Final 2023-24 Budget Estimates

To: Special Finance, Budget and Enrolment Committee

Date: 20 June, 2023

Report No.: 06-23-4568

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

Recommendation

It is recommended that the Board approve the 2023-24 Budget Estimates.

Context

Background

Requirement to Pass a Balanced Budget

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 30th of each year.

Structural Deficit and Use of Reserves

Prior to the pandemic Toronto District School Board (TDSB) had a structural deficit that could not be addressed during the pandemic, as resources were needed to support student and staff safety and continued learning. Structural deficits occur when a school boards budgeted expenditures are greater than the grants and revenues the Board receives.

During the pandemic, the Board used more of its reserves. While the Ministry of Education did provide significant investments during the pandemic to school boards, the TDSB used approximately $69M of Board resources to support the continued learning and safety of both students and staff during the pandemic; in such areas as reducing class sizes, additional technology, and additional PPE. Majority of these investments were achieved through in-year savings and directing resources from such areas as supply costs and energy savings during the shutdowns of schools, transportation savings, and staffing redeployments. Had the Board not invested these funds to support the students and staff, there would have been operational savings that would have resulted in increased working funds.

School boards have three types of reserves: Working Funds, Internally Restricted and Externally Restricted Reserves (not available to be used to address deficits). Working Funds are reserves result from prior year surplus that have no defined purpose and available to the Board to address operating shortfalls. Internally Restricted Reserves are those funds set aside to address certain programs or expenditures such as benefit costs or school budget carryovers. Externally Restricted Reserves represent such things as future employee benefits, land values and school fund raising.

As a result of the operating deficit in 2021-22 the Board had to use both its limited working fund reserves as well as a portion of its internally restricted funds to offset the deficit. There currently are no available working funds remaining to offset future operating shortfalls or structural deficits. Should the Board continue to incur deficits it will need to use internally restricted reserves, which puts the Board at serious financial risk in these areas. This highlights the need of the Board to endeavour to balance the operating budget in the current year.

The chart below illustrates the status of reserves over time.

	Working Funds	Internal Reserves	External Reserves	Total
2015-16	$18,750	$139,911	-$290,558	-$131,897
2016-17	$26,398	$141,504	-$265,346	-$97,444
2017-18	$40,817	$142,678	-$224,578	-$41,083
2018-19	$29,325	$147,813	-$178,740	-$1,602
2019-20	$16,744	$159,938	-$152,116	$24,566
2020-21	$22,720	$179,034	-$132,903	$68,851
2021-22	$0	$90,151	-$109,410	-$19,259

Deficit Recovery Plan

In 2022-23, TDSB had a 1.4% deficit. As a result, the Board committed to a 3-year deficit recovery plan. This plan committed to a $40.4 million deficit in 2022-23, a $15.1 million deficit in 2023-24 and an $8 million surplus in 2024-25. As a result, staff have made reductions to propose a budget that results in a $15.1 million deficit for 2023-24.

Budget Drivers

The budget drivers were approved by Trustees on March 8, 2023 after a public consultation. The drivers assist staff in making recommendations to propose a balanced budget.

While all the listed budget drivers are significant, the top six strategic budget drivers are presented below and in Appendix A, based on the budget priority ranking gathered from the public consultation survey:

- Staff Allocation to Support All Students
- Student and Staff Safety, Mental Health and Well-being
- Equitable Access to Learning Opportunities to Serve Our Students, including Indigenous Education
- Student Success and Engagement
- Human Rights
- Modernization and Accessibility

Enrolment

The Ministry of Education allocates funding to School Boards using a model that is based on enrolment and the needs of students in each board. Enrolment is based on Full-Time Equivalent (FTE) enrolment for October 31st and March 31st. These two fixed-in-time FTE enrolment values are combined to produce the annualized Average Daily Enrolment (ADE). TDSB enrolment projections are based on historical enrolment trends, expected new development and student retention rates.

An estimated ADE of 162,875 elementary students has been used to develop the 2023-24 Budget Estimates which is a decrease of 687.0 ADE or 0.4% from the 2022-23 Revised Budget Estimates. An ADE of 70,652 has been estimated for secondary students, an increase of 488.0 ADE or 0.7% from the 2022-23 Revised Budget Estimates. The Board is projecting an increase in secondary enrolment for this year based a larger grade 8 cohort moving to secondary for the next school year. The overall projected ADE is 233,527 which represents a decrease of approximately 199.0 ADE or 0.1% decrease from the 2022-23 Revised Budget Estimates.

Revenue
<u>Grant for Student Needs (GSN)</u>

The Grant for Student Needs was released on April 17, 2023. The GSN increased by 2.1% to $3.1 billion in operating grant. Highlights included:

- New funding formula for student transportation that had a positive impact on TDSB
- Labour related increases
- 1.25% for teaching staff
- $1/hour for education workers
- Some Priorities and Partnership Funding transferred to GSN
- 2% increase in non-staff benchmarks of school operations allocation

For many of these increases, there were corresponding increases in expenditures.

