



Improving Equity and Accountability

Report of
the Funding
Model Review
Panel

2018

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Message from the Independent Funding Model Review Panel

In February 2018, the Honourable Rob Fleming, Minister of Education, appointed a seven-member Independent Funding Model Review Panel (the Panel) to review and provide recommendations to the way funding is allocated in the K-12 public education sector in British Columbia (BC). The last major changes to the allocation mechanism were undertaken in 2002. Our review and recommendations were informed by feedback received during one-on-one meetings with sector partners and stakeholders, regional meetings with or written submissions from all 60 school district leadership teams, and over 100 written submissions from a range of other stakeholder and partner organizations. We also considered a range of domestic and international research on education funding models throughout this process.

It has been a privilege for us to lead the important task of reviewing and making recommendations on the future of allocating funding in BC's K-12 public education sector. A wide range of perspectives were shared by school districts, First Nations, partner groups, K-12 public education stakeholder organizations, as well as community organizations, individual parents and parent groups. From this feedback it became clear that this review was overdue - the next review should not wait another 15 years.

Our approach to this work was aspirational: to ensure equity of educational opportunity for every student in BC so that they can achieve their potential, and to make recommendations in support of this goal. However, through this process we came to the realization that achieving perfect educational equity in a province as diverse as BC is not feasible. This was underscored by the general lack of consensus amongst those who provided input during the engagement process on the main issues that need to be solved and how best to solve them. Our role as a panel was to consider everything we heard, explore research and practices from across Canada and abroad, and make recommendations to the Minister of Education on how to equitably distribute available resources in the best interest of students.

We were supported throughout this review process by Ministry of Education staff and would like to recognize their contribution to this work. We would also like to thank all of those who participated in the process, whether through in-person meetings, conference calls or written submissions. Our task was made easier through your engagement and the knowledge and experience you shared.

Sincerely,



Chris Trumpy
Chair



Kelly Pollack
Partner, Human Capital Strategies



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Executive Summary

British Columbia's (BC) K-12 public education system is highly ranked compared to other jurisdictions around the world. The education system continues to evolve, with a redesigned provincial curriculum and graduation program for K-12 public education being implemented, yet the manner in which funding is allocated to school districts has not changed since 2002.

While the current system meets the needs of the vast majority of students, there are a number of student populations, such as children in care, Indigenous learners, and other students with unique learning needs, whose educational needs should be better served. The intent of the accompanying recommendations for the Minister of Education is to provide a framework for achieving even better results for all students in BC, particularly those who are vulnerable or who have lower achievement results.

The funding formula and allocation methodology has become increasingly complex over the years with many stakeholders expressing the view that the system is not funded adequately. This has meant that much of the focus has been on the adequacy of funding rather than student achievement.

The BC K-12 public education funding formula last underwent substantial revision in 2002. Since then, many other jurisdictions in Canada have made changes to their funding models to reflect new priorities, best practices, improved data, evolving curricula, and service challenges.

Prior to 2002 the allocation of funding for K-12 public education in BC was primarily cost-based. Over time, concerns have grown about increasing service inequities between school districts, the degree of administration required to maintain such a complex model, and the lack of incentives to be efficient.

The formula was changed in 2002 when funding started to be allocated based primarily on full time equivalent (FTE) student enrolment. This model was implemented at a time when student enrolment decline was projected to be the norm for most school districts due to demographic shifts and a lower birth rate in BC. This contrasts to 2018, when student enrolment is increasing in the majority of school districts.

Since 2002, there have only been minor adjustments implemented to alleviate the pressures experienced by school districts in some areas. This includes one-time funding announcements and new program add-ons in recent years, such as the Classroom Enhancement Fund and the Rural Education Enhancement Fund. Such adjustments have exacerbated funding differences between school districts. This has not only led to service inequities to students but also concerns about the predictability of annual funding for school districts.

The Panel's review process included meetings with all 60 school districts and key system stakeholders, as well as reviewing over 100 written submissions. The Panel also reviewed funding allocation models in other jurisdictions, both within and outside of Canada.

The most significant issues identified by participants during the course of the Panel's review included:

- Funding level, assessment approach and administration related to students with special needs;
- Different cost pressures facing urban, rural and remote school districts;
- The need to continue to support Indigenous students;
- Funding implications of the redesigned provincial curriculum and graduation program;
- Managing funding uncertainty; and
- The need of school districts to maintain the flexibility to address local priorities.

The Panel addresses these issues in its 22 recommendations for the Minister of Education that are intended to improve the K-12 public education system for students. These recommendations will require changes by government, Boards of Education and school district staff.

The Panel noted that while there is a well-established and mature financial reporting framework in the sector, there is no unified structure for establishing, tracking, and reporting out on educational goals and outcomes. The accountability for educational outcomes in the K-12 public education system is not clear to the public or stakeholders, and is not reported in a clear and transparent manner. The Panel addresses this issue, as well as several issues related to improving financial management, in this report.

Overall, the 22 recommendations support more equitable access to educational services for all students, strengthen accountability for educational and financial management outcomes, and address some of the systemic issues the Panel identified during the course of the review. Several of the recommendations go beyond the mandate provided by the Minister of Education, but the Panel felt strongly that there are a number of changes required to the management of the K-12 public education system that complement and support the recommended changes to the current funding model. It should be noted that the Ministry will need to complete comprehensive modelling of allocations based on these recommendations (including impacts at the school district level) and develop transitional materials before the new funding model is implemented.

The K-12 public education sector is the foundation of our future. Curious, passionate learners who value diversity and become productive members of society are the graduates British Columbia needs. All British Columbians benefit from a great education system and education funding allocation should support this aspirational goal.

Recommendations



THEME 1: EQUITY OF EDUCATIONAL OPPORTUNITY

This was the overarching aspiration of the Panel - to allocate funding in order to support improved student outcomes by providing equity of educational opportunities to every student in BC.

RECOMMENDATION 1

The Ministry should allocate funding for specific needs first, and then allocate the remainder of funding based on a per-student amount. The Panel has identified the following specific needs that should be funded first:

- Targeted funding for Indigenous students;
- Unique school district characteristics as defined in Recommendations 4 and 5; and
- Inclusive education as defined in Recommendation 6.

RECOMMENDATION 2

The Ministry should retain targeted funding for self-identified Indigenous learners and maintain a minimum level of spending.

RECOMMENDATION 3

The Ministry should work with the First Nations Education Steering Committee to support the continuous improvement of outcomes for Indigenous learners, particularly determining whether changes are needed to the policies that govern the use of the Indigenous student targeted funding envelope.

RECOMMENDATION 4

The Ministry should consolidate and simplify existing geographic funding supplements, the Supplement for Salary Differential, and relevant special grants outside the block into a single supplement, with two components:

COMPONENT 1 – ‘Unique School District’ characteristics should reflect some of the operational challenges of school districts compared to the norm by considering:

- The enrolment of a school district compared to the provincial median school district enrolment;
- The distance from communities containing schools to geographic centres containing basic services;
- The climate of a school district, characterized by the cost of providing heating and cooling for schools; and the fuel utilized, and the amount and duration of snowfall in a school district;
- The distribution of students and schools across a school district, as characterized by:
 - The density of the student population in a school district, compared to the highest density school district in the province;
 - The average distance from each school to the school board office, including the effect of geographic features; and
- A modification of the current salary differential funding approach to be based on total compensation and expanded to include all school district employees.

COMPONENT 2 – ‘Unique School’ characteristics, not addressed in the first component, should recognize the operational challenges of some schools by considering:

- The number of small schools within a school district, with different weightings and sizes used for elementary and secondary schools, and provide an increased contribution where a school is the only one in the community and is persistently under capacity; and
- The persistent over-capacity of schools at the school district level.

RECOMMENDATION 5

The Ministry should replace all current supplements for enrolment decline and funding protection with a new, transitional, mechanism that allows school districts to manage the impact of enrolment decline over a three year rolling time period (i.e. allowing three years to manage the impact of decline, starting with no funding change in the first year, one-third funding reduction in the second year, two-thirds funding reduction in the third year, and fully implemented funding reduction in the fourth year).

RECOMMENDATION 6

The Ministry should create a single Inclusive Education Supplement that incorporates all of the following:

- Supplemental Special Needs Funding;
- English/French Language Learning;
- Supplement for Vulnerable Students;
- CommunityLINK;
- Ready Set Learn;
- Supplemental Student Location Factor; and
- Funding currently in the Basic Allocation that was previously allocated to high incidence categories of special needs.

This single Inclusive Education Supplement should allocate funding through two components:

COMPONENT 1 – students requiring high-cost supports should be funded, and school districts should continue to report and claim these students to the Ministry for funding. Specifically:

- Funding eligibility criteria and the annual funding rate for students requiring high-cost supports should be developed and communicated by the Ministry, focusing on those students that are physically dependent and/or have needs that significantly impact the students’ learning; and
- All funding claims in this category should be based on a medical diagnosis, and should be subject to compliance audits to verify that eligibility criteria have been met.

COMPONENT 2 – the remaining inclusive education funds should be allocated to school districts through a prevalence-based model, using a comprehensive range of third-party medical and socio-economic population data. Categories of data and weightings should be as follows:

- Health factors (50%)
- Children in care (20%)
- Income and Earnings (20%)
- English/French Language development (10%)

RECOMMENDATION 7

The Ministry working with the Conseil scolaire francophone de la Colombie-Britannique (CSF), should develop a unique school district factor that recognizes the special characteristics of this province-wide school district, consistent with Recommendations 4, 5 and 6.

RECOMMENDATION 8

The Ministry should eliminate the Classroom Enhancement Fund and allocate this funding as part of school district operating grants. This will require negotiated changes to collective agreement provisions.

RECOMMENDATION 9

The Ministry should base funding allocations for school-age educational programming on the number of students, rather than on the number of courses being taken. The Ministry should phase out the current course-based funding model by the 2020/21 school year.

RECOMMENDATION 10

With the shift to a per-student-based funding model, the Ministry should develop a new policy and program delivery model for Distributed Learning to ensure consistent access to quality programming for all students in the province.

RECOMMENDATION 11

Notwithstanding Recommendation 9, funding for the following programs should remain course-based:

- Graduated adults
- Non-graduated adults
- Continuing education (adult and school-age learners)
- Distributed learning (for adult learners only)
- Summer school (school-age learners)



THEME 2: ACCOUNTABILITY

A sound accountability framework is a critical part of the funding allocation model. Improving student outcomes and educational transformation requires accountability for the use of funding.

RECOMMENDATION 12

The Ministry should establish a provincial accountability and reporting framework for the K-12 public education sector, including common principles and templates. This framework should have three to five broad, system-wide goals that are specific, measurable, and focused on student outcomes. The Ministry should monitor school district progress against these goals and work directly with school districts experiencing difficulty in meeting their objectives.

RECOMMENDATION 13

Boards of Education should be required to develop Strategic Plans that are based on the broad goals established by the Ministry, with flexibility to add additional goals based on local priorities.

RECOMMENDATION 14

As a critical component of good operational practice, Boards of Education should be required to strengthen their planning processes in the following ways:

- School district management should be required to develop operational plans to deliver on provincial and Board of Education goals across a range of areas (e.g. human resources, information technology, educational programs and services, facilities, finance).
- School district management should be required to issue a year-end report, at the same time as their financial statements, describing results achieved and how resources were utilized.

RECOMMENDATION 15

Consistent with the shift to supporting student improvement and learning, the Ministry should:

- Shift the focus of the Compliance Audit Program from purely financial to have a quality assurance emphasis that incorporates best practices-based recommendations regarding student outcomes, structure of programs and services, and overall management of school district operations.
- Defer the recovery of funding for one year, to allow school districts time to adopt compliance team recommendations. This one-year deferral would not be available if it is determined that there has been deliberate contravention of funding eligibility policies.

RECOMMENDATION 16

The Ministry should provide ongoing provincial leadership and support to help strengthen governance and management capacity at all leadership levels in school districts.

RECOMMENDATION 17

The Ministry should expand its workforce planning project and work with school districts to establish a provincial K-12 human capital plan.



THEME 3: FINANCIAL MANAGEMENT

Understanding cost pressures, sound planning and ensuring that resources are used to support student outcomes underpin the education funding system.

