



# Ministry of Education: Spending Plan Review

Briefing Deck

# Purpose and Overview

- This report analyzes the Ministry of Education's spending plan as set out in the 2022 Ontario Budget and the 2022-23 Expenditure Estimates.

## Ministry Spending Outlook

- Compares the FAO's projection vs. the Province's outlook

## FAO Spending Projection by Program Area

- Includes a discussion of school board compensation, investments in capital assets, and the new \$10-a-day child care program

## 2022-23 Expenditure Estimates Review

- Compares planned spending for 2022-23 against actual spending in 2021-22

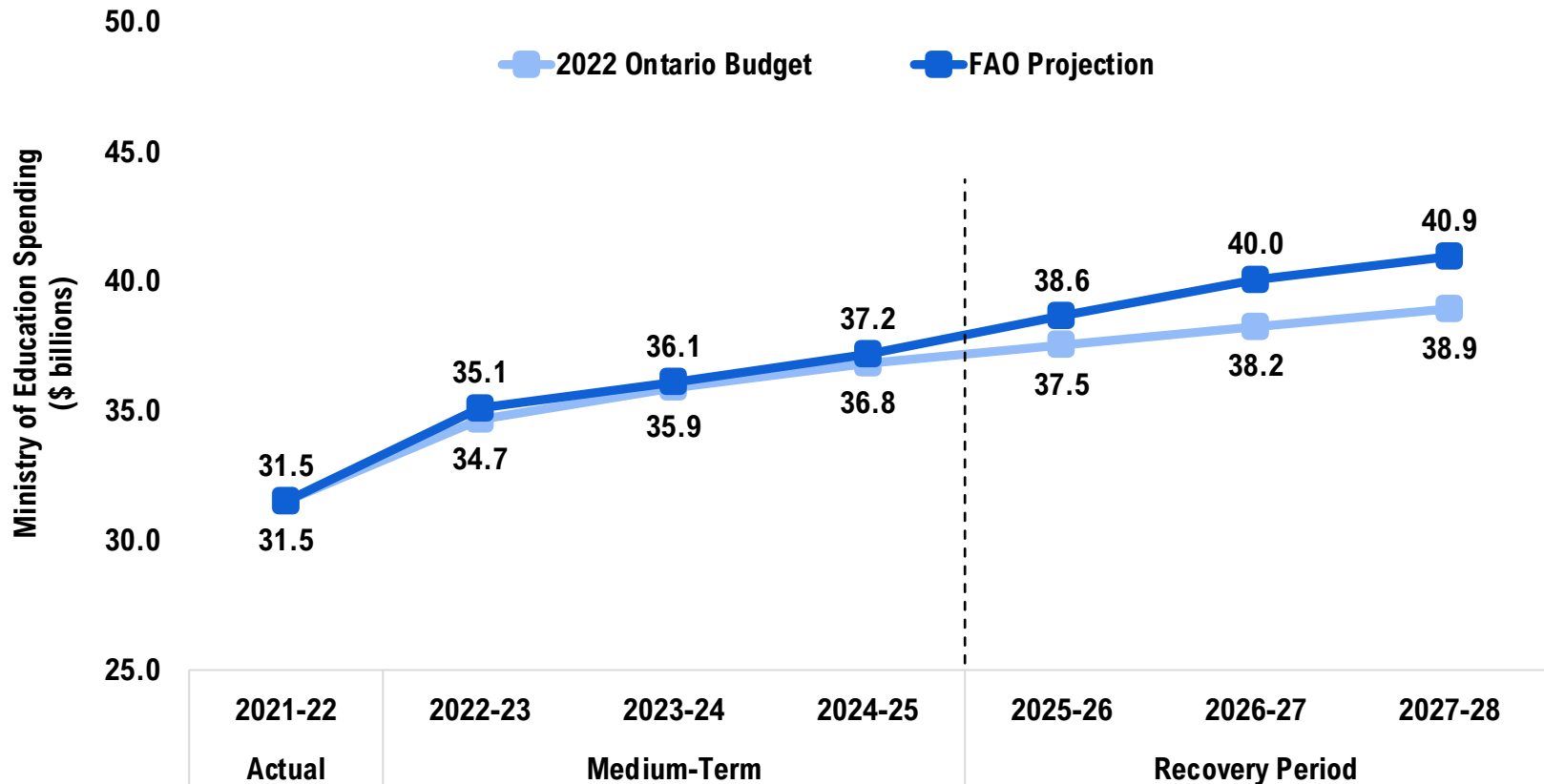


# Ministry of Education Spending Outlook



# Projected Education Spending: FAO vs. Province

- FAO projects 4.5% growth rate vs. 3.6% growth rate in the 2022 budget.
- Overall, there is a cumulative \$6.0 billion funding gap or shortfall.



