

2007: B2

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

FROM: Nancy Naylor
Assistant Deputy Minister

DATE: March 19, 2007

SUBJECT: Education Funding for 2007-08

I am writing to provide you with information about education funding for 2007-08, which will assist your school board in developing its budget for the school year that starts in September 2007.

It should be noted that the information in this memorandum is provided in advance of the release of a regulation which governs grants to school boards within their 2007-2008 fiscal year.

The initiatives and investments described herein must be implemented by, and are conditional upon, the approval of this regulation by the Lieutenant Governor in Council.

The Ministry intends to seek approval for such a regulation in April 2007 and will advise you if such a regulation is approved.

A. OVERVIEW

The 2007-08 school year will be the fourth year of Ontario's multi-year funding plan for elementary and secondary education, which was established in 2004 as a major support to the province's key priority of Success for Students. Under this plan, total education funding through the Grants for Student Needs (GSN) in 2007-08 is projected to be \$18.26B. This is \$781M more than in 2006-07 and \$3.5B more than in the 2002-03 school year – an increase since 2002-03 of 24 per cent, which, on a per-pupil basis, translates into an increase of \$2,062 per pupil, or 28 per cent.

Over this period, the government has worked closely with the education sector to make significant changes to the funding formula to support our shared priorities of improving student achievement and maintaining a stable learning environment.

Last fall, the Ministry initiated a consultation on the 2007-08 GSN, inviting a broad range of education stakeholders to provide their input with respect to the priorities and needs in the sector for the upcoming school year and future years. The Ministry met with or received submissions from numerous partners, including school boards, trustee

associations, teachers' federations, unions representing non-teaching staff and parents' groups. This input has helped shape the GSN investments outlined in this memorandum, and I would like to thank all participants for their contributions.

In 2007-08, the Ministry will continue its reform of the funding formula so that boards have the resources they need to advance our goal of improved student achievement.

For 2007-08, this includes the introduction of three new grants/allocations:

- Program Enhancement Grant
- First Nations, Métis and Inuit Education Supplement
- Supported Schools Allocation of the Geographic Circumstances Grant

The 2007-08 GSN will also further the Ministry's ongoing work to reform the key funding areas of special education and student transportation, while supporting the improvement of student achievement through smaller primary classes, more elementary specialist and secondary student success teachers and enhanced salary benchmarks to reflect the four-year labour framework.

Additional targeted funding is also being provided for French-language school boards, student trustees, and to address cost pressures for utilities.

This memorandum also provides information about school capital programs, including funding for Good Places to Learn (GPL) Stage 3 to support the renewal of schools in every school board, new financing arrangements for school capital, and expanded criteria for Growth Schools funding. In addition, this memorandum outlines an upcoming consultation on the disposal of surplus school assets.

Finally, this memorandum addresses funding support for school authorities and financial reporting requirements for school boards, including an upcoming consultation about a new definition of "balanced budget" for school boards.

B. NEW GRANTS/ALLOCATIONS

Program Enhancement Grant

The new Program Enhancement Grant reflects Ontario's commitment to supporting a well-rounded education. This grant will support programs and activities such as arts, music, physical education, and outdoor education. This grant may be used to fund or enrich existing programs or to offer new programs.

Funding for the Program Enhancement Grant in 2007-08 is projected to be \$35M, with the funding level calculated on a per-school basis (\$7,500 per school). It should be noted that, while each board's level of funding is based on its number of schools, boards have flexibility to decide how to use this funding within their jurisdictions.

The Ministry will seek feedback from boards on the use of the Program Enhancement Grant in 2007-08 in order to introduce a more formal definition of eligible investments for the 2008-09 school year.

First Nations, Métis and Inuit Education Supplement

To support the goal of improved achievement as outlined in the *Ontario First Nation, Métis and Inuit Education Policy Framework* document of January 2007, the 2007-08 GSN will introduce a new First Nations, Métis and Inuit Education Supplement.

Through this grant, the Ministry will allocate \$10M in new annual funding plus the \$0.5M currently allocated through the Native Language component of the Language Grant – for a total supplement of \$10.5M in the 2007-08 school year.

