

## **School Boards and Education Finance in Manitoba: The Politics of Equity, Access and Local Autonomy**

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### **ABSTRACT**

This paper provides an analysis of current educational finance debates in Manitoba within a broader discussion of the essential character of public education in Canada. Arguing that public accessibility and equity, public funding, and public control constitute three touchstones of public education, the paper describes the Manitoba debates over provincial and local funding of schools and the use of property taxes to fund education and analyzes them in relation to these criteria. Significant continued local school board funding from property taxes, along with a greater commitment to provincial equalization initiatives, is the direction that the paper suggests offers the greatest potential for sustaining and nurturing a strong publicly funded school system characterized by both public accessibility and public control.

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## **Introduction**

School boards constitute one of the oldest and most enduring forms of elected representation in Canada. Over time, Canadian public education has seen many shifts in terms of the size, structure and functions of school boards in response to changing economic, social and political developments, but for most of the twentieth century they remained strong and effective institutions of community voice and of the localism central to the democratic process. However, over the last two decades every province has engaged in some form of school board amalgamations as well as a centralization of control of public education through curriculum frameworks and province-wide student assessments. Most provinces have also witnessed the centralization of authority in important governance issues such as collective bargaining and educational funding away from local school boards to the provincial government (Fleming, 1997; Young, Levin, & Wallin, 2007). So substantial has been this weakening of the local authority of school boards that their continued existence in some jurisdictions has been called into question.

To a considerable degree the province of Manitoba has stood apart from many of the centralizing tendencies in public education that have characterized other Canadian provinces. Collective bargaining remains a local responsibility and school boards retain taxing authority in support of education. While the province has not followed the lead of others, these issues of competing provincial and local authority have nonetheless been the subject of sustained political interest and attention. For example, in 1993 the Progressive Conservative provincial government commissioned a review of school board boundaries (Manitoba Education and Training, 1994) but then chose not to act upon the Commission's recommendations for amalgamation. When in 2001 a New Democratic Party government did mandate some modest consolidation - reducing the number of school boards in the province from 54 to 37 - the average size of school divisions remained less than 6,000 students and considerably smaller in many rural divisions (Levin, 2005, Yeo, 2008). Likewise, the Manitoba Teachers' Society has consistently pushed for provincial bargaining for teacher salaries, and the collective bargaining framework has been a highly contentious issue between the Society and the Manitoba Association of School Trustees as well as a significant issue in the 1999 provincial election. Currently in Manitoba, locally levied property taxes constitute a substantial proportion of the operating budget for public schooling – Saskatchewan being the only Canadian province with a higher proportion – and the appropriateness of the balance of provincial and local funding along with the merits of property taxes (whether locally or provincially levied) has for a number of

years been a contentious matter among different levels of government (Manitoba Education, Citizenship and Youth, 2004) , educational interest groups (Manitoba Association of School Superintendents, 2005; Manitoba Teachers Society, 2002) , and the media (Winnipeg Free Press, 2002, 2004).

The purpose of this paper is to provide an analysis of these current education finance debates in Manitoba and to frame this account within a broader discussion of what have been, and, we argue, remain core values of public education for most Canadians. An important element of this discussion will be the argument that the traditional Canadian design of public school governance, which has primary authority residing with the provincial legislature but with considerable authority delegated to local, single interest, school boards, has created an enduring source of political tension between provincial and local interests. However, far from being a problem to be dispensed with, the argument in this paper is that this tension has constituted, and can continue to constitute, a powerful and positive dimension of public education in the province.

To this end, the remainder of the paper is divided into three main parts; (i) a brief introduction to what we consider to be the essential features of what has traditionally been “public” about public schooling in Canada; (ii) an examination of the main issues and positions articulated in the current educational finance debates in Manitoba; and (iii) a discussion section in which we will argue for the importance of local school boards retaining significant taxing powers as a necessary element of keeping public participation and public accountability an essential and vital part of public schooling.

### **The Ideals of Public Education in Canada: What is “public” about public education?**

Only public schools guarantee, out of respect for the individual, that every child will have a place without pre-condition of any kind; and, only public schools are governed by a process that is open to every member of the community, regardless of religious convictions, racial

origins, economic or any other circumstances. (King, 2003, p. 5)

The aspirations of contemporary public school supporters is a good deal different from that of early promoters who looked to what was often a particularly narrow group of people – significantly, those who owned real property – to provide oversight for their local schools. However, over the course of the twentieth century, considerations of class, gender, ethnicity, race and sexual orientation gradually led to a much more inclusive form of public school governance more in line with the ideals expressed above. The discourse of public education in Canada (taken up in the article in its more constricted meaning of “public schooling”) has come to highlight three primary characteristics that serve to define what is “public” about its delivery in addition to the discussion of the “public” purposes of the public school curriculum. Simply put these three characteristics can be summarized as the touchstones of: public accessibility and equality – that all children should have access to, and the opportunity to benefit equally from, schooling regardless of such factors as their race, class or gender, sexual orientation or where they live; public funding – that the costs of schooling should be shared fairly across all segments of the public, and that the quality of education received by any child is not related to the ability of the child or their parents to pay for that schooling; and, public control – that decisions about the nature of public schooling are made through public political processes and by persons elected to carry out this responsibility (Young, Levin, & Wallin, 2007). The history of Canadian education might be viewed as the struggle to actualize these ideals and to define, at any particular time and place, who are afforded the status of constituting “the public”, even if there is no shortage of illustrations of where the practice has fallen short of this ideal.<sup>1</sup> Nonetheless, it is these three touchstones – and the tensions between them - that serve to frame this analysis of current debates about the funding of education and the role of school boards early in the twenty-first century.