Note: Ministry of Education spending includes the Ontario Teachers' Pension Plan (OTPP).  
 Source: 2021-22 Public Accounts of Ontario, 2022 Ontario Budget and FAO analysis of information provided by the Province.



# FAO Spending Projection by Program Area



# FAO Spending Projection by Program Area

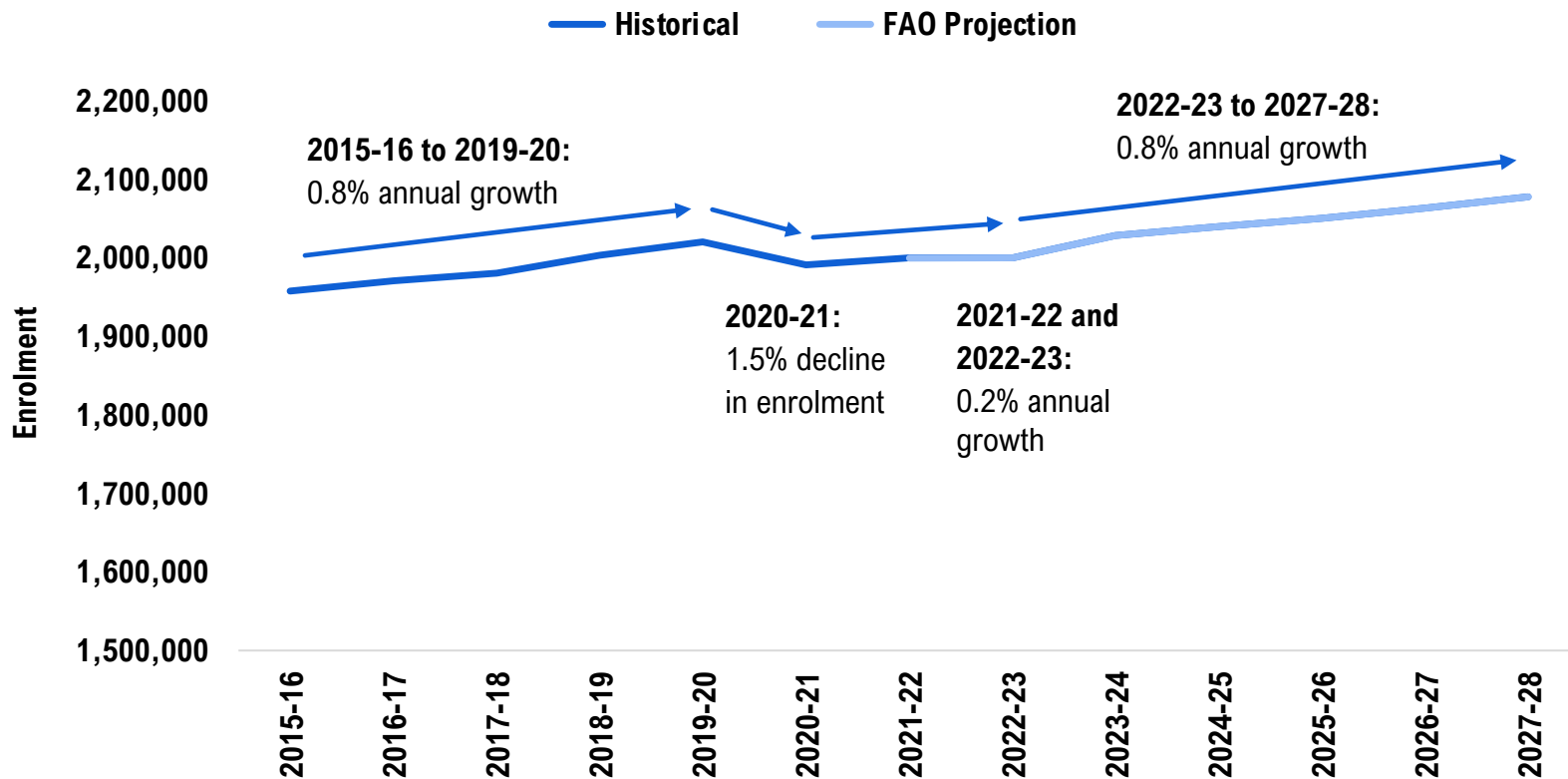
| Program Area                       | 2021-22<br>Actual Spending<br>(\$ millions) | 2027-28<br>Projected Spending<br>(\$ millions) | Average Annual<br>Growth Rate (%)<br>2021-22 to<br>2027-28 |
|------------------------------------|---|--|--|
| School Board Operations            | 25,549                                      | 29,997   | 2.7  |
| School Board Capital               | 1,567                                       | 1,915  | 3.4  |
| Child Care                         | 2,203                                       | 6,543  | 19.9   |
| Ontario Teachers' Pension Plan     | 1,610                                       | 1,847  | 2.3  |
| Ministry Operations                | 317   | 364  | 2.4  |
| Other Education Programs           | 262   | 279  | 1.1  |
| <b>Total Ministry of Education</b> | <b>31,507</b>                               | <b>40,945</b>                                  | <b>4.5</b>   |

