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CHAIRPERSON: Barbara Holland
DIRECTOR OF EDUCATION: Paul A. Picard

Meeting Date:
April 28, 2015

BOARD REPORT

Public **In-Camera**

PRESENTED FOR: Information Approval

PRESENTED BY: Senior Administration

SUBMITTED BY: Paul A. Picard, Director of Education
Mario Iatonna, Executive Superintendent of Corporate Services

SUBJECT: **2015-16 BUDGET DEVELOPMENT AND BUDGET OUTLOOK UPDATE**

RECOMMENDATION:

That the Board receive the report on 2015-16 Budget Development and Budget Outlook Update as information.

SYNOPSIS:

With further information on 2015-16 funding now available subsequent to the release of the Grants for Student Needs (GSN) on March 26, 2015, this report seeks to provide an updated budget outlook for the Board and provides information on the Board's progress in 2015-16 budget development.

BACKGROUND COMMENTS:

The Board's budget development cycle is part of a continuous process of monitoring, refinement and updating. At its meeting of March 24, 2015, the Board received its first report on the anticipated pressures and challenges expected in the development of the 2015-16 Budget Estimates. That report, presented early in the budget process with limited information available, projected a decline in enrolment of 802 day school pupils and a possible \$12.391M of reductions required to balance the budget. The earlier that an outlook or projection is done increases the need to be conservative with assumptions.

Two days following the presentation of that report to the Board of Trustees, the Ministry announced its 2015-16 Grants for Student Needs, commonly referred to as GSNs. These grants provide the bulk of the funding used by school boards to support student learning. GSN funding leverages a series of complex and detailed formulas intended to provide equitable resources to school districts to provide students with equal educational opportunities. Some of the key highlights of the 2015-16 GSN are presented below.

GSN Highlights

Provincially, funding is projected to be stable year-over-year at \$22.46 billion, an average of \$11,451 per pupil. The GSN continues to build efficiencies into the funding model by expanding School Board Efficiencies and Modernization (SBEM) incentives and supports for boards to make more efficient use of school space. Changes to the following grants were introduced in the 2015-16 GSN announcement:

1. Top-up funding, adjustment factors and cost benchmarks under the School Facility Operations and Renewal Grant
2. School Foundation Grant
3. Geographic Circumstances Grant; and
4. Declining Enrolment Adjustment.

With the exception of the Declining Enrolment Adjustment, the changes introduced in 2015-16 will be phased in over three years.

1. **Top-up Funding, adjustment factors and cost benchmarks under the School Facility Operations and Renewal Grants:**
Base Top-up funding is being phased out in three years. A portion of the funding released in each year of the phase out will be reinvested in the per-pupil operating and renewal cost benchmarks. There are also new criteria introduced for eligibility of enhanced Top-up based on distance factors. This realignment is intended to redirect funding from underutilized space to serve pupils in all schools across the province. In addition, three board-specific adjustment factors - geographic adjustment, facility age and supplementary area - will be updated to reflect current school inventory data.
2. **School Foundation Grant:**
A new allocation model is being introduced to redirect funding from very small schools that are not isolated to larger schools, remote schools, or schools that serve both elementary and secondary students. The new allocation model recognizes three different types of schools: supported, distant and regular.
3. **Geographic Circumstances Grant:**
WECD SB has not historically been eligible for the Geographic Circumstances grant which recognizes the additional costs of operating small schools that are isolated and costs that are associated with the geography of boards, including board size and dispersion. The Geographic Circumstances Grant consists of three allocations [(1) Remote & Rural Allocation, (2) Rural and Small Community Allocation, and (3) Supported Schools Allocation] and does not impact WECD SB.
4. **Declining Enrolment Adjustment:**
This grant is being reduced to encourage school boards to adjust more quickly to declining enrolment.

Although Administration receives notice in March of GSN funding changes including those described above, the ability to calculate exact revenue based on WECD SB specific factors and influences can only be accomplished once the Ministry provides staff with access to its Education Finance Information System (EFIS). Prior to this application becoming available,

any estimations of the impact of the Ministry's announced grant changes must be done as manual calculations. EFIS became available on Friday April 17th, and key schedules were populated with the projected enrolment by school and teacher FTE (full-time equivalent) complement. Entering this information early allows Administration to provide a better quality revenue projection, and, by extension, a more informed spending allocation for consideration by Trustees.

Using draft results from EFIS, the current and future impact of the 2015-16 announced grant changes as compared to the original WECDSB Budget Outlook, along with other grant changes announced in prior years that are being phased-in, are summarized in the table below:

| Grant | Phase-in Period | 2015-16 Impact (year 1) | 2016-17 Impact (year 2) | 2017-18 Impact (year 3) |
|--|-----------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <u>2015-16 Announced Changes</u> | | (\$Thousands) | | |
| 1a. School Facility Operations Grant | Three Years (2015-16 to 2017-18) | 64 | (141) | (346) |
| 1b. School Renewal Grant | Three Years (2015-16 to 2017-18) | (13) | (28) | (41) |
| 2. School Foundation Grant | Three Years (2015-16 to 2017-18) | (173) | (177) | (181) |
| 3. Geographic Circumstances Grant | N/A for WECDSB | 0 | 0 | 0 |
| 4. Declining Enrolment Adjustment | One Year (2015-16) | (709) | (709) | (709) |
| TOTAL 2015-16 ANNOUNCED CHANGES | | (831) | (1,055) | (1,276) |
| <u>Other Grant Changes Announced in Prior Years included in Initial Budget Outlook</u> | | | | |
| Pupil Foundation Grant ¹ | Twelve Years (2012-13 to 2024-25) | (157) | (157) | (157) |
| Special Education Grant ² | Four Years (2014-15 to 2017-18) | (9) | ? | ? |
| TOTAL CHANGES | | (997) | (1,212) | (1,433) |

Notes:

- (1) Pupil Foundation Grant is impacted annually by a benefit rate reduction as retirement gratuities are eliminated.
- (2) The Ministry is continuing with the four-year implementation of the new High Needs Amount (HNA) allocation model, as announced in 2014-15. The impact on future years is contingent upon the HNA Measures of Variability Amount (MOV) and the Special Education Statistical Prediction Model (SESPM) that will be announced in future Regulations. Therefore, the impact on fiscal years 2016-17 and 2017-18 cannot be determined at this time.

