



BC ASSOCIATION of SCHOOL BUSINESS OFFICIALS

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April 23, 2018

Chris Trumpy, Chair
Independent Review Panel

Dear Chris Trumpy,

Please find the attached discussion paper as BC Association of School Business Officials' (BCASBO) input into the K-12 Funding Model Review.

BCASBO applauds the efforts of the BC Ministry of Education in taking on the challenging task of reviewing and re-engineering the funding model for our provincial education system. We fully support the work of the Independent Review Panel and stand ready to assist as needed.

In this paper we have concentrated on changes that we believe can:

1. Contribute, in a positive way, to a more robust, responsive and transparent funding model.
2. **Be relatively easily implemented in a reasonably short timeframe.**
3. Allow the Ministry to adjust funding allocations in a proactive way in response to changing student and system needs, rather than based on rigid categories and formulas.
4. Retain elements that assure a base education and a common, minimum level of service for all districts, regardless of size or location.
5. Significantly improve the ability of districts to engage in consultation and longer-term planning, thereby better meeting the needs of students and their communities.
6. **Provide for an appropriate model of accountability at all levels of the system.**
7. Continue to support local efforts to generate revenues to enhance their service to students and the community.

The data and analysis provided in this paper led to a list of recommendations on behalf of BCASBO members. These recommendations can be found in the Executive Summary on page two.

One of the great strengths of the BC Education system is that leaders at all levels of the sector – business leaders, educational leaders, elected Trustees and the Ministry – all agree that the primary goal of the system is to meet the needs of students for a high-quality education. The future prosperity of the province and the future success of its children depend on how well we do our jobs and how responsive the system is to the common needs of our teachers and students, as well as the unique needs of certain groups within those populations.

BCASBO is prepared to assist the Panel, the Ministry of Education and other stakeholder groups in defining and implementing a modernized funding model that helps us all better meet student needs. Thank you for this opportunity to express the views of the BCASBO membership.

Sincerely,

A handwritten signature in black ink that reads "P. Dundas". The signature is written in a cursive, flowing style.

Patti Dundas, President

CC: Gordon Swan, President BCSTA
Tom Longridge, President BCSSA
Kevin Reimer, President BCPVPA
Scott MacDonald, Deputy Minister
Reg Bawa, Assistant Deputy Minister



BC ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

Discussion Paper

BC K-12 Funding Model Review

Submitted to the Independent Review Panel
April 2018

BC Association of School Business Officials
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1 EXECUTIVE SUMMARY:

For more than a decade, the emphasis with education funding has been on affordability and overall per pupil funding rather than on what services are needed to serve students and the cost of those services. This has resulted in annual adjustments to the Funding Allocation System without transparency, without an understanding of the impact on services and without consideration for the amount of resources needed to meet expected student outcomes.

BCASBO believes that this Funding Model Review is an opportunity for government to restructure the system and establish:

- A level of funding that sustains services in the sector and provides for an appropriate investment in student success;
- An allocation system which is predicable, transparent and understandable;
- A system which allows for the flexibility to meet student, parent and community needs in all 60 school districts; and,
- A compatible financial reporting structure that provides appropriate accountability for funding, spending and student outcomes.

The Association supports the conclusions of the recent report of the OECD, *The Funding of School Education - Connecting Resources and Learning*, which indicated:

- *Well designed funding policies are crucial to achieve quality, equity and efficiency in school education;*
- *An equitable distribution of funding requires that both horizontal (similar resources to like schools/districts) and vertical (different resources to different student groups) equity are recognized;*
- *Funding formulas should be transparent and efficient in the allocation of funding; and,*
- *There is often a trade-off between simplicity and transparency on one hand and accuracy and fairness on the other.*

The Association believes that the overall funding and financial reporting system should recognize that:

- Boards of Education are elected by local communities to provide educational programming and they should have the autonomy to make the most efficient and effective use of the resources available;
- The timing of provision of grants by government should allow adequate time for boards to consult with local communities and to engage in planning activities based on community feedback;
- Provincial policy should guide best practice;
- Financial reporting and educational indicators should provide the accountability mechanisms; and,
- The funding system should be transparent, understandable and allow for local estimation of grant allocations.

On the issue of ***district retention of operating surpluses and local capital reserve balances***, it is important to acknowledge the existence of local taxation for education. This tax

is collected by the province but is provided by the local taxpayer as a contribution to K-12 education. For this reason, districts have historically been permitted to carry forward local operating surpluses and local capital reserve accounts. BCASBO believes strongly that this practice should continue. These funds allow districts to plan longer term, purchase essential equipment, fund unanticipated operating expenditures and complete building improvements not funded by provincial grants or capital programs. These reserves allow for a more stable public education system.

1.1 SUMMARY OF BCASBO RECOMMENDATIONS

Following a careful review of the Ministry of Education's Funding Model Review Discussion Paper 2018 and consultation with our members, BCASBO respectfully submits the following recommendations to the Review Panel:

- 1.** Retain the core per pupil funding as an appropriate mechanism to recognize the base educational service costs and expectations for all students across the province.
- 2.** Retain autonomy for Boards of Education to effectively utilize available resources to provide for student needs.
- 3.** Ensure that the funding allocations provide equitable access to educational services throughout the province, whether districts are urban or rural, large or small, or have growing, declining or static enrolment.
- 4.** Establish base per-school and/or per-district funding amounts for special education to ensure that rural districts and districts, rural or urban, where enrolment is dispersed in a greater number of schools have the capacity for a basic level of services.
- 5.** Establish funding for students with special needs on an educational needs basis rather than utilizing categories. Reduce the existing need for assessment for audit purposes.
- 6.** Retain the target for aboriginal education funding.
- 7.** Establish a policy to recognize pressures on districts for the following costs:
 - Provincial collective agreements
 - Provincially mandated changes to services
 - Federally and Provincially imposed tax burdens
 - Employee benefit premium rate changes
 - Compensation increases within government policies