Source: 2021-22 Public Accounts and FAO calculations.



# School Board Operations: Enrolment Expected to Return to Pre-Pandemic Growth

- Projected enrolment growth will lead to increase in school board workers from approximately 289,000 in 2021-22 to 300,000 in 2027-28.



Note: Enrolment is on a school year basis.  
 Source: Statistics Canada, Ministry of Finance, and FAO analysis of information provided by the Province.



# School Board Operations: Wage Growth Assumptions

- As new collective agreements have not been reached, the FAO assumes wages will increase by 2.2% annually, reflecting the historical average.
- The FAO estimated the potential impact of two additional bargaining outcomes to its spending projection.

| Impact to FAO Projection<br>(\$ millions)              | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | Total |
|--|---------|---------|---------|---------|---------|---------|-------|
| 2.2% annual wage growth<br>(FAO base case)             | -       | -       | -       | -       | -       | -       | -     |
| 3.2% annual wage growth<br>over three years, then 2.2% | 113     | 303     | 500     | 587     | 603     | 620     | 2,726 |
| 4.2% annual wage growth<br>over three years, then 2.2% | 226     | 607     | 1,008   | 1,186   | 1,219   | 1,254   | 5,501 |

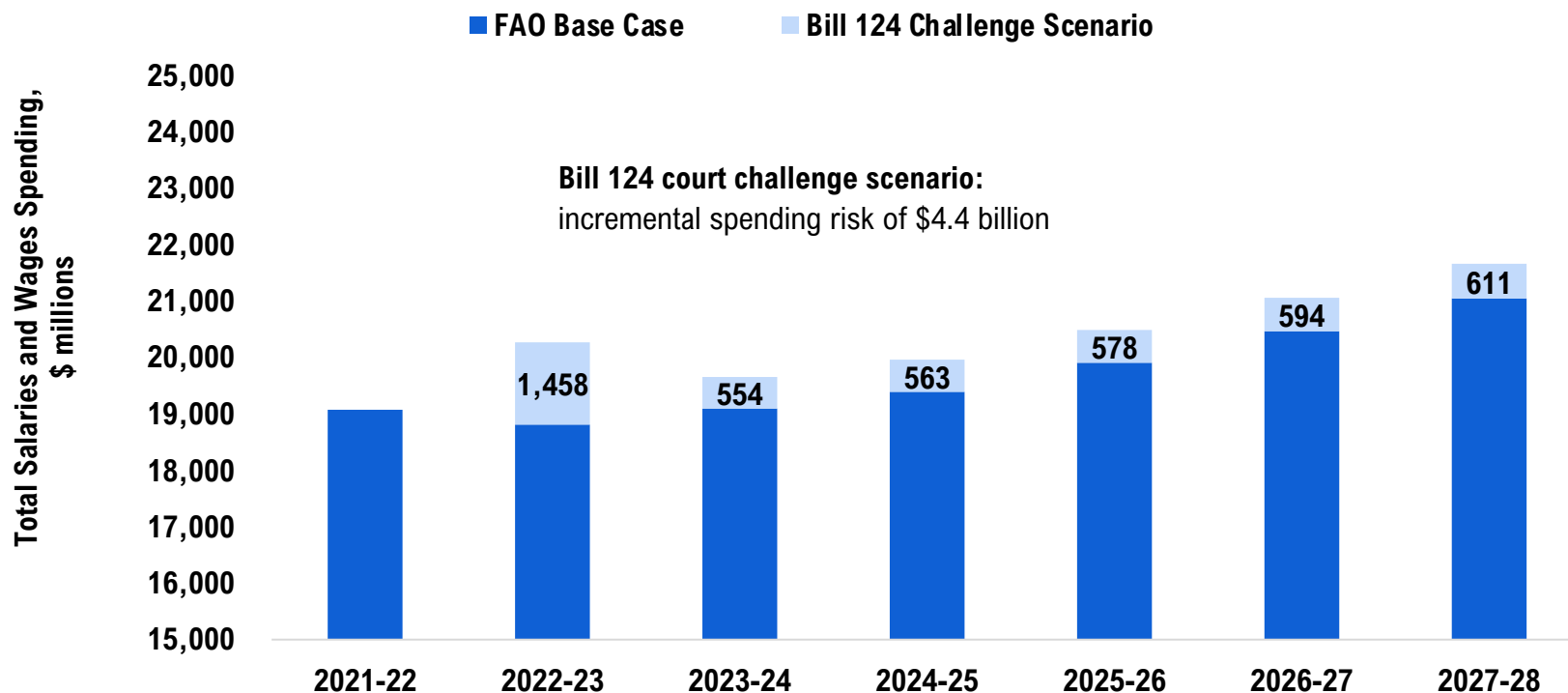
Source: FAO calculations.





