
Education Funding in Ontario

How the Government used its new
funding formula to short-change our
children's future

Revised

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Hugh Mackenzie
Co-chair, Ontario Alternative Budget Working Group
Research Director, United Steelworkers of America

416-544-5970
email hmackenzie@uswa.ca

Education funding – the plot

The sound and fury of the latest proxy battle between our provincial government and public education in this province has, among other things, provided a useful smokescreen for the Harris government's attack on the economic foundations of the education system.

Teachers and school boards thrash around attempting to fit round pegs (the needs of the school system) into much smaller square holes (the detailed requirements imposed on the system by the Harris Government). Parents, students, and the media are drawn into a pointless game of blame, orchestrated by the Government. Everyone is encouraged to believe that the issues at stake are contained within the system itself, and can be summed up with slogans like "putting children first" and self-serving commitments to shift resources "back into the classroom".

What lies behind all of this turmoil is funding – specifically the adequacy of the overall level of funding determined by the Province, and the role of the new provincial funding formula in rationalizing a widening of the gap between the actual and the adequate in education funding.

The Government claims to be motivated by a concern for equity among students. What the Government refuses to acknowledge is that there is a direct relationship between adequacy and equity. The funding inequities that supposedly motivate the reform expose inadequacies in the educational resources available to many students in the province. To address inadequacies for some students by imposing inadequacies on others is to miss the point. Inequities in funding did not arise because too much was being spent on some students and not enough on others. Inequities arose because the total level of funding for education in Ontario was insufficient to ensure an adequate level of resources for all students.

The funding formula is supposed to demonstrate that the system already has more than enough resources to do the job. Instead, it does the opposite. The formula demonstrates that the only way to make total funding add up to the level at which the Government is prepared to spend is to set individual components of the funding formula at levels that are transparently inadequate relative to need. The details of the funding formula may have been developed to justify spending cuts; the details actually underline the need for additional funding for the system.

This paper is in four parts.

Part one provides a brief recent history of education funding in Ontario, highlighting the role that past provincial education funding policy has played in creating the funding imbalances upon which the Government's entire attack is based.

Part two reviews the cuts imposed on elementary and secondary education by the Harris Government between its election in June 1995 and the introduction of the new funding formula in January 1998.

Part three estimates the impact of the Bill 160 reforms, the funding formula and the further changes announced in the 1998-9 provincial budget on total funding for elementary and secondary education in Ontario. These estimates are based on information presented by the Government to the courts in its (unsuccessful) defence in the Bill 160 constitutional challenge – information that has not been made public outside the court forum.

Part four delves into the details of the funding formula to demonstrate how the funding mechanism itself has been manipulated to undermine funding adequacy. This analysis is based on material submitted by the Government as exhibits in proceedings before the courts as well as the results of cross-examination of its key witnesses in those proceedings.

The findings in these analyses are:

The funding “crisis” to which Bill 160 supposedly responds is directly attributable to provincial funding cuts, beginning in 1975, that forced school boards to fall back on unequally distributed local resources.

Provincial funding cuts of over \$525 million had been implemented by the Harris Government prior to the advent of the Bill 160 formula.

Measured on a consistent per-student basis, without allowing at all for inflation, and taking into account the \$211 million funding increase for pupil accommodation announced by the Premier in November, 1998, the Government’s estimates show a reduction in on-going education funding of \$672 million in the Bill 160 funding formula.

The Government has reduced its budgeted costs for teacher pensions by at least \$920 million. Not one cent of the benefit from the contribution reduction is going to education.

The details of the funding formula have been carefully and consistently designed to drive financial support for virtually every aspect of the education system below the level enjoyed by even the average student in Ontario.

Funding for special education, touted by the Government as one of the achievements of the new formula, is actually at least \$50 million less than the level provided by school boards under the old system, after inflation and enrolment change have been accounted for.

Special funding to compensate for social and demographic factors that increase education costs (\$185 million) is less than half the amount recommended by the government's own Expert Panel (\$400 million).

Funding for pupil accommodation in the original regulation would have reduced maintenance standards, forced the closure of hundreds of schools and driven thousands of community organizations out of school facilities. Amendments to the funding formula announced by Mike Harris after weeks of pressure alleviate the most obvious problems related space allocation for pupil accommodation, but do not respond to concerns about maintenance allocations or community uses of school facilities.

