



2021-22 Operating Budget

To: Finance, Budget and Enrolment Committee

Date: 16 June, 2021

Report No.: 06-21-4112

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

Recommendation

It is recommended that the 2021-22 Operating Budget be approved, as outlined in this report.

Context

2021-22 Budget Submission

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. School boards are required to submit their annual balanced operating budget to the Ministry of Education by June 30th of each year. Staff will be submitting a request to the Ministry to extend the budget submission deadline to 9 July, 2021 to accommodate the 30 June, 2021 Board meeting date.

Staff has had initial discussions with the Ministry around the 2021-22 operating budget and approval for a projected deficit exceeding 1%. Based on discussions with the Ministry and the B7 memo, school boards are allowed to use up to 2% of their operating budget from the reserve funds.

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Staff have received a verbal confirmation from the Ministry on June 11, 2021 that they are in support of a deficit approval of up to 2%. Staff have identified the following options to reflect a 2% deficit instead of the 2.4% deficit presented at the June 1 FBEC meeting:

- 1) Release \$9.3M in contingency for staffing costs based on the August parent selection results from the newcomers' supplement. Should the funding be required based on the August parent selection results, staff will update the budget through the 2021-22 Revised Estimates in December.

- 2) The remaining \$3.8M will be targeted from in-year savings from various areas, such as permits, supply staffing costs, utilities costs, gapping and temporary staffing costs. Staff will monitor and report savings realized on a quarterly basis. \$3.8M represents 0.1% of TDSB's annual operating budget.

2021-22 Projected Board Revenues

The TDSB's 2021-22 projected revenues are forecasted to be \$3.46B. The Grants for Student Needs (GSN) represents 87.3% of the TDSB's overall revenues. A breakdown of the revenues is outlined below:

TABLE A: 2021-22 Revenue Forecast	Amount (\$ Million)	%
Grants for Student Needs (GSN)	3,015.8	87.3%
Other Revenue:		
Deferred Capital Contribution and Capital adjustment (Note 1)	207.6	6.0%
Community Services Funding	55.3	1.6%
School Generated Funds	40.0	1.2%
Leases and Permits	29.6	0.9%
Tuition Fees	26.5	0.8%
Covid-19 Support Funding	23.0	0.7%
Priorities and Partnership Fund (PPF)	17.9	0.5%
Secondments	12.2	0.4%
EarlyOn and Extended Day Program	9.3	0.3%
Interest	6.0	0.2%
Other Miscellaneous	5.2	0.1%
Continuing Education	4.8	0.1%
Cafeteria	3.3	0.1%
Sub-total	440.6	12.7%
Total 2021-22 TDSB Forecasted Revenues	3,456.3	100.0%

Note 1: Deferred capital contribution is the net of capital revenues being recognized at the same time as the associated depreciation costs of the assets.

2021-22 Projected Board Expenditures

The TDSB’s 2021-22 expenses are projected at \$3.49B. 76% of the TDSB expenses relate to instruction, which is primarily comprised of staffing costs, learning materials and equipment for the classroom, and staff training. Approximately 10% of the TDSB expenses relate to school operations, which include caretaking, utilities, and school site maintenance costs. A breakdown of the projected expenditures is provided below.

<u>TABLE B:</u> <u>2021-22 Projected Expenditures</u>	Amount (in \$ millions)	%
Instruction	2,653.79	76.0%
Administration	79.60	2.3%
Transportation	66.27	1.9%
School Operation	347.27	9.9%
Amortization	232.97	6.7%
Renewal	31.50	0.9%
School Fundraising	40.00	1.1%
Debt and Other	41.70	1.2%
TOTAL	3,493.09	100%

There have also been changes to the 2021-22 department budgets presented at the 1 June, 2021 operating budget presentation at FBEC. A summary of these changes is provided in Appendix A.

2021-22 Budget Drivers

At the 21 April, 2021 Board meeting, Trustees approved the following nine 2021-22 strategic budget drivers. These budget drivers have helped guide the budget development process. Please note they are not listed in any prioritization order.

