



1325 California Avenue  
Windsor, ON N9B 3Y6  
CHAIRPERSON: Fulvio Valentinis  
DIRECTOR OF EDUCATION: Emelda Byrne

**Meeting Date:**  
March 28, 2023

## BOARD REPORT

**Public**  **In-Camera**   
**PRESENTED FOR:** Information  Approval   
**SUBMITTED BY:** Emelda Byrne, Director of Education  
**PREPARED BY:** Penny King, Executive Superintendent of Business  
 Susan Swiatoschik, Senior Manager of Finance  
**SUBJECT:** **2023-24 BUDGET DEVELOPMENT, PRESSURES AND CHALLENGES**

### RECOMMENDATION:

**That the report on 2023-24 Budget Development, Pressures and Challenges be received as information.**

### SYNOPSIS:

The Windsor-Essex Catholic District School Board (WECDSB), like all school boards, is required to submit its annual budget in June for the coming school year. In order to enhance communication and consultation with the community with respect to the Board's progress in budget development and in order to bring budget parameters to the attention of the Board early in the budget process, this report identifies the Provincial and local contexts in which the 2023-24 budget is being developed and outlines the pressures and challenges that must be considered in bringing a balanced budget to the Board.

### BACKGROUND COMMENTS:

The Board's strategic plan is key to its sustainability. Just as important to the Board's long-term sustainability is its budget. In fact, the development of the Board's annual budget is one of the most strategic, but also the most time consuming and labour intensive functions undertaken by Administration. Further, budgeting does not solely belong to business departments. In the Ministry of Education's Financial Orientation for Trustees (December 2014), the Ministry notes that, "Directors, Superintendents and other senior program staff must be involved in the planning processes and be held accountable for budget performance".

The budget is the Board's fiscal plan that supports the delivery of educational programs and services and reflects the Board's strategic plan for the upcoming academic year. It also provides the authority for Administration to spend on a variety of programs and services. It is important that the budget be developed in a thoughtful manner and that decisions respecting the expenditure of funds carefully weigh the impacts and benefits to stakeholders

across the near and long-term horizons. Further, when developing the budget, both the Provincial and local context must be considered.

### **PROVINCIAL CONTEXT:**

The Provincial context must be considered by WECDSB as it proceeds through budget development. Some of the key considerations are as follows:

#### **Provincial Outlook:**

- **Budget surpluses forecasted provincially:** The Financial Accountability Office of Ontario (FOA) projects a provincial budget deficit for Ontario of \$2.5 billion in 2022-23, significantly smaller than the government's deficit projection of \$12.9 billion in the Fall Economic Statement. The government projects these trends to continue with revenue growth projected to exceed program spending through the three-year outlook into 2026-27, in which a \$7.6 billion surplus is forecasted provincially.

Over the three-year period noted above, the FAO projects spending shortfalls in health (net \$5.0 billion over three years), education (\$1.1 billion), justice (\$0.8 billion) and postsecondary education (\$0.4 billion). These shortfalls mean that the Province has not allocated sufficient funds to these sectors to support existing programs and announced commitments.

- **Budget announcement:** With a recent announcement that the Province will present the 2023 Ontario Budget on March 23<sup>rd</sup>, the Minister of Finance has indicated that the high-spending, large-deficit budgets that Ontario has tabled during the pandemic have served their purpose, but it is now time for "restraint".

#### **Provincial Priorities:**

After two years of pandemic disruptions, the government is looking ahead and remains focused on ensuring students receive the best stable learning experience possible. In July 2022, Ontario launched its *Plan to Catch Up*, focused on getting students back on track and strengthening the skills they need for the jobs of tomorrow. With a record investment in 2022-23 of \$26.6 billion in public education, the plan includes:

- students being back in the classroom with full school experience including extracurricular activities;
- new tutoring supports to fill gaps in learning;
- preparing students for the jobs of tomorrow, including the skilled trades;
- more money to build new schools and improve education; and
- expanded supports for students' mental health.

