

SHORTCHANGING ONTARIO STUDENTS

AN OVERVIEW AND ASSESSMENT OF EDUCATION FUNDING IN ONTARIO



**ELEMENTARY TEACHERS' FEDERATION
OF ONTARIO**

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Executive Summary

September 22, 2017 marks the 20th anniversary of the introduction of Bill 160, euphemistically entitled the *Education Quality Improvement Act, 1997*. By assuming complete control of the finances of all school boards in Ontario, the bill ended nearly two centuries of local initiative in and accountability for the delivery of elementary and secondary education. It did so by eliminating the right of local school boards to raise revenue from the local property tax base and requiring boards to operate within the limits of a funding formula established under provincial regulation.

Despite its title and the language of fairness and equity that peppered the government's statements in support of the bill, its overriding purposes were to reduce overall spending on elementary education and transfer resources from "wealthy" large urban school boards to other less "wealthy" boards, most notably rural and remote as well as Catholic boards.

On day one, the formula was designed to reduce education operating spending, on an enrolment-and inflation-adjusted basis, by \$833 million below its provincial total in 1997. By 2002-03, on an enrolment-and inflation-adjusted basis, funding had dropped to a level \$1.7 billion below its pre-formula base and \$913 million below its 1998-99 level.

Key areas affected by funding cuts

The impact of the reduction in funding was distributed throughout the system:

- Because the formula provided less funding than boards needed to employ the teachers they were legally required to employ to meet basic class size standards, school boards diverted funding from programs intended to support students from immigrant families and students at risk.
- Because the formula provided less funding for special education than boards had been spending prior to its introduction, boards were faced with significant unmet needs for special education services.
- Because the formula provided funding for school operations well below the 1997 actual costs for boards serving a majority of the students in the province, deferred maintenance resulted in a marked deterioration in the physical quality of school facilities.
- Because the formula was driven entirely by "classroom spending," art and music education and library services were cut and, in some schools and boards, eliminated.

Findings of Rozanski Task Force on education funding

By school year 2001-02 – only the fourth full year of the formula’s operation – the system had deteriorated to the point where the Progressive Conservative government appointed an independent task force to review the formula. Mordechai Rozanski, former president of the University of Guelph, headed the task force. Its 2002 report recommended an immediate increase in funding of \$1.7 billion a year. It also drew attention to a \$5.6 billion maintenance backlog and recommended additional funding to address that need.

In addition to his significant financial recommendations, Rozanski went beyond his mandate to highlight the negative consequences of the formula’s fixation with uniformity and its inadequate funding for special education, programming for students at risk and support for students whose first language is neither English nor French.

Funding changes under the Liberal government

In some respects, the election of a Liberal government in the fall of 2003 changed the terms of the education debate. The focus of government policy shifted from funding cuts to the implementation of election promises to improve the system. In the elementary system, the new government responded to pressure from the Elementary Teachers’ Federation of Ontario (ETFO) by reducing primary class sizes in its first term and introducing full-day Kindergarten in its second.

A renewed commitment to collective bargaining also had a positive impact. In the mid-2000s, teachers’ salaries and benefits made up some of the ground lost in the 1990s. In addition, through collective bargaining, ETFO made gains in funding for preparation time that enabled the hiring of more specialist teachers in art, music, drama and physical education.¹

Despite these changes, and the shift in tone that accompanied them, the government made a political choice to ignore most of the fundamental issues that had plagued the new funding system right from the beginning. It responded to the gap between funding and identified needs for special education by breaking the link between them and capping funding overall. It ignored recommendations for expanded English as a second language (ESL) programming. It dealt with the underfunding of teachers’ salaries by diverting funding from students at risk and eliminating funding intended to support local priorities. It provided funding for school renewal but left untouched the inadequate funding for operations and maintenance that had created the maintenance backlog in the first place.

As a result, those fundamental issues persist.

¹ Recently, during the 2017 contract extension negotiations with the government, ETFO also negotiated improvements to Kindergarten and grades 4 to 8 class sizes and enhanced supports for special education.

On the surface, it would appear that funding per student has increased substantially. Since 2002-03, the base year for the Rozanski Task Force's analysis, per pupil funding has increased on an inflation-adjusted basis from \$9,114 to \$11,420 in 2016-17. Taking into consideration Rozanski's finding that the system was underfunded by 12.5 per cent in 2002-03 and the new programs introduced since 2003, an apples to apples comparison shows an increase of 7.6 per cent over the 15 years since the Rozanski review.

Funding Highlights

Funding for grades 4 to 8

Funding per student for grades 4 to 8 reached a peak in 2011-12 and has declined since then. For example, on an inflation-adjusted basis, the Elementary Foundation Grant for grades 4 to 8 peaked at \$5,050 in 2011-12; it declined to \$4,770 in 2017-18 or \$4,724 if the reduction in class size from 24.5 to 24.17 negotiated in 2017 is excluded.

Gap between funding for elementary and secondary students

Despite the emphasis in the funding formula on uniformity, the Pupil Foundation Grant has consistently provided a higher level of funding per student for the secondary panel than for the elementary panel. Other grants also have systematically different impacts on elementary and secondary funding per student.

Looking only at funding directly related to programming and teaching, data provided by the Ministry in 2007 showed a differential of \$770 in favour of secondary, dropping to \$438 in 2007-08. Using the same data sources and methodology, the analysis in this paper shows that the differential has increased again to \$612.

A staffing database of Education Funding Information System (EFIS) data for the period 2002-03 to 2015-16 shows the elementary student-teacher ratio declined from 18.7 to 16.8, including special education teachers. The corresponding figures for secondary show a reduction from 17.0 to 15.5.

Staffing

Use of occasional teachers has been relatively stable over the period. Expenditures by public boards on elementary occasional teachers increased slightly from 3.6 per cent of the Pupil Foundation Grant to 4.1 per cent, measured on a consistent basis.

Elementary regular program education assistants virtually disappeared, dropping from 0.6 per 1,000 students in public boards to 0.3. That decline, however, was more than offset by an increase in special education assistants from 9.4 to 12.4 per 1,000 students.

Employment of professionals and paraprofessionals in the elementary panel of public boards has increased from 1.57 per 1,000 students to 2.72 per 1,000 students.

EFIS data on Full-Time-Equivalent (FTE) teaching by principals and vice-principals shows a decline in elementary public boards across the province from 430.5 FTE to 347.2 FTE.

Class size

The data show that, under the Liberal governments since 2003, funding under the formula stabilized and programming has been enhanced through the reduction in class sizes and full-day Kindergarten.

However, the data also show that the funding formula gaps, which existed from the outset and were confirmed by the Rozanski Task Force, have remained essentially unchanged.

Special education

Special education funding under the formula initially fell short of the Harris government's expert panel's estimate of boards' prior expenditure levels. While the gap was reduced in the early years of the formula as the Harris government responded to public pressure to increase funding, in recent years, the Liberal government responded to the needs gap first by putting a cap on funding and then by breaking the connection between identified needs for service and provincial funding levels. As a result, we now have a system for funding special education that bears little relationship to the needs for service that boards have identified through their Identification, Placement and Review Committees (IPRCs).

Despite significant evidence that special education programming needs continue to increase, funding on an inflation-adjusted basis has essentially been stable since 2011.

The change from identified needs to the statistical model, which the government has now finished phasing in, gave rise to significant shifts in funding among boards. In 2016-17 (the last year for which both high needs amounts and statistical amounts were reported), the biggest losers were the two Toronto boards – Toronto public and Catholic – and Halton public, with losses of \$8.6 million, \$6.5 million and \$7.6 million, respectively. The biggest winners in the shift were the Peel public and Dufferin-Peel Catholic boards, making gains of \$13.4 million and \$6.4 million, respectively.

Beyond the impact on overall funding, perhaps the most important consequence flowing from the separation of funding from identified needs is that it has forced a shift in focus at the local level from meeting the special education needs of students to rationing a fixed allocation of funding from the provincial government.

Learning Opportunities Grant

Funding for at-risk students is delivered through the Learning Opportunities Grant (LOG).

The initial concept for the LOG was developed by one of the four expert panels created by the Harris government in advance of the introduction of the funding formula in 1997. It was intended to support a range of special programs for students at risk in the school system. The initial level of funding was controversial. The panel recommended \$400 million to be distributed based on student and community demographic factors as a starting point, while calling for a more in-depth study of future need.

The actual starting point for the LOG was \$158 million. The 2017-18 level of funding for the demographic portion of the LOG is \$358 million, compared with the inflation-adjusted value of the original \$400 million recommendation of \$597 million.

Over time, the funding formula diluted the focus of the LOG by adding components that were unrelated to demographic factors. The Rozanski report addressed both the funding level and dilution of focus. The report recommended an in-depth study of the basis for determining the grant and the level of funding provided, taking into consideration the needs it was intended to address. No such study has been done.

Three other factors have served to diminish the effectiveness of the LOG, considering its original purpose. In the early years of the formula, funds provided through the LOG were used to backfill the significant gaps in funding for basics like paying teachers and maintaining schools. That left very little for programming for students at risk.

The potential for the LOG to overcome the disadvantages facing students from lower-income backgrounds is undermined by the prevalence of school-based fundraising in Ontario. An analysis of data provided through the EFIS database shows that in 2015-16, school-based fundraising generated an average of \$280 per student whereas the LOG demographic grant generated only \$179. Because fundraising tends to be more successful in higher-income communities, it serves to reverse the effect of the LOG in offsetting inequality.

Finally, because the LOG is not earmarked for programming for students at risk, there is no accountability for how boards spend the money. This serves the boards' interests because it amounts to a pool of discretionary funds. It also serves the government's interests because boards can use the funds to offset pressures in other areas of the funding system – pressures that the government would otherwise be forced to address.

The losers are Ontario's students at risk.

English as a Second Language Grants

ESL programming has come under intense scrutiny. The 2002 Rozanski report condemned the level of funding and the associated duration of support as inadequate. Five years later, Ontario's Provincial Auditor examined ESL funding, criticizing the system for determining funding on arbitrary criteria based on birthplace and years of residence rather than on the achievement of a specified level of proficiency.

Furthermore, because the system is based on counts of individual students who meet the regulatory criteria, it fails to recognize the additional costs associated with higher densities of ESL needs in areas with high levels of immigration.

Finally, as is the case with the LOG, there is no requirement that ESL funding be spent on programming for students who need the support.

In a province as dependent on immigration as Ontario is, the failure of its funding system for students for whom English is a second language is shocking and unacceptable.

Local priorities

Throughout its history, Ontario's education system has relied heavily on local school boards as sources of innovation in programming. System-wide programs like French immersion and ESL support didn't get their start as provincial initiatives; they started in local school boards to address local needs.

That fact, along with a realization that no centralized funding formula was ever going to get everything right, led every review of the funding system, up to the implementation of the provincial formula in 1997, to recommend that school boards have access to property taxation to a level equal to a percentage of their provincial funding. Most recommended 10 per cent; the Crombie report commissioned by the Harris government recommended five per cent.

Despite this history, however, the first iteration of the funding formula contained no provision at all for local priorities.

That soon changed with the addition of a local priorities amount of \$100 per student in 2001-02, which subsequently increased to \$200. In 2002, Rozanski recommended setting the local priorities amount as a fixed percentage of the Foundation Grant so that it would increase automatically each year as overall funding levels increased.

Against a backdrop in which funding for teachers fell short of actual costs by an estimated \$10,000 per teacher, however, that funding was not available to fund local priorities. The Liberal government even eliminated that amount from the formula in 2006.

School operations and maintenance

Funding for school operations and maintenance has been a major issue in the funding formula right from the beginning. In its original form, funding was driven by enrolment and uniform allocations of space per student, with a higher number for secondary students than for elementary students. It made no allowance for the use of school facilities for other purposes. The funding provided was not based on actual costs but rather on the costs per square foot of the median-cost board among the 122 pre-consolidation boards. That turned out to be the average of the reported per-square-foot costs of two rural separate school boards.

Over time, the government made changes to make the space allocations more realistic by establishing individual space utilization factors for each school in the province. The grants provided a modest amount of additional funding to support the higher space needs in facilities dedicated for special education. Community and other uses of schools continue to be contentious. Most importantly, the government has never fundamentally re-examined the funding allocated per square foot but simply adjusted it periodically based on year-to-year changes in costs. As a result, many school boards still receive far less funding than would be required to maintain their buildings to an adequate standard.

More recently, the government has begun to use space utilization factors – the percentage of a school’s space considered to represent full utilization – as a lever to force boards to close schools the government views as “underutilized.” In addition to forcing school closures, the government has withheld approval for new school construction from boards with underutilized schools in their systems. That leaves boards unable to respond to demographic and enrolment pattern changes within their jurisdictions.

Student transportation

There are no standards limiting the amount of time a student can expect to spend on a bus getting to school. The consequence is that thousands of students in rural and northern areas spend unacceptably long periods commuting to and from school. Again, there is a reason for the absence of a standard. If the government were to set a standard, it would have to fund to meet that standard.

Declining enrolment

A funding formula driven primarily by student counts places extreme pressure on jurisdictions experiencing declining enrolment. Under the formula, the decline in function associated with an enrolment decline is immediate, whereas adjustments in programming to respond to a decline will inevitably take much longer even if they are possible.

The government recognized that problem in principle through the introduction of a Declining Enrolment Adjustment (DEA) into the funding formula and through the creation of a special

grant for in-school administration that recognizes the reality that school-level administration is not adjustable to individual student head counts.

That, however, falls far short of addressing the impact of changes in enrolment on education finance at the board or school level. In its current form, the DEA provides partial assistance (roughly 35 per cent of the impact of enrolment on funding) for one year and only 25 per cent of that partial assistance in a second year.

This level of support is completely unrealistic. Because boards only know their enrolment within the school year, they have essentially no ability to adjust to changes in enrolment in the first year. While some functions can be adjusted to reflect enrolment changes in the second year, other expenditures that are linked to enrolment in the formula can only be adjusted, if at all, over a longer term.

Lack of Accountability

In the long term, the biggest problem with Ontario's approach to funding elementary and secondary education is the total lack of accountability on the part of the provincial government for the role its funding plays in the system's performance. The funding formula began with a fixation on reducing expenditures and the public discourse ever since has continued that focus.

Conclusion

Education funding in Ontario has lost its way. There are no clearly articulated goals for the system and no standards for its individual components. Consequently, there is no basis for holding the provincial government accountable for the relationship between the funding levels and for what is required to achieve the funding model's goals or meet its standards.

Each year, the government dictates what school boards have to spend. It demands accountability from school boards for the spending of that money, but it accepts no accountability for the adequacy of its overall level of funding or the approach it takes to allocating that funding across the system. The only relevant consideration with respect to total funding is what the funding formula provided last year. The question of the funding allocation is sidestepped by characterizing the situation as a series of conflicts among boards for a fixed funding envelope.

The system is urgently in need of a review and a reality check. Had Rozanski's 2002 recommendations been accepted, we would have had three broad public reviews and 14 annual funding adequacy reviews. We have had none.

As for a reality check, a look outside the self-contained bubble of education funding in Ontario gives considerable cause for concern.

Among Canadian provinces, Ontario ranks 5th in per pupil funding. Of more concern is how Ontario ranks among provincial/state-level jurisdictions in the United States and Canada. Among those 61 jurisdictions, in 2013-14 – the most recent year for which data are available – Ontario ranks 45th. Looking more closely at the jurisdictions Ontario considers its closest competitors economically – the Great Lakes states and provinces and Northeastern U.S. states – Ontario ranks dead last among the 18 jurisdictions compared.