- **Early Years** - The TDSB is committed to ensuring early intervention supports. This includes implementing reading assessment programs, and literacy and math support for young learners. The TDSB will be developing plans for re-engaging students and reading assessment support through the COVID-19 funding.
- **Equitable Access to Learning Opportunities to Serve Our Students, including Indigenous Education** – The TDSB will continue to provide equitable student learning opportunities, and to center indigenous perspectives, histories and contemporary contexts into every school and every classroom, and honour

the Truth and Reconciliation of Canada's Call to Action. Through the government's newcomers funding available to school boards, the TDSB will also provide necessary resources to support newcomers and English language learners by adding 87 elementary and 58 secondary ESL teachers through the 2021-22 newcomers' supplement funding.

- **Human Rights** - This year, there will be targeted resources for human rights initiatives, to support the Human Rights Action Plan. The plan is intended to identify, address, remedy and prevent racism, discrimination, and systemic barriers. The government has committed to \$0.4M in other PPF funding for hiring of Human Rights Equity Advisors, which is comparable to the 2020-21 funding. There will be also be an addition of a Senior Human Rights Officer in the Urban Indigenous Education Centre budget for 2021-22.
- **Student Success** – The TDSB will implement equitable practices to improve student learning by delivering programs that fit their needs, and to develop a student re-engagement framework to support the return to in-person learning. Staff are still in the early planning stages of the student re-engagement framework and will provide more information in the coming weeks.
- **Staff Allocation to Support All Students** – The TDSB will continue to align staffing resources to support student mental health and well-being and align staffing resources to support the TDSB Multi-Year Strategic Plan.
- **Modernization and Accessibility** – The TDSB is working to develop modern learning spaces to provide a more inclusive learning environment for our students, and to work towards the 1:1 student device technology initiative. Ministry funding during the pandemic and the ongoing increase in technology funding has supported this direction.
- **Professional Development** - Professional development continues to be a key focus of the Board. The TDSB is committed to providing system-wide training in areas of equity, human rights, anti-oppression and anti-racism, as well as other staff learning opportunities. Part of the COVID-19 Special Education and Mental Health PPF will also be used towards professional learning opportunities.
- **Parent Engagement and Student Voice** – The Parent and Community Engagement office has been actively promoting parent involvement, and there will be ongoing support in this area.
- **Pandemic Support** - As staff and students return to school in September, the TDSB will continue to ensure adequate supply of personal protective equipment

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and maintenance of ventilation systems, to ensure health & safety of staff and students. The TDSB will also endeavour to ensure that the necessary staffing resources are in place so that students can transition back to a normal, post-pandemic learning environment.

2021-22 Revised Forecast and Working Funds Reserves

Revised 2021-22 Financial Position as at June 11, 2021 (in \$ millions)	
Structural Deficit prior to Pandemic	\$(36.3)
Revenue changes:	
ESL Stabilization	25.0
Secondary Online Learning Model Impact on Foundation Funding	(2.9)
Visa Student Revenues	(2.3)
Net Impact of School Operations Funding Offset by Supplementary Area Factor Adjustment	1.4
Benefit Benchmark Annual Reduction for Retirement Gratuities	(2.5)
	\$18.7
Cost changes:	
Semi-Fixed Operating Costs impacted by Enrolment Reduction	(17.3)
Additional Teacher Allocation to Support ESL at 19-20 Levels	(15.7)
Student Information System Implementation Year 2	4.2
Insurance Premium Increases	(1.6)
Pay Equity	(2.4)
Actuarial Future Employee Benefit Costs	(1.0)
One-time HST Rebate	(2.0)
Annual Increase in Employer Costs of CPP	(8.0)
Additional Vice Principal Staffing Approved by Board	(1.4)
Additional In-Year Savings	3.8
	\$(41.4)
	\$(59.0)
Projected 2021-22 Deficit:	\$(59.0)

Explanation of Operating Revenues and Expenses:

Revenue Changes:

Item and Amount	Description
ESL Stabilization	Funding provided by the Ministry to support newcomers at the same level as 2019-20.

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Secondary Online Learning Model	The Ministry of Education has changed the secondary teacher allocation to assume that 8% of secondary students will take online learning courses towards their diploma requirements in 2021-22.
Visa Student Revenue	Reduced enrolment of international students in 2021-22 due to the impact of the pandemic and restrictions on international travel.
School Operations Funding	Net impact of increased funding to support utility costs offset by a change in supplementary area factor. Due to proactive purchases of natural gas at lower prices, funding will flow to bottom-line.
Benefit Benchmark	This is an additional reduction to the benefit benchmark relating to retirement gratuities.