Enrolment Update

As noted earlier, the Board's budget development cycle is a continuous process of refinement. The initial budget outlook that presented a possible \$12.391M of reductions reflected an 802 pupil decline. This preliminary enrolment projection was set early in the budget process (mid February) and was a rough forecast of the number of students per school and per grade, based primarily on the previous year's enrolment and historical retention rates.

Since that time a few key milestones have passed – specifically the elementary kindergarten registration promotional period and the secondary option sheet period where most secondary students submit course option sheets for the following year. The Human Resources Department and the lead Superintendent for Secondary Staffing also gathered

input from Principals on the projected enrolment for September, specifically gathering from them knowledge of known registrations to date and local knowledge of their students. As a result of this additional information, the original enrolment forecast has been updated and provided to the Business Department. This forecast, set at 20,037 FTE day school pupils, reflects a more accurate enrolment forecast that will be used for budget development. This revised enrolment forecast represents a decline of 550 FTE pupils from the 2015-14 Revised Budget Estimates, as shown in the table below.

| | 2014-15 Revised Estimates (FTE ¹) | Revised Projected 2015-16 Estimates (FTE) | Change in Enrolment |
|-----------------------------------|--|---|------------------------|
| Elementary (ADE ²) | 13,331.00 | 12,881.00 | (450.00) |
| Secondary (ADE) < 21 yrs | 7,254.70 | 7,154.70 | (100.00) |
| TOTAL DAY SCHOOL ENROLMENT | 20,585.70 | 20,036.70 | (550.00) |
| Total High Credit ³ | 21.86 | 22.86 | 1.00 |
| Adult Pupils (ADE) > 21 yrs | 192.05 | 174.50 | (17.55) |
| Total Visa Pupils | 76.00 | 65.00 | (11.00) |

Notes:

- (1) FTE = Full-Time Equivalent
- (2) ADE = Average Daily Enrolment
- (3) To encourage more students to complete their high school education within four years, the Ministry of Education developed a "34 Credit Policy". Students who return for a fifth year of high school and accumulate more than 34 credits during that fifth year are moved into a threshold of "High Credit Day School ADE" for enrolment purposes and are funded differently than other Day School Enrolment students under the GSN.

Budget Outlook Update

With announced grant changes for 2015-16, a revised enrolment forecast, and availability of the EFIS system with key schedules input by staff, the original budget outlook has been updated. The table below summarizes the revised budget outlook, as compared to the original budget outlook prepared in March.

| Forecast | Initial 2015-16 (\$Millions) | Revised 2015-16 (\$Millions) |
|--|------------------------------------|------------------------------------|
| Reduced GSN grant revenue due to decline in enrolment | (8.027) | (5.036) |
| Reserve required per By-Law (0.5% of operating allocation) | (1.091) | (1.106) |
| Structural Surplus from 2014-15 Revised Estimates | 1.093 | 1.093 |
| GSN announced changes | (4.365) | (0.997) |
| TOTAL REDUCTIONS REQUIRED | (12.391) | (6.043) |

While the revised budget outlook presents a better financial picture than originally anticipated, the \$6M of reductions required still constitutes a considerable challenge that the Board must face as it progresses through the balance of budget development.

Budget Development Update

After completing stage 2 of the budget development process (known as “Forecasting”), the revised budget outlook was communicated to the Staff Budget Workgroup and WECDSB moved to Stage 3 of the budget process (known as the “Budgeting” stage). In this stage staff prepared departmental budgets. As the funding for 2015-16 was forecast by envelope, the budgets were distributed to budget owners on the same basis (i.e. by envelope). An envelope may have many different budget owners, and as such individuals collaborated at this stage of the process to prepare their budgets. This stage required budget additions or reductions to be identified and classified by pre-determined categories. Working through the Staff Budget Workgroup, the Business Department consolidated the recommended expenditure reductions and requested budget additions which were submitted by staff. The consolidated list was reviewed by the Staff Budget Workgroup, and presented to Executive Council, who is now in the process of assessing the submissions.

WECDSB then moved into the fourth stage of budget development, known as “Revising”. In this stage, staff prepares an update report to Trustees, and begins to populate EFIS. Administration plans to present its recommended budget at the meeting scheduled for May 26, 2015.

FINANCIAL IMPACT:

Discussed throughout the report.

TIMELINES:

The detailed 2015-16 budget process, including timelines, was previously submitted to the Board of Trustees on January 27, 2015. The draft final budget will be tabled with Trustees at their meeting of May 26, 2015, with consideration for final approval at the June 22, 2015 public board meeting. The final budget is due for submission to the Ministry of Education by June 30, 2015.

APPENDIX:

N/A

REPORT REVIEWED BY:

| | | | |
|-------------------------------------|---------------------------|----------------|----------------|
| <input type="checkbox"/> | EXECUTIVE COUNCIL: | Review Date: | -- |
| <input checked="" type="checkbox"/> | EXECUTIVE SUPERINTENDENT: | Approval Date: | April 22, 2015 |
| <input checked="" type="checkbox"/> | DIRECTOR OF EDUCATION: | Approval Date: | April 22, 2015 |