

BRITISH COLUMBIA SCHOOL TRUSTEES ASSOCIATION RESPONSE TO FUNDING MODEL REVIEW DISCUSSION PAPER

April 19, 2018

As co-governors of the K-12 public education system, boards of education have a unique relationship with government and the Ministry of Education in particular. The B.C. School Trustees Association represents member boards of education and advocates on their behalf. The recommendations, insights and questions raised in our response to the Funding Model Review (FMR) discussion paper are intended to represent the views of our members, while not in any way taking away the right of individual boards to speak on their own behalf, including putting forward views substantially different from those included here.

The reflections and recommendations here are a summary of the combined views of our membership – the 60 B.C. boards of education.

KEY BACKGROUND AND CONTEXT CONSIDERATIONS

Any major change or restructuring of the current funding model for B.C. school districts is, in its self, a significant decision. Certainly, the total quantum of funding provided by the province to support K-12 education in its various forms has been a very important consideration for boards of education. Likewise, the process, or formula, by which funding is proportionally distributed to specific school districts, programs and functions is an important issue for school trustees and the communities they represent.

BCSTA believes the appropriate starting point for any discussion on how funding is allocated is to first understand the cost of educating a child (or youth) in our province as well as how that cost may vary depending upon where the child lives, the specific educational needs of the child, the breadth of educational and related programming we feel are appropriate and the physical setting or options establish to support this process.

We have, in most cases, worked from the top down, setting budgets and then establishing our priorities for the best system possible with the money that is available. It would be more appropriate, however, to first determine the amount of money required to educate each and every child in B.C. equitably to an appropriate standard (i.e. to meet each child's individual needs and situation regardless of where they live in the province, their personal strengths and challenges, or chosen educational path.)

Although the current funding distribution model review process does not include an examination of the actual cost of educating to a child in B.C., BCSTA suggests it would be appropriate for government to conduct such a review in the near future. Only by determining this cost, and examining the various parameters that might be appropriate for each child, can we then accurately determine the correct model for distributing resources to school districts. In short, we are asking government to explore a student-

focused, needs-based budgeting process for public education in our province as a parallel step to reviewing the funding distribution model.

As this submission is to serve as a response to the Funding Model Review (FMR) discussion paper, we would first like to speak to some of the specific references or statements in the paper itself. The specific suggestions we put forward later in this response paper come out of, in part, a somewhat different view of the current context school districts face.

In reading the discussion paper's opening comments regarding the background to the current funding model, an uninformed reader would likely come away with the impression that boards of education have complete control over how 90% of their allocated funding is spent. This is simply not the case. Although the current funding model does not in itself specify how 90% of the allocated funding is spent, the reality is that other separate restrictions (collective agreements, regulatory and program requirements primarily) leave boards of education with almost no flexibility as to how their budgets are spent. It is impossible to state a specific percentage as the restrictions vary from school district to school district, but it would not be unreasonable to say the figures should be reversed (i.e. 90+% of a school district's budget must be spent according to predetermined requirements), and that boards of education currently have little financial flexibility to address local student needs.

The discussion paper is correct in saying that 'parents expect a highly personalized approach to educational programs and services for their children.' Likewise, the discussion paper is correct in asserting that the current funding allocation 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 successes.' These are both key statements, especially in light of the reality that boards of education have little flexibility to allocate funds at all. The need for greater flexibility and freedom to address identified priorities is noted in several places throughout the discussion paper and should serve as a reminder to government of the need to ensure funding can be appropriately directed to identified student needs and not by arbitrary regulatory or contractual requirements.

Although the FMR discussion paper notes that the current funding model 'cannot respond to real-time enrollment changes within a school district,' it fails to note that one of the biggest concerns for school districts has been the unpredictability of government funding and budget requirements. Although school districts are asked to establish long-range strategic plans and budget models, their efforts have been hampered in past years by spontaneous new budget cuts or spending requirements. The current work of school districts to establish effective and efficient spending plans is hampered by both the limitations of the current funding model and the somewhat unpredictable budget-related decisions of the previous government. A funding model that is both responsive to local enrollment changes and predictable over time will serve school districts best.

The discussion paper correctly identifies the conservative approach all boards of education take to budgeting and the complications school districts face in trying to effectively manage cash balances and reserves. It is also fair to say that this topic warrants a much more in-depth review.

