

DATE: May 17, 2022

TO: Board of Trustees

FROM: Darrel Robertson, Superintendent of Schools

SUBJECT: Analysis of Overall Per Student Funding and Impact of the Weighted Moving Average (Response to Request for Information #010)

ORIGINATOR: Todd Burnstad, Chief Financial Officer

RESOURCE STAFF: Drew Horn, Jennifer Price

REFERENCE:

ISSUE

At the April 19, 2022 Board meeting, Board Chair Estabrooks requested administration provide an analysis of overall per student funding in the last five years, explaining the impact of the weighted moving average on the funding that the Division receives.

BACKGROUND

Provincial Funding

On February 27, 2020, a new funding framework was released, effective for the 2020-2021 school year. The major change from the previous funding framework was the transition from a per student funding model that funded individual students to a funding model based on a three-year weighted moving average (WMA) of enrolment.

WMA Funding Model highlights

- The WMA model captures the number of funded students across three school years and does not allocate funding per individual student.
- All Alberta Education funding grants received by the Division, with the exception of the Transportation and the Geographic grant, are either fully or partially calculated using the WMA enrolment.

For the upcoming 2022-2023 school year, the WMA calculation will be based on the following formula:

School Year	Weighted Factor	Enrolment Count (FTE) ¹	Enrolment Source
2020-21	20%	98,288	Actuals
2021-22	30%	100,006	Estimates ²
2022-23	50%	102,702	Projection ³

WMA Enrolment (FTE)	101,010
---------------------	---------

Notes:

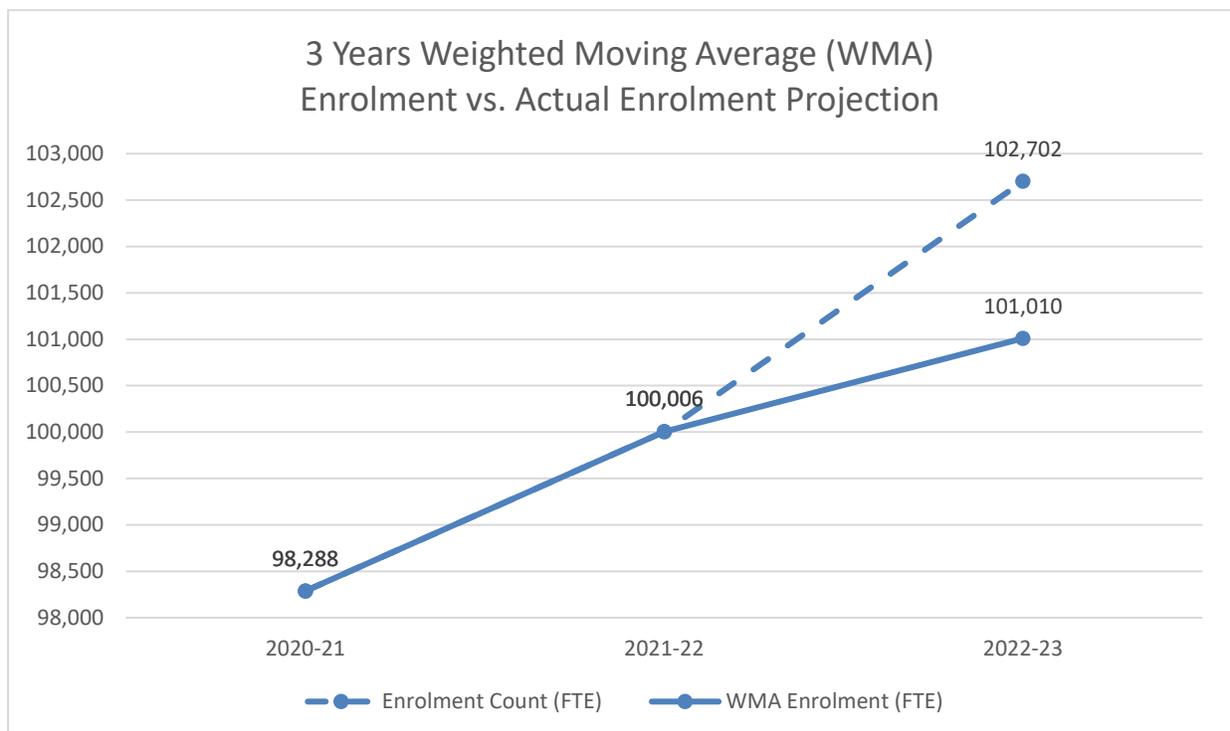
¹ Additional details on the Division’s enrolment FTE’s can be found in attachment II of the [2022-2023 Distribution of Funds report](#). FTE enrolment factors in Early Childhood Services (ECS) students at 0.5.

