

Budget Assumptions Report 2019-20



learning | as unique | as every student

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**Calgary Board
of Education**



Introduction

Context

Metro school jurisdictions in Alberta typically receive more than 94 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.

Public education within Alberta also exists within a democratic context in which the decision makers (the members of the legislative assembly) stand for election every four years. That means that how, when and how much funding is allocated in support of public education can, and does, change every four years. This is the case for the 2019-20 school year.

In recognition of that reality and to provide time for the new government to implement its plans, Alberta Education, prior to the election, extended the budget submission deadline for school jurisdictions as set out in the *School Act* from May 31 to June 30 of 2019.

School jurisdictions must plan for the coming school year based on the information currently available to them. For the CBE, this budget assumptions report sets out the key planning assumptions that will be incorporated into the final CBE 2019-20 budget.

Please note, the assumptions included in this report are based on less than perfect information. Accordingly, the assumptions may vary from those that are included in the budget ultimately presented to the Board of Trustees for approval and submission to Alberta Education. The CBE's budget report will clearly identify any material changes in assumptions from what is contained in this report.

Mission

The Board of Trustees' Mission is: **“Each student, in keeping with their individual abilities and gifts, will complete high school with a foundation of learning necessary to thrive in life, work and continued learning.”** The CBE considers each individual student and their learning requirements while balancing all student needs against available financial and other resources.

Values

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

- Students come first
- Learning is our central purpose

- Public education serves the common good

The CBE will continue to prioritize student learning while recognizing the reality of fiscal constraints and the integrated nature of services and supports across the system.

Priorities

For the 2019-20 school year the CBE will focus on achieving the goals set out in the Three-Year Education Plan ([Appendix I](#)) and the following system priorities:

- Improving student achievement, equity and well-being
- Strategically allocating resources to support student success
- Increasing organizational effectiveness through service transformation
- Developing our employees

Assumptions

CBE Administration's major planning assumptions for inclusion in the 2019-20 school year budget include the following.

General Assumptions

- The *School Act* remains the operative legislative and regulatory framework.
- Strive to provide the same programs and services as the 2018-19 school year. For example, this includes maintaining the scope of programming for all day kindergarten at a similar number of locations and English Language Learners (ELL) can access supports beyond five years.
- Enrolment will increase by 1.5 per cent (1,800 students, total 125,300) ([Appendix II](#)).
- Continue to operate over 240 schools and buildings.
- Programs such as the International Student Program and adult language training, considered to be external to Kindergarten to Grade 12, will continue to operate on a full-cost recovery basis.
- Given the focus on student achievement and equity the CBE will continue to provide all-day kindergarten at levels similar to 2018-19 and years six and seven English Language Learner support will continue.
- Any proceeds from the sale of property will flow to capital reserves to support maintenance and enhancement of existing school infrastructure.

Revenue Assumptions

- Alberta Education funding will remain at the same absolute levels as identified in the Fall Update Budget 2018-19. This means no incremental funding for enrolment growth.
- Fees and other sales and services will continue under comparable policy, legislation and guidelines with increases for enrolment and rates set on a cost recovery basis.
- Fundraising, gifts and donations will be comparable to prior year.
- Rentals will continue at comparable rates as prior year.

- Investment returns, if any, will be directed to enhancing student outcomes.

Expense Assumptions

- Salaries and benefits will continue to experience planned grid movement, except for the Chief Superintendent and Superintendents' salaries which are frozen with no grid movement.
- Trustee salaries that will remain the same as the prior year and have been frozen since 2014.
- Costs associated with centrally bargained contracts (specifically the Alberta Teachers Association) will be funded by the Province.
- Contractual obligations such as collective agreement wage increases, licensing and service charges will change based on inflation calculated by Statistics Canada or previously agreed rates.
- Amortization, as required by accounting guidelines, will continue based on historical capital spending patterns.

Closing the Gap

The annual budget process at the CBE begins with planning the revenue and expenses needed to maintain program and service levels at a comparable level to the prior year. Given the many variables at play, it is reasonable and expected to assume that there will be a “gap” between revenues and expenditures.

Where projected revenues exceed projected expenses, the gap is called a surplus. In developing the budget the CBE can use a surplus to add, modify or expand programming. Where planned expenses exceed projected revenues, as currently assumed for 2019-20, this gap is called a planning deficit. In developing the final budget, a gap is typically addressed by modifying, scaling or changing services and supports to bring expenditures into alignment with projected revenues. This is a normal part of the budget development process.