RECOMMENDATION 18

The Ministry should identify net cost pressures and new program expenditures and, as part of the annual provincial budgeting process, bring them forward to Treasury Board for consideration when the total quantum of public education funding is being set.

RECOMMENDATION 19

To support multi-year financial planning:

- Government should issue three-year operating funding to Boards of Education, based on available funding and projected student enrolment; and
- School districts should be required to develop three-year financial plans.

RECOMMENDATION 20

The Ministry should establish clear provincial policies on reserves to ensure consistent and transparent reporting, while maintaining school districts' ability to establish reserves. Specifically, the Ministry should:

- Set clear provincial policies on what school districts may save for, directly related to their strategic plans;
- Establish an acceptable provincial range for unrestricted reserves, encompassing accumulated operating surpluses and local capital, which should be monitored and reported on (if required);
- Ensure that school districts have specific plans attached to each item or initiative when setting reserves, and provide clear reporting on how the funds were spent; and
- Work with school districts to transfer any overages beyond the approved threshold into a fund at the school district level, to be accessed only with Ministry approval.

RECOMMENDATION 21

There should be no change in the way that locally-generated revenues are treated by the Ministry when calculating operating funding for school districts.

RECOMMENDATION 22

In the current absence of dedicated funding for some capital expenditures, the Ministry should either:

- Provide capital funding for expenditures that are currently not reflected in the capital program; **or**
- Clarify which items are ineligible for capital program funding and ensure that school districts are permitted to establish appropriate reserves that allow them to save for these purchases on their own (i.e. accumulated operating surplus, local capital).

Introduction

The K-12 public education system in BC serves approximately 550,000 students, supported through over \$5.7 billion in funding allocated to school districts by the Ministry of Education (the Ministry). While the Ministry establishes provincial policies and guidelines in key areas, such as curriculum and graduation requirements, each school district is responsible for delivering programs that best meet their local student needs.

BC's students perform well when compared to jurisdictions outside of Canada. In the 2015 Programme for International Student Assessment (PISA) report, BC ranked first in the world for reading, third for science, and ninth for mathematics out of 72 participating OECD jurisdictions.¹ Although BC's student graduation rate of 84 percent is high relative to other Canadian jurisdictions, there are opportunities for improvement. In particular, children in care, Indigenous learners, and other students with unique learning needs, do not achieve the same outcomes as other students.

There are two types of grants provided to school districts to fund programs: operating grants and special purpose grants. Approximately \$5 billion of the \$5.7 billion in K-12 public education funding is allocated to Boards of Education through operating grants. Most of the operating grant allocations are based on a combination of per-student funding and funding student enrolment in courses. This full-time equivalent (FTE) model promotes the autonomy of Boards of Education as funding is not required to be spent on specific purposes, the only exception is targeted funding for Indigenous students.

Student FTE funding represents 79 percent of operating grants. A further 13 percent is allocated based upon the geographic factors of individual school districts, 7.5 percent is allocated based on unique student needs, and 0.5 percent is allocated to buffer the effects of declining enrolment (Appendix A). This allocation mechanism can impact the ability of school districts across the province to deliver educational programs and services. This funding model has been in place since 2002 and has only undergone minor adjustments since then.

In addition to operating grants, an additional \$680 million is distributed annually through special purpose grants for specific purposes, such as the implementation of restored class size and composition language in teacher collective agreements, facilities maintenance, or the operation of Strong Start Centres (Appendix B). These funds are largely restricted for specific purposes or programs.

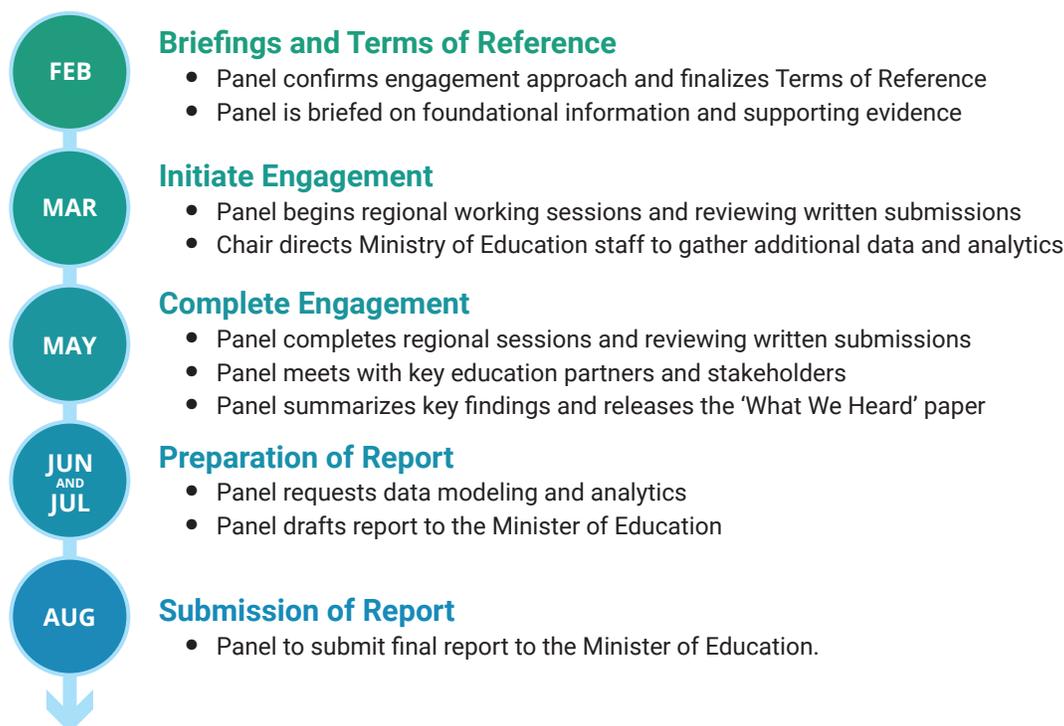
¹ Measuring up: Canadian Results of the OECD PISA Study *The Performance of Canada's Youth in Science, Reading and Mathematics (2015)* funded by the Council of Ministers of Education of Canada http://www.cmec.ca/Publications/Lists/Publications/Attachments/365/Book_PISA2015_EN_Dec5.pdf

Funding Model Review Process

In October 2017, the Minister of Education launched a review of the K-12 public education funding model to consider whether there is a better way to allocate operating funding to Boards of Education. The Panel's Terms of Reference (Appendix C) state that the review should focus on the mechanism of distributing operating funding, and not the sufficiency of funding for K-12 public education. Independent school and capital funding were also outside of the Terms of Reference.

In the fall of 2017, the Ministry and the BC School Trustees' Association, as co-governors of BC's K-12 public education system, worked together to develop a set of shared principles to guide the future funding model (Appendix D).

Figure 1. Funding Model Review – Activities and Timeline 2018



Between October 2017 and February 2018, the Ministry carried out an initial 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. The Ministry also administered two surveys to 350 sector stakeholders (Trustees, Superintendents, and Secretary Treasurers) to identify issues with the current allocation mechanism, and summarized these initial findings in a discussion paper for stakeholder review (Appendix E).

In February 2018, the Minister of Education appointed a seven-person panel (the Panel, Appendix C) to consider this initial research, consult with key education stakeholders, undertake further research and analysis, and prepare a final report and recommendations.

The Panel hosted twelve regional working sessions for Board Chairs, Superintendents, and Secretary Treasurers (Appendix F). In May 2018, the Panel distributed a high-level summary (Appendix G) of the many issues mentioned by school districts at the regional working sessions.

In addition, the Panel held meetings with individual stakeholders and partner groups to gain a better understanding of their perspectives (Appendix H) and received over 100 written submissions, most of which are posted on the funding model review website ² (Appendix I). The Panel also reviewed a range of best practices and research from other jurisdictions, with a focus on fostering equity in educational opportunities and the role that funding can play in improving student outcomes.

The input received through the consultation process, together with the additional research and cross-jurisdictional analysis, supported deliberations and the formulation of the recommendations contained in this report.

² <https://www2.gov.bc.ca/gov/content/education-training/administration/resource-management/k-12-funding-and-allocation/k-12-public-education-funding-model-review/inputs-fmr>

Key Issues

The initial research conducted by the Ministry identified several concerns with the current funding model. Introduced in 2002 at a time of declining student enrolment, the research indicated that the funding model has not kept pace with educational changes and the operational pressures that school districts face.

During the Panel's engagement process, stakeholders also raised concerns with how the current funding model works. Because it is based largely on 'claiming' students for funding through course enrolments and student counts, much of school district administrative effort is placed on identifying what qualifies for funding, at the expense of focusing on the services needed for individual students and educational outcomes. According to many of the stakeholders consulted, the current funding model has systemic issues that do not align with modern education pedagogy or the redesigned provincial curriculum and graduation requirements, which involves more blended and flexible learning environments, especially at the secondary level.

Further, it was noted that significant resources are currently being used to assess and report on students with special needs. Under the current model, those school districts with less administrative capacity and fewer special education experts, or limited access to outside specialist resources, generate less funding for students with special needs leading to service inequities across the province. There were also a range of concerns expressed about the impact of labelling students, questioning whether this approach may be discriminatory and misaligned with the principle of inclusive education.

The current model also does not recognize additional costs associated with providing services to students who require additional support, such as children in care who struggle in the K-12 public education system. School districts feel they are being used as substitutes for provincial social services, having to deal with complex community or socio-economic challenges, without the financial support required to provide adequate services. This is resulting in impacts to educational services and school districts would like to see some recognition of this in annual funding allocations.

School districts and stakeholders also noted that the supplements accounting for the unique characteristics of a school district need to be updated to better reflect the current challenges associated with operating schools in rural and remote areas. A number of urban school districts also highlighted that they face challenges such as schools operating over-capacity due to rapid growth. However, the current model does not account for the pressures these conditions place on their operating funding.

Many school districts described issues with the compliance audit and FTE verification process which currently focuses on verifying accurate course claims (i.e. inputs-based), rather than the efficient and effective utilization of that funding to support student success (i.e. outcomes-based).

There are examples of improvement in financial reporting and transparency in some school districts, which is a positive step towards strengthening public and stakeholder confidence in the K-12 public education sector. However, during the engagement process the Panel noted a consistent lack of clarity and focus on accountability and reporting on educational outcomes. Accountability seems to be focused on the mechanisms for generating funding and not connected to the utilization of funding to support student achievement. It is the Panel's view that to foster a culture of continuous improvement in student outcomes through more equitable educational opportunities, there needs to be a greater focus on how funds are utilized by Boards of Education to improve student outcomes, not just the allocations themselves.

The allocation of funding must have a purpose and it should be possible to assess whether that purpose has been achieved. The Panel believes that a sound accountability framework is a critical part of funding allocation. The Panel also identified a number of operational issues that may be getting in the way of the focus on educational outcomes.

Throughout the engagement phase, school districts provided input on issues that were not directly in-scope of the Panel's Terms of Reference, including accountability and reporting, compliance, capital funding, school district financial management, the impact of the restored collective agreement language on services, distributed learning, and human resources. The adequacy of funding also came up at many meetings. To address the breadth of issues identified that relate to funding, a number of the Panel's recommendations go beyond its initial Terms of Reference.

The Panel believes the observations and recommendations presented in the following section, if adopted, will improve the equity of educational opportunities for students, foster a culture of continuous improvement in student outcomes, and further strengthen public and stakeholder confidence in the K-12 public education sector.

Observations and Recommendations

THEME 1: EQUITY OF EDUCATIONAL OPPORTUNITY

The Panel believes that the main purpose of the funding model is to foster the equity of educational opportunities for students across the province. The range of courses, services, and extra-curricular activities for students varies widely and staff professional learning opportunities differ from school district to school district. All of these factors will alter the quality of a student's educational experience and while the Panel acknowledges equality is not feasible in a province as large and diverse as BC, the funding model should allocate funding in a manner that strives to provide equity of educational opportunities for every student in the province.

