

# Memorandum

vancouver school board



Date: April 4, 2018  
To: Committee I  
From: J. David Green  
Re: **Update on the Ministry of Education Funding Formula Review**

**ITEM 3  
Revised**

## REFERENCE TO STRATEGIC PLAN:

**Goal 4:** Provide effective leadership, governance and stewardship

**Objectives:** Advocate for public education.

## INTRODUCTION:

This report is provided for information.

## BACKGROUND:

The Ministry's website pertaining to the funding formula review opens with this commentary:

*In October 2017, government launched a funding model review to fulfill its commitment to ensure B.C.'s K-12 public education system receives stable and predictable funding.*

*The co-governors of B.C.'s K-12 public education system, the Province and the B.C. School Trustees Association, have worked together to develop a set of shared principles for the future funding model and establish a solid foundation for moving forward. The new model will be guided by the following principles:*

1. **Responsive:** Allocates available resources amongst Boards of Education in consideration of unique local and provincial operational requirements.
2. **Equitable:** Facilitates access to comparable levels of educational services and opportunities for individual students across the province.
3. **Stable and Predictable:** Supports strategic, multi-year planning for educational programming and school district operations.
4. **Flexible:** Respects the autonomy of, and does not unnecessarily restrict, individual Boards of Education in the spending of their allocations to further student success.
5. **Transparent:** Calculates funding using a clear and transparent methodology.
6. **Accountable:** Allocates resources to Boards of Education in the most efficient manner, and ensures that resources provided are being utilized as intended

Committee members should be aware that the district did have input into the development of these guiding principles. In the fall of 2017, the Ministry of Education distributed draft guiding

principles to inform how the review would unfold and asked the BC School Trustees Association (“BCSTA”) to provide feedback on them on behalf of Boards of Education. Districts were asked to provide feedback by early January and at the January 12, 2018 Committee IV meeting the Board Chair presented a report on the district’s response to the draft guiding principles.

#### **DISCUSSION:**

The schedule for the review can be found at this link

[https://www2.gov.bc.ca/assets/gov/education/administration/resource-management/k12funding/funding-model-review/education\\_funding\\_model\\_timeline.pdf](https://www2.gov.bc.ca/assets/gov/education/administration/resource-management/k12funding/funding-model-review/education_funding_model_timeline.pdf)

(Attachment 1). As indicated, the intention is to have the new funding formula in place for the 2019-2020 school year. Also as indicated in the schedule the fall/winter was Phase 2 and a period of time to gather feedback on the current formula and suggestions for the new formula. This resulted in a Ministry discussion paper published in early March which can be found at the following link

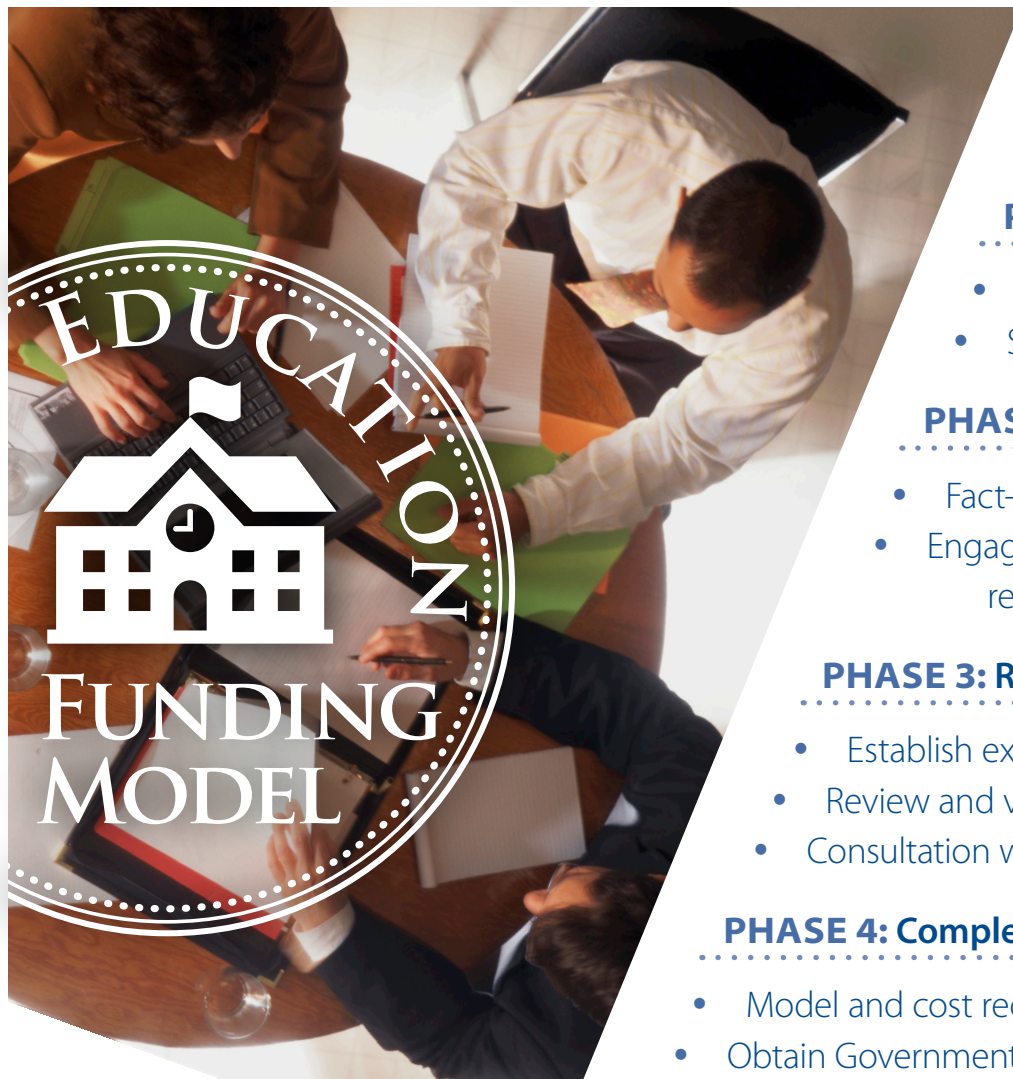
[https://www2.gov.bc.ca/assets/gov/education/administration/resource-management/capital-planning/bc\\_k12\\_funding\\_model\\_review\\_discussion\\_paper\\_2018.pdf](https://www2.gov.bc.ca/assets/gov/education/administration/resource-management/capital-planning/bc_k12_funding_model_review_discussion_paper_2018.pdf) (Attachment 2)

