



Proposed Options to Balance the 2023-24 Budget

To: Finance, Budget and Enrolment Committee

Date: 23 May, 2023

Report No.: 05-23-4545

Strategic Directions

- **Transform Student Learning**
- **Create a Culture for Student and Staff Well-Being**
- **Provide Equity of Access to Learning Opportunities for All Students**
- **Allocate Human and Financial Resources Strategically to Support Student Needs**
- **Build Strong Relationships and Partnerships Within School Communities to Support Student Learning and Well-Being**

Recommendation

It is recommended that the report regarding the proposed options to balance the 2023-24 budget be received.

Context

Background

The provincial funding formula, as expressed in the Grants for Students' Needs, inadequately responds to the current needs of students especially as they and board staff are transitioning out of a global pandemic. Although the Board has seen additional funding in some areas there are still persistent structural deficits that exist e.g., CPP, Special Education, replacement costs for employees on leave. This report meets the Director of Education's statutory requirement to present a balanced budget to the Board of Trustees.

Section 231 of the Education Act requires school boards to adopt a balanced budget. According to the Ministry, “when preparing and adopting budgets (estimates) for the fiscal year (September 1 to August 31), school boards are required to ensure that estimated expenses do not exceed estimated revenues unless any in-year deficit can be covered by accumulated surplus of a prior year and the in-year deficit is less than 1% of the school board’s operating budget.” If a Board exceeds 1%, the Board requires Ministry approval.

In 2022-23, TDSB received Ministry approval for a 1.4% deficit of \$40.4 million. As part of the approval, the Board had to prepare a 3-year deficit recovery plan. This plan included a savings of \$25.3 million in 2023-24 resulting in a deficit of \$15.1 million.

Each in-year deficit uses up the Board’s accumulated surplus and the Board has now used all of its working fund reserve at the end of 2021-22. As a result, staff believe it is important to bring forward a balanced budget in order to avoid an accumulated deficit and return needed funds to the reserves that have been previously used to offset the deficit.

As presented to trustees in report 6.1, “Updated 2023-24 Projected Financial Position”, the projected deficit for 2023-24 sits at \$52.3 million (\$52.7 if addition of aquatic instructors is recommended). This would be the total of the budget reductions required to achieve a balanced budget.

Proposed Options to Balance

Reduction to Central-Based Staff

Staff is proposing a reduction of 44.0 FTE central teaching staff and 5.0 Centrally Assigned Principals. The total of this reduction is \$5.6 million.

It is important to note that due to Collective Agreement timelines, these reductions have already been made but ultimately require trustee approval. It is also important to note that staff in centrally assigned roles will be returned to schools and that as a result of attrition, it is unlikely that any staff would be laid off.

Central Department Reductions to Discretionary Expenses

Central departments were asked to review their budgets and to reduce discretionary spending by 5% for 2023-24. Discretionary spending represents the non-salary and non-contractual amounts in central budgets. Based on feedback from central departments, a \$1.4 million reduction is being proposed. This represents approximately 7.7%.

General Interest Programs

The Board offers general interest programs (eg. Zumba classes, pizza making, calligraphy) to adults and seniors. Currently, general interest programs have \$600,000 more in expenditures than in revenues and are operating at a loss. Staff are proposing that this area of the budget be run on a cost recovery model and staff will review how this can be accomplished. It will likely include fee increases and enrolment thresholds to ensure viability. This is consistent with approaches used by many other school boards and providers.

Review of Other Grants and Possible Efficiencies

Some of the grants that the Board receives have specific requirements. Staff will be reviewing these grants and ensuring that all eligible expenditures are being charged to the grants to ensure maximum utilization. In addition, staff will review some programs where costs exceed revenues to ensure there is efficient use of resources. For example, reviewing the possibility of consolidating sites where additional programs are being offered. Staff also recognizes that by limiting the school budget carry-forward to 25%, there may be funds available to assist the overall budget at the end of the year.

1:1 Device Deployment

Staff is recommending a pause in the 1:1 device deployment budget. The \$9 million included in the budget for 2023-24 actually funds the devices for 2024-25 since they are purchased the summer before. Therefore, a pause in budget does not impact the scheduled deployment in 2023-24.

Use of Proceeds of Disposition

As a result of the moratorium on school closures, TDSB does not have an ability to deal with excess capacity. The Ministry used to provide school boards with “top-up funding under the school facility operations and renewal grant.” This top-up funding was provided for eligible schools to support the operation and maintenance of facilities where enrolment is less than capacity. In other words, it was recognized that a school operating at full capacity and a school operating at less than full capacity cost approximately the same to operate from a facilities perspective (i.e. same maintenance, utility and caretaking costs). The top-up grant for TDSB was approximately \$34 million at it’s maximum. In 2015-16, it was announced that this funding would be phased out over 3 years. At the same time, the moratorium took away the ability of Boards to be able to reduce these costs by closing schools.

In recognition of this, staff is recommending that the Board seek permission from the Ministry to use Proceeds of Disposition to offset operating costs that are directly a result of excess capacity. Staff's best estimate of this cost is approximately \$12 million.

Total of Options to Balance

Appendix A outlines the impact of the options to balance totalling \$32.6 million. The revised deficit based on the implementation of the above options would be \$19.7 million.

Additional Areas of the TDSB Budget Where Spending Exceeds Funding

In order to achieve a balanced budget, \$19.7 million more savings would be required. Appendix B shows a list of additional areas where spending exceeds funding. These are the possible areas that staff may review to bring back additional recommendations on June 1.

It should be noted that the areas identified in this section have value and are important part of fully implementing the Board's priorities, obligations, resolutions and operations. The reduction of services in these areas poses a range of impacts.

Action Plan and Associated Timeline

The next opportunity for Trustees to discuss additional options to balance will be on June 1, 2023. The public will have an opportunity to provide feedback from June 5-9 related to the budget.

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.

Communications Considerations

It is important to continue to update stakeholders about the budget process and the impacts of the decisions that will be proposed to balance the budget.

Staff will work together to ensure all relevant information is provided to stakeholders to ensure that they are aware of opportunities to provide feedback.

Board Policy and Procedure Reference(s)

Not applicable.

Appendices

Appendix A: Proposed Options to Balance the 2023-24 Budget

Appendix B: TDSB Programs Not Fully Funded (To Follow)

From

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