

## 2. Education Funding in Ontario

### Background

The present system of funding elementary and secondary education in Ontario was introduced in 1998, as part of a series of reforms the government began making to Ontario's education system in 1995. Among the changes were the following:

- the introduction of province-wide assessments of student achievement, conducted by the Education Quality and Accountability Office
- the establishment of the College of Teachers
- the introduction of a new elementary and secondary curriculum
- a plan for the gradual phasing out of the Ontario Academic Credit (Grade 13), to be completed in 2003
- a new school board governance structure
- the introduction of mandatory school councils

The new school board structure involved a significant amalgamation of English-language school boards and the establishment of French-language school boards across the province. There are now 72 district school boards in Ontario: 31 English-language public boards, 29 English-language Catholic boards, 4 French-language public boards, and 8 French-language Catholic boards. One of the stated goals of the new structure was the reduction of the administrative costs associated with school board operations.

The new education funding formula replaced a complex system of financing education that had involved a combination of government grants and revenue raised by school boards from their local property tax bases. Before 1998, school boards would set local education property tax rates, and municipalities would collect the taxes on boards' behalf. This system was considered inequitable, since boards with large property tax bases were able to raise more money than boards with access to small tax bases. Boards no longer have the authority to determine education tax rates.

Under the present system, the government sets a uniform rate, based on a current-value assessment system, for the education portion of property taxes for all residential properties in the province. It sets a rate that varies by municipality for the education portion of business property taxes. Municipalities collect the education portion of property taxes for the school boards in their communities. The Ministry of Education, using the student-focused funding formula, determines each board's overall allocation. Property tax revenues are considered to form part of the allocation, and the Province provides additional funding up to the level set by the funding formula.<sup>1</sup>

As I discuss later in this report, the vast majority of those I heard from oppose a restoration of boards' authority to levy taxes. I oppose such a restoration as well, on the grounds of equity.

The new funding formula also streamlined the grants system, reducing the number of grants in the formula by about two thirds.

Called "student-focused funding," the new method of financing elementary and secondary education was intended to accomplish the following:<sup>2</sup>

- provide a fair and equitable level of funding for all students, wherever they live in Ontario
- provide more funding for students in the classroom and less for administration and other non-classroom costs
- provide funding to maintain existing schools and to build new schools where they are needed
- protect funding for special education
- increase the accountability of school boards by ensuring that boards report consistently on how they spend their funding allocations

The government considers student-focused funding to be a fair approach because it uses the same set of rules to allocate funds to all boards and because it recognizes that different boards have different needs and responds to these differences.

Student-focused funding allows school boards a certain amount of flexibility in how they use their allocation to meet local priorities. Only four limits have been set on this flexibility, as follows:

- Funding intended for education in the "classroom" (that is, for the components of a classroom education set out in the Foundation Grant, which is discussed below) must be used in the classroom. It cannot be used, for example, to meet administrative costs.
- Funding intended for special education must be used only for special education.
- Funding intended for new schools or additions and for major repairs to schools must be used only for those purposes.
- Boards must not spend more on administration and governance costs than is provided for in their allocations.

Since the introduction of student-focused funding, the government has made several changes to the formula and added some new money to it.<sup>3</sup>

Although there is general support for the concept and the structure of the student-focused funding formula (I encountered this support during my consultations), school boards and other members of the education community have continued to express concern about whether the funding formula is meeting the government's stated objectives for it. In response to these concerns, the government established this task force.

