

A Brief to the Minister of Education

***A Principled Approach to
Funding Model Refinements***

November 24, 2004



**Ontario Catholic School
Trustees' Association**

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Introduction

Founded in 1930, the Ontario Catholic School Trustees' Association (OCSTA) represents 29 English-language Catholic district school boards and five English-language Catholic school authorities. Collectively, these school boards educate over 600,000 students from junior kindergarten to grade 12.

Inspired by the Gospel, the Mission of the Ontario Catholic School Trustees' Association is to provide leadership, service and a provincial voice for Catholic school boards in promoting and protecting Catholic education.

Annually, OCSTA submits a brief to the government with recommendations for improvements to the funding of education. Recommendations are made on the basis that the education funding system in Ontario must respond to four essential principles:

Equity – A funding formula must distribute education dollars equitably among all Ontario school boards and their students;

Adequacy – The level of funding for education must be adequate to ensure quality education for today's students;

Autonomy/Flexibility – The model must allow school boards the autonomy and flexibility in spending they require to achieve the distinctive goals of their system, and to meet local needs; and

Accountability – The educational funding model must include mechanisms that ensure the appropriate degree of accountability of all parties and transparency of process and reporting regarding efficient and effective use of educational resources for students.

This year's recommendations reflect trustees' concerns with the application of the above principles in the calculation and allocation of provincial grants to school boards.

Overview

The provincial government fulfills a critical role in providing direction and financial resources for the education of children in Ontario. It is the role of school boards to set local policies and budgets within the framework of provincial legislation and policy. In doing so, school boards respond to the needs and expectations of their local community with respect to the education of their children. School board budgets must be set within the limits provided by the provincial funding allocation as well as the board's own contractual, legal and moral constraints. School boards, like the provincial government, begin planning and preparation for budget approval months in advance of actual completion. Many decisions must be made early in the budget process to allow effective allocation planning and to meet commitments to employees. (e.g. teacher hiring and redundancy decisions must be made early in the Spring). It is important that provincial announcements regarding funding allocations are made in a timely manner in order to promote stability and to enable boards to plan for the effective and efficient use of resources.

The Ontario Catholic School Trustees' Association continues to strongly support the basic philosophy and structure of the current funding model. As we stated in our submission to the provincial Legislative Review Committee, OCSTA believes that "the fundamental structure of the funding model is fair and non-discriminatory and meets the standard of equity as it provides equality of opportunity for all students in Ontario." At that time OCSTA also noted two specific aspects of the funding formula that have been a source of concern for some time in regard to equity, namely the Learning Opportunities Grant and the Transportation Grant. Our strong concern had been expressed to the government early in 2004 prior to the announcement of changes to these grants and continues despite recent refinements.

In the 2003 Report of the Education Equality Task Force (EETF), Dr. Rozanski observed that many participants in the consultation process viewed the structure of student-focused funding formula as sound. The Task Force found general support for the goals of the three main components of the formula's structure:

- The Foundation Grant, which is intended to fund education needs common to all Ontario students
- The Special Purpose Grants, which recognize that particular students and particular districts may have distinct funding needs that are not common to all students and districts, but need to be addressed.
- The Pupil Accommodation Grant, which is intended to fund student accommodation needs.

At the same time, the Task Force identified the need for review of the Transportation, Learning Opportunities and Special Education Grants. Though there is widespread support for the current education funding formula and its initial focus on equity, there is also universal concern about the continuing inadequacy of the funding levels generated by the formula's outdated benchmarks. Because major benchmark amounts have not been meaningfully updated since the formula's inception in 1998, the relationship of benchmarks to actual costs is decidedly negative.

The current government, in its election platform for education, recognized that there was insufficient funding for education and promised to correct the problem. OCSTA has been very encouraged by the Premier's stated support for education as a provincial priority and the Minister of Education's message of a strong commitment to education. Steps taken by the government in its 2004 budget, most notably an increase in education funding of \$854M, reflect the government's view that education is a critical factor in the economic and social development of our province. It is essential that the education of Ontario's students continues to be a priority in government spending and that the financial issues continuing to confront school systems across the province are addressed.

Additional increases in provincial funding for education are required in order for benchmarks to be brought up to date. Without realistic benchmarks, the integrity of the funding model is threatened and school boards' ability to provide highest quality programs and services is impaired.

The recommendations that follow are intended to assist the government in its goal of providing excellence for all in education. They reflect the deep concern trustees have with respect to the application of the basic principles upon which Ontario's education funding model must be built. In addition to identifying specific areas of concern, OCSTA also recommends means to address these concerns in a manner that elicits the meaningful involvement and support of partners in education.

