

School Board Finance

A shift for the Public English Education System



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QESBA Workshop
March 29, 2014



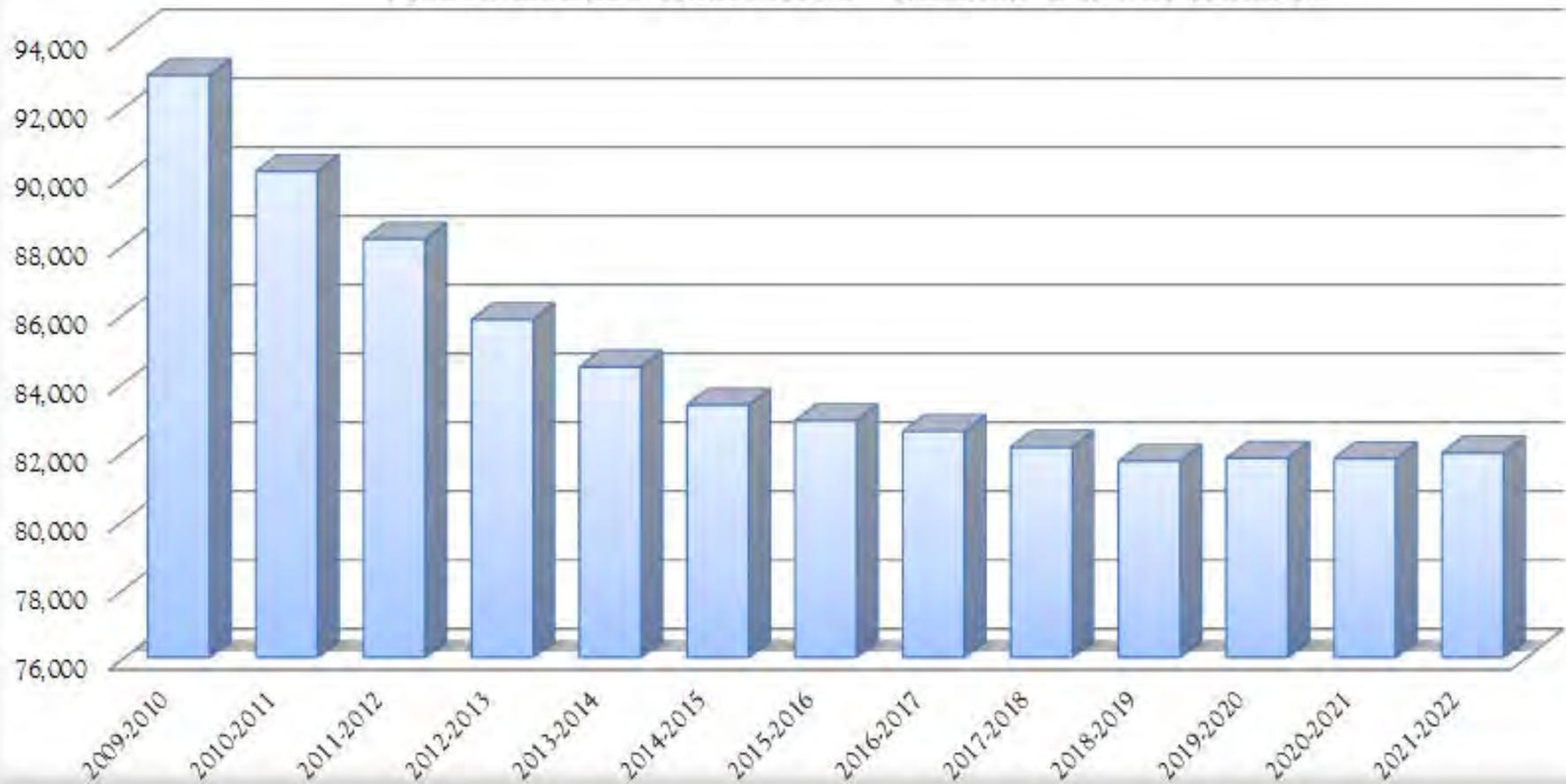
Topics

- Demographics And Change In English School Boards' Enrolment
- Decrease In Funding (Per Capita, Law 100, And Budget Cuts)
- School Board Finance
 - Source Of Funding
 - MELS / General And Specific Revenues
 - School Taxation
- Commissioners' Involvement In The Budget Building Process
- Vigilance Of Commissioners In Budget Monitoring
- Challenges As English School Boards
- Questions/Comments
- References
- Annexes



