



Proposed Options to Balance the 2024-25 Budget

To: Special Finance, Budget, and Enrolment Committee

Date: March 19, 2024

Report No.: 03-24-4668

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
- Embed the Truth and Reconciliation Commission of Canada: Calls to Action and the United Nations Declaration on the Rights of Indigenous Peoples in policies, bylaws and Board governance structures

Recommendation

It is recommended that the report regarding the proposed options to balance the 2024-25 budget be received.

Executive Summary

The Board is required to submit a balanced budget to the Ministry of Education and this report meets the Director of Education's statutory requirement to present a balanced budget to the Board of Trustees.

The Toronto District School Board (TDSB) has a structural deficit, meaning that the Board spends more than it receives in funding. Some reasons for the structural deficit include the underfunding of statutory benefits, the TDSB teacher grid and replacement costs for sick leave and the inability to close underutilized schools. In addition, the Board does spend more than funded in other areas.

On January 29, 2024, staff projected a deficit of \$34.8 million. This projection has been updated based on additional information and the revised projected deficit is now \$20.8 million. The projection includes the use of \$15.9 million of proceeds of disposition and if the Board does not receive permission to use them, the deficit is projected to be \$36.7 million.

Staff are providing options to arrive at a balanced budget. The options have considered guiding factors that include the draft of the Multi-Year Strategic Plan (2024 to 2028), minimizing impact on direct support to students, Ministry regulations (like class size and enveloping requirements) and Collective Agreements. Since over 85% of the Board's operating budget represents salaries and benefits, some recommendations will require a reduction in staffing. Collective Agreements will impact these reductions, including the timing of when decisions need to be made.

The options to balance include:

- Proposals to reduce deficit in continuing education
- Proposals to reduce deficit in outdoor education
- Reductions in replacement costs for sick leave
- Reductions in school operational costs
- Increases to certain user fees including permit fees and and the resumption of IB fees
- Reduction in central staffing including senior team, central teaching staff and other central administrative staff

In addition, the Board passed a motion to consider adding back vice principals and safety positions that were assumed to be reduced in the original projection and another motion to consider adding additional community support workers. The total cost would be \$7.9 million and additional reductions would need to be made to include all of these positions.

The next steps in the budget process include staff presenting the operating budget for approval to the Finance, Budget and Enrolment Committee (FBEC) meeting on March 27, 2024 and to a Special Board meeting on April 2, 2024. Once the Grants for Student Needs (GSN) are released, staff will calculate the actual grant revenue and determine if any changes are required.

Context

Background

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." 1% of the TDSB operating budget is approximately \$30.1 million and the Board is projected to have an available accumulated surplus of \$13.8 million on August 31, 2024. As a result, \$13.8 million is the maximum deficit that the Board could have in 2024-25.

However, 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. The 2024-25 school year is the third year of the 3-year plan and the original commitment was to develop a budget with an \$8.2 million surplus. When the Board made the commitment to this surplus to build back reserves, there were assumptions that enrollment and certain fees would have increased back to pre-pandemic levels. Since this has not happened, staff will be presenting a budget that breaks even. This report meets the Director of Education's statutory requirement to present a balanced budget to the Board of Trustees.

Structural Deficit

The TDSB has a structural deficit. This means that the Board spends more than it receives in funding on an annual basis. There are a number of items contributing to the structural deficit – some that are not within the control of the TDSB and some that are not.

The main items that are not within the control of TDSB and the Ministry does not provide sufficient funding for include:

- *Statutory Benefits*

Canada Pension Plan (CPP) has been gradually increasing from 4.95% in 2019 to 5.95% in 2023. In 2024, a second additional contribution rate was added. There has not been a corresponding increase in funding to offset these costs and in 2024-25, the annual underfunding of CPP has increased to \$33.4 million for TDSB. Employment Insurance (EI) has also been increasing and the underfunded amount is \$1.8 million. The total unfunded statutory benefits are \$35.2 million.

- *Difference in Funding for Teacher Salaries vs. Actual Salary Cost*

In 2014, the Province began Central Bargaining and came up with a central salary grid for teachers. Funding for teachers is based on this central grid. At that time, the TDSB grid was higher than the Provincial grid resulting in an unfunded amount for each teacher. This amount continues to increase as the

Province bargains percentage increases each year. In 2023-24, the amount that is underfunded is projected to be \$22.3 million.