Of course, per student spending isn't the whole story and it is certainly possible to imagine that Canadian jurisdictions are able to do much more with less. However, a differential of 50 per cent should, at the very least, raise some difficult questions about the relationship between the goals for our education system and our hopes for the students in that system, on one hand, and the level of our financial commitment, on the other.

Education Funding Formula Background

The funding of Ontario elementary and secondary education in its early history was made up of a mixture of provincial grants and locally determined property taxes.

In 1967, the Ontario Committee on Taxation (known as the Smith Committee) issued a report, recommending sweeping changes in local government, two of which are relevant to subsequent changes in education finance. First, it recommended the replacement of locally determined systems for value assessment for property tax purposes with a uniform, province-wide system based on market value. Second, it recommended the provincial government introduce a uniform system for funding elementary and secondary education in which 60 per cent of the funding would be provided through provincial government grants and 40 per cent from local property taxes. In shorthand, this became known as 60/40 funding.

These two recommendations were intended to work together. In principle, 60/40 funding could be achieved simply by providing each school board with a grant equal to 60 per cent of its costs, leaving the other 40 per cent to come from local property taxes. However, significant differences in revenue-raising capacity from municipality to municipality would, in such a system, require significantly different levels of “tax effort” (the amount of tax raised relative to the property assessment base) among municipalities and school boards. Uniform property assessment would enable the provincial government to consider differences in revenue-raising capacity among school boards by creating a consistent basis for comparison of tax effort among the municipalities, which levied the taxes to support school boards.

The 60/40 funding promise was to be effected by dividing an amount equal to 60 per cent of overall education costs among school boards in such a way that the tax effort required to fund the local share would be equalized. Thus, from the beginning, it was contemplated that while the share of spending received by school boards in the form of provincial grants would average 60 per cent across the province, that share would vary from school board to school board.

While the provincial government accepted these recommendations from the Smith Committee, in the face of widespread opposition, it decided to delay implementation of province-wide market value assessment while at the same time proceeding with education finance reform. To compensate for the absence of a uniform property assessment system, the government created a complex array of assessment equalization factors designed to determine local shares based on estimates of how tax bases would compare if market value assessment were in place. Provincial grants were based on the revenue that would be raised locally, based on a notional province-wide tax rate levied against each municipality’s “equalized” assessment.

Two key points should be noted: First, while the grants were based on a notional province-wide tax rate, there was no requirement that school boards’ requests for local property tax revenue be based on that tax rate. School boards were still free to set local education property tax rates. Second, the allocation of property assessment between the public and separate systems was based on designated school support, the effect of which was to provide for a much narrower

tax base for most Roman Catholic separate boards than for the corresponding public boards. Consequently, separate boards were in general more grant-dependent than the corresponding public boards.

The new system was fully implemented by 1974 and, as it happens, provincial funding did account for approximately 60 per cent of total local education costs in that year. That, however, was the last such year. Beginning in 1975, the Ministry of Education responded to successive waves of provincial spending constraints by limiting the growth of, and in some years reducing, its contribution to local school board finances. It did so, not by scaling back the percentage of school board spending from the 60 per cent funding promise but by changing the spending base on which the dollar value of the 60 per cent was calculated. Thus, the concept of “recognized spending” as contrasted with “actual spending” was introduced to the provincial elementary and secondary education funding system.

From that point until the new funding formula was introduced in 1997, the Ministry annually determined an amount of spending on elementary and secondary education at the local level that it designated as recognized spending and then provided grants that, across the province, came to a total of 60 per cent of that amount. As a result, actual spending and recognized spending began to evolve on different tracks: actual spending responding to local requirements and the willingness of local taxpayers to support 100 per cent of costs above recognized levels; and recognized spending responding to the spending constraints imposed by the Ministry of the day.

By the early 1990s, the system had essentially collapsed. Recognized spending had been constrained to the point that, in total across the province, it came to roughly 60 per cent of actual total spending. Consequently, provincial funding accounted for only 36 per cent of total education costs – a clear indication that, relative to the expectations inherent in the 60 per cent funding promise, the government was significantly underfunding education.

The diverging tracks of “recognized” and “actual” spending created two classes of school boards: boards with access to strong local assessment bases, which could raise substantial amounts of additional revenue from local property taxes; and boards with relatively weak local assessment bases that were largely restricted to levying the provincial notional tax rate and spending at only the “recognized” level. While the latter category consisted primarily of boards in rural and northern areas, it also included boards whose assessment bases were weaker than those of coterminous boards. In those boards, for competitive reasons, the tax rate would effectively be set by the board with the stronger assessment base, leaving the board with the weaker base underfunded relative to the board with the stronger base. In general, those underfunded boards were Catholic separate boards.

In the end, the discrepancy between recognized and actual spending was so extreme that two boards – Metro Toronto and Ottawa – would have raised more at the notional uniform provincial tax rate than their total recognized spending, i.e., they received no grant revenue from the province whatsoever, and were effectively financially independent of the provincial

government. The Ministry invented the term “negative grant” to describe these boards’ financial position.

Cuts imposed by the PC government

That was the situation facing the Progressive Conservative government of Mike Harris when it was elected in 1995. Committed to a promise to cut personal income taxes by 30 per cent, the new government set out to free up fiscal capacity to offset the revenue loss from its promised tax cuts by reducing grants to transfer payment agencies, most notably school boards, colleges and universities, hospitals and municipalities. In its first full budget in 1996, it reduced funding for elementary and secondary education by \$530 million for 1996-97 and by a further \$100 million the next year.² The government very quickly recognized, however, that in cutting grants to school boards, it was pushing on a proverbial fiscal string. Many school boards simply responded to the cuts in grants by increasing their property taxes; some even drew attention to the provincial government’s responsibility for the increases by including special explanatory notes in their local tax notices.

At that point, the Ministry of Education dusted off proposals, developed in the 1970s, to assume total control of education funding. The government jumped in with both feet. It proceeded immediately to set in motion processes designed to give it political cover. It announced it was going to proceed with the implementation of market value assessment. It appointed former Toronto Mayor David Crombie to report on local property tax funding for education. It created four “expert panels” to address specific issues in education funding.

While the Harris plan was framed as a way to deliver equity in funding across the province and between separate boards and public boards, it emerged during the process that the explicit goal was to reduce total spending on elementary and secondary education by approximately \$750 million. The actual reduction – on an inflation-adjusted per-student basis – was \$883 million, a reduction remarkably close to the \$667 million saving target subsequently revealed to have been included in the performance contract of the deputy minister of education at the time.³ When added to the cuts made during the first two years of the Harris government, the total amount of education funding cuts by 1997-98 equalled \$1.5 billion, a figure that is equivalent to \$2.2 billion in current dollars.

The New Funding Formula – Initial Design and Impacts

Under a title of which George Orwell would have been proud, “Student Focused Funding,” the new formula contained several features intended to put substantial downward pressure on the highest-spending (largely urban public) boards.

² 1997-98 Ontario Budget, Page 64, Table B4.

³ Hugh Mackenzie, Ontario Alternative Budget Technical Paper #5, October 1998, p.7

First, and most important, the government designed the formula to support a narrow definition of “education” for funding purposes. Funding was driven primarily by student head counts and provided primarily for classroom teachers, with only a limited allocation for ancillary services. With a focus, firmly rooted in the 1950s, on the basics of reading, writing and arithmetic, the grants made no explicit allocation for the arts or physical education, no allocation for education readiness programming like school breakfast and lunch programs, and no allocation for educational enrichment such as outdoor education and field trips.

As we will see later, funding for special education and programming for students at risk was far below estimates of what boards had been spending in these areas. Even the basics were not properly funded. School operations were funded at a level per square foot found in the median-cost school board – the average of the costs in two rural separate boards – leaving half the boards in the province representing more than half of the student population receiving substantially less funding than their actual spending before the change. The formula did not provide enough funding to cover the salaries and benefits of the teachers they were required to employ to fulfill class size requirements.

Allocations for key items in the so-called Pupil Foundation Grant were inadequate and arbitrary. There was sufficient funding for teacher-librarians in the grant to provide for only one library for each two average-sized elementary schools. Funding for classroom supplies was arbitrary.

In aggregate, the impact was dramatic, as a detailed retrospective study conducted in June 2001 shows.⁴

Not only was funding reduced overall, once inflation and enrolment change were considered, there were substantial and systematic shifts among boards. Over and above the funding reductions imposed before the new formula was developed, total funding declined by a further \$913 million by 2000-01. That loss was, to say the least, not evenly distributed. Boards whose funding was reduced lost \$1,052 million, offset by \$138 million in gains by other boards. Boards in major urban areas lost a total of \$921 million – more than the total province-wide loss, implying an urban-rural shift of about \$8 million. Public boards lost \$1 billion, while Catholic boards gained a net of \$87 million.

The per-student impact was dramatic.

In the last year of the old system, spending in major urban areas in southern Ontario was \$73 per student higher than the provincial average. In 2001-02, per student funding in major urban areas will be \$179 lower than in the rest of the province.

⁴ Hugh Mackenzie, Ontario’s “Student Focused Funding” formula for Elementary and Secondary Education – a Report Card, Ontario Alternative Budget Technical Paper #13, June 2001

Funding per student was \$344 per student higher in large urban public boards in southern Ontario than public boards in the rest of southern Ontario. In 2001-02, public boards in major urban areas receive \$192 per student less.

Spending per student in Catholic boards was \$708 lower than in public boards. In 2001-02, it will be \$60 higher.

In public boards, funding per student is lower in absolute terms. Before allowing for inflation, funding per student in 2001-02 will be \$7 per student lower than it was in 1997. In the GTA, funding is down \$146 per student. In Toronto, \$332 per student.

Adjusting for inflation, most types of boards were forced to operate with substantially reduced resources, per student.

- Public boards, down \$741 per student
- Major urban boards in southern Ontario, down \$734
- Other southern Ontario boards, down \$59
- Major urban public boards in southern Ontario, down \$1,089
- Other southern Ontario public boards, down \$213
- Major urban Catholic, down \$37
- Other southern Ontario Catholic, up \$357
- GTA boards, down \$880
- GTA public boards, down \$1,262
- Toronto public, down \$1,780
- Ottawa public, down \$1,347
- Toronto Catholic, down \$109
- French language boards, up \$580⁵

Post-introduction Evolution of the Formula

PC government period

The changes imposed by the new PC government funding formula would have been even more dramatic had the formula not been modified, virtually from its first days, as the disconnect between its expectations and the real world became apparent. The government increased special education support almost immediately, as the numbers of students with exceptional needs identified by boards ran far ahead of the numbers assumed in establishing the funding base. The government realized it would suffer politically if it carried through on its initial plan to cut funding per student to match the original allocation.

⁵ Report Card, June 2001, pp. 5-6

Funding for school operations was originally based on the square footage per student in notional benchmark schools rather than the physical areas of actual schools. The government had to acknowledge that a formula, based on notional rather than actual schools, and on an assumption that every classroom in every school would be fully utilized, was absurd. The system for calculating the square footage funded was changed but not the allocated funding per square foot.

To appear to be addressing the financial pressures faced by school boards in making their budgets fit an unrealistic funding formula, the government introduced a “local priorities” amount into the Foundation Grants. Of course, that funding wasn’t available to fund local priorities; it was fully committed to filling holes left by the basic funding formula.

Despite these changes, however, the basic inadequacies of the funding formula remained. By 2002-03, funding for teachers fell short of the actual cost by approximately \$10,000 per teacher. That gap had to be filled by diverting funding from other areas.

Key funding benchmarks were not appropriately inflation-adjusted and therefore fell behind in real terms.

The financial pressures on school boards led to intense conflicts between the provincial government and boards. The provincial government placed several boards under trusteeship for refusing to pass a balanced budget. It bailed others out through special deals that allowed them to use funding intended for capital and renewal projects to cover regular operating expenditures.

[PC Government establishes Rozanski Task Force to review funding formula](#)

In 2002, the chickens came home to roost. Against expectations, the government followed through on its 1997 promise to review the funding formula every five years by creating a task force, led by Mordechai Rozanski, the former president of Guelph University. The task force was not to consider fundamental changes in the formula as originally established but focus on whether the formula was keeping up with changing needs in the system.

The task force was limited to an assessment of the responsiveness of funding to changes in costs over the period since its introduction. It was not asked to address the adequacy of the funding formula itself. The task force found that Ontario’s elementary and secondary education system was underfunded and required increased annual funding of \$1.7 billion on a 2002-03 operating spending base of \$13.7 billion, or approximately 17.5 per cent.

The Rozanski report also observed that the funding for facilities renewal equated to less than one per cent of the replacement value of the properties, a figure he described as “inadequate to meet boards’ school renewal needs.” He drew attention to an estimated maintenance backlog amounting to \$5.6 billion. With respect to funding formula basics – the adequacy of the base funding for special education, English and French as a second language, students at risk

(the Learning Opportunities Grant) and school operations – the task force, constrained by its limited mandate, called for further study and refrained from making specific financial recommendations.

The Liberal government period – 2003 to the present

While the increases in funding for teachers and other staff and for school renewal were welcome, they did nothing to address the underlying problems. The revised grants increased funding for teachers to a level that approximated boards' actual costs, but most of that increase came at the expense of other grants in the formula. The revised grants eliminated the local priorities amount and reduced funding for students at risk. Special education funding was disconnected from the actual needs identified by school boards.

The education grants allocated substantial amounts to address a massive deferred maintenance liability identified in the Rozanski report. However, the underfunding of school operations and maintenance, that gave rise to the deferred maintenance liability in the first place, was left untouched. Not surprisingly, provincial data now show a deferred maintenance and renewal backlog that is substantially higher than it was when Rozanski reported on it. Current Ministry data indicate five-year renewal requirements at just over \$15 billion, compared with the \$5.8 billion identified by Rozanski in 2002.

The Ministry has delivered on a commitment to adjust key funding benchmarks to inflation, but it has not addressed the adequacy of the benchmark funding numbers themselves.

Most importantly, the Ministry has not addressed at all the issues raised by the narrow definition of education embedded in the funding formula.

Instead, the government has focused on new initiatives arising out of campaign commitments: reductions in primary class sizes; eliminating Grade 13; adding specialized “student success” teachers in secondary schools; allocating funding for preparation time for the hiring of specialists in such areas as art and music; and introducing full-day Kindergarten. In some instances, the fundamental issues have merely been neglected. In others, new initiatives make the problems worse.

Despite a targeted amount of additional funding, the formula still doesn't provide enough funding for a library in every school. It provides funding that can be used to hire music and art teachers, but it does not provide enough funding for music and art rooms.

Perhaps most significantly, the Harris government's surprising commitment to a five-year cycle of public reviews as a basis for accountability has been buried. Premier Dalton McGuinty made a commitment to a second review during the 2007 provincial election campaign, but the promised review never materialized.

Funding Per Student in 2016-17

In assessing current levels of funding per student in Ontario, it is important to draw two important distinctions. The first is the difference between funding directed towards improvements to the scope of the system and funding required for the maintenance of the core system. The second is the difference between shortfalls arising from the failure of the formula to keep pace with inflation and enrolment growth and shortfalls embedded in the original design of the formula.

The former PC government was only part way through its response to the sweeping Rozanski recommendations when the Liberals, led by Dalton McGuinty, won the 2003 election. As far as education funding was concerned, the 2003 and 2007 election cycles were driven by promises to reduce primary class sizes (2003) and implement full-day Kindergarten as part of a new early learning strategy (2007). Consequently, a portion of the increase in funding implemented between 2003 and 2016 is directly attributable to funding required for system expansion rather than the maintenance of the base system.

The impact is clear in the numbers.

