

Memorandum

vancouver school board

April 25, 2014

ITEM III.A.2.a

TO: Trustees

FROM: Rick Krowchuk, Secretary Treasurer
Lisa Landry, Director of Finance

RE: Restoration Budget

At the April 22, 2014 Committee III/V, Trustees requested staff to update the restoration budget prepared last year.

Purpose

The Vancouver Board of Education (VBE), like other school boards in the Province, has faced significant funding shortfalls over the past decade. As school districts receive more than 90% of their funding from the Province, these funding shortfalls are directly attributable to cost increases which have not been funded by the Province and other factors. As a result of these funding shortfalls, school districts have had to make reductions to the level of services they provide in order to achieve balanced budgets, as required by the *School Act*.

The purpose of the restoration budget is to identify the additional funding that would be required by the VBE in order to restore the same level of service that was in place over a decade ago. For the purpose of this analysis, we have chosen the 2002/2003 base budget (i.e. before the budget cuts in that year) as the service level in which to restore. The 2002/2003 funding shortfall (\$25 million) resulted in significant budget and service level reductions. The VBE has faced funding shortfalls in every year since, with the exception of 2005/2006.

Methodology

The VBE base operating budget for 2002/2003 was \$415.9 million. The intent of this analysis is to project what the VBE operating budget would be for 2014/2015 if the 2002/2003 service levels were maintained. In order to perform this analysis, the 2002/2003 base budget was adjusted to reflect the following factors over the last 12 years:

- Salary increments for teachers, administrators and excluded staff;
- Collective agreement increases;
- Changes to employee benefits;
- Employee turnover salary savings;
- Inflation on goods and services; and
- Changes in enrolment.

Based on the above-noted adjustments, it is projected that the 2014/2015 operating budget would have to be in the order of \$539.7 million to be able to deliver the same level of service that was in place before the 2002/2003 budget cuts. Our actual base budget for 2014/2015 however is only \$485.4 million. Accordingly, the VBE would need approximately \$54.3 million in additional annual funding in order to provide the same level of service as was delivered prior to the 2002/2003 budget cuts.

Attachment A presents a graphic presentation of the results of this analysis. Attachment B provides a summary of the major factors which cause the 2002/2003 base budget to increase to a projected \$539.7 million by 2014/2015. Attachment C outlines the major areas that are currently underfunded compared to 2002/2003. Attachment D provides a sample of some of the service cuts that the VBE has had to make over the last decade. Attachment E provides a summary of the major provincial cost increases downloaded to school districts without a related increase in funding.

Update from Prior Year's Restoration Budget

For the 2013/2014 year, the restoration budget was projected at \$533.3 million. Updating this analysis to the current year, these costs are increased to \$539.7 million. The following is a summary of those costs updating last year's version of the restoration budget:

2002/03 Budget Restated (\$millions)	2013/2014 Restoration	Update	2014/2015 Restoration
2002/03 Base Budget	415.9		415.9
Cost Increases Since 2002			
Collective Agreements Increases	58.0	3.3*	61.3
Salary Increments	34.1	2.8	37.0
Employee Benefits Cost Increases	36.9	1.8	38.7
Inflation on Goods and Services	9.7	0.9	10.6
Expenditure Impact of Enrolment Changes	(9.9)	(0.9)	(10.8)
Employee Turnover Salary Savings	(11.6)	(1.4)	(13.0)
Subtotal of cost increases	117.3	6.4	123.8
Total	533.3		539.7