# Risk to Compensation Spending Projection: the Court Challenge to Bill 124

- A successful court challenge to Bill 124 could increase spending on school board employee compensation by a cumulative \$4.4 billion over six years.

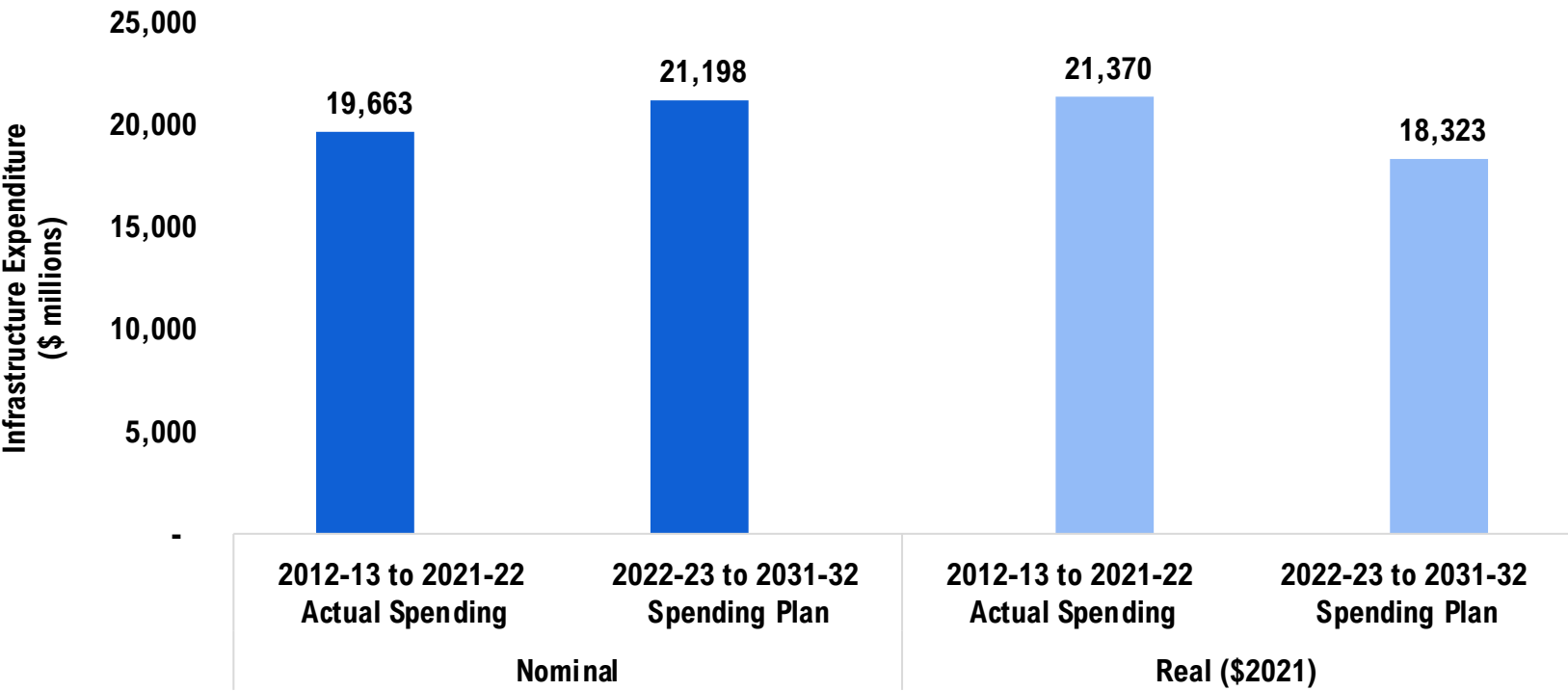


Note: If the Bill 124 court challenge is successful, assumes that unionized school board employees are compensated for Bill 124 wage growth restrictions that have applied since 2019, estimated as the difference between historical average wage growth and the amount received under collective agreements subject to Bill 124 wage restraint.  
Source: FAO estimates.



