

BCTF Research Report

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SECTION V
2010-EF-02

Education funding in crisis: Will the 2010–11 budget make a difference?

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Education funding crisis unfolds as structural shortfalls grow

Each budget year the Ministry of Education responds to concerns about chronic underfunding of public education by asserting that the ministry is providing “more funding than ever” during a sustained period of declining student enrolment.

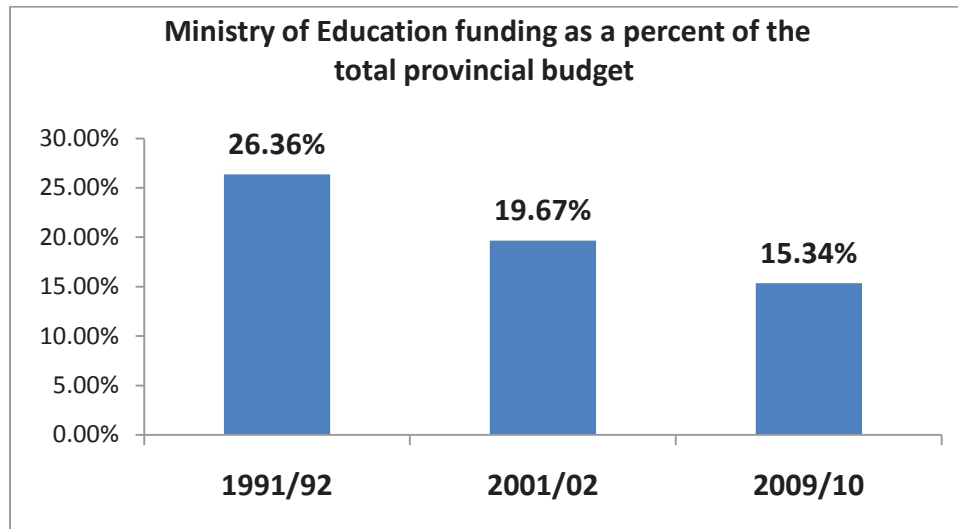
While the nominal amount of education funding has increased, this increase has not been sufficient to fully fund publicly-mandated education programs and services. According to a 2010 report by the Saanich School District,¹ new costs to school districts exceeded provincial block funding resulting in a \$157 million shortfall in 2009–10, after accounting for savings due to declining enrolment.

K to 12 education is actually receiving a diminishing share of the provincial budget. Chart 1 shows that Ministry of Education funding as a percent of the provincial budget fell to 15.34% in 2009–10, down from 19.67% in 2001–02 and 26.36% in 1991–92. More of this funding has gone to private education. Since 2005–06, independent-school funding increased by 34%, while public education funding increased by only 13%.²

¹ Saanich School District. Public Education Funding – Learning from the Past, Presentation to VISTA, February 21, 2010.

² BCTF calculations with data from: Ministry of Education. 2010/11 Estimates Budget Overview. Historic Budget Trends. Briefing material for 2010/11 estimates for Education Partners Groups, March 2010.

Chart 1: Ministry of Education funding as a percent of the total provincial budget



BCTF Research chart created with data from Saanich School District, *Public Education Funding—Learning from the Past*; presentation to VISTA, February 21, 2010 (available at www.sd63.bc.ca).

2009 Budget pushes districts into a funding crisis in 2009–10

The impact of cumulative shortfalls on districts was evident early in the 2009–10 budget process. School districts reported a total of \$71 million in budget shortfalls to the Centre for Civic Governance (www.civicgovernance.ca/node/560). Many districts had no, or insufficient, surpluses to address these shortfalls, and were faced with reducing educational programs and services to balance the budget.

This was the situation before the September 2009 Budget update. In addition to a \$157-million shortfall in block funding,³ districts were also hit by the cancellation of the \$110-million Annual Facility Grant (AFG). Add to this the unexpected loss of \$25.3 million in Salary Differential funding, after the autumn 2009 grant recalculation.⁴ All of these factors combined to push districts into a funding crisis, with major cuts to education services looming on the horizon for 2010–11.

Education funding crisis deepens in 2010–11

BC Association of School Business Officials (BCASBO) identified several cost pressures for 2010–11, including full-day Kindergarten, a teacher salary lift of 2%, a teacher pensions cost increase, carbon offsets, MSP premium and BC Hydro rate increases, and CUPE Trades Adjustment.⁵ Ongoing structural shortfalls mean that each year districts are pushed deeper into a financial crisis, surpluses are used up, and the impacts on students, the classroom, and the school community are more severe.

