

2011: B3

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

FROM: Gabriel F. Sékaly
Assistant Deputy Minister

DATE: March 31, 2011

SUBJECT: Education Funding for 2011-12

I am writing to provide you with information about the 2011-12 Grants for Student Needs (GSN).

Through the 2011-12 GSN, Ontario will invest a projected \$21B in its publicly funded schools. This will be the ninth consecutive year in which the government has provided a funding increase for education. Even with declining enrolment, the fiscal challenges facing the province, and the introduction of a number of modest constraints, GSN funding in 2011-12 will be almost \$770M (3.8 percent) more than in 2010-11. For students, this means a province-wide average of \$11,207 per pupil – an increase of \$489 (4.6 percent) per pupil over 2010-11. Compared to the 2002-03 school year, there is over \$6.6B (46 percent) more in operating funding, and \$4,006 (56 percent) more per pupil.

This record investment in education has supported steady improvement in student achievement. The province has seen an increase in high school graduates, as graduation rates have risen in each of the last six years – from 68 percent in 2003-04 to 81 percent in 2009-10; Ontario ranked among the top 10 performers in reading in the 2009 OECD Programme for International Student Assessment (PISA); and 68 percent of grades 3 and 6 students are achieving or exceeding the provincial standard in reading, writing and math – up 14 percentage points since 2002-03. These are three examples of the positive results that have been achieved through the commitment and collaboration of all education partners, with the assistance of the province's ongoing investments.

It should be noted that a regulation to govern grants to school boards in their 2011-12 fiscal year has not yet been made. The information in this memorandum is provided in the absence of such a regulation.

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

The Ministry intends to seek such a regulation and will advise you if it is made.

A. OVERVIEW

As part of its commitment to changing the GSN to respond to the evolving needs of students, schools, and school boards, the government launched a review of the GSN funding formula in 2010. Over the months of January and February 2011, more than 30 hours of consultations were held with key stakeholders, and over 150 pages of submissions were received. The Ministry thanks all participants in the review for their comments and recommendations.

Suggestions and concerns that emerged from this process have been carefully considered, and the government has addressed as many as possible, given the current fiscal environment.

Meeting key provincial commitments remains a priority for education funding in 2011-12. The government will continue to fully support the Provincial Discussion Table agreements (PDTs), with funding for salary increases for teachers and support staff and more staff and programs.

The 2011-12 GSN also responds to key cost pressures. Additional funding will be provided to assist school boards with the increased costs of the employer share of Ontario Municipal Employees Retirement System (OMERS) contributions. There will also be funding enhancements to help meet the costs of school operations, student transportation, and Community Use of Schools. Funding for student transportation will include additional resources to support funding adjustments in 2011-12 resulting from the Effectiveness and Efficiency reviews.

The Ministry will continue to implement structural improvements to the GSN, with the continued phase-in of adjustments to allocations that were announced in 2010, and reforms and refinements starting in 2011-12 to the First Nations, Métis and Inuit Education Supplement, Supervised Alternative Learning, and Full-day Kindergarten (FDK) student transportation.

Multi-year capital funding for school boards will be available for the next three years beginning in 2011-12.

In addition to multi-year savings measures announced in previous years, there will be a small number of new measures in 2011-12 to promote efficient management of resources and protect the gains made in education.

These savings measures underline that, in the current fiscal environment, it is essential that the Ministry, school boards, and other partners in education continue to work together to maximize the benefits of the province's investments in education. In 2011-12, the Ministry will continue to engage boards and stakeholders in a number of co-operative initiatives for improvement.

B. ENHANCEMENTS FOR PEACE AND PROGRESS IN EDUCATION

In 2011-12, the final year of the four-year PDTs, the province will continue to meet its commitments to peace and progress in education, with a projected \$692M to support increases to salaries and policy and program enhancements:

i. Salaries

The province will provide a net of \$485.2M to reflect a 3 percent salary benchmark

increase for staff who bargain collectively as of September 1, 2011.

ii. Specialist Teachers and Preparation Time

\$52.7M will fund an additional 578 elementary specialist teachers to support 10 additional minutes of elementary preparation time. This will be provided by adding 0.53 additional teachers per 1,000 JK to Grade 3 pupils and 0.44 additional teachers per 1,000 Grade 4 to 8 pupils under the Pupil Foundation Grant. With this increase, elementary preparation time will increase from 220 minutes per week to 230 minutes per week.

