

MINISTRY OF EDUCATION AND CHILD CARE  
**INFORMATION BRIEFING NOTE**

**DATE:** July 18, 2022  
**CLIFF:** 282325

**PREPARED FOR:** Honourable Jennifer Whiteside, Minister – **FOR INFORMATION**

**SUBJECT:** 2022/23 School District Annual Budgets

**PURPOSE:** Preliminary analysis of school district annual budgets for the 2022/23 school year.

**BACKGROUND:**

- All successful high-performing organizations undertake some form of strategic or long-term financial planning. For School Districts in British Columbia an annual budget is prepared and adopted in May after provincial funding estimates are published in mid-March for the upcoming school year.
- The budget is subsequently amended the following February after enrolment and funding is updated in late December of the school year.
- Staff and parents participate in working groups and are consulted on budget development objectives. The school communities, public budget meetings, surveys on the school district website, and budget advisory committee provide feedback on the working group findings and additional information to the Board.

**Annual (Preliminary) Budget**

- The Preliminary Budget is prepared in February to May for the next school year based on estimated enrolment and funding and, as per the *School Act*, must be balanced, and must be submitted to the Ministry of Education and Child Care (ECC) by June 30.
- The preliminary budget is:
  - Used primarily by school district as a planning tool to determine supplies and services required for the next school year, as well as determining school configurations and staffing requirements in May and June prior to the new school year. Collective Agreement language will stipulate milestone dates for staffing decisions.
  - Allows Board and management to focus on current financial status and problems encountered, e.g., structural deficits.
  - Helps districts develop cash flow requirements and when to order supplies and commit to contracts.
  - Communicates Board's plans and goals to stakeholders and public.
- Section 111(3) of the *School Act* requires boards to prepare a balanced budget where board revenues plus any appropriated surpluses fully fund the following:
  - annual operating expenses;
  - annual special purpose fund (SPF) expenses;
  - annual capital fund expenses;
  - tangible capital asset acquisitions (from Operating, SPF's and Local Capital); and,

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- any planned reduction of prior years' deficits.
- ECC has received all 60 school district 2022/23 annual budget submissions.

**DISCUSSION:**

- A review of the annual budgets submitted to ECC shows that all budget submissions comply with section 111(3) of the *School Act* and are balanced and, as at June 30, 2023, there are no school districts budgeting for an accumulated deficit position or with unfunded Employee Future Benefits liabilities.
- Attachment 1 (Comparison of Budgets to Actual) shows the changes between Annual Budget (Preliminary), Amended Budget and Final results for the past several years.
- School district reporting indicates the collective appropriation of \$96 million of accumulated surplus from prior school years to balance the 2022/23 school year (down from \$194 million in their 2021/22 amended budgets).
- The \$96 million is comprised of:
  - \$27 million of capital purchases (down from \$36 million),
  - \$21 million transferred to local capital (down from \$41 million), and
  - \$48 million (down from \$116 million) of accumulated operating surplus to balance their budgets in 37 school districts (down from 48 in 2021/22).
- In 2020/21 the Accumulated Operating Surplus increased by \$26.3 million to \$416.0 million despite a budgeted appropriation of \$169.2 million in the Amended Annual Budgets (Attachment 1), a \$195 million swing.
- It is estimated that the accumulated surplus will not appreciably change by June 30, 2022, i.e., school districts will not use the \$194 million appropriated to balance their 2021/22 amended annual budgets.
- Likewise, it is unlikely that the \$96 million appropriation of accumulated operating surplus will be required to balance budgets by the end of the 2022/23 school year.
- Attachment 2 (Comparison of 2023 and 2022 Budgets) presents the most noticeable differences for Services and Supplies.
  - Services – increase of \$12.6 million (6.2 percent)
  - Utilities – increase of \$7.5 million (7.0 percent)
  - Supplies – increase of \$7.1 million (3.2 percent)
  - Student Transportation – increase of \$2.7 million (6.5)
- The budgeted increase for Substitutes Salaries (\$13.2 million increase; 7.0 percent) is likely influenced by changes to the *Employment Standards Act*.
- These budgeted increases reflect what we have heard from the sector regarding inflationary cost pressures. However, the decrease in appropriated surplus to balance the 2023 annual budget indicates that districts can absorb these pressures, or that they have reached the limit of accumulated operating surplus that can be appropriated without significant impact on school district operations.

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● s.13; s.17

**CONCLUSION:**

Provincially, the K-12 public school system is in sound financial health although individual districts may voice concerns about their ability to cover any future year's deficit and ECC is monitoring some districts due to structural deficit concerns.

