

*In Support of Student Success –  
Refinements to the Funding Formula*

*A Brief to the Minister of Education  
Regarding Education Funding*

*November 17, 2006*



Ontario Catholic School  
Trustees' Association

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## INTRODUCTION

The Ontario Catholic School Trustees' Association (OCSTA) was founded in 1930. It 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 for all parties and transparent processes and reporting mechanisms to support efficient and effective use of educational resources for students.

OCSTA welcomes the actions taken by the government in 2006/07 to improve the funding of education in Ontario. Many of the government's initiatives respond positively to recommendations made by OCSTA. Such actions have included:

- The overall increase in the 2006-07 GSN's of some \$600 million, some \$200 million more than what was announced at the time of the Provincial Budget.
- An announcement of an additional \$200 million in funding outside the GSN's to support the Literacy and Numeracy Secretariat, Student Success, the renewal of the teaching profession and other special initiatives.

- The acknowledgement of the gap that existed between the actual cost of salaries and the funding for such and the increase of 8.3% in the funding benchmarks to recognize the gap.
- The release of *Special Education Transformation: The report of the Co-chairs with the Recommendations of the Working Table on Special Education*, and the increase in funding for Special Education in 2006-07 of almost \$33 million.
- The announcement of a variety of funding programs to meet the capital needs of existing and future schools, new and renovated.
- The acknowledgement of the value and worth of school board trustees through the increases in honorarium that can be paid to them.

It is evident that this government has made the education of our children a priority and is fulfilling commitments expressed in the Ontario Liberal Party plan for education, *Excellence for All*. Investments in creating smaller primary classes, increasing the number of specialized teachers, improving programming through the Student Success initiative, and providing one-time grants totaling \$43 million to assist boards with their escalating transportation and utility costs in 2005-06 speak to these commitments.

### **A Matter of Urgency**

Notwithstanding these laudable initiatives and funding increases, school boards continue to experience significant financial problems. Many Catholic school boards have struggled to produce a balanced budget this year. Some boards will be faced with year-end deficits, many others are predicting deficit budgets in 2007-08. One time measures used to achieve a balanced 2006-07 budget, such as drawing-down reserves, will not be available in future for many school boards.

The urgent need for further refinements to the funding model for 2007-08 is obvious. Our concerns about the model arise primarily from insufficient updating of benchmarks since the formula's introduction in 1998. This historical underfunding must be addressed.

OCSTA appreciates the consultation opportunities that have addressed some individual grants but believes that consultation can become more meaningful and effective with the establishment of an on-going provincial advisory committee that could provide the government with regular and appropriate feedback on the effectiveness of the funding formula as a whole.

## **EMPLOYEE COMPENSATION BENCHMARKS**

The funding for employee compensation is an extremely serious issue for school boards across the province as salaries make up over 80% of board's operating expenditures.

### **Employee Salaries**

In its 2005 brief "*A Time of Opportunity*", OCSTA emphasized the concern about the gap that existed between the actual cost of salaries, particularly teachers' salaries, and the funding provided for them. This gap had grown significantly since the introduction of the present funding system in 1998.

OCSTA is pleased that the government acknowledged the existence of the salary gap and took significant steps to address it in this year's GSN's. The teacher salary benchmarks have been increased by 8.3% in 2006-07 including 2.5% to meet this year's cost of the labour framework agreement.

OCSTA does have some concerns, however, about the manner in which this change has been funded, i.e. through the realignment of grants, chiefly the Local Priorities Allocation and the Learning Opportunities Grant. The former has been eliminated and the latter significantly reduced.

The elimination of the Local Priorities Allocation impacts on a school board's flexibility to fund programs that are not otherwise funded or not fully funded by the GSN's. This is particularly true for Catholic school boards who often used a portion of this grant to support distinctively Catholic programs, such as chaplains, faith animators, student retreats, or faith formation for staff. Many school boards used a portion of this grant to fund excess administrative expenditures that are not covered by the Administrative allocation (see below for additional comments on Administration). The loss of this flexibility puts the funding of these programs and services in jeopardy.

The percentage decrease in the Learning Opportunities Grant effects boards to different degrees. For some boards, the realignment had a negligible effect and the transfer to the salary benchmarks was revenue neutral. However, for other boards, particularly large urban boards, the loss of LOG was severe and was not fully compensated by the transfer to salary benchmarks. This produced a negative impact on programs for at-risk students. Some boards continue to have a salary gap and have lost LOG revenue as well and thus were certainly net losers in the process.

