



Expenditure Estimates 2019-20

Ministry of Education

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Selections for 2019-20

The Standing Committee on Estimates (SCE) has selected the following ministries' Estimates for review:

- Health and Long-Term Care
- **Education (EDU)**
- Transportation
- Infrastructure
- Children, Community and Social Services
- Environment, Conservation and Parks
- Agriculture, Food and Rural Affairs

Purpose and Structure of FAO's Report

Purpose: to support the SCE's review of EDU's 2019-20 Expenditure Estimates.

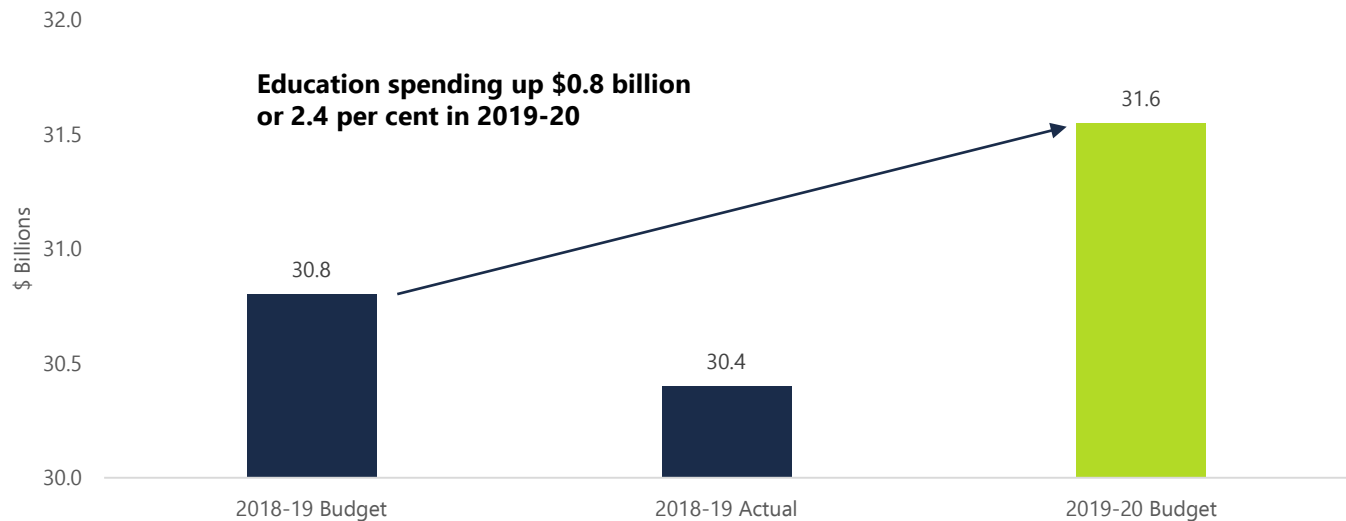
The report has three major sections:

1. **Financial overview** of the ministry
2. **Identifies key financial issues**
3. **Program review** by Estimates category

1. Financial Overview

EDU Spending for 2019-20

Projected spending of \$31.6 billion in 2019-20



Note: Ministry of Education spending includes spending related to the Ontario Teachers' Pension Plan (OTPP). The 2018-19 budget figure has been restated to reflect the Auditor General of Ontario's recommended accounting treatment for the OTPP.

Source: 2018 and 2019 Ontario Budgets and 2018-19 Public Accounts of Ontario.

Spending by Estimates Category

86% of spending is in the Elementary and Secondary Education program (vote 1002)

Vote	Program Name	2019-20 Estimates (\$ millions)	Share of Total (Per cent)
1002	Elementary and Secondary Education Program	26,997	86
1004	Child Care and Early Years Programs	2,207	7
1003	Community Services Information and Information Technology Cluster	56	0
1001	Ministry Administration Program	20	0
	Total Supply Bill (Voted) Expense	29,280	93
	Standalone legislation (statutory) expense – OTPP	1,732	5
	Standalone legislation (statutory) expense – other	3	0
	Total Standalone Legislation (Statutory) Expense	1,735	5
	Other spending – school boards*	547	2
	Other spending – other agencies and consolidations	-12	-0
	Total Other Spending	535	2
	Total Ministry of Education Expense	31,550	100