PROVINCIAL TASK FORCE ON TRANSPORTATION

Recommendation 1

That the Ministry of Education immediately create a task force with representatives from the major partners in education to:

- 1. Review the approaches currently being implemented for distribution of the transportation, learning opportunities and special education grants and the impact of those approaches on school boards, to determine if the grants equitably and adequately address the needs of students in the three specific areas for which they are intended.**
- 2. Recommend necessary changes in the distribution approach to ensure that these grants are allocated to school boards in a manner that will result in equitable and adequate funding.**

Grants for transportation, learning opportunities and special education are three of eleven Special Purpose Grants within the funding formula. OCSTA is very concerned that these grants be allocated in a fair and non-discriminatory fashion, in keeping with the principles inherent to the funding model and Section 234(2) of the Education Act.

In the Technical Paper on Education Funding for 2004-05 the Ministry of Education notes that

“the costs of education differ depending on the needs of an individual student and where that student lives. The Special Purpose Grants respond to these differences by recognizing the need for specialized programs for students with special needs, and the different levels of support that students require related to language proficiency, location, transportation and other variations in personal and local circumstances”.

The Report of the Education Equality Task Force specifically mentions Special Purpose Grants as recognizing the principle of equity within the provincial funding formula noting that they are open to all, but not allocated to all.

Transportation Grant

The Ministry of Education has long been concerned about the level and allocation of Transportation Grants. OCSTA appreciates the government's move to substantially increase grants for transportation in 2004. We are concerned that, despite this positive initiative, many school boards still do not have sufficient funding to meet students' transportation needs. At the same time, some school boards may have funds provided through the Transportation Grant that are far in excess of what is required to meet the costs of transportation of students. Appropriate accountability measures would ensure that funds provided for transportation were used for that purpose.

Learning Opportunities Grant (LOG)

Funds provided through the Learning Opportunities Grant are substantial – an allocation of \$455.7M is projected for 2004-05. OCSTA and many of our provincial partners in education have longstanding concerns regarding the allocation of funds through this grant and particularly regarding the Demographic Component.

In our submission to the provincial Legislative Review committee in 2003, OCSTA identified two flaws in the Demographic Component of the LOG that impact the fairness of its distribution. The first portion, introduced in 1998, was allocated on the basis of municipal enumeration. This is problematic for Catholic and French boards, since municipal enumeration data underestimates the size of the Catholic and French population. The second portion, introduced in 2002, is based on school level demographics. The emphasis this approach places on population concentration is problematic for Catholic schools, since, in general, schools under the jurisdiction of Catholic boards, particularly Catholic secondary schools, draw their student population from a wider geographic area than schools under the jurisdiction of public boards. Although neighbouring Catholic and public schools may have the same absolute number of high risk students, reliance on population concentration may cause one school to generate more funding units and more funding to support those students than the other school.

As OCSTA stated at the time of the Legislative Review “the impact of these two flaws is that the LOG may not conform to the requirement of s. 234 (2) of the Education Act that the grant regulation operate in a fair and non-discriminatory manner.” (*Student-Focused Funding: Equality of Educational Opportunity – Page 42*) OCSTA recommends that the current formula for the demographic component of the Learning Opportunities Grant be reviewed to establish equity and that a review process be established at a reasonable point in time to ensure that any revisions to the grant continue to meet the test of equity.

OCSTA's concern about the equity of the Demographic Component of the Learning Opportunities Grant was shared by the Education Equality Task Force, who recommended that the Ministry of Education review the Demographic Component to ensure that the distribution of funds to school boards under this grant is fair and equitable.

As the Ministry of Education 2004-05 Technical Paper outlines, the total amount of funding allocated by the Demographic Component of the LOG for 2004-05 is comprised of four different portions: the original amount (\$200M) allocated in 1998, \$15M added for 2002-03, \$95M added for 2003-04, and a final \$65M announced in August, 2004. These amounts are allocated according to three separate formulas, each complex in itself.

Factors and weightings vary from one formula to another. For example the recent immigration factor within the Demographic Component was weighted at 12.5% for the \$15 million enhancement added for 2002-03. For the next two provincial enhancements of \$95 million and \$65 million this weighting for factor climbed to 50%. This occurs even though the Language Grant provides funding for English as a Second Language (ESL) and English Skills Development (ESD), programs that are intended to assist students who were born in countries where English is not a first or standard language. At the same time, the low education factor and the lone parent status factors of the Demographic Component were reduced from a combined weighting of 25% to just 10%. Yet, the importance of these two factors in influencing children's development in their formative years is well researched, as noted in the 1999 McCain-Mustard report *The Early Years Study*.

