

EXPENDITURE ESTIMATES 2019-20

MINISTRY OF EDUCATION



Fall 2019

About this Document

Established by the *Financial Accountability Officer Act, 2013*, the Financial Accountability Office (FAO) provides independent analysis on the state of the Province's finances, trends in the provincial economy and related matters important to the Legislative Assembly of Ontario.

The FAO produces independent analysis on the initiative of the Financial Accountability Officer. Upon request from a member or committee of the Assembly, the Officer may also direct the FAO to undertake research to estimate the financial costs or financial benefits to the Province of any bill or proposal under the jurisdiction of the legislature.

This report was prepared on the initiative of the Financial Accountability Officer. In keeping with the FAO's mandate to provide the Legislative Assembly of Ontario with independent economic and financial analysis, this report makes no policy recommendations.

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External reviewers provided comments on early drafts of the report. The assistance of external reviewers implies no responsibility for the final product, which rests solely with the FAO.



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Table of Contents

1 Essential Points	1
2 Introduction	7
3 Ministry Overview	8
Understanding Education Spending	8
4 Key Issues for 2019-20	19
Projected Growth in Ministry Spending Well Below Core Education Cost Drivers	19
Key Changes in the Education System Required to Achieve Ministry Spending Plan	21
Restructuring Child Care Programs	27
Potential Changes in the Valuation of the Ontario Teachers' Pension Plan	32
5 Program Review	34
Vote 1001 - Ministry Administration Program	34
Vote 1002 - Elementary and Secondary Education Program	35
Vote 1003 - Community Services Information and Information Technology Cluster	39
Vote 1004 - Child Care and Early Years Programs	40
Standalone Legislation (Statutory) Spending	43
Other Spending	44
6 Appendices	46
Appendix A: Development of this Report	46

Table of Abbreviations

Abbreviation	Long Form
AGO	Auditor General of Ontario
CARE	Childcare Access and Relief from Expenses
CMSMs	Consolidated Municipal Service Managers
DSSABs	District Social Services Administration Boards
ECE	Early Childhood Educator
EDU	Ministry of Education
EQAO	Education Quality and Accountability Office
GSN	Grants for Student Needs
MPPs	Members of Provincial Parliament
OTF	Ontario Teachers' Federation
OTPP	Ontario Teachers' Pension Plan
PSAB	Public Sector Accounting Board
SCE	Standing Committee on Estimates
TFO	Télévision française de l'Ontario / Office des télécommunications éducatives de langue française de l'Ontario
TVO	TVOntario / Ontario Education Communications Authority

1 | Essential Points

Ministry Overview

In the 2019 Ontario Budget, the Ministry of Education (EDU) is projected to spend \$31.6 billion in 2019-20. The ministry's projected spending is grouped into three broad categories in the Expenditure Estimates:

- \$29.3 billion in Supply Bill spending that is authorized annually by the legislature (known as spending "to be voted");
- \$1.7 billion in spending that is authorized by standalone legislation (known as statutory spending); and
- \$0.5 billion in other spending, which consists mainly of spending related to revenues that are independently raised by school boards and other adjustments.

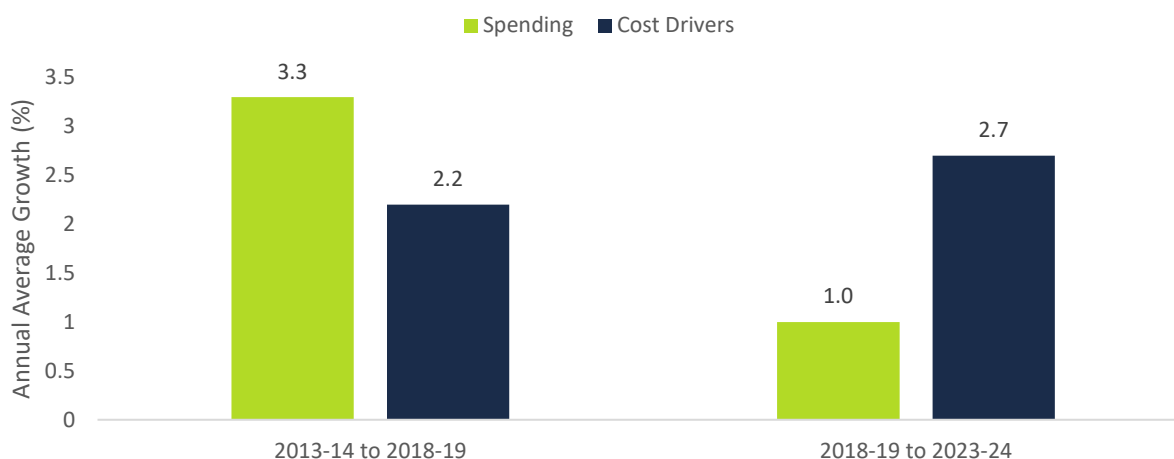
For a review of planned ministry spending by Estimates spending categories and spending purpose, see chapter 3.

Key Issues for 2019-20

Projected Growth in Ministry Spending Well Below Core Education Cost Drivers

- The core cost drivers of education spending are the school-age population (aged 4 to 18) and price inflation.
- Over the last five years, education core cost drivers grew by a combined average of 2.2 per cent while Ministry of Education spending increased by an average of 3.3 per cent per year.
- Over the next five years, ministry spending is projected to slow to 1.0 per cent average annual growth. In contrast, education core cost drivers are projected to accelerate to 2.7 per cent average annual growth.

Education core cost drivers and spending growth, historical and projected



Source: FAO analysis of data from EDU.

- The faster growth in education core cost drivers is due to changes in the school-age population. The growth rate in the school-age population will more than double to 0.8 per cent per year from 2018 to 2023,¹ compared to the 0.3 per cent average annual growth rate over the last five years.

Key Changes in the Education System Required to Achieve Ministry Spending Plan

Given that education core cost drivers are expected to significantly outpace the Province's planned growth in education spending over the next five years, the Province has announced two important measures that are necessary to achieve the ministry's spending plan in the 2019 budget: increasing class sizes and proposing legislation to limit public sector compensation growth.

Increasing Class Sizes

On March 15, 2019, the Province announced that funded average class sizes for secondary students would increase from 22 to 28 students per teacher, while funded average class sizes for students in grades 4 to 8 would increase from 23.84 to 24.50 students per teacher.² The Province also announced that, beginning in the 2020-21 school year, secondary students will take a minimum of four e-learning courses (the equivalent of one e-learning course per year) out of the 30 courses required to graduate from secondary school.³ E-learning courses will have an average class size of 35 students per teacher.

In subsequent announcements, the Province stated that the reduction in teachers required to implement the new class size ratios (including e-learning) would be gradually achieved through attrition only (teacher retirements and other voluntary job exits) and that no layoffs would be required. To support this commitment, the Province announced \$1.6 billion in temporary funding to school boards called the Teacher Job Protection Fund. Under this plan, the new class size ratios would be achieved in four school years, once enough teachers had retired or voluntarily left their positions.

The FAO compared the new class size targets and Teacher Job Protection Fund against the old class size targets and made the following observations:

- In the 2019-20 school year, there will be an estimated 2,826 fewer teachers (967 elementary teachers and 1,859 secondary teachers) 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 (994 elementary teachers and 9,060 secondary teachers) in the education system.
- The Teacher Job Protection Fund should provide sufficient funding so that the ministry's new class size policy can be achieved without teacher layoffs.
- The effective average secondary class size will be 22.9 students per teacher in the 2019-20 school year, rising to 24.6 in 2020-21, 26.7 in 2021-22 and 28.0 in 2022-23, when the new class size targets will be achieved.⁴

¹ Ministry of Finance Population Projections, Spring 2018.

² There are no planned changes to the existing student-teacher ratios for kindergarten classes (25.57 students per teacher and ECE) and grade 1 to 3 classes (19.8 students per teacher). The Province did announce a reduction in the number of funded ECEs per kindergarten classroom, from 1.14 to 1. This change is not expected to have a significant impact on class sizes because the Province states that the previously funded ECEs ratio exceeded the actual ECEs ratio in classrooms. However, this change will reduce funding to school boards, which could result in broader service or staffing reductions.

³ The changes to graduation requirements will be phased in.

⁴ Projections for effective average secondary class sizes do not include the impact of mandatory e-learning for secondary students. E-learning courses will have an average class size of 35 students per teacher. Effective average secondary class size reflects funding for teachers under the Pupil Foundation Grant and the Teacher Job Protection Fund. Actual average class sizes may be higher or lower than the funded average.

- The FAO estimates that increasing class size targets (including mandatory e-learning), net of the cost of the Teacher Job Protection Fund, will save the Province \$2.8 billion over the next five fiscal years, including \$0.1 billion in the 2019-20 fiscal year. Once the new class size policies are fully implemented, the Province will save an estimated \$0.9 billion per year.

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.

Ministry spending on teacher compensation, 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

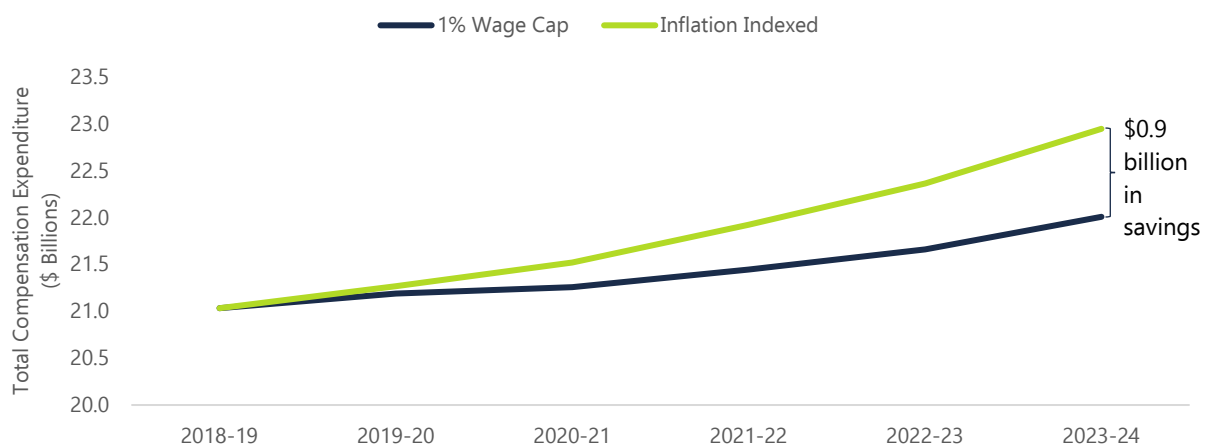
On June 5, 2019, the Province introduced in the legislature Bill 124, Protecting a Sustainable Public Sector for Future Generations Act, 2019. If passed, the proposed legislation would place a one per cent cap on wage increases for new public sector contracts negotiated for a three-year period. This cap would apply to

over 200,000 teachers and other education staff whose collective agreements are up for renegotiation in September 2019.⁵

The FAO compared school board employee compensation at one per cent annual growth versus annual growth at the rate of inflation and made the following observations:⁶

- In 2018-19, spending on employees accounted for an estimated \$21.0 billion, or 78 per cent of all school board spending (with teacher compensation comprising 48 per cent).
- If education workers' base salaries increase at one per cent annually, rather than the rate of inflation, then the Province would achieve significant savings.
- In 2019-20, the gap between "one per cent capped" school board employee compensation spending and inflation-indexed compensation spending would be \$0.1 billion, growing to \$0.5 billion by 2021-22 and reaching \$0.9 billion by 2023-24. Over five years, the Province would save an estimated \$2.5 billion in the Ministry of Education alone by increasing base wages at one per cent annually between 2019-20 and 2023-24 instead of indexing base wages to inflation.

Total school board employee compensation spending, one per cent annual growth versus inflation indexed (2018-19 to 2023-24)



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.

Restructuring Child Care Programs

In Ontario, the number of licensed child care spaces has grown significantly since 2008, averaging 6.5 per cent annual growth, coinciding with a period of strong growth in child care funding. By 2018-19, the FAO estimates that there were roughly 463,000 licensed child care spaces in the province, covering 23.7 per

⁵ Bill 124, Protecting a Sustainable Public Sector for Future Generations Act, 2019, s. 8. Bill 124, would have a retroactive effect if new collective agreements are reached before the proposed Bill is passed by the legislature. See s. 9, paragraph 1.

⁶ Assumes proposed one per cent cap on wage increases continues through 2023-24. Both scenarios reflect implementation of new class size targets, including mandatory e-learning.