### **Public accessibility and equality**

If education is the duty of the state; if it is the inalienable right of every child in Manitoba; if it is to be the nation’s insurance against upheaval and social injustice; then education should be equally available to every

child under conditions as nearly equitable as possible. (Inspector Herriot,

Annual Report, 1936, cited in Gregor and Wilson, 1984, p. 126.)

Despite persistent and compelling research that continues to demonstrate the substantial effects of family background characteristics on school success, the principle that public goods such as education should not be rationed on the basis of wealth but rather that every child should have the chance through schools to develop his or her capacities to the fullest extent is now firmly entrenched as a central ideal of public schooling in Canada. While the school inspector's comments quoted at the beginning of this section, made at the height of the Depression in Canada, illustrate that this ideal has a long history, it was the social revolution of the early second half of the twentieth century and the civil rights movement of the 1960s that put public schools at the centre of a social reconstruction agenda and equality of educational opportunity a fundamental tenet of that reconstructionist ideal (Gidney, 1999; Livingstone, 1987; Young and Henley, 2001).

Educational change was a nation-wide phenomenon in the 1960s and in Manitoba, like most of the rest of Canada, a rising tide of public opinion came to see a completed high school education as essential to success in life. This new universal expectation brought with it an increased expectation that public education be provided fairly to all children. Initially the Manitoba government focused its efforts on improving the educational opportunities for rural students with such initiatives as the construction of regional high schools (Roblin, 1999). A second major current of social change in Canadian society during this period involved a profound re-definition of English-Canadian identity. The Official Languages Act of 1969, the Trudeau Statement on Multiculturalism within a Bilingual Framework in 1971, and the federal government's acceptance in principle of the National Indian Brotherhood's 1972 declaration, Indian Control of Indian Education, all contributed to a challenge to the ideology of Anglo-Conformity and the re-definition of Canada as a pluralist society. Public education in Manitoba could not, and did not, stand apart from these developments, and this new reality slowly percolated into the provincial school system through a variety of policy and curricular changes that between the 1960s and the early 1990s that sought to build an inclusive curriculum that recognized and legitimated a new multi-ethnic/multicultural vision of Canada (Manitoba Education, 1992; Winnipeg School Division, 1989). Nor did this demand for recognition and legitimacy end with ethnicity, and issues of race, class, gender, sexual orientation and disability

came to be seen as essential considerations for a public school system serving the requirements of a pluralist democracy (Henley and Young, 2001; Levin, 1996; Manitoba Education, 1997; Tavares, 2000). Reform initiatives since the early 1990s have led to new curriculum developments and to new accountability requirements, but they have not fundamentally stepped away from the ideals of equity and “success for all learners”.

### **Public control**

The Canadian constitution assigns education, with few exceptions, as a provincial responsibility with ultimate authority residing with the provincial legislature. Thus, at one level it is possible to argue that “the public” in this case consists of all provincial citizens eligible to vote and that their control is properly exercised through provincial elections. However, in exercising their constitutional authority in education, all provinces have created some form of local educational bodies, usually called school boards with legally defined powers delegated to them by the province, and in the last two decades most provinces have also legislated some requirements for school councils to exist at the individual school level although their role has been largely advisory.

While school boards generally exist only at the discretion of the provincial government (Alberta Court of Appeal, 1998) this has not prevented them from being powerful voices in the governance of public education, leading educational change as well as implementing provincial innovations. The emergence of Winnipeg as the third largest city in Canada in the early years of the twentieth century catapulted the Winnipeg Board of School Commissioners into the position of being one of the leading local education authorities in the country in terms of contemporary/modern school reform. Sometimes at odd with provincial policy - as it was with respect to its refusal to conform to bilingualism after 1897, for example, or its strong advocacy of compulsory school attendance after 1906 – Winnipeg led rather than followed the provincial authority in areas of vocational education, and the establishment of junior high schools in the first two decades of the twentieth century. More recently, the establishment of Aboriginal focused schools and bilingual, heritage language schools are examples of important Winnipeg School Division initiatives, and across the province one could point to many other such local contributions (Levin, Gaskell and Pollock, 2007).

Central to notions of a strong civil democracy is the requirement that people have the opportunity to participate actively in the important decisions that shape their lives, not simply through federal, provincial or municipal elections, but on an ongoing basis in the public debates that shape public policy and our daily lives (Manzer, 2003; 1994). This belief was embedded in 1871 legislation that established public education in Manitoba and, while today's school boards and school divisions are different in a number of ways from the more than 1600 operating boards that existed across the province at the end of the nineteenth century and throughout the first part of the twentieth century, the importance of local representation and accountability has remained a key aspect of public education in the province (Bergen, 1967). A further – perhaps undervalued - strength of Canadian educational governance has been the existence of a diversity of influential partners whose presence has required that important educational decisions be preceded by public dialogue. This has generally acted to limit unilateral action by provincial governments, and in this regard, the collective voice of school boards in the province, the Manitoba Association of School Trustees (MAST), remains an important part of this public dialogue.