<u>Other Ministry Grants</u>

Other Ministry grants have increased by approximately $2 million from the prior year. Not all grants have been announced yet and will be added as more information becomes available. Most of the other Ministry grants come from Priorities and Partnerships Funding (PPF) and some of the key highlights of the PPFs for 2023-24 are:

- The $4.5 million in "Math Strategy" has been discontinued. However, new "Math Recovery Plan" funding for approximately the same amount will be provided in 2023-24.
- There is new funding to support Early Reading and Reading Intervention.
- There is new funding to provide staff to support de-streaming and transition to high school.

There are specific requirements for PPF funding. In some instances, the funding will support existing expenditures.

<u>Miscellaneous Revenue</u>

Miscellaneous revenue includes interest revenue, permit revenue, lease revenue and international student fees. Most of these revenues decreased because of restrictions related to COVID-19. However, they are starting to return to pre-pandemic levels, and it is expected that they will continue to increase.

Expenditures

TDSB's 2023-24 operating expenditures are estimated at approximately $3.3 billion. Expenditures are allocated as follows:

- Salaries and benefits – 87%
- Supplies and services – 7%
- Fees and contractual – 4%
- Other – 2%

Salaries and Benefits

The major changes in the salaries and benefits include:

- Increase in salaries based on the increases included in the GSN:
  - 1.25% for teaching staff
  - $1.00/hour for education workers
- Increase in statutory benefits like CPP
- Increase in replacement costs related to sick leave

Decrease in Positions related to COVID-19 Learning Recovery Funding

One of the significant decreases in funding and related expenditures relate to the discontinuation of COVID-19 Learning Recovery Funding. In 2021-22 and 2022-23, this funding provided $31.5 million of funding for 522.0 positions. The Board added by back for 99.0 or $10.4 million of these positions:

- 16.0 social workers
- 15.0 child and youth counsellors
- 40.0 school-based safety monitors
- 20.0 elementary vice principals
- 8.0 secondary vice principals

School-Based Staffing

School-based staffing was approved by the Board in March 2023, representing 67% of the entire budget. There was a $6.6 million decrease in school-based staffing in addition to the decrease in the positions related to the COVID-19 Learning Recovery Funding. These decreases are a result of enrolment changes and decreases to assist in balancing the budget.

Other Expenditures

Highlights to changes in other expenses include:

- Increase in expenses as a result of contractual obligations
- Decrease in insurance costs
- Increase in utility costs
- Increase in other costs related to inflation

Additional Recommendations to Balance the 2023-24 Budget

In order to achieve a budget deficit of $15.1 million as required by the three-year deficit recovery program, the following reductions are being proposed:

Increase in SIP Special Education Allocation	$ 5.0
Central staffing	$ 5.6
Central department reductions	$ 1.7
General interest courses	$ 0.6
Review of other grants and possible efficiencies	$ 4.6
1:1 device deployment	$ 9.0
Additional virtual school enrolment	$ 0.3
Use of POD	$ 15.9
TOTAL	**$ 42.7**

<u>Increase in Special Incidence Portion (SIP) of Special Education Allocation</u>

The Ministry of Education granted an extension to TDSB for the resubmission of Special Incidence Portion (SIP) Claims and staff has adjusted the budget allocation to better reflect the projected approved amount. This increases the projected revenue by $5 million.

<u>Reduction to Central-Based Staff</u>

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.

<u>Central Department Reductions to Discretionary Expenses</u>

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 $1.7 million reduction is being proposed.

General Interest Programs

The Board offers general interest programs (e.g. 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, changes in subsidies 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. Staff will be reviewing the 1:1 program in the fall to determine if the number can be reduced and included in the 2024-25 budget.

Additional Virtual School Enrolment

In the Ministry memo 2023:B04 “2023-24 Grant for Student Needs Funding”, the Ministry stated that “For students who wish to enroll in remote learning, school boards may offer remote learning instruction directly, they may partner with another school board to provide remote learning instruction on their behalf, or they may work with other school boards to deliver remote learning collaboratively.” TDSB will be offering remote learning and has been approached by another school board to provide remote learning on their behalf. Although this request is being finalized, it is projected that this could result in additional revenue of approximately $300,000.

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 its 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.

In addition, the Board approved the addition of 16.0 social workers and 15.0 child and youth counsellors at a cost of $3.7 million to be funded by a request to use additional POD. The addition of 6.0 aquatic instructors will also require the use of $0.2 million.

Therefore, the total request for use of POD will be $15.9 million. If any of the other options to balance achieve more savings than estimated (i.e., if the Board is reimbursed more than an additional $5 million for SIP), the Board would use less POD.

Action Plan and Associated Timeline

Staff will present the final proposed budget to Trustees at Special FBEC on June 20, 2023 and to Special Board on June 22, 2023. The budget is due to the Ministry on June 30, 2023.

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.

Appendix B provides a summary of revenues and expenditures.

Communications Considerations

Not applicable.

Board Policy and Procedure Reference(s)

Not applicable.

Appendices

Appendix A: 2023/2024 Strategic Budget Drivers

Appendix B: Projected Operating Revenue and Expenditures

From

Stacey Zucker, Associate Director, Modernization and Strategic Resource Alignment at Stacey.Zucker@tdsb.on.ca or 416-397-3188.

Craig Snider, Executive Officer, Business Services at Craig.Snider@tdsb.on.ca or 416-395-8469.