



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

Meeting Date:
 March 26, 2024

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: **2024-25 BUDGET DEVELOPMENT, PRESSURES AND CHALLENGES**

RECOMMENDATION:

That the report on 2024-25 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 2024-25 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 deficit to widen provincially:** The Financial Accountability Office of Ontario (FAO) projects a provincial budget deficit for Ontario of \$4.7 billion in 2023-24, slightly smaller than the government's deficit projection of \$5.6 billion in the Fall Economic Statement. Ontario's budget deficit is expected to widen to \$6.2 billion in 2024-25 and gradually improve, reaching a balanced position by 2026-27, one year later than expected by the government.

Over a three-year period (2023-24 to 2025-26), the FAO projects spending shortfalls in education (\$4.0 billion over three years), health (\$2.2 billion), children, community and social services (\$1.7 billion) and justice (\$0.3 billion). These shortfalls mean that the Province has not allocated sufficient funds to these sectors to support existing programs and announced commitments. The shortfalls are largely due to the government's requirement to provide compensation for the impact of wage restraint under Bill 124.

Provincial Priorities:

In 2023-24 the government implemented the first set of regulations following the passage of *The Better Schools and Student Outcomes Act, 2023*. These new measures focus on getting back to the basics of education: strengthening reading, writing and math, and other STEM disciplines. With a record investment in 2023-24 of \$27.6 billion in public education, the plan to support learning includes the following key investments:

- Early Reading
- De-streaming
- Mental Health
- Special Education
- Student Transportation
- Remote Learning Administration
- Math
- Job-readiness
- Human Rights and Inclusion
- Student Safety
- Capital

WECDSB has reflected the priorities of the provincial plan in its own 2023-24 budget, and must continue to consider these priorities in its 2024-25 budget development.

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 September 2023, the Ministry of Education released the *2024-25 Education Funding Consultation Guide* structured around the following two areas:

- Strengthening accountability, enhancing transparency and reducing complexity
- Modernization of the Special Education Grant

The Ministry plans to use the feedback to inform the development of the 2024-25 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 employee groups for new collective agreements for the 2022-2026 period. To date, two bargaining groups representing WECDSB staff (CUPE, OCEW) have ratified provincial agreements, and a third (OECTA) recently reached a tentative agreement pending ratification on March 26th and 27th. 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.

Bill 124 Decision:

The Ontario government enacted Bill 124 in 2019. Bill 124 imposed restraints that limited wage/ compensation increases in the broader public sector to 1% during each of three one-year moderation periods. In 2022, a judge on Ontario's Superior Court of Justice struck down the law for violating workers' rights to freedom of association. The Ontario government appealed. In February 2024 the Appeal Court ruled in favour of the workers, noting that capped salary increases at one percent a year for three years violated collective bargaining rights. The Ontario government subsequently repealed Bill 124 in its entirety.

A recent Memoranda of Settlement (MOS) has been reached between various education sector unions and the Crown regarding Bill 124. The MOS includes retroactive compensation increases back to 2019-20. The Ministry will update the funded salary and benefits benchmarks in the Grants for Student Needs (GSN) regulations. Due to the funding mechanism, there is risk that the amount to be paid to employees will be greater than the amount funded by the Ministry, which could materially impact school board budgets.

Grants for Student Needs:

The Grants 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 2023-24, WECDSB projected to receive approximately 97.3% (\$285.4M) 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 2024-25 budget decisions:

- **Bill 124 benchmark adjustments** – As mentioned previously, there is uncertainty as to the timing of the adjustments as well as whether the salary and benefits benchmark increases in the GSN regulations will fully support the compensation increases.
- **Transportation** – In 2023-24, the Ministry implemented a new Student Transportation Grant funding framework. The grant includes a Transition amount that is expected to be in place for four years (through the 2026-27 school year) to ensure no school board experiences a decline in funding compared to their 2022-23 allocations. The concerns about the ability of the new formula to address the sector's needs in keeping up with inflationary pressures and contractual cost increases remain into 2024-25.
- **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 2024-25 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 2024-25 based on historical data, updated for current circumstances.