³ Saanich School District. *Public Education Funding—Learning from the Past*; presentation to VISTA, February 21, 2010 (www.sd63.bc.ca).

⁴ See BCTF research report, at http://www.bctf.ca/uploadedFiles/Publications/Research_reports/2010EF01.pdf.

⁵ BC Association of School Business Officials. 2010–11 Estimated Cost and Funding Pressures, December 2009.

By February 2010, many school districts reported anticipated budget shortfalls for the 2010–11 school year,⁶ with some increasing significantly. Compared to 2009–10,⁷ the projected 2010–11 budget shortfall for Vancouver was estimated at \$17.5 to \$36.3 million, up from \$7.12 million; for Surrey \$15 million, up from \$9.53 million; for Prince George \$7.0 million, up from \$2.2 million; and for Greater Victoria \$5.0 million, up from \$0.5 million. This is a signal that the education funding crisis is deepening.

A review of school district budget documents reveals that some districts are proposing drastic measures to offset budget shortfalls,⁸ such as school closures and significant cuts to programs such as French Immersion, Band, First Nations Targeted-Augmented Funding, and Reading Recovery programs. Massive layoffs were anticipated, with Vancouver School District sending potential layoff notices to 800 teachers in January 2010. A BCTF survey of local presidents in January 2010 identified 44 schools threatened with closure or restructuring.

Special education will be adversely affected if teaching positions are reduced. This means fewer specialist teachers, an increase in the student/teacher ratio, and more classes that exceed class composition limits. Since 2006–07, the number of classes with 4 or more students with an Individual Education Plan increased from 9,559 to 11,959 classes.⁹ The number of FTE special education teachers has decreased over the last three years.¹⁰

What is needed to resolve the funding crisis?

The Select Standing Committee on Finance and Government Services¹¹ report (November 2009) recommended that the Annual Facility Grant be treated as a priority in the 2010–11 budget and that the implementation of full-day Kindergarten be fully funded. These recommendations address some but not all of the cost pressures districts are facing. BCASBO estimated that an injection of about \$300 million in new funding is required to address the cumulative structural shortfalls in the public education system.¹²

⁶ Figures from media articles and district budget reports. References are available upon request.

⁷ Compiled by the Centre for Civic Governance, available at www.civicgovernance.ca/node/560.

⁸ See the following reports for examples of drastic cuts to programs and services in 2010–11:

- School District No. 57 (Prince George) District Sustainability Committee Report, January 19, 2009.
- Vancouver School Board: Media Release—Vancouver teachers advised of possible layoffs, January 19, 2010.
- School District 27, Cariboo-Chilcotin. Our Kids, Our Future: Year Two—Buildings, Programs and Staffing: Options for a Balanced Budget. PowerPoint presentation posted at www.sd27.bc.ca.

⁹ Ministry of Education. *Overview of class size and composition in British Columbia public schools* reports for 2005/06, 2006/07, 2007/08, 2008/09 and 2009/10.

¹⁰ Data from Ministry of Education tables: *Annual budgeted provincial summary of FTE Employees by type of employee and program (for each year)* at <http://www.bced.gov.bc.ca/accountability/district/revenue/>.

¹¹ The Select Standing Committee on Finance and Government Services for the Province of British Columbia's (Legislative Assembly) Report on the Budget 2010 Consultations, November 2009, p.15.

¹² BC Association of School Business Officials. *2010/11 Estimated cost and funding pressures*, December 2009.

Will Budget 2010 solve the crisis in public education funding?

Budget 2010 restores \$100 million of the \$128 million in Education Programs funding for 2010–11 that was lost in the revised provincial budget introduced in September 2009. But this is still \$28 million short of the amount originally allocated in the February 2009 Budget Plan (Table 1).

Table 1: Budget 2010: How does Education Programs funding compare to the February and September 2009 budgets?