OCSTA believes that these formulas are flawed individually and are thus collectively flawed as well. The Demographic Component of the Learning Opportunities Grant needs to be updated and simplified. Funding must be allocated equitably and with a requirement for accountability to demonstrate that LOG is used for the purpose for which it is intended – for boards to offer a wide range of programs to improve the educational achievement of disadvantaged students.

Special Education

The third Special Purpose Grant area which OCSTA believes should be reviewed and updated is the Special Education Grant.

Significant improvements have been made to the funding of special Education since 1998. *In Excellence for All*, government promised to help the children who need the most help – those with special needs. The government delivered on its promise by providing a total of \$1.76 billion in grants for Special Education for

2004-05. Although the additional funding provided is much needed and appreciated, there is more work to be done. The Ministry's Technical Paper for 2004-05 states that "a full review of special education funding will be held in consultation with education partners, to develop recommendations for a restructured approach to special education funding for 2005-06 and future years" (pg. 17). OCSTA looks forward to assisting the government in every way possible with this review.

One area that we believe requires attention is special education funding for secondary students. The EETF recommended that the Ministry of Education increase the Special Education Per Pupil Amount (SEPPA) for secondary school students to offset the estimated decline in enrolment that will result from the reduced number of years in the secondary curriculum, and that the Ministry increase the SEPPA by a further 10% to support a high level of special education programs and services at the secondary level.

OCSTA believes that the SEPPA grant for secondary school students should be increased to an amount comparable to the elementary grant. The incidence of students identified as having special needs within the elementary system has grown. Within a few years, these students will be moving into the secondary school system. Challenges of the new secondary school curriculum require boards to provide extra support to many students and students with special needs require an even greater level of support. The number of special education programs in secondary school is increasing as special education students are more likely than others to take more than four years to complete the high school program. At the same time, the total amount of funds available for secondary school special education programs is declining as secondary school enrolment declines due to the reduction in the length of program.

Another area of concern for school boards is what appears to be a retro-active reduction in funds available to some school boards for special education. School boards plan their expenditures with due care and consultation. The budget preparation and planning process takes several months, usually beginning in the fall of one year with completion in the spring of the next.

Unfortunately, announcements of funding in special education have not always been made in sufficient time for many boards to process a responsible and complete plan that would allow them to initiate spending for new staffing and services in the next school year.

Many school boards, concerned about inadequate benchmarks, increasing costs and the uncertainty of future government direction in the funding of special education, have proceeded cautiously with respect to major decisions that would involve spending. These factors, coupled with the difficulty of obtaining staff with appropriate qualifications and experience, caused many boards to set aside

in reserve some special education funding to allow for reasonable planning of human resource acquisition and allocation. The very late announcement (July 28, 2004) of the Ministry's intent to reclaim funding for 2004-05, based on 2003-04 spending, seriously disadvantaged boards who had completed their budget planning prior to that time. We respect the government's intention to ensure that students with special needs benefit fully from the increase in Special Education Funding and expect that the Effectiveness and Equity Fund will be returned to those boards who share and demonstrate this same intention.

OCSTA appreciates the commitment of the government to working in partnership with the education sector in refining various aspects of the funding model. OCSTA values the opportunities we have had to work with Ministry of Education staff in addressing various specific issues related to the funding of education. At this time, however, the seriousness and complexity of issues related to Transportation, Learning Opportunities and Special Education Grants demand the immediate attention of a task force of representatives of government, school boards and other education partners to devote sufficient time, knowledge and expertise to comprehensively review these grants and recommend necessary refinements in order to ensure that funding in each of these areas is provided and spent in a manner that reflects the principles of equity, adequacy and accountability.

NEW APPROACH TO TRANSPORTATION FUNDING

Recommendation 2

That a moratorium on decreases in transportation funding for individual school boards be put in place for at least another year.

That during this time period the Ministry of Education, in consultation and partnership with school boards and their provincial Associations, continue the process of developing an equitable and adequate transportation funding formula that meets actual needs for student transportation.

OCSTA has conducted a detailed review of the proposed new transportation funding formula since the release of the Discussion Paper in June. We have concluded that significant changes are required in order for the formula to meet certain fundamental standards. It is essential that

- transportation grants are used for the special purpose for which they are intended - student transportation.
- transportation grants are allocated in a fair and non-discriminatory manner.
- Principles underpinning the transportation grants are in conformity with those generally accepted for the total provincial funding formula - equity, adequacy, autonomy/flexibility and accountability.
- allocation of transportation grants is consistent with the Ministry of Education's stated principles and objectives for the new transportation formula.
- a policy statement regarding the eligibility for funding for the transportation of students with special needs that does not discriminate on the basis of program choice (i.e. is program neutral in terms of congregated and integrated programs) is developed and followed.

