

## report

April 16, 2013

Attachment

## CBE Operating and Capital Budget Assumptions for 2013-14 to 2015-16

### Introduction

The negative impact of the provincial budget announced on March 7 will be felt by CBE students, parents and guardians in 2013-14 and beyond.

The provincial budget provided funding that is flat from one year to the next. Unfortunately, flat funding means we fall short. Inflation, grid movement, negotiated increases for unionized employees—and even enrolment—combine to increase costs for the system. In a world where prices go up, having the same dollars a year later means buying power is reduced.

For example, about half of CBE teachers are eligible for grid movement; time-based increases in salary. Grid movement for teachers will increase costs for the CBE by about \$10 million in 2012-13 and 2013-14. Add to that the grid movement, negotiated increases for employees represented by the Canadian Union of Public Employees and the Staff Association and other salary increases, and the total increase in salaries and benefits is about \$17.8 million for 2013-14.

The budget assumption report is the first glimpse into how CBE administration proposes to optimize student learning and maximize funding directed to classrooms while balancing the budget. In a year when funding is flat and costs are increasing, it is an enormous challenge.

### Values guide our approach

Experience has taught us that budgets are less about numbers than values. The choices we make with the funding we are provided communicate what we hold most dear as a public education system.

Administration's approach to the operating budget is guided by the following values.

- Minimizing the impact on students and parents remains a top priority.
- We will focus our resources on achieving the vision as articulated in the Results Statements, the Three-Year Education Plan, and Inspiring Education.
- We will continue to build on innovation already in progress.
- We will continue to advance the learning agenda. We are committed to the best possible learning for our students today while continuing to move our practice forward.

While we keep these values foremost in our minds, the process of building the 2013-14 operating budget revealed that it is impossible to maintain the level of service in many areas of the organization. We have kept students first by making cuts everywhere else first.

As this report will show, this approach has a huge impact on services and programs delivered by administration.

## Implications of the recent provincial budget

### Implication for policy compliance

The CBE's operational expectation for financial planning (OE-5) requires a rolling three-year funding model. Based on the government revenue data provided for the fiscal period 2013-14 to 2015-16, the CBE complies with OE-5 by providing a three-year projection of revenue and expense. Detailed mitigation strategies to balance the budget in 2014-15 and 2015-16 are not provided due to the level of uncertainty of provincial funding.

### Provincial funding change affects plan to eliminate structural deficit<sup>1</sup>

A year ago the province committed to increase funding for school districts by two per cent for each of 2013-14 and 2014-15. The actual budget for 2013-14 did not follow this plan. In addition to the negative impact on students, the loss of this funding will affect the CBE's ability to eliminate our structural deficit as originally planned in our 2012-13 budget.

### Cap on administration and governance costs

The provincial budget made a significant change to the amount of the operating budget that can be spent on administration and board governance. For 2013-14, the maximum is reduced to 3.6 per cent from four per cent. This change has several consequences for the CBE.

In 2012-13, administration only represents 3.4 per cent of the CBE's total operating cost, enabling the equivalent of 0.6 per cent (about \$7 million) to be directed to classrooms in the current year.

For 2013-14, the province is reducing CBE revenue by the equivalent of 10 per cent of the current maximum allowed for administration. We estimate this represents a \$4.6 million revenue claw-back.

Moreover, while revenue for administration decreases, costs are rising. This creates the need for additional cuts to be within the new admin-spending limit set by the government.

The budget assumptions report will show that the full \$4.6 million claw-back will be taken out of administration—as expected by the provincial government. This does not fully reflect the year-over-over cuts that are required to meet the government's expectation.

The full impact on administration is detailed later in this report.

---

<sup>1</sup> A structural deficit results from the use of one-time funds to support ongoing expenditures. The CBE structural deficit in 2013-14 results from the use of unrestricted reserves.

## Uncontrollable costs increasing

While funding remains flat year over year, in addition to the administrative claw-back, there are costs that will increase and that cannot be controlled by the CBE. These include, but are not limited to:

- negotiated salary increases for unionized employees;
- grid movement for unionized employees;
- inflation; and
- projected enrolment growth.

Salaries for some employees represented by collective agreements will increase effective Sept. 1, 2013. CBE employees in the Canadian Union of Public Employees (CUPE) and the Staff Association will increase by 2.5 per cent.

In addition, if the tripartite framework proposed in March by the government and the Alberta Teachers' Association comes into effect, there will be increases to teacher salaries. Although the proposed agreement claims there are no increases for the first three years, for the CBE (and 28 other Alberta school districts) there would be increases effective Sept. 1, 2014.

The proposed agreement also includes a two-per-cent increase effective Sept. 1, 2015 and a lump-sum payment equal to one per cent of salary for all teachers in the fourth year of the agreement. The fourth year of the agreement is the third year of this budget assumptions report.

The proposed framework is now accompanied by a "draft comfort letter" provided to the Alberta School Boards Association. The letter "commits to providing continuous funding" for the salary grid increase, the "narrowing of the gap" (0.41 per cent for the CBE) and the one-per-cent lump sum. In these economic times, there is little comfort from a commitment that cannot practically be guaranteed.

