



Briefing Note (for information)

To: CUPE and other Support Staff Unions in K-12
From: John Malcolmson, CUPE Research Representative, K-12 Sector
Date: March 25, 2010
Subject: K-12 Budget Allocations for 2010-11

Introduction

On March 15, BC school districts received notice of their preliminary budget allocations for the coming school year. The announcement offered a clear signal as to what the financial picture is for K-12 public schools in 2010-11. As expected, the financial picture is not good. The announcement continues a pattern of chronic under-funding which over the past eight years have brought most districts to the point of massive structural funding shortfalls. The clear implication now is that BC's 60 districts will face no other option than to cut programs and services as they prepare for the coming year. For CUPE, this scenario raises the distinct likelihood of significant cuts to staff positions and work hours across the K-12 sector.

The announcement comes less than two weeks after presentation of the provincial budget in Victoria. School districts are to receive a \$112 million increase in funding for 2010-11, along with a partial restoration of annual facilities grant funding that was cut last year. While the increase does provide partial and selective financial relief to districts, it is not sufficient to overcome the impact of a mounting structural funding shortfall set in motion earlier this decade. By next year, this shortfall will surpass \$300 million and will increasingly curtail options available to boards attempting to bring their budgets into balance. The result will likely be increased pressure to cut programs, staff and services across-the-board.

What exactly was announced?

The March 15 figures gives a preliminary picture of school district funding for the coming 2010-11 school year. It is important to remember that the March 15 numbers are only estimates because they are based on anticipated student enrolment levels for the coming fall and beyond. Details of the March 15 announcement include the following:

1. Schools in 2010-11 are to receive a total of \$4,663 million in funding, a projected increase of \$112 million or 2.4 per cent over the current year level of support.
2. The \$112 million is divided between two areas.
 - All-day kindergarten takes \$57.6 million of the increase. This funding is intended for the 55 of 60 school districts which are participating in the first year of all-day K implementation next year.
 - An allocation of \$54.0 million to support the payment of a two per cent increase in teacher salaries for 2010-11. In 2006, when much of the rest of the public sector opted for four year collective agreements ending in the spring/summer of this year, teachers opted for a five year deal which contained this increase for the 2010-11 school year.
3. Continued falling enrolment: the announcement projects a Grade 1-12 decline of close to 6,000 students over final 2009-10 levels and affecting 52 of BC's 60 school districts. When the impact of new full-day K enrolment is factored in (until now kindergarten students have been counted as .5FTE; with all-day K, they will be counted as full FTE), a net overall increase in enrolment is expected of about 2,300 students province-wide.
4. 33 of 60 districts in total have no funding increase at all based on the original September allocation, despite having to cover the increased costs of all day K and the teachers' salary increase cost. This is because losses in revenue attributable to declining enrolment more than offset additional funding to pay new costs in the above two areas.
5. As first signaled in the provincial budget on March 2nd, Annual Facility Grants (AFG) have been partially restored to districts, with a full annual allocation of \$110 million to be split between the 2009-10 and 2010-11 budget years. AFG funding is not part of regular district operating expenditure but it does have a direct impact on how districts plan and implement regular operations and maintenance spending throughout the year.

Structural funding shortfalls remain after the March 15 announcement

School funding research compiled by CUPE and the BCTF in the period leading up to March 15 put an estimate of current funding shortfalls in the range of several hundred million dollars.

