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No Time For Complacency

Education Funding Reality Check

By Hugh Mackenzie



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Executive Summary

A detailed review of Ontario's provincial funding framework for elementary and secondary education reveals it falls well short of expectations. It falls short based on provincial educational objectives, based on Ontario's needs in the modern knowledge-intensive economy, and based on the standards established by other elementary and secondary education jurisdictions which Ontario considers to be its peers and competitors.

The gap between needs/expectations and funding reality is attributable to five broad features of Ontario's system for funding education.

First, the funding formula does not provide sufficient funding for the basics of the system — the payment of teachers and administrators as well as the operation and maintenance of school facilities.

Second, the formula does not provide adequate funding for the special support required for all students to succeed. Special funding linked to demographic characteristics is inadequate and distributed based on out-of-date data. Funding for special education has been artificially constrained. English as a second language funding is inadequate.

These two factors combine to shortchange all students in Ontario with special needs. Underfunding of system basics forces school boards to divert funds generated for special programming to cover basic funding gaps. The result: inadequate funding for special programming is further reduced when translated to programming on the ground.

Third, the funding formula inadequately supports local priorities. To fill this and other gaps in funding, boards have come to rely on school-generated funds — a total of \$538 million as reported by school boards for 2007–2008. The total itself is astonishing, amounting to 3% of total school board operating costs — an average of \$117,500 per school across the province. That is 50% more than the funding formula's former local priorities amount of \$200 per student. Tellingly, it is substantially higher than the total of all of the special funding provided to school boards based on demographic and language factors. And because it is distributed based on schools' ability to generate additional funds rather than on educational needs, it has the effect of undoing the redistributive effect of those special grants.

TABLE 1 Funding Shortfalls

Funding area	Amount	Comment
School operations and maintenance	\$427 million	Difference between current funding and boards' inflation-adjusted actual 1997 costs
Student transportation	Unknown	Funding is not based on standards for length of trip
Elementary school libraries	\$185 million	Additional funding required to support one librarian per elementary school
Learning opportunities grant	\$272 million	Funding at the 3% of operating cost level recommended by Harris' expert panel in 1997
Language grant	Unknown	Cut-off of funding after 4 years in Canada is not supported by any evidence
Local priorities funding	\$900 million	5% of operating funding as recommended by Crombie Task Force for Harris government. This is half the level recommended by every other review.
Adult day school	\$55 million	Difference between funding for secondary students under 21 and for secondary students 21 and over.
Allowance for declining enrolment	Unknown	Formula is based on unrealistic assumptions about fixed vs. variable costs.
Partial total	\$1,839 million	Includes measured and itemized shortfalls only

Specifically, for every board that receives less than the provincial average Learning Opportunities Grant (LOG), school-generated revenue is sufficient to wipe out the difference between that board's LOG funding and the provincial average. In other words, fundraising serves to "undo" the intended effect of the LOG.

Fourth, the narrow definition of what constitutes "education" that underpinned the Harris government's original revision of the funding formula has not been fundamentally altered since. The "3-R" focus that cut schools off from the rest of the health and social services system remains. School boards still do not receive funding to support adult continuing education. Public access to school facilities has improved, but is still limited.

These specific shortcomings add up to a substantial gap between what is actually delivered, and what the internal logic of the funding formula together with the recommendations of the studies that led to it would imply.

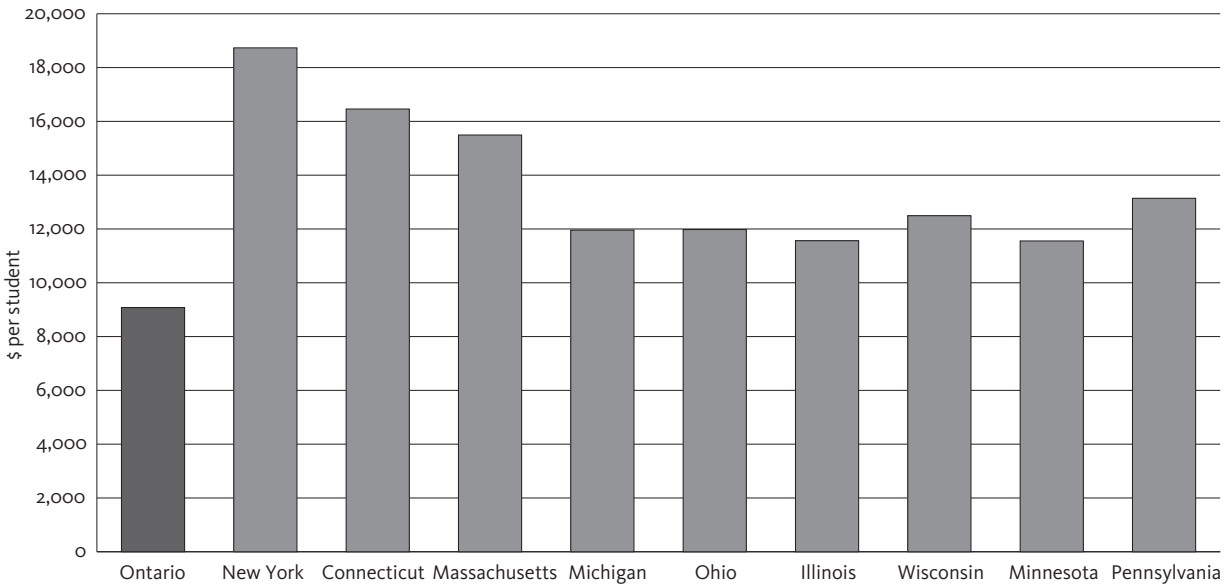
In summary, identified funding shortfalls are as shown in Table 1.

As a counterpoint, the provincial government can demonstrate that, on a per-student basis, elementary and secondary education funding is actually greater than it was in 1997, the year before the introduction of the Harris government's funding formula.

While that is true, it is misleading. It is true that on a per-student inflation-adjusted basis, total operating funding is approximately \$900 million higher than it was in 1997. But that doesn't take into account the fact that provincially mandated changes in school operations — additional funding specifically earmarked for class size reductions, elementary teacher preparation time, and special support teachers in secondary schools — account for \$1,800 million of the operating funding provided in 2009–10. On a basis that is comparable to the level of activity required of boards in 1997, total funding is approximately \$900 million lower on a per-student inflation-adjusted basis.

The claim also misses the bigger picture: Ontario is falling behind on key education funding measures. A comparison of elementary and secondary education funding per student across

FIGURE 1 Operating spending per student 2006–7 school year Ontario and peer US jurisdictionst



North America shows that Ontario ranks close to the bottom of the pack.

Among U.S. states and the District of Columbia (51 jurisdictions), Ontario’s spending per student would place it 46th.

Among Canadian provinces and territories, Ontario ranks 9th out of 13 jurisdictions.

Among the 64 jurisdictions providing public elementary and secondary education, Ontario ranks 54th.

Compared to Ontario’s peer jurisdictions in the United States, Ontario’s level of investment looks particularly bad, as Figure 1 shows.

New York City spends more than twice as much per student on public elementary and secondary education as Toronto.

These funding gaps expose a significant problem with accountability in elementary and secondary education funding. The funding formula is structured from top to bottom to impose accountability requirements on school boards. School boards are accountable for classroom vs. non-classroom spending, special education spending, spending on administration, and class sizes to name just a few requirements. And new

legislation under consideration will enable the province to expand those requirements significantly. What is missing, however, is any system of accountability on the part of the provincial government for the adequacy of its funding commitment in light of Ontario’s educational needs and objectives.

Ontario needs a permanent, independent third party commission to provide an ongoing assessment of the appropriate level of funding and programming Ontario requires to meet its educational objectives. A special task force or review every five to 10 years simply isn’t good enough. The political review of the Ministry of Education’s budget in the Legislature’s estimates process is just that — political. And the ongoing debate between school boards and the province over funding adequacy is too easily dismissed as self-serving.

Ontario has lofty goals and pressing needs for its public elementary and secondary education system. We see public education as key to the integration of new Canadians. We rightly see broad participation in a universal public education system as a way to strengthen a so-

ciety characterized by substantial and growing income inequality. We see public education as key to building citizenship. We see education as the foundation for the equality of opportunity that is such a fundamental value in a liberal democracy. And we recognize that Ontario's economic future depends to a significant extent on the skills and education of our people.

But based on the way the funding system is designed and on a comparison of Ontario's financial commitment to public education with that of our North American peers, we will not achieve our goals.

Ontario's Education Funding Formula in 2009

The 2009–10 school year marks the 12th anniversary of the funding formula for elementary and secondary education introduced by the Harris government.

A child who entered Grade 1 in the formula's first year (1998–99) will be graduating from secondary school this year.

In the 12 years since the formula was first imposed on school boards in Ontario, a great deal has changed in the formula itself, in the educational objectives it is meant to serve, and in the broader economic, social and political environment in which the school system operates.

The formula has been modified every year since its introduction; sometimes more than once in a year. Layer after layer of complexity has been added on as the shortcomings of its "one size fits all" approach attracted negative political attention.

The policy objectives set out by the Harris government upon the formula's introduction were clear: to shift the emphasis in the education system back to the "basics" and the focus of funding to the "classroom"; to equalize funding across the province; to rein in spending of large urban school boards; to strengthen the provincial

government's control over school boards; and to reduce provincial spending on education by approximately \$750 million. Those objectives have shifted as the political environment has changed, and as the dissonance between real world of education in the 21st century and the idealized (largely imaginary) "Leave-it-to-Beaver" world of education in the 1950s Harris tried to recreate became untenable.

The overriding objectives of the provincial government have changed dramatically over the years, beginning with the Eves government's partial implementation of recommendations from the Rozanski Task Force for increased funding to offset inflationary pressures and continuing with the McGuinty government's emphasis on reducing class sizes, increasing secondary school graduation rates and making resources available to support specialized programs in the arts and physical education. More important, the relationship between the government and the education system changed from one of outright hostility under the Harris Conservatives to a much more supportive stance under the McGuinty Liberals.

The world outside the Ontario educational system has also changed dramatically. The demo-

graphic base for the school system is changing. In the mid-1990s only a small minority of school boards in Ontario were experiencing declining enrolment while overall enrolment continued to increase. The government is now projecting that 55 boards representing 72% of total enrolment in Ontario will experience enrolment declines in 2009–10 compared with 2008–09 and that total enrolment across the province will drop by nearly 2%.

Ontario's student population is also changing. The natural birth rate of Canadians is below the replacement rate; long-term population growth in Canada now depends on immigration. This means that, over time, the proportion of students in our schools who were not born in Canada, or whose parents were not born in Canada, will continue to increase. Furthermore, recent statistics show that recent immigrants are experiencing greater difficulty than previous cohorts of immigrants in integrating into and succeeding in Canadian economic life. Finally, the statistics show that the majority of immigrants to Canada come to Ontario and that a significant majority of them settle in the Greater Toronto Area.

While these changes in policy objectives and the educational environment may have been acknowledged in add-ons to the funding formula, the changes generally fall far short of what is required to meet provincial educational objectives

in this changing context and, taken together, beg the question of whether the fundamental structure of the formula continues to be appropriate.

If the funding formula were a car, it would look ramshackle. A 1997 model (the base year for the funding formula) covered with parts lifted from later model years, with body panels in varying states of disrepair painted different colours, and literally pasted with duct tape from front to back and from top to bottom. It has some new parts and some of its systems have been updated, but underneath, it is still a 1997 model and it runs like a 1997 model.

Although the design of the funding formula is complex, with funding levels driven by literally hundreds of different provincially mandated and board specific factors, the problems with the formula fall under five general headings: its failure to provide sufficient funding to support the basic nuts and bolts of a modern education system; its failure to recognize and reflect differences in needs among students and cost drivers among school boards; its failure to distinguish appropriately between fixed costs and costs that vary with changes in enrolment; its narrow view of the purpose of education and of the role of schools and the school system in the community; and a view of accountability that is both one sided and driven by cost accounting.

Funding formula background

In its original design, the provincial funding formula for education introduced for the 1998–99 school year was a recipe for disaster for many large urban school boards in Ontario.

It did not provide for the actual costs of the school system: the operations and maintenance of the buildings and equipment; the payment of teachers and other staff; the need for non-classroom administrative and support services. This was not an accident. Funding for teachers was deliberately low-balled as an “incentive” for school boards to constrain the salaries negotiated by boards with their teachers. Operations and maintenance funding per square foot was set to give boards an incentive to contract out the work and avoid their contractual obligations to unionized employees. Operations funding was based on enrolment as a deliberate measure to force boards to close schools that were not of a standardized ideal size.

It was insensitive to even the most obvious drivers of differences in costs among school jurisdictions such as the age of buildings, climate, population density and local labour markets.

It did not adequately recognize the need to provide enhanced services for students with special needs.

It did not provide for any additional funding to address purely local needs and requirements.