Overall Allocation of Funding

The Panel considered all educational programming funding, both operating grants and special purpose grants, and reviewed each special purpose grant to see if it aligned with the objective of equity of educational opportunity. Some special purpose grants are restricted by collective bargaining while other special purpose grants provide sound educational value and these should remain in place. The Panel's view is that the remaining special purpose grants (see Appendix B) should form part of the funding available to all school districts. In addition, special purpose grants or other types of restricted funding, should not be introduced in the future unless they improve equity.

The Panel also reviewed all factors that are within the scope of school district operations and, based on this information, it is clear there are two predominant areas that drive additional costs: students that require additional supports and unique school district characteristics. This is consistent with feedback provided by school districts during the regional sessions and with the results of the stakeholder surveys completed in early 2018. These specific needs represent additional costs for education programming and should be funded before the per student allocations to ensure all students have equitable access to programming. The Panel expects that as a result of these recommendations, the balance between per-student funding and the supplements for unique districts and inclusive education will change; part of the per-student allocation will need to be reallocated into the supplements.

RECOMMENDATION 1

The Ministry should allocate funding for specific needs first, and then allocate the remainder of funding based on a per-student amount. The Panel has identified the following specific needs that should be funded first:

- Targeted funding for Indigenous students;
- Unique school district characteristics as defined in Recommendations 4 and 5; and
- Inclusive education as defined in Recommendation 6.

Funding for Indigenous Students

The current funding model allocates funding over and above the basic per student amount to Boards of Education for each self-identified Indigenous student receiving eligible services. This funding is targeted and must be spent on the provision of Indigenous education programs and services, supplemental to a regular education program. In 2017/18, there were 59,924 self-identified Indigenous students in the K-12 public education system, and targeted funding totalled \$72.3 million. The graduation rate for Indigenous students in 2016/17 was 66 percent compared to a provincial average of 87 percent.

There is support for maintaining targeted funding for Indigenous students in the future – most stakeholders feel this approach has worked well to improve outcomes for these learners to date, though all recognize that there is more work to be done. At the same time, the First Nations Education Steering Committee (FNESC) has expressed concern about accountability on the part of Boards of Education for how the funds are utilized and what happens when the funding is not fully-spent. Given this, there may be a need to update the funding policies and reporting processes currently in place.

RECOMMENDATION 2

The Ministry should retain targeted funding for self-identified Indigenous learners and maintain a minimum level of spending.

RECOMMENDATION 3

The Ministry should work with the First Nations Education Steering Committee to support the continuous improvement of outcomes for Indigenous learners, particularly determining whether changes are needed to the policies that govern the use of the Indigenous student targeted funding envelope.

Unique School District Features

School district size, climate and geography, and the location of students and schools can have a significant impact on the costs and logistics associated with delivering educational programs.

The current funding model includes eight separate supplements to recognize these factors, each involving a number of different components and calculations. While stakeholders generally supported the purpose and intent of the unique district supplements, there were many who indicated that they are outdated, do not make use of the best data sources available, and are too complicated.

In recent years a number of new targeted programs have been introduced, such as the Rural Education Enhancement Fund (REEF) and the Student Transportation Fund (STF), which have complicated the funding model even further and reduced the flexibility of Boards of Education to allocate their funding to local priorities.

The Panel approached the topic of unique school district features with the objective of promoting equity of educational opportunity, noting there are a range of geographic features that impact costs to deliver educational services, including;

- Total enrolment levels, both at the school and district level, and the rate of enrolment change;
- Under and over-capacity in schools;
- Different needs of elementary and secondary schools in different geographic areas, particularly where the school is the only one in the community;
- Economies of scale impacting schools and school districts;
- Differences in climate;
- Variations in the ability to access services in communities;
- Dispersion of students across a school district; and
- Compensation differences impacting school districts.

There is an opportunity to update and simplify the approach to unique school district funding by replacing the existing geographic supplements and relevant special grants, with two simplified components aimed at supporting equity of educational opportunity no matter where the student, school or school district is located. These components should be reviewed annually to reflect changes in school district costs which may be part of the funding process in identified Recommendation 18.

RECOMMENDATION 4

The Ministry should consolidate and simplify existing geographic funding supplements, the Supplement for Salary Differential, and relevant special grants outside the block into a single supplement, with two components:

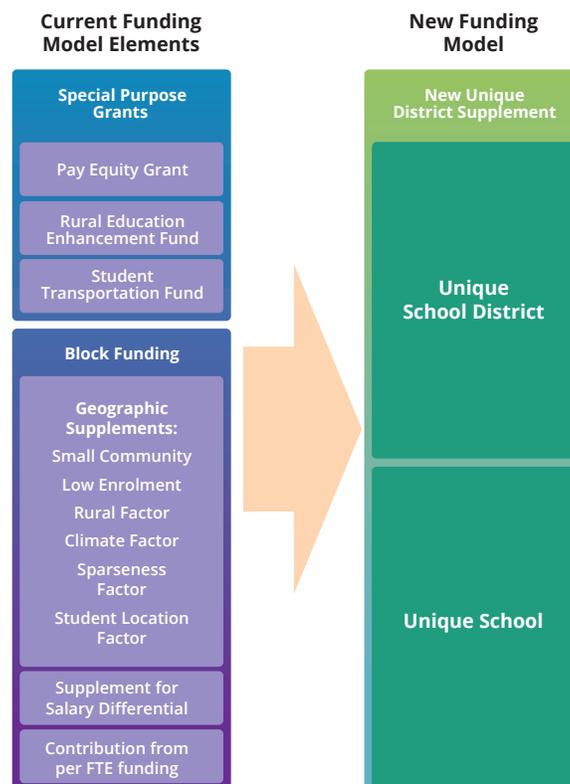
COMPONENT 1 – ‘Unique School District’ characteristics should reflect some of the operational challenges of school districts compared to the norm by considering:

- The enrolment of a school district compared to the provincial median school district enrolment;
- The distance from communities containing schools to geographic centres containing basic services;
- The climate of a school district, characterized by the cost of providing heating and cooling for schools; and the fuel utilised, and the amount and duration of snowfall in a school district;
- The distribution of students and schools across a school district, as characterized by:
 - The density of the student population in a school district, compared to the highest density school district in the province;
 - The average distance from each school to the school board office, including the effect of geographic features; and
- A modification of the current salary differential funding approach to be based on total compensation and expanded to include all school district employees.

COMPONENT 2 – ‘Unique School’ characteristics, not addressed in the first component, should recognize the operational challenges of some schools by considering:

- The number of small schools within a school district, with different weightings and sizes used for elementary and secondary schools, and provide an increased contribution where a school is the only one in the community and is persistently under capacity; and
- The persistent over-capacity of schools at the school district level.

Figure 2. Unique School District Funding: Current vs New



Enrolment Decline and Funding Protection

Stakeholder views varied widely on the need for funding protection in the system. Those school districts who have not been in funding protection were not supportive of maintaining this, while those who are in funding protection (15 districts in the current year) or who have been in the past, indicated that it assists in managing educational service levels over time.

The Panel identified and discussed several design issues with funding protection, such as the cost impact of enrolment growth especially where growth occurs in funded special education categories. In addition, funding protection was initially intended to be a temporary mechanism and keeping it as a permanent feature of the funding model runs the risk of delaying or deferring decisions that are needed to “right-size” school districts (i.e. scaling school district operations and services to match enrolment levels).

The Panel also considered funding protection in relation to other supplements for enrolment decline, currently situated in the geographic component of operating grants, and determined there is significant duplication and overlap in purpose. This has led to unnecessary complexity and confusion.

To determine whether and how to adjust the funding protection and enrolment decline components, the Panel found it helpful to consider the original intent of this supplement – to allow school districts to maintain adequate service levels in the context of declining enrolment. The Ministry should continue to expect that school districts right-size their operations to match their enrolment, noting that these changes do not happen immediately and school districts need time to make the required changes to their operations. In some circumstances, capital programs that support these changes may also need to be implemented.

RECOMMENDATION 5

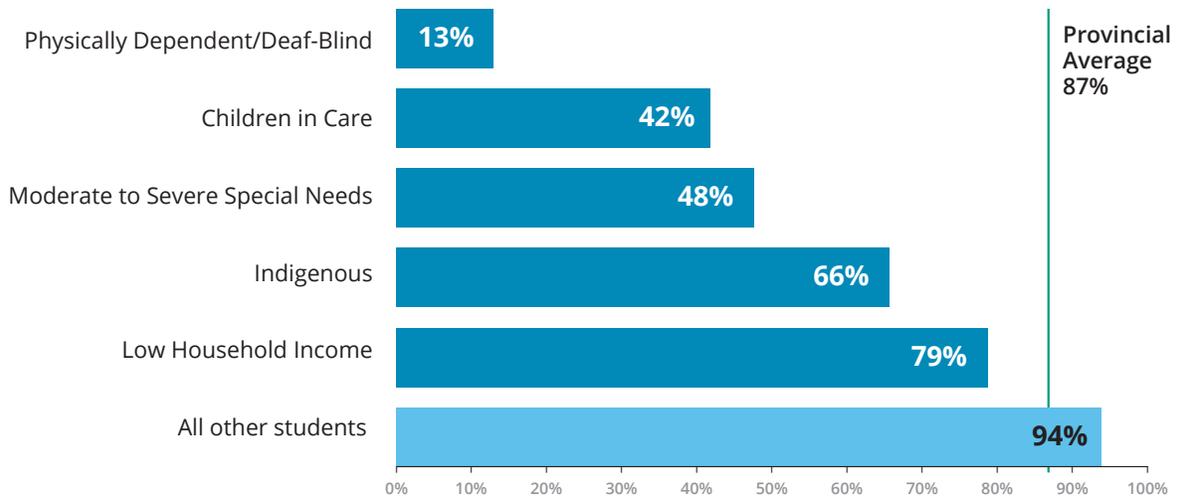
The Ministry should replace all current supplements for enrolment decline and funding protection with a new, transitional, mechanism that allows school districts to manage the impact of enrolment decline over a three year rolling time period (i.e. allowing three years to manage the impact of decline, starting with no funding change in the first year, one-third funding reduction in the second year, two-thirds funding reduction in the third year, and fully implemented funding reduction in the fourth year).

Inclusive Education

The Panel heard strong support for inclusive education at all its meetings. Inclusion is grounded in a belief that with the right supports, every student can be successful in their schools and classrooms. All students should have an authentic sense of belonging in their school community and should be supported to develop their full potential in the academic, social-emotional and physical domains.

The current funding model does not comprehensively support inclusive education principles, contributing to poor student outcomes. For example, the 2016/17 six-year completion rates were 69 percent for students with special needs and 42 percent for children in care, which fall well below the 87 percent completion rate for all funded students in BC’s K-12 public education system. Concerns about these results were raised by virtually all Boards of Education and stakeholder groups during the engagement process.

Figure 3. 2016/17 6-Year Completion Rates by Student Sub-Group



A wide range of challenges are evident with the current diagnosis and reporting-based model for funding students with special needs:

- The lack of alignment between diagnoses, funding amounts, and the services required to meet student needs (i.e. the needs of some students are not being met especially if they fall outside of supplemental funding categories);
- Excessive administration and reporting requirements that take resources away from services to students and lead to long wait times for expensive assessments;
- Concerns from parents regarding the impacts of 'labelling' students; and
- The impact that higher cost services for students can have on smaller school districts with limited capacity in this area.

The total number of students with special needs in the student population has remained relatively stable over the past 10-15 years while the number of students identified in supplemental special needs funding categories has increased by 65 percent since 2002, with current funding of \$510 million.

Other jurisdictions report that they have moved away from this type of funding model to streamline the funding process. In fact, BC is one of the last jurisdictions in Canada relying wholly on diagnosis and reporting to allocate funding for students with special needs. Around the world there has been a general movement towards utilizing reliable third-party data where possible to allocate funding that recognizes the costs of inclusive education.

There is work underway within the Ministry and school districts to establish a needs-based assessment approach that would consider a range of domains (i.e. cognitive, social/emotional, and physical). More flexible funding approaches can help support this work on the ground in school districts; however, collective agreement language may be a barrier to change, which can only be addressed through collective bargaining. This is especially evident in those school districts with highly complex and restrictive class composition language that is limiting school districts' ability to meet student needs.