² Estimates are based on the frozen funded enrolment counts and are not usually finalized until the following year.

³ There are no in-year adjustments if the projected enrolment count is different from the actual count. The difference between the projected count and actual student count will be adjusted for in the calculation of the WMA for the subsequent school year. If the projected count is higher than the actual count, the WMA for the next year will be adjusted down, and if the projected count is lower, the WMA for the next year will be adjusted up to account for the difference.

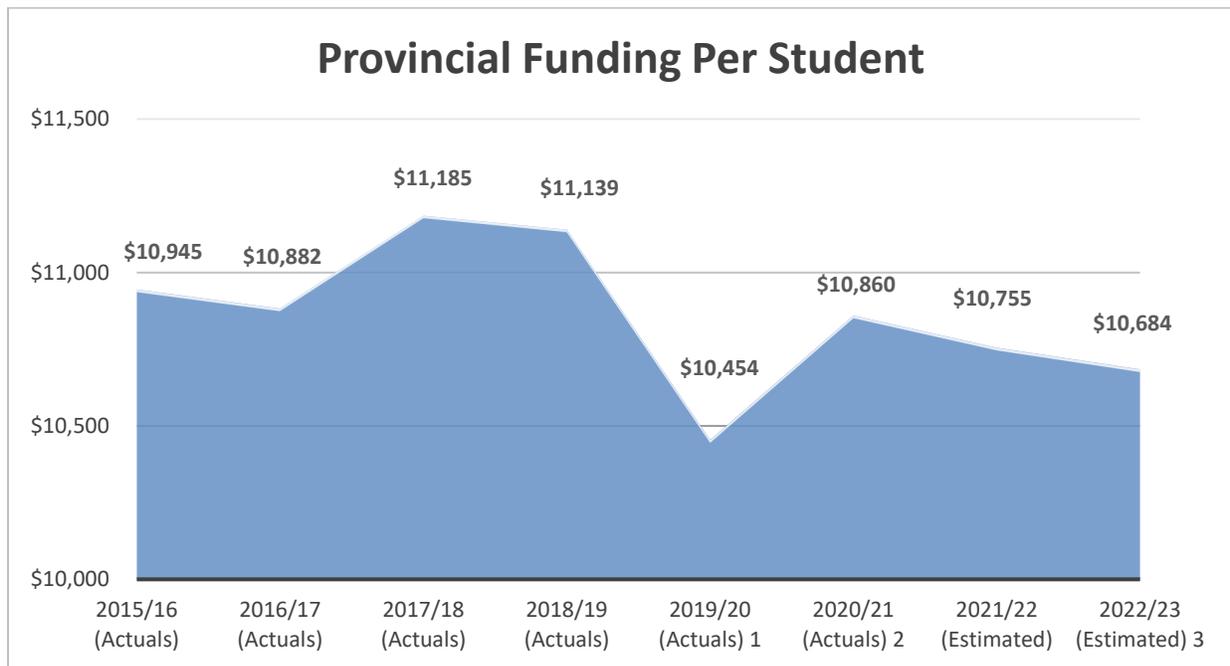
Of note, the Province has acknowledged the challenges the pandemic has caused, and school authorities have been held harmless for both the 2021-2022 and the upcoming 2022-2023 school year for enrolment fluctuations that otherwise would have resulted in an adjustment as part of the WMA methodology.

The WMA calculation is further highlighted in the graph below. The WMA FTE enrolment is 1,692 lower than the projected September 2022 FTE enrolment (the actual number of students we anticipate to be in attendance).



Overall per student funding

To represent the overall funding per student at a high level, the following table was created by taking the total Government of Alberta revenue as reflected in our annual audited financial statements (up to and including the year ended August 31, 2021). The approved budget figures were used for the current 2021-2022 year, and draft budget figures have been used for the upcoming 2022-2023 year. This revenue figure includes all provincial government funding (IMR, OM, other grants, etc.) as well as other Alberta School Authorities. Some adjustments have been made as detailed in the notes to adjust for non-reoccurring or revenue that was received for unique or targeted circumstances. This total revenue figure was then divided by the actual frozen funded September 30 student count information (or estimated for the budget), as opposed to the WMA enrolment figure.