It provided funding to support only a narrow and some would say an inaccurately remembered nostalgic view of what constituted education, treating the arts, physical education, citizenship and indeed any academic pursuit other than reading, writing and arithmetic as a “frill” for which funding should not be provided.

It failed to recognize or support the role that schools play in their communities.

In implementing its fixation on students as a driver of funding, it failed to recognize adequately the fixed costs associated with an education system, laying the foundation for a crisis in any school board experiencing declining enrolment.

Finally, although the funding system has been truly obsessed with accountability mechanisms — for teachers, for schools and for school boards — there is no system of accountability for the adequacy of the provincial commitment to education through the funding formula.

Over the years since the formula's introduction, many changes have been introduced in an attempt to address its shortcomings.

The Harris government was blamed for school closures, not just in the Tory deserts of Toronto, Ottawa, Hamilton and Windsor but in its political heartland. The government was forced to respond, introducing customized funding based on school-by-school configurations and allowed for full funding of any school that reached 80% occupancy. Funding per square foot, however, was not changed, and school boards responded by deferring maintenance and allowing facilities to deteriorate.

More recently, the McGuinty government adopted a key recommendation of the Rozanski Task Force and provided substantial funding for school renewal to deal with the consequences of the maintenance backlog. One of the side effects of this funding was to provide temporary relief on the operations and maintenance front by allowing routine maintenance projects to be funded as renewal projects. That avenue for flexibility is soon to end as renewal funding dries up and projects wind down.

Salary and benefit benchmarks for teachers were initially established approximately 10% below the amounts that teachers were actually being paid at the time the formula was introduced. Inflation-lagging funding in the first few years of the formula pushed that shortfall to 15% by the time the Rozanski Task Force tackled the issue and recommended increased funding.

In 2004–5, the McGuinty government finally updated teacher salary benchmarks to reflect actual salaries, but chose to fund the cost of raising those benchmarks by reducing already inadequate funding in other areas.

New grants have been created to address some of the specific cost differences among boards, but core funding is still based on the assumption that every school system in Ontario is identical.

Funding for students with special needs was increased in the later years of the Harris era, but

has since been reduced as an offset against other changes. Just as important, the inadequacy of funding for the basics of the system has led all boards, including the Toronto District School Board, to allocate funding generated under special needs grants to filling the holes in the funding of the basic system.

Literally every report that has been prepared on education funding in Ontario in the past 35 years has recommended extra funding of 5% to 10% to cover local needs not otherwise recognized in the central formula. The original formulation provided nothing for local needs. The Harris government belatedly added and then increased a local priorities amount. The Rozanski Task Force recommended that it be converted to a fixed percentage that would automatically grow along with total funding.

The McGuinty government eliminated it, using the money saved to cover part of the cost of updating teacher salary benchmarks. And in what can only be characterized as an Orwellian twist, it cited the fact that boards couldn't actually use the local priorities funding for local priorities because their teachers were not fully funded as its justification for the elimination of local priorities funding.

The same justification was offered for the McGuinty government's decision to reduce its supplementary funding for students at risk delivered through the Learning Opportunities Grant. Rather than address the fact that underfunding of teacher salaries had forced a downsizing of board programs supporting students at risk, the government carved that forced downsizing out of the grant itself. As a result, the formula now provides far less funding for students at risk than was originally recommended by the Harris government's expert panel on the Learning Opportunities Grant in 1997.

Funding has been introduced to support some educational programs originally de-funded by the Harris government, but the amount falls far short of what is required to support a well-

rounded education for citizenship and participation in society. Most notably, given the universally acknowledged importance of continuing education, the formula has never recognized the role that some school boards have traditionally played in adult education.

A limited amount of funding has been provided for community use of schools, but again, not nearly enough.

The formula was amended to provide for a 'school foundation grant' which made funding school-based administrative services less dependent on enrolment numbers, but it failed to extend the same logic to the funding of other requirements that do not vary continuously with enrolment. Special funding to offset the effect of declining enrolment is helpful, but inadequate in the face of fixed costs that are funded as if they vary with enrolment and the cumulative effects of enrolment decline.

The provincial government has chosen to focus its funding improvements on new priorities, most notably class size reductions in elementary schools, leaving basic funding problems unaddressed.

And this year, in particular, the provincial government has chosen to offset some of the increased costs arising from its provincial labour relations framework with a 'death of a thousand cuts' approach to the funding of programs like textbooks and classroom computers, with further cuts promised for 2010–11.

Finally, the one recurrent theme behind formula funding has been financial accountability. In its original conception, accountability mechanisms were imposed as a way of making transparently political points for the Harris government. An arbitrary distinction was drawn between "classroom" and "non-classroom" funding and spending with regulations requiring that "classroom" funding be spent on "classroom" activities. The government defended itself against criticism of its approach to funding special education services by requiring boards to demonstrate that they spend

all of their special education funding on special education services. The government underlined its point about "wasteful" school board administration by limiting spending on "administration" to its grants labeled as for "administration".

Since then, the accountability requirements have expanded, as special grants have been introduced to support specific changes — for example, the additional funding to support increases in teacher preparation time and the additional funding to support reductions in class sizes in the primary years.

The accountability that has been expected of boards is, however, almost entirely financial. There is no accountability for programming beyond the requirements for class sizes. When it is convenient, the government takes the position that the special grants simply generate pools of money which boards are free to use for any purpose they choose. When it is convenient, the government treats individual grants as if they are earmarked for their ostensive purpose and shifts blame for programming inadequacy back onto school boards.

This almost exclusive focus on financial accountability by school boards has been highlighted for change in the McGuinty government's proposed changes in the Education Act in Bill 177, introduced into the Ontario Legislature on 7 May 2009. The government has included in the Education Act amendment provisions for board reporting on student achievement as measured by the Education Quality Assessment Office (EQAO). Missing entirely from the accountability framework is any accountability on the part of the provincial government for the adequacy and allocation of formula funding in light of the provincial government's stated educational objectives. In the education system, everyone is accountable except for the agency that is in control of the system — the Ministry of Education. The increased accountability of boards for student achievement contemplated by the 2009 Education Act amendments will serve as an addition-

al screen between the provincial governments and the consequences of its funding decisions.

It is hard to escape the conclusion that the accountability mechanisms are designed to support the provincial government's political objec-

tives, assuring that the government gets political credit for its political priorities while shifting political blame back to school boards and school board officials for everyone else.

Formula funding in Ontario — what the numbers say¹

When it was introduced, the explicit goal of the funding formula was to equalize funding among school boards while at the same time reducing total education funding by approximately \$750 million. In other words, the funding goal behind the formula was to level down.

The formula as it was originally conceived delivered funds to school boards under two broad headings: factor-driven formula payments and transitional arrangements intended to spread out the impact of the funding cuts imposed on boards that would otherwise have been immediately negatively affected by the move to the new formula. Those transitional arrangements were funded in part by holding back funding increases that would otherwise have flowed to historically underfunded boards.

Funding per student — adjusted for inflation — has followed three distinct paths over the history of the funding formula, as illustrated in Figure 2.

Up to school year 2001–2, inflation-adjusted funding per student declined in each school year, year over year. By 2001–2, total funding on an inflation-adjusted basis had declined by more than \$1.9 billion, significantly overachieving (to

use a term popular with the Ministry of Finance in the Harris-Eves era) the original target of a reduction of \$750 million.

Between 2001–2 and 2004–5, in the last years of the Harris-Eves era and the beginning of the McGuinty government, inflation-adjusted funding per student increased again as the two governments proceeded with partial implementation of the Rozanski Task Force recommendations. By 2004–5, the gap compared with inflation-adjusted 1997 funding had been reduced to less than \$1.1 billion.

In 2004–5, however, funding formula renewal collided with the implementation of the McGuinty government’s 2003 election promises and the program enhancements to which the government committed itself in its 2004 labour framework. While both the election commitments and the labour framework contained a large number of individual items, the major elements from a cost perspective were increased funding for an agreement mandated increase in elementary teacher preparation time, increased funding for an agreement mandated increase in secondary teacher preparation time and the hiring of “student success” teachers; and the cam-

TABLE 2 Summary of newly mandated program costs

	2009–10 Funding
Elementary Preparation Time	616,148,596
Grade 4–8 class size reduction	9,691,301
Secondary Preparation Time	786,030,036
Primary class size reduction	419,708,455
Total mandated funding	1,831,578,388

TABLE 3 Funding impact 1997 inflation adjusted to 2009–10

Type of board	Impact (\$ million 2009–10 dollars)
French Language	171
English Language	-1,159
Northern	157
Southern	-1,145
GTA	-1,062
Not GTA	74
Major urban areas	-1,283
Other than major urban	295
Public	-1,267
Catholic	279
Losers	-1,432
Gainers	443
Toronto	-572
Peel/York/Durham	-435
Rest of province	18
Total	-988

paign commitment to reduce class sizes in the primary grades.

Table 2 shows funding in 2009–10 for these three key activities.

If one includes the extra funding tied to mandated increased activity levels — i.e. activity levels beyond those that would otherwise have been undertaken by school boards — overall average funding per student in 2009–10 dollars has actually increased by roughly \$400 per student (to approximately \$9,800 per student from approxi-

mately the \$9,400 inflation-adjusted 1997 level of funding per student).

The problem is that the additional funding provided under these initiatives is mandated for specific new purposes. It is not available to address the underlying funding shortfalls that had persisted until 2004–5. The \$1.1 billion inflation-adjusted loss in 2004–5 has not been addressed. That fact helps to explain why school boards continue to grapple with substantial financial problems despite increased overall funding. The other major contributing factor is that the formula does not adequately address the financial difficulties faced by school boards coping with declining enrolment.

Overall, excluding the extra funding for mandated additional programming and commitments, total operating funding in 2009–10 is \$980 million lower than the inflation-adjusted equivalent 1997 funding.

As has always been the case under the formula, the distribution of this impact varies significantly among school boards. These changes are summarized in Table 3 and Figure 3.

The table and chart demonstrate clearly the pattern of impacts of the funding formula on education in Ontario, 12 years after its introduction. In essence, roughly half a billion dollars has been withdrawn from the two City of Toronto English language school boards and roughly another half a billion dollars from the six English language boards that serve the immediate outer suburbs of Toronto — Peel, York and Durham. Outside the immediate Toronto area, the change amounts to a zero-net-gain redistribution of funding, on an inflation-adjusted basis.

In the redistribution outside the immediate Toronto area, gains were experienced by French language (\$171 million), northern (\$157 million) and Catholic (\$279 million) offset by losses in English language (\$152 million), northern (\$138 million) and public (\$282 million) boards, respectively.

