

**DATE:** September 25, 2018

**TO:** Board of Trustees

**FROM:** Darrel Robertson, Superintendent of Schools

**SUBJECT:** Response to Request for Information #020

**ORIGINATOR:** Todd Burnstad, Chief Financial Officer

**RESOURCE STAFF:** Angela Anderson, Vanessa Crowell-Klettke, Madonna Proulx

**REFERENCE:** [Approved 2018-2019 Spring Budget](#)

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### ISSUE

In reference to the Approved 2018-2019 Spring Budget, Trustee Janz requested a report outlining the impact to schools, staffing and the educational experience under the following scenarios:

1. No funding for enrolment growth.
2. Hiring Freeze – not permitted to staff retirements.
3. The District is faced with a three per cent decrease to the budget for the next four years.
4. The District is faced with a five per cent decrease to the budget for the next four years.

### BACKGROUND

The current government's commitment to education has provided the District with relatively stable funding. Although the funding rates have not been adjusted to offset inflationary increases, the District has continued to receive enrolment growth funding. With uncertainty around the upcoming spring 2019 provincial election, administration has been requested to prepare budget scenarios.

### CURRENT SITUATION

In response to the request for information, each scenario listed above is addressed in Attachments I – IV with additional supplemental information included in Attachment V.

### KEY POINTS

- Almost 95 per cent of the District's operating budget is dependent upon government funding.
- The District's largest expense category is related to staffing, at approximately 80 per cent.
- The number of students supported by the District has grown by over three per cent per year for the last six years.

### ATTACHMENTS and APPENDICES

ATTACHMENT I Scenario 1: No Funding for Enrolment Growth.

ATTACHMENT II Scenario 2: Hiring Freeze – Not Permitted to Staff Retirements.

ATTACHMENT III Scenario 3: The District is Faced with a Three Per Cent Decrease to the Budget for the Next Four Years.

ATTACHMENT IV Scenario 4: The District is Faced with a Five Per Cent Decrease to the Budget for the Next Four Years.

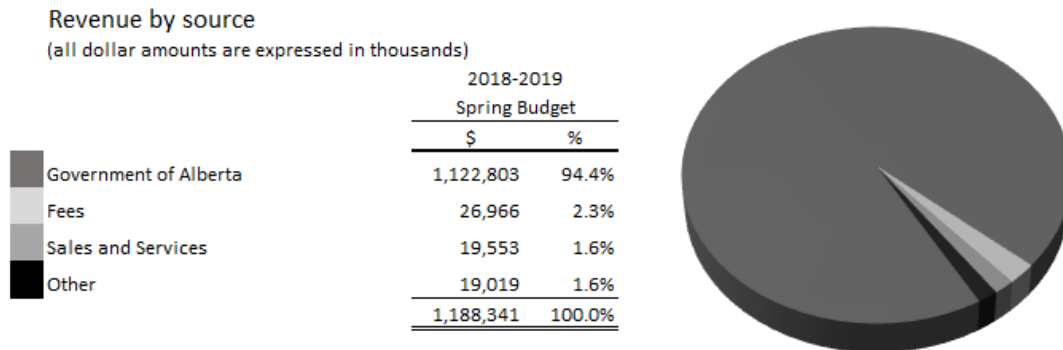
ATTACHMENT V Supplemental Information

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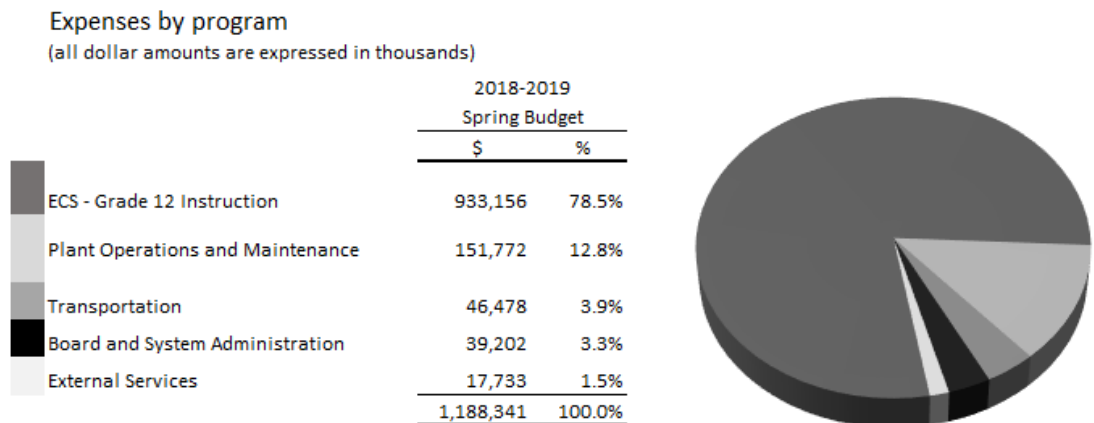
## Scenario #1: No Funding for Enrolment Growth