The impact of this re-alignment points out the difficulty of attempting to fix flaws in the funding formula through transfers from one grant to another. Such transfers are particularly problematic when monies are transferred out of a

special purpose grant. Attempts to address outdated benchmarks within the Foundation Grant through increases to Special Purpose grants will produce inequitable results, as Special Purpose Grants are not equally distributed to school boards. An on-going provincial advisory committee, as recommended later in this brief, could assist the government to monitor the overall impact of changes to any part of the funding formula.

The updating of salary benchmarks to better reflect actual costs is a positive step. It is critical that the government regularly review and maintain the salary benchmarks to ensure that a gap between their actual costs and funding does not re-occur.

## **Preparation Time**

A problem not yet fully addressed is the failure within the formula calculations to reflect the actual number of teachers required at both the elementary and secondary school levels.

At the elementary level the Preparation Time component of the Foundation Grant is inadequate to fund the number of specialist teachers required to free classroom teachers for prep time. In 2006-07, as required by the provincial framework agreement, full time teachers receive a minimum of 180 minutes per week of preparation time. The Ministry is funding 180 minutes. Many Catholic school boards, however, are providing far more than the minimum number of minutes required, and were doing so long before the inception of the framework agreement. A significant number now provide 200 minutes – a standard that will not be required by the provincial framework until 2008-09. These boards continue to experience an onerous funding shortfall that has never been recognized or funded in the provincial agreement or subsequent Ministry funding.

At the secondary level funding for the average credit load was improved this year to 7.5 credits but still does not recognize the actual number of credits provided by school boards. The Education Equality Task Force (EETF) noted that over 50 school boards reported average credit loads of greater than 7.5. Since then the four year secondary program has been implemented. Boards that have an average credit load in excess of 7.5 face higher costs to employ additional teachers. These costs, however, are not recognized for funding purposes.

### **Recommendation 1**

**That the Ministry of Education take steps to ensure that the provincial funding model for 2007-08 and future years reflects the cost of employee salaries.**

## **Employee Benefits**

Employee benefits are proportionately more under-funded than salaries. In 2002 the government funded benefits at 12% of salary for teaching staff and 15.7% for non-teaching staff. At that time the Education Equality Task Force reported that updating of benchmarks to meet costs would require a change in rate to 13.1% for teaching staff. The rate for non-teaching staff would have to be improved to 19.2%.

The 2006-07 GSN's indicate that actual funding for employee benefits has been maintained and not decreased, although the percentage was decreased for teaching staff from 12% to 11.1% of salary and for non-teaching staff from 15.7% to 14.8%. This decrease was justified as a result of the increase in base salaries in the Foundation Grant. Even if benefits' funding has been maintained at previous years' absolute levels however, the gap between the actual cost of benefits and their funding continues to exist at the previous years' level or an even higher level.

School board benefit plans are affected by changes in Provincial Health Care funding. Employee groups want boards to insure the cost of services that were previously covered in whole or part by the province, but have now been either eliminated, or reduced e.g. Optometry, Physiotherapy, and Chiropractic services. In addition, there is continuing concern that arbitration cases awarding to employee groups employer coverage of the Ontario Health Premium could be extended to certain school board collective agreements. All of these factors strengthen the argument that benchmarks for employee benefits need to be updated annually to reflect actual costs. A process that continually monitors the benchmarks and updates them in light of rapidly changing circumstances is required.

It must be noted that board costs for employee compensation are increased when more employees (relative to student enrolment) are required in response to government student success initiatives. The negative affect of any funding benchmark shortfalls is multiplied.

### **Recommendation 2**

**That the Ministry of Education review and enhance the funding formula to ensure that benchmarks are in place to enable school boards to recognize the current costs of employee benefits.**

## **PROVINCIAL ADVISORY COMMITTEE ON FUNDING BENCHMARKS**

OCSTA appreciates the government's ongoing commitment to publicly-funded education and student success. It welcomes the funding that has been provided to meet the government's priorities in primary class reduction, student success, and lower drop-out rates. Catholic school boards support these initiatives and are proud of the positive results they are achieving. As welcome as they are, however, these allocations do not address long standing inadequacies in funding for basic programs and services already in place, e.g. transportation, special education, capital.

