

Ministry of Education

2021 Spending Plan Review

Briefing Deck



Purpose and Structure of FAO's Report

Purpose: to support the Standing Committee on Estimates' review of the Ministry of Education's 2021-22 Expenditure Estimates

The report has three main sections:

1. Financial overview of the ministry
2. Review of the ministry's spending plan, including time-limited COVID-19 spending
3. Discussion of requested spending by program, including spending trends and program changes

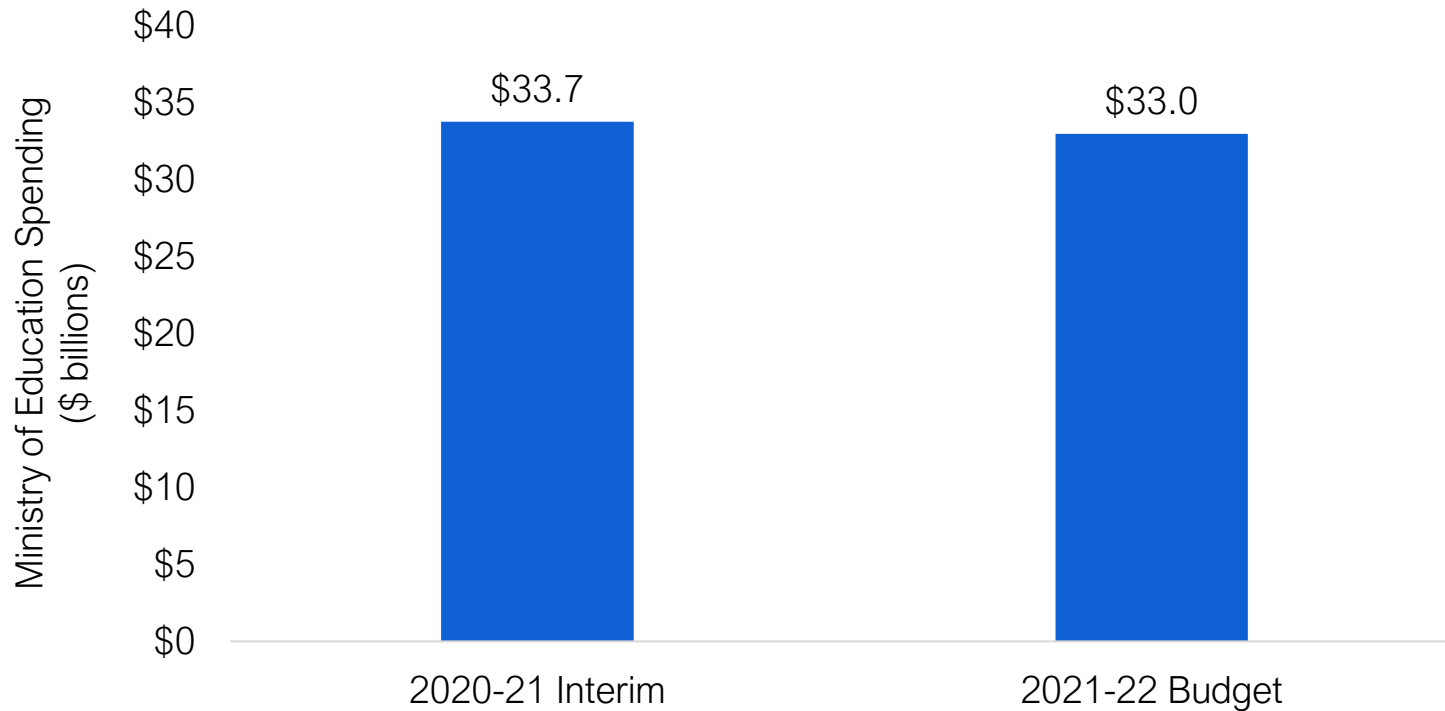


Ministry Overview



Ministry of Education Spending for 2021-22

EDU is projected to spend \$33.0 billion in 2021-22, down \$0.8 billion (2.3%) from 2020-21.



Note: Ministry of Education spending includes spending related to the Ontario Teachers' Pension Plan (OTPP).