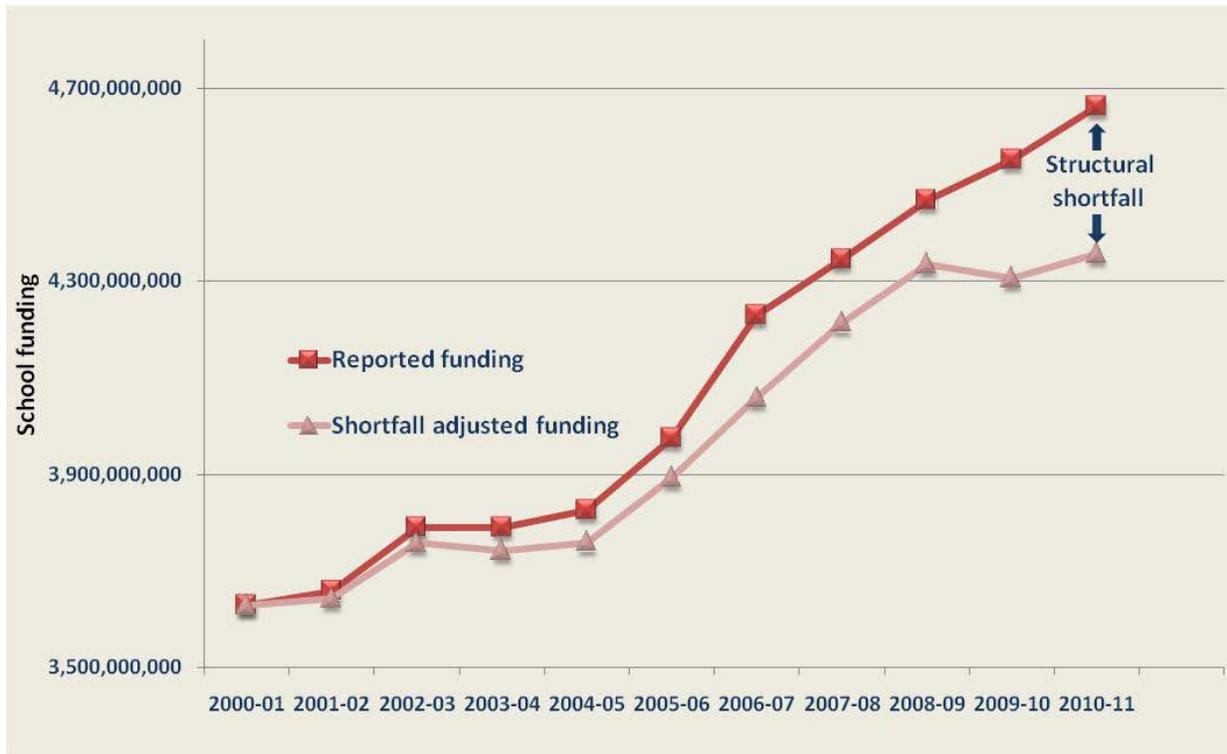
What effect will the March 15th announcement have on this shortfall? And what is the likely impact of next year's funding levels on support staff within CUPE and the services they provide in our public schools?

Structural funding shortfalls occur where available district revenue falls chronically and persistently below that required to fund and maintain publically-mandated programs. The March 15 announcement does not change the current shortfall situation fundamentally. Any increases in funding provided for 2010-11 are linked directly to new district costs related to salary increases or all day K. As such, this funding does little to reverse a slide into district funding shortfall that has taken place since the Liberals first came to power. In addition, the impact of continued enrolment decline for Grades 1 to 12 next

year will likely offset much of the new funding announced on paper. As mentioned before, 33 of 60 districts will get no new money next year because of the impact of continued falling enrolment.