## Specific Funding Changes

The provincial budget for 2013-14 includes many funding changes. There are increases for enrolment; k-3 class-size funding; and inclusive education. These increases were almost completely offset by specific funding decreases.

A detailed summary of the estimated budget impact is included in Appendix A.<sup>2</sup> The following specific funding changes are highlighted to provide context for decisions to maintain programs in spite of the elimination or reduction in funding.

- The provincial budget cut the funding term for English Language Learning (ELL) to five from seven years. This \$5.3 million reduction affects about 19 per cent of the CBE's ELL students.
- The province eliminated the fuel contingency fund for the 2013-14 school year. If the funding continued, it would have meant \$2.3 million for CBE transportation service. Without the funding, there is a larger gap between service cost and funding that would normally be closed by student transportation fees.

---

<sup>2</sup> Appendix A is the same information communicated to employees, parents and the whole CBE community on March 12, 2013.

- The provincial funding for Plant, Operations and Maintenance has historically provided additional funding to support children with severe disabilities by weighting funding for these students at three times the rate for other children. This weighting has been eliminated.

## Overall outcomes and consequences

Based on our values and given the provincial revenue reductions, administration's overall intended outcomes with these budget assumptions are:

- Reserves and one-time funding sources will be used to balance the 2013-14 budget—the legacy of which will be a continued structural deficit for 2014-15. All currently available reserves will be depleted in 2013-14.
- The RAM-rate increase across the system will be two per cent. This year the RAM distribution will be weighted to ensure that current average k-3 class size is maintained.
- As requested by Alberta Education, our administration block has been reduced by \$4.6 million from our 2012-13 budget. This means that the portion of the entire operating budget spent on Administration will effectively be reduced to three per cent—well under the 3.6-per-cent cap. This reduction is explained in detail in the section of this report called “Strategies to Deliver a Balanced Budget.”

The commitment to maximize funding for classrooms has a significant impact on administrative services. These difficult budget realities will be felt system-wide.

Despite the deep cuts to Administration that enabled RAM allocation to rise two per cent, schools will have *2.1 per cent less funding than they need*. As mentioned above, this is further explained later in the report.

Additional detail about the impacts of these strategies is also provided in Appendix B.

At this point in the budget process, these are high-level estimates of what we intend to achieve. Building the actual operating and capital budgets will confirm these “directional” estimates with greater certainty.

By way of overall consequences, it is helpful to keep these facts in mind.

- There will be no operating reserves available beyond 2013-14. Any reserve balances at the end of budget years will only reflect restricted reserves. This means the reserves are earmarked for specific purposes. These reserves represent \$18 million—1.5 per cent of CBE projected 2013-14 revenue (funding).
- After balancing the 2012-13 transportation budget, the entire remaining transportation reserve will be applied to keep student transportation fees at 12-13 rates for another year. Any remaining funding required to freeze current rates will be funded from the global budget.

## Information included in this report

As we move from context to the actual budget assumptions, it is important to keep in mind the report contains three types of information:

- **program and service-delivery decisions** made *as a direct result* of the recent provincial budget and *because*, as a system, we believe the decisions align our resources to what is best for student learning and/or our school community;
- **financial and economic *uncertainties*** expected to affect the budget. For the operating budget, these include factors like inflation and general wage increases; and
- **strategies** to deliver a balanced budget with the greatest possible benefit for student success.

By definition, uncertainties cannot be fully controlled—by anyone. By contrast, strategies are deliberate approaches and decisions proposed by the CBE Administration to achieve one overriding imperative: Dedicate the maximum possible resources to optimize learning for students.

By bringing forward this budget assumptions report, Administration seeks to engage the Board of Trustees in a robust discussion about how we best use public funds for public education. The Board of Trustees has an opportunity to provide strategic guidance early in the budget-building process. With clear direction, Administration will build operating and capital budgets that align with expectations of the Board of Trustees for its final consideration in May.

## Program and service-delivery decisions

The CBE will **continue to allocate resources**—both to schools and for associated central learning supports—by way of the following strategies:

- continue to advance the objectives of *Inspiring Education*, with initiatives such as Iris and High School Flexibility and Success;
- continue programs and supports to meet the needs of students who are English language learners<sup>3</sup> at an approximate cost of \$24 million, in spite of provincial funding reductions to these supports estimated at \$5.3 million;
- maintain 2012-13 transportation fee rates in spite of reduced provincial funding for transportation costs;
- generally maintain noon supervision fees. These are expected to change slightly (either increase or decrease, depending on the program [4 days; 5 days; 4/5 days] based on actual cost experience from 2012-13;
- continue the graduated noon supervision fee plan<sup>4</sup> for students who also ride the bus;
- maintain instructional supplies and materials (ISM) fees at current rates with the exception of slight increases for Chinook Learning, CBe-learn and student parking;
- maintain the kindergarten to Grade 3 current average class size—where class-size funding continues. This should remain below 20 to 1 on average;
- maintain our Plant Maintenance and Operations budget to support school facilities maintenance;
- maintain full-day kindergarten programs in 17 identified schools even though these targeted programs are not funded by the province (the approximate cost is \$2 million);
- continue small-class supports in kindergarten to Grade 3 and high school Career and Technology Strategy (CTS) at an approximate cost of \$47 million;
- maintain First Nations, Métis, and Inuit services and support;
- maintain specialized programs, unique settings and classroom supports at an approximate cost of \$118 million;
- maintain equity supports in identified schools at an approximate cost of \$3 million;

---

<sup>3</sup> The CBE prefers to refer to students learning English rather than “English as a Second Language” (ESL) students. In reference to the same students and programs, the government uses the term “ESL” in its funding description.