Background – a crisis created by the Provincial Government

Education Minister John Snobolen made headlines in 1995 with his infamous comment about needing to create a crisis in education to generate support for change. As a matter of fact, however, his government, along with every provincial government since the mid-1970s, had been doing just that in the key area of education funding. The "crisis" of funding equity among school boards, to which Bill 160 was supposedly a response, is directly attributable to cuts in provincial support for education implemented by every Ontario government since that of Bill Davis in 1975.

The Government, for its part, attributes the development of education funding discrepancies over the past 25 years to the actions of free-spending wealthy school boards. It argues that the relatively greater ability of these wealthy (public) boards particularly Toronto and Ottawa to fund spending beyond that recognized by the Provincial Government has driven the emergence of differences in resources both between these public boards and other boards and especially between public boards and separate boards that serve the same geographic area.

It is difficult to argue with the Government's description of the current situation. There are significant differences in education spending per student among boards. Generally speaking, larger urban boards and public boards spend more per student than smaller rural boards and most separate school boards. It is also worth noting, however, that while this is generally true, it is also true that some of the highest per-pupil expenditures were in very small "assessment poor" boards.

What is glaringly absent from the narrative, however, is any explanation as to how these inequities were allowed to develop. The fact that such an explanation is not offered is not surprising, for two reasons.

First, a description of how resource differences developed undermines claims that this particular reform initiative is the only option available and that, in

particular, equity could not be achieved as long as school boards had an independent ability to raise revenue locally.

Second, a description of the process that took Ontario from a functioning funding system that implemented the recommendations of the Smith Committee in the early 1970s to the current Acrisis® would reveal that the fundamental issue is funding adequacy, not board-to-board equity.

In the late 1960s, a special committee (the Smith Committee) recommended a substantial change in the system for funding education in Ontario. It highlighted both differences in resources available to school boards and Ontario's heavy reliance on property taxes to fund education. It recommended funding sufficient to support a consistent, adequate standard of education across the province, supported by a revenue formula that would ensure that provincial general revenues would cover 60% of the cost, leaving 40% of costs to be covered by property taxes. The Smith Committee Report took explicit account of differences in assessment resources available to boards. The 60% target was not to be met for each individual board; rather, provincial grants were to be allocated among boards so as to offset the resource advantages enjoyed by the wealthier boards.

The Ontario Government of the day (Robarts/Davis) adopted the Smith Committee recommendations for education finance reform virtually in their entirety. For three years, from 1972 to 1975, the province did in fact fund 60% of education costs overall. Provincial funding was allocated among boards on the basis of a formula intended to reflect both need and the property tax revenue base available to the board.

Beginning in 1975, however, the Provincial Government implemented the first in a virtually continuous series of spending restraints that has continued to this day. In 1975, the government faced a choice. It could maintain the base of services funded by the system, and, explicitly, allow the provincial share to drop below 60%. Alternatively, it could restrict the expenditure base funded provincially, and fund 60% of that reduced amount.

The government chose to maintain the fiction that it was still funding 60% of education costs in the province. It did so by inventing the concept of "recognized expenditures", for the purposes of funding and then providing grants equal to 60% of that amount. But recognized spending was an artificial number, which completely ignored the real spending of school boards on education. The government claimed that its grants were based on recognized spending. In reality, the opposite was true. Recognized spending was based on what the government was prepared to provide in grants.

In each successive wave of expenditure restraint in Ontario, the process was repeated. Provincial funding was restricted by the government to a rate of growth below that of real spending. ARecognized spending® was adjusted to ensure that

the total funding determined by the province was just equal to 60% of
Recognized spending.

Over time, the world of the provincial education funding formula became a kind of parallel universe. In the parallel universe, the provincial government was funding 60% of education costs. In the real world of education, school boards were turning to their local property tax bases to make up the shortfall left by the parallel universe and its funding formula.

The hypocrisy inherent in the Government's blaming of school boards for the property tax increases of the 1980s and early 1990s is obvious.

By the mid-1990s, the gap between the parallel universe of recognized spending and the real world of education in Ontario had widened to the point where the funding formula was completely meaningless. Recognized spending had dropped to 61% of real education costs. Provincial funding had dropped to less than 37% of real education costs.¹

The government has effectively admitted that Recognized spending was inadequate by introducing its new formula in January 1998. As we will see below, the formula may have changed, but the use of the formula to reduce the provincial commitment to education continues.