# School Board Capital Spending to Decline in Real Terms

- Over the next 10 years, the ministry plans to invest more in school board infrastructure in nominal terms but \$3.0 billion (14 per cent) less in real terms (\$2021), when compared to the previous 10 years.



Source: FAO analysis of information provided by the Province.



# Planned Funding for \$10-a-Day Child Care

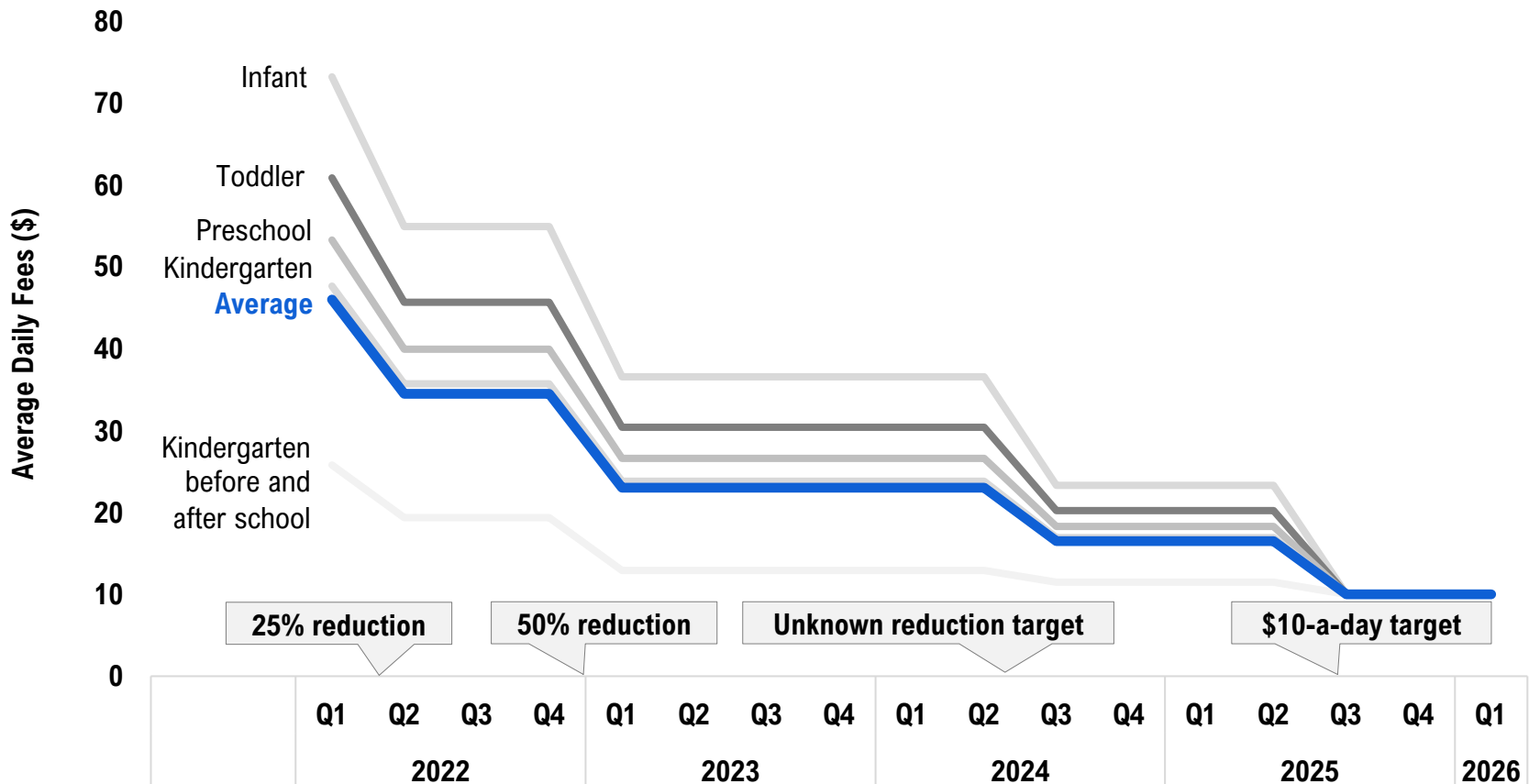
| (\$ millions)              | 2021-22  | 2022-23      | 2023-24      | 2024-25      | 2025-26      | 2021-22 to 2025-26 |
|----------------------------|----------|--------------|--------------|--------------|--------------|--------------------|
| Federal Contributions      | -        | 1,458        | 2,286        | 2,848        | 3,640        | 10,232             |
| Provincial Contributions   | -        | 33           | 55           | 77           | 102          | 268                |
| <b>Total Contributions</b> | <b>-</b> | <b>1,491</b> | <b>2,341</b> | <b>2,925</b> | <b>3,742</b> | <b>10,500</b>      |