- *Cost of Operating Under-Utilized Schools due to School Closure Moratorium*
Prior to 2015, the Ministry provided a grant called “Top-up funding under the School Facilities Operation and Renewal grant”. The Ministry stated that “This funding is provided for eligible schools to support the operation and maintenance of facilities where enrolment is less than capacity.” In other words, the Ministry recognized that there is a similar cost to operating a school with full capacity as a school that is underutilized. In 2015, the Ministry announced the phase out of this grant over three years. In the announcement, the Ministry stated “One effect of this funding has been to sustain schools in areas where it would make more sense from a program, fiscal, demographic and geographic perspective to rationalize school space through measures that might include closure or consolidation with nearby facilities and partnerships with coterminous school boards.” In other words, the Ministry encouraged Boards to close schools to deal with the excess capacity. The challenge is that, in June 2017, the Ministry announced a moratorium on school closures; thereby eliminating the ability of TDSB to develop and implement plans to maximize capacity while also reducing the funding received to assist with the operating these schools. The TDSB received \$35.5 million top up funding prior to the phasing out of this grant.

In addition, the Board has identified a number of Pupil Accommodation Reviews in the Long-Term Program and Accommodation Plan (LTPAP). Staff have projected operations savings of over \$3.5 million if the Board were to perform six of these reviews. This does not include the deferred maintenance that could be eliminated.

- *Replacement Costs for Sick Leave*
The Putting Students First Act, 2012, changed the allocation of sick leave for school board employees. Prior to 2012, employees were apportioned two days per month. Unused credits could be banked, and many employees received a retirement gratuity based on the number of unused sick days (up to a maximum). After 2012, employees now receive 11 days a year at full pay, plus an additional 120 days at 90% pay for short-term disability. Sick leave credits are not bankable and the retirement gratuities have been phased out. Since 2012, it has been reported that the Provincial average number of sick days taken has doubled from an average of 8 to 16 days per year. Each sick day costs the Board approximately \$600,000 in replacement costs for a total annually of approximately \$112 million. Therefore, the Board estimates the impact of the change in the sick leave provisions from 2012 at approximately \$56 million annually.

Updated Financial Position

On January 29, 2024, staff projected a \$34.8 million deficit. The projection was based on projected enrolment, assumptions with regard to the Grants for Student Needs (GSN) and known increases in expenditures based on enrolment, increases in contractual agreements and prior experience.

Since January 29, 2024, staff have updated some of the projected revenues and expenditures:

School Based Staffing

School based staffing represents approximately 65% of the Board's entire operating budget and the 2024-25 school based staffing was approved by the Board on March 6, 2024. School based staffing is passed at this time to allow Principals to work with their staffing committees and prepare their class organizations/schedules to meet collective agreement timelines. The actual budgeted cost is approximately \$4.8 million less than originally projected on January 29, 2024 and therefore, reduces the projected deficit.

Utilities

On March 7, 2024, staff were able to lock in our natural gas and electricity contracts for 2024-25 and there is an approximate \$5.5 million savings from projected costs and thereby reducing the projected deficit.

International Student Fees

The international student fee revenue has been increased by \$1.7 million based on actual enrolments to date for 2024-25 and thereby reducing the projected deficit.

Other Revenue and Expenditures

Staff have adjusted other revenues and expenditures based on additional information by \$2.0 million and therefore have reduced the projected deficit.

As a result of the adjustments above, the revised financial position is a **projected \$20.8 million deficit**.

Use of Proceeds of Disposition

The financial position on January 29, 2024 assumes that the Board will receive approval for use of Proceeds of Disposition (POD) of \$15.9 million. Staff believe that the Ministry of Education is unlikely to approve the use of POD if we do not pass a balanced budget.

If the Board does not receive permission to use POD for 2024-25, the projected deficit would be \$36.7 million (updated financial position of \$20.8 million plus the use of POD of \$15.9 million) .

Guiding Factors to Consider

In order to balance the budget, the Board has to decrease spending by \$20.8 million. Staff have considered a number of guiding factors when proposing options to balance:

- The draft of the Multi-Year Strategic Plan (2024-2028) - The MYSP will help to determine where it is important to allocate resources to support the plan.
- Ministry regulations - including class size regulations and other spending requirements
- Collective agreement provisions – including timelines and protected complements
- Direct impact on TDSB students

Options to Balance

Replacement Costs Related to Sick Leave

People and Culture concluded a review of its Disability Management function and are in the process of developing and implementing several strategies. This would reduce employee absences through organizational and process improvements to facilitate early and safe return to work, with a goal to reduce replacement costs by \$7.0 million.

