



## CHAPTER 9

### Education Funding

Budgeting is a vital and integral part of the overall planning responsibilities of a board. Board operating and capital budgets should align with the long-term strategy that school boards develop to ensure effective stewardship of the board's resources. School boards are required to develop a balanced budget within the funding allocated to them by the Ministry of Education.

#### **Funding Sources**

Since 1998, the provincial government has had full control of education property tax revenues. At that time, the government introduced a

series of funding formulae that determines the revenue each board receives on an annual basis. The overarching funding, known as the Grants for Student Needs (GSN), has undergone significant evolution since it was first introduced.

Property taxes continue to support the education system. Under the present system, the government sets a uniform tax rate, based on a current-value assessment system, for the education portion of property taxes, for all residential properties in the province. The provincial government also sets a rate that varies by

municipality for the education portion of business property taxes. Municipalities collect the education portion of property taxes for the respective school boards on behalf of the provincial government. The Ministry of Education, using the funding formula, determines each board's overall allocation. Property tax revenues form part of the allocation, and the provincial government provides additional funding up to the levels established by the funding formula.

## Grants for Student Needs (GSN)

The GSN supports funding for the classroom, school leadership and operations, specific student-related priorities and local management by school boards. The GSN's purpose is to help the system achieve key goals, close the gaps, so that all students benefit from a strong educational system attuned to individual needs and enhance public confidence in our education system.

The Province invests about \$25 billion a year in education. A major part of enhancing confidence is ensuring accountability for the use of these resources.

The Province, through the Ministry of Education, is accountable for the public education system as a whole and the policy decisions that determine funding for school boards. Given their key role in providing services at the local level, school boards have important accountabilities to students, parents and others with a stake in outcomes, as well as to the ministry.

A cornerstone of Ontario's education system is the principle that school boards have a responsibility to ensure the effective stewardship of resources. Thoughtful, transparent budgeting, aligned with a

focused strategy, is vital and integral to this goal.

With respect to the GSN, a robust financial accountability framework has been developed between school boards and the Province. This framework recognizes that accountability to the ministry must be balanced against the need for school board flexibility to address local conditions. It includes:

- Legislative requirements, such as the provision that school boards balance their budgets
- Requirements around budgeting and financial reporting, as well as monitoring, audit, review and, in some cases, supervisory activities by the Province
- Enveloping, which means requiring that certain grants be used only for the purpose intended
- Program/grant-specific reporting requirements overseen by various branches of the ministry.

Annual adjustments are made to grants, informed by the ministry's ongoing contact with the sector, including the annual GSN funding consultations and collaborative working groups with various stakeholders that make technical recommendations on how to improve the GSN.

A board's total GSN allocation is determined by: the formulas in the Pupil Foundation Grant; the School Foundation Grant; a variety of special purpose grants and allocations; and funding for Debt Service Support. These grants are intended to provide a total amount of revenue based on the specific needs of a board and its students.

## Pupil Foundation Grant

The Pupil Foundation Grant, which accounts for about half of the GSN, supports the components of classroom education that are generally common to all students. The grant provides funding, on a per-pupil basis, to cover the basic costs of educating a student related to the following:

- Classroom teachers [including supply teachers, specialist teachers/preparation time (elementary), Student Success teachers/preparation time (secondary)], secondary programming teachers, and professional development
- Early childhood educators in full-day kindergarten classrooms
- Classroom consultants
- Library and guidance services
- Educational assistants



- Professional and paraprofessional supports
- Elementary supervision
- Textbooks and learning materials
- Classroom supplies
- Classroom computers.

The grant is calculated on a per-pupil basis. There are four different per-pupil amounts at the elementary level, depending on the grade in which a student is enrolled – kindergarten, primary (grades 1 to 3), junior (grades 4 to 6), intermediate (grades 7 to 8) – and one per-pupil amount for secondary students.

### **School Foundation Grant**

This grant supports the costs of salaries and benefits for principals, vice-principals,

and office support staff, as well as supplies for school administration purposes. The grant includes measures which:

- Recognize a school's size as well as its remoteness and whether it is operating in a minority language context; and
- Provide greater funding overall for principals in combined elementary and secondary schools (subject to minimum enrolment limits), and in elementary or secondary schools with multiple buildings (subject to minimum enrolment limits).

### **Funding for Specific Priorities and Locally Managing a System**

There are a variety of special purpose grants that recognize the cost of education varies significantly depending upon the needs of the students and where the students live. These grants may change from time to time to reflect government priorities. Examples of the special purpose grants include:

- **Special Education Grant** – provides funding for students with special needs. It supports the incremental costs of providing the additional programs, services and equipment needed to support the educational requirements of students with special needs. Boards may use the grant only for special education, and must set aside any unspent funding to use for special education in a future school year. There is flexibility in how they may use some of the individual allocations within the grant, as long as the funds are spent on special education.
- **Language Grant** – for language instruction, including: French-as-a-First Language, Actualisation linguistique en français, and Programme d'appui