The vast majority of Ontario's Catholic school boards have filed balanced budgets for 2006-07. It is clear from a recent OCSTA survey however that our member boards are struggling with their financial situation. Boards report having to resort to a number of one-time solutions to achieve a balanced budget, including the draw-down of reserves, reducing administrative, academic and support staff, deferral of maintenance and arbitrary expenditure reductions in non-staff areas. All boards expressed serious concerns about their ability to balance in 2007-08. They feel that they have exhausted band-aid measures that will allow them to balance in the future. They are seeking provincial assistance in their efforts to provide students with the quality educational programs that they require.

Much has been said recently by a variety of groups and individuals about the condition of the Province's education funding model. Some feel it is "broken" and needs to be "fixed". Others call for a more drastic approach, such as wholesale changes to the funding model or even abandoning it altogether in favour of some new, unspecified model.

As we indicated in our October 10<sup>th</sup> meeting with Minister Wynne, OCSTA and its member boards strongly support the present model and feel that it is fundamentally sound. As this brief makes clear, we also agree that refinements and enhancements to the formula are required. In any amendment or changes to the funding model, it is essential that the principles of equity, flexibility, autonomy, adequacy and accountability prevail.

Meaningful consultation with school boards and provincial education associations, including those representing school business officials, is essential if funding decisions are to reflect and meet the actual needs of school boards, their schools and their students. OCSTA appreciates the Minister's recognition of the need for and the value of consultation.

Although we support the creation of working groups to deal with specific education funding issues, OCSTA must again emphasize the value to the

Minister and to education in the province of an on-going provincial committee dealing comprehensively with the education funding model as a whole. OCSTA shares the Minister's concerns regarding the impact of piecemeal refinements to the funding model over the years since its inception and sees such a provincial committee as a viable solution to this problem. This provincial advisory committee made up of representatives from local school boards, provincial associations and senior Ministry staff would meet on a regular basis to review the funding formula and its benchmarks and provide recommendations to the Minister regarding appropriate refinements. The creation of such a committee received the strong support of the Education Equality Task Force. The government has taken a number of significant and valuable steps in order to improve education and its funding. A provincial education advisory committee could provide feedback to the Minister with respect to the impact of these measures and the potential value of further steps in funding reform.

### **Recommendation 3**

**That the Minister of Education create a provincial advisory committee, including representation from provincial education associations and Ministry officials, to monitor the impact of the funding formula and provide on-going advice to the Minister on funding issues.**

## **THE PROSPECT OF A RETURN TO A LOCAL LEVY**

It has been suggested by some that allowing local boards to levy ratepayers in a limited way may be the solution to school boards' current funding difficulties, and the way to find new money for education without imposing a heavier burden on the provincial budget. OCSTA would strongly oppose a return to any type of local tax levy by school boards.

The introduction of the current funding model remedied the inequity of assessment wealth as a source of education financing. Prior to 1998, the greatest impediment to the achievement of equality of educational opportunity for Ontario's students was unequal access to assessment wealth by school boards on a geographic basis, because urban areas are assessment wealthier than rural areas, and on a coterminous basis, because, through the operation of the default mechanism in the assessment system, public boards are always assessment wealthier than Catholic boards, and English boards are always assessment wealthier than French boards.

While financial autonomy was theoretically available to Catholic and to French boards in the past given their unfettered ability to levy rates, it was not practically available because of their need to match local mill rates with the assessment-richer coterminous English and public boards in order to avoid an exodus of ratepayers. This inevitably yielded less revenue per student and denied equality of educational opportunity.

It should be noted that a return to local taxation would not relieve the Government's financial responsibility for education. The Government's stated and legal commitment to equality of education opportunity would preclude a return to local taxation without full equalization by the province through the Grant System. The fiscal burden for the Government to equalize would be significant. If the province did not commit itself to full equalization, then there would be a return to the wasteful competition for local assessment that characterized the old funding model. Any money spent on the resumption of local taxation would be much better spent on education.

### **Recommendation 4**

**That taxation powers in regard to education remain fully within the mandate of the provincial government.**

## **SPECIAL EDUCATION**

Significant improvements have been made to the funding of Special Education since 1998. In the 2006-07 GSN's the government has provided an additional \$33 million to help children with special needs. This is in addition to the one-time funding of \$50 million in support for students and to assist in the reform of special education funding. Grants for Special Education now total almost \$2 billion.

In May, 2006, "*Special Education Transformation: The Report of the Co-Chairs with the Recommendations of the Working Table on Special Education*", was released. This report contained several recommendations aimed at the delivery and funding of services and programs to children with special needs.

OCSTA was pleased to be a participant in the discussions at the Working Table on Special Education. We support the recommendations contained in the report of the Co-Chairs. Many of our boards however, continue to express concerns about their on-going ability to fund current programs and address current and future levels of students needs. Some boards have expenditures that significantly exceed their current special education allocation.