Source: 2021-22 Expenditure Estimates and the 2021 Ontario Budget.



Ministry Budget by Estimates Categories

95% of planned spending is in two program votes – 1002 and 1004.

Vote	Program Name	2021-22 Estimates (\$ millions)	Share of Total (%)
1001	Ministry Administration Program	17	< 1
1002	Elementary and Secondary Education Program	28,858	88
1003	Community Services Information and Information Technology Cluster	50	< 1
1004	Child Care and Early Years Programs	2,288	7
Total Supply Bill (Voted) Spending*		31,212	95
Standalone legislation (statutory) expense – OTPP		1,631	5
Standalone legislation (statutory) expense – other		4	< 1
Total Standalone Legislation (Statutory) Spending		1,634	5
Other spending – school boards (operating)**		1,064	3
Other spending – school boards (capital)		-929	-3
Other spending – other agencies and consolidations		-28	< -1
Total Other Spending		106	< 1
Total Ministry of Education Spending Plan		32,953	100

* Excludes requested Supply Bill spending on capital and operating assets totalling \$5.5 million.

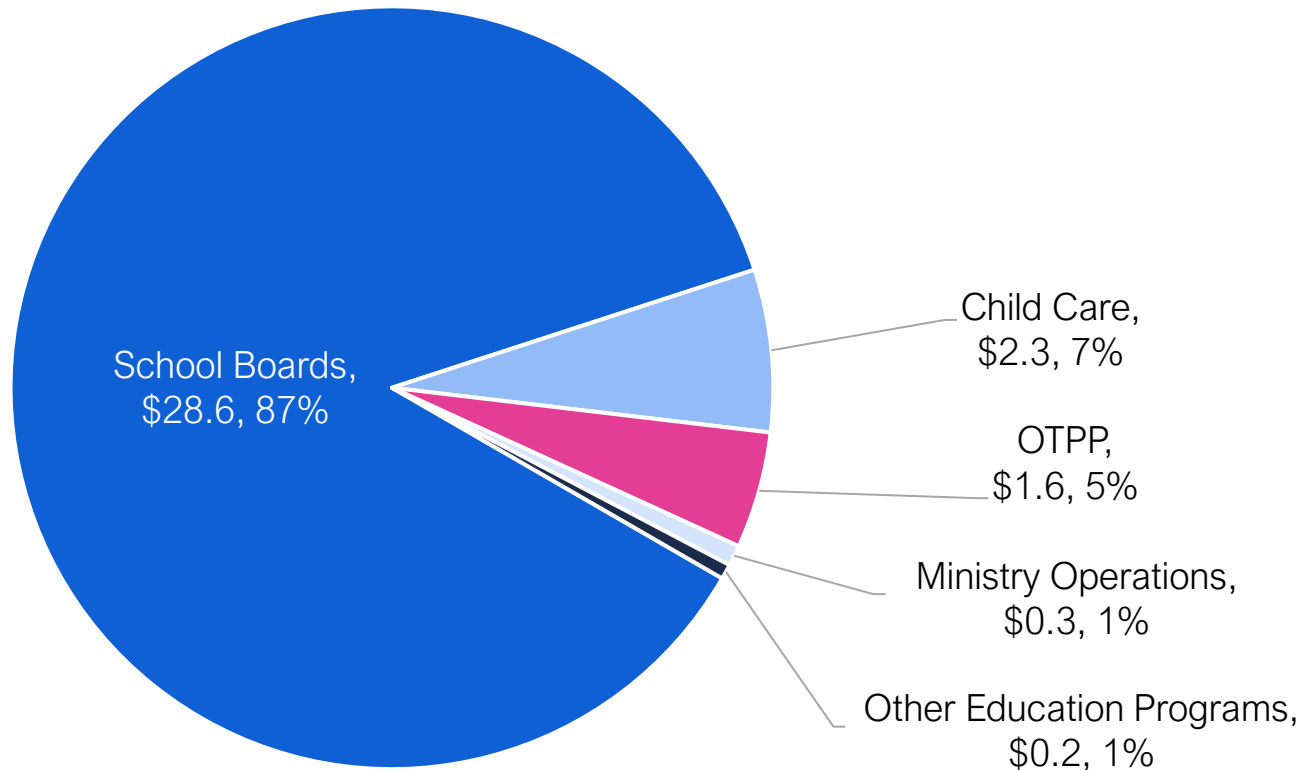
** Includes adjustments for school board trust debt repayment.