Expenditure Changes:

Semi-Fixed Operating Costs	Due to the rapid reduction in newcomer enrolments during the pandemic, compensating reductions to operating expenditures could not be realized without significantly impacting students and staff during the pandemic.
Additional Teacher Allocation	Due to the additional funding provided for ESL stabilization, an additional 145 ESL teachers will be allocated to bring ESL supports back to the 2019-20 level.
Student Information System	Reduction in operating costs as the second year of Student Information System implementation commences.
Insurance Premium Increase	Anticipated increases in insurance premiums.
Pay Equity	Increased cost due to continuation of pay equity project.
Future Employee Benefits	Increase cost of future employee benefits based on actuarial estimates.
One-time HST Rebate	The TDSB engaged an external HST consultant to recover HST rebates from school generated funds and other accounts not claimed in prior years. However, due to the school shutdown and inability to access financial documents, the HST amendments were deferred.
CPP Employer costs	Annual increase in the employer portion of CPP payments.
Additional Vice-Principals	The Board approved an increase in Vice-Principal allocation to support virtual learning.
Additional In-Year Savings	In-year savings will be identified from various areas, such as permits, supply staffing costs, utilities costs, gapping and temporary staffing costs. Staff will monitor and report savings realized on a quarterly basis. This represents 0.1% of TDSB's annual operating budget.

2021-22 Operating Budget Assumptions and Risks

The following items have been identified as budget assumptions and risk factors that could impact the 2021-22 operating budget:

Revenue Impact – As the pandemic situation improves, revenues from permits, cafeteria sales, leases, international students, childcare, extended day programs and community programs are expected to gradually return to pre-pandemic levels. However, public health restrictions around travel and physical distancing may not be fully lifted until the second half of the 2021-22 school year, or until the city reaches its targeted vaccination rates. It is difficult to accurately project the TDSB's other revenues due to uncertainties around these timelines.

Staffing costs – To maintain physical distancing and the cohorting of students, additional teaching staff will likely be required in the first half of the 2021-22 school year as more students return to in-person learning. Since the selection form release date has been postponed to mid-August, the allocation of teaching staff will not be fully finalized until late August 2021.

The allocation of additional teachers will be targeted to support the re-engagement of virtual students returning to in-person learning in 2021-22. Parameters considered in the allocation of teachers will be the percentage of students returning to in-person learning and the learning opportunity index (LOI) ranking of each school. Allocation of resources will be focused on student re-engagement and well-being.

Enrolment – Student enrolment has a significant impact on funding and is therefore a risk to any financial projection. Staff have based the financial position of the Board on the most current information available. The enrolment forecast will be updated in the fall after the 31 October count of students is completed. This enrolment information will be used to update the financial forecast for the Revised Estimates submission to the Ministry in November and included in the first quarter update to Trustees.

Use of Benefit Reserves – There is risk in using benefit reserves for the in-year deficit because should actuarial costs increase above the remaining reserves, the additional cost would impact the operating budget of the Board.

Utilities Costs – Fluctuations in pricing (if significant and above those budgeted) would impact the operating budget of the Board.

Pandemic Costs – While it is expected that the pandemic impacts will lessen over the upcoming school year, should there be a significant change in the course of the

pandemic, and should no additional funding be provided by the Ministry, there could be an impact to the Board’s operations and financial position.

Action Plan and Associated Timeline

Once the Board approves the 2021-22 operating budget and capital budget on 30 June, 2021, staff will complete and submit the required budget documentation to the Ministry of Education on or before 9 July, 2021.

Resource Implications

Staff are recommending that reserves be used to balance the operating budget for the 2021-22 school year, to avoid reducing programs to students during the pandemic.

The TDSB’s 2021-22 deficit is forecasted to be \$59.0M.

