



LEADERSHIP, ADVOCACY AND SERVICE FOR MANITOBA'S PUBLIC SCHOOL BOARDS

January 18, 2022

Honourable Cameron Friesen
Minister of Finance
Room 103, 450 Broadway
Winnipeg, MB R3C 0V8

Dear Minister Friesen:

As the Government of Manitoba moves forward with the planning of its 2022 Budget, the Manitoba School Boards Association and its membership would like to acknowledge the Government of Manitoba for its preliminary indication of support to offset the impacts of teacher wage settlements. We would also like to recognize the Government of Manitoba's ongoing assistance for COVID-19 pandemic response efforts through the ongoing access by our members to stock of personal protective equipment and rapid testing units through Government Services, as well as through the in-year funding supports that have been received.

One-time adjustment for teacher compensation

As we head into the 2022 Fiscal Year, the Government's commitment to provide \$80 million on a one-time basis in 2022/23 to address instructional compensation pressures will certainly help to offset the impacts that would have otherwise confronted all school divisions arising from the arbitrated settlement pattern for teachers, which occurred early in 2021.

In total, we anticipate that once the annual inflation average is calculated for Manitoba two days' hence, the impact of these compensation pressures will add an unprecedented 6.7% increase to just over half (55%) of all public education operating expenditures. This increase represents an additional cost of approximately \$91.1 million that our system will be required to address to fully address all teacher compensation settlements.

Through a combination of careful budgeting on the part of school boards and allocation of existing divisional reserves to help address this investment, the \$80 million in one-time funding announced by the Manitoba Government on January 4, 2022 will prove to be sufficient for neutralizing the greatest impact from this increase for the 2022/23 Fiscal Year.

Going forward, we will note that this funding pressure shall become annualized and not simply subject to one-time resourcing. We therefore trust that planning is already underway by the Government of Manitoba for implementing a permanent grant to ensure that this binding arbitration outcome will be fully operationalized in 2023/24 and future years.

Inflation remains a challenge to schools' "other operating" investments

Teacher compensation as a significant driver of growth to our operating investments does not stand-alone. As you know, we will also be confronted with the reality that for the vast majority of remaining operating expenses, accounting for 45% of all public education expenditure (or approximately \$1.1 billion), the sharpened 3.2% average annual inflationary increase we have experienced in Manitoba during 2021, provides a general challenge to protecting status quo relative to our programming, supports and services.

If this inflationary impact were generally applied, it translates into the need for, at minimum, \$40 million in additional external funding support, through a combination of provincial grant funding and ongoing local property taxation revenues. This said, the realities of what cost drivers are included in "other operating" investments certainly does deserve further review.

Important qualification: pay for non-instructional essential support and service providers

A full dissection of our schools' "other operating" costs is therefore certainly warranted at this juncture, for added context. Just under half of these "other operating expenditures" (the equivalent to \$495.5 million) is vested in non-instructional compensation for our support staff. That settlements are, of sheer necessity, occurring well above the annual average rate of inflation, must be carefully noted.

School boards make every attempt to hold the line when it comes to achieving settlements that provide a fair and honest wage for our staff with a view to promoting fiscal sustainability. We are well aware that funding resources are finite and must be balanced with other operational needs and attendant impacts upon our local ratepayer. In the 2021/22 context, what is fair reflects the cumulative context of fiscal and wage restraint measures beginning in 2017, combined with the now specific circumstances of the COVID-19 pandemic.