### **Public funding**

While it is clear that education is in part “a private good” - that students as individuals benefit concretely from years of schooling in such terms as future earnings ([www.statcan.ca/101/cst01/labor50a.html](http://www.statcan.ca/101/cst01/labor50a.html)) - at the heart of the notion of a public school system is the belief that education is primarily a “public good” – that society as a whole has a stake in, and benefits from, a strong education system delivered as a public service (Sale, 1993, pp. 11-12). This belief has not been without its critics in recent years who argue for the virtues of market systems and the desirability of having education delivered and regulated by market mechanisms (Hepburn, 2001) , but Canadian schooling remains a largely public endeavour.<sup>2</sup>

To this end, public expenditures on elementary and secondary education in 2001 accounted for some 5.2% of Canada's Gross Domestic Product and 12.7% of total public expenditures (OECD, 2004). The Pan-Canadian Education Indicators Program, a joint project of Statistics Canada and the Council of Ministers of Education Canada (CMEC), reports a total expenditure on pre-elementary, elementary, and secondary education in 2001-2002 of \$41 billion of which some 92.6% came directly from public funds and only 7.4% from private expenditures such as private school fees, fees for private tuition, materials and supplies. In Manitoba private

expenditures constituted 7.9% of total expenditures on these levels of education in the same year (Statistics Canada/ Council of Ministers of Education Canada, 2004).

The significance of these three touchstones of public accessibility, control, and funding in framing the current educational finance debates in Manitoba is well illustrated by the guiding principles adopted by a broadly based Minister's Working Group on Education Finance which was formed in 2002 and which, when reporting in July 2004, articulated the following five key principles that had guided its deliberations and its analysis of alternative funding arrangements:

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that the provision of high quality, universally accessible public education is a cornerstone of a highly developed society promoting both prosperity and good citizenship;

that all members of society share responsibility to sustain a high quality public education system;

that Government is responsible for establishing the parameters of a defined education program that will provide students with the opportunity to achieve their potential and pursue life goals including post-secondary education and employment;

that geographic location or local economic factors cannot be impediments to students' entitlement to a defined education program; and,

that a level of local autonomy which includes taxing authority is necessary in order for school boards to meet local needs as reflected or determined by local communities. (Manitoba Education, Citizenship & Youth, 2004, p. 6)

Underpinning each of these principles is the importance of public support for, and confidence in, public education. Particularly in the current context of increasing demands on other government services such as health, and continued government interest in reducing levels of taxation , adequate levels of public funding requires the construction and nurturing of this support within the public consciousness. In this regard, it is the public perception of value and the public perception of fairness that is crucial in terms of the debates described below.



## **School Boards and the Funding of Education in Manitoba**

School boards in Manitoba remain powerful institutions. Manitoba is one of four provinces ( Saskatchewan, Quebec, Nova Scotia, and Manitoba) where school boards retain the taxing authority to raise revenues for education and where those taxes constitute a significant proportion of the total education budget (see Table 2). Currently there are 37 school divisions in the province enrolling a total of some 182,000 students and with a total operating budget of some \$1.6 billion (Manitoba Education, Citizenship and Youth, 2007). In 2006/07 the provincial government funded 61.5% of the operating budget for public schooling with the bulk of the rest coming from locally established and collected school board property taxes (Manitoba Association of School Trustees, 2006). Central to any understanding of current debates about educational finance in the province are the significant changes that have taken place over the last two to three decades in terms of (i) overall funding levels; (ii) the proportion of public school revenues accounted for by the three main sources of funding: the Special Levy – local school board property taxes; the Education Support Levy – a provincially set tax on residential, commercial and farm property;<sup>4</sup> and General Revenues from the provincial treasury; and (iii) changes in Property Tax Credits and the provincial Equalization Formula.<sup>5</sup>

In Manitoba, like much of the rest of Canada, the 1990s saw a sustained effort by the provincial government to limit spending - with public school funding no exception to this priority. While the early years of the 1990s saw increases in provincial funding in Manitoba, 1993 was the first of five consecutive years in which provincial funding for schools was frozen or reduced with an overall decrease in funding over this period of some \$50 million (just over 6% of total support) not including the effects of inflation. Since these funding levels were insufficient to maintain existing programs and staffing, school boards were faced with the option of cutting budgets or increasing local property taxes. Levin (2005, p. 127) describes how over the five-year period most did both. School boards cut teaching positions and reduced other expenditures. They also raised local property taxes, altering the existing balance between provincial and local revenue shares. From 1994 to 1999 the Special Levy rose across the province by some \$90 million, and the proportion of total operation expenditures derived from the local education property taxes rose from 28.3% to 33.4%.