Date of the Budget Plan	2009/10 Estimates	2010/11 Budget Plan
February 1, 2009 (original)	\$ 5,094,418,000	\$ 5,131,538,000
September 1, 2009 (revised)	\$ 4,966,415,000	\$ 5,003,999,000
March 2, 2010 (current)	\$ 4,966,317,000 (restated)	\$ 5,103,531,000
Difference between: February 2009 and March 2010 budget	(\$ 128,101,000)	(\$ 28,007,000)

Source: BCTF Research calculations with data from: Ministry of Education. 2009/10–2011/12 Service Plan—Resource Summary: Public Schools, February 2009, p.22. Ministry of Education. 2009/10–2011/12 Service Plan Update—Resource Summary: Public Schools, September 2009, p.23. Ministry of Education. 2009/10–2011/12 Service Plan—Resource Summary: Public Schools, March 2010, p.23.

Public schools funding is the largest component of Education Programs,¹³ increasing from \$4.699 billion to \$4.82 billion for 2010–11. The new budget claims to provide funding for wage settlement costs for teachers, implementation of full-day K, and to partially restore \$110 million of AFG funding spread over two years. This is half of the \$220 million AFG funding districts would have received under the February 2009 Budget Plan. Budget 2010 contains some more bad news for public schools funding—funding of Support Staff (Pay Equity, LTD, etc.) decreases by \$9.1 million in the new budget.

What's new for school districts in the 2010–11 Operating Grants estimates?

In March of each year, the ministry publishes the Operating Grants Manual, showing estimated funding allocations for school districts for the upcoming school year. These estimates are based on enrolment projections. On September 30 of the new school year, enrolment is counted and the grants are recalculated based on actual enrolment. The ministry holds back a portion of funds to be released subject to enrolment changes.

The 2010–11 Operating Grants estimates show a \$112 million increase in funding compared to the 2009–10 recalculation, with \$57.6 million allocated for full-day Kindergarten and \$54 million to cover a negotiated wage increase for teachers. But this does not necessarily translate into an overall increase in funding, as 33 districts actually show no change in funding allocations compared to 2009–10 (Table 2).

The biggest change in the 2010–11 Operating Grants estimates is the reallocation of the Labour Settlement Costs supplement, which is now “rolled into the funding formula.” This makes it very difficult to compare 2010–11 allocations to previous years. Most per-student allocations increase in 2010–11, with the basic allocation increasing from \$5,851 to \$6,740 per student. But much of this increase appears to be a transfer of the Labour Settlement Costs supplement (\$557 million in 2009–10) to other parts of the funding formula (Table 3).

¹³ Ministry of Education. *Briefing material for 2010/11 estimates for Education Partners Group*, March 2010.

As a result of the reallocation of the Labour Settlement Costs supplement, funding increases in some districts and decreases in others (see the 2010–11 Operating Grants Manual, Table 9). A new Formula Transition supplement offsets these changes, providing 100% of the difference in 2010–11. There is no guarantee that districts will be fully compensated for the loss of this funding in future years.

Student FTE enrolment is projected to increase by 2,306 students in 2010–11, mostly due to full-day Kindergarten. Excluding Kindergarten students, FTE enrolment is projected to decline in 52 districts. Of these 52 districts, only 40 will receive an enrolment decline supplement to help offset the loss of funding. The others receive no supplement, even though the projected declines in student numbers in districts such as Vancouver (-411.5), Greater Victoria (-165.6), and Central Okanagan (-157.18) are enough to have a significant impact on district budgets.

Another change in the funding formula is in the Salary Differential supplement. The ministry appears to have changed this formula so that the variance is now based on the provincial average educator salary rather than the base minimum salary. The average educator salary increased significantly since the autumn 2009 recalculation, from \$60,986 to \$71,118. We know that teachers did not receive such a salary increase, so something must have changed in how this variable is calculated. These changes resulted in the Salary Differential supplement increasing to \$97.1 million for 2010–11. The ministry documentation provides no information as to whether this increase is due to the reallocation of the Labour Settlement funding supplement.

Is the funding increase enough to cover district shortfalls?

The budget addresses some but not all of the cost pressures identified by the BCASBO. After taking into account the HST rebate, the \$112-million increase in the operating grants funding and the partial restoration of the AFG, public education funding still falls short of what is needed.

