

Budget Assumptions Report 2017-20



April 2017

learning | **as unique** | as every student

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Introduction

The Budget Assumptions Report (the BAR) is a key document on the path to developing the annual budget for the Calgary Board of Education (the CBE).

The BAR is a high level directional document that sets out the general operating context of the CBE as well as the financial and operating assumptions that will be built into the CBE's budget.

The BAR is presented to the Board of Trustees for information. Based on the BAR, the Board of Trustees has an opportunity to provide additional or alternative direction to the Chief Superintendent in the development of the annual Budget Report for the coming school year.

Additionally, the BAR is one of the primary means through which the CBE communicates to its students, parents, stakeholders and the community its intentions in developing the budget for the coming school year.

Context

Mission

The Board of Trustees sets as its Mission that **“each student, in keeping with his or her individual abilities and gifts, will complete high school with a foundation of learning necessary to thrive in life, work and continued learning.”** We therefore know that we must consider each individual student and his or her learning requirements while balancing all student needs against the resources available across the organization.

Values

Administration's approach to the budget is guided by our values:

- Students come first
- Learning is our central purpose
- Public education serves the common good

We will work to optimize student learning while recognizing the reality of our fiscal constraints.

The 2017 Alberta Budget was delivered March 16, 2017 and provides funding for enrolment growth. This year the Provincial Government further announced a new fee replacement grant along with new restrictions on the charging of certain fees.

Our budget, built on the information and funding provided by Alberta Education, will set out how we will deploy and invest those financial resources to meet the needs of students in order to achieve the Results established by the Board of Trustees.

We are also guided by the CBE's Three-Year Education Plan, which focuses on personalized learning, building our professional capital, engaging our stakeholders and stewarding our resources. Taken together, these strategies allow us to optimize student learning and achievement.

In tackling the development of our budget we know that public education is a shared responsibility. With our students, families, employees, communities and Alberta Education in mind, we make budgetary decisions knowing we need to work together to build positive learning and working environments. By sharing a common goal of student success, each one of us contributes to making it happen.

Guiding Documents

- [Alberta Education Business Plan 2017-20](#) – Alberta Education's business plan provides an overview of the outcomes for the ministry and the key strategies to be completed to achieve those outcomes.
- [CBE Three-Year Education Plan](#) – Personalize learning, build professional capital, engage our public, steward our resources
- [CBE Results](#) – Our Mission, academic success, citizenship, personal development, character
- [Alberta Budget 2017: Making life more affordable](#) – The Alberta Government's fiscal plan for 2017 including new legislation on school fees and transportation services

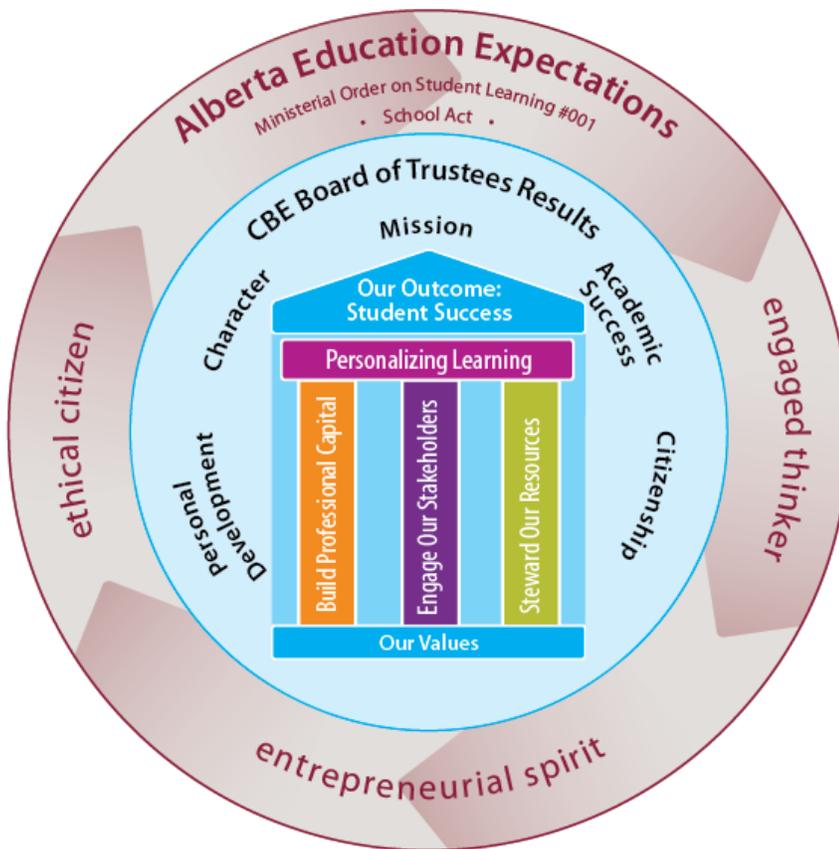
CBE 2017-18 Budget

Schools: 247

Students: 121,200 (estimated)

Staff: 14,000+

Supporting



Provincial budget impacts and implications

Over the past two years the CBE has benefited from the current Provincial support and commitment to public education. With over 93 per cent of our funding coming from the Province, even a small change in funding rates or funding methodologies impacts all our students, parents, teachers, and support staff.

