

2004: B5

MEMORANDUM TO: Directors of Education
Secretary/Treasurers of School Authorities

FROM: Kevin Kobus
Assistant Deputy Minister

DATE: May 26, 2004

SUBJECT: **Education Funding for 2004-05**

I am pleased to provide you with details of the education funding regulations for 2004-05, which were released today.

As announced in the 2004 Ontario Budget, the 2004-05 school year will see significant new investments by the government in Ontario's publicly funded education system. These investments will provide enhanced resources for student success.

This memorandum presents information about school board funding for 2004-05 under the following headings:

- A. Overview
- B. New investments in student success
- C. Initiative funding for student success
- D. Benchmark review and efficiency
- E. Other changes to education funding in 2004-05
- F. School Authorities
- G. Financial reporting and due date for submission of estimates
- H. Estimates and unallocated investments
- I. Information resources

A. OVERVIEW

Funding for school boards in 2004-05 will total a projected \$16.3B. This figure represents an increase of almost \$1 billion, or more than 6 per cent, from the 2003-04 funding levels that were announced in the March 2003 Budget.

The government will also undertake some initiatives outside of grants to school boards to invest in student success. These initiatives will provide more than \$130M to education in 2004-05.

School board funding will increase from \$16.3B in the 2004-05 school year to \$17.7B in the 2007-08 school year. Investments in initiatives outside the funding model will increase to \$250M by 2007-08. This means that, by 2007-08, the investment in elementary and secondary education in Ontario is projected to be \$18B.

To engage the sector in efforts to respond appropriately to changing costs in future years, the government will establish a consultative process to review and update funding benchmarks, as recommended by the Education Equality Task Force (EETF).

B. NEW INVESTMENTS IN STUDENT SUCCESS

Primary class size reduction

To improve learning for Ontario's youngest students, the government has made a commitment to implement a cap of 20 students in primary (JK - Grade 3) classes. As a first step, the government is investing \$90M in primary class size reduction in the 2004-05 school year. This is an interim measure to begin implementation. Following consultation with school boards and other education partners, the government will confirm an approach to fully implementing the primary class size cap by the 2007-08 school year.

Further detail and guidelines regarding this important initiative are provided in the memorandum **2004: B6 - Primary class size reduction in 2004-05**.

Help for students who need it the most

Providing support to help teachers and students address barriers to learning is key to improving student achievement. In December 2003, as a first step in Ontario's commitment to improving student literacy, the government announced a funding increase of \$112M in the 2003-04 school year, through the Learning Opportunities Grant (LOG) and the English as a Second Language/Perfectionnement du français (ESL/PDF) components of the Language Grant. This \$112M enhancement to LOG and ESL/PDF has been made ongoing funding, beginning in 2004-05.

Starting in 2004-05, there will be a further \$65M directed to help students who need it the most, and \$47M will be added to the ESL/PDF components of the Language Grant (both of which are ongoing annual funding).

The Ministry will consult with school boards and other education partners about the most effective approach to allocating the \$65M increase. The \$65M will be allocated to school boards following these consultations. The goal is to provide recommendations to the government in the Fall so that this new funding can flow as quickly as possible in the 2004-05 school year.

The \$47M in new support for ESL/PDF has been allocated to boards through changes to the current ESL/PDF funding formula. These changes recognize a fourth year of eligibility for each student who qualifies for ESL/PDF funding. This \$47M increase is an initial response to the EETF recommendation to expand the number of years for which a student is eligible for ESL/PDF funding from three to five. The government intends to fully implement this recommendation and will provide funding for five years of eligibility by the 2006-07 school year.

It must be emphasized that the government expects that this additional ESL/PDF funding will be used by boards to provide new supports for ESL/PDF students.

Special education

The 2004-05 school year will be a period of transition for special education funding, as the Ministry works with its education partners to develop a more effective and efficient approach to funding education for exceptional pupils.

Based on results of the 2003-04 Intensive Support Amount (ISA) review, school boards would be eligible for an in-year increase in 2003-04 of approximately \$100M more than the allocation identified in the June 2003 Estimates.

The government is committed to investing this increase in special education. School boards and other partners will be consulted to develop an approach to distribution of the unallocated special education funding in 2003-04, and the ongoing allocation of this increase in 2004-05.

The government will also undertake consultations to develop recommendations for restructuring the Special Education Grant for 2005-06 and future years.