### No funding for enrolment growth

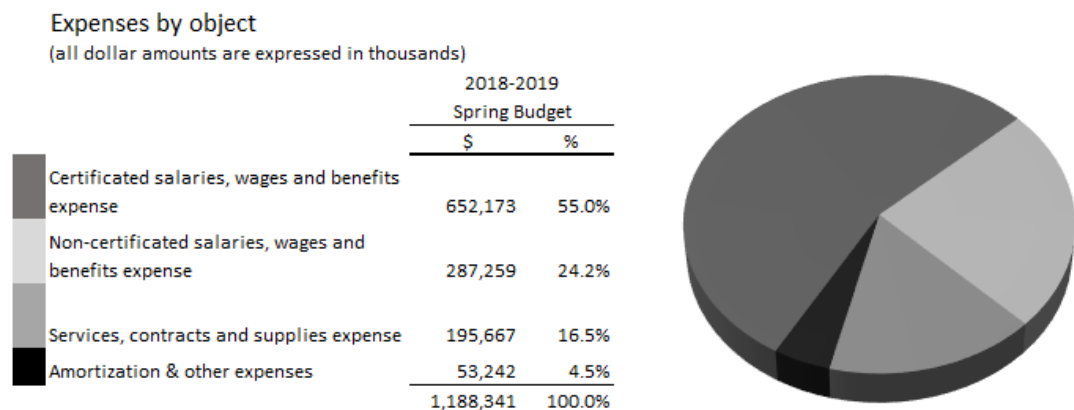
Out of the total District operating budget, almost 95 per cent is from the Government of Alberta. Any changes to Education funding have a significant impact on the Edmonton Public School Board's operations.



With no changes to funding rates, the increase of \$39.6 million in revenue between the 2018-2019 Spring and the 2017-2018 Fall budget is directly related to a projected enrolment growth of 2.9 per cent (in eligible funded students).



Salaries and wages for all staff groups is the largest expense item at 79 per cent, with 55 per cent being for certificated staff.



### Scenario #1: No Funding for Enrolment Growth

Specific details around the impact on staffing as a result of enrolment growth can be highlighted by looking at the increase in full time equivalent (FTEs) included in the 2018-2019 Spring budget (which factors in enrolment growth funding of \$39.6 million) compared to the 2017-2018 Fall budget.

Staffing Group	2018-2019 Spring Proposed Budget		2017-2018 Fall Revised Budget		NET CHANGE Spring vs Fall
	Budget	%	Budget	%	
<b>Schools</b>					
Teaching FTE	5,078.46	62%	5,015.28	62%	63.18
Support FTE	2,180.28	27%	2,145.36	27%	34.92
Custodial FTE	629.71	8%	619.89	8%	9.82
Exempt FTE	277.59	3%	270.25	3%	7.34
<b>Total Schools FTE</b>	<b>8,166.03</b>	<b>100%</b>	<b>8,050.77</b>	<b>100%</b>	<b>115.26</b>
<b>Central Services</b>					
Teaching FTE	204.77	19%	188.15	19%	16.62
Support FTE	186.50	17%	150.80	15%	35.70
Custodial FTE	66.00	6%	66.22	7%	(0.22)
Maintenance FTE	244.00	22%	231.00	23%	13.00
Exempt FTE	383.26	35%	376.86	37%	6.40
<b>Total Central Services FTE</b>	<b>1,084.53</b>	<b>100%</b>	<b>1,013.03</b>	<b>100%</b>	<b>71.50</b>
<b>Metro Continuing Education<sup>1</sup></b>					
Teaching FTE	8.13	24%	6.80	21%	1.33
Support FTE	16.14	48%	16.99	52%	(0.85)
Custodial FTE	0.69	2%	0.69	2%	-
Exempt FTE	9.00	27%	8.48	26%	0.52
<b>Total Metro Cont. Ed. FTE</b>	<b>33.96</b>	<b>100%</b>	<b>32.96</b>	<b>100%</b>	<b>1.00</b>
<b>Total FTE's</b>	<b>9,284.52</b>		<b>9,096.76</b>		<b>187.76</b>
<b>Total by Group</b>					
Teaching FTE	5,291.35	57%	5,210.23	57%	81.13
Support FTE	2,382.92	26%	2,313.15	25%	69.77
Custodial FTE	696.39	8%	686.79	8%	9.60
Maintenance FTE	244.00	3%	231.00	3%	13.00
Exempt FTE	669.85	7%	655.59	7%	14.26
<b>Total FTE's</b>	<b>9,284.52</b>	<b>100%</b>	<b>9,096.76</b>	<b>100%</b>	<b>187.76</b>