The discussion paper identifies seven major themes and provides extensive commentary of them. It is hoped the Committee members will review the commentary in the discussion paper and apply a local lens to it.

Phase 3 of the schedule calls for the establishment of an expert team which has now been done in the form of an independent panel. The terms of reference for the independent panel are attached (Attachment 3). The district has been invited to a meeting with the independent panel on April 9, 2018 to hear that presentation and to provide input. The meeting will be attended by the Board Chair and the Secretary-treasurer and possibly other staff. As mentioned previously it would be beneficial to have feedback from the Committee specific to Vancouver’s concerns to take part in that meeting.

#### **RECOMMENDATION:**

There are no recommendations as this report is provided for information only.



# B.C. EDUCATION FUNDING MODEL REVIEW

## **PHASE 1: Establish principles, Fall 2017**

- Launch of funding model review
- Scope principles for new funding model

## **PHASE 2: Gathering foundational information, Fall/Winter 2017**

- Fact-finding, information gathering and research
- Engage sector stakeholders through technical survey, regional meetings and written submissions

## **PHASE 3: Review team analysis, Winter 2017/Spring 2018**

- Establish expert team
- Review and validation of initial findings
- Consultation with sector stakeholders leading to recommendations

## **PHASE 4: Complete a new model, Summer/Fall 2018**

- Model and cost recommended options
- Obtain Government approvals
- Develop implementation plan and transition options

## **PHASE 5: Implementation and evaluation, Fall 2018 to Fall 2019**

- Confirm key features of new model
- Announce preliminary operating grants for 2019/2020 school year (March 15, 2019)
- Implementation and evaluation



# K-12 Public Education Funding in British Columbia

FUNDING MODEL REVIEW DISCUSSION PAPER

Ministry of Education | March 2018

# A Review of B.C.'s Public Education Funding Model is Underway

## INTRODUCTION

The British Columbia (B.C.) Ministry of Education (the Ministry) is consulting with K-12 sector stakeholders to review B.C.'s public education funding model. The goal of the funding model review is to ensure that available funding is allocated equitably across B.C.'s 60 Boards of Education.

B.C.'s education system continues to generate positive student outcomes. More students are graduating than ever before, with an 84 percent six-year completion rate.<sup>1</sup> This includes significant increases in recent years among Indigenous students and students with special needs in recent years.<sup>2</sup> Further success has been demonstrated by B.C. students through strong results on national and international education skills assessments. B.C. ranked first in the world for reading, third for science, and ninth for mathematics in the 2015 Programme for International Student Assessment (PISA), out of 72 participating OECD jurisdictions.<sup>3</sup>

Building on this strong foundation, the Ministry is committed to fostering a flexible, personalized and sustainable education system, which is focused on strong outcomes and equitable access to educational opportunities for all students. While B.C.'s student outcomes are among the best in the world, there are still areas for improvement such as closing the gap between Indigenous students and children in care with all other students. Recognizing that funding is an influencing factor in the delivery of educational programs and services across the province, it is important to explore the ways in which B.C.'s funding model can support equitable access and improved outcomes.

In response to feedback from education sector stakeholders, the Minister of Education announced a funding model review, which is now underway. The review is focused on the way available funding (as determined by government through the annual budgeting process) is allocated to B.C.'s 60 Boards of Education. The funding model review will include several phases. The Ministry and the BC School Trustees Association (BCSTA) have developed a Statement of Principles for a new funding model. At the same time, the Ministry has conducted initial research, exploratory engagement meetings with stakeholders, and surveys during the fall of 2017 – a summary of emerging themes is included in this paper.

This paper will inform the work of an Independent Review Panel, which will make recommendations to the Minister of Education in summer 2018. Once government has an opportunity to review and consider the recommendations, the Ministry of Education will then develop options for transitioning to a new model, which is expected to be in place for the 2019/20 school year.

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<sup>1</sup> The six-year completion rate is the proportion of students who graduate, with a B.C. Certificate of Graduation or B.C. Adult Graduation Diploma, within six years from the first time they enrol in Grade 8, adjusted for migration in and out of B.C.