- 8.** Establish a policy on provision of resources to fund cost pressures that utilizes:
 - A common per-pupil formula where all districts will implement the same service and where geographic adjustments in the funding model cover the differences in costs, and
 - Special calculations where government determines that a common average formula will not distribute funding to each district in a manner that covers costs.
- 9.** Establish a method to fund community expectations, with consideration of how other ministries and local governments could appropriately support these expectations.
- 10.** Retain the current accountability reporting rather than utilizing the funding system to direct behaviour. Develop the capacity to relate inputs into educational services to student outcomes. The research could be done as part of the Pan Canadian Project under the Council of Ministers of Education, Canada (CMEC).
- 11.** Retain a mechanism to temper the effect of enrolment decline on districts.
- 12.** Establish a mechanism to temper the effect of significant enrolment increases.
- 13.** Establish timelines for grant announcements that allow districts adequate time for consultation. Alternatively, provide an estimator that allows districts to calculate grants based on known factors, without the need to rely on government for specific information such as provincial average teacher salary.
- 14.** Establish a policy that permits Boards of Education to continue to retain and accumulate operating reserves. This will allow for long-term planning and the ability to fund unexpected costs without disruption to the classroom. Reporting of the sources of the funds in the reserves and the planned use of these reserves should be done on a regular basis.
- 15.** Retain a policy that supports districts in pursuing local revenue generation. Including local revenues as factors in provincial grant allocations acts as a disincentive to pursue these revenues. By extension, that reduces overall services to students. If the goal of the system is to do everything possible to improve student outcomes and better meet the needs of all students, imposing disincentives for local ingenuity and effort is counterintuitive and does not serve students.

2 OVERALL FUNDING SYSTEM

2.1 EXPECTATIONS AND AVAILABLE FUNDING

It is difficult to provide advice about allocation of funds without a discussion of the overall amount of funding available and how that amount is determined. The determination by government of the amount of funding made available must recognize a number of important factors.

Internal Factors

- The ability of the province to fund public education
- Enrolment fluctuations both within and between districts, through either growth or decline
- The cost of providing a basic education and meeting the instructional needs of learners
- The expectations of public education to meet both student learning and community needs
 - Student needs include, but are not limited to, the following:
 - A solid and supportive K-12 education with a variety of course offerings leading to graduation and the ability to make post secondary choices
 - Quality teaching
 - Special education services
 - Supports early learning
 - Mental health resources and supports
 - Career counselling
- Expectations for schools to provide social and citizenship development
- The need to provide clean, healthy and safe school environments

External Factors

- Community expectations of schools
- Community use of school facilities
- Child care facilities
- Crossing Guards, busing and safe routes to and from school
- Expectations by government and the larger community that many social services be provided in schools, including health (e.g. vaccinations), social services (food programs, counselling, settlement services), driver education
- Use of fields and playgrounds for parks, sports, and green spaces

While many of these services are provided by or in schools, the education budget cannot, realistically, continue to fund all of them. While needs and expectations continue to grow, the contributions of other Ministries and organizations have been steadily decreasing over time. Balancing all of these needs can place an additional burden in allocating available funding and it may be time to consider:

- whether the provincial education budget should fund all of these community expectations, or

- whether other sources of funding should contribute to these costs.

One report that looked broadly at these issues, and at the education sector as a whole, was Don Wright’s 2003 report on Teacher Collective Bargaining. In it, Wright stated:

Education is one of those services that our society has decided should be provided primarily through the public sector. There are a number of interrelated reasons for this - a belief that a well-educated population benefits society as a whole, a belief that every child deserves as equal an opportunity as possible regardless of his or her parent(s) ability to pay for a high-quality education, and a belief in the importance of developing common understandings, values and a shared sense of citizenship.

Wright articulated the need to view funding practices from a number of different perspectives when deciding if we spend enough on public education in BC. Specifically, he noted the need to evaluate current funding practices:

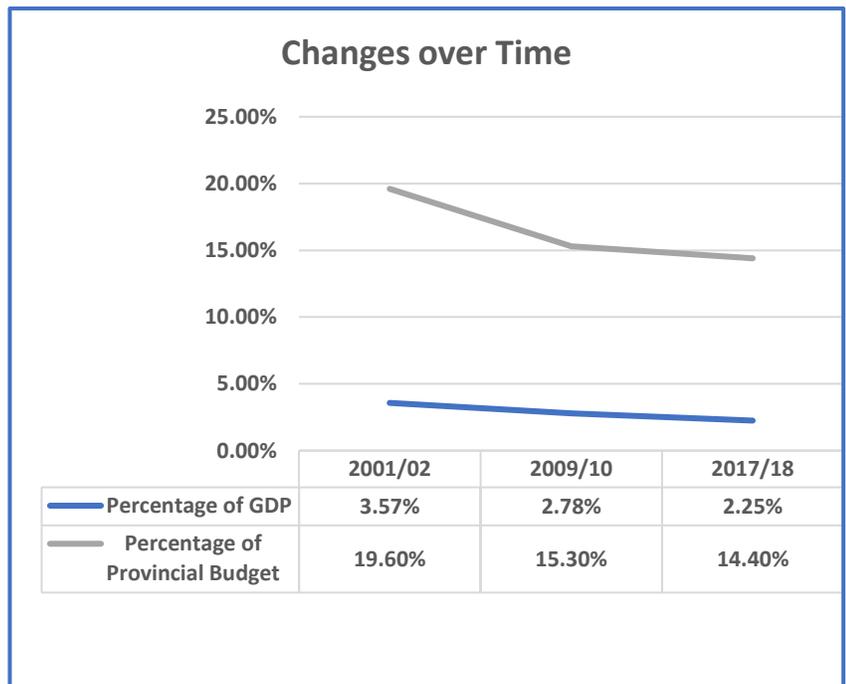
- Relative to what we have historically spent
- Relative to the overall wealth of BC
- Relative to funding practices in other jurisdictions

More importantly, Wright stated that the public needs to be able to “*follow the money and hold government accountable and be transparent.*”

We have updated Wright’s 2003 comparisons of education funding in BC as a percentage of GDP and as a percentage of the Provincial Budget. These comparisons clearly demonstrate that we have reduced education spending in BC over time. Specifically, from 2001 to 2018: education spending:

- Fell from 3.57% to 2.25% as a percentage of GDP, and
- Fell from 19.6% to 14.4% as a percentage of the provincial budget.