### **Method of Determining Allocation**

OCSTA supports a layered approach to Special Education Funding. The current practice of providing grants through the Foundation Grant and supplementing these with a separate and protected Special Education Per Pupil Amount (SEPPA) grant to assist in provision of services and programs for students with special needs must be maintained.

It is necessary, however, that benchmarks within the SEPPA allocation be reviewed and updated to reflect real board costs, particularly at the secondary level.

Currently, separate funding is provided to boards for students with high needs who require more costly special education services, including equipment, teachers, education assistants and other support. The amount of this allocation varies from board to board based upon the number of these students. In recent years, a very complex and time consuming administrative procedure had been engaged regularly by school boards to justify their entitlement. Boards are pleased to see that the onerous administrative burden associated with this process has been eliminated, but are concerned that the current enrolment-based high needs amount is not structured to respond to changing incidence. It is essential that a review process be developed to track changes in incidence and adjust funding accordingly on a regular basis.

**Recommendation 5**

**That the Ministry of Education continue to allocate funds for Special Education through a layered process that includes the Foundation Grant, a separate and protected SEPPA grant and funding to recognize the incidence of students with high needs.**

**Recommendation 6**

**That benchmarks within the SEPPA allocation be reviewed and updated to reflect actual board costs, particularly at the secondary level.**

**Recommendation 7**

**That the Ministry of Education develop a research/review process to confirm the validity of, or track changes in, current rates of students with high needs in order to inform future funding decisions.**

## **TIMING OF MINISTRY ANNOUNCEMENTS**

To support efficient and effective planning and resource allocation, funding announcements must be both clear and timely. School boards are very concerned that, of late, long delays in the release of provincial information have been hampering effective planning, the consultation associated with boards' budget preparation and development of integrated long term capital plans.

Planning for school boards' budgets begins well in advance of actual budget approval, which normally occurs in late spring. Funding announcements for 2006-07 were not made until June 12, 2006. Late distribution of these documents has a negative impact on planning and budget processes.

Announcements regarding new or enhanced capital funding programs have often preceded the associated detailed B: Memo by several months. Receiving information regarding government initiatives and allocations on a more timely basis would facilitate effective and responsible planning and allow implementation to proceed quickly and efficiently. This would benefit students and the community and would also further the government's own goals for education.

Sufficient time between the announcement of funding changes and the required deadlines pertaining to the implementation of new programs and, most importantly, the annual estimates' regulations, would allow school board administrators and trustees to properly determine the impact of changes on board operations. It would also provide adequate opportunity for other stakeholders, especially parents, to measure the effect of proposed changes and where appropriate, have input on them.

### **Recommendation 8**

**That the government and the Ministry of Education make all announcements pertaining to the distribution of funds, whether operating or capital in a timely fashion so as to allow school boards adequate time to plan and implement programs in a responsible, accountable, efficient and effective manner and that the announcements pertaining to the annual Grants for Students Needs be made not later than March 31<sup>st</sup> of the prior year.**

## **STUDENT TRANSPORTATION**

Transportation services are very important for children in the Catholic school system. In general, a greater proportion of Catholic school students than public school students depend on transportation services to gain access to their local school. Catholic schools tend to serve larger areas as there are fewer of them. Because of this greater need for transportation services, Catholic District School Boards generally allocate a greater proportion of their budget for transportation than do their coterminous District School Boards.

OCSTA welcomed the increase in funding for student transportation included in the 2006-07 grant announcements. Boards received one-time funding of \$14 million to assist them in dealing with increased fuel costs for the 2005-06 school year. The 2006-07 GSN's contained a total increase of \$18.5 million to fund higher enrolment, fuel, capital and operating costs as well as special funding for driver first aid and CPR training.

Prior to 1998, many Catholic school boards sought correction to the provincial transportation funding formula, which was based on a flawed 1996-97 grant base and 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 for students across Ontario but did not revise the transportation component of the formula.

Catholic school boards have been struggling for many years to maintain adequate transportation services with far less than adequate funding. Now, boards find themselves in an even more precarious situation due to soaring fuel prices. The gap between costs and revenue is growing, adding to boards' overall financial woes.

A new model for transportation must be found that will provide sufficient funds to ensure a reasonable level of service. Its resource allocations must be fair and non-discriminatory. The formula must treat school boards and students in similar circumstances in a similar manner.