<sup>1</sup> Metro Continuing Education offers a variety of academic classes for students of all ages, including part-time evening or weekend high school upgrading, summer school, diploma exam preparation, and elementary and junior high enrichment courses as well as adult continuing education.

### **Scenario #1: No Funding for Enrolment Growth**

In summary, based on the table's information, the District is projecting enrolment growth of 2.9 per cent for the 2018-2019 school year; this translates into enrolment growth funding of approximately \$39.6 million or 3.4 per cent of our operating budget. Over 78 per cent of this funding directly supports classroom instruction and 13 per cent is used to provide high quality learning and working environments (plant operations and maintenance). The District's largest expense is related to staffing and for 2018-2019, enrolment growth funding will be used to hire an additional 188 FTEs.

## Scenario #2: Hiring Freeze – Not Permitted to Staff Retirements

## Hiring Freeze – not permitted to staff retirements

The following information shows retirements by staff group over the last three years. *(Note: the information on FTEs provided in response to Question 1 reflects new FTEs, not total hires. Staff hired to replace retirements would not appear as a new FTE).*

<b>EPSB - Retirees by Paygroup</b>					
<b>Staff Group</b>	<b>2015-2016</b>	<b>2016-2017</b>	<b>2017-2018</b>	<b>2017-2018 Budget Total FTEs</b>	<b>Retirees as a Percentage of total FTEs</b>
Custodian	30	35	20	687	2.9%
Maintenance	7	3	8	231	3.5%
Support	68	70	67	2,313	2.9%
Teacher	134	171	146	5,210	2.8%
Exempt Non-Management	17	17	15	656	3.1%
Exempt Management	6	4	5		
	<b>262</b>	<b>300</b>	<b>261</b>	<b>9,097</b>	<b>2.9%</b>

For 2017-2018, the number of retirees represents 2.9 per cent of the total number of FTEs included in the 2017-2018 fall budget.

**Scenario 3: The District is faced with a three per cent decrease to the budget for the next four years****Three per cent cut to the budget for the next four years**

Based on clarification from Trustee Janz, this scenario assumes a 3 per cent reduction in funding in Year 1 with ongoing enrolment growth similar to recent years. Funding to remain the same (as Year 1) for Years 2-4, but with no funding for enrolment growth in any of the years.

To calculate the impact of this scenario, the table below shows a five-year history of our actual Alberta Education Revenue and the actual number of funded students. This information was then used to calculate a high level average funding per student per year amount.

School Year	AB ED Revenue	Enrol. Growth	Funded Students *	Funding per Student
2016-2017	1,030,475,577	3.6%	95,061	10,840
2015-2016	999,312,051	3.1%	91,734	10,894
2014-2015	949,281,061	3.5%	88,959	10,671
2013-2014	906,721,994	3.6%	85,916	10,554
2012-2013	889,385,333	3.3%	82,954	10,721
		3.4%	5-year average	
* Actual eligible funded student numbers are from the Funding Event System (FES) frozen count information calculated by the Province.				