When comparing BC education spending with Canada as a whole, the Fraser Institute’s *Education Spending and Public Student Enrolment in Canada*, 2017 Edition stated that:



Between 2005 and 2014-15, the increase in per student spending in public schools across Canada, after accounting for the effects of price changes, was 22.3%, moving from \$10,339 to \$12,646 per student. For the same period in BC, per student spending increased from \$10,249 to \$11,216 or 14%.

Unrecognized Cost Pressures

Another important factor in this analysis is the impact of largely unrecognized **cost pressures**. Based on its tracking and analysis of cost pressures over time, BCASBO discovered that the sector has absorbed cost pressures totalling over \$400 million and therefore has not had the resources to sustain services at a consistent level. BCASBO tracks cost pressures annually. Over time, the net unfunded cost pressures since 2000, by category, are:

Net Unfunded Cost Pressures	
Wages and Employee Benefits	\$229,030,523
GST and Student Information	58,026,639
Utilities, NGN, Inflation	131,455,149
Total Unfunded since 2000	\$418,512,311

2.2 LONGER TERM PLANNING AND CONSULTATION

Provincial grants constitute 92 percent of school district revenues and while the Operating Grants Manual will list three years of grant totals, only the Year 1 grant amounts can be used for planning. Year 2 and 3 grants are also shown at Year 1 levels. This reduces the real ability of districts to plan and consult for a number of reasons:

1. Inadequate Time for Consultation on Annual Budgets

Currently, grant allocations are provided annually on March 15th and for many Boards of Education, budgets must be determined by April 30th for staffing purposes. This short timeframe allows very limited opportunity for Boards to consult with their communities and stakeholder groups on budgeting priorities.

2. Inability to Forecast Revenues Limits Longer-Term Planning

When grant funding is announced one year at a time and only during the active budgeting time period for the next fiscal year, it is difficult for Boards to plan beyond the immediate future.

3. Bad Press, More Stress

The short timeframe between the budget announcement and budget approvals causes Boards to first discuss new cost pressures and what services must be reduced to balance the budget. This creates an unnecessary “churn” in the community, negative media coverage, and a lack of common messaging between the province and Boards. This contributes little to the integrity of the budgeting process. More importantly, it wastes time, creates unnecessary stress and generates negative press for Boards and the Ministry. Having a longer-term picture of grant funding and the capability to forecast revenues would provide time for appropriate consultation and planning.

4. Inability to Estimate Grants Causes Uncertainty for the Amended Budgets

Staffing decisions within Districts are made throughout the fall in order to meet emerging student needs. Because of their inability to estimate accurate grants, district financial staff are limited in their ability to provide a complete picture of the availability of resources with a

comprehensive and reliable estimate. Factors that require provincial information such as average teacher salary or release of hold back amounts are difficult for districts to estimate.

3 FUNDING AND ACCOUNTABILITY DISCUSSION

3.1 STUDENT SUCCESS

The sector uses a variety of indicators to measure student success: completion rates, transitions into and out of the system, student satisfaction and preparedness surveys, and results in standard assessment tools, both provincially and internationally. These measures currently indicate that BC students are doing well.

Research indicates that resources for student success include *financial resources*, *physical resources* such as school buildings and equipment, school size and location and *human resources* such as the teachers, school leaders and education administrators. All need to be effective for improving student outcomes. Within this context, a number of critical questions must be addressed:

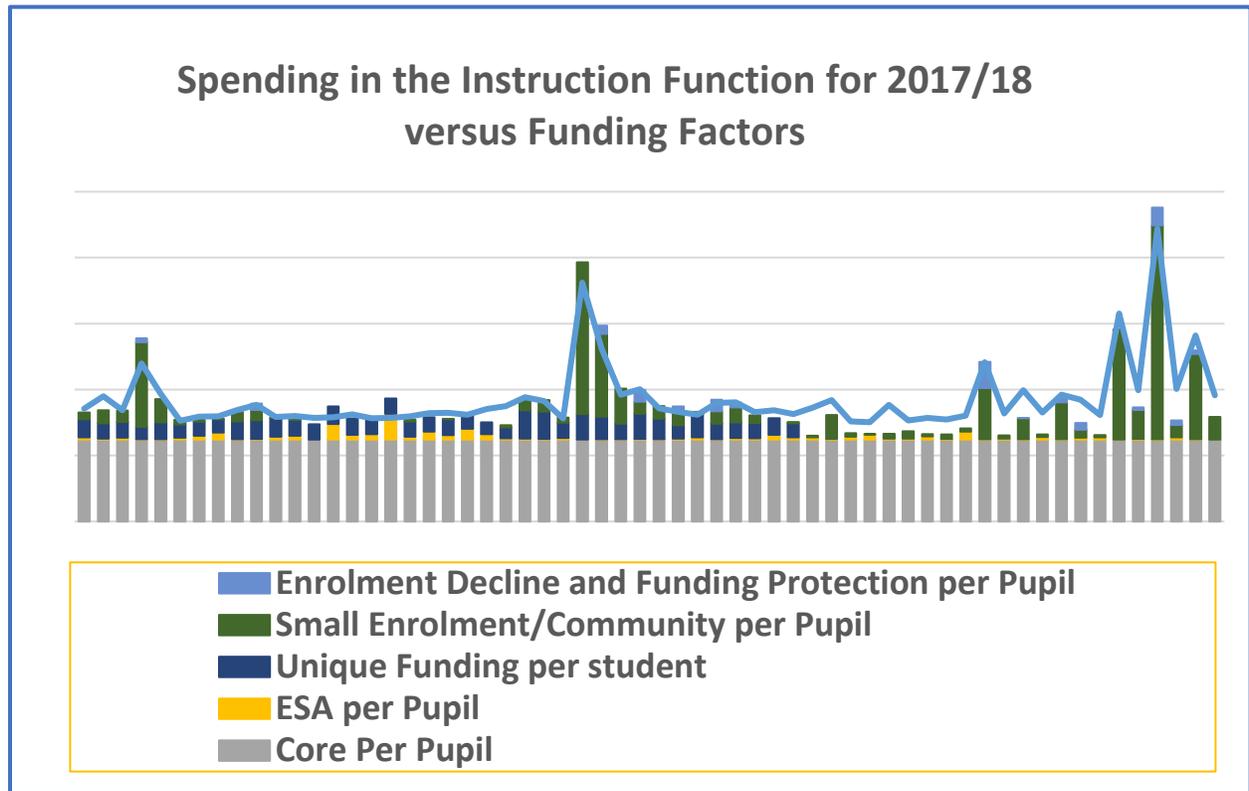
1. What is the funding level required for a basic education?
2. What funding level is required to sustain present outcomes?
3. What additional investments need to be made to improve student achievement?
4. How do we ensure that this is supported at an equitable level throughout the province?