FIGURE 2 Operating funding per student, as reported and inflation-adjusted

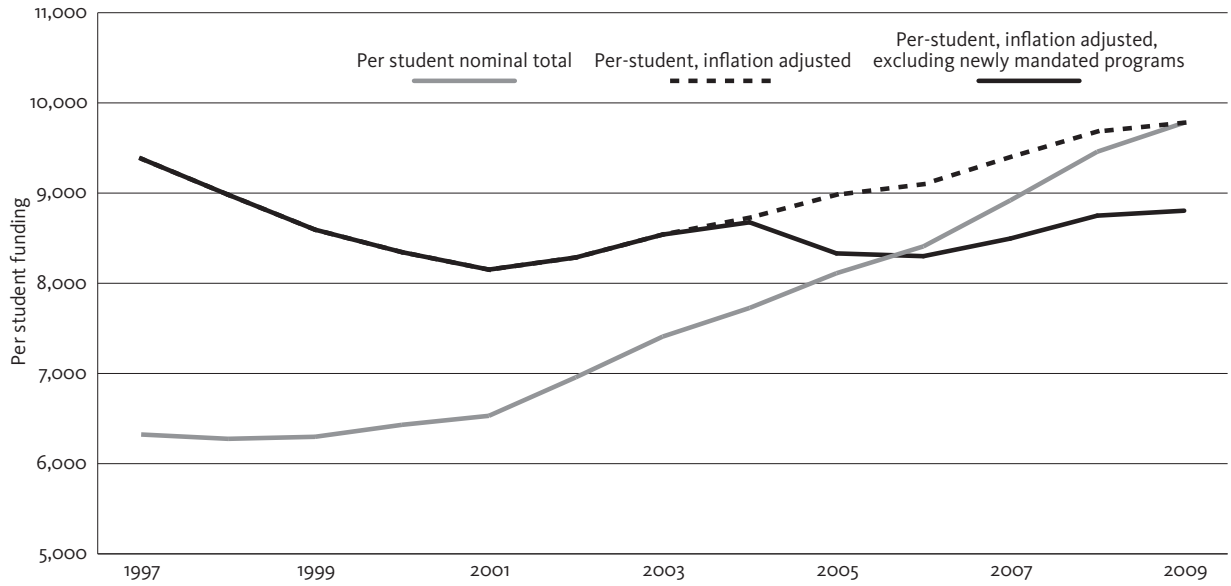
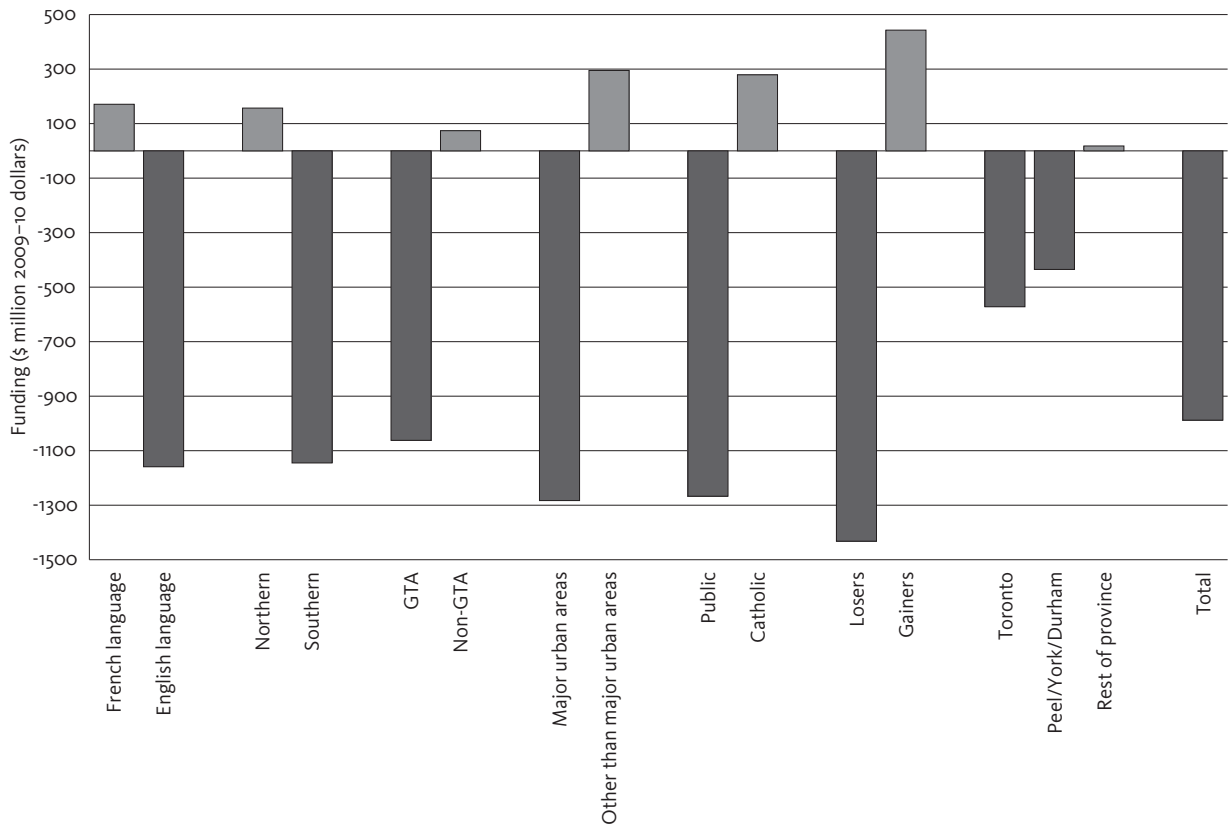


FIGURE 3 Funding changes by type of board
2009–10 without mandated new program funding compared with inflation-adjusted 1997 funding



In total, 21 of the 72 boards have experienced a decline in inflation-adjusted per student funding compared with their 1997 funding. These boards account for just over 2/3 of Ontario's student population.

While aggregate funding data are helpful in identifying a funding gap on an inflation-adjusted basis, they do not point towards a solution. It would not be appropriate simply to replace each board's funding losses. The implicit assumption behind such a move — that each board's inflation adjusted 1997 per student funding is appropriate to the needs of its students in 2009–10 — is simply not sustainable. No reasonable person would defend a pre-1998 funding system that tied lo-

cal education quality in a provincially mandated system to a local property tax base. It is also not clear that a 1997 per student amount is appropriate at 2009–10 enrolment levels on a board-by-board basis. Similarly, the implicit assumption that 1997 funding, in aggregate, was adequate given Ontario's educational objectives, is untested.

The aggregate data both explain the apparent paradox of school boards in financial difficulty at a time when overall funding has increased and underline the importance of the formula review the government promised for 2010 — the first full-scale review since the formula's introduction in 1998.

Issues in the funding formula

Funding system basics

Because the funding formula was intended to drive dramatic cost-cutting change in Ontario's elementary and secondary education system, funding benchmarks in key areas that make up the basics of the system were deliberately set below boards' actual costs. Teachers' salary benchmarks were set below actual costs in the expectation that boards would "get tough" with teachers at the bargaining table and drive costs down. School operating costs were set below most boards' actual costs in an attempt to force higher cost boards — particularly large urban and northern boards — to contract out cleaning and maintenance services that had been performed by their own employees. Pupil transportation funding was originally intended to force boards to consolidate bus routes to save money. The Harris government backed off in the face of opposition from rural boards and transportation funding was essentially left untouched until changes introduced by the McGuinty government for 2009–10 and 2010–11, which seek to force boards to consolidate bus services. Cuts to administrative funding were driven by the Harris

government's obsession with "profligate" spending by big urban school boards on activities and services that did not fit with the narrow, classroom-focused perspective on the system that motivated the Harris reformers.

Since the formula's introduction, the teacher salary benchmark issue has largely been resolved by stripping away other features of the formula.

That cannot be said for other basic funding elements.

The most significant of the problems with basic elements concerns the funding of school operations and maintenance. The original version of the formula was fraught with problems. It provided funding based on a standardized amount per square foot of school space, with the school space eligible for funding tied to student head counts. Elementary students generated 110 sf. of funded space; secondary students 125 sf; and adult students 110 sf. In other words, funding was not based on the actual buildings operated by a board, but on an arbitrary allocation tied to enrolment. And by definition, there was no recognition given to the need to maintain school space for uses other than conventional classroom instruction.

Despite having been warned in a strongly worded minority report from one of the government's hand-picked funding formula working groups that an insistence on uniformity was inappropriate given the diversity of school facilities across the province, the government persisted with student-driven numbers derived from bare bones school buildings constructed in the 1990s.

But the floor area that would qualify for funding was not the only problem with the formula. The funding allocation per square foot was based not on the actual operating costs of individual boards but on the operating costs of the median of the 122 boards that existed prior to reorganization. The figure of \$5.22 per square foot was derived as follows. First, the 122 boards were ranked in order of their per-square-foot operating cost in 1997 — regardless of their size, location or other unique characteristics. Then the operating costs of the two boards in the middle of the list — the boards ranked 61st and 62nd in the province — were averaged. So the operating funding per square foot for 122 boards (subsequently reduced through amalgamations to 72) was determined by averaging the 1997 operating costs of the Brant County Roman Catholic Separate School Board and the Kent County Roman Catholic Separate School Board — two boards that, at the time, operated 0.59% of the classroom floor space in the province.

And if that wasn't bad enough, the base year chosen — 1997 — was at the beginning of the recovery from a significant economic downturn, during which most boards had resorted to deferred maintenance to an unsustainable extent in order to conserve cash for other aspects of operations. So the operating cost figures on which this highly questionable methodology was based understated the ongoing costs of operating school facilities and maintaining them in a state of good repair.

The result was chaotic. School buildings with wider hallways or larger classrooms than the reference buildings did not generate funding

for the full floor area of the building. Specialized classrooms were either underfunded or not funded at all. Older buildings with high ceilings and without adequate insulation generated the same funding as brand new buildings built to current standards.

School boards across the province announced the closure of facilities that could not be kept 100% occupied so as to generate full funding for operations.

School boards in northern Ontario received the same funding allocation per square foot as boards in the south, despite their much greater heating costs.

Finally, the formula took no account of the local labour market conditions faced by individual school boards. There was no recognition of the fact that larger urban boards, for example, incurred much higher labour costs than those incurred by smaller, rural boards.

The Harris government had expected an outcry about school closures in places like Toronto and Ottawa, and was ready for it. The government was not prepared for the emergence of school closures as a political issue throughout the province.

The government responded to the funding for school space issue in two ways. It adjusted the area eligible for funding on a building-by-building basis to take into account unique building features like large entranceways or wide hallways or large classrooms (for example, elementary classrooms with cloakrooms at the back and/or private space for the teacher). As a result, the area eligible for funding for each board is adjusted by a factor calculated from individual building data by the Ministry. It also backed away from its implicit expectation that every school building would be 100% occupied all of the time. Instead, it established a capacity utilization corridor under which a school would generate full funding if it was operated using at least 80% of its rated capacity.

None of these adjustments, however, took account of the need to support other educational and non-educational uses of school facilities for in-school parenting programs, for child care centres, or for after-school community use of the facilities.

Lack of funding for community use of schools put significant pressure on both in-school programs like child care and community-based non-profit organizations as the new funding arrangements effectively priced them out of the system. After concerted efforts by a broad range of community organizations, a separate grant for community use of facilities was created to enable the government to be seen to be addressing the problem.

Regional cost differences were addressed on a politically selective basis. Special grants were targeted to rural and remote boards to address their operating cost issues, but no account has ever been taken in the funding formula for more generally applicable differences in operating cost drivers.

Not unexpectedly, boards that were in a position to do so responded to funding inadequacy by deferring maintenance of board facilities — essentially allowing schools to deteriorate as a cost-saving measure. When the negative consequences of maintenance deferral became too obvious to ignore, the Rozanski Task Force recommended the establishment of a special fund to tackle the problems created by deferred maintenance. That recommendation was accepted by the Eves government and implemented by the McGuinty government.

Having acknowledged the consequences of maintenance deferral, however, the government left unchanged the underfunding of school operations that led to the problem in the first place. The massive school renewal program now nearing an end did buy the government some time, as school boards were able to cover normal maintenance expenditures under the budgets of school renewal projects. But as the renewal projects are

completed, inadequate funding for school operations will recreate exactly the same pressures that led to the need for the renewal projects in the first place.

The fundamental problem with the government's approach to school operations and maintenance funding is that there are no maintenance and operations standards which boards are expected to meet and for which, by extension, the provincial government would be expected to provide adequate funding.

The rational approach would be to establish an expected building maintenance standard, provide sufficient funding to achieve that standard, and oversee boards' efforts to achieve that standard.

Even if one were to take inflation-adjusted 1997 operating costs as the standard — with all of the caveats about the maintenance standards actually delivered in 1997 — at the current rate, school operations are massively underfunded in the 2009–10 funding formula.

A comparison of inflation-adjusted actual operations and maintenance costs with 2009–10 formula funding for school operations and maintenance shows a funding shortfall of \$427 million. To match inflation adjusted 1997 costs, funding would have to be increased by 22.7%.

Another major issue concerns pupil transportation. When the funding formula was first introduced, the government undertook to establish a formula basis for transportation funding and froze existing funding on a temporary basis. That was in 1998–9. For the 2009–10 school year, the government is finally beginning to move towards a different system, introducing incentives for boards serving the same geographic area to combine bus services as a cost-saving measure.

The fundamental problem, however, is that pupil transportation is being funded without reference to any standards for pupil transportation. Accordingly, we have carefully worked out standards for primary class sizes, for example, but no standards governing the amount of time

those same primary students should be expected to spend on a bus each day, or limiting how far in advance of the start of the school day a student can be expected to board a bus. While school boards have the authority to establish such standards — and many have chosen to do so — there is no assurance that the funding provided for pupil transportation will be sufficient to support any such standard. The provincial government could mandate transportation standards, as it does for class sizes. Alternatively, it could provide transportation funding sufficient to meet such a standard, with boards free to vary their actual practices.

Funding for basic services in the school system is also frustrated by the structure of the Foundation Grant which, as the name suggests, is the source of funding for the core of what the formula recognizes as “education”.

The Foundation Grant is expressed as a number of dollars per student, determined by adding together per student funding amounts for various sub-components. Because these component amounts are built on a per-student basis, they establish implicit class and school sizes required to generate full funding for that component.

For example, the 2009–10 Elementary Foundation Grant provides for 1.31 teacher-librarians for each 1,000 students. That implies an elementary school would have to have 763 students to generate enough funding for a librarian. That compares with the 2008–9 average elementary school size of 306. Obviously, the funding formula is not designed to ensure that every elementary school has a fully functioning library.

Elementary guidance services are funded at 0.2 guidance counselors per 1,000 students. Based on the average school size in 2008–9, that amounts to one guidance counselor for every 16 schools. The funding driver for elementary school education assistants is the same. That means the formula supports the hiring of one education assistant for every 5,000 students, or one for every 16 elementary schools, on average.

In secondary schools, under the formula, it takes 910 students to generate funding for one librarian. The average size of a secondary school, in 2008–9, was 763 students. So even at the secondary level, the formula doesn’t generate enough to pay a full-time school librarian for the average school.

The gap between the basis for funding under the Foundation Grant and the real world of schools on the ground is glaring.