Particular attention must be given to adequate funding for transportation of students with special needs. Transportation for children with special needs is unique and expensive. Because it does not fit into the general transportation mode of a school board it can often distort the board's overall transportation costs. There is no special funding for these services and consideration needs to be given to these special needs when developing a new transportation funding formula.

Differences in student transportation needs must be recognized whether boards are in the same jurisdiction or in different parts of the province. A local

priorities component of transportation funding could allow boards the flexibility to provide transportation for specialized schools or to implement variations in walk distances required to suit local circumstances with respect to safety.

Meeting student transportation needs in the future will be particularly challenging in light of the international pressures on fuel costs. In light of volatile fuel prices and fuel escalation clauses in many boards' transportation carrier contracts, there is a critical need for a mechanism which adjusts the cost component of the transportation grants on a more responsive basis than currently is the case.

Steps must be taken now to prepare for a reformed approach to transportation funding which is true to the underlying principles of equity, adequacy, autonomy/flexibility and accountability that are shared by OCSTA and the Ministry of Education.

### **Recommendation 9**

**That the Ministry of Education, in consultation and partnership with school boards and their provincial associations, immediately re-engage in the process of developing an equitable and adequate transportation funding formula that meets actual needs for student transportation, including transportation for those with special needs.**

The Ministry has this year mandated transportation consortia. OCSTA is concerned about the very strict and prescribed guidelines within which transportation consortia are to operate. Our concerns about mandated transportation consortia were set out in detail in our letters of June 28, 2006 and September 27, 2006 to the Minister of Education.

Catholic boards have for many years cooperated with their coterminous boards in delivering transportation services. Considerable cost-savings have been achieved, for the most part by reducing the number of buses on the road. Even some of the very successful cooperative arrangements presently in place however, do not meet the narrow criteria outlined in SB:13. The definition of consortia must be broadened to include a wider range of cooperative transportation ventures. We also believe that an audit should be made available to English-language boards who believe they can meet a provincial standards for efficiency and effectiveness without being forced into a formal consortium.

Catholic School boards share the Ministry's concern for cost effectiveness and are prepared to work cooperatively with their coterminous public boards to mutually examine all means of efficiency in meeting the transportation needs of students in different settings across Ontario. No board should be required,

however, to adopt measures that would result in that board incurring higher transportation costs, unless these costs are offset by increased transportation grants.

**Recommendation 10**

**That the Ministry of Education review and refine its transportation reform policy, as set out in SB:13,**

**to broaden the definition of acceptable transportation consortia to include a spectrum of cooperative transportation arrangements;**

**to enable English-language boards that meet the provincial standard of efficiency and effectiveness to continue to deliver transportation services independently; and**

**to include the right to withdraw from a consortia in the dispute resolution process, as the final step.**

## **CAPITAL**

The 2006-07 GSN's announced a number of initiatives that will enable school boards to fund new or renovated schools, manage existing capital debt and encourage transfer of surplus schools to coterminous boards. In addition the Ministry announced its intention to establish a long-term financing vehicle to help facilitate and reduce the cost of borrowing.

OCSTA and its member boards welcome these announcements and look forward to working with Ministry officials to provide school facilities that meet the needs of local communities. It is our hope that, taken together, these initiatives can address the capital backlog and provide support for the capital needs of new provincial initiatives including the mandated reduction in Primary Class Size. OCSTA appreciates the \$50M provision in 2006-07 for capital projects related to Primary Class Size. We anticipate that additional funding required to address further capital needs will be forthcoming in 2007-08.

As part of their Long Term Accommodation Plan, most school boards have submitted to the Ministry detailed information regarding each of their facilities. This is to be used as part of a board's future facilities management plan. The eventual effect of the new rules for capital projects is difficult to project because as yet the new arrangements have not all been published. Timing of the release of this information will affect the ability of boards to plan effectively. Some boards are having difficulty providing adequate accommodation for their students' needs. It is particularly important that through the various new capital programs, boards receive sufficient funding to provide needed permanent pupil accommodation and thus minimize the use of portable classrooms.

Boards that have stable or declining enrolment with excess capacity overall, but are experiencing enrolment growth in some parts of their jurisdiction, require funding to build new schools in the area of growth. There is often a great distance between the need for new pupil places and available space in schools. A review area approach to funding New Pupil Place Grants, rather than a Board wide calculation, would greatly assist in addressing overcrowding in some schools in specific areas within a board.