Adjusted for inflation, funding per student has increased from \$9,330 per student in 2002-03 (the base year for the Rozanski analysis) to \$12,107 per student in 2016-17. However, of that \$12,107 per student, approximately \$626 is attributable to the per-student spending impact of class size reductions and the additional investment attributable to the early learning program. On a long-term equivalent basis, 2017-18 funding is \$11,480 per student. Adjusting 2002-03 per student spending to reflect Rozanski's identified funding shortfall of 12.5 per cent yields an inflation-adjusted per student funding base of \$10,496. Measured on a consistent basis, 2017-18 funding represents a 9.4 per cent increase relative to Rozanski's recommended base funding level over a 16-year period.

Salaries and benefits

Of the \$1.7 billion increase in funding recommended by Rozanski, \$675 million was accounted for by the difference between the increases in salaries and benefits negotiated in the education sector between 1997 and 2002-03 and the increased amounts provided for in the funding formula. In addition to that amount, which simply reflected the difference between funding and actual costs for salaries and benefits, the system, as it was funded in 2002-03, reflected roughly a decade during which salaries and benefits for teachers and other education sector employees fell behind because of NDP Social Contract's salary freezes and the Harris government's subsequent salary freezes.

Salary and benefit increases negotiated after 2003 reflected a degree of "catch-up" from the losses in the prior decade. That degree of catch-up is evident in the difference between the average salary increase in the education sector between 2004 and 2012 (approximately three per cent) and the average CPI increase (approximately two per cent). Over the period between

2004 and 2012, that difference would have given rise to a total “catch-up” of approximately 9.5 per cent. With salaries and benefits at a normal long-term average of 88 per cent of total education system costs, the 2004-2012 period of “catch-up” would have increased funding by 8.35 per cent without affecting base funding adequacy as measured by Rozanski.

Where we are today

On balance, then, when enrolment, inflation, the cost of new programs and the element of catch-up reflected in education system salaries and benefits are considered, education funding in 2017-18 is roughly equivalent to the level recommended by Rozanski in his review of 2002-03 funding. While that is a positive sign, relative to the standard required in Rozanski’s terms of reference, it essentially reflects no progress at all in addressing the fundamental funding issues built into the base funding formula introduced for the 1998-99 school year.

It is also important to note that the pattern has not been uniform over time. Inflation-adjusted overall funding per student reached a peak of \$12,023 in 2011-12 compared with the figure of \$12,107 in 2017-18.

It is evident that successive governments have failed to address the funding gaps in the formula’s initial 1997 conception. The gaps include:

- Inadequate funding, relative to the government’s own expert panel’s recommendation, for programming for students at risk through the Learning Opportunities Grant;
- Inadequate funding for English and French as second language programming;
- Inadequate funding for special education programming relative to identified needs;
- Inadequate funding for basic school-level facilities and services such as libraries, guidance, music, art and physical education;
- Inadequate funding, relative to costs, for school operations and maintenance; and
- The absence of any funding to support local priorities.

Funding Per Student – Elementary and Secondary Compared

The 1998-99 formula, with its predominant focus on linking funding to FTE student counts, shone a bright light on the funding discrepancies between the elementary and secondary panels in Ontario’s public education system.

When the Harris government introduced its new funding formula, there was a differential in funding support between the elementary and secondary panels in the public education system. Foundation Grant funding per student was higher in the secondary panel than in the elementary panel, a differential only partially offset by higher funding per student for special education, and higher per-student amounts linked to teachers’ placement on the qualifications and experience grid.

There has been considerable change in the structure of both the education system and the funding formula since then. With respect to elementary education, the government has funded smaller class sizes, which has a direct impact on the Foundation Grant. In addition, full-day Kindergarten has been introduced into the formula, which increases funding per student in the elementary panel.

In the secondary panel, the elimination of Grade 13, the shift to a credit-based system and the creation of new programs to enhance “student success” have had an impact on measures of per-student funding.

In 2007, the Ministry of Education reported to ETFO on the differential in per-student spending between the elementary and secondary panels in 2003-04, 2006-07 and 2007-08.⁶ That report showed the comparative evolution of elementary and secondary per-student spending from the last school year beginning before the election of the McGuinty government in 2003 to the then-current school year.

The reported results are summarized in the following table.

Funding differential over time

	2003-04	2006-07	2007-08
Foundation including Early Learning	791.00	908.00	848.00
Special Education	-318.00	-483.00	-509.00
Language	-124.00	-146.00	-142.00
First Nations, Métis and Inuit			1.00
Geographic	13.00	21.00	12.00
Adult Continuing Education and Summer School	116.00	111.00	115.00
Teacher Compensation	410.00	269.00	232.00
Transportation	-60.00	-101.00	-110.00
Administration	-	-3.00	-3.00
Other	-	-	-14.00
School Operations	297.00	283.00	288.00
Learning Opportunities	-2.00	12.00	10.00
Safe Schools	-	-	-
	1,123.00	871.00	728.00

In the table, positive numbers show an advantage favouring the secondary panel; the negative numbers show an advantage favouring the elementary panel.

For the most part, the data reported by the Ministry in 2007 are derived in a relatively straightforward manner from a combination of the annual education technical papers published by the Ministry each spring and the twice-annual Education Finance Information

⁶ Letter from Didem Proulx, Director, Education Finance Branch, Ministry of Education to Pat McAdie, Research Officer, ETFO, 25 May 2007.

System (EFIS) spreadsheets that compile the financial reports submitted by all schoolboards in the province.

There are three general categories of expenditure in which there are no publicly available data that distinguish between the elementary and secondary panels: transportation; administration and the demographic portion of the Learning Opportunities Grant.

The annual technical paper is the primary document issued by the Ministry with respect to the funding formula. It sets out in detail the terms under which boards will receive grants through the Pupil Foundation and School Foundation grants and the 13 special purpose grants currently provided for under the formula.

In some cases, the full amount, or an identifiable portion of these grants, is linked directly to enrolment in either the elementary or secondary panel. In other cases, details of the grant may be linked to the elementary or secondary panel, but the precise allocation depends on metrics from the two panels that are not apparent in the summary documents. In some cases, enrolment may play a role in the allocation of a grant between boards. However, because the per-student factors underlying those allocations are the same as between the elementary and secondary panels, that grant will not affect the per-student funding differential. Finally, the full amount of a grant or a portion thereof may not be identified with either panel.

The Education Finance Information System (EFIS) Estimates (Sections 1 to 19) contain the details submitted by district school boards in support of their claims for funding under the general and special purpose grants. For some grants, sufficient information is provided to disaggregate the full amount of the grant between the elementary and secondary panels. For some other grants, some sub-components are driven by metrics that can be identified with one or the other panel. For the remainder, either the grant itself does not make a distinction between panels or the detail reported does not permit making such a distinction.

The analysis that follows is based on Sections 1 to 19 of the EFIS Estimates for 2016-17, which detail each board's entitlement to each component of each operating grant. Capital grants are not included.

Grants or components of grants, for which no distinction between panels is made or no allocation between panels is reported, are excluded from the analysis. For example:

- The student transportation grant is excluded from the analysis in its entirety because the EFIS reports do not allocate the transportation grant or any of its components to one or the other panel;
- The board administration grant is excluded in part because the enrolment-related multipliers are the same for ADE in both panels and, in part, because other metrics that give rise to the grant are unrelated to enrolment;
- The demographic component of the Learning Opportunities Grant is excluded because it is not related to any characteristic that could be identified with one or the other panel.

Overall, the analysis allocates 96 per cent of the funding provided to one or the other panel.

Summary of analysis				
	ADE October 2016	1,358,289	592,521	
		Per		
		student		
		Elementary	Secondary	Differential
1. Foundation		5,202.22	5,792.23	590.01
2. School Foundation		697.31	790.98	93.67
3. Special Education		1,507.58	1,160.91	-346.66
4. French Language		172.13	39.60	-132.53
5. ESL ELD PANA		117.64	123.88	6.25
6. ALF		51.49	36.86	-14.63
7. Supported Schools		28.37	54.64	26.27
8. Remote and Rural		63.42	55.93	-7.50
9. New Teacher Induction		6.11	3.10	-3.01
10. ECE Qualifications and Experience		91.93	-	-91.93
11. School Operations		904.11	1,226.94	322.83
12. Learning Opportunities		38.14	108.23	70.09
13. First Nations, Métis and Inuit		16.29	48.84	32.55
14. Safe Schools		1.52	24.52	23.00
15. SUBTOTAL		8,898.26	9,466.66	568.41
16. Continuing Education and Other Programs		19.56	136.07	116.51
17. Cost Adjustment and Teacher Q & E		823.01	1,189.71	366.70
ITEMIZED TOTAL		9,740.84	10,792.45	1,051.61

The data are sourced from the EFIS summaries as follows:

1. Foundation – Section 01.1 -- Pupil Foundation Allocation
2. School Foundation – Section 01.3 -- School Foundation Amount
3. Special Education – Section 02 -- Special Education Allocation
4. French Language – Section 03-1 -- French Language Allocation
5. ESL ELD PANA – Section 03-2 -- English as a Second Language; English Literacy Development; Programme d’appui aux nouveaux arrivants Allocations
6. ALF – Section 03-3 -- Actualization linguistique en français
7. Supported Schools – Section 04 -- Supported Schools Allocation
8. Remote and Rural – Section 05 -- Remote and Rural Allocation
9. New Teacher Induction – Section 07-4 -- New Teacher Induction Allocation
10. ECE Qualifications and Experience – Section 07-5 -- Early Childhood Educator Qualifications and Experience Allocation
11. School Operations – Section 11-1 -- School Operations Allocation
12. Learning Opportunities – Section 13 -- Learning Opportunities Allocation (excluding demographic portion)

13. First Nations, Métis and Inuit – Section 18 -- First Nations, Métis and Inuit Education Allocation
14. Safe Schools – Section 19 -- Safe Schools Allocation
15. SUBTOTAL
16. Continuing Education and Other Programs – Section 06 – Continuing Education and Other Programs Allocation
17. Cost Adjustment and Teacher Qualifications and Experience – Section 07-3 – Cost Adjustment and Teacher Qualifications and Experience Allocation

In total, the analysis shows that funding per student in the secondary panel exceeds per-student funding in the elementary panel by \$1,051.61 per student. Of that differential, \$366.70 is attributable to the fact that, on average, secondary teachers are at a higher level on the teacher qualifications and experience grid than elementary teachers. A further \$116.51 reflects the impact of funding for international languages (elementary), summer school (secondary) and adult day school (secondary).

Continuing education is generally considered to be primarily a secondary school function and might legitimately be excluded from the analysis. In addition, it might be argued that the differential in the Teacher Qualifications and Experience Grant is attributable to the individual characteristics of teachers, rather than any systematic policy difference. Excluding both the Teacher Qualifications and Experience Grant and adult day and summer school grants, the net differential is \$568.41.

Another way to look at the comparison would be to exclude grants that are unrelated to programming and teaching – i.e., excluding transportation, administration and school operations – and the largely secondary education related adult and continuing education grant, the differential in 2016-17 works out to \$612.28.

The following table compares these results with those prepared by the Ministry and provided to ETFO in 2007.

Funding differential over time				
	2003-04	2006-07	2007-08	2016-17
Foundation including Early Learning	791.00	908.00	848.00	683.67
Special Education	-318.00	-483.00	-509.00	-346.66
Language	-124.00	-146.00	-142.00	-140.91
First Nations, Métis and Inuit			1.00	32.55
Geographic	13.00	21.00	12.00	18.78
New Teacher Induction				-3.01
Adult Continuing Education and Summer School	116.00	111.00	115.00	117
Teacher Compensation	410.00	269.00	232.00	274.77
Transportation	-60.00	-101.00	-110.00	-
Administration	-	-3.00	-3.00	-
Other	-	-	-14.00	-
School Operations	297.00	283.00	288.00	322.83
Learning Opportunities	-2.00	12.00	10.00	70.09
Safe Schools	-	-	-	23.00
	1,123.00	871.00	728.00	1,051.61
Program and teacher-related only	770.00	581.00	438.00	612.28
Sources:				
2003-04, 2006-07 and 2007-08, letter from Education Finance to ETFO dated May 25, 2007				
2016-17, author's calculations from EFIS Estimates 2016-17				

The Ministry's data provided in 2007 show a drop in the differential from \$1,123 to \$728 between 2003-04 and 2007-08. Even if transportation data not provided in the EFIS Estimate were to show the same differential for 2016-17 as in 2007-08, the data show a rebound of the differential to \$942.

Excluding functions not related to day school programming and teaching, the differential dropped from \$770 to \$438 between 2003-04 and 2007-08 but rebounded to \$612 in 2016-17.

Staffing

Staffing information for Ontario is available through the reports filed by boards under the Education Finance Information System (EFIS). Although these data have been available to specified users outside the government and school boards since 2002-03, comparisons over time are challenging to make because of changes in reporting categories and definitions. The following section reports, at an aggregated level, on the available data for major staffing categories.

Teachers

EFIS data collected for teachers varied by category and format during the period from 2002-03 to 2015-16, reflecting changes in the political priorities of the provincial government.⁷

For the first three years, from 2002-03 to 2004-05, EFIS reported a global total of “classroom” teachers for elementary and secondary, regular program and special education. Specialist teachers were reported as “other teachers” in the same four categories. Beginning in 2005-06, the “other” category was broken down into a limited number of specialties. In 2006-07, a more detailed breakdown of specialist teachers was introduced.

In the data set prepared for the project, I have included the detail for specialist teachers for the period 2006-07 to 2015-16. I have included the “other teachers” data in the totals for the four main categories.

As is the case with other aspects of the EFIS Appendix H data, it is not always clear that boards have prepared and entered the data on a consistent basis, either within a given year or over time. As a result, some caution should be exercised in using the data, with greater caution required as the data used becomes more granular.

For comparison purposes, the summary data are expressed as ratios of students to teachers.

The summary results are as follows:

Including only teachers in the regular program, the elementary student/teacher ratio declined from 21.8 in 2002-03 to 19.2 in 2015-16 in public boards. The corresponding figures for the secondary regular program are 18.3 and 17.3.

Including both regular program and special education program teachers, the elementary student/teacher ratio declined from 18.7 in 2002-03 to 16.8 in 2015-16. The corresponding figures for secondary are 17.0 and 15.5.

Occasional teachers

Although the EFIS system does not capture FTE data for supply (occasional) teachers, it does report expenditures on their wages and salaries on an annual basis, board by board.

To put the data into perspective for comparative purposes, both over time and among boards, annual expenditures for elementary supply teachers from 2002-03 are expressed as a percentage of the Elementary Pupil Foundation Grant received by each board for that year. The

⁷ Data Reference: Teachers.xlsx

grant is adjusted to consider the fact that in-school administration was transferred to the School Foundation Grant effective 2006-07.

Over the period from 2002-03 to 2015-16, expenditures on elementary occasional teachers increased slightly, from 3.6 per cent of the Pupil Foundation Grant in 2002-03 to 4.0 per cent in 2015-16. In public boards, the pattern was almost the same – an increase from 3.6 per cent to 4.1 per cent.⁸

In general, the highest users of occasional teachers were rural Catholic French-language boards, where ratios were typically in the five to 10 per cent range. The overall public board average was higher than the total for the province, largely because the Toronto District School Board’s expenditures were generally slightly above the average.

Principals and vice-principals

EFIS includes data on FTE teaching by principals and vice-principals for the period 2002-03 to 2015-16.⁹

Across the province, elementary FTE teaching by principals and vice-principals has declined by about 25 per cent, from an FTE reported of 590 in 2002-03 to 481 in 2015-16.

Most of that teaching done by vice-principals is in the regular program.

In 2015-16, the breakdown was as follows:

FTE Teaching in Elementary by Principals and Vice-Principals			
	Regular Program	Special Education	Total Teaching
Principals	47.2	6.5	53.7
Vice-Principals	384.7	29.8	414.5
Total	431.9	36.3	468.2

The pattern is similar looking at public boards only.