In 1999 a New Democratic Party government was elected in Manitoba. In the same year the new government made three policy commitments related to public schools' finance: (i) to

increase funding of public schools at a rate no less than the growth in the economy; (ii) to increase the property tax credit in the province by \$75 per household for each of its first two years in office, with the intention that this would offset any increases in school board or municipal property taxes; and, (iii) a commitment to move to phase out the provincial tax on residential property for education (the Education Support Levy) and cover these costs from general revenues (Levin, 2005). The impact of these commitments was a significant infusion of new funding for schools, but still not enough to meet local programming ambitions with existing local tax rates, and as a consequence school board set property taxes continued to rise.

Figures for the period 1990 to 2006, shown in Table 1, show that over this time period the total operating expenditure budget for education increased some 57% from \$1,014 million to \$1,592 million while revenue from the Special Levy rose 155% from \$245.2 million to \$623.9 million. Revenues from the Education Support Levy remained relatively stable at around \$200 million for most of this period until the provincial government committed itself to phasing out the residential portion of this tax in 2002.

**Table 1**  
**Property Taxes for Education 1990-2003 (\$ million)**

<b>Year</b>	<b>Education Support Levy</b>	<b>ESL as % Op Exp</b>	<b>Special Levy</b>	<b>SL as % Op Exp</b>	<b>Total</b>	<b>Operating Budget (School Yr)</b>	<b>Total Property Tax as a % Of Operating Expenditures</b>
<b>1990</b>	207.8	20.5%	245.2	24.1%	453.0	1,013.7	44.7%
<b>1991</b>	211.5	20.3%	270.0	26.0%	481.4	1,040.3	46.3%
<b>1992</b>	198.6	18.4%	286.5	26.5%	485.1	1,079.2	45.0%
<b>1993</b>	195.4	18.0%	300.9	27.7%	496.3	1,084.7	45.8%
<b>1994</b>	199.8	18.2%	310.0	28.3%	509.8	1,094.8	46.6%
<b>1995</b>	199.3	18.1%	326.3	29.6%	525.5	1,103.2	47.6%
<b>1996</b>	197.5	17.9%	343.9	31.1%	541.3	1,104.7	49.0%
<b>1997</b>	198.1	17.7%	360.6	32.1%	558.7	1,122.2	49.8%
<b>1998</b>	198.1	17.2%	377.1	32.8%	575.2	1,150.9	50.0%
<b>1999</b>	199.7	16.6%	401.7	33.4%	601.4	1,201.5	50.1%
<b>2000</b>	204.0	16.4%	422.8	33.9%	626.7	1,246.3	50.3%
<b>2001</b>	207.9	16.0%	448.7	34.4%	656.6	1,303.1	50.4%

<b>2002</b>	201.7	14.8%	486.5	35.6%	688.2	1,366.5	50.4%
<b>2003</b>	183.3	12.8%	523.8	36.6%	707.1	1,430.4	49.4%
<b>2004</b>	174.8	11.8%	557.9	37.7%	732.7	1,481.2	49.5%
<b>2005</b>	150.0	9.8%	587.0	38.3%	737.0	1,534.5	48.0%
<b>2006</b>	121.8	7.7%	623.9	39.2%	745.7	1,591.5	46.9%

**Source:** Adapted from Manitoba Education, Citizenship and Youth, FRAME documents, 1990 to 2006-07. (Budget)

**Table 2**  
**2001 Provincial and Territory Comparison of Funding Sources for Education**

<b>Province/ Territory</b>	<b>A Locally Levied Property Tax  (% of total)</b>	<b>B Provincially Levied Property Tax  (% of total)</b>	<b>C Total Portion of School Funding Raised From Property Taxation (% of total)</b>	<b>D Provincial General Revenue Contribution to Education Cost (% of total)</b>	<b>E Total Provincial Share of Education Cost (% of total)</b>
<b>BC</b>	0	29.4	29.4	70.6	100
<b>AB</b>	4.4	31.6	36	64	95.6
<b>SK</b>	59	0	59	41	41
<b>MB</b>	32.1	14.1	34.1*	61.3 **	75.4
<b>ON</b>	0	41.2	41.2	58.8	100
<b>QC</b>	21.9	0	21.9	78.1	78.1
<b>NB</b>	0	0	0	100	100
<b>NS</b>	16.7	0	16.7	83.3	83.3
<b>PEI</b>	0	0	0	100	100
<b>NFLD</b>	0	00	0	100	100
<b>NWT</b>	8.2	2.0	10.2	89.8	91.8
<b>YT</b>	0	0	0	100	100
<b>Nunavut</b>	0	0	0	100	100

\* For Manitoba the total of A and B, 46.2% is reduced by 12.1% to reflect the application of the property tax credit for a net total of 34,1%

\*\* Provincial general revenues include 43.6% to operating and capital grants, 12.1% for the property tax credit and 5.6% for provincial contributions to the teachers' pension fund for a total of 61.3%

Column C and D add to 95.4% instead of 100%. The remaining 4.6% represents the portion of revenue received by schools divisions from non-provincial sources (i.e. Federal Government, First Nations Bands, etc.)

