

Submission to

**The Standing Committee
on Finance & Economic Affairs**

Pre-Budget Consultation

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Ontario Catholic School
Trustees' Association

**SUBMISSION TO THE STANDING COMMITTEE ON FINANCE &
ECONOMIC AFFAIRS PRE-BUDGET CONSULTATION 2006**

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.

In November 2005, OCSTA prepared and submitted to the Minister of Education a brief on Education Finance entitled *A Time of Opportunity – A Brief to the Minister of Education Regarding Education Funding*. A copy of our finance brief is attached and forms the basis of this submission to the Standing Committee on Finance and Economic Affairs during the Pre-Budget Consultation.

OCSTA has welcomed the actions taken by the government to improve the funding of education in Ontario. It is evident that this government has made the education of our children a priority. Despite the positive steps taken, however, many school boards are experiencing serious financial challenges.

The Ontario Catholic School Trustees' Association continues to strongly support the basic philosophy and structure of the current funding model. The difficulties confronting school boards today arise primarily from insufficient updating of benchmarks since the formula's introduction in 1998. This is particularly true in regard to benchmarks for employee compensation.

Teacher Salary Benchmarks

By far the biggest single contributor to financing difficulties that school boards are currently experiencing is the gap that exists between the total compensation (salary & benefits) paid to teachers and the funding received for such from the Province. Because employee compensation represents some 80% of school boards' operating budgets, and teachers are by far the largest employee category, any shortfall that exists in this area must be made up from other operating budget lines. Many such lines are "protected" or themselves under-funded, making the task of finding available funds for employee compensation extremely difficult. Robbing "Peter to pay Paul," has now become common. It results in reductions in areas such as school supplies and texts, academic and administrative computers and school operations, in order to pay teachers. The ripple effect of funding the salary gap causes serious consequences across the entire spectrum of school board budgets.

Provincial funding for classroom teachers is provided by a combination of funds primarily from two sources. The Foundation Allocation assumes an average teacher salary in 2005-06 to be \$56,264. The Teacher Qualification & Experience Allocation provides an adjustment to this figure (higher or lower) based on certain factors that vary according to experience (ten years) and qualification (five categories). When combined together, these two grants form a Provincial Salary Grid that funds classroom teachers' salaries. Unfortunately, this grid is out of step with the actual salaries that boards pay to teachers and has been since the inception of the funding model in 1998. This gap has grown over the years to the point that many school boards can no longer find sources within their operating budget to fund it. OCSTA's recent survey of our member boards shows a gap ranging from a high of \$6,362 to a low of \$2,289 per teacher, with the unweighted average being some \$4,375. The cumulative shortfall for these boards in 2005-06 amounts to some \$15.7 million or approximately 3.550% of their Operating Budget. OCSTA and Catholic school boards appreciate the government's efforts in 2004-05 and 2005-06 to provide a new cost adjustment to capture the "real increase" in teacher salaries in those years. Despite this increase, however, the cumulative gap has not been addressed.

Compounding difficulties caused by the shortfall in funding teachers' salaries are a number of other related factors. The current formulas fail to reflect the actual number of teachers required to provide instructional time in both elementary and secondary panels. There is an unfunded portion of planning and preparation time for teachers i.e. funded at 137 minutes per week as compared to the actual of up to 200 minutes. Certain new provincial initiatives do not provide funding that reflects actual salary costs and thus exacerbate the funding gap. The most significant additional problem, however, is the growing gap between the actual cost of employee benefits and their provincial funding. Like salary benchmarks, the benchmarks for employee benefits have not been adjusted since 1998 and are significantly out of sync with real costs. In fact, benefit costs have escalated at a

rate higher than salaries, fuelled by increased unit costs and higher usage. The downloading to employee group benefit plans of services previously funded by the Province has further contributed to higher benefit costs.

The impact of all of these factors points out the need for an on-going mechanism to monitor and review benchmarks and, on a timely basis, to adjust them to recognize the actual costs being incurred by school boards.

Other Cost Benchmarks

The benchmarks in non-compensation areas must also be monitored and adjusted on a regular basis, not less than annually, in order that boards are provided with an adequate and effective level of funding. The volatility of energy costs that all Ontarians face is a prime example of a factor creating the need for on-going review and adjustment of funding levels. School boards, collectively and individually and often with the assistance of Provincial incentive funding, have taken many steps to find ways to reduce their energy consumption levels. Boards are powerless, however, to control the unit cost of energy, which has risen exponentially on the “world” market. School boards cannot reduce their consumption in proportion to the level of increases in energy rates, and overall energy costs have risen well beyond the level of allocations. This example of changing costs beyond school boards’ control clearly illustrates the need for ongoing and regular review of all funding benchmarks. The need for such updating was the first recommendation in the *Report of the Education Equality Task Force*, 2002 (EETF). At that time, it was estimated that it would cost in excess of \$1 billion to meet this objective, and it was suggested that this adjustment be phased in over a three year period, beginning in 2003-04.