Source: 2021-22 Expenditure Estimates.



Spending by Program Area (\$ billions)

School boards and child care account for 94% of planned EDU spending in 2021-22.



Source: FAO analysis of the 2021-22 Expenditure Estimates and information provided by the Ministry of Education.



Spending Plan Analysis



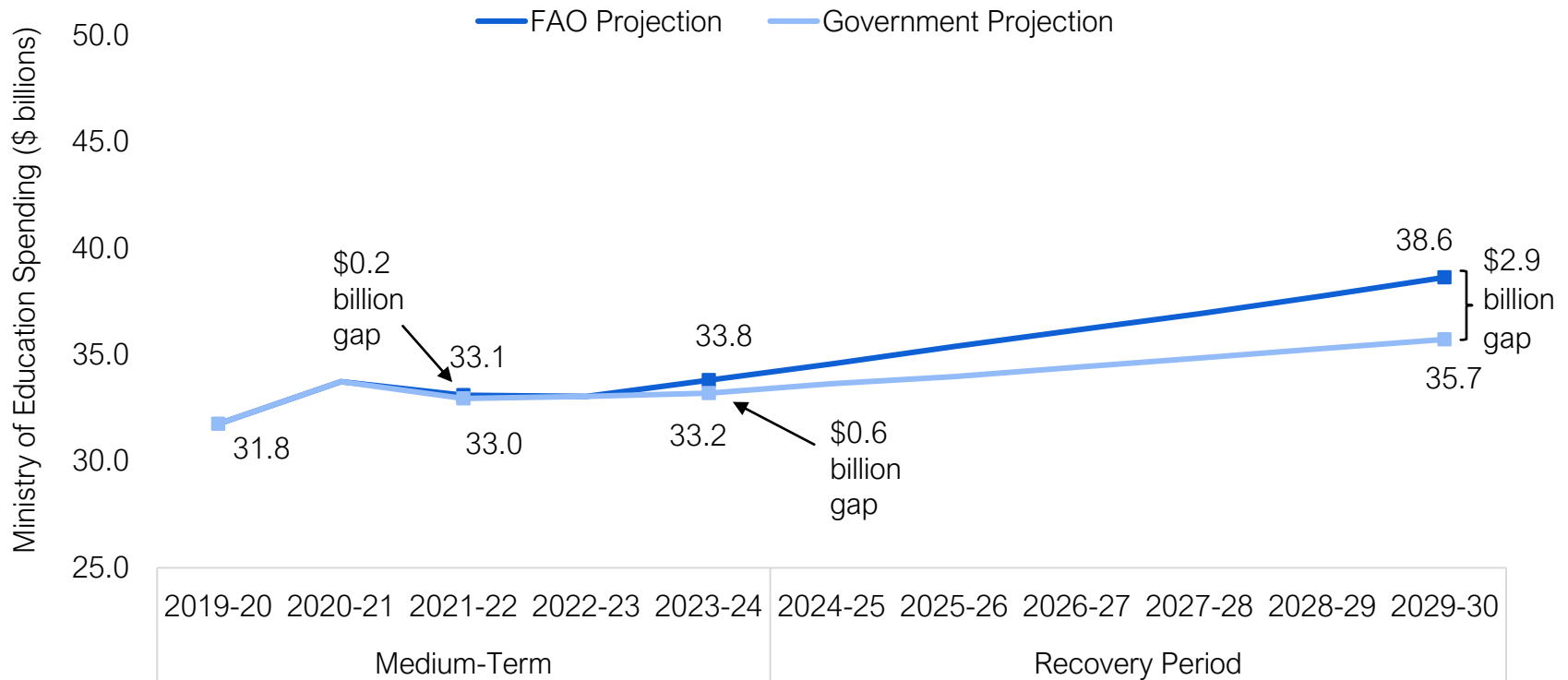
Spending Plan Analysis Overview

- Overall spending outlook
- Breakdown by program area
- Time-limited COVID-19-related spending



Education Spending Outlook

- FAO projects **2.0%** average annual growth over the **10-year period**, higher than the 2021 budget forecast of 1.2%, resulting in a spending gap of \$2.9 billion by 2029-30.