iii. Grade 4 to 8 Class Size Reduction

\$12.7M will fund 137 teacher positions to reduce average grade 4 to 8 class size to 24.7 in 2011-12. This will be provided by adding 0.20 teachers per 1,000 grade 4 to 8 pupils to the Junior and Intermediate Pupil Foundation Allocation in the Pupil Foundation Grant. At full implementation in 2012-13, this investment will bring the funded average grade 4 to 8 class size to 24.5.

iv. Supervision

Since 2008-09, an Elementary Supervision component in the Pupil Foundation Grant has provided enhanced funding for student supervision in elementary schools to support changes in teachers' supervisory responsibilities.

For 2011-12, in the final year of this four-year initiative and in accordance with PDTs, the per-pupil benchmark will be set at \$20.06.

v. Education Assistants

As part of its support for the PDTs, the government is providing a \$120.2M enhancement in 2011-12 to improve services and programs for students with special education needs and working conditions for education assistants.

As any additional supervision provided by education assistants through this enhancement may in some instances benefit the general student population rather than students with special education needs, the Ministry has to modify the original allocation approach that was described in the memorandum of August 18, 2008: **B10 – Funding enhancements for peace and progress in education – 2008-09 and future years.**

The total funding commitment and the board-by-board allocation of resources for this initiative remains unchanged. However, to ensure that initiatives that benefit the general student population are not accounted for in the Special Education envelope, the share of funding flowed through SEPPA has been reduced. As in other years, special education funding may only be used for special education purposes pursuant to the Restricted Purpose Revenues Regulation.

The \$120.2M enhancement will therefore be flowed through a:

- \$10.1M increase in the Pupil Foundation Grant
- \$110.1M increase in the Special Education Per-Pupil Amount (SEPPA) benchmarks by:

\$79.73 per JK to Grade 3 student

\$59.80 per Grade 4 to 8 student

\$41.09 per Grade 9 to 12 student.

The Ministry will provide further information in the 2011-12 Estimates instructions.

vi. Professional Learning

\$9.5M will fund increased support for professional learning for elementary teachers. This will be provided through an increase of \$7.86 per elementary pupil in the Pupil Foundation Grant.

vii. Secondary Programming

\$20M will fund 214 additional secondary teachers to support locally developed strategies to expand high school programming. This will be provided by adding an additional 0.32 teachers per 1,000 secondary pupils to the Pupil Foundation Grant.

C. ENHANCEMENTS TO KEEP UP WITH COSTS

OMERS Contributions

In July 2010, OMERS, which is the pension plan for most non-teaching staff, announced that contribution rates would be going up by 2.9 percent over three years, beginning with a 1 percent increase effective January 2011.

To assist school boards with the increased costs of the employers' share of contributions in the current school year (January 1 to August 31, 2011), the Ministry will be seeking an in-year amendment to the 2010-11 GSN regulations to allocate an additional \$21M in funding through a table amount. This amendment is conditional upon the revision of the 2010-11 GSN regulation by the Lieutenant Governor in Council; the Ministry will advise you if the revised regulation is made.

In 2011-12, increased funding for OMERS will be flowed through an increase to benefits benchmarks in the GSN (1.67 percent will be added to the benefits benchmarks in the Foundation Grants for non-teaching staff, with similar adjustments to the benefits provided through the various Special Purpose Grants.) This will generate an additional \$49.9M in 2011-12.

School Operations

In 2011-12, the non-staff portion of the school operations benchmark of the School Operations Allocation will again be increased by 2 percent to help boards manage increases in commodity prices, such as natural gas and electricity, as well as insurance costs.

In addition, the government has allocated a further \$4.1M specifically to help school boards with projected increases in electricity costs.

Student Transportation

The cost benchmarks in the Student Transportation Grant will again be increased by 2 percent to help recognize higher fuel, capital, and other operating costs. As in 2009-10 and 2010-11, boards with a transportation surplus in the previous year that is equal to or greater than this 2 percent cost benchmark increase will not be eligible for the enhancement.

The Ministry will update the pegged price of fuel in the Fuel Escalator and De-escalator Allocation as part of the cost benchmark increase. This update will help ensure funding stability for boards in the event of fuel price market volatility.