<sup>4</sup> The 2012-13 noon supervision plan reflects subsidized rates to smooth the introduction of noon supervision fees for bus riders at a graduated rate. See report to the Board of Trustees “Specific Student Fees for 2012-13” dated April 17, 2012 or go to [www.cbe.ab.ca/Parents/Fees.asp](http://www.cbe.ab.ca/Parents/Fees.asp) for more information.

- maintain current five area configuration;
- continue to pursue fund development and partnerships;
- reduce infrastructure maintenance renewal (IMR) projects to reflect provincial funding support decrease of \$3.4 million; and
- eliminate AISI project supports as a consequence of the elimination of provincial funding to these initiatives.

## Operating Budget Assumptions<sup>5</sup> Related to Uncertainties

Compensation Changes	All anticipated changes in employee compensation have been included based on current information. Anticipated changes include: general wage increases, grid increases, performance increases and benefits. At the time of printing, the compensation changes include the financial terms of the proposed agreement between the provincial government and the Alberta Teachers' Association.
Enrolment	Enrolment projections have been based on the Sept. 30, 2012 actual enrolment of 107,104 and reflect the City of Calgary population changes, market share, and student retention rates (cohort-survival model). Forecasted enrolment figures are: <ul style="list-style-type: none"><li>▪ 2013-14 110,376</li><li>▪ 2014-15 113,612</li><li>▪ 2015-16 116,650</li></ul>
Inflation Rate	The inflation rates used in 2014-15 and 2015-16 budget projections are estimated based on the five-year trend, which averages 1.4 per cent per year in Calgary.
Contractual Obligations	All known changes in contractual obligations have been included based on current information.
Investment Income	Investment income is expected to remain constant for 2013-14 based on the following: <ul style="list-style-type: none"><li>▪ cash flow levels are projected to remain the same;</li><li>▪ short-term interest rates are expected to remain at current levels, according to the Bank of Canada; and</li><li>▪ long-term investment returns are expected to remain constant.</li></ul>
Legislative and Regulatory Framework	The <i>Education Act</i> was passed in December 2012. This new legislation may affect the budget in 2014 and beyond in areas such increased age of funded students and residency requirements. Understanding the full financial impact depends on the regulations that will support the new <i>Act</i> . Until the regulations are developed, the financial impact of the legislation cannot be determined fully.

---

<sup>5</sup> A Glossary of Terms is provided in Appendix C.

## Strategies to Deliver a Balanced Budget

Broadly speaking, Administration strategies for the 2013-14 operating budget support three overall thrusts:

1. balancing the budget;
2. adhering to the reduced limit on Administration set by Alberta Education; and
3. maximizing the funding directed to classrooms, as represented by the resource allocation method (RAM).

### Administration Focus

Administration costs often attract significant attention. For 2013-14, the CBE plans to reduce administrative expenses to three per cent from 3.4 per cent of the operating budget. Before presenting the individual strategies, a detailed discussion is warranted, to put this reduction into context.

1. To understand variances in any expenditure, it is important to recognize that a simple year-over-year comparison does not reflect the true impact in an environment of increasing costs, particularly where some of these costs are non-discretionary. For this reason, administration starts its budgeting process with a “status quo” budget which reflects the current year’s budget with adjustments for enrolment changes and known identified changes in commitments for the following year.

So, for example, to maintain costs at the current year level (\$0 variance), reductions in *controllable* costs must be made to offset the required increase in costs *over which we have no control*. Consequently, strategies to balance the budget must consider the projected cost increases that cannot be avoided *and* planned savings must be greater than the simple year-over-year change to make up the difference.

For this reason, our estimation of the impact of our strategies, noted in the following section called “Strategies in detail”, reflect *the savings required to manage the projected increase in costs*, as opposed to the difference between the costs from year to year, which are reflected in the summary information provided in Appendix B. To aid this analysis, the variance between our “status quo” budget and the planned balanced budget can be summarized in the table below which shows expenses by block.

### Expense by Block

	(all figures in \$ millions)		Variance	
	Status Quo 2013-14	Budget 2013-14	(\$millions)	%
Instruction: ECS - grade 12	964	931	(33)	(3.4)
Operation & maintenance	146	141	(5)	(3.4)
Transportation	43	43	0	0.0
Board & System Administration	44	35	(9)	(20.5)
External services	27	27	0	0.0
	<u>1,224</u>	<u>1,177</u>	<u>(47)</u>	<u>(3.8)</u>

The previous table reflects the “true” amount the CBE has had to cut costs—\$47 million—to balance the budget for 2013-14. It should also be noted that these cuts would have been even greater had we not applied \$15 million of reserves in meeting the total, actual shortfall for 2013-14 of \$62 million. Applying the same analysis to the RAM allocation included in the Instruction Block, school RAM is actually 2.1 per cent less than “status quo”. This means schools have \$15 million less than they need to manage enrolment growth.

