

# Shortchanging Ontario Students

## An overview and assessment of education funding in Ontario

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### Executive Summary

September 22, 2017 marks the 20<sup>th</sup> 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.<sup>1</sup>

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

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<sup>1</sup> 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.

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.

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 5<sup>th</sup> 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 45<sup>th</sup>. 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.

## Recommendations

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.