The \$10.5M in funding will be allocated as follows:

- \$3.6M to fund Native Languages programs offered in any of the seven Native Languages recognized in the Ontario curriculum – this represents the \$0.5M in current Native Languages funding and \$3.1M to enhance the benchmarks for Native Languages:
 - (a) The elementary funding benchmarks are increased to fund the equivalent of 0.2 of an elementary teacher for every eight students enrolled in a Native Languages program that averages 20-39 minutes a day and the equivalent of 0.3 of an elementary teacher for every eight students in programs averaging 40 or more minutes a day.
 - (b) The secondary funding benchmarks are increased to fund the equivalent of 0.167 of a secondary teacher for every eight students enrolled.
- \$1.4M to fund Native Studies courses. This funding will be allocated based on the same benchmarks used to allocate funding for secondary Native Languages programs, as described above – that is, the equivalent of 0.167 of a secondary teacher for every eight students enrolled in any of the 10 Native Studies courses available in the Ontario curriculum.
- \$5.5M allocated using a benchmark of \$69 per estimated Aboriginal student, with a weighting factor that directs more funding to boards with a higher estimated proportion of First Nations, Métis and Inuit students. As only a limited number of boards currently have confidential, voluntary self-identification policies in place for their First Nations, Métis and Inuit students, this component is allocated based on 2001 Census data as an interim measure:

Estimated percentage of First Nations, Métis and Inuit student population	Weighting factor
between 0 and 7.49%	1
between 7.5% and 14.99%	2
15% or more	3

Projected board-by-board allocations are attached as Appendix 2.

Supported Schools Allocation

In 2006-07, the government introduced the School Foundation Grant, to provide ongoing, stable funding for the cost of principals, vice-principals and secretaries in open and operating schools. This grant recognized the fixed costs of school leadership and administration, and addressed the concerns of school boards with declining enrolment by ensuring that these fixed costs are funded.

The response of school boards to this new grant addressing fixed costs has been very positive. Building on this success, the government is introducing the Supported Schools Allocation of the Geographic Circumstances Grant. The Supported Schools Allocation

expands school-based support to benefit small Ontario communities where schools have low enrolment and are a significant distance from other schools of the board.

The Supported Schools Allocation will provide eligible “supported schools” with ongoing funding for teacher staffing. An elementary school will be deemed to be a “supported school” if it is 30 kilometres or more from any other elementary school of the board. A secondary school will be deemed to be a “supported school” if it is 60 kilometres or more from any other secondary school of the board. A list of supported schools is attached as Appendix 1.

Funding for teacher staffing will be provided as follows:

- Supported elementary schools with 50 or more students will generate funding for a minimum of 7.5 teachers.
- Supported secondary schools with 50 or more students will generate funding for a minimum of 14 teachers.
- As enrolment increases beyond 150 for a supported elementary school or beyond 200 for a supported secondary school, these schools will generate additional funding for teachers, beyond funding formula standards, to reflect the fact that providing specialist teachers and programs may require travel by teachers.
- Funding for teachers will be scaled for supported schools with enrolments between 1 and 49 students.

Supported schools will also generate funding through the School Operations and School Renewal grants at 100 per cent of their pupil capacity.

This new Allocation builds on and enhances the funding provided through the Distant Schools Allocation (DSA) of the Geographic Circumstances Grant. The residual DSA is continued in 2007-08.

In 2007-08, the combined funding offered through the new Supported Schools Allocation and the residual DSA component of the Geographic Circumstances Grant will be equivalent to, or higher than, the 2006-07 DSA funding for each board, subject only to adjustments to recognize where previously eligible schools have been closed by a board. To support this change, the government has provided \$10M in additional funding in 2007-08.

C. SUPPORT FOR ONGOING REFORM

Special Education

The government will provide \$25M in additional funding to enhance the Special Education Grant in 2007-08. As work continues on developing a new funding approach, this investment will provide stable funding levels for school boards and will also support growth in the number of claims for the highest needs students.