### **Recommendation 11**

**That the Ministry of Education ensure that all necessary background and technical documents relating to new capital programs are released at the same time as the announcement of these programs.**

As school boards wait in anticipation of the promised new regulations on capital, there is a need to move forward with crucial building projects, particularly in high growth communities. In addition, some boards have identified schools that are in urgent need of significant repair and/or renovation in order to meet current program expectations. There is a need to bring all school facilities to a minimum provincial standard that fully addresses health and safety considerations, current jurisdictional requirements, accessibility and the demands of present Ministry programs. School Renewal funding needs to be enhanced to provide adequate funding to meet these needs.

**Recommendation 12**

**That the School Renewal Grant be reviewed and refined to provide the funding necessary to ensure that all schools meet minimum provincial standards for health and safety and accessibility, the demands of Ministry approved programs, and local jurisdictional requirements.**

There is a need for the funding formula for Capital Projects to recognize diverse and rapidly changing construction costs in various regions of the Province. Several of our northern boards for example have identified problems with the current model related to the unique and peculiar geographic challenges of those areas. Older urban boards must deal with higher construction costs associated with, among other things, elimination of existing structures and building underground parking facilities within limited site space. A mechanism such as the Non-Residential Building Construction Price Index (NRBCPI) would adjust the benchmarks on a regular and timely basis and recognize the regional differences of school boards' capital requirements.

**Recommendation 13**

**That the benchmarks utilized in the calculation of funding capital programs be regularly updated through the use of a regional construction price index to react on a timely basis to rapidly changing construction costs and recognize variations in construction costs across Ontario.**

## SCHOOL BOARD ADMINISTRATION

There would appear to be a growing view among Ministry personnel that school boards' administrative expenditures are excessive and need to be curtailed. In 2006-07, school boards whose administrative expenditures exceed funding by 15% or more will be required to prepare a plan to reduce administration expenditures to a level in line with grant funding over a two-year period.

In 1998, when the present funding model was introduced, there was a significant reduction in the funding of Board Governance and Administration expenditures. These changes were introduced by the then Government, without any underlying research, to reduce all administrative expenditures. Boards have struggled since then to stay within their administrative allocations and have reduced administrative positions significantly. Funding available for administration has recently been further reduced. In 2006-07, as part of the realignment of grants, the Local Priorities Grant was eliminated. Many boards had used some portion of this grant in the past to finance the difference between their administrative expenditures and their administrative allocation.

Reduced funding flexibility and tighter spending restrictions for school board administration have been put in place at the same time as administrative workload and cost pressures on the administration have increased. Boards are experiencing increasing demands for information, particularly from the Ministry of Education. Many of the Ministry's reporting and accountability requirements, such as special education forms and pupil accommodation accountability reports, assume central office expertise for compilation. Given current staffing levels, boards find it increasingly difficult to handle information and data requests on a timely and efficient basis. The demands from the Ministry continue to grow in 2006-07 e.g. Primary Class Size Funding and PCS Plan.

In order to function efficiently and effectively, school boards have become more reliant on information technology in all areas, both administrative and academic. Though a portion of the Foundation Grant provides funding for the latter, there is no specific grant for Administrative needs. The cost of hardware has generally dropped over the years but the cost of sophisticated software programs, support and training has escalated. These costs must be funded from the board administration grant and have contributed to expenditure increases over the past few years.

A specific example of the increased administrative burden that boards are now facing relates to MISA and OnSIS. School boards have been partially funded by the Ministry to begin the implementation of these initiatives. While boards see the benefits that would arise from the full implementation of MISA and OnSIS, they are concerned with the level of ongoing support and additional resources

provided for these initiatives. The considerable demands on staff time associated with MISA and OnSIS are occurring at the same time, some boards, in order to balance this year's budget, have had to reduce their IT staff and programs. If boards are to complete the implementation of these initiatives within the required timelines, they will require additional assistance.

OCSTA believes that the formulae which generate the Administrative grant need to be reviewed to provide adequate funding for all administration purposes. Refinements should include a declining enrolment provision to recognize the inability of school boards to downsize administration when relatively minor enrolment declines occur. There is also a need to re-consider the classification of administrative expenditures to ensure that they are fairly labeled and accounted for, thus avoiding distortions in this budget area. Presently there are expenditures which are classified as administration which should be charged to other areas of a board's budget e.g. legal fees for employee arbitration, legal and administrative costs related to special education tribunals, professional and legal fees incurred during employee negotiations, both teaching and non-teaching, legal and other costs incurred as a result of appeals arising out of suspension and expulsion of students.