WECDSB has reflected the priorities of the provincial plan in its own 2022-23 budget, and must continue to consider these goals in its 2023-24 budget development, notwithstanding the fact that some of the funds for the targeted investments provided in 2022-23 are time-limited.

### **Education Funding Consultations:**

As in previous years, the government remains committed to discussing education funding reform in Ontario with education stakeholders through a consultation process that allows stakeholders to provide the benefit of their expertise, experience and ideas.

In October 2022, the Ministry of Education released the *2023-24 Education Funding Consultation Guide* structured around the following three areas:

- Efficiencies and reducing administrative burden
- Capital: Reducing time to completion for capital projects
- Capital: Joint use of schools

The Ministry plans to use the feedback to inform the development of the 2023-24 GSN.

### **Labour Negotiations:**

The collective bargaining framework for the education sector features a two-tier bargaining process, known as central and local bargaining. This means that certain agreed upon issues such as salary, benefits and paid leaves are negotiated on a province-wide basis, while all other issues are negotiated locally.

As the previous collective agreements for the majority of bargaining groups expired on August 31, 2022, the Ministry, Trustee Associations and school boards are engaged in various stages of labour negotiations with the employee groups for new collective agreements. To date, only two union groups have reached provincial agreements. As these negotiations are ongoing, the full impact of the changes is not yet known. Overall, it is expected that centrally agreed upon terms will be provincially funded, and not impact school board budgets in any significant way.

### **Grant for Student Needs:**

The Grant for Student Needs (GSN) provided by the Province is the primary source of revenue for school boards, allocating the overwhelming majority of school board annual revenues. In 2022-23, WECDSB projected to receive approximately 97.5% (\$274.7M) of total operating revenue from GSN funding in its budget.

The board specific GSN allocations are generally provided to boards subsequent to the provincial budget announcement, which is usually in late March. This timing presents challenges for boards needing to make certain programming decisions, such as staffing, in advance of final budget discussions.

Although it is anticipated that the GSN structure will remain relatively consistent with the prior year, several areas could significantly influence the board's 2023-24 budget decisions:

- **Support for Students Fund (SSF)** – this funding was provided as part of the previous round of central bargaining, and according to the Ministry of Education, “*Any funding beyond 2022-23 is subject to the upcoming round of central bargaining for groups whose central agreements expire on August 31, 2022. As such, this is time-limited funding*”. Given that two central agreements have been ratified with the continuation of the SSF, WECDSB is assuming this funding will continue in the 2023-24 budget.

- **COVID-19 Learning Recovery Fund** – COVID-19 funding was initially provided in 2021-22, and then again in 2022-23. The Ministry of Education indicated that, “*School boards should plan for this funding to expire at the end of August 2023*”. At this time, it remains uncertain as to whether, or to what extent, the COVID-19 learning recovery fund will continue. As such, WECDSB is conservatively assuming at this stage that the \$3.2M in COVID learning recovery funds provided in 2022-23 will not continue.
- **Transportation** - Changes are anticipated to the transportation allocation and will likely result in a reallocation of the grant provincially, resulting in some boards receiving more and some receiving less than their previous year allocation. Any negative funding impact will cause added budget pressures.
- **Other** - Funding supports in the areas of tutoring, recent immigrant supplement and provincially procured PPE have been heavily relied upon. Loss of these supports would place added financial pressure on boards.

It should be cautioned that this board report, and the calculations and comments contained within it, were written and published in advance of the 2023-24 GSN announcement. As such, this report contains broad estimates of funding pressures, which will continue to be refined as the budget development process progresses.

## LOCAL CONTEXT:

### Enrolment:

One of the most impactful metrics affecting the development of the budget is the projection of student enrolment for that year. A preliminary enrolment forecast has been developed for 2023-24 based on historical data, updated for current circumstances.