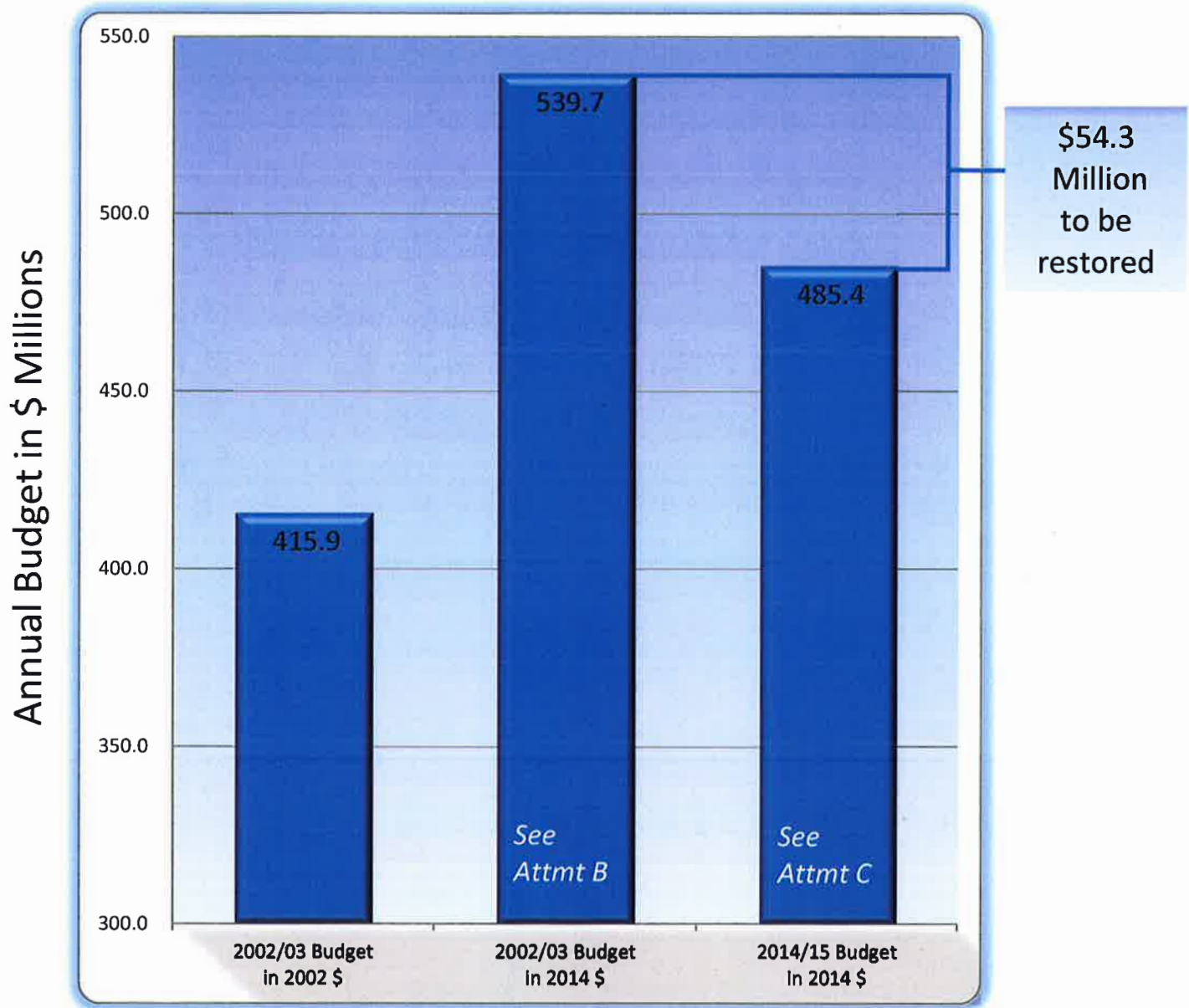
* for 2014/15, the collective agreement increases refer to the support staff increases negotiated but not funded by the Province.

The above summarizes the impact on expenditures (\$6.4 million). It is also important to note that revenues have dropped a net of \$0.8 million dollars, to arrive at the total increase of \$7.3 million in the restoration budget for 2014/2015 (\$6.4 million additional expenditures plus \$0.8 million less revenue). The revenue drop is due to declining enrolment (\$5.7 million) offset by increased international student enrolment (\$2.3 million), funding from surplus (\$2.4 million) and an increase in rental revenues (\$0.2 million).

It should be noted that this is a high-level analysis meant to identify the general order of magnitude of additional funding that would be required to restore the same level of service as was in place prior to the 2002/2003 budget cuts. The projection is dependent on the methodology employed and assumptions made.

This report is provided for information.

Projected Restoration Budget for 2014/15



2002/03 Budget Restated to Current 2014 Dollars	(\$million)	(\$million)
2002/03 Base Budget	415.9	
Cost Increases Since 2002		Change from Prior Year
Collective Agreements Increases	61.3	3.3
Salary Increments	37.0	2.8
Employee Benefits Cost Increases	38.7	1.8
Inflation on Goods and Services	10.6	0.9
Expenditure Impact of Enrolment Changes	(10.8)	(0.9)
Employee Turnover Salary Savings	(13.0)	(1.4)
Subtotal of cost increases	123.8	6.4
Total	539.7	

Table A: The 2002/2003 base budget is notionally adjusted to reflect the change in the purchasing power of money from 2002 to 2014.