The \$112-million increase in operating grants funding addresses two major cost pressures facing school districts—full-day Kindergarten and negotiated salary costs for teachers. Cost pressures such as BC Hydro rate increases, MSP premiums, and carbon offsets are not covered. Nor does this take into account the loss of purchasing power due to inflation for goods and services or underfunded mandates such as BCeSIS, Bill 33 reporting, and early learning and literacy initiatives. Funding for Early Learning and Literacy programs actually decreases by \$1.4 million in 2010–11,¹⁴ so this may increase the burden on school districts.

Budget 2010 may cushion the blow of school closures, mass layoffs, and loss of education programs, but many districts will still face significant shortfalls. This will especially be the case for the 33 districts who receive no funding increase for 2010–11. Early media reports suggest that the district allocations in the 2010–11 Operating Grants Manual will reduce the budget shortfall for Surrey from \$15 million to \$12 million,¹⁵ for Prince George from \$7 million to \$5.2 million,¹⁶ and for Nanaimo-Ladysmith from \$3 million to \$1.5 million.¹⁷ Two districts reported

¹⁴ Ministry of Education. *Briefing material for 2010/11 estimates for Education Partners Group*, March 2010.

¹⁵ Steffenhagen, J. “More than half of BC school districts face stagnant operating grants; Extra funds in 2010 provincial budget offset in 33 districts by drop in per-pupil grants, due to declining enrolment.” *Vancouver Sun*, March 18, 2010.

¹⁶ Nielsen, M. “School district shortfall reduced by \$1.8-million.” *Prince George Citizen*, March 18, 2010.

¹⁷ Barron, R. “School officials gauge budget implications; Ministry of Education budget is higher, but will not totally address projected funding deficit in the local district.” *The Daily News* (Nanaimo), March 17, 2010.

an increase in projected budget shortfalls: Saanich¹⁸ (from \$2.6 to \$3.3 million) and Vancouver¹⁹ (from \$17.5 to \$18.12 million), after the 2010–11 Operating Grants allocations were released. These are early warning signs that the funding crisis is far from over.

Comprehensive review of education funding needed

Due to a vigorous lobbying effort during the fall by all Education Partners across the province in response to the September 2009 provincial budget, the Ministry of Education restored at least some of the AFG, provided additional funding for full-day Kindergarten, and addressed additional costs for teachers' wage settlements.

The ministry undertook a major change in the funding formula by reallocating of the supplement for additional costs resulting from labour settlements to the rest of the funding formula. Little documentation is provided in the Operating Grants Manual to assess how this funding was reallocated. This makes it difficult to compare funding allocations for each supplement to previous years. It appears that operating grants supplements and per-student funding are increasing, but most of the funding is actually a transfer from one area to another.

While a strong advocacy movement helped to restore some of the funding lost in previous budgets, more work remains to be done. An open and comprehensive review of funding adequacy and the funding formula, involving all stakeholders, is also needed.

Acknowledgments

The author would like acknowledge the contribution of John Malcolmson, research representative of CUPE BC, as some of the ideas in this report emerged out of work for a joint project between BCTF and CUPE BC on education funding.

¹⁸ Bell, Jeff. "Saanich may cut more teachers." *Times Colonist*. (Victoria), March 19, 2010.

¹⁹ Steffenhagen, J. "Funding shortfall rises to \$18.12 million." *Vancouver Sun*, March 19, 2010.

Sources for Table 2:

Column A, Estimated Operating Grant 2010–11, after funding protection: Ministry of Education news release Factsheet, March 15, 2010: *School districts receive \$112 million increase in operating grants*; http://www.bced.gov.bc.ca/news/docs/2010/fs_PreliminaryOperatingGrants_100315.pdf.

Column B, Estimated change in funding, September 2010 compared to December 2009 recalculated budget: based on Table 9, Funding protection, 2010/11 *Operating Grants Manual*. Districts with funding protection (based on projected enrolment decline) experience a net increase of zero. Those not requiring funding protection project an increase based on projected increased enrolment. <http://www.bced.gov.bc.ca/k12funding/funding/10-11/estimates/operating-grants-manual.pdf>.

Columns C and D, Allocations for Estimated Labour Settlement Funding, 2010–11 and Estimated New Full-Day Kindergarten Funding, 2010–11: Ministry of Education news release Factsheet, March 15, 2010: *Factsheet: Estimated funding for labour settlements and new full-day Kindergarten enrolment, 2010/11*; http://www.bced.gov.bc.ca/news/docs/2010/fs_LabourSettlementsFDK_100315.pdf.