The projected full-time equivalent (FTE) enrolment for 2023-24, with a comparison to 2022-23, is as follows:

	2022-23 Estimates (FTE <sup>1</sup> )	2022-23 Revised Estimates (FTE)	2023-24 Estimates (FTE)	Change 2022-23 Rev.Est. to 2023-24 Est. (FTE)
Elementary (ADE <sup>2</sup> )	13,200.0	13,608.0	13,500.0	(108.0)
Secondary (ADE) < 21 yrs	7,175.0	7,425.0	7,375.0	(50.0)
<b>TOTAL DAY SCHOOL ENROLMENT</b>	<b>20,375.0</b>	<b>21,033.0</b>	<b>20,875.0</b>	<b>(158.0)</b>
Total High Credit	6.98	4.21	4.21	0.0
Adult Pupils (ADE) > 21 yrs	250.25	375.3	375.25	(0.05)
Total Visa Pupils	110.0	125.0	135.0	10.0

Notes: (1) FTE = Full-Time Equivalent  
(2) ADE = Average Daily Enrolment

For the purposes of the 2023-24 budget estimates, a decline of 158 day school pupils is projected for WECDSB, bringing total enrolment to 20,875. High Credit and adult pupils are

projected to remain relatively stable while VISA pupils are projected to increase from current forecast levels.

Based on the enrolment identified above, a preliminary funding forecast has been prepared by applying the projected enrolment to the current year's (i.e. 2022-23) funding formulas. The Business Department will revise the funding forecast and communicate any changes to impacted departments and ultimately to the Board when the 2023-24 GSN Technical Paper and EFIS (Education Finance Information System) are released.

The financial position reflected in the 2022-23 Revised Estimates is being used as the base for 2023-24 budget development. With approximately two-thirds of education funding based on enrolment, the projected decline of 158 FTE pupils is estimated to result in approximately \$2.04M of reduced grant revenues (based on 2022-23 funding formulas). This result is before any other possible grant changes, and before any changes in academic staffing costs which are the costs most variable with changes in enrolment.

### **Budget Outlook**

At this point in the year, discussions on budget are complicated by uncertainty as to the exact amount of board-specific funding that will be received in 2023-24. Notwithstanding this uncertainty, the development of forecasts for 2023-24 has begun based on certain, known funding changes. A preliminary budget outlook has been developed. The table below summarizes the projected fiscal challenges for the upcoming academic year:

Preliminary Forecast	2023-24 Increase/ (Decrease) (\$MILLIONS)
Current forecast surplus position for 2022-23 (without contingency reserve)	2.118
Projected 2023-24 contingency reserve, required per Board By-Law, at 0.5% of operating allocation	(1.278)
Projected reduction in GSN grants due to the projected decline in enrolment from 2022-23 Revised Estimates	(2.036)
Increase in VISA tuition revenue	0.131
<b>Potential Funding Changes:</b>	
COVID-19 Learning Recovery Fund – funding that may end August 31, 2023	(3.191)
Projected net change in other funding (i.e. retirement gratuity, transportation and other)	0.717
<b>TOTAL REDUCTIONS REQUIRED</b>	<b>(3.539)</b>

It is important to note that the main contributors to the \$3.539M reduction target identified above are the projected 158 student enrolment decline, combined with the assumption that the COVID-19 Learning Recovery Fund will expire as of August 31, 2023.

The projected reduction target identified could be adjusted based on changes in forecast enrolment, should they occur, as WECDSB progresses through the budget development cycle. This would generate incremental revenue for the board to alleviate some of the pressures. In addition, as the budget development process progresses and further information becomes available regarding the 2023-24 GSN funding model, the budget outlook will be refined and updates provided to Trustees.

### **Maintaining Balance**

Each year, boards are required under Section 231 of the Education Act to have balanced budgets, where estimated expenditures do not exceed estimated revenues. The Education Act contains provisions that allow for an in-year deficit for a fiscal year of up to 1% of the Board's operating revenue, provided it does not exceed the Board's accumulated surplus of the preceding year. For WECDSB, 1% of operating revenue equals approximately \$2.5M. Therefore, the Board can use a certain amount of its accumulated surplus as part of balancing revenues with expenditures.