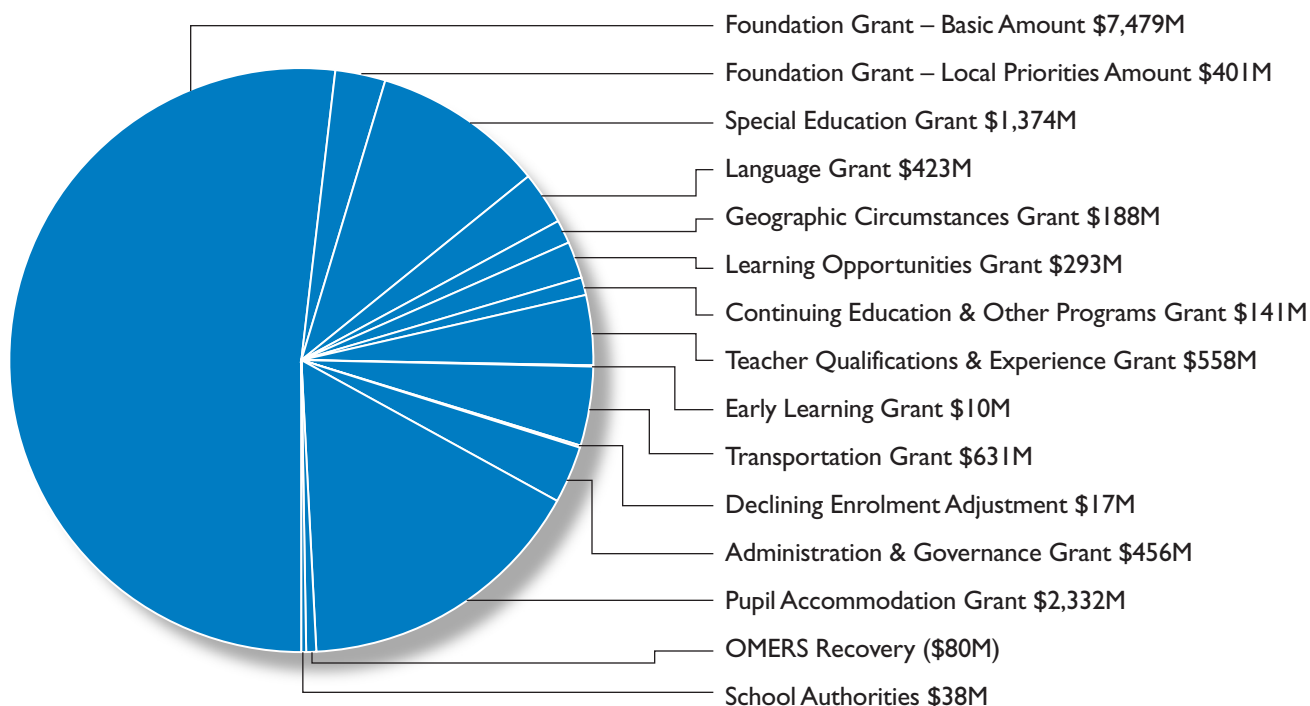
## Student-Focused Funding: The Current Formula<sup>4</sup>

### Overview of the Funding Formula

The student-focused funding formula consists of a Foundation Grant, a series of 10 Special Purpose Grants, and a Pupil Accommodation Grant. For 2002–03, grants to all school boards are projected to total \$14.26 billion. This figure includes the Ministry of Education’s original projection of \$14.215 billion and \$45 million added by the ministry in-year. The breakdown of current-year funding among grants is depicted below.

### Student-Focused Funding Formula, 2002–03

Total allocation: \$14.26 billion



Source: Appendix I, Table I.1.

The Foundation Grant is intended to cover the components of a classroom education that are required by, and common to, all students. It allocates the same amount per student to all school boards. The Foundation Grant consists of the following major components:

- Basic Amount
- Local Priorities Amount

While boards have the flexibility to determine how they wish to spend the Local Priorities Amount, one of the specific aspects of the funding formula that I was asked to review is the degree of overall expenditure flexibility school boards should have.

The Special Purpose Grants provide school boards with funding to meet additional student needs not covered by the Foundation Grant, which may vary from one student to another, and additional board costs, which may vary from one board to another. The Special Purpose Grants are as follows:

- Special Education Grant
- Language Grant
- Geographic Circumstances Grant
- Learning Opportunities Grant
- Continuing Education and Other Programs Grant
- Teacher Qualifications and Experience Grant
- Early Learning Grant
- Transportation Grant
- Declining Enrolment Adjustment
- Administration and Governance Grant

I was specifically asked to inquire into two areas of the funding formula covered by Special Purpose Grants: the current approach to funding special education and the approach to funding student transportation. I note that the funding mechanisms behind the Intensive Support Amount portion of the Special Education Grant and the Transportation Grant are both also under review by the Ministry of Education.

The Pupil Accommodation Grant is intended to help school boards meet the costs of operating and maintaining their schools and, where warranted, provide new classroom accommodation. The grant has four main components:

- School Operations
- School Renewal
- New Pupil Places
- Prior Capital Commitments

Another specific area that I was asked to review is the funding formula's approach to addressing school renewal (for example, repairs and renovations).

Each of the above grants and their components are described in detail in Appendix D.

The Ministry of Education has established cost “benchmarks” for components of the grants. Benchmarks have two parts, and in this report I refer to them as follows: *benchmark factors* (those items or activities that trigger costs) and *benchmark costs* (the dollar amount assigned to each factor). An example of a *benchmark factor* is 2.75 principals per 1,000 elementary students (which works out to one principal for 364 elementary students); the associated *benchmark cost* for this factor is the salary-and-benefits cost of one principal. Benchmark factors take into account legislated standards, such as the maximum average number of students in a classroom. Benchmark costs are intended to represent

a standard or average cost for a particular factor. Benchmarks form part of the formulas the ministry uses to calculate grants, and they therefore affect the amount of funding each board receives.

As part of my mandate, I was specifically asked to examine the structure and appropriateness of the benchmarks.