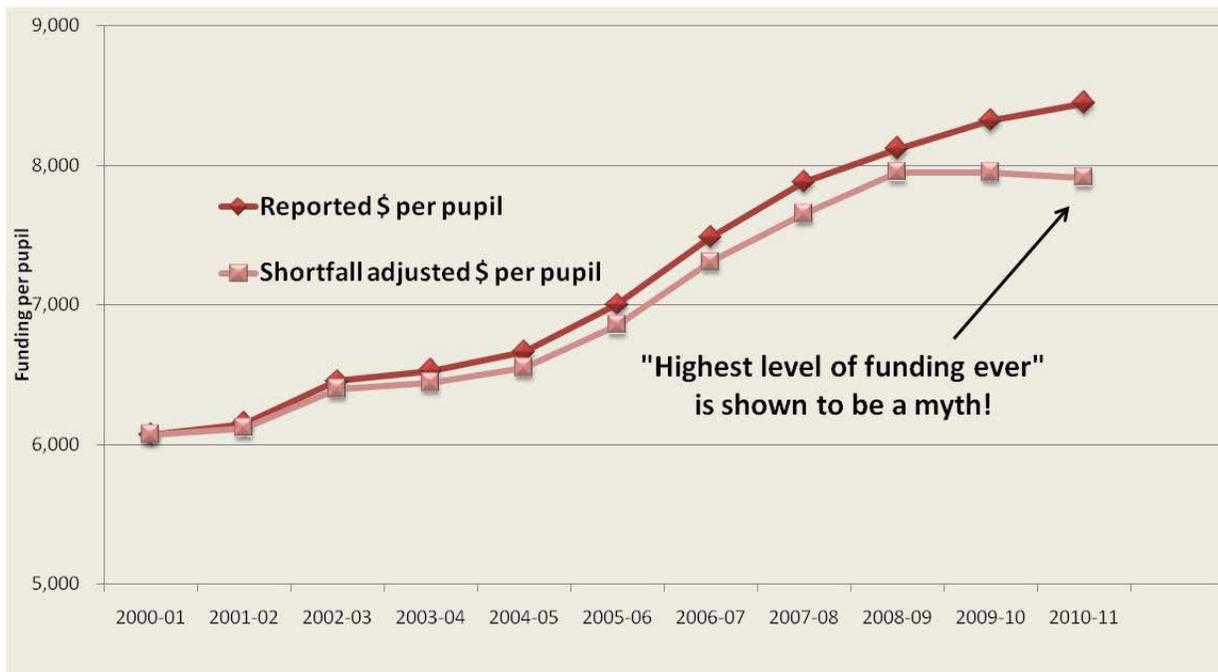
So, even with the increases in funding announced for 2010-11, the structural shortfalls experienced by boards will continue largely unabated into the coming year.

How big are these shortfalls? The following chart shows that when funding levels are adjusted for the impact of unfunded or under-funded changes imposed on the school system, actual levels of funding support fall far short of those reported in Ministry of Education press releases and routinely carried in the media.



Even after account is taken of increases reported March 15 and the partial re-instatement of the Annual Facilities Grants, the accumulated structural funding shortfall for 2010-11 will still be over \$300 million. This amount should be deducted from reported funding levels if the latter are to reflect accurately what real money is available to run our public schools, after the cost impact of underfunded changes and new responsibilities imposed on the school system during the past decade of Liberal government are factored out. The lower pink line in the above graph shows what real funding is like when the financial impact of these unfunded/underfunded responsibilities is taken into account.

On a per student level, the loss of funding support is even more dramatic. The following chart shows this clearly.



When overall levels of “shortfall-adjusted” funding are divided by projected student counts, the lie is quickly put to Ministry claims regarding “highest levels of funding ever.” Indeed, the above graph shows that per student funding has been stagnant since 2008-09 and has in fact tapered somewhat over the next two years. The graph’s information shows the Ministry’s often repeated claim of the “highest funding ever” is in fact a myth.

For 2010-11 and based on the March 15 figures, “shortfall-adjusted” funding is \$532 per student below the figure reported by the Ministry of Education, and is \$38 below where it was back in 2008-09..

Other changes made to the funding formula for 2010-11

Apart from reporting funding levels, the March 15 announcement also unveiled a series of further changes to the way Ministry’s Funding Allocation System distributes money to school districts. The more important of these changes are summarized below.

- “Labour settlement funds” provided to fund the cost of 2006 settlements with CUPE, teachers and others were previously kept separate within allocations. In 2010-11 they will be rolled into overall per student grants. As a result, the basic per student funding allocation of \$5,851 this year rises over 15 per cent to \$6,740 in 2010-11 with similar increases assigned to other “unique student need” categories such as special education, ESL, aboriginal education and adult learning.
- This change makes funding levels more subject to fluctuations produced by declining enrolment. The more total funding tied to the basic per student grant, the greater the up and down changes in funding triggered by falling (or in the case of some districts rising) student counts.
- Greater volatility of this sort also means that more districts will drop below the funding “waterline” next year as 2010-11 allocations will be less than those received in 2009-10. For the

coming year, 33 of 60 districts are expected to fall into this category. These districts will qualify for additional “Funding Protection” allocations which will top them back up to 2009-10 funding levels. What this means is that these districts will receive no net increase in funding in the coming year.