Continuing Education

The Continuing Education department offers programs that include International Languages Elementary/African Heritage, Community Programs, secondary credit courses (i.e., night, summer, weekend), summer programs, international adult education, Adult English as a Second Language courses, and Adult Day School credit programs. Currently, Continuing Education is operating at a deficit of approximately \$6.9 million. Most Boards across Ontario operate Continuing Education at break even or in a surplus to help support other areas of the budget.

In order to reduce the deficit in Continuing Education, the following are being proposed:

1. Restructuring International Language-African Heritage Programs to be delivered in fewer sites while ensuring equity of access
2. Eliminating General Interest/Seniors' Daytime Programs and referring participants to other available programs
3. Restructuring Adult Day Schools to be delivered in fewer sites while maintaining robust programming

Details are included in Appendix A. The full implementation would reduce spending in Continuing Education by \$4.1 million. The proposal represents a significant change and staff is estimated that the entire reduction will not be recognized in the first year. Therefore, the program savings are projected to reduce the deficit by \$2.0 million.

Outdoor Education

The TDSB has recognized the importance of Outdoor Education by mandating that all students have equity of access to quality day and overnight Outdoor Education Programs. In June 2001, the Board resolved that every student in grades 5-8 has the opportunity to participate in overnight programs and every student in grades K-8 has opportunities to participate in day programs. Historically, the costs associated with operating the Outdoor Education Department have been greater than the revenue received and the 2023-24 grant is \$2 million, while the projected deficit is \$3.1 million.

Staff are proposing the following in order to reduce the deficit in Outdoor Education:

1. Eliminate weekend Grade 6 Outdoor Education school trips to Scarborough Outdoor Education School (SOES) at Camp Kearney and accommodate these overnight excursions during the weekdays at other sites
2. Share Transportation to overnight Outdoor Education Centres with participating schools
3. Increase user fees for visits to Outdoor Education Day Centres

This would reduce spending in Outdoor Education by \$1.0 million while still meeting the Board motion passed in 2001. Details are included in Appendix B.

Increase in/Resumption of User Fees

International Baccalaureate (IB) Fees

In 2019, the Board established a process to collect the cost of the IB Program (\$1.5 million) through fees on a sliding scale as well as establish a financial assistance program to ensure equity of access. In August 2020, the Board passed a motion to pause the 2020-21 IB fees as result of the pandemic and the change in delivery model during that time. Staff are proposing to reinstate the Board motion from 2019. This would result in an increase in fees of approximately \$1.0 million. Details are included in Appendix C.

Permit Fees

There are a few areas of permit fees that staff are reviewing in accordance with Policy PO11 "Community Use of Board Facilities":

- a. Section 6.16 of the policy states that “Permit holders will be charged for ancillary costs including staffing of nonscheduled custodian services, media and technology specialists, stage crews, security officers and parking attendants, as required.” Currently, the permit fees represent a blended rate that does not fully recover these costs. Staff are suggesting that these costs be charged in accordance with the Policy. The recovery of these costs are expected to generate approximately \$3.1 million.
- b. Appendix A within Policy PO11, states that “User fees in Category A1 and A2 are subsidized through the Ministry of Education Community Use of Schools grant and are subject to the limit in funding.” Currently, the Board receives a \$3.6 million grant from the Ministry to subsidize these groups while the Board is actually subsidizing \$6.1 million. This means that the Board is currently using \$2.5 million of its budget to subsidize the use of space. Staff are reviewing the use of the subsidy and a way of monitoring to ensure that the subsidy is used as provided.
- c. Section 6.18 within Policy PO11 also states that permit fees should be increased each year in accordance with the consumer price index. This will generate an additional \$300,000.

The total deficit related to section ‘a’ and ‘b’ from the above equals \$5.6 million. Staff are recommending that the permit fees be reviewed to determine how to recover the deficit and have estimated a recovery of half of the deficit for 2024-25. Therefore, the fees are projected to increase by \$2.6 million.

1:1 Device Repair Costs

It is estimated that the Board will spend over \$500,000 in 2024-25 to repair 1:1 devices. Repairs are currently paid for from school budgets. Staff are recommending that language be adjusted in the agreements with students/parents/caregivers in order to allow schools to charge for repairs, when appropriate.