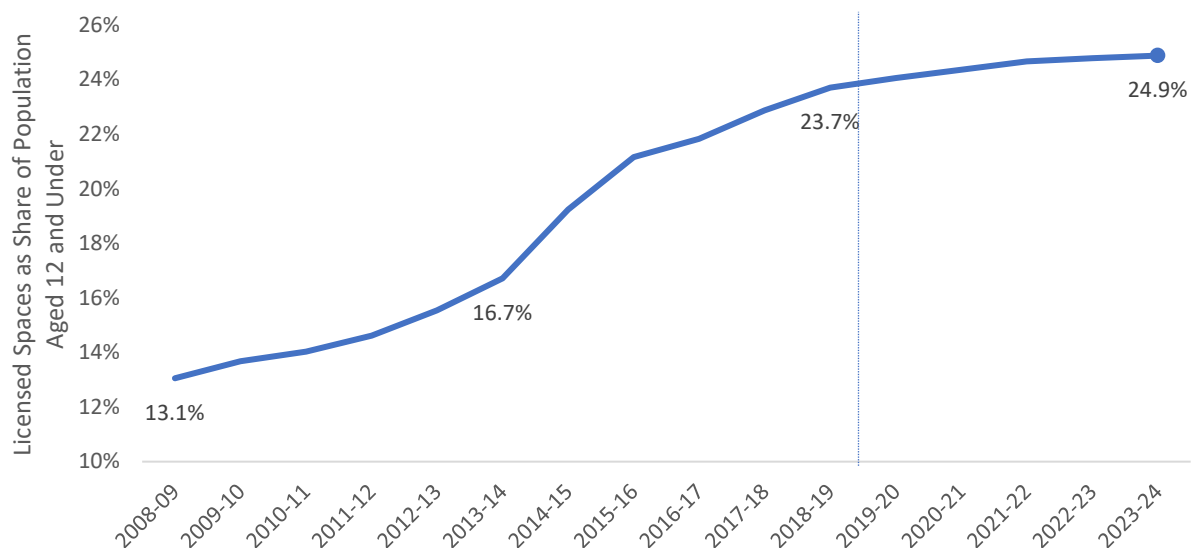
cent of the nearly 2 million children aged 0 to 12. This is significantly higher than the 13.1 per cent coverage rate in 2008.

The FAO estimates that the population of children aged 0 to 12 will increase by almost 100,000 by 2023-24. Over this time, the FAO estimates that the number of licensed spaces will increase by about 47,000, which reflects:

- the government's revised commitment to create up to 30,000 new child care spaces in schools;⁷
- the projected increase in licensed home child care spaces resulting from changes in legislation which would allow home-based child care providers to increase spaces; and
- the expected increase in licensed child care spaces resulting from the introduction of the CARE tax credit.

Overall, the FAO estimates that the new licensed child care spaces will improve the child care coverage rate from 23.7 per cent to 24.9 per cent by 2023-24, an increase of 1.2 percentage points.

Child care coverage rate to flatten over the coming years



Source: FAO and 2019 Ontario Budget.

⁷ The Province also announced a decrease in funding to municipal service managers who administer child care programs. The FAO's projection assumes that all 30,000 new child care spaces in schools are created, even with the new policy that the Province will only fund 80 per cent of operating costs for new child care spaces, rather than 100 per cent. Municipalities have identified challenges in finding new funds to cover 20 per cent of the operating costs for the new child care spaces. Consequently, there is a risk that some new child care spaces may not open as planned.

Potential Changes in the Valuation of the Ontario Teachers' Pension Plan

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 Ontario Teachers' Pension Plan (OTPP).⁸

Any changes to either the accounting treatment of the OTPP valuation allowance for the net pension asset or the methodology and assumptions underlying the valuations of the OTPP's assets and liabilities would likely have a material impact to the Province's budget balance (annual surplus / (deficit)) and net debt.

- For example, the FAO estimates that Ministry of Education 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 were able to eliminate the valuation allowance through an agreement with the Ontario Teachers' Federation.
- On the other hand, ministry 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.⁹

Program Review

Chapter 5 reviews requested and projected spending for the Ministry of Education's 2019-20 Expenditure Estimates by program vote (Supply Bill spending), standalone legislation (statutory) spending and other spending (consolidation and other adjustments), and identifies spending trends and program changes.

⁸ 2019 Ontario Budget, p. 53. The recommendations were: (1) the Province should temporarily adopt the AGO's recommended accounting treatment of the valuation allowance for the net pension asset of the OTPP and then engage the Auditor General to reach a final agreement on the issue, and (2) the Province should review the methodology and assumptions used to estimate the value of the OTPP's assets and long-term liabilities.

⁹ For example, the AGO and other commentators have suggested that the discount rate used to measure the value of long-term OTPP pension liabilities may be too high. All else being equal, a lower discount rate results in higher future pension liabilities, which would increase OTPP expense. AGO, "Public Sector Accounting Board Invitation to Comment, Employment Benefits: Discount Rate Guidance in Section PS 3250," 2018, pp. 249-254 and Stuart Landon and Constance Smith, "Managing Uncertainty: The Search for a Golden Discount-Rate Rule for Defined-Benefit Pensions," C.D. Howe Institute, 2019.

2 | Introduction

On May 9, 2019, the Government of Ontario (the Province) tabled in the Legislative Assembly volume 1 of the 2019-20 Expenditure Estimates.¹⁰ The 2019-20 Expenditure Estimates (or Estimates) sets out the fiscal year's spending requirements for ministries and constitutes the government's formal request to the legislature for approval to spend the amounts as detailed in the Estimates.

After tabling in the legislature, the Estimates were referred to the Standing Committee on Estimates (SCE). The SCE is mandated to consider the Estimates of between six and 12 ministries. For 2019-20, the SCE has selected the Estimates of the following ministries for review:

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

After the SCE completes its review of a ministry, the committee votes on the ministry's Estimates. Once the review and voting process is completed for all selected ministries, the SCE must deliver a report to the legislature by the third Thursday in November.¹¹ The Supply Bill is then formally introduced in the legislature for approval by all Members of Provincial Parliament (MPPs). Passage of the Supply Bill provides the legislature's approval to spend the amounts as detailed in the Estimates.

The purpose of this report is to support the SCE's review of the Ministry of Education's (EDU) 2019-20 Expenditure Estimates.¹² The report begins with a financial overview of the ministry, focusing on different types of spending and how spending is allocated by major function. Next, the report identifies key financial issues for the ministry. Over the next five years, the growth rate of ministry spending is projected to slow to one per cent average annual growth, well below the expected growth in core education cost drivers (school-age population and inflation). In order to achieve the ministry's spending plan, changes to school class sizes and employee compensation were introduced. The report also reviews changes in child care programs and provides an overview of potential adjustments to the valuation of the Ontario Teachers' Pension Plan (OTPP). Lastly, the report reviews proposed 2019-20 spending by program and identifies spending trends and program changes.

Appendix A provides more information on the development of this report.

¹⁰ Volume 1 of the 2019-20 Expenditure Estimates is available here: <https://www.ontario.ca/page/expenditure-estimates-volume-1-table-contents-2019-20>.

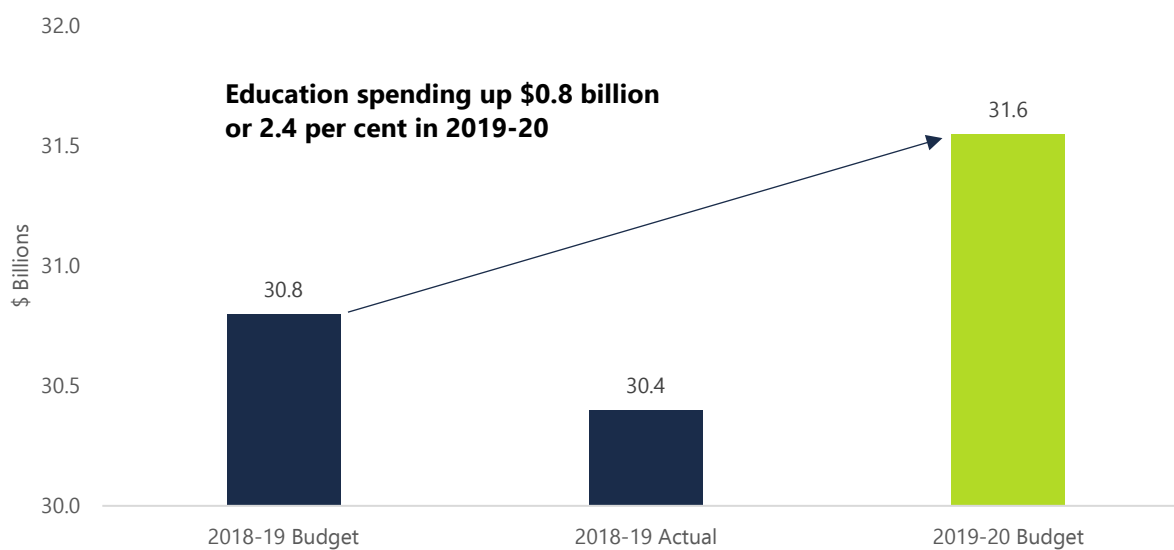
¹¹ If the SCE does not deliver a report to the legislature by the third Thursday in November, then the Estimates are deemed to be passed by the SCE. Standing Orders of the Legislative Assembly of Ontario (SO 63(b)).

¹² The FAO's review of the Ministry of Health and Long-term Care's 2019-20 Expenditure Estimates is available here: <https://www.fao-on.org/en/Blog/Publications/estimates-health-2019>.

3 | Ministry Overview

In the 2019 Ontario Budget, the Ministry of Education (EDU) is projected to spend \$31.6 billion in 2019-20. This is an increase of \$0.8 billion (2.4 per cent) from the 2018 budget's projected ministry spending of \$30.8 billion in 2018-19.

Projected Ministry of Education spending in 2018-19 and 2019-20, \$ billions



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.

Understanding Education Spending

Education Spending by Expenditure Estimates Categories

The Ministry of Education's 2019-20 projected spending of \$31.6 billion is grouped into three broad categories in the Expenditure Estimates:

- \$29.3 billion in Supply Bill spending that is authorized annually by the legislature (known as spending "to be voted");
- \$1.7 billion in spending that is authorized by standalone legislation (known as statutory spending); and
- \$0.5 billion in other spending, which mainly consists of spending related to revenues that are independently raised by school boards and other adjustments.

Supply Bill spending is divided into programs called votes, sub-programs called items, and then accounts. EDU has four votes, with the Elementary and Secondary Education Program being the largest at \$27.0 billion or 86 per cent of EDU spending. The next largest vote is the Child Care and Early Years Programs at \$2.2 billion (7 per cent), while the remaining two program votes, the Community Services Information and

Information Technology Cluster and the Ministry Administration Program, together comprise just 0.2 per cent of all EDU spending.

Standalone legislation mainly consists of expenses related to the Ontario Teachers' Pension Plan (OTPP), about \$1.7 billion or five per cent of EDU spending. A small portion of statutory spending is for capital expenses, such as the amortization of EDU's non-school board capital assets.

Other spending largely consists of adjustments for school boards' expenditures.¹³ This category includes spending by school boards related to revenues that are raised independently from the government, such as from international student fees, donations and cafeteria income, and also adjustments to account for school board investments in capital assets, such as school buildings, that are expensed over the life of asset. In 2019-20, other spending by school boards is projected at a net \$0.5 billion, or 2 per cent of all EDU spending.

2019-20 Ministry of Education budget by Estimates spending category, \$ millions

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.

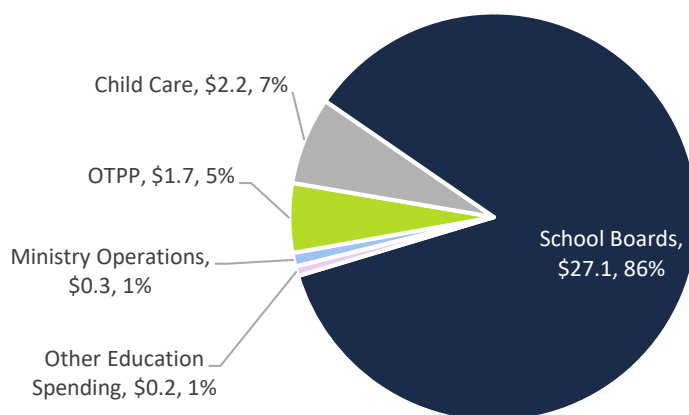
¹³ The financial results of government organizations controlled by the Province, including school boards, hospitals and colleges, are consolidated into the financial results of the Province. Adjustments are made through Ministry of Education "other spending" to account for spending by school boards from sources other than transfer payments from the Province and other adjustments.

Education Spending by Function

An alternative way to examine education spending is by major function, which aggregates different Estimates spending categories by spending purpose. Under this approach, for example, total projected spending by school boards can be identified, which is not possible from a review of the Expenditure Estimates.