Another way to look at the full impact of the provincial budget reductions is to look at provincial funding per student.

	2012-13	2013-14
Provincial funding per student	\$10,118	\$9,712
Revenue/ enrolment	\$1,069 million/ 105,654 students	\$1,072 million/ 110,376 students

2. The CBE allocates expenditures to the various blocks based on Alberta Education guidelines. These allocations are reviewed periodically to ensure that the current circumstances accurately reflect the guidelines. This year, administration began a thorough review of its allocations. The review will be done and reflected in the detailed operating budget the Board of Trustees will debate May 28. Allocation changes are not reflected in the figures presented in this report.
3. The Administration block, by its very nature, holds much of the organization’s fixed costs.<sup>6</sup> This preponderance of “overhead” limits the ability to respond to cost reduction. This is not to say that we accept these costs and their invariable increases as a given. In fact, we continually look for strategies to reduce such costs. It does, however, underscore a need for such reductions to occur over time, rather than within a single year.
4. Finally, we believe that it is important to consider that Alberta Education’s calculation of its administration claw-back was based on its stated cap of four per cent—regardless of whether or not a district had already taken action in prior years to reduce its expenditure in this block below the stated cap. Last year our strategies reduced the administration block by \$2.7 million year over year (not including the savings required to manage increased non-discretionary costs referred to in the first point above), reducing our administrative percentage to 3.4 per cent. For CBE Administration, it is imperative that we continually look to ways to reduce administrative costs. Alberta Education’s reduced cap *is not* the reason we develop strategies to reduce our expenditures in this area. We are committed to continuous improvement, operational excellence and a lean administration that focuses on maintaining a system committed to supporting the success of students in the classroom in the most cost-effective manner possible.

<sup>6</sup> More than 30 per cent of costs in the administration block are fixed—such as amortization, insurance, licenses and interest. By contrast, merely two per cent of costs in the instruction block are fixed. For the most part, fixed costs cannot be controlled in a short time period.

## Strategies in detail

Administration plans the following **strategies to balance the budget**. The goal is to dedicate the maximum possible resources to optimize learning for students in classrooms.

Strategy	Description	Impact <sup>7</sup>
Redesign and restructure of service delivery and support	Service units are examining ways to improve the delivery and support of student learning, including a network approach; integrating functions to increase the impact and efficiency with a focus on system-wide priorities; leveraging technology; and consolidation of like services. Our aim is to support the transformation required to meet the vision articulated in <i>Inspiring Education</i> , as well as support our strategies to reduce the administrative burden on teachers and principals.	This strategy is expected to deliver savings of \$2.5 million.
Service Units—Operational Excellence Initiatives	<p>Continuing our efforts from last year, service units have identified initiatives to achieve efficiencies while minimizing the impact on services and quality. For example:</p> <ol style="list-style-type: none"> <li>1. finding ways to improve productivity without making additional demands on existing resources—this means working smarter;</li> <li>2. accepting the challenge of determining work we can stop because it does not add sufficient value at this time;</li> <li>3. improving processes that maximize revenue;</li> <li>4. improving space utilization to maximize revenue;</li> <li>5. saving money for the system by better leveraging strategic procurement and sourcing; and</li> <li>6. identifying cost savings (for example, energy conservation).</li> </ol> <p>A number of these initiatives require several years to fully reap the anticipated savings—especially where benefits are achieved by introducing systems to replace manual processes.</p>	<p>Anticipated 2013-14 savings are \$12 million.</p> <p>In 2013-14 the expenditure decrease will generally occur in salaries and benefits, utilities and contracts, supplies and services.</p>

<sup>7</sup> At this point in the budget process, these are high-level estimates of what we intend to achieve. Building the actual operating and capital budgets will confirm these “directional” estimates with greater certainty. Due to the level of uncertainty with respect to future provincial funding, mitigation strategies are only identified annually.