- Unlike previous years, 2010-11 provides an explicit breakout of anticipated funding allocation adjustments for enrolment changes at four specific points during the school year: September (the regular allocation for the school year), February (Distributed Learning, refugee student enrolment & ESL), May (Distributed Learning) and July (summer enrolment). Until now, these mid-year allocations have been paid from “holdback” funds.
- 2010-11 will also have \$63.6 million in “holdback” funding, money included in the budget for boards yet unallocated until actual enrolment counts are finalized in the coming school year. Together with the amounts reserved for enrolment increases in February and May, this makes for almost \$96 million in enrolment-related funding reserves.

Issues of concern regarding funding

An increase in the size of “reserved” or “withheld” funding within the system.

As indicated, holdback money plus enrolment-based funding reserved for February and May of 2011 now totals close to \$100 million annually. When money reserved for teachers’ salary differential is factored in, the total amount “withheld” rises to almost \$200 million. Growth in the size of these allocations within the formula complicates efforts to ensure funding transparency. Moreover, as this year’s experience with the Teacher Salary Differential illustrates, it can also create a situation where mid-year adjustments in calculated grant entitlements work to free-up funding that gets allocated elsewhere. Because it is the same level of funding directed to new initiatives that place added burdens on school districts, this arrangement works to exacerbate problems with structural funding shortfalls.

Declining enrolment?

Enrolment data accompanying the March 15 announcement raises new issues regarding the expectation that student counts will continue to decline into next year. As noted, the Ministry estimates an expected loss of almost 6,000 students next year in Grades 1 through 12. However, the Ministry’s own per pupil calculations (found on its March 15 Backgrounder “Funding Continues to Rise Despite Enrolment Decline”) when compared with total reported funding allocations for the two years shows a total expected enrolment gain in 2010-11 of 6,468 students. When allowance is made for an expected surge in full-day kindergarten enrolment totaling 7,440 students, this suggests that enrolment losses in Grades 1 to 12 will total just 972 students or 0.2 per cent.

These two enrolment measures are in direct contradiction with each other. How might this contradiction be reconciled? More importantly, just how deep or real is the declining enrolment problem to be in 2010-11?

A growing lack of transparency in MOE budget reports and tabulations

The March 15 funding announcement raises fresh levels of concern regarding a lack of funding process transparency and political accountability for continued district funding shortfalls. Much of this is related to the fact that, the March 15 package of documents – the Operating Grants Manual, Funding Allocation System district-specific reports, the MOE Backgrounder and Factsheet – contain inconsistent and

contradictory information regarding enrolment and funding. In a number of cases, reported figures do not add up, or suggested calculations do not yield the results summarized elsewhere in Ministry media releases.

As a result, stakeholders and the public face major challenges and stumbling blocks when trying to interpret budget figures and trends. At its root, transparency problems equate with accountability problems. Amongst other things, they feed widespread suspicion regarding the veracity of budget claims made by government.

Impacts

Cuts in programs, services and staffing are currently on the drawing board in most school districts around the province as budget preparations move into in full swing for 2010-11. This fact alone underlines the failure of the March 15 funding announcement for 2010-11 K-12 public schools to make a significant dent in the looming structural funding shortfall districts collectively face. It can be expected that the full nature and extent of these cuts will take shape with increased clarity over the coming weeks as boards formulate concrete plans to address their mounting shortfall problems.

K-12 public school education is severely and chronically underfunded. CUPE and its local unions, along with other education stakeholders, need to continue putting the lie to continued government claims regarding highest levels of funding. We need also to raise the call for an open and transparent administration of public school finance in this province, including a long overdue review of the funding formula and of funding adequacy.

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