The Provincial Government released its 2017 budget on March 16, 2017. In the 2017 budget the Alberta Government states its commitment to maintaining stability for public education by way of stabilized funding rates and continuing to meet its obligation to fund each student attending school in Alberta.

The level of funding the CBE will receive in 2017-18, while an increase over 2016-17 primarily due to enrolment growth, will not be sufficient to maintain services at levels similar to those provided in the 2016-17 school year. As we head into the 2017-18 school year we believe that we will have to make difficult choices to balance our budget.

Bill 1: An Act to Reduce School Fees

The Provincial Government has committed to reducing the financial impact on families related to public education. On March 2 the Provincial Government introduced [Bill 1: An Act to Reduce School Fees](#). This legislation will impact service levels and fees for families beginning in the fall of 2017.

It is anticipated that Bill 1 will also significantly impact the ability of school boards to charge or increase school fees as the responsibility to define and approve school fees will shift to the Minister of Education from local school boards.

We still have many questions about this legislation. We are working with the government to seek clarification and work through the details. For this report, we have made our best estimates and will construct our budget based on those estimates. As additional information becomes available from the Provincial Government we will adjust our plans accordingly.

Transportation Services and Fees

In 2016-17, approximately 38,000 CBE students travel to school daily on yellow buses, Calgary Transit, taxi, and/or Handi-bus. Of those, approximately 26,000 ride a yellow school bus. These riders are typically in kindergarten – Grade 9 attending a regular program or students with complex

transportation needs (about 50 per cent of riders) or in an alternative program (approximately 50 per cent). In the transportation engagement last year we heard from parents that they wanted shorter travel distances to a yellow school bus stop. Our current CBE guidelines for yellow school bus transportation are that elementary students will access a stop within 1.6 km of their homes and middle school/junior high students will access a stop within 1.8 km of their homes. In the current 2016-17 most students in a regular program and the larger alternative programs have stops within 1,000 m from home. We can do this because of the density of students within a community accessing these schools and programs. Some exceptions may occur due to the geographic location of some student addresses. Students in some non-language alternative programs access congregated stops where it is not feasible financially to do otherwise. For 2016-17 the fee for a yellow school bus rider is \$335/year. Based on what we heard from the engagement, the fee is the same for all riders, regardless of program or distance travelled to school.

In a [letter](#) to parents on March 3, 2017 about Bill 1, the Minister of Education outlined some details about changes to transportation. At that time he wrote:

“Bill 1, if passed, will also remove bus fees for eligible students traveling to their designated school. That means that if your child attends his or her designated school and that school is more than 2.4 kilometres away from your home, you will not be charged transportation fees. In some circumstances – for example, if parents choose to enrol their child in a school other than their designated school – fees may still be incurred.”

We are working with the government to better understand the impact of this legislation for our families. Our analysis indicates that a minority of students who currently ride a yellow school bus will not pay busing fees under Bill 1. Service levels will also be affected.

Until we understand the impact on fees and service levels for our families, transportation pre-registration cannot begin. We had planned to begin in late April. However, with the introduction of Bill 1 this process will be delayed. Early registration helps us plan our routes more efficiently resulting in fewer changes in the fall. It also allows us to share more accurate route information with our families sooner.

During our engagement last year families clearly stated they wanted information on transportation – including service levels, stop locations and timings – as early as possible to begin planning for the next school year. We will continue to provide updates to our parents as more information becomes available.

Instructional Supplies and Materials (ISM) fees

Under Bill 1, school boards will no longer be able to charge a fee for instructional supplies or materials such as textbooks, workbooks, printing and paper costs.

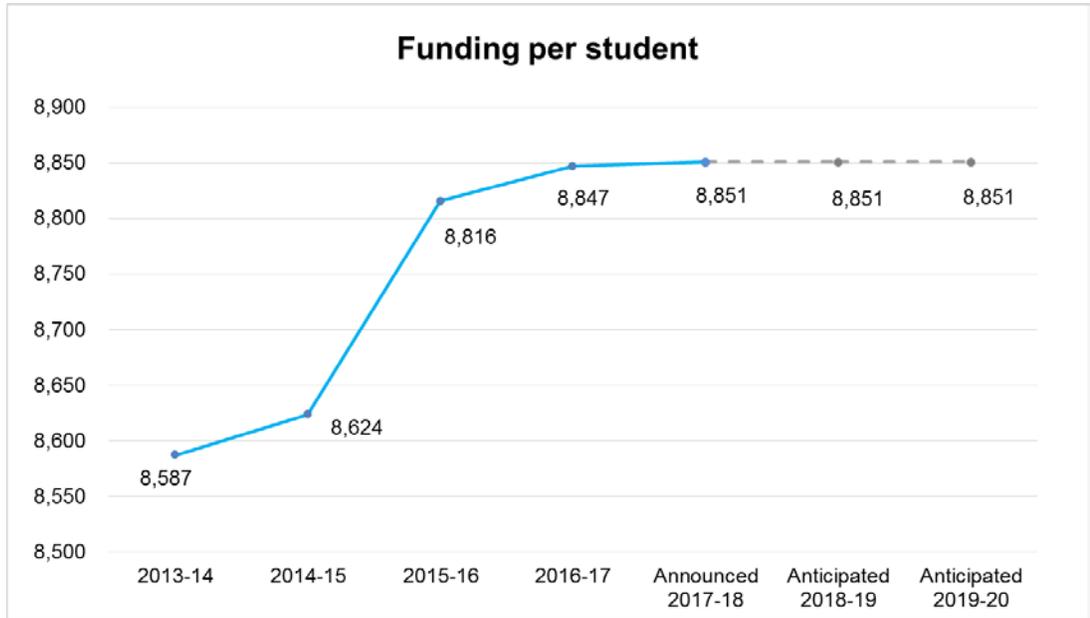
We are seeking clarification on instructional supplies or materials (ISM) fees. We need to understand if this includes bulk purchase of schools supplies for students in kindergarten – Grade 6. The current ISM fee is essentially the “pass-through” of the cost of bulk buying student supplies (pens, pencils, binders, etc.). It is our understanding that those costs will not be covered under Bill 1 and that parents will continue to pay for the costs of school supplies. Students in Grades 7 through 12 should, however, see a fee reduction.

