Appendix H: Approach Used to Estimate the Cost of Updating the Benchmarks

In order to estimate as closely as possible the cost implications of my recommendations, I had to develop an approach to updating the benchmark costs in the funding formula. In doing so, I did not attempt to validate the existing benchmarks, but rather focused on developing an updating methodology to use for the purposes of this report. I was guided by two principles:

- simplicity: I wanted to keep the process simple. The student-focused funding formula, while significantly less complicated than its predecessor, remains a relatively complicated mechanism to understand and to explain.
- transparency: I wanted to include the updating methodology used by the task force in the report so that all stakeholders could review it. I am grateful to ministry staff for providing some of the data, without which I could not have made all of the calculations.

I reviewed several studies on updating benchmarks and appreciate that there is more than one way to update them.\(^1\) (Notes for this appendix are at end of this appendix.) I am sure that, if my recommendations 1 through 3 are implemented, the Ministry of Education, school boards, and other members of the education community will want to review my approach and modify it as necessary for their own updates. Over the long term, the ministry may even wish to consider repeating the costing exercise conducted in 1997, which informed the establishment of the 1998 benchmarks.

One approach I considered involved examining estimates of actual costs for the most recent school board fiscal year (September 2001 to August 2002). Another involved applying various estimates of price or cost changes to the original benchmark costs. Because all the final costs for the most recent fiscal year are not yet known (in some cases, detailed cost data for the province as a whole has simply not yet been collected), I opted to use a combination of these two approaches: I have adjusted some benchmarks on the basis of current cost estimates and others on the basis of the Ontario Consumer Price Index, its components, and other price change information.\(^2\)

The base year for my update is 1998, the year the current funding formula came into effect, except where the Ministry of Education has added funding since 1998 and prior to 2002–03.\(^3\)

In developing the update, I recognized that for some boards increases in some costs may have been smaller than average because of cost-saving measures they may have implemented in the period preceding 1998, such as transportation and purchasing consortia. While I applaud these measures, I did not attempt to analyse them or to factor them into my updating mechanism. Further, I believe that boards should not be penalized for saving money by having the benchmark costs downgraded to reflect the new, actual costs that result from cost-saving measures. Rather, boards should be allowed to retain these savings, as an incentive to continue looking for and investing in these measures.\(^4\)

My basic approach to updating the benchmark costs, therefore, was to identify appropriate adjustments and apply those adjustments to the Ministry of Education’s projected funding allocations for the current (2002–03) school year.

Appendix I contains a table, Table I.1, showing updates to individual grants and grant components and proposed new investments. Appendix J contains four tables. Tables J.1 and J.2 show the estimated
cost of updates by individual benchmark (Table J.1 is a summary; Table J.2 offers more detail). Tables J.3 and J.4 respectively provide detailed calculations for the update to the Transportation Grant and the update to the School Operations Allocation of the Pupil Accommodation Grant.

All updated costs are for the school year September 1, 2001, to August 31, 2002. The costs updated to August 2003 would be even higher, but, because I cannot predict the outcome of current salary and benefit negotiations, which have funding implications for the 2002–03 year, I cannot estimate the costs to August 2003.

Notes for Appendix H

1. See, for example, Hugh Mackenzie, Cutting Classes: Elementary and Secondary Education Funding in Ontario 2002–3 (Ottawa: Canadian Centre for Policy Alternatives, 2002). Several of the submissions I received and presentations I heard included estimates of updating benchmark costs. I wish to mention in particular the input I received from Bob Boucher, Associate Director, Corporate Services, and Treasurer, Sudbury Catholic District School Board; Ron Trbovich, Superintendent of Education, Business Department, and Treasurer, Durham District School Board; and other members of school business officials associations.

2. Defining “costs” also presents a problem. In reviewing boards’ costs, questions arise about whether a certain cost meets the ministry’s basic standards or whether it goes beyond them, and, if it goes beyond them, whether it does so to address specific needs acknowledged by the ministry or to address local priorities that may not be seen by the ministry as needs. This is an issue that will have to be addressed by the ministry, school boards, and other members of the education community when they develop their own approach to updating the benchmarks.

3. The increases since 1998 and prior to 2002–03 are as follows:
   • The benchmark costs for salaries, with the exception of those for school operations staff, were increased by 1.95 per cent in 2000–2001. I factored this increase into my updates.
   • The Transportation Grant received a $23-million increase in “one-time funding” in 2000–2001. That increase was made again as a one-time grant for 2001–02 and then added to the grant as an ongoing increase in 2002–03, pending the outcome of a review of the grant. I factored this increase into my updates.
   • The Local Priorities Amount (part of the Foundation Grant) was introduced in 2001–02 at $100 per pupil. In 2002–03, it was increased to $200 per pupil. My recommendation 17, on the Local Priorities Amount, is not related to updating benchmark costs.

In 2002–03, the ministry made the following changes to the funding formula. These changes did not affect my updates of benchmark costs, although I have made recommendations related to all three of the allocations mentioned below.
   • It added $25 million to the School Renewal Allocation of the Pupil Accommodation Grant.
   • It added $20 million to the Transportation Grant.
   • It introduced the Declining Enrolment Allocation.

4. I discuss consortia and other cost-saving measures implemented by boards in Chapter 4, under “Student Transportation.”