- pour nouveaux arrivants; English as a Second Language; French as a Second Language.
- Indigenous Education Grant – for programs designed for First Nation, Métis and Inuit students as outlined in the Ontario First Nation, Métis and Inuit Education Policy Framework, 2007 (see [www.edu.gov.on.ca/eng/aboriginal/fnmiframework.pdf](http://www.edu.gov.on.ca/eng/aboriginal/fnmiframework.pdf)).
  - Geographic Circumstances Grant – this funding recognizes the higher costs related to the remoteness of rural boards and schools. It takes into account several factors, including board and school size, board distance from urban centres and dispersion of schools over a board's geographic area.
  - Safe Schools Supplement – for prevention support, for early intervention and discipline programs and services, and opportunities for students to continue their education.
  - Continuing Education and Other Programs Grant – this grant supports a range of programs aimed at adult learners (21 and older) and day school students, including secondary students who have completed more than 34 credits and wish to continue their studies.
  - Cost Adjustment and Teacher Qualifications and Experience Grant – this grant provides additional support for classroom staff who have qualifications and experience above those provided for through the Pupil Foundation Grant.
  - Student Transportation Grant – for transporting students to and from school.
  - Declining Enrolment Adjustment – much of a school board's revenue is determined by enrolment. When enrolment goes down, funding also declines. School boards can adjust their costs downward as well, but this may take more than one year. The declining enrolment adjustment recognizes this need for extra time to mitigate costs.
  - School Board Administration and Governance Grant – this grant provides funding for board administration and governance costs, including those related to board-based staff and board offices and facilities.
  - School Facility Operations and Renewal Grant – this grant supports the costs of operating, maintaining and repairing school facilities. Under the formula, funding is

adjusted for boards that have older schools with unique design features such as wide hallways, large shop spaces, and auditorium spaces.

## Capital Funding

### Capital Priorities

The Ministry of Education's Capital Priorities funding is designed to address school building and major renovation projects at school boards through a business case approach. As part of the Capital Priorities program, boards are asked to identify major capital projects (new schools and additions) that are required within the next three-year timeframe. The ministry focuses its efforts on helping to ensure that school boards are able to meet their project completion timelines, as well as identifying upcoming accommodation issues.

Boards are asked to rank their business case requests based on their highest and most urgent accommodation priorities dealing with accommodation pressures, facility conditions and school consolidations.

### School Condition Improvement

The School Condition Improvement program addresses school renewal needs. This funding focuses

on ensuring facilities are in good condition, energy-efficient, accessible and that they meet modern service standards. The funding helps boards address their school consolidation needs in cases where an existing school can accommodate the students through renovations without the need to increase the building footprint.

### Amount for Temporary Accommodation

This allocation is designed to address the estimated annual cost of temporary accommodation for boards. The funding is based on a combination of expected lease costs reported by boards and a model of portable needs activity. The funding can be used for portable moves, leases and purchases, as well as lease costs for permanent instructional space.

### Education Development Charges

An education development charge (EDC) is a levy on new construction in a municipality. A school board may pass bylaws to collect EDCs on new real estate developments within all or part of the board's jurisdiction when elementary enrolment exceeds its elementary capacity and secondary enrolment exceeds its secondary capacity within

a defined region of the board, or when a board has an existing EDC deficit. The revenue is to be used solely to pay for new school sites. The legislative framework for this appears under Part IX, Division E of the *Education Act* and Ontario Regulation 20/98: Education Development Charges – General.

### Reforms to the Funding Formula

Over the past decade, the funding formula has undergone significant reform. Improvements have been shaped and informed by consultations and discussions with education stakeholders, which includes trustees and school board/trustee associations. Consultations take place in advance of the release of the annual regulation that sets out the GSN for the coming school year.

In addition to improving funding adequacy, structural changes to the funding formula have made it more responsive to student and board needs. These structural changes include:

- Introducing measures to support student achievement and to reduce gaps in achievement
- Moving to a more school-based funding formula

- Aligning grants and school board costs
- Updating grants by using the most recent available census data
- Providing better support for rural and northern schools
- Improving the condition of school buildings.

### Budget Development

A board's budget must be developed based on the educational needs of its students and within the funding allocation provided by the Ministry of Education. The board will ensure that this balanced budget reflects the board's vision, is responsive to the needs of the community and supports the goals of the board's multi-year strategic plan.

The fiscal year for school boards is September 1 to August 31. A financial plan or budget is developed and approved each year by the board.

The process of budget development is one of the most crucial tasks that a school board undertakes and demonstrates its effectiveness and transparency as a democratic institution. Budget development is a consultative process that allows staff, school councils, employee groups, and others in the community to provide advice on priorities and

potential budget choices. It is also a public process: boards must be able to demonstrate to their communities that they are accountable in making the best decisions possible for the students in their schools.

While developing a balanced budget, boards must demonstrate that they have allocated the available funds effectively throughout the system. This requires boards to analyze difficult issues, such as:

- Which programs/services to maintain
- Which programs/services to enhance
- Which available funds to redirect to other programs/services
- What transportation policies and service levels should be
- Where to locate new schools
- Whether to close schools and, if so, which ones
- How to align the catchment areas for schools (i.e. how to set school boundaries).

While the *Education Act* and its regulations set out a number of requirements related to how boards set their budgets, the most significant of them is the requirement that they adopt balanced budgets [s. 231]. The government also

sets legislative/regulatory expectations to do with budgets in the following areas:

- Class size
- Trustee remuneration
- Board administration and governance
- Special education (restrictions against spending it elsewhere)
- Pupil accommodation (restrictions against spending it elsewhere).

The *Education Act* also gives boards the authority to invest and borrow money, but at the same time puts limits on this authority [s. 241 to 249].

School boards are expected to actively manage their cash flow, prudently invest any excess funds, and ensure that any arrangements for short and long-term financing are made at competitive rates.