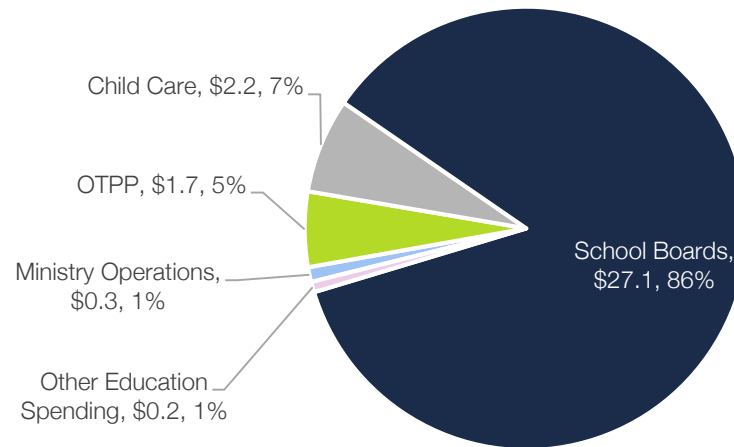
* Includes adjustments for school board trust debt repayment.

Note: Excludes requested Supply Bill spending on capital and operating assets totalling \$5.7 million.

Source: 2019-20 Expenditure Estimates.

Ministry Spending by Purpose (\$ billions)

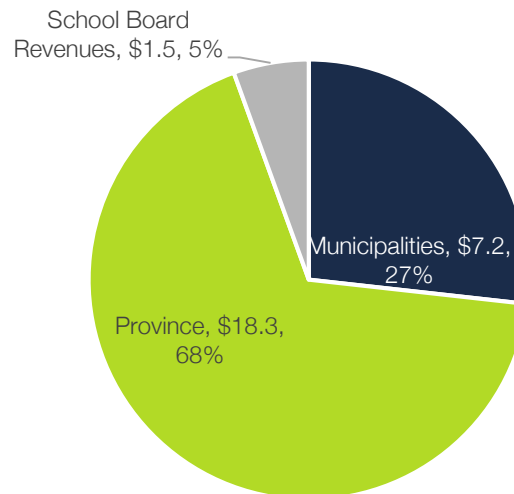
Spending by school boards accounts for 86% of ministry spending



Source: FAO analysis of 2019-20 Expenditure Estimates and information provided by the Province.

\$27.1 Billion in School Board Spending by Funding Source

- Only 68 per cent of school board spending is provided by the Province.
- The remaining funding is provided by municipalities and school boards' own-source revenues.



Source: FAO analysis of 2019-20 Expenditure Estimates and information provided by the Province.

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2. Key Financial Issues

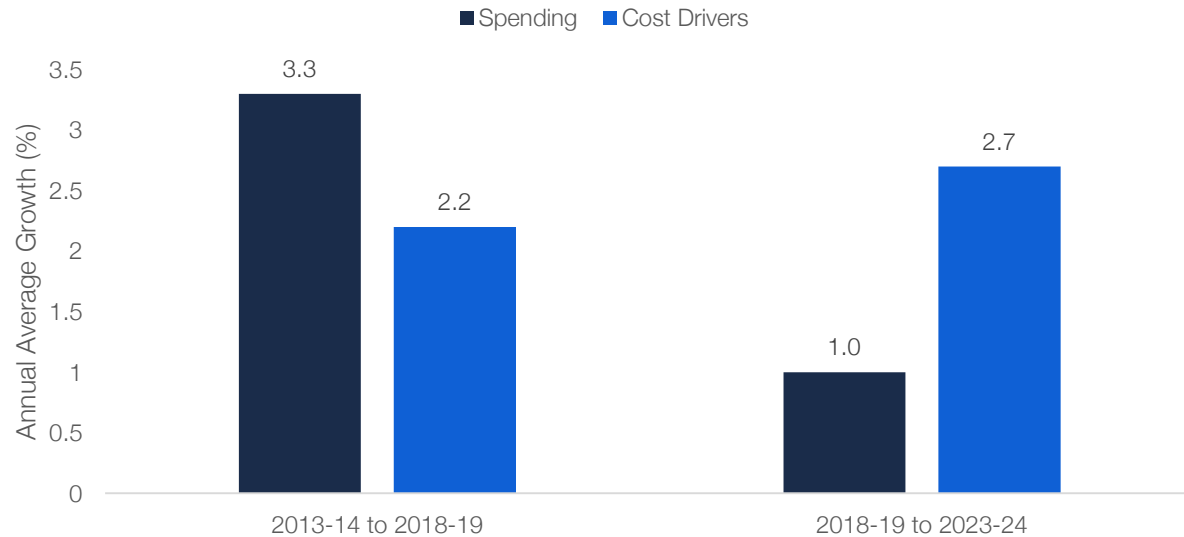
Key Issues Overview

- Ministry spending growth rate is well below the projected growth rate of education core cost drivers (school-age population and inflation) over the next five years.
- Proposed changes to class sizes and employee compensation were announced to meet the ministry's spending targets.
- The Province is making significant changes to child care programs.
- Potential changes to the valuation of the Ontario Teachers' Pension Plan (OTPP) could have a material impact to the Province's budget balance and net debt.