The fundamental problem with funding strictly tied to enrolment is that students are not free-floating. They are organized into classrooms. And classrooms themselves are not free-floating. They exist in schools. Rather than provide funding on an arbitrary “top-down” basis, foundation funding should be based on an assessment of what should be expected in a properly functioning school. Funding would then be driven by the cost of providing that standard of service in real world school facilities.

For example, if we consider it important to ensure that every elementary school have a fully functioning library, there is enough information available to the government about the schools across the system to fund on the basis that every school should have a teacher-librarian.

The formula currently provides funding for 1,590 elementary school librarians across Ontario to serve the 4,018 schools in the system, based on total funding of approximately \$122 million. To provide for one librarian per elementary school would require \$307 million. So to illustrate the potential impact of a bottom-up approach to funding, a one-librarian-per-elementary-school policy would cost an additional \$185 million.

Funding for differences

The core and primary focus of the funding formula was to deliver equality in funding for students across the province. The idea was that every student in the province was entitled to a basic level of service, and that equal funding

per student was the best way to deliver on that commitment. As is evident from the discussion above, even the guarantee of equal access to a basic level of service cannot be accomplished in a province as diverse as Ontario through equality in funding per student. A failure to recognize differences in costs arising from geographic location as well as structural and institutional factors meant that equal funding delivered manifestly unequal access to service.

Despite its focus on equality, however, the funding formula as originally conceived recognized the need to fund differences in student populations through three special grants: special education, learning opportunities, and language. During the middle years of the funding formula's history, a "local priorities amount" was added to the head count based foundation grants. Topic-specific expert panels recommended the first three. The fourth was a belated recognition of the need highlighted in literally every previous review of the formula for a funding allocation that would permit boards to create programs to meet local needs.

Special education

In its August 1997 report, the Expert Panel on Special Education Funding noted that under the funding formula in place at that time, special education funding across the province totaled \$858.8 million in 1997 — \$706.4 million through a special education component spending recognized under the General Legislative Grant and a further \$152.4 million through special purpose grants.²

The panel also noted that boards were actually spending substantially more than the recognized amounts on special education programs. As the panel noted:

"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%. ...

Since even the smallest gap in our sample was a significant 23%, we expect to find that board spending exceeds revenue in the area of special education."³

Assuming spending in excess of grants at the bottom of the range found by the panel implies total spending on special education across the province in 1997 of \$1,056 million. Adjusted for inflation to 1998–9, the first year of the new formula, that spending base would have been approximately \$1.1 billion.

The actual 1998–99 funding level was \$1.17 billion, suggesting that the government based its funding on the low end of the range of expenditures vs. grants identified by its expert panel. The lack of realism of that initial funding assumption was immediately apparent when school boards' applications for Intensive Support Amount (ISA) grants ran far ahead of the government's forecast. It had originally intended to cap total ISA grants at the initial amount and adjust the amounts based on applications. When that turned out not to be politically viable, the government relented and began funding actual identified ISA eligible students.

Increased demand for services continued to push special education funding up, with the result that in 2009–10, funding reached \$2.2 billion, well in excess of the inflation-adjusted 1998–9 allocation of 1.7 billion.⁴

The government's response to increased needs for special education funding is exceptional, in part because demands for increased access are difficult to resist politically and in part because it is the only type of special programming for which students have a legal entitlement. The political significance of special education programming was clearly highlighted in the original design of the formula, in which boards were required to demonstrate that they had spent their special education funding on special education programming. Legal entitlements to appropriate

special education services under the Education Act make it difficult for boards to avoid making the required additional expenditures to meet demonstrated individual needs.

Learning opportunities

The learning opportunities grant was established to provide additional funding “for students whose education is at risk because of their social and economic circumstances”.⁵ In conjunction with the development of the new funding formula, the Harris government appointed an Expert Panel to advise it on the construction of a Learning Opportunities Grant (LOG).

The key recommendations of the panel were:

- The allocation of the grant should be based on the numbers of at risk students in a board’s student population, using demographic factors as a proxy measure of the number of students at risk;
- Demographic measures used to proxy students at risk should include poverty, parental education, refugee status and aboriginal status, and should be kept up to date as new data become available;
- The Ministry should conduct a detailed analysis of the additional programming costs associated with equalizing opportunity for students at risk both within a student population and among students at risk in different parts of the province;
- The panel estimated that boards’ 1997 expenditures on students at risk at approximately \$400 million and suggested that as a floor for the initial Learning Opportunities Grant allocation;
- School boards should be required to report annually on the distribution of LOG funding among schools, the programs funded by the grant and the results achieved.

None of these recommendations was followed. The initial funding level was \$185 million — 1.5% of total operating funding and less than half the \$400 million (3.3%) suggested by the panel as a base. Although the initial amount was allocated based on demographic factors, several subsequent increases were based on student head counts, regardless of demographic factors. And while subsequent add-ons to the grant used more recent data than the 1991 Census on which the initial grant allocation was based, the 1991 Census continues to be used for the allocation of the initial amount.

No analysis was ever conducted of the need for students-at-risk programming across the province and, as noted above, the initial level of funding allocated was less than half the panel’s estimate that boards were already spending on at-risk programs in 1997.

No accountability mechanism was ever created for the LOG. Indeed, the government chose not to require boards to spend the funding allocated on students at risk, essentially treating the LOG as one of a number of funding-generating “engines” in the formula, with no strings attached to its actual end use.

The only interest that the provincial government appears ever to have taken in boards’ utilization of the LOG was in 2005–6, when teacher salary benchmarks were updated. In what can only be described as a perverse logic, the government asserted that boards were using a substantial portion of their LOG funding to offset the inadequacy of the teacher salary benchmarks and, based on that assertion, reduced its funding. There was never any suggestion that boards spending less on programming for students at risk than the amount allocated was an issue worthy of consideration.

For the 2009–10 school year, the demographic components of the LOG totaled approximately \$338 million, 1.8% of operating expenditures. Funding at the 3.3% level implied by the panel’s suggestion for a starting point for the LOG would

be \$610 million. The majority of this funding is allocated based on 1991 Census data, with the rest based on 2001 data. None of the allocations have been updated to reflect results of the 2006 Census that have been available for nearly two years.

The government's failure either to provide appropriate funding for students at risk or to require accountability for the expenditure of that funding clearly short-changes the tens of thousands of Ontario students who would benefit from additional programming support.

It is also a major factor underlying the financial pressures faced by Ontario's large urban school boards, most notably the two Toronto boards, the boards immediately surrounding Toronto, and larger urban boards. The two Toronto boards together account for 17% of Ontario's elementary and secondary school population. They qualify for 49% of the demographic portion of the LOG. Substantial underfunding of the LOG relative to estimated need has a particularly heavy impact on students in Ontario's largest city and in the suburbs immediately around it.

And these numbers are based on Census data that are as much as 15 years out-of-date. Even a cursory look at the Census data for 2006 would suggest the demographic factors that affect students at risk are even more heavily concentrated in the Toronto area than they were in 1991 and 2001.

The numbers indicate total funding for the LOG is nearly \$275 million below the starting point (as a share of operating funding) suggested by the LOG expert panel report for 1997.

The funding is allocated based on factors, some of which are from another era in Ontario's social and economic history.

More important, despite clear recommendations for further analysis of programming needs for students at risk in the original LOG expert panel report and in the 2003 report of the Rozanski Task Force⁶, the government has no better idea of what investment in students at risk would be required to achieve Ontario's educational ob-

jectives in 2009 than it did in 1997 when it set the initial funding level at less than half its expert panel's estimate of boards' actual expenditures.

Along with the English as a Second Language and French as a Second Language components of the Language Grant, the Learning Opportunities Grant is the core feature of the funding formula that gives expression to the province's recognition of the special programming needs of students at risk and its commitment to its stated educational objectives.

In its current state, it is not adequate, it is not appropriately distributed, and it is not even accompanied by any requirement that the funds be used for their stated purpose.

The Language Grant — ESL and PDF

In looking at how the funding formula addresses issues like the need for additional support for children whose first language is neither English nor French, it is hard to avoid the impression that these features of the formula are designed to appear to be addressing the issues without actually addressing them seriously.

The English as a second language (ESL) and perfectionnement du français (PDF) grants are identified in the grants system as supporting additional services for students whose first language is not English or French, respectively. Most of the funding generated by the grants is based on a head count of the number of students in schools who entered Canada within the past four years. The formula generates additional funding of \$3,682 for a student who had been in Canada less than one year as of September 1 of the school year, 85% of that amount for students who have been in Canada between one and two years; 50% of that amount for students in Canada between two and three years; and 25% of that amount for students in Canada between three and four years.

In addition, a total of \$29 million is allocated among boards based on 1996 Census data on the number of children living in households in

which the language spoken most often at home is neither English or French.

The ESL/PDF grants raise several issues. First, only the first four years of a student's time in Canada generates additional funding. That means, for example, that a child who came to Canada as a baby would not qualify for additional assistance, even if the language spoken at home was not English and the child had no opportunity to learn English prior to attending school. Children born in Canada do not generate additional funding, regardless of circumstances at home.

This issue was highlighted in the 2007 review of ESL programming conducted by Ontario's Auditor General. In his report, the Auditor found as follows:

A key issue for this type of program is identifying the point at which students no longer require services. The schools we visited generally reduced supports for elementary students after they reached Stage Three, defined...as the use of English "independently in most contexts." For students who started school at Stage One (the use of English "for survival purposes"), service was typically provided for two or three years. However, a 2002 study of the long-term academic achievement of ESL students in the United States stated that "students with no proficiency in English must NOT be placed in short-term programs of only one to three years... [T]he minimum length of time it takes to reach grade-level performance in [the] second language is four years."

The study's conclusion was consistent with the views expressed by some educators we interviewed that decisions to reduce or eliminate support after students reach Stage Three were often based on resource limitations rather than sound pedagogy. Although teachers told us that services

would be resumed in cases of very poor academic performance, this practice does not address the needs of students performing below their potential due to marginal English skills, who would benefit from continued service.

Other jurisdictions have recognized the need for a more rigorous basis for determining when to end service. For example, New York State requires its school boards to provide ESL services until students achieve a level of English proficiency defined by the state and measured annually by its English as a Second Language Achievement Tests.

Second, because the formula for ESL follows the overall pattern of linking support to individual students, it takes no account of the impact or intensity of ESL requirements on programming needs. For example, the additional programming requirements for a student depend in part on the ESL needs of the other students in a class. A classroom with a single ESL student calls for a much different category of additional resources than a classroom in which half or more of the students have such needs, and a classroom with ESL students from a limited range of language backgrounds calls for a different level of additional resources than a classroom in which ESL students come from a wide range of different language backgrounds. This is an important problem for school boards in Toronto and area, where immigrants tend to be concentrated in particular areas and where sources of immigration are extremely diverse.

Third, and most important, there is no guarantee or even an expectation that ESL/PDF funding will actually be spent on programming for students facing language issues.

This issue was addressed specifically in the Ontario Auditor General's 2007 report, as follows.

Although the Ministry’s Education Funding Technical Paper 2004–05 stipulates that ESL/ELD grants are provided to school boards so that they have “resources to meet the needs of...students [who] require extra help to develop proficiency in the language of instruction,” the Ministry does not require that these grants be spent on ESL/ELD programs. In fact, the Ministry advised us that it is aware that a portion of these grants is often reallocated to other programs. Because the Ministry does not require that boards report spending by program, information on the extent of the reallocations was not available to us, although one board provided us with financial information that indicated that less than half of its grant was spent on ESL/ELD programs. The Ministry had not assessed the impact of such reallocations on the adequacy of services provided to ESL/ELD students.

These conclusions parallel the findings of the annual school survey conducted by the widely respected education advocacy group People for Education.

In its 2008 annual report on schools, People for Education found that:

More than half of all immigrants are school age; Nearly half of secondary schools report they have ESL students, but only one third have ESL teachers; Some urban / suburban schools report that over 90% of their students require ESL support; 48% of elementary schools with ESL students have no ESL teacher.⁷

People for Education also reported in 2008 that a large proportion of elementary schools in Ontario with ESL students had no ESL teachers on staff. The problem also appears to be getting worse. According to the PFE data, 33% of elementary schools with ESL students had no ESL

teachers in 1999; by 2007–8, 48% of elementary schools with ESL students had no ESL teachers.

In response to this and similar information about the use of ESL funds, the government introduced a requirement for the 2008–9 school year that boards report on their expenditures on ESL/PDF/ALF activities. As of summer 2009, only 37 of the 60 boards receiving ESL funding had reported on their expenditures. Those 37 boards received \$135 million in grants and spent \$129 million on ESL programming, roughly 85% of it on classroom teachers.⁸

Although this measure will be subject to the same kind of manipulation that allows boards, year after year, to report that they spent exactly their Special Education Grant on special education, to the last dollar, it will at least provide some detail as to boards’ claimed use of ESL funds.