It was the retreat from funding adequacy, beginning in 1975, that created the Crisis to which the government is now responding. Faced with a growing gap between what the provincial government would recognize for grants purposes, and what school boards believed was necessary, boards turned to their local property tax bases to fill the gap. Contrary to the picture painted by the Government that only wealthy boards like Toronto spent above the Ceiling, most boards did so. By 1992, almost all of the school boards in Ontario were spending more than Recognized spending, most by a substantial amount. Average spending was more than 50% higher than the spending level recognized by the government.

As boards came to rely on locally determined property taxes for a larger and larger share of their needs, differences in their ability to raise funds locally began to drive differences in educational resources.

Had the government funded the system adequately in the post-1975 period, it is clear that the system designed from the Smith Committee report C which left discretionary spending in the hands of school boards C would have worked, and would not have generated unjustified differences in funding.

¹ Provincial funding continued to be 60% of recognized spending; 60% of 61% is just less than 37%.

The Ainequities@that the Government cites as the justification for its approach to education finance reform are themselves only symptoms of the gap between funding adequacy and provincially recognized spending that emerged in the 1970s and grew consistently through the 1980s and 1990s.

The chaotic implementation of Bill 160 is simply the latest manifestation of two decades of provincial government efforts to keep education spending below the levels considered adequate by locally elected school boards.

Cuts imposed by the Harris Government to date.

One of the casualties of the change in budgetary accounting from a cash basis to an accrual basis has been clarity and transparency.

The parade of government announcements of cuts, transitional funds and special funding for new programs, leaves many questions unanswered. What is actually being spent, where, and when? What represents new funding, and what merely reallocates existing funding? What is a permanent change to the funding base and what is temporary or transitional?

Internal government documents reveal that its own estimates of the total cut in provincial operating grants amounted to \$525 million.

Overall funding adequacy in the new system.

In its public utterances about its new education funding system, the Government has insisted over and over again that the overall system is expenditure neutral. That is not true.

Information presented by the Government to the Ontario Court of Justice in an affidavit in the Bill 160 Constitutional Challenge and cross-examination on that affidavit reveals a totally different picture.²

When account is taken of temporary transitional funding, enrolment growth and inflation between the last year under the old funding formula in 1997, and the first year of the new formula in 1998-9, the Ministry's own data revealed a further cut in funding of an estimated \$883 million. The revised funding for pupil accommodation announced by Premier Harris in November, 1998, increased funding by \$211 million on an on-going basis, thereby reducing the effective cut to \$672 million.

² Ontario English Catholic Teachers' Association et al. and Attorney General of Ontario (File # 97-CV-137668) and Ontario Public School Boards' Association et al. and Attorney General of Ontario (File # 98-CV-139317), affidavit of Nancy Naylor and cross-examination on that affidavit.

\$299 million of the \$12.89 billion the Government claims it is spending on education in 1998-9 is described in its own documents as “Phase-in Adjustments” and is not part of the core long-term funding arrangement. A further \$120 million is in teacher compensation adjustments for secondary school teachers and department chairs which are identified as being for 1998-9 only. Another \$290 million has been eaten up by the 2.3% total enrolment increase between 1997 and 1998-9. Finally, \$264 million has been consumed by inflation between 1997 and 1998-9.

That adds up to \$11,917 million. Adding the \$211 million increase in pupil accommodation funding brings the total to \$12,128 million -- \$672 million less than the \$12.8 billion spent in 1997.

Details of the analysis are presented in Appendix I.

Allowing for inflation and enrolment growth – the funding base in the new “reformed” system of education finance is \$883 million lower than the funding base in the old system. Even if you ignore inflation since 1997, the cut is still \$619 million when enrolment growth is accounted for.

While it may simply be a coincidence, it is remarkable how close this number is to the \$667 million figure cited last year as the Government’s education funding reduction objective in the performance contract of the Deputy Minister of Education and Training.

Finally, the effective expenditure reduction described above does not take into account the impact on provincial funding requirements of the temporary suspension of contributions to the teachers’ pension plan. According to this year’s financial statements, that change alone reduces budgeted expenditure in fiscal year 1998-9 to \$61 million, compared with \$971 million in the previous fiscal year and the figure of \$1.2 billion claimed by the Government as its annual pension cost in 1977.

How the formula delivers funding inadequacy

Introduction

The Government has touted its new education funding model as a simple, fair and objective method for allocating education funds among school boards for the benefit of elementary and secondary students.