In its 2004-05 funding announcements, the Ministry of Education committed to working with school boards and other education partners to establish – as recommended by the EETF – a process for regular review of the Funding benchmarks.

While funding for education has risen substantially since 2002, little of this “new” funding has been targeted to address the cumulative shortfall in benchmarks and no mechanism has yet been put in place to regularly monitor and adjust them.

Special Education

Services to children with special needs have increased dramatically since the introduction of the current funding model in 1998. Since that time there have also been significant changes in the grant structure for Special Education. Currently, the provincial Working Table on Special Education, made up of stakeholders, has been charged with the task of developing an improved approach to funding. OCSTA is pleased to have representation at the Working Table and looks forward to an enhanced funding model for Special Education. Some of our member boards have expressed concerns about the growing gap between the funds generated by the current model and the cost of providing services to children with special needs. There is a need for interim adjustments to funding if present levels of service are to continue while a new funding formula is being developed.

Student Transportation

The funding of Student Transportation is widely acknowledged to be flawed. There have been several attempts to devise a new funding model that would meet the needs of students across the Province and the many diverse circumstances and jurisdictions that must be accommodated. To date, none of these has been successful.

Traditionally Catholic boards have depended on transportation services to a greater extent than Public boards to provide students and families with access to Catholic schools. It is critical to Catholic boards that a new model of funding be true to the principles of equity, adequacy, autonomy/flexibility and accountability. Many of our member boards are finding it extremely difficult to continue their current level of service under the present funding arrangements. Similar to the situation described above with respect to Special Education, therefore, boards must be provided with interim funding to close the gap between their transportation expenditures and provincial grants until a new funding formula for student transportation is in place.

Capital

New provincial initiatives and anticipated changes to the funding formula leave capital funding in a state of uncertainty.

The Ministry of Education is in the process of revising its guidelines for the funding of Capital Projects, whether new pupil places or renovations. It has indicated a desire to address the capital backlog and provide support for the capital needs of new provincial initiatives. School boards are in the process of submitting detailed information as to each of their facilities. The Government has announced a new program, "Best Start," which could also impact a board's facilities. The Ministry has declared a moratorium on school closings while new guidelines are being developed. The eventual effect of the new rules for capital projects cannot even be guessed at because the new arrangements have not yet been published. The role that the decision making process will play, with respect to timing and the ability of boards to plan effectively, will not be known for some time.

There are, however, some problems involving capital that are known. First, declining enrollment results in reduced grants for new pupil places and a reduced ability to service debt already incurred. Under the former rules a board faced with this situation had the option to close schools as a means of qualifying for additional New Pupil Place grants and, therefore, produce the ability to service debt. This measure is no longer available.

Second, some boards incurred debenture debt in anticipation that school closures would later occur, which would produce a revenue stream to service that debt. The reduced ability to close schools and the non-existent benefit in the form of New Pupil Place grants places such boards in a financial predicament.

School boards wait in anticipation of the promised new regulations on capital, but in the meantime 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.

Several of our northern boards have identified problems with the current model related to the unique and peculiar geographic challenges of those areas, not the least of which is the significant differential in the cost of construction. These problems are an example of the need for the funding formula for Capital Projects to recognize diverse and rapidly changing construction costs in various regions of the Province. There is a need for a mechanism such as the Non-Residential Building Construction Price Index (NRBCPI) that would adjust the benchmarks on a regular and timely basis. This type of third-party objective index would recognize the regional differences of school boards' capital requirements.

Conclusion:

In summary, we recommend that funding be put in place for the Province's next fiscal year that would allow the Ministry of Education to

- Adjust the compensation benchmarks to reduce the gap between the actual cost of teacher compensation and the funding thereof.
- Institute a review mechanism, involving all partners, that would allow all benchmarks to be adjusted on a regular basis to reflect actual cost.
- Provide one-time funding to school boards in the area of Special Education to allow them to continue to provide the current level of service while a new method of Special Education funding is developed.
- Provide additional funding to school boards in the area of Student Transportation to bridge the gap between the current cost and grants.
- Ensure that the new funding guidelines for Capital Projects provide a mechanism to allow adjustments to be made on a timely and regional basis.
- Provide for interim provisions to allow urgent building projects to proceed.