It is evident that Ontario’s ESL system is not working. It is doubtful that the formula generates sufficient funding to meet Ontario’s educational objectives for immigrant students. There are no standards for either inputs to or outcomes from ESL programming. And there is no accountability for ESL programming by boards.

It is also evident that ESL funding is one of the casualties of underfunding education basics. Even the limited data currently available show ESL grants being used to offset underfunding of other services delivered by school boards. ESL funding problems are also central to the financial problems faced by the school boards serving boards in the Toronto area. Toronto area boards’ percentages of total ESL funding are as follows:

Toronto DSB	33.8%
Toronto Catholic DSB	9.8%
Peel DSB	14.4%
Dufferin-Peel Catholic DSB	5.6%
York Region DSB	6.5%

Just five boards, each with at least 5% of the ESL total allocation, account for nearly 70% of ESL funding. With that degree of funding con-

centration, the adequacy and allocation of ESL funds is critical to the finances of these boards in particular.

But in the end, the real casualties of the failure of Ontario's ESL programming system are the immigrant students who are receiving less support than they need to succeed.

Funding for differences: supporting local priorities

Every independent review of education funding conducted in Ontario in the past 50 years has concluded that any funding system should provide for a limited locally determined discretionary revenue source to be applied to locally determined priorities. Most recommended locally determined funding of up to 10% of boards' total expenditure, to be raised from local property taxes.⁹

Even former Toronto Mayor Crombie's "Who Does What?" panel, which was required to take the Harris government's education finance framework as a given, recommended that the formula include a supplementary amount of 5% to support local priorities.

Two principal arguments have traditionally been advanced for additional funding to support local priorities. First, it is argued that no central formula, no matter how detailed and no matter how sophisticated, can fully anticipate all of the educational needs in every community in the province. There has to be a safety valve in the funding system somewhere.

Second, it is argued that local school boards in Ontario have often been the innovators in education policy in the province. To cite just two of many possible examples, French as a second language instruction was developed in the Ottawa area school boards and funded from local property taxes long before it became part of Ontario's official education policy English as a second language programming was developed in the Toronto area boards and funded from local

property taxes long before the need was recognized at the provincial level.

Despite the extent of the support for funding local priorities, the funding formula in its original form contained no such provision. And while the Harris government eventually relented and introduced a local priorities amount into the elementary and secondary Foundation Grants, its introduction and subsequent history can only be described as an extended exercise in political cynicism.

The Harris government introduced a \$100 per student local priorities amount in 2001–2 (subsequently increased to \$200 per student) knowing full well that the formula provided significantly less funding (roughly \$10,000 per teacher) for teachers' salaries than the amounts boards were contractually obligated to pay, and that the additional funding would be used not for local priorities but to pay teachers' salaries.

In 2002, the Rozanski Task Force recommended both an increase in teacher salary benchmarks to reflect actual costs and a local priorities amount set as a percentage of the Foundation Grant so that it would increase from year to year.

Yet when the McGuinty government finally got around to updating teacher salary benchmarks in 2006, it eliminated the local priorities amount. And in another exercise in political cynicism, it declared that since boards were using the money for teachers' salaries and not for local priorities, they didn't need a local priorities amount once teacher salary benchmarks had been adjusted.

To put the issues into perspective, to return to the Conservative government's \$200 per student local priorities amount would require an additional investment of approximately \$380 million. The 5% of operating funding recommended by the Crombie "Who Does What? Panel in 1997 would require an additional investment of \$900 million. The 10% of operating funding recommended by every other Ontario funding review would require \$1.8 billion in additional funding.

As far as local priorities funding is concerned, Ontario is now back to where it was in the Harris government’s initial version of the funding formula, with no formal recognition of local priorities whatsoever. That isn’t where the local priorities funding story ends, however. Boards have turned to school-generated funding as a substitute source of revenue.

School-generated funding — a recipe for upside-down equity

In a system that is supposed to deliver education equitably across the province and spend unequally in order to offset individual educational disadvantages, school-generated funds have become significant sources of revenue — revenue that is available only to support activities in local schools.¹⁰ Programming beyond that covered by the funding formula is available in Ontario, but only if your child attends a school in a community that is able to generate substantial funds locally.

According to the government’s EFIS data for 2007–8 — the last year for which final data are available — school-generated funding reached a

total of \$595 million.¹¹ That total exceeds by more than 50% the local priorities amount removed from the funding formula by the McGuinty government in 2004–5.

Preliminary estimates for 2008–9, which forecast total school-generated funding of \$537 million from the 64 of 72 boards that reported, show average school-generated funding of \$301 per student and \$117,500 per school in the province. Fundraising, on average, amounted to 3.1% of operating funding across the province.

The inequities associated with reliance on school-generated funds are evident even at the board-to-board comparison level. School-generated funding per student ranged from \$148 to \$748; on a per-school basis from \$25,000 to \$216,000; and as a percentage of operating revenue, from 1.2% to 5%.

Figures 4, 5 and 6 show the distribution of boards by school-generated funds per student, per school and as a percentage of operating revenue. Figure 6 shows how Ontario’s students are distributed, based on their school boards’ ability to generate school-based funds.

FIGURE 4 Distribution of boards by school-generated funding per student

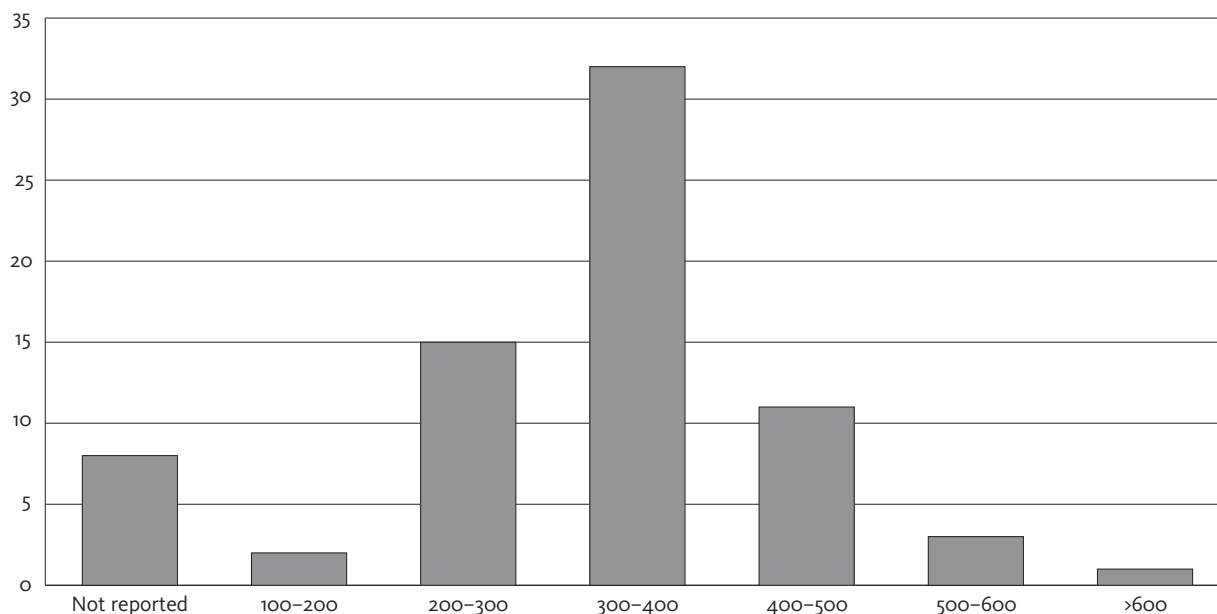


FIGURE 5 Distribution of boards by school-based funding per school average

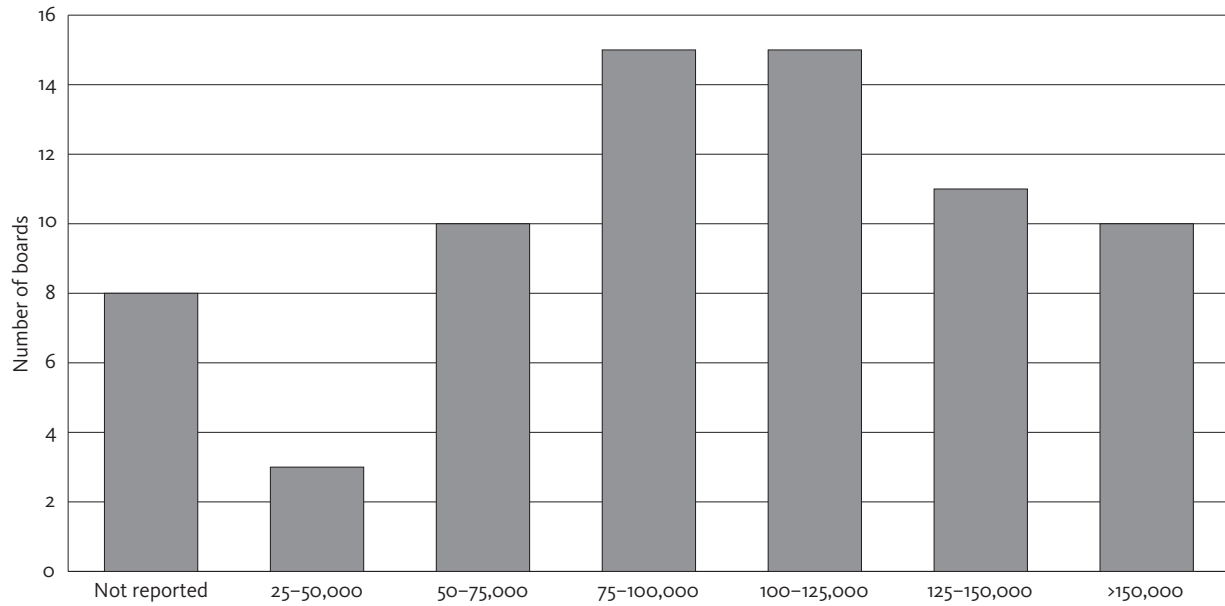
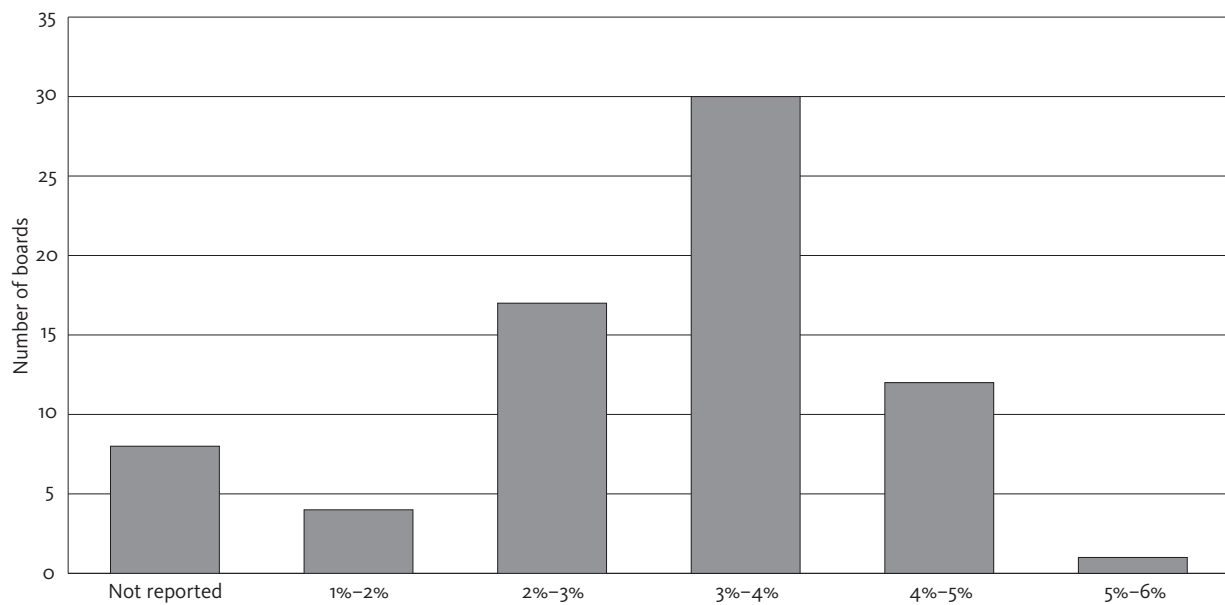


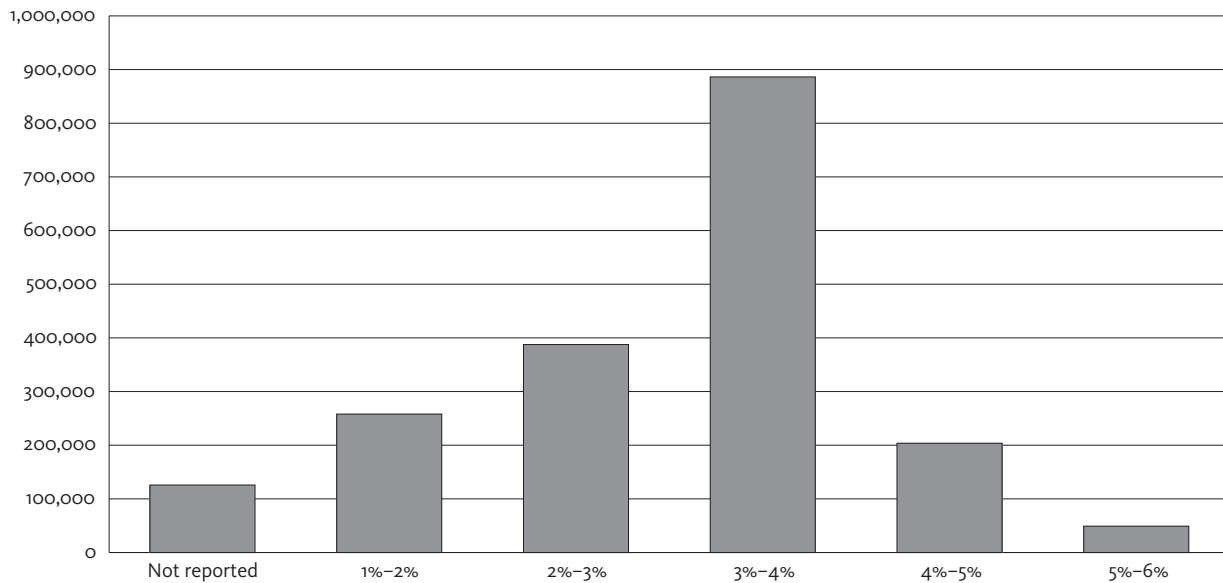
FIGURE 6 Distribution of boards — school-generated funding as % of operating



Perhaps a clearer indication of the equity implications of reliance on school-based fundraising emerges in a comparison of funding under the learning opportunities grant — the funding

intended to address the special needs of students at risk, which is distributed based on need — and fundraising revenue.

