

2009: B2

MEMORANDUM TO: Directors of Education
Secretary/Treasurers of School Authorities

FROM: Nancy Naylor
Assistant Deputy Minister

DATE: March 27, 2009

SUBJECT: Education Funding for 2009-10

I am writing to provide you with information about education funding through the Grants for Student Needs (GSN) in 2009-10.

The 2009-10 GSN reflects the Ontario government's commitment to improved outcomes for all students in our publicly funded schools. It builds on our success to date, while recognizing the need for careful management of public expenditures in this time of economic uncertainty.

Total education funding is projected to be \$19.78B, which is \$592M or 3.1 percent more than in 2008-09. Since 2002-03, education funding through the GSN has increased by over \$5B or 34 percent – an increase of more than \$3,000 per pupil. Per-pupil funding through the 2009-10 GSN is projected to rise to \$10,450. This is an increase of \$414 per pupil or 4.1 percent compared to the 2008-09 GSN as reported in Revised Estimates.

Changes to education funding for 2009-10 focus on enhancements that support Ontario's educational priorities and the continuing goal of making significant gains in student achievement. In the current economic environment, other changes address the need for constraint to ensure that the province's investments in education remain sustainable and support positive change that will benefit all students.

It should be noted that a regulation to govern grants to school boards in their 2009-10 fiscal year has not yet been made. The information in this memorandum is provided in the absence of such a regulation.

The initiatives and investments described herein must be implemented by, and are conditional upon, the making of such a regulation by the Lieutenant Governor in Council.

The Ministry intends to seek such a regulation and will advise you if it is made.

Effective management of education resources at the school board level will be of even greater importance than in the past. The Ministry will continue to work cooperatively with boards to support more efficient and effective business practices that help boards adjust their cost structures to current realities while meeting the needs of students.

A. OVERVIEW

In late 2008 and early 2009, the Ministry held a series of consultations with key education partners about the 2009-10 GSN. In light of the economic situation, participants were asked to focus their advice and recommendations on (1) ways to manage the impact of potentially having fewer resources; and (2) identifying revenue neutral measures that could be taken to improve student achievement and reduce the gaps in student outcomes. The Ministry thanks all those who participated.

The 2009-10 GSN includes support for increased staffing under the Provincial Framework Agreements (PFAs). These staffing improvements will help boards provide better programs for students in safer and healthier learning and working environments. As part of the government's support for the PFAs, there is also funding for compensation increases for all staffing categories.

To help boards manage cost pressures, the 2009-10 GSN includes funding to address cost increases in three areas: Community Use of Schools, student transportation, and school operations. There will also be funding to increase boards' management capacity through an initiative to develop an internal audit function.

Funding for special education will increase in 2009-10. The High Needs Amount (HNA) is projected to be over \$1B to support programs and additional supports for students with high needs. The Ministry will change the way this funding is allocated, moving in the direction recommended by the Working Table on Special Education to begin to revise the HNA allocation without relying on a claims-based process.

In order to give school boards as much time as possible to adjust their cost structures, the Ministry is providing information about efficiency and savings measures for both the 2009-10 and 2010-11 school years.

Constraints include measures in 2009-10 that affect funding for textbooks, computers, professional development, and transportation. There are also important changes to the Declining Enrolment Adjustment in 2009-10 and, starting in 2010-11, to Top-Up funding for school operations and renewal and funding for board administration. Changes to declining enrolment and top-up funding respond to some of the recommendations of the Declining Enrolment Working Group, but also reflect the need for the education sector to adjust more quickly to the revenue changes resulting from fewer students.

To continue improving the transparency and effectiveness of education funding, the formula-based Parent Engagement funding will be transferred into the GSN starting in 2009-10. One component of the Community Use of Schools Grant, the Outreach Coordinators Component, will be transferred out of the GSN to link it more directly to the recruitment of Outreach Coordinators. There will also be adjustments to the funding formula for the New Teacher Induction Program and program changes to enhance the goal of supporting the growth and professional development of new teachers.