This additional funding will be allocated to:

- Address the impact of enrolment decline, by ensuring that (a) no school board receives less High Needs Amount (HNA) funding in 2007-08 than it received in 2006-07; and (b) boards with enrolment growth receive an increase in HNA funding.

- Increase the number of highest needs students accessing support through the Special Incidence Portion (SIP).
- Address increased need in the special education sector by supporting growth in the Special Equipment Amount (SEA).

The Ministry remains committed to working with the sector on the development of measures for funding that reflect the variability of high needs students among school boards. In 2007-08, the Ministry will also be consulting with school boards as we continue to review the various components of the Special Education Grant.

Student Transportation

The government will provide an increase of \$18M to support student transportation in 2007-08. This increase covers:

- A 2 per cent increase in base funding for student transportation, which represents \$15M in additional funding, to help boards manage the increased busing costs resulting from increases in fuel prices and other financial pressures.
- \$3M for boards with increased enrolment. The Ministry will also continue to provide transitional support for school boards with declining enrolment – these boards will not see their funding reduced in 2007-08.

To provide ongoing support for school bus safety, the government will continue to provide the \$1.5M allocated last year for school bus safety programming. This funding will allow boards to continue to work with operators and school bus drivers to enhance the culture of safety that is integral to the provision of student transportation.

In 2006-07, the Ministry will provide an additional \$7.6M through in-year adjustments to boards that were included in the first phase of the Effectiveness and Efficiency (E&E) reviews. The adjustments will be included in these boards' base allocations for 2007-08 and future years. In 2007-08, the Ministry will continue to conduct E&E reviews of established consortia and will make funding adjustments based on the findings.

These investments build on the government's commitment to the three-year reform approach for student transportation, which was announced as part of the 2006-07 GSN.

D. SUPPORT FOR STUDENT ACHIEVEMENT

Primary Class Size

To sustain the momentum toward smaller primary classes in 2007-08, the government will provide \$100M to increase the Primary Class Size (PCS) Reduction Amount to \$745 per primary pupil. This funding will support an additional 1,200 new teachers. In 2007-08, the province's total investment in the PCS Reduction Amount will reach \$386M.

As in previous years, funding for the PCS initiative recognizes, for all teachers supported by this initiative, the costs of the higher salary base and increased preparation time for elementary teachers provided in the labour framework.

For 2007-08, boards are preparing their preliminary PCS plans and submitting them through the Primary Class Size Plan website. To date, the Ministry has received 23 plans. The majority of these plans are meeting or surpassing the standard by showing 90 per cent or more of primary classes at 20 or fewer. We are extremely appreciative of the work undertaken by these boards and encouraged by the projected class sizes for

next year.

I encourage all boards to finalize their PCS plans and submit these to the Ministry for review. Information on the preliminary PCS planning process was provided in the memorandum of October 20, **2006: B11**, with further direction in the memorandum of January 30, **2007: SB2**.

The Ministry has received a number of inquiries from boards regarding the standard of compliance expected for the 2007-08 school year – in particular, the expectations for schools offering specialty programs such as French Immersion and for schools where capital projects are underway to ensure appropriate classroom space.

As first stated in June 2005, and confirmed in subsequent communications, school boards will be expected, beginning in 2007-08, to organize their primary classes so that at least 90 per cent of primary classes have 20 or fewer students. Up to 10 per cent of classes may have up to 23 students. No primary class should have more than 23 students.

Where a school board feels it may not be able to meet this standard in 2007-08, the board may apply to the Ministry for transitional program equivalency. This approval has been available on a limited basis in prior years to address the situations of a small number of boards that faced accommodation pressures pending capital construction to support the PCS initiative.

In 2007-08, the Ministry will continue to recognize situations where students may not be safely accommodated in classrooms until capital projects are complete. The Ministry will also consider limited approvals (1) to support boards in fully implementing PCS for programs, such as French Immersion or other speciality programs, that require congregating students, in recognition of the additional capital and transportation elements that may need to be reorganized; (2) to support boards that may, as a result of having a relatively large proportion of small elementary schools, face difficulties in fully implementing the initiative in 2007-08 without undue or inappropriate impact on students. The Ministry will review individual circumstances identified by school boards.