<sup>2</sup> Six-year Completion and Graduation Rates <http://www.bced.gov.bc.ca/reporting/province.php>

<sup>3</sup> Measuring up: Canadian Results of the OECD PISA Study *The Performance of Canada's Youth in Science, Reading and Mathematics (2015)* funded by the Council of Ministers of Education of Canada [http://www.cmec.ca/Publications/Lists/Publications/Attachments/365/Book\\_PISA2015\\_EN\\_Dec5.pdf](http://www.cmec.ca/Publications/Lists/Publications/Attachments/365/Book_PISA2015_EN_Dec5.pdf)

The purpose of this discussion paper is to summarize the feedback that has been heard through the process so far.

Interested parties are asked to submit written comments on this discussion paper to the panel (details are provided at the end of the paper).

## BACKGROUND: CURRENT FUNDING MODEL

The current method of allocating funding to the province's 60 Boards of Education has been in place since 2002. In general, the model does not allocate funding for a specific purpose. Operating grants represent the vast majority of funding to school districts (over \$5 billion annually) with 79 percent of funding being allocated on a basic per student (full-time equivalent) basis, and the remaining funds being allocated based on unique student and district (geographic) needs.

Outside of operating grants, a series of 'special grants' totaling \$680 million annually provide additional funding for specific purposes—such as facilities maintenance, the operation of Strong Start Centres, etc. Only 10 percent of total operating funding is restricted for a specific purpose, while the remainder is flexible and available for Boards of Education to direct according to local priorities.

The current model was designed in an era of enrolment decline. Much has changed since that time, more specifically:

- Over the last 15 years, B.C. has experienced a lengthy period of enrolment decline followed by three years of significant enrolment growth (1 percent each year), which is forecast to continue for the foreseeable future; and
- Communities, industries, and populations have changed dramatically, for example, urbanization has led to population declines in some communities and rapid growth in others, resulting in major changes to local student populations across the province.

Further, as social, cultural, technological, and economic trends are rapidly shifting, so too are the ways in which students are learning and the skills they will require to succeed after graduation in an increasingly complex and interconnected world. This has led to new methods of education delivery, such as the Ministry's curriculum redesign, as well as changes to data collection through the implementation of a new student information system. At the same time, the expectations placed on schools and school districts by parents, stakeholders, and the public have also increased over time – especially in rural communities. Parents expect a highly personalized approach to educational programs and services for their children, focused on each individual student's specific learning needs. Industry expects that their immediate and future workforce needs will be met.

Currently, funding is not directly linked to furthering student success, but rather, is largely based on inputs (numbers of students reported by school districts in specific categories). This approach leads to more time and resources being spent on counting and assessing students, as opposed to delivering educational services and driving student outcomes. B.C.'s K-12 education system must prepare students for the future by helping them successfully transition to post-secondary education and the workplace, and to thrive in a rapidly changing world. The funding model has not adjusted to

reflect the changes noted above, with the same model having remained in place for more than 15 years.

In contrast, other jurisdictions have taken steps in recent years to adjust their models to reflect changes in their educational, legislative, community, and economic landscapes. B.C.'s funding model is becoming outdated relative to other provinces. For these reasons, now is an excellent time to review the funding model in B.C. to understand whether modifications should be made to ensure funding is dispersed in a manner that best contributes to individual student success, and aligns with the local and regional operational realities that school districts face.

## REVIEW PROCESS TO DATE

### *Initial Steps*

Since October 2017, a number of important steps have been completed in the early stages of the funding model review, including:

- Established a Statement of Principles in conjunction with the B.C. School Trustees Association (BCSTA) to ensure the new funding model reflects the priorities of the K-12 sector's co-governing partners;
- Completed a cross-jurisdictional analysis of funding models across Canada, as well as in-depth reviews of Ministry program areas, and a scan of key funding issues since 2002;
- Review of the rural education engagements completed by the Ministry in 2017;
- Administered a technical survey and a perspectives survey to 350 sector stakeholders, including Trustees, Superintendents, and Secretary-Treasurers;
- Invited Boards of Education and stakeholder groups to provide written submissions for the Independent Review Panel to consider; and
- Met one-on-one with several K-12 sector stakeholder organizations, with additional meetings planned over the coming months.

### *Statement of Principles*

A Statement of Principles for the new funding model has been co-developed by the Ministry and the BCSTA to help ensure that the new funding model focuses on distributing available funding in an equitable manner that supports continuous improvement of student outcomes.

The principles are that the funding model will be:

- **Responsive:** Allocates available resources amongst Boards of Education in consideration of unique local and provincial operational requirements.
- **Equitable:** Facilitates access to comparable levels of educational services and opportunities for individual students across the province.
- **Stable and Predictable:** Supports strategic, multi-year planning for educational programming and school district operations.

- **Flexible:** Respects the autonomy of, and does not unnecessarily restrict, individual Boards of Education in the spending of their allocations to further student success.
- **Transparent:** Calculates funding using a clear and transparent methodology.
- **Accountable:** Allocates resources to Boards of Education in the most efficient manner and ensures that resources provided are being utilized as intended.

### *Emerging Themes*

Seven key themes have emerged from the consultations and research to date. Each identified theme includes a description of the current state, a discussion of the issues, challenges, and opportunities that have been raised through the review process thus far—posing a number of key questions that can be considered in the next phase of this process. These themes may be adjusted over the course of the next stage of the funding model review process, depending on the feedback received and results of further research (see Next Steps section).

## Theme 1: Student Success in the Context of an Evolving Education System

### *What We've Heard*

The current model does not directly incent improvements to student outcomes, and may not provide sufficient flexibility to enable individualized and flexible educational approaches to further student success.