The current core per pupil is intended to fund both instructional services and overhead services such as administration, facilities maintenance, cleaning and utilities.

The chart on page 8 demonstrates that the current system addresses the funding needs for a basic education through the core per pupil (Question 1 above.). Additional funding factors designed to address the goal of equity throughout the province at least partially meet that need. (Question 4 above.) But while the core per pupil reflects the base educational program and the additional funding factors partially address equity, the current system does not address Questions 2 and 3 above. There really is nothing in the current funding model that ensures districts can sustain present student outcomes, nor is there anything to directly support an improvement in student achievement.

The new funding model needs to address these gaps in tangible and measurable ways. There are diverse opinions about how this can be achieved and that is as it should be. During BCASBO's consultation with members, one BCASBO member suggested that the province establish differential funding for elementary versus secondary students. Under that model, secondary students would be funded on a course base-plus model, with full funding for grades 8-9, minimal base funding of .5 FTE for grades 10-12, and a prorated FTE for each additional course. Elementary students would be funded by headcount with a school base. The suggestion was that this method best reflects actual fixed plus variable costs and provides support for standard levels of services in all schools. Is this the solution? Maybe. Maybe not. However, these kinds of creative solutions, whether proposed by a BCASBO member or some

other stakeholder, do merit consideration if for no other reason than that they encourage us, as a system, to think outside the box.



Accountability for Student Outcomes

British Columbia has over 550,000 students and 1,574 schools spread across a large geographic area. It also has limited resources for public education. A significant challenge arises when trying to create and manage a funding system that:

- addresses the diversity and complexity in the sector, or
- prioritizes those factors which will provide the best outcomes for individual students, or
- ideally, accomplishes both.

In reviewing the funding model, we should consider this statement made by Michael Fullan and Andy Hargreaves in the Learning Forward Call to Action in 2016:

*“The accountability for student outcomes must come from first funding education services in an equitable and transparent system, good planning by boards, effective leadership at both the district and school level, quality teaching with good professional learning and then investment into what we know improves student **achievement.**”*

The data and analysis provided to districts to enhance student learning has never been better than it is today. Coupled with the new Financial Health Working Group’s recommendations on reporting on educational spending, we have the necessary pieces to accomplish and assess the desired outcomes and to pinpoint responsibility for those outcomes.

BCASBO supports a funding model that is based on meeting student needs and that focuses on the appropriate use of resources to optimize student outcomes.

The OECD report entitled “Funding of School Education: Connecting Resources and Learning, 2017” outlines the evaluation of the use of school funding as part of a process of financial reporting, internal management and control, external audits and individual performance management. The effectiveness depends on reliable data and information management. *Rather than focusing on compliance, the systems should develop capacity to relate inputs to associated educational process and outcomes (pg. 16).*

3.2 Equitable Support of Special Programs

The current funding allocation system *does* recognize different student needs but the way in which that funding is allocated to districts, as an average per pupil amount, presents a number of challenges:

1. There is a wide range of special needs and a correspondingly wide range in the level of service needed by individual students.
2. Where there is a large number of students with different needs in a district, the “average per pupil amount” can be closer to the actual cost of serving students as the needs of these student will, in many cases, average out. For smaller enrolment districts, it is not as simple. In these districts, average cost may not be reflective of actual service needs and the average per pupil amount may not sufficiently cover the services required. The rural education review also found a lack of specialist services and travel times frequently cause waits for assessment services and the delayed provision of appropriate services for students.
3. The funding system does not recognize that all schools and districts require a basic level of services to appropriately assess and manage services for students with differing needs.

The gap between funding and the cost of providing special education services is ever widening. At the same time, the expectations of parents and the community increase, while districts report that financial support from other agencies such as the Ministry of Children and Family Development have been significantly reduced or eliminated. At the confluence of these changes, our school districts are faced with escalating financial burdens as they seek to meet the needs of these students.

A BCASBO review of school district funding shows districts spend on average 25.85% more on special education than funding provided.

In its submission to the Funding Model Review Panel (February, 2018), BC CASE recommended maintaining a supplemental funding model but moving to a needs-based framework, as described here:

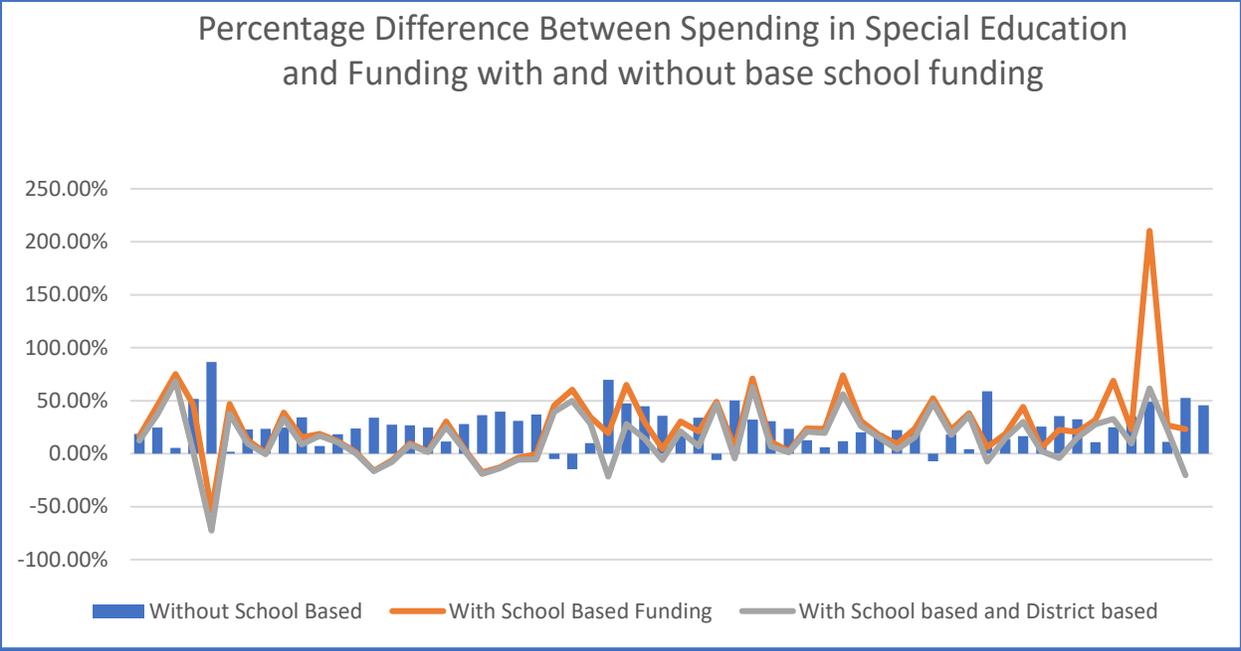
“Consider a “modernization” of the existing funding model to best align service delivery with the needs of students in all domains. Continue with supplemental funding for students with significantly diverse needs but move to a needs-based supplemental funding structure where there are definitive criteria for identification based on demonstrated student need for support and intervention.

This would allow the province to move away from supplemental funding based on a medical, diagnostically driven, categorical model, to a more inclusive model, based on demonstrated educational need and adaptive functioning within a provincially developed framework. It would move the discussion away from labels and categories to a focus on how the student can more effectively access learning environments, curriculum, appropriate social experiences and health supports. It would also provide a means to address the increasing demands and responsibilities placed on school districts for the provision of medical services, specialized equipment and maintenance, and specialized health assessments and maintain “targeted” funding to our most vulnerable students, while at the same time containing the number of students formally identified as requiring supplemental funding. (page 4)

BCASBO believes that an appropriate funding model response to the challenges outlined above includes the following:

1. Funding should ideally be based on *student needs* and the *severity* of those needs, rather than categories. An example would be two students, both classified as having hearing impairments, but with profoundly different support needs. One may thrive with the use of hearing aids and some specialist teacher support, while the other may need a full-time interpreter. Funding based on needs would result in these two students being funded at appropriate levels relative to the actual cost of supporting those needs.
2. Funding based on needs would reduce the administrative effort of documenting students for funding categories and audit, while focusing the resources on assessment and evaluation of student learning needs.
3. Funding special needs students at entrance to kindergarten rather than delaying supports to students and withholding funding until they are formally ‘identified’.
4. Finding a way to resource the high incidence and learning assistance supported students would allow the resources intended for higher needs students to be utilized in a more productive outcomes-focused manner.

BCASBO believes the gap between spending and funding is reduced when a school base allocation is provided.



When looking at spending by various district size, both with or without a recognition of base costs by district and school, the funding would be closer with a school-based funding allocation.

Indigenous Students

Much work has been done in consultation with and the support of First Nations communities to improve outcomes for Aboriginal students. There is much more to be done. Continuing to allocate additional funding and retaining the target spending for these students assists with this work and ensures that the district and First Nations communities work together.

BCASBO supports the following principles outlined in the *Truth and Reconciliation Commission of Canada: Calls to Action*, 2015 (page 6)

“...a commitment to sufficient funding... would incorporate the following principles: i. Providing sufficient funding to close identified educational achievement gaps within one generation. ii. Improving education attainment levels and success rates. iii. Developing culturally appropriate curricula. iv. Protecting the right to Aboriginal languages, including the teaching of Aboriginal languages as credit courses. v. Enabling parental and community responsibility, control, and accountability, similar to what parents enjoy in public school systems. vi. Enabling parents to fully participate in the education of their children. vii. Respecting and honouring Treaty relationships.”

3.3 RESPONSIVENESS TO LOCAL CIRCUMSTANCES

BCASBO believes that the current funding system can be improved to better recognize local circumstances. The current funding components which do address this principle and, therefore, should be retained, are:

- Geographic funding
- Funding for Unique student needs
- Recognition of district average teacher salary
- Enrolment decline grants
- Continuing education and distributed learning funding
- Multiple enrolment counts to recognize continuous enrolment in continuing education, special education, refugee and distributed learning populations.

However, there are a number of important differences between districts that the current system does not recognize. These include, but are not limited to, the following:

- Enrolment growth which leads to overcapacity in facilities
- Planning for capital improvements
- Recognition of the differences between district collective agreement requirements for both teaching and support staff
- Recognition of the requirement for school leadership and their unique compensation needs
- Ongoing unfunded increases in the cost of doing business, including employee benefits, inflationary increases and new initiatives like the Next Generation Network (NGN).
- Recognition of the cost of base services in districts and schools

The new allocation system should be evaluated to determine if these factors can be incorporated to improve the responsiveness of the funding system.

3.4 FLEXIBILITY & THE IMPORTANCE OF ACCUMULATED RESERVES

The common expectation that more funding should be directed to improving support for students is based on a somewhat flawed belief that districts have regular, ongoing access to discretionary and flexible financial resources. The reality is that, at present, there is only about 3 percent of district budgets that are not tied to meeting specific requirements such as collective agreements, legislation, business requirements, and shared services like benefit trusts. Any new funding that has come into the sector in recent years has covered *new cost pressures* to sustain service, not to provide flexibility at the local level.

The strength or weakness of the accumulated surplus or deficit position is determined by the ratio of assets (financial and non-financial) to liabilities. For school districts this ratio has remained consistent at 1.41 since 2013.