The chart below shows planned EDU spending in 2019-20 of \$31.6 billion by major function. The largest function is school board spending (\$27.1 billion), which accounts for 86 per cent of EDU spending in 2019-20. The next largest functions are child care spending (\$2.2 billion) and the Ontario Teachers' Pension Plan (\$1.7 billion), which combined account for an additional 12 per cent of EDU spending in 2019-20. The remaining functions are ministry operations (\$0.3 billion, 1 per cent) and other education spending (\$0.2 billion, 1 per cent).

2019-20 projected Ministry of Education spending by function, \$ billions

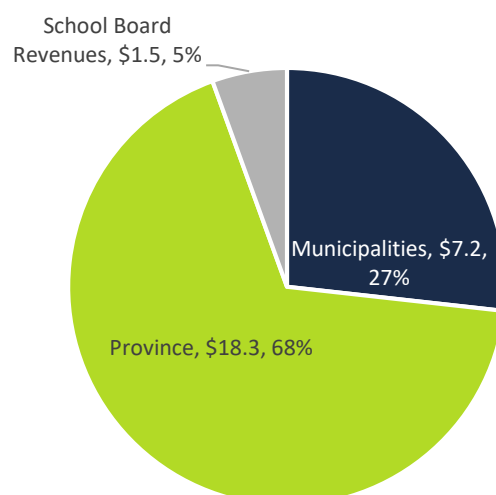


Source: FAO analysis of 2019-20 Expenditure Estimates and information provided by the Province.

School Boards

There are 72 school boards in Ontario that administer elementary and secondary education. In 2019-20, spending by these school boards is projected to be \$27.1 billion. Although the Province records all school board spending as a Ministry of Education expense, only approximately 68 per cent of the spending is provided by the Province, with the remaining funding provided by municipalities (\$7.2 billion or 27 per cent) and school boards' own-source revenues (\$1.5 billion or five per cent).

2019-20 projected school board spending by funding source, \$ billions



Source: FAO analysis of 2019-20 Expenditure Estimates.

Grants for Student Needs Funding

Of the estimated \$27.1 billion to be spent by school boards in 2019-20, \$24.6 billion (91 per cent) is provided through the Grants for Student Needs (GSN) program. The GSN has 15 sub-programs that fund teachers and classroom supplies, school administration and specific priorities such as special education, student transportation, school operations and maintenance, and Indigenous education. Funding for the GSN is the shared responsibility of the Province and municipalities. Municipalities levy an education property tax and remit the revenues generated to their local school boards. The Expenditure Estimates report both the provincial portion of the GSN, which is called School Board Operating Grants, and the municipal portion, which is called Education Property Tax Non-Cash Expense.¹⁴ Of the estimated \$24.6 billion in GSN funding being transferred to school boards in 2019-20, the Province is providing \$17.4 billion (or 71 per cent), while municipalities are covering \$7.2 billion (or 29 per cent). The GSN allocates funding across school boards based on each board's average enrolment, number of schools and other factors.¹⁵

Other Funding

The remaining \$2.4 billion of school board spending is funded by \$1.5 billion in school board own-source revenues (for example, international student fees, donations and cafeteria revenues) and a net \$0.9 billion from other Ministry of Education transfer payments. A portion of this spending is related to \$1.7 billion in school board capital spending, which is partially offset by \$1.0 billion in non-cash adjustments including amortization of capital assets. As well, \$157 million is related to provincial grants such as Priority and Partnership Funding – School Boards (formerly known as Education Programs – Other). These grants support initiatives such as tutors in classrooms, parental outreach and engagement, after-school programming, and mental health workers in secondary schools.

¹⁴ The Province includes in the Public Accounts of Ontario the municipalities' education property tax revenue as both an expenditure and a revenue source.

¹⁵ More details on the GSN's sub-programs and funding formula are available in the [2019-20 GSN Technical Paper](#).

Other Education Spending

The Province is projected to spend \$239 million in 2019-20 on other non-school board education spending programs. Of this amount, \$90 million will be spent on educational television programming in both official languages through TVOntario (TVO) and Télévision française de l'Ontario (TFO). The Education Quality and Accountability Office (EQAO) will receive an estimated \$32 million from the Province to administer assessments of student achievement in reading, writing and math. Third-party agencies will receive a projected \$151 million in funding from Priority and Partnerships Funding – Third Parties and other grants. Other education spending also includes negative adjustments to show EDU spending connected to colleges and hospitals with the Ministries of Training, Colleges and Universities and Health and Long-term Care, respectively.

Child Care

Ontario legislation defines child care as the provision of temporary care for the supervision of children under the age of 13.¹⁶ There are three major types of child care available: licensed home child care, licensed child care centres, and unlicensed child care.

The Ministry of Education sets child care policy and regulations, licenses child care providers, and conducts facility inspections. In addition, the Province provides funding for child care programs.

Overall, the Province is projected to spend \$2.2 billion on child care programs in 2019-20, of which \$1.6 billion is for child care programs administered by 47 municipal service managers. These local municipal service managers are known as Consolidated Municipal Service Managers (CMSMs) and District Social Services Administration Boards (DSSABs). The Province has cost-sharing arrangements with the municipal service managers whereby the Province pays for a minimum of 80 per cent of total service costs and 50 per cent of administrative costs with municipalities covering the remaining costs.¹⁷ In 2017, the Province committed to funding 100 per cent of operating costs for new child care spaces as part of its plan to expand access to child care. The 2019-20 Expenditure Estimates reflect a reversal of this commitment, with the Province covering only 80 per cent of operating costs for new child care spaces. See chapter 4 for more information on changes to municipal cost-sharing arrangements.

Of the remaining \$0.6 billion in spending, \$0.4 billion is for the newly introduced Childcare Access and Relief from Expenses (CARE) tax credit, and \$0.2 billion is for spending on other programs, including First Nations child care and EarlyON Child and Family Centres.

Ontario Teachers' Pension Plan

The OTPP is a defined-benefit pension plan for teachers across Ontario. The Province and the Ontario Teachers' Federation (OTF) are joint sponsors of the OTPP. OTPP spending reported in the Expenditure Estimates and the Public Accounts of Ontario represents the projected change in the provincial share of the OTPP liability for the year, net of returns on the plan's assets (see chapter 4 for more details).

Ministry Operations

Ministry operations includes spending to support the administration of the ministry, such as financial and administrative services, human resources, and communications and legal services (approximately \$20 million). It also includes projected spending of \$264 million on ministry staff and services to develop and

¹⁶ *Child Care and Early Years Act, 2014*, s. 3.

¹⁷ For territories without municipal organization, the Province covers 100 per cent of costs.

provide operational support for education and child care programs (for example, curriculum development and the implementation of special education, French language education and Indigenous education programs). The remaining \$56 million in spending is for information technology services.

Comparing Functions to Expenditure Estimates Categories

Spending for each major function is provided through various Estimates spending categories. In the following table and graph, the FAO describes how spending for each major function is allocated by Estimates spending categories.

How 2019-20 EDU spending by function is allocated by Estimates spending categories

Function	Total Spending	Spending by Estimates Category	Additional Details
School Boards	\$27,057 million	\$26,507 million Supply Bill (Vote 1002) \$2 million Supply Bill (Vote 1004) \$547 million Other spending	98 per cent of school board spending is authorized through two sub-programs (items) in Vote 1002: • \$24.8 billion is provided through the Policy and Program Delivery sub-program (item 1). • \$1.7 billion is provided through the Support for Elementary and Secondary Education sub-program (item 3). \$2 million in spending is authorized through the Policy Development and Program Delivery sub-program (item 1) in Vote 1004. The remaining \$0.5 billion in school board spending reflects other spending not directly authorized by the legislature. Spending in this category includes spending that is financed by school boards' own source revenues and adjustments to reflect the amortization of capital assets.

Function	Total Spending	Spending by Estimates Category	Additional Details
Other Education Spending	\$239 million	\$250 million Supply Bill (Vote 1002) \$1 million Standalone legislation -\$12 million Other spending	Most spending is authorized through three sub-programs (items) in Vote 1002: • \$172 million is provided through the Policy and Program Delivery sub-program (item 1). • \$68 million is provided through Educational Operations (item 2). • \$11 million is provided through Support for Elementary and Secondary Education (item 3). The \$1 million in standalone legislation spending is amortization expense. The negative \$12 million in other spending is mostly related to colleges, which is an accounting adjustment to show EDU college-related spending with the Ministry of Training, Colleges and Universities.

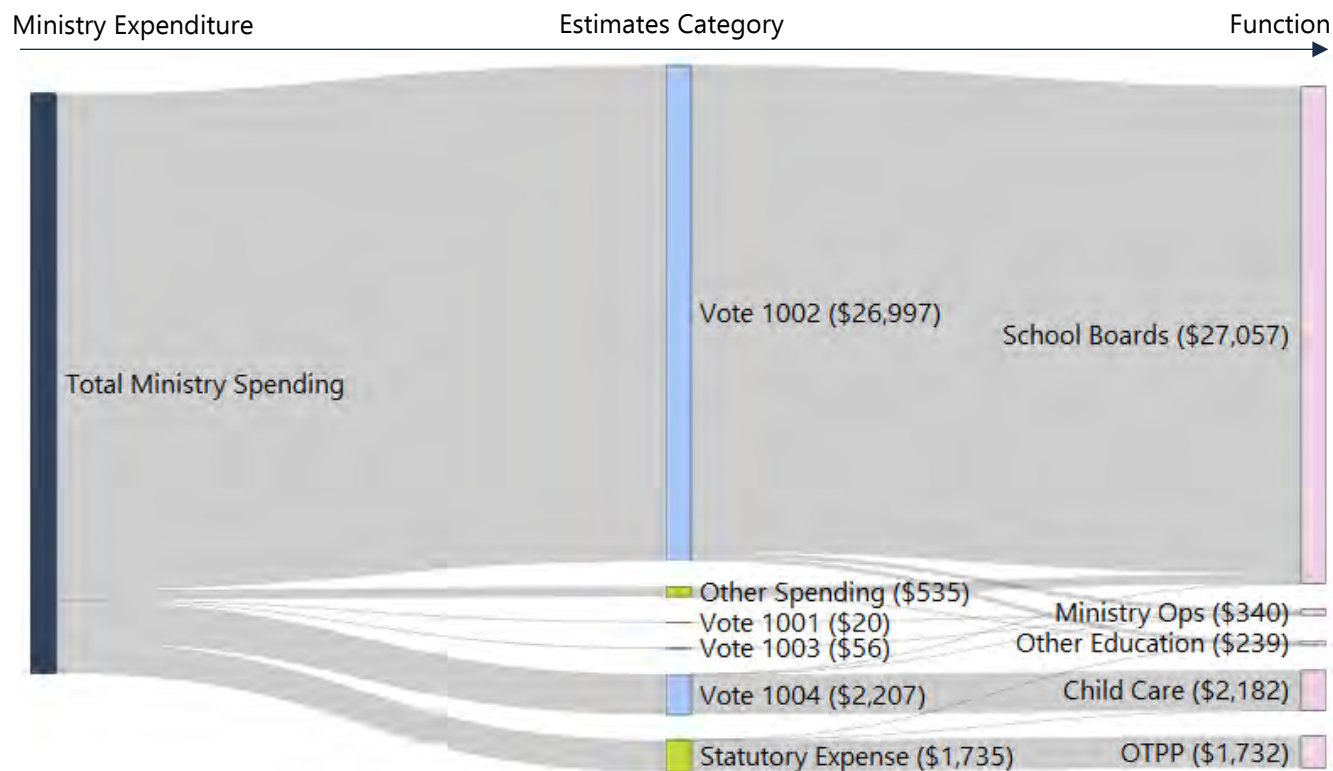
Function	Total Spending	Spending by Estimates Category	Additional Details
Child Care	\$2,182 million	\$2,180 million Supply Bill (Vote 1004) \$2 million Standalone legislation	99.9 per cent of child care spending is authorized through two sub-programs (items) in Vote 1004: \$2.2 billion is provided through Policy Development and Program Delivery (item 1), which funds child care and early years operating expenses and the CARE tax credit. \$10 million is provided through Child Care Capital (item 2), a transfer payment to support Indigenous-led child care and early years capital expenses. \$2 million in spending authorized by standalone legislation is related to amortization expense.
Ontario Teachers' Pension Plan (OTPP)	\$1,732 million	\$1,732 million Standalone legislation	Spending related to the OTPP is authorized by the <i>Teachers' Pension Act, 1990</i> .