School districts are increasingly dealing with complex socio-economic issues such as poverty, mental health, and addictions. These issues can require additional social services and supports for students which are not always readily available in their communities and families are relying on school districts for help. The current funding model does not recognize socio-economic or educational risk factors that may drive additional costs in school districts required to support students and their families.

While the Ministry allocates over \$60 million in funding annually through operating grants as well as a number of special grants to help support vulnerable student populations, including CommunityLINK and the Supplement for Vulnerable Students, the feedback received from stakeholders indicated that this funding is outdated and uncoordinated. Many other jurisdictions have made changes to their funding models to better reflect the socio-economic issues that communities and schools are struggling to deal with by looking to third-party data to assist in allocations through a prevalence-based approach.

When considering the factors that should influence a prevalence-based inclusive education funding supplement, the Panel observed that there is a population of students who require dedicated supports to achieve their educational outcomes. The supports for these students must be funded at a level that reflects the higher costs of providing services.

The next primary driver of lower educational outcomes is health-related issues, beyond those experienced by students with special needs. Ministry data also shows that being in care, or being in a less affluent neighbourhood, are primary indicators for lower 6-year graduation rates. In addition, educational outcomes are difficult to improve if a student does not have adequate language skills; the principle of inclusion requires that school districts be funded to help these students. The Panel recommends these elements form the prevalence-based component of the inclusive education funding supplement.

RECOMMENDATION 6

The Ministry should create a single Inclusive Education Supplement that incorporates all of the following:

- Supplemental Special Needs Funding;
- English/French Language Learning;
- Supplement for Vulnerable Students;
- CommunityLINK;
- Ready Set Learn;
- Supplemental Student Location Factor; and
- Funding currently in the Basic Allocation that was previously allocated to high incidence categories of special needs.

This single Inclusive Education Supplement should allocate funding through two components:

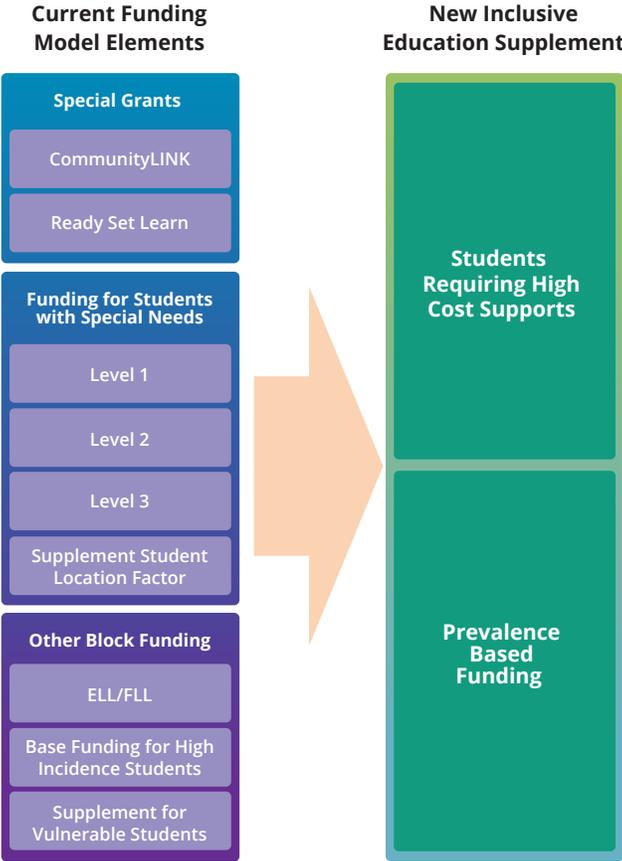
COMPONENT 1 – students requiring high-cost supports should be funded, and school districts should continue to report and claim these students to the Ministry for funding. Specifically:

- Funding eligibility criteria and the annual funding rate for students requiring high-cost supports should be developed and communicated by the Ministry, focusing on those students that are physically dependent and/or have needs that significantly impact the students' learning; and
- All funding claims in this category should be based on a medical diagnosis, and should be subject to compliance audits to verify that eligibility criteria have been met.

COMPONENT 2 – the remaining inclusive education funds should be allocated to school districts through a prevalence-based model, using a comprehensive range of third-party medical and socio-economic population data. Categories of data and weightings should be as follows:

- Health factors (50%)
- Children in care (20%)
- Income and Earnings (20%)
- English/French Language development (10%)

Figure 4. Unique Student Funding: Current vs New



Conseil scolaire francophone de la Colombie-Britannique

The Conseil scolaire francophone de la Colombie-Britannique (CSF), which provides services to francophone students throughout the province, presents special challenges for the unique school district and inclusive education features of the funding model. The CSF has the whole province as its “catchment area” and it offers services in 40 schools, each with different challenges related to factors such as climate, transportation and student population characteristics. The Panel recognizes the unique district and inclusive education features of the model outlined above are not easily applied to the CSF. The Ministry should consider utilizing the Technical Review Committee to address these unique issues.

RECOMMENDATION 7

The Ministry working with the Conseil scolaire francophone de la Colombie-Britannique (CSF), should develop a unique school district factor that recognizes the special characteristics of this province-wide school district, consistent with Recommendations 4, 5 and 6.

Classroom Enhancement Fund

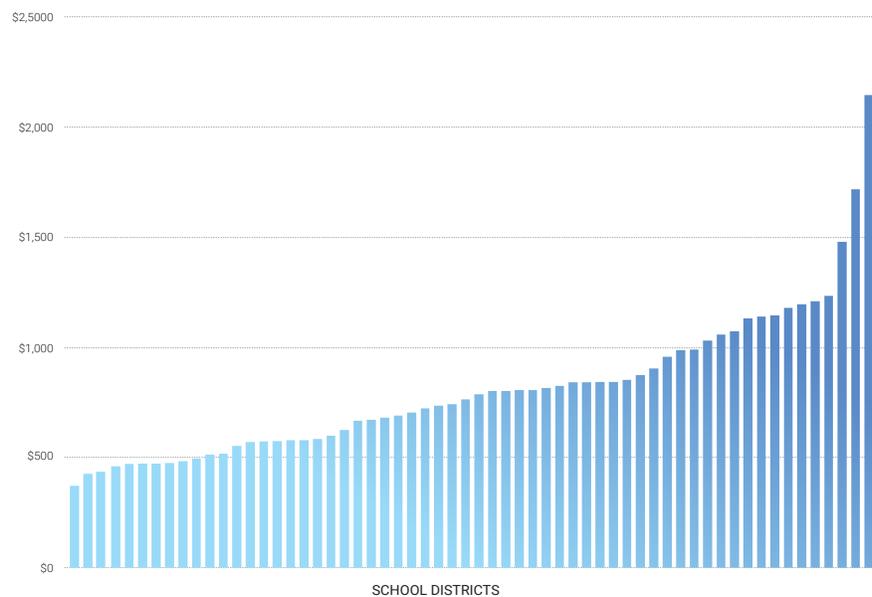
There are over 60 local collective agreements across the province between school districts and local teacher associations affiliated with the BC Teacher's Federation (BCTF), in addition to the Master agreement between the Province and the BCTF. This structure is rooted in the history of collective bargaining in the province.

In 2002, the Province passed legislation that removed class size and composition language from local collective agreements. In 2016, the Supreme Court of Canada ruled this legislation was unconstitutional and ordered the removed language be reinstated. This was done through a Memorandum of Agreement (MoA) between the Ministry of Education, the BC Public School Employers' Association and the BCTF, which implemented a framework within which the previously removed language was restored. The mechanism used by the Ministry to fund the MoA at the district level is the Classroom Enhancement Fund (CEF).

The restored language is unique for each school district thereby requiring the implementation of different class size and composition limits, as well as specialist teacher ratios, in each school district. The restored language is a source of frustration for many school districts, as are the changes enforced by the MoA, and the application and reporting requirements of CEF. While school districts welcome the additional resources provided by CEF, the prescriptive nature of the restored language means the resources provided by CEF may not be going to areas of highest need.

As an example, one school district has language in their teacher collective agreement that restricts the number and type of students with special needs that can be in a classroom at any one time, while a neighboring school district has no such restrictions.

Figure 5. 2017/18 Classroom Enhancement Fund Allocation per FTE



To manage this, the Ministry has introduced a highly administrative and complex, cost-based, funding process for the restored language through CEF, further complicated by the fact that government funding timelines and school district staffing timelines are not aligned. In order to ensure equity of educational opportunity, CEF should not exist in its current form and this funding should be part of regular operating grants for school districts. However, the restored language generates costs that cannot be avoided and differ from school district to school districts.

School districts also have different non-enrolling staffing ratios, which require different numbers of counsellors, librarians, learning assistance teachers and English Language Learning teachers. This means students in some school districts have access to greater supports than their counterparts in other school districts.

RECOMMENDATION 8

The Ministry should eliminate the Classroom Enhancement Fund and allocate this funding as part of school district operating grants. This will require negotiated changes to collective agreement provisions.

Main Funding Unit: Per-student vs. Course-based Funding

Determining the main unit of funding that underpins the model is a key decision point for Government, and is directly related to the issue of flexibility for Boards of Education and the curriculum and graduation program changes that are currently underway.

The current funding model utilizes student counts from grades K to 9, where one student equals one funding unit, with some flexibility in grades 8 and 9 where cross-enrolment occurs. Funding for grades 10 to 12 is course-based (eight courses equal one student FTE), and there is flexibility at the secondary level for students to take additional courses.

Course-based funding has some advantages. It recognizes the costs associated with offering students course choices and funds opportunities for those students who want to take more than the minimum required to graduate. It also encourages school districts to offer courses if there is student interest. However, school districts shared a range of challenges with the current approach, including:

- Smaller school districts sometimes struggle to offer a broad enough array of courses to maintain flexibility and choice for students;
- The definition of what constitutes a course under the redesigned curriculum and graduation program is changing, which is contributing to concerns about restrictive course-based funding eligibility policies and the need for greater flexibility when establishing programs; and
- It supports an artificial division between various modes of learning, such as Distributed Learning (DL) and 'bricks and mortar,' which should not exist in the context of broader efforts underway to create more blended and flexible learning opportunities for all students, based on their individual needs.

In BC, the number of FTE students and actual students are similar but there are some variations across school districts. There are a number of school districts that currently have average per-student course loads greater than eight courses (the number of courses that constitutes one student FTE), while others have fewer than eight courses on average per student.

Shifting to a per-student based model may result in some reallocation of funding between school districts, depending on the overall quantum of funding being provided to school districts and whether they are affected by broader changes to the funding model.

There was no consensus amongst stakeholders on whether per-student or course-based funding would be more desirable and the Panel explored a range of options from status quo, to per-student, to a hybrid approach. In general, funding based on student counts is considered less complex, more flexible, and aligns well with the objectives of learning transformation in BC. That being said, implementation of any changes should consider timelines associated with the implementation of the BC Graduation Program, which is set to be fully-implemented in the 2020/21 school year.

RECOMMENDATION 9

The Ministry should base funding allocations for school-age educational programming on the number of students, rather than on the number of courses being taken. The Ministry should phase out the current course-based funding model by the 2020/21 school year.

Distributed Learning

Distributed Learning options are available to students throughout the province and are an important option for students with limited opportunities available in either their schools or school districts. The Panel consistently heard from school districts that Distributed Learning (DL) in its current form is not working. Concerns about duplication of efforts, quality of programming, program delivery costs, and funding inequities were raised frequently by school district representatives. At the same time, quality, accessible DL programming is needed to support equity of educational opportunities for students, especially in rural areas of the province where course options are not always readily available.

It is clear that DL is being delivered differently across the province with some school districts operating their DL programs in a blended manner, focusing on students 'in-district', while others operate provincial programs for a variety of reasons including revenue generation. It is the course-based approach to funding at the secondary level that makes the latter approach possible. The future of DL programming needs to consider the educational changes underway within the sector, students' preferences with respect to when, where, and how they learn, and the need to ensure that all students have access to a quality educational program regardless of where they live.

RECOMMENDATION 10

With the shift to a per-student-based funding model, the Ministry should develop a new policy and program delivery model for Distributed Learning to ensure consistent access to quality programming for all students in the province.

