



## **Structural Deficit Update**

**To:** Finance, Budget and Enrolment Committee

**Date:** 26 March, 2025

**Report No.:** 03-25-4868

### **Strategic Directions**

- Commit to the implementation of the Truth and Reconciliation Commission of Canada: Calls to Action.
- Belong - All students belong, are engaged, and valued in an inclusive environment.
- Achieve - All students reach high levels of achievement, success, and personal development.
- Thrive - All students graduate with the confidence, skills, and knowledge to thrive.
- Revitalize - All students and staff learn and work in inclusive, safe, and modern environments.

Equity as a guiding principle: Equity is foundational to all TDSB work and will be embedded throughout the strategic directions.

### **Recommendation**

It is recommended that the structural deficit update report be received.

### **Context**

This report is being provided as part of the budget process for the 2025-26 budget. The report is intended to provide all of the areas where the Toronto District School Board (TDSB) spends more than it receives funding for, thus contributing to the structural deficit. There are no recommendations in this report. The recommendations for how to achieve a balanced budget will be part of future reports to the Finance, Budget and Enrolment Committee (FBEC).

**Structural Deficit and Use of Reserves**

TDSB has a structural deficit. This means that the Board’s planned spending is more than the grants and revenues it receives.

The Board has had a structural deficit for a number of years and this has resulted in TDSB having to rely on its reserves to meet its operational needs.

School boards have three types of reserves: Working Funds, Internally Restricted Reserves, and Externally Restricted Reserves. Externally Restricted Reserves are not available to be used to address deficits. Working Funds are reserves that result from prior years’ surpluses that have no defined purpose and are 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 employee future benefits, land values and school fund raising and asset retirement obligations.

As a result of previous operating deficits, TDSB no longer has a working fund reserve and has been using its internally restricted reserves to offset annual deficits. Should the Board continue to incur deficits it will use all of its internally restricted reserves, putting the Board at serious financial risk in these areas. By using these internally restricted reserves, the funds are not available for the purposes for which they were intended.

The chart below illustrates the status of reserves over the last 5 years (in millions):

	<b>Working Funds</b>	<b>Internal Reserves</b>	<b>External Reserves</b>	<b>Total</b>
<b>2019-20</b>	16,744	159,938	-152,116	24,566
<b>2020-21</b>	22,720	179,934	-132,904	69,750
<b>2021-22</b>	-	90,151	-109,410	-19,259
<b>2022-23</b>	-	40,546	-814,795	-774,249
<b>2023-24</b>	-	26,733	-830,943	-804,210

**Deficit Recovery Plan**

The Board submitted a budget to the Ministry in 2024-25 that requested to use \$28 million of Proceeds of Disposition (POD) in order balance. POD represent the revenue received from selling property and are required to be used to address School Condition Improvement (SCI). Boards must as permission to use POD for other purposes and POD are not a sustainable funding source for operating expenditures. As part of the

approval, the Ministry of Education (EDU or Ministry) can provide additional requirements and the request to use POD for the 2024-25 budget had a number of conditions including commitments related to future budgets:

- *A commitment to full cost recovery on non-Kindergarten to grade 12 programs*
- *A commitment to make staffing adjustments when one-time funding has ended*

In addition, the Board had to submit a 2-year deficit recovery plan which was presented to the Board in August 2024.

### **Auditor General Performance Audit Recommendation**

The Auditor General's 2024 Annual Report, released in December 2024, included a Performance Audit of TDSB. One recommendation stated "We recommend that the TDSB and the Ministry of Education work together to understand whether the TDSB has a structural funding deficit and how the TDSB's unique circumstances play a role in its financial challenges."

Both the Board and the Ministry identified areas of concern with regard to the structural deficit and committed to working together. TDSB staff has reached out to EDU staff to schedule a meeting and has started these discussions.

### **2025-26 Projected Financial Position**

As indicated in the report presented at the Special FBEC meeting on February 27, 2025, the projected deficit for 2025-26 was estimated at \$65.9 million. With the decision by Trustees at the March 6, 2025 Special Board meeting to add back 28 unfunded Vice Principals that had been removed from the preliminary school based staffing allocation, the updated projected deficit for 2025-26 increased to \$70.3 million.