While public school divisions continue to bargain with those support staff units who have recently completed the four year mandate established under *The Public Sector Sustainability Act*, the experience to date with those units that have already settled has been informative and illustrative of several trends:

- 1) The average settlement across non-teaching units reflects the same teacher wage settlement pattern, at a combined increase of 6.7 percent over a four year period.
- 2) To date, 25 of 38 school divisions have ratified or have secured a total of 53 Agreements or Agreement In Committee (AIC), leaving 25 more agreements to come across all 38 divisions. Based on progress to date, support units are insisting that divisions settle with Cost of Living Adjustments (COLA) applied not just to the current but also applied to future budget years. Where impasse occurs, strike action is authorized and almost certainly "on the table." The experience with bus drivers in the Winnipeg School Division early last year demonstrates that support units are not averse to settling in that manner.
- 3) More recently, the custodial staff strike occurring in the Rolling River School Division has demonstrated that, as frontline workers providing essential services during a pandemic, our support staff have every expectation to be fairly and equitably treated alongside of their instructional peers. In the current pandemic operating context, the absence of these essential workers for any length of time can present significant health and safety dimensions. In the case

of RRSD, absence of these key staff members from their duties now exceeds 60 days and counting. We cannot underscore how critical custodial staff remain during pandemic response efforts in every division.

We therefore note that the above compensation trends and considerations mean that the overall adjustment to “other operating” investments our members will face going in to 2022/23, will be much more elevated than just the annual average rate of inflation in Manitoba. In fact it is more reasonably forecast at \$53.9 million, once the above settlement trend comes into view across all school divisions. This is equivalent to 2.15% of our total operating budget (at \$2.5 billion as of 2021/22, even after teacher settlements are covered using the \$80 million in one-time funding that is available from the Province).

Given the forecasted depletion of existing divisional reserves for teacher settlements, this additional increase presents due pause for reflection, insofar as funding for protection of the status quo necessitates new, external funding from our ratepayers, even as education property tax repealment proceeds to implementation.

Not funding programs, supports and services at the rate of inflation would also signify that the existing half billion dollar inflationary funding gap as already exists in public education, would only continue to grow. If allowed to do so, this would only be to the detriment of our students and communities. This is a reality that the Department of Education already well appreciates¹ and it remains one of the most significant budgeting challenges faced by our system.

Why “2.15 percent” matters

It is too easy to assume that the approximate “2.15 percent” that \$54 million represents– in the context of an annual \$2.5 billion public education operating budget– is marginal at best and can be easily absorbed by the public education system (if grant funding or education levy allowance were not to be provided).

However, the extent to which \$54 million actually makes a significant difference would be well understood by the public. This projected shortfall would necessitate staffing, programmatic or capital adjustments that could not be accommodated or appropriate at any time, let alone in the midst of a pandemic. Loss of this required operating funding through underfunding would mean:

- Staffing positions would need to be discontinued through attrition at a time when critical staffing shortages are only intensifying province-wide;
- Class sizes would need to be increased, at a time when maximal physical distancing is a necessity to protect students from transmission and spread of COVID-19;
- Bus routes may need to be extended and/or schools permanently closed, in order to achieve longer transportation to more distant learning locations for our students which, in the context of the pandemic which has already placed strain on pupil transportation and physical capacity, renders operations next to impossible to maintain.

¹ The inflationary funding gap is consistently demonstrated in the annual FRAME report published by the Department: https://www.edu.gov.mb.ca/k12/finance/frame_report/index.html

These scenarios are not out of the realm of possibility, given the reality remains that the inflationary impacts and ongoing influence of existing cost drivers to our schools' other operating investments are not easily absorbed by our system.

COVID-19 Pandemic Response

During our presentation to you last year, we indicated that "Our school board members' ongoing response to a pandemic... has intimately transformed our fiscal and budget landscape" while indicating that "many questions surrounding the financial health of our public schools continue to be raised." We further highlighted that "through our combined fiscal capacity, school boards alongside of our provincial counterparts, have responded to community needs at a time of unprecedented demand. More than at any other period in recent times, this pandemic has clearly showcased the importance of maintaining and enhancing our public school system's economic standing, to meet the needs of Manitoba communities."

These statements have taken on even greater meaning as we navigate the current fourth wave of Manitoba's pandemic experience.