Function	Total Spending	Spending by Estimates Category	Additional Details
Ministry Operations	\$340 million	\$20 million Supply Bill (Vote 1001) \$240 million Supply Bill (Vote 1002) \$56 million Supply Bill (Vote 1003) \$24 million Supply Bill (Vote 1004)	71 per cent of ministry operations spending is authorized through two sub programs (items) in Vote 1002 for spending related to salaries, benefits, transportation, services and supplies related to education program delivery: • \$159 million is provided through Policy and Program Delivery (item 1). • \$81 million is provided through Educational Operations (item 2). An additional \$24 million is authorized through Vote 1004 (item 1) for spending on salaries, benefits, transportation, services, and supplies related to child care program delivery. General ministry administration spending is included in Vote 1001, the Ministry Administration Program. Spending on IT services is included in Vote 1003.

Source: FAO.

The following graph compares the Ministry of Education's 2019-20 projected spending of \$31.6 billion by Estimates spending categories and spending functions.

Comparing 2019-20 Ministry of Education spending by Estimates categories and spending functions, \$ millions



Source: FAO analysis of 2019-20 Expenditure Estimates.

4 | Key Issues for 2019-20

The FAO has identified four key financial issues for the Ministry of Education in 2019-20:

- The ministry's projected spending growth rate over the 2019 budget outlook is well below the expected growth in core education cost drivers (school-age population and inflation).
- Proposed changes to class sizes and employee compensation were announced to allow the ministry to meet its spending targets in the 2019-20 Expenditure Estimates and the 2019 budget.
- The 2019 budget reflected significant changes to the ministry's child care programs.
- The Province reports that it is "in progress" regarding implementing the Independent Financial Commission of Inquiry's recommendations regarding the valuation of the Ontario Teachers' Pension Plan (OTPP), which could have a material financial impact on the Province's budget balance and net debt.

Projected Growth in Ministry Spending Well Below Core Education Cost Drivers

The core cost drivers of education spending are the school-age population (aged 4 to 18) and price inflation. Growth in the school-age population in Ontario results in higher school enrolment. Approximately 75 per cent of total ministry spending is directly linked to enrolment levels in school boards.¹⁸ Therefore, all else being equal, an increase in the number of students in schools will increase spending by the Ministry of Education.

Price inflation has a less direct, but still important influence on Ministry of Education spending. Approximately 67 per cent of total ministry spending is on employee compensation. Inflation is used as a benchmark in negotiating collective bargaining agreements. As well, over the long term, the growth of price inflation typically follows changes in wage rates.¹⁹ Finally, inflation impacts other ministry spending, such as the price of textbooks, computers, furniture and classroom supplies.

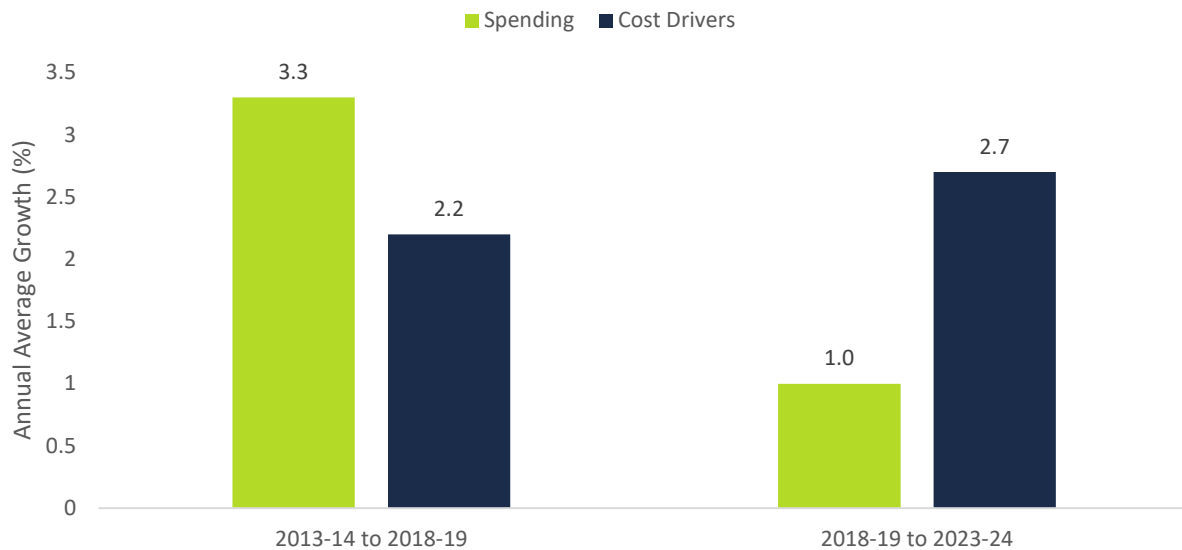
Over the last five years, education core cost drivers grew by a combined average of 2.2 per cent while Ministry of Education spending increased by an average of 3.3 per cent per year. The higher growth rate of ministry spending compared to education core cost drivers reflects program enhancements, such as full-day kindergarten, wage enhancements for early childhood educators (ECEs) and a commitment to build new child care spaces.

However, over the next five years, Ministry of Education spending is projected to slow to 1.0 per cent average annual growth. In contrast, the growth rates of education core cost drivers are projected to accelerate to 2.7 per cent per year.

¹⁸ See chapter 3 for more details.

¹⁹ For example, from 1997 to 2018, hourly wage growth in the education sector averaged 2.1 per cent per year and price inflation averaged 2.0 per cent. See Statistics Canada's Labour Force Survey and Consumer Price Index.

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

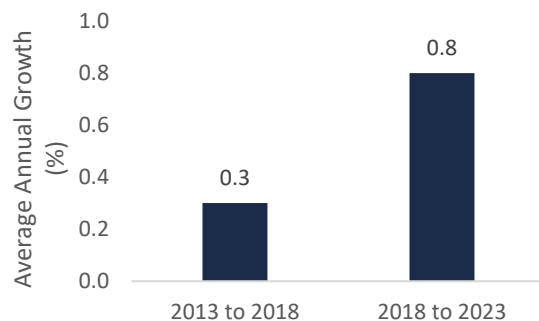


Source: FAO analysis of data from EDU.

The faster growth in education core cost drivers is due to changes in the school-age population. The FAO estimates that the growth rate of the school-age population will more than double to 0.8 per cent per year from 2018 to 2023²⁰ compared to the 0.3 per cent average annual growth rate over the last five years.²¹

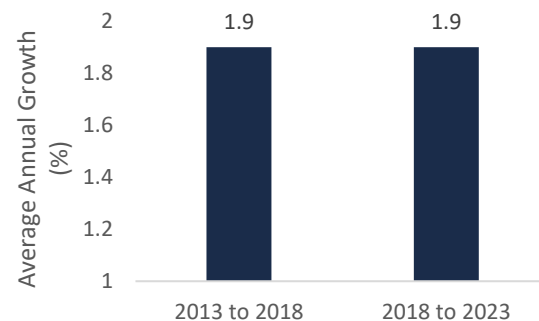
The FAO projects consumer price inflation will grow at 1.9 per cent average annual growth from 2018 to 2023, similar to the last five years.

School-age population growth to pick up pace



Source: FAO.

Inflation steady at 1.9 per cent per year



Source: FAO.

²⁰ Ministry of Finance Population Projections, Spring 2018.

²¹ The child care-aged population (children ages 0 to 12 years old) is also expected to grow at faster than historical rates (projected to increase at an average annual rate of 1.0 per cent over the next five years, versus 0.5 per cent between 2013 and 2018). However, the Province is not required to increase the number of child care spaces or funding in response to this demographic pressure (in contrast to K-12 education where funding is directly responsive to changes in enrolment levels).

Given that education core cost drivers are expected to significantly outpace the Province's planned growth in education spending over the next five years, significant program changes have been announced in order to meet the 2019 budget spending targets.

Key Changes in the Education System Required to Achieve Ministry Spending Plan

The Province has announced two important measures that are necessary to achieve the ministry's spending plan in the 2019 budget: increasing class sizes and proposing legislation to limit public sector compensation growth.

Increasing Class Sizes

On March 15, 2019, the Province announced that funded average class sizes for secondary students would increase from 22 to 28 students per teacher, while funded average class sizes for students in grades 4 to 8 would increase from 23.84 to 24.50 students per teacher.²² The Province also announced that, beginning in the 2020-21 school year, secondary students will take a minimum of four e-learning courses (the equivalent of one e-learning course per year) out of the 30 courses required to graduate from secondary school.²³ E-learning courses will have an average class size of 35 students per teacher.

In subsequent announcements, the Province stated that the reduction in teachers required to implement the new class size ratios (including e-learning) would be gradually achieved through attrition only (teacher retirements and other voluntary job exits) and that no layoffs would be required. As the funding formulas under the GSN program were already adjusted to reflect the new class size ratios, temporary funding for school boards was required until teacher attrition achieved the new class ratio targets. As a result, the Province announced \$1.6 billion in temporary funding to school boards called the Teacher Job Protection Fund.²⁴ Under this plan, the new class sizes ratios would be achieved in four school years, once enough teachers had retired or voluntarily left their positions.

10,000 Fewer Teachers in the Education System by 2023-24

Without the Teacher Job Protection Fund, the FAO projects that to achieve the new class size targets, the number of teachers would need to be reduced by about 8,800 in the 2019-20 school year, growing to about 10,000 by 2023-24.²⁵ The purpose of the \$1.6 billion Teacher Job Protection Fund is to provide school boards with enough funding to gradually achieve the new class size targets through attrition only. Based on the FAO's projection of teacher attrition (retirements and voluntary job exits), the FAO estimates that the Teacher Job Protection Fund should provide sufficient funding so that the ministry's class size policy can be achieved without teacher layoffs.

In the 2019-20 school year, the Teacher Job Protection Fund is projected to protect over 6,000 teacher positions. As teacher attrition accumulates in later years, fewer teaching jobs will require protection from layoffs. By the 2022-23 school year, the FAO anticipates that the Teacher Job Protection Fund will no

²² There are no planned changes to the existing student-teacher ratios for kindergarten classes (25.57 students per teacher and ECE) and grade 1 to 3 classes (19.8 students per teacher). The Province did announce a reduction in the number of funded ECEs per kindergarten classroom, from 1.14 to 1. This change is not expected to have a significant impact on class sizes because the Province states that the previously funded ECEs ratio exceeded the actual ECEs ratio in classrooms. However, this change will reduce funding to school boards, which could result in broader service or staffing reductions.

²³ The changes to graduation requirements will be phased in.

²⁴ Referred to as the Teacher Job Protection Funding Allocation in the 2019-20 GSN Technical Guide.

²⁵ Reduction in teachers is relative to the number of teachers that would have been funded under the old class size policy.

longer be necessary, as the class size targets (including e-learning) will be fully achieved through teacher attrition.

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

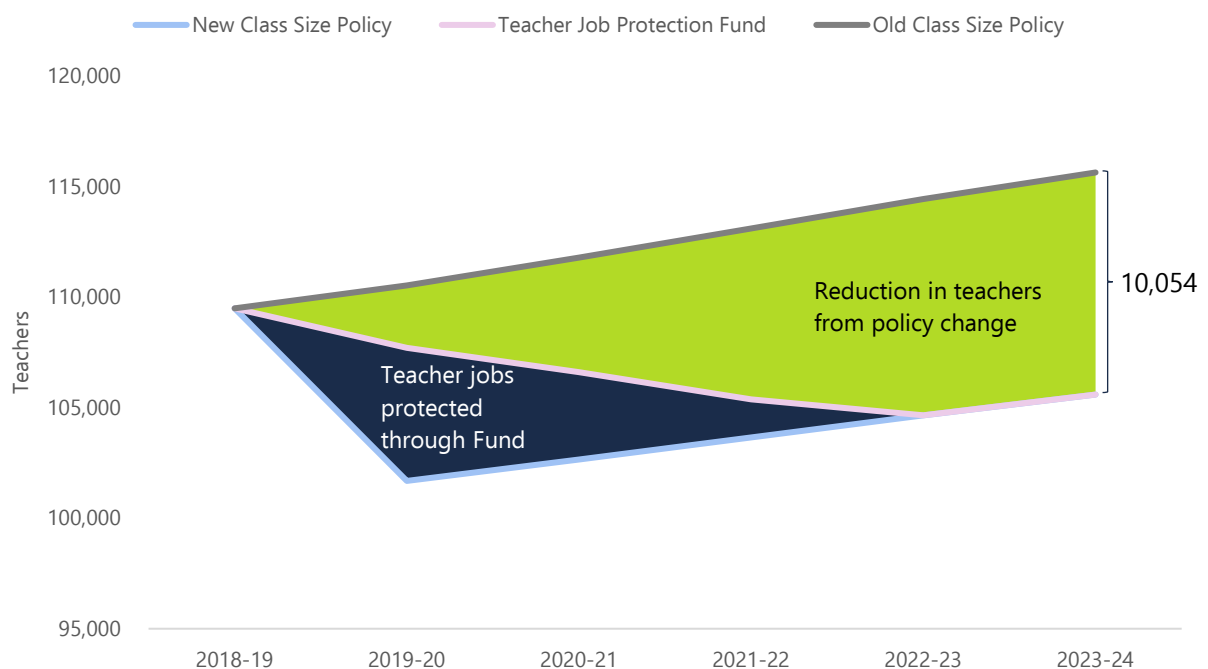
	2019-20	2020-21	2021-22	2022-23	2023-24
Required Reduction in Teachers to Achieve New Class Size Policy	-8,846	-9,132	-9,460	-9,781	-10,054
Teaching Jobs Protected by the Teacher Job Protection Fund	6,020	3,941	1,734	0	0
Net Impact on Teacher Jobs	-2,826	-5,191	-7,726	-9,781	-10,054

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.