Notes:

¹ This amount includes an Alberta Education funding reduction in May and June 2020 due to the requirement for all K-12 students to go online in response to the COVID-19 pandemic. Reductions included \$13.8M of Base funding and \$3.8M of Transportation funding for a total reduction of \$17.6M. If this funding was not removed the figure in the table would be \$10,623.

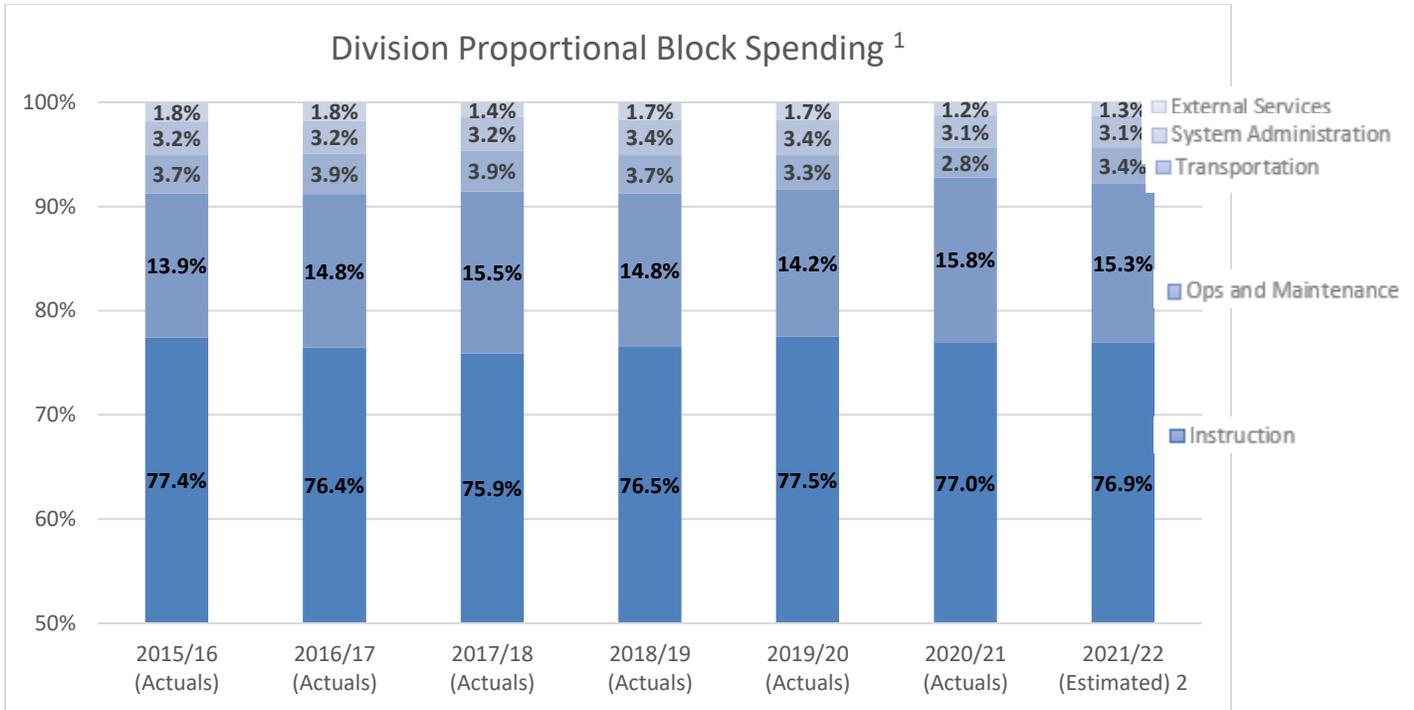
² This amount is net of \$38.5M of federal COVID mitigation funding and \$4.2M of Critical Worker Benefit (CWB) that was reported as Alberta Education revenue on the 2020-2021 audited financial statements.

³ Based on our draft 2022-2023 budget excluding the anticipated targeted Curriculum support and Student Well-being grants. For 2022-2023, both the base instruction grant and the operations and maintenance grant were increased by one per cent and the transportation grant by 4.6 per cent to offset inflationary pressures.