Reserves (in Millions)		Actual Reserves (As at Aug 31, 2020)	Benefit Surplus pending on distribution	POD transfer approved by Ministry	20-21 Projected use of reserves	Estimated Reserve balance as of Aug 31, 2021
Working Funds Reserve	R1	16.8	10.0	10.3	(21.5)	\$15.6
Benefit Funds Reserve	R2	106.2	(10.0)			\$96.2
School Support	R3	34.9				\$34.9
Environmental Legacy Fund	R4	2.7				\$2.7
Artificial Turf Fund	R5	0.4				\$0.4
Sinking Fund Interest (restricted)	R6	15.7			(1.4)	14.3
Total working funds and internal restricted		176.7	0.0	10.3	(22.9)	164.1
Compliance Requirements						
Preliminary financial position for 21-22					A	\$(59.0)
Projected financial position for 20-21 as of June 1st 2021					B	\$(21.5)
Total projected two-year deficit					C=A+B	\$(80.5)
Boards are required to use reserve up to 2% of 21-22 operating allocation					D	\$59.0
Board use of reserves:						
Working funds reserves to be used in 20-21					E=-B	\$21.5
Working funds reserves to be used in 21-22					F=R1	\$15.6
Proposed Benefit reserves to be used in 21-22					G=-C-E-F	\$43.4
Total use of reserve in two years					H=E+F+G	\$80.5

TDSB is currently projecting the use of reserves in the amount of \$21.5M in 2020-21 and \$59.0M in 2021-22, totalling \$80.5M over the two years.

The Ministry of Education released memorandum 2021:SB12 on June 11, 2021, which provides clarification on the use of school board reserves and eligibility criteria for the COVID-19 support funding. Based on the criteria outlined, TDSB will not be eligible for

the Supplementary COVID-19 Support funding or the Stabilization COVID-19 Support funding. Under the Supplemental COVID-19 Support funding, school boards are required to fund pandemic costs up to 2% of their operating allocation through their reserves for the 2020-21 and 2021-22 school years. The Ministry will only fund pandemic costs beyond 2% of the Board's operating allocation. The Stabilization COVID-19 Support funding is only targeted for school boards with a low level of reserves remaining at the end of the 2020-21 school year. For details, please refer to Appendix B and C.

School boards are required to submit a balanced budget to the Ministry of Education by June 30th of each year. School boards can have a deficit of up to the lesser of 1% of their operating revenue or accumulated surplus for the preceding school year (as set out in Ontario Regulation 280/19) without Ministry approval.

Communications Considerations

This revised report will be posted on the TDSB budget webpage.

Board Policy and Procedure Reference(s)

Not applicable.

Appendices

- Appendix A: Summary of changes to the Detailed Department Budgets 2021-22
- Appendix B: Update regarding Stabilization and Supplementary COVID Funding
- Appendix C: Ministry 2021:SB12 Memo: Additional COVID-19 Support Funding

From

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2021-22 Budget Detail by Department

Appendix A

Summary of Changes from June 1 FBEC

Budget Binder Page #	Department	Changes	Amount (\$ dollars)
11	Outdoor Education	Adjustment to Staffing FTE	(69,928)
30	Professional Support Services - Speech/Language Pathology	Adjustment to Staffing FTE	88,810
46	Urban Priority High Schools	Adjustment to Staffing FTE and discretionary expense reallocation	0
95	Library Learning Commons & Global Education	Adjustment to Staffing FTE	236,179
95	Library Learning Commons & Global Education	Shift of discretionary expenses from IT to Library to align with actuals	435,000
201	Benefit and Pension Services	Adjustment to Staffing FTE	(279,616)
233	Facility Services, Strategy and Planning	Adjustment to discretionary expenses	(150,000)
246	Board Services - Senior Admin Services	Adjustment to Staffing FTE	132,596
247	Legal	Adjustment to Staffing FTE	44,182
257	Application Management and Business Operations	Shift of discretionary expenses from IT to Library to align with actuals	(435,000)
276, 283	School-Based Costs and Central Processing - General	Release of ESL contingency supplement, in-year savings, gapping, temporary staffing costs, tangible capital asset and depreciation adjustments	(13,064,381)
Total Budget Changes			(13,062,158)

APPENDIX B

Update Regarding Supplemental COVID-19 Support Funding and Use of School Board Reserves

On June 11, 2021, the Ministry of Education released the 2021:SB12 memo, which outlines the methodology in determining eligibility of the Supplemental COVID-19 Support Funding and Stabilization COVID-19 Support Funding for 2021-22. A copy of the memo and Ministry example of the eligibility calculation is provided in Appendix C.

Based on the parameters, and after applying TDSB’s financial data, staff have determined that TDSB is not eligible for the Supplemental COVID-19 Support Funding and Stabilization COVID-19 Support Funding. TDSB’s detailed calculation is provided below.

Please note the figures presented are subject to change. The final calculation will be based on the TDSB’s year end financial statements submission for the two fiscal years.