Overall, in the 2019-20 school year, there will be an estimated 2,826 fewer teachers (967 elementary teachers and 1,859 secondary teachers) as a net result of the new class size targets and the Teacher Job Protection Fund. By the 2023-24 school year, the FAO estimates there will be 10,054 fewer teachers (994 elementary teachers and 9,060 secondary teachers) in the education system.

Impact of new class size targets on the number of teachers by school year (2018-19 to 2023-24)



Source: FAO analysis of data from EDU.

Effective Average Secondary Class Sizes Will Increase Incrementally

Combining the impact of the Teacher Job Protection Fund and estimates for teacher attrition, the FAO projects that the effective average secondary class size²⁶ will be 22.9 students per teacher in the 2019-20 school year, rising to 24.6 in 2020-21, 26.7 in 2021-22 and 28.0 in 2022-23, when the new class size targets will be achieved.²⁷ The FAO's projection for an effective average secondary class size of 22.9 students per teacher in the 2019-20 school year is slightly higher than the ministry's projection of 22.5 students per teacher²⁸ due to the FAO's estimate of higher teacher attrition.

Projected effective average secondary class sizes by school year (2019-20 to 2023-24)

	2019-20	2020-21	2021-22	2022-23	2023-24
Effective Average Secondary Class Size	22.9	24.6	26.7	28.0	28.0

Note: Figures do not include impact of mandatory e-learning for secondary students. E-learning courses will have an average class size of 35 students per teacher. Effective average secondary class size reflects funding for teachers under the Pupil Foundation Grant and the Teacher Job Protection Fund. Actual average class sizes may be higher or lower than the funded average.

Source: FAO analysis of data from EDU.

Fiscal Impact of New Class Size Policy

The FAO projects the Teacher Job Protection Fund will cost \$1.3 billion over four fiscal years, \$0.3 billion less than the \$1.6 billion committed by the Province. The FAO forecasts that teacher attrition will be higher than projected by the ministry, which will allow the Province to achieve its class size objectives without needing to use the full amount of the Teacher Job Protection Fund.

Projection of Teacher Job Protection Fund spending by fiscal year (2019-20 to 2023-24), \$ millions

	2019-20	2020-21	2021-22	2022-23	2023-24	TOTAL
Projected Teacher Job Protection Fund Spending	419	525	290	74	0	1,307

Note: Numbers are for fiscal (not school) years.

Source: FAO analysis of data from EDU.

Overall, the FAO estimates that increasing class sizes (including through the introduction of mandatory e-learning), net of the cost of the Teacher Job Protection Fund, will save the Province \$2.8 billion over the next five fiscal years, including \$0.1 billion in the 2019-20 fiscal year. Once the new class size policies are fully implemented, and the Teacher Job Protection Fund is no longer required, the Province will save an estimated \$0.9 billion per year.²⁹

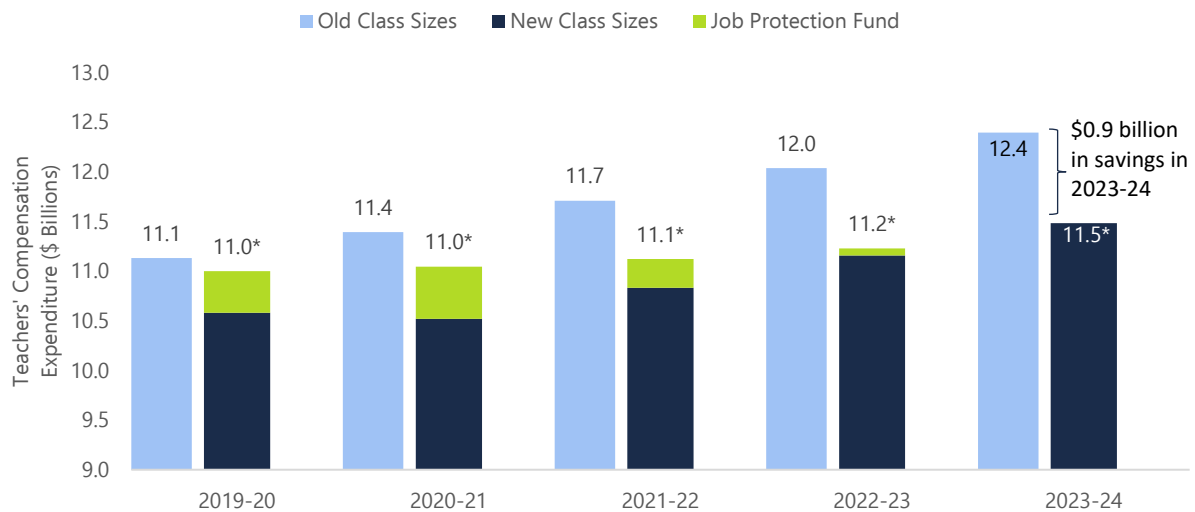
²⁶ Effective average secondary class size reflects funding for teachers under the Pupil Foundation Grant and the Teacher Job Protection Fund. Actual average class sizes may be higher or lower than the funded average.

²⁷ Projections for effective average secondary class sizes do not include the impact of mandatory e-learning for secondary students. E-learning courses will have an average class size of 35 students per teacher.

²⁸ <https://news.ontario.ca/edu/en/2019/08/ontario-providing-stability-for-students-and-families.html>.

²⁹ There will be a slight increase in expenditure through the Supported Schools Allocation of the Geographic Circumstances Grant, which provides funding to remote and rural schools that have fewer teachers than the set minimum (which varies depending on school size and grade levels). The increase in class sizes will result in more schools falling below this threshold and qualifying for support. The Province is also phasing in unspecified changes to the School Facility and Operations and Renewal Grant to reflect the increase in class sizes.

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

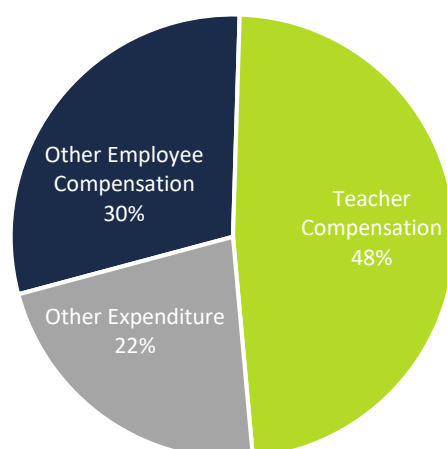
On June 5, 2019, the Province introduced in the legislature Bill 124, Protecting a Sustainable Public Sector for Future Generations Act, 2019. If passed, the proposed legislation would place a one per cent cap on wage increases for new public sector contracts negotiated for a three-year period. This cap would apply to over 200,000 teachers and other education staff whose collective agreements are up for renegotiation in September 2019.³⁰

Context

In 2018-19, spending on employees accounted for an estimated \$21.0 billion, or 78 per cent of all school board spending (with teacher compensation comprising 48 per cent).

³⁰ Bill 124, Protecting a Sustainable Public Sector for Future Generations Act, 2019, s. 8. Bill 124, would have a retroactive effect if new collective agreements are reached before the proposed Bill is passed by the legislature. See s. 9, paragraph 1.

Employee compensation³¹ as a share of total school board spending, 2018-19



Source: FAO analysis of data from EDU.

Since 2010-11, school board employee compensation has grown by an annual average of 2.7 per cent. This growth is the result of increases to the overall number of teachers and other employees (in part due to the introduction of full-day kindergarten) and wage increases negotiated through collective bargaining agreements.

Teachers, which make up the bulk of school boards' employee compensation spending, received wage increases averaging 0.9 per cent over the last eight years. In 2011, teachers received a 3.0 per cent annual raise. This was followed by a period of wage freezes between 2012 and 2015. In recent years, base salaries increased at annual rates of 1.25 per cent to 1.75 per cent. As a result of these agreements, base salaries increased from about \$70,800 in 2010 to about \$76,200 in 2018 for an annual average base wage increase of 0.9 per cent.³²

Annual teacher base salary growth (2010 to 2018)

	2011	2012	2013	2014	2015	2016	2017	2018
Base Salary Increase (%)	3.0	0	0	0	0	1.25	1.75	1.5

Note: Per cent increases are presented on a school year basis. A 1.0 per cent lump-sum payment was provided in 2015 but was not a permanent salary increase.

Source: GSN Technical Guides 2011-12 to 2019-20 and information provided by the Province.

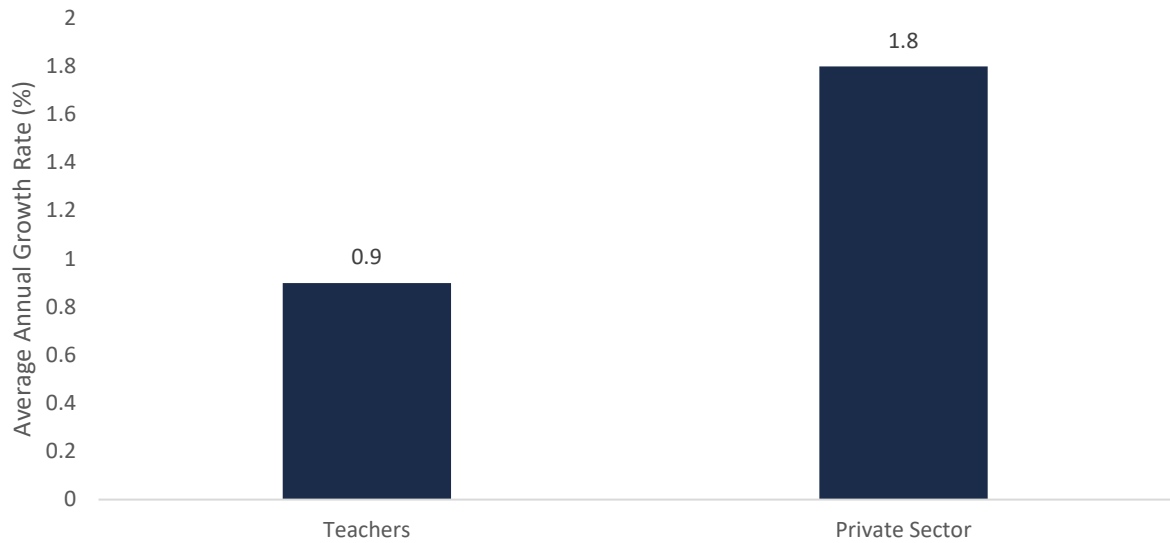
In comparison, over this period, private sector wages have increased at a faster pace than experienced by teachers. From 2010 to 2018, private sector collective bargaining agreements have resulted in average

³¹ Compensation includes salaries and non-pension benefits.

³² Average salaries are higher than base salary benchmarks because additional compensation is provided to teachers based on their experience and qualifications. Average salaries increased from about \$78,900 in 2010 to about \$89,400 in 2018, reflecting an average annual growth rate of 1.6 per cent.

annual base wage growth of 1.8 per cent, significantly outpacing teacher base salary growth of 0.9 per cent.

Teacher versus private sector base salary growth since 2010



Source: FAO analysis of data from EDU and Collective Bargaining Ontario.