Delaying capital investments	<p>To balance the budget, we can free up funds by temporarily delaying the spending on non-urgent board-funded capital, such as equipment and technology—which are funded through the application of amortization expense.</p> <p>By definition, board-funded capital excludes school facilities.</p>	<p>We estimate the 2013-14 benefit will be \$6 million.</p> <p>This initiative will not impair our long-term board-funded capital investment nor will this temporary diversion of funding create fiscal jeopardy.</p>
Elimination of AISI funding	<p>Alberta Education eliminated the \$7.3 million in funding for this initiative.</p>	<p>Loss of \$7.3 million funding eliminates all AISI positions.</p>
Reduction in IMR funding	<p>Our lowest priority IMR projects planned for 2013-14 will be delayed.</p>	<p>Projects totalling \$3.4 million will be delayed.</p>
Reduce administrative burden on teachers and principals	<p>Through the evaluation of current administrative requirements, leveraging technology and the provision of supports, we intend to relieve teachers and principals of tasks and/or find more time-efficient means of completing necessary tasks.</p> <p>Efforts to address teacher work load issues are already underway and are led by Administration and the ATA.</p>	<p>While this strategy may not yield funds to assist in balancing the budget, it will effectively free up time that can be redirected to instruction and learning leadership.</p>
Executive Team Salary Freeze	<p>There will be no increases to executive team salaries in 2013-14.</p>	<p>There is no cost savings to this strategy as exempt salary increases are performance based and not automatic. The strategy provides for the avoidance of a potential \$80,000 increase in costs.</p>
Use of Reserves	<p>We anticipate that our use of unrestricted reserves in the current fiscal year will be lower than budget, as a result of gapping tied to unfilled positions and as a result of cost savings identified to assist with the 2013-14 mitigation of provincial funding reductions. These reserves will be available to help balance the 2013-14 budget.</p> <p>We plan to deplete all available operating reserves to assist with balancing the budget. This includes requesting that the Board of Trustees allow for the use of the Continuing Education Stabilization Fund, previously designated for the sole use of Chinook Learning Services.</p>	<p>The use of reserves and one-time funding creates a structural deficit in 2014-15.</p> <p>We anticipate using all unrestricted reserves available at Aug. 31, 2013. This includes the costs savings anticipated in 2012-13, the transportation reserve as well as the proportionate use of the operating lease reserve. This strategy will utilize all available reserves in 2013-14.</p> <p>The only remaining operating reserves—totalling \$18 million—are those reserves restricted by the Board of Trustees for specific purposes and a non-cash reserve for unrealized investment gains and losses. We do not believe this represents “long-term fiscal jeopardy to the organization”. It reflects direction from</p>

		Alberta Education to use all reserves, and our longer term strategies will strive to rebuild reasonable reserve levels.
RAM Allocation	We will apply the RAM allocation in a manner that reflects new and emerging delivery strategies that reinforce flexibility and enquiry and project based environments.	<p>The decision means:</p> <ul style="list-style-type: none"> <li>(1) a two per cent average RAM-rate increase over last year;</li> <li>(2) the total RAM allocation increases by \$14 million over 2012-13; and</li> </ul> <p>K-3 funding enables current average class size to remain the same. Recall, even though the RAM is increasing two per cent, schools will have 2.1 per cent less funding than they need.</p>
Elimination of memberships	We will examine the memberships to ensure they add value. Examples include Alberta School Boards Association (ASBA) and Calgary Educational Partnership Foundation (CEPF).	We anticipate \$0.3 million in savings.
Board of Trustees Budget	The Board of Trustees will reduce their budget by 10 per cent (excluding any previously identified strategies).	We anticipate \$0.15 million in savings.
Education Matters	This strategy entails eliminating the CBE contribution to Education Matters of \$0.75 million.	This provides a savings of \$0.75 million
Reduction in Service	In order to find the \$4.6 million clawed back by Alberta Education from within the Administration block, it was necessary to cut very deeply into administrative service delivery. There will likely be service-delivery reductions accompanied by organizational restructuring. It is impossible to provide additional detail at this time, including the impact on positions.	<p>We anticipate \$3.1 million in savings.</p> <p>Schools will feel some of the impact of this strategy but, by its nature, the administrative block reflects “corporate service.” This includes areas where communications, finance, human resources and information technology (IT) provide system-wide services and fulfil corporate responsibilities. Among the impacts, this strategy risks eroding our compliance with governance policy as well as our ability to monitor and report compliance.</p>

## Capital Budget

### Introduction

The Capital Budget (or board-funded capital) includes technology, furniture, equipment, vehicles and all other non-facility assets.

These board-funded capital needs are funded from the amortization reserve, school decentralized funds or capital reserves.

The Capital Budget does not reflect capital needs for school buildings and related facility infrastructure supported by additional capital grants approved and provided by the Provincial Government through a separate Capital Planning Process.

The anticipated funding available for board-funded capital in 2013-14 is \$20.6 million.

Administration—via the capital budget council—categorizes, assesses, and approves its board-funded capital projects based on the business and strategic value that they deliver. The categories used are: strategic, enhancement and maintenance. This enables Administration to monitor its board-funded capital investment mix in order to ensure that sufficient resources are allocated to adequately maintain and enhance existing capital investment to meet the technological requirements for student learning. Further, Administration ensures that the extent of new investment matches the organization's ability to maintain its assets in the future.

Funding may be provided for projects for a single year or over several years, depending on the nature and size of the project and the availability of funding.

### Capital Budget Assumption Related to Uncertainties

#### Capital Project Cost Estimates

Capital project-cost submissions are developed on a project-by-project basis. The costs are based on information available at the time and assumptions vary by project.

The Capital Budget Council regularly reviews project status and adjusts allocations as necessary, based on refined cost projections.

## Capital Budget Strategies

The CBE will **continue to allocate resources** by way of the following strategies:

Administration strives to maintain an investment mix of:

- strategic 25%
- enhancement 10%
- maintenance 65%

Criteria used to prioritize board-funded capital are:

1. For strategic and enhancement projects:
  - impact on the Three-Year Education Plan;
  - impact on the CBE as an organization; and
  - the extent to which the project/purchase will create future cost savings relative to its capital cost.
  