As reflected in the table, the average annual enrolment growth over the five-year period is 3.4 per cent. Funding per student has remained fairly consistent with a net increase of \$119 per student (or 1 per cent) from 2012-2013 to 2016-2017. In other words, funding has not been indexed to factor in any inflationary impact. Information on inflation (Consumer Price Index) has been included in Attachment V – Supplemental Information.

**Scenario: Three per cent reduction in revenue in Year 1, enrolment growth of 3.4 per cent (non-funded) using the Actual 2016-2017 information from the above table as Year 0**

	AB ED Revenue	Enrolment Growth 3.4%	Funding per Student	
Year 1	1,000,461,725	98,293	10,178	
Year 2	1,000,461,725	101,635	9,844	
Year 3	1,000,461,725	105,091	9,520	
Year 4	1,000,461,725	108,664	9,207	18% *
Decrease in Year 4 funding alone (not cumulative) compared to no initial reduction and continued enrolment funding at 2016-2017 rates.			177,472,423	
Based on #1, If \$39.6 million = 188 FTEs then \$177,472,423 = 841 FTEs				
* Reduction in funding per student over entire 4 year period				

**Scenario 4: The District is faced with a five per cent decrease to the budget for the next four years****Five per cent cut to the budget for the next four years**

Based on clarification from Trustee Janz, this scenario assumes a 5 per cent reduction in funding in Year 1 with ongoing enrolment growth similar to recent years. Funding to remain the same (as Year 1) for Years 2-4, but with no funding for enrolment growth in any of the years.

To calculate the impact of this scenario, the table below shows a five-year history of our actual Alberta Education Revenue and the actual number of funded students. This information was then used to calculate a high level average funding per student per year amount.

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		3.4%	5-year average	
* Actual eligible funded student numbers are from the Funding Event System (FES) frozen count information calculated by the Province.				

As reflected in the table, the average annual enrolment growth over the five-year period is 3.4 per cent. Funding per student has remained fairly consistent with a net increase of \$119 per student (or 1 per cent) from 2012-2013 to 2016-2017. In other words, funding has not been indexed to factor in any inflationary impact. Information on inflation (Consumer Price Index) has been included in Attachment V - Supplemental Information.

**Scenario: Five per cent reduction in revenue in Year 1, enrolment growth of 3.4 per cent (non-funded) using the Actual 2016-2017 information from the above table as Year 0**

	AB ED Revenue	Enrolment Growth 3.4%	Funding per Student	
Year 1	981,405,311	98,293	9,984	
Year 2	981,405,311	101,635	9,656	
Year 3	981,405,311	105,091	9,339	
Year 4	981,405,311	108,664	9,032	20% *
Decrease in Year 4 funding alone (not cumulative) compared to no initial reduction and continued enrolment funding at 2016-2017 rates.			196,528,837	
Based on #1, If \$39.6 million = 188 FTEs then \$196,528,837 = 932 FTEs				
* Reduction in funding per student over entire 4 year period				

## Supplemental Information

### Consumer Price Index

The Consumer Price Index (CPI) is not a cost-of-living index. The objective behind a cost-of-living index is to measure changes in expenditures necessary for consumers to maintain a constant standard of living. The idea is that consumers would normally switch between products as the price relationship of goods changes. If, for example, consumers get the same satisfaction from drinking tea as they do from coffee, then it is possible to substitute tea for coffee if the price of tea falls relative to the price of coffee. The cheaper of the interchangeable products may be chosen. A cost-of-living index for an individual could be computed if complete information about that person's taste and spending habits was available. However, this would be impossible to do for a large number of people, so for this reason, regularly published price indexes are based on the fixed-basket concept rather than the cost-of-living concept.