Total FTE of instructional time attributed to elementary principals and vice-principals in public boards in 2015-16 was 347.2, compared with 430.5 in 2002-03.

Education assistants

EFIS data report FTE education assistants in the regular and special education programs on a relatively consistent basis from 2002-03 to 2015-16.

⁸ Reference data: supply teacher exp.xlsx

⁹ Data Reference: Principals and vice principals.xlsx

As is the case with the Appendix H data reported by boards, an overview of the data reveals both clear errors in data entry and inconsistencies in the way the data are reported from year to year.

Having said that, the data for education assistants are dominated by the virtual disappearance of regular program EAs from the Toronto District School Board (TDSB). Most other boards' FTEs for education assistants in the regular program reflected the 0.2 FTE per 1,000 students benchmark in the formula for the Elementary Foundation Grant. TDSB employed significantly more elementary EAs in the regular program – between three and four per 1,000 students, until the past three years.

Although EAs are not incorporated explicitly into the Special Education funding formula, over the period special education EAs increased both in number and as a ratio per 1,000 students.

Across all public boards, elementary regular program EAs dropped from 0.6 per 1,000 students to 0.3 per 1,000 students. Elementary special education EAs increased from 9.4 per 1,000 to 12.4 per 1,000.¹⁰

Although the secondary benchmark formula does not provide for any funding for regular program EAs, EFIS reports an increase in secondary regular program EAs in public boards from 0.2 per 1,000 students to 0.4 per 1,000 students.

Secondary special education EAs in public boards increased significantly from 5.3 per 1,000 students in 2002-03 to 9.6 per 1,000 students in 2015-16.

Total FTE EAs in public boards increased from 10 to 12.7 per 1,000 in elementary and from 5.5 to 10 per 1,000 in secondary.

Expenditures on EAs show a much different pattern. EFIS captures expenditures on wages and salaries for EAs, board by board, although it does not distinguish for reporting purposes between regular program EAs and special education EAs. To facilitate comparison over time and between boards, wage and salary expenditures on EAs are expressed as a percentage of each board's Pupil Foundation Grant (adjusted to reflect the change in funding for in-school administration in 2006-07) each year.

Reported elementary EA wage and salary expenditures increased across Ontario from 8.8 per cent of the Pupil Foundation Grant in 2002-03 to 15.7 per cent in 2015-16. Only about one third of the increase can be attributed to increases in FTE EAs. The remainder is attributable to the fact that benchmark pay levels for EAs have increased significantly since 2002-03.¹¹

¹⁰ Data Reference: Education Assistants.xlsx

¹¹ Data Reference: Supply and EA expenditures.xlsx

Professionals

EFIS reports data consistently from 2002-03 to 2015-16 on professionals and paraprofessionals employed by school boards in the following categories:

- Social services;
- Speech services;
- Psychological services;
- Attendance counsellors; and
- Other professionals and paraprofessionals.

In all instances, the data are reported separately for the regular and special education programs and for elementary and secondary.¹²

In addition, from 2008-09 to 2015-16, data are reported separately for child and youth workers, again in the four subcategories.

An overview of the data points to difficulties and inconsistencies in board reporting. As a result, while the totals reported would appear to be reliable, one should be cautious in relying on data for subcategories. For example, allocations between categories of professionals and between the regular and special education programs would appear to be inconsistent over time. There are also some anomalies in the data, which clearly reflect errors in data entry. Finally, there are inconsistencies in reporting by some large boards – most notably Toronto DSB – that tend to skew the data from year to year and from item to item.

In the data set compiled for counts of professionals and paraprofessionals, I have included subtotals for each category (i.e., the sum of regular and special education) and for the group for which data are presented in total.

To provide a scale-based comparison, in addition to the FTE counts for each year and each board, I've also expressed the FTE counts as a ratio per 1,000 students.

In general, over the period from 2002-03 to 2015-16, FTE professionals and paraprofessionals increased for both the regular program and the special education program, for both elementary and secondary and for both public and other boards.

In public boards, the average ratio for elementary increased from 1.57 per 1,000 students to 2.72 per 1,000 students. The increase was from 0.51 per 1,000 to 1.04 in the regular program and from 1.06 to 1.68 in the special education program.

¹² Data Reference: Prof and para data

In secondary public boards, the ratio more than doubled, from 1.38 per 1,000 in 2002-03 to 3.07 in 2015-16.

It is also of some interest to compare the number of professionals and paraprofessionals funded under the funding formula with the number employed according to the EFIS data.¹³

Comparing actual FTE professionals and paraprofessionals by using the benchmark allocations for these positions in the Pupil Foundation Grant as a measure of funded positions, the data show that 81 per cent of the professionals and paraprofessionals employed by boards were recognized for funding under the Foundation Grant in 2002-03. By 2015-16, the positions recognized in the Elementary Foundation Grant accounted for only 62 per cent of professional and paraprofessional FTEs.

For public boards, the ratio of funded to actual positions declined from 86 per cent to 65 per cent.

Teacher Compensation since Introduction of Funding Formula

Between 1974 and 1993, negotiations in the education sector took place at the individual board and union level. The Education Relations Commission (ERC) oversaw the process and made compensation data available to the parties to facilitate their bargaining. School boards and local unions had relatively unfettered rights to lock out and strike, respectively.

The Social Contract, introduced in 1993, imposed an agreement on all parties in the sector that ran until 1996 or 1997, depending on the board and agreement. The introduction of the funding formula in 1997 essentially coincided with the expiry of the Social Contract restrictions. Bargaining reverted to the pre-Social Contract form, with two exceptions: The government abolished the ERC; and, because school boards' financial resources were limited to the grants determined by the provincial government, bargaining between individual boards and unions was tightly constrained. Funding declined in real per-student terms in the first five years of the formula's operation and settlements generally reflected those limits.

Following the report of the Rozanski task force, which identified inadequate funding for teachers and inadequate provision for cost increases as major problems with the formula, the Eves government provided additional funding to support boards' negotiation of teacher salary increases. That change presaged the end of the first era of teacher bargaining under the funding formula-constrained conventional teacher-board bargaining.

Following the 2003 change in government, the then Minister of Education Gerard Kennedy convened central discussions with the teachers' unions, which resulted in an agreement for a general increase in board funding to support four-year agreements (2004 to 2008) at agreed-

¹³ Data Reference: Prof and para funded.xlsx

upon percentage rates. The agreed salary increases were then extended to the individual agreements around the province.

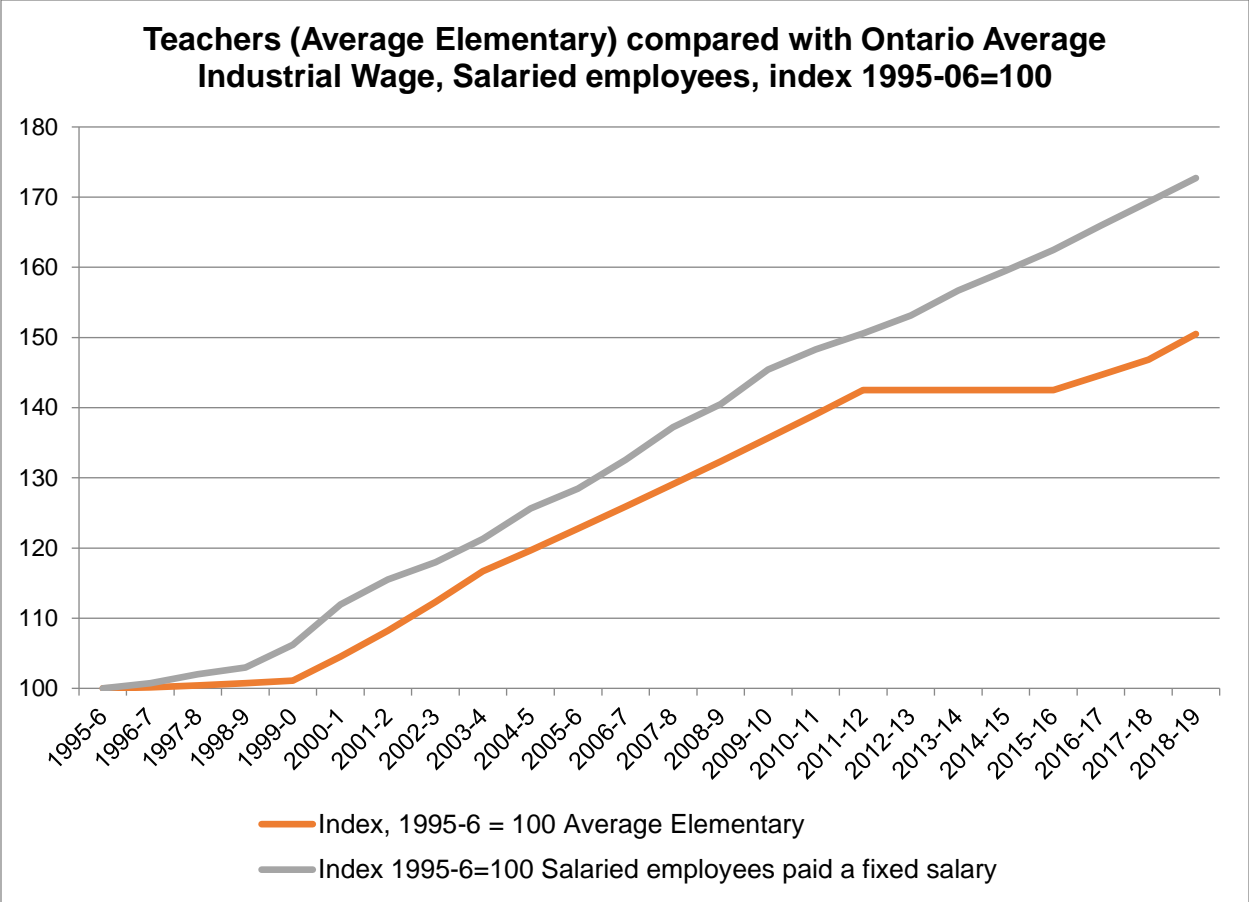
The government attempted to repeat the process in 2008. The process was somewhat more formal, and included the unions representing all the workers in the education sector. There was no legislative framework for the process. The government convened so-called provincial discussion tables involving the Ministry of Education, school boards and each individual education sector union. All the unions except for ETFO reached voluntary agreements within the provincially imposed time limit. ETFO subsequently reached an agreement including a “penalty” in the form of a two percent lower percentage increase for two years of the four-year term for missing the province’s deadline. That brought to an end the second era in education bargaining under the funding formula – informal province-wide bargaining.

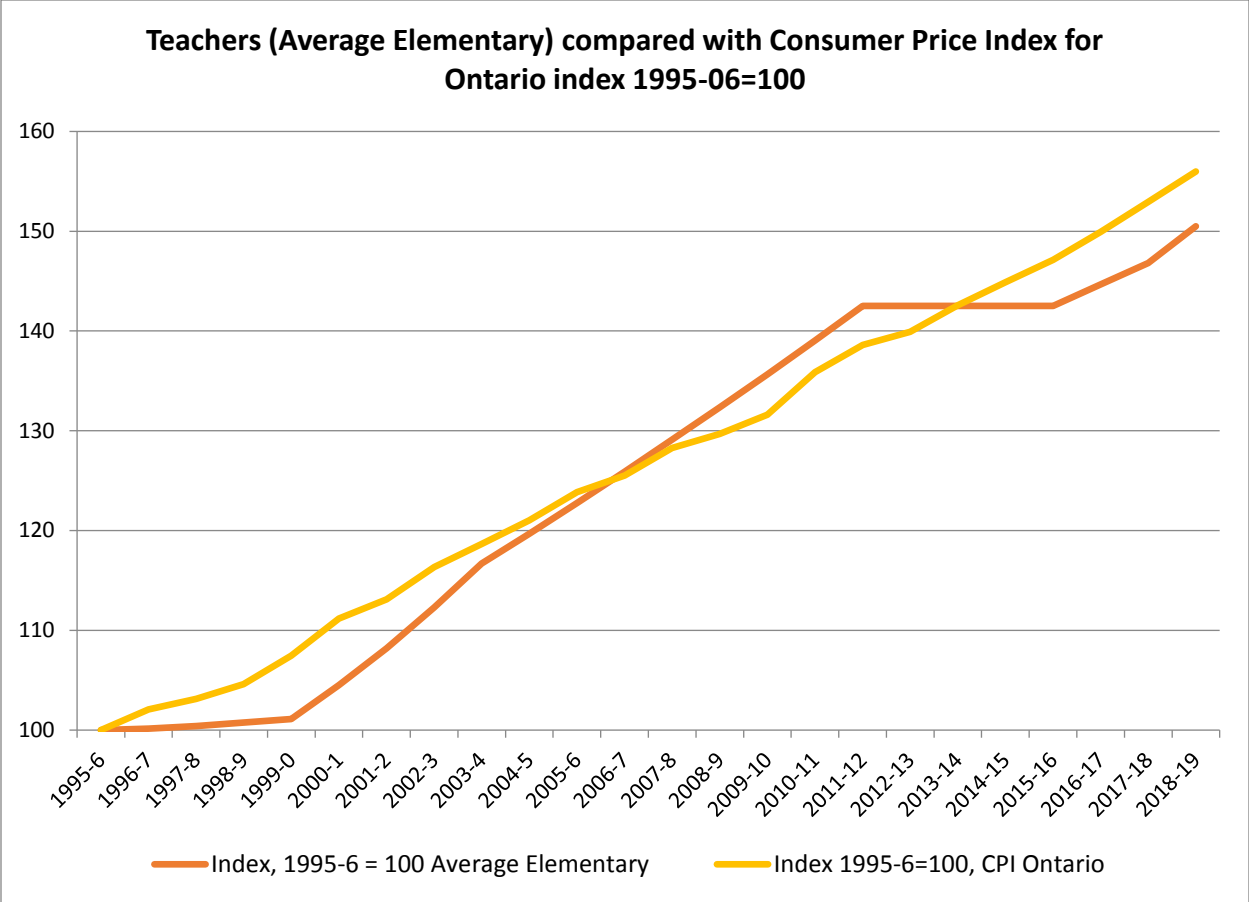
Provincial legislation (Bill 115) that imposed an agreement that, among other things, froze scale increases and eliminated the sick leave gratuity from all agreements, curtailed bargaining for the 2012-2016 period. That era ended with the establishment of the current legislative negotiation framework, with its formal division between local and central bargaining tables. The agreement negotiated in 2017 extends the 2016 agreement to August 31, 2019.

From 1995-06 to 2018-19, elementary teachers’ salaries increased at an average annual rate of 1.79 per cent. This compares with an average annual increase for employees paid a salary in Ontario of 2.40 per cent over that period and an increase in the CPI (Ontario) at an annual rate of 1.95 per cent.¹⁴

The following charts show the results of this analysis.

¹⁴ Sources: negotiated salary increases, Ontario Ministry of Labour and Extension Agreement Ministry of ; Average Salaries and CPI, Statistics Canada.





Average Annual Percentage Increases for Elementary Teachers

Year	Average % increase
1996-7	0.14%
1997-8	0.26%
1998-9	0.35%
1999-0	0.35%
2000-1	3.37%
2001-2	3.52%
2002-3	3.80%
2003-4	3.90%
2004-5	2.56%
2005-6	2.56%
2006-7	2.56%
2007-8	2.56%
2008-9	2.50%
2009-10	2.50%
2010-11	2.50%
2011-12	2.50%
2012-13	0.00%
2013-14	0.00%
2014-15	0.00%
2015-16	0.00%
2016-17	1.50%
2017-18	1.50%
2018-19	2.52%

Issues in Funding Formula Design – Special Education

The grant for special education stands out in the provincial funding formula for two reasons: it is the largest of the special purpose grants, second in value only to the Pupil Foundation Grant; and it is one of only two major grants – the other being administration and governance – which is subject to enveloping.¹⁵

School boards are required to spend their entire allocation for special education on special education, and must account for that spending in a compliance report to the Ministry. Special education funding not spent in the current year must be reported in a deferred revenue account and spent on special education in the future. This requirement has generally had no material impact on school budgets, other than the associated compliance costs, since boards have generally spent more than their allocation on special education.