Issue 1: Ministry spending and core education cost drivers

EDU is entering a period of spending restraint.

Education core cost drivers and ministry spending growth, historical and projected



Source: FAO analysis of data from EDU.

Cost drivers growth rate is accelerating due to **faster growth in the school-age population.**

Issue 2: Key changes required to meet spending targets

Increasing Class Sizes

The Province announced:

- Funded average class sizes for secondary students will increase from 22 to 28 students per teacher.
- Funded average class sizes for students in grades 4 to 8 will increase from 23.84 to 24.50 students per teacher.
- Beginning in the 2020-21 school year, mandatory e-learning will be phased in for secondary students.
- The reduction in teachers required to implement the new class size ratios will be gradually phased in through attrition only.
- A \$1.6 billion Teacher Job Protection Fund will be used to prevent teacher layoffs related to increased class sizes.

Reduction in Teachers

The FAO compared the new class size policy against the old class size policy and projects:

- There will be an estimated 2,826 fewer teachers in the 2019-20 school year as a net result of the new class size targets and the Teacher Job Protection Fund.
- By the 2023-24 school year, there will be 10,054 fewer teachers in the education system.

Net impact of new class size policy and Teacher Job Protection Fund on teacher jobs by school year

	2019-20	2020-21	2021-22	2022-23	2023-24
Required Reduction in Teachers to Achieve New Class Size Policy	-8,846	-9,132	-9,460	-9,781	-10,054
Teaching Jobs Protected by the Teacher Job Protection Fund	6,020	3,941	1,734	0	0
Net Impact on Teacher Jobs	-2,826	-5,191	-7,726	-9,781	-10,054

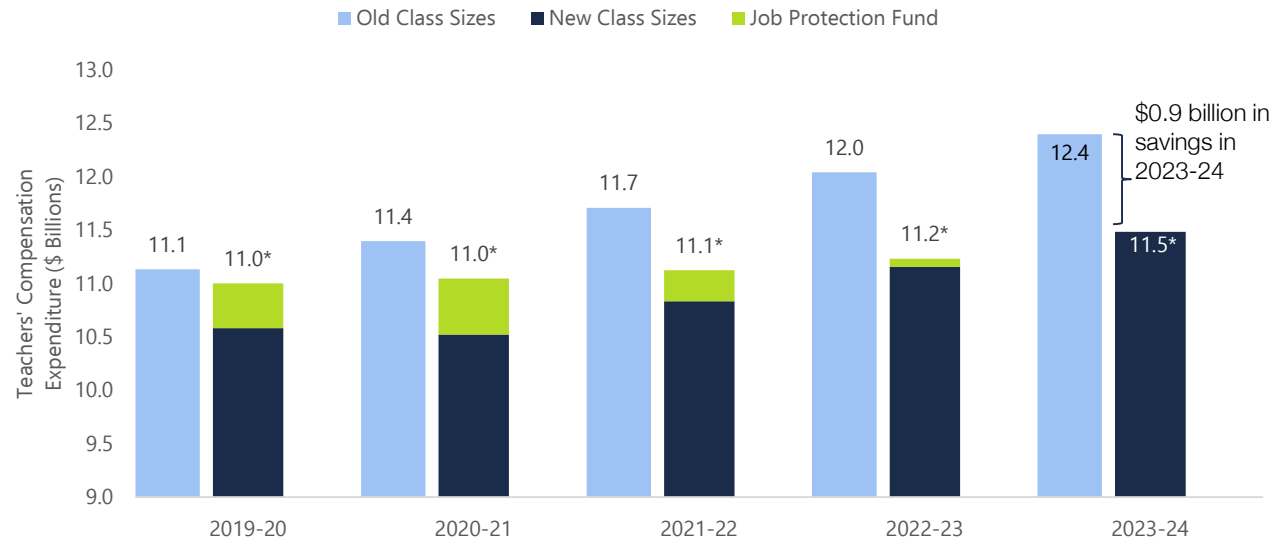
Note: Required reduction in teachers to achieve new class size policy is relative to the number of teachers that would have been funded under the old class size policy.