It is important to note that accumulated surpluses are a one-time funding source that cannot sustain ongoing services. Surpluses are the only source of funding to cover unexpected and unavoidable expenditures. The ability to carry forward unspent operating funds helps school districts budget and spend their annual operating grants more effectively. It enables school districts to plan and sustain services for a period longer than one year.

For the past three years districts have utilized operating reserves to fund about 1 percent of budgeted operating expenditures. These reserves are sustaining needed services and may indicate that districts are in structural deficits.

A small rural district may never receive funding for a new school or even an upgrade because of the great need in districts with enrolment increases and seismic upgrading. However, these districts could use the accumulation of operating and local capital reserves to help improve schools from an operations/facilities point of view.

BCASBO believes that Boards of Education should continue to retain and accumulate reserves to allow for longer term planning and the ability to fund unexpected costs without disruption to the classroom. Reporting of the sources of the funds in the reserves and the planned use of these reserves should be done on a regular basis.

3.5 FINANCIAL MANAGEMENT AND ACCOUNTABILITY

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 conservative approach contributes to increasing accumulated surpluses and cash balances.

School Districts Contribute to Reducing Provincial Debt

In its 2018 budget, the provincial government's direct operating debt is estimated for 2018/19 to be zero, having reduced by \$976 million since 2015/16. (Provincial Debt per Table 18A in the Budget 2018 Fiscal Plan, page 50). School district participation in the Central Deposit Program has directly assisted in this reduction and in interest savings for the province.

The Financial Health working group recommendations, once implemented, will provide for the accountability and transparency of the fiscal position of districts. Likewise, the framework for Enhancing Student Achievement will provide for the accountability of student outcomes.

The Importance of Local Revenues

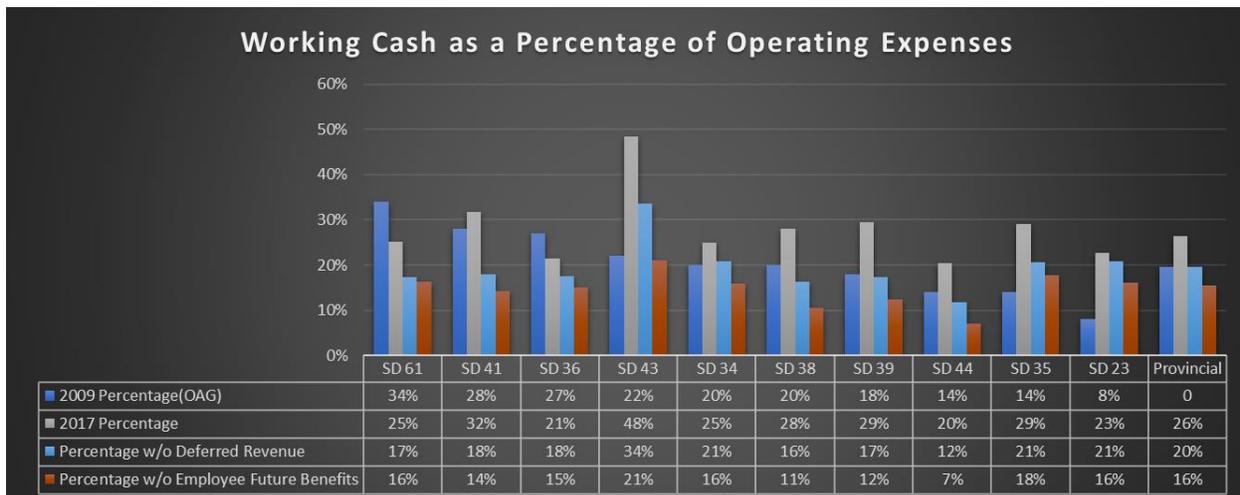
Local revenues should not be accounted for in the funding model. Any reduction in provincial grants based on local revenue generation would eliminate the incentive to pursue these revenues and, by extension, reduce overall services to students. If the goal of the system is to do everything possible to improve student outcomes and better meet the need of all students, imposing disincentives for local ingenuity and effort is completely counterintuitive. It does not serve students. BCASBO understands that not all districts can generate these funds but that is also true of the expenditure pressures of collective agreements that are not fully recognized for each district. Adjusting for local differences and realities can, and should, be addressed by appropriate mechanisms that promote equity. Penalizing districts that can improve services to students and their communities by generating local revenues contributes to the problem; it is not part of the solution and should not be a feature in a new funding model.

Cash Balances

There is a misconception that cash balances mean overfunding of public education. The accounting principle that defines whether cash balances are growing, or are inappropriate, is a Cash Ratio which along with the Current Ratio and Quick Ratio can provide insights into the cash position and the overall financial health of the school district.

The ratios today are closer to the Comptroller General targets and less than in 2009. The difference in working cash percentage is mainly explained by Deferred Revenue (up by \$315 million). This is largely due to the increase in the international program tuitions and receipt of special purpose grants prior to use. Without this cash liability, the working cash as a percentage of expenses is less than in 2009.

A comparison of the 2009 Auditor General's Chart to 2017 financials would indicate that cash positions are decreasing. This is particularly true when excluding deferred revenue and employee future benefit balances (government decision to pre-fund). The collection of international tuition revenue in the school year ahead of providing service is a well-established practice to reduce risk and maintain a balanced budget position.



3.6 PREDICTABILITY AND THE PRINCIPLE OF TRANSPARENCY

The current system does not provide a clear line of transparency between the amount of funding available and the allocation system for that funding. For example, during years of enrolment decline, government added additional programs but did not add additional resources to fund them. Instead they utilized funding derived from the enrolment decline. An excellent example is the movement of DL program funding into the allocation system at a cost of \$7.7 million, with current allocations totalling \$65.3 million and no additional funding added to the provincial operating grants budget. Though the program grew, funding for the program did not increase commensurately. *This may be appropriate but it is not transparent to the public or to districts.*

