

Course Correction

A Blueprint to Fix Ontario's Education
Funding Formula

Hugh Mackenzie





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Course Correction

A Blueprint to Fix Ontario's Education Funding Formula

Executive summary

Twenty years after the Mike Harris Conservative government implemented its education funding formula in 1997, many of its core functions remain in place. By design, it was intended to squeeze funding for the system and to centralize control at the provincial level. It was based on the politics of division, pitting the educational needs of students and the need for infrastructure upgrades of schools against financial compensation of teachers and the power of local school boards.

The political tone changed with the election of a Liberal government in 2004 and the promise from then Premier Dalton McGuinty to become the education Premier. And there have been positive changes to the system. Class sizes are smaller, which is good for both educators and students. Funding for special student support services has increased. And the province was the first in Canada to implement full-day kindergarten based on early learning principles for four- and five-year-olds, inspiring other provinces to follow suit. But the education funding formula, which is at the heart of core challenges to Ontario's education system, has not been revisited.

It is time for a course correction. This report maps out a blueprint for an adequately funded, high quality, publicly accountable education sys-

tem that meets the needs of every student in Ontario. It's time to articulate a new set of principles for elementary and secondary education in Ontario that lay out a unifying vision for public schools — one that starts by asking: what does a school need in order to fulfill its function? This report advances three key principles that address this question:

1. Inclusive schools mean inclusive funding: A school needs to ensure that all students, regardless of their background or parents' income level, can get access to the best educational supports they need to succeed. The current approach to education funding amounts to one-size-fits-all and that's not working.

2. Schools are community anchors, treat them that way: A school needs to play an anchor role in the community. Whether a school is situated in a series of neighbourhoods in large cities or in remote and Northern communities, provincial funding needs to reflect the central role that schools play in bringing people together, in promoting inclusivity, and in contributing to vibrant communities. Starving community anchors of adequate funding has resulted in schools in disrepair and unhealthy learning conditions.

3. Valuing the educators in our schools: A school needs highly skilled teachers, early childhood educators, and educational support workers who are treated as the partners that they are in the success of Ontario's education system. That means fostering a collaborative relationship with educators and education workers; one that recognizes their expertise and ensures they are recognized for and supported in the work they do. That includes a collaborative approach to system redesign and funding formula changes. Education workers are on the front lines of the classroom every single day. We count on them to deliver the best educational experience possible for students and they are our eyes and ears on the ground.

How can the provincial government create a new funding formula that turns these three guiding principles into reality? It begins by launching a formal review of Ontario's education funding formula in 2018, redesigning the funding formula to adequately fund schools, and then committing to review the future funding formula every five years. The last funding formula review was done in 2002 — it is well past time for a new review.

Introduction

Fall 2017 marked the 20th anniversary of the funding formula for elementary and secondary education, which was introduced in 1997 as one of the

signature pieces of legislation in the first term of the Conservative government led by then Premier Mike Harris.

Ontario's public school system had evolved from its beginnings as a purely local undertaking in the early 19th century, through an extended period in which the local nature of the system was retained, but with increasing degrees of provincial support and influence. In 1997, Bill 160 brought that evolution to a conclusion, putting every aspect of the system under provincial government control.

The revised approach to funding public schools was premised on an education funding formula that was flawed from Day One and, while subsequent Liberal governments made minor tweaks to the formula,¹ education in Ontario remains underfunded relative to what it needs to succeed. It's time for a new funding formula — one that presses the reset button on what the objectives of the education system should be.

This paper maps out a blueprint to ensure Ontario's public education system is viable and provides quality education; one that puts schools and the well-being of all children at the heart of the system.

What remains of the Harris vision for public education

It is important to note that, for the Harris government, the control the provincial government gained in Bill 160 was not an abstraction. It was control with purpose. As was the case with many of the government's legislative initiatives in its first term, the overriding objective of education finance reform was to free up fiscal capacity for its central election campaign promise: a 30 per cent reduction in Ontario's personal income tax.