A Special Purpose Grant

The Student Transportation Grant as a Special Purpose Grant is one of 11 Special Purpose Grants. The 2004-05 Technical Paper notes that the particular purpose of the Student Transportation Grant is to provide funding to school boards "to recognize the cost of transporting pupils from home to school including transporting students with special needs."

Fair and Non-Discriminatory Funding

As OCSTA noted in its brief to the Legislative Committee, "a fair and non-discriminatory funding formula allocates resources in such a manner that no students, boards or school systems are inherently disadvantaged by virtue of their unique nature, or of circumstances beyond their control."

In general, a greater proportion of Catholic school students than public school students depend on transportation services to gain access to their local school. Individual Catholic schools tend to serve larger areas as there are fewer of them. Because of this greater need for transportation services, the proportion of a Catholic District School Board's budget allocated for transportation is generally greater than that of the coterminous District School Board.

This was true prior to 1998 and remains true today. Prior to 1998, many Catholic school boards sought correction to the provincial transportation funding formula that provided funding at far too low a level to meet their transportation needs. The provincial education funding formula that was introduced in 1998 did much to promote equity and equality of education for students across Ontario. To the dismay of many Catholic school boards, the transportation component did not change -- though the need for change was recognized.

Finally, six years later, a new transportation formula has been brought forward. It is understandable that Catholic school boards were deeply concerned to learn that, with full implementation, the proposed new formula could result in two thirds of Catholic district school boards being under funded relative to current expenditure levels while about two thirds of other district school boards would have surpluses.

When the new formula is fully implemented, many school boards will move from a deficit to a surplus position regarding transportation funding.

A disproportionately low number of these boards are Catholic boards. Conversely, a disproportionately high number of Catholic boards is represented among those boards who will face even greater transportation deficits than currently exist.

The New Model's Response to Principles

OCSTA has consistently supported a provincial education model that is based on principles of equity, adequacy, autonomy/flexibility and accountability. Since the early nineties, the Ministry of Education has identified the same essential principles, as did the Education Equality Task Force. In its document *Equitable Allocation Through New Funding Model for Student Transportation*

in Ontario, the Ministry of Education outlines similar principles for the proposed new transportation model. According to the document, the Ministry of Education is responsible for the following:

- providing adequate resources to enable school boards to address student transportation needs in their jurisdictions
- providing boards with appropriate flexibility to enable them to do so efficiently and effectively
- monitoring school board activities with respect to student transportation to ensure appropriate accountability for the taxpayers' dollars
- making available to boards easy methods of sharing best practices and information and encouraging partnering.

The Ministry of Education also specifies four objectives supporting the funding of student transportation. These objectives appear to respond to the principles of adequacy ("Provide sufficient funds to ensure reasonable service"), equity ("Allocate funding equitably" and "Recognize differences in need, and address factors beyond the control of boards") and cost efficiency ("Encourage school boards to work together to achieve efficiencies"). (Page 5)

Adequacy

OCSTA recognizes and appreciates the government's recognition of the need for a substantial increase in the funding of student transportation. For 2004 the Ministry is providing close to \$685 million to school boards for student transportation. Increases in funding included 2% for all school boards as well as a \$20.4 million enhancement as the first phase of the new provisional model for student transportation.

OCSTA is seriously concerned that upon full implementation of a new model many school boards will continue to be under funded (generally, even more under funded than under the old model) on the basis of current costs and services. In fact, costs will have escalated further due to rapidly increasing energy costs. The new model would force these boards to reduce services, in some cases, very significantly.

The first Ministry objective for the new approach is to "provide sufficient funds to ensure reasonable service." Unfortunately, the Ministry does not define what is to be considered as "reasonable service." Board policies, on average, provide transportation where distance from home to school is at or above 1.6 km for elementary students and 3.2 km for secondary students. This would seem to qualify as a reasonable level of service. This is the level of service generally provided by many school boards, both Catholic and public, who would experience substantially increased transportation deficits under the new model

Equity

According to the 2004-05 Technical Paper, "the equitable allocation of funding for student transportation is fundamental to the success of a new model".

The Ministry of Education's objectives for the new model include equitable allocation and the recognition of differences in need. Despite these statements, the new model would see some boards enjoy a significant surplus while others could experience significant deficits.

The argument may be made that in some situations boards may be providing too high a level of service, that there is room for cost reduction and that therefore reduced funding is justified. It would be expected, however, that coterminous boards with similar policies and practices, perhaps operating within the same consortium, to be funded similarly. There are many cases under the proposed model where this is not the case.