Note: The 'recovery period' represents the period in the 2021 Ontario Budget during which the government plans to achieve a balanced budget. The FAO and 2021 Ontario Budget projections include projected spending for the Ontario Teachers' Pension Plan (OTPP).
 Source: 2019-20 Public Accounts of Ontario, 2021 Ontario Budget and FAO analysis of provincial information.

Spending Outlook by Program Area

FAO projected Ministry of Education spending growth by program area, 2019-20 to 2029-30

Program Area	Average Annual Growth Rate (%) 2019-20 to 2029-30
School Boards	2.3
Child Care (Transfer Payments and CARE Tax Credit)	0.8
Ontario Teachers' Pension Plan	2.1
Ministry Operations	1.9
Other Education Programs	-12.1
Total Ministry of Education	2.0

Source: FAO calculations.

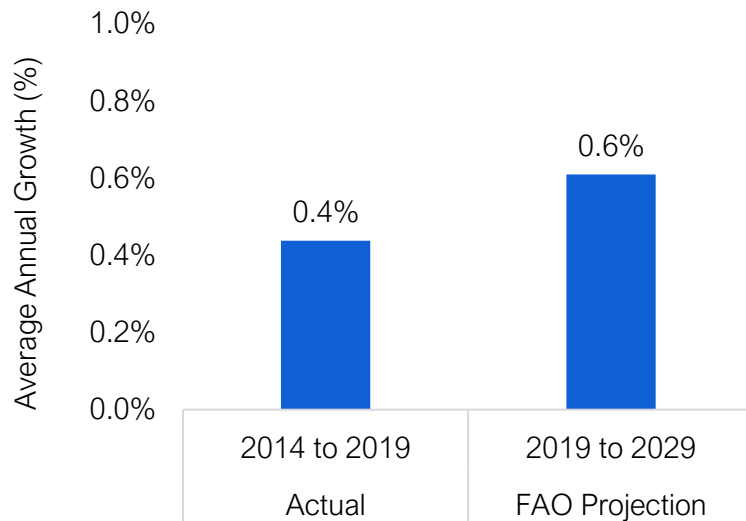


School Boards Spending Outlook

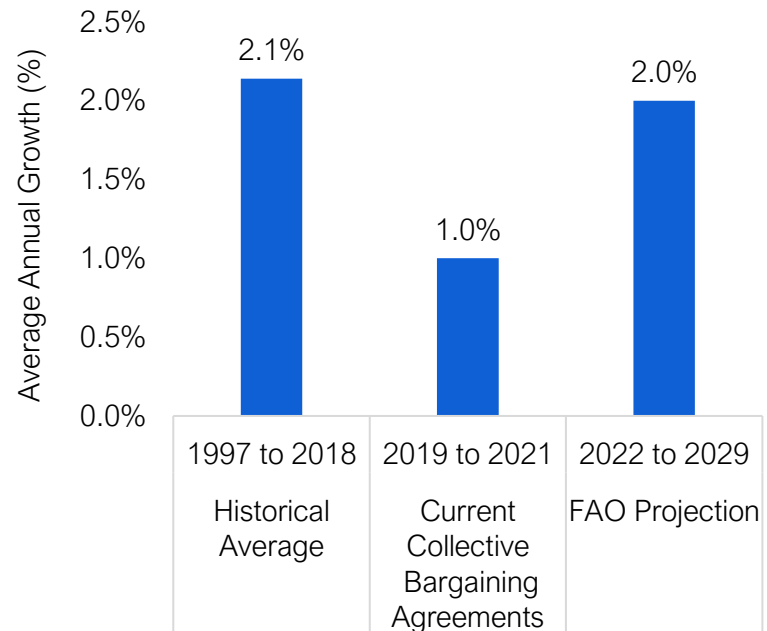
Compensation comprises 82% of school boards operating spending.