From the beginning, the special education grant has consisted of several different components targeted to aspects of special education programming. In general, those components have consisted of:

- A general amount, calculated for each board based on enrolment data. (It is essentially an add-on to the general Foundation Grant that is specifically earmarked for programming deemed to be special education programming);
- An amount or amounts related to students with high needs;
- An amount related to the acquisition and maintenance of specialized equipment required to support students with special needs; and
- An amount related to the operation of facilities required for the delivery of special education programs.

In recent years, a small amount of additional funding has been identified as linked to behavioural supports.

The general amount (referred to as the Special Education Per Pupil Amount, or SEPPA) and the high needs amount (which has been associated with various program names and acronyms

¹⁵ Special education is subject to what could be termed “positive enveloping” in that boards are permitted to spend more than the amount allocated under the grant but cannot spend less. Administration and governance is subject to what could be termed “negative enveloping,” in that boards are not permitted to spend more than the amount allocated and are permitted to spend less. The requirement that grants deemed to be directed to functions deemed to be “classroom” functions be spent on those “classroom” functions, which was a major feature of the formula for the Harris government when it was introduced, was dropped by the McGuinty government and replaced by class size restrictions. Several smaller, more targeted grants are also earmarked for the designated activities. This includes funding for the New Teacher Induction Program and the Safe and Accepting Schools Supplement. In addition, capital and capital related funding in general must be spent on capital projects, although the restrictions on the use of School Renewal and School Condition Improvement funding are relatively loose and in practice permit activities that would normally be considered operating expenditures to be funded from this envelope. (Source: Education Funding Technical Paper 2017-18, Spring 2016)

over the years) are by far the most significant of the grants, accounting over the years for between 92.5 per cent and 95 per cent of the total special education allocation.

These two grants have given rise to five issues that were present in the funding formula's beginnings and persist at present:

- The adequacy of the total funding provided -- the relationship between funding and system-wide needs for special education programming;
- The relationship between needs-based funding and population-driven funding;
- The linkage or lack thereof between pupils in need of funding support and the method for allocating that funding at the school board level;
- The linkage between needs and funding at the individual pupil level; and
- The impact of changes in funding regimes on the allocation of funding among school boards.

In the evolution of the funding formula, the related questions of overall funding adequacy and the relationship between funding and needs drive the debate on these issues. Consequently, current issues in special education funding are best understood in the context of the history of the development of the funding formula as it relates to special education.

History of special education funding

When the Conservative government embarked on the creation of a new education funding formula for the 1998-99 school year, it identified four topics for in-depth consideration by expert panels: special education; learning opportunities (programming for students with special needs arising from demographic factors); pupil accommodation; and financial accountability. The expert panels completed their respective reports prior to the introduction of the funding formula, but they were not available to the public until they were included in the government's disclosure documentation during the constitutional challenge to the funding formula launched by the Ontario English Catholic Teachers' Association (OECTA) and others in 1998.

The expert panel reports were significant, not necessarily because the government followed their recommendations, but because they set the stage for the 20 years of debate that has followed the introduction of the formula.

The special education panel made several significant findings.¹⁶

It identified a total of \$858.4 million in provincial grants for special education in 1996-97 under the then-existing funding arrangement. It also made several notable observations and conclusions:

¹⁶ Expert Panel on Special Education Funding, Panel Report to the Minister of Education and Training, August 29, 1997.

- That under the then-existing funding arrangement, school boards were spending substantially more than the official grant allocation of \$858.4 million and that funding should take that fact into account;
- That funding should respond to students' needs for special programming rather than the identification of the student's condition; and
- That the method of funding should not drive program choices.

The first point was critical. Under the then-existing funding approach, provincial grants funded 60 per cent of "recognized spending" on education by school boards. However, because the spending amount recognized by the province for funding purposes amounted to only about 60 per cent of what boards were spending, provincial funding only accounted for 36 per cent of total school board costs. Or, looking at it another way, 40 per cent of the spending of school boards was completely outside the funding formula. The \$858.4 million identified as special education funding by the province was tied to the 60 per cent of total spending recognized by the province. It did not reflect in any way the extent to which boards allocated the remaining 40 per cent to special education.

[Expert Panel on Special Education](#)

In 1997, the Expert Panel on Special Education examined a "small but representative sample" of school boards and found that their actual spending exceeded their provincial grants by a range of 23 per cent to 85 per cent. Although the panel made no specific recommendations with respect to funding levels, the clear implication of these findings was a grant that simply replaced the then-current provincially recognized spending amount would translate to a substantial cut in resources available for special education.

The debate over block funding versus needs-based funding played out in the panel's process, with boards arguing for block funding with its attendant flexibility and parents advocating for needs-based funding and its associated accountability. In the end, the panel recommended the broad structure for special education funding that persisted until the current government initiated a shift to statistically-determined funding drivers – a combination of block funding (SEPPA) based on total head counts and needs-based funding (the Intensive Support Amount or ISA).

It is important to note that, in the panel's perspective, the ISA should be driven from the bottom up, by individual students' needs, and that it should be geared to the programming needs identified in a student's Individual Education Plan rather than the student's category of disability.

As it was introduced, special education funding followed the rough structure set out by the Expert Panel, with a couple of noteworthy exceptions. First, with respect to adequacy, the initial funding level effectively reflected the low end of the estimated percentage by which boards outspent the provincially recognized allocation under the previous formula. The total

funding amount of \$1,052 million was almost exactly 23 per cent higher than the 1997 recognized amount of \$858 determined by the panel.

Second, although the formula provided indicative amounts for approved funding for ISA-qualified students, it also specified that, once boards' applications for the funding had been processed, the amounts would be adjusted downwards to keep the total within the \$389 million envelope for ISA level 2 and 3 funding. In other words, it was intended that fiscal considerations would, if necessary, override students' needs.

That approach lasted about two months. By November 1998, it was clear there were significantly more students who needed ISA-level support than had been assumed in developing the notional model and that, following the strict guidelines in the funding technical paper, the amounts delivered would be substantially lower than those advertised. Once it became clear that these effects would be felt throughout the government's political heartland in suburban and rural Ontario, the government backtracked and committed to the initial funding level for all students who met the requirements.

As a result, ISA level 2 and 3 funding was increased from the initial \$389 million to \$524 million.

[Funding shifts away from reflecting student need](#)

The fiscal cold shower administered by the program in its first few months, however, set in motion the shift from student needs to cost containment that dominates the system today. The provincial government realized there was a big political downside to any explicit link between funding and needs, and to any role that it might play in assessing needs. School boards found themselves caught between parents, who were fully aware of how much funding their son or daughter "generated" for the board and who expected some accountability for the expenditure, and a provincial government that had been forced into writing a blank cheque that it had never intended to write.

The government responded by freezing the ISA funding level for each board at its (revised) 1998-99 level for 1999-2000 and 2000-01 and then by introducing a more rigorous process for ISA approval in 2001-02 and freezing total funding pending the review. That freeze continued until the December 2002 report of the Education Equality Task Force (known as the Rozanski report).¹⁷

[Rozanski Report re special education funding](#)

With respect to special education, Rozanski recommended the government increase special education funding by \$250 million to reflect the cost of providing ISA level support to the

¹⁷ The Conservative government created the Rozanski Task Force pursuant to its commitment when the new formula was introduced in 1997 to conduct a public accountability review after five years. The 2002 review is the only public review ever conducted of the performance of the formula.

additional students identified in the ongoing file review – \$200 million immediately and a further \$50 million pending further review.

The 2003-04 funding, announced by the government in March of 2003, reflected this recommendation, in part, by increasing the allocation for ISA funding from \$566 million to \$765 million.

[Liberal government takes different approach to special education funding](#)

For 2004-05, the new Liberal government signaled a change in direction, completing the rollout of funding from the previous review, providing funding for “net new needs” and announcing a plan to develop a new system.¹⁸

For 2005-06, the freeze combined with net new needs funding was continued, as work on the new approach to funding was still under development.

For 2006-07, the government began to transition away from an identified needs based approach to funding. Prior ISA funding was converted to a different per-pupil amount for each board, and re-labelled the High Needs Amount (HNA).

For 2007-08 and 2008-09, the transition continued, with the HNA allocated on the same basis as for 2006-07 with additional funding to allow for benchmark changes and to protect prior funding levels in the face of enrolment changes.

For 2009-10, recognizing that the extended freeze was not adequately reflecting changes in needs, the government announced the Measures of Variability (MOV) grant, as the basis for allocating the 2009-10 increase. Otherwise, the transitional HNA basis was retained. The MOV factors were based on student participation in special education programs, EQAO participation by students with special needs, and a geographic factor.

[Introduction of statistical model for determining special education support](#)

In 2010-11, funding shifted from the per-student determined HNA to the MOV grant, making more of the funding dependent on estimated changes in needs. In addition, the MOV factor calculation methodology became more complex as it incorporated much more granular information. It also introduced the Special Education Statistical Prediction Model (SESPM) as the basis for allocating a small portion (\$10 million) of the MOV funds.¹⁹

¹⁸ Sources for the narrative of the history of special education funding are the annual Technical Papers issued by the Ministry each spring setting out the terms of the funding formula for the following school year.

¹⁹ The model is discussed in more detail below. It is described in general in B-Memos from the Ministry of Education; it is referenced as the work of Professor J.D. Willms of the University of New Brunswick. Professor Willms’ CV lists two non-peer-reviewed publications on the topic: Willms, J. D. (2012, August). Ontario Special Education Statistical Prediction Model. Presentation for the Ontario

The SESPM uses census and other data to develop statistical estimates of the likely incidence of various categories of special needs, board by board. The province then uses the results of these statistical estimates to determine each board's share of the allocated amount.

The Ministry continued the same approach for 2011-12, 2012-13, and 2013-14 with the SESPM amount set at \$10 million.

In 2014-15, the government announced a four-year transition towards a statistically-driven model for allocating the HNA among boards. As a result, funding shifted substantially towards the SESPM basis, with its funding allocation increasing from \$10 million to \$198.8 million and the MOV allocation from \$66 million to \$131 million, both at the expense of the High Needs Amount (HNA).

The transition continued in 2015-16 and 2016-17, with SESPM funding growing to \$391.4 million and MOV to \$131 million in 2015-16 and to \$578 million and \$193 million, respectively, in 2016-17, again at the expense of the historical HNA.

As of 2017-18, the transition is complete. SESPM for 2017-18 is projected to be \$763 million and the MOV amount \$269 million. The historical High Needs Amount has been eliminated.

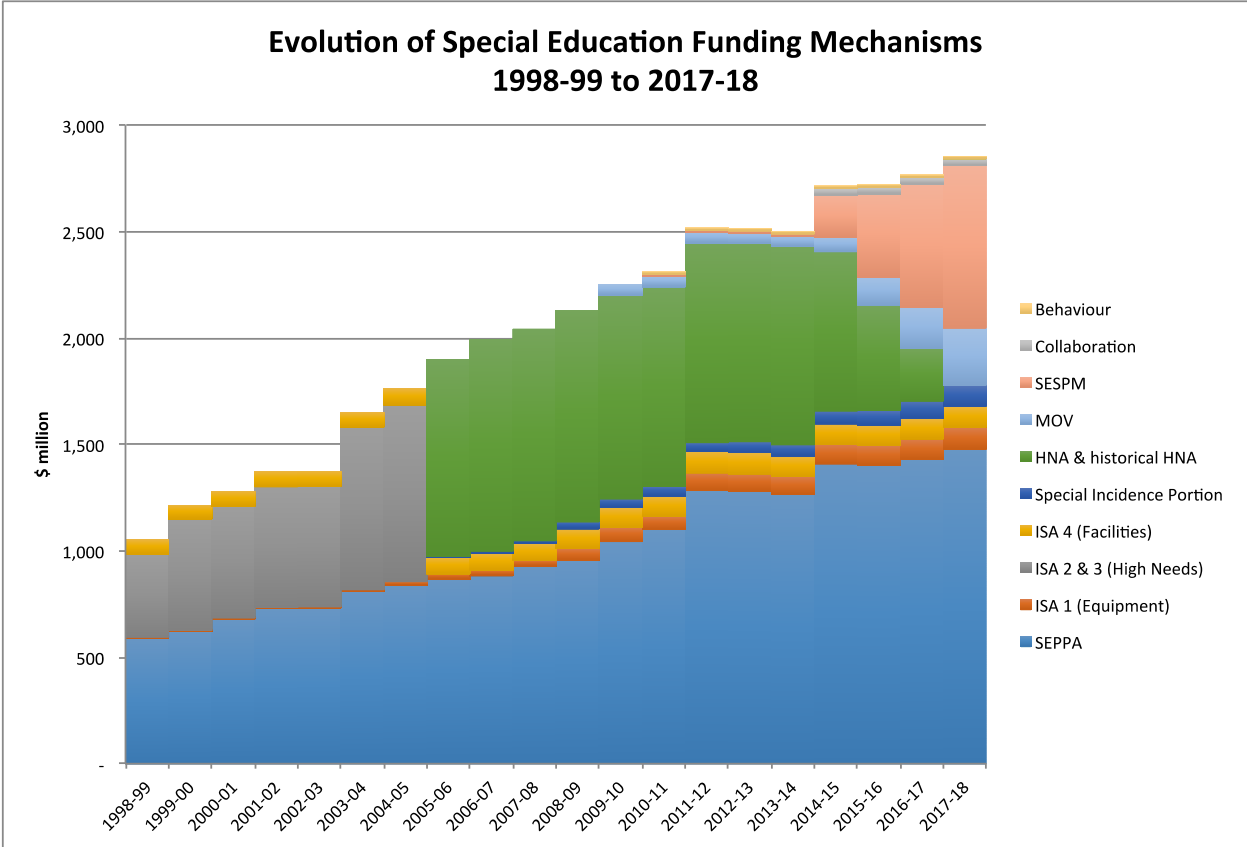
The following table and chart summarize the evolution of special education funding categories from the formula's inception.

Ministry of Education. Toronto, ON and Willms, J. D. (2013, February). Using Innovative Predictive Modeling toward Equitable Funding in Special Education. Presentation for the Ontario Education Research Symposium. Toronto, ON.

