

# COVID Crisis Impacting Board of Education Budgets

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By the end of this June, BC's 60 School Boards had all adopted Annual Budgets for the coming 2021/22 budget year.<sup>1</sup> These Budgets offer insight into how the province's promotion of Board entrepreneurialism has created dangerous financial dependencies that now jeopardize the provision of needed public school services. This as the Covid-19 crisis continues to deal a financial body blow to Board revenues through its impact on international student tuition revenue.

### International tuition revenue

By law, Boards must prepare Annual Budgets by the end of June for the coming school year. Board budgets are, by their nature, projections of revenues to be raised and monies to be spent. "Provincial grants" are by far the largest source of revenue. In BC, grants include the proceeds of property taxation collected by the province to support schools. In 2020/21, they accounted for over 92 per cent of all money coming in to support school budgets.

Tuition fee revenue forms part of the balance of "miscellaneous revenue", an umbrella term used in Ministry reports that comprises a number of discrete revenue streams including investment income and rentals and leases of school facilities. The largest stream by far is that of international tuition fees.

For the past two decades in particular, the Ministry of Education has encouraged Boards to adopt a more entrepreneurial posture by marketing BC education curriculum and services around the planet and attracting international students to study in BC-based schools. The result has been solid growth in tuition revenue.

In 2003, tuition fee revenue provided \$88 million in revenue to boards. By 2011 this had risen to \$136 million. Nine years later in 2020 this figure had doubled to \$270 million of which 96% came from international sources.<sup>2</sup> Serious money indeed.

When Covid hit in the spring of last year, Boards were approaching the end of the 2019/20 school and budget year. Faced with a mounting health crisis, most visiting students scrambled to avoid being trapped abroad by returning home. Most either did not or could not return to re-enroll in programs the following year as the Covid crisis entered its deadly second wave.

### How much tuition money has been lost?

Total international tuition fee revenue for all 60 Boards of Education in BC totalled \$257.7M in 2019-20.<sup>3</sup>

In 2020-21 the 46 Board Amended Annual budgets readily available on district websites as of this July 24<sup>th</sup> show revenues of \$136.4M.<sup>4</sup> **That's just shy of \$100M less than the \$236.1M the same boards raised in the previous year, a drop of 42.2%.**

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<sup>1</sup> Budget and financial statement data is available on the BC Ministry of Education website under the label of Revenue and Expenditure Information (REI) at <https://www2.gov.bc.ca/gov/content/education-training/k-12/administration/resource-management/school-district-financial-reporting/revenue-expenditure-tables>

Subsequent footnotes reference the same overall data source.

<sup>2</sup> REI, 2004/05 Tables 18 and 19; 2010/11 Tables 21 and 22; and 2019/20, Tables 19 and 28. The 2004/05 and 2010/11 figures are no longer available on the MOE website. The small balance of board tuition revenues comes from continuing education and fees for summer school.

<sup>3</sup> REI, 2019-20, Table 28.

<sup>4</sup> Data was compiled for all BC Boards with the exception of the following: **23 Central Okanagan, 40 New Westminster, 49 Central Coast, 51 Boundary, 52 Prince Rupert, 54 Bulkley Valley, 62 Sooke, 67 Okanagan Skaha, 69 Qualicum, 70 Alberni, 81 Fort Nelson, 83 N. Okanagan-Shuswap, 85 Vancouver Island North, and 91 Nechako Lakes.**

Board budgets for the coming 2021-22 school year anticipate some recovery. The same 46 Boards anticipate international tuition receipts of \$151.2M, an increase of 10.9% over 2020-21. Understandably the latter figure is speculative given ongoing Covid-19 infections and the current lack of certainty on whether international students will be able (or willing) to come to BC this fall.

But what the figures do confirm is that, assuming a best-case relaxation of student travel restrictions in the months ahead, Covid-19 will have blown a \$184.7 million crater in international tuition revenue over the two-year period in question for the Boards in question. And this figure will surely climb higher when data from the remaining 14 districts becomes available.

As the following table shows, all but one of the top 12 money-losers in this scenario are in the Lower Mainland. Together these Boards account for over 85% of the total collapse in revenue faced by the 46 Boards, some \$157.1M.