Although the Ministry of Education Financial Health Working Group did considerable work previously to clarify the realities of district held cash reserves, misconceptions and misinformation about school district 'surpluses' remain a significant problem. In almost all cases, district financial reserves are held to meet specific mandatory requirements, are a restricted asset held on behalf of an internal group or function, or are being held to meet a government policy requirement (such as contributing to the cost of new capital projects). Very little of the money held by school districts can rightly be called 'surplus'. BCSTA has requested the Financial Health Working Group be reformed to again address these issues.

As previously noted, the Ministry of Education Capital Construction budget is not included in the Funding Model Review process or the discussion paper. There are, however, indirect budget implications for school districts that must be considered in understanding the current funding model. At present, school districts are often required to divert portions of their operating budget to fund the purchase, installation and maintenance of portable classrooms (which are meant to provide temporary classroom space until permanent new school space can be provided). Districts with rapidly growing student populations or shortages of classroom space are thus forced to use part of their operating budget to meet space needs that should be covered by capital construction funding.

BCSTA recommends that the provision of all required classroom space (whether permanent or temporary) be funded out of the capital construction budget and not out of school district operating budgets. While we understand the rationale for sometimes utilizing temporary portable classrooms, we believe they should be provided to school districts on a needs basis from a revenue source other than district operating funds.

Another item of significance that was not mentioned in the FMR discussion paper is the impact of the current BCPSEA-BCTF Memorandum of Agreement (MOA) that will transition into permanent collective agreement language through provincial bargaining in 2019. When the MOA was signed, corresponding funding was distributed to school districts on a 'needs' basis to cover the actual cost of reimplementing collective agreement language as per the Supreme Court of Canada decision. It is important to note, however, that funding to school districts was not previously differentiated according to collective agreement language when the clauses in question were removed in 2002.

Although it would be premature to try to deal with the differential cost of collective agreement language at this time (i.e. before bargaining is completed in 2019), this issue must be dealt with immediately after the conclusion of bargaining.

It is fair to say there will be differing opinions and competing interests as to whether or not school districts should be funded according to collective agreement language. The issue is particularly complex in that the language in question is differentiated district by district, but is actually provincial language to be bargained by BCPSEA on behalf of all school districts. The construct of the single provincial collective agreement with 60 individual sections is, to a large degree, a relic of the 1980's, yet has potential implications for the funding model as we move into the 2020 decade. It is critical that government reassess the funding model once bargaining has been completed in 2019 in order to address any number of new issues, as well as the currently differentiated MOA funding.

Finally, the FMR discussion paper does not speak to BCSTA's firm belief that the transition to a new funding formula should 'do no harm' to any school district or districts. It is our position that a new funding formula must be phased into action in such a way as to not directly take money away from any school district. As additional funding is added to the K-12 public school system in coming years, it should be directed to those school districts who would see higher levels of funding under a new formula. Correspondingly, school districts who would receive less funding under a new formula could be held at their current funding level until the new formula is fully implemented.

We understand that one of the consequences of this approach would be to lengthen out the implementation period for a new funding model. The benefit, however, would be that no school district would face the immediate, direct impact of a change to the funding model. The length of time could also be shortened or eliminated completely if the provincial government were to provide additional dollars to K-12 public education to ensure an immediate balancing of funding allocations across all school districts. The cost of any such 'topping up' of the system will not be known until the new funding model is determined and tested. BCSTA strongly supports the notion of 'doing no harm' to any district and the advantages of adding money to the overall K-12 budget in order to ensure a positive transition to a new funding model.

BCSTA SUGGESTIONS AND KEY THEMES FOR CONSIDERATION

On behalf of our member boards, BCSTA would like to provide a number of initial recommendations and considerations to the FMR independent panel arising out of our review of the discussion paper.

Although BCSTA's Board of Directors will be meeting with the panel through the regional meeting process, we believe it is important that we respond in writing at this juncture of the review process. However, it remains our intent to provide additional input and clarification as the regional meetings progress and more information becomes available to us. As always, we invite the FMR review panel and the Ministry of Education to contact us directly at any time with questions regarding this initial submission.