Special Education Funding -- 1998-09 to 2016-17

(\$ million)

	SEPPA	ISA 1 (Equipment)	ISA 2 & 3 (High Needs)	ISA 4 (Facilities)	Special Incidence Portion	HNA & historical HNA	MOV	SESPM	Flat per board	Behaviour	TOTAL	Inflation adjusted
1998-99	591.0	5.0	389.0	67.0							1,052.0	1,526.4
1999-00	622.0	5.0	524.0	63.0							1,214.0	1,728.0
2000-01	681.0	5.0	524.0	70.0							1,280.0	1,769.9
2001-02	729.4	5.0	567.9	70.5							1,372.8	1,841.9
2002-03	732.7	5.0	566.1	70.1							1,373.9	1,809.6
2003-04	810.5	7.2	765.0	66.9							1,649.6	2,113.5
2004-05	837.7	18.0	831.0	75.0							1,761.7	2,215.4
2005-06	867.6	25.0		76.6	6.2	924.6					1,900.0	2,337.9
2006-07	884.3	25.0		81.0	9.4	993.4					1,993.1	2,410.0
2007-08	928.7	26.4		80.3	12.3	995.3					2,043.0	2,425.9
2008-09	956.8	54.6		93.3	32.1	994.4					2,131.2	2,474.4
2009-10	1,044.3	66.8		93.5	40.2	957.0	50.0				2,251.8	2,604.7
2010-11	1,101.7	61.2		94.5	45.6	938.2	50.0	10.0		10.8	2,312.0	2,610.8
2011-12	1,286.0	81.5		100.1	41.0	938.1	50.0	10.0		11.3	2,518.0	2,758.4
2012-13	1,281.1	81.4		100.2	50.5	931.7	50.0	10.0		11.3	2,516.2	2,718.1
2013-14	1,265.9	84.1		96.0	53.2	931.6	49.9	10.0		11.3	2,502.0	2,674.6
2014-15	1,410.0	91.8		96.0	60.3	748.3	66.3	198.8	32.4	11.6	2,715.5	2,837.3
2015-16	1,402.0	93.7		96.0	68.7	495.7	130.5	391.4	32.4	11.6	2,722.0	2,809.8
2016-17	1,430.0	96.9		96.1	82.3	246.8	192.7	578.1	32.4	11.7	2,767.0	2,822.3
2017-18	1,478.0	102.4		99.7	98.2		269.4	763.2	32.4	11.9	2,855.2	2,855.2



Summarizing the shift away from a needs-based model

The table and chart highlight the extent to which funding has shifted away from needs-based bottom-up funding to formula-based funding with no direct link to individual students’ needs.

The shift is significant from a policy perspective. The SEPPA portion of special education funding has never had anything to do with needs. It has always been an add-on to standardized per student funding. In its initial conception, ISA funding was created as a source of funding linked directly to individual students’ special programming needs. The former Conservative government struggled for several years with the open-ended nature of the ISA funding commitment. Ultimately, with a strong push from the Rozanski Task Force, it followed through on its commitment to fund based on individual needs.

The open-ended commitment ended with the Liberal government in 2004-05 as the pre-existing ISA funding levels were frozen and then converted into per-student amounts. From that point, the aggregate level of funding for special education students with high needs had nothing to do with the actual needs levels of Ontario students. Allocations to ISA and then to the High Needs Amount which replaced it were based on the distribution of student needs as approved by the Ministry as of 2003-04. After a hiatus, during which the Ministry was developing new statistical models, the legacy link to individual student needs has been eliminated.

The breaking of the link between funding and needs has had profound implications for students, parents, teachers and special education administrators. For students and parents, there is no longer a link between needs and funding that can serve as a guide to available services. For teachers, there is no longer any link between special education needs identified in a classroom setting and additional resources to address those needs. The role of special education administrators has been transformed from one of enabling access to needed services to a gatekeeping role of rationing scarce resources and cost containment.

It also has a significant impact on the relationship between school boards and the government in special education funding, and on the budgets of individual school boards. At the school board/provincial government level, ironically, the abandonment of needs-linked funding has accomplished what the Harris government tried unsuccessfully to do in 1998-99: establish a fixed provincial total funding commitment with a funding formula that simply determines what share of that fixed total goes to each school board.

Total funding is determined unilaterally; the statistical formula allocates that amount. As a result, there is no basis on which to assess funding adequacy, either in aggregate or at the individual board level. At the individual board level, the shift from funding based on assessed needs to funding based on a statistical analysis is producing substantial shifts in funding.

Using data provided in the Grants Students Need (GSN) regulations for 2016-17 – the last year for which both historical and statistical funding data are available, it is possible to compare the funding share for each board based on historical measured needs, with the share based on the statistical models.²⁰

The following table summarizes the results:

School board	Percentage shift from HNS to SESPM	Dollar value of shift (\$mm)
Algoma District School Board	-0.12 %	-1.0
Algonquin and Lakeshore Catholic District School Board	-0.08 %	-0.7
Avon Maitland District School Board	0.10 %	0.8
Bluewater District School Board	-0.07 %	-0.6
Brant Haldimand Norfolk Catholic District School Board	0.16 %	1.3
Bruce-Grey Catholic District School Board	-0.01 %	0.0
Catholic District School Board of Eastern Ontario	-0.15 %	-1.2
Conseil des écoles publiques de l'Est de l'Ontario	0.00 %	0.0
Conseil scolaire catholique Providence	0.02 %	0.2
Conseil scolaire de district catholique Centre- Sud	-0.09 %	-0.7
Conseil scolaire de district catholique de l'Est ontarien	-0.24 %	-2.0
Conseil scolaire de district catholique des Aurores boréales	-0.08 %	-0.6
Conseil scolaire de district catholique des Grandes Rivieras	0.04 %	0.3
Conseil scolaire de district catholique du Centre-Est de l'Ontario	-0.33 %	-2.8
Conseil scolaire de district catholique du Nouvel-Ontario	-0.15 %	-1.2

²⁰ Data References: spec ed grants_1.xlsx; special ed.xlsx

School board	Percentage shift from HNS to SESPM	Dollar value of shift (\$mm)
Conseil scolaire de district catholique Franco- Nord	-0.17 %	-1.4
Conseil scolaire de district du Grand Nord de l'Ontario	-0.26 %	-2.1
Conseil scolaire de district du Nord-Est de l'Ontario	-0.21 %	-1.8
Conseil scolaire Viamonde	0.07 %	0.6
District School Board of Niagara	0.68 %	5.6
District School Board Ontario North East	-0.08 %	-0.6
Dufferin-Peel Catholic District School Board	0.78 %	6.4
Durham Catholic District School Board	0.20 %	1.6
Durham District School Board	-0.13 %	-1.0
Grand Erie District School Board	0.14 %	1.2
Greater Essex County District School Board	0.43 %	3.6
Halton Catholic District School Board	0.04 %	0.4
Halton District School Board	-0.92 %	-7.6
Hamilton-Wentworth Catholic District School Board	0.02 %	0.2
Hamilton-Wentworth District School Board	0.39 %	3.2
Hastings and Prince Edward District School Board	-0.06 %	-0.5
Huron Perth Catholic District School Board	0.08 %	0.7
Huron-Superior Catholic District School Board	0.10 %	0.8
Kawartha Pine Ridge District School Board	-0.13 %	-1.0
Keewatin-Patricia District School Board	-0.27 %	-2.2
Kenora Catholic District School Board	-0.04 %	-0.3
Lakehead District School Board	-0.13 %	-1.0
Lambton Kent District School Board	0.23 %	1.9
Limestone District School Board	-0.42 %	-3.5
London District Catholic School Board	0.25 %	2.0
Near North District School Board	-0.17 %	-1.4
Niagara Catholic District School Board	0.11 %	0.9
Nipissing-Parry Sound Catholic District School Board	-0.13 %	-1.1
Northeastern Catholic District School Board	-0.12 %	-1.0
Northwest Catholic District School Board	-0.01 %	-0.1
Ottawa Catholic District School Board	0.52 %	4.3
Ottawa-Carleton District School Board	-0.10 %	-0.8
Peel District School Board	1.63 %	13.4
Peterborough Victoria Northumberland and Clarington Catholic District School Board	-0.22 %	-1.8
Rainbow District School Board	0.10 %	0.9
Rainy River District School Board	-0.07 %	-0.6
Renfrew County Catholic District School Board	-0.01 %	-0.1
Renfrew County District School Board	0.20 %	1.6
Simcoe County District School Board	-0.25 %	-2.1
Simcoe Muskoka Catholic District School Board	0.18 %	1.5
St. Clair Catholic District School Board	0.06 %	0.5
Sudbury Catholic District School Board	0.10 %	0.9
Superior North Catholic District School Board	-0.07 %	-0.6
Superior-Greenstone District School Board	-0.02 %	-0.2

School board	Percentage shift from HNS to SESPM	Dollar value of shift (\$mm)
Thames Valley District School Board	0.39 %	3.2
Thunder Bay Catholic District School Board	-0.02 %	-0.1
Toronto Catholic District School Board	-0.79 %	-6.5
Toronto District School Board	-1.05 %	-8.6
Trillium Lakelands District School Board	-0.20 %	-1.6
Upper Canada District School Board	-0.43 %	-3.6
Upper Grand District School Board	0.47 %	3.9
Waterloo Catholic District School Board	0.05 %	0.4
Waterloo Region District School Board	0.00 %	0.0
Wellington Catholic District School Board	0.10 %	0.8
Windsor-Essex Catholic District School Board	0.05 %	0.4
York Catholic District School Board	-0.23 %	-1.9
York Region District School Board	0.28 %	2.3

The funding changes in the shift from historical needs-based funding to funding based on the Ministry’s statistical models are substantial. For example, for the two Toronto-based school boards, the shift reduces funding by just over \$15 million.

It is important to stress that this shift will be the result not of a revised assessment of need but rather of the difference between an allocation based on an (admittedly dated) audited direct measure of need and an allocation based on a series of linear regression analyses. The description of the model, which allocates \$763 million in provincial funding for 2016-17, is noteworthy.²¹ Another \$269 million is allocated through the Measures of Variability (MOV) model.

Essentially, the SESPM model employs statistical techniques to estimate, based on demographic characteristics, the likelihood that a student in each school board will fall into one of 14 categories of exceptionality. These probabilities are added together and weighted by the board’s enrolment to produce a factor for each board. Those factors are added together and each board receives a share of the available funding based on its factor as a fraction of the total of all board factors.

Even at this level of generality, the description of the model raises significant questions. First, the categories of exceptionality used are clinical rather than needs based. There is no attempt in the model to assess the programming needs associated with the identified exceptionalities. In the model, each of the 14 categories of exceptionality is equally weighted. The model takes no account of differences in the level of programming resources that might be required for different categories of exceptionality. In addition, the use of clinical categories *per se* as opposed to measures of need represents a significant departure from the needs-based

²¹ For example, the Ministry of Education’s B-Memo 2016:SB07 issued March 24, 2016 entitled “Special Education Grant Funding in 2016-17.”

approach that was the foundation of the original funding model. Second, the modelling estimates are based on 2006 Census data. While the exercise does not make the obvious error of using the widely discredited results from the 2011 Census, the statistical data are nearly as stale-dated as the data from the directly measured needs they are replacing.

Beyond those general observations, the Ministry has not released the results from the 14 regression equations that form the basis for the model; nor has it provided details as to how it combines those results into the funding share allocation system.²²

[New statistical model lacks accountability](#)

It is not difficult to understand the attractiveness of the model to the Ministry of Education. The new system provides no basis for an assessment of either the adequacy of the overall level of special education funding or the relationship between the funding allocated to individual school boards and their students' actual special education needs. Because the funding no longer has anything to do with programming needs or requirements, teachers, students and their parents have no basis on which to assess the available resources relative to needs.

Essentially, the new system eliminates any possibility of accountability for programming adequacy. The only accountability in the system now is purely financial, delivered through the continuation of the requirement that special education funding be enveloped for special education programming, in the aggregate, at the school board level.

That shift has been profound. Funding for intensive needs has evolved to the point where it is difficult to distinguish from block funding under SEPPA.

²² For example, there has been no disclosure of the statistical results that underlie the model – the statistical significance of the equations and of the individual variables that make up the equations. The detailed results have not been released. As a result, we do not know what the model's predictions are for the incidence of each of these clinical categories of exceptionality, by school board. Such results might serve as a useful reality check against the results, and would enable an analysis of the significance of equal weighting of categories as opposed to a programming needs-related weighting. Although the Ministry's material cites a model developed by Professor J.D. Willms of the University of New Brunswick as the basis for its approach, his CV lists no peer-reviewed publications on topic. The use of statistical models for special education funding is referenced in two presentations, one in 2012 to the Ministry of Education (Willms, J. D. (2012, August). Ontario Special Education Statistical Prediction Model. Presentation for the Ontario Ministry of Education. Toronto, ON.) and one in 2013 to the Ontario Education Research Symposium. (Willms, J. D. (2013, February). Using Innovative Predictive Modeling toward Equitable Funding in Special Education. Presentation for the Ontario Education Research Symposium. Toronto, ON.)

Funding Issues – At-risk Students

The Ministry established the Learning Opportunities Grant (LOG) to provide additional funding “for students whose education is at risk because of their social and economic circumstances.”²³ In conjunction with the development of the new funding formula, the Harris government appointed an expert panel to advise it on the construction of the LOG.

The panel’s key recommendations were as follows:

- 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 at-risk students should include poverty, parental education, refugee status and Aboriginal status; the basis for allocation should be kept up to date as new demographic 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 at-risk students in different parts of the province;
- The panel estimated that boards’ 1997 expenditures on at-risk students were approximately \$400 million, and suggested that amount as a floor for the initial Learning Opportunities Grant allocation; and
- School boards should be required to report annually on the distribution of Learning Opportunities Grant allocation funding among schools, the programs funded by the grant, and the results achieved.

The government adopted none of the original recommendations. Nor did it conduct an analysis of the need for at-risk student programming across the province. At \$158 million, the initial level of funding allocated was less than half the panel’s estimate of boards’ actual spending on at-risk programs in 1997.

Adjusted for inflation, the 1997 recommended funding level of \$400 million would now be \$595 million, compared with the 2017-18 level of funding for the demographic portion of the LOG of \$358 million.

The government failed to develop an accountability mechanism for the LOG. In fact, it chose not to require boards to spend the funding allocated on at-risk students, essentially treating the grant as one of several fund-generating “engines” in the formula with no strings attached to its actual end use. Boards are free to allocate these funds as they see fit and to use the funds as backfill for gaps in provincial funding for mandatory core services.

²³ Ontario Ministry of Education and Training “Learning Opportunities Grant: Panel Report to the Minister of Education and Training,” August 29, 1997, 2.

The government shattered the fiction that the LOG had a meaningful relationship to programming for at-risk students when it updated the benchmarks for teachers' salaries to reflect the actual amounts being paid. It assumed, probably correctly, that most boards were generating the funds from the LOG and the Local Priorities Amount in the Pupil Foundation Grant to help pay teachers.

The LOG expert panel's original report recommended further analysis of programming needs for at-risk students, as did the 2002 Rozanski report.²⁴ Yet the government had no better idea of the investment required to achieve Ontario's educational objectives for at-risk students in 2017 than it did in 1997, when it set the initial funding level at less than half the rate that its expert panel estimated represented boards' actual expenditures.

Impact of school fundraising

Another feature of the current system puts the limited funding provided for programming for at-risk students into perspective. The EFIS reports provide school-based fundraising totals, board-by-board. In 2015-16, boards estimated that school-based fundraising generated total revenue of \$548 million – nearly \$200 million more than the amount allocated to boards for programming for students at risk. Given that school-based fundraising capacity likely relates to the community's ability-to-pay and inversely relates to the demographic factors for students at risk in the community, the inevitable conclusion is that substantially more is being invested in undoing the demographically based resource allocation than is allocated based on demographic factors in the first place. The LOG demographic grant averages \$179 per student; school-based fundraising averages \$280 per student.²⁵

This factor does not simply affect the system; it also affects the allocation of resources among boards in the system. Nine boards received more than the \$179 per student average LOG demographic grant, for a total of \$221 million. Sixty-three boards received less than the average LOG grant per student, for a total of \$129 million. The nine boards with an above-average at-risk measure had school-based fundraising of \$124 million, nearly \$100 million lower than their LOG amount. The 63 boards with a below-average at-risk measure had school-based fundraising of \$424 million, nearly \$300 million more than their LOG amount. In other words, school-based fundraising significantly reverses the impact of the LOG on school boards' resources.