*“Students in the province deserve a quality education no matter where they live. Any changes to the funding formula must maintain or improve equity and access for all students in the province.”*

– Survey Respondent

### *Current State*

The funding model that has been in place since 2002 does not include any direct link between funding and student outcomes, and does not explicitly promote student success. However, there is no consensus amongst stakeholders on how to define meaningful, relevant outcomes either broadly or for individual students, and so this concern must be viewed in the context of a high-performing education system with graduation rates and other education outcomes at an all-time high.

The current model provides supplementary allocations to address the unique needs of students and characteristics of school districts. However, gaps in student achievement persist, for example, completion rates and assessment scores differ between rural and urban students, between Indigenous and non-Indigenous students, and for students with special needs or other vulnerabilities such as children in care. The 2016/17 six-year completion rates were 69 percent for students with special needs, 66 percent for Indigenous students, and 50 percent for Indigenous children in care, which fall well below the 84 percent completion rate for all students. The rural education



engagement process also highlighted that rural student completion rates were, on average, 7.7 percent below urban completion rates from 2013/14 to 2015/16. Current funding approaches for various educational services and programs may not be contributing to better outcomes for all students to the greatest extent. There may be opportunities to fund differently to support improved student outcomes.

In addition, the emergence of new technology and trends towards online and blended education delivery in some cases, require a funding model that can support multiple delivery methods while encouraging a flexible, personalized learning experience for all students.

B.C.'s new curriculum implementation began in 2016/17 for Kindergarten to Grade 9, and will continue with Grade 10 in 2018/19 and Grades 11-12 in 2019/20. While additional funding has been provided to support educators through this transition, feedback from stakeholder survey participants suggests that changes need to be made to the funding model to support the new curriculum by recognizing that the current course-based funding approach may not fully reflect the evolving ways in which educational programs will be delivered now and into the future.

The new curriculum is student-focused and does not specify delivery methods – learning happens in a variety of places with flexible time frames and pedagogical approaches. The current funding model distinguishes between different types of learning environments with varying levels of funding depending on whether it is distributed learning or in a 'bricks-and-mortar' school. As well, funding based on registration in an approved list of courses for certain grades can limit flexibility and choice for students, and in some cases, has inadvertently led to a focus on registering students to maximize funding rather than focusing on each student's learning needs, preferences and outcomes.

Seventy-four percent of survey respondents indicated that delivering personalized and competency-driven learning will result in operational challenges that may not be appropriately recognized in the current funding model. These challenges may vary by school district. The recent rural education engagement process found that many small school districts, or those where students are more geographically dispersed into smaller schools, already offer a high degree of personalization, while school districts operating a greater number of larger schools may find it more challenging to allocate appropriate resources and supplies to achieve a comparable level of personalization.

This funding model review is an opportunity to investigate whether different funding approaches could lead to further improvements in student achievement, greater equity of access to educational programs and services for all students, and better alignment with the changes that are underway in the delivery of educational services and implementation of the new curriculum.

### **Key Questions**

Questions to explore through the next stage of the review could include:

- Should funding vary by method of delivery, by level of education, by subject matter, and/or by type of student, or should Boards of Education have the flexibility to develop programs and services without having to worry about multiple funding components?

- Could the funding model better support changes in educational program delivery, including more flexibility, individualized learning, cross-curricular studies, and teacher collaboration, in ways that result in better outcomes for students?
- Can the funding model be modified to help close educational gaps and improve equity of access to educational programs and services?
- Can different funding approaches be used to promote individual student choice?
- Should funding directly incent improvements to individual student success?
- Are there certain types of funding that should be targeted or restricted to allow government to direct funds for specific purposes or policy initiatives, and to track those expenditures and outcomes more rigorously?

## Theme 2: Education for Special Needs, Vulnerable and Indigenous Students

### *What We've Heard*

Inclusive education is the concept of integrating students with designated special needs, vulnerable students, and Indigenous students into a regular classroom setting in a manner that supports their individual success. Initial research and stakeholder feedback has revealed that education funding approaches for special needs, vulnerable and Indigenous students in B.C. lags in three key ways:

1. The current funding directs a disproportionate amount of time and resources towards administration, assessments, and paperwork, rather than direct services to students;
2. There are vulnerable student populations which are not specifically included within the funding formula, and the data being used to calculate existing allocations may not be comprehensive enough to capture the true landscape of vulnerable student populations in school districts; and
3. The rules around targeted funding for Indigenous students may be too restrictive and may not be enabling better outcomes for Indigenous students.

*"Education is a basic right for ALL students - not just typical students but those with complex learning needs as well. I believe that if competencies are important to society, we need to shift our culture to that of complete inclusiveness.... and that means meeting the needs of all students - not just the majority."*

*- Survey Respondent*

### *Current State*

A summary of the challenges faced by the identified student groups (special needs, vulnerable and Indigenous students) is discussed in more detail below, and includes key questions for consideration in the next stage of the review for each of these student groups.

## 1. STUDENTS WITH SPECIAL NEEDS

*“Support for inclusion of students with special educational needs is generally the most challenging area to address with the current system.”*  
– Survey Respondent

Challenges in providing support to all students with additional needs emerged as a strong theme in the stakeholder surveys. Seventy-seven percent of respondents had the opinion that there are students who require services and supports that are not receiving them within the context of the current process for assessing, designating, and issuing funding (some of whom have medical conditions, others who require social or other types of supports) not specifically captured within the model.