The allocation of funding for student transportation will continue to be subject to constraints that provide strong incentives for transportation consortia to achieve greater efficiencies, as described on page 8.

The Ministry remains committed to working with school boards in the ongoing reform of student transportation. Along with the establishment of consortia, there have been many positive changes. The Effectiveness and Efficiency (E&E) reviews have been central to the success of this reform. Adjusting transportation funding based on the results of the reviews has been a successful approach and the results of the E&E reviews have demonstrated a significant improvement in management and operational capacity. The Ministry will continue with follow-up E&E reviews in 2011-12.

Community Use of Schools

The Community Use of Schools Allocation will again be increased by over \$0.5M to help cover the cost pressures of inflation, bringing the total allocation to \$28.1M.

Funding for Community Use of Schools Outreach Coordinators and Priority Schools will also continue to be a priority for Education Programs – Other (EPO) transfer payments in 2011-12.

D. REFORMS AND REFINEMENTS TO THE GSN

In 2011-12, as in previous years, the government will continue to reform and refine the funding formula to make it more responsive to the needs of students, schools and school boards.

Continued Changes From 2010-11

In 2011-12, the Ministry will continue to phase in changes to the Demographic Allocation of the Learning Opportunities Grant (LOG) and the Pupils in Canada Component of the English as a Second Language/English Literacy Development (ESL/ELD) Allocation resulting from the move to 2006 Census data. This will be the second year of a four-year phase-in for both LOG and ESL/ELD.

The Ministry will also continue the previously announced phase-out of the Distant Schools Allocation. This is the second year of the three-year phase-out announced in 2010-11.

Changes Starting in 2011-12

First Nations, Métis and Inuit Education Supplement

The First Nations, Métis and Inuit Education Supplement was introduced in 2007-08 to support programs designed for Aboriginal students. To allow boards to offer these programs despite limited enrolment, the funding benchmarks for Native Studies and Native Languages were originally based on an average class size of 8. With take-up having increased significantly, the Ministry will adjust the funding benchmarks for Native Studies and Native Languages to recognize an average class size of 12.

Supervised Alternative Learning

Starting in 2011-12, students enrolled in Supervised Alternative Learning (SAL) programs will be funded as half-time pupils plus the appropriate FTE for any academic program (to a maximum of 1.0 FTE in total). For example, if a student in SAL is taking the equivalent of 0.25 FTE instructional time (one course per semester or two courses throughout the year), the student would be funded as a full-time pupil. This change will better align funding with resources and program costs needed to support these students.

Transfer into the GSN – FDK Transportation Funding

The approach and methodology that will be used to fund student transportation needs arising from FDK was communicated to the sector in a memorandum of November 3, **2010: B13 – Full Day Learning Student Transportation Funding Needs**. Support for FDK transportation funding will be transferred from Education Programs - Other (EPO) to the GSN in 2011-12. This funding will be allocated to boards based on approvals of submissions made to the Ministry.

E. CAPITAL FUNDING

Limited multi-year capital funding for school boards will be available for the next three years beginning in 2011-12. This includes funding for temporary accommodations, additional funding to address school renewal needs, and funding for major capital projects.

Temporary Accommodation Allocation

In 2010-11, the Ministry introduced a new allocation to address the estimated annual cost of temporary accommodation previously charged to boards' New Pupil Places Grant. In 2011-12, the Ministry is continuing this funding approach with an allocation of up to \$40M. This allocation can be used for portable moves, leases and purchases, as well as lease costs for permanent instructional space.

Amount for School Condition Improvement

The Ministry will be providing boards with \$150M in funding to address school renewal needs in each of the next three years. The funding has been allocated to boards based primarily on the number of schools, excluding schools built since 2007 and schools for which boards have received Ministry funding to substantially renovate and/or replace. These funds must be used for expenditures that meet the requirement to be capitalized. A table is attached as Appendix 1 indicating the board-by-board allocations for 2011-12. Please note that the board-by-board allocation of the \$150M in 2012-13 and 2013-14 may be different.

Capital Funding for New Schools, Additions and Retrofits/Renovations

The Ministry will allocate up to \$600M in funding for major capital projects to be undertaken beginning in the next three years. These projects include building or purchasing schools, building additions, or undertaking major retrofits to existing schools. Funding decisions will be based on the capital priority business cases submitted by school boards in response to memorandum **2010: B10**. The focus will be on funding the

most urgent and pressing needs for the next three years to address accommodation pressures and facility condition and/or facility utilization, including projects that can be completed in conjunction with Full-day Kindergarten funded projects and support for under-served French-language rights-holders. The Ministry also has funding available to support the purchase of sites for new schools where needed.