The projected full-time equivalent (FTE) enrolment for 2024-25, with a comparison to 2023-24, is shown in the chart below:

	2023-24 Estimates (FTE ¹)	2023-24 Revised Estimates (FTE)	2024-25 Estimates (FTE)	Change 2023-24 Rev.Est. to 2024-25 Est. (FTE)
Elementary (ADE ²)	13,650.0	14,270.0	14,270.0	0.0
Secondary (ADE) < 21 yrs	7,475.0	7,725.0	7,725.0	0.0
TOTAL DAY SCHOOL ENROLMENT	21,125.0	21,995.0	21,995.0	0.0
Total High Credit	4.21	8.33	8.37	0.04
Adult Pupils (ADE) > 21 yrs	435.25	600.25	600.25	0.0
Total Visa Pupils	135.0	130.0	135.0	5.0

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

For the purposes of the 2024-25 budget estimates, enrolment is projected to remain stable with total day school enrolment at 21,995. High Credit and adult pupils are projected to

remain relatively stable while VISA pupils are projected to increase slightly 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. 2023-24) funding formulas. The Business Department will revise the funding forecast and communicate any changes to impacted departments and ultimately to the Board when the 2024-25 GSN Technical Paper and EFIS (Education Finance Information System) are released.

The current financial position that the Board is forecasting for 2023-24 is being used as the base for 2024-25 budget development. The projected enrolment of 21,995 FTE in 2024-25 is the same as the current 2023-24 enrolment forecast, and as such the expectation is that it would generate the exact same amount of grant revenue. However, due to a shift between JK/SK, primary, and intermediate enrolment levels there is actually a forecasted grant reduction of \$173K (based on 2023-24 funding formulas). This result is before any other possible grant changes which may be announced, 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 2024-25. Notwithstanding this uncertainty, the development of forecasts for 2024-25 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	2024-25 Increase/ (Decrease) (\$MILLIONS)
Current forecast deficit position for 2023-24 (without contingency reserve)	(1.493)
Projected 2024-25 contingency reserve, required per Board By-Law, at 0.5% of operating allocation	(1.326)
Projected reduction in GSN grants due to the change in enrolment from 2023-24 Revised Estimates	(0.173)
Budget pressure for balance of One-to-One Chromebook initiative	(0.598)
Projected net change in other expenses (i.e. transportation and other)	(0.109)
TOTAL REDUCTIONS REQUIRED	(3.699)

It is important to note that the main contributors to the \$3.699M reduction target identified above are the forecasted deficit position for 2023-24, combined with returning the 2024-25 contingency amount to 0.5% of the operating allocation, as recommended in Board's by-laws.

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 2024-25 GSN funding model, the budget outlook will be refined and updates provided to Trustees.

Maintaining Balance:

Ontario Regulation 280/19, *Calculation of Maximum In-Year Deficit*, states for the 2024-25 school year onwards that a school board is permitted to incur an in-year deficit if:

1. The board has submitted an IYDEP for a deficit that is less than or equal to the lesser of:
 - a. 1% of the board's operating revenue for the applicable fiscal year, or
 - b. the board's accumulated surplus in the preceding fiscal year.
2. The board has not had an in-year deficit in both of the two fiscal years immediately preceding the applicable fiscal year.

For WECDSB, 1% of operating revenue equals approximately \$2.7M and the board's accumulated surplus is forecasted to be approximately \$29.5M at the end of the 2023-24 fiscal year.

WECDSB approaches the 2024-25 budget process forecasting a deficit of approximately \$2.143M for the 2023-24 fiscal year. If the Board does in fact realize a deficit in 2023-24 as projected, and plans a deficit budget in 2024-25, it must report a balanced budget in 2025-26 to avoid Minister of Education approval in that year.