In addition, staff are proposing that secondary schools share in the cost of purchasing 1:1 devices for Grade 9 students. All students in Grade 9 will now have access to a device and spending will be reduced in areas such as technology, repairs, paper and other areas.

Central Staffing

Based on the Multi-Year Strategic Plan, decreased enrolment over time and a best practice of reviewing positions when people leave the Board, staff are proposing a decrease in central staffing of approximately \$5.0 million. The areas include:

- Senior team

- Other central administration
- Central teaching staff

Renewal Costs Included in the Operating Budget and Overspending on School Operations

Staff are reviewing ways to decrease spending in this area without impacting the level of service. This includes decreasing absenteeism, filling vacancies, and reviewing contracts to find additional savings. The estimated savings is approximately \$5.0 million.

Other Areas Where the Board is Spending More than Funded

Staff are reviewing all areas where the Board is spending more than funded. A chart of the major areas is included as Appendix D. It should be noted that the areas identified in this section have value and are an 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.

Also provided as part of this report is a summary of spending by department included as Appendix E.

Total Options to Balance

The total of the above options is \$23.4 million. The implementation of these options would result in an \$2.6 million surplus. This would allow the addition of some of the positions from the trustee motions approved on March 6, 2024 to be added.

Motions Approved On March 6, 2024

In order for all of these items to be included, staff would review the other areas of overspending to identify additional areas for reductions. The total additions represent \$6.8 million for the motion related to Vice-Principals and safety positions and \$1.1 million for the motion related to community support workers.

Motion on Vice Principals and Safety Positions from February 14, 2024 FBEC

At the February 14, 2024 FBEC meeting, the committee approved the following motion: "That, in preparation of the detailed options to balance the 2024-25 Budget that will be coming to a special meeting of the Finance, Budget and Enrolment Committee on March 19, 2024, that staff reconsider assumptions presented to the Finance, Budget and Enrolment Committee on January 29, 2024 in preparation of the projected 2024-25

Financial Position, specifically the removal of the vice-principal positions added through the 2023-24 budget process, and the safety positions that were added in January 2023.”

Based on this motion, staff have reviewed all of the positions and if the Board were to add back the positions, the recommendation would be the following:

- 20 Elementary Vice-Principals at a cost of \$2.7 million
- 8 Secondary Vice-Principals at a cost of \$1.1 million
- From the safety positions:
 - 2 Caring and Safe Schools Central Staff at a cost of \$0.2 million
 - 12 Social Workers at a cost of \$1.6 million
 - 11 Child and Youth Counsellors at a cost of \$1.2 million

The total cost of adding back these positions would be \$6.8 million.

Motion on Community Support Workers from March 4, 2024 Special FBEC

At the March 4, 2024 Special FBEC meeting, the committee approved the following motion: “That the following be referred to staff for consideration at the March 19, 2024 meeting of the Finance, Budget and Enrolment Committee when the matter, options to balance the 2024-2025 operating budget is presented: Through the budget cycle, the Board explore the option of increasing the allocation of Community Support Workers so that they cover four schools on average, down from the current 6.25 schools average per Community Support Worker.”

Staff have reviewed the motion and it would require 13.5 additional Community Support Workers to decrease the number of schools covered to four. This would cost approximately \$1.1 million.

Action Plan and Associated Timeline

Staff will use the feedback from Trustees, the public and students to bring back a budget for approval on March 27, 2024.

The timeline is important due to the fact that over 85% of the Board’s operating budget relates to salaries and benefits. There are collective agreement timelines associated with reducing staff and when the Board misses these timelines, it prevents the Board from considering all options to achieve a balanced budget.

The GSN is usually released at the end of March/beginning of April and once it is released, Board staff will calculate the grant revenue and compare it to the projected revenue to determine any changes that need to be made.

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.

Board Policy and Procedure Reference(s)

Not applicable.

Appendices

Appendix A: Continuing Education Proposal

Appendix B: Outdoor Education Proposal

Appendix C: IB Fee Proposal

Appendix D: Major Areas Where Board is Spending More Than Funded

Appendix E: Detailed Expenditures by Department (to be provided separately by Wednesday, March 13, 2024)

Appendix F: Updated Financial Position Including Options to Balance

From

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