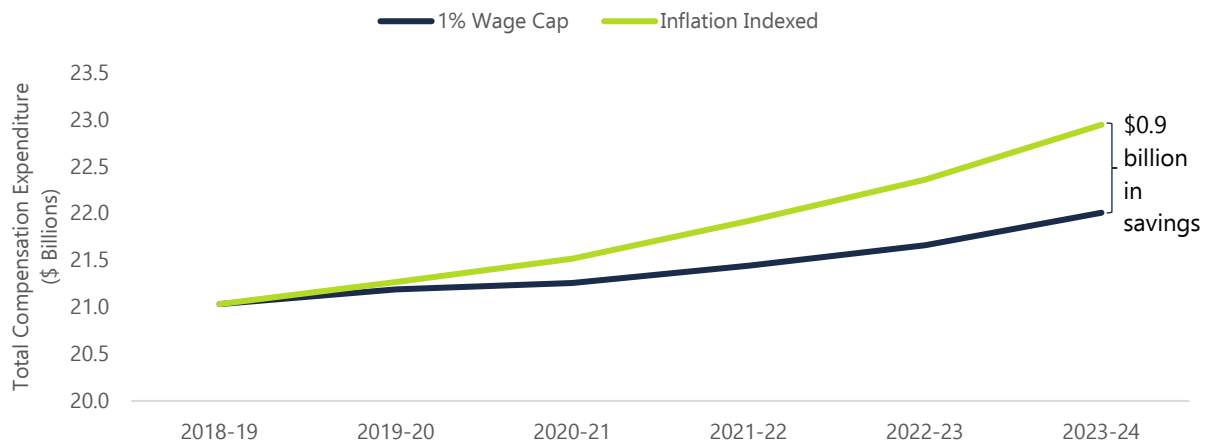
Fiscal Impact of Cap on Wage Increases

The FAO projects that if school board education workers’ base salaries increase at one per cent annually between 2019-20 and 2023-24, then total compensation would grow to an estimated \$22.0 billion by 2023-24.³³

Compared to an inflation-indexed increase in school board education workers’ base salaries, the Province would achieve significant savings. In 2019-20, the gap between “one per cent capped” employee compensation spending and inflation-indexed compensation spending would be \$0.1 billion, growing to \$0.5 billion by 2021-22 and reaching \$0.9 billion by 2023-24. Over five years, the Province would save an estimated \$2.5 billion in the Ministry of Education alone by increasing base wages at one per cent annually between 2019-20 and 2023-24 instead of indexing base wages to inflation.

³³ Assumes proposed one per cent cap on wage increases continues through 2023-24. Also reflects implementation of new class size targets, including mandatory e-learning.

Total school board employee compensation spending, one per cent annual growth versus inflation indexed (2018-19 to 2023-24)



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.

Restructuring Child Care Programs

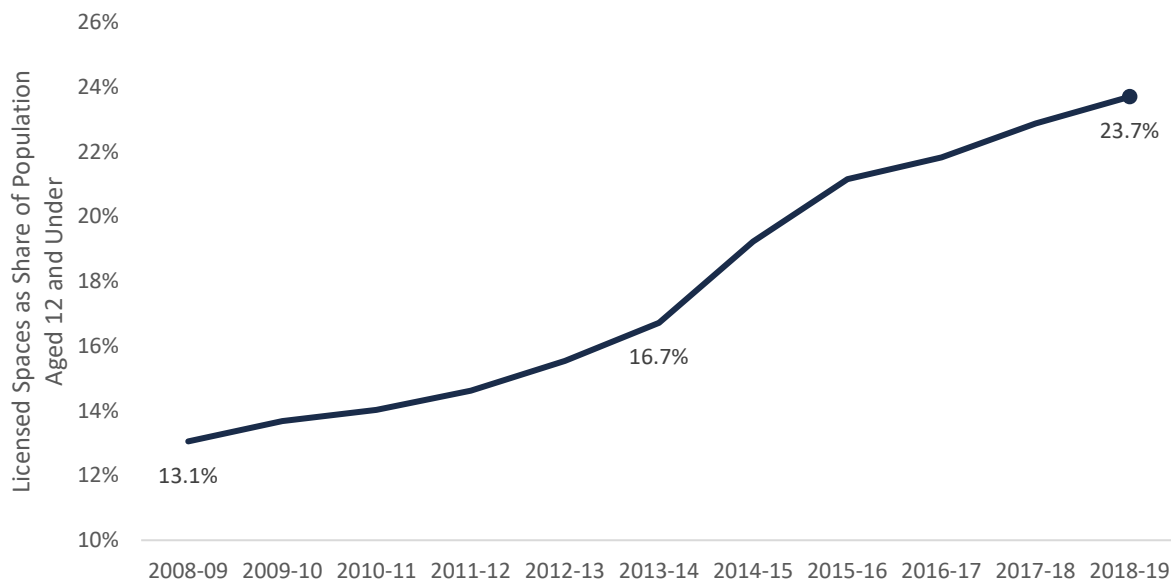
The spending plan for the Ministry of Education in the 2019-20 Expenditure Estimates and the 2019 Ontario Budget reflects a number of changes in child care programs, including:

- a revised commitment to create up to 30,000 new child care spaces in schools;
- a decrease in transfer payment funding to municipal service managers who administer child care programs;
- changes to regulations, which would allow home-based child care providers to increase spaces; and
- the new Ontario Childcare Access and Relief from Expenses (CARE) tax credit, a refundable tax credit designed to offset a portion of the cost of child care for eligible families.

Number of Licensed Child Care Spaces has Increased Significantly

In Ontario, the number of licensed child care spaces has grown significantly since 2008, averaging 6.5 per cent annual growth, coinciding with a period of strong growth in child care funding. By 2018-19, the FAO estimates that there were roughly 463,000 licensed child care spaces in the province, covering 23.7 per cent of the nearly two million children aged 0 to 12. This is significantly higher than the 13.1 per cent coverage rate in 2008.

Licensed child care spaces increasing faster than child care-age population



Source: Ministry of Education and Statistics Canada.

Revised Commitment to Create 30,000 Additional Child Care Spaces

The 2019 budget committed up to \$1.0 billion in funding to create up to 30,000 new child care spaces in schools over five years by 2023-24.³⁴ This commitment is a modification of the previous government's commitment to create 45,000 new child care spaces by 2021-22. The new plan reduces the previous commitment by 15,000 child care spaces and extends the time to complete the new spaces by two years.

Evolution of the child care expansion plan

2016	Commitment to create 100,000 new child care spaces over five years (by 2021-22).
2017	Revised to create only 45,000 more child care spaces.
2019	Revised to create only up to 30,000 child care spaces in schools over new five-year period (by 2023-24).

By the end of 2018-19, 20,000 child care spaces were completed or in various stages of planning or development, leaving only 10,000 child care spaces remaining to meet the 30,000 new child care spaces commitment.

³⁴ 2019 Ontario Budget, p. 99.

Overall, the FAO estimates that the ministry will save approximately \$0.6 billion in capital spending over the next five years by reducing the child care spaces commitment by 15,000 spaces from 45,000 to 30,000 new child care spaces.

Funding Cuts to Child Care Programs

The 2019-20 Expenditure Estimates and the 2019 budget reflect a number of funding cuts to child care programs. The changes include a requirement that municipalities fund 20 per cent of the operating costs for new child care spaces, compared to the previous government commitment that operating costs for new child care spaces would be 100 per cent funded by the Province; all administration funding, including wage enhancement administration funding, will be cost-shared at a rate of 50/50 with municipalities; and a reduction in the amount of child care program funding that municipal service managers can spend on administration costs from 10 per cent to 5 per cent. Finally, the Province is also winding down fee stabilization support funding.

Overall, due to the program changes, in the 2019-20 Estimates there is a \$156 million (eight per cent) decrease in requested funding for child care programs compared to requested funding in the 2018-19 Estimates.

In response to concerns raised by municipalities, in May 2019, the government announced that the changes to expansion plan and administrative cost-sharing requirements would be deferred until January 1, 2020 at a cost to the Province of around \$100 million.³⁵ Since this funding is not requested in the 2019-20 Estimates, a Treasury Board Order will be required to increase the spending authority for the child care transfer payment with an offset from another program identified.³⁶

As a result of moving from the previous commitment that the Province would fund 100 per cent of the operating costs of new child care spaces to 80 per cent, municipalities have identified challenges in finding funding to support the operation of new child care spaces.³⁷ Consequently, there is a risk that some new child care spaces may not open as planned.

Legislative and Regulatory Changes

In April 2019, the legislature passed Bill 66, Restoring Ontario's Competitiveness Act, 2019 which made several amendments to the *Child Care and Early Years Act, 2014*. These changes impacted rules around home-based child care spaces, including:

- increasing the number of children under the age of two years old that a home-based provider can have in their care from two children to three children; and
- reducing the age at which these providers no longer have to count their own children towards the total number of children in their care from six years old to four years old.

³⁵ Subsequently, the Province announced in August 2019 that changes to administrative cost sharing will be further delayed until 2021 and allowable administrative costs until 2022.

³⁶ The Province's 2019-20 First Quarter Finances reported that EDU spending was up \$100.5 million to "help municipal partners provide child care programs," offset by a reduction in spending on Interest on Debt. However, it is legally not possible to increase transfer payment spending for the Child Care and Early Years program beyond the amount requested in the Estimates (which is voted (or Supply Bill) spending) through an offset that is standalone legislation (or statutory) spending, such as Interest on Debt spending. Therefore, an appropriate offset will need to be identified through a Treasury Board Order.

³⁷ <https://www.thestar.com/news/gta/2019/07/15/more-than-3000-new-toronto-child-care-spaces-at-risk-due-to-provincial-cuts.html>.

In 2018-19, there were approximately 16,900 licensed home care spaces in Ontario, comprising only 3.6 per cent of all licensed child care spaces. Overall, the FAO expects that these changes will result in a modest increase in the number of licensed child care spaces in Ontario.

The CARE Tax Credit³⁸

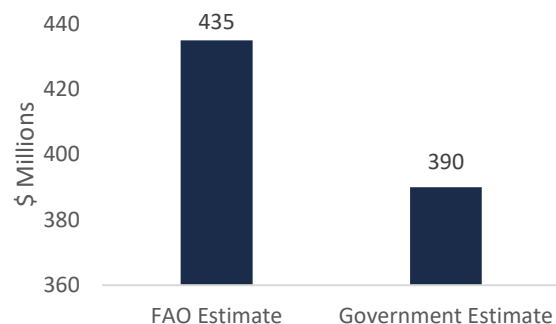
In the 2019 budget, the government introduced the CARE tax credit to reduce child care costs for working families and to “help experienced employees return to work sooner after a parental leave or job separation.”³⁹

Impact to the Province’s Budget Balance

The FAO estimates the cost of the CARE tax credit to be \$435 million in 2019-20. By comparison, in the 2019-20 Estimates, the ministry is requesting \$390 million for the CARE tax credit.

If the FAO’s estimate is correct, then a Treasury Board Order will be required to increase the spending authority for the CARE tax credit, offset by a decrease in spending in another program.⁴⁰

Estimated cost of CARE, 2019-20



Source: FAO and 2019 Ontario Budget.

Impact of the CARE Tax Credit on Child Care Spaces

The FAO estimates that approximately 310,000 families with children will receive the CARE tax credit, with an average benefit of approximately \$1,300 per family in 2019.

By offsetting a portion of the cost of child care, the CARE tax credit will encourage households to increase their use of paid child care arrangements and allow people to enter Ontario’s workforce. The FAO estimates that the CARE tax credit will lead to 6,000 to 15,000 more people entering the Ontario workforce, increasing the labour force participation rate for core-age women by 0.4 percentage points.

The FAO estimates that the higher demand for child care services will result in the creation of approximately 10,000 new licensed child care spaces.

Impact on Child Care Coverage Rate

The FAO estimates that the population of children aged 0 to 12 will increase by almost 100,000 by 2023-24. Over this time, the FAO estimates that the number of licensed spaces will increase by about 47,000, which reflects:

- the government’s commitment to create up to 30,000 new spaces;

³⁸ For a more detailed look at the CARE tax credit, see Financial Accountability Office, “Child Care In Ontario: A Review Of Ontario’s New Child Care Tax Credit And Labour Force Participation,” 2019.

³⁹ 2019 Ontario Budget, p. 100.

