

BCTF Research Report

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Announced changes to the funding formula for 2012–13— What do they really mean?

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Analysis of the BC Ministry of Education news release, *Districts benefit from more equitable, sustainable funding, December 9, 2011*

A news release by the BC Ministry of Education on December 9, 2011¹ describes upcoming changes to the funding formula for the 2012–13 Operating Grants and announces increases in CommunityLink funding for 2012–13 and 2013–14. This research report analyzes the potential impact of these changes and compares BC's performance in improving education funding over the last five years to other provinces in Canada.

Minimal increase to 2012–13 Operating Grants does little to resolve the funding crisis

The Ministry of Education news release states Operating Grants funding to districts will increase from \$4.721 billion in 2011–12 to \$4.724 billion in 2012–13, an increase of only \$3 million.

The proposed \$3 million increase in Operating Grants funding is not enough to keep pace with inflation. In economic terms, it is important to distinguish between an increase in *nominal* funding and a decrease in *real* (inflation-adjusted) funding. Assuming an inflation rate of 2.9% for next year (2012–13), Operating Grants funding would need to increase by about \$137 million for education funding to keep pace with inflation. This represents a considerable loss of purchasing power for school districts.

Revised formulas appear to benefit rural schools

The ministry announced an additional \$1.5 million in funding to small schools in rural, remote areas, and \$3.7 million more for the smallest school districts, for a combined total increase of \$5.2 million. Rural districts will likely most benefit from the promise that the Funding Protection supplement will be “guaranteed” to 98.5% of previous-year funding.

¹ http://www2.news.gov.bc.ca/news_releases_2009-2013/2011EDUC0099-001605.htm;
http://www2.news.gov.bc.ca/news_releases_2009-2013/2011EDUC0098-001601.htm

Table 1: Amount of funding announced for revised funding formula—2012–13 Operating Grants

Operating Grants Supplements receiving a funding increase for 2012–13	
Rural and remote schools	+\$1.5 million
Smallest school districts	+\$3.7 million
Student Location Factor [formerly Transportation and Housing] (revised formula)	No amount stated
Funding Protection (to 98.5% of previous year funding)	No amount stated
Sub-total	+\$5.2 million
Overall increase in the 2012–13 Operating Grants	
Increase in Operating Grants	+\$3.0 million
Difference (<i>\$ amount of increase to the Operating Grants less the total funding increase to supplements</i>)	(-\$2.2 million)

Will the revised formula for the transportation supplement make a difference?

The news release also announced a revised formula to provide supplemental funding for transportation, now referred to as the Student Location Factor. Operating Grants funding for the Transportation and Housing supplement has remained at about \$85.7 million since 2002–03. Using the Bank of Canada calculator, funding for this supplement would have needed to increase by about \$16 million in 2011, just to keep pace with inflation since 2002.

Inadequate funds for transportation costs, and the ministry's inaction towards increasing this supplement, forced several districts to start charging families in rural areas a fee for their children to ride the school bus. The news release does not announce additional funding for transportation associated with the new Student Location Factor formula, or whether the formula will adjust for the significant loss of purchasing power over the decade.

Where will the funds come from to pay for the increase to some supplements?

As the ministry announced only a \$3 million increase to 2012–13 Operating Grants funding, at least \$2.2 million will need to be found elsewhere. It is not clear from the ministry's news release how this shortfall will be covered. The implication is that the funds will be taken from another area of the Operating Grants, or the revised formula will result in decreased funding for some school districts for a given supplement. This suggests that hidden within the revised funding formula is the assumption of zero-based budgeting. Without more explicit details from the ministry, it is not possible to tell which areas of the funding formula will decrease, or which student populations will be adversely affected.

Welcome improvements for vulnerable students

In the same news release, the ministry announced a \$5 million increase in CommunityLink funding in 2012–13, and an additional \$11 million in 2013–14. Any initiative to support students vulnerable to the effects of poverty is welcome, especially in BC where the child poverty rate has exceeded the national average every year since 1999². While this initiative may have little impact on the child poverty rate, it will help to address the needs of hungry children and improve access to much-needed programs and resources for low-income students.

