

APPENDIX D

TDSB Proposed Balanced Budget

Technical Backgrounder: \$67.8 Million Revenue Shortfall, TDSB Structural Shortfall and Ministry of Education Funding Reductions

The projected budget shortfall is influenced by the following three factors, two of which have a direct impact on the Board's projected budget shortfall and one that has an impact on Board service levels.

1. Toronto District School Board's (TDSB) Annual Structural Shortfall

The TDSB's budget has provided for additional financial support to help meet the unique costs of urban, inner city educational programs and services. These dollars have also been used to meet Board decisions to provide additional services and supports for students and parents. For example, the Board provides bus transportation for French Immersion and Gifted students.

The additional spending associated with the structural shortfall has been financed by in-year budget savings and efficiencies as well as the use of reserve funds. Typically, the TDSB experiences this type of saving in the amount of \$7M annually. In-year savings are a result of individual departments spending less than their budget allocation during the year. These options will no longer sustain the continuation of the structural shortfall.

As reported in both the first and second quarter Financial Reports, the Board is utilizing \$27.8M of reserves to balance the 2018-2019 Operating Budget. Reserves are those funds that either a board sets aside as part of their operating budget for contingencies or as a result of year end surpluses. Staff initially identified a savings of \$2.1M in administrative savings (business and operations budget reductions) for the coming budget year resulting in a net structural shortfall in 2019-2020 to \$25.7M.

2. Ministry Grant Reductions/Class Size Average Increase

Grants announcements on March 15, 2019 and April 29, 2019, included information of changes to funding levels for school boards. The negative impact on revenue or grant reduction impact (GRI) for the TDSB was as follows:

- Funding reduction for Designated Early Childhood Educators (DECE). This change in the calculation of funding for DECE does not impact the allocation of DECEs to the classroom, it only impacts the funding allocation for these staff. Currently, the funding allocation is 1.14 FTE per class and it is now being reduced to 1.0 FTE per class. GRI: \$7.9M
- Cost Adjustment Allocation. The base amount to offset non-teacher salary benchmark increases in 2005-2006 is ending August 31, 2019. Historically, the base amount of the Cost Adjustment Allocation was providing supplemental funding for education worker benchmarks. As the Ministry believes school boards have the flexibility through other grants in the Grants for Student Needs to address their staffing needs, it has discontinued this amount for the 2019-2020 school year. This is disputed by school boards. GRI: \$9.9M
- Grades 4 to 8 class size funding reduction due to new class size funded average of 24.5. TDSB collective agreement does not allow for class sizes to be higher than a system average of 23.24. GRI: \$9.6 M
- Human Resource Transition Supplement to temporarily provide support for the negotiated 2017-2019 agreements ends August 31, 2019. GRI: \$1.3M
- Classroom Loading Factor in School Facilities Operating grant, which supports school operations in the areas of maintenance and caretaking is being adjusted to increased class size in secondary schools. GRI: \$3.9M.
- Teacher Qualifications and Experience grant was reduced as a result of the change in secondary class size, which boards were not informed would be one of the impacted grants. When the Ministry released the electronic grant forms on Friday and staff started inputting the enrolment and other information into the system the grant reduction was identified to by approximately \$13.3M.

- Transportation funding was increased by approximately \$8.4M to support both inflationary operating costs and to provide some support for school boards transportation with an operating shortfall, until the Ministry of Education can complete a review of student transportation next year.
- PPF – Priority School Initiative provided free permits to non-for-profit groups in priority neighbourhoods to support community use of facilities. This funding has been discontinued in 2019-20 and amount to \$1.63M annually.

Additional Details on Financial Impact of Elementary Class Size Average Change to TDSB Revenue

The Ministry of Education is increasing class size averages for Grades 4 to 8 to 24.5 students. Based on an average class size of 24.5, and based on the information we have available at this time, the TDSB projects that the Ministry would have the TDSB reduce its elementary teachers by approximately 216. However, the TDSB's Collective Agreement (other school boards also have this kind of stipulation) commitment states that our Grades 4 to 8 class average must be 23.24. It is because we must honour our collective agreements, we would not be able to have 216 fewer teachers, which means that we would have a significant budget shortfall in the coming budget year. Staff project the cost of the elementary class size increase to be \$9.6M for the coming budget year.

International Student Provincial Surcharge

VISA student tuition fees are one of the few sources of revenue outside of government grants. In an unprecedented move, the Ministry will begin collecting a \$1,300 fee from school boards for each international student that is enrolled in their schools. Beginning in 2019–20, a school board's total GSN operating grants shall be reduced by an amount equal to a flat fee of \$1,300 multiplied by the international student enrolment, pro-rated where the students are not full-time. This Ministry decision will cost the TDSB \$2.9 million in lost revenue that will go into the provincial treasury.

3. 2019-20 Service Level Changes

Secondary Class Size Averages

The secondary school class size average is also increasing over the next four years from 22 to 28 students. The magnitude of that change in class size means the TDSB will have 800 fewer high school teachers by the 2022-2023 school year. As more information becomes available on the precise calculation of lost teaching positions, we will update this information. The Ministry expects school boards to fulfill the secondary class size average commitment through annual attrition levels over four years. The TDSB projects that it will be able to follow the Ministry's directive. However, there are potentially significant and far-reaching challenges associated with reducing these many teachers in high schools.

Top of mind for the TDSB and likely most school boards, is the potential for fewer course offerings for students. A reduction of 800 teachers represents an order of magnitude that is unprecedented with the last 20 years. It may be some time before the implications of the jump in class size and a reduction of 800 high school teachers will mean for schools, classrooms, learning and for students.

Discontinuation of the Ministry Local Priorities Funding

This was one-time funding for two years (2017-2019) applicable to all Ontario school boards. It was additional support for two-year collective agreements for positions including child and youth workers, special education and regular teachers (elementary and secondary), school support staff, and central administrative support for schools. This funding will not be a pressure on the 2019-2020 budget as staff will be returning to the previous staffing levels. However, while it will not be a funding pressure, it will create a service level pressure to schools. These reductions are built into staff's 2019-20 Proposed Balanced Budget Plan.

Change in Forecast for 2019-20

On April 26, 2019 the Ministry of Education announced in memorandum B14 the Grants for Student Needs (GSN) Funding for 2019-20 and the Priorities and Partnership Fund (PPF – formerly EPOs). On May 10, 2019 the Ministry release the Education Finance Information System (EFIS) forms which allows boards calculate their GSN entitlement.

The Ministry technical paper that explains in detail the grants has not been release yet and is expected the week of May 13. No information is available on when board by board allocations of PPF will be released. Based on staff's analysis of the EFIS forms the following summary outlines the change in the projected financial position of the board:

Item		Amount millions
Structural Surplus/(Shortfall)		\$(25.7)
Grant Changes:		
ECE funding	\$(7.9)	
Cost Adjustment	\$(9.9)	
Grades 4 to 8 Class size funding	\$(9.6)	
Human Resource Transition Support	\$(1.3)	
Teacher Qualifications and Experience grant	\$(13.4)	
Transportation Grant Improvement	\$8.4	
Facilities Supplementary Area Factor	\$(3.9)	
Reduction to Pupil Foundation Amount for International Students	\$(2.9)	
PPF – Priority Schools Initiative – Free Permits	\$(1.6)	
Total Grant Changes		\$(42.1)
TDSB Net Financial Position Surplus/(Shortfall) before Savings Options		\$(67.8)