#### **Recommendation 14**

**That a systematic audit of provincially-mandated accountability processes affecting all aspects of school board funding be initiated to assess their efficiency, effectiveness and impact on board operations, and**

**That, following such an audit, the number and scope of accountability mechanisms and the funding benchmarks, including the cost of information technology needs, within the Administrative and Governance envelope be adjusted appropriately.**

#### **Recommendation 15**

**That the Ministry of Education review the implementation of MISA and OnSIS with a view to amending the timelines to more attainable dates and providing school boards with additional resources for these programs.**

## DECLINING ENROLMENT

Almost every school board in Ontario is experiencing some degree of declining enrolment, particularly in the elementary panel. This is particularly showing up in the JK/SK intake level for boards. This problem will get much worse as this smaller cohort progresses through the system. The GSN's funding is primarily enrolment driven and even small declines in enrolment have a severe negative effect on revenues.

Unfortunately, board expenditures do not follow the same pattern, as they tend to be fixed within certain blocks. Even though there may be enrolment declines overall in a board, the decline at the school level is often less dramatic and does not allow boards to reduce school based expenditures (principally teacher/support staff salaries) to the same degree and in the same time cycle. The problem of reacting to declining enrolment at the board office is even more difficult as many of these centralized expenditures are fixed within broad enrolment numbers. It is difficult to adjust transportation services, for example, as bus routes and their costs remain relatively fixed.

The new School Foundation grant, for example, ameliorates some of the effects of lost pupils, as it is not enrolment dependent. There has also been partial relief for declining enrolment in the GSN's, particularly through the Declining Enrolment Adjustment grant, but this is not complete and is short lived.

In 2005-06, the government provided additional one-time funding of some \$53 million to support boards facing difficult declining enrolment circumstances while a fuller policy review was to be undertaken. For 2006-07, this one-time assistance has not been renewed and the total funding for the Declining Enrolment Adjustment has decreased by over \$60 million. As there have been no new policies announced or introduced, boards continue to face the same difficulties brought on by declining enrolment.

In the 2002 Technical Paper, it was acknowledged that "*The issue of declining enrolment will become more important over the next few years, since the rate of overall enrolment growth is slowing and many more boards are projected to show enrolment declines in the rest of this decade*". This prediction has come true for many boards sooner, and more severely, than what might have been anticipated in 2002. The temporary and transitional measures that were previously introduced assisted boards for one or two years but what is needed is a longer term solution to this serious problem. School Boards and the Ministry must together address the long term effects of the growing phenomena of declining enrolment. They must find a way to soften its blow and allow boards to react to it within a more reasonable time frame. OCSTA suggests the creation of a task force comprised of Ministry and School Board personnel to examine all

aspects of this matter and formulate recommendations that will address school boards' concerns.

On a short-term basis, enabling school boards to close and/or consolidate schools in an efficient fashion would allow some relief to boards coping with declining enrolment. OCSTA is pleased that the Pupil Accommodation Review Guidelines have now been released. The new review process, though onerous in administrative requirements, will enable some boards to eliminate the unnecessary operating costs associated with keeping low-enrolment schools open. Unfortunately, some of the other difficulties resulting from enrolment decline and excess capacity remain.

Declining enrolment results in reduced grants for new pupil places and a reduced ability to service debt already incurred. Under the former rules, some boards incurred debenture debt in anticipation that school closures would later occur, producing a revenue stream to service that debt. The reduced ability to close schools and the non-existent benefit in the form of NPP grants places such boards in a financial predicament. If this measure were restored to its original status, boards would have further incentives to consolidate their inventory of schools.

#### **Recommendation 16**

**That the Ministry of Education immediately convene a task force comprised of school board officials, Ministry of Education personnel, and personnel from other provincial Ministries and related organizations as needed to examine the impact of declining enrolment in school boards across the Province and recommend long-term strategies dealing with this issue.**

#### **Recommendation 17**

**That the Ministry of Education provide additional relief to school boards facing declining enrolment by enhancing the Declining Enrolment Adjustment grant until such time as the Task Force can report to the Ministry and long term solutions can be implemented.**

## CONCLUSION

OCSTA appreciates the significant steps taken by the government in improving the funding of education for 2006-07. We believe that the framework for meaningful reform has been put in place. A unique opportunity now exists to correct shortcomings in the funding formula. During this period of stability corrections must be made to the benchmarks to provide for alignment with actual costs. Without these corrections many of our boards will not be able to develop balanced budgets without significant reductions in programs, services and personnel.