Please note that requests for transitional program equivalency should be made prior to your board submitting its final 2007-08 PCS plan in June 2007.

Funding to support more than \$700M of PCS capital has been allocated to school boards based on the review completed by the Ministry and school boards to determine each school's PCS space needs. These funds will be used by school boards to build or acquire over 1,900 new classrooms.

The Ministry will also adjust the allocation benchmarks for the International Languages component of the Continuing Education and Other Programs Grant in 2007-08 to reflect the lower elementary class sizes resulting from the PCS initiative. Elementary International Languages classes will now be funded at an average class size of 23 students.

Labour Framework

The 2007-08 school year will be the fourth year of the four-year labour framework, which required collective agreements between teachers' federations and school boards to have terms from September 1, 2004, to August 31, 2008. This framework is the result of a major initiative by the government to support long-term collective agreements that

provide a stable learning environment for students, permit boards to hire additional staff, and improve learning outcomes.

In 2007-08, the government will continue support for the labour framework agreement and its multi-year commitment to increase teaching staff with a projected \$484M in additional funding, consisting of:

- \$421M to cover the 3 per cent salary benchmark increases in 2007-08 under collective agreements for both teaching and non-teaching staff.
- \$28M for 380 elementary specialist teachers.
- \$14M to cover that portion of the increase in teachers' preparation time (3 minutes) that school boards had originally agreed to fund from their own resources.
- \$21M for more than 320 additional secondary Student Success teachers.

Additional funding to recognize the costs of salary increases for non-teaching staff will continue to be provided as in the previous two years, through the Cost Adjustment component of the Cost Adjustment and Teacher Qualifications and Experience Grant. The Ministry has estimated the amount of funding by calculating average salaries for various staffing categories – using salary and staffing information reported by boards in the 2006-07 Revised Estimates – and comparing these average salaries to the benchmarks.

E. NEW INVESTMENTS

French-Language School Boards

Enhanced targeted funding for French-language school boards in 2007-08 reflects the government's multi-year funding strategy for French-language school boards.

In 2007-08, the Ministry will allocate an additional \$10M to French-language school boards by:

- Providing funding for one additional teacher per French-language board to support innovative delivery of secondary programs;
- Funding additional secondary teachers for French-language schools based on school size, in order to increase unique course offerings; and
- Increasing the elementary per-pupil amount in the French as a First Language component of the Language Grant.

The Ministry will provide further details in the near future about expectations related to the use of Language Grant funding in French-language boards.

Student Trustee Honorarium

Ontario Regulation 7/07 – Student Trustees was filed on January 15, 2007. The regulation requires district school boards to have at least one, and not more than three, student trustees. Boards are also required to pay an honorarium of \$2,500 to each student trustee and to provide student trustees with the same access to compensation for expenses as is provided to other trustees.

To assist boards, the Ministry will provide, through the School Board Administration and Governance Grant:

- 50 per cent of the student trustee honorarium (\$1,250) based on the actual number of student trustees per board; and
- \$5,000 per student trustee for expenses.

This approach is consistent with current provisions for funding the remuneration and expenses of regular trustees. The Ministry will start to provide this funding in the current (2006-07) school year.

Utilities

To address the cost of energy and utilities, an additional \$7M in funding will be provided in 2007-08. This represents a 1 per cent increase in the non-salary component of the School Operations Grant.

F. SCHOOL CAPITAL PROGRAMS

Good Places to Learn

The Good Places to Learn (GPL) initiative was announced in February 2005 as a commitment to support \$4B of improvements in school facilities.