Nothing could be further from the truth. The old funding formula was condemned by the Government as excessively complex, with its 34 separate grant components. However, in cross-examination in the Bill 160 court challenge, the government’s deponent admitted that there were at least 34 separate grants in the new funding formula, many of which in turn were divided into sub-categories.

The witness acknowledged under oath that the difference in complexity was a matter of “semantics”.

In fact, a detailed analysis of the funding formula and its accompanying regulations reveals a total of 37 grants determined in dozens of separate calculations.

The claims of fairness and objectivity are hardly any more compelling.

A review of the major elements of the funding formula makes it clear that benchmarks were constructed and formula calculation factors established with the single objective of producing a reduction in overall education funding, while at the same time providing support for the Government's claim that it is maintaining classroom spending.

Setting funding benchmarks – how the Government's fun with statistics makes “non-class-room” spending disappear.

While some of the elements of the funding formula are built up from analyses of student needs and other objective factors, many are based simply on the experience of school boards as measured by 1997 expenditures.

Most of the expenditure-based benchmarks rely on the concept of the “median board” to establish expenditure norms for province-wide funding. In cross-examination on the Government's main affidavit in the Bill 160 case, the Government's main witness admitted that the formula uses norms based on the “median board” as a tool for driving down funded spending in defined “non-classroom” areas in order to make funding available for allocation to “classroom” areas.³

To appreciate the impact of this invented statistical concept on funding benchmarks, it is necessary to understand both the concept of the median board itself and the real world of school boards on which it is based.

Statistically, the median of any group of numbers is the one in the middle, when they are ranked in order from largest to smallest. Half of the data are above the median; half are below the median.

Applying the concept of a median board in establishing cost benchmarks, gives no weight to boards whose costs are significantly above the median amount.

³ The distinction has clearly been established to make a political point, because otherwise it is impossible to make sense of it. School operations, teacher preparation time, and international languages and summer school programs are defined as non-classroom expenditures. “Staff development” is defined as “classroom”; teacher preparation time is not.

For example, in 1991, the median board spent \$6,686 per student.⁴ Half the boards spent more than that amount; half spent less. The Windsor Board of Education, spent \$7,228 per-student -- \$600 higher than the median – but its spending has no impact on the median. The Metropolitan Toronto Board, serving 13% of the students in the province, spent an average of \$8,316 per student. Its spending has no impact on the median either because median spending is determined only by rank ordering.

The average for all boards at least gives some weight to the costs of boards above or below the median, but is still unrepresentative of the province from the perspective of students, because each board counts equally in the average, regardless of its size. Looking again at 1991 spending, the average of board spending is \$6,923. This is \$300 higher than the median, but still unrepresentative of the system as a whole.

The problem with using either the median or a simple average of school boards is that boards in Ontario are not the same. Data for the 122 pre-reform boards – the data used by the Ministry in establishing its benchmarks – highlight the differences.

Looking at board size, measured in average daily enrolment, one finds that the 61 boards whose enrolment is below the median have, in total, only 11% of the total enrolment of students in the province.

The 15 largest boards had over 50% of the total enrolment in the province. Yet in the calculation of a simple average of costs at the board level, these 15 boards would have a weight of only 12%. Appendix II presents the percentage of total provincial enrolment for each of the 122 pre-Bill 160 boards.

The message in the data on board size is clear. If you want to design a funding formula that adequately reflects legitimate differences in costs among boards, you cannot rely on statistical fiddles that serve to hide those differences.

The concept of the median board was created by the Ministry so as to minimize the impact, on the calculation of benchmarks, of the cost experience of the boards who are responsible for the education of most of the students in the province. It is a device designed to disguise cuts and to drive the system towards the lowest common denominator.

The systematic bias is obvious in principle. Its impact in concrete terms is highlighted in the discussion of the pupil accommodation grant below.

⁴ The median school board in 1991, measured in terms of spending per student, was the Peterborough, Victoria, Northumberland and Newcastle Roman Catholic Separate School Board, with 0.6% of total enrolment in the province.

The “Foundation Grant”

The Foundation Grant is the cornerstone of the Government’s funding model. It generates 55% of the total funding allocated by the model.