Adult Learning, Continuing Education and Summer School

The K-12 public education system also provides services to adults interested in either completing their graduation or upgrading marks. These students are not typically full-time, so adopting a per-student based model for students who are taking a few courses would not make sense. Summer school provides an opportunity for students to complete courses or upgrade their marks for one or two courses, and is an important option for some students. Continuing to fund per course makes sense for these students as well.

RECOMMENDATION 11

Notwithstanding Recommendation 9, funding for the following programs should remain course-based:

- Graduated adults
- Non-graduated adults
- Continuing education (adult and school-age learners)
- Distributed learning (for adult learners only)
- Summer school (school-age learners)

THEME 2:
ACCOUNTABILITY

Boards of Education and senior school district staff value autonomy and while there is general agreement that the sector should be accountable, there is a range of perspectives amongst Boards and staff as to what they should be accountable for and to whom. Funding levels appear to be a key factor upon which many stakeholders judge the success of BC's K-12 public education system. The Panel's view is that greater focus needs to be placed on outcomes, with a more in-depth look at how students are doing and whether their learning needs are being met.

Accountability Framework

The Panel's view is that Boards of Education and the Ministry have a shared responsibility for student achievement and are also accountable to the public, but this is not clear to all stakeholders, and planning and reporting practices vary widely across the province. The 2016 Office of the Auditor General report, "Improving Budgeting and Expenditure Management in the Public Education System," highlighted the need for a robust accountability framework.

Prior to the 2015/16 school year there was a legislative requirement for Achievement Contracts and Reports on Student Achievement. With the removal of the legislative requirement, the Ministry has worked with school districts to create a more effective local accountability framework that provides flexibility and responsibility. The Framework for Enhancing Student Learning has not been fully implemented, is not completed by all school districts, and does not link the use of funding with accountability for student results.

In addition, the Compliance Audit Program, budgeting and financial reporting processes, special grant reporting and individual reporting from program areas, are not well-aligned; there is also a lack of overall focus on student outcomes.

The funding allocation model is only part of the picture when it comes to improving student outcomes. Even with the best funding model in place, student outcomes will not change if the use of that funding is not reviewed and monitored. Without the appropriate accountability mechanisms to accompany funding allocations, it will be difficult to make progress on educational transformation and improve student outcomes, especially for the groups of students whose outcomes lag compared to other students in the province.

RECOMMENDATION 12

The Ministry should establish a provincial accountability and reporting framework for the K-12 public education sector, including common principles and templates. This framework should have three to five broad, system-wide goals that are specific, measurable, and focused on student outcomes. The Ministry should monitor school district progress against these goals and work directly with school districts experiencing difficulty in meeting their objectives.

RECOMMENDATION 13

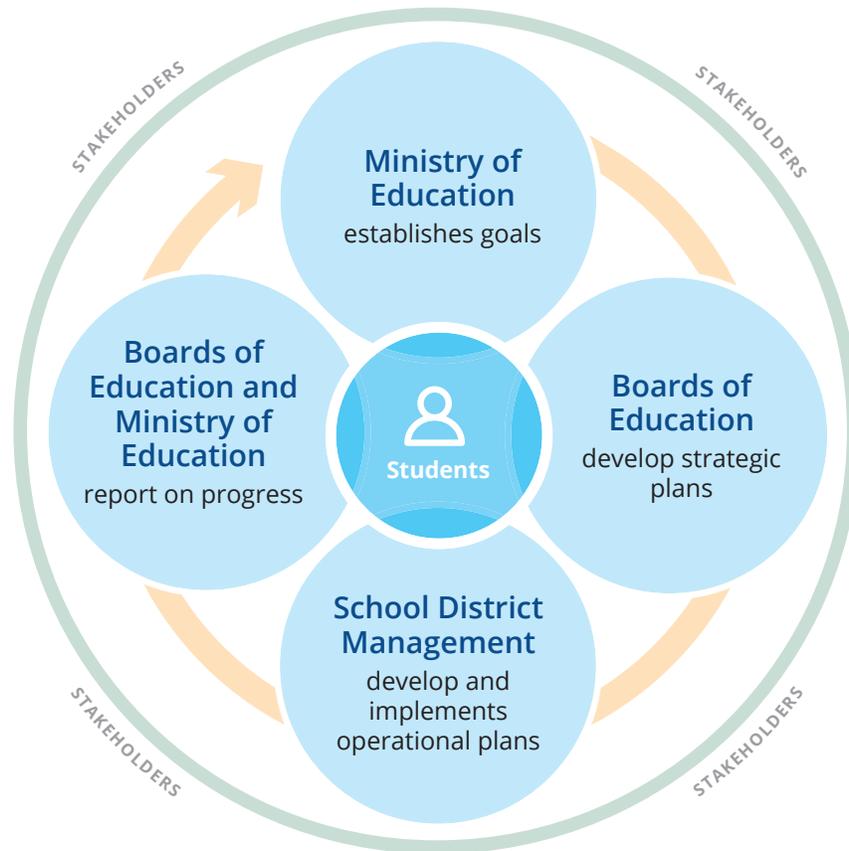
Boards of Education should be required to develop Strategic Plans that are based on the broad goals established by the Ministry, with flexibility to add additional goals based on local priorities.

RECOMMENDATION 14

As a critical component of good operational practice, Boards of Education should be required to strengthen their planning processes in the following ways:

- School district management should be required to develop operational plans to deliver on provincial and Board of Education goals across a range of areas (e.g. human resources, information technology, educational programs and services, facilities, finance).
- School district management should be required to issue a year-end report at the same time as their financial statements, describing results achieved and how resources were utilized.

Figure 6. K-12 Public Education Accountability Process



Compliance Audits

The Panel consistently heard about the current structure of the compliance audit program. While the program is a key financial accountability mechanism for the Ministry, it is viewed by many stakeholders - especially senior school district staff - as punitive and too focused on inputs. The scope of the current compliance audit program does not consider the quality of educational programming, how students are doing, or how the school district is being managed. The work of the compliance team could also provide an opportunity to share best practices across school districts and improve performance.

RECOMMENDATION 15

Consistent with the shift to supporting student improvement and learning, the Ministry should:

- Shift the focus of the Compliance Audit Program from purely financial to have a quality assurance emphasis that incorporates best practices-based recommendations regarding student outcomes, structure of programs and services, and overall management of school district operations.
- Defer the recovery of funding for one year, to allow school districts time to adopt compliance team recommendations. This one-year deferral would not be available if it is determined that there has been deliberate contravention of funding eligibility policies.

Governance and Capacity-Building

School districts have annual operating budgets ranging from \$6 million to over \$600 million and operate in complex environments. Demands on Boards of Education and school district management teams are increasing, further exacerbated by the fact that Superintendents and Secretary Treasurers are accountable to two parties: their Board of Education (directly), and to the Ministry of Education indirectly (Appendix J).

In this complex environment, highly competent local senior management teams are essential, and this needs to be coupled with clear, consistent, and forward-thinking leadership from the Ministry and provincial organizations. In order to achieve better outcomes for students, good governance - including financial governance - is required at all levels. Strong leadership by the Ministry, Boards of Education, and senior school district management is required to support continuous improvement in student outcomes, and ensure the public and stakeholders have confidence in the K-12 public education system.

Through the Panel's engagement process, it became clear there are gaps in the capacity of Boards of Education and school district management teams to govern and manage their operations. These gaps need to be addressed for the system to be successful in improving outcomes for students.

RECOMMENDATION 16

The Ministry should provide ongoing provincial leadership and support to help strengthen governance and management capacity at all leadership levels in school districts.

Recruitment and Retention

Virtually all stakeholders identified concerns or challenges dealing with recruitment and retention of qualified staff, including but not limited to, teachers. Specific challenges included the high cost of housing and/or lack of supply in some areas as well as lifestyle compatibility. Much of the current focus on this topic stems from the hiring of over 3,700 new teacher FTEs associated with the restored collective agreement language and enrolment growth. The Ministry has already initiated a workforce planning project looking at teacher supply, demographics and demand.

Many factors have an impact on recruitment and retention: remoteness, types of positions (i.e. specialist teacher opportunities), migration trends, the restored language, leadership and working environment, cost of living, compensation, retirements and leaves, and number of graduates from post-secondary programs. Some of these challenges are not new for the K-12 public education sector and the existing geographic funding does help alleviate some pressures in rural areas. Any solution to this issue needs to be evidence-based, consider long-term workforce trends, and incorporate both supply and demand data. As a result, changes to the funding model may not be the most effective approach to helping school districts manage these issues.

RECOMMENDATION 17

The Ministry should expand its workforce planning project and work with school districts to establish a provincial K-12 human capital plan.

THEME 3: FINANCIAL MANAGEMENT

The Panel's Terms of Reference focussed on funding allocation, however the quantum of funding was raised at every meeting with school districts. A number of financial management issues were identified that impact the ability of Boards of Education to manage resources and make decisions regarding services. The Auditor General of British Columbia has issued several reports on the build-up of reserves and large cash balances held by Boards of Education. The recommendations on financial management go hand in hand with the accountability recommendations in Theme 2 (page 27).

Funding Pressures

Many Boards of Education and school district staff expressed concern about the impact of inflationary and other cost pressures on educational service delivery, especially for those groups of students requiring additional assistance. The current funding model does not directly account for inflationary pressures. Some concern was expressed about managing the increasing costs of supplies, services (e.g. hydro, communications), and employee salaries and benefits. The least predictable cost types were identified to be weather-related, health-related, and those due to regulatory and policy changes from various levels of government.

While many stakeholders felt the overall quantum of funding was not enough, some indicated it was sufficient. While a review and recommendation on the total quantum of funding allocated to school districts was not part of the Panel's scope, failure to recognize these costs can impact the ability to deliver educational programs effectively. The burden of these cost pressures, if not funded, should be distributed to school districts in a way that protects the equity objective described in Theme 1 (page 17).

RECOMMENDATION 18

The Ministry should identify net cost pressures and new program expenditures and, as part of the annual provincial budgeting process, bring them forward to Treasury Board for consideration when the total quantum of public education funding is being set.

Funding Predictability

Basing the majority of funding on student FTEs (or per-student as recommended) provides a high degree of annual funding certainty, since enrolment changes are fairly predictable for most school districts. Boards of Education expressed a different perspective and do not believe the current system provides sufficient funding certainty to support local planning over multiple years. One of the root causes leading to uncertainty is that there is no direct alignment between the enrolment forecasts developed by the Ministry of Education and school districts, and the funding within the Provincial Budget and Fiscal Plan for the Ministry of Education. This discrepancy leads to some angst about possible funding reductions, or lack of funding for enrolment growth or other cost pressures in future years.

Government policy changes (provincial and federal) and new programs or initiatives, can have an impact on school district costs, especially when unanticipated or issued late in the budgeting process. Recent examples include changes to WorkSafeBC regulations, tax policy changes, utility rate increases and the introduction of the Student Transportation Fund late in the 2016 school year.

The costs and revenues associated with these changes are not always easy to manage, especially if a school district's annual budget has been finalized and staffing is already set. As school districts spend the vast majority of their budgets on staffing, the introduction of unexpected new costs can mean unanticipated reductions in staffing part way through the school year, which in turn impacts relationships between Boards of Education and their local stakeholders. The introduction of new funding part way through the school year may also limit school districts' ability to adequately plan spending and initiate (or expand) programming, potentially leading to unspent year-end funds and therefore operating surpluses. These concerns were expressed by Boards of Education throughout the regional meetings and in a number of written submissions.

RECOMMENDATION 19

To support multi-year financial planning:

- Government should issue three-year operating funding to Boards of Education, based on available funding and projected student enrolment; and
- School districts should be required to develop three-year financial plans.

Reserves

Throughout the engagement process, Boards of Education and school district staff noted the importance of being able to establish and maintain reserves, whether through accumulated operating surpluses or local capital accounts. On school district financial statements, reserves appear as part of overall cash balances, but are distinct in that these funds allow school districts to set aside operating funding over several years to pay for items such as technology upgrades, school district vehicle replacement, portables for enrolment growth, facility renovations, minor capital projects not funded by the Ministry, and to buffer against potential financial uncertainties.