- **Staffing** is projected to increase by **0.6%** per year; consistent with enrolment.
- **Wages** are projected to increase by **2.0%** per year, after the collective agreements for teachers expire in August 2022, which is consistent with historical growth.

Annual school-aged population growth, historical and projected



Education workers' annual wage growth, historical and projected



Source: FAO analysis of information provided by the Ministry of Finance and Statistics Canada.

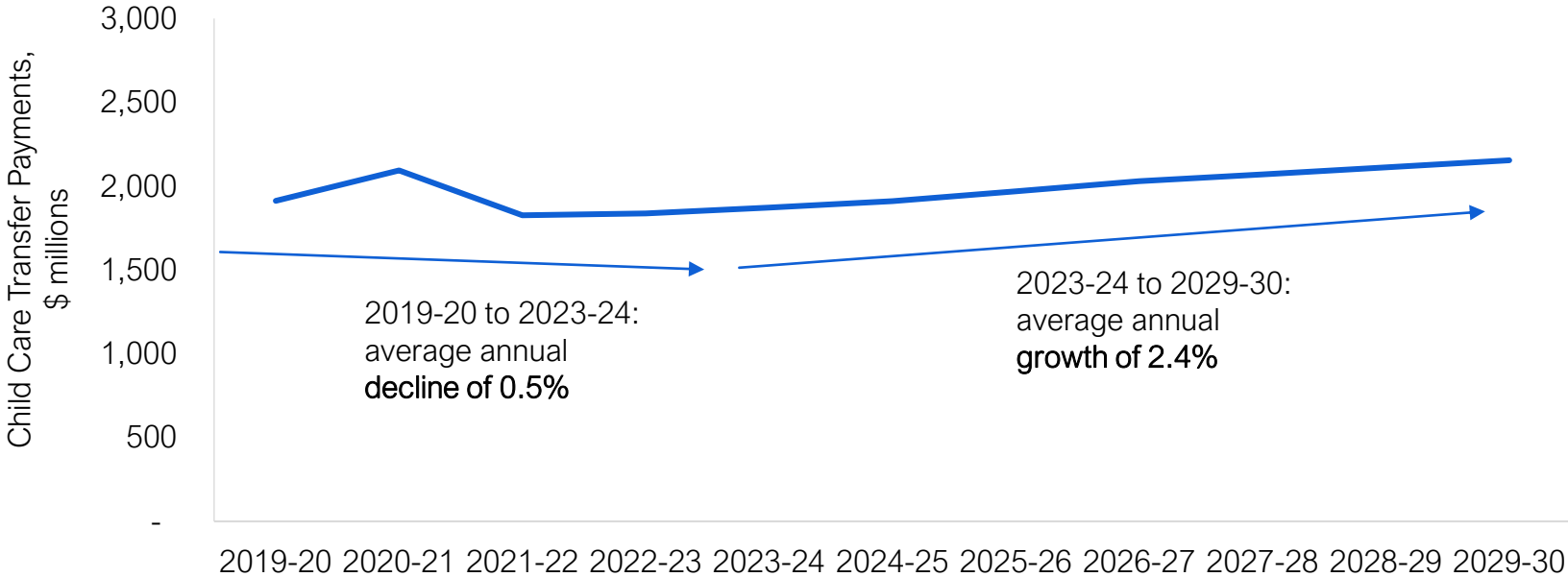
Source: FAO analysis of information provided by the Province and Statistics Canada's Labour Force Survey.



Child Care Spending – Transfer Payments

The FAO projects that child care transfer payments to municipal service managers will increase at an average annual rate of **1.2%** over the **10-year period**.

- From 2019-20 to 2023-24, transfers are projected to decline by an average of 0.5% each year, due to **changes to cost sharing agreements** with municipalities.
- After 2023-24, transfers will increase by an average of 2.4% each year, due to base funding policies and the Province’s plan to create **up to 30,000 new child care spaces**.