A. Supplemental COVID-19 Support Funding

Step 1

To determine how much of the in-year deficit in 2020-21 is related to COVID-19. It is equal to the least of the following as a percentage of TDSB’s \$2.93B operating allocation:

	Reference	% Amount
i. School board’s reported in-year deficit (based on 2020-21 Revised estimates)	\$45.7M / \$2.93B	1.56%
ii. Board funded COVID expenses reported in Sch 9.1 of EFIS forms (based on Revised Estimates)	\$40.6M / \$2.93B	1.39%
iii. Two percent		2.00%
Least of the above for the 2020-21 fiscal year:		1.39%

Currently, the 2020-21 Board funded COVID expenses are projected to be approximately \$42.57M, which is higher than the \$40.6M reported in the Revised

Estimates indicated above. This amount is comprised of \$32.82M in additional teacher costs, \$2.42M in Early Childhood Educator costs, \$2.98M in additional school administrators relating to remote learning, \$3.6M in technology spending and \$0.76M in Special Education staffing costs.

Step 2

To determine how much of the in-year deficit in 2021-22 is related to COVID-19. It is equal to the least of the following as a percentage of TDSB's \$2.95B operating allocation:

	Reference	% Amount
i. School board's reported in-year deficit (based on 2021-22 forecast)	\$59.0M / \$2.95B	2.00%
ii. Board funded COVID expenses reported in Sch 9.1 of EFIS forms	\$0 / \$2.95B	0.00%
iii. One per cent for Estimates cycle (it may change to two per cent pending vaccination administration and medical advice in the Fall)		1.00%
iv. Amount determined in Step 1		1.39%
Least of the above for the 2021-22 fiscal year:		0.00%

Step 3

Take the sum of Steps 1 and 2, minus two per cent:

Step 1	1.39%
Step 2	0.00%
Minus 2%	(2.00%)
Result of Step 3	(0.61)%

If the result of step 3 above is positive, the school board is eligible for funding.

Result:

Since the result of Step 3 is negative, TDSB is not eligible for the Supplementary COVID-19 Support Funding. To be eligible for any of this funding, the Board funded COVID expenses for 2021-22 must exceed \$18.1M or 0.61% of the operating allocation (2% minus \$1.39%).

This implies that school boards are required to fund pandemic costs up to 2% of their operating allocation through their reserves for the 2020-21 and 2021-22 school years, and the Ministry will only fund pandemic costs beyond 2% of the board's operating allocation.

B. Stabilization COVID-19 Support Funding

Where school boards do not have enough accumulated surplus, or reserves, to support COVID-19 expenses in 2021-22, the Ministry will provide Stabilization COVID-19 support funding so that all school boards can incur a comparable level of COVID-19 expenses.

The ending accumulated surplus, or Board reserves balance of \$116.7M is based on the 2020-21 total accumulated surplus available for compliance less the committed sinking fund interest earned.

		Reference	% Amount
2020-21 Ending Accumulated Surplus/(Deficit) or Board reserves balance as a % of Operating Allocation	A	\$116.7M / \$2.93B	3.99%
2021-22 In-Year Surplus/(Deficit) amount related to COVID-19 expenses	B	\$0 / \$2.95B	0.00%
2020-21 In-Year Surplus/(Deficit) amount related to COVID-19 expenses (based on Revised Estimates)	C	\$40.6M / \$2.93B	1.39%
The lesser of 2020-21 and 2021-22 COVID-19 Expenses	D	Lesser of B and C	0.00%
Eligible Stabilization COVID-19 Support Funding		If D is less than A, amount is 0%*	0.00%

* If D is greater than A, % amount is D minus 1% if D is higher than 1%.

Result:

Based on the above, TDSB is not eligible for the Stabilization COVID-19 Support Funding. To be eligible for this funding, the COVID-19 expenses contributing to the in-year deficit for either 2020-21 or 2021-22 (as per D above) must exceed TDSB's reserves balance of approximately \$116.7M, or 3.99% of operating allocation (as per A above).

Ministry of Education

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2021: SB12

Date: June 11, 2021

Memorandum To: Senior Business Officials

From: Med Ahmadoun
Director
Financial Analysis and Accountability Branch

Subject: **Additional Information on 2021-22 Stabilization and Supplemental COVID-19 Support Funding as well as the Use of School Board Reserves**

Further to memoranda 2021: B07 and 2021: SB08, I am writing to provide you with additional information on the Stabilization and Supplemental COVID-19 Support Funding, and to provide clarification on the use of school board reserves and the related in-year deficit approval process for the 2021-22 school year.