B. ENHANCEMENTS FOR PEACE AND PROGRESS IN EDUCATION

The government will fully fund its 2009-10 commitment to support the PFAs. To date, almost 400 of the 475 collective agreements covered by PFAs have been ratified for the four-year period 2008 to 2012. Negotiations for the outstanding agreements continue according to timelines mutually agreed to by the parties involved.

The following enhancements will be provided in 2009-10 to support the PFAs:

i. Specialist Teachers and Preparation Time

In 2009-10, funding of \$46.9M for an additional 555 funded elementary specialist teachers to support 10 additional minutes per week of prep time will be provided by adding 0.42 additional teacher per 1,000 elementary students to the Pupil Foundation Grant. This enhancement is the first year in a new four-year commitment through the PFAs; funding for elementary specialist teachers has been added to the GSN each year since 2005-06.

ii. Grade 4-8 Class Size Reduction

To support class size reductions in grades 4-8 over four years starting in 2009-10, funding of \$10.7M will be added to the Pupil Foundation Grant for an additional 126 funded grades 4-8 teachers – 0.18 additional teacher per 1,000 Grade 4-8 students.

iii. Supervision

In this second year of a four-year enhancement to support changes to the number of teacher supervision minutes, funding for student supervision will increase by \$5.3M in 2009-10. This will be done through an increase of \$4.38 to the benchmark of \$22.23 that was introduced in the Pupil Foundation Grant in 2008-09.

iv. Professional Learning - Elementary

Elementary teaching staff will benefit from \$8.8M for professional learning, which will be implemented through an increase in the Pupil Foundation Grant benchmark of \$7.24 per elementary student. This is the first year of a three-year commitment to enhanced funding for professional learning.

v. Professional and Para-professional Support

Support in the Pupil Foundation Grant for professional and para-professional staff who provide direct services to students with special needs and to at-risk students will be enhanced by \$25.9M to add 400 more funded staff – an additional 0.33 staff per 1,000 elementary students.

vi. Secondary Programming

Increased funding will provide support for an additional 129 funded secondary teachers for locally developed strategies to expand secondary programming over five years. This increase of \$11.3M will provide 0.19 additional teacher per 1,000 secondary students, building on the comparable investment added in 2008-09.

vii. Office Support Staff

An increase in funding of \$10.3M for 211 more funded elementary school office support staff, for an increased adult presence in schools, will be allocated through the elementary component of the School Foundation Grant. All elementary schools with 250 or more students will benefit from the enhancement. Elementary schools with 1,000 or more students will receive funding for at least an additional 0.25 FTE office support worker (based on the benchmark salary and benefits), while incremental funding for the schools with at least 250 but fewer than 1,000 students will be based on school enrolment.

viii. School Operations

Additional funding for a safer, cleaner learning environment will be allocated through an increase of \$1.41 per square metre to the School Operations benchmark cost. This increase will provide \$36.3M in new funding in 2009-10 and is projected to fund an additional 593 FTE custodians.

ix. Continuing Education and International Languages

\$2.8M in additional funding is being allocated to improve the working conditions of Continuing Education and International Languages instructors.

x. 2009-10 Compensation

To support peace and progress in education, the province will fund the costs of new salary benchmarks that reflect the various PFAs. This funding includes an additional \$411.7M for salary and benefits for all staff.

C. ENHANCEMENTS TO KEEP UP WITH COSTS

Community Use of Schools

The Operations component of the Community Use of Schools Grant is being moved to the School Operations Allocation of the Pupil Accommodation Grant in 2009-10. It will be renamed the Community Use of Schools (CUS) component. As described below (page 10), the Outreach Coordinators component of the Community Use of Schools Grant is being transferred out of the GSN in 2009-10 to link it more directly to the recruitment of Outreach Coordinators.

The Ministry will provide additional funding of \$0.5M in 2009-10 through the CUS component to help address cost pressures resulting from inflation. With this enhancement, funding through the CUS component is projected to be \$27M in 2009-10.

School Operations

To assist boards in managing increases in energy (natural gas, electricity) and insurance costs, the government will provide \$14.1M in 2009-10 for a 2 percent cost update to the school operations benchmark. This is in addition to the increased funding for school operations under the PFAs, described above, to support the hiring of more custodians.

