

BCTF Research Report

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SECTION V
2012-EF-01

2012–13 Operating Grants— Too little to offset district budget shortfalls

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\$4 million increase is not enough to cover the \$43.7 million in “new” funding supplements announced by the ministry

The BC Ministry of Education announcement about 2012–13 operating grants estimates¹ includes “new” funding to districts of \$11.2 million for vulnerable students, \$10.7 million for districts to implement elements of the Education Plan, and \$21.8 million to address “districts’ differing geographic circumstances”.

This makes for a total of \$43.7 million in “new” funding for these supplements, yet 2012–13 operating grants estimates increase by only \$4 million, from \$4.721 billion in 2011–12 to \$4.725 billion in 2012–13. This suggests that most of the “new” funding is actually a shift of funding between categories within the funding formula.

So where are the funds to cover these new initiatives coming from?

If total operating grants funding is not increasing by enough to pay for these new initiatives, then funding must be decreasing in some of the existing supplements. A comparison of 2011–12 operating grants funding (recalculated) with 2012–13 operating grants estimates shows an estimated decrease of \$47.3 million in funding for total enrolment-based funding based on full-year (estimated) enrolment.

The 2012–13 operating grants funding also includes a \$51.3 million holdback for unanticipated enrolment changes during the school-year, about \$10.5 million less than was allocated for 2011–12. All of the holdback funds would need to be dispersed for total operating grants to increase by \$4 million.

¹ Ministry of Education. *Operating grants maintained, new funding for Education Plan*, News Release, March 12, 2012 (2012EDUC0022-000273).

What's up with declining enrolment statistics?

Operating grants funding is based on FTE student enrolment. FTE student enrolment figures vary greatly in terms of magnitude, and direction of change, depending on the ministry document. The reason for these differences needs to be clarified.

The ministry budget estimates show 5,245 fewer funded FTE students in 2012–13 than in 2011–12. Enrolment estimates in Table A7 of the *Budget and Fiscal Plan—2012/13 to 2014/15* (p. 138) indicate a decrease of only 2,036 FTE students between 2011–12 (Updated Forecast) and 2012–13 (Budget Estimate).

And the ministry's most recent 2011–12 Student Statistics report shows a trend of increasing FTE student enrolment. Over the last five years (2007–08 to 2011–12), FTE enrolment increased by 5,088.1 FTE². Between 2010–11 and 2011–12, FTE enrolment increased by 711.7 FTE students.

Inflation erodes marginal increases in Operating Grants funding for 2012–13

The \$4 million increase to 2012–13 operating grants is well below the \$112 million needed for districts to keep pace with inflation (based on a BC inflation rate of 2.37%). And the ministry's plan to freeze operating grants at \$4.725 billion over the next three years means a potential loss of \$300 million or more in purchasing power for school districts (assuming the BC inflation rate remains the same for three years).

It is worth noting that the School Property Tax Rate–Residential (since 2003) and the School Property Tax Rate–non-Residential (with some exceptions) are indexed to the provincial inflation rate, according to the *Budget and Fiscal Plan—2012/13 to 2014/15* (p. 62).

By not indexing operating-grants funding to the inflation rate, the ministry is placing districts in the unenviable position of having to find cost-savings elsewhere to make up for the loss of purchasing power. This adds to the cumulative structural shortfalls school districts have struggled with in recent years³ that have resulted in school closures, larger classes, and the loss of educational programs.

New study shows education cutbacks are hard on teachers, students, and families

BC has much to learn from a recent US study about the adverse effects of implementing budget cuts at the school level during a recessionary period. *The MetLife Survey of the American Teacher: Teachers, Parents, and the Economy (2011)*⁴ examined the impact of the economic downturn from the perspectives of teachers, students, and parents. The study found that 76% of teachers reported a decrease in school budgets in the past year, with teachers reporting negative impacts including layoffs of teachers and other staff, elimination of education programs, increased class size, and out-dated technology and learning resources.

² BC Ministry of Education. *2011/12 Student Statistics*, Province–Public schools, p. 17.

³ See BCTF Research reports for further information on district budget shortfalls and provincial education funding, available at <http://www.bctf.ca/publications.aspx?id=5630#Edfunding>

⁴ MetLife. *The MetLife Survey of The American Teacher: Teachers, Parents, and the Economy*, March 2012. Available at www.metlife.com/teachersurvey

The increased economic strain on students and families since the recession was reported by teachers, students, and families. About two-thirds (64%) of teachers reported an increase in students and families in need of health and social services, with 28% reporting that health and social services were reduced or eliminated in the school.

The survey also found that teacher job satisfaction dropped significantly since 2009, to the lowest level in 20 years. Teachers with lower job satisfaction are more likely to work in schools experiencing staff layoffs, loss of education programs, or reduced health and social services. They were also less likely to feel their jobs were secure or that they were “treated as a professional by the community”. The percentage of teachers saying they are very or fairly likely to leave the profession increased from 17% to 29% since 2009.