For more information on the standard budget process, see the [2018-19 Budget Report](#) for the ‘Budget process and timeline’ on page 6.

As more information becomes available and the planning gap is confirmed, the CBE will take a system wide approach to closing the gap. A system wide approach means that all organizational units, programs, and services will be required to assist in closing the planning gap.

The planning gap assumed at the time of this report is an excess of expenditures over planned revenue of \$40 million ([Appendix III](#)). Focus will be placed on achieving the priorities noted in this report, as well as the Three Year Education Plan, although that may not include an increase in funding. CBE funded capital plans, service units, centrally provided services as well as schools and areas will all be impacted by the planned balancing strategies.

Every effort will be made to minimize the impact on students and schools ([Appendix IV](#)). That said, it is not possible to fully absorb the planning gap against

other organizational units, programs or services. Accordingly, closing the gap will place upward pressure on the average class size across all divisions.

Risks

CBE Administration has made best efforts to identify the critical planning assumptions that will impact the 2019-20 school year budget. Those assumptions, as noted previously, are based on less than complete information. Accordingly there are a number of risks which may come to pass that can materially impact on the assumptions set out above. We have provided the most material risks to the budget plan below for information.

- The CBE has not, as of the date of this report, received its funding allocation from the Provincial Education budget and it is not clear when it will be received. Whether the funding allocation increases or decreases from the assumption in this report, the closer it is received to the start of the 2019-20 school year the higher the risk of disruption to school operations and the supports provided. These disruptions may include modifications to school staff complements, classroom disruption, implementation challenges and extra administrative effort to support the system in implementing any required changes.
- If total government funding is held at the current levels, there will be an impact on class size of up to two students per class across all Kindergarten to Grade 12. The impact can vary depending on schools' needs and programming decisions made by principals.
- Most current collective agreements or those anticipated to be in place for 2019-20 contain wage reopening clauses. The impact of the wage reopening clauses is unknown and has not been incorporated in the assumptions. Any increases will put further pressure on the gap.
- If the *Education Act* is proclaimed, student residency changes and age of access (change from 19 to 21 years old) have the potential to significantly increase the number of students eligible for supports and services. In the absence of funding support, class size and school utilization rates may increase, and supporting programs will be challenged to provide appropriate levels of support.
- The modest balances of operating and capital reserves strictly limit the CBE's ability to respond to any significant changes from the previously noted budget assumptions ([Appendix V](#)).
- The majority of the CBE's facilities are over 50 years old, any unforeseen issue would require financial support from reserves which as mentioned previously, are at modest levels ([Appendix VI](#)).
- The CBE will continue to be below the provincial mandated board and system administration cap of 3.6 per cent. However, long term contractual commitments with cost escalation clauses will put increased operational pressure on the CBE in the absence of increasing funding.

Conclusion

Keeping in line with the CBE's mission, values and priorities, the CBE is one of the best public education systems in the world. Bridging an assumed \$40 million gap will be a challenging task for the CBE. Changes to the economical and political environment further the need for budget discussions and decisions to maintain service levels where possible.



Appendices

Appendix I: Three-Year Education Plan 2018-2021



Calgary Board of Education Three-Year Education Plan 2018-21

Our Mission: Each student, in keeping with their individual abilities and gifts, will complete high school with a foundation of learning necessary to thrive in life, work and continued learning.

Our Values: Students come first. Learning is our central purpose. Public education serves the common good.

Our Outcome: Student Success

Personalize Learning

Success for each student, every day, no exceptions

Instructional design and leadership focus on:

- student agency and intellectual engagement
- active and effortful tasks designed for student interests and learning needs
- assessment that informs teaching and learning
- students knowing what they know, how they know it, how they show it and what they need next

Build Professional Capital

Capacity building with a focus on results

Collaborative learning networks focus on:

- professional and intellectual engagement
- shared standards of practice
- evidence-informed, research-informed and job-embedded professional learning
- staff knowing the decisions they have made, why they made them, what impact those decisions had, and what is required next

Engage our Stakeholders

Everyone contributes to the success of public education

Internal and external community members:

- actively recognize public education as foundational to a democratic society
- acknowledge and accept different roles, responsibilities and contributions based on shared outcomes and engagement
- support, practice and benefit from open and responsive communication
- accept responsibility for the success of the organization