In the *School Act*, Boards of Education are required to submit balanced budgets to the Ministry by June 30th of each year. This is before their actual student enrolment, and therefore funding, is known. Practically, this leads to many school districts having annual surpluses by year-end. School districts are permitted to use unspent operating funding from prior years when drafting their operating budgets, or use it in subsequent years for non-funded capital items such as school district vehicles, information technology and emergency capital needs (these are capital costs that school districts incur but not recognized in the funding formula). School districts also highlighted that government policy changes can impose unexpected costs such as the new Employer Health tax. Some level of reserves should be expected for the purposes of mitigating risk, particularly in the context of being legislatively required to table balanced budgets.

Overall reserve amounts have been increasing in recent years, and there is a growing concern from Government about operating funding for educational programming being provided but not used by school districts. Accumulated operating surpluses have increased by 45 percent from \$244.6 million at June 30, 2015 to a projected \$355.1 million at the end of the 2017/18 school year. As well, overall cash balances have increased by 11 percent from \$1.39 billion at June 30, 2015 to a projected \$1.54 billion at the end of the 2017/18 school year. Cash balances and accumulated operating surpluses have been the subject of a number of Special Advisor and Auditor General Reports on school district budgeting and financial management in recent years.

Reserves can be restricted for a specific purpose by Boards of Education or can remain unrestricted for future use. While some school districts have taken steps in recent years to improve reporting on reserve amounts, in many cases details on specific initiatives school districts are saving for and why, are limited. This has contributed to Government requiring that school district reserves be used as a funding source for some capital projects.

The Panel considered a number of options to deal with the concerns about the size of reserves, ranging from doing nothing to recommending that Government recoup the funds to ensure they are used to deliver education programs as intended.

The Panel's view is that establishing reserves can be a sign of good financial management. If school districts no longer had the ability to establish reserves and carry forward accumulated operating surpluses, then Government would bear greater financial risk when school districts experience financial difficulty. That being said, there is a great deal of variation across school districts in the total amount of reserves being held and in some cases the amounts may be too high, especially unrestricted amounts. As well, there is a lack of clarity and documentation in many school districts regarding which items and initiatives are being saved for and why, and how these relate to broader organizational goals.

RECOMMENDATION 20

The Ministry should establish clear provincial policies on reserves to ensure consistent and transparent reporting, while maintaining school districts' ability to establish reserves. Specifically, the Ministry should:

- Set clear provincial policies on what school districts may save for, directly related to their strategic plans;
- Establish an acceptable provincial range for unrestricted reserves, encompassing accumulated operating surpluses and local capital, which should be monitored and reported on (if required);
- Ensure that school districts have specific plans attached to each item or initiative when setting reserves, and provide clear reporting on how the funds were spent; and
- Work with school districts to transfer any overages beyond the approved threshold into a fund at the school district level, to be accessed only with Ministry approval.

Locally-Generated Revenues

Over the past decade, school districts' locally-generated revenues have increased by 18 percent or \$95 million, totalling \$595.7 million by the end of the 2016/17 school year. They accounted for over ten percent of total school district revenues in 2016/17. Most of this revenue is associated with international student programs in six school districts. There are also costs involved in operating these types of revenue-generating programs. For example, while gross 2016/17 revenue from international student tuition fees was \$240.6 million, the net revenue was \$106.3 million once instructional expenses have been considered. There are other expenses that school districts may incur to operate these programs.

While locally-generated revenues are an important source of income for many Boards of Education, a number of school districts highlighted the social benefit of BC resident students being exposed to different cultures, together with the benefit to the provincial treasury of international students. Further, school districts report they developed these programs to manage inflationary pressures during a period of relatively static funding from government. However, not all school districts have the same ability to generate revenues which can lead to inequities in the levels of services being provided to students across the province.

While there were some suggestions from stakeholders that these revenues should be equalized across school districts, overall there does not appear to be a great deal of support for this approach. The Panel considered a range of options from status quo, to grant adjustments by the Ministry, to introducing a mechanism within the model that would account for these revenues. However, the Panel concluded it does not make sense to penalize a select group of school districts for being entrepreneurial, especially given the amount of time and resources that have gone into establishing various local revenue-generating programs.

RECOMMENDATION 21

There should be no change in the way that locally-generated revenues are treated by the Ministry when calculating operating funding for school districts.

Capital Funding

Capital funding concerns were raised frequently throughout the Panel's engagement process, often as part of the conversation about setting and maintaining reserves. During the regional sessions, most Boards of Education and school district staff expressed the view that the provincially funded capital program was not keeping pace with facility needs. Fast growing and shrinking school districts, as well as growth neutral school districts, shared this perspective.

Growing school districts struggle with getting new space operational fast enough and have to address immediate space needs with portables in the short term, resulting in an additional operating cost. The cost of portables is not specifically funded in the current formula and most school districts with over-capacity issues have responded by creating reserves to manage this pressure. At the same time, many rural school districts struggle with the higher costs of operating older, inefficient buildings and 'right-sizing' their operations.

Over the past three school years, school districts have collectively spent an average of \$31.7 million annually in operating funding to purchase capital assets or capital leases, and transferred another \$42.1 million to their local capital account to save for future capital-related items and initiatives.³ These items are not directly covered either because they are not eligible for funding under an existing capital program funding stream or because not all items can be funded within a single year. School district vehicle purchases, portables, renovations and retrofits, as well as IT infrastructure, were common examples provided during the engagement process. IT infrastructure is an area of concern for many, particularly in the context of broader efforts underway to modernize the delivery of education in BC.

While out of scope for this review, capital-related issues and questions were raised so frequently during the engagement process that the Panel discussed a range of options to put forward for the Minister's consideration. Since school districts are using operating grants from the Province to fund capital expenditures rather than directly supporting educational services, this is an area that requires consideration in a review of the funding formula. There may be some merit in undertaking a separate review of the capital program to determine whether substantive changes are required, however, in the short-term, clarity of information for school districts would be helpful.

RECOMMENDATION 22

In the current absence of dedicated funding for some capital expenditures, the Ministry should either:

- a) Provide capital funding for expenditures that are currently not reflected in the capital program; **or**
- b) Clarify which items are ineligible for capital program funding and ensure school districts are permitted to establish appropriate reserves that allow them to save for these purchases on their own (i.e. accumulated operating surplus, local capital).

³ Note: these figures do not include capital assets purchased from school districts' local capital accounts, which averages at \$52.1 million annually over the past three years.

Going Forward

Given the significant impact funding has on school districts and their operations, it is important to recognize that Boards of Education are concerned about the outcome of the funding model review process. Many Boards have requested an in-depth involvement in the next stage of this process which includes more detailed modelling and the determination of individual school district allocations. Stakeholders want and need to be kept informed as this process continues. It is the Panel's view, however, that undertaking further, open-ended consultations on the recommendations themselves would result in significant delays in implementation and could undermine the original intent and purpose of the Panel's work. Instead, the Ministry may want to consider focusing consultation efforts on specific technical implementation issues.

Comprehensive modelling of allocations based on these recommendations and impacts at the school district level, together with the development of transitional materials, is required by the Ministry before the new funding model is implemented. The Panel expects the impacts at the school district level will be managed through thoughtful planning and phased implementation.

When implementing changes to the funding model, the Ministry should also ensure that no Board of Education is unreasonably affected by the changes. The Ministry should also take the time to explain the new model to all stakeholders, and after implementation, monitor for any unintended consequences, adjusting the model and/or providing transitional funding to mitigate any adverse effects. The Ministry is required by the *School Act* to announce preliminary school district allocations and overall funding amounts for the 2019/20 school year by March 15, 2019, and should consider these important factors when transitioning to the new funding model.

Consistent and timely communications, both internally within the Ministry and government, and externally to school districts and other partner groups, will be critical when implementing the new model. The Ministry will need to ensure that Boards of Education and school district leadership are briefed and educated on the new funding model, such that they can explain its key points to their own stakeholders.

The Ministry will need to pay particular attention to the impacts of the new funding model on independent school funding allocations, as well as federal government support for on-reserve schools, both of which are linked to school district level funding. Finally, the Ministry should conduct regular, comprehensive reviews, with the next review commencing by 2025.

Conclusion

Education, particularly the K-12 public system, is the foundation of our future. Curious, passionate learners who value diversity and become productive members of society are the graduates British Columbia needs. All British Columbians benefit from a great education system, and every student should have equity of educational opportunity to achieve their potential. Education funding allocations should support this aspirational goal.

Appendices

A. Current Funding Model

<h3>Basic Allocation</h3> <p>Common per student amount for every FTE student enrolled by school type</p>				
Standard School: per school age FTE	Alternate School: per school age FTE	Distributed Learning: per school age FTE	Continuing Education: per school age FTE	
<h3>Unique Student</h3> <p>Additional per student funding to address uniqueness of district enrolment and support additional programming</p>				
Level 1 Special Needs: per student	Level 2 Special Needs: per student	Level 3 Special Needs: per student	English/French Language Learning: per student	
Aboriginal Education: per student	Adult Education: per FTE	Vulnerable Students: in addition to CommunityLINK		
<h3>Unique District</h3> <p>Additional funding to address uniqueness of district factors</p>				
Small Community: for small schools located a distance away from the next nearest school	Low Enrolment: for districts with low total enrolment	Rural Factor: located some distance from Vancouver and the nearest large regional population centre	Climate Factor: operate schools in colder/ warmer climates additional heating or cooling requirements	Sparseness Factor: operate schools that are spread over a wide geographic area
Student Location Factor: based on population density of school communities	Supplemental Student Location: Level 1 and 2 special needs enrolment	Salary Differential: Funding to districts that have higher average educator salaries		
<h3>Funding Protection / Enrolment Decline</h3> <p>Additional funding to address uniqueness of district factors</p>				
Enrolment Decline: funding to districts experiencing enrolment decline of at least 1% when compared to the previous year		Funding Protection: funding to ensure that no district experiences a decline in operating grants greater than 1.5% when compared to the previous September		
CSF Supplement: district receives a 15% funding premium on allocated funding				

B. Public School Special Grants (2017/2018)

Special Grant	(\$M)	Purpose
Special Purpose Grants to be moved into Operating Funding		
Classroom Enhancement Fund	376.0	Funding to implement the Memorandum of Agreement with the BCTF that restores class size and composition language
Pay Equity	50.9	Negotiated fund to reduce pay differentials between traditionally male/female jobs
Community LINK	48.6	Funding to provide nutrition and support to vulnerable & disadvantaged students
Student Transportation Fund	14.8	Remove bus fees and improve transportation services for students
Graduated Adult Learning (Ed Guarantee)	4.1	Tuition-free courses for graduated adults – excludes impact of recent ABE announcement. Could be up to 16.3M
Rural Education Enhancement Fund	3.4	Funding for school districts facing school closures in rural communities
Ready Set Learn	2.8	Facilitates partnerships between schools, local community agencies and early childhood service providers
Remaining Special Purpose Grants		
Provincial Resource Programs	27.8	To assist districts to meet the educational needs of students in exceptional circumstances
Return of Administrative Savings	25.0	Return of savings that had previously been removed from the operating grant (obsolete in 2018/19)
Annual Facilities Grant (AFG)	23.5	To maintain facility assets through their anticipated economic life and prevent premature deterioration
Learning Improvement Fund (S115(2))	20.0	Negotiated fund to support challenging learning conditions in complex classes (CUPE)
Public Education Benefit Trust	19.4	Health and welfare trust providing employee benefits to unionized support staff
Official Languages in Education Protocol (OLEP)	12.0	Allocation of Federal Funds to support French language instruction
StrongStart Centres	10.4	Early learning programs in schools for a free, drop in early learning program for pre-school aged children accompanied by a parent
MyEDBC	5.9	Operating cost of the Student Information Service, MyEducation BC
Carbon Tax Reimbursement	4.8	Reimbursement of Carbon Tax on fuel used by districts
Leases	1.5	Capital leases for educational space where no district facilities currently exist
Education Resource Acquisition Consortium (ERAC)	0.7	Facilitates cooperation on purchases in order to generate financial savings

* Funding under S115(1)(a) of The School Act unless noted

C. Terms of Reference – Independent Review Panel

TERMS OF REFERENCE
INDEPENDENT REVIEW PANEL FOR THE
K-12 PUBLIC EDUCATION FUNDING ALLOCATION SYSTEM REVIEW
EXPECTED RESULTS FOR THE PERIOD
February 14, 2018 – August 31, 2018