Student Transportation

The government will provide a projected \$10.7M in 2009-10 to fund a 2 percent cost benchmark update for student transportation. In addition, a Fuel Escalation/De-Escalation Clause will be added to the funding formula. This clause will help provide boards with additional funding stability despite the market volatility of fuel prices. Full details on the Fuel Escalation/De-escalation Clause will be provided in a forthcoming SB memo. The mechanism is also outlined in the *Technical Paper, 2009-10*.

The projected funding for the 2 percent benchmark update is a *net* projected increase, as the allocation of funding for student transportation in 2009-10 will also be subject to constraints that provide stronger incentives for transportation consortia to achieve greater efficiencies. These constraints are described on page 8 below.

Audit Capacity

As school boards collectively manage budgets that total more than \$19B annually, the government will support an increased focus on financial transparency and accountability.

Many boards do not have an Internal Audit function to review and provide advice and recommendations on financial matters and risk management activities. In addition, most boards do not have an audit committee to provide clear oversight for the policies and administrative/financial controls of the board.

The government will provide \$2M in 2009-10 to help establish audit committees and internal audit functions. This funding will grow to \$5M annually in subsequent years. Boards will be encouraged to establish audit committees with external representation. The Ministry will provide more information and direction about audit committees and their composition, and will also consult with the sector on the best approach to implementing internal audit functions.

D. SPECIAL EDUCATION

The Ministry continues to implement the recommendations of the Working Table on Special Education by reviewing and refining the components of the Special Education Grant and consulting with stakeholders to ensure that the evolution of the funding approach supports students with special education needs, improves student outcomes, and places less emphasis on the identification process for students with high needs.

The government will again enhance funding to support the special education needs of students, with an increase of approximately \$49M in the Special Education Grant for the 2009-10 school year. This is an increase of approximately \$627M since 2002-03, or 39 per cent.

As the evolution of the special education funding approach continues, this \$49M investment will support the transitional high needs funding levels for school boards, will ensure the availability of funding supports for the highest needs students, and will continue to support the provision of special education equipment.

For 2009-10, the Ministry will:

- provide funding stability for school boards by maintaining 95 percent of the school boards' High Needs Amount (HNA) allocation unchanged;

- introduce measures of variability (MOV) as part (5 percent) of the HNA allocation to better reflect the variability of high needs students among school boards. Full details on the MOV amount will be provided in a forthcoming SB memo. The mechanism is also outlined in the *Technical Paper, 2009-10*;
- continue to support the Special Incidence Portion (SIP) and Special Education Amount (SEA) claim-based applications; and
- stabilize support for education programs for school-aged children/youth in government approved care and/or treatment, custody and correctional facilities.

E. EFFICIENCY AND SAVINGS MEASURES, 2009-10 and 2010-11

School Renewal Funding in 2009-10

The memorandum of October 23, 2008: **B13 – Constraint on school renewal funding in 2008-09**, advised boards that funding for school renewal activity through components of the School Renewal Allocation would be limited to 80 percent of the funding levels originally projected. This constraint applied only to the 2008-09 school year and will not apply in 2009-10.

For 2009-10, the benchmarks for renewal cost per metre squared will be:

Renewal Cost	2009-10 Benchmark (per m ²)
Elementary and secondary – less than 20 years old	\$7.03
Elementary and secondary – more than 20 years old	\$10.54

These benchmarks affect the School Renewal Allocation formula amount and the calculation of Regular, Rural Schools, and Supported Schools Top-Up funding. The 20 percent constraint on the *School Renewal Enhancement Amount*, which is provided as a table in the GSN regulation, has therefore been removed for 2009-10.

Managing Constraint

In the 2009 Ontario Budget, the government has affirmed its commitment to education as an investment in the province's economic and social future. The province and publicly funded school boards have worked together to make effective use of the significant funding increases that the government has provided since 2002-03. Careful management has supported the excellent progress we have made in strengthening the education system and advancing our common goal of improved achievement for all students.