1. **As noted above, an overarching recommendation from BCSTA is that the implementation of a new funding model 'do no direct harm' to any school district or group of school districts.** The implementation of any significant changes to the funding formula must be done in such a way as to negate any direct negative impact on school districts. This could be accomplished by either phasing in the new funding model over time (in conjunction with gradual anticipated increases in the overall K-12 public education budget), or by an injection of additional government funding to ensure that all school districts retain at least their current level of funding (apart from normal adjustments for fluctuations in student enrollment numbers). We believe this recommendation is fully attainable through a reasonable additional financial allocation by the provincial government.

2. In most recent years, school districts have faced a number of short notice, unforeseen changes to funding or financial requirements that caused varying degrees of disruption within the K-12 system (e.g. required cuts to administration budgets, targeted rural school grants, etc.). Everyone from the Auditor General to special advisors and the Ministry of Finance has called on boards of education to establish better long-range strategic plans and fiscal oversight. This has been difficult, however, with the funding base and fiscal requirements changing on short notice.

As noted in the FMR discussion paper, this has resulted in a very conservative approach to spending by boards of education as well as creating a significant barrier to the establishment of effective long-range fiscal plans. **It is our recommendation that any future changes to the funding model, or other financial direction to school districts, be provided with at least one full school year's notice (e.g. any announced changes would not come into effect until the next school year following the date of announcement).** Additionally, very significant changes would be phased in over more than a single school year.

3. The introduction of a new funding model for school districts must increase, not decrease spending flexibility at the local level. While BCSTA accepts that the targeting of specific budget dollars is appropriate to address certain specific needs (e.g. Aboriginal education), we believe boards of education should retain the authority to make local decisions over budget allocations and spending whenever possible. If boards of education, in consultation with their communities and staff, are to make the best decisions possible to meet the needs of their students, they must retain local decision making authority over how their budget is allocated and spent.

As previously mentioned, the current reality is that boards of education have very little flexibility over how their district's budget is spent. Although they have wide authority to make spending decisions, a number of imposed regulatory and collective agreement requirements restrict boards from actually allocating their district budget to meet student needs (as determined by the board at the local level).

We fully understand that most of these current restrictions are outside of the scope of the funding model review, but request that further restrictions not be imposed through this process. Ideally, the number of special purpose grants would be reduced in favour of general unrestricted 'block' funding to school districts to ensure it would fall under the direct control of locally elected boards of education.

4. We invite the independent panel to make recommendations, or provide comments, as to how the current overall school district budget model might be changed to provide local boards of education with more flexibility in determining how allocated funding is best spent to meet the needs of students.

5. Whatever the funding model for K-12 education, it is critical that is transparent in both its processes and its results. Any person with a reasonable knowledge of the K-12 system should be able to understand the processes used to determine funding allocations to individual school districts as well as the budget outcomes produced by that process. The current funding system is overly complex, in part because of the many alterations and variations put in place over the past 15+ years. This has resulted in a funding model that appears to be arbitrary or secretive to the average person. BCSTA strongly recommends that the new funding model constructed in such a manner as to be transparent and open to understanding by reasonably knowledgeable, interested parties. Likewise, any new funding model must be accompanied by an explanatory overview or interpretative guide aimed at stakeholders who are not financial analysts.

6. On many occasions, our members have heard the Minister of Education, or his Deputy, speak of the need to make improvement of student outcomes ‘job #1’. There is, however, no clear definition of what constitutes student success. **In order to focus the allocation of resources toward achieving improved student outcomes, it will be important for the Ministry of Education to clearly articulate what they see as the key measures or indicators of individual student success.**

7. Likewise, the current provincial funding model does not promote, nor support, a focus on improved student outcomes. In some cases, in fact, the processes associated with the distribution of funding to school districts detracts from the effective spending of money to meet student needs (e.g. current restrictions on how targeted dollars for Aboriginal students may be spent, or the amount of paperwork / staff time that is required to justify funding for special needs students).

Streamlining the funding model to find a better balance between the bureaucracy of oversight and control with efficiency and flexibility to meet local student needs is recommended. While reasonable checks and balances are appropriate, a new funding model must favour the notion of local decision making toward improving student outcomes as its primary focus.

8. As noted earlier, if boards of education are to allocate their budget to meet student needs, they require the flexibility to ensure this can happen. A reasonable question to ask is ‘would we allocate our budget as it is now if we had complete freedom to focus only on improving student outcomes?’ The present answer to this question is ‘no’.