Introduction

The Minister of Education, (the Minister) is the lead for the K-12 Public Education Funding Allocation System (FAS) Review as directed by Premier. The Minister has established a team of experts to complete an independent review of the FAS. Chris Trumpy has been appointed as Chair of the Independent Review Panel to the Minister of Education. The Chair and Panel Members (“the Panel”) will support the Minister in reviewing the current FAS to move BC’s public school system to a better, stable, and sustainable model. The Minister has appointed the following individuals on the Independent Review Panel:

- Philip Steenkamp, Vice-President, External Relations, UBC
- Kelly Pollack, Partner, Human Capital Strategies and former CEO of the Immigrant Employment Council of BC
- Lynda Minnabarriet, Secretary Treasurer, Gold Trail, SD74
- Flavia Coughlan, Secretary Treasurer, Maple Ridge-Pitt Meadows, SD42
- Piet Langstraat, Superintendent, Greater Victoria, SD61
- Angus Wilson, Superintendent, Mission, SD75

Major Duties

The specific duties of the Panel include:

1. Review and provide feedback on a discussion paper and supporting materials (based on information gathered through initial fall engagement process);
2. Chair and present the discussion paper at stakeholder events, including: regional technical working sessions, one-on-one meetings, and sector events (e.g. AGM, conferences) between early March and late May 2018, including regional travel where necessary;
3. Liaise with Ministry of Education communications department on media enquiries;
4. Work with key K-12 sector stakeholder groups as needed, to be identified in collaboration with Ministry of Education staff;
5. Work with Ministry of Education staff to gather appropriate data, analytics and research to support their deliberations on the discussion paper;
6. Work with Ministry staff to support the development and consideration of options;
7. Brief senior Ministry executive on engagement activities if/when required; and
8. Develop and present the Minister a final paper including recommendation(s) for the FAS.

The Superintendents and Secretary-Treasurers will participate as panel members throughout the review process and have agreed to designate a delegate for engagement sessions.

Scope of Activities

The following activities are considered ‘in scope’ for the Panel:

- Review of analytics pertaining to:
 - Perspectives and technical surveys;
 - Cross-jurisdictional research findings; and
 - Ministry data analytics and scenario modeling.
- Review of written stakeholder submissions and the Rural Education Report;
- Directing the work of Ministry of Education staff regarding data gathering, research, and scenario modelling;
- Facilitation of regional technical working sessions and other one-on-one meetings with stakeholder groups,
- Summarizing feedback from engagement sessions,;
- Developing options and recommendations for a new funding model and transition requirements, based on the issues and challenges identified in the discussion paper, feedback, and data/research provided;
- Briefing Ministry of Education Executive and/or the Minister of Education as needed;
- Maintain confidentiality of options and opinions deliberated during engagement; and
- Deliver a final report to the Minister.

The following activities are considered ‘out of scope’ for the Panel:

- Review the public K-12 funding quantum; and
- Review of capital and independent school funding information, except where there are implications for operating funding, as identified by the Ministry of Education.

Deliverables

The following deliverables are expected from the role of Chair:

1. Monthly status updates to the Minister of Education and Ministry of Education executive team.
2. Final report on the Funding Allocation System, including recommendations for the future.

Overview of Timelines	
February	<ul style="list-style-type: none"> • Minister announces Chair and Panel Members.
February - March	<ul style="list-style-type: none"> • The Chair to meet with Ministry staff for status update on the review and the functions of the Secretariat • Panel to hold initial meetings • Ministry to provide discussion paper from the fall consultation as well as supporting materials for review (e.g. Rural Engagement Strategy, written submission, etc.)
March – May	<ul style="list-style-type: none"> • Establish Stakeholder Engagement strategy: regional sessions, meetings with key stakeholder organizations, one-on-one meetings as requested by stakeholders, conferences, etc. • Ensure consultation requirements under TEFA are met • Panel members participate and facilitate engagement sessions, as needed • Stakeholder Engagement includes: regional sessions, meetings with key stakeholder organizations, conferences, etc.
June	<ul style="list-style-type: none"> • Panel Members provide input into draft paper including recommendations • Chair prepares draft paper including recommendations to Minister of Education
July	<ul style="list-style-type: none"> • Chair submits final report on behalf of Panel

Support

The Panel will be supported through an active relationship with Ministry of Education staff, which includes arranging meetings, providing data, analytics, and modelling, organizing travel, drafting documents, and assisting with communications.

Key contacts for the Panel within the Ministry of Education, Resource Management and Executive Financial Office, are as follows:

- Primary – Executive Director, Sector Resourcing and Service Delivery
- Secondary – Director, Funding and Allocation

All expenditures and resourcing requests must be routed through Ministry of Education staff and approved by the Ministry of Education unless otherwise specified by contract.

D. Funding Model Principles

Purpose

Ministry of Education and Boards of Education have shared accountability for student success within the BC K-12 public education sector, and the funding allocation system distributes available funding in an equitable manner that supports continuous improvement of student outcomes.

Principles

- 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.

These principles are to be included in the Funding Allocation System Manual and to be incorporated into a broader Financial Framework for Enhancing Student Success.

Details

- Responsive** Allocates resources amongst Boards of Education in consideration of unique local and provincial operational requirements
- Distribution of funding between Boards of Education should enable student success across the province;
 - Funding allocations should reflect individual school district operational requirements; and
 - Funding allocations should consider educational requirements established by the Ministry of Education, either provincially or for individual Boards of Education.
- Equitable** Facilitates access to comparable levels of educational services and opportunities for individual students across the province
- Allocations should help ensure that individual students have access to comparable types of programs and services, regardless of where they live;
 - Allocations should ensure that students requiring additional supports have access to services that further their educational success, regardless of where they live;
 - Allocations should support measured improvements to student success; and
 - Funding should be distributed consistently amongst districts, where there are provincial standards or programming required by the Ministry of Education.

Stable and Predictable

Supports strategic, multi-year planning for educational programming and school district operations

- a. Annual funding amounts are confirmed as early as possible to support the annual budgeting process;
- b. Where possible, future year funding forecasts are communicated to Boards of Education, to facilitate notional long-term planning; and
- c. Any major changes in the funding allocation model, or in the services that Boards of Education must provide, should contain an adjustment period and/or transitional funding arrangements.

Flexible

Respects the autonomy of, and does not unnecessarily restrict, individual Boards of Education in the spending of their allocations to further student success

- a. Enables Boards of Education to implement local approaches in delivering educational services to students;
- b. Spending restrictions placed on Boards of Education should be limited, except where required to meet provincial education requirements and/or good financial governance;
- c. Special grants should be exceptional and time-limited; and
- d. Boards of Education should be provided with an explanation of the intent and guiding principles behind any targeted or restricted funding.

Transparent

Is calculated using a clear and transparent methodology

- a. The allocation of funding by the Ministry should seek to be understandable both to those administering the funds and to the public, toward improved public confidence;
- b. The funding distribution model should be as simple and transparent as possible, without foregoing other principles; and
- c. There should be a clear understanding of when funds are general, special, or targeted, and of any associated reporting requirements.

Accountable

Allocates resources to Boards of Education in the most efficient manner, and ensures that resources provided are being utilized as intended

- a. The funding distribution model makes efficient use of the available funding envelope and recognizes that Boards of Education have a responsibility to use that funding in as effective a way as possible, for the benefit of individual students; and
- b. There should be clear reporting, both provincially and locally, on how funds are being allocated and spent.



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.¹ This includes significant increases in recent years among Indigenous students and students with special needs in recent years.² 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.³

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.

¹ 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.

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

³ 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

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.⁴ 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?⁵

⁴ 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

⁵ UNITED NATIONS DECLARATION ON THE RIGHTS OF INDIGENOUS PEOPLES (March 2008), United Nations, 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 before the end of April 2018.

F. Regional Working Sessions with Senior Leadership Teams

Regional Meetings		
Date	Location	Attendees (SDs)
2018-03-12	Nanaimo	SD62 (Sooke) SD64 (Gulf Islands) SD68 (Nanaimo-Ladysmith) SD69 (Qualicum) SD70 (Alberni) SD71 (Comox Valley) SD72 (Campbell River) SD79 (Cowichan Valley)
2018-03-16	Victoria	SD61 (Greater Victoria) SD62 (Sooke) SD63 (Saanich) SD84 (Vancouver Island West)
2018-04-05	Abbotsford	SD33 (Chilliwack) SD34 (Abbotsford) SD35 (Langley) SD42 (Maple Ridge - Pitt Meadows) SD49 (Central Coast) SD75 (Mission) SD78 (Fraser-Cascade)
2018-04-09	North Vancouver	SD39 (Vancouver) SD44 (North Vancouver) SD45 (West Vancouver) SD46 (Sunshine Coast) SD49 (Central Coast) SD82 (Coast Mountains)
2018-04-10	Burnaby	SD36 (Surrey) SD38 (Richmond) SD40 (New Westminster) SD41 (Burnaby) SD43 (Coquitlam) SD48 (Sea to Sky) SD93 (Conseil scolaire francophone de la Colombie-Britannique)
2018-04-13	Kamloops	SD58 (Nicola-Similkameen) SD73 (Kamloops/Thompson) SD74 (Gold Trail) SD83 (North Okanagan-Shuswap)

Date	Location	Attendees (SDs)
2018-04-16	Kelowna	SD19 (Revelstoke) SD22 (Vernon) SD23 (Central Okanagan) SD53 (Okanagan Similkameen) SD67 (Okanagan Skaha) SD83 (North Okanagan-Shuswap)
2018-04-24	Prince George	SD27 (Cariboo-Chilcotin) SD28 (Quesnel) SD57 (Prince George) SD59 (Peace River South) SD60 (Peace River North) SD91 (Nechako Lakes)
2018-04-26	Richmond	SD6 (Rocky Mountain) SD37 (Delta) SD47 (Powell River) SD50 (Haida Gwaii) SD52 (Prince Rupert) SD59 (Peace River South)
2018-04-30	Nelson	SD8 (Kootenay Lake) SD10 (Arrow Lakes) SD20 (Kootenay-Columbia) SD51 (Boundary)
2018-05-04	Smithers	SD54 (Bulkley Valley) SD82 (Coast Mountains) SD87 (Stikine) SD92 (Nisga'a)
2018-05-08	Victoria (Conference Call)	SD81 (Fort Nelson) SD85 (Vancouver Island North)

Independent Review Panel – Report Out on What We Heard From School Districts

Introduction

This paper provides a brief summary of what the Independent Review Panel (the Panel) has heard from school districts so far as part of the K-12 public education sector funding model review process. The Panel met with all 60 school districts between mid-March and early May 2018, through 10 face-to-face meetings and one teleconference meeting. This paper does not include feedback from stakeholder/partner meetings and it should not be read as the views or conclusions of the Panel.

Themes and Issues

Part I: Overarching Themes – Independence, Funding and Certainty

We have heard a range of different comments and suggestions on many specific issues, but also heard some consistent messages. Overall, it is clear that British Columbia is a large and diverse province, and the issues faced by individual school districts reflect this – growing or declining enrolment, recruitment and retention issues, access to services, weather, transportation, and facilities condition were identified in meetings as examples of challenges that vary significantly from district to district. For this reason, there is not a great deal of consensus amongst districts on the most pressing issues/challenges that need to be resolved.

In general, Boards of Education agreed that they:

- Do not want to lose funding through reallocation of existing funding or have a “win” at the expense of another district.
- Want the ability to plan for the future, which means some certainty of funding for several years.
- Are concerned that any move to performance-based funding would punish districts (and students) that need the support the most.
- Appreciate additional funding that shows up from the Ministry, but expressed frustration about the timing and administration of some grants. In the past, some special grants have come too late in the school year to be spent effectively.
- Believe that surpluses and cash balances are needed to deal with uncertainty and cover unfunded items.

However, there were some differences that we observed as well. Specifically:

- Some Boards of Education and school district staff have an in-depth understanding of the funding model and its reporting processes, while others do not.
- Boards and staff are protective of their independence, and there are a range of perspectives on how accountable they should be to the Ministry, ranging from not at all to fulsome.