During 2004-05, the Ministry will not conduct an ISA Level 2 and 3 claims process. To allow school boards to proceed with the preparation of their Estimates, the Ministry has provided boards with preliminary allocations for 2004-05 that reflect current special education funding levels based on Estimates from June 2003. During this transition period, boards continue to be responsible for providing special education programs and services to all students with special education needs.

Actualisation linguistique en français

To recognize the challenges faced by French-language school boards in helping students achieve better educational outcomes in a minority language, funding for French-language school boards will increase by \$30M in 2004-05.

The increase has been allocated through a redesigned Actualisation linguistique en français (ALF) component of the Language Grant. The Ministry will work with its French-language education partners to develop an appropriate way for boards to report on use of this funding.

This enhancement to the ALF allocation is part of the improvements recommended by the French-language Education Strategy Task Force.

Salary Benchmarks

To support school boards in negotiating collective agreements with teachers and other staff, salary benchmarks will be increased by 2 per cent in 2004-05. This increase is in keeping with the rate of inflation in Ontario, which is projected to be slightly below 2 per cent in 2004, as measured by the Consumer Price Index.

Benchmark Updates

The government is investing a total of approximately \$52M in an increase in non-salary benchmarks. The additional funding provides a 2 per cent increase in non-salary benchmarks that will allow school boards to keep up with costs in 2004-05.

The benchmark updates are summarized in the following table. It should be noted that these updates are in addition to other funding enhancements described below in this memorandum:

Table: Benchmark Updates 2004-05

<i>Classroom Supports and Supplies</i>	<i>(\$M)</i>
Textbooks and Learning Materials	4.8
Computers	3.0
Classroom Supplies	6.2
School Supplies	1.9
School Operations	12.2
Transportation	13.0
Board Administration	2.8
<i>Capital</i>	
New Pupil Places	3.3
School Renewal	4.8
TOTAL	52.0

Student Transportation

Beginning in 2004-05, the government is introducing a new student transportation funding model on a transitional basis. Interim parameters will be used for purposes of calculating grants and testing the new model.

To make the allocation more equitable, the government is providing a \$20M increase in the Transportation Grant for 2004-05 to boards that would be eligible for increased funding under the new model. This is in addition to the 2 per cent increase in the transportation benchmarks to assist all boards with increased cost pressures.

Consultation will be carried out to refine the funding approach and to ensure that factors that impact student transportation are reflected appropriately in the new model and that adjustment parameters are reasonable and fair. Recommendations developed through this consultation will be considered for implementation in the grants for 2005-06 and future years. These recommendations will also promote stability by addressing the phase-in of the new model.

Additional information regarding the calculation of individual board allocations for 2004-05 is provided in the memorandum **2004: B8 - Funding for Student Transportation**.

Declining Enrolment Adjustment

As recommended by the EETF, the Declining Enrolment Adjustment is being extended to provide a third year of funding and will continue to be available in future years. This extension recognizes that, when a board experiences a decrease in enrolment and a corresponding decrease in funding, some costs cannot be adjusted immediately and additional time is required to bring spending into line with funding levels.

Pupil Accommodation

On May 25, 2004, the Premier announced a long-term commitment – the Good Places to Learn initiative – that will support \$2.1 billion worth of repair and renovation projects for schools. Individual board allocations will be announced in the near future. Funds will flow in the 2005-06 school year.

In 2004-05, the government is investing \$25M in one-time funding for energy retrofit projects.

In addition to the 2 per cent increase described above for keeping up with costs (Benchmark Updates, page 4), the government is providing a further 3.2 per cent increase to the school operations benchmark to recognize higher costs of heating, cleaning, and maintaining schools.

The Pupil Accommodation Review Committee, an advisory group comprising Ministry and school board personnel, has been asked to provide advice on how to improve the Pupil Accommodation component of the funding model.

Approximately \$61M has been reserved to support the Committee's recommendations in 2004-05. Decisions regarding the distribution of these funds will be made following receipt of the Committee's advice next Fall.

Further information on pupil accommodation funding for 2004-05 is provided in the memorandum **2004: B7 – Pupil Accommodation**.

C. INITIATIVE FUNDING FOR STUDENT SUCCESS

Education funding for 2004-05 will include funding to invest in student success with a priority focus on literacy, numeracy/math, and students who are struggling to succeed.