The new framework for education funding was designed to achieve that objective through two primary mechanisms: (1) the adoption of a narrower definition of what constituted education than was reflected in previous programs offered by many of the largest school boards in the province; and (2) the establishment of uniform and low-end biased funding benchmarks intended to put additional funding pressure on higher-cost school boards.

The narrowing of the definition of education for funding purposes was reflected in the formula's focus on its definition of "classroom spending" and the associated restrictions on the use of those funds and in its categorization of other expenditures as "administrative" and thus subject to strict limits. Faced with these restrictions, programs such as outdoor education, in-school music, as well as drama and arts programs were drastically re-

duced or eliminated. Many of these programs have simply disappeared. Others struggle to survive in a competitive budgetary environment in which the system generally continues to be underfunded relative to need.

While many of the benchmarks used to derive board-by-board funding allocations varied between arbitrary and totally inexplicable, two of the major benchmarks — teachers' salaries and the allocation of \$5.20 per square foot for building operations and maintenance — were well below most boards' costs and imposed financial pressures on higher-spending boards, such as Toronto and Ottawa. It also codified in funding restrictions the government's lack of respect for locally elected school boards and its distrust in their decision-making. And while it emphasized equality in funding for all boards, it did so by squeezing funding for bigger and/or better-financed boards.²

Despite the introduction of a number of landmark improvements to the system by subsequent Liberal governments — including reduced class sizes, funding for special student support services in secondary schools, and full-day kindergarten and early learning support — the funding formula itself remains mostly intact.

Nearly 15 years have gone by since there was even a public review of the operation of the system. The last review, which was intended to be the first in a five-year cycle of funding reviews, was initiated in the last year of the Conservatives' second mandate.³ Since then, there has been no independent public review of how Ontario funds its public schools and what a modernized vision would look like.

A generation of students has gone through the system from beginning to end since the last review of its financing and effectiveness. And throughout their elementary and secondary school experience, the system has continued to be plagued by the intended and unintended consequences of 1997's funding constraints.⁴

Here are five of the worst aspects of the funding formula (many of which were confirmed by the findings of the 2017 Ontario Auditor General Report⁵) that should be addressed:

One-size-fits-all funding for school operations and maintenance: Since Day One of the education funding formula, there has been an inadequate recognition of the true operation and maintenance costs of schools because the whole premise was based on a political choice to cut public school spending in order to deliver an expensive tax cut agenda. That has led to a massive accumulated deferred maintenance backlog and a crisis in school conditions. We recommend targets and timelines to eliminate the maintenance

backlog. We also recommend more adequate funding to address the shortfall in operation funding and to support community hub goals, such as after-hours in-school community programs.

Inadequate funding for students: The political choice to squeeze education spending in order to fund tax cuts in the mid-1990s resulted in an education funding formula that, from the outset, deprived programs like special needs, physical education, music, art, drama, and library services of adequate funding. There was an anti-liberal arts education and special needs bias built into the funding formula that has yet to be redressed. The one-size-fits-all approach to per student funding isn't working. Schools in well-off neighbourhoods have well-resourced parents that they can rely on to privately fundraise to fill some of the gaps, but this has fuelled inequities in the system. We recommend a more inclusive, needs-based approach to education funding in future.

Lack of attention to equity issues: At a systems level and at an individual level, the funding formula reinforces and perpetuates the substantial disparities between large urban public school boards, inner city vs. suburban neighbourhoods, as well as rural and Northern boards. Chronic underfunding leads to competition for scarce resources and fails to address inequities based on income, gender, race, newcomer status, Indigenous status, and people with special needs. The original funding formula was purposely insensitive to the needs of diverse classrooms. The new funding formula should embrace inclusiveness as a priority.