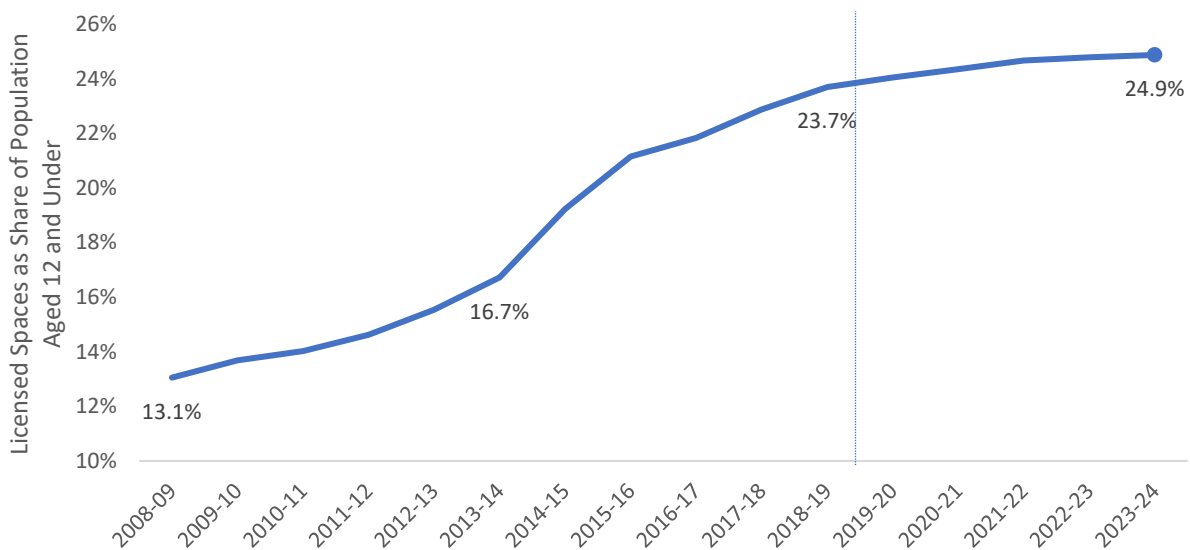
⁴⁰ The legislature has delegated authority to Treasury Board, a Cabinet committee, to increase spending for a program, beyond the amount approved in the Expenditure Estimates, if the spending increase is offset by reduced spending in another program. For more information on these adjustments, see: Financial Accountability Office of Ontario, “Expenditure Estimates: A Review of Ontario’s Proposed Spending Requirements for the 2018-19 Supply Bill,” winter 2019, p. 8.

- the expected increase in licensed child care spaces resulting from the introduction of the CARE tax credit; and
- the projected increase in licensed home child care spaces resulting from changes in legislation.

Overall, the FAO estimates that the new licensed child care spaces will improve the child care coverage rate (the number of licensed child care spaces compared to the number of children aged 0 to 12) from 23.7 per cent to 24.9 per cent by 2023-24, an increase of 1.2 percentage points. By comparison, the child care coverage rate increased by 7.0 percentage points over the last five years.

In addition, the FAO's projection assumes that all 30,000 new child care spaces are created, even with the new policy that the Province will only fund 80 per cent of operating costs, rather than 100 per cent. As previously discussed, municipalities have identified challenges in finding new funds to cover 20 per cent of the operating costs for the new child care spaces. Consequently, there is a risk that some new child care spaces may not open as planned.

Child care coverage rate to flatten over the coming years



Source: FAO and 2019 Ontario Budget.

Potential Changes in the Valuation of the Ontario Teachers' Pension Plan

Ministry of Education projected spending of \$31.6 billion in 2019-20 includes \$1.7 billion in spending related to the Ontario Teachers' Pension Plan (OTPP). This spending reflects the estimated annual increase in the provincial share of the OTPP liability, net of returns on plan assets.⁴¹

In recent years, the Province had reported a net pension asset for the OTPP in its financial statements.⁴² However, starting in 2015-16, the Auditor General of Ontario (AGO) determined that, according to Public Sector Accounting Board (PSAB) standards, the Province was required to remove the value of this asset from its balance sheet by recording a valuation allowance.⁴³ A valuation allowance was required because the Province did not have a unilateral right, or an agreement with the OTPP's co-sponsor the Ontario Teachers' Federation (OTF), to access its share of the net pension asset.⁴⁴

In summer 2018, this accounting issue was reviewed by the Independent Financial Commission of Inquiry (the Commission). The Commission made two recommendations regarding the OTPP:

1. The Province should temporarily adopt the AGO's recommended accounting treatment of the valuation allowance for the net pension asset of the OTPP and then engage the Auditor General to reach a final agreement on the issue.
2. The Province should review the methodology and assumptions used to estimate the value of the OTPP's assets and long-term liabilities.⁴⁵

The 2019 Ontario Budget reported that the Province was "in progress" with respect to implementing these two recommendations.⁴⁶

Any changes to either the accounting treatment of the OTPP valuation allowance for the net pension asset or the methodology and assumptions underlying the valuations of the OTPP's assets and liabilities would likely have a material impact to the Province's budget balance (annual surplus / (deficit)) and net debt.

For example, the FAO estimates that Ministry of Education 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 were able to eliminate the valuation allowance through an agreement with the OTF.

⁴¹ The difference between this expense and the cash contributions to the OTPP equals the annual change in the net pension liability / (asset).

⁴² When the accumulated cash contributions and investment returns exceed the accumulated benefits earned by employees, a net pension asset may be reported. However, the asset must pass an "asset ceiling test" under PSAB standards.

⁴³ The valuation allowance consists of two parts. The first part is a one-time adjustment that removes the value of the asset from the Province's balance sheet. The second part of the valuation allowance is an annual expense that negates the annual increase (if any) in the pension asset. For more information see the 2016 Annual Report of the Auditor General of Ontario, chapters 2 and 4.01.

⁴⁴ Public Accounts of Ontario. Annual Report and Consolidated Financial Statements 2015-2016, pp. 84-85.

⁴⁵ Report of the Independent Financial Commission of Inquiry, pp. 14-15.

⁴⁶ 2019 Ontario Budget, p. 53.

Estimated improvement to the Province's finances if the OTPP net pension asset is recognized through the elimination of the valuation allowance, \$ billions

(\$ billions)	2019-20	2020-21	2021-22	2022-23	2023-24
Impact to Budget Balance	2.3	2.4	2.3	2.3	2.4

Note: Net debt would be reduced by \$18.4 billion in 2019-20 and by \$27.9 billion by 2023-24.

Source: FAO analysis of information provided by the Province.

On the other hand, Ministry of Education 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. For example, the AGO and other commentators have suggested that the discount rate used to measure the value of long-term OTPP pension liabilities may be too high.⁴⁷ All else being equal, a lower discount rate results in higher future pension liabilities, which would increase OTPP expense.⁴⁸

⁴⁷ AGO, "Public Sector Accounting Board Invitation to Comment, Employment Benefits: Discount Rate Guidance in Section PS 3250," 2018, pp. 249-254 and Stuart Landon and Constance Smith, "Managing Uncertainty: The Search for a Golden Discount-Rate Rule for Defined-Benefit Pensions," C.D. Howe Institute, 2019.

⁴⁸ For more background information on discount rates and how they relate to the valuation of net pension assets: Auditor General of Ontario 2016 Annual Report, section 4.01, "Accounting Treatment of Pension Funds".

5 | Program Review

This chapter reviews requested and projected spending for the Ministry of Education's 2019-20 Expenditure Estimates by program vote (Supply Bill spending), standalone legislation (statutory) spending, and other spending (consolidation and other adjustments).

Vote 1001 - Ministry Administration Program

The Ministry Administration Program supports the delivery of all programs and services offered by the Ministry of Education. The total spending request for Vote 1001 is down \$2 million, or 9.3 per cent versus last year's request, which is well below the five-year historical annual average growth rate increase of 5.6 per cent. The spending request decrease this year is mostly attributed to lower services expense.⁴⁹ Salaries and wages expense is estimated to remain the same as last year at \$16 million.⁵⁰

Vote 1001 - Ministry Administration Program

Vote Item	Ministry Administration Program (Vote 1001)	2018-19 Estimates \$ millions	2019-20 Estimates \$ millions	1 YR Change \$ millions	1 YR Growth (%)	5 YR Average Historical Growth (%)
1	Ministry Administration Program					
	Salaries and wages	16	16	0	0.0	12.7
	Services	9	7	-2	-21.7	10.3
	Other net spending (includes recoveries)	-3	-3	0	0.0	-208.2
	Total Supply Vote	22	20	-2	-9.3	5.6

Source: FAO analysis of the Public Accounts of Ontario and the Expenditure Estimates.

⁴⁹ "Services" include advertising, communication, machine repairs and other items.

⁵⁰ Salaries and wages reported in program votes is spending by the ministry only and does not include spending on salaries and wages by school boards.

Vote 1002 - Elementary and Secondary Education Program

The Elementary and Secondary Education Program provides financial support to school boards, schools and agencies in Ontario. At \$27.0 billion, Vote 1002 accounts for 86 per cent of Ministry of Education spending in 2019-20. The overall spending request for Vote 1002 increased by \$139 million, or 0.5 per cent, compared to 2018-19. There are three main sub-programs (items) in Vote 1002:

- Policy and Program Delivery (\$25.1 billion)
- Educational Operations (\$0.1 billion)
- Support for Elementary and Secondary Education (\$1.7 billion)

Policy and Program Delivery

The largest sub-program in Vote 1002 is Policy and Program Delivery (item 1) at \$25.1 billion, which is expected to increase by \$70 million, or 0.3 per cent versus last year.

This sub-program includes \$17.4 billion in school board operating grants and \$7.2 billion in education property tax non-cash expense, which together form the Grants for Students Needs (GSN) program. The combined GSN funding request is up by \$269 million, or 1.1 per cent versus last year. About half of GSN funding is used for foundation grants, which fund teachers, staff and classroom supplies. The other half of GSN funding is used for special purpose grants, which fund a variety of areas, including special education, additional teacher compensation, and school operations.

The Policy and Program Delivery sub-program also includes \$271 million in transfer payments for Priority and Partnerships Funding,⁵¹ which is expected to decrease by \$152 million, or 36 per cent versus last year. These transfer payments support initiatives such as tutors in classrooms, parental outreach and engagement, after-school programming, and mental health workers in secondary schools. About half of these transfer payments are provided to school boards, while half are provided to third parties.

The remaining \$216 million in spending under the Policy and Program delivery sub-program includes \$71 million for salaries and wages, \$57 million for services, \$34 million to support official languages projects, \$32 million in transfer payments to the Education Quality and Accountability Office (EQAO) and \$22 million in other spending. When combined, this spending is expected to decrease by \$47 million, or 18 per cent versus last year. This spending decrease is mostly due to lower services expense, which is down \$40 million.

Educational Operations

Requested spending for the Educational Operations sub-program (item 2) is \$149 million, which is down \$3 million, or 2.1 per cent versus last year.

This sub-program includes transfer payments to the Office des télécommunications éducatives de langue française de l'Ontario (TFO) (\$25 million) and the Ontario Education Communications Authority (TVO) (\$43 million). Spending for TFO is expected to be unchanged versus last year, while spending for TVO is expected to be down \$2 million, or 4.4 per cent versus last year. The remaining spending in this sub-

⁵¹ The Province introduced two new transfer payments in the 2019-20 Estimates, Priority and Partnerships Funding - School Boards and Priority and Partnerships Funding - Third Parties. These two transfer payments replace what was formerly called the Education Programs - Other (EPO) transfer payment. In this report, the FAO combines the two Priority and Partnerships Funding transfer payments and compares this cost to the EPO cost for historical purposes.

program is mostly for salaries and wages and services, which combined is expected to be down \$1 million, or 1.7 per cent versus last year.

Support for Elementary and Secondary Education

The second largest sub-program in Vote 1002 is Support for Elementary and Secondary Education (item 3) at \$1.7 billion. Requested spending is up by \$73 million, or 4.4 per cent versus last year.

This sub-program includes \$1.6 billion in capital grants to school boards, which are expected to increase by \$141 million or 9.8 per cent versus last year. School boards may use this funding for capital projects, such as the rehabilitation and building of schools.

This sub-program also includes \$124 million for School Board – Capital Funding for Child Care, which is a program that provides capital grants to school boards to create child care spaces. Funding for this program is down \$59 million, or 32 per cent versus last year. The reduction in funding reflects the Province's revised commitment to create up to 30,000 new child care spaces in schools by 2023-24, rather than 45,000 new child care spaces by 2021-22. The new plan reduces the previous commitment by 15,000 child care spaces and extends the time to complete the new spaces by two years.⁵²

The remaining spending in this sub-program also includes \$33 million in capital grants for the early learning program, which is expected to be down \$9 million, or 22 per cent versus last year.

Finally, one program has been cancelled for 2019-20, the Greenhouse Gas Reduction Account – Schools, which was allocated \$100 million in 2018-19.

⁵² See chapter 4 for more details.

