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Update to *Who's Cutting Classes? Untangling the Spin about K-12 Education in BC*, originally published by the CCPA in January 2004.

The \$150 Million Question: What Does New K-12 Funding Mean For BC's Schools?

By Marc Lee

The provincial government's recent announcement of \$150 million in new funding for K-12 education was greeted with guarded optimism by many in the education community. Over the past three years BC's education system has seen the loss of 113 schools, 2,558 teaching positions and larger class sizes (according to the BC Teachers' Federation). The announced \$150 million holds the prose of un-doing some of this damage, and could be interpreted as an admission by the government that its funding for K-12 has been inadequate.

While the new funding does begin to meaningfully restore funding, on a real per-student basis, funding remains lower than in 2000/01 and 2001/02. An additional \$58 million would be required to restore 2005/06 funding to 2001/02 levels, and \$84 million to restore funding to 1990/91 levels.

Based on updated Ministry of Education numbers, this brief reviews the impact of new funding on BC's K-12 education sector. We build on the funding framework set out in the January 2004 CCPA paper, *Who's Cutting Classes? Untangling the Spin about K-12 Education in BC*. In addition to the nominal dollar increase in funding, we also consider the impact of declining student enrolment and inflation. Readers interested in more details about K-12 education financing are encouraged to read *Who's Cutting Classes?*, available for download from the CCPA website.

The updated Ministry of Education numbers used in this brief were provided to a CBC journalist in an exchange with Ministry officials. There are some discrepancies between these numbers and the public record (documents available on the MOE website), a topic discussed in an Appendix to this brief. We recommend that the Auditor General investigate these discrepancies.

Reality Check on New K-12 Funding

The \$150 million increase is not entirely "new money," but an increase relative to the "baseline" funding provided to school boards in the three-year fiscal plan set out in the 2004 BC Budget.¹ K-12 education already had a built-in increase for 2005/06 of \$60 million above budgeted 2004/05 levels. Thus, only \$90 million should be considered new money. In addition, a one-time grant of

\$14 million (not included in the baseline) was provided to school boards in 2004/05.² This means that 2005/06 funding will be \$136 million higher than the *final amounts* (as opposed to budgeted amounts) in 2004/05.

Table 1 presents updated MOE data on provincial operating grants to school boards, as well as full-time equivalent (FTE) student enrolment. We also convert these to indices (1990/91=100). The table shows that FTE enrolment has been declining since 1997/98, but in 2005/06 will still be 12% higher than in 1990/91. Provincial operating grants have increased by more than 50% in nominal terms since 1990/91.

Declining student enrolment means that funding per student has been increasing, a point that has been emphasized in the government's talking points on education. However, this is misleading because it ignores a crucial aspect of education financing, the rising cost of providing education services. In the same way that consumer prices tend to rise over time (i.e. inflation), so does the "price" of education services. This includes the cost of salary and benefit increases for teachers, administrators and support staff, the cost of books and classroom materials, the cost of utilities such as electricity, costs related to transportation, plus other education-related supplies and services. Budgets need to rise in line with these underlying costs in order to provide the *same level* of education services.

Table 1: Updated K-12 numbers based on new MOE data

School Year	Funded FTE enrolment	Enrolment index	Provincial operating grants	Funding Index	Education Price Index	Real Funding per Student
1990-91	507,397.4	100.0	2,675,506,131	100.0	100.0	\$ 7,139.64
1991-92	527,845.2	104.0	2,920,497,183	109.2	105.2	\$ 7,119.03
1992-93	540,390.4	106.5	3,077,339,133	115.0	108.1	\$ 7,131.39
1993-94	554,194.0	109.2	3,158,886,024	118.1	109.8	\$ 7,029.98
1994-95	568,426.0	112.0	3,286,587,447	122.8	111.9	\$ 6,996.77
1995-96	581,262.8	114.6	3,391,437,656	126.8	113.5	\$ 6,960.17
1996-97	594,603.7	117.2	3,451,725,954	129.0	114.0	\$ 6,892.40
1997-98	603,974.1	119.0	3,495,875,261	130.7	114.8	\$ 6,824.14
1998-99	602,678.2	118.8	3,545,832,336	132.5	115.8	\$ 6,878.11
1999-00	601,846.2	118.6	3,628,402,195	135.6	117.7	\$ 6,933.44
2000-01	597,948.1	117.8	3,744,145,497	139.9	120.5	\$ 7,035.32
2001-02	595,156.9	117.3	3,905,376,516	146.0	125.2	\$ 7,093.90
2002-03	587,247.0	115.7	3,870,380,565	144.7	130.2	\$ 6,854.28
2003-04	580,484.0	114.4	3,849,786,031	143.9	133.6	\$ 6,719.83
2004-05 e	574,230.0	113.2	3,891,418,026	145.4	135.4	\$ 6,776.76
2005-06 f	568,591.0	112.1	4,027,200,000	150.5	137.2	\$ 6,992.15