Division Expenses

The previous information and tables relate to the funding we have received. It is equally as important to understand how funding is utilized by the Division. Each year, Edmonton Public Schools has seen an increase in student enrolment and has attempted to maintain the proportionate amount that directly supports instruction; however, increased inflationary pressures have resulted in a larger percentage needing to be allocated towards operation and maintenance.

The following table shows the percentage of our annual expenses being directed to each expense block.



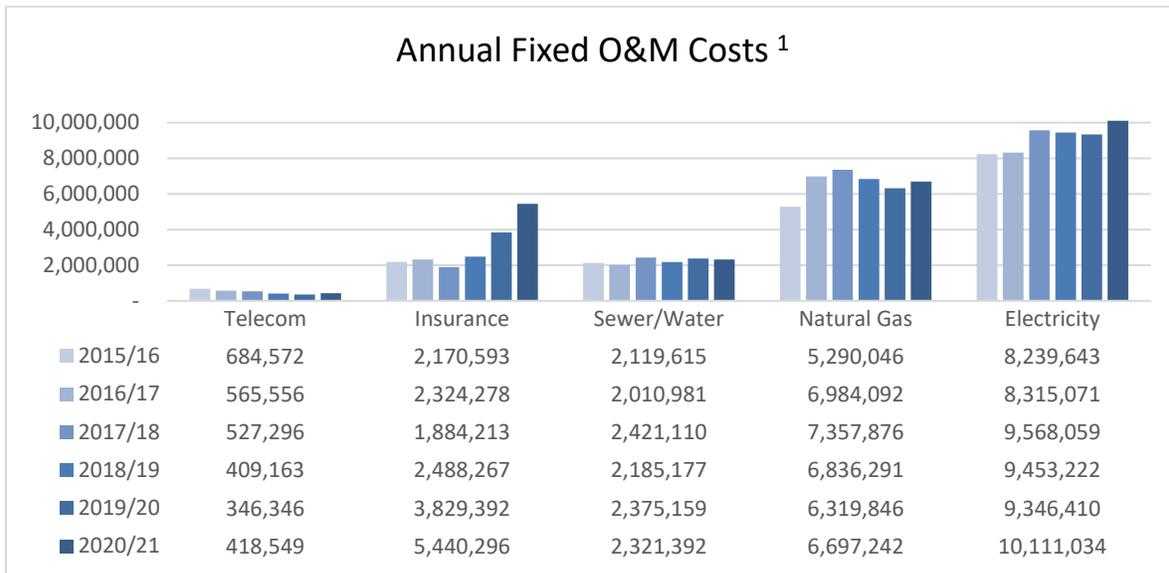
¹ Expense amounts are from each respective year’s Audited Financial Statements (AFS) on Schedule 3 with the exception of 2021-2022 (see note 2)

² Expense amounts are from the 2021-2022 Spring Approved Budget

Inflation Pressures

Divisional Operations and Maintenance (O&M) includes fixed costs that have seen rate increases from the respective providers in recent years. Electricity and natural gas have both seen respective 27 per cent and 23 per cent increases from 2015-2016 to our last completed school year, 2020-2021. We have also experienced significant increases to insurance premiums (151 per cent) over the same timeframe. These increases have been slightly offset by a decrease in our telecommunications area.

These changes to our fixed costs are further highlighted in the following graph:



¹ All numbers are from Schedule 4 of the Audited Financial Statements for each of the respective years

Statistics Canada, reports that the Edmonton region has seen annual inflation rate increases since 2015. The increase in 2021 is the highest annual increase in nearly 20 years.

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Inflation Rate Annual Change ¹	1.6%	1.5%	2.2%	3.7%	2.4%	1.5%	4.3%

¹ Rates are from Stats Canada for the Edmonton Region.

KEY POINTS

- Enrolment increases are currently outpacing funding increases under the WMA funding model resulting in a decreasing per student funding amount.
- The Division has maintained spending roughly 77 per cent of our total expenditures directly on student instruction even with increased cost pressures on our fixed costs.
- For 2022-2023, the base instruction and operations and maintenance grants received a one percent increase and the transportation grant, a 4.6 per cent increase. At the same time, the inflation rate was 4.3 per cent in 2021, the highest since 2003.
- The Province has acknowledged the challenges the pandemic has caused, and school authorities have been held harmless for both the 2021-2022 and the upcoming 2022-2023 school year for enrolment fluctuations, that otherwise would have resulted in an adjustment as part of the WMA methodology.

TB:ja