What about the Learning Improvement Fund?

Ten years ago, the Liberal government estimated they could save \$275 million per year by removing class size and composition provisions from the teachers’ collective agreement. *Budget 2012* allocates only \$30 million for year 1 (2012–13) of a new Learning Improvement Fund (separate from operating grants funding) to address class size and composition issues⁵.

Perhaps this is why the Board of Education, Greater Victoria School District 61, sent a letter⁶ to the Minister of Education on February 10, 2012 about the inadequacy of the amount of the Learning Improvement Fund, asking the Minister of Education to “please reconsider the amount of dollars attached to the class organization fund so that we can truly make a difference in the education of our students”.

So what does all of this mean for 2012–13 Operating Grants?

Districts will receive \$43.7 million targeted for specific purposes (Unique needs–Vulnerable Learners, the Education Plan, and revised Unique Geographic Factors), while total enrolment-based funding for the year decreases by \$47.3 million, before the holdback is distributed. Even if all of the holdback is released to school districts, overall funding for 2012–13 increases by only \$4 million, leaving districts short of about \$100 million in lost purchasing power due to inflation. This does not take into account other downloaded costs to school districts that add to structural budget shortfalls. Saanich school-district officials recently indicated that the freeze in operating grants funding over three years will result in cuts to programs and services, as the district will have to find the funds to cover rising costs such as increases to MSP premiums⁷.

While increased funding for vulnerable students is welcome and essential, the benefits arising from this funding should be evaluated in the context of the adverse effects of budget shortfalls on students as a result of cuts to programs and services in other areas. For example, in an effort to deal with an anticipated shortfall of \$8 to \$8.5 million in 2012–13, the Vancouver School Board hired Price-waterhouseCoopers (PwC) to identify areas of cost-savings, some of which, if implemented, could directly affect vulnerable students, such as changes in reimbursement criteria for bus fare and changes in school cafeterias providing meals to students in need⁸.

⁵ The Budget Plan shows an allocation of \$30 million for 2012–13, \$60 million for 2013–14 and \$75 million for 2014–15 in the Learning Improvement Fund.

⁶ Board of Education, Greater Victoria School District. (2012). Correspondence sent to The Honourable George Abbott, Minister of Education, February 10, re: Class Organization Fund.

⁷ Kines, L. (2012). “Funding freeze is the same as a cut, school boss says”, *Times Colonist*, February 23, p. A3.

⁸ O’Connor, N. (2012). “Report urges school board to slash and save”, *The Vancouver Courier*, March 9, p. A12.

What is needed to address the funding crisis in BC public schools?

Needs assessment

The BC public education system has suffered from chronic under-funding over the past decade. While the ministry claims to be providing more money than ever, each year school districts close schools, increase class size, and reduce or eliminate programs to offset budget shortfalls. Some school districts submitted 2011–12 “needs” budgets to the ministry, in protest, to demonstrate the amount of funding required to address the unmet needs of students, as opposed to the budget figures in the balanced budget that districts are legally obligated to submit.

What is needed is an assessment of the overall impact of funding policies on students and families, weighing the benefits of these newly-announced funding initiatives against the adverse impact of cutbacks arising from district budget shortfalls such as school closures, staff layoffs, larger classes, and loss of educational programs and services.

Stop using declining enrolment as an excuse

Declining enrolment is not an excuse for under-funding public education. The BC Ministry of Education could have used a period of declining enrolment to address the unmet needs of students in the public education system. Enrolment declined across Canada over the decade, with most provinces improving funding support for public education at a greater rate than BC, and increasing rather than reducing the number of educators in the school system⁹.

Provide meaningful funding increases to fully address unmet needs in public schools

The BC government may justify the freeze on operating-grants funding as a necessary fiscal restraint for BC to recover from a recessionary period, but the real reason may be found in the government’s restructuring of tax policy. Bob Simpson, Independent MLA for Cariboo North, in his analysis of the Bill 22 debate, proposes:

\$280 million in new money for the education system from a restoration of the corporate industrial school tax that Gordon Campbell cut in 2008. This tax was cut as part of Campbell’s “stimulus package” and it’s now rationalized as part the “revenue neutral” carbon tax.

Without a meaningful increase in public-school funding, BC will continue to fall further and further behind other provinces. BC’s *Budget 2012* allocates about \$5.2 billion total funding for public and independent schools. Compare this to the \$6.08 billion Alberta estimates¹⁰ for 2012–13 *Operating Support for Public and Separate Schools*, an increase of \$198 million compared to 2011–12.