Note: Please see Appendix for methodological details.

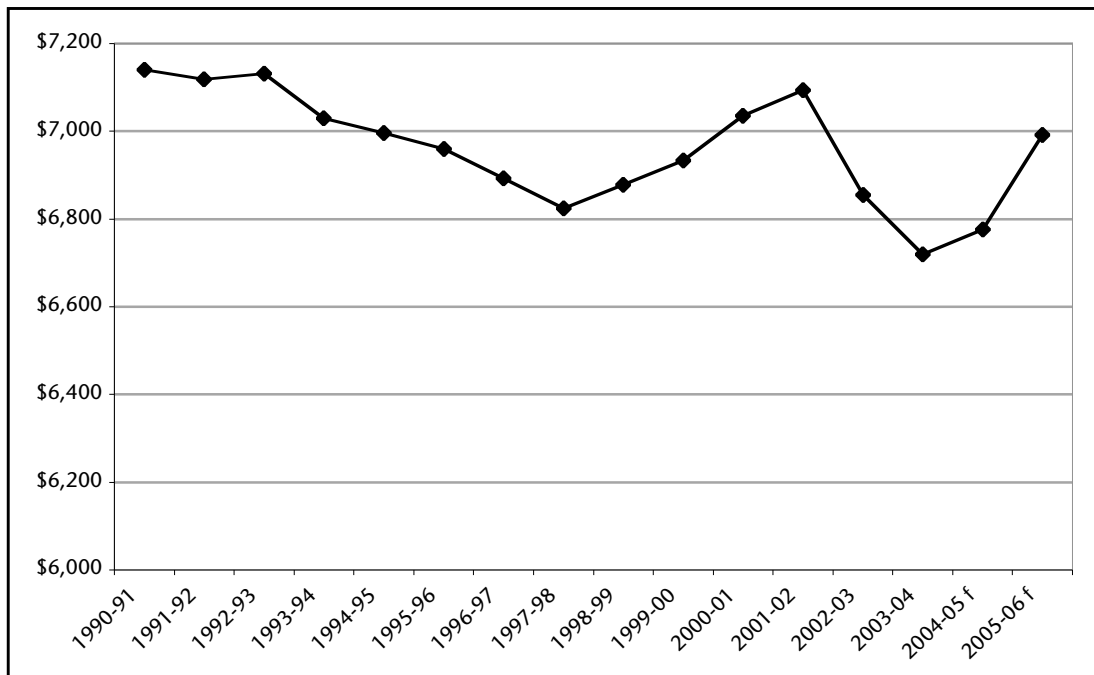
Sources: BC Ministry of Education, Statistics Canada, Vancouver School Board.

Table 1 includes changes in Statistics Canada’s Education Price Index (EPI), which covers the different cost drivers in education mentioned above. It indicates that the cost of providing the same level of education services in 2005/06 will be about 37% higher than it was in 1990/91.³

When all three factors — operating grants, enrolment and education-specific inflation — are combined, all of the “real world” pressures experienced by educators, parents and students become apparent. We put total operating funding into real terms (2004/05 dollars, based on the school year, as deflated by the EPI) then divide by the number of students to determine *real funding per student* from 1990/91 to 2005/06. Real funding per student is also shown graphically as Figure 1.

The 2005/06 funding increase comes at a time when real funding per student in 2003/04 and 2004/05 was at its lowest levels over the entire period going back to 1990/91. New funding begins to meaningfully restore real per-student funding, as projected real funding per student for 2005/06 will be higher than the previous three years (2002/03 to 2004/05) but remains lower than 2001/02 and 2000/01, and lower than levels in the early 1990s.