**Agreement funding: \$10.5 billion over five years, 97 per cent federal.**

Source: FAO analysis of information provided by the Ministry of Education.



# Targets to Achieve \$10-a-Day Child Care by September 2025



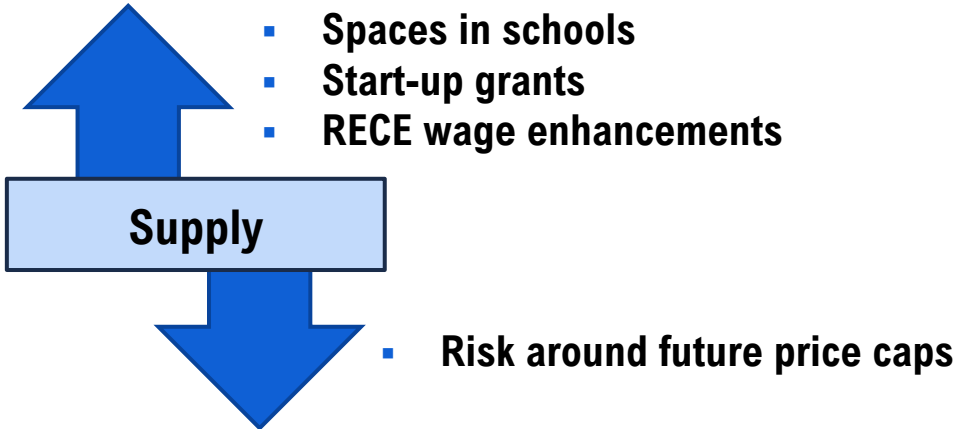
Note: "Average" daily rate includes all licensed child care (home and centres). Daily rate by category is for licensed child care centres only.  
 Source: FAO analysis of the [Canada – Ontario Canada-wide Early Learning and Child Care Agreement](#).