FIGURE 7 Distribution of students by board's school-based funding as % of operating



An analysis of fundraising revenue compared with LOG funding on a board-by-board basis reveals some disturbing patterns. The point of the Learning Opportunities Grant is to distribute revenue unequally among school boards, with the distribution based on demographic indicators of students at risk. The difference between actual LOG revenue and an equal per student distribution of the same total revenue at the individual board level is an indicator of the extent of “at risk student” need at that board, relative to the provincial average. Boards that receive less from the demographic portion of the LOG than the provincial average would be considered to be less in need of additional resources than the average; boards that receive more from the demographic portion of the LOG than the provincial average would be considered to be more in need of additional resources.

For every board that receives less than the provincial average LOG, fundraising revenue is sufficient to wipe out the difference between that board’s LOG funding and the provincial average.

In other words, fundraising serves to “undo” the intended effect of the LOG.

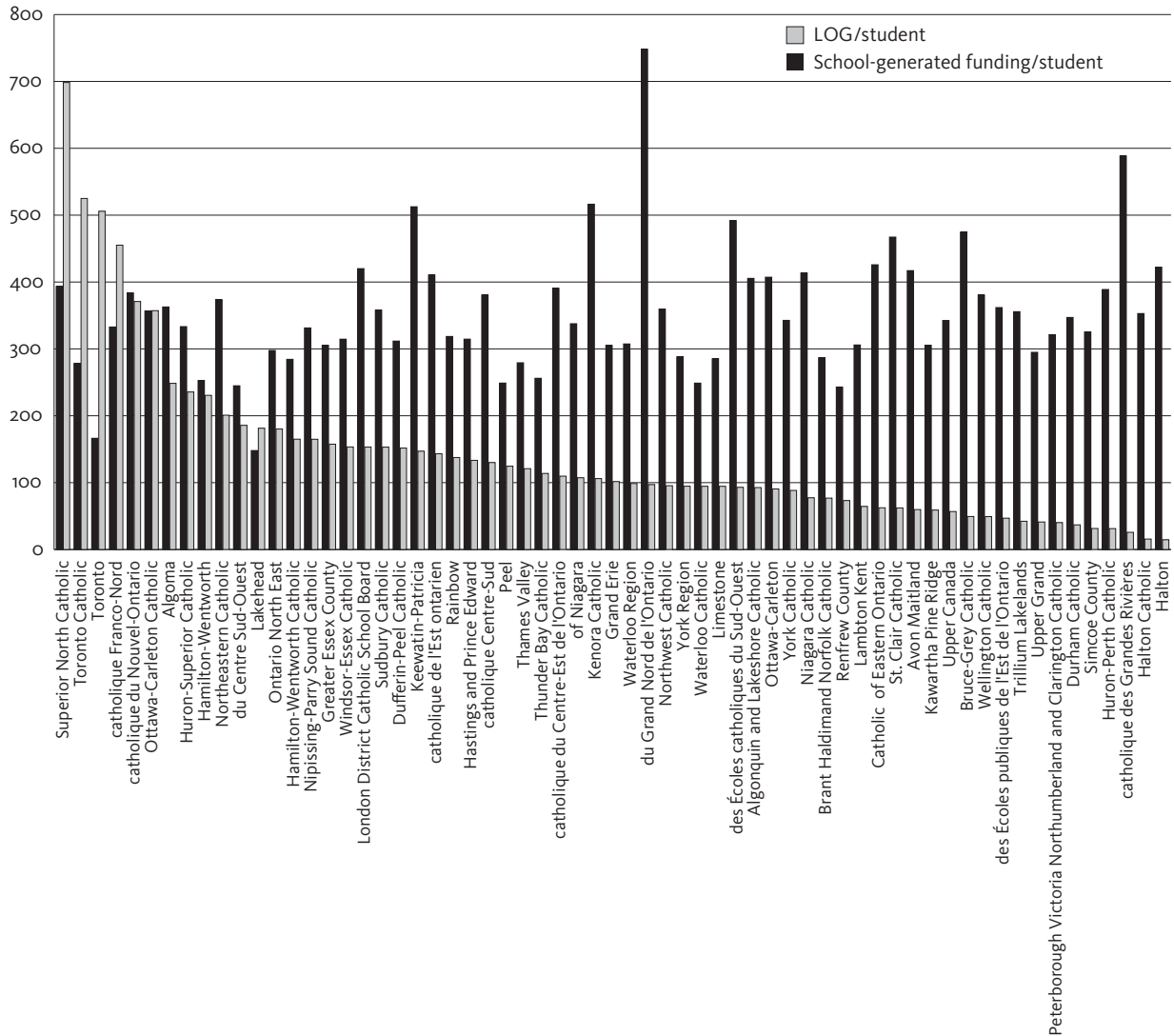
Figure 8 shows the demographic portion of the LOG, per student, compared with fundraising per student, with the boards arranged from the highest demographic LOG per student to the lowest. It shows that, with the exception of a very small number of boards, fundraising generates far more revenue than the LOG and that, even for those few boards, fundraising offsets a substantial portion of the gain they realize from the LOG.

The LOG-reversing effect of school-generated funding is clearly evident from the chart.

To put the issue slightly differently, the eleven boards that receive more than the provincial average per student in LOG funding account for 61% of LOG funding, 25% of enrolment, and only 19% of total school-generated funding.

The upside-down equity inherent in school-based fundraising is evident even at the board level. We know, however, that within boards, school-generated funding varies dramatically, with schools in more affluent areas raising more

FIGURE 8 School-generated funding and the Learning Opportunities Grant



revenue than schools in lower-income areas.¹² And because school-generated funding stays at the school, boards are not in a position to mitigate the inequality within their own areas.

It would be bad enough if these funds were limited to paying for goods and services that have no educational purpose — although in that case, one might wonder why the school is generating the funding — but the evidence is that school-generated funding is being used to pay for serv-

ices and equipment that used to be provided as a matter of course by the school system itself.

“In some cases, parents are raising funds for things no longer funded by school boards or the province, such as playground equipment (46% of schools) and musical instruments (35% of schools). In many cases, parents are raising money for arts enrichment (37%) that schools can no longer afford.”¹³

A narrow view of education and the role of schools

No assessment of Ontario's funding formula for elementary and secondary education is meaningful without considering the views of what constitutes education and the role of schools in the community upon which it is based.

In the worldview of the Harris government, the purpose of education was to convey basic skills (reading, writing and arithmetic) in a classroom interaction between a teacher and a student. The idea that education might take place outside of a single classroom setting — in a specialized outdoor education centre or on a class field trip — was neither considered nor funded. Nor was the idea that education might include such subjects as art, music or physical education that might require specialized teachers and/or specialized facilities. No explicit consideration was given to the need to provide before- and after-school supervision or lunchroom facilities and supervision, much less school breakfast and lunch programs. The idea that education might include ensuring that students are ready to learn at the beginning of the school day and should be supported after the end of the day was not part of the program for the Harris government. That nutrition, health and personal security might

be part of the job of the school system was a completely foreign concept — as remote from the Harris government's view of the purpose of education as the 1950s world of Ward and June Cleaver and their son Beaver.

Equally foreign to the Harris government's view was the idea that schools might play a role in their communities beyond being the place where children were required to be between 9:00 a.m. and 3:30 p.m. There was no provision in the formula for extra-curricular activities or for after-hours community use of the facilities. The more expansive role envisaged for schools by social policy analysts in the late-1980s as hubs for the delivery of a wide range of family-oriented social services was not on the government's agenda.

The role that some school boards played in their communities in adult education was not recognized at all. Funding was provided for adult day school programs leading to a secondary school diploma, but not for any other programs.

As an example, adult day students are funded at a rate of \$3,046 per full-time-equivalent student, as compared with secondary school funding of \$5,387 per student. This is for students taking

exactly the same curriculum as that taken by students under the age of 21. Across the province, the underfunding of adult studying the provincial curriculum adds up to roughly \$55 million.

More tellingly, the formula provides no funding at all for community-based programming for adults beyond the standard provincial curriculum.

Of course, the government did not specifically forbid boards from providing these services. However, the costs of those services were deemed to be administrative expenditures, subject to the maximum allocation for administrative costs in the formula.

As the initial transitional funding expired, all of these “non-classroom” activities came under increasing financial pressure. Programs were canceled. Facilities were closed. Community use fees were increased dramatically, diminishing community use of the facilities.

Some of the most obvious negative effects have since been addressed through ad hoc meas-

ures. Limited special funding has been provided to support community use of school facilities. New collective agreements for elementary and secondary teachers have provided funding to support the staffing of specialized programs. Crises like the emergence of violent crime on school property have prompted additional funding for supervision and other programming.

But these changes are add-ons; they do not represent fundamental change. As long as the guiding principle behind the formula is the provincial government’s attempt to prevent school boards from wasting money outside the classroom, Ontario will have trouble providing what students need to succeed in a complex modern society and economy.

To reform elementary and secondary education funding in Ontario, we first need to bring into the 21st century the guiding principles and goals of elementary and secondary education.

Distinguishing between fixed and variable costs

The political marketing of “Student Focused Funding” said all that needed to be said about the key drivers of the funding formula. Directly or indirectly, a significant proportion of the funding provided under the formula is driven by head counts. The implicit assumption underlying enrolment-driven funding is that a corresponding proportion of school boards’ costs vary continuously with changes in enrolment. As long as the general environment was one in which enrolment in general was growing, that implicit assumption was essentially untested. As declining enrolment became more widespread in the 2000s, however, it became clear that assumption was unrealistic.

In 1999–2000, 37 of the 72 boards accounted for 30% of 1999–2000 enrolment declines from the previous year. In 2009–2010, 55 boards accounting for 72% of enrolment experienced declines.

The formula was altered in two respects to take that into account. First, it was recognized that some expenditures linked to enrolment could not be adjusted immediately in response to a change in enrolment, and a new grant called the Declining Enrolment Adjustment was introduced for the school year 2002–3. This grant has

been adjusted several times since its introduction, initially to make it more generous to school boards and more recently to make it less costly for the provincial government.

While the declining enrolment grant makes sense in principle, it is subject to two significant problems. First, it assumes implicitly that the proportion of funding that varies with enrolment is appropriate. In general, however, that is not the case. And the extent to which that is not the case varies depending on the student population and geography of the board. Second, it assumes implicitly that all of the expenditure adjustments a board must make in response to declining enrolment can be made within three years of the enrolment decline. In some cases, that may be true. But the period of adjustment required will vary from area to area, depending on the student population and geography of the board as well as the period of enrolment decline. The task of managing an enrolment decline in a large board experiencing a one-time decline in enrolment from year to year is quite different from the task in a smaller board which has been experiencing steady reductions in enrolment over a number of years.

The second adjustment in the formula addressed the effect of enrolment changes on costs in 2006–7, with the introduction of the School Foundation Grant. This new grant covers school-based administrative costs that had previously been funded from a combination of the enrolment-based Foundation Grant and a number of special purpose grants related to geographic location. The notable feature of the School Foundation Grant is that its starting point is the school, rather than the individual student. While it is linked to enrolment, the increase is not strictly proportional. The grant covers school principals, vice-principals and school-based administrative support staff.