This will include: professional development and resources for JK to Grade 6 classroom teaching and learning, targeted supports for students and schools to increase opportunities to succeed, measures to ensure that more students stay in school and graduate, capacity-building for schools and boards to lead improvements, and enhanced information on student success. These initiatives will total \$130M in 2004-05.

Details of these initiatives will be communicated to school boards in the near future.

D. BENCHMARK REVIEW AND EFFICIENCY

In 2004-05, the Ministry will work with school boards and other education partners to establish – as recommended by the EETF – a process for regular review of the funding benchmarks.

This review will focus on developing benchmarks that, rather than being based solely on changes in boards' average or median costs, reflect standards of effectiveness and efficiency and support best practices. The EETF noted that, to actively encourage cost-effectiveness, the process to review and update benchmarks “should include regular reviews to ensure that the processes and expenditures once thought to be cost-effective are still the most effective way of achieving the maximum benefit.”

The development of improved transparency for school boards' financial and budget decisions is important to the government. At the provincial level, the Ministry needs to respond to concerns raised by school boards around issues such as the current approach to variance reporting and the utility of the current distinction between “classroom” and “non-classroom” funding.

There is an expectation that Ontario's education partners must work together to operate as efficiently and effectively as possible. This will require discussion and consultation about methods to ensure efficiency and to move toward results-based planning and funding. Further information about the benchmark review will be provided in the near future.

E. OTHER CHANGES TO EDUCATION FUNDING IN 2004-05

For 2004-05, as for previous years, a number of changes have been made to education funding that respond to requests from school boards and other education partners to address technical and other issues in the funding regulation.

Average Daily Enrolment (ADE) for Year Round Schooling

The regulations have been amended to allow the Ministry to adjust the ADE of pupils enrolled in programs offered in year-round schools so that the hours of instruction properly reflect a full-time credit load for full-time hours of instruction.

Property Tax Revenue

The regulations have been amended to allow school boards to apply adjustments to prior years' tax revenues in the current year (for example, adjustments to the 2003-04 taxes finalized in 2004-05 will be posted to 2004-05 and not 2003-04). This will simplify the grant administration and facilitate financial reporting by school boards.

ISA 1

Beginning in 2004-05, boards will be able to claim for reimbursement of 80 per cent of the salary and benefits cost of board-employed technicians who would be responsible for maintaining and installing ISA 1-funded equipment. The Ministry will fund one staff position per 30,000 students enrolled in a board, with small boards eligible for a minimum of 0.2 FTEs.

Also new this year, the Ministry's monitoring of ISA 1 claims will shift. The practice of requiring pre-approval of all claims over \$6000 will be discontinued. Ministry staff will conduct classroom visits for a sample of claims to ensure claimed equipment is in use and is meeting student needs.

Details on applying for ISA 1 funding are in the document entitled *Special Education Funding Guidelines: Intensive Support Amount (ISA) Level 1 and Special Incidence ISA 2004-05*, available on the Ministry's website.

ISA 4 – Section 20 Programs and Section 20 Accommodation and Transportation Funding

Starting in 2004-05, the Ministry will provide school operations funding to school boards for section 20 classrooms that operate in school space. Funding will be provided as part of pupil accommodation funding, based on the average number of pupils in section 20 programs operating in schools.

The Ministry will also assist school boards with transportation funding for students enrolled in section 20 classrooms that operate in school space, by allowing these students to be included in the boards' count of students requiring special needs transportation, as part of the new transportation funding model.

Tuition Fees and Classroom Enveloping

The regulation has been amended to allow boards flexibility in deciding the portion of tuition fee revenue that will be allocated to classroom expenses. This amendment allows a more accurate matching between revenue and expenses.

Eligible Investments

Amendments to the regulations have been made in order to ensure that the borrowing and investing powers of school boards are consistent with those of municipalities. This will expand the range of eligible investments for school boards (to parallel those for municipalities) and may result in boards getting a slightly better rate of return. Investments must continue to be secure.

Continuing Education – After-school credit programs

Policy has been amended to provide funding under the Continuing Education allocation for credit courses offered after school for secondary students and reach-ahead elementary students. This policy change is contained in the continuing education enrolment register instructions and does not require amendment of any regulation.

Asset Management Software Licensing

The regulation has been amended to provide funding for RECAPP software used by boards as an asset management tool to help set priorities for maintenance and renewal of schools.