Additional details on capital funding allocations and evaluation criteria and process will be provided in the near future.

Updates to Energy Efficient Schools

Although not funded under the Grants for Student Needs, the Ministry is also providing an update on funding and completion timelines for projects funded under the Energy Efficient Schools programs and Renewable Energy program. These were originally intended to be completed by August 31, 2011, with all funding flowed to boards by March 31, 2011. In response to board requests, the Ministry has extended the timelines as follows:

Category	Funding Deadline	Completion Deadline
Additions and major capital retrofits (\$150M)	March 31, 2012	January 31, 2012
Small Equipment and Building Components (\$375M)	No change (All funding was allocated by March 31, 2011)	August 31, 2012
Renewable Energy (\$50M)	October 31, 2011	January 31, 2012

The Transfer Payment agreements for these programs/projects signed by boards under the Master Transfer Payment Agreement will be updated in the coming weeks to reflect the new timelines.

Full-day Kindergarten

Over \$450M has been provided to boards to meet the accommodation needs of the first three years of the FDK program.

Starting in the 2011-12 school year, school boards will be able to use up to an annual maximum of 2.5 percent of their FDK capital funding allocations to lease or relocate portables, as a temporary solution to address FDK-related accommodation needs.

The FDK Capital allocation table in the 2011-12 GSN will reflect the additional funding school boards were allocated to address their Year 3 major capital needs and their Year 3 First-Time Equipping (\$10,000 per funded FDK classroom) and Minor Renovation allocation.

The Ministry will provide additional details on FDK capital through a memorandum in the near future.

F. EFFICIENCY AND SAVINGS MEASURES

Previously Announced Savings Measures

Three multi-year constraint measures that were first announced in 2009-10 will continue to be implemented in 2011-12:

School Operations and Renewal Top-up Funding

The maximum Base Top-up for schools not deemed to be Rural or Supported schools will be reduced to 15 percent in 2011-12 from the current 18 percent. Supported schools and Rural schools will not be affected by this change and continue to be funded at 100 percent of their capacity.

School Board Administration

The constraint on funding for School Board Administration will grow from \$8.6M in 2010-11 to \$15.4M in 2011-12. The incremental savings of \$6.8M will be achieved by lowering the per-pupil benchmarks in the Directors and Supervisory Officers and Board Administration components of the School Board Administration and Governance Grant by approximately 1.54 percent.

Student Transportation

The annual one percent reduction in the Student Transportation Grant to boards will continue in 2011-12. As in 2009-10 and 2010-11, this reduction will not apply to boards that have received a "High" rating on routing and technology through the E&E reviews. Boards that achieve a "High" rating in 2011-12 will be exempt from the reduction starting the year that follows the review.

Savings Measures Starting in 2011-12

As in 2009-10 and 2010-11, the GSN will continue to address the need for constraint to ensure that the province's investments in education remain sustainable and support positive change that will benefit all students. In addition to the savings measures from 2010-11 described above, the following new measures will apply in the 2011-12 school year:

Classroom Computers

The reduction in classroom computers funding to school boards will be extended to a third year for a savings of \$24.9M.

Staff Development

There will be a one-time reduction of funding for the Staff Development component in the Pupil Foundation Grant benchmarks. The measure will yield \$21.3M in savings.

The Ministry continues to support the learning and professional development of staff through various EPO programs and over \$30M in GSN funding available through some Special Purpose grants.

Public Sector Compensation Restraint to Protect Public Services Act, 2010

In 2010-11, savings from the *Public Sector Compensation Restraint to Protect Public Services Act, 2010* were left with boards to help manage pressures. For 2011-12, all

salary benchmarks in the GSN funding formula are being increased by 3 percent, but \$10M of this increase will be recovered from boards. This recovery will be based on the non-unionized staff reported by school boards in 2008-09 Revised Estimates (as requested in the memorandum of October 8, 2008: **SB26 – 2008-09 Revised Estimates**); for the four boards that did not submit this data, the provincial average will be used. Principal and Vice-principals are not included in the calculation of non-bargaining staff.