Current spending is restricted or directed by a number of external requirements that take away a board’s ability to allocated funding in support of improving student outcomes. **While a system without any regulation or outside constraints is unrealistic, the FMR panel should speak to its vision for a reasonable balance.** Certainly, a new funding model should support consideration of educational effectiveness in how money is both allocated and spent, rather than imposing further restrictions that hinder student outcomes.

Focusing specifically on the calculation and distribution of funding to support students with special needs, BCSTA believes there is both a need and an opportunity reframe processes. At present, school districts spend more time (and money) than ever before on the bureaucratic processes of identifying, classifying, recording and justifying programs and supports for students with special needs. It is important to note also that a significant portion of these processes are of no educational value to the student. In short, we have created a system that is overly focused on the bureaucratic checks and balances at the expense (literally) of providing frontline services to students.

Changes must be made to the funding model that allow for the distribution of money (in support of special education programs) to school districts without the current excessive level of paperwork and record keeping. At present, a significant portion of specialist staff time is spent completing paperwork, rather than delivering service to students.

While there are sound educational reasons for student assessment and documentation, the focus must be on creating and implementing individualized education plans (IEPs) for students, and not on audits.

9. BCSTA recommends that the independent panel review options for the allocation of funding to support students with special needs on a district basis, rather than on the current student by student basis. It is important to note that the current system of distributing special education funding in B.C. is an anomaly when viewed against processes in other jurisdictions in Canada or around the world. We believe the panel could reasonably identify other, more student-focused, options for inclusion in a new funding model.

At the very least, BCSTA would like to see the panel recommend that this issue be reviewed by the Ministry of Education as soon as possible, with the intent of identifying and implementing a much more student-focused process for funding special education.

10. BCSTA continues to support targeted funding to school districts to help meet the often unique educational needs of Indigenous students. We would not support rolling these funds into general block funding or having them combined with other specified sources of funding. We do, however, request that the scope of how these funds might be utilized within a school district be widened, so long as the focus remains directly on students of Aboriginal ancestry.

At present, school districts are somewhat hampered in how targeted funds for support of Indigenous students might be used. Although the school district and the parents of these students may be in agreement as to specialized programming or opportunities, Ministry of Education restrictions on how the funds may properly be used can overrule the local decision-making process. Accountability with greater flexibility would be the preferred option, in our opinion.

One alternate concept that BCSTA does not support is the tying of funding to support Indigenous students to student achievement outcomes. A funding model that directly ties the amount of funding payments to individual student achievement outcomes is such a radical departure from our current concept that it would mean a wholesale change in the way we do business. It may, in fact, dissuade school districts from working with marginal students for fear that the district would not, in the end, be funded for the individual if they do not achieve a set benchmark.

A prime example of this is the failed American 'No Child Left Behind' policy that financially penalized school districts for the poor performance of specified student groups. The resulting loss of funding to support at-risk students negatively impacted achievement results and retention rates in many cases. The overall success of the B.C. K-12 education system is in part because we value inclusivity and have committed to seeing every child succeed. If anything, we should be building in incentives for school districts to tackle the most difficult situations. We mention it here, because there has been promotion of the idea within the K-12 sector.

11. Although the provincial government has created a new ministry to address mental health and addiction concerns, we believe additional support should be added directly to the K-12 sector. **Our recommendation is that Community Link funding be increased with a specific emphasis on student mental health and related concerns.** Although schools are seen as one of the primary and most successful intervention points for at-risk students, they actually receive very little in the way of funding to support specialized programs or staff. We believe a relatively small investment in preventative programming could have a significant positive effect on what has been clearly identified as a growing problem. This increase in funding could come from either the Ministry of Education through the funding formula or in the form of grants from the new Ministry of Mental Health and Addictions. Once again, local decision making regarding programming, as opposed to the introduction of a 'one size fits all' model, will be a key to success.

12. **Should the K-12 public education system be assigned expanded responsibility for early childhood education and/or preschool daycare, BCSTA would expect that these new responsibilities would be accompanied by full funding coverage and not subsidized out of existing budgets.** We also recommend that all such funding should be provided and allocated outside of the K-12 budget and funding formula processes. As an entirely new and separate mandate, the budget and funding distribution process to address these responsibilities should not be blended with the current K-12 education mandate; nor its funding model.