Top down control: In addition to assuming central control over the total funding available to every school board in the province, the Harris government imposed a series of restrictions on how that funding could be spent, reinforced lines of accountability between school boards' directors of education and the provincial ministry, and required boards to submit an extremely detailed annual accounting of the sources and uses of their funding. A refusal to explicitly recognize the role of schools as community hubs and an inflexible, top-down approach to school use led to waves of school closures across the province and hampered planning for new development in areas undergoing demographic change. Inadequate base funding continues to contribute to school closure decisions.

Equal funding, instead of addressing inequities: A focus on equality in funding rather than equity in funding was one of the hallmarks of the approach introduced by the Harris government in 1997. Equal funding appears

to be fair — every student gets the same support, every school gets the same funding, driven by the numbers of students it serves. The problem with equal funding is that it implicitly assumes that underlying needs and costs are the same, when they are clearly not.⁶ Demands on Toronto inner city schools will be fundamentally different than demands on a rural school that is the community hub and yet struggles to stay open. The Harris government’s insistence on equality as the basis for funding remains essentially unchanged. It’s time to address the inequities in the system.

Five questions to inform the fundamental purpose of the education system

A course correction starts by answering this question: what is the fundamental purpose of the system? What if we started with a clearly stated set of goals for public elementary and secondary education in Ontario? It is notoriously difficult to measure success in an education system. But without clearly understood objectives, it is impossible.

At the most general level, our objectives for elementary and secondary education in Ontario should not be that difficult to articulate. The goal of public elementary and secondary education in Ontario should be to support students in achieving their full potential as economic, cultural, social and political participants in Canadian life.

Even before we move on to defining the scope of a system to achieve that goal, it has some direct implications for the way we think about education. If participation is the goal, the content must go beyond the transmission of specific skills from teachers to students to encompass the experiences and capabilities that enhance our participation in the life of our community. And a focus on the realization of full potential means recognizing that students approach public education with different capacities and needs. Recognizing those differences requires a core emphasis on equity rather than formulaic equality based on one-size-fits-all budget commitments.

1. What if we designed an education funding formula based on the way the system actually works in practice?

Much of the current funding formula is atomized, driven by student head counts that are abstracted completely from the institutional setting in which the educational experience is actually delivered. The closest the formula

comes to recognizing the setting for education is through the establishment of target class sizes for students at different stages of their educational experience. But just as students don't exist in the system apart from the context established by their classroom, classrooms don't exist apart from the schools in which they are located.

So perhaps the funding question should be reframed to ask what a school requires to support the school system's objectives. In other words, rather than establishing abstract and arbitrary funding amounts from the top down based on head counts, why not start at the centre, at the school level, and build the system from there?

There would be a number of direct benefits to using the school as a starting point. It would answer some obvious questions begged by the current system. Does it make sense to have a funding formula that pays for half a librarian in the average elementary school? Does it make sense to create a funding envelope for specialist teachers for art and music but fails to provide for rooms in which those specialized activities can take place? Does it make sense to provide staffing and facilities insufficient to support our expectations for students' daily physical activity?

It would also provide a focal point for needs-responsive services like breakfast and lunch programs, after-school programming, and English as a Second Language programming. It would provide a basis for varying class sizes and the provision of classroom and school support workers based on the needs of the students in the school.

In addition, taking the school as the starting point for funding opens up important broader questions such as the role of the school in the community, and the relationships linking school size, educational effectiveness, and student commute times.

2. What if we linked programming for students with special needs directly to those special needs?

In the early years of Ontario's education funding formula, funding for special education, in particular, set an important precedent. A substantial proportion of the funding received by school boards for special education was directly linked to the programming needs of students that were identified through Individual Placement and Review Committees.

Early in the mandate of the McGuinty government, the link between identified program needs and funding was broken. Funding was based on the needs identified in 2004-05 and then those funds were frozen. Gradually,

over the next few years, that frozen funding was wound down and replaced by funding based on statistical measures of disability drawn from Census data and unrelated to individual students' educational needs.

This change has limited the funding available across the education system and it has fundamentally altered the way in which special education services are administered at the school board level — shifting the focus from the identification of programming needs to the rationing of arbitrarily-limited resources.