Demographics – English School Boards (9)

Demographic Projection - English School Boards

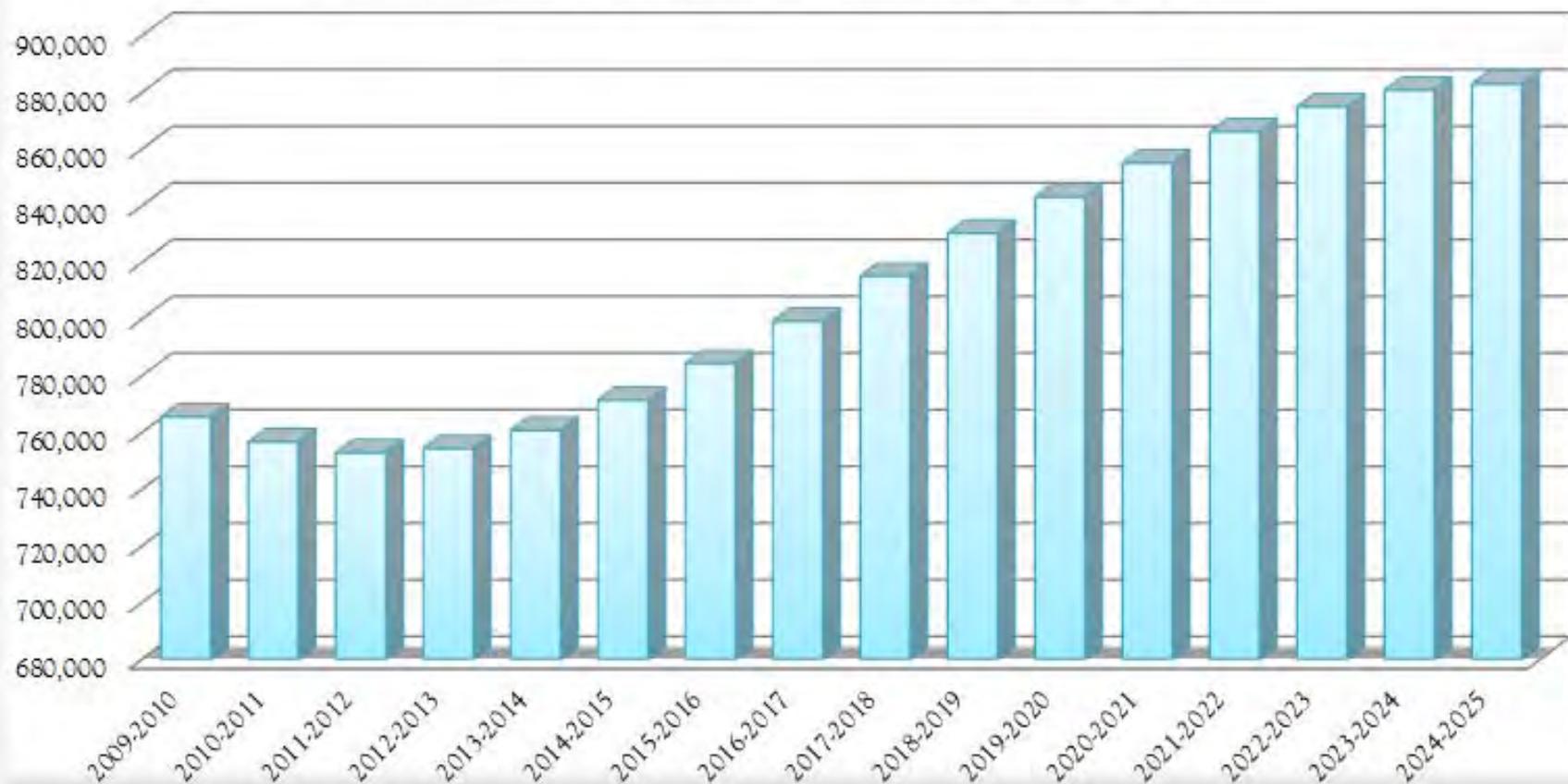


Source: Ministère de l'Éducation, du Loisir et du Sport, Direction des statistiques et de l'information décisionnelle



Demographics – French School Boards(60)

Demographic Projection - French School Boards