The formula continues to allocate a substantial amount of funding for students who do not require transportation. Within a fixed total allocation, this substantially reduces the funding available to serve students with real transportation needs – an inequitable result.

The Ministry of Education's objective, in addressing local circumstances, was "to ensure that when determining transportation funding allocations coterminous boards are treated in the same way with respect to local circumstances, and different local circumstances are reflected for boards serving different parts of the province". (*Equitable Allocation Through New Funding for Student Transportation in Ontario – Page 5*) It is quite evident that this objective and/or the means of obtaining it needs serious reconsideration and adjustment if equity is to be achieved for school boards and their students needing transportation services, regardless of geographical location in the province or kind of district school board.

OCSTA recognizes and appreciates the tremendous amount of time and effort that has been spent in the past six years in developing the new approach to funding student transportation. It is obvious that attempts have been made to answer the many concerns that have been expressed over the years with respect to the Transportation Grant. The result, however, is an extremely complex formula, consisting of eleven separate components, that does not satisfactorily respond to the real costs of transportation services. At the same time, it provides funding in some situations where transportation services may not be needed or supplied. As a result the special purpose of the grant is not accomplished and the recipients do not benefit equitably.

The funding model could be improved and simplified. The number of components should be reviewed to ensure that each actually reflects the real costs of transportation and that relative weightings within and among components also reflect the true costs.

For example, in providing funds for General Transportation Need, elementary school students living within 1.5 km of their local school could be provided with a weighting factor of 0.0. Secondary school students living within 3.0 km of their local school could be assigned a weighting factor of 0.0. A school board could provide transportation for any of these students, if it wished, using the Local Priorities component of its Transportation Grant. To reflect relatively fixed or basic costs of transportation, such as capital costs, weighting factors for funding short distance runs should be considerably increased while the diminishing proportion of these costs on longer runs needs to be recognized with relatively lower weighting factors than those currently being applied.

Flexibility/Autonomy

The new transportation funding model is designed to provide flexibility and autonomy in board decision-making by providing

- transportation grants for all students whether or not they need or receive transportation
- an explicit allocation for local priorities.

Providing funding for students who do not require transportation or students who do not receive transportation is inconsistent with the intent of a Special Purpose Grant, which exists in order to cover transportation costs.

The local priorities component of the grant is intended to allow boards "to direct resources *in relation to transportation need* to enable them to provide such services as:

- noon hour transportation for kindergarten programs
- transportation to specialized-schools (e.g. schools specialized in science, technology or arts programs)
- subsidies to cover the extraordinary cost of specialized wheelchair accessible vehicles for field trips
- home pick up and/or more lenient distance policies regarding eligibility for transportation services.

Boards that are substantially under funded for transportation are forced to use the local priorities portion of the Transportation Grant to deliver basic services. Thus, they do not have the flexibility that allows school boards with surpluses to use these funds to provide enhanced services. Under funded boards are able to exercise flexibility only in terms of choosing which services they must cut. Particularly difficulties arise where there is a substantial difference in the transportation deficit and/or surplus situation between two coterminous boards. Such cases do not provide equality of educational opportunity for students.

Accountability

According to the EETF, accountability "requires those who spend public money to accept the responsibility to spend it wisely and for the purpose intended, to report to the public in a transparent way on how the funds were spent and the results achieved, and to accept responsibility for those results."

OCSTA believes that the educational funding model must include mechanisms that ensure the appropriate degree of accountability. OCSTA agrees with the Ministry of Education statement that it should be responsible for "monitoring school board activities with respect to student transportation to ensure appropriate accountability for the taxpayers' dollars."
(Equitable Allocation page 5)

The Ministry must develop monitoring mechanisms to insure that funds from the Transportation Grant are spent for the purpose for which they are intended - transportation of students. Further, such mechanisms require the definition and clarification of what is meant by "reasonable service".

We agree with the Education Equality Task Force that "accountability requires those who spend public money to accept the responsibility to spend it wisely and for the purpose intended, to report to the public in a transparent way on how the funds were spent and the results achieved, and to accept responsibility for those results." *(Report of the EETF – Page 20)*

Cost Effectiveness

The Ministry has long stressed the importance of cost effectiveness in provincial and school board spending.

One of the Ministry's objectives for the new transportation funding approach is to "encourage school boards to work together to achieve efficiencies."
(Equitable Allocation – Page 5)

Catholic school boards, with a history of utilizing scarce resources as efficiently and effectively as possible, support this principle and objective. We are concerned that without significant changes to the provincial transportation funding formula, the achievement of cost effectiveness in transportation spending could be seriously undermined.