This does not mean that BCSTA, nor our member boards, are unsupportive of school districts taking on an expanded role in early childhood education. We see the value in providing high quality, accessible preschool programs and daycare for all children. That being said, the cost of building and running such programs should not be blended into the traditional K-12 budget and funding structure. We believe the mandate of these programs is significantly different enough to warrant its own financial support structures. In the end, both the K-12 system and a new early childhood system will be best served by separate and distinct funding systems.

13. The K-12 education in B.C. is currently undergoing a process of evolutionary change aimed at ensuring we continue to provide high quality, relevant opportunities for all students. In short, we need to ensure we are educating our children and youth for the world they will face in the second half of this century and not the world of their parents in the last century. It is important that any new funding model not stifle or limit innovation or the evolution of educational programs and our schools. Simple, seemingly innocent funding requirements or unnecessary limitations on how funds can be used could have the unintended consequence of limiting positive change within our schools. While there may be no intent to do so, barriers constructed through regulation and bureaucracy could stand in the way of our best efforts to transform educational philosophy and structure.

We encourage the independent panel to support local decision making on the use of funding toward fostering innovation and evolution. Likewise, BCSTA supports minimization of regulation and bureaucratic requirements governing how funding is both received and allocated by school districts. Reasonable accountabilities are appropriate, but only to the extent that they do not restrict school districts and schools from exploring and achieving needed change.

14. **BCSTA recommends that the independent review panel examine the balance between supplemental funding and base funding in any new funding model.** In recent years, an increasing number of special considerations have been raised by boards of education specific to their school district or region. These have included English Language Learners (ELL) populations, low income / high need neighbourhoods, refugee claimants, remote and rural locations, increased transportation requirements and rising demand for alternate education programs, to name a few.

As the makeup of B.C. school districts becomes more and more complex, and the differences between school district populations increases, there may be validity in assigning a greater portion of the overall education budget through supplemental funding rather than through common, undifferentiated base funding.

Should the independent panel recommend moving in this direction, BCSTA would ask that the parameters for supplemental funding be reviewed on a regular basis. As noted above, the K-12 education system is becoming much more dynamic and is subject to significant changes over a short period of time (e.g. the impact of the Syrian refugee crisis, or student migration as a result of the wildfires in central B.C.). For this reason, supplemental funding parameters and calculations should be reviewed on a regular basis (up to yearly) so as to best reflect the current situation around the province. Changes, however, should be introduced judiciously to ensure reasonable stability and predictability for school districts.

15. BCSTA recognizes that remote and rural schools, as well as their communities, are under significant and increasing stress. As many remote and rural communities in B.C. have declined in population as well as economic viability, so have their local schools. In many cases, the town, village or regional school is one of the last institutions that holds these communities together.

It is not the responsibility of the K-12 education system, however, to ensure remote and rural communities across the province remain viable. **While BCSTA believes there is strong merit in trying to preserve B.C.'s remote and rural communities (including their schools), the provincial government must develop a comprehensive plan to ensure these communities are kept economically and logistically viable.** Simply ordering that schools in these areas must stay open regardless of external factors would be short-sighted and unproductive over the long term.

The best way to ensure schools in remote and rural locations remain viable is to ensure the communities they serve remain vibrant, economically sound and grow over time. We acknowledge that additional supplemental funding may be required to keep these schools open over the short term, but the answer to the overall problem must come in the form of a comprehensive, long-term government plan to save rural B.C.

It is also important to recognize that extremely small schools in isolated settings are far less able to provide equitable education programming and experiences for their students. It is important that any conversation about saving an extremely small school not just be about cost savings or expenses. The responsibility of B.C. school districts to provide quality educational programs to students should not, and must not, be compromised by external issues that should be addressed directly by government.

16. There has also been some media commentary of late regarding the urban school district's ability to generate external sources of supplemental funding (mostly through international education programs) vs more rural jurisdictions. This has been described as an unfair advantage and something that should be stopped. BCSTA does not agree with this blanket statement; nor the suggestion that international education programs simply be eliminated. Whether we like it or not, international education programs (kindergarten to post-secondary) and their spinoff investments have become a significant part of the provincial economy and are at least partly responsible for the economic growth of B.C. in recent years. Discontinuing international programs would, therefore, be short-sighted and counterproductive.