Source: Saskatchewan (2003). *Finding the Balance. The final report of the Commission on Financing Kindergarten to Grade 12 Education.* Saskatoon: Saskatchewan Learning, p. 125

While it would be inaccurate to say that these changes have brought Manitoba to the brink of a property tax revolt, it would be fair to say that there is significant, or at least vocal, political pressure to revisit both (i) the relative proportion of provincial/local support for education, and (ii) the merits of property as a major source of tax revenues in support of public schools. These two issues are only in part overlapping because while property taxes are the only means school boards have at their disposal to generate revenue, the province has traditionally collected residential property taxes as well and continues to collect taxes on commercial properties. Furthermore, in the provinces of British Columbia and Ontario that have moved to full provincial funding and in Alberta where there is 95% provincial funding, provincial property taxes still made up 29.4%, 42%, and 31.6% of the total education budget. (See Table 2.)

### **What is the appropriate balance between provincial and local funding for education?**

In the current debates over the relative share of the costs of education in Manitoba that should be borne by local school boards and the province a key distinction has been made between “annual operating costs” – the costs associated with the daily running of schools – and “total costs” – that include additional costs such as the capital costs associated with building new schools, and contributions to the Teachers Retirement Allowance Fund. Since the province generally pays 100% of these items the proportion of total costs paid by the provincial government is higher (71% in 2006/07) than the proportion of the operating cost that it pays (61.5% in 2006/07).

The proportion of the operating budget for public schools in Manitoba paid by the provincial government declined from a peak in recent years of slightly over 80% in 1981 to less than 60% in 2002/03, and it has begun to increase since then, with the vast majority of the rest of the budget coming from local education taxes. For some in the current debate (Manitoba Association of School Trustees) an 80/20 split of total costs represents an ideal balance. Others such as Manitoba Teachers’ Society, the Canada Taxpayers Association, and the Winnipeg Free Press argue positions closer to full provincial funding. In this section of the paper we will look at each of these positions.<sup>6</sup>

The argument for full provincial funding : Among the proponents of full provincial funding for public schools it is useful to separate out two quite distinct sets of arguments – one that argues that the equitable delivery of public schooling province-wide requires a fully centralized funding system [that may or may not come from provincially collected property taxes (Manitoba Teachers' Society, 2002; Arden, 2006, 2007)], and the other where an argument about an equitable sharing of the tax burden is used to call for shifting the costs of public schooling from property tax to general revenues, with the removal of local taxing authority something of an incidental by-product of that agenda (Martin, 2004, 2006).

The most fully developed equity case for a move to full provincial funding is laid out by the Manitoba Teachers' Society in a series of policy papers and Annual General Meeting resolutions including the policy paper entitled *The need for access and equity*, released in July 2002. Emphasizing the key principles that: (i) all Manitoba public school students should have equal access to the education programs and services they require, and, (ii) all Manitoba taxpayers should contribute an equitable share of revenue in support of public schooling (Manitoba Teachers' Society, 2002, p.2), the Society argues that in Manitoba in the last twenty years an increased reliance on local community tax resources has undermined province-wide equality of educational opportunity with per pupil expenditures on a variety of educational provisions varying substantially between the wealthiest and poorest school divisions in the province.

The primary source of this inequality lies in the very large differences in the tax base of different school divisions such that the same tax effort (mill rate) in the wealthiest division may generate in the order of three times the revenue of the poorest division.<sup>7</sup> In order to ameliorate this inequity the provincial government builds an Equalization Formula into its school funding programs (discussed more fully later in this paper), but as the Manitoba Teachers' Society data demonstrate to date this formula represents only a partially funded response to unequal revenue bases and not a fully funded, basic principle of public school finance. Moving to 100% provincial funding of public schools – whether by pooling provincially and re-allocating existing property taxes or by shifting to other tax sources – represents the MTS solution to these inequities.

A second source of unequal programming recognized by MTS lies in the decisions of local school boards to value lower tax rates over expanded educational programming. Arguing for a

comprehensive, high quality program, equally available across the province and formally accounted for through a series of uniform province-wide operating indicators (Manitoba Teachers' Society, 2002, pp.2-3), MTS positions local autonomy as being in opposition to equality of educational opportunity and prioritizes the latter over the former.<sup>8</sup>

The argument to move to 100% provincial funding of public education has also been endorsed by Winnipeg City Council (Winnipeg Free Press, March 22 nd, 2007) and by interest groups such as the Manitoba Real Estate Association, the Association of Manitoba Municipalities, and by the editors of the Winnipeg Free Press . Most often in these cases the primary argument is that existing levels of property taxes (the Special Levy) are too high and that general provincial revenues, drawn from a much broader range of taxes, are a fairer source of funds for public schools. This question is discussed in the next section of this paper. In the case of the Winnipeg Free Press this is also presented as a matter of increased accountability and efficiency in line with an ongoing attack on of the contemporary value of school boards (Winnipeg Free Press, 2002, 2004).

The arguments for an 80/20 funding arrangement: The case for a shared funding responsibility in which public schooling in the province is supported by provincial operating support for school divisions balanced by a meaningful level of taxing authority for locally elected school boards is laid out in the document *Explaining education funding and property taxation in Manitoba*, produced jointly by The Manitoba Association of School Trustees, The Manitoba Association of School Business Officials, and The Manitoba Association of School Superintendents, and released in December 2005. Arguing for an increase in the provincial share of funding while at the same time emphasizing the importance of protecting local autonomy, responsiveness and accountability, the report maintains that local school board taxing authority allows school divisions to offer unique programs, service enhancements and options for students that reflect local needs and priorities, and that without such authority their capacities to do this would be seriously compromised (p.4).