Even these numbers radically understate the upside-down equity driven by school-based fundraising. These figures are compiled at the board level and thus reflect averages of at-risk allocations and school-based fundraising amounts across the whole board. At the individual

²⁴ Education Equality Task Force, "Investing in Public Education: Advancing the Goal of Continuous Improvement in Student Achievement," 2002. Link: <http://www.edu.gov.on.ca/eng/document/reports/task02/complete.pdf>

²⁵ Data Reference: LOG and fundraising.xlsx

school level, the gap between at-risk programming needs and local fundraising potential will inevitably be even starker.

Funding Issues – Language/ESL

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 some features of the formula are designed to appear to be addressing issues without doing so seriously. Funding falls far short of what is needed.

The English as a Second Language (ESL) and Perfectionnement du français (PDF) grants are identified as supporting additional services for students whose first language is neither English nor French. Most of the funding generated by the grants is based on a head count of the number of students who entered schools in Canada within the past four years. The formula generates additional funding of \$3,982 for a student who has been in Canada for less than one year as of September 1 of the school year. The formula allocates 85 per cent of that amount for students who have been in Canada between one and two years; 50 per cent for students who have been in Canada between two and three years; and 25 per cent for students who have been in Canada between three and four years.

A second component provides additional funding based on Census data on the numbers of children living in homes in which the language most often spoken at home is neither English nor French. This component allocates a fixed provincial total funding level among school boards based on their share of the total number of students in the province that meet the Census language spoken at home criterion. For 2016-17, this component delivered \$31.7 million across the province – 14 per cent of the total ESL allocation, representing an increase of 10 per cent from the \$28.6 million provided in 2008-09. While beginning in 2016-17, the allocation basis is changing from 2006 to 2011 Census data, the provincial total allocated continues to be administratively determined. Total funding for the “pupils in Canada” component of the ESL grant increased by only one per cent in the first year of the new allocation system, compared with the level in 2015-16.

Ontario’s funding for ESL falls far short of what is needed in four key respects: the determination of which students count for funding purposes; the time period over which additional funding is provided; the level of funding relative to need; and the absence of a standard of competence in English to which ESL funding is targeted.

In 2002, the Rozanski Report reviewed the adequacy of the formula’s investment in ESL programming and found it fell far short of a reasonable standard, recommending that:

The Ministry of Education increase the funds allocated under the Language Grant to reflect five years of language training for English as a Second Language/English Skills Development and Perfectionnement du français ²⁶

The government ignored the recommendation.

A review of total allocations for ESL under the funding formula shows that, on average across the province, ESL funding was lower in 2015-16, as a percentage of the Foundation Grant, than it was in 2002-03. Adjusting the data for 2002-03 to 2005-06 to reflect the shift of in-school administration to the School Foundation Grant as of 2006-07, on average over the period 2002-03 to 2015-16, ESL funding declined from 3.0 per cent of the Foundation Grant in 2002-03 to 2.5 per cent in 2015-16 in elementary, and from 2.3 per cent to 2.0 per cent in secondary. Looking only at public boards, elementary ESL dropped from 3.4 per cent of the Foundation Grant to 2.6 per cent; secondary from 2.6 per cent to 2.0 per cent.²⁷

For public boards in the Greater Toronto-Hamilton Area – the area of Ontario with the greatest ESL needs – the ratio dropped from 5.8 per cent in 2002-03 to 3.8 per cent in 2015-16 for elementary, and from 4.5 per cent to 3.1 per cent for secondary. In Toronto, the ratio dropped from 8.9 per cent to 5.1 per cent for elementary, from 7.2 per cent to 4.5 per cent for elementary.

A 2007 review of ESL programming conducted by Ontario’s auditor general also highlighted the issue. In his report,²⁸ 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 ... [The 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

²⁶ “Investing in Public Education,” Report of the Ontario Education Equality Task Force, December 2002.

²⁷ Statistical table reference: ESL Analysis.xlsx

²⁸ Office of the Auditor General of Ontario, 2005 Annual Report, 149. Link: http://www.auditor.on.ca/en/reports_en/en05/307en05.pdf

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.

Another problem with the language grant is that it fails to consider the impact or intensity of ESL requirements on programming needs because the ESL formula follows the overall pattern of linking support to individual students. 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 more than half of the students have such needs. 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 language backgrounds. This is a problem for Toronto school boards and the surrounding area, where immigrants tend to be concentrated geographically and where sources of immigration are extremely diverse.

Finally, 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.

Simply to bring funding for those students currently recognized as requiring ESL assistance at the \$3,920 per year level to the four-year standard set out in the provincial auditor's report would have required additional funding province-wide of more than \$96 million.

Funding Issues – Local Priorities

Every independent review of education funding conducted in Ontario over the past 50 years has concluded that the funding system should enable limited, locally determined, discretionary revenue source be applied to locally determined priorities. Most recommend that locally determined funding, of up to 10 per cent of boards' total expenditures, be raised from local property taxes.²⁹

Even the "Who Does What?" panel led by former Toronto mayor David Crombie, which was required to take the Harris government's education finance framework as a given, recommended that the formula include a supplementary amount of five per cent to support local priorities.

²⁹ For a discussion of this issue, see the chapters on local government finance in the Ontario Fair Tax Commission's reports *Fair Taxation in a Changing World*, 1993, and *Working Group report: Property Tax*, 1992.

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 the educational needs in every community in the province. There should be a safety valve somewhere in the funding system.

Second, it is argued, local school boards in Ontario have often been innovators in education policy. To cite just two examples, French as a second language instruction was developed in Ottawa-area school boards and funded from local property taxes long before it became part of Ontario's official education policy. ESL programming was developed in 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. While the Harris government eventually relented and introduced a local priorities amount into the elementary and secondary foundation grants, its introduction and subsequent history could be described as an extended exercise in political cynicism.

The Harris government introduced a \$100 per student local priorities amount in 2001-02 (subsequently increased to \$200 per student), knowing 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, Rozanski's Education Equality 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. It also 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 issue into perspective, returning to the Harris government's local priorities amount of \$200 per student would require an additional investment of approximately \$395 million today. The five per cent of operating funding recommended by the Crombie "Who Does What?" panel in 1997 would require an additional investment of \$1.19 billion. The 10 per cent of operating funding recommended by every other Ontario funding review would require \$2.38 billion in additional funding.

This compares with the new allocation for 2017-18 labelled as "Local Priorities" of \$218.9 million for teachers and support staff. This amount is provided for in the collective agreements reached in 2017 with the unions representing teachers and support workers and is tied to incremental hiring or retention where staff reductions would otherwise have taken place. It is

specifically directed towards local gaps in funding for “children in need, ‘at-risk’ students and adult education.”³⁰

Funding Issues – School Operations

Funding for school operations is one of those issues that mostly fly under the radar. School boards have generally learned how to fit the bare minimum of spending on school operations needed to keep the facilities running within a funding allocation that is clearly inadequate relative to requirements.

“Underutilized” space in operating schools is blocked off or locked away, essentially treated the way our grandparents treated their attics: ignored and given no attention or investment. More importantly, expenditures have been squeezed to fit within funding amounts by deferring maintenance – essentially allowing the buildings to deteriorate. That this is not a viable long-term strategy is evident in the fact that the 2002 Rozanski report, the first review of the system, recommended significant new investments in school renewal to reverse the deterioration brought on by years of deferred maintenance. Now, just a few years after the emergency funding recommended by Rozanski expired, stories about deteriorating facilities and massive investment backlogs have again begun to hit the news.

The problem with this repeated cycle of underfunding, deferred maintenance backlogs and facilities renewal crises is that at no point in the cycle has anyone dealt directly with the fundamental issues with the way school operations were supported in the original design of the funding formula.

The former Harris government designed the funding formula for school operations with several objectives in mind, none of them having anything to do with improving the quality of education. It designed the formula to work against the interests of large urban school boards, which it saw as wasteful in their utilization of space and as dedicating significant space to activities other than what the government defined as education. Specifically, it intended the formula to force school boards to close schools it considered to be “underutilized.” It designed the formula to reduce the amount available to fund school operations overall and to pressure large urban boards to replace higher-wage staff with low-wage contract staff for custodial and maintenance services.

It took a rigid “one-size-fits-all” approach to funding for the operation of an extremely diverse portfolio of school facilities located in a wide range of economic and community environments. Although some key elements of the formula were found very quickly to be unworkable – the implicit assumptions that all schools could be utilized to 100 per cent of their capacity and that

³⁰ Grants for Student Needs (GSN) for 2017-18, Ministry of Education B-Memo 2017:B04, April 12 2017, p. 3

all school and classrooms were the same sizes and configurations, for example – the underlying approach is essentially the same today as it was when the formula was created.

Space allocations per student and the focus on education basics

The funding formula based the original allocations of space per student on benchmark values developed from the floor plans for new elementary and secondary schools designed to accommodate 350 to 450 students for elementary and 1,400 students for secondary. For the elementary benchmark areas, there were three reference schools, two in the Catholic system and one in the public system: one in Simcoe, one in Niagara, and one in Lakehead in Northern Ontario. For the secondary benchmarks, the formula used a Catholic school in York Region and a Catholic school in Dufferin-Peel.³¹

When it became clear that this one-size-fits-all approach was not going to work in all schools across the province, the Ministry developed a system to adjust measured capacity to reflect higher-than-assumed areas in individual schools. However, the system never took the obvious step of providing funding based on the actual layouts of the existing schools. As a result, the formula continued to provide insufficient funding for specialized facilities and common spaces.

Space allocations for special education

While some space in the original 1996 reference schools was dedicated to special education classrooms, that space simply flows into the standardized per-student allocation, which, in turn, defines a school's utilization rate. It is not related in any way to the actual space allocated for special education programming.

A bottom-up approach to determining space requirements – looking at actual schools and the actual educational activities taking place in those schools – would produce a much more accurate and realistic picture than the current mechanical linkage between head counts and capacity based on classroom area.

Community and non-education programming use of school facilities

Many of the headline-grabbing issues related to school facilities revolve around their use for purposes other than Kindergarten to Grade 12 education.

In addition, it is common across Ontario for schools to provide community resources such as swimming pools, playing fields, playgrounds, arenas and park-equivalent green space as well as

³¹ Report of the Expert Panel on the Pupil Accommodation Grant, Ontario Ministry of Education and Training, 5 September 1997. Notably, the government ignored and subsequently suppressed a minority report filed on behalf of school boards with older facilities.

serving as a focal point for community-based voluntary organizations. The funding formula recognizes none of these functions.

The space allocation formula

Rather than basing funding on the configuration of the actual school buildings operated by a board, the formula is driven by an arbitrarily determined fixed number of square feet (later square metres) per student. As a result, schools with large classrooms or substantial common spaces could easily end up full, based on normal class sizes, but with significant amounts of unfunded space. This issue was addressed, in part, by allowing for funding of a cushion amount of unused space. However, the provincial government has used and is continuing to use a steady shrinking of that cushion to put pressure on school boards to reduce their use of space by closing schools.

Funding benchmark for school space

When the government first introduced the funding formula, it provided funding for school operations at \$5.20 per square foot of required and funded space. That amount applied uniformly across the province, regardless of actual operating costs. Remarkably, the government revealed in 1998 court proceedings that the \$5.20 amount was calculated as the median of the per square foot costs paid by the 122 school boards in existence before the funding formula was introduced. As a result, funding for school operations in the entire province was based on the average cost per square foot reported by the middle two boards in the original list of 122: the Brant County and Kent County Roman Catholic Separate School Boards. As a consequence, these two boards determined the level of funding for every school board in the province and in fact, after adjusting for inflation, still do so today.

Even then, the figure of \$5.20 per square foot was not representative of 1997 operating and maintenance costs for school facilities in Ontario. Overall, the average cost for the 122 boards was \$5.31. Weighted by total space – i.e., to derive the average cost of operating a square foot of school space in Ontario – the average was \$5.44. Toronto's cost per square foot was the 11th highest in the province, at \$6.58 per square foot.

Even the original figure of \$5.20 would have been suspect on its own terms. In response to the constraints on the system imposed first by the Social Contract and then by the Harris Government's funding cuts, many school boards were already well into a deferred maintenance strategy to make limited funding appear to go further. It is therefore likely that the data set that gave rise to the \$5.20 per square foot initial funding formula itself represented an understatement of the longer-term costs of operating schools and keeping them in a state of good repair.

The Ministry made a number of changes in the early years of the formula: an adjustment reflecting the age of school buildings, an allowance for less than full capacity utilization, as noted above, and various specific changes focused primarily on schools in remote and rural

areas, again as noted above. However, the fundamental problems remain. The uniform cost benchmark means that school boards in higher cost areas, like Toronto and the far north, are disadvantaged relative to other school boards. The age adjustment is based on average ages rather than the actual ages of individual school buildings and makes no adjustment beyond an average age of 20 years. Over the past five years, the provincial government—as a lever to pressure boards to close underutilized schools—has reduced the funding allowance for schools using less than 100 per cent of their rated capacity.

Despite the importance of maintaining a safe and healthy physical environment for education, there are no standards in place for school operations and maintenance. School boards are free to spend as much or as little as they wish. This has given rise to a strategy of sorts of deferring maintenance expenditures to the point of crisis to attract additional funding.

Building new schools for growing areas

In general, the Ministry funding guidelines do not permit school boards to invest in new schools if there are underutilized schools in other parts of the board's geographic area. This means that school boards with a mixture of mature and rapidly growing communities are unable to accommodate growth if there is vacant space in the mature area, even where long distances separate the two areas.

Funding and Enrolment

In large-scale demographic shifts, the school system reflects the most visible indicators of change. That was true in the 1960s, when the baby boom generation entered the school system and enrolment exploded. It was true in the early-1980s, when post-boomers dominated. It was true again in the late-1980s and early-1990s when the echo generation (children of the baby boom generation) entered the system. Today, demographic shifts underlie the fact that elementary enrolment has begun to grow again as secondary enrolment continues to decline.

Similarly, shifts in immigration policy have direct implications for the school system, both quantitative and qualitative.

These trends would pose significant challenges to any school system, regardless of funding structure. They pose a challenge to the Ontario school system, which is centrally controlled and whose funding is closely tied to enrolment. School populations are changing but not at the same rate across all school boards and not at the same rate in the elementary and secondary panels. School populations are also shifting geographically, both within school board jurisdictions and between jurisdictions. The demographic structure of the school population is also in constant flux.

While the trend is obvious, the appropriate response is not nearly as clear. Does it make sense to close schools and sell off surplus land? Not if the decline in enrolment is only short-term. In

large, densely populated urban areas with extremely high property values, does it make sense to sell off a school that will be needed within a few years?

Will an enrolment decline reduce operating costs proportionally? Not necessarily, if the characteristics of the student population also change. Not necessarily, depending on how the decline is distributed within the municipality. And not necessarily in the short term but perhaps more likely over a much longer time horizon.

Overall, elementary and secondary school enrolment in Ontario has been slowly declining for roughly a decade. The phenomenon is no longer concentrated in a small number of boards in older urban areas or in rural and northern Ontario. It is a general phenomenon affecting almost all boards. Projections for 2016-17 showed more than 40 of the 72 boards expected to experience a decline in enrolment. Across the province, projections showed a slight decline, with a decline in secondary enrolment partially offset by an increase in elementary enrolment.

Ministry funding adjustments offset declining enrolment

To its credit, as declining enrolment became more general within the Ontario system, the Ministry adjusted the funding formula to take into consideration the challenges faced by boards experiencing significant enrolment decline.

The government altered the formula in two respects. First, it recognized that some expenditures linked to enrolment could not be adjusted immediately. A grant called the Declining Enrolment Adjustment (DEA) was originally introduced for the school year 2002-03. The Ministry has adjusted this grant 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 DEA makes sense in principle, there are significant problems with it in practice. It assumes, implicitly, that a fixed proportion of costs will vary directly with enrolment. In general, however, that is not the case. The extent to which it is not the case varies depending on student population and school board geography.