Vote 1002 – Elementary and Secondary Education Program

Vote Item	Elementary and Secondary Education Program (Vote 1002)	2018-19 Estimates \$ millions	2019-20 Estimates \$ millions	1 YR Change \$ millions	1 YR Growth (%)	5 YR Average Historical Growth (%)
1	Policy and Program Delivery					
	School Board Operating Grants	17,163	17,362	199	1.2	2.6
	Education Property Tax Non-Cash Expense	7,180	7,250	70	1.0	1.9
	Priority and Partnerships Funding	423	271	-152	-35.9	-16.2
	Provincial Benefits Trusts	9	0	-9	-100.0	NA
	Official Languages Projects	34	34	0	0.0	0.3
	Education Quality and Accountability Office	31	32	0	0.9	0.2
	Miscellaneous Grants	3	3	0	0.0	5.1
	Salaries and wages	71	71	0	0.0	2.4
	Services	97	57	-40	-41.2	-0.3
	Other net spending	19	20	1	7.5	6.4
	Total Item	25,029	25,099	70	0.3	2.0
2	Educational Operations					
	Payments in lieu of municipal taxation	0	0	0	0.0	6.1
	Provincial Schools Student Enhancement Program	0	0	0	0.0	35.4
	Office des télécommunications éducatives de langue française de l'Ontario (TFO)	25	25	0	0.0	0.0
	Ontario Education Communications Authority (TVO)	45	43	-2	-4.4	-0.9

Vote Item	Elementary and Secondary Education Program (Vote 1002)	2018-19 Estimates \$ millions	2019-20 Estimates \$ millions	1 YR Change \$ millions	1 YR Growth (%)	5 YR Average Historical Growth (%)
	Salaries and wages	50	50	0	0.0	1.4
	Services	20	18	-1	-5.9	10.1
	Other spending	13	13	0	0.0	-0.3
	Total Item	152	149	-3	-2.1	1.2
3	Support for Elementary and Secondary Education					
	School Board Capital Grants	1,442	1,583	141	9.8	15.7
	Early Learning Program	42	33	-9	-21.9	-40.5
	School Board – Capital Funding for Child Care	182	124	-59	-32.2	50.4
	Greenhouse Gas Reduction Account - Schools	100	0	-100	-100.0	NA
	Office des télécommunications éducatives de langue française de l'Ontario	1	1	0	0.0	0.0
	Ontario Education Communications Authority	2	2	0	-4.0	-0.8
	Support for Elementary and Secondary Education	9	9	0	0.0	-3.9
	Other spending (includes recoveries)	-100	0	100	100.0	NA
	Total Item	1,677	1,750	73	4.4	7.3
	Total Supply Vote	26,858	26,997	139	0.5	2.3

Source: FAO analysis of the Public Accounts of Ontario and the Expenditure Estimates.

Vote 1003 - Community Services Information and Information Technology Cluster

The Community Services Information and Information Technology Cluster supports four ministries⁵³ in digital asset management and services. Overall, the \$56 million spending request for Vote 1003 is up \$4 million, or 7.9 per cent versus last year, which is higher than the five-year historical average growth rate. The \$27 million decrease in planned services expense is largely offset by an increase of \$27 million in other spending, which represents less recoveries from other ministries.⁵⁴ Salaries and wages expense is up \$4 million or 11.4 per cent.

Vote 1003 – Community Services Information and Information Technology Cluster

Vote Item	Community Services Information and Information Technology Cluster (Vote 1003)	2018-19 Estimates \$ millions	2019-20 Estimates \$ millions	1 YR Change \$ millions	1 YR Growth (%)	5 YR Average Historical Growth (%)
1	Community Services Information and Information Technology Cluster					
	Salaries and wages	31	34	4	11.4	6.2
	Services	109	83	-27	-24.3	25.7
	Other spending (includes recoveries)	-88	-61	27	30.9	-270.2
	Total Supply Vote	52	56	4	7.9	0.0

Source: FAO analysis of the Public Accounts of Ontario and the Expenditure Estimates.

⁵³ The Ministries of Education, Training, Colleges and Universities, Municipal Affairs and Housing, and Tourism, Culture and Sport.

⁵⁴ The cost of services provided to other ministries is recorded as a "recovery" by the Ministry of Education and an expense by the other ministries. The net impact is to decrease Ministry of Education spending and increase spending in the other ministries.

Vote 1004 - Child Care and Early Years Programs

The Child Care and Early Years Programs provide funding for child care programs and services. At \$2.2 billion, Vote 1004 accounts for 7 per cent of total Ministry of Education spending in 2019-20. Compared to 2018-19, the overall spending request for Vote 1004 is up by \$134 million, or 6.5 per cent. There are two main sub-programs (items) in Vote 1004:

- Policy Development and Program Delivery (\$2.2 billion)
- Child Care Capital (\$10 million)

Policy Development and Program Delivery

The largest sub-program in Vote 1004 is Policy Development and Program Delivery (item 1) at \$2.2 billion, which is up by \$228 million, or 11.6 per cent versus last year.

The overall increase is due to the introduction of the Childcare Access and Relief from Expenses (CARE) tax credit, which is estimated by the Province to cost \$390 million in 2019-20.⁵⁵ The FAO estimates that the CARE tax credit will cost nearly \$50 million more than requested in the 2019-20 Expenditure Estimates. If the FAO's estimate is correct, then a Treasury Board Order will be required to increase the spending authority for the CARE tax credit, offset by a decrease in spending in another program.⁵⁶

This sub-program also includes a \$1.8 billion operating transfer payment for child care programs, which is expected to decrease by \$156 million or 8.1 per cent versus last year. The changes include a requirement that municipalities fund 20 per cent of the operating costs for new child care spaces, compared to the previous government commitment that operating costs for new child care spaces would be 100 per cent funded by the Province; all administration funding, including wage enhancement administration funding, will be cost-shared at a rate of 50/50 with municipalities; and a reduction in the amount of child care program funding that municipal service managers can spend on administration costs from 10 per cent to 5 per cent. Finally, the Province is also winding down fee stabilization support funding.⁵⁷

Subsequent to the release of the 2019-20 Estimates, the government announced that the changes to expansion plan and administrative cost-sharing requirements would be deferred until January 1, 2020 at a cost of approximately \$100 million.⁵⁸

The Province's 2019-20 First Quarter Finances reported that EDU spending was up \$100.5 million to "help municipal partners provide child care programs," offset by a reduction in spending on Interest on Debt.⁵⁹ However, it is legally not possible to increase transfer payment spending for the Child Care and Early Years program beyond the amount requested in the Estimates (which is voted (or Supply Bill) spending) through an offset that is standalone legislation (or statutory) spending, such as Interest on Debt spending.

⁵⁵ Refundable tax credits such as the CARE tax credit are reported as operating expenses in the Estimates and the Public Accounts of Ontario. Before 2012-13, these types of tax credits were not reported as expenses but as a reduction in revenue. However, a subsequent change in PSAB standards recognized that such tax credits, in substance, are transfers or grants as opposed to tax relief, and should be recorded as operating expenses.

⁵⁶ The legislature has delegated authority to Treasury Board, a Cabinet committee, to increase spending for a program, beyond the amount approved in the Expenditure Estimates, if the spending increase is offset by reduced spending in another program. For more information on these adjustments, see: Financial Accountability Office of Ontario, "Expenditure Estimates: A Review of Ontario's Proposed Spending Requirements for the 2018-19 Supply Bill," winter 2019, p. 8.

⁵⁷ See chapter 4 for more details.

⁵⁸ Subsequently, the Province announced in August 2019 that changes to administrative cost sharing will be further delayed until 2021 and allowable administrative costs until 2022.

⁵⁹ 2019-20 First Quarter Finances, p. 5.

Therefore, a Treasury Board Order will be required to increase the spending authority for the Child Care and Early Years program, offset by a decrease in spending in another Supply Bill spending (or voted) program.⁶⁰ This offset was not identified in the Province's 2019-20 First Quarter Finances.

The remaining requested spending in this sub-program at \$24 million is down \$6 million, or 20 per cent versus last year. The lower spending is mostly due to services expense, which is down \$6 million, or 44 per cent versus last year.

Child Care Capital

The other sub-program in Vote 1004 is Child Care Capital (item 2) at \$10 million, which has decreased by \$94 million, or 90 per cent versus requested funding in 2018-19.

This sub-program consisted of transfer payments to child care service managers for the renovation and creation of child care spaces. The requested funding of \$10 million in 2019-20 is for Indigenous-led child care and early years capital spending.

⁶⁰ For more on Treasury Board Orders see: Financial Accountability Office of Ontario, "Expenditure Estimates: A Review of Ontario's Proposed Spending Requirements for the 2018-19 Supply Bill," winter 2019, p. 8.

Vote 1004 – Child Care and Early Years Programs

Vote Item	Child Care and Early Years Programs (Vote 1004)	2018-19 Estimates \$ millions	2019-20 Estimates \$ millions	1 YR Change \$ millions	1 YR Growth (%)	5 YR Average Historical Growth (%)
1	Policy Development and Program Delivery					
	Childcare Access and Relief from Expenses Tax Credit	0	390	390	<i>NA</i>	<i>NA</i>
	Child Care and Early Years	1,939	1,782	-156	-8.1	9.1
	Salaries and wages	15	15	0	0.0	2.3
	Services	13	7	-6	-44.4	9.2
	Other spending	2	2	0	-0.0	-8.9
	Total Item	1,969	2,197	228	11.6	13.3
2	Child Care Capital					
	Child Care and Early Years Capital	104	10	-94	-90.3	<i>NA</i>
	Total Item	104	10	-94	-90.3	8.5
	Total Supply Vote	2,073	2,207	134	6.5	13.3

Source: FAO analysis of the Public Accounts of Ontario and the Expenditure Estimates.

Standalone Legislation (Statutory) Spending

Ministry of Education spending authorized by standalone legislation is projected to increase by \$7 million, or 0.4 per cent, in 2019-20. The increase is mostly due to the Ontario Teachers' Pension Plan (OTPP). OTPP spending reported in the Expenditure Estimates and the Public Accounts of Ontario represents the projected change in the provincial portion of the OTPP liability for the year, net of returns on the plan's assets.⁶¹

Standalone legislation (statutory) spending

Standalone Legislation (Statutory) Spending	2018-19 Estimates \$ millions	2019-20 Estimates \$ millions	1 YR Change \$ millions	1 YR Growth (%)	5 YR Average Historical Growth (%)
Ontario Teachers' Pension Plan	1,725	1,732	7	0.4	2.6
Amortization	3	3	0	-4.4	12.6
Total standalone legislation spending	1,728	1,735	7	0.4	2.7

Note: OTPP expense for the 2018-19 Estimates has been restated to reflect the Auditor General of Ontario's recommended accounting treatment for the OTPP.

Source: FAO analysis of the Public Accounts of Ontario and the Expenditure Estimates.

⁶¹ See chapter 4 for more information on the OTPP.

Other Spending

The financial results of government organizations controlled by the Province, including school boards and other provincial agencies, are consolidated into the financial results of the Province. Adjustments are made through "other spending" to account for spending by school boards from sources other than transfer payments from the Province and other adjustments. Other spending is projected to increase by \$467 million versus last year, an increase of nearly 700 per cent. In fact, the increase of \$467 million in the other spending category represents nearly 60 per cent of the total ministry spending increase in 2019-20 compared to 2018-19.

Most of the increase in other spending is due to consolidation adjustments for school boards. The Schools – operating adjustment is projected to increase by \$475 million in 2019-20 compared to 2018-19. This year-over-year spending increase reflects multiple assumptions made by the Province:

- School boards will run a balanced budget this year, whereas in the past a surplus was assumed.
- School boards will spend more due to higher own-source revenues.
- There will be timing differences between school boards' actual spending and receipt of transfer payments.

The Schools – capital adjustment is projected to increase by \$77 million in 2019-20, from negative \$489 million in 2018-19 to negative \$412 million in 2019-20. This spending increase largely reflects lower projected spending on school board capital assets in 2019-20 compared to 2018-19.

Other spending

Other Spending	2018-19 Estimates \$ millions	2019-20 Estimates \$ millions	1 YR Change \$ millions	1 YR Growth (%)	5 YR Average Historical Growth (%)
Office des télécommunications éducatives de langue française de l'Ontario (TFO)	7	6	0	-7.0	246.1
Ontario Educational Communications Authority (TV Ontario)	15	14	-1	-7.3	9.7
School Board Trust Debt Payment Reclassification	-66	-66	0	0.0	0.0
Schools - operating	550	1,025	475	86.3	253.2
Schools - capital	-489	-412	77	15.7	5.2
Colleges	-29	-27	2	7.2	-1.1
Hospitals	-6	-6	0	0.0	-7.4
Child Care and Early Years – Non-School Board	-15	0	15	100.0	NA
Cap and Trade Wind Down Account Reclassification	100	0	-100	-100.0	NA
Total other spending	68	535	467	689.6	193.6

Note: Other spending expense for the 2018-19 Estimates has been restated to reflect the Auditor General of Ontario's recommended accounting treatment for the OTPP.

Source: FAO analysis of the Public Accounts of Ontario and the Expenditure Estimates.

6 | Appendices

Appendix A: Development of this Report

Authority

The Financial Accountability Officer decided to undertake the analysis presented in this report under paragraph 10(1)(a) of the *Financial Accountability Officer Act, 2013*.

Methodology

This report has been prepared with the benefit of publicly available information and information provided by the Ministry of Education and Treasury Board Secretariat.

All dollar amounts are in Canadian, current dollars (i.e. not adjusted for inflation) unless otherwise noted.



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