In order to address the deficit, staff have prepared a list of unfunded/ underfunded/ overspent areas of the 2024-25 budget. The intention of this report is to identify these areas as they contribute to the projected structural deficit.

This report does not make any recommendations with regard to the 2025-26 budget – it is solely an identification of these areas. The next step will be to review the areas to assist in providing options to balance.

## **Areas of the TDSB Budget that are Unfunded/Underfunded or Overspent**

### Core Education Funding

Most of the revenue that TDSB receives comes from the Ministry through Core Education Funding (Core Ed). The funding is intended to mirror cost structures; however, school boards have flexibility in their actual expenditures. It is up to school boards to determine their detailed budget commitments within the terms of the Education Act and other relevant regulations and memoranda. There are very few limitations with regard to how the funds are spent and there are many components to the grant. As a result, the Board does not assign all expenditures to specific grant allocations unless it is required. In addition, it is difficult to determine which specific costs are causing the structural deficit and which allocations to assign them to.

For the purposes of this report, areas that are unfunded/underfunded/overspent have been allocated into three categories:

- *Underfunding/overspending not within the control of TDSB*
- *Underfunding/overspending partially within the control of TDSB*
- *Underfunding/overspending within the control of TDSB*

A list of all the areas by category is presented in Appendix A. These amounts represent the 2024-25 school year.

### Underfunding/Overspending Not Within the Control of TDSB

- *Unfunded 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 provincial funding to offset these costs and in 2024-25, the annual underfunding of CPP has increased to \$39.0 million for TDSB. Employment Insurance (EI) has also been increasing and the underfunded amount is \$4.7 million. The total unfunded amount for statutory benefits is projected to be \$43.7 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 which is universally applied to all school boards across the province. At that inception of the central salary grid in 2014, 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 annual percentage increases. In 2024-25, the amount that is underfunded is projected to be \$26.1 million.

- *Difference in Funding for Designated Early Childhood Educator (DECE) Salaries vs. Actual Salary Cost*

DECEs were introduced in school boards across Ontario when Full Day Kindergarten was implemented in 2010. A benchmark was established for the grants at that time. TDSB already had an established job classification for DECEs and therefore, already had a salary grid. This grid was higher than the benchmark funding. This amount continues to increase as the Province bargains annual percentage increases. In 2024-25, the amount that is underfunded is projected to be \$1.5 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 at the same time, reducing the funding to the Board to assist with operating under capacity schools. The TDSB received \$35.5 million top up funding prior to the phasing out of this grant. Staff have estimated that the grant would be \$43.1 million in 2024-25 if the funding had continued.

#### Underfunding/Overspending Partially Within the Control of TDSB

- *Unfunded LTD and WSIB*

LTD and WSIB costs continue to increase. TDSB can ensure that it minimizes these costs by maintaining a safe environment for staff and assisting staff in returning to

work. However, there are additional factors that impact LTD and WSIB costs that are not within the control of TDSB including interest rate changes, inflation, an aging workforce, rising mental health concerns and the increasing prevalence of chronic illnesses. The annual cost of LTD and WSIB has increased by approximately \$18 million since 2018 without a corresponding increase in funding.

- *Special Education*

TDSB, like many Boards, has a special education deficit when comparing special education expenditures to the special education grant. The projected deficit for 2024-25 is \$38.5 million. It is important to note that the Special Education Fund is an additional grant to support special education expenditures – the Classroom Staffing Fund (CSF) and the Learning Resource Fund (LRF) also support some of these expenditures.

- *Supply Costs for Teachers and DECEs*

The Board receives funding through the CSF specifically for supply costs related to teachers and DECEs. When comparing the funding to the actual cost, there is a shortfall of \$66 million. TDSB is working towards reducing this shortfall with the implementation of the wellness department and its initiatives. However, sick leave has been steadily increasing across the province and is a provincial challenge.

