

Ministry of Education

Financial Analysis and
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2021: SB12

Date: June 11, 2021

Memorandum To: Senior Business Officials

From: Med Ahmadoun
Director
Financial Analysis and Accountability Branch

Subject: **Additional Information on 2021-22 Stabilization and
Supplemental COVID-19 Support Funding as well as the Use of
School Board Reserves**

Further to memoranda 2021: B07 and 2021: SB08, I am writing to provide you with additional information on the Stabilization and Supplemental COVID-19 Support Funding, and to provide clarification on the use of school board reserves and the related in-year deficit approval process for the 2021-22 school year.

COVID-19 SUPPORT FUNDING

Depending on the school board's ending 2020-21 accumulated surplus balance, the school board's in-year deficit level, and the COVID-19 expenses incurred for the safe operation of schools in 2020-21 and 2021-22, school boards may be entitled to Stabilization COVID-19 Support Funding and/or Supplemental COVID-19 Support Funding in the 2021-22 school year.

These two sources of funding will first be calculated based on the ministry reviewed 2020-21 Revised Estimates (i.e., preliminary estimate of reserves balance) and 2021-22 Estimates (i.e., preliminary estimate of the in-year deficit and operating allocation). The preliminary funding amount will be updated as the 2020-21 and 2021-22 Financial Statements information becomes available.

The information that follows pertains to the eligible COVID-19 funding supports which is distinct from the overall allowable in-year deficit. For example, a school board for the first half of the year

may incur an in-year deficit of one per cent of their operating allocation where the eligible Supplemental COVID-19 Support Funding might be less than one per cent. A deficit greater than one per cent for the first half of the year requires approval of the Minister of Education.

A. Supplemental COVID-19 Support Funding in 2021-22

A portion of the in-year deficit incurred in 2021-22 might be eligible for supplemental funding by the ministry. The funding is equal to the amount of the COVID-19 related in-year deficits in 2020-21 and 2021-22 less two per cent (but cannot exceed two per cent or the 2020-21 amount). To determine eligibility the key steps are as follows:

Step 1 – determine how much of the in-year deficit in 2020-21 is related to COVID-19. It is equal to the least of the following as a per cent of the school board’s operating allocation:

- i. the school board’s reported in-year deficit;
- ii. the board funded COVID-19 expenses reported in Schedule 9.1 of the Education Finance Information System (EFIS) forms, and
- iii. two per cent

Step 2 – determine how much of the in-year deficit in 2021-22 is related to COVID-19 in 2021-22. It is equal to the least of the following as a per cent of the school board’s operating allocation:

- i. the school board’s reported in-year deficit;
- ii. the board funded COVID-19 expenses reported in schedule 9.1 of the EFIS forms;
- iii. one per cent for the Estimates cycle (it may change to two per cent pending vaccination administration and medical advice in the fall)
- iv. amount determined in step 1

Step 3 – take the sum of steps 1 and 2 above minus two per cent.

Step 4 – if step 3 is positive, the school board is eligible for funding.

Please see below for a simplified illustration on funding entitlement based on different school board scenarios (assuming a full year of activities, not a half year). For a comprehensive example, please refer to Appendix A.

	School Board A	School Board B	School Board C	School Board D
2020-21 deficit/COVID-19 expenses	1.3%	1.3%	0.8%	2.0%
2021-22 deficit/COVID-19 expenses *	1.1%	0.6%	2.5%	2.0%
Sum of the above minus two per cent	0.4%	(0.1%)	1.3%	2.0%
Eligible Supplemental COVID-19 Support Funding**	0.4%	0.0% as the 2% threshold is not exceeded	0.0% ***	1.0% (as funding is capped at 1% for Estimates cycle)

* In-year deficits over the allowable threshold (one per cent for Estimates cycle) requires the approval of the Minister of Education.

** Deficit amount eligible for funding will be net of any Stabilization COVID-19 Support Funding received by the school board in 2021-22.

*** As the 2021-22 deficit eligible for funding is capped at 2020-21 level – 0.8%, the total COVID-19 spending eligible for funding is 1.6%, which does not exceed 2%.

B. Stabilization COVID-19 Support Funding

Where school boards do not have enough accumulated surplus to support COVID-19 expenses in 2021-22, the ministry will provide Stabilization COVID-19 Support Funding so all school boards can incur a comparable level of COVID-19 expenses.

Please see below for a simplified illustration on funding entitlement based on different school board scenarios. For a comprehensive example, please refer to Appendix A.