In the current economic and fiscal environment, continued strong financial management will be even more vital to sustaining and advancing progress in education. The education sector is well positioned to respond to this challenge. In recent years, the Ministry has worked with boards on a number of initiatives to build the system's capacity to manage education resources. These initiatives include the Operational Reviews to strengthen management capacity in non-academic operations and highlight and lever successful business practices; the Student Transportation reforms; and the establishment of the Expert Panel on Capital Standards.

In identifying changes to the GSN for the purposes of constraint, the Ministry has focused on areas where school boards are positioned to find efficiencies. However, boards have the flexibility to adjust their operations to meet the constrained revenue base within the current enveloping requirements of the GSN regulations.

Constraint Measures Starting in 2009-10

Textbooks

There will be an ongoing reduction of \$25M in the annual funding provided through the Textbooks and Learning Materials component of the Pupil Foundation Grant.

To maximize purchasing power and offset at least a portion of this reduction, the Ministry will work with boards to encourage pooled purchasing or other creative procurement practices.

This reduction will be implemented through a change in the Textbooks and Learning Materials benchmarks in the Pupil Foundation Grant. The revised benchmarks are:

	2009-10 Amount per pupil
Elementary	\$69.00
Secondary	\$92.29

Classroom Computers

There will be a two-year reduction of \$25M in the annual funding provided through the Classroom Computers component of the Pupil Foundation Grant. This reduction will apply in the 2009-10 and 2010-11 school years only.

This reduction will be implemented through a change in the Classroom Computers benchmarks in the Pupil Foundation Grant. The revised benchmarks are:

	2009-10 Amount per pupil
Elementary	\$34.52
Secondary	\$45.03

Staff Development

There will be a one-time reduction of \$44.5M in annual funding for staff development in 2009-10 through the Pupil Foundation Grant and two Special Purpose grants: the Special Education Grant and the Learning Opportunities Grant.

In 2010-11, \$21.5M of this funding will be restored to the Pupil Foundation Grant only.

Declining Enrolment Adjustment

The recent report of the Declining Enrolment Working Group, *Planning and Possibilities*, has highlighted the need for boards to proactively manage the impact of enrolment change on their finances and operations. This includes necessary adjustments to cost

structures to keep pace with enrolment decline. The purpose of the Declining Enrolment Adjustment (DEA) is to provide transitional funding to support boards as they adapt to the lower revenues resulting from enrolment decline.

The government agrees with the Working Group's finding that the status quo is no longer an option for school boards facing enrolment decline. The Working Group's report suggested an adjustment period for boards. The government believes that – given the significant support already provided for declining enrolment and the need to ensure the sustainability of the province's investments in education – boards have the resources and capacity to accelerate the necessary cost adjustments in response to enrolment decline beginning in the 2009-10 school year.

To provide a stronger incentive for boards to adjust their costs in response to enrolment decline, the DEA will be modified in 2009-10 to better recognize that costs funded through the Pupil Foundation Grant (including teachers, textbooks, computers) can be quickly adjusted, while the adjustment of other costs may require more time:

- the scaling factor (that adjusts the DEA based on the specific percentage enrolment decline) will be eliminated so the calculation of the allocation is based on revenue change;
- 13 percent of the revenue change in the Pupil Foundation Grant will be recognized;
- 100 percent of the revenue change in the other grants that are used in the calculation of DEA (SEPPA, School Operations, Remote and Rural, Board Administration and FFL) will be recognized; and
- funding in the third year of transitional support will be 5 percent of the first year grant.

The Ministry projects that the DEA will be \$5.8M less in 2009-10 than in the 2008-09 Revised Estimates.

Student Transportation

Since the introduction of the student transportation reforms in 2006, the province has seen significant progress toward the goal of having all boards deliver student transportation services through consortia. There have been noteworthy gains in areas such as management capacity, route planning and use of technology. Through initiatives such as the Effectiveness and Efficiency (E&E) reviews and the 2007 Student Transportation Cost Study, the Ministry and boards have acquired information about costs to better inform funding decisions.