This change was a welcome departure from the strict head count basis on which these functions were previously funded. But curiously, the

concept has not been extended to other school-based functions that are just as difficult to subdivide to the student level as school-based administration. A school library, for example, is a school-based rather than an enrolment-based service. Similarly, there are limits to the extent to which custodial services can be subdivided on an enrolment basis.

With enrolment expected to continue to decline over the next few years in response to broad demographic trends, it is important that a revised funding formula make a more sophisticated and realistic distinction among costs that are variable in the short run with enrolment changes, costs that are variable only in the longer run with enrolment changes, and costs that are very difficult to change as enrolment varies.

Accountability for system wide achievement of Ontario's objectives

Financial accountability has been a persistent theme behind the provincial government's approach to formula-based funding right from the beginning. In the original version of the formula, boards were required to report in detail on their revenue and expenditure through the provincial government's Education Finance Information System. As part of that general reporting requirement, boards were required to respect three specific limits on spending flexibility.

Grant revenue deemed by the provincial government to be classroom spending, as defined by the government, was required to be spent on classroom functions, again as defined by the government. Special education was required to be spent on special education. And no more than the amount provided for administration in the funding formula could be spent on administration.

Since the formula's introduction, a number of additional reporting and enveloping requirements have been introduced as new grants have been added. For example, with the introduction of the class size reduction grant for elementary schools, the McGuinty government required an accounting by boards of how they were using the funding to reduce class sizes. More recently, the

government has responded to concerns about the use of ESL funding by requiring boards to report the amount they spend on ESL programming as part of the EFIS reporting system.

Two features dominate the approach to accountability taken by successive provincial governments. First, accountability is primarily financially based rather than program based. Second, for the provincial government, accountability is a one-way street. School boards are responsible to the province for their use of provincial funding, but the province is accepting no accountability for the adequacy of the funding it is providing to the system.

Adhering strictly to a financial accountability framework is politically convenient for a provincial government. It puts school boards on the defensive. And it goes hand-in-hand with the provincial government's insistence that its grants do not actually promise the programming implied by the title of the grant, but rather are mechanisms for generating funds over which boards have full discretion. That position allows the government simultaneously to take credit for recognizing the need for a given type of programming — ESL instruction, for exam-

ple — while taking no responsibility whatsoever for whether or not that programming is actually delivered anywhere in the province.

The history behind the Learning Opportunities Grant illustrates the phenomenon quite clearly.

The expert panel that studied the Learning Opportunities Grant included in its recommendations a requirement that school boards account in detail for their use of the funding to support the students at risk. The government chose not to require that program-level accountability because had it done so, it would have had to deal directly with the fact that it was not providing sufficient funds for either teacher salaries or school operations and maintenance. The government preferred to pretend that it was supporting students at risk through the LOG, even though it was fully aware that glaring holes in the funding formula were forcing boards to spend the money elsewhere.

The Harris-Eves government played the same game with the local priorities amounts in the Foundation Grant, insisting boards had the resources to meet special local needs and knowing boards were using the funds to pay their teachers.

The McGuinty government essentially admitted as much when it reduced the LOG and eliminated the local priorities amounts to offset the cost of adjusting teacher salary benchmarks to more realistic amounts in 2006–7.

Now the McGuinty government is doing exactly the same thing with school renewal funding and the grant for school operations and maintenance. Inadequate funding for school operations and maintenance is now covered up by boards' ability to allocate maintenance expenditures to school renewal projects. In the accounting system, boards appear to be spending less than their operations allocations on school operations and maintenance. However, that has generally been the case only since the renewal program began in 2004–5 and will cease to be the case as soon as that program expires.

In resisting program level accountability, provincial governments have cited the need to preserve board autonomy as a justification. In fact, the lack of program level accountability preserves the provincial government's ability to have it both ways — to claim credit for providing funding without accepting responsibility for its use.

This explanation for the provincial government's approach to accountability highlights the most glaring weakness in the accountability system: the lack of any accountability on the part of the provincial government for the adequacy of funding, given its educational objectives. In this one-way accountability system, the provincial government is free to fund the system inadequately and criticize boards that find themselves in financial difficulty or in conflict over budgetary matters with citizens and parents. The relationship between budgets and policy objectives is critical. More ambitious policy objectives carry higher costs. Without a reverse accountability mechanism for the provincial government, it is free to articulate ambitious objectives for the system without paying for them.

The government has made it clear that its goal for public elementary and secondary education is to increase the overall level of educational attainment in Ontario and to equalize the opportunity of all Ontario students to realize their academic potential. The government has never come to terms with the funding implications of that kind of commitment. The expert panel studying the Learning Opportunities Grant recommended such a study, as did the Rozanski Task Force. No such study has been conducted. As a result, we are no better able to determine what it would cost to meet Ontario's educational objectives today than we were in 1997 when the formula was developed.

Indirect evidence suggests that we are investing far less in elementary and secondary education than would be required to meet those objectives. The inflation-adjusted demographic component of the Learning Opportunities Grant is far lower

than the amount the 1997 expert panel estimated boards were actually spending in 1997. And without program accountability, there is no assurance the funding that is provided is actually

going to special programming for students at risk — not because boards are evil, but because underfunding in other areas of the formula places overriding demands on the money.

Funding adequacy in context

It is instructive to look at the scale of investment in elementary and secondary education by the Bloomberg administration in New York City, as a point of comparison.

In 2008–9, New York City allocated \$17.6 billion in operating funding to serve a student population of just over one million (1,029,459).¹⁴ New York’s operating funding for elementary and secondary education works out to \$17,096 U.S. per student. Taking account of the differences in purchasing power parities (a more reliable and stable adjustment than using exchange rates) to translate U.S. dollars into Canadian dollars, New York’s operating expenditure per student in its elementary and secondary education system is approximately \$20,600. That compares with Ontario’s 2008–9 average of \$9,459 and the City of Toronto’s \$9,697.¹⁵

Ontario is clearly not in the same league as New York City when it comes to its financial commitment to elementary and secondary education.

The weakness of Ontario’s elementary and secondary education commitment relative to New York City’s is not an aberration.

Using data from the U.S. National Center for Educational Statistics for the United States and

from Statistics Canada for Canada, Ontario’s operating expenditures per student in 2006–7 would have placed it 46th among U.S. states and the District of Columbia, ahead of Mississippi, Oklahoma, Arizona, Idaho and Utah and just behind Nevada and Texas.¹⁶

Among Canadian jurisdictions, Ontario ranks 9th among the 13 jurisdictions, below the national average.¹⁷

Canadian jurisdictions as a group tend to have operating expenditures per student well below their U.S. counterparts. Among the south-of-60 provincial jurisdictions in Canada, the province with the highest per student operating spending ranks 44th among the 64 jurisdictions in North America. BC, Quebec and Ontario rank 52nd, 53rd and 54th, respectively.¹⁸

Looking strictly at the U.S. states that Ontario tends to think of as its peers, the picture looks much worse. Figure 10 shows Ontario’s operating spending on elementary and secondary education relative to those peer jurisdictions: Ontario is at the bottom of the pack.

FIGURE 9 Operating Funding per Student, Elementary and Secondary Education
Ontario, Toronto and New York City, 2008–9 School Year

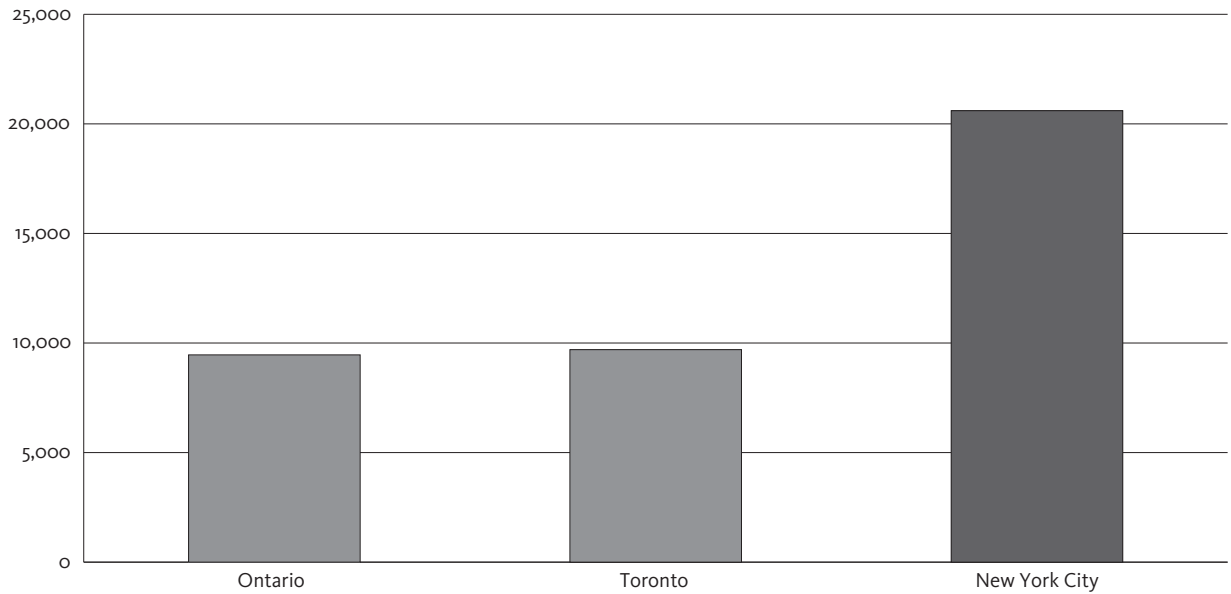
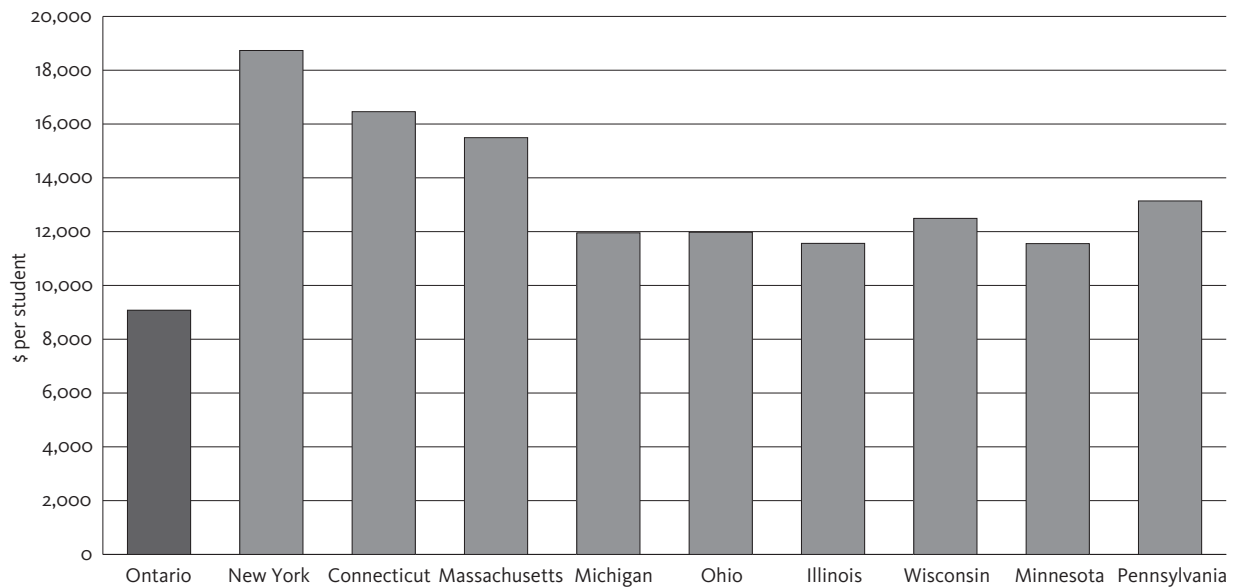


FIGURE 10 Operating spending per student 2006–7 school year Ontario and US peer jurisdictions



Time to focus on the real issues in education funding

Over the past 15 years, the debate about funding for public education in Ontario has revolved around the impact of the provincial government's assumption of complete control over funding, the cuts in funding that accompanied that takeover and the internal equity, or lack thereof, in the formula for funding allocation.

We have lost track of our goals for public education. We have left unexamined the contention by a series of provincial governments that there is enough funding flowing into the system to enable it to meet the challenges posed by an increasingly diverse student population and the rising expectations for education's role in Ontario's economic future. And we have been so internally focused that we have lost touch with developments in public support for education in jurisdictions that matter to this province economically.

Somehow, we have to lift the debate over education funding adequacy from the zero-sum game that gets played every year at school boards across the province to a forum in which we can debate seriously the objectives we as a society have for the system and the level of funding that is necessary to achieve those objectives. The system we

have now works against that kind of discussion. And reviews of the funding formula every five to 10 years simply do not do the trick.