Sharing of transportation services, including in some cases through actual transportation consortia, is generally considered an important means of achieving cost effectiveness. A formula that results in significant differences in funding levels between coterminous school boards may well put at risk the operation of transportation consortia or cooperatives.

School boards accruing large surpluses in transportation funding may well be pressured by bus operators to provide richer contracts, which would then be used as levers in negotiating contracts with other school boards, driving costs up. The need for cost efficiencies would not be as critical for boards with surpluses in transportation funding.

Without accountability measures to ensure that transportation funding is spent for its intended purpose, funds could be diverted to other budget areas, such as employee compensation. This would widen the gap between actual salaries and Ministry benchmarks, thereby undermining the credibility of benchmarks and the integrity of the provincial funding model.

Transportation of Students with Special Needs

OCSTA agrees with the need to provide funding for students who require transportation in specialized vehicles, to accommodate wheelchairs and provide access for those with mobility problems. OCSTA also supports specialized transportation services for students enrolled in Care and Treatment programs (Section 20). Further discussion is required regarding the adequacy of proposed funding levels for these services.

OCSTA has concerns regarding the additional funding proposed for students in self-contained or partially integrated special education classes. OCSTA believes that funding should be provided for all students requiring specialized transportation, including those in fully integrated settings. Funding should be contingent upon the need for specialized transportation, rather than the type of setting that the student attends. There should be no bonus payments to school boards merely because they have opted for a particular approach to special education programming.

PROVINCIAL ADVISORY COMMITTEE RE: FUNDING FORMULA

Recommendation 3

That the Ministry of Education create an advisory committee with representatives from each of the major associations in education to review the current funding model in order to provide to the Ministry

- **Recommendations for updating all benchmarks and formulas within the funding model, particularly those related to employee compensation (salaries and benefits) and student accommodation.**
- **Recommendations for changes to the formula for Declining Enrolment Grants to identify costs that are not solely enrolment driven and to provide appropriate funding.**

Since the inception of the current funding formula OCSTA has strongly recommended the creation of an advisory committee of education partners to assist in the annual updating of the benchmark costs for all expenditures, classroom and non-classroom. The Education Equality Task Force supported this position by recommending that

the Ministry of Education, in consultation with school boards and other members of the education community, develop mechanisms for annually reviewing and updating benchmarks in the funding formula and for conducting a more comprehensive overall review of the funding formula every five years. (Report of the EETF – Page 24)

OCSTA was very pleased to note, in the Ministry's 2004-05 grant announcements, the government's intention to establish a consultative process to review and update funding benchmarks. We look forward to full participation in such a process.

Employee Compensation

Employee compensation and pupil accommodation are two aspects of the funding formula where a review of benchmarks is critical. In order to be effective and workable, an education funding model must provide fair, appropriate and realistic levels of compensation for teachers, custodians, secretaries, support workers and administrators. Compensation allocations are a critical part of school board budget planning and operation. Employee compensation constitutes close to 80% of a school board's operating expenditures.

OCSTA appreciates the 2% increase in salary benchmarks provided for 2004-05. The government considered the increase reasonable and fiscally responsible in light of the inflation in Ontario, which, according to the Consumer Price Index, was projected to be slightly below 2% in 2004. In reality, school boards will have less than 1% available for compensation increases due to the historical lack of alignment of salary benchmarks with salaries actually paid. The EETF had estimated a shortfall of 4.6% between actual 2001/2002 salary costs for teachers and the existing salary benchmarks for 2001/2002. That gap has increased as percentage increases in benchmarks have become percentage increases in actual salaries.

There is a tendency to blame school boards for increases beyond benchmark allocations. School boards endeavour to work within Ministry allocations, but they are subject to influences and decisions beyond their control. The Toronto Catholic District School Board, for example, in its last round of negotiations with its elementary teachers, sought to work within the 3% increase of salary benchmarks provided by the government. After a lockout, it received an arbitrator's ruling that forced it to provide a 3% increase on actual salaries (above benchmark salaries) for the 2002-03 school year, plus a further 2% increase on the last day of the 2003-04 contract year. Thus an increase greater than 2% on benchmark salaries has been provided for the 2004-05 contract year, even prior to the start of negotiations for that contract year.

A settlement with one employee group will have an impact on settlements with other groups within the same board. The TCDSB estimates that it has an unfunded liability of \$12 million in respect of salaries for all employee groups. On a broader scale, this 2003-04 arbitration award, along with other comparable settlements for the 2003-04 contract year, will have an impact upon 2004-05 salary negotiations and arbitration awards across the province.