Pressures and Challenges:

- **Bill 124 Impact:**
As previously noted, Bill 124 restricted wage increase for public sector workers to 1% for three years beginning in 2019-20. Public sector employees that were subjected to Bill 124 will receive retroactive wage increases to adjust for the impact of the legislation. Funding adjustments will be provided through the GSN salary and benefits benchmarks. Due to the funding mechanism, there is risk that the amount to be paid to employees will be greater than the amount 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 2024-25. 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. This increased supply cost, along with the limited supply of qualified replacements, represents a continuing challenge for the upcoming 2024-25 school year.
- **Transportation:**
The transportation funding model introduced in 2023-24 includes many new elements such as driver retention bonuses and transition funding. The transition funding, which WECDSB receives, will phase out after four years. Even with this time-limited funding, as well as benchmark increases for operator costs, the total

student transportation funding generated in the new model is insufficient to meet actual increases being realized by the transportation consortia in the operator agreements. WECDSB's contractual transportation costs are expected to increase in the coming year, and unless further changes are made to the funding formula, student transportation is a budget risk for 2024-25.

- Information Technology:

- **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. In addition, with the launch of WECDSB's One-to-One Chromebook initiative in September 2023, a budget pressure exists in 2024-25 as only half of the projected annual cost of the devices are in the current board budget.
- **Maintenance and Support Costs:** As more devices are introduced and other technology and software programs are purchased, the need for maintenance and support increases. Budget pressures are anticipated in this area.
- **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. The Ministry has recently provided PPF funding to help address cyber security risk, however, GSN funding of a more permanent nature is required to properly support boards.

- Capital Deficit:

The board has a capital deficit of \$8.5M 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 \$785K per year.

There is currently \$1.045M of accumulated surplus internally appropriated to pay down WECDSB's capital deficit on land and \$5.5M appropriated for the capital deficit related to administrative facilities and pupil accommodation projects. 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 budgeted special education expenditures between 2014-15 and 2023-24 have increased by \$8.2M or 30% while the annual grant allocation has only increased by \$4.8M or 18%. Subsequent to 2023-24 budget development, additional Educational Assistants and LSST teachers were required to support

special education system needs. As a result, the board is forecasting a special education deficit for 2023-24 as follows:

	2023-24 Budget	2023-24 REV EST
	(\$000)	(\$000)
Special Education Funding	32,404	33,242
Special Education, Net Expenses	37,044	39,684
Special Education In-Year (Deficit)	(4,640)	(6,442)

The \$6.4M structural special education deficit is inherent in the current budget outlook presented for 2024-25.

- 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 \$1.1M of destreaming supports and \$653K of reading intervention supports provided in 2023-24 are critical to support student outcomes, the receipt of this funding is not guaranteed from one year to the next.
- Non-Grant Revenue Impact:
 Components of non-grant revenue include, for the most part, 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 and Statutory Benefits:
 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, the federally mandated increases in the employers' portion of the Canada Pension Plan (CPP) and Employment Insurance (EI) continue to put pressure on school board budgets as there is no additional funding from the Ministry. For many boards, the accumulated impact of the CPP/EI enhancement represents a pressure in the range of 0.5% to 1% of their operating budget.
- 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 WECDSB.

- Utility/Ventilation costs:
Although the 2023-24 GSN continued to provide funding to support increased utility and ventilation costs, this remains a pressure for WECDSB as the Board continues 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 79% 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 2024-25 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. As previously mentioned, other risk areas include, the impact of Bill 124, increased statutory benefit costs, and whether the time-limited investments made in previous years (learning recovery 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 2024-25 budget with due consideration to the factors that have been identified.

FINANCIAL IMPACT:

Discussed throughout the report.

TIMELINES:

The detailed 2024-25 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 additional

information becomes available. The final budget is due for submission to the Ministry of Education by June 28, 2024.

APPENDICES:

N/A

REPORT REVIEWED BY:

<input checked="" type="checkbox"/>	EXECUTIVE COUNCIL:	Review Date:	March 19, 2024
<input checked="" type="checkbox"/>	EXECUTIVE SUPERINTENDENT:	Approval Date:	March 19, 2024
<input checked="" type="checkbox"/>	DIRECTOR OF EDUCATION:	Approval Date:	March 19, 2024