This takes into account changes in the following factors over the intervening period:

- ★ Collective agreements provides for the salary increases negotiated in collective agreements
- ★ Salary increments within pay bands for teachers, school administrators and exempt staff. increases
- ★ Inflation on goods and supplies at rates that reflect general inflation

These increases in costs are offset by:

- ★ Reduction in enrolment in the period. 2014 enrolment is lower than 2002 enrolment, and this has been accounted for as a reduction
- ★ Turnover savings, due to retiring teachers at the top end of salary scales being replaced by new teachers

Areas Reduced during 2002/03 to 2014/15	(\$million)
Teachers	(37.0)
Education Assistants	3.7
Other Staff	(6.2)
Services & Supplies	(14.7)
Total	(54.3)

Sample of Budget Cuts	Year	FTE	Net Amount
Reduction of Enrolling Teachers	2013/2014	(4.00)	(285,040)
Reduction of Youth and Family Workers	2013/2014	(2.00)	(116,000)
Suspend selected maintenance for one year	2013/2014	(2.00)	(177,500)
Adult Education Program: Self-Paced Program	2012/2013	(4.50)	(402,120)
District Management Reorganization	2011/2012	(8.00)	(301,851)
Vice Principal Reduction	2011/2012	(3.00)	(171,336)
Reduction in Cafeteria Subsidies	2011/2012	(3.00)	(200,000)
Reduction of Summer School Teachers and Supplies	2011/2012	(3.20)	(237,500)
Adult Education - Teacher Assistants and Instructors	2011/2012	(4.75)	(464,610)
Non-enrolling teachers	2010/2011	(20.10)	(1,360,971)
Suspend interior painting for one year	2010/2011	(12.00)	(1,146,000)
Teaching Staff reduction	2009/2010	(13.15)	(853,521)
Reduction of Vice Principal	2007/2008	(1.46)	(153,329)
Reduction of Teachers	2007/2008	(40.00)	(2,480,000)
Non-enrolling Teachers	2006/2007	(37.60)	(2,266,000)
Elementary VPs	2004/2005	(3.00)	(252,000)
Finance & Administration	2004/2005	(4.00)	(338,450)
Learning & Information Technology	2004/2005	(2.50)	(176,375)
Operations & Maintenance	2004/2005	(6.70)	(600,000)
Supervision Aides	2004/2005	(16.00)	(154,304)
Community Facilities/Swimming	2004/2005	-	(102,281)
Associate Superintendent	2003/2004	(1.00)	(160,000)
Closure of Shannon Park Annex	2003/2004	(4.20)	(400,000)
Learning and Information Technology Reorganization	2003/2004	(8.00)	(549,500)
Principals	2003/2004	(3.30)	(377,000)
Human Resources Reorganization	2003/2004	(7.00)	(503,510)
Finance and Administration Reorganization	2003/2004	(4.00)	(186,000)
Teaching Staff reduction	2002/2003	(200.00)	(12,095,735)
Instructional Supplies & Expenses	2002/2003	-	(2,463,942)
Superintendent's Short Term Assignments	2002/2003		(128,000)
Elementary Extra Clerical	2002/2003	(10.00)	(400,000)
Multicultural Home School Workers	2002/2003	(9.50)	(392,118)
Elementary & Secondary Vice Principals	2002/2003	(9.30)	(502,000)
District Administration	2002/2003	(9.20)	(630,031)
Operations & Maintenance	2002/2003	(35.40)	(2,509,239)
Multicultural Home School Workers	2002/2003	(9.50)	(392,118)

Selected Provincially Downloaded Costs	Year	Amount
Support Staff Collective Agreement Increase	2014/2015	3,623,470
Teacher's Pension Plan	2013/2014	3,517,802
MSP	2009/2010 to Present	1,098,964
Carbon Offsets	2009/2010 to Present	2,408,461
School Protection Plan Deductible increase	2009/2010	The deductible for insurance increased from \$3,000 to \$10,000