- *School Administration*

School administration refers to the funding and expenditures for Principals, Vice Principals and School Office Administration (clerical) staff. There are 3 main reasons why TDSB is overspending in this area:

1. The funding benchmark salary and benefit for clerical staff is approximately \$18,000/employee lower than the actual cost.
2. TDSB has more Principals and Vice Principals than the grants fund.
3. There is no funding in the Core Ed for sick/paid leaves for these employees.

As a result, there is a projected shortfall of \$35.4 million.

- *Continuing Education*

Continuing Education supports International Languages, Night School and Adult Day School among other programs. Currently, Continuing Education is operating at a deficit of approximately \$4.7 million. Most Boards across Ontario operate Continuing Education at break even or in a surplus to help support other areas of the budget. During the 2024-25 budget process, areas were identified for efficiencies and over \$2 million in savings has occurred. Staff will continue to find

efficiencies to address the deficit; however, the costs to operate some programs are more than the funding that is provided by the Ministry and some programs that TDSB has made the decision to operate are not funded at all.

- *School Safety*

School safety refers to the Caring and Safe Schools department expenses in addition to school based safety monitors. There are \$4 million positions that were funded by the COVID one-time funding that the Board has maintained. The Board receives \$5.1 million in funding for school safety and costs total approximately \$35.6 million for a shortfall of \$30.5 million.

- *Mental Health Supports*

The Board receives \$5.3 million in funding specifically to support mental health. The Board spends approximately \$19.2 million leading to a shortfall of \$13.9 million. It is important to note that the Auditor General did identify this as an area where the supports should be increased, if feasible.

- *Elementary Supervision (Lunchroom Supervisors)*

TDSB receives \$5.2 million of funding to directly support elementary supervision. TDSB provide lunchroom supervision in elementary schools at a cost of \$19.2 million. This creates a shortfall of \$14 million.

- *Transportation*

Transportation is administered by the Toronto Student Transportation Group (TSTG) consortium with Toronto Catholic District School Board. The funding formula for the transportation grant was updated two years ago and TDSB received increased funding which assisted in decreasing the funding gap. In 2024-25, the Board entered into new contracts with transportation providers which increased costs. In 2024-25, transportation is underfunded by \$1.2 million. This will continue to increase as the contractual obligations increase each year if there is not a corresponding increase in funding.

- *School Operations (Facilities)*

There is a shortfall in school operations of approximately \$4.5 million. This is as a result of inflationary increases, utilities increases, aging buildings, excess capacity and absenteeism. The increase in grants have not kept up with the increase in expenditures. In addition, the grants for school operations is mostly based on

enrolment. As enrolment decreases, the grant decreases even though the amount of space that has to be maintained has stayed the same.

### Underfunding/Overspending Within the Control of TDSB

- *1:1 Devices*

The 1:1 device program provides devices to all students in grades 5 to 12. The cost is approximately \$90/year per student while the funding is \$7.27/student. This program leads to a budget pressure of \$8 million.

- *Pools*

TDSB has 65 pools within its schools. These pools are used by the schools during the day and are permitted/leased in the evenings and on weekends. The operating costs of maintaining the pools and running the programs are approximately \$20.9 million. The revenue collected is approximately \$9.6 million. This creates a budget pressure of \$11.3 million. It is important to note that this does not include the significant capital/renewal costs of pools.

- *Permit Fees*

TDSB has a policy related to permit fees that requires the Board to offer space on a cost recovery basis. Currently, the budget pressure is \$3.3 million. However, the Board has approved a motion to increase fees and the pressure will decrease by \$1.5 million in 2025-26.

- *Itinerant Music Instructors (IMIs)*

TDSB funds IMIs to teach instrumental music in some elementary schools. IMIs are unique to TDSB and are not offered in other school boards. There is no funding source for these positions and the budget pressure is \$4.2 million.

- *Outdoor Education*

TDSB owns or leases 4 day centres and 5 overnight centres to provide outdoor education. The Board receives \$2.1 million in funding for outdoor education and recovers \$2.3 million in fees. However, the operating costs associated with these facilities is \$9.1 million creating a budget pressure of \$4.7 million. It is important to note that this does not include the significant capital/renewal needs of the facilities for which the Board needs permission from the Ministry to address.