COVID-19 SUPPORT FUNDING

Depending on the school board's ending 2020-21 accumulated surplus balance, the school board's in-year deficit level, and the COVID-19 expenses incurred for the safe operation of schools in 2020-21 and 2021-22, school boards may be entitled to Stabilization COVID-19 Support Funding and/or Supplemental COVID-19 Support Funding in the 2021-22 school year.

These two sources of funding will first be calculated based on the ministry reviewed 2020-21 Revised Estimates (i.e., preliminary estimate of reserves balance) and 2021-22 Estimates (i.e., preliminary estimate of the in-year deficit and operating allocation). The preliminary funding amount will be updated as the 2020-21 and 2021-22 Financial Statements information becomes available.

The information that follows pertains to the eligible COVID-19 funding supports which is distinct from the overall allowable in-year deficit. For example, a school board for the first half of the year

may incur an in-year deficit of one per cent of their operating allocation where the eligible Supplemental COVID-19 Support Funding might be less than one per cent. A deficit greater than one per cent for the first half of the year requires approval of the Minister of Education.

A. Supplemental COVID-19 Support Funding in 2021-22

A portion of the in-year deficit incurred in 2021-22 might be eligible for supplemental funding by the ministry. The funding is equal to the amount of the COVID-19 related in-year deficits in 2020-21 and 2021-22 less two per cent (but cannot exceed two per cent or the 2020-21 amount). To determine eligibility the key steps are as follows:

Step 1 – determine how much of the in-year deficit in 2020-21 is related to COVID-19. It is equal to the least of the following as a per cent of the school board’s operating allocation:

- i. the school board’s reported in-year deficit;
- ii. the board funded COVID-19 expenses reported in Schedule 9.1 of the Education Finance Information System (EFIS) forms, and
- iii. two per cent

Step 2 – determine how much of the in-year deficit in 2021-22 is related to COVID-19 in 2021-22. It is equal to the least of the following as a per cent of the school board’s operating allocation:

- i. the school board’s reported in-year deficit;
- ii. the board funded COVID-19 expenses reported in schedule 9.1 of the EFIS forms;
- iii. one per cent for the Estimates cycle (it may change to two per cent pending vaccination administration and medical advice in the fall)
- iv. amount determined in step 1

Step 3 – take the sum of steps 1 and 2 above minus two per cent.

Step 4 – if step 3 is positive, the school board is eligible for funding.

Please see below for a simplified illustration on funding entitlement based on different school board scenarios (assuming a full year of activities, not a half year). For a comprehensive example, please refer to Appendix A.

	School Board A	School Board B	School Board C	School Board D
2020-21 deficit/COVID-19 expenses	1.3%	1.3%	0.8%	2.0%
2021-22 deficit/COVID-19 expenses *	1.1%	0.6%	2.5%	2.0%
Sum of the above minus two per cent	0.4%	(0.1%)	1.3%	2.0%
Eligible Supplemental COVID-19 Support Funding**	0.4%	0.0% as the 2% threshold is not exceeded	0.0% ***	1.0% (as funding is capped at 1% for Estimates cycle)

* In-year deficits over the allowable threshold (one per cent for Estimates cycle) requires the approval of the Minister of Education.

** Deficit amount eligible for funding will be net of any Stabilization COVID-19 Support Funding received by the school board in 2021-22.

*** As the 2021-22 deficit eligible for funding is capped at 2020-21 level – 0.8%, the total COVID-19 spending eligible for funding is 1.6%, which does not exceed 2%.

B. Stabilization COVID-19 Support Funding

Where school boards do not have enough accumulated surplus to support COVID-19 expenses in 2021-22, the ministry will provide Stabilization COVID-19 Support Funding so all school boards can incur a comparable level of COVID-19 expenses.

Please see below for a simplified illustration on funding entitlement based on different school board scenarios. For a comprehensive example, please refer to Appendix A.

