

## 2020/21 Budget Consultation Background Document – April 24, 2020

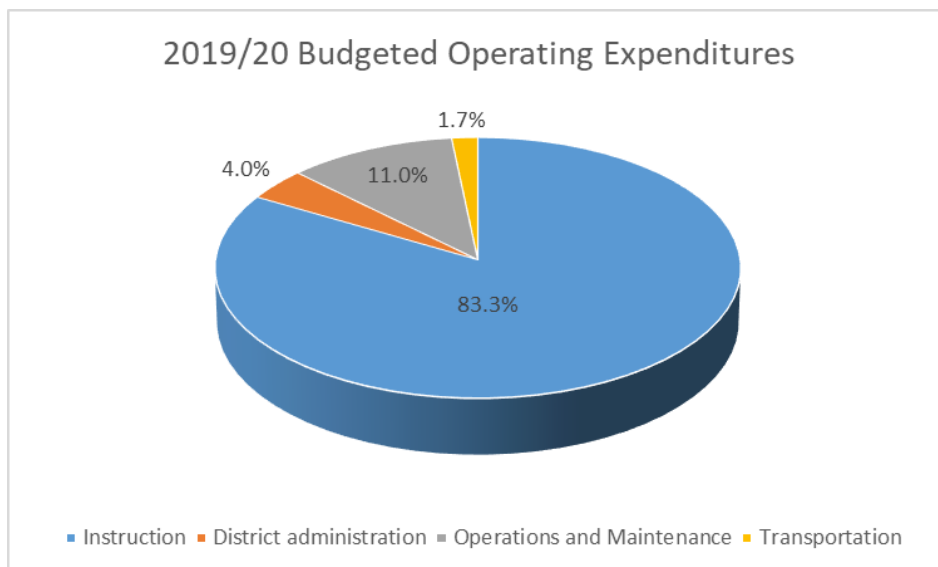
The Board of Education is seeking your input in determining budget priorities for the 2020/21 budget year (July 1, 2020 to June 30, 2021) and beyond, through completion of a survey and participation in a virtual Community Budget Meeting on April 29<sup>th</sup> at 7pm. To inform completion of the survey this document provides further background on the Saanich School District, the budget consultation process, and budget context for 2020/21.

### About the Saanich School District

The Saanich School District serves more than 7,700 student FTE in: 14 neighborhood schools (8 elementary schools, 3 middle schools, and 3 secondary schools); the Children’s Development Centre; the South Island Distance Education School (SIDES); the Individual Learning Centre (ILC); the Continuing Education program; and the Saanich International Student Program.

In the 2019/20 annual budget, the district budgeted for revenues of \$79.7 million in the operating fund<sup>1</sup>. These revenues were comprised of provincial grants (\$68.0 million); international student tuition (\$4.7 million); LEA/direct funding from First Nations (\$2.9 million); international student homestay fees (\$2.8 million); and other revenues (\$1.3 million). In the 2019/20 annual budget, the Board appropriated an additional \$2.6 million in prior year accumulated surplus to fund total budgeted operating expenditures of \$82.3 million.

As shown below, in the 2019/20 budget the Saanich School District invested 83.3% of the operating budget directly into instructional programs.



<sup>1</sup> Additional program revenues targeted to specific purposes are reported in the special purpose fund (\$12.9 million received in 2018/19).

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Operations and Maintenance was 11.0% of 2019/20 budgeted expenditures and includes facilities/grounds maintenance, custodial, information technology, health and safety, and utilities. The district operates 20 facilities and approximately 960,000 square feet of space.

District administration was 4.0% of 2019/20 budgeted expenditures and includes Board governance, educational leadership, finance and payroll, human resources, and communications.

Transportation costs, including the operations of the school bus fleet, was 1.7% of 2019/20 budgeted expenditures.

### **2020/21 Budget Consultation Process**

In December 2019, the Board approved the [2020/21 Budget Guiding Principles](#) to guide the budget consultation process. These principles include that the Saanich Board of Education will keep support for students at the forefront of its decisions. As the Board recognizes public education is the responsibility of the whole community, community engagements is key to the decision making process.

School Boards adopt two budgets in each fiscal year:

- A preliminary budget is adopted before the end of June for the following fiscal year based on forecasted enrolment and revenues; and
- An amended budget is adopted before February during the fiscal year reflecting actual fall enrolment and funding.

This budget consultation will inform decisions regarding priorities for the preliminary and amended budgets for 2020/21, and planning for future budgets. The consultation process is overseen by the Budget Advisory Committee, which provides advice to the Board of Education. Documents related to the 2020/21 budget consultation process are posted to the [consultation site](#) throughout the process.

### **Budget Priorities**

The Board's budget guiding principles recognize that budget decisions are best informed by the identification and evaluation of strategic and operational priorities. Budget priorities are identified by considering two questions.

#### **How can we best improve student success?**

This question is addressed by reviewing the status of goals in [Strategic Plan 2020](#) and considering where funding impedes progress in critical areas and/or where opportunities exist to improve outcomes significantly in relation to cost. Strategic plan goals that directly relate to student success are in strategic plan [theme 1 \(Student Success\)](#) and strategic plan [theme 2 \(Diversity and Inclusion\)](#).