Other impacts and cost pressures

We will see costs increase in 2017-18 for the operation of four new schools, grid movement in accordance with collective agreements as well as inflation and escalating costs of contractual obligations such as insurance premiums, software licenses and fees, utilities, etc. To maintain current service levels across the CBE in 2017-18, we would require a 4.8 per cent rate increase in base instruction funding. With enrolment-only funding there will be decreases in service levels across the system to balance the budget for 2017-18.

‘Funding per student’ is used as a measure of the amount of funding Alberta Education has been providing on a per-student basis. For a number of years prior to 2013-14, this amount had been declining. We saw an increase in 2015-16 with the election of a new Provincial Government. The amount is expected to remain flat into 2017-18 and future years.

The chart below shows funding per student using actuals for the years that have ended and estimates for the current year and future years. Funding does not include amounts for Infrastructure Maintenance & Renewal (IMR), the Alberta Teachers' Retirement Fund, transportation grants, fees subsidy or expended deferred capital revenues, as these grants are targeted and do not fund regular operations.



Balancing Strategy

Following the funding commitment by the Province and based on the assumptions discussed in this report, the CBE is facing a **\$38.6 million deficit** in the 2017-18 year before the application of available reserves, other one-time funding contributions and/or cost reductions. This report will discuss the assumptions used for budget planning, our plans to cover the shortfall and risks involved in our balancing strategy.

Projected budget before cost reduction strategies applied

Guided by our Values, our Mission, and our focus on Results, we always look to maximize the dollars directed towards students and their success. “Students come first” has always been the CBE’s top value and therefore our priority. In 2017-18 we will balance our resources to support student learning while meeting legislative requirements and the Board of Trustees’ operational expectations. Bill 1 will challenge our ability to respond to the choices our parents told us they value; however, we will continue to support the Provincial Government’s intention to lessen the fee burden on families.

Reducing spending by \$38.6 million means that we cannot continue to do everything in the same way or deliver the same level of service as in 2016-17. Many cost reducing strategies have been considered and evaluated using the following decision-making criteria established by Superintendents’ Team:

- Meets the CBE’s mandate/mission and supports our values and aligns with our foundational documents.
- Advances our learning agenda.
- Enables the personalization of learning.
- Builds our professional capital.
- Supports well defined, effective, efficient business processes.
- Ensures infrastructure and environments that enable learning.
- Leverages other community resources that serve overlapping populations or is a shared responsibility.
- Viable from the perspective of stakeholders.

The 2017-18 budget will be prepared using a system-wide, balanced approach to reducing costs and directing resources to priorities that meet the criteria established above.

Many programs, services, and supports were evaluated during the development of this Budget Assumptions Report. The changes proposed to reduce costs will be fully disclosed in the 2017-18 Budget Report scheduled for presentation to the Board of Trustees in May 2017.

Examples of budget balancing strategies considered but not necessarily approved

All budget lines have been examined during this budget preparation process. These are some examples of programs, services and supports that were considered, but not necessarily approved for action:

- Approximately \$11 million in budget allocation reductions to schools. An \$11 million reduction to the schools budget represents approximately 1.4 per cent of the total that would have been required to fully maintain service levels in schools. Reductions considered include general per-student allocation rate reductions combined with specific allocation reductions that are unique to certain schools or programs. See pages 17 -19 for specific budget reductions that are planned to be effective for the April 6 RAM (Resource Allocation Method) roll-out.
- The viability of continuing to offer full day kindergarten was assessed. Alberta Education offers half day programs and does not currently provide funding for full day kindergarten. We considered reducing the number of sites offering full day kindergarten.
- The Provincial Government funds school jurisdictions for five years of English Language Learner (ELL) support. This is a reduction from the seven years of support provided as recently as 2013. Currently the CBE provides ELL supports for seven years. We assessed the impact of a reduction to the English Language Learner RAM allocation for years six and seven supports. To better align services offered with direction from the Province, we considered reducing our level of supports in 2017-18.
- The Provincial Government's Plant, Operations & Maintenance (POM) funding has not covered the actual cost of plant operations and maintenance for many years. The CBE invested approximately \$16 million from the global budget to fully fund plant operation and maintenance costs in the current year. In contemplating budget 2017-18 we evaluated the ability to reduce the POM subsidy from the global budget by \$5 million. We also considered ways to maximize the use of the annual IMR funding to offset some of the impacts associated with a reduction in the global budget subsidy to POM.
- Taking a whole system approach, we evaluated the prudence of applying a reduction of approximately 3.7 per cent to each of our service units. The original target was 3.0 per cent, however, after removing items such as amortization or contractual obligations that are difficult to reduce in the short-term, the targeted reduction was calculated to be 3.7 per cent.
- A reduction of the CBE's contribution to EducationMatters was considered.