	School Board A	School Board B	School Board C
2020-21 ending accumulated surplus/(deficit) balance* as % of the 2021-22 operating allocation	0.8%	0.8%	(0.2%)
2021-22 in-year surplus/(deficit) amount related to COVID-19 expenses**	(0.5%)	(1.3%)	(0.5%)
2020-21 in-year surplus/(deficit) amount related to COVID-19 expenses	(1.0%)	(1.2%)	(1.0%)
The lesser of 2020-21 and 2021-22 COVID-19 expenses	(0.5%)	(1.2%)	(0.5%)
Eligible Stabilization COVID-19 Support Funding	0.0% - in-year deficit can be covered by accumulated surplus	0.2% - amount needed to cover COVID-19 expenses up to maximum amount (i.e. 1%)	0.5% - accumulated deficit is not funded by the ministry

*The accumulated surplus available for COVID-19 expenses is the accumulated surplus ending balance as reported at Schedule 5, Item 3 of the 2021-22 Financial Statement submission less the ending balance committed for retirement gratuities, sinking fund interest earned and committed capital projects (item 2.1, 2.8.1 and 2.8.2 of Schedule 5).

**In-year deficits over the allowable threshold requires the approval of the Minister of Education

C. PARAMETERS SUPPORTING THE 2021-22 ESTIMATES

For the 2021-22 Estimates, school boards are allowed to incur a deficit up to the lesser of the accumulated surplus from the preceding year and half of the maximum allowed amount of two per cent (i.e., one per cent) of their operating allocation. Any deficit over this threshold requires approval from the Minister of Education.

As the EFIS forms do not automatically calculate the Stabilization COVID-19 Support Funding, the ministry-calculated preliminary Stabilization COVID-19 Support Funding amount will be added to FO reviewed version of the 2021-22 Estimates form and will serve to inform the compliance calculation. School boards are also encouraged to calculate the preliminary Stabilization COVID-19

Support Funding amount, if applicable, using the illustrative example in Appendix A. If after the inclusion of the preliminary Stabilization COVID-19 Support funding amount the deficit falls below the allowed deficit threshold, the in-year deficit approval will not be required.

The Supplemental COVID-19 Support funding will not be considered in the determination of compliance.

D. 2021-22 In-Year Deficit Approval

Consistent with prior years, the Minister will consider a number of factors when assessing the in-year deficit for approval as follows:

- i. whether the in-year deficit is structural or will occur only one time.
- ii. whether the in-year deficit is less than 50 per cent of the board's accumulated surplus.
- iii. the extent to which the in-year deficit is the result of circumstances beyond the school board's control.

For purposes of the 2021-22 Estimates and Revised Estimates, the Minister also intends on considering whether the 2021-22 in-year deficit is greater than the 2020-21 in-year deficit. As it is expected that most secondary school students (12-17 years of age) will be vaccinated by the start of the school year, barring exceptional circumstances, it is not expected that school boards' financial positions should be negatively impacted to the extent experienced in the 2020-21 school year. Where school boards anticipate a less favorable financial position in 2021-22 than in 2020-21, school boards should clearly identify the reasons and the budget parameters used to reach this conclusion in submitting an in-year deficit request.

School boards that need to seek the Minister's approval are also reminded to proceed expeditiously with the in-year deficit request to ensure that the decision is received prior to the finalization of the school board's budget approval process.

E. 2020-21 SCHOOL YEAR SUPPORTS

Throughout the 2020-21 school year, the Ontario government provided significant investments to school boards in support of school reopening plans that prioritizes the health and safety of students and staff. In addition to these investments, via memorandum 2021: B01, the ministry also provided financial flexibility allowing school boards to access up to 15 per cent of uncommitted POD-Regular to support COVID-19 expenses.

The ministry, in determining funding in Sections A and B above, shall maintain the assumed access to POD where school boards had planned to use this flexibility.

Finally, and as a reminder, it is expected that school boards' 2020-21 final expenses will not deviate from the planned 2020-21 expenses at the time of the announcement of the memorandum 2021: B07. School boards will be required to submit an attestation to this effect when submitting the 2020-21 Financial Statements.

F. CONTACTS

For any questions related to resources available through COVID-19 Support Funding and access to reserves, please contact Andrew Yang at 416-937-3767 / Andrew.yang@ontario.ca or Yan Chen at 437-216-4933 / Yan.Chen@ontario.ca.