# Plan to Add 71,000 Net New Licensed Child Care Spaces for Children Under Age Six

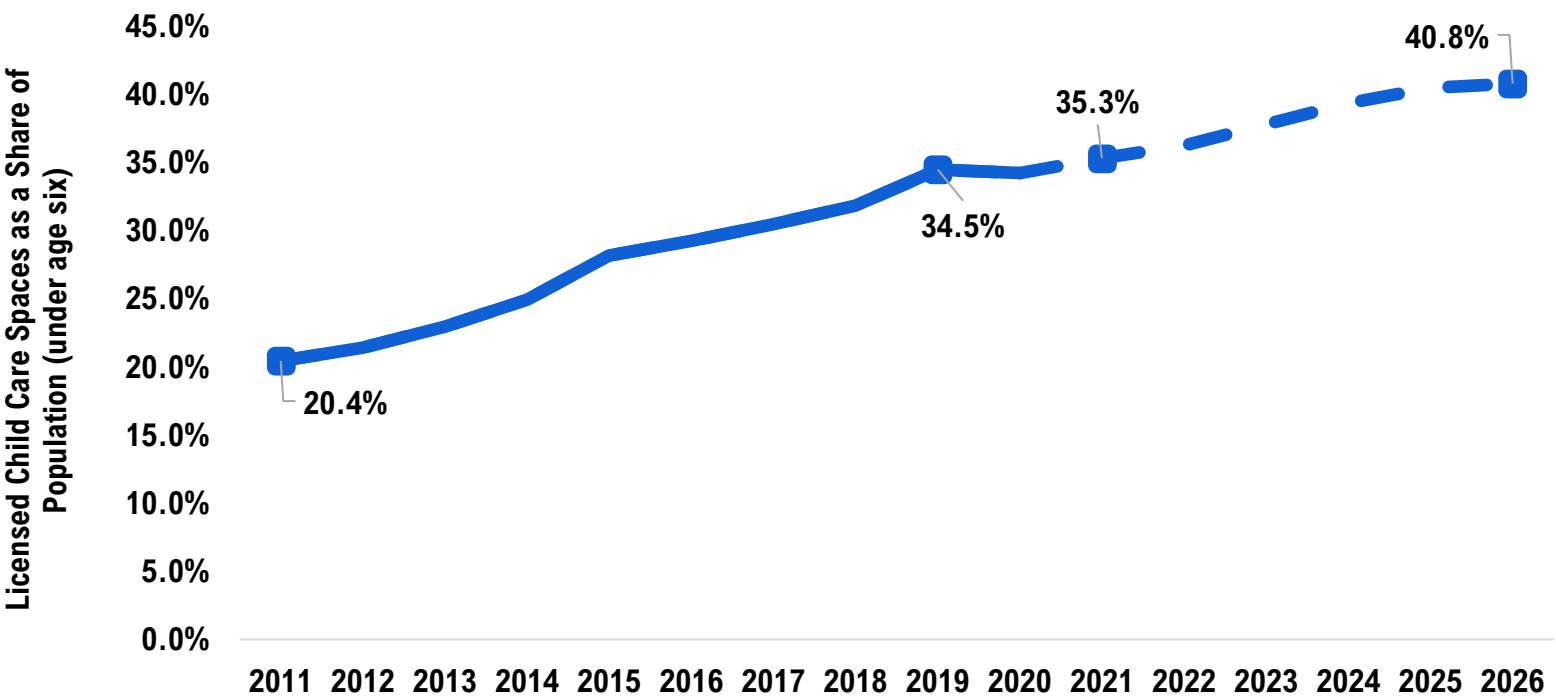
| Licensed Child Care Spaces     | 2019           | 2020           | 2021           | 2022           | 2023           | 2024           | 2025           | 2026           | 2022 to 2026 |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------|
| <b>Start of year</b>           | <b>289,111</b> | <b>299,984</b> | <b>298,004</b> | <b>304,246</b> | <b>313,374</b> | <b>330,936</b> | <b>348,780</b> | <b>364,838</b> |              |
| Natural growth                 | 10,873         | -1,980         | 6,242          | 9,128          | 9,401          | 9,683          | 9,974          | 10,273         | 48,459       |
| Induced demand                 |                |                |                |                | 8,161          | 8,161          | 6,084          |                | 22,406       |
| <b>End of year</b>             | <b>299,984</b> | <b>298,004</b> | <b>304,246</b> | <b>313,374</b> | <b>330,936</b> | <b>348,780</b> | <b>364,838</b> | <b>375,111</b> |              |
| Net new spaces vs. end of 2021 |                |                |                | 9,128          | 26,690         | 44,534         | 60,592         | 70,865         |              |

Note: 2019 to 2021 are actuals.  
 Source: FAO analysis of information provided by the Ministry of Education.



# Licensed Child Care Spaces as Share of Population, 2011 to 2026

- FAO projects the number of licensed child care spaces as a share of population for children under age six would increase to 40.8% by 2026.



Source: FAO analysis of information provided by the Ministry of Education, Ontario Ministry of Finance, Population Projections Scenarios for Ontario by Age and Sex, 2021-2046 and Statistics Canada, Table 17-10-0005-01 Population estimates on July 1st, by age and sex.