- *Early Years Programming*

The Board provides programming (like EarlyON) for 0-3.5 year olds. This programming does not receive Core Ed funding and is intended to be cost recovery. There is a budget pressure of \$0.5 million.

- *Model Schools*

The Model Schools for Inner Cities program is fundamentally rooted in a strength-based approach aimed at increasing access and opportunities for all students. There is no specific funding source to support this program and the budget pressure is \$5.2 million.

- *Cafeterias*

Some secondary schools have cafeterias that are run by third parties and by the Board or as a program within the school. Although, in the past, cafeterias were a source of funding for schools, there is now a budget pressure of \$0.9 million.

- *Alternative School Staffing Supplement*

TDSB has a number of secondary alternative schools that have low enrolment. These schools require additional teaching staff, above the number of teachers allocated based on enrolment, in order to support program delivery and supervision. The budget pressure is approximately \$1.3 million.

- *Coordinators and Consultants*

This funding is used to support coordinators, teacher program consultants and centrally assigned principals. The costs exceed the funding by \$2 million.

- *Other Staff that Support Students*

There are other unique positions that support schools that include food assistants, support for nutrition programs and some legacy positions specific to schools. The total costs of these positions is \$8.7 million with no specific funding source.

As mentioned at the start of the report, it is very challenging to assign all the revenue received to specific expenditures. TDSB does receive funding for paraprofessionals and professionals in the amount of \$37 million that would assist in supporting some of the areas mentioned above. In addition, TDSB receives funds to differentiate support. These grants have multiple expenditures which would align with the purpose of the grants. In fact, the Board has over \$100 million in paraprofessional and professional

staffing. Therefore, when this report says there is no specific funding source, it is not including these grants.

### **Action Plan and Associated Timeline**

This report outlines the budget areas that are unfunded/underfunded or overspent and will be the basis for providing the Board with options to balance at the next FBEC meeting at the end of April.

### **Resource Implications**

N/A

### **Communications Considerations**

This report will assist in the community consultations that will occur in the month of April and information from this report will be provided to the public as part of the budget communication plan.

### **Board Policy and Procedure Reference(s)**

N/A

### **Appendices**

Appendix A – Summary of Unfunded/Underfunded/Overspent Areas of the Budget

### **From**

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Toronto District School Board