2. For maintenance projects:
  - mandatory;
  - critical;
  - necessary; and
  - discretionary.

The potential impact on the operating budget is also considered to ensure that projects do not generate unanticipated future operating costs. This is our first step to incorporating a full life-cycle-costing approach to our capital investment decision-making.

After projects have been ranked, they are reviewed again to assess confidence in achieving the intended results (both quantitative and qualitative), and confidence in the organization's capacity to implement the project as planned. The amount of board-funded capital available is then applied to the top-ranked projects.

In addition to the allocation strategies which continue, Administration plans the following **strategy to re-allocate resources**. The goal is to dedicate the maximum possible resources to optimize learning for students in classrooms.

Strategy	Description
Contribution as an Operating budget strategy	<p>The capital strategies have assumed that Administration implements its operating budget strategy to utilize a planned underspend of \$6.0 million for 2013-14.</p> <p>This initiative will neither impair our long-term board-funded capital investment nor will this temporary diversion of funding create fiscal jeopardy.</p> <p>This strategy reduces the board-funded capital for 2013-14 to \$14.6 million. This will support principal payments on energy retrofit projects and the other top priorities recommended by the capital budget council.</p>

## Summary of Revenue

### Alberta Education Grant Funding

On March 7, 2013, the provincial government announced its budget for the fiscal year starting April 1, 2013.

#### Rate Changes

- No grant rate increase for base instruction for the next three years.
- Class-size and inclusive education funding received a two per cent rate increase for the next three years.

#### Discontinued and suspended funding

- Alberta Initiative for School Improvement (AISI) funding is eliminated effective April 1, 2013.
- Fuel price contingency funding is discontinued effective April 1, 2013.
- Learning Resources Credit allocation is discontinued effective Sept. 1, 2013.

#### Other changes

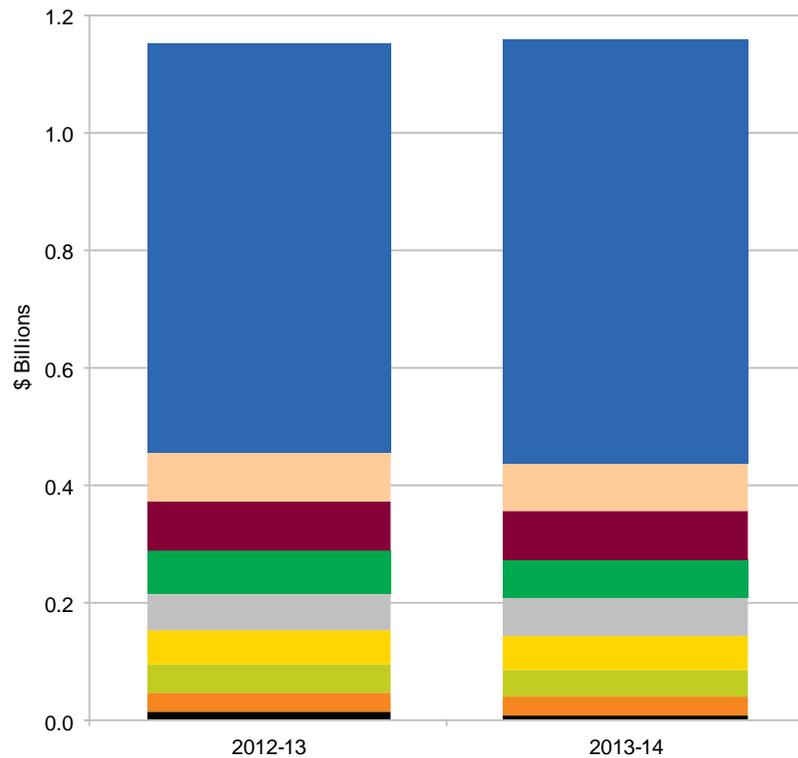
- The maximum expenditure for system administration and school board governance is reduced by 10 per cent (from four per cent to 3.6 per cent of total operating expenses) resulting in a \$4.6 million claw-back.
- The maximum years funded for eligible students in English as a Second Language programs decreases to five years from seven years.
- Inclusive education transition funding, implemented in Budget 2012 with the new Inclusive Education grant, will be renamed Program Equity and will be in place over the period of the 2013-2016 Business Plan.
- Metro school jurisdictions are no longer eligible for Small Schools by Necessity (SSBN) funding.
- FTE Funded enrolment replaces FTE weighted enrolment in the Plant Operations and Maintenance (POM) formula. Metro school jurisdictions are no longer eligible for the SSBN component of this funding.
- A tier four has been added to the Credit Enrolment Unit (CEU) funding tiers table for Work Experience and Special Projects courses.
- Funding for school authorities with students taking Alberta Distance Learning Centre (ADLC) courses, will be reduced to 44 per cent of the respective CEU Tier rate.
- The rate for the per student component of the Equity of Opportunity funding decreases to \$101 from \$156 per student.
- Infrastructure Maintenance Renewal Funding decreases by 20 per cent.