Similar comments could be made about second language training or programming needs for First Nations students. Rather than headcount-based formula funding, the province should be providing funding support based on the actual needs of students, teachers, and educational support workers.

3. What if we actually defined what we mean by maintaining schools in a state of good repair and funded to meet that standard?

Commercial property managers are able to define what they mean by various standards of maintenance and how much it costs to achieve those standards. If that can be done for an office building or a shopping mall, why can't it be done for a school?

4. What if we considered the question of student commute times, established maximum commute times for students, by age, and provided funding sufficient to deliver on those standards?

If there were standards for student commute times, particularly in rural and Northern communities, managing commute times might figure into decisions from support for student participation in extracurricular activities to school closures and facility sharing.

5. What if accountability was a two-way street — from the provincial government as well as from school boards — and went beyond finances?

With limited exceptions where funding is earmarked for particular activities, school board accountability is strictly financial. There should be program accountability. There should be a requirement that ESL funding actually be spent on ESL programming or support. There should be a requirement that school facilities or student transportation systems meet program standards.

And there should be accountability on the part of the provincial government for the adequacy and allocation of the funding that it provides to support the education system in Ontario. Even the Harris government recognized the need for an accountability mechanism, calling for a public review on a five-year cycle. The one public review that we undertaken had recommended a review and comment period in advance of annual funding decisions and a full public review of the system on a five-year cycle.

New objectives for funding education

What does a school need to succeed in the early years of the 21st Century in Ontario?

1. Inclusive schools mean inclusive funding: A school needs to ensure that all students, regardless of their background or parents' income level, can get access to the best educational supports they need to succeed. The blanket approach to per student funding has led to inadequate funding for special needs students, English language learners, and students in less resourced communities. Ontario's new funding formula needs to be customized to be more inclusive, to reflect the full diversity of the province's student population. That means adequate funding for everything from smaller classroom sizes to transportation systems that cut down student commute times and, where it's appropriate, pave the way for more accessible communities. Evidence-based funding could, for instance, allocate school funding based on the average number of credits taken by students in any given school. It could also take into account the additional needs of school boards whose student base is more diverse, such as those who receive students who are refugees, for instance.

2. Schools are community anchors, treat them that way: A school needs to play an anchor role in the community. Whether a school is situated in a series of neighbourhoods in large cities or in remote and Northern communities, provincial funding needs to reflect the central role that schools play in bringing people together, in promoting inclusivity, and in contributing to vibrant communities. Starving community anchors of adequate funding has resulted in schools that are in disrepair and in unhealthy learning conditions. Ontario's new funding formula has to redress the infrastructure repair backlog and modernize educational facilities in all communities. It should also foster the central role that schools, as community hubs, play by

providing sustainable funding to non-profit agencies within the community who could use school space after hours to host programs that promote both student and community wellbeing.

3. Valuing the educators in our schools: A school needs highly skilled teachers, early learning educators, and educational support workers who are treated as the partners that they are in the success of Ontario's education system. That means fostering a collaborative relationship with educators and staff; one that recognizes their expertise and ensures they are recognized for and supported in the work they do. That includes a collaborative approach to system redesign and funding formula changes. Teachers and educational support workers are on the front lines of the classroom every single day. We count on them to deliver the best educational experience possible for students and they are our eyes and ears on the ground. Ontario's new funding formula has to be designed with the goal of making teachers and educational support workers central to collaborative funding formula redesign, system reviews, and problem fixes. Their professional judgement needs to be valued. The province's Policy Program Memorandum #159 on Collaborative Professionalism highlights this value and should be reflected in any approach to education funding renewal.

