the Board approves the 2022-23 operating budget and capital budget on June 29, 2022, staff will complete and submit the required budget documentation to the Ministry of Education on or before June 30, 2022.

Resource Implications

Section 231 of the Education Act requires school boards to pass a balanced operating budget each year. Budgets are intended to align both human and financial resources to system priorities. School boards are required to submit their annual balanced operating budget to the Ministry of Education by June 30 of each year.

The TDSB will be utilizing its reserves to balance the operating budget for the 2021-22 school year. Based on the latest financial 2021-22 projection as reported on April 7, 2022, the estimated reserve balance as of August 31, 2022 is as follows:

Reserves (in \$ millions)	Actual Reserves as of August 31, 2021	2021-22 Projected use of reserves	Estimated Reserves, as of August 31, 2022
Working funds Reserve	\$22.7M	(\$22.7M)	-
Benefit funds Reserve	109.8M	(\$37.1M)	72.7M
School Support & Other	51.7M		51.7M
Environmental Legacy Fund	2.7M		2.7M
Artificial Turf Fund	0.5M		0.5M
Sinking Fund Interest (restricted)	14.3M		14.3M
Total working funds and internally restricted funds	\$201.7M	(\$59.8M)	\$141.9M

Communications Considerations

This revised report will be posted on the TDSB budget webpage.

Board Policy and Procedure Reference(s)

Not applicable.

Appendices

Appendix A – Ministry 2022: B03 Memo Grants for Student Needs Funding

Appendix B – Ministry 2022: B04 Memo – Capital Funding for the 2022-23 School Year

Appendix C – Ministry 2022: B05 Memo – Priorities & Partnership Funding (PPF)

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