The current funding model incentivizes school districts to devote a great deal of time and resources towards assessing students in order to secure additional funding, which generates more paperwork and administration costs. Several school districts reported spending between 15 and 20 percent of their overall special education budget on administration, assessments, paperwork, and reporting, instead of services to students. Extrapolating provincially, this would equate to well over \$100 million per year that could be repurposed from administration to educational service delivery to support these students.

One unintended consequence of the current diagnosis-and reporting-based funding approach for special education services is long wait times for assessments, in both urban and rural districts, and a lag in access to services for these students. The recent rural education review found that wait times for assessments could be longer than one and a half years in some school districts, forcing many parents to pay up to \$3,000 to have their children assessed privately. In addition, students may require support that falls outside the current diagnosis-based system, and these students may not be offered the services that they require because they do not attract any supplemental funding. Although the percentage of students designated as having special needs within the broader B.C. student population has stayed relatively constant over the past 15 years, the number of students being diagnosed in supplemental funding categories has increased by 65 percent since 2002. Overall, student enrolment has fallen by 10 percent during this period.

Many other Canadian provinces such as Alberta, Saskatchewan, Manitoba, and Ontario use differential modifiers to predict vulnerability and the incidence of students with additional needs, and do not solely rely on assessments or reporting to determine funding levels. Only 15 percent of stakeholder survey respondents expressed a preference for keeping the current funding approach; the vast majority recommended moving away from a predominantly medical diagnosis-based model for special education funding.

### *Key Questions*

Opportunities to be explored through the funding model review may include:

- Should an alternative, non-diagnosis (or reporting-based) model of funding students with special needs be considered?

- How can a new funding model ensure that individual students, in all parts of the province, receive the support they require in a timely manner?
- How can a new funding model reduce administrative costs and increase resources dedicated to services to students?
- Could the funding model better support special needs students in ways that result in better outcomes for students?

## 2. VULNERABLE STUDENTS

The current funding model includes a Supplement for Vulnerable Students, which is calculated based on economic conditions, demographic vulnerabilities, social conditions, and educational attainment. This supplement provides a small amount of additional funding to districts to assist with providing services to vulnerable students, on top of funding received through CommunityLINK. The CommunityLINK funding is a special purpose grant that has been in place since 2002/03, and is used to support meal programs, mental health services, and other initiatives for vulnerable students. A total of \$63.6 million was disbursed across all public school districts in 2017/18 for this purpose. Separate funding is also provided for provincial resource programs, which support educational services for students in hospitals, in youth custody, or in treatment centres.

However, preliminary findings from reports by B.C.'s Office of the Auditor General and from the B.C. Representative for Children and Youth, suggest that not all the needs of vulnerable students are being met by Boards of Education. In addition, there is a degree of inequity in the system where some school districts have local municipalities that match government funding or have more robust Parent Advisory Committee networks with the ability to raise significant funds for vulnerable student services.

### *Key Questions*

The funding model review presents an opportunity to investigate whether there are more effective approaches to allocating funding for vulnerable students. Potential questions may include:

- How can a new funding model contribute to improved equity of access to services, and improved outcomes for vulnerable students?
- Should allocations for vulnerable students be combined with those for other students?
- Should the funding model differentiate between the needs of different types of vulnerable students?
- Are there data sources from other agencies that could be incorporated to better capture trends in vulnerable student populations in school districts?

## 3. INDIGENOUS STUDENTS

The current funding model provides an allocation to Boards of Education for each self-identified Indigenous student (over and above the basic per student amount). This funding is targeted and must be spent on the provision of Indigenous education programs and services, over and above the

regular education program. There were 58,283 self-identified Indigenous students in 2016/17 and total supplemental funding was \$70.3 million in 2017/18.

Many stakeholder survey respondents felt that targeted funding for Indigenous students is sufficient to address the development and delivery of Indigenous education programs. However, some feedback suggests that the current use of a per-pupil rate for self-identified Indigenous students is not equitable, because services cost more in some districts than in others, and because reliance on students to self-report may lead to under-representation and, therefore, a lack of services to some students.

In addition, while the completion rate for Indigenous students was 66 percent in 2016/17, up from 47 percent in 2003/04 (one year after the current funding formula was introduced), this is still significantly lower than the completion rate for all students. The current funding model may not be allocating funding in a manner that best improves outcomes for Indigenous students, and this warrants further analysis and discussions.

Funding for Indigenous student education is complex, as both the provincial government and federal government have different responsibilities, and there is a direct relationship between funding levels provided by each. Any changes to Indigenous student education funding must be discussed with the other levels of government involved in the education of Indigenous students, including the First Nations Education Steering Committee and the Government of Canada. Funding changes could impact federal funding allocated through the Tripartite Education Framework Agreement, which is currently being re-negotiated. The Province is also committed to implementing the UN Declaration on the Rights of Indigenous Peoples, which could manifest as a true educational partnership with Indigenous peoples based on rights, reconciliation and respect.