## Government of Alberta Funding Changes

all figures in \$ millions

Description	Actual Changes
	2013-14
Changes due to:	
Enrolment grant increases	32.2
Changes in grant programs:	
1. Class size funding	0.9
2. Inclusive education continued transition funding and 2% increase	7.7
3. Adjustment for tier 4 CEUs and ADLC	(1.5)
4. Provincial clawback for administration costs	(4.6)
5. Elimination of small school by necessity (SSBN)	(2.0)
6. ESL funding reduced to five from seven years	(5.3)
7. Plant, operations and maintenance (removes severe-coding factor)	(4.2)
8. Fuel price contingency fund eliminated	(2.3)
9. AISI funding eliminated	(7.3)
10. Learning resource centre (LRC) funding eliminated	(1.2)
11. Equity of opportunity grant per student reduction	(5.6)
	<u>(25.4)</u>
Total net grant changes	6.8
Infrastructure, maintenance and renewal decrease	(3.4)
	<u>(3.4)</u>
Total increase	<u>3.4</u>

## 2013-14 Breakdown of Total CBE Revenues<sup>8</sup>



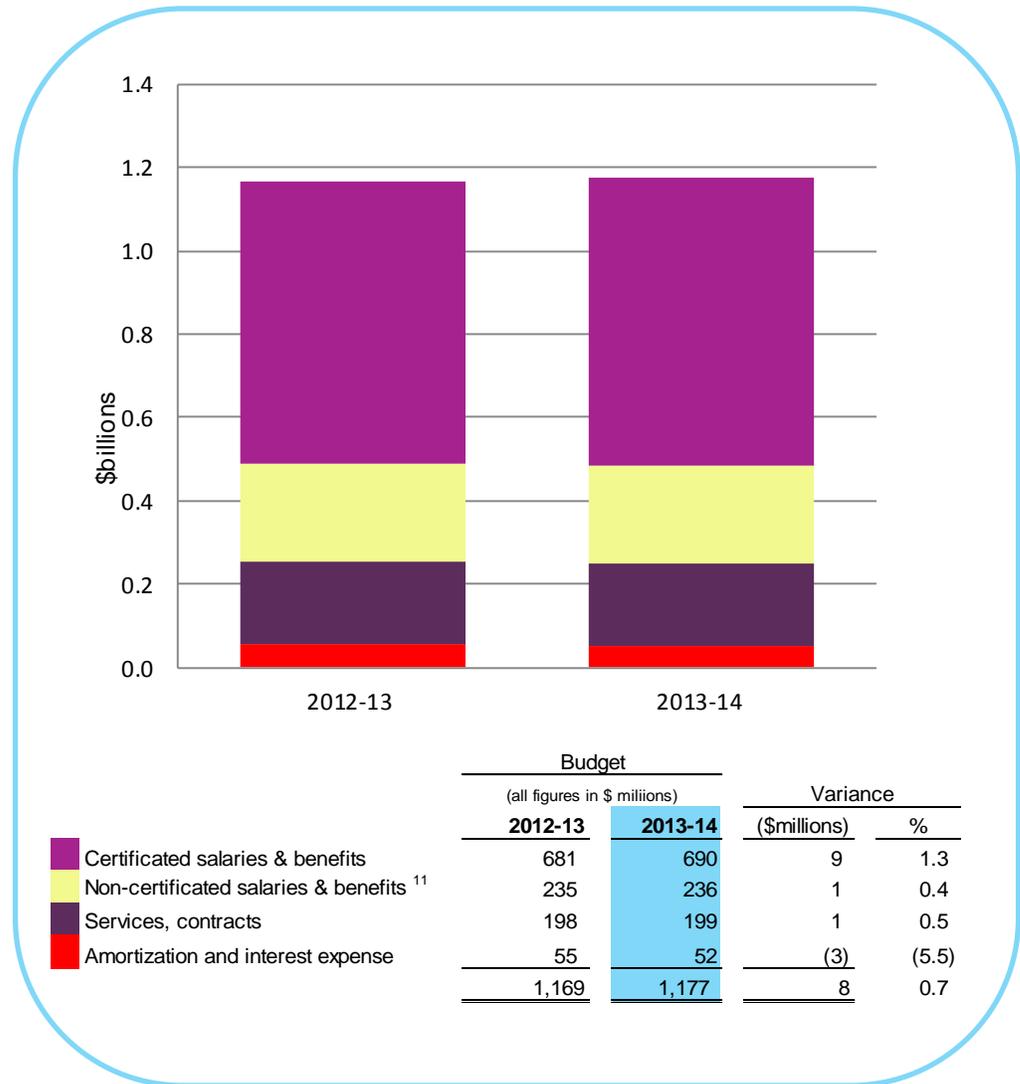
	Budget		Variance	
	2012-13	2013-14	\$ millions	%
Base funding	698	723	25	3.6
Operations & Maintenance	84	79	(5)	(5.9)
Fees and Other revenue <sup>9</sup>	83	89	6	7.2
Other differential funding	73	65	(8)	(11.0)
Inclusive education funding	60	62	2	3.3
Alberta Teacher Retirement Fund	59	59	0	0.0
IMR & capital support	49	46	(3)	(6.1)
Student transportation	33	32	(1)	(3.0)
Provincial priority targeted funding	14	7	(7)	(50.0)
	<b>1,153</b>	<b>1,162</b>	<b>9</b>	<b>0.8</b>

<sup>8</sup> At this point in the budget process, these are high-level estimates of what we intend to achieve. Building the actual operating and capital budgets will confirm these “directional” estimates with greater certainty. The 2012-13 budget figures presented reflect the 2012-13 operating budget approved by the Board of Trustees on May 29, 2012.