	School Board A	School Board B	School Board C
2020-21 ending accumulated surplus/(deficit) balance* as % of the 2021-22 operating allocation	0.8%	0.8%	(0.2%)
2021-22 in-year surplus/(deficit) amount related to COVID-19 expenses**	(0.5%)	(1.3%)	(0.5%)
2020-21 in-year surplus/(deficit) amount related to COVID-19 expenses	(1.0%)	(1.2%)	(1.0%)
The lesser of 2020-21 and 2021-22 COVID-19 expenses	(0.5%)	(1.2%)	(0.5%)
Eligible Stabilization COVID-19 Support Funding	0.0% - in-year deficit can be covered by accumulated surplus	0.2% - amount needed to cover COVID-19 expenses up to maximum amount (i.e. 1%)	0.5% - accumulated deficit is not funded by the ministry

*The accumulated surplus available for COVID-19 expenses is the accumulated surplus ending balance as reported at Schedule 5, Item 3 of the 2021-22 Financial Statement submission less the ending balance committed for retirement gratuities, sinking fund interest earned and committed capital projects (item 2.1, 2.8.1 and 2.8.2 of Schedule 5).

**In-year deficits over the allowable threshold requires the approval of the Minister of Education

C. PARAMETERS SUPPORTING THE 2021-22 ESTIMATES

For the 2021-22 Estimates, school boards are allowed to incur a deficit up to the lesser of the accumulated surplus from the preceding year and half of the maximum allowed amount of two per cent (i.e., one per cent) of their operating allocation. Any deficit over this threshold requires approval from the Minister of Education.

As the EFIS forms do not automatically calculate the Stabilization COVID-19 Support Funding, the ministry-calculated preliminary Stabilization COVID-19 Support Funding amount will be added to FO reviewed version of the 2021-22 Estimates form and will serve to inform the compliance calculation. School boards are also encouraged to calculate the preliminary Stabilization COVID-19

Support Funding amount, if applicable, using the illustrative example in Appendix A. If after the inclusion of the preliminary Stabilization COVID-19 Support funding amount the deficit falls below the allowed deficit threshold, the in-year deficit approval will not be required.

The Supplemental COVID-19 Support funding will not be considered in the determination of compliance.

D. 2021-22 In-Year Deficit Approval

Consistent with prior years, the Minister will consider a number of factors when assessing the in-year deficit for approval as follows:

- i. whether the in-year deficit is structural or will occur only one time.
- ii. whether the in-year deficit is less than 50 per cent of the board's accumulated surplus.
- iii. the extent to which the in-year deficit is the result of circumstances beyond the school board's control.

For purposes of the 2021-22 Estimates and Revised Estimates, the Minister also intends on considering whether the 2021-22 in-year deficit is greater than the 2020-21 in-year deficit. As it is expected that most secondary school students (12-17 years of age) will be vaccinated by the start of the school year, barring exceptional circumstances, it is not expected that school boards' financial positions should be negatively impacted to the extent experienced in the 2020-21 school year. Where school boards anticipate a less favorable financial position in 2021-22 than in 2020-21, school boards should clearly identify the reasons and the budget parameters used to reach this conclusion in submitting an in-year deficit request.

School boards that need to seek the Minister's approval are also reminded to proceed expeditiously with the in-year deficit request to ensure that the decision is received prior to the finalization of the school board's budget approval process.

E. 2020-21 SCHOOL YEAR SUPPORTS

Throughout the 2020-21 school year, the Ontario government provided significant investments to school boards in support of school reopening plans that prioritizes the health and safety of students and staff. In addition to these investments, via memorandum 2021: B01, the ministry also provided financial flexibility allowing school boards to access up to 15 per cent of uncommitted POD-Regular to support COVID-19 expenses.

The ministry, in determining funding in Sections A and B above, shall maintain the assumed access to POD where school boards had planned to use this flexibility.

Finally, and as a reminder, it is expected that school boards' 2020-21 final expenses will not deviate from the planned 2020-21 expenses at the time of the announcement of the memorandum 2021: B07. School boards will be required to submit an attestation to this effect when submitting the 2020-21 Financial Statements.

F. CONTACTS

For any questions related to resources available through COVID-19 Support Funding and access to reserves, please contact Andrew Yang at 416-937-3767 / Andrew.yang@ontario.ca or Yan Chen at 437-216-4933 / Yan.Chen@ontario.ca.