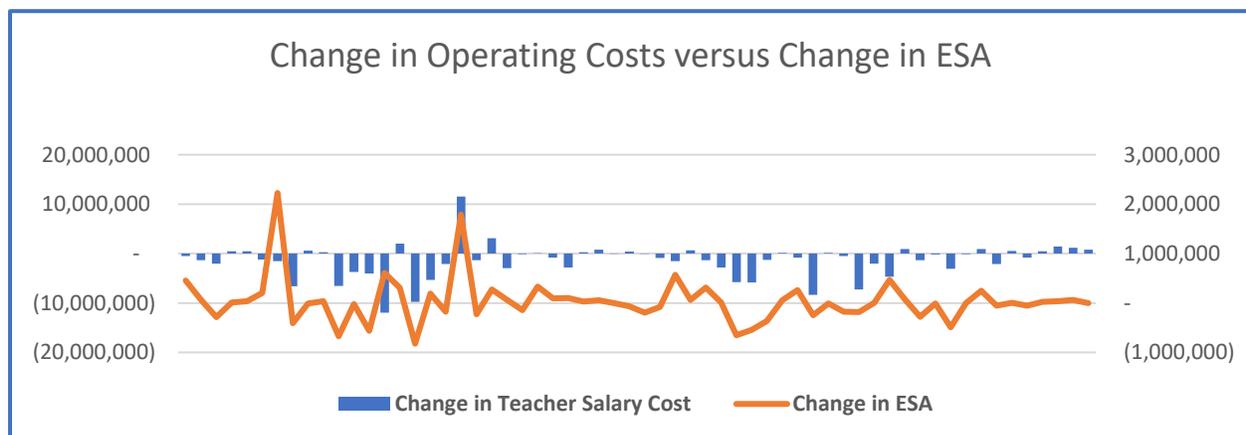
The chart below outlines the increasing services funded from enrolment decline. The question is whether the current core per pupil should be adjusted now that enrolment is increasing.

Funding Derived from Enrolment Decline 2000 to 2016	
Enrolment Decline: 76,204 students	
Funding allotted for these students: (260,880,859)	
Spending within the Formula without Funding Increases:	
Special Education Enrolment Increases	\$130,764,580
Directed Learning and Continued Education	74,821,933
Summer School	16,669,586
Funding Protection	16,745,806
Vulnerable Students	11,219,501
Education Plan	10,569,453
	\$260,880,859

Each year new costs should be reviewed to determine if the cost should be recognized as actuals (by special calculations) or averages (by a common formula). The recommended considerations to determine which method should be used are:

- A special calculation where government determines the expectations and the costs, and a common average formula will not distribute the funding to each district to cover their costs.
- A common average formula where all districts implement the same service expectations and where the geographic adjustments cover differences in costs.

The overall funding and the allocation of that funding must be predictable for effective financial planning. Boards should be able to plan and budget over a three-year period. The Ministry Service Plan provides the ministry's plan over a three-year period, yet boards are unable to predict their individual funding in the same manner in order to produce a similar plan. The factors that affect the cost of public education also continue to change without warning. For example, the 2017/18 recalculation of grants based on September enrolment, coupled with the change in provincial average teacher salaries, resulted in significant changes in funding allocations without the same changes in costs.



Students and staff deserve a well-planned, stable and predictable system.

3.7 GEOGRAPHIC, ECONOMIC AND DEMOGRAPHIC FACTORS

The rural education review identified that the current funding model may not fully recognize:

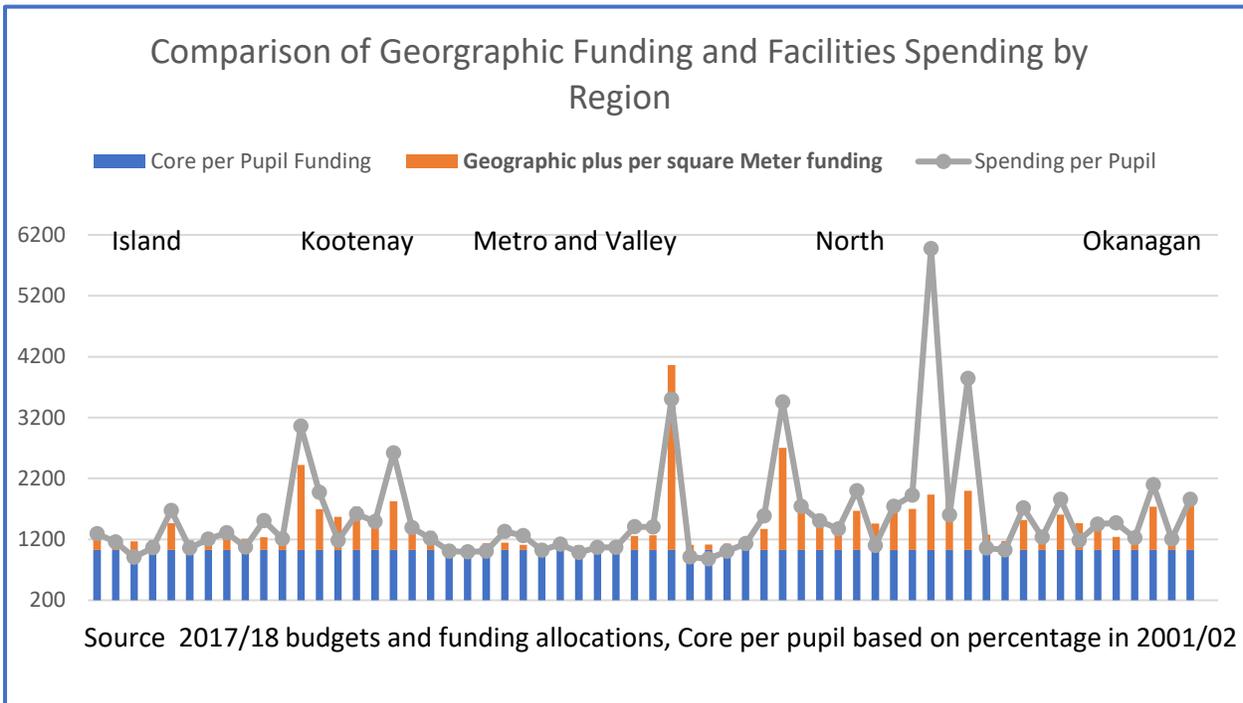
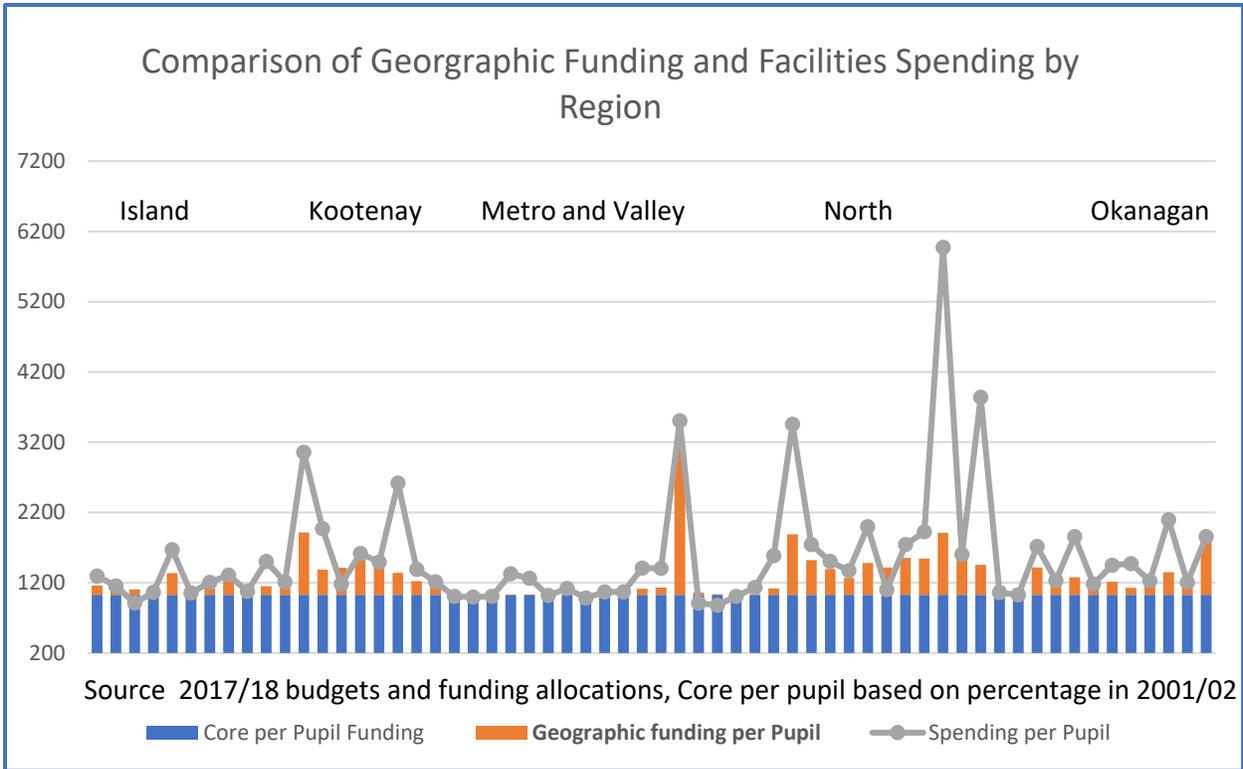
- the unique needs of rural and remote school districts, or
- the additional costs to operate and maintain adequate service levels in rural and remote schools.

It is important that the new funding model continue to recognize the unique challenges of providing services in rural and remote regions and to also acknowledge, in a tangible way, that they do not have the same economy of scale of larger, less remote districts. The current formula:

- Does use the geographic adjustments to recognize the differences in costs between districts to operate and maintain their facilities.
- Does appear to successfully recognize these differences in most areas but, as the tables below show, does not adequately do so in the Kootenay and Northern regions. These factors have been in place since 1993 and a realignment may be called for as part of this review process.

However, there are differences between district costs that are *not* recognized by the current formula. They include:

- a base level of service in a district or school.
- capital planning and project management
- the cost of operating district enrolment in a greater number of schools, particularly in an over-capacity or under-capacity situation
- the impact of differences in the number of square meters of space maintained
- deferred maintenance and facility upgrading required to meet programming expectations.



When recognition of square meters of space is taken into consideration, the funding aligns more closely to spending per pupil, except for the very small districts (Stikine, Vancouver Island West, Arrow Lakes, Nisga'a). A single formula may not recognize the unique needs in these districts.

4 CONCLUSION

BCASBO applauds the efforts of the BC Ministry of Education in taking on the challenging task of reviewing and re-engineering the funding model for our provincial education system. We fully support the work of the Independent Review Panel and stand ready to assist as needed.

In this paper we have deliberately concentrated on changes that we believe can:

1. Contribute, in a positive way, to a more robust, responsive and transparent funding model;
2. Be relatively easily implemented in a reasonably short timeframe;
3. Allow the Ministry to adjust funding grant allocations in a proactive way in response to changing student and system needs, rather than based on rigid categories and formulas;
4. Retain elements that assure a base education and a common, minimum level of service for all districts, regardless of size or location;
5. Significantly improve the ability of districts to engage in consultation and longer-term planning, thereby better meeting the needs of students and their communities.
6. Provide for an appropriate model of accountability at all levels of the system
7. Continue to support local efforts to generate revenues to enhance their service to students and the community.

The data and analysis provided in this paper led to a list of recommendations on behalf of BCASBO members. These recommendations can be found in the Executive Summary on page two.

One of the great strengths of the BC Education system is that leaders at all levels of the sector – business leaders, educational leaders, elected Trustees and the Ministry – all agree that the primary goal of the system is to meet the needs of students for a high-quality education. The future prosperity of the province and the future success of its children depend on how well we do our jobs and how responsive the system is to the common needs of our teachers and students, as well as the unique needs of certain groups within those populations.

In the past five years alone, the Ministry has made investments in a new curriculum, new technology infrastructure and other components of the system. All of these changes have been aimed at improving instructional support for teachers and learning opportunities for students. It is totally appropriate at this time that we give equal attention to a new funding model that helps keep the focus on student needs and student achievement.

BCASBO looks forward to working with the Ministry and other stakeholder groups in defining and implementing a modernized funding model that helps us all better meet those needs.

Thank you for this opportunity to express the views of the BCASBO membership.