

| 2019-20 Fall Budget Assumptions Report



learning | as unique | as every student

1221 - 8 Street S.W.
Calgary, AB T2R 0L4



**Calgary Board
of Education**



Introduction

Context

Metro school jurisdictions in Alberta typically receive more than 93 per cent of their total funding from Alberta Education. Accordingly, changes to how education funding is determined and allocated can have significant impacts on the delivery of public education services.

The provincial budget announced on Oct. 24, 2019 will have a significant impact on students, parents and staff. The unfortunate reality is funding provided from Alberta Education is significantly less than the projected amounts in the spring budget. While base funding remains the same and the enrolment increase has been funded, the struggle is a result of the change in grants Alberta Education provides.

Previous grants included the Fee Replacement Grant, Class Size Initiative and Classroom Improvement Fund. These three grants, totalling \$85 million, have been eliminated and replaced with a one-time, \$24 million, transition grant. The changes amount to a decrease of \$32 million dollars net of enrollment growth funding of \$29 million. This is significantly lower than what was assumed in the spring budget, which was produced prior to the Oct. 24 provincial budget announcement. As the funding change is being implemented mid-year, this translates into a need to find the equivalent of \$48 million dollars in reductions as of January 1 so that the CBE can balance the budget by the end of the school year.

Administration has identified strategies to close the gap created by the funding cut. The solutions are not ideal and will affect students, families, schools and CBE staff; but they are necessary in order to close the gap for the remainder of the 2019-20 year. This report sets out the strategies and targeted savings associated with each action.

Spring Budget 2019-20

Based on assumptions set in the spring budget:

	In millions
Projected Status Quo Budget	(\$40)
Strategies to reduce budget deficit	
• Change in schools and Areas services, not the same levels as prior year	(\$22)
• Decrease in service unit budgets	(\$3)
Assumed Spring Budget 2019-20 deficit	(\$15)
Use of operating and capital reserves to balance	\$10
Carried pressure for 2019-20 (Savings to be found throughout the year)	(\$5M)

Fall Budget Update 2019-20

After the provincial budget announcement, the decrease in funding to be received from Alberta Education includes:

-\$85M	Eliminated Grants Class size initiative \$54M Fee Replacement Grant \$18M Classroom Improvement Fund \$13M
\$29M	Enrolment and other funding changes
\$24M	One Time Grant Funding
-\$32M	Total decrease in funding received



Balancing the Budget Mid-Year



2019-20 school year started without a provincial budget; services were provided based on Board-approved assumptions



Now that there is clear information on funding to be received, CBE must make up for:

- Difference in funds already spent AND
- \$32M decrease in funding

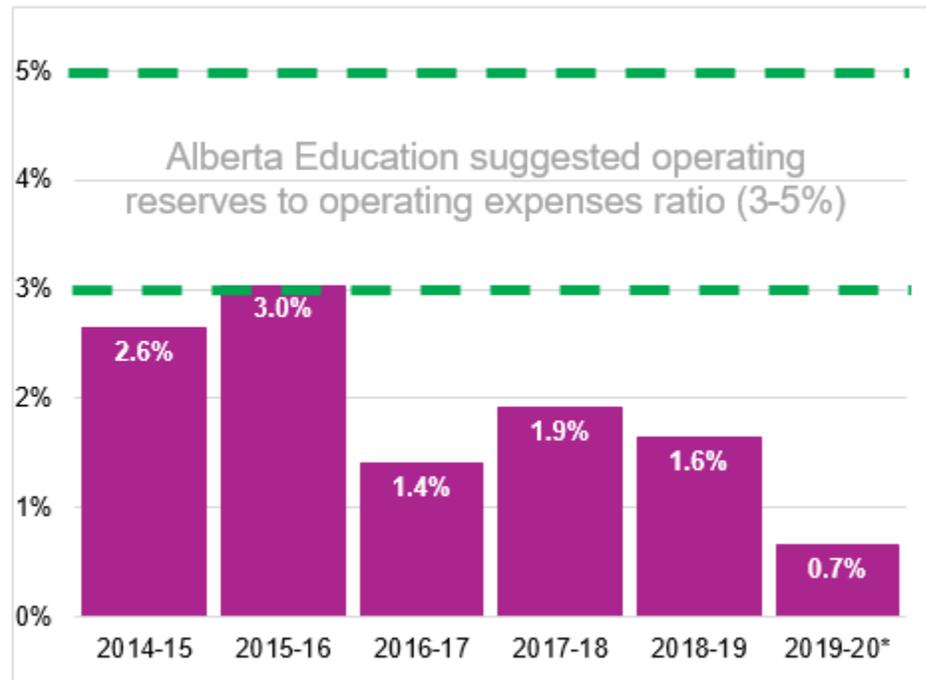
Strategies

Strategy	Context	Targeted Savings
1. Deploy central and area office staff to schools	<ul style="list-style-type: none"> ▪ A portion of certificated and professional staff currently providing important educational support services centrally, will be deployed back to schools. ▪ This deployment will reduce or eliminate a number of supporting programs and services. 	No direct savings as exiting staff are deployed out to schools.
2. Reduction of funds directly allocated to schools	<ul style="list-style-type: none"> ▪ Revised RAM – savings to be found starting from the beginning of the school year. ▪ Revise funds used to operate schools, outside of staffing costs (supplies and services). ▪ Eliminate a portion of temporary positions ▪ Revise equity funding. 	~ \$22M
3. Administrative reductions to service units	<ul style="list-style-type: none"> ▪ Reductions of 2-10% in service unit budgets, in addition to the \$3 million planned in the spring budget. ▪ All discretionary spending is frozen. 	~ \$3M+
4. Reduce capital spending	<ul style="list-style-type: none"> ▪ Funds previously used to upgrade outdated schools and facilities will be redirected to support operations (Appendix I). ▪ Projects will be assessed based on health, safety or legal compliance implications. 	~ \$5M

5. Mid-year transportation fee increase	<ul style="list-style-type: none"> ▪ Adjusting transportation fees to make up the difference from funding received to service level provided. ▪ For reference, the elimination of the Act to Reduce School Fees funding equates to \$8 million. 	~ \$8M
6. Use of reserves	<ul style="list-style-type: none"> ▪ Remains at levels lower than the government-suggested levels of 3% to 5% of expenditures. ▪ \$5 million was previously approved for use in 2019-20. ▪ After accounting for Education Matters reserve portion and approved carry forwards, the projected operating reserves is \$9 million by the end of 2019-20 (Appendix II). 	
Total potential savings		\$30-40M

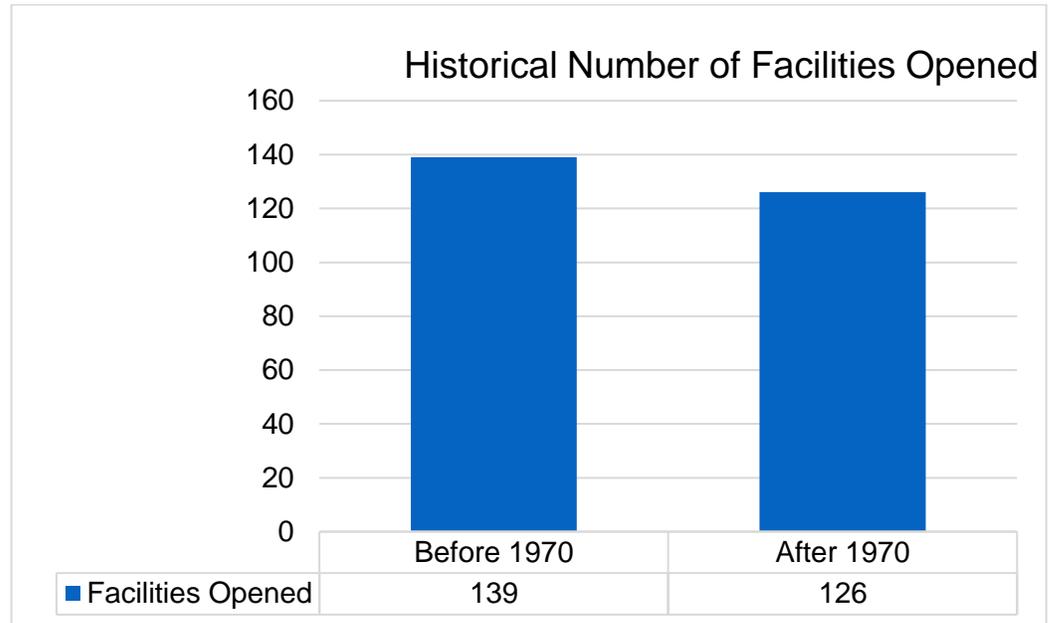
- As the provincial budget was announced mid-year in 2019-20, CBE must find the equivalent of \$48 million in annualized cuts to generate the \$32 million in savings over the remainder of the 2019-20 school year.

Appendix I: Operating Reserves



- *The operating reserve balance as of Aug. 31, 2019 is ~\$23 million. With a board approved carry forward spend of \$7 million and \$2 million of reserves related to Education Matters, there is actually \$14 million remaining to start the 2019-20 year. Planned draws from operating reserves is \$5 million for 2019-20 which leaves ~\$9 million in operating reserves.
- The chart outlines the historical operating reserve balance to operating expense ratio compared to the Alberta Education suggested ratio.
- Having sufficient funds in the reserves helps the CBE navigate through any unforeseen events, projects or initiatives that come up during the year which are not included in the budget. Without a healthy balance in reserves, opportunities could be foregone and risks may not be mitigated.
- The use of reserves to balance the budget has been a short term strategy deployed in previous budget years to minimize the impact on students and the overall learning experience.
- The CBE spends approximately \$7.7 million per instructional day. Current anticipated reserve levels represent approximately a day of operation.

Appendix II: Age of Facilities



- The CBE has more than 130 schools that over 50 years old. Funding is required in order to ensure safe and modernized facilities are available for students.
- The province estimates the CBE's deferred maintenance is \$162 million for immediate needs (e.g., aging roofs and boilers).