As noted above (page 5), there will be a 2 percent cost benchmark update for student transportation in 2009-10. There will also be changes to the allocation of the Student Transportation Grant to promote efficiencies and realize some of the savings from the transportation reforms:

- the Ministry is setting a goal of an annual 1 percent routing reduction, to be achieved in each of the three consecutive years starting in 2009-10. There will be an annual 1 percent reduction in the student transportation allocation to all boards, except boards that have received a "HIGH" rating on routing and technology efficiency through the E&E reviews. Boards that have already achieved a "HIGH" rating will be exempt from the reduction beginning in 2009-10. Boards that achieve

a "HIGH" rating in 2009-10 or 2010-11 will be exempt from the reduction starting in the year that follows the review.

- a majority of boards have reported transportation surpluses since the implementation of the transportation reforms. In 2009-10, the 2 percent cost benchmark update will be netted against any reported transportation surplus from a board's 2008-09 Financial Statement.

Constraint Measures Starting in 2010-11

The Ministry will introduce the following constraint initiatives in 2010-11:

Student Transportation

For the past six years, there has been no decrease in boards' transportation funding as a result of declining enrolment, although boards where enrolment is increasing have received the increases for which they were eligible. Starting in 2010-11, this transition support will be provided for only 50 percent of any funding decrease resulting from enrolment decline.

School Operations and Renewal Top-Up Funding

For schools that are not at full capacity, boards currently receive top-up funding that provides an amount equal to the funding that would be generated by an additional 20 percent of capacity, to a maximum of 100 percent (a full school). In 2010-11, this top-up funding will be reduced to 18 percent, and will be further reduced to 15 percent in 2011-12. This will not impact top-up funding provided to schools deemed Rural or Supported.

Beginning in 2010-11, top-up funding will not be provided to new schools, including schools opened in the 2009-2010 school year, for the first five years of operation. This recognizes that new schools can operate more efficiently and have lower renewal needs.

Board Administration

There will be a reduction in funding for board administration of a projected \$8.7M beginning in 2010-11.

F. PARENT ENGAGEMENT – TRANSFER INTO GSN

Since 2005-06, the province has provided Parent Engagement funding to support boards in the implementation of a wide range of policies, programs, strategies and initiatives to involve parents. The Ministry has allocated \$3.1M annually based on the following formula:

- an amount for school councils to support local communication and engagement efforts (\$500 per school). In addition to this basic per school amount of \$500, any combined school with 300 or more elementary students and 500 or more secondary students will receive a further \$500.
- an amount to support the work of each board's Parent Involvement Committee (\$5,000 per board + \$0.17 per student).

Starting in 2009-10, this formula-based funding will be allocated as a component of the School Board Administration and Governance Grant.

G. COMMUNITY USE OF SCHOOLS OUTREACH COORDINATORS – TRANSFER OUT OF GSN

Funding for Outreach Coordinators was introduced in the 2008-09 GSN to help ensure the effectiveness and sustainability of local Community Use of Schools (CUS) programs.

In addition to working with existing groups that currently use school facilities under CUS, Outreach Coordinators are expected to form partnerships with other school boards, municipalities, social service agencies, and others. Starting in 2009-10, this \$6.4M in funding will be provided as program funding outside the GSN in order to link it more directly to the recruitment of Outreach Coordinators.

As recommended by the Declining Enrolment Working Group, boards will be encouraged to identify underutilized schools that would provide opportunities for engaging community partners. Outreach Coordinators will be an important resource for supporting the shared use of schools as well as evening and week-end community use of schools.

H. NEW TEACHER INDUCTION PROGRAM

The Ministry will adjust the funding formula for the New Teacher Induction Program (NTIP) in 2009-10 to improve funding stability and increase the per-board base funding amount.

In 2009–10, district school boards will be eligible for NTIP funding based on this formula:

$$\$50,000 \text{ per board} + (\$720 \times A)$$

where “A” is the number of teachers reported on Rows 0, 1, and 2 of the board's Teacher Qualifications and Experience grid in 2008-09.

This new formula, it should be noted, counts all teachers reported on the relevant rows of the grid for the *previous* (2008-09) school year, eliminating the need to count “new teachers” who have been hired between certain dates.