Recommendations: A 10-step blueprint

This section articulates 10 steps towards an elementary and secondary education system that will meet Ontario's needs. These 10 steps are guidelines for any future education funding formula review:

1. Set out and clearly define the goals of Ontario's elementary and secondary education system to assess the adequacy of Ontario's funding for education and to ensure school funding better reflects the needs of students and their community.
2. Continue the process of reducing class sizes in both elementary and secondary schools on a system-wide basis.
3. Re-establish the link between funding for special education and identified student support needs, including professional and para-professional supports, and fund the identified needs.
4. Establish an objective for English as a Second Language fluency and provide funding sufficient to achieve that objective.

5. Increase funding for students at risk based on demographic characteristics and make school boards accountable for their use of the funding. Immediately initiate a comprehensive review of what is required to facilitate student success, which has been recommended repeatedly since the introduction of the funding formula.

6. Establish a goal of maintaining all Ontario's schools in a clearly-defined standard of excellence, requiring:

a. An increase in operating funding for school operations and maintenance to ensure that school boards have the necessary resources, considering local factors such as labour costs, climate, the age of buildings, and the role of the school in the community;

b. An increase in regular funding for school renewal to the 2% to 4% of replacement value that is widely recognized as necessary to maintain a state of good repair;

c. A 10-year investment in the elimination of the \$15 billion (and growing) deferred maintenance backlog in the schools.

7. Suspend financially-based school closures pending the replacement of the current suite of specialized grants for small schools with a comprehensive small schools policy that takes into account:

a. The role of schools in communities in rural and northern Ontario and the role of schools as community hubs for the delivery of services for families across the province;

b. The critical size and additional resources (including teachers and all educational support workers) required to meet education system objectives in small schools;

c. The relationship between school location and student transportation in light of commute time standards.

8. Conduct and publish an annual audit of students' ability to access specialized programming such as library services, music, art, and physical education, commuting times etc.

9. Make publicly available all education funding and policy documents, including technical papers and memos for each school year, to ensure transparency and to inform future funding decisions and

regulations. Any new provincial regulations should be available in draft form for public input through an annual legislative committee review.

10. Introduce legislation requiring a comprehensive, evidence-based review of the funding and performance of Ontario's elementary and secondary education system, every five years – beginning immediately.

Conclusion

It has been 20 years since the fundamentally flawed education funding formula was introduced and it has been 15 years since there has been a review of the effectiveness of the education funding formula. Since 2004, successive Liberal governments have made positive changes to the education system but the flawed funding formula still constrains the system, making it inflexible to individual students' and schools' core needs. It's time for a course correction.

This paper advances a blueprint that should guide a 2018 review of Ontario's education funding formula and how to adequately fund the needs of both students and the schools upon which their hopes and dreams are built. It articulates new goals and objectives for the school system. And it lays out principles and guiding questions that should inform how we collectively view the success or failure of a school system and the relationship between visionary planning and adequate funding. It sets out a path toward funding an education system for the early years of the 21st century – not the mid-20th century.

Notes

- 1** Hugh Mackenzie, “Are We There Yet? A progress report on education renewal in Ontario,” Canadian Centre for Policy Alternatives (Ontario), 2004.
- 2** Hugh Mackenzie, “Cutting Classes: Elementary and secondary education funding in Ontario,” Canadian Centre for Policy Alternatives (Ontario), 2002.
- 3** Hugh Mackenzie, “Adding Rozanski: A roadmap to implementation,” Canadian Centre for Policy Alternatives (Ontario), 2003.
- 4** Hugh Mackenzie, “Harris-Era Hangovers: Toronto school trustees’ inherited funding shortfall,” Canadian Centre for Policy Alternatives (Ontario), 2015.
- 5** Office of the Auditor General of Ontario, “School Boards’ Management of Financial and Human Resources,” Chapter 3, Section 3.12, Annual Report, 2017. (Accessed March 21, 2018 at http://www.auditor.on.ca/en/content/annualreports/arreports/en17/v1_312en17.pdf.)
- 6** Hugh Mackenzie, “Missing the Mark: How Ontario’s education funding formula is shortchanging students,” Canadian Centre for Policy Alternatives (Ontario), 2007.



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