An 80/20 solution was also the majority recommendation contained in the 2004 report of the Minister of Education's Working Group on Education Finance which was set up in 2002 with the mandate of researching and analyzing strategies to reduce the province's reliance on property taxation for fund public education funding (Manitoba Education, Citizenship and Youth, 2004, p.1).<sup>9</sup> After a detailed analysis of seven different funding models including the existing

arrangements, the Working Group recommended a funding model that would increase provincial funding support for public schooling to 80%, decrease provincial use of property taxes for education from some 51% to 37%, and implement a 1% raise in provincial retail sales tax to make up for the revenues lost from the property tax decrease. The option of raising the provincial retail sales tax has not, however, been a strategy that the current government has shown any interest in implementing.

A stance similar to that of the Working Group was taken by the Commission on Financing K – 12 Education in Saskatchewan in its Final Report *Finding the Balance*, released in December 2003. Perhaps the most significant aspect of this report was its recognition of the importance of local autonomy that it defined as combining meaningful decision-making which responds to the needs of the local community with the fiscal autonomy to provide funding for local education program priorities and to maintain operations flexibility. The Commission recommended moving to an 80/20 solution on the grounds that the responsibility for twenty percent of the operating costs of public schooling would ensure that school boards remained a vital part of Saskatchewan public education. The Report agreed:

There are benefits to funding education locally. It respects a community's ability to determine the level and type of education programs delivered locally. The community and the ratepayers hold the school division accountable for decisions about things like school closures. Some would argue that since the local community is the next most critical unit in society outside the family education needs to remain at that level...Provincial governments recognize that local governance of education has prevented operating decisions, such as school closures, bussing routes, staffing and student discipline, from becoming issues for the province to manage. Local governance also provides an opportunity for solutions to mirror the needs and interests of the local community something that is hard to achieve with a centralized governance model (p. 50).

These observations are no less compelling in the Manitoba case.

Equality, Equalization Formulas, and Educational Support Levies : If equality and access are to remain a hallmark of public education in Manitoba, then the inequalities highlighted in the Manitoba Teachers' Society document have to constitute a serious concern. As the Society clearly demonstrates, school divisions across the province have very large differences in total taxable property values, and the larger the proportion of the operating budget for schools that is

dependent upon local taxation the larger the impact of this inequity becomes. The MTS solution to this situation is full provincial funding. Equalization formulas built into the provincial grants to school boards have long been used as a mechanism for redressing these inequities. Currently the Manitoba schools funding program has two such formulas – Equalization Support and Additional Equalization Support. The former works to partially compensate school boards for their expenditures in relation to their per pupil assessment base, and the latter provides added support directed at school divisions that have low assessments and high tax efforts (Manitoba Education, Citizenship and Youth, 2007, p. 20-22). In their current form these formulas significantly decrease, but do not eliminate, inequities caused by different divisional tax bases. Until 2006 local inequities in local property tax bases were balanced in part by the provincial Educational Support Levy. While this tax contributed to the argument that education was too heavily dependent on property taxes, it did provide the mechanism by which education property taxes could be assessed equally across the province. When the government responded to public pressure to reduce education property taxes, by phasing out the residential part of this tax - the only tax over which it had direct control - it eliminated an important tool that might have been used to increase equalization ( Arden, 2006).<sup>10</sup>

### **Is property tax a fair tax?**

It is right on many grounds that every man [sic], whether he has children to send to the common school or not, should contribute his share towards the general advancement of education in his neighbourhood. In helping to educate his neighbour's children he is promoting his country's welfare and stopping up for many a one the avenues to vice and crime, down which the illiterate youth of both sexes frequently rush to inevitable destruction. (William Pinkham, Report of the Superintendent of



Protestant Schools, 1871, p. lvii, cited in Wilson, 1967, p. 135.)

As already noted in Table 2, elsewhere in western and central Canada property taxes remain an important source of funding for public schools, although there is considerable variation in terms of the total proportion of school funding raised from property taxation – from 21.9% in Quebec to 59% in Saskatchewan – and whether this is a provincially collected tax or a locally collected one. In addition, the actual impact of property taxes in different provinces is influenced by a number of factors including: the property tax bases being used – i.e., residential, commercial, farmland – and the rates applied to them; whether or not there are exemptions for particular groups such as ‘seniors’; and, the use of targeted and untargeted tax credits (Sale, 1993).

In Manitoba in 2001 locally levied property taxes (the Special Levy) provided for 32% of the total costs of public school funding (as distinct from operating costs) and the provincial property tax (the Educational Support Levy) 14%. At the same time the provincial government provided/refunded a Property Tax Credit to homeowners and tenants equivalent to some 12% of the total public school budget (Table 2).