G. PROCESS IMPROVEMENTS FOR REFORM

When the 2010-11 GSN was released, the Ministry committed to initiating discussions with boards and stakeholders on special education and established a stakeholder working committee to review and update the School Board Administration and Governance Grant.

Regional and sector discussions on special education with major special education stakeholders were held in September and October 2010. The findings of these discussions were presented at a one-day session in February 2011 as part of the GSN funding formula review. In spring 2011, the Ministry will initiate a review to examine reasons for the variation in board reporting of students with special education needs, as well as matters related to the Special Equipment Amount (SEA).

As part of the funding formula review in 2010, the Ministry established the Board Administration and Governance Grant Advisory Group to provide advice on the development of a new allocation model for the School Board Administration and Governance Grant. The Advisory Group expects to report in time for a successor model to be implemented in the 2012-13 school year.

Also as part of the funding formula review, a School Operations Working Group has been established as a forum for the Ministry, the PDT unions, and school boards to collect and analyse data, to identify and discuss issues, and to develop recommendations regarding the funding of school operations. The Working Group has had two meetings to date to discuss and analyze the data, with future meetings scheduled over the coming months.

The Ministry will be moving forward on a variety of process improvements designed to make school finances more efficient. These include:

- Examining EPO programs with a view to rolling mature programs into the GSN;
- Examining current reporting requirements to reduce and consolidate the number of reports that the Ministry requires from boards;
- Working with school boards to increase and expand the range and number of consortia opportunities;
- Using the School Board Administration and Governance Grant Review process to look at workload pressures identified by board administrators; and
- Working with Indian and Northern Affairs Canada (INAC) to address issues about tuition fee agreements.

H. INVESTMENTS OUTSIDE THE GSN

The government will, as in previous years, fund other education initiatives with investments outside the GSN to support boards in advancing student achievement. Details of these investments are being released today in memorandum **2011: B4 – 2011-12 Funding in addition to Grants for Student Needs**.

I. SCHOOL AUTHORITIES

As in previous years, funding for School Authorities will be adjusted in 2011-12, as appropriate, to reflect changes in funding to district school boards. The Ministry will provide further information concerning funding in 2011-12 for School Authorities in the near future.

J. REPORTING AND ACCOUNTABILITY

The Ministry has established the following dates for submission of financial reports:

June 30, 2011	Board Estimates for 2011-12
November 15, 2011	Board Financial Statements for 2010-11
December 15, 2011	Board Revised Estimates for 2011-12
May 15, 2012	Board Financial Report for September 1, 2011, to March 31, 2012

The Ministry expects that Estimates forms will be available on EFIS in mid-April.

K. INFORMATION RESOURCES

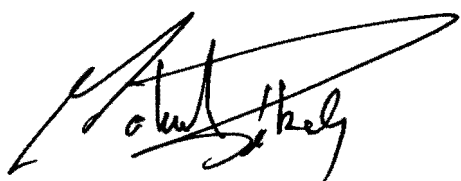
The documents *Technical Paper, 2011-12* and *School Board Funding Projections for the 2011-12 School Year* will be available on the Ministry website www.edu.gov.on.ca in the near future.

If you require further information about school board funding in 2011-12, please contact:

Capital	Nancy Whynot	(416) 325-4030 nancy.whynot@ontario.ca
Full-day Kindergarten Capital	Grant Osborn	(416) 325-1705 grant.osborn@ontario.ca
Financial accountability and reporting requirements	Andrew Davis	(416) 327-9356 andrew.davis@ontario.ca
Operating funding	Didem Proulx	(416) 327-9060 didem.proulx@ontario.ca
Student Transportation Grant	Cheri Hayward	(416) 327-7503 cheri.hayward@ontario.ca

A major reason why Ontario's investments in education have been effective is a shared commitment in the sector to ensuring that resources remain focused on the priority of student achievement. This commitment has encouraged strong partnerships in the education community and the building of capacity to provide effective and efficient management.

I am confident that together we can meet the future challenges in education and continue to deliver excellent education to all Ontario's students. I look forward to working in partnership with you in the coming year.

A handwritten signature in black ink, appearing to read 'Gabriel Sékaly', with a large, sweeping flourish above the name.

Gabriel F. Sékaly
Assistant Deputy Minister

Copy: Superintendents of Business and Finance