Steward our Resources

Resource management on behalf of student learning

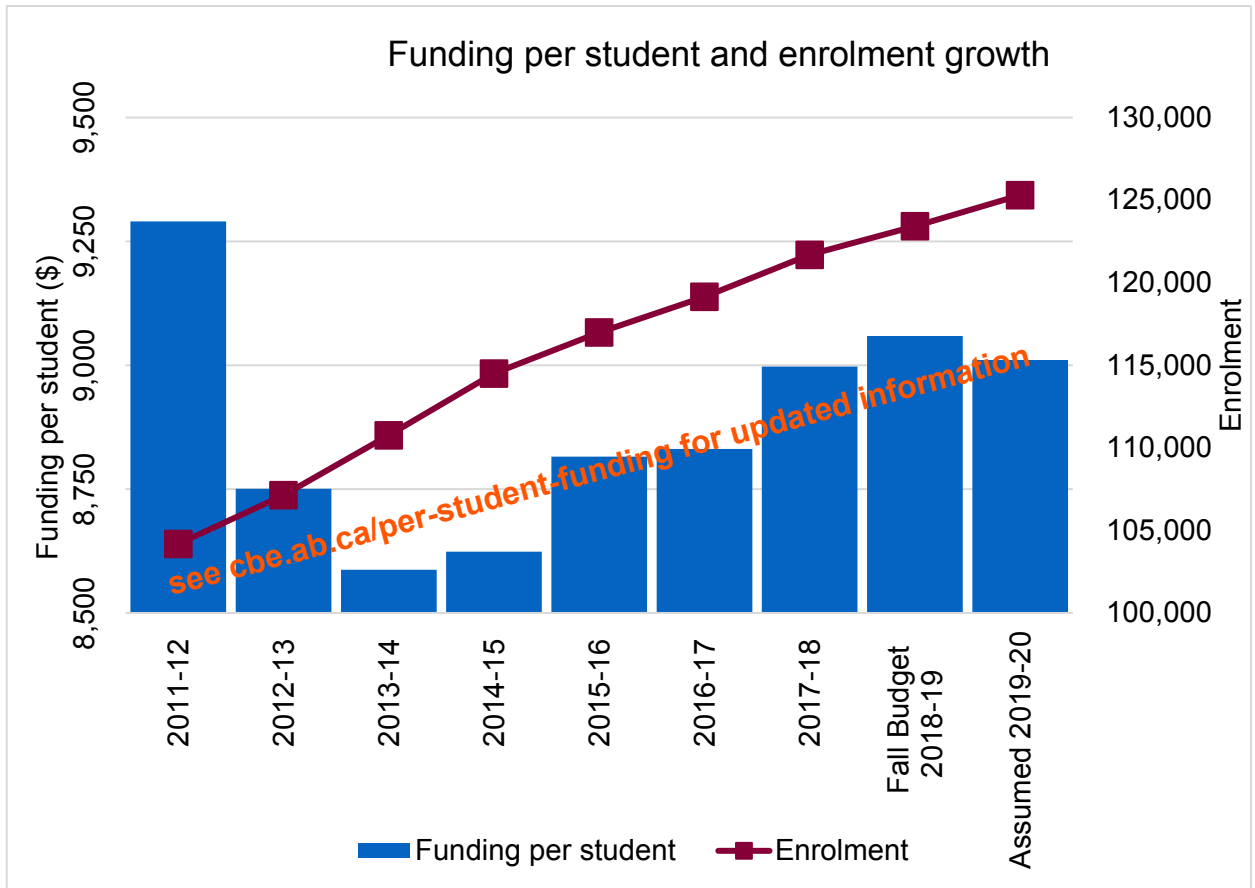
Decisions and actions at all levels of the organization are:

- based on values and priorities
- consistent with the learning agenda
- evidence-informed
- made within a coherent framework
- strategic and responsive
- sustainable

Alberta Education Outcomes

- Alberta's students are successful
- Alberta's education system supports First Nations, Métis, and Inuit students' success
- Alberta's education system respects diversity and promotes inclusion
- Alberta has excellent teachers, and school and school authority leaders
- Alberta's education system is well governed and managed

Appendix II: Funding per student vs enrolment growth



- The chart above shows the funding the CBE receives on a per-student basis compared to student growth.
- There has been enrolment growth since 2011.
- The funding per student has decreased by more than \$250 per student since 2011-12.