Sincerely,

Original signed by

Med Ahmadoun
Director
Financial Accountability and Analysis Branch

c: Directors of Education

Appendix A: Detailed Illustrative Example

Accumulated Surplus (Deficit) Balance for the Purpose of Calculating Stabilization COVID-19 Support Funding		
1.0	2020-21 Revised estimates accumulated surplus / (deficit) available for compliance ending balance	140,000,000
	...2020-21 Revised Estimates, schedule 5, item 3, column 4 (FO Active)	
1.1	Retirement gratuities	25,000,000
	...2020-21 Revised Estimates, schedule 5, item 2.1, column 4 (FO Active)	
1.2	Committed sinking fund interest earned	60,000,000
	...2020-21 Revised Estimates, schedule 5, item 2.8.1, column 4 (FO Active)	
1.3	Committed capital projects	15,000,000
	...2020-21 Revised Estimates, Schedule 5, item 2.8.2, column 4 (FO Active)	
1.4	Ministry adjustments (i.e. POD adjustment)	-
1.5	Available accumulated surplus/(deficit) balance for the purpose of calculating Stabilization COVID-19 Support Funding	40,000,000
	...Item 1.0 - Item 1.1 - Item - Item 1.2 - Item 1.3 - Item 1.4, zero if negative	

2021-22 Reserve Access for the Purpose of Calculating COVID-19 Support Funding		
2.0	2021-22 In-year (surplus)/deficit for compliance purposes	10,790,000
	...2021-22 Estimates, compliance report, item 1.3 (enter surplus as negative, deficit as positive)	
2.1	Operating allocation to be used in compliance calculation	830,000,000
	...2021-22 Estimates, compliance report, item 1.7 (from section 1A, item 1.92)	
2.2	Maximum allowed reserve access for the purpose of calculating COVID-19 Support Funding	8,300,000
	...1% of item 2.1	
2.3	Board funded COVID-19 expenses	9,000,000
	...2021-22 Estimates, schedule 9.1, item 5 (enter as positive)	
2.3.1	Reserve access for the safe operation of school in 2020-21	9,000,000
	...item3.3	
2.4	2021-22 reserve access for the purpose of calculating of COVID-19 Support Funding	8,300,000
	... least of item 2.0, 2.2 2.3 and 2.3.1	

Stabilization COVID-19 Support Funding Calculation		
2.4.1	2021-22 reserve access for the purpose of calculating COVID-19 Support Funding	8,300,000
	... item 2.4	
2.5	Available accumulated surplus	40,000,000
	...item 1.5	

2.6	Eligible Stabilization COVID19 Support Funding ...item 2.4 minus item 2.5, zero if negative	-
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COVID-19 Expenses To be Funded Through School Board Reserve		
3.1	2020-21 in-year (surplus)/deficit for compliance purposes ...2020-21 Revised estimates, compliance report, item 1.3 (FO Active)	10,000,000
3.2	2020-21 board funded COVID-19 expenses ...2020-21 Revised estimates, compliance report, item 1.5 (FO Active)	9,000,000
3.3	Reserve access for the safe operation of schools in 2020-21 ...the lesser of item 3.1 and 3.2	9,000,000
3.4	2020-21 Operating allocation for compliance purpose ...2020-21 Revised estimates, compliance report, item 1.7 (FO Active)	800,000,000
3.5	2020-21 reserve access for safe operation of school as a percentage of operating allocation ...-Item 3.3 / Item 3.4	1.125%
3.6	2021-22 COVID-19 expenses to be funded by school board reserves as percentage of operating allocation ...2% less item 3.5, zero if negative	0.875%
3.7	2021-22 operating allocation ...item 2.1	830,000,000
3.8	2021-22 COVID-19 expense to be first funded by school board reserves ...item 3.6 times item 3.7	7,262,500
3.9	Opening balance of available accumulated surplus for COVID-19 expenses ... item 1.5	40,000,000
3.10	COVID-19 expenses to be funded by school board reserves ...lesser of item 3.8, item 3.9	7,262,500

Supplemental COVID-19 Support Funding Calculation		
4.0	2021-22 reserve access for the purpose of calculating COVID-19 Support Funding ...item 2.4	8,300,000
4.1	COVID-19 expenses to be funded by school board reserves ...item 3.10	7,262,500
4.2	Stabilization COVID-19 Support Funding ...item 2.6	-
4.3	Supplemental COVID-19 Support Funding ...item 4.0 less item 4.1 and 4.2, zero if negative	1,037,500

NOTE: This illustrative example provides the preliminary funding amounts which would be adjusted following the receipt of the 2020-21 and 2021-22 Financial Statements.