- Given that Facilities and Environmental Services (FES) is the second largest service unit after Schools and Areas we evaluated the following actions:
 - With the wind-down of construction activity, FES will refocus its efforts on operating and maintaining the CBE's more than 250 separate facilities. To support this refocusing, FES will explore the transfer of responsibility for new school construction almost exclusively to Alberta Infrastructure.
 - FES responsibility for undertaking major modernization work will be evaluated on a case-by-case basis. This would necessitate maintaining a very close working relationship with Alberta Infrastructure to ensure the best possible outcomes for CBE students.
 - Movement to a customized cleanliness standard that will assist in effectively deploying resources.
- A range of reduction strategies in all other service units in the amount of \$2.6 million (approximately 3.7 per cent) of their operating budgets were evaluated. At the time this report was written, specific decision-making is underway related to nature and content of the proposed reduction strategies.
- The long-service recognition program for staff was assessed.
- We contemplated an increase in student parking rates equivalent to the cost of a monthly Calgary Transit bus pass.
- We assessed a number of minor program and process changes aimed at shaving costs. For example, the elimination of the option to receive a paper pay stub.
- Given the ready availability of free flu vaccine across the city, we assessed the annual flu shot program for staff.
- We assessed board funded capital spending with a target of reducing the available funding by \$5 million.
- We reviewed our transportation program in light of Bill 1 and the recent in-depth public engagement to contemplate the elimination of the transfer from the global budget. In 2016-17 this transfer amounted to \$2.1 million and \$5 million in the planning budget.

In addition, actions were identified that will provide cost savings either in the course of the 2017-18 year or in the longer term. These included:

- Review of principal positions for schools with low enrolment. These positions will be considered for merging with another school principal.
- Review of employee benefits programs and exploration of alternative benefit providers with the goal of maintaining benefit levels and lowering costs.

- Review schools with low enrolment and utilization rates to optimize the use of learning space commensurate with pedagogical need and available financial resources.
- Implement technology to student/staff ratios consistent with pedagogical needs and available funding levels. As well, the CBE will look to reduce the average unit cost of technology through a rigorous review of need.
- Continue to expand the implementation of the “on-demand” technology support model currently used by 50 elementary schools.
- Review the scope of our community engagement activities in light of available levels of resourcing.
- Repatriate payroll services from outsourcing to achieve long-term savings.
- Align school start and end times across the CBE to achieve transportation system efficiencies and ensure the largest number of students can benefit from sustainable levels of transportation service.
- Work with Alberta Education to define basic education and the appropriate level of funding required to meet student and parent expectations.

Anticipated and approximate 2017-18 high-level budget

The information presented below is our best estimate as to how the 2017-18 budget might look, given the balancing options currently being evaluated. There continue to be some unknown factors, specifically regarding Bill 1, and as such the final proposed budget for 2017-18 may differ from what is presented below.

	(in \$ thousands)		
	Fall Budget Update 2016-17	Anticipated Budget 2017-18	Increase / (Decrease)
Revenues			
Alberta Education	1,230,690	1,271,533	40,844
Other Government of Alberta	618	345	(273)
Federal Government & First Nations	2,650	2,650	-
Other sales and services	19,360	25,115	5,755
Fees revenue	51,456	36,732	(14,724)
Investment revenue	3,345	3,167	(178)
All other revenue	22,853	20,148	(2,705)
	1,330,972	1,359,690	28,718
Expenses by object			
Salaries and benefits	1,037,994	1,065,063	27,069
Supply and services	247,869	230,269	(17,600)
Amortization expenses	57,370	67,339	9,969
Interest and finance charges	2,123	1,865	(258)
Other (uncollectible accounts)	5,443	5,475	32
	1,350,798	1,370,011	19,213
Expenses funded through reserves or capital transactions	(19,826)	(10,321)	9,505

Assumptions

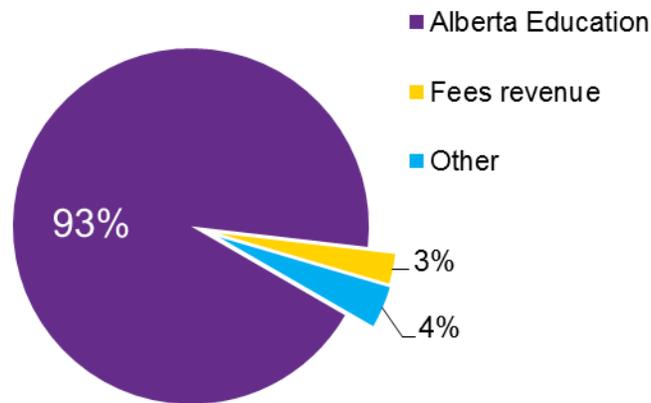
General Assumptions

The CBE's 2017-18 budget assumes:

- We will be guided by the CBE's Mission, operational expectations and values. Our values are:
 - Students come first
 - Learning is our central purpose
 - Public education serves the common good
- Parents and students will continue to make program choice decisions similar to those made in 2016-17.
- We will meet the requirements of the new Bill 1 legislation impacting student fees and transportation service within the incremental funding provided.
- We will take a balanced CBE-wide approach, bearing in mind that all work is done in support of student learning. This means that the budget will ensure that the organization can continue to provide basic supports to comply legal and regulatory requirements as set out in the [School Act](#) and, to the extent we are able, with the Board of Trustees' mandated Operational Expectations.
- We will derive guidance from the direction provided by Alberta Education, the CBE's Results and the Three-Year Education Plan. Priorities are:
 - Continue to optimize student success by improving the quality of teaching and learning in the classroom by focusing on:
 - Personalizing learning.
 - Advancing leadership practices.
 - Implementing K-12 mathematics and literacy strategies.
 - Implementing the High School Success strategy.
 - Improving results for First Nations, Métis and Inuit students.
 - Within the context of personalized learning as the overall learning strategy, we will create conditions for success and have a positive impact on the learning outcomes of students by:
 - Building, maintaining and modernizing schools to foster enriching learning environments for all students.

- Developing and implementing a student information system that provides greater access to and use of student profile data for students, families, teachers and leaders, supports best practices in assessment and grading and creates administrative efficiencies.
 - Continuing to use our public engagement framework (dialogue framework) to guide decision making and to ensure stakeholders are reasonably included in decisions that affect them.
- We will continue to recognize that school principals, working with their school communities, are best positioned to make the ultimate school-based decisions related to staffing, resourcing and program enhancement.
 - Consistent with our values, we will minimize to the extent possible reductions to general school funding allocation rates as set out in the RAM.
 - We will continue to provide safe, healthy, and supportive learning environments for students and staff.
 - We will allocate sufficient Board Funded Capital to meet the priorities established by our Three-Year Education Plan. These projects include program moves and expansions, software programs, and equipment used by facility operations staff operations to maintain our schools. These are the capital costs of running a school system.
 - We will maintain, to the extent possible, the systems and processes that allow the CBE to attract, retain, and pay our employees.
 - We will apply prudence in the use of projected available-for-use reserves and other one-time funding sources.
 - We will continue to minimize all known “conservatism” in estimates and projections in order to maximize resources available to support students and their learning. As a result, there is an increased probability of an overall negative variance between the budget plan and actual results at the end of 2017-18.
 - We will take all steps necessary to avoid operating and fiscal jeopardy as directed by the Board of Trustees.

Revenue Assumptions



Alberta Education will fund the CBE as follows:

- Alberta Education maintains its funding [formula](#), which is based on projected enrolment for Sept. 30, 2017.
- Alberta Education maintains funding rates at 2015-16 levels with the exception of changes to the funding rate for Credit Enrolment Units (CEUs), which are anticipated to have minimal impact on the CBE.

Our revenue assumptions are:

- We will calculate provincial funding using the funding formula provided to us based on our 2017-18 enrolment projections.
- Any cost increases (for example, wages, benefits or working conditions) negotiated with the Alberta Teachers' Association (ATA) will be fully funded by additional Alberta Education grants. The collective agreement expired on Aug. 31, 2016, and we have assumed the Provincial Government will fully fund the cost of any salary, benefit, or work-load changes resulting from upcoming collective bargaining.
- We will apply Alberta Education targeted/restricted funding for the specified purpose.

- Fees
 - All revenue from Alberta Education related to transportation and ISM will be fully applied to the cost of these services. There will be no contribution from the global budget to support fee-based programs and services. Fee revenue for transportation and instructional materials and supplies will fully fund the gap between Alberta Education funding and direct program costs, including waivers and uncollectable accounts.
 - Currently there is no provincial funding for the Grade 1 – 6 noon supervision program. This program is solely funded by student fees. Approximately 50,200 Grade 1-6 students are registered and supervised through the noon hour program in CBE schools (April 2016 estimate). For the 2017-18 year noon supervision fees will be maintained and service levels adjusted due to increased labour costs.

- Opportunities to grow non-Alberta Education revenue will be explored where it is consistent with our vision and values. Although important work, we do not anticipate this will have a material impact on overall CBE revenue.
- We will continue to receive \$1 per year per facility lease with charter schools as determined by Alberta Education.
- Facility rental rates charged will break even (cover incremental direct costs) as set out in CBE's Administrative Regulation 8004 and by agreement with the Calgary Separate School District and the City of Calgary.
- Revenue from the sale of CBE-owned properties, if any, will be applied to upgrade and modernize existing facilities to support student learning.
- The CBE will continue to participate in the Joint Use Agreement framework with the City of Calgary and the Calgary Separate School District respecting land and schools.
- Investment income, interest and dividend income on CBE cash balances will be assumed to accrue at a rate averaging between two and three per cent on the medium to long term investments. Short-term investments will average one per cent, subject to changes in the Bank of Canada rate. Overall return on the medium and long term investments, including capital growth and investment income, is assumed to be four to six per cent. Investment returns will be devoted to enhancing student outcomes.