On January 4, 2022, when announcing the \$80 million in one-time funding being made available for teacher wage settlement, the Minister of Education also indicated that this funding was to be further used to address pandemic response requirements. As demonstrated through the analysis above, that this is not feasible given the magnitude of increased compensation pressures, represents our urgent clarion call.

Last year, in spite of targeted funding to support COVID-19 response, the funding announcement for schools at large resulted in budget decreases for 16 out of 38 school divisions. Only nine school divisions were able to fund costs at the rate of inflation while 28 experienced increases below the rate of inflation. The public education system of Manitoba cannot afford a further increase of only 0.5 percent if existing cost pressures are to be successfully addressed, combined with newfound and ongoing expenditure requirements as related to the pandemic.

Public education in Manitoba therefore continues to face a precarious operating context. Safe Schools Funding as allocated by the Department of Education to our schools was repealed immediately prior to the start of the new year, given requirement for any unused grants to be returned to the Province rather than enabling divisions to retain this funding for future needs. With present demand for ventilation initiatives to be undertaken across all divisions, the chronic underfunding of school capital in Manitoba that was inherited by the current Government, combined with the existing \$6.8 million fund that was allocated for this purpose earlier last year, presents a fiscal response to the pandemic that is beyond challenging.

We therefore call upon the Government of Manitoba to provide additional targeted resourcing in 2022 if further pandemic-related mandates are to persist in future.

In summary

As always, Minister Friesen, our chief priority remains focused on the frontline— our students, staff and the supplies that they need for educational success. This remains the enduring reality of the public

school system in Manitoba, and also of the mission of the Manitoba School Boards Association in championing its cause.

As our province prepares to enter 2022/23 Fiscal Year, the significant realities that Government finance must address remain especially challenging. MSBA certainly appreciates the larger economic context posed by the current pandemic: in terms of continuing GDP constraints; ongoing access of businesses and fellow citizens to emergency supports; a considerable provincial budget deficit due to the pandemic; and the intensified need for credit access to implement such measures as school tax repealment during what was described by Treasury Board Secretariat as a “very bad period for borrowing” last year, let alone in view of the coming interest rate hikes that are projected in 2022/23. That coming trade-offs must occur goes without saying. Yet, as we highlighted for you last year, that we cannot shortchange our children or their future also precedes any such trade-offs.

We therefore trust that the recommendations presented to the Government of Manitoba in this pre-budget consultation brief continue to remain pragmatic and aligned with the expressed needs of our students and their schools, towards the development of Budget 2022. As always, the Manitoba School Boards Association is available for further consultation and advisement regarding the finalization of budget development, should you wish to discuss any of the above recommendations.

In presenting next year’s challenges with reference to those experienced both during the past year and at current time, we hope that our combined efforts will serve to better the cause of public education in Manitoba, on behalf of the hundreds of thousands of Manitobans who rely on this system and its immeasurably valuable programs, supports and services.

Sincerely,

A handwritten signature in black ink, appearing to read "Alan M. Campbell". The signature is fluid and cursive, written in a professional style.

Alan M. Campbell
President

Cc. Honourable Wayne Ewasko, Minister of Education
Honourable Reg Helwer, Minister of Government Services



2022 PRE-BUDGET BRIEF

RECOMMENDATIONS

Recommendation 1:

As outlined in the above brief, we strongly recommend that the Province of Manitoba extend consideration for annualization of the full \$91.1 million for teacher wage settlement in the longer term. By 2023/24, school division reserves and other internal revenues as were used to offset these investments in 2022 (alongside the Government's one-time funding of \$80 million in 2022) will no longer remain available resulting in requirement for permanent revenues to accommodate the most recent teacher compensation settlement package.

Recommendation 2:

Given the critical role of the public education system, as demonstrated during the current COVID-19 pandemic and beyond, the Manitoba School Boards Association (MSBA) recommends that the Government of Manitoba consider an increase of, at minimum, between 2 and 2.15 percent for operating expenditures as premised on the 2021 rate of inflationary growth and staffing compensation settlements, when developing the 2022 Funding of Schools announcement and Provincial Budget. This will help to protect the interests of thousands of essential frontline workers in Manitoba's public education system and promote continuous and undisrupted delivery of programming, supports and services for our nearly 200,000 students and their communities.