Rural Education Strategy

The government has committed to improving education funding by making it more responsive to different needs in Ontario's diverse communities. The benchmark review and the pupil accommodation review described above are two examples of consultation that will take place in 2004-05 to develop more effective funding approaches.

As these reviews are in progress, funding through the Rural Education Strategy will be held stable at 2003-04 levels.

F. SCHOOL AUTHORITIES

As in previous years, funding for School Authorities will be adjusted in 2004-05, as appropriate, to reflect changes in funding to district school boards. The Ministry will issue a 2004-05 funding guideline for School Authorities in the near future.

G. FINANCIAL REPORTING AND DUE DATE FOR SUBMISSION OF ESTIMATES

Timely submission of boards' Estimates, Revised Estimates, and Financial Statements is critical for calculating boards' entitlements to funding and avoiding unplanned adjustments to cash flow. It is also critical to the Ministry's capacity to accurately project impacts on the government's fiscal plan, and support decisions about refinement of education funding.

The Ministry has established the following dates for submission of financial reports in the 2004-05 school year:

June 30, 2004	Board Estimates for 2004-05
November 30, 2004	Board Financial Statements for 2003-04
December 15, 2004	Board Revised Estimates for 2004-05

The policy of cash-flow consequences for boards that do not submit reports within the time frames required will continue in 2004-05. Boards will be given an extension to August 27, 2004, for Estimates and to January 14, 2005, for Financial Statements before cash-flow penalties are applied. No extension will be given for Revised Estimates.

Estimates forms will be available shortly on EFIS. An excel version of the Estimates forms will be available on the website <http://tpfr.edu.gov.on.ca>.

H. ESTIMATES AND UNALLOCATED INVESTMENTS

As noted above, some funding enhancements for 2004-05 are not yet allocated to school boards, because allocation methods and accountability measures will be developed through consultation. These amounts include:

- \$65M directed to help for students who need it the most; and
- \$61M in pupil accommodation funding.

In addition, \$130M in Initiative Funding for Student Success (see page 6 above) will be provided outside of the funding model.

Details on these allocations will be made available to boards as soon as possible. When preparing their 2004-05 Estimates, school boards should not include or make any assumptions about revenue from these unallocated amounts. Boards will be required to include these allocations in their Revised Estimates.

I. INFORMATION RESOURCES

The following resources will be available to school boards to assist in preparing their budgets and planning for the 2004-05 school year.

The following documents are available immediately on the Ministry website <http://www.edu.gov.on.ca>:

Legislative Grants for 2004-05

Projections of School Board Funding for the 2004-05 School Year

Special Education Funding Guidelines: Intensive Support Amount (ISA) Level 1 and Special Incidence ISA 2004-05

The following documents will be available on the Ministry website in the near future:

Technical Paper, 2004-05

Pupil Accommodation Grants Technical Paper, 2004-05

Education Development Charges Guidelines

Equitable Allocation Through a New Funding Model for Student Transportation in Ontario: A Discussion Paper

The Ministry will also publish the *Parents Guide* on its public website. Boards may find this especially useful in communicating with parents, staff, and interested members of the public.

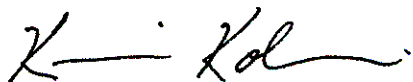
If you require further information about school board funding in 2004-05, please contact:

Pupil Accommodation Grant Transportation Grant	Drew Nameth	(416) 325-4030 Drew.Nameth@edu.gov.on.ca
Other changes in the 2004-05 regulations	Peter Gooch	(416) 325-2828 Peter.Gooch@edu.gov.on.ca
Financial reporting requirements	Wayne Burtnyk	(416) 325-2034 Wayne.Burtnyk@edu.gov.on.ca

The release of the education funding regulations for 2004-05 is a major step toward realizing the commitment the government has made to improving public education and raising the level of student achievement in Ontario. Significant investments in education starting in 2004-05 will allow school boards to begin restoring program and service levels that were eroded by the cost pressures of previous years.

Working with everyone involved in Ontario's education system is a key to delivering the best education to all our students. School boards are essential partners in our collaborative efforts to help our students succeed.

I look forward to working with you and Ontario's public education community to meet these challenges for the benefit of all our students in 2004-05.



Kevin Kobus
Assistant Deputy Minister
c.c. Superintendents of Business and Finance