In assessing the fairness of a tax, economists generally rely on two measures: (i) the benefit principle – that a person’s payment of taxes should be commensurate with the benefits accruing to that person from the provision of the service – and, (ii) ability to pay – that taxes should reflect a person’s relative ability to pay generally measured by income or net worth. Applying both of these principles to the use of property taxes – especially local property taxes – serves to illustrate a number of real, or potential, limitations of a heavy reliance on this source of revenues. With regard to the first of these principles – the benefit principle – it was easier to make this case with regard to local property, as noted in the quote from Superintendent William Pinkham at the start of this section, in 1871 than it is today, when the benefits of education are seen less as a local benefit and much more as serving broad public policy purposes and benefiting society at large. Viewed solely from this perspective a provincially levied property tax would have more justification than a local one.

When measured against the principle of ability to pay, property tax is sometimes regarded as being a regressive form of taxation that is relatively poorly linked to either income or net wealth. Summarizing Canadian research in this regard, Allan (2003) concludes:

In both cases – i.e., expressing property taxes as an effective tax rate in relation to income or net wealth – the pattern of rates is determined by the fact that lower-income families are forced to spend a much higher proportion of their income on accommodation than higher income families, and that families with relatively little wealth tend to hold a much higher proportion of their net wealth in the form of housing than do households with greater wealth (p. 8).

However as Allan (2003) notes, in a report on educational finance prepared for the Saskatchewan Commission on Financing Kindergarten to Grade 12 Education (Saskatchewan, 2003), notes there are still at least two justifications for a limited local role in that:

Some educational benefits clearly flow to local taxpayers, particularly where school boards identify and respond to local educational needs and opportunities for innovation.... The visibility of the tax and its local nature are also conducive to political responsibility and accountability (p.13).

His conclusion, with reference to Saskatchewan in this regard was that, “the problem, therefore, is not that there is no place for local property taxes in financing education; rather, it is simply that the present degree of reliance is excessive (p.13).

Property tax credits: Just as equalization formulas provide a strategy for responding to inequities associated with large differences in different school division's tax bases, Property Tax Credits can provide a mechanism for governments to minimize the regressive aspects of property taxes. Tax credits not only serve to reduce the actual amounts of property tax paid, but when they are paid as a flat amount to all homeowners (currently \$525 in Manitoba) they have the progressive effect of constituting a larger proportional reduction for those people whose homes have lower assessed values. From this perspective property taxes may provide a more attractive alternative to simply having the provincial government reallocate tax credit resources directly to school boards in order to support lower local mill rates. Here, even assuming that the additional funds would lead to lower local taxes – as opposed to expanded programming – a reduced mill rate would benefit most those people with the highest property values. Property tax credits also provide a policy mechanism for reducing the tax burden on targeted populations such as seniors.

## **Discussion**

There has occurred in our societies a decline of the local – a movement away from community input into the conduct of our lives and to the regulation of the state through standards, high-stakes testing, funding, and so on. How should we respond if this is an important issue? The decline of the local in the conduct of the affairs of institutions such as schools is a decline in the promise of a truly democratic regime

(Foster, 2004, pp. 189-90).

Debates over school funding provide an enduring feature of Canadian educational history, and a fairly consistent source of tension between the provincial government and local schools boards in those provinces that have not moved to full provincial funding. Our argument is that these tensions are in large part both inevitable and healthy. They are in large part inevitable given the fact that school boards have been established as single interest entities – they are responsible for providing high quality public schools – while provincial governments are multi-interest institutions charged with the task of allocating always limited resources between a large number of competing demands such as health services, roads, the environment and, education. They are healthy because, ultimately, both school boards and the provincial government are answerable to their constituencies, and their competing visions of appropriate level of funding for schools can be resolved at the ballot box. Furthermore, it is clear from the experiences of other Canadian provinces that neither moving to 100% provincial funding nor moving away from property tax will, in itself, resolve these tensions and disputes (Glover, 2006).

The underlying dynamics of the recent history of educational finance in Manitoba is very well captured by Sale (1993) writing at the beginning of the 1990s in his book *An Analysis of School Funding Across Canada*. Sale (1993) argues that in those provinces, such as Manitoba, where public school funding is shared between the local and provincial governments, there is an

intrinsic tension related to the fact that while the demand for service originates mainly at the local level, the majority of the funding comes from the province.<sup>11</sup> In this situation his analysis is as follows:

Typically, provincial funding does not keep up with local spending increases. In this situation, a cost-control equilibrium is reached only when local demand is moderated by high local taxation levels. Citizen resistance to higher taxes finally balances demand for more services. Local expenditure control is extremely difficult when education finance programs combining local and provincial funding sources are in place. If the province responds to relieve this perceived excessive local tax pressure, either directly through mill rate reductions or indirectly through property tax credits, the likelihood is that the resulting tax room will be used up over a period of years by the local authorities. When this happens, the pressure for them to relieve high property taxes increases, and the cycle begins again. By definition, so long as there are two levels of taxing authority, and the majority of demand is felt where the minority of funding power exists, this cost control dilemma will continue (pp. 52-53).