In a parliamentary democracy, budgetary decisions for every government undertaking, including public elementary and secondary education, will be considered by the government, tabled in the legislature by the Minister of Finance and considered by the legislature before final approval. The routine assessment of budgets and estimates by legislative committees cannot provide the breadth and depth of assessment and reassessment that true accountability would require.

After the fact, expenditure decisions are subject to review by the Auditor General through an audit of the financial statements and through special value-for-money audits. But the mandate of the Auditor General is to determine whether the spending decisions of the legislature are executed effectively and efficiently. It is not to second guess those expenditure decisions.

The Education Quality and Accountability Office provides assessments of student performance and conducts research on topics of interest to educators, but does not address programming or budgetary issues.

School boards are perhaps best placed to assess what they need to deliver on the government's programming expectations, but boards are increasingly under government control, sensitive to their political relationship to the government and widely perceived as self-serving.

Public education in Ontario is suffering from, and is being short-changed by, an accountability gap. We need to understand clearly the incentives that are built into the structure and financing of the funding formula. We need to understand the impact of obscure changes in the way funding is delivered. We need to understand clearly the trade-off between cost and quality that is implicit in every year's budget allocation for elementary and secondary education. We need to understand how much it would cost if we actually delivered the programs needed to provide an equal opportunity for every student in Ontario to succeed. We need to know what school

boards are actually doing with the funds that are being provided for specialized programming. We need to know that our elementary and secondary education system is constantly being challenged to be better, and not simply to perform within the limits of the spending envelope provided by the Minister of Finance.

The Ministry of Education cannot and will not do the job because it is the Ministry that must be accountable for the government's decisions.

We need an independent body responsible for accountability and oversight for public education in Ontario; a body that can speak credibly about the funding and programming that are required for student success, and which has the resources to evaluate the effectiveness of school boards and the Government of Ontario in achieving our educational objectives. Periodic ad hoc commissions and task forces are obviously not enough.

APPENDIX I

Notes on Data

The Ministry of Education is the sole source for reliable information about funding and spending in the Ontario education system.

Funding data are drawn from School Board Funding Projections released annually by the Ministry of Education. Long-term financial analyses in this report employ a compilation of grant and enrolment data for each board from 1997 to 2009–10 created by the author from various years' annual reports. Data for school years 2002–3 to the present were provided in electronic form by the Ministry of Education. Data for prior years are from prior years' annual reports.

For the analysis of specific grants, these data have been supplemented by data from tables in the annual General Legislative Grant regulations under the Education Act. Data on school board operations and maintenance costs were originally made released in 1998 via disclosure in legal proceedings between the Ontario English Catholic Teachers' Association and the Government of Ontario concerning the constitutional validity of the provincial government's assumption of control over education funding.

Detailed data on spending and other quantifiable aspects of school boards' activities are

prepared by school boards in accordance with a standardized format and collected for all boards by the Ministry of Education. The Ministry makes a compilation of the data available on a restricted basis.

Statistics Canada's Education Price Index is a useful source of information about changes in costs for school boards in Ontario. Unfortunately, the index is not updated annually; the most recent year for which data are available is 2003. Using the breakdown between salary and non-salary costs in the index, however, costs can be projected beyond the end date of the index using CPI data for the non-salary proportion of costs and the publicly available data on teaching and non-teaching salary increases.

For comparisons with jurisdictions outside Ontario, the study relies on the common standards established at the national level in the United States by the U.S. Department of Education and in Canada by Statistics Canada. The U.S. definition of "current expenditures" and the Canadian definition of "operating expenditures" are essentially identical. Both include the costs of employees' pensions and benefits and exclude

expenditures related to capital, including debt service charges.

It should be noted that the aggregate Canadian and U.S. data for Canadian provinces and U.S. states include all pension costs, whereas the administrative data for Ontario school boards exclude the pension costs for teachers and other board employees who participate in the Ontario Teachers' Pension Plan. Ontario data do include the pension costs for non-teachers, who participate in the Ontario Municipal Employees' Retirement System. As a result, the Statistics Canada data for Ontario will show an average expenditure level that is slightly higher than that calculated from the Ministry of Education's board-by-board data.

For the record, it should be noted that it is much more difficult to obtain reliable data about elementary and secondary education in Canada than it is in the United States. While this is true in many fields, the problems have been exacerbated in education by Statistics Canada's efforts

towards cost recovery. Statistics Canada collects substantial data on elementary and secondary education in Canada through various surveys. Access to the data is, however, extremely restricted. There is one free publication — the Summary Public School Indicators for the Provinces and Territories — that served as the data source for this paper's interprovincial comparisons. The Summary is not, however, issued as a data set. Rather it is issued as a Statistics Canada Research Paper. The source data are not available through the fee-based CANSIM system, presumably because of restrictions imposed by the source of funding for the surveys. Access is tightly restricted to academic researchers in faculties of education at Canadian universities and others to whom special permission has been given.

The Education Price Index, which serves as a useful basis for distinguishing between real funding changes and the impact of inflation in the education sector was last released in March 2005 covering the period to the end of 2003.

APPENDIX II

Ontario in the context of U.S. elementary and secondary education jurisdictions, 2006–7

Jurisdiction	Per-student spending	Rank	Jurisdiction	Per-student spending	Rank
New Jersey	19,477	1	Indiana	10,942	27
New York	18,733	2	Oregon	10,795	28
District of Columbia	18,691	3	California	10,787	29
Connecticut	16,460	4	Louisiana	10,769	30
Vermont	16,423	5	New Mexico	10,663	31
Rhode Island	16,211	6	Missouri	10,662	32
Wyoming	15,914	7	Iowa	10,593	33
Massachusetts	15,493	8	North Dakota	10,449	34
Alaska	14,851	9	Florida	10,324	35
Maryland	14,430	10	South Carolina	10,322	36
Delaware	14,171	11	Washington	10,272	37
Maine	14,031	12	Alabama	10,120	38
Hawaii	13,328	13	Arkansas	10,111	39
New Hampshire	13,300	14	Colorado	9,985	40
Pennsylvania	13,141	15	South Dakota	9,717	41
Wisconsin	12,493	16	Kentucky	9,568	42
Virginia	12,308	17	North Carolina	9,493	43
Nebraska	12,132	18	Texas	9,460	44
Ohio	11,978	19	Nevada	9,407	45
Michigan	11,956	20	ONTARIO	9,079	46
West Virginia	11,721	21	Mississippi	8,988	47
Illinois	11,564	22	Oklahoma	8,953	48
Minnesota	11,555	23	Arizona	8,843	49
Kansas	11,138	24	Tennessee	8,591	50
Montana	11,075	25	Idaho	8,011	51
Georgia	10,968	26	Utah	6,876	52

APPENDIX III

Ontario and Canadian Provinces and Territories

Jurisdiction	\$ per student 2006-7	Rank
Yukon	17,624	1
NWT	14,274	2
Nunavut	13,273	3
Manitoba	9,926	4
Alberta	9,689	5
Saskatchewan	9,619	6
British Columbia	9,180	7
Quebec	9,125	8
ONTARIO	9,079	9
Nfld. & Labrador	8,897	10
Nova Scotia	8,782	11
New Brunswick	8,422	12
PEI	8,121	13
CANADA	9,213	

APPENDIX IV

Ontario and elementary and secondary education jurisdictions in North America

Jurisdiction	Per-student spending	Rank	Jurisdiction	Per-student spending	Rank
New Jersey	19,477	1	Kansas	11,138	27
New York	18,733	2	Montana	11,075	28
District of Columbia	18,691	3	Georgia	10,968	29
Yukon	17,624	4	Indiana	10,942	30
Connecticut	16,460	5	Oregon	10,795	31
Vermont	16,423	6	California	10,787	32
Rhode Island	16,211	7	Louisiana	10,769	33
Wyoming	15,914	8	New Mexico	10,663	34
Massachusetts	15,493	9	Missouri	10,662	35
Alaska	14,851	10	Iowa	10,593	36
Maryland	14,430	11	North Dakota	10,449	37
NWT	14,274	12	Florida	10,324	38
Delaware	14,171	13	South Carolina	10,322	39
Maine	14,031	14	Washington	10,272	40
Hawaii	13,328	15	Alabama	10,120	41
New Hampshire	13,300	16	Arkansas	10,111	42
Nunavut	13,273	17	Colorado	9,985	43
Pennsylvania	13,141	18	Manitoba	9,926	44
Wisconsin	12,493	19	South Dakota	9,717	45
Virginia	12,308	20	Alberta	9,689	46
Nebraska	12,132	21	Saskatchewan	9,619	47
Ohio	11,978	22	Kentucky	9,568	48
Michigan	11,956	23	North Carolina	9,493	49
West Virginia	11,721	24	Texas	9,460	50
Illinois	11,564	25	Nevada	9,407	51
Minnesota	11,555	26	British Columbia	9,180	52

Jurisdiction	Per-student spending	Rank	Jurisdiction	Per-student spending	Rank
Quebec	9,125	53	Nova Scotia	8,782	59
ONTARIO	9,079	54	Tennessee	8,591	60
Mississippi	8,988	55	New Brunswick	8,422	61
Oklahoma	8,953	56	PEI	8,121	62
Nfld. & Labrador	8,897	57	Idaho	8,011	63
Arizona	8,843	58	Utah	6,876	64

Notes

1 Data on school board funding and enrolment are drawn from the annual School Board Funding Projections and the Education Funding Technical Papers issued annual by the Ontario Ministry of Education. The author acknowledges with thanks the assistance of the Ministry in providing an electronic copy in spreadsheet form of the 2009-10 Funding Projections. Other sources of data include the annual General Legislative Grant regulations under the Education Act and the annual Education Finance Information System (EFIS) reports filed by boards, aggregated by the Ministry of Education.

Education cost adjustments were made using Statistics Canada's Education Price Index for the period 1997 to the most recent year for which it was available — 2003 — updated to 2009–10 based on negotiated collective bargaining settlement increases and changes in the Consumer Price Index.

See Appendix I for a more detailed review of data sources and methods.

2 Expert Panel on Special Education Funding, Ontario Ministry of Education and Training, August 29, 1997, p.5.

3 Expert Panel on Special Education Funding, p.11. The Panel recommended a comprehensive study of actual expenditures on special education vs. provincial funding as a basis for determining the appropriate level of funding in the new formula. If that study was ever done, it was never released publicly.

4 Interestingly, the current funding level of \$2.2 billion translates back to 1997 funding of \$1.5 billion that corresponds to an excess over 1997 funding of 75%, close to the top end of the 23% to 75% range identified in the Expert Panel's sample.

5 Learning Opportunities Grant: Panel Report to the Minister of Education and Training, Ontario Ministry of Education and Training, August 29, 1997, p.2 (LOG p.2)

6 Investing in Public Education: Advancing the Goal of Continuous Improvement in Student Achievement, Report of the Education Equality Task Force, Ministry of Education, Ontario, December 2002, recommendation # 5

7 People for Education, The Annual Report on Ontario's Schools 2008, p. 20

8 Note that these numbers are based on preliminary EFIS data for 2008–09 and do not include data for

the Toronto District School Board, by far the largest recipient of ESL funding under the formula. The TDSB's allocation for ESL is 34% of the total allocation for ESL / PDF province-wide.

9 See the chapters on local government finance in "Fair Taxation in a Changing World", the report of the Ontario Fair Tax Commission, University of Toronto Press, 1993 and the report of the Property Tax Working Group of the Ontario Fair Tax Commission, 1992 for a discussion of this issue.

10 School-generated funds include parent fundraising, fees for materials, field trips and activities, net revenue from vending machines and cafeterias, funding from charitable organizations etc.

11 "Wanted: a Renewed Vision for Public Education", Annual Report on Ontario's Public Schools 2009, People for Education, 2009, p.9

12 People for Education, 2009, pp. 8–9

13 People for Education, 2009, p.9

14 Source: New York City Department of Education; Data About Schools; schools.nyc.gov To make the data comparable to Ontario's operating funding data, the New York City data exclude pension costs, which in Ontario are funded directly by the Provincial Government and debt service costs, which are

accounted for as capital. New York City's debt service and pension costs come to a total of \$3.45 billion.

15 Data for the City of Toronto combine the funding and enrolment for the Toronto District School Board and the Toronto District Catholic School Board.

16 See Appendix II for the complete list. Enrolment and operating expenditure data were drawn from the respective national sources.

United States: "Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2006–07 (Fiscal Year 2007)", National Center for Education Statistics, Institute of Education Sciences, U.S. Department of Education, February 2009 NCEs Document 2009–337

Canada: Riley Brockington, "Summary Public School Indicators for the Provinces and Territories, 2000/2001 to 2006/2007", Research Paper, Culture Tourism and the Centre for Education Statistics, August 2009 Statistics Canada catalogue number 81–595-M—No. 078

U.S. dollars were converted into Canadian dollars using the OECD's purchasing power parity measure for 2006–7.

17 See detailed list in Appendix III

18 See Appendix IV for details

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