WECDSB approaches the 2023-24 budget process from a strong stance. Enrolment growth in recent years combined with prudent fiscal management has resulted in several years of in-year surpluses which have contributed to \$17.9M of unappropriated accumulated surplus at the end of 2021-22. This position of financial strength provides the board with the opportunity to make programming decisions to support student outcomes while still maintaining long-term financial sustainability.

### **Pressures and Challenges**

- **COVID-19 PPE Pressures:**  
Due to the uncertainty with respect to pandemic recovery and the volume of PPE (personal protective equipment) and other critical supports that may be required, this initial budget outlook is based on the assumption that provincially procured PPE will continue to be provided and funded by the Ministry.
- **Staff Absences and Replacement Costs:**  
School board employees are allowed 11 sick days paid at 100% and an additional 120 sick days paid at 90%. While WECDSB has lower absences than some other boards, the Board has historically experienced budget pressures in this area that could continue into 2023-24. Despite WECDSB's attendance support processes that effectively promote employee well-being and regular attendance, there exists a growing concern over sick leave usage and the associated costs, especially in light of the lingering impact of the COVID-19 pandemic. Provincially, sick leave utilization figures continue to surpass any pre-Covid utilization of sick leave. This increased supply cost, along with the limited supply of qualified replacements, represents a continuing challenge for the upcoming 2023-24 school year.
- **Information Technology (I.T.):**
  - **Network costs:** In 2022-23, the Ministry of Education announced a new Broadband Network Operations per-pupil amount to help boards meet the increasing costs associated with network connectivity, network infrastructure, network security and related network operations in schools. While additional funding for network operations is advantageous, this may result in budget pressures in future years due to additional maintenance and support required.

- **Student devices:** Devices procured during the pandemic are quickly approaching their end of life and school boards are looking to refresh these devices. The funding model does not adequately support the new reality of school board device requirements, placing pressure on board resources.
  - **Digital resources:** Boards are spending significant amounts to acquire and update digital resources. Funding in this area is of paramount importance for school boards as technology is increasingly prevalent in curriculum delivery and linked to student engagement.
  - **Cyber security:** As the sector's reliance on technology increases, there is a growing risk of cyber-attacks in the education sector through phishing schemes and ransomware. Without specific funding allocations to support cyber security, boards must rely on other resources to fund this priority.
- Capital Deficit:  
The board has a capital deficit of \$8.1M resulting from capital costs not fully supported with grant revenues to meet principal and interest payments. This affects the Board each year in the form of unsupported amortization expense, which is approximately \$753K per year.

In the 2021-22 Financial Statements, there is \$1.045M of accumulated surplus internally appropriated to pay down WECDSB's capital deficit on land and \$2.2M appropriated for the capital deficit related to administrative facilities. The balance of the capital deficit will be funded from other sources such as school renewal grant encumbrances. While Administration is aggressively working to reduce the balance of the capital deficit, it continues to crowd out spending that could be used for other priorities.

- Special Education:  
WECDSB's inclusive model of Special Education service delivery expresses its commitment to educate each child to the maximum extent possible by bringing the support services to the child rather than moving the child to the services. This model however causes budget pressures as costs continue to exceed funding each year, resulting in WECDSB using other allocations to augment its special education funding.  
  
WECDSB's total annual special education expenditures since 2013-14 have increased by \$6.4M or 23% while the annual grant allocation has only increased by \$2.7M or 10%. Therefore, a continuation of funding (assuming no increase in expenses) will simply serve to prevent the current gap between funding and expenses from widening in the 2023-24 fiscal year, but will not help alleviate the structural fiscal pressure in this area.
- Faith Formation:  
Integrating faith into the curriculum and promoting faith formation of students and staff are critical to fulfilling the mission of Catholic Education and preserving the Catholic identity. This is an area however for which there is no direct funding source to support the costs and as such the Board must carve out funding from other grants or find savings elsewhere to fund this priority.