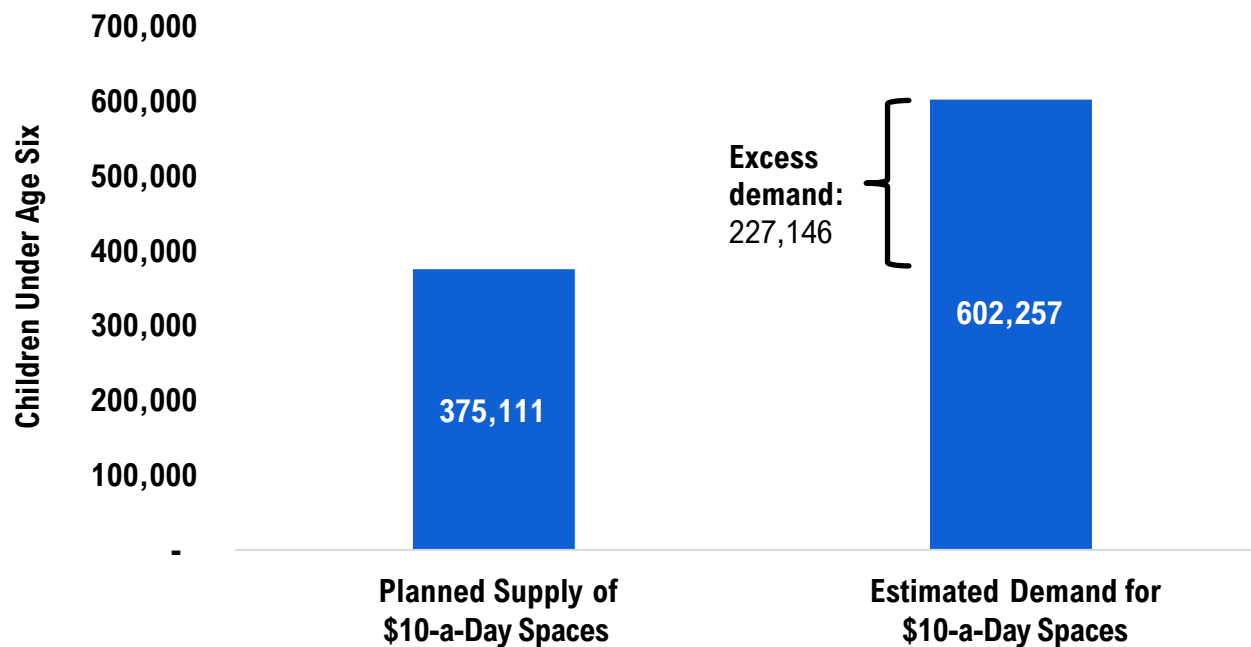
# How Many Child Care Providers will Enroll?

- The agreement has no target for the enrolment of child care providers.
- Enrolment is voluntary and there are reports of less than 100% uptake. In response, the Ministry extended the deadline to enrol and clarified program rules.
- Under the program, providers will not receive any more revenue for a given child; however, providers who do not enrol face a risk of operating below capacity.



# Demand for \$10-a-Day Child Care Expected to Exceed Supply

- With 375,111 licensed \$10-a-day child care spaces planned by 2026, the FAO estimates that families of 227,146 children will want but not be able to access \$10-a-day child care.



Source: FAO calculations from Statistics Canada Survey on Early Learning and Child Care Arrangements 2019 Public Use Microdata File and other sources.





# Will the Federal Government Continue to Fully Fund the Program?

- The Agreement ends in 2025-26.
- The federal and provincial governments have committed \$3.1 billion in 2026-27, leaving committed funding shortfalls of \$1.2 billion in 2026-27 and \$4.3 billion in 2027-28.

| (\$ millions)                               | 2026-27       | 2027-28       |
|---|---------------|---------------|
| Preliminary Federal Commitment              | 2,926         | -             |
| Preliminary Provincial Commitment           | 128           | -             |
| <b>Total Preliminary Commitment</b>         | <b>3,054</b>  | <b>-</b>      |
| Required Funding (FAO Preliminary Estimate) | 4,280         | 4,334         |
| <b>Estimated Funding Shortfall</b>          | <b>-1,226</b> | <b>-4,334</b> |

Source: [Canada – Ontario Canada-wide Early Learning and Child Care Agreement](#) and FAO calculations.



# 2022-23 Expenditure Estimates Review



# Planned Spending in 2022-23 vs. 2021-22: Notable Changes

| Vote  | Program   | 2021-22<br>Spending<br>(\$ millions) | 2022-23<br>Estimates<br>(\$ millions) | 1 Year<br>Change<br>(\$ millions) | 1 Year<br>Growth<br>(%) |
|-------|---|--------------------------------------|---------------------------------------|-----------------------------------|-------------------------|
| 1002  | School Board Operating Grants                       | 18,190                               | 19,273                                | 1,083                             | 6.0%                    |
|       | Education Property Tax Non-Cash Expense             | 7,076                                | 6,947                                 | -129                              | -1.8%                   |
|       | Priorities and Partnerships Funding - School Boards | 750                                  | 355                                   | -395                              | -52.7%                  |
|       | School Board Capital Grants                         | 1,251                                | 1,792                                 | 541                               | 43.3%                   |
|       | Investing in Canada Infrastructure Program (ICIP)   | 445                                  | 196                                   | -249                              | -56.0%                  |
| 1004  | Child Care and Early Years                          | 1,997                                | 3,410                                 | 1,413                             | 70.7%                   |
|       | Ontario Child Care Tax Credit                       | 202                                  | 360                                   | 158                               | 77.9%                   |
| Other | Schools Consolidation Adjustment                    | -417                                 | 423                                   | 840                               | -201.4%                 |

Source: 2021-22 Public Accounts and the 2022-23 Expenditure Estimates.



# Thank you!



# FAO

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