Benefit Costs

Increases in the cost of benefits continue to outstrip salary increases for board employees. Ministry benchmark increases for benefits are tied in with those for salaries and thus the gap between actual board costs and Ministry funding is even greater. OCSTA believes that consideration should be given by the Ministry of Education to initially adjusting the benefit benchmark through an increase of 0.5 percentage point (i.e., adjust the factor for teachers, principals and consultants from 12% to 12.5% and for non-teaching staff from a 15.7% average to 16.2%). Such an increase would assist boards in meeting increased costs in existing benefits. The possible impact of the new Ontario Health Premium on negotiated benefit packages and their costs raises additional concerns for school boards and further increases the need for a benchmark review.

Average Per-Pupil Credit Load

Currently, the credit load factor within the Teacher Qualification and Experience Grant does not recognize the actual average per-pupil credit load and thus does not adequately fund board costs for the number of teachers that need to be employed.

The new secondary school curriculum provides for a graduation course expectancy of a minimum of 30 credits. This is an average of 7.5 credits per year. Students may take additional credits.

The Foundation Grant currently provides funding for the number of secondary school teachers required when students take an average of 7.2 credits (the provincial average in 1997). Through the Teacher Qualification and Experience Grant, additional funding is provided to a board where its average secondary school credit load exceeds 7.2 credits, up to a maximum of a board wide average of 7.5 credits.

The EETF has recommended that the Ministry of Education review the credit-load factor and make an appropriate adjustment. They noted that in 2002-2003 over 50 school boards reported average credit loads greater than 7.5.

OCSTA believes that the maximum credit load should be increased to recognize the actual number of credits taken by a board's secondary school students. This average currently exceeds 7.5 for many boards and is likely to increase as more students strive to complete their secondary school program within four years. An increase in the credit load factor within the funding formula would recognize the higher cost faced by boards in employing additional teachers to provide instruction when the average credit load exceeds 7.5.

Compensation benchmarks, including salary and benefit costs, need to become more realistically aligned with actual costs. An advisory committee could assist the Ministry of Education in working towards this objective.

Pupil Accommodation

OCSTA appreciates that the Ministry of Education has provided an additional \$132.5 million, in addition to benchmark updates, for improvements in the funding of pupil accommodation in 2004-05. To allow for continuing updates, this Association believes that annual adjustments should be made to the benchmarks for Construction Cost. These adjustments should be tied to the Non-residential Building Construction Price Index (NRBCPI), which is published quarterly. This Index measures changes in contractors' prices for non-residential building construction (commercial, industrial and institutional).

Surveys are done on a national basis and include Toronto and Ottawa. Information from these surveys could be taken into account in making adjustments to the Geographic Adjustment Factor, that factor within the New Pupil Places Allocation that recognizes regional cost differences.

OCSTA believes that it would be beneficial to review the Geographic Adjustment Factor to ensure that it continues to reflect actual cost differences in various regions of the province, particularly in more remote areas such as northwestern Ontario.

Members of a provincial advisory committee could assist the Ministry by providing information and recommendations for improvement in the area of pupil accommodation funding.

Declining Enrolment Adjustment

OCSTA recognizes and appreciates that the Ministry of Education has extended the Declining Enrolment Adjustment to provide a third year of funding and will continue application of that adjustment in future years. The Association agrees that when a board experiences a decrease in enrolment and a corresponding decrease in funding some costs can be adjusted over a three year period. Some costs, however, are relatively fixed and cannot be reduced proportionate to enrolment decreases. Central administrative costs related to the Director of Education and the Superintendent of Business, and costs associated with the administrative building and its maintenance, for example do not fall as enrolment decreases. Similarly, school administrative and maintenance costs do not decrease with declining enrolment. As well, some areas where cost savings may have been anticipated will not take place due to implementation of new government initiatives such as the Primary Class Size Reduction. In addition, the current moratorium on school closures has eliminated a significant means for fixed cost reduction.

An advisory committee could assist the Ministry to examine the true cost impact of enrolment reduction, identify fixed cost areas and make recommendations with respect to adjusting the Declining Enrolment Grant.

PUPIL ACCOMMODATION

Recommendation 4

That the Ministry of Education amend the approach to Pupil Accommodation so that school boards may be funded for

- **The cost of site purchases where new pupil accommodation is to be added to replace those pupil places currently being leased.**
- **The cost of providing additional pupil accommodation that is required as the result of new government initiatives.**

From Lease To Ownership

A school board, as a publicly funded, not-for-profit agency, does not realize the financial benefits from lease arrangements that make leasing attractive to private, profit motivated enterprises. OCSTA is concerned that a school board that must rely heavily on school leasing arrangements will find itself in a disadvantaged position with respect to school accommodation. The Toronto Catholic District School Board (TCDSB), is an example of such a board. The TCDSB currently leases 23 of its 201 school buildings. Approximately 18,000 of its 88,000 students are housed in leased facilities. A school board with such a high proportion of leased facilities faces considerable financial pressure as it attempts to fund rental payments, construction of schools to replace leased facilities and construction of new schools to accommodate enrolment growth, all from New Pupil Place Grants.