Sincerely,

Original signed by

Med Ahmadoun
Director
Financial Accountability and Analysis Branch

c: Directors of Education

Appendix A: Detailed Illustrative Example

Accumulated Surplus (Deficit) Balance for the Purpose of Calculating Stabilization COVID-19 Support Funding		
1.0	2020-21 Revised estimates accumulated surplus / (deficit) available for compliance ending balance	140,000,000
	...2020-21 Revised Estimates, schedule 5, item 3, column 4 (FO Active)	
1.1	Retirement gratuities	25,000,000
	...2020-21 Revised Estimates, schedule 5, item 2.1, column 4 (FO Active)	
1.2	Committed sinking fund interest earned	60,000,000
	...2020-21 Revised Estimates, schedule 5, item 2.8.1, column 4 (FO Active)	
1.3	Committed capital projects	15,000,000
	...2020-21 Revised Estimates, Schedule 5, item 2.8.2, column 4 (FO Active)	
1.4	Ministry adjustments (i.e. POD adjustment)	-
1.5	Available accumulated surplus/(deficit) balance for the purpose of calculating Stabilization COVID-19 Support Funding	40,000,000
	...Item 1.0 - Item 1.1 - Item - Item 1.2 - Item 1.3 - Item 1.4, zero if negative	

2021-22 Reserve Access for the Purpose of Calculating COVID-19 Support Funding		
2.0	2021-22 In-year (surplus)/deficit for compliance purposes	10,790,000
	...2021-22 Estimates, compliance report, item 1.3 (enter surplus as negative, deficit as positive)	
2.1	Operating allocation to be used in compliance calculation	830,000,000
	...2021-22 Estimates, compliance report, item 1.7 (from section 1A, item 1.92)	
2.2	Maximum allowed reserve access for the purpose of calculating COVID-19 Support Funding	8,300,000
	...1% of item 2.1	
2.3	Board funded COVID-19 expenses	9,000,000
	...2021-22 Estimates, schedule 9.1, item 5 (enter as positive)	
2.3.1	Reserve access for the safe operation of school in 2020-21	9,000,000
	...item3.3	
2.4	2021-22 reserve access for the purpose of calculating of COVID-19 Support Funding	8,300,000
	... least of item 2.0, 2.2 2.3 and 2.3.1	

Stabilization COVID-19 Support Funding Calculation		
2.4.1	2021-22 reserve access for the purpose of calculating COVID-19 Support Funding	8,300,000
	... item 2.4	
2.5	Available accumulated surplus	40,000,000
	...item 1.5	

2.6 Eligible Stabilization COVID19 Support Funding ...item 2.4 minus item 2.5, zero if negative	-
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COVID-19 Expenses To be Funded Through School Board Reserve	
3.1 2020-21 in-year (surplus)/deficit for compliance purposes ...2020-21 Revised estimates, compliance report, item 1.3 (FO Active)	10,000,000
3.2 2020-21 board funded COVID-19 expenses ...2020-21 Revised estimates, compliance report, item 1.5 (FO Active)	9,000,000
3.3 Reserve access for the safe operation of schools in 2020-21 ...the lesser of item 3.1 and 3.2	9,000,000
3.4 2020-21 Operating allocation for compliance purpose ...2020-21 Revised estimates, compliance report, item 1.7 (FO Active)	800,000,000
3.5 2020-21 reserve access for safe operation of school as a percentage of operating allocation ...-Item 3.3 / Item 3.4	1.125%
3.6 2021-22 COVID-19 expenses to be funded by school board reserves as percentage of operating allocation ...2% less item 3.5, zero if negative	0.875%
3.7 2021-22 operating allocation ...item 2.1	830,000,000
3.8 2021-22 COVID-19 expense to be first funded by school board reserves ...item 3.6 times item 3.7	7,262,500
3.9 Opening balance of available accumulated surplus for COVID-19 expenses ... item 1.5	40,000,000
3.10 COVID-19 expenses to be funded by school board reserves ...lesser of item 3.8, item 3.9	7,262,500

Supplemental COVID-19 Support Funding Calculation	
4.0 2021-22 reserve access for the purpose of calculating COVID-19 Support Funding ...item 2.4	8,300,000
4.1 COVID-19 expenses to be funded by school board reserves ...item 3.10	7,262,500
4.2 Stabilization COVID-19 Support Funding ...item 2.6	-
4.3 Supplemental COVID-19 Support Funding ...item 4.0 less item 4.1 and 4.2, zero if negative	1,037,500

NOTE: This illustrative example provides the preliminary funding amounts which would be adjusted following the receipt of the 2020-21 and 2021-22 Financial Statements.