Expense Assumptions

Our expense assumptions are:

- The budget will ensure that the CBE is able to comply with all conditions within collective agreements including general wage increases (where applicable), employee salary grid movement and benefits changes. The CBE will follow the Province's lead on future negotiations with our unions and associations.
- The additional cost of operating four new schools has been included which approximates \$2.3 million for 2017-18. These costs relate to school-based administrative staff and operating costs such as internet connectivity, insurance and utilities.
- Over the two school years from 2016 through 2018 the CBE's fixed operating costs, due to the opening of more than [19 new schools](#), have increased by more than \$13.8 million. As we are funded based on students rather than facilities, this increase is largely unfunded.

The CBE will continue to work with Alberta Education on funding for issues such as this that are outside of regular operating activities. Additional resources for school custodial and maintenance activities have not been added due to funding constraints.
- Any additional costs related to delayed school openings or transitional supports required for impacted schools will be provided for as resources allow.
- Amortization of board-funded capital assets has increased by \$3.9 million due to increased capital expenditures in 2016-17.
- While Alberta Education has maintained grant funding rates at 2015-16 levels, the CBE continues to experience non-discretionary cost increases (such as for contractual obligations or the increase in currency exchange where contracts are in non-Canadian dollars), which have been reflected in our projections.
- The CBE has system administration costs of approximately 2.7 per cent which is well below the provincially mandated cap of 3.6 per cent of total expenditures. This means that \$11.8 million of the allowable administrative allocation is made to fund other supports to students.
- 2017-18 school budget allocations are expected to be sent to principals on April 6 using the Resource Allocation Method (RAM). For the 2017-18 school year we anticipate that more than \$813 million will be deployed through the RAM to support students; this is a \$12.5 million (1.6 per cent) increase over 2016-17.

The following changes will be made within the RAM and centralized school supplies budget for the 2017-18 school year in comparison to 2016-17:

- RAM allocations are provided to four new schools opening during the year: Ron Southern School, Manmeet Singh Bhullar School, Marshall Springs School and Griffith Woods School.

- Per-school allocation rates have been increased to correspond with the increased cost for which these allocations are intended (school principal, administrative support, learning commons staff, etc.).
- Per-student allocation rates would have needed to increase by 0.25 - 0.54 per cent (depending on allocation type) to maintain the ratio of student to school-based staff, but will instead be reduced by 0.42 - 0.83 per cent to reduce the overall RAM budget by \$7.7 million.
- School furniture and equipment and basic decentralized allocations will be eliminated for one year. Principals have been encouraged to suspend these types of purchases for one year and focus remaining budget dollars on staffing.
- A moratorium will be placed on school-based software purchases except through the approved centralized process to reduce costs across the system.
- The CBE will continue to offer full-day kindergarten at fifteen locations. Research indicates that full-day kindergarten programming provides significant educational benefits for certain vulnerable groups that actually reduce costs in the longer-term.
- Support for our large and growing English Language Learner population will be continued with the provision of support for two years beyond the five years for which we are currently funded. The longer-term benefits outweigh the short-term costs.
- The allocation enhancement for resources provided to schools with alternative language programs will be eliminated for 2017-18. This amount had been provided to support the increased costs of resources in languages other than English as well as to support the purchase of resources in both English and a second language. An amount will be provided to the Area Offices to support schools in this regard, should an emergent need arise in 2017-18.
- The Aboriginal per-student RAM allocation will be maintained in 2017-18. Consistent with the direction set out in the Indigenous Learning Strategy, centralized supports were added in the 2016-17 year with the intention that the per-student RAM allocations would be discontinued in 2017-18. The transition will be extended by one year.
- The CBE remains committed to supporting its most vulnerable students. In an effort to manage these costs, budgets will be reallocated between programs and reductions made in response to changing student needs. The changes identified are those that are assessed to have a lower impact to students. These include:
 - 30 Literacy, English, and Academic Development (LEAD) classes will be offered.
 - Reduce costs by continuing to optimize enrolment in specialized classes.

- Reduce costs by continuing to optimize additional resources allocated at unique setting schools.
- Reductions in the scope of contracted services provided for students with complex learning needs.

Reserve Assumptions

The Board of Trustees has final authority on the deployment of reserves and therefore these assumptions are subject to approval by the Board.

- The budget will be based on the assumption that the CBE will end the 2016-17 school year with operating reserves of approximately \$17 million and \$13 million in capital reserves.
- Given the anticipated continuation of new school construction, the CBE will retain modest operational reserves to fully support the commissioning of approved new schools. Based on recent activity, the CBE spends approximately \$0.6 million to commission an elementary school and \$0.9 million for a middle school.
- The amount of reserves available for use in 2017-18 is also contingent upon the funding request made to the Province to cover the cost of project management services associated with new school construction projects. We anticipate a final answer on these requests upon submission to Alberta Education of the statements of final costs associated with each project.

Given the above, we anticipate that we will be able to allocate up to \$5 million in operating reserves to balance the 2017-18 budget.