The foundation grant, however, is not just one grant. It is the sum of ten separate grants:

- Classroom teacher
- Teacher assistants
- Textbooks and learning materials
- Classroom supplies
- Classroom computers
- Library and Guidance Services
- Professional & Para-Professional Support
- Preparation Time
- Teacher Consultants
- School Administration

The allocations for classroom teachers would appear to be straightforward – a simple process of assigning notional teachers and assistants (where they are required) to notional classrooms. However, the selection of a standardized amount for salary and benefits across the province ignores the fact that pay and benefits for these categories of board employees are not the same across the province. And by basing that standard amount on 1997 salaries and benefit costs, the grant fails to account for inflation, salary increases as teachers move up the pay scale or the costs of providing benefits.

In evidence before the courts, the Government’s chief witness testified that the numbers selected for teachers and assistants were those for the lowest board in the province, to ensure that no board would receive a “windfall”. Only the board with the lowest salaries and benefits in the province will receive enough to pay their teachers at current salary and benefit levels. The more experienced and qualified a board’s teachers, the greater the extent of the gap between funding and current salary and benefit levels.

While the government claims that the “teacher compensation” grant takes care of this problem, it does nothing to reflect differences in costs for teaching assistants in different parts of the province. Furthermore, as we will see below in the section on the Teacher Compensation Grant, it also does not actually account for differences in compensation of teachers for many school boards.

Other elements of the Foundation Grant have an even more tenuous basis in fact and analysis.

In the grant for classroom computers, for example, the allocation is \$43 per student – less than \$1,000 for the average class size specified by the province. In cross-examination in the Bill 160 case, the government admitted that it had done no analysis to establish a relationship between this number and the cost of meeting educational requirements for computers in the classroom. It was just a number, among other numbers, picked by the Government to achieve its bottom line objectives.

Special education

The new funding formula establishes an elaborate new structure for special education funding in Ontario. It establishes three categories of special education grants: the Special Education Per Pupil Amount (SEPPA) that goes to all boards on a per-pupil basis; three categories of Intensive Support Amounts designed to meet special needs of students that require individualized high-cost assistance; and a grant for programs provided in provincial facilities.

The Government claims that the new special education funding package represents an increase over previous levels of funding. Total funding under the new model will be \$1,052 million for 1998-9. Under the old model, \$802 million was allocated by the Provincial Government to special education. The Government claims that the \$1,052 million more than compensates for the loss of funds spent by local school boards in excess of the provincial allocation.

That assurance, however, is totally inconsistent with the findings of its own Expert Panel on Special Education. First, the expert panel identified total provincial grants for special education for 1997 of \$858.8 million, not \$802 million. Second, the panel identified more extra funding from boards than that acknowledged by the Government. The panel found as follows:

A small but representative sample of boards submitted their special education budgets and their special education grants. In each case, the boards' expenditures exceeded their grants by 23% to 85%.⁵

Even if you make the most conservative possible assumption, that the lowest expenditure excess is in fact representative, the Expert Panel Report's analysis implies total special education funding – provincial and school board combined – of \$1,056 in 1997. If this number is adjusted to reflect enrolment change and inflation, it would imply a funding shortfall compared with 1997 of over \$50 million. And that is on the most conservative estimate of local additional spending.

⁵ Expert Panel on Special Education, Panel Report to the Minister of Education and Training, pp. 5, 11.

The only part of the special education grant that actually reflects a needs analysis is the ISA grant, for which costs of assistance for various categories of students with special needs were actually estimated directly. Students meeting the ISA 2 and ISA 3 requirements were identified as having needs costing \$12,000 a year and \$27,000 a year respectively, and funding is to be allocated boards based on numbers of students meeting those requirements.

The Government had originally indicated that these amounts would be reduced, as necessary, to keep provincial total funding for this category of special education down to \$389 million. Later, it abandoned this plan, creating the appearance that, in this area at least, total funding would be driven by need.

Unfortunately, it is now apparent that the Government only wanted to avoid the *appearance* that it would be cutting individual to keep to an arbitrary provincial funding target. The Government's latest position is that any ISA funding above the amount originally projected for a Board will be counted as part of the Board's funding base and will therefore be deducted from the transitional funds available to boards experiencing overall funding reductions of over 4%.

Thus most boards that can justify increased ISA funding will lose the increase, dollar for dollar, through the back door via reductions in mitigation funding.

Learning opportunities grant and English as a second language funding

In report after report, the Government has been urged to provide recognition in its funding formula for the additional costs of providing educational services in economically and socially depressed communities and in communities in which English or French are not the first language of communication.

The learning opportunities grant and the ESL component of the language grant are intended to provide that additional support.

For the Learning Opportunities Grant, additional funding is provided based on the incidence of:

- Low family income;
- Low parental education;
- Recent immigration status; and
- Aboriginal status.