In 2005-06 and 2006-07 the Ministry announced:

- GPL Stage 1 to provide school boards with an allocation to support \$1B in high and urgent renewal projects.
- GPL Stage 2 to provide school boards with an allocation to support an additional \$500M in high and urgent renewal projects.
- Funding to support more than \$700M in Primary Class Size (PCS) capital.
- The Prohibitive to Repair (PTR) program that will provide \$700M to support building replacement schools.
- Funding for the Growth Schools Allocation to support \$137M worth of new schools in areas of new housing growth. The Ministry has modified the eligibility criteria for the Growth Schools Allocation in 2007-08 – see page 9 below.
- A four-year, \$220M commitment to address the need for French-language school boards to establish a permanent presence in their jurisdictions, beginning in 2006-07.

In 2007-08, the Ministry will proceed with GPL Stage 3 to provide school boards with support for an additional \$500M worth of renewal projects. The Ministry is in the process of allocating funding for PTR-related capital projects. As the GPL Stage 3 allocations will reflect the PTR decisions, the Ministry expects to release the GPL Stage 3 allocations to school boards before September 2007.

The Ministry will continue to work with the Ontario Financing Authority (OFA) in 2007-08 to provide long-term financing for the remaining GPL Stage 1 and Stage 2 renewal projects.

Long-Term Financing Vehicle for Capital Programs

The Ministry is working with the OFA to establish a provincial vehicle to provide long-term financing for approximately \$1.5B of construction costs incurred by school boards

under the following new capital programs:

- Prohibitive to Repair
- Primary Class Size Capital
- Growth Schools
- Capital Transitional Adjustment Programs for French-language boards

In addition, unbuilt projects from prior year PTR and Capital Transitional Adjustment allocations will be included in the new financing approach.

Financing for the capital projects supported by these programs will be provided in a manner similar to that used for GPL Renewal, as follows:

Short-term financing

- Boards will be reimbursed for their short-term interest costs incurred on projects that are underway. For 2006-07, the Ministry will recognize short-term interest costs at the rate arranged by the board. The Ministry will work with the OFA and the banking community to establish a benchmark rate for 2007-08.
- In 2006-07, where a board short-term finances by borrowing from its internal reserves, the Ministry will recognize these costs at the Banker's Acceptance rate as of September 1, 2006, which was 4.34571 per cent.
- In 2007-08, where a board short-term finances by borrowing from its internal reserves, the Ministry will recognize these costs at the Banker's Acceptance rate in effect on September 1, 2007, to be confirmed at that time.

Long-term financing

- Boards will be permitted to access long-term financing for projects supported by these capital programs at the maximum principal amount allocated to their board, by program.
- The maximum principal amount of the financing cannot exceed the allocations that boards receive under each of the four programs. Boards will be required to ensure costs under each of these programs do not exceed the maximum allocation. Once the long-term financing has been set, the Ministry will flow the actual principal and interest costs to support the financing costs.
- The Ministry expects that the first issuance of long-term financing will occur later in the 2007-08 school year provided that a critical mass of capital project costs have been incurred by school boards.

It should be noted that boards may pool the costs of projects within capital programs, but not across programs. For example, a board may use under spending on a single growth schools project to offset additional costs on another growth schools project. However, boards may not use under spending in one capital program to offset costs in a different capital program. For example, a board may not use under spending on a Growth Schools project to support additional spending on a PTR project.

2007-08 Growth Schools Allocation

To provide school boards with better access to funding through the Growth Schools Allocation of the Pupil Accommodation Grant, the Ministry has expanded the eligibility criteria. Current criteria include requirements that a planned school is needed for the

2006-07 or 2007-08 school year and is projected to be at 90 per cent or greater utilization for each of the 10 years following the year in which the school opens.

In 2007-08, these criteria will be replaced by the following:

- The planned school is needed for the 2007-08 or the 2008-09 school years; and
- The planned school is projected to be at an average utilization of 80 per cent or greater over a 10-year period beginning in the second year of the operation of the school.

These changes will facilitate the funding of new construction through the Growth Schools Allocation in 2007-08.

Disposition of Surplus Properties

Information provided by school boards through the Ministry's School Facilities Inventory System indicates that there are schools that are no longer being used for elementary or secondary education and may be surplus to board needs. With more boards facing declining enrolment, the increase in surplus space in the inventory becomes an additional pressure for boards to manage. At the same time, coterminous boards may require schools or school sites and should have the option of acquiring schools that are surplus to another board's needs. The Ministry will consult with school boards on a process to address the disposition of surplus schools.