District staff have identified additional funds for learning innovation, when needed, as a priority. Although more funding is not always the answer, there are instances where insufficient funding for new initiatives impedes progress. There are currently a number of initiatives underway intended to improve

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student success. This includes a joint review of indigenous program outcomes with the provincial First Nations Educational Outcome Improvement Team (FNEOIT), curriculum and learning resource initiatives, and teacher leadership and growth opportunities. As these initiatives progress, it is expected there will be opportunities where additional funding will significantly improve outcomes in relation to cost.

As the district enters into the final year of the current strategic plan, the Board of Education will undertake development of the next strategic plan during 2020/21.

### **What could go wrong and how do we prevent it?**

This question is answered by considering where funding is impeding operations and/or the mitigation of significant risks (link to [SD63 Risk Report – March 2020](#) for reference).

Although funding has not been identified as a significant barrier to mitigating risk at this time, district staff have identified daytime custodial support in elementary schools as a priority due to increased enrolment.

### **Context for Budget 2020/21**

#### **Enrolment and Funding**

With about 80% of operating revenues determined by student enrolment, budgeted revenues in 2020/21 are estimated based on forecasted enrolment. Domestic enrolment in 2020/21 is forecasted to grow modestly with growth occurring primarily at the elementary school level.

The Ministry of Education announced funding rates for 2020/21 on March 13th. While there were some small changes to funding rates overall, including a new “Equity of Opportunity Supplement” and some changes to other grants, overall funding rates are relatively “status quo”. Consistent with previous years, funding rate increases do not reflect all of the inflationary pressures facing the district (even before reflecting the additional impact of the COVID-19 pandemic discussed below).

#### **COVID-19 Pandemic**

The COVID-19 pandemic is and will have a significant impact on the operations and finances of the Saanich School District and all school districts in the province. There are a number of financial implications associated with the implementation of travel restrictions, the suspension of in-class instruction, and with the provision of: continuity of educational opportunities; support for vulnerable students; and additional support for children of essential workers. The dynamic and uncertain nature of the pandemic necessitates the adoption of a preliminary budget that reflects our best estimates at this time and that is appropriately conservative.

The most significant budget implication is the potential impact on international student enrolment in 2020/21. In 2019/20, the district earned international tuition net revenue of approximately \$4.4 million

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from 320 international student FTE. Given the current restrictions on travel and the significant level of uncertainty at this time, the district is forecasting a decrease in international student enrolment to approximately 150 FTE with possibility of enrolment decreasing to 100 FTE, which represents only current international students in the graduation track returning in 2020/21. A decrease of international enrolment to 150 FTE would reduce net program revenue by approximately \$2.4 million and a reduction to 100 FTE would reduce net program revenue by approximately \$3.0 million. As the international program, in addition to funding its own operations, contributes net profit to district general revenues (\$1.6 million) and directly to schools (\$0.4 million), such a reduction will have a significant impact on the overall budget of the district.

The Ministry of Education has acknowledged the pandemic may have a significant impact on international tuition revenues and that school districts may need to utilize a greater proportion of accumulated surplus to balance their 2020/21 budgets.

Given the significant financial impact, the primary budget planning priority is now to minimize the overall financial and related program impact of the pandemic over the next several years and not just in the 2020/21 budget year. This is an important lens because minimizing program impact in 2020/21 could be at the expense of future years, particularly as international enrolment may not fully recover by 2021/22.

The following assumptions related to the pandemic are reflected in budget planning at this time:

1. In-class instruction may be suspended for the remainder of the school year.
2. Domestic enrolment in 2020/21 will likely not be materially impacted by the pandemic.
3. International enrolment in 2020/21 is estimated to decline to 150 FTE in 2020/21, but could decline as low as 100 FTE. International enrolment will recover in 2021/22 but may not recover to historical levels.

The district is now restricting non-essential expenditures for the remainder of the 2019/20 school year, and the Budget Advisory Committee is proposing the following measures to address the financial impact of the pandemic:

1. Appropriation of accumulated operating surplus (including contingency reserve) to offset reduced revenues in 2020/21 to the extent possible understanding that revenues will likely not fully recover in 2021/22. The overall objective is to maintain program stability over the next several years.
2. Focus program reductions first on services for international students reflecting decreased program demand, but also recognizing the need to maintain program capacity for future growth.
3. Remaining reductions focusing on program areas where a temporary reduction will have a smaller impact on longer-term program outcomes.

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### **Options for balancing the 2020/21 Preliminary Budget**

More information on options for balancing the 2020/21 Preliminary Budget is available in the [April 23, 2020 Budget Advisory Committee agenda package](#) on the budget consultation site.

It is important to note that decisions reflected in the preliminary budget are based on information known at the time, and are necessarily conservative to the degree uncertainty exists. As in every year, as new information becomes available the budget will be adjusted and these changes will be reflected in the amended annual budget adopted by the Board in February 2021.