Source: 2019-20 Public Accounts of Ontario and FAO analysis of provincial information.



Child Care Transfer Payment Forecast

- **Base child care transfer payment**
 - Projected to grow at 1.1% per year, continuing the trend of below cost-driver growth. For example, the FAO estimates that the base child care transfer payment increased by 1.2% per year on average from 2010-11 to 2019-20.
- **Expansion plan for 30,000 new child care spaces**
 - In the 2019 Ontario Budget, the Province committed to create up to 30,000 new child care spaces in schools by 2023-24. The ministry reports that 20,807 spaces are approved or constructed as of 2021, leaving 9,200 spaces remaining to be allocated.
 - Since the FAO's last report in 2019, progress has been limited, with only 800 additional spaces being approved or constructed. Overall, the FAO projects that the full 30,000 spaces will not be completed until 2026-27.
- **Funding cuts to child care spending**
 - In 2019, the Province announced cuts to child care program spending that will be fully implemented by January 1, 2022.
 - In total, the FAO estimates that these changes will save the Province nearly \$134 million annually by 2022-23, growing to \$160 million by 2026-27.



Child Care Spending – CARE Tax Credit

- The Child Care Access and Relief from Expenses (CARE) tax credit is a refundable tax credit designed to offset a portion of the cost of child care for “working families, particularly families with low and moderate incomes.”
- CARE tax credit spending dropped from \$488 million in 2019-20 to an estimated **\$303 million 2020-21**, due in part to lower child care utilization.
- The FAO estimates that utilization and spending will recover to pre-pandemic levels by 2022-23, resulting in CARE tax credit spending of **\$470 million in 2022-23**.
- However, the FAO estimates that CARE tax credit spending will **decline** by an annual average of **1.0% from 2023-24 to 2029-30**.
 - The calculation of the CARE tax credit benefit is income tested based on family income, which is not indexed to inflation.
 - Overall, the FAO estimates that the number of families that receive the CARE tax credit will decrease from about 310,000 in 2019-20 to 280,000 in 2029-30.