Source: FAO analysis of data from EDU and Statistics Canada.

Savings to Ministry

- The FAO projects increasing class sizes, net of the cost of the Teacher Job Protection Fund, will save the Province \$2.8 billion over the next five fiscal years.

Teachers' compensation expense, before and after new class size targets and the Teacher Job Protection Fund, by fiscal year (\$ billions)



Note: "*" values represent projected EDU spending including the Teacher Job Protection Fund. Reflects compensation for teachers funded through the Pupil Foundation Grant who are impacted by the class size policy change. Additional teachers may be funded through other programs. Figures are displayed on a fiscal year basis.

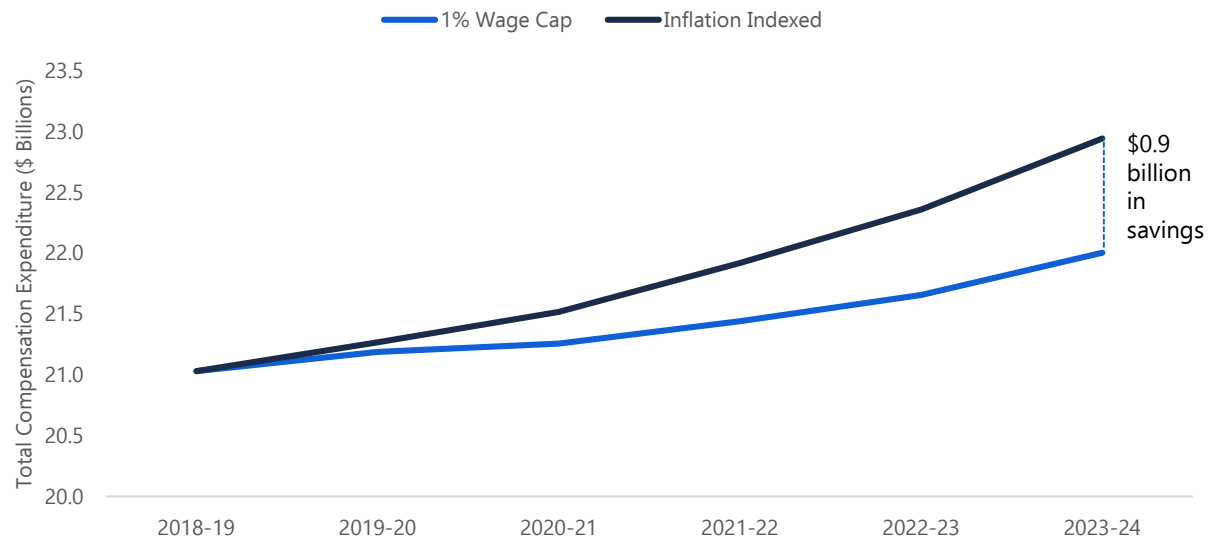
Source: FAO analysis of data from EDU.

Collective Bargaining Agreements

- On June 5, 2019, the Province introduced Bill 124, Protecting a Sustainable Public Sector for Future Generations Act, 2019.
- The proposed legislation would place a one per cent cap on wage increases for new public sector contracts negotiated for a three-year period.
- This cap would apply to over 200,000 teachers and other education staff whose collective agreements are up for renegotiation in September 2019.
- In 2018-19, spending on employees accounted for an estimated \$21.0 billion, or 78 per cent of all school board spending.

Projected Savings vs. Inflation

- If school board education workers' base salaries increase at one per cent annually, rather than the rate of inflation, the ministry would save \$2.5 billion over five years.



Note: One per cent wage cap scenario assumes proposed one per cent cap on wage increases continues through 2023-24. Also, both scenarios reflect implementation of new class size targets, including mandatory e-learning.
Source: FAO analysis of data from EDU.