### *Key Questions*

A recent report from B.C.'s Office of the Auditor General recommended evaluating the effectiveness of targeted funding and enhancement agreements as strategies to close the gaps in education outcomes between Indigenous and non-Indigenous students.<sup>4</sup> There is now an opportunity to review and modify the current funding model with respect to this type of funding. Potential questions to be explored include:

- Should there be a more explicit link between funding and closing educational gaps for Indigenous students?
- Are there opportunities to improve the approach to funding services for Indigenous students in alignment with the UN Declaration on the Rights of Indigenous Peoples?<sup>5</sup>

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<sup>4</sup> AN AUDIT OF THE EDUCATION OF ABORIGINAL STUDENTS IN THE B.C. PUBLIC SCHOOL SYSTEM (November 2015), B.C. Auditor General, [https://www.bcauditor.com/sites/default/files/publications/reports/OAGBC%20Aboriginal%20Education%20Report\\_FINAL.pdf](https://www.bcauditor.com/sites/default/files/publications/reports/OAGBC%20Aboriginal%20Education%20Report_FINAL.pdf)

<sup>5</sup> UNITED NATIONS DECLARATION ON THE RIGHTS OF INDIGENOUS PEOPLES (March 2008), United Nations, [http://www.un.org/esa/socdev/unpfii/documents/DRIPS\\_en.pdf](http://www.un.org/esa/socdev/unpfii/documents/DRIPS_en.pdf)

- Should funding be allocated to Boards of Education for Indigenous students include a per-pupil amount based on self-identification, a grant based on general population data, or other criteria?

## Theme 3: Responsiveness to Local Circumstances

### *What We've Heard*

The funding model does not adjust sufficiently for enrolment dynamics between and within districts, differences in types, sizes and geography of schools, or composition of students.

*"The proportion of funding that is directly variable with enrolment is too high."*

*- Survey Respondent*

*"The formula needs to recognize the unique characteristics of each school district."*

*- Survey Respondent*

### *Current State*

Enrolment in B.C. has been increasing over the past several years. Despite this provincial trend, there is significant variability in enrolment amongst different school districts and even schools within the same school district - some are experiencing rapid growth, while others are facing a continuous slow decline.

School district enrolment changes every year due to demographic changes, as well as migration between districts, to and from the independent school system, and between provinces. The current funding model cannot respond to real time enrolment changes within a school district; instead student counts are currently made at three points in the school year. In addition, some school districts have voiced concerns that the funding model is not responsive to demographic shifts during the school year for vulnerable student populations, including refugees.

The current model includes funding protection to ensure that no district experiences a decline in operating grants greater than 1.5 percent compared to the previous year's September funding. Funding protection is intended to support school districts experiencing significant enrolment decline, but does not benefit districts with relatively flat enrolment that have all of the same inflationary pressures that other school districts face, but may not receive additional funding year over year. Also, the current model does not consider potential economies of scale in those districts where enrolment is increasing and larger numbers of students attract significant amounts of funding.

The current funding model includes allocations for a range of geographic factors. However, 64 percent of stakeholder survey respondents felt that there are additional factors that are not captured by the current geographic supplements, such as differences in costs to provide transportation services, and differing incidences of poverty and vulnerability. Further, respondents suggested a preference for adjusting the funding mix to a more balanced ratio between base funding and supplemental funding, compared to the current ratio, which is more than 80:20.

Finally, the current model may not appropriately consider different enrolment and student population dynamics within a single school district, especially in those school districts that have both large urban centres and rural and remote satellite communities.

### **Key Questions**

Potential questions and areas of investigation for the funding model review may include:

- Should a combination of base and supplemental funding be utilized? If so, what is the most appropriate balance of base funding compared to supplemental funding?
- Should the funding amount be calculated predominantly on headcount, course or credit-based, or another method?
- Should different districts receive different funding rates based on their size/enrolment context or other factors?
- Are the current factors weighted appropriately and do they cover all the required school district characteristics to generate equitable funding allocations?
- Are there other data sources that could be used to more equitably disperse funding based on current population and/or geographic dynamics?
- Should the funding formulae account for significant enrolment shifts within a school district (e.g. flat or declining overall but with large growth in parts of districts)?
- Should some remote schools and school districts be allocated funding through a different mechanism (e.g. should schools with fewer than 50 students, or alternate schools, be funded differently than the rest of the province)?

## **Theme 4: Flexibility**

### **What We've Heard**

**Boards of Education have limited flexibility in budgeting, despite considerable local autonomy in the utilization of unrestricted operating funding. Special grants and targeted funding further restrict flexibility and there are no criteria for when they should be utilized.**

*“Continued flexibility for Boards to address the unique needs of their individual districts is of paramount importance. This can be facilitated by moving grants from special purpose into operating.”*  
– Survey Respondent

### **Current State**

Nearly all Canadian jurisdictions place a high value on the autonomy of Boards of Education and flexibility in education spending. British Columbia's approach resembles that of Alberta, Saskatchewan and Ontario, whereby only a small percentage of funding is enveloped or restricted for a specific use.

In addition, the number of special purpose grants provided outside of the operating grant determined by the funding allocation system (“outside the block”) has been growing, and since these allocations typically have restrictions and separate reporting requirements, they create less flexibility for Boards of Education. Moreover, reporting for special purpose grants takes up valuable staff time; over half of survey respondents indicated that reporting requirements impose a significant administrative burden relative to the amount of funding provided. On the other hand, targeting or restricting funding allows government to direct funding to specific purposes or policy initiatives, and to track those expenditures more rigorously where there is a need to do so.