Data for the grant allocation are drawn from the 1991 Census of Canada, which is already out of date.

While structurally, this represents a significant improvement over the old Compensatory Education Grant, which was based on out-dated data sources, the total amount allocated to this grant is far short of what is required.

Total funding for this grant is \$185 million. By contrast, the Province's Expert Panel on the Learning Opportunities Grant estimated current (1997) spending by boards across the province of approximately \$400 million.

The Panel's findings in this area are summarized as follows:

The panel emphasizes the urgency with which the analysis should be carried out in order to determine the total amount required for the Learning Opportunities Grant in September 1998, to ensure that necessary programming currently in place for "at risk" students may be sustained.

Until the Ministry of Education and Training collects the necessary data to determine the appropriate magnitude of the Learning Opportunities Grant, the panel suggests that, based on a limited analysis of existing estimates, total current spending by school boards on programs and services for "at risk" students could be in the range of \$400 million province-wide.⁶

Instead, the Government established the Grant at a level of \$185 million. None of the analysis recommended by the Panel was conducted. The fact that a study by the former Metropolitan Toronto Board of Education estimated that its expenditures in this area in 1996 came to \$175 million suggests that the Panel's findings are much closer to reality than the Ministry's view as reflected in the funding formula.

The fact that funding for English as a second language even appears in the formula is touted by the Government as a step forward. Additional funding is restricted to students whose date of immigration to Canada is within the past 3 years. This ignores the reality that in many households in which the parents have been in Canada for more than three years, the language of communication is not English, and that students arriving at school from these households are disadvantaged. Funding also varies depending on the incidence of no-English households in the community.

Even given these restrictions, however, the level of funding provided is so inadequate as to be laughable. Under the funding formula, an entire classroom of 24 children in the highest funding category (immigrants within the past year) in the community with the highest funding percentage (Toronto) would generate additional \$343.

Teacher compensation

⁶ Expert Panel on the Learning Opportunities Grant, Panel Report to the Minister of Education and Training, p. 9

As indicated above, the Government has acknowledged setting a teacher salary for the purposes of the foundation grants at the level of the board with the lowest average salary. This guarantees that no board would receive a windfall increase in funding for teachers' salaries and ensures that most boards will not receive enough from the foundation grant to pay their teachers even at current pay levels.

The government addressed this problem by establishing a teacher compensation grant. Specifically, the Teacher Compensation Grant recognizes the fact that the groups of teachers employed by school boards vary from board to board in both experience and qualifications. It does so by providing additional funding to boards derived from the distribution of their teachers on a grid based on experience and qualifications. The grant formula works essentially the same way as teacher pay grids negotiated across the province.

The problem for many boards and their teachers, however, is that the grid that determines the Teacher Compensation Grant for a board is not the actual grid on which the board pays its teachers. It is a reference grid developed by the provincial government. The government claims that this is an average grid, but admitted under cross-examination in the Bill 160 case that there are a number of boards for which the reference grid and related grant formula does not generate sufficient funding to pay their teachers at current rates of pay. For example, if a board has a grid that provides a premium for experience and/or qualifications above the average, the Teacher Compensation Grant will generate less than the board needs to pay its current teaching complement their current salaries.

This problem is all the more acute for newly-amalgamated boards. Those boards are required to equalize pay and benefits for teachers from a number of different former boards. The average upon which funding is based is meaningless.

In the course of examinations in the Bill 160 case, the government admitted that 46 of the 122 pre-reform boards had salary grids above the reference grid in the regulations on which the teacher compensation grant is based.

The government acknowledges specifically that the funding formula will require these boards either to bargain salary reductions or to divert funding from other areas. In this area specifically, the funding provided by the government is inadequate. Although the detailed board-by-board information was not provided by the government, it is likely that the list of 46 boards, for which the reference grid does not generate sufficient revenue to pay their current teachers their current rates of pay, includes most of the large urban boards experiencing the most difficulties with collective bargaining in the fall of 1998.

Furthermore, of the \$823 million allocated for the Teacher Compensation Grant in 1998-9, \$120 million is temporary funding for 1998-9 only. That funding disappears in the year 1999-2000.

Pupil accommodation

Because it relates to physical facilities that are visible in the community, the inadequacies in funding for pupil accommodation attracted a great deal of attention. The original funding formula that was in place until it was abandoned in November, 1998 created funding pressures that would have been directly responsible for the closure of hundreds of community schools across Ontario.