Appendix III: Preliminary Planning Gap

Fall Budget Update 2018-19			
(\$6.0M)			
Status Quo Changes			
Enrolment (\$10.0M)	Rate (\$4.9M)	Contractual (\$4.9M)	
Projected Budget including Status Quo changes			
(\$25.8M)			
Funding for 1.5% enrolment increase		System Operations	
(\$11.7M)		(\$2.5M)	
Projected Status Quo without funding enrolment			
(\$40.0M)			
Deficit Reduction Options			
Schools and Areas \$22.0M	Service units reduction \$3.0M	Operating Reserves \$5.0M	Capital Reserves \$5.0M
Projected Budget Deficit 2019-20			
(\$5.0M)			

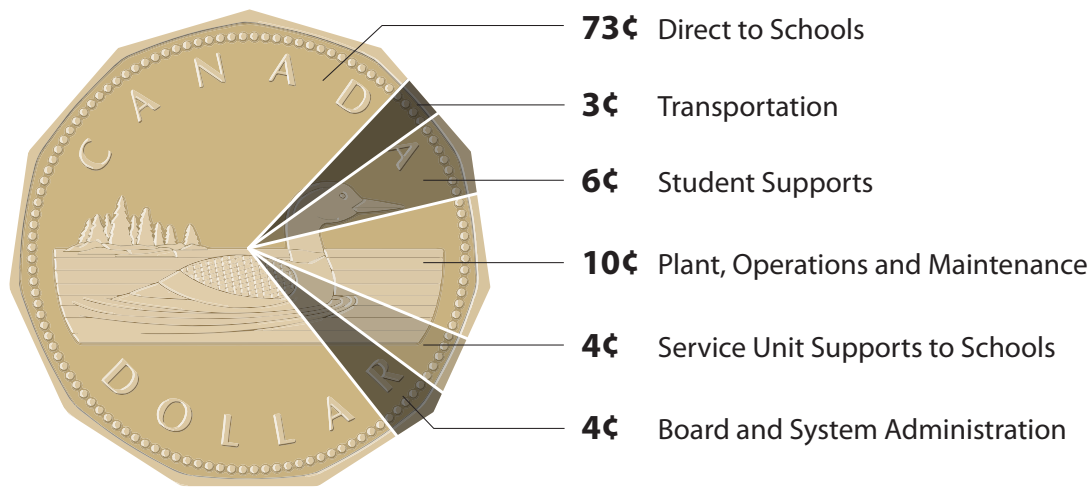
- Starting with the Fall Update Budget 2018-19, incorporating the projected deficit for the year, and assumptions mentioned above, the CBE is facing a potential \$40 million funding gap for the 2019-20 school year.
- In order to close the gap, changes to schools and Areas, centrally provided services and reserves will need to be considered in the budget.

Appendix IV: Dividing the dollar





Dividing the Dollar: How Every Cent of Alberta Education Funding Supports CBE Schools



73¢ | Direct to Schools

Money is provided to schools via a process the CBE calls RAM (Resource Allocation Method).

- The RAM is used to allocate resources equitably
- Principals make decisions on how to use money from the RAM to meet learning outcomes and the unique needs of students within their schools
- Includes teacher and staff salaries and benefits as well as the contractual obligation of teachers' pensions
- Instructional supplies and materials
- Custodial services for healthy learning environments

6¢ | Student Supports

Such as:

- Psychologists
- Occupational and physical therapists
- Cultural diversity advisors
- Speech language pathologists
- Braille assistants

4¢ | Service Unit Supports to Schools

Centrally provided services that increase efficiencies, effectiveness and economical savings:

- Instructional and programming support provided to teachers and schools
- Indigenous education
- School health
- Off-campus learning programs
- High school success initiatives
- School nutrition

3¢ | Transportation

Transportation for 34,500 students, including those with exceptional and special needs. Includes supports such as:

- Busing aides
- Charter service
- Attendants
- Licensed Practical Nurses
- Calgary Transit passes
- Taxi/ Handi-Bus service