Sustained high levels of child poverty reflect the lack of effective government policies to help families move out of poverty. BC has much to learn from Quebec, the Maritimes, and other provinces, about effective poverty reduction strategies that can improve the economic conditions of families with school-aged children. Compared to all provinces in Canada, the BC government

² FirstCall: BC Child and Youth Advocacy Coalition. *2011 Child Poverty Report Card*, November 2011, p. 5.

has done the least to help reduce the child poverty rate through government transfers, according to First Call's *2011 Child Poverty Report Card*³.

BC will continue to lag behind other provinces in funding support for K-12 education

The \$3 million increase in the 2012–13 Operating Grants funding will do little to change BC's low ranking among Canadian provinces, in terms of increased funding for K-12 public education. It seems that funds are being shuffled around within the formula but there are no substantive improvements in the overall Operating Grants funding to address unmet needs in the public education system.

The BC government claims to be committing record levels of funding to public education. Yet compared to other provinces, BC had the lowest percentage increase in education funding across a wide range of indicators used by Statistics Canada. The most recent Statistics Canada report⁴ shows that while funding for elementary and secondary public schools increased across Canada 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 areas (Table 2).

Table 2: BC's rank among provinces—Percentage change in education funding: Statistics Canada indicators, 2005–06 to 2009–10

Percentage change in funding for elementary and secondary schools between 2005–06 and 2009–10 Type of funding	BC's rank among provinces (1st=highest & 10th=lowest)
Operating expenditures (in current dollars)	10th
Total expenditures (in current dollars)	10th
Total expenditures per student (in current dollars)	10th
Total expenditures per student (in 2002 constant dollars)	10th
Total expenditures per capita (in current dollars)	10th
Total expenditures per capita (in 2002 constant dollars)	10th
Total expenditures as a percentage of GDP	9th
Total expenditures per student as a percentage of GDP per capita	8th

Source: BCTF Research table with information from Statistics Canada. *Summary Public School Indicators for Canada, the Provinces and Territories, 2005/2006 to 2009/2010*, Charts A.17.2, A.19.2, A.20.1.2, A.20.2.2, A.26.1.2, A.26.2.2, A31.2, A.32.2.

Other provinces have acted differently in the face of similar or worse economic conditions

This recent funding announcement by the Ministry of Education does little to reverse the trend of BC placing at or near the bottom, compared to other provinces, in terms of their efforts to improve funding for public education or to reduce the child poverty rate. The ministry often uses declining student enrolment as a justification for inadequate funding for public education and the ongoing loss of teaching positions. Yet enrolment declined across Canada over the decade, with

³ The table in Factsheet #8 shows, for each province, what the child poverty rate would have been in 2009 without the help of government transfers. The difference between the child poverty rate with and without government transfers measures how much government transfers reduced the child poverty rate. BCTF Research calculations show that government transfers in BC reduced the child poverty rate by 8.4%, compared to 16.9% in Newfoundland and Labrador, 13.8% in Quebec, and 12.8% in Manitoba. See Factsheet #8 in FirstCall: BC Child and Youth Advocacy Coalition. *2011 Child Poverty Report Card*, November 2011, p. 19.

⁴ 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>.

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 system⁵. Prior to the global recession in 2008, BC was in a strong economic position to improve classroom conditions in BC public schools and to significantly reduce child poverty, yet the government chose to do much less than most other provinces.

There is no indication in the ministry's news release about additional funds for improvements to teacher salaries and benefits in the 2012–13 Operating Grants. All provinces in Canada are dealing with the effects of a global economic crisis, yet only the BC government has imposed a freeze on teacher salaries. Teachers in Ontario, Alberta, and Saskatchewan recently received fair and reasonable salary increases, while BC teacher salaries fall further behind.

The premier of Alberta recently restored \$100 million in funding for K to 12 education, sending a strong signal that her government places a high value on public education⁶. In this recent funding announcement for BC schools, the BC government is sending a strong signal that they will continue to underfund public education, almost guaranteeing a last-place finish among Canadian provinces in terms of its commitment to improving public education.

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⁵ 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>.

⁶ Singleton, Dan. "Restoring education funding only part of fulfilling expectations", *Carstairs Courier*, Tuesday, October 25, 2011. Available at <http://www.carstairsCourier.ca/article/20111025/CAR0903/310259978/-1/car09/restoring-education-funding-only-part-of-fulfilling-expectations>