Some of those pressures are addressed in the revised formula; some are not.

There are two primary drivers of funding for school operations in the formula: an allocation of a certain number of square feet of space for each elementary, secondary and adult student; and an allocation of a certain number of dollars for operations for each square foot.

The per-student space allocations in the original funding formula were arbitrary, standardized amounts. The per-student allocations to a board were not related in any way to the actual physical plant of the board. A board with older buildings, with larger classrooms, large public spaces, thick walls, wide hallways and basement rooms cannot shrink those spaces, or rearrange them to create the right sized room to accommodate the required class size in the required number of square feet. Yet that is exactly what the funding formula implicitly expected schools to be able to do.

In addition, the formula mandated a precise number of square feet of space per pupil and funded only for that number. It allowed for no flexibility, implicitly assuming that every school operated at 100% of capacity.

The new formula appears to deal with these issues, by funding schools on the basis that they operate at 80% of capacity and by taking into account the actual physical configuration of school buildings in determining funding. It doesn't say much for the quality of the funding formula development process that it took a threatened crisis to provoke these changes, but the result appears to be an increase, province wide, of \$211 million in funding for pupil accommodation – an increase of 12% over the previous allocation.

The problems do not end there, however. School operations is the most significant area of funding in which the government's decision to base benchmarks on the "median board" will produce the greatest funding shortfall.

School operations are funded at \$5.20 per square foot. That figure represents the operating cost per square foot of the median board in Ontario. Thanks to the results of cross-examinations of witnesses in the Bill 160 case, we know how operating costs per square foot vary among the 122 pre-Bill 160 boards. We also know that the median boards in school operations costs in 1997 (ranked 61 and 62 out of 122 boards in operating costs per square foot) were the Brant County Roman Catholic Separate School Board and the Kent County Roman Catholic Separate School Boards, with 0.28% and 0.41% of total enrolment in the Province, respectively.

The \$5.20 per square foot benchmark contrasts with the average per-square-foot spending on school operations across the province of \$5.46. It is also substantially lower than the amount recommended by the Expert Panel on the Pupil Accommodation Grant. The panel recommended a benchmark operating cost of \$5.50.

As a consequence the government's decision to fund school operations at \$5.20 per square foot, the average board will have to reduce its operating costs for 1998-9 by 26 cents a square foot from the 1997 level.

Boards above the average will have to cut operations budgets by more. The Toronto public board's funding shortfall is \$1.38 per square foot, or 21%. However, contrary to the impression deliberately created by the Government, Toronto is by no means the only board whose operations budgets will have to be slashed dramatically in order to meet the arbitrary standard. Toronto's per-square foot cost stands 11th among the 122 pre-reform boards. The top 20 boards, all of which face funding shortfalls of more than \$1.00 per square foot, include:⁷

Cochrane Iroquois Falls District RCSS Board	8.18
Lincoln County RCSS Board	7.36
Simcoe County RCSS Board	7.21
Durham Region RCSS Board	7.09
Dufferin Peel RCSS Board	6.89
Oxford County RCSS Board	6.79
Geraldton District RCSS Board	6.74
Red Lake Board of Education	6.65
Frontenac Lennox & Addington RCSS Board	6.61
Kirkland Lake Board of Education	6.59
Metro Toronto Board of Education	6.58
Muskoka Board of Education	6.57
Dufferin County Board of Education	6.46
Wellington County RCSS Board	6.44

⁷ Source: Pupil Accommodation Grants – Data for Grant for School Operations; material submitted by Government of Ontario in response to questions in Bill 160 Constitutional Challenge.

Middlesex County Board of Education	6.42
Lake Superior Board of Education	6.40
Sudbury District RCSS Board	6.40
London-Middlesex County RCSS Board	6.37
York Region Board of Education	6.32
Atikokan Board of Education	6.28

Collectively, these 20 Boards served over 27% of the student population of the province.

What is even more disturbing is that the government has admitted in cross-examination in the Bill 160 case that it did not even consider such factors as differences in pay and benefits for custodial staff among boards or among communities, differences in heating costs or differences in building design.

According to the provincial government, the facts -- that labour costs are higher in large urban areas in Ontario or that older buildings with high ceilings and poor insulation are more costly to heat -- are irrelevant in determining school operating costs. Faced with substantial differences in operating costs the government chose not to investigate the reasons for the differences. Instead, it simply set an arbitrary norm and ignored those differences.