**Table 1: Top 12 district total losses in international tuition between 2019-20 and 2021-22 (projected), in descending order of scale of revenue loss**

SD	Name	Loss in 2020-21 compared to 2019-20	Loss in 2021-22 (proj.) compared to 2019-20	Combined two-year loss relative to 2019-20 levels
43	Coquitlam	(15,716,625)	(19,711,625)	(35,428,250)
41	Burnaby	(11,845,026)	(9,892,796)	(21,737,822)
39	Vancouver	(7,067,488)	(9,119,012)	(16,186,500)
36	Surrey	(4,726,056)	(7,718,252)	(12,444,308)
38	Richmond	(5,497,747)	(5,249,868)	(10,747,615)
44	North Vancouver	(5,786,468)	(4,768,468)	(10,554,936)
61	Greater Victoria	(7,100,081)	(3,156,267)	(10,256,348)
35	Langley	(4,336,522)	(5,189,047)	(9,525,569)
37	Delta	(5,631,928)	(3,423,527)	(9,055,455)
45	West Vancouver	(4,505,346)	(2,879,226)	(7,384,572)
34	Abbotsford	(3,596,164)	(3,378,164)	(6,974,328)
42	Maple Ridge-Pitt Meadows	(4,478,015)	(2,364,490)	(6,842,505)
	<b>Total for 12 Boards</b>			<b>(157,138,208)</b>

Source: calculated from BC Ministry of Education, Revenue & Expenditure Information, Table 11, 2019/20 and Annual budget data for 2021-22 from 46 district websites.

These districts together account for less than 57 per cent of BC's student population yet command a vastly greater revenue share within the international tuition market. This discrepancy underlines inequities inherent in a system of revenue generation increasingly reliant on students from abroad attending BC schools. At the same time, the revenue drop in the far-right column shows the scale of the financial hit

Amended Annual Budgets are, by law, prepared and submitted to the Ministry of Education by the end of each February and contain updated projections of actual revenues and expenditures.

board budgets now have to endure. Indeed, three of these districts - Vancouver, Burnaby, and Coquitlam - will have seen more than \$73 million in anticipated revenues melt away over the course of two-years under study.

For districts like Burnaby and Coquitlam, the degree of financial dependence on international tuition fees was more than double the provincial average of 3.6% of total revenue in 2019/20. Yet, while of smaller overall size, West Vancouver topped the overall pack with 11.5% of revenue derived from international tuition in the same year.<sup>5</sup>

### **Offsetting the tuition fee loss**

What boards have done to offset the tuition revenue drop is draw enlarged amounts out of their accumulated surplus reserves. According to Amended Budget documents, 2020/21 saw boards collectively appropriate \$169 million from reserves. That is \$73 million more than what they had projected earlier in the year, and about \$51 million higher than in 2019/20.<sup>6</sup> Still these amounts have not been sufficient to make up fully for sagging international tuition. As a consequence, while 2020/21 provincial grant revenue provided under the province's Funding Allocation System rose 3.8% - primarily to cover wage/salary increases, adjustments in per student allocations and enrolment change - total overall revenue available to Boards grew by only 2.0%.<sup>7</sup>

There can be little doubt that an accelerated drawdown in accumulated reserves in 2020/21 will have real consequences for Board finances in the coming year and beyond. We can anticipate Boards having less latitude and flexibility in necessary efforts to triage resourcing shortfalls on a "going forward" basis. None of this bodes well for the future delivery of necessary services to K-12 students in our public system.

During the heady years of expansion into international education markets, little thought was given to the kind of financial dependency international tuition revenue could create for Boards. While many districts pledged to spend funds on special projects or non-core costs, there is little doubt that funds from the cash cow of international education found their way into many areas of regular programming. Now that Covid has burst that revenue bubble, many BC Boards face a financial reckoning stemming from the province's incentivizing an ill-considered rush to embrace entrepreneurship abroad.

By John D. Malcolmson, August 2021

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<sup>5</sup> REI, 2019/20, Table 28.

<sup>6</sup> REI, 2020/21 and 2019/20, Tables 2 and 11.

<sup>7</sup> Derived from a comparison of revenue totals in REI, 2020/21 and 2019/20, Table 11. To some extent, the full impact of this revenue drop has been masked by the chaos wrought by Covid as well as by some pandemic-related skewing of district spending over the past school year.