Proceeds of Disposition

In the memorandum of January 24, **2007: SB01**, the Ministry indicated that boards that receive funding support under the Capital Debt Commitments program would be required to use 50 per cent of any proceeds of disposition greater than \$100,000 to reduce their debt commitments.

The Ministry will recommend that, where a board indicates its intent to acquire a school that it is currently leasing or to acquire alternate accommodations to a leased property, the board may apply 100 per cent of the proceeds from the sale of the surplus schools to the acquisition of the leased school or alternative.

Transfers from Capital Reserves

As of June 12, 2006, Ministry approval is required for transfers from capital reserves for new commitments prior to the board completing the transfers. This change is being implemented as an accountability measure to ensure that the board has the financial resources to carry capital projects to completion.

G. INVESTMENTS OUTSIDE THE GSN

In 2007-08, the government will continue to support other important initiatives with over \$200M in investments outside the GSN, including Literacy & Numeracy, Student Success, Official Languages in Education, MISA, New Teachers Induction Program, Parent Engagement, Safe Schools and Aboriginal Education among others.

H. SCHOOL AUTHORITIES

As in previous years, funding for School Authorities will be adjusted in 2007-08, as appropriate, to reflect changes in funding to district school boards. The Ministry will

provide further information concerning funding in 2007-08 for School Authorities in the near future.

I. FINANCIAL REPORTING AND DUE DATE FOR SUBMISSION OF ESTIMATES

The Ministry has established the following dates for submission of financial reports in the 2007-08 school year:

June 29, 2007	Board Estimates for 2007-08
November 30, 2007	Board Revised Estimates for 2007-08
December 14, 2007	Board Financial Statements for 2006-07
May 15, 2008	Board Financial Report for September 1, 2007, to March 31, 2008

The Ministry expects that Estimates forms, including the Board Budget Workbook, will be available on EFIS before the end of March 2007. In the interim, boards may continue to use the Simulation Function in EFIS as a planning tool for their 2007-08 budget process (see the memorandum of February 16, **2007: SB3**).

Consultation about definition of “balanced budget”

The Ministry is proposing to consult with school boards about changing the definition of a balanced budget under the *Education Act* for the 2008-09 school year to align with Public Sector Accounting Board (PSAB) principles.

There are currently two different measurements of a school board’s surplus or deficit – one defined in the *Education Act*, which is based on principles from the cash flow approach to budgeting and financial reporting; and a revised definition based on PSAB principles, which school boards use when preparing and reporting their audited financial statements.

Further information on this consultation will be provided in the near future.

J. INFORMATION RESOURCES

The following documents will be available in draft form on the Ministry website www.edu.gov.on.ca in the near future, with printed versions available at a later date:

Grants for Student Needs – Legislative Grants for 2007-08

Technical Paper, 2007-08

Projections of School Board Funding for the 2007-08 School Year

If you require further information about school board funding in 2007-08, please contact:

Pupil Accommodation Grant	Nancy Whynot	(416) 325-4030 Nancy.whynot@ontario.ca
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Transportation Grant	Cheri Hayward	(416) 327-7503 Cheri.hayward@ontario.ca
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Other changes in the 2007-08 GSN	Didem Proulx	(416) 327-9060 Didem.proulx@ontario.ca
Financial accountability and reporting requirements	Andrew Davis	(416) 327-9356 Andrew.davis@ontario.ca

Ontario's multi-year education funding plan has been one of the foundations of a significant renewal of Ontario's publicly funded education system. The most important result of this renewal has been demonstrable gains in student achievement. This improvement reflects our shared commitment to student success, to strengthening partnerships in the education community, and to building capacity to achieve positive change at all levels of the education system.

I am confident that, working together and with our partners in education, we will continue to build on success and deliver quality education to all our students now and in the next school year.



Nancy Naylor
Assistant Deputy Minister

Copy: Superintendents of Business and Finance