Figure 1: Real K-12 Funding Per Student



In real terms this puts 2005/06 funding at \$102 per student below 2001/02 levels and \$147 per student lower than 1990/91 levels. This means that in 2005/06 it would take an additional \$58 million (beyond the announced \$150 million) to restore funding to 2001/02 levels and \$84 million to restore funding to 1990/91 levels.

It is also worth noting that funding gains come at the expense of teachers and support staff, who are assumed to accept no wage increases in the current collective bargaining round — in effect, this is a real salary cut because of the impact of inflation.

Funding decisions in recent years have put pressure on school boards, schools and parents to find additional resources for classrooms. Some school boards, in order to stave off more service cuts at the classroom level, have cut their own administrative positions, while seeking alternative revenue sources, such as attracting international students, who pay high tuition fees for education, and running distance and continuing education programs.

Schools have also pursued exclusive contracts for vending machines and have contracted out cafeteria operations, both of which have biases towards junk foods that undermine the health of students. We commend the move by the government to eliminate junk foods from schools, but we need to recognize at the same time why it is that schools find vending machine revenues attractive.

Parents are increasingly required to pay for school materials, field trips, music and performing arts fees, while feeling compelled to pay again to support local schools through bake sales and pizza day fundraisers. Parents are also expected to organize fundraising activities in support of their child's school. Clearly, it would be more efficient and equitable for parents to finance a good public school system through their taxes.

In this context, the increase in public funding for 2005/06 is most welcome. Still, it is short of funding levels in place during the first year of the provincial government's mandate and levels that prevailed in the early 1990s. More can be done to enhance public investments in our children.

Real increases in the education budget would directly lead to hiring more teachers, and therefore smaller class sizes, one of the key ingredients in increasing quality of education. It also matters for addressing particular needs, such as ESL, children with disabilities or special needs, and those who come from vulnerable backgrounds, including Aboriginal children. BC's children deserve nothing less. •

Appendix: Funding Discrepancies and Other Methodological Notes

In this Appendix, we assess some of the potential reasons for the revised Ministry of Education numbers and cover some additional methodological issues associated with the updated calculations of real per-student funding.

Who's Cutting Classes? drew on publicly available data from the Ministry of Education website. During the current update, Ministry officials argued that these public documents actually understate education funding for the 2001/02 to 2004/05 years. It is not at all clear precisely why a discrepancy exists between the public record and the "official," but not-public, record. Nor is it clear why the government would not want to take credit for education funding numbers that are in fact *higher* than the public record. As far as we can tell, there are no press releases that support these numbers. The discrepancies suggest a role for the BC Auditor General to investigate accounting irregularities at the Ministry of Education.

Table 2 compares provincial funding based on publicly available documents for 2001/02 to 2004/05 with unpublished numbers from the Ministry of Education (last three columns). The latter were provided on February 8, 2005 to the CBC, who forwarded them to the author. The "other" funding increases do not accord with government press releases. At this point it is not fully clear how the "other" funding breaks down.

Table 2: Public Record vs. Revised Ministry of Education Funding Numbers

Year	Provincial Funding Amounts (Public Record)	Revised MOE "Block Funding"	Revised MOE "Other Operating Funding"	Revised MOE "Total Funding"
2001-02	3,793,878,997	3,793,878,997	111,497,519	3,905,376,516
2002-03	3,860,314,895	3,790,399,854	79,980,711	3,870,380,565
2003-04	3,842,188,002	3,790,284,553	59,501,478	3,849,786,031
2004-05 e	3,897,318,026	3,877,418,026	14,000,000	3,891,418,026

Notes: Figures in the three columns to the right represent internal Ministry of Education data. These are contrasted with the column "public record", which consists of final allocations as published as *BC School District Revenue and Expenditure Information 2004/05*. All figures are in nominal dollars.