- There will be no funds available in the Transportation Fee Stabilization Reserve to help fund the cost of the program in 2017-18.
- The CBE will continue to maintain reserves at one of the lowest levels relative to other school jurisdictions. The CBE is committed to investing government funding in the students using the system in the year that the funding is received.

Capital

The CBE appreciates that the Provincial Government has recognized the incredible growth in our student numbers and is building many of the schools required to support the growing educational needs of our students. During the past year the CBE has opened 20 new, replacement and modernized schools and has seven more projects underway with opening dates scheduled for 2017 and 2018. Three more new schools and one major modernization were announced on March 21, 2017.

While good news, each new school announcement required the CBE to find additional funds beyond those provided by the Province for furniture, fixtures and equipment. These costs include preparing the learning environment with learning materials, sound systems, specialty equipment and technology. Other costs are related to the staff time (principals, assistant principals, learning leaders, administrative assistants, etc.) required to engage with the new school communities, develop time tables, and make pre-opening curricular decisions. In all, the CBE has made over \$25 million available to support these new school commissioning costs to date.

The Province has changed its process for funding new school and modernization activities as a result of the Report of the Auditor General dated April 2016: [*Education and Infrastructure – Systems to Manage the School-Building Program*](#). Where costs are being incurred in excess of construction tenders, but within the total approved funding amount, and to pay for the project management components of the projects, further funding requests must be made to the Province. At this time, the CBE has received approval for \$1.8 million (for building permits and services connections) of the \$8.2 million in additional costs requested. The Province has indicated that the project management expenses may be considered for additional funding upon submission of the Statement of Final Costs for each project. A risk exists that these amounts will not be approved and the CBE will need to fund these additional costs from operating resources.

Nevertheless, the 2017-18 budget balancing strategy will include two strategies related to board funded capital funding.

First, the CBE will allocate \$5 million in board-funded capital funding to support ongoing operations. This will require careful prioritization of capital requests. Currently capital requests exceed available capital funding by approximately \$16 million. The highest ranked board-funded capital project is the replacement of our out-dated and non-PASI (Provincial Approach to Student Information) compliant student information system.

Second, the CBE will move to maximize the use of IMR funding consistent with guidance provided from Alberta Education. This will relieve pressure on the board funded capital budget and allow approximately \$5 million to be directed towards supporting operations. The stated objective of this shift is to fully expend IMR funding received to adequately maintain and renew our continually aging facilities.

Budget engagement

The CBE requested input from parents, staff, other stakeholders and the public related to the 2017-18 budget and beyond. We requested feedback in various venues and formats:

- meetings with union representatives (ATA, Staff Association, CUPE, Skilled Trades Union)
- meetings with principal associations (Elementary School Principals Association, Principals' Association for Adolescent Learners, Senior High School Principals Association)
- meeting with the Council of School Councils (COSC)
- online comments

In February/March 2016 we embarked on a larger budget engagement and continue to combine this feedback with that received in 2017. Our public still places a priority on maximizing resources in the classrooms. We continue to honour this in 2017-18 by maintaining one of the lowest Board and System Administration expenditures in Alberta, enabling our funding to be dedicated to student learning.

We also maximize resources by centralizing many supports, enabling principals and teachers to focus on teaching and learning.

We continue to improve our budget-related communication with our stakeholders. [Our website](#) includes a great deal of budget information, including reports, staff communications, and speaking notes. Chief Financial Officer Brad Grundy continues to respond to comments on “Dollars and Sense with CFO Brad Grundy,” where issues such as classroom funding and staffing are addressed head-on.

Comments are accepted year-round through our [budget feedback form](#) and all comments are read by our finance team.

Operational Impacts

We expect services and support levels to students, parents and schools to be reduced from those experienced in 2016-17. Schools will be directly impacted. The majority of schools will see approximately a one per cent reduction to their budgets from what they needed to maintain their staffing and operations at levels similar to those provided in 2016-17.

The impact of service unit reductions will be felt broadly across the organization as we may have difficulty providing the same response time and supports our schools have come to expect. We have tried to balance the reductions across the organization to minimize the direct impact on students while still meeting our legislated obligations. There is an increased risk to our ability to achieve compliance with the Board of Trustees' Operational Expectations (OEs).

At the time this report was written, the decision-making process for service unit budget reductions was underway. A full description of operational impacts will be provided in the Budget Report which is currently scheduled for presentation to the Board of Trustees in May, 2017.

Opportunities and Risks

The biggest opportunities presented by these assumptions are that the resulting budget will enable the opening of four new schools and that some parents will see reductions in the amount they pay in fees. This budget will continue to prioritize support to our students and staff and the reliable achievement of the Board's Results consistent with the values of:

- students come first
- learning is our central purpose
- public education serves the common good

The assumptions included in this report were developed based on the best information available at the time. Given that assumptions have been made and there are uncertainties in the related estimates, there is a risk that actual results may differ. Notable risk areas include:

- The budget is lean and minimal contingency has been built into our estimates. Choices made in reaching the final budget may impact students and/or the achievement of operational expectations. We are committed to making every effort possible to reduce impacts on learning.
- Actual costs may be higher than assumed. We are planning in April for a budget year that does not begin until September. Specific areas of concern include the cost of utilities, wages, insurance premiums and uninsured losses.
- There is an increased risk that the CBE will end 2016-17 in a less favourable position than forecast due to the elimination of conservatism in our budgeted estimates, which will impact the availability of reserves in 2017-18.
- As the deferred maintenance backlog continues to grow, our facilities will be more susceptible to extreme weather events and mechanical and structural failure. This reality could increase costs beyond assumed levels. A focus on fully committing IMR funding received should allow us, in part, to manage this risk.
- The ATA Collective Agreement expired on Aug. 31, 2016 and negotiations continue with the Teachers' Employer Bargaining Authority (TEBA). While we assume that any wage increases will be specifically and incrementally funded by the Provincial Government, other negotiated terms could have a significant financial impact on the CBE that is not incrementally funded.
- Collective agreements with all other unions have a wage re-opener clause for the period from Aug. 31, 2016 to Aug. 31, 2017. This wage re-opener discussion is contingent upon the ratification of the ATA agreement. The results of the ATA agreement will set the expectation for the remaining unions' agreements. Any wage increase for locally bargained agreements is the responsibility of the CBE to cover within its existing funding from the Provincial Government.
- Parents and students may make different program decisions from what is anticipated due to the implications of Bill 1. If student enrolment shifts significantly between schools and programs, this would pose challenges for staffing, transportation and school scheduling come the fall.
- The largest risk in this budget is the use of reserves to balance the 2017-18 budget. The use of reserves to cover regular, on-going operations is a one-year, temporary solution. Going forward, the CBE will continue to struggle with maintaining service levels, managing increasing costs and accommodating system growth with flat funding rates (see funding per student graph on page 7). The CBE will engage with our public and our staff to understand how this can be done with as little impact to students as possible.

Conclusion

These assumptions will allow us to build a budget that is balanced and stays true to our values. Spending reductions are an unfortunate reality of this budget. We have approached these in a way that balances the reductions across the organization to minimize the impact on student learning. These budget assumptions support learning for 121,200 students next year, within our funding constraints and with consideration of the unknown elements of Bill 1.

Maximizing the dollars directed to the classroom to support student results remains our top priority. Our choices will continue to be guided and informed by our values: students come first, learning is our central purpose, and public education serves the common good.

The CBE, working with students, parents, stakeholders, and Alberta Education, will continue to provide the best public education programs and supports possible within the financial resources made available to us.

Appendix I - Glossary of terms

Alberta Education revenue	All funds received from Alberta Education, including amortization of Alberta Education-funded facilities. This is sometimes referred to as provincial funding.
Amortization	Amortization expenses for both supported and unsupported capital assets (“unsupported” capital assets are non-facility, “supported” capital assets are funded by externally restricted capital funding/contributions).
Capital assets	These are goods that are acquired that have a useful life that extends beyond one year and are of more than minor value. For example, computers, most musical instruments, furniture, machinery, etc.
Credit Enrolment Units (CEUs)	Credit Enrolment Units are the funding unit used to calculate base instructional funding at the high school level. CEUs are assigned when the course, the student, and the student’s achievement in a course meet certain criteria.
Collective agreement	An agreement between a union or association that sets out terms and conditions of employment including general wage increases, benefits, grid movement, and other employment terms.
Deferred maintenance	The practice of postponing repair and maintenance activities to property (such as school buildings) in order to save costs and/or meet budget funding levels.
Enrolment	Total number of students including those enrolled in Home Education, outreach programs and Chinook Learning Services.
Fixed cost	A cost that will not change based on fluctuations in activity.
General wage increase	An overall wage increase or lump sum applicable to an entire union (or exempt) group.
Grid movement	The increase in the salary paid to an employee based on movement through progressive salary grid levels. The movement is based on the passage of time.
Operational Expectations	Policies established by the Board of Trustees by which the Chief Superintendent’s performance and successful operation of the organization is evaluated
PASI	The Provincial Approach to Student Information (PASI) is a strategic, multi-year initiative aimed at ensuring the business processes and technology related to student information are effectively positioned to serve the needs of Alberta’s K-12 students now and in the future.
Reserves	Dollars that have been accumulated from prior years that are available to support current year projects, programs and services. Reserves can be restricted by board motion or external parties.
System administration	The overall management, administration and educational leadership of the CBE at the system level. Also includes Board of Trustees remuneration and office budgets. Examples include functions in human resources, finance, information technology, legal and communications that provide system-level support.
Total revenue	All funds received from Alberta Education plus all other revenues.

Appendix II – New schools opening in 2017-18 and 2018-19

The following new schools and major modernizations are opening in the next two years.

#	School	New / modernization
1	Marshall Springs School	New, opening 2017-18
2	Manmeet Singh Bhullar School	New, opening 2017-18
3	Ron Southern School	New, opening 2017-18
4	Griffith Woods School	New, opening 2017-18
5	Southeast High School	New, opening 2018-19
6	James Fowler High School	Modernization, completion in 2018-19
7	Lord Beaverbrook High School	Modernization, completion in 2018-19
8	Cranston Elementary School (announced spring 2017)	New
9	Evergreen Elementary School (announced spring 2017)	New
10	Coventry Hills Elementary (announced spring 2017)	New
11	Forest Lawn High School (announced spring 2017)	Modernization