Attachments:

1. Comparison of Budgets to Actual
2. Comparison of 2023 and 2022 Budgets

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<b>Program ADM/Branch:</b>	<b>Chris Brown, Funding and Financial Accountability</b>
<b>Program Contact (for content):</b>	<b>Jonathan Foweraker</b>
<b>Drafter:</b>	<b>Ian Aaron</b>
<b>Date:</b>	<b>July 18, 2022</b>

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**Attachment 1: Comparison of Budgets to Actual**

Comparison of Annual Budget to Amended Budget to Actual Financial Results														
		2019-20			2020-21			2021-22			2022-23			
		Annual Budget	Amended Budget	Actual	Annual Budget	Amended Budget	Actual	Annual Budget	Amended Budget	Actual	Annual Budget	Amended Budget	Actual	
Accumulated Operating Surplus, start of year	A	\$ 307.50 M	\$ 307.50 M	\$ 307.50 M	\$ 389.76 M	\$ 389.76 M	\$ 394.52 M	\$ 416.05 M	\$ 416.05 M	\$ 416.05 M	n/a	n/a	n/a	
Annual Operating Surplus / (Deficit)	B	\$ (2.39) M	\$ (26.46) M	\$ 198.63 M	\$ (41.77) M	\$ (91.14) M	\$ 118.26 M	\$ (73.76) M	\$ (115.49) M	n/a	\$ (48.20) M	n/a	n/a	
# of Districts indicating Annual Deficit		26	40	3	34	41	8	44	48	n/a	37	n/a	n/a	
Transfers out of Operating funds to Other Funds														
- for Capital Assets	C	\$ (36.67) M	\$ (47.28) M	\$ (52.43) M	\$ (30.63) M	\$ (39.83) M	\$ (46.81) M	\$ (24.39) M	\$ (36.38) M	n/a	\$ (26.76) M	n/a	n/a	
- for Local Capital	D	\$ (23.98) M	\$ (42.77) M	\$ (63.93) M	\$ (21.80) M	\$ (37.01) M	\$ (49.92) M	\$ (11.83) M	\$ (41.26) M	n/a	\$ (21.23) M	n/a	n/a	
Reduction of Unfunded Employee Future Benefits	E	\$ (0.07) M	\$ (0.07) M	n/a	-	-	n/a	-	-	-	-	-	-	
Budgeted Retirement of Deficit	F	-	\$ (0.24) M	n/a	-	-	n/a	-	-	-	-	-	-	
Budgeted Surplus for the year	G	\$ 1.14 M	\$ 1.65 M	n/a	\$ 2.11 M	\$ 1.23 M	n/a	\$ 1.15 M	\$ 0.37 M	n/a	\$ 0.10 M	n/a	n/a	
Surplus Appropriation to Balance Budget [B + C + D + E + F - G = H]	H	\$ (64.25) M	\$ (118.46) M	n/a	\$ (96.31) M	\$ (169.21) M	n/a	\$ (111.13) M	\$ (193.51) M	n/a	\$ (96.30) M	n/a	n/a	
June 30 Accumulated Operating Fund Surplus - for Budget [A + H = I] - for Actual [A + B + C + D = I]	I	\$ 243.25 M	\$ 189.04 M	\$ 389.76 M	\$ 293.45 M	\$ 220.55 M	\$ 416.05 M	\$ 304.92 M	\$ 222.54 M	n/a	n/a	n/a	n/a	
Note: In 2019-20, SD05 (Southeast Kootenay) made a Prior Period Adjustment which increased their Accumulated Operating Surplus by \$0.9M. Adjustment was due to reclassification of Deferred Revenue to Operating Surplus.														
Note: In 2020-21, SD68 (Nanaimo-Ladysmith) made a Prior Period Adjustment which increased their Accumulated Operating Surplus by \$4.76M. Adjustment was due to recognizing a Benefit Premium Balance which increased Operating Surplus.														

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**Attachment 2: Comparison of 2023 and 2022 Budgets**

	SD99 (Provincial Composite)			
	2022 Annual Budget	2023 Annual Budget	Annual 2022 vs. Annual 2023	
Services & Supplies				
Services	202,896,385	215,512,512	12,616,127	6.2%
Student Transportation	42,468,670	45,240,584	2,771,914	6.5%
Pro-D and Travel	43,477,297	44,080,050	602,753	1.4%
Rentals and Leases	8,597,992	9,411,641	813,649	9.5%
Dues and Fees	13,387,565	14,623,462	1,235,897	9.2%
Insurance	15,854,294	16,176,023	321,729	2.0%
Interest	22,330	24,272	1,942	8.7%
Supplies	221,062,798	228,217,746	7,154,948	3.2%
Utilities	108,182,416	115,718,247	7,535,831	7.0%
Bad Debt Expense	27,800	27,800	0	0.0%
	655,977,547	689,032,337	33,054,790	5.0%
Substitutes Salaries	188,811,689	202,062,905	13,251,216	7.0%
Funded FTEs	563,513.7490	572,905.9064	9,392.1574	1.7%