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- Funding levels, which are outside of this Panel’s mandate, are an issue for many, but a few indicated that their current funding level is sufficient.

Part II: Specific Issues Identified

1. Special Education

Special education funding was a topic at all meetings. All school districts are committed to meeting the diverse learning needs of students despite a number of concerns expressed about how difficult and expensive it is to diagnose and report them to the Ministry, especially within the parameters of strict funding eligibility policies. Other issues identified included out of date linkages to collective agreement language; diagnoses that create expectations for service that may not be required to meet student learning needs; spending far in excess of supplemental funding; lack of access to specialists (especially for rural and remote districts); and some parental resistance to assessment due to concerns about labelling.

A number of districts suggested moving to a prevalence model based on the incidence of special needs in the population as an alternative to the current assessment and reporting-driven funding model. While concerns were raised about data sources, all agreed that this approach would reduce the administrative burden and provide districts with more time and resources to deliver services to students.

2. Collective Agreements

Each school district has its own collective agreement which includes different class size and composition limits. This is a source of frustration and is leading to service inequities across districts, and is being exacerbated by the implementation of the restored collective agreement language and the Classroom Enhancement Fund (CEF) process, which is complex, time consuming and has a high administrative burden.

3. Targeted Funding for Indigenous Students

A few school districts said that funding should not be targeted, while most said that the current model works well. Not all supports that are needed by students can be funded from the targeted funding in its current form.

4. Unique School District Features

Rural and remote school districts highlighted a number of characteristics that increase their operating costs, including the delivery of goods to remote locations, transporting students across expansive areas, accessing professional development or specialist services and higher utility costs. The requirement for a certain level of administrative support does not change with

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smaller schools. These examples were used to support continuation of the unique district feature of the current funding model.

As well, districts experiencing rapid enrolment growth or decline may require constant reorganization of school boundaries, putting significant pressure on school facilities as districts try to ‘right size’ their facilities and operations to match enrolment. Some districts commented that there should be more incentives for regional shared services.

5. Recruitment and Retention

Virtually all school districts cited challenges with recruitment and retention of staff. Barriers included high costs of housing in urban and metro areas and lifestyle in rural and remote districts. Specialist teachers are difficult to attract to small, rural, or remote districts. One-time grant funding provided to assist with recruitment and retention in rural districts has worked well.

6. Learning Transformation and Choice for Students

There was no agreement of whether funding by course or by individual student better supports the curriculum changes underway. On the one hand, per course funding can support student engagement, but smaller schools struggle to offer enough courses to maintain flexibility and choice for students under this approach. Some of the suggestions put forward included base funding up to a certain amount and per course funding over the base, or providing higher per course funding for secondary schools with smaller student populations.

The current model of funding distributed learning (DL) is not working for most school districts. There is an artificial division in the current model between ‘bricks-and-mortar’ and DL which should not exist, especially in the context of the new curriculum.

7. Community Use of Facilities

In many rural and remote school districts, schools are community resources, but there is no reimbursement of costs. In urban districts, there are more opportunities to recover costs.

8. Special Grants (outside of Operating Grants)

Government has provided school districts funding outside of operating grants to meet specific needs or requirements. There were a number of comments on these grant programs including:

- The CommunityLINK formula is out of date.
- The level of government support for the Strong Start program is not clear.

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- Provincial Resource Programs are insufficient, unpredictable, and the pre-existing programs may not align with new challenges that have emerged.
- REEF program was welcomed by school districts that use it, but those that had previously closed schools felt disadvantaged.
- Annual Facilities Grant does not meet the needs of many school districts, which means that they have to supplement this grant with surpluses to address facility maintenance issues, which can be costlier in the context of older and/or underutilized facilities.

The timing of these grants, which often come too late in the school year to use effectively, was also an issue for many districts.

9. Capital

Though out of scope for this review, most Boards of Education and school district staff expressed frustration with the capital program. In larger, faster-growing districts, new space is not coming online fast enough, while smaller, rural districts struggle with higher costs to operate older inefficient buildings, deferred maintenance, and ‘right-sizing’ their operations. All districts pointed out the need to use accumulated surpluses to deal with these and other capital issues – buying portables, undertaking renovations, and making minor capital purchases such as white fleet and IT infrastructure.

10. Funding Protection

School districts not in funding protection tended to criticize it. Their view is that it allows those districts to postpone the difficult decisions needed to ‘right size’ their operations. Districts in funding protection indicated that, although it has some design issues, it provides the means to continue to offer a reasonable level of service to students over time. One design issue highlighted was that, for districts coming out of funding protection it is difficult when overall enrolment continues to decline, but the number of students with special or additional needs increases without a resulting increase in funding to account for the higher cost of these students. It is also a challenge for districts coming out of funding protection if regular enrolment increases because there is no new funding for that either.

11. Locally-Generated Revenues

Locally-generated revenues are an important source of revenue for a number of school districts. However, not all districts have the same ability to generate revenues. While there were some suggestions for some sort of equalization to account for this, most districts felt that these revenues should remain outside the funding model.

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12. Compliance Audits

Ministry compliance audits, whether for special needs funding, enrolment or targeted grants were criticized by most school districts. They are not seen as a learning opportunity, were characterized as punitive and time consuming, and are sometimes viewed as a barrier to innovative education practice.

13. Implementation Issues

Two quite different perspectives were presented on implementing any changes to the funding formula. Some school districts were in favour of an immediate implementation, while others supported a phased approach over multiple years with assurances that no funding decreases would occur. Any changes to special education funding may require more focused consultation.

There was agreement that the funding model should be reviewed on a regular cycle.

14. Other Provincial Services Supporting Youth

Over time, school districts have had to deal with complex socio-economic issues such as poverty, mental health, and addictions. These issues can require additional social services and supports for students which are not always readily available in their community. Districts often step in to provide these services even though they are not directly within scope of their educational mandate and are not recognized in the current model. Some concerns were expressed about the offloading of services by other provincial Ministries on to districts. A number of districts asked for greater coordination between Ministries to support the increasing complexity of issues being dealt with in schools.

15. Accumulated Surpluses

School districts are protective of their annual and accumulated operating surpluses, noting that surpluses are needed to fund portables for enrolment growth, renovate facilities (funds often saved over multiple years), or pay for other minor capital items that are not funded through the capital program. Districts are also frustrated that they are expected to contribute to capital projects, as requested by Treasury Board.

16. Unpredictable Funding

A number of school districts felt that it was difficult to plan properly because of the lack of predictability in costs and/or funding. Specific examples cited include:

- Fluctuations in the salary differential supplement, which does not recognize all employee groups.

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- Changes in what gets funded from year to year (e.g. move from head count to per course, DL per-pupil not increased to recognize labour settlement costs, move to completion-based funding for graduated adults, etc.).
- Federal/Provincial changes to the cost base that are not specifically recognized (e.g. Employer Health Tax, Canada Pension Plan and EI premiums, exempt staff compensation, etc.).
- Administrative savings exercise, which meant cuts that impacted school districts and students.

Many districts were supportive of having three year rolling budgets.

Members of the Independent Review Panel:

- *Chris Trumpy (Chair)*
- *Philip Steenkamp*
- *Kelly Pollack*
- *Piet Langstraat*
- *Angus Wilson*
- *Flavia Coughlan*
- *Lynda Minnabarriet*

H. Education Partners and Stakeholder Meetings

Education Partners and Stakeholders – Conference Calls	
Date	Attendees
2018-05-16	BC Principals' and Vice Principals' Association
2018-05-16	BC Teachers' Federation
2018-05-17	BC Confederation of Parent Advisory Councils
2018-05-17	BC School Superintendents Association
2018-05-17	BC School Trustees Association
2018-05-17	First Nations Education Steering Committee
2018-05-22	Association of School Transportation Services of BC
2018-05-22	Group ABA Children's Society
2018-05-22	Gifted Children's Association of BC
2018-05-22	Peace River Regional District
2018-05-22	Rural Education Advisory Council
2018-05-29	BC Association of School Business Officials
2018-05-29	Canadian Union of Public Employees BC
2018-05-30	Department of Indigenous Services

I. Funding Model Review Submissions

Submissions Received from School District or Key Sector Partner/ Organization
Association of School Transportation Services of BC
BC Association of School Business Officials*
BC Confederation of Parent Advisory Councils*
BC Council of Administrators of Special Education
BC Distributed Learning Administrator's Association
BC Primary Teachers' Association
BC Principals' and Vice-Principals' Association
BC School District Continuing Education Directors Association
BC School Superintendents Association
BC School Trustees Association*
BC Teachers' Federation*
BCEdAccess
Bulkley Valley Teachers' Union
Burnaby Teachers' Association
Canadian Union of Public Employees BC
CM Finch School PAC
Coquitlam Teachers' Association
Dyslexia BC
Educational Facilities Managers Association
Federation of Independent School Associations
First Nations Education Steering Association
Gifted Children's Association of BC
Group of Greater Vancouver Area Teachers
Nanaimo District Teachers' Association
Parent Advocacy Network for Public Education*
Peace River Regional District
Powell River District Teachers' Association
Prince Rupert District PAC
Prince Rupert District Teachers' Union
Rural Education Advisory Committee
SD5 (Southeast Kootenay)
SD8 (Kootenay Lake)

Submissions Received from School District or Key Sector Partner/ Organization
SD10 (Arrow Lakes)
SD19 (Revelstoke)
SD27 (Cariboo-Chilcotin)
SD28 (Quesnel)
SD34 (Abbotsford)
SD37 (Delta)
SD40 (New Westminster)
SD41 (Burnaby)
SD42 (Maple Ridge-Pitt Meadows)
SD43 (Coquitlam)
SD44 (North Vancouver)
SD46 (Sunshine Coast)*
SD57 (Prince George)
SD60 (Peace River North)
SD61 (Greater Victoria)
SD62 (Sooke)
SD63 (Saanich)
SD64 (Gulf Islands)
SD71 (Comox Valley)
SD74 (Gold Trail)
SD78 (Fraser Cascade)
SD79 (Cowichan Valley)
SD93 (Conseil scolaire francophone de la Colombie-Britannique)
South Island Partnership
South Park Family School PAC
Surrey District PAC
Uplands School PAC
Vancouver Elementary School Teachers' Association
Vancouver Island North Teachers' Association
Vancouver Secondary Teachers' Association

*Indicates that the organization provided more than one submission

Note: Where permission was received, submissions were posted to the BC Ministry of Education website

J. Governance

BC's education system is governed by legislation and regulations and the roles and responsibilities of the Ministry of Education and the Boards of Education are outlined in the *School Act*. The Minister's powers and duties, under section 168 of the *School Act*, include:

- advising on the provincial budget for education and allocating budgetary resources to Boards of Education;
- determining general requirements for graduation;
- determining the general nature of, and assessing the effectiveness of educational programs;
- preparing a process for measuring individual student performance; and
- approving educational resource materials in support of educational programs.

Under Section 85 of the *School Act*, Boards of Education have powers, functions and duties, including but not limited to:

- determining local policy for operating schools in the school district;
- making rules about student suspension and attendance;
- setting policies for the operation, administration and management of schools and transportation equipment operated by the board; and
- developing and offering local programs for use in schools in the school district.

Within the K-12 public education school system, the Superintendents and Secretary Treasurers are responsible for the operational decisions of the school districts and have key and distinct roles and responsibilities.

Under Section 22 of the *School Act*, the Superintendent of Schools, under the general supervision of the Board, has general supervision and direction over the educational staff employed by the board of that school district. The Superintendent is responsible to the board, for improvement of student achievement in that school district, for the general organization, administration, supervision and evaluation of all educational programs provided by the Board, and for the operation of schools in the school district, and must perform other duties set out in the regulations.

The Superintendent of Schools assists in making the *School Act* and regulations effective and in carrying out a system of education in conformity with the orders of the minister, advises and assists the Board in exercising its powers and duties under the *School Act*, investigates matters as required by the minister and after due investigation submits a report to him or her, and performs those duties assigned by the Board,

Under Section 23 of the *School Act*, the Secretary Treasurer is the Board's corporate financial officer and must perform those duties set out in the regulations.



**Improving
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Model Review Panel
2018