In its 2008 and 2007 school funding and budget announcements the New Democratic Party government provided its current responses to these competing pressures. Announcing in the April 2007 budget an initial increase in residential property tax credits from \$400 to \$525, the government outlined its intention to use this mechanism to move within five years to provincial funding of 80% of the total costs of public education (which in 2007 was 71%). This strategy addressed many of the issues raised in this paper. Perhaps more significantly, by rejecting the pressures for 100% provincial funding, it served to maintain school board autonomy and local participation in public education decision-making, and by using property tax credits to increase the provincial share of total education costs the government both reduced the reliance on property taxes for the funding education and reduced the impact of unequal tax bases on divisions' abilities to provide appropriate educational services.

However, the commitment to move to an 80% share of total costs created a challenge for the provincial government to contain what would constitute 100%. In January 2008 the provincial government while announcing a substantial increase of \$53.5 million in operating grants for schools, introduced a new \$16 million Tax Incentive Grant designed to cover the difference between the province's basic grant and school divisions' average spending increases in recent years (Martin, 2008). School divisions who do not increase their local property taxes generally

become eligible for funds from this grant, while those who increase their mill rates from last year are not. Designed to specifically constrain school board spending and to facilitate the provincial government's movement to funding 80% of total costs of public school education, the grant has proven to be controversial and a number of school divisions have chosen not to access the grant and instead raise their local property taxes in support of their program needs.

The debates that have surrounded this move, both between school boards and the provincial government and between school boards and their constituents, provide only the most recent round in this ongoing funding challenge and cost control dilemma. Significantly, while the 2008 funding announcement added \$18.2 million to equalization funding inequities remain between school boards' abilities to provide equal levels of programming.

Manitoba has not "solved" the funding dilemma facing provinces where the funding of public schooling is a shared provincial and local responsibility, because - like all dilemmas - it is essentially unsolvable. Nevertheless, to date, the path that Manitoba has chosen in retaining local school board taxing authority is one that sets the province apart (along with Saskatchewan) from the centralizing approaches of much of the rest of Canada, and one which, in line with two fundamental ideal of Canadian public education sustains the goals of participation and equity in public schooling through its support for strong local school boards.

## **Notes**

1 The history of Indian/First Nations education in Canada – a fiduciary responsibility of the federal government rather than the provinces - would provide an obvious illustration of exclusion from this notion of public, but current efforts in Ontario to increase student voice on school boards provide another contemporary illustration of efforts to broaden the notion.

2 Both the Fraser Institute [www.fraserinstitute.ca](http://www.fraserinstitute.ca) and the Frontier Institute website [www.fcpp.org](http://www.fcpp.org) contain a number of books, articles and papers on this topic.

3 The Working Group was made up of representatives of the following organizations: The Manitoba Teachers' Society, The Manitoba Association of School Superintendents, The Manitoba Association of School Trustees, The Association of Manitoba Municipalities, The

Manitoba Association of School Business Officials, The Manitoba Municipal Administrators' Association, and The City of Winnipeg.

4 Currently the provincial education support levy is only applied to commercial properties. The provincial property tax was phased out between 2002 and 2005 and farmland has been exempt from this tax since the mid-1980s.

5 In these debates a clear distinction needs to be made between the total costs of public schooling which includes a number of items that are funded 100% by the provincial government (i.e. capital building costs, property tax credits, and contributions to the Teachers' Retirement Allowances Fund), and annual operating costs. In 2006/07 the provincial contribution to the former amounted to 71% of the total and to the latter 61.5% (Manitoba Education, Citizenship and Youth, 2007. Frame Report 2006/07 Budget.)

[www.gov.mb.ca/k12/finance/frame\\_report/index.html](http://www.gov.mb.ca/k12/finance/frame_report/index.html)

6 It could, clearly, also be argued that the current 60/40 split – the status quo – represents a viable and defensible third option. The current balance has been created over a period of years through the existing political structures. There has not been a tax revolt at the local level and generally school trustees have not been elected on a “cut taxes platform” but rather a “support school programs and be fiscally responsible” agenda. While there are clearly tensions between school boards and the provincial government over levels of provincial funding, to date, we would argue, that these tensions have been managed quite successfully through the existing political structures.

7 The FRAME Report 2006/07 Budget, for example, reports for 2006 a provincial average operating expenditure per pupil of \$8,898, an average Special Levy mill rate of 22.8 and an average assessment per resident pupil of \$159,706. In comparison the figure for Evergreen School Division were \$8,993, \$268,699 and 15.3 mills and for Flin Flon \$9,031, \$95, 656 and 22.6 mills. (Manitoba Education, Citizenship and Youth, 2006, p.62).

8 The Manitoba Teachers' Society also identify the operating scale of a school division as a significant factor in the ability to deliver a comprehensive public school program, and argue, in addition to full provincial funding, for a re-examination of the viability of some of the smaller school divisions in the province.

9 While a representative of the organization participated in the Working Group's deliberations, the Manitoba Teachers' Society did not endorse the final recommendations of the Group, which were at odds with the established position of the Society discussed earlier in this paper.

10 Sale (1993) also points out how the Education Support Levy can provide a significant constraint on school boards to limit Special Levy increases.

11 In Manitoba this tension/contradiction is highlighted when School Boards want to set their tax rates above the rate set by the province and, at the same time, demand that the province fund 80% of operational costs, - in effect an argument for the "tail to wag the dog", or "buying educational programs with 20 cent dollars".

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