Local school district initiatives to create supplemental sources of external funding through the offering of international education programs or other entrepreneurial efforts should be allowed to continue. Efforts by school districts to supplement government funding levels should see them rewarded for this work, but only up to a level where meaningful inequities are created with school districts who are unable to generate such funding due to constraints beyond their control (e.g. geography, school capacity, etc.). A cap on the total percentage by which a district's

budget may be increased by could be imposed, but the provincial consequences of this would have to be examined first. Alternately, if the province wishes to encourage international education, it should also consider how school districts / regions of the province where such efforts are unlikely to be successful should be supported in an effort to ensure equity of student opportunity around the province.

17. As noted earlier, the current FMR process does not include a review of provincial capital construction allocations, yet facility needs do impact a school district's operating budget. **The cost of providing portables should come from the provincial capital construction budget or another budget specifically created for this purpose.** Operating funds should not be used for purchasing portable classrooms and other temporary facilities put in place to mitigate a lack of sufficient capital construction funding, or the appropriate need for short-term facilities.

The increasing cost of appropriately maintaining existing buildings must also be considered in any review of the funding formula. The recent increase to the Annual Facilities Grant (AFG) and other maintenance allocations were appreciated by school districts (who had not seen an increase in that budget since 2004; nor additional funding to cover inflation). However, the reality remains that school districts are not provided with adequate AFG budgets to optimally maintain buildings and grounds. The result is that boards of education will continue to have to use operational funds to address facility needs. This is something that we request be corrected in order to ensure operating funds (as allocated through the funding formula) can be focused on programs for students.

18. **Likewise, there should be no limitation on the financial reserves that school districts are allowed to hold.** As an alternative, there could be recommended levels of unassigned reserves for school districts, as well as provincial accountability for funds held above-recommended levels. School districts hold funds for any number of reasons, including to meet Ministry of Education requirements for cost sharing of capital construction projects and as required reserves to address known pending liabilities. A large portion of the funds held by school districts should not in any way be considered 'surplus' as the funds are held to meet a specific regulatory requirement, held on behalf of a third party associated with the school district (e.g. DPAC), or are being saved to address a specific strategic purpose.

A significant amount of work was previously done by the Ministry's Financial Health Working Group to understand and correctly represent the financial reserves held by school districts. BCSTA recommends this work be refreshed toward establishing a better current understanding of the situation in each school district. We would also be opposed to any change or new inclusion in the funding model that penalized school districts for holding financial reserves. Certainly, it would be unfair to penalize school districts for holding financial reserves when no guidelines exist and there is no current understanding as to the makeup of the funds that have been broadly and wrongfully described as 'surpluses'.

SUMMARY AND CONCLUDING STATEMENTS

BCSTA is supportive of the work being done to review and, hopefully, update the current funding distribution model for school districts. The current funding formula has not been reassessed or holistically reformed for a number of years, and thus is in need of some refocusing and retooling. Caution must be taken, however, not to simply exchange a new set of problems or inequities for any current ones. We encourage both the independent panel and the provincial government to continue to consult with boards of education as well as other stakeholder groups, and to complete detailed modelling of any recommended changes before final implementation.

We believe the recommendations offered by BCSTA align well with the FMR Guiding Principles jointly developed by ourselves and the Ministry of Education. Our core belief is that any funding model for public education must address several specific foundational requirements. The need to:

- be student-focused and meet the real cost of appropriately educating any, and every, child or youth in kindergarten through to graduation;
- allow the greatest flexibility possible for local school districts to provide educational programming and supports required by their students;
- account for the significant differences in situation, context and future direction between B.C.'s 60 school districts;
- remain open to regular review and change to ensure it appropriately addresses the rapidly changing situation in both K-12 education and our school districts; and
- do no harm to any school district through the direct removal of current funding.

While these five overarching considerations address broader issues than the FMR Guiding Principles, we believe they align well with the direction established to guide the Funding Model Review process.

To successfully move forward, the independent review panel must make recommendations that, when combined, support equity, flexibility, transparency and, above all, a direct focus on improving student outcomes.

The challenge is substantial, but also attainable with enough thought, consultation and testing.