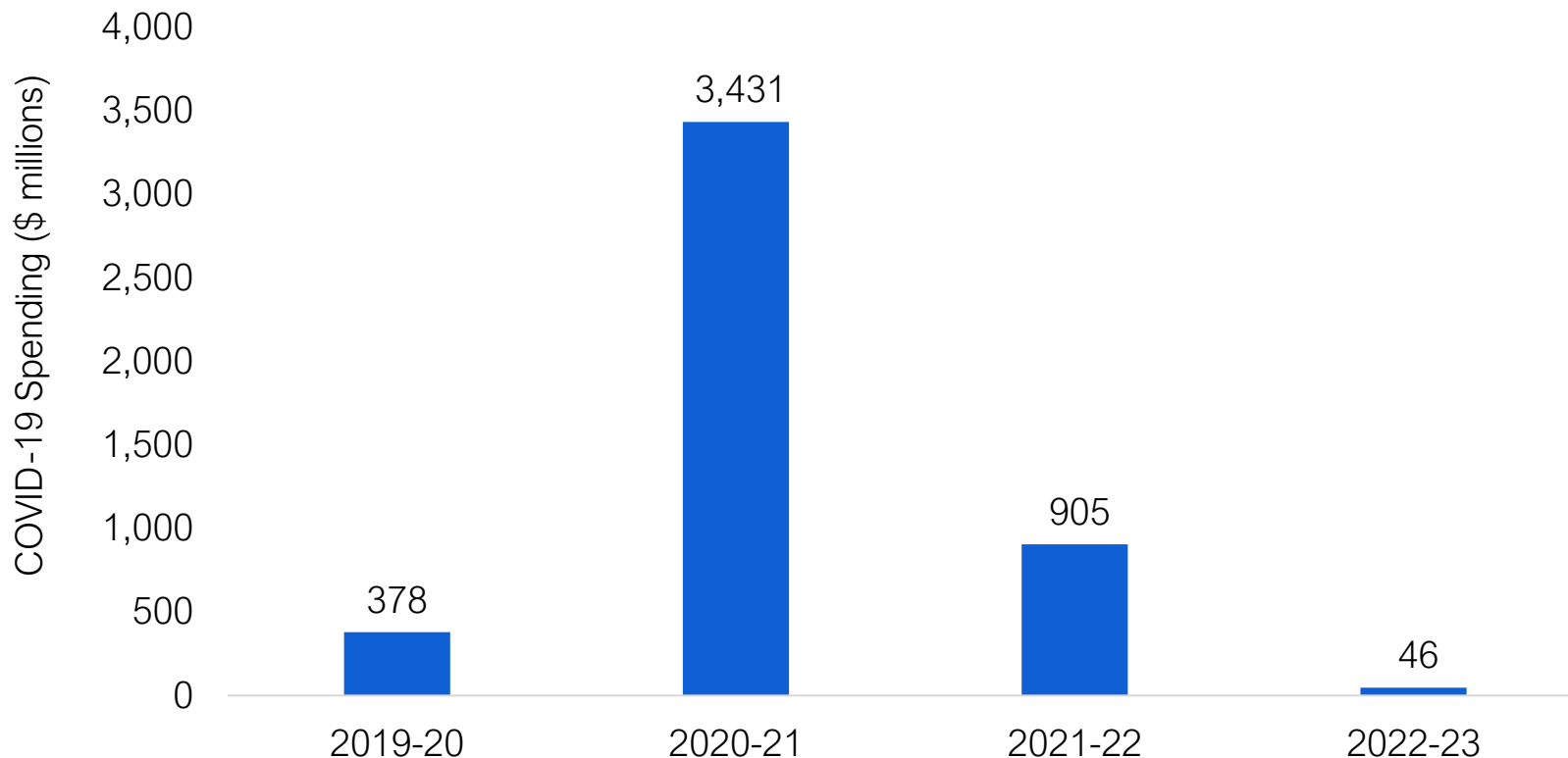
Other Program Areas

- For the remaining three program areas, the FAO projects that from 2019-20 to 2029-30:
 - **Ontario Teachers' Pension Plan (OTPP)** spending will grow at an average annual rate of 2.1%, based on FAO calculations of information provided by EDU as well as historic trends.
 - **Ministry operations** spending will increase at an average annual rate of 1.9%, consistent with the FAO's inflation projection.
 - **Other education programs** spending will decline at an average annual rate of 12.1%, largely due to the elimination of two time-limited programs that provided direct payments to families in 2019-20:
 - The Support for Parents program, which provided payments to address school closures related to teacher strikes.
 - The Support for Families program, which provided payments in response to COVID-19-related school closures.



Time-Limited COVID-19 Spending

The Ministry of Education's spending plan includes an estimated \$4.8 billion in time-limited spending in response to the COVID-19 pandemic.