The "public record" column is based on the MOE's *BC School District Revenue and Expenditure Information* (most recent year available at <http://www.bced.gov.bc.ca/accountability/district/revenue/0405/>). The accompanying note to this on-line publication states:

Amounts include for 2000/01 and 2001/02 include [sic] Special Purpose Grant, Implementation Training/Provincial Education Initiatives, Learning Resources, Provincial Learning Network and the Provincial Collective Agreement. With the exception of the Provincial Learning Network grant, the other separate grants were discontinued in 2002/03 and rolled into the operating grant with the

introduction of new funding formula. 2002/03 includes a one time operating grant of \$50 million. 2003/04 includes a one time grant of \$32 million.

However, Ministry officials have asserted that the note cited above is incorrect, and that the public record does not actually include \$68 million in 2001/02 for the first year of the collective bargaining, a one-time grant of \$42 million in 2001/02, and \$2.5 million for higher MSP premiums paid by school boards. These numbers add up to \$112.5 million compared to the “other funding” in the table of \$111.5 million. It is not clear why this is the case.

In addition, an internal MOE document provided to the CBC, titled *Funding Information*, argues that “Beginning in 2002/03, many expenses previously included in operating funding, and therefore included in earlier per pupil amounts, are now paid by the Ministry on Boards’ behalf. These include PLNet, some lease funding, and Provincial Learning Resource grants.” Hence, these budget items are now added back by the MOE for consistency. This may account for differences of roughly \$10 million in 2002/03 and \$7 million in 2003/04 (i.e. the difference between “Revised MOE Total” and “Public Record”).

Based on this data inconsistency, the MOE document argues that *Who’s Cutting Classes?* was incorrect in finding a 3.5% drop in real per student funding between 2001/02 and 2003/04. Ironically, however, the updated MOE data suggest that the drop is actually *larger*, a 5.3% decline (calculated from final column of Table 1).

According to the same internal document, the additional \$14 million in 2004/05 “is one-time funding as of Jan. 31, 2005 (includes \$1 million for computers for schools, \$10 million for textbooks, \$3 million for Ready, Set, Learn).” We also note that for 2004/05, the revised MOE total is *lower* by \$6 million than the total in the public record.

Thus, there appear to be some significant discrepancies between the public record and what is now being claimed by Ministry officials in terms of K-12 funding. The explanations cited above do not seem to be consistently applied for each of the revised years.

Nonetheless, we take the MOE numbers at face value as part of our updated calculations in the main part of this paper. We also use updated FTE enrolment data for 2002/03 to 2005/06, as provided by the MOE.

We accept the MOE assumption that base salary increases will be 0%, even though the collective bargaining process is still underway. However, the Ministry assumes extremely low increases in the EPI of 0.7% for each of 2004/05 and 2005/06. Based on data from the Vancouver School Board that assume 0% salary increases, cost pressures still increase by 1.35% in 04/05 and 1.27% in 2005/06 due to other factors, rather than the 0.7% assumed by the Ministry.⁴

Finally, please note that real (or after-inflation) figures in the last two columns of Table 1 were rebased to 2004/05 dollars (based on the school year) rather than 2003/04 dollars as used in *Who’s Cutting Classes?* The change does not affect any calculations that are relative in nature (such as percentage changes).

Notes

¹ The 2005 BC Budget specifies a \$139 million increase in 2005/06 above 2004/05 levels, not \$150 million. This is because of the difference between the government's fiscal year (April 1 to March 31) and the school board fiscal year (July 1 to June 30).

² The MOE has been playing a funding game with school boards in recent years. This involves announcing additional funds for school boards well into the school year, long after budget decisions have been made regarding staffing levels and other expenditures. School boards must then roll over the new funds to the next fiscal year to be spent, but in accounting terms they must declare a surplus. This provides the Ministry with an opportunity to spuriously accuse school boards of hoarding money designated for students, an opportunity that previous Education Minister, Christy Clark, took with relish.

³ According to Statistics Canada, "the Education Price Index (EPI) is used as the main deflator of elementary and secondary expenditures. It is used to put into constant dollars, school board expenditures including teachers' salaries which is the main component.[sic]" Data for the EPI are available up to 2001. EPI data were converted from annual to school years by author for 1990-91 to 2000-01. For 2001-02 onward, EPI is based on cost estimates from Vancouver School Board.

⁴ In *Who's Cutting Classes?*, we assumed that teacher and support staff salary increases would be 2.5% and 1.5% respectively, in line with recent legislated increases. We have removed this assumption for the purposes of this update.