### **Key Questions**

The current review is an opportunity to investigate whether different funding approaches could resolve some of the challenges faced by Boards of Education with respect to flexibility. Questions to explore through the funding model review could include:

- Should the funding model be adjusted to provide Boards of Education with greater flexibility and autonomy in spending? If so, which areas require flexibility, and which areas require more targeted or restrictive approaches?
- Which types of funding should be targeted and/or restricted to support equity of access to educational programs and services across the province and continuous improvement of student outcomes?
- Should the number of grants “outside the block” be reduced, or have fewer restrictions?

## **Theme 5: Financial Management and Accountability**

### **What We’ve Heard**

Strong financial governance and accountability support the education sector goals of enhancing student learning. The current governance structure for Boards of Education leads to a conservative approach to budgeting. This, combined with the timing of funding payments, contributes to increasing accumulated surpluses and cash balances.

*“If there is a funding protection component, it should be reviewed in conjunction with districts’ surplus and local capital balances that are accumulating on an ongoing basis.”*

*– Survey Respondent*

### **Current State**

The current funding model and legislative context (e.g. passing a balanced budget) drive school district processes and impact their ability to manage their budgets and plan for the long-term. Variability in the timing of funding means school districts receive some funds later in the school year, and there can be limited ability to add staff or make other longer-term, strategic investments. Unspent operating grants contribute to accumulated surpluses and cash balances, which is an area of concern for the Ministry of Finance and the B.C.’s Office of the Auditor General.



School districts often prepare conservative budgets based on initial enrolment figures, and use an overestimation of expenditures and underestimation of revenues to build a financial cushion. This approach avoids running a deficit, which is not permitted under the *School Act*, helps mitigate the risk of over hiring (beyond funding levels), and ensures that baseline programs continue.

Enrolment changes, particularly prolonged enrolment decline, have led to reduced operating grants for some Boards of Education. However, some Boards of Education have not reduced their operations to match lower levels of enrolment; instead, they use accumulated surpluses to balance their budgets, which means that they may offer a higher level of service to students than some of their counterparts who are also in enrolment decline, but run the risk of annual deficits. Other Boards of Education have made the difficult local decisions required to adapt to the new level of enrolment by generating accumulated surplus or redirecting surplus funds to new programming in anticipation of lower funding levels.

School districts are the only broader public sector entity that can carry forward prior years' accumulated surplus, and to use these funds to balance their current year budget. There was a total of \$300 million in accumulated surplus as at June 30, 2017. While a portion of these funds may be internally restricted (i.e. earmarked by the Board of Education for a specific use), some portion could be repurposed or reinvested by Boards of Education for other purposes.

Additional inequity exists as a result of the varying abilities of school districts to generate supplemental revenue, which leads to differences in educational opportunities across the province (e.g. some districts have extensive facility rental or lease programs, and some are able to attract significant numbers of international students, which generates tuition fee revenue, while other districts without this ability can be disadvantaged in comparison).

### **Key Questions**

The funding model review presents an opportunity to explore these issues further, and to strengthen financial governance and accountability in the education sector. Possible areas of focus and questions may include:

- Should school district spending be monitored throughout the year and allocations adjusted if a surplus is projected? For example, ensure that funding provided is being utilized as intended?
- Should the manner in which funding is confirmed be restructured and flowed to minimize the growth of cash balances?
- Should there be a limit on the amount of accumulated operating surplus that can be carried over from year to year?
- What is the optimal timing for announcing and releasing funds throughout the school year?
- Should the funding model account for school district own-sourced revenues, ensuring equity of educational opportunities for all students, regardless of where they live in the province?

## Theme 6: Predictability and Costs

### *What We've Heard*

A model based largely on student enrolment means that funding can be unpredictable. At the same time, certain types of costs are more fixed than others and can often differ widely amongst school districts. This can limit flexibility for Boards of Education when it comes to financial planning and budget management.

*"Our current financial forecasts indicate we will be in a deficit situation within the next two years as a result of declining enrolment at our remote schools, and we have very few cost-reducing measures available to address the anticipated funding losses."* – Survey Respondent

### *Current State*

Enrolment can shift amongst school districts, or between public and independent education systems in any given year, which can cause swings in funding. As an example, SD67 (Okanagan Skaha) has seen their annual funding change by +0.3 percent (2015/16), -1.4 percent (2016/17) and +3.0 percent (2018/19). A shift of only a few students in a small community can make planning a challenge in some locations. In addition, as the number of special purpose grants has increased over the past several years, a number of stakeholders have expressed concern regarding the predictability and certainty of funding going forward.

There are some types of costs, such as utility rates and statutory benefits that school districts have little ability to influence. As well, discretionary spending by Boards of Education is limited, as approximately 89 percent of all operating funding is spent on salaries and benefits, which is guided by 60 different local versions of the provincial collective agreement for teachers and 71 collective agreements for support staff and professional associations.

The added effect of restoring class size and composition language as a result of the Supreme Court of Canada decision in late 2016 has further reduced flexibility for Boards of Education in terms of how their schools and classrooms can be organized and staffed. The restored class size and language has impacted the costs to deliver educational services consistent with the terms outlined in the Memorandum of Agreement (MoA) with the BC Teachers' Federation. The number of staff required, and thus the costs of delivering services to students in the context of the MoA, varies amongst school districts.

In addition, school districts have their own local collective agreement with different class size and composition language, they also have different staffing processes and requirements for the determination of services to students with special needs. There are other collective agreement provisions, such as clauses regarding professional development, release time and remote allowances, which can also lead to greater (or lesser) costs amongst school districts that are not directly recognized in the current funding model. Further, while the current model contains an allocation to recognize variances in teacher compensation costs, differing costs for support staff compensation are not currently recognized.