- Priority and Partnership Funding (PPF):

Historically, the Ministry of Education has targeted additional funding to school boards for specific programs or initiatives. These transfer payments, referred to as PPFs, are provided to school boards outside of the regular operating grants. Notwithstanding that PPFs, such as the \$906K of Tutoring supports provided in 2022-23, are critical to support student outcomes, their receipt is not guaranteed from one year to the next.
- Non-Grant Revenue Impact:

Components of non-grant revenue include interest income, rental revenue, tuition and dormitory revenue. Although non-grant revenues represent a relatively small amount of the financial resources received by the Board, they are extremely important to the activities they support. Without this additional revenue, the Board would be required to reduce expenditures to balance the budget.
- Inflation:

Recently experienced levels of unprecedented inflation is a significant pressure on school boards' budgets. Although the Ministry has provided inflationary support in some areas of the budget, inflation remains an issue as boards struggle to keep up with costs. In addition, increases in the employers' portion of the Canada Pension Plan (CPP) and Employment Insurance (EI) continue to put pressure on school board budgets.
- Temporary Accommodation:

Given that school additions and retrofits take time and are contingent on limited provincial funding and approvals, the most common interim solution to accommodate students attending growth areas in school boards is with portable classrooms. Over the past several years, the Ministry of Education has tightened the eligibility of many of the funding streams provided to school boards leaving temporary accommodation as the primary source of funding for adding portables. With the rising cost and limited supply of portables in the market, this funding is insufficient for most school boards.
- Utility/Ventilation costs:

Although the 2022-23 GSN provided additional funding to support increased utility and ventilation costs, this remains a pressure for boards as they continue support of the new ventilation standards.
- Discretionary expenses:

Each year discretionary expenses have been reviewed to identify decreases where necessary. There is constant pressure to maintain gains in student achievement when resources and Ministry funding are limited. Each year presents less and less room to absorb pressures. Furthermore, approximately 78% of the total Board budget consists of salaries and benefits, with a significant portion of the remaining expenses either being mandatory (e.g. amortization, debenture interest, contractual fees, etc.) or revenue neutral (e.g. Priorities and Partnerships Funding (PPF) expenses with corresponding funding sources, etc).



## **Going Forward**

Discussions have begun internally with a view to identifying expenditure reductions and pressures. As Administration works to align scarce budget resources to the strategic objectives and priorities of the Board, additions to certain areas of the budget may be required. Where additions are deemed necessary, the Board may look to fund these pressures with accumulated surplus in order to submit a balanced budget.

## **Risk Assessment**

As noted earlier, the information presented in this report is preliminary. The release of the 2023-24 GSN, Technical Paper and EFIS are likely to change the budget outlook. A major risk factor in budget preparation lies in enrolment projections. Even if actual enrolment remains as projected on a system wide basis, large school-by-school variances can create staffing pressures in the fall. Another major risk is whether the time-limited investments made in previous years (COVID-19 supports, learning recovery, tutoring supports, recent immigrant supports etc.) will be renewed.

## **Summary**

All of the above is being provided for the information of the Board at this time. Administration will continue to develop the 2023-24 budget with due consideration to the factors that have been identified.

### **FINANCIAL IMPACT:**

Discussed throughout the report.

### **TIMELINES:**

The detailed 2023-24 budget process, including timelines, has previously been submitted to the Board. A further update report may be provided to the Board in late April if the budget outlook is anticipated to change significantly. The final budget is due for submission to the Ministry of Education by June 30, 2023.

### **APPENDICES:**

N/A

### **REPORT REVIEWED BY:**

<input checked="" type="checkbox"/>	EXECUTIVE COUNCIL:	Review Date:	March 21, 2022
<input checked="" type="checkbox"/>	EXECUTIVE SUPERINTENDENT:	Approval Date:	March 21, 2022
<input checked="" type="checkbox"/>	DIRECTOR OF EDUCATION:	Approval Date:	March 21, 2022