Recommendation 3:

As described earlier however, pervasive underfunding below the rate of inflation over the past four years means that our school system has now encountered a critical operating reality, one that remains particularly felt by many school divisions amidst this present period of resource-intensive output. We therefore recommend an additional annualized catch-up increase of between 3 to 4 percent to operating expenditures, in an effort to contain the most recent inflationary adjustment gap. This projection is informed by the difference between the annual average inflation realized in Manitoba in each of the previous four years and the actual operating grant adjustments and other revenue raising allowances that were previously announced under the Funding of Schools program in those four years.

Recommendation 4:

MSBA continues to support previous commitments made by the Government of Manitoba regarding its intention of maintaining per pupil support for all base grants at the September 30, 2019 enrolment baseline. We would recommend that, given ongoing fluctuations in enrolment due to the concurrent availability of remote learning options along with heightened parental hesitancy in enrolling pupils in time for September, 2021 given continued effects of the COVID-19 Delta variant, the 2019 enrolment baseline continue to inform ongoing allocation of all Funding of Schools Program and Other Operating Grants.

Recommendation 5:

That the Government of Manitoba consider allocating new, dedicated, multi-year funding under the Manitoba Education Funding of Schools Program envelope, to support sustained, streamlined, and operationalized learning recovery and mental health/wellness programming and services in 2022/23 and future years, in recognition of the particular burden that the COVID-19 pandemic has placed on students and schools province-wide. In 2021, a majority of Safe Schools Funding as allocated by Government in September, 2021 was dedicated by divisions for these two purposes, leaving little to no additional funds for purposes of physical health and safety related pandemic response operations given the continuing impacts of the Delta variant and the emergence of the Omicron variant of the COVID-19 virus.

In this respect, the \$1 million fund created by Government last year to support expansion of mental health and wellness services and supports by Government was sincerely appreciated. In the time since that commitment was made, demand has continued to increase given elevated anxiety and stress among staff and students alike, even as many of our frontline care providers who are dedicated to this key area of responsibility are, of necessity, being repurposed to fill substitution duties when needed due to the pandemic.

Recommendation 6:

In addition to the pandemic related mental health and wellness and learning recovery support, we also recommend that the Government of Manitoba continue to implement a programme of in-year funding support as necessary to address physical health and safety requirements arising from the current pandemic. While the evolving nature of the pandemic is such that forecasting a reasonable level of support is next-to-impossible to provide in advance of the full requirements being known, the intensified focus of the Government on moving forward with such targeted enhancements as ventilation, filtration and HVAC upgrades (to name but one example) certainly must be situated in a context of a system representing 700 school buildings that involve nearly 190,000 pupils and 34,000 regular staff during each school day.

Sufficient resourcing for any such initiative in this operating environment certainly provides a baseline for the level of support necessary to address any future targeted requirement. The Government's past approach of consulting with the frontline at regular intervals throughout each of Fiscal Years 2020 and 2021 by way of identifying resourcing imperatives throughout the year therefore remains our recommended strategy for ensuring that current priorities and requirements can be identified in time, for consideration of additional in-year support.

Recommendation 7:

MSBA appreciates our invitation to participate in the Government's review of the education funding model, with operationalization of a new funding model in time for the 2023/23 Fiscal Year. While we continue to voice reservations in respect to loss of local school board autonomy given the as-of-yet unspecified plans for how repealment of education property tax will be permanently sustained under Bill 71, we recommend that across all such structural amendments, the Government continue to fully fund any amounts repealed according to their full replacement value. Our recommendation for 2022 is therefore that the Province of Manitoba prioritize replacement of full funding of the approximate \$530 million that is scheduled for repealment during the coming Fiscal Year.