In addition to these factors, Boards of Education in smaller, rural school districts have reported being more sensitive to changes in costs on an annual basis, and often find it more difficult to cope with unforeseen and/or escalating costs such as increased heating costs during a difficult winter, or cooling costs during a hot summer.

With a funding model that is not directly aligned to costs, and instead allocates funding largely based on enrolment, there can be a mismatch between service delivery costs and funding levels in some school districts, especially when enrolment changes dramatically year over year. School districts have stated that it can be difficult to increase or decrease costs annually to match funding levels. This can make it difficult for Boards of Education to perform strategic, long-term financial planning, and, in some cases, sustain core programs and services over time.

### *Key Questions*

The funding model review presents an opportunity to investigate whether funding mechanisms can better support long-term budgeting and help school districts deal with fixed and variable costs more effectively. Possible questions to consider in the next phase of work may include:

- How can funding be confirmed earlier or in a multi-year timeframe to support strategic, long-term budget planning?
- Are there mechanisms that could be introduced to the funding model to reduce the fluctuations in funding year over year?
- Should the funding model, or the structure and process supporting the model, be modified to track unexpected cost increases or decreases, so that adjustments can be made if needed?
- Should new mechanisms be considered to equalize the cost differential amongst school districts for items that may be more fixed, such as compensation and staffing levels set by collective agreements?

## Theme 7: Geographic, Economic and Demographic Factors

### *What We've Heard*

The rural education review identified that the funding model may not fully recognize the unique needs of rural and remote school districts, or the additional costs to operate and maintain adequate service levels in rural and remote schools.

*“Rural communities do not have the economy of scale to adequately offer programs and services to our students. There is a need for increased operating funds for rural schools for staffing and programming.”*

*– Survey Respondent*

*“The current funding model doesn't adequately address the issue of the different cost of living in different jurisdictions. Boards in certain geographic areas face challenges in attracting qualified*

*employees as there is little or no incentive for an employee to move to an area where they will earn the same but have to pay more for housing and other living expenses.” – Survey Respondent*

### **Current State**

Approximately 32 percent of students in B.C.’s public K-12 system attend schools located outside of the main urban centres of Greater Victoria, the Lower Mainland and Kelowna areas. There are approximately 140 communities with only one school; these schools tend to be highly integrated in the social, cultural and recreational network of the community.

There are currently several mechanisms of allocating funding to support rural areas. Inside the core operating grant, allocations for geographic supplements direct additional resources toward rural areas while the Rural Education Enhancement Fund, Student Transportation Fund, and the Rural and Remote Workplace Sustainability Fund, are special grants and programs that have been established specifically to support rural school districts. However, the rural education review process identified that challenges remain. Rural districts have expressed that recruitment and retention of staff, inability to provide adequate programming and services, transportation gaps, and school closures are critical issues that could be addressed in a more comprehensive manner through a new funding model.

Many stakeholder survey respondents felt that factors unique to their school district were not captured by the current geographic supplements, particularly in remote and rural areas. Rural districts emphasized factors such as higher costs of providing transportation in geographically-dispersed areas, especially where travel through difficult terrain, such as mountains or bodies of water, is required. Pressures unique to urban districts, such as a higher cost of living and greater competition for qualified resources, were also highlighted. Survey results generally suggest school districts would prefer that the funding mix include a higher weighting towards geographic or region-specific factors than the current model provides.

### **Key Questions**

There is an opportunity to demonstrate through the funding model review that action is being taken to address the specific challenges identified through the rural education engagement process. Questions to be investigated may include:

- What geographic, economic and/or demographic modifiers should be part of the funding model and what weight should they have relative to overall student enrolment?
- Should different funding approaches be established for different groupings or types of school districts (Remote, Rural, Urban, and Metro)?

## Next Steps

This discussion paper will serve as the frame of reference for the Independent Review Panel, which will lead the next phase of research and consultation as part of this process. The next phase of work will, include:

- Additional research and data gathering,
- Regional technical working sessions for trustees and senior staff in the spring of 2018,
- Meetings with other stakeholder groups, such as the B.C. School Trustees Association, B.C. School Superintendents Association, B.C. Association of School Business Officers, B.C. Confederation of Parent Advisory Councils, B.C. Principals and Vice Principals' Association, the B.C. Teachers' Federation, and the CUPE B.C. will also be arranged,
- Consultation with other levels of government involved in K-12 education in B.C., including the Department of Indigenous Services Canada and the First Nations Education Steering Committee, and
- An interim reporting out to confirm what the panel has heard to date.

The Chair of the Independent Review Panel will present a final report and recommendations to the Minister of Education in the late summer of 2018 for consideration, and the Ministry will work with the Technical Review Committee to model options going forward.

Once a decision has been made by government, the key features of the new model will be communicated in the winter of 2018/19, with preliminary grant announcements issued under the new funding model in March 2019 (for the 2019/20 school year), including transitional measures (if required).

Boards of Education are encouraged to work with their local stakeholder groups, including parents, to gather their views on how funds should be allocated for K-12 public education, and provide this feedback to the Independent Review Panel in writing. Written submissions and questions about the funding model review can be sent to: [k12fundingreview@gov.bc.ca](mailto:k12fundingreview@gov.bc.ca) before the end of April 2018.