The formula's approach to capital funding creates even more problems. Capital funding will be available only to boards that have either used or disposed of all space in excess of the formula allocation per student, thus driving even boards in expanding areas to close schools in older areas.

This latter feature of the formula was conveniently left out of the statements by the Minister of Education when he was on full war footing with the Toronto District School Board after it released its school closure list. The Minister made headlines with statements to the effect that the Toronto Board could solve its problems by selling administrative buildings. In addition to the fact that the space that could be sold bore no relation to the amount of space at risk, the statements failed to mention that the Toronto Board would have been explicitly prevented from using the proceeds of sales of property to fund school operations.

The controversy surrounding the funding formula for pupil accommodation raises serious questions about the process that produced such an absurd and untenable result.

There was an expert panel on pupil accommodation that studied the issue in the summer of 1997. It did no independent analysis of pupil accommodation needs and in fact considered only material provided to it by the Ministry of Education and Training. It made a recommendation for an appeal mechanism to address problems associated with the funding of pre-existing school buildings – precisely

the kinds of problems that caused the Government to abandon the formula. That recommendation was ignored.

In addition, the Government suppressed a minority report from the Expert Panel that warned of precisely the kinds of problems that have emerged.

Conclusion

There is a significant gap between rhetoric and reality in the Government's new education funding scheme.

Far from being the simple, fair and objective formula that the Government claims, the new education funding model has been carefully designed to achieve its political objectives.

It is carefully designed to achieve a significant reduction in overall education funding. It is systematically biased against students who live in large urban areas. It reduces funding available for special education. It fails to recognize adequately additional costs associated with the education of disadvantaged children and the children of immigrants whose first language is not English.

Even in its revised form, it short-changes school maintenance budgets by failing to recognize such factors as building age, geographic location and local labour markets in determining funding.

The funding formula may have achieved the government's original political objectives. But by achieving, and then hiding, funding cuts in excess of \$800 million before the accommodation formula revision, the formula is also directly responsible for much of the conflict that brought the education system to a standstill in many parts of the province in the fall of 1998.

And as the details of the formula come under closer scrutiny, the credibility of the entire exercise is called into question. Pupil accommodation has not become an issue attention because it is the only aspect of the funding formula that cannot stand up to close scrutiny. It has become an issue because it is the only aspect of the formula in which its inflexibility and illogic have become publicly visible.

Because the formula is designed to produce an economic bottom line rather than funding equity and adequacy, none of its individual components bear close examination. Fine tuning – even \$211 million in fine tuning – cannot make it work.

Appendix I – Funding Model Analysis

Total funding summary

Funding summary, 1997		1997	
Provincial grants		4,200	
Education property tax	Residential	5,000	
	Commercial/industrial	3,600	
Total			12,800
Other revenue	Nominal	400	
	Less: double-count	100	300
Total board revenue			13,100
Provincial contribution to pension plans			1,200
Total education spending			14,300
Note:	Approximately 75% of the category "other revenue" is transfers between boards.		

Funding summary, 1998-9		1998-9	
Foundation Grant			6,971
Special purpose grants	Special education	1,052	
	Language	374	
	Early learning	102	
	Learning opportunities	185	
	Adult & continuing education	187	
	Geographic and School Authorities	176	
	Teacher Compensation	823	
	Transportation	560	
	School Board Administration & Governance	424	3,883
Pupil Accommodation Grant			1,737
Phase-in adjustments			299
Total			12,890
Other Board Revenue			300
Pension contributions			61
Total education spending			13,251

Impact of the funding formula

1997 funding (not including "other revenue")			12,800
1998-9 total funding claimed by Ministry			12,890
Less	1998-9 only teacher compensation		(120)
Less	Phase-in adjustments		(299)
1998-9 long-term formula funding			12,471
Adjustments	Enrollment growth since 1997	2.3%	(287)
	Inflation since 1997	2.1%	(262)
1998-9 funding on constant per-pupil real basis			11,922
November 1998 pupil accommodation funding increase			211
Total funding change resulting from funding formula			(667)

Percentage of provincial savings on pensions invested in education 0%

Sources: Affidavit of Nancy Naylor, Manager, Education Finance Reform Unit, Ministry of education and Training filed on behalf of Government of Ontario in Bill 160 Constitutional Challenge
 Record of cross-examination of Nancy Naylor, Bill 160 Constitutional Challenge

Appendix II – Distribution of Boards