Boards continue to be expected to use NTIP funding for eligible NTIP expenditures and are still required to meet NTIP program requirements. There will be three changes to NTIP in 2009-10 to enhance the program’s goal of supporting the growth and professional development of new teachers:

- Boards may use their NTIP funding to offer supports to second-year teachers. This expansion will assist those teachers who need more than one year of support to gain proficiency in their role; not all second-year teachers may wish, or need, to take part in another year of supports.
- Boards are to include their beginning Long-Term Occasional (LTO) teachers in the induction elements of the NTIP. For the purposes of the NTIP, a beginning LTO teacher is defined as a certified occasional teacher who is in his or her first long-term assignment, with that assignment being 97 or more consecutive school days as a substitute for the same teacher.
- Boards are encouraged to include their beginning full-time continuing education teachers in the support elements of the NTIP. A beginning full-time continuing

education teacher is defined as a certified teacher who is teaching 2 secondary credit courses per quad X 4 quads per year in a given school year in an adult learning day school.

I. INVESTMENTS OUTSIDE THE GSN

The government will, as in previous years, continue to support other education initiatives with investments outside the GSN. Details of these investments will be released in April 2009.

J. SCHOOL AUTHORITIES

As in previous years, funding for School Authorities will be adjusted in 2009-10, as appropriate, to reflect changes in funding to district school boards. The Ministry will provide further information concerning funding in 2009-10 for School Authorities in the near future.

K. REPORTING AND ACCOUNTABILITY

The Ministry has established the following dates for submission of financial reports in the 2009-10 school year:

June 30, 2009	Board Estimates for 2009-10
November 13, 2009	Board Financial Statements for 2008-09
December 15, 2009	Board Revised Estimates for 2009-10
May 15, 2010	Board Financial Report for September 1, 2009, to March 31, 2010

The Ministry expects that Estimates forms will be available on EFIS in early April. The Ministry will work with the sector to explore an added focus on multi-year projections. As an initial step in implementing the recommendations of the Declining Enrolment Working Group, the 2009-10 Estimates will require boards to provide enrolment projections for the next four school years.

The Ministry will also continue to work with the sector to develop and propose changes to the *Education Act* that would, if approved by the Legislative Assembly, modernize the financial accountability framework for school boards. The framework could take effect with the 2010-11 Estimates. Its goal would be to improve consistency and transparency in boards' reporting by:

- updating school board budgeting requirements to align with provincial accounting standards;
- improving the ability to manage grants separately from cash flow;
- setting new financial accountability controls based on financial results; and
- establishing new provisions related to multi-year deficit management strategies and recovery plans.

L. INFORMATION RESOURCES

The documents *Technical Paper, 2009-10* and *Projections of School Board Funding for the 2009-10 School Year* are available on the Ministry website www.edu.gov.on.ca.

If you require further information about school board funding in 2009-10, please contact:

Financial accountability and reporting requirements	Andrew Davis	(416) 327-9356 andrew.davis@ontario.ca
Pupil Accommodation Grant	Nancy Whynot	(416) 325-4030 nancy.whynot@ontario.ca
Expert Panel on Capital Standards	Karen Maxwell	(416) 325-1705 karen.maxwell@ontario.ca
Transportation Grant	Cheri Hayward	(416) 327-7503 cheri.hayward@ontario.ca
Other changes in the 2009-10 GSN	Didem Proulx	(416) 327-9060 didem.proulx@ontario.ca
Provincial Framework Agreements	Margot Trevelyan	(416) 325-2836 margot.trevelyan@ontario.ca
Special Education Grant	Barry Finlay	(416) 325-2889 barry.finlay@ontario.ca

Working together, we have achieved significant progress in education. In elementary schools, the goal of smaller primary class sizes has been met and we are seeing both higher levels of overall student achievement and reduced gaps in achievement. Secondary schools show improved graduation rates and are offering new programs to better engage their students.

In this period of economic uncertainty, the elementary and secondary education sector has the capacity to manage resources effectively and build on its accomplishments. Together, we can meet the fiscal challenges while continuing to advance our common agenda of improved outcomes for all our students.



Nancy Naylor
Assistant Deputy Minister

Copy: Superintendents of Business and Finance