Table 2: (A) Estimated Operating Grants, 2010–11, after funding protection, and (B) Estimated change in funding, September 2010 compared to December 2009 recalculation, plus Funding Allocations for (C) Estimated Labour Settlement and (D) Estimated New Full-day Kindergarten, 2010–11.

School District	A Estimated Operating Grants,* 2010–11, after funding protection	B Estimated change in funding–September 2010 compared to December 2009 recalculated budget	C Allocation for Estimated Labour Settlement funding, 2010–11	D Allocation for Estimated New Full-day Kindergarten funding, 2010–11
5 Southeast Kootenay	\$ 48,364,675	\$ 623,207	\$ 515,184	\$ 754,151
6 Rocky Mountain	30,603,366	0	303,626	487,596
8 Kootenay Lake	49,364,359	1,040,467	498,601	659,151
10 Arrow Lakes	7,208,878	0	54,028	0
19 Revelstoke	9,955,385	0	99,832	143,054
20 Kootenay-Columbia	35,995,806	0	382,210	0
22 Vernon	69,216,123	0	815,324	954,862
23 Central Okanagan	165,966,719	2,954,820	2,137,932	3,002,873
27 Cariboo-Chilcotin	53,381,587	0	530,849	493,122
28 Quesnel	35,216,801	0	354,428	542,342
33 Chilliwack	99,603,482	1,234,363	1,260,394	1,751,695
34 Abbotsford	146,556,538	3,013,768	1,877,233	1,918,990
35 Langley	141,894,471	1,457,414	1,817,409	1,827,723
36 Surrey	525,771,115	14,324,630	6,705,515	6,239,531
37 Delta	126,088,951	1,986,308	1,568,286	1,777,486
38 Richmond	172,023,944	2,428,060	2,199,426	2,593,635
39 Vancouver	443,126,193	511,983	5,468,787	2,643,877
40 New Westminster	51,823,871	0	656,702	392,821
41 Burnaby	187,987,542	3,447,804	2,398,941	3,190,437
42 Maple Ridge-Pitt Meadows	113,139,488	2,110,674	1,416,932	1,593,300
43 Coquitlam	230,224,069	4,008,034	2,986,428	2,977,463
44 North Vancouver	120,250,707	579,898	1,507,313	2,218,856
45 West Vancouver	49,435,575	995,666	628,188	666,890
46 Sunshine Coast	33,673,455	346,033	328,239	416,441
47 Powell River	21,332,418	0	218,591	255,664
48 Sea to Sky	35,022,250	0	395,458	580,221
49 Central Coast	4,918,278	0	23,849	40,918
50 Haida Gwaii	9,789,712	78,278	65,725	46,460
51 Boundary	15,717,834	0	138,163	272,964
52 Prince Rupert	25,499,725	0	228,627	208,538
53 Okanagan Similkameen	23,626,736	0	240,749	260,284
54 Bulkley Valley	23,682,593	823,438	247,279	337,446
57 Prince George	119,389,475	0	1,344,976	1,734,978
58 Nicola-Similkameen	24,378,188	0	240,718	174,337

School District	A Estimated Operating Grants,* 2010-11, after funding protection	B Estimated change in funding-September 2010 compared to December 2009 recalculated budget	C Allocation for Estimated Labour Settlement funding, 2010-11	D Allocation for Estimated New Full-day Kindergarten funding, 2010-11
59 Peace River South	\$ 42,151,195	\$ 0	\$ 399,278	\$ 314,447
60 Peace River North	52,899,891	1,038,982	557,801	876,400
61 Greater Victoria	148,379,946	2,193,031	1,886,062	2,670,348
62 Sooke	72,442,002	2,197,463	865,598	1,306,601
63 Saanich	62,079,342	0	742,393	898,070
64 Gulf Islands	15,745,991	0	144,173	115,980
67 Okanagan Skaha	54,606,012	0	635,034	610,270
68 Nanaimo-Ladysmith	115,928,437	607,563	1,379,165	2,009,920
69 Qualicum	40,047,404	0	433,857	0
70 Alberni	37,133,862	252,352	409,994	523,659
71 Comox Valley	70,012,103	0	802,115	1,058,612
72 Campbell River	48,923,755	0	525,937	0
73 Kamloops/ Thompson	119,670,441	0	1,392,387	1,517,988
74 Gold Trail	20,216,283	0	126,709	75,421
75 Mission	52,883,883	1,028,035	636,622	780,106
78 Fraser-Cascade	19,391,365	0	185,872	204,184
79 Cowichan Valley	70,203,305	0	816,515	911,975
81 Fort Nelson	9,500,567	0	81,897	0
82 Coast Mountains	50,515,006	0	496,220	504,221
83 North Okanagan-Shuswap	61,590,379	0	659,642	855,273
84 Vancouver Island West	6,770,302	14,580	42,145	58,954
85 Vancouver Island North	18,378,215	0	151,267	204,306
87 Stikine	5,655,009	0	20,353	18,325
91 Nechako Lakes	49,609,206	0	456,108	524,706
92 Nisga'a	7,143,715	154,856	43,659	34,799
93 Conseil scolaire francophone	58,961,184	3,687,187	453,256	349,477
Provincial totals	\$ 4,561,069,109	\$ 53,138,894	\$ 54,000,000	\$ 57,582,148
	Holdback for enrolment growth** \$ 63,610,646			