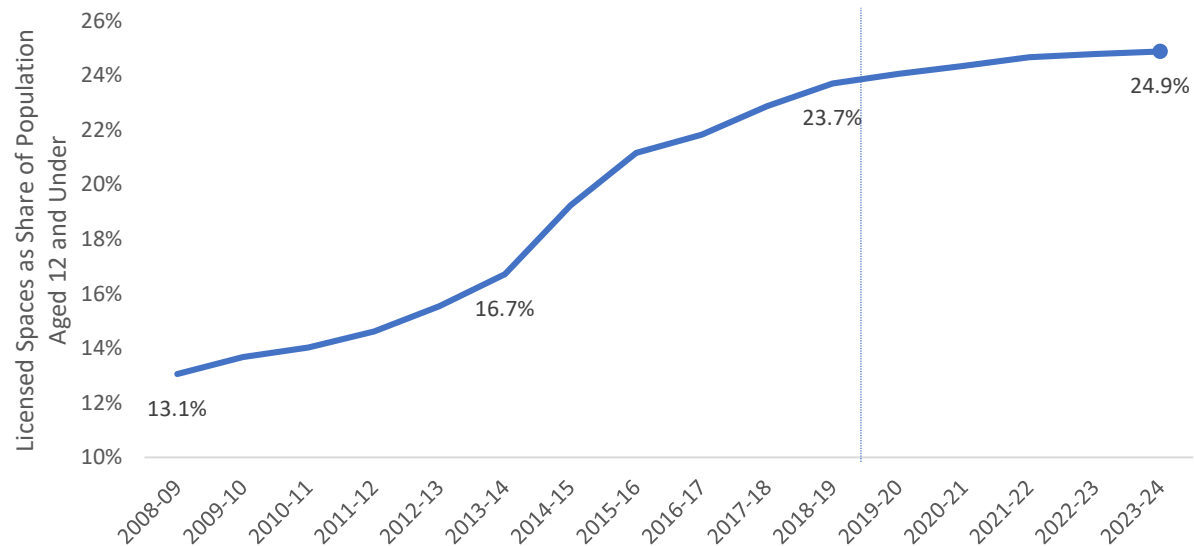
Issue 3: Restructuring Child Care Programs

Restructuring Child Care Programs

- The FAO projects 47,000 new licensed child care spaces will be created by 2023-24, reflecting:
 - The government's revised commitment to create up to 30,000 new child care spaces in schools.
 - A projected increase in licensed home child care spaces resulting from changes in legislation which would allow home-based child care providers to increase spaces.
 - An expected increase in licensed child care spaces resulting from the introduction of the CARE tax credit.
- There is a risk some new child care spaces will not be opened as planned due to funding cuts to municipal service managers.

Child Care Coverage Rate to Flatten

- Since 2008, the number of licensed child care spaces as a share of children aged 0 to 12 has increased significantly.
- Going forward, the population of children aged 0 to 12 is projected to increase by almost 100,000, resulting in only a small increase in the child care coverage rate.



Source: FAO and 2019 Ontario Budget.

Issue 4: Potential changes to the valuation of the Ontario Teachers' Pension Plan

Potential Valuation Changes to the OTPP

- The 2019 Ontario Budget reported that the Province was “in progress” with respect to implementing two recommendations made by the Independent Financial Commission of Inquiry regarding the valuation of the OTPP.
- Any changes to the valuation of the OTPP would likely have a material impact to the Province’s budget balance (annual surplus / (deficit)) and net debt. For example:
 - EDU expense would be reduced by \$2.3 billion and Provincial net debt would be reduced by \$18.4 billion in 2019-20 if the Province was able to eliminate the OTPP valuation allowance.
 - EDU expense and the Province’s net debt could materially increase if there is a change in the methodology or assumptions underlying the valuation of the OTPP’s assets or liabilities

3. Program Review

Programs with the Largest Nominal Funding Increases in 2019-20

Vote / Other	Program	Change (\$ millions)	Change (%)
Other	Schools – operating (consolidation adjustment)	475	86.3
1004	Childcare Access and Relief from Expenses Tax Credit	390	NA
1002	School Board Operating Grants	199	1.2
1002	School Board Capital Grants	141	9.8
Other	Schools – capital (consolidation adjustment)	77	15.7
1002	Education Property Tax Non-Cash Expense	70	1.0

Programs with the Largest Nominal Funding Decreases in 2019-20

Vote / Other	Program	Change (\$ millions)	Change (%)
1002	School Board – Capital Funding for Child Care	-59	-32.2
1004	Child Care and Early Years Capital	-94	-90.3
1002	Greenhouse Gas Reduction Account - Schools	-100	-100.0
1002	Priority and Partnerships Funding	-152	-35.9
1004	Child Care and Early Years	-156	-8.1

Thank you

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