Consumer Price Index				
	% Increase			
All Items (see note 1)	2014	2015	2016	2017
Alberta	2.6	1.1	1.1	1.6
Edmonton	2.2	1.2	1.1	1.6
<i>Source:</i>				
<i>Statistics Canada. Table 18-10-0005-01 Consumer Price Index, annual average</i>				
<a href="https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000501">https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000501</a>				

#### Note 1: All Items

The goods and services that make up the Consumer Price Index (CPI) are organized according to a hierarchical structure with the "all-items CPI" as the top level. Eight major components of goods and services make up the "all-items CPI". They are:

1. food
2. shelter
3. household operations, furnishings and equipment
4. clothing and footwear
5. transportation
6. health and personal care
7. recreation, education and reading
8. alcoholic beverages and tobacco products

### Classroom Diversity Increasing

Students	September 2013	September 2016	% Increase
English Language Learners	18,411	23,503	28%
First Nations, Metis, and Inuit (self-declared)	7,591	8,375	10%
Requiring specialized services	11,035	11,953	8%



## Supplemental Information

### Budget Allocations

Under the site-based decision model used by Edmonton Public Schools, the majority of the District's annual operating revenue is allocated directly to schools through school-based allocations (73 per cent). District-level fixed and committed costs amount to just under 15 per cent. Central Decision Units receive allocations totaling 5.5 per cent; out of this, 2.2 per cent directly supports instruction, leaving approximately 3.3 per cent classified as system administration and board governance (which is below the 3.6 per cent maximum allowed).

				<b>2018-2019</b>
				<b>Spring Proposed</b>
<b>Projected Revenue</b>			*	<b>Budget</b>
	Operating Revenue			<b>\$ 1,188,341,310</b>
	Operating Reserve Funds			<b>11,148,603</b>
	Operating Revenue			<b>\$ 1,199,489,913</b>
<b>School Allocations</b>				
	School Allocations Levels 1 to 8			<b>\$ 659,684,707</b>
	Other Supplemental School Allocations			<b>170,161,782</b>
				<b>829,846,489</b>
	School Generated Funds/External Revenues			<b>34,711,345</b>
	<b>Subtotal School Allocations</b>		72.8%	<b>864,557,834</b>
<b>Other Allocations</b>				
	Metro Continuing Education			<b>12,929,271</b>
	External Revenue Allocations - Central			<b>11,273,673</b>
	District Level Fixed Costs		6.8%	<b>80,836,488</b>
	District Level Committed Costs		7.9%	<b>93,416,777</b>
				<b>198,456,209</b>
	Central Decision Units		5.5%	<b>65,053,867</b>
	<b>Subtotal Other Allocations</b>			<b>263,510,076</b>
	<b>Alberta Teachers' Retirement Fund (ATRF)</b>			<b>60,273,400</b>
	<b>Total Allocations</b>			<b>1,188,341,310</b>
	Planned Use of Reserves			<b>11,148,603</b>
	<b>Total Budget</b>			<b>\$ 1,199,489,913</b>
	* The amount as a % of the total allocations (prior to using any reserve funds).			

### Supplemental Information

It is important to note that in the event of funding reductions, the District would need to review the fixed and committed costs as the majority of these would continue.

		<b>2018-2019</b>
		<b>Spring Proposed</b>
		<b>Budget</b>
<b>District Level Fixed Costs</b>		
Debt and Fiscal Services		<b>\$ 53,701,893</b>
Utilities		<b>20,000,000</b>
Insurance		<b>4,537,795</b>
High Speed Networking		<b>2,596,800</b>
		<b>80,836,488</b>
<b>District Level Committed Costs</b>		
Student Transportation		<b>42,683,335</b>
School Plant Operations & Maintenance		<b>15,276,051</b>
Human Resources Supply Services		<b>14,241,330</b>
Core Technology Enterprise Management		<b>2,472,266</b>
Language and Cultural Support		<b>4,455,670</b>
Enterprise Systems		<b>4,529,316</b>
Placeholder for Staffing Agreements		<b>3,023,448</b>
Professional Improvement Leaves		<b>1,540,000</b>
Board of Trustees		<b>984,625</b>
Central Building Maintenance		<b>1,000,000</b>
PeopleSoft Road Map		<b>538,800</b>
Staff Development		<b>650,000</b>
Election		<b>480,000</b>
Partnership Commitments		<b>446,490</b>
Infrastructure Parking Allocation		<b>405,000</b>
Audit		<b>136,946</b>
Board Initiative Fund		<b>45,000</b>
ASBA Membership		<b>160,000</b>
PSBAA Membership		<b>120,000</b>
Survey		<b>160,000</b>
District Awards		<b>30,000</b>
Youth Engagement Model		<b>26,000</b>
Trustee Transition Allowance		<b>12,500</b>
		<b>93,416,777</b>