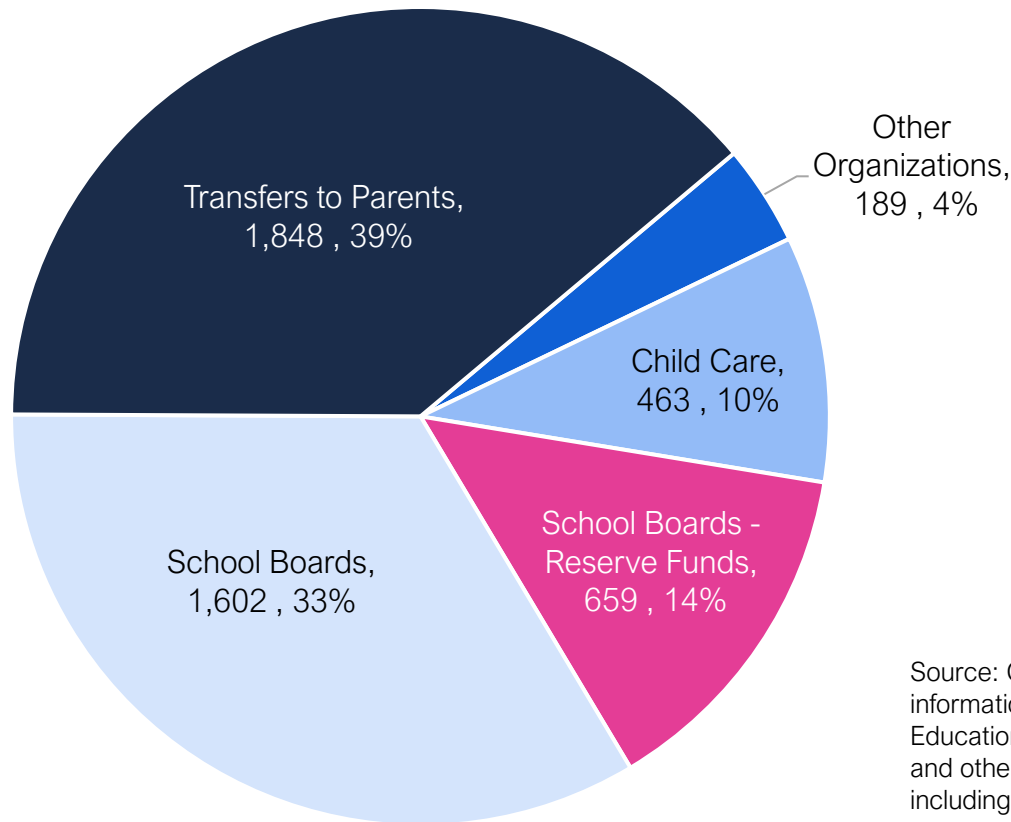
Source: FAO calculations based on information provided by the Ministry of Education, Treasury Board Secretariat and other publicly available information, including the 2021 Ontario Budget.



COVID-19 Spending by Category

- Spending by school boards in response to the COVID-19 pandemic, including reserves, expected to reach \$2.3 billion.

Ministry of Education COVID-19-related spending
by category, 2019-20 to 2022-23, \$ millions



Source: Calculations based on information provided by the Ministry of Education, Treasury Board Secretariat and other publicly available information, including the 2021 Ontario Budget.



Program Vote Review



Program Changes in 2021-22

Vote-Item	Transfer Payment	2021-22 Estimates (\$ millions)
New Programs		
1002-3	Investing in Canada Infrastructure Program (ICIP)	657
1002-3	Priorities and Partnerships Funding – School Boards (capital)	20

Source: FAO analysis of the 2021-22 Expenditure Estimates and information provided by Treasury Board Secretariat.



Programs with the Largest Funding Increases

Vote-Item	Transfer Payment	Increase (\$ millions)	Increase (%)
1002-3	School Board Capital Grants	348	25.9
1002-1	School Board Operating Grants	302	1.7
1002-1	Education Property Tax Non-Cash Expense	164	2.2
1004-1	Ontario Child Care Tax Credit	127	42.0
1002-3	School Board – Capital Funding for Child Care	11	10.5
1002-3	Early Learning Program	8	56.3

Source: FAO analysis of the 2021-22 Expenditure Estimates and information provided by Treasury Board Secretariat.



Programs with the Largest Funding Decreases

Vote-Item	Transfer Payment	Decrease (\$ millions)	Decrease (%)
1002-1	Priorities and Partnerships Funding – Third Parties	-1,606	-93.5
1002-1	Priorities and Partnerships Funding – School Boards	-909	-83.6
1004-1	Child Care and Early Years	-267	-12.8
1002-3	Climate Action Incentive Fund (CAIF)	-12	-46.2
1002-1	Official Languages Projects	-10	-18.5
1002-1	Education Quality and Accountability Office	-3	-10.5

Source: FAO analysis of the 2021-22 Expenditure Estimates and information provided by Treasury Board Secretariat.



Thank you!



FAO

FINANCIAL ACCOUNTABILITY
OFFICE OF ONTARIO

2 Bloor Street West, Suite 900, Toronto, Ontario, M4W 3E2

416.644.0702

info@fao-on.org

fao-on.org