**Summary of Unfunded/ Underfunded/ Overspent Areas of the Budget**

Area	Revenue		Total	Expenditures			Unfunded/ Underfunded/ Overspent	Notes
	Core Education Funding	Other Revenue/ Recoveries		Salaries and Benefits	Operating	Total		
<b>Not Within Control of TDSB</b>								
Unfunded Statutory Benefits	\$0	\$0	\$0	\$43,700,000	\$0	\$43,700,000	(\$43,700,000)	
Teacher Salaries Over Benchmarks	\$1,630,600,000	\$0	\$1,630,600,000	\$1,656,700,000	\$0	\$1,656,700,000	(\$26,100,000)	
ECE Salaries Over Benchmarks	\$55,000,000	\$0	\$55,000,000	\$56,500,000	\$0	\$56,500,000	(\$1,500,000)	
Excess Capacity (loss of top up grant)	(\$41,300,000)	\$0	(\$41,300,000)	\$0	\$0	\$0	(\$41,300,000)	
							(\$112,600,000)	
<b>Partially Within Control of TDSB</b>								
Unfunded LTD and WSIB	\$0	\$0	\$0	\$18,000,000	\$0	\$18,000,000	(\$18,000,000)	
Special Education	\$433,600,000	\$0	\$433,600,000	\$448,200,000	\$23,900,000	\$472,100,000	(\$38,500,000)	2
Supply Costs	\$44,500,000	\$0	\$44,500,000	\$110,500,000	\$0	\$110,500,000	(\$66,000,000)	3
School Administration	\$221,000,000	\$0	\$221,000,000	\$253,700,000	\$2,700,000	\$256,400,000	(\$35,400,000)	
Continuing Education	\$26,700,000	\$13,900,000	\$40,600,000	\$39,300,000	\$6,000,000	\$45,300,000	(\$4,700,000)	
School Safety	\$5,100,000	\$0	\$5,100,000	\$35,000,000	\$600,000	\$35,600,000	(\$30,500,000)	3
Mental Health Supports	\$5,300,000	\$0	\$5,300,000	\$18,500,000	\$700,000	\$19,200,000	(\$13,900,000)	3
Elementary Supervision (Lunchroom Supervisors)	\$5,200,000	\$0	\$5,200,000	\$19,200,000	\$0	\$19,200,000	(\$14,000,000)	3
Transportation	\$81,100,000	\$0	\$81,100,000	\$2,800,000	\$79,500,000	\$82,300,000	(\$1,200,000)	4
School Operations (Facilities)	\$334,900,000	\$24,400,000	\$359,300,000	\$232,000,000	\$131,800,000	\$363,800,000	(\$4,500,000)	
							(\$226,700,000)	
<b>Within Control of TDSB</b>								
1:1 Devices	\$1,700,000	\$0	\$1,700,000	\$0	\$9,700,000	\$9,700,000	(\$8,000,000)	5
Pools	\$0	\$9,600,000	\$9,600,000	\$11,700,000	\$9,200,000	\$20,900,000	(\$11,300,000)	
Permit Fees	\$3,500,000	\$9,900,000	\$13,400,000	\$0	\$16,700,000	\$16,700,000	(\$3,300,000)	

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Area	Revenue		Total	Expenditures			Unfunded/ Underfunded/ Overspent	Notes
	Core Education Funding	Other Revenue/ Recoveries		Salaries and Benefits	Operating	Total		
Itinerant Music Instructors	\$0	\$0	\$0	\$4,200,000	\$0	\$4,200,000	(\$4,200,000)	3
Outdoor Education	\$2,100,000	\$2,300,000	\$4,400,000	\$6,500,000	\$2,600,000	\$9,100,000	(\$4,700,000)	
Early Years Programming	\$0	\$12,600,000	\$12,600,000	\$11,500,000	\$1,600,000	\$13,100,000	(\$500,000)	
Model Schools	\$0	\$0	\$0	\$2,300,000	\$2,900,000	\$5,200,000	(\$5,200,000)	3
Cafeterias	\$0	\$4,000,000	\$4,000,000	\$2,900,000	\$2,000,000	\$4,900,000	(\$900,000)	
Alternative School Staffing Supplement	\$0	\$0	\$0	\$1,300,000	\$0	\$1,300,000	(\$1,300,000)	
Coordinators and Consultants	\$13,700,000	\$0	\$13,700,000	\$14,700,000	\$1,000,000	\$15,700,000	(\$2,000,000)	
Other Staff that Support Students <sup>1</sup>	\$0	\$0	\$0	\$8,100,000	\$600,000	\$8,700,000	(\$8,700,000)	3
							(\$50,100,000)	
<b>TOTAL</b>							<b>(\$389,400,000)</b>	
NOTES								
1 - These staff include Food Program Assistants, Student Nutrition Assistants and Other Unique Allocations.								
2 - The Special Education Fund represents supplemental funding. Funding from the Classroom Staffing Fund (CSF) and the Learning Resource Fund (LRF) also support students with special education needs. Like most school boards, TDSB does not try to allocate these funds to special education.								
3 - There are no specific funding allocations for these areas. However, the LRF does include a component for professionals and para-professionals would assist in funding these positions. The allocation for professionals and para-professionals is approximately \$37.2 million.								
4 - The transportation grant represents the shortfall in 2024-25. There is an increase in expenditures of approximately \$6.7 million projected for 2025-26. With no increase in funding, this would increase the shortfall to approximately \$7.9 million in 2025-26.								
5 - There is also funding for "Classroom Computers" in the Core Ed Funding. This analysis assumes that this funding is spent on networks and school purchased technology.								