Leased school buildings are usually older buildings that require considerable attention and expenditure with respect to maintenance and operation. Often these buildings also require upgrading to meet current building code standards and program requirements. Investing in a building that one does not own is not considered a wise investment, especially if there is hope for replacement in the short term. From both a business and a program perspective, it is better for a school board to own its facilities for educational instruction. A board looking to replace its leased facilities, however, is severely handicapped by current education funding practices with respect to student accommodation.

In the case of short-term leases (less than 50 year term), leased spaces are not included in a school board's capacity. This will qualify the board for New Pupil Place funding, but only if the board's total enrolment exceeds its total capacity. Unfortunately, available pupil places often are not located close to the area served by the leased facility. If a board uses funds provided through the Pupil Accommodation Grant to make lease payments, it will not have sufficient funds

to construct facilities to replace the leased facilities. Eventually, the board may not have sufficient funds to provide new pupil places for enrolment growth.

In addition to difficulties in obtaining new pupil place funding for the construction of new school facilities, school boards with large numbers of students in leased facilities face the hurdle of trying to purchase sites for replacement schools with no source of funding.

The government was able to free up considerable monies for school construction by transferring to school boards the responsibility to provide school sites. School boards were given the opportunity to fund site purchases for new pupil growth through the use of Educational Development Charges (EDCs). These measures allowed many school boards to address accommodation needs due to enrolment growth. Unfortunately, these measures did not assist school systems experiencing a shortage of accommodation that predated the introduction of EDCs. In the past, boards with an excess of enrolment over capacity would have been eligible for government funding for site purchases. This is no longer that case. OCSTA believes that this should be corrected. To assist those with a high dependence upon leasing agreements, boards seeking to replace leased accommodation should be eligible for funding for the purchase of school sites, as well as for addressing the upgrading and replacement of leased buildings.

New Provincial Initiatives

New Ministry of Education initiatives such as Primary Class Size Reduction and mandatory learning until age eighteen may require additional pupil places. Possible future initiatives such as full-day every day Junior and Senior Kindergarten or other programs related to the Best Start Plan may also require school boards to expand or modify existing school accommodations. It is essential that the Ministry provide funding for such facilities at the onset of such initiatives, in those situations where new facilities are required.

Conclusion

The Ontario Catholic School Trustees' Association continues to support the basic philosophy and structure of the current funding model and all aspects of the funding formula that provide

- equitable and adequate funding for students
- autonomy and flexibility for school boards
- measures to insure the accountability of all partners in education in Ontario.

Our Association remains committed to working with the government and our education partners in a process of on-going review of the formula as a whole and of its various parts to ensure that they are reflective of these key principles and support student learning in the most helpful way possible.

Summary of Recommendations

Recommendation 1

That the Ministry of Education immediately create a task force with representatives from the major partners in education to:

1. Review the approaches currently being implemented for distribution of the transportation, learning opportunities and special education grants and the impact of those approaches on school boards, to determine if the grants equitably and adequately address the needs of students in the three specific areas for which they are intended.
2. Recommend necessary changes in the distribution approach for 2005-2006 to ensure that these grants are allocated to school boards in a manner that will result in equitable and adequate funding.

Recommendation 2

That a moratorium on decreases in transportation funding for individual school boards be put in place for at least another year.

That during this time period the Ministry of Education, in consultation and partnership with school boards and their provincial Associations, continue the process of developing an equitable and adequate transportation funding formula that meets actual needs for student transportation.

Recommendation 3

That the Ministry of Education create an advisory committee with representatives from each of the major associations in education to review the current funding model in order to provide to the Ministry:

- Recommendations for updating all benchmarks and formulas within the funding model, particularly those related to employee compensation (salaries and benefits) and student accommodation.
- Recommendations for changes to the formula for Declining Enrolment Grants to identify costs that are not solely enrolment driven and to provide appropriate funding.

Recommendation 4

That the Ministry of Education amend the approach to Pupil Accommodation so that school boards may be funded for:

- The cost of site purchases where new pupil accommodation is to be added to replace those pupil places currently being leased
- The cost of providing additional pupil accommodation that is required as the result of new government initiatives.