<sup>9</sup> Includes school-generated funds and elective fees; discretionary program collections; investment income; rental and leasing revenues; transportation fees; school authorities and other local governments; unrealized investment gains/losses; and gains on disposal of assets.

## Summary of Overall Anticipated 2013-14 Budget Impact<sup>10</sup>

### Expense by Object

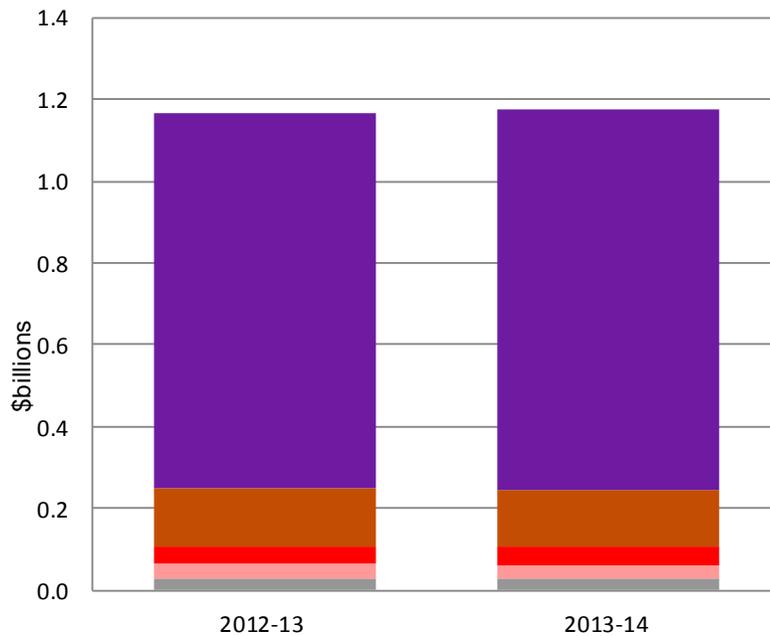


<sup>10</sup> At this point in the budget process, these are high-level estimates of what we intend to achieve. Building the actual operating and capital budgets will confirm these “directional” estimates with greater certainty.

<sup>11</sup> Non-certificated salaries & benefits include a 2.5% rate increase for Staff Association and CUPE.

## Summary of Overall Anticipated 2013-14 Budget Impact<sup>12</sup>

### Expense by Block



	Budget		Variance	
	2012-13	2013-14	(\$millions)	%
Instruction: ECS - Grade 12	921	931	10	1.1
Operation & maintenance	142	141	(1)	(0.7)
Transportation	39	43	4	10.3
Board & System Administration	40	35	(5)	(12.5)
External services	27	27	0	0.0
<b>Total</b>	<b>1,169</b>	<b>1,177</b>	<b>8</b>	<b>0.7</b>

<sup>12</sup> At this point in the budget process, these are high-level estimates of what we intend to achieve. Building the actual operating and capital budgets will confirm these “directional” estimates with greater certainty.

## Glossary of Terms

Amortization	Amortization expenses for both supported and unsupported capital assets (“unsupported” capital assets are board-funded; “supported” capital assets are funded by externally restricted capital funding/contributions).
Interest and charges	Interest expenses charged for both supported and unsupported debenture debt and all other interest charges.
Salaries & Benefits	<ul style="list-style-type: none"> <li>▪ Consists of both certificated and non-certificated salaries and benefits</li> <li>▪ Certificated salaries refer to all salaries paid or accrued for those employees of the jurisdiction who possess a valid Alberta Teaching Certificate, or its equivalent (i.e., certified teachers, Principals and Superintendents).</li> <li>▪ Certificated benefits refer to the employer share of amounts paid on behalf of employees possessing an Alberta Teacher Certificate or equivalent for statutory and pension contributions, and medical and insurance benefits. It also includes allowances which are taxable payments made to (or on behalf of) employees for sabbatical leave, advanced study and training and for negotiable or board-authorized allowances including automobile, subsidized housing, relocation, retirement and supplementary unemployment benefits.</li> <li>▪ Non certificated salaries are salaries and wages paid or accrued for all other employees, who do not possess an Alberta Teaching Certificate or equivalent.</li> </ul>
School-Generated Funds	School-Generated Funds (SGF) are funds raised in the community for student activities that come under the control and responsibility of school management. These funds are usually collected and retained at the school for expenditures paid at the school level. SGF does not include any other funds collected at the school but remitted to central office and accounted for by central office (facility rentals, capital assets purchases, etc.)
Supplies & Equipment Services	Cost of supplies, materials and services rendered not included in the other expense object lines, including expenses and payments related to contracts, agreements, audits, dues, fees and supplies costs.
Provincial Priority Targeted Funding	Funding is comprised of the following: Alberta Initiative for School Improvement (AISI), SuperNet and Student Health. Other funding categories from the province that have prescribed guidelines on their use include: Infrastructure Maintenance Renewal (IMR), Regional Assessment Services (REACH) and Institutional Funding.