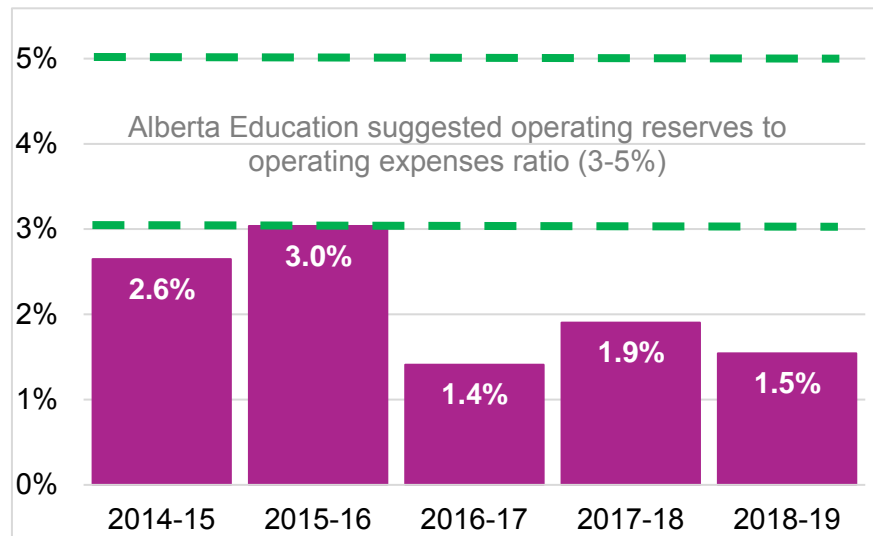
10¢ | Plant, Operations and Maintenance

- Facility maintenance
- Repairs
- Utilities
- Insurance
- Amortization for provincially funded new schools, modulars, and modernization

4¢ | Board and System Administration

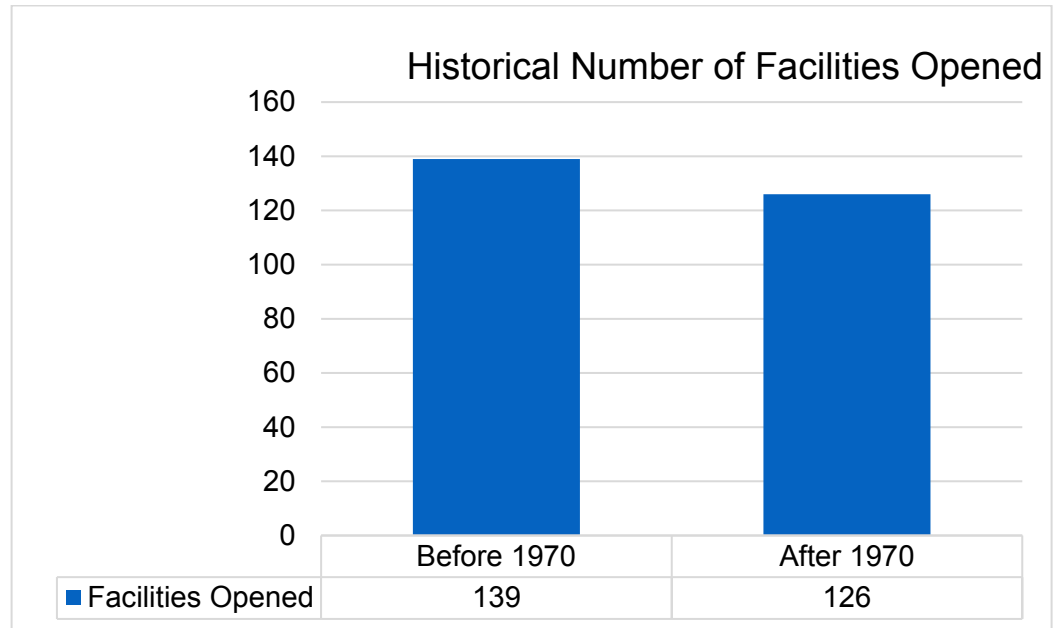
- Technology services and support, including safeguarding student data and CBE networks
- Communications and community engagement, including website administration and school/ school council communication assistance
- Financial supply chain management
- Legal services
- Payroll and benefits administration
- Board of Trustees and superintendents who provide the overall direction to the system

Appendix V: 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 \$7.7M per instructional day. Current anticipated reserve levels represent approximately three days of operations.

Appendix VI: 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).
- The CBE continues to grow by more than 2,000 students per year. The province would need to build three new schools and complete three modernization projects every year to keep up with the pace of growth.