We express our strong support for the present funding model and would not want to see it abandoned. OCSTA adamantly opposes a return to any form of local tax levy by school boards. The funding model does require some refinements and enhancements and these should take place within the core principles of equity, adequacy, flexibility/autonomy and accountability.

OCSTA looks forward to working in partnership with the Minister, Ministry staff and other stakeholders in education on the various committees and in particular in a Provincial Advisory Committee on Funding Benchmarks. We urge immediate action in these endeavours. Time is critical for school boards, particularly with respect to planning and implementation. Our opportunity is now. Our shared goal is Excellence for All in Education.

## **SUMMARY OF RECOMMENDATIONS**

### **Recommendation 1**

**That the Ministry of Education take steps to ensure that the provincial funding model for 2007-08 and future years reflects the cost of employee salaries.**

### **Recommendation 2**

**That the Ministry of Education review and enhance the funding formula to ensure that benchmarks are in place to enable school boards to recognize the current costs of employee benefits.**

### **Recommendation 3**

**That the Minister of Education create a provincial advisory committee, including representation from provincial education associations and Ministry officials, to monitor the impact of the funding formula and provide on-going advice to the Minister on funding issues.**

### **Recommendation 4**

**That taxation powers in regard to education remain fully within the mandate of the provincial government.**

### **Recommendation 5**

**That the Ministry of Education continue to allocate funds for Special Education through a layered process that includes the Foundation Grant, a separate and protected SEPPA grant and funding to recognize the incidence of students with high needs.**

### **Recommendation 6**

**That benchmarks within the SEPPA allocation be reviewed and updated to reflect actual board costs, particularly at the secondary level.**

#### **Recommendation 7**

**That the Ministry of Education develop a research/review process to confirm the validity of, or track changes in, current rates of students with high needs in order to inform future funding decisions.**

#### **Recommendation 8**

**That the government and the Ministry of Education make all announcements pertaining to the distribution of funds, whether operating or capital in a timely fashion so as to allow school boards adequate time to plan and implement programs in a responsible, accountable, efficient and effective manner and that the announcements pertaining to the annual Grants for Students Needs be made not later than March 31<sup>st</sup> of the prior year.**

#### **Recommendation 9**

**That the Ministry of Education, in consultation and partnership with school boards and their provincial associations, immediately re-engage in the process of developing an equitable and adequate transportation funding formula that meets actual needs for student transportation, including transportation for those with special needs.**

#### **Recommendation 10**

**That the Ministry of Education review and refine its transportation reform policy, as set out in SB:13,**

**to broaden the definition of acceptable transportation consortia to include a spectrum of cooperative transportation arrangements;**

**to enable English-language boards that meet the provincial standard of efficiency and effectiveness to continue to deliver transportation services independently; and**

**to include the right to withdraw from a consortia in the dispute resolution process, as the final step.**

#### **Recommendation 11**

**That the Ministry of Education ensure that all necessary background and technical documents relating to new capital programs are released at the same time as the announcement of these programs.**

#### **Recommendation 12**

**That the School Renewal Grant be reviewed and refined to provide the funding necessary to ensure that all schools meet minimum provincial standards for health and safety and accessibility, the demands of Ministry approved programs, and local jurisdictional requirements.**

#### **Recommendation 13**

**That the benchmarks utilized in the calculation of funding capital programs be regularly updated through the use of a regional construction price index to react on a timely basis to rapidly changing construction costs and recognize variations in construction costs across Ontario.**

#### **Recommendation 14**

**That a systematic audit of provincially-mandated accountability processes affecting all aspects of school board funding be initiated to assess their efficiency, effectiveness and impact on board operations, and**

**That, following such an audit, the number and scope of accountability mechanisms and the funding benchmarks, including the cost of information technology needs, within the Administrative and Governance envelope be adjusted appropriately.**

#### **Recommendation 15**

**That the Ministry of Education review the implementation of MISA and OnSIS with a view to amending the timelines to more attainable dates and providing school boards with additional resources for these programs.**

### **Recommendation 16**

**That the Ministry of Education immediately convene a task force comprised of school board officials, Ministry of Education personnel, and personnel from other provincial Ministries and related organizations as needed to examine the impact of declining enrolment in school boards across the Province and recommend long-term strategies dealing with this issue.**

### **Recommendation 17**

**That the Ministry of Education provide additional relief to school boards facing declining enrolment by enhancing the Declining Enrolment Adjustment grant until such time as the Task Force can report to the Ministry and long-term solutions can be implemented.**