Compared to other provinces, BC has the lowest percentage increase in education funding across a wide range of indicators used by Statistics Canada. The most-recent Statistics Canada report¹¹ shows that while *funding* for elementary and secondary public schools increased across Canada

⁹ For further detail, see pages 14–17 of the BC Teachers’ Federation’s *Education Funding Brief 2011*, presented to the Select Standing Committee on Finance and Government Services on September 15, 2011, available at <http://www.bctf.ca/uploadedFiles/Public/Publications/Briefs/2011EdFundingBrief.pdf>. For the most current data on the number of FTE educators by province, see Chart A.13.2 (p. 25) of Statistics Canada, *Summary Public School Indicators for Canada, the Provinces and Territories, 2005/2006 to 2009/2010*, available at <http://www.statcan.gc.ca/pub/81-595-m/81-595-m2011095-eng.pdf>.

¹⁰ Figures are from the Alberta Budget 2012 document *Education—Business Plan 2011–14*, p. 22. <http://www.finance.alberta.ca/publications/budget/budget2012/education.pdf>

¹¹ Statistics Canada, *Summary Public School Indicators for Canada, the Provinces and Territories, 2005/2006 to 2009/2010*, available at <http://www.statcan.gc.ca/pub/81-595-m/81-595-m2011095-eng.pdf>.

between 2005–06 and 2009–10, British Columbia ranked at or near the bottom in terms of the *percentage increase* in education expenditures, in all key areas¹².

By freezing operating grants funding for the next three years, the BC government is almost guaranteed a last-place finish among Canadian provinces in terms of its commitment to improving public education.

The table on the following page shows changes in funding allocations: 2011–12 Recalculated Operating Grants (December 2011) and 2012–13 Operating Grant Estimates (March 2012).

¹² For further detail on how BC funding increases compare to other provinces, see pages 3–4 of the BCTF Research Report 2011-EF-04: *Announced changes to the funding formula for 2012–13—What do they really mean?* December 2011. Available at <http://www.bctf.ca/uploadedFiles/Public/Publications/ResearchReports/2011-EF-04.pdf>.

Changes in funding allocations: 2011–12 Recalculated Operating Grants (December 2011) and 2012–13 Operating Grant Estimates (March 2012)

Change in Operating Grants (basic and supplements) between December 2011 Autumn Recalculation and 2012–13 Estimates			
Funding categories	2011–12 recalculated OG (December 2011)	2012–13 estimates (March 2012)	Change
Basic funding			
Basic enrolment-based funding (September)	\$ 3,642,882,790	\$ 3,611,860,639	-\$ 31,022,151
Supplements			
Enrolment decline	\$ 15,564,733	\$ 10,688,697	-\$ 4,876,036
Unique student needs	\$ 539,079,610	\$ 549,606,225	\$ 10,526,615
Salary differential	\$ 96,534,672	\$ 95,634,999	-\$ 899,673
Unique geographic factors	\$ 158,351,833	\$ 268,088,581	\$ 109,736,748
Transportation and housing	\$ 87,920,018	-----	-\$ 87,920,018
Summer learning (2011; 2012 est.)	\$ 13,829,500	\$ 13,842,953	\$ 13,453
Funding protection	\$ 30,567,769	\$ 56,914,844	\$ 26,347,075
Formula transition	\$ 14	-----	-\$ 14
Holdback allocation	\$ 61,708,481	-----	
The Education Plan	-----	\$ 10,747,579	\$ 10,747,579
Total enrolment-based funding, including supplements			
September	\$ 4,632,609,920	\$ 4,603,541,564	-\$ 29,068,356
Full-year (estimated; includes summer, February, and May enrolment counts)	\$ 4,716,730,356	\$ 4,669,469,835	-\$ 47,260,521
Holdback allocation for unanticipated enrolment growth	-----	\$ 51,260,521	
CommunityLINK and Provincial Resource Programs	\$ 4,633,044	\$ 4,633,044	\$ 0
Total Operating Grants— Full-year estimates	\$ 4,721,363,400	\$ 4,725,363,400	\$ 4,000,000

BCTF Research table, created with data from:

Ministry of Education. (December 2011.) *2011/12 Operating Grant Tables*. <http://www.bced.gov.bc.ca/k12funding/funding/11-12/operating-grant-tables.pdf>

Table 1a – Interim Provincial Overview of Operating Grant Allocations (Full- Year) – 2011/12 Following the September 2011 Enrolment Count.

Table 2a – Provincial Overview of 2011/12 Operating Grants (September)

Table 10a – Summer Learning Base Funding 2011

Ministry of Education. (March 2012.) *2012/13 Operating Grant Tables*. <http://www.bced.gov.bc.ca/k12funding/funding/12-13/operating-grant-tables.pdf>

Table 1a – Provincial Overview of Operating Grants Estimates (Full Year) 2012/13.

Table 2a – Provincial Overview of Estimated 2012/13 Operating Grants (September).

Table 9 – Summer Learning 2012/13 Estimated