The current version of the DEA cushions funding for only two years. It compensates for the impact of enrolment decline in only six of the many grants in the system: the Pupil Foundation Grant; SEPPA (per pupil) portion of the Special Education Grant; the French as a First Language Grant; the remote and rural allocation in the Geographic Circumstances Grant; the per-pupil component of the Administration grants; and the per pupil portions of the School Operations and Renewal grants. Furthermore, the second year of support is only 25 per cent of the support in the first year.

The grant implicitly assumes that only the identified grants reflect funding changes to which boards cannot respond immediately by reducing expenditures and that all the expenditure adjustments a board must make in response to declining enrolment can be made within two

years of the decline. Even in the first year, only 13 per cent of the loss in the Pupil Foundation Grant qualifies for support, representing 50 per cent of the loss in the remote and rural and administrative grants.

It is important to note that what is designated as the first year in the DEA grant is already under way before enrolment totals are known. It is difficult to imagine how any programming adjustment can be made in response to a funding decline in these circumstances, much less the implied 87 per cent of the adjustment in with respect to the School Foundation Grant implied by the DEA formula.

Furthermore, the period of adjustment required will vary from area to area, depending again on student population and school board geography as well as the period of enrolment decline. The task of managing enrolment decline in a large board is quite different from the task in a smaller board that has been experiencing steady reductions in enrolment over several years.

The second change split the Foundation Grant into two separate grants: one maintaining the strict per-pupil focus of the original grant; the other acknowledging the fact that school-based administration costs could not be adjusted by boards in accordance with a per-pupil grant allocation.

When the government introduced the School Foundation Grant, funding for school-based administration was disconnected from year-to-year fluctuations in enrolment, a recognition of the reality that some expenditures are linked to schools rather than student head counts. This change was a welcome departure from the strict head-count basis that had prevailed previously. However, 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. For example, a school library is a school-based rather than an enrolment-based service. Similarly, school operations spending is not head-count driven; in practice, cuts in operations funding can only be addressed through school closures, which are in turn tied to substantial, ongoing and geographically concentrated enrolment changes, not year-to-year fluctuations.

Furthermore, by extension, there are some types of expenditures tied to the classroom rather than the individual student. The fact that a classroom might have one fewer student because of enrolment decline will affect costs only where enrolment loss accumulates to the point that the number of classrooms can be reduced.

In addition, the formula fails to consider the fact that many central services provided by school boards to support the learning environment do not vary in response to changes in enrolment at all despite being funded in part based directly or indirectly on enrolment.

Ontario's Education Funding Accountability Gap

Ontario's one-way accountability requirements

Accountability is one of the recurring themes raised by the provincial government in its relationship with school boards and school trustees. The funding regulations impose financial limits and requirements on various categories of operating spending. Some of these limits and requirements have been in place since the formula was first introduced for the 1998-99 school year; others have been added from time to time as new, targeted funding envelopes have been opened.

In summary, the current operating funding requirements are:

- Reporting requirements – in each school year cycle, boards are required to submit five comprehensive financial reports in accordance with provincially mandated standards;
- Special education – funding must be accounted for as special education spending; (original limit);
- Administration – spending cannot exceed the amount of the grant for administration; (original limit);
- Student achievement funding in the Learning Opportunities Grant must be spent on seven specified programs;
- Library staff allocation – must be spent on library staff;
- First Nations, Métis and Inuit Education – must be spent on related programming;
- Mental health leader allocation – boards must have a designated mental health leader;
- The New Teacher Induction Program funding must be spent on such programming;
- Maintain class sizes within the limits set by regulation; and
- Balance the budget within the funding provided for under the regulations.

In addition, the regulations restrict access to and use of capital funds. In summary:

- Renewal funding is designated primarily for school renewal;
- School Condition Improvement funding must be used for improvements that are capitalized;
- Capital funding can only be used for approved capital projects; and
- Temporary Accommodation funding is restricted to that purpose.

The Ministry has used its control over new capital projects to put pressure on school boards with space it considers underutilized to close schools.

To enforce these requirements, the government has imposed penalties on non-compliant school boards, up to and including taking control of boards' day-to-day operations through the imposition of a trusteeship.

The Ministry has also attempted to constrain the political role of school trustees by limiting their pay to discourage them from making a full-time commitment to the role and by establishing a “job description” for trustees that is closer to that of a member of a corporate board of directors than that of a political representative.

Entirely missing from the government’s approach to accountability is any provision for accountability for the adequacy and allocation of its funding to school boards.

To its credit, the Harris government recognized the accountability gap it was creating when it took full control over the amount and allocation of elementary and secondary education spending in 1997. As noted in the overview of the history of the formula above, it promised a regular public review of the performance of the funding formula. Only one such review – the Rozanski Report – has ever been completed.

Rozanski addressed the need for accountability through a process like the task force he headed. His report recommended an annual public review of funding adequacy and allocation as well as a full public review of the entire funding system every five years.

A comparative reality check

In an ideal world, the government would set out clearly its detailed goals for the system, account annually for the relationship between its annual funding allocations and those goals in a process akin to an audit, and submit, on a periodic basis, to a thorough public review of its goals and the relationship between the funding system and those goals.

In the absence of such a system, we can look to funding numbers in other jurisdictions considered comparable to Ontario as a kind of reality check on at least the overall funding commitment implied by Ontario’s system.

Using the most recent data available across North America, for the school year 2013-14, operating spending per student is compared among the 10 Canadian provinces and among the 61 state and provincial jurisdictions in North America.³²

The following table compares funding among the ten Canadian provinces.

³² Canadian data on spending are found in Statistics Canada CANSIM 478-0012; data on enrolment are found in Statistics Canada CANSIM 477-0025 ; data on US state level per student spending are found in United States Census Bureau , Public School System Finances, SS1400A08: Annual Survey of School System Finances: Per Pupil Amounts for Current Spending of Public Elementary-Secondary School Systems by State: Fiscal Year 2014, <http://www.census.gov/govs/school/>; US data converted to Canadian dollars at OECD Purchasing Power Parity conversion rate for 2014 – 1.24 Canadian dollars to 1.00 US dollar.

Province	Operating Spending 2014 - Total per pupil (\$Cdn PPP)
Quebec	12,238
Manitoba	11,536
Saskatchewan	11,425
Alberta	11,039
Ontario	11,033
Prince Edward Island	10,723
Newfoundland and Labrador	10,562
Nova Scotia	10,321
New Brunswick	9,598
British Columbia	8,918

Ontario ranks 5th among Canadian provinces.

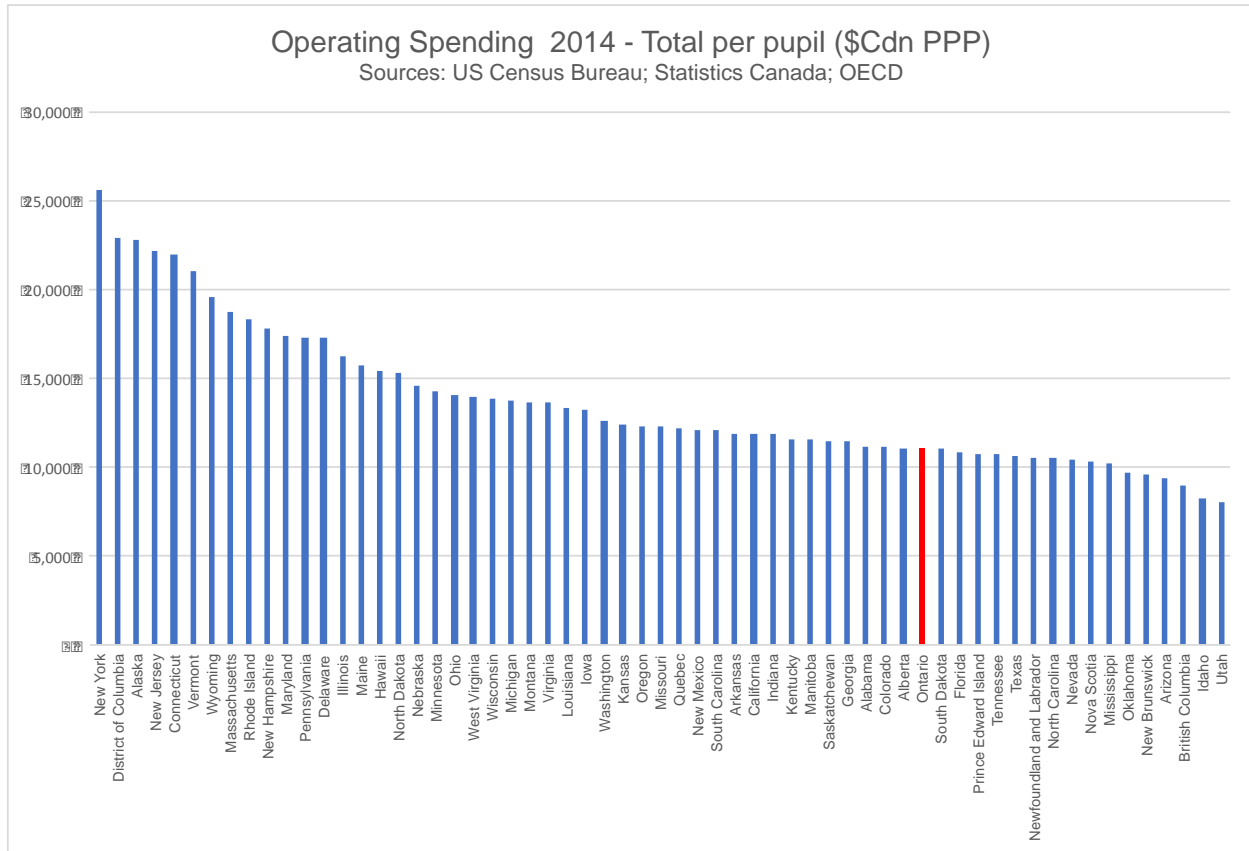
Perhaps a more-telling comparison locates Ontario in relation to the Northeastern states and Great Lakes states and provinces, which this province typically considers to be its comparator jurisdictions.

State/Province	Operating Spending 2014 - Total per pupil (\$Cdn PPP)
New York	25,556
New Jersey	22,205
Connecticut	22,004
Vermont	21,065
Massachusetts	18,708
Rhode Island	18,311
New Hampshire	17,775
Maryland	17,364
Pennsylvania	17,312
Delaware	17,283
Illinois	16,215
Maine	15,757
Minnesota	14,215
Ohio	14,079
Wisconsin	13,871
Michigan	13,776
Quebec	12,238
Ontario	11,033

Ontario ranks last out of the 18 jurisdictions compared. Notably, its spending per student is less than half that of the jurisdictions in the New York City area and less than two thirds the

spending per student in the state of Massachusetts, often cited as a jurisdiction whose focus on education is one which Ontario should seek to emulate.

The following is a full summary chart showing Ontario's rank among the 61 jurisdictions compared (50 states plus the District of Columbia in the U.S.; 10 Canadian Provinces).



Appendix 1 – details of elementary vs. secondary funding per student calculation

Summary of analysis

	<i>ADE</i>			<i>Provincial total</i>			<i>Technical paper</i>	<i>Source</i>
	<i>Per student</i>						<i>Total</i>	<i>EFIS Table</i>
	<i>Elementary</i>	<i>Secondary</i>	<i>Differential</i>	<i>Elementary</i>	<i>Secondary</i>	<i>Combined</i>		
Foundation	5,202.22	5,792.23	590.01	7,066,125,418	3,432,016,000	10,498,141,418	10,546,600,000	Sec 01.1 Pupil Foundation Allocation
School Foundation	697.31	790.98	93.67	947,148,586	468,669,541	1,415,818,127	1,442,400,000	Sec. 01.3 School Foundation Amount
Special Education	1,507.58	1,160.91	-346.66	2,047,722,926	687,864,803	2,735,587,729	2,762,000,000	Sec. 02 Special Education Allocation
French Language	172.13	39.60	-132.53	233,803,652	23,466,725	257,270,377	331,800,000	Sec. 03 -1 French Language Allocation
ESL ELD PANA	117.64	123.88	6.25	159,787,897	73,403,953	233,191,850	231,800,000	Sec. 03 - 2 ESL-ELD-PANA Allocation
ALF	51.49	36.86	-14.63	69,935,755	21,838,071	91,773,826	113,500,000	Sec. 03 -3 ALF and Total Language Allocation
Supported Schools	28.37	54.64	26.27	38,535,699	32,376,480	70,912,179	69,600,000	Sec. 04 Supported Schools Allocation
Remote and Rural	63.42	55.93	-7.50	86,144,837	33,137,443	119,282,280	119,600,000	Sec. 05 Remote and Rural Allocation
New Teacher Induction	6.11	3.10	-3.01	8,295,678	1,838,201	10,133,879	13,700,000	Sec. 07 - 4 New Teacher Induction Allocation
ECE Q & E	91.93	-	-91.93	124,869,773	-	124,869,773	129,600,000	Sec. 07 - 5 ECE Q & E Allocation
School Operations	50.88	118.04	67.15	69,111,048	69,938,439	139,049,487	2,050,000,000	Sec. 11 - 1 School Operations Allocation
Learning Opportunities	38.14	108.23	70.09	51,807,365	64,130,885	115,938,251	532,100,000	Sec. 13 Learning Opportunities Allocation
First Nations, Metis & Inuit	16.29	48.84	32.55	22,120,787	28,936,692	51,057,480	64,100,000	Sec. 18 First Nations, Metis & Inuit Education Allocation
Safe Schools	1.52	24.52	23.00	2,062,328	14,526,498	16,588,827	47,200,000	Sec.19 Safe Schools Allocation
SUBTOTAL	8,045.03	8,357.76	312.73	10,927,471,749	4,952,143,733	15,879,615,483	18,454,000,000	
Continuing Education and Other Programs	19.56	136.07	116.51	26,574,269	80,625,731	107,200,000	165,400,000	Sec. 06 Continuing Education and Other Programs Allocation
Cost Adjustment and Teacher Q & E	823.01	1,189.71	366.70	1,117,890,516	704,930,195	1,822,820,712	1,836,600,000	Sec. 07 - 3 Cost Adjustment and Teacher Qualifications and Experience Allocation
ITEMIZED TOTAL	8,887.60	9,683.54	795.94	12,071,936,535	5,737,699,660	17,809,636,194	20,456,000,000	



ETFO: Seven Recommendations to Fix Ontario's Education Funding Formula

1. That the Ontario government revise its 2017-2018 Grants for Student Needs to increase support for special education funding to school boards to address the challenge of meeting the needs of children with learning exceptionalities and mental health issues.
2. That the government conduct an independent, external review of the statistical model it uses for funding special education to evaluate its effectiveness in meeting actual student need.
3. That the education funding formula be amended to increase school boards' capacity to deliver front-line children's services by paraprofessionals such as school counsellors, psychologists, behavioural counsellors, social workers and speech language pathologists so that students have greater access to services and shorter wait times.
4. That the education funding formula be amended to ensure the average class size of grades 4 to 8 does not exceed 22 students, the current average class size for secondary students.
5. That the government continue the reduction of Kindergarten class size beyond 2018-2019 through a systematic and sustained application of class size caps that bring Kindergarten class size in line with other primary grades.
6. That the government address the current \$612 per pupil differential in funding for elementary and secondary students by increasing Pupil Foundation Grant allocations for elementary specialist teachers, guidance, librarians, learning and library materials, classroom supplies and computers.
7. That the government establish, through legislation, a comprehensive evidence-based review of the education funding formula every five years to determine its effectiveness in supporting high quality public education.