* Estimated operating grant includes estimated summer and September 2010 enrolment and funding to be comparable to 2009/10 recalculated operating grants. Funding Protection grants are also included.

** The 2010/11 preliminary grants include a \$63.6 million holdback. Holdback funds are distributed to boards of education as enrolment counts are determined during the school year. These funds will accommodate unanticipated enrolment growth throughout the 2010/11 school year.

Table 3: Changes in funding allocations: 2009/10 Autumn Recalculated Grant (December 2009) and 2010/11 Operating Grants Estimates (March 2010)

Basic funding & supplements	2009/10 Op. Grant estimates (March 2009)	2009/10 Op. Grant recalculation (December 2009)	2010/11 Op. Grant estimates (March 2010)	Change (December recalc. to March estimate)
Basic enrolment-based funding	\$ 3,112,985,125	\$ 3,133,976,139	\$ 3,619,154,925	\$ 485,178,786
Enrolment Decline	\$ 12,520,827	\$ 8,888,760	\$ 12,879,246	\$ 3,990,486
Unique Student Needs	\$ 458,868,695	\$ 476,396,606	\$ 545,188,940	\$ 68,792,334
Salary Differential	\$ 94,283,359	\$ 69,024,218	\$ 97,138,665	\$ 28,114,447
Labour Settlements	\$ 557,732,146	\$ 557,732,971	0	(\$ 557,732,971)
Unique Geographic Factors	\$ 143,736,178	\$ 143,736,178	\$ 160,454,578	\$ 16,718,400
Transportation and Housing	\$ 85,705,613	\$ 85,705,613	\$ 87,920,018	\$ 2,214,405
Summer Learning	-----	\$ 15,431,647	0	(\$ 15,431,647)
Formula Transition	-----	-----	\$ 18	\$ 18
Funding Protection	\$ 14,468,759	\$ 17,038,083	\$ 23,384,319	\$ 6,346,236
Total (without hold-back)	\$ 4,480,300,702	\$ 4,507,930,215	\$ 4,546,120,709	\$ 38,190,494
Hold-back	\$ 71,062,698	\$ 39,067,940	\$ 63,610,646	\$ 24,542,706
Labour Settlement Funding reallocated through CommunityLink and Provincial Resource Programmes		\$ 4,365,245	\$ 4,365,245	
Total 2009/10 Operating Grants	\$ 4,551,363,400	\$ 4,551,363,400	\$ 4,663,363,400	\$ 112,000,000

BCTF Research table, created with data from:

- Ministry of Education. Table 1A – Provincial Overview of 2009/10 Operating Grants Estimates, 2009/10 Operating Grants Manual, March 2009, <http://www.bced.gov.bc.ca/k12funding/funding/09-10/estimates/operating-grants-manual.pdf>.
- Ministry of Education. Table 1A – Provincial Overview of Recalculated 2009/10 Operating Grants, 2009/10 Operating Grant Autumn Recalculation, December 2009, <http://www.bced.gov.bc.ca/k12funding/funding/09-10/recalculation/table1a.pdf>.
- Tables 1 and 2, 2010/11 Operating Grants Manual, March 2010, <http://www.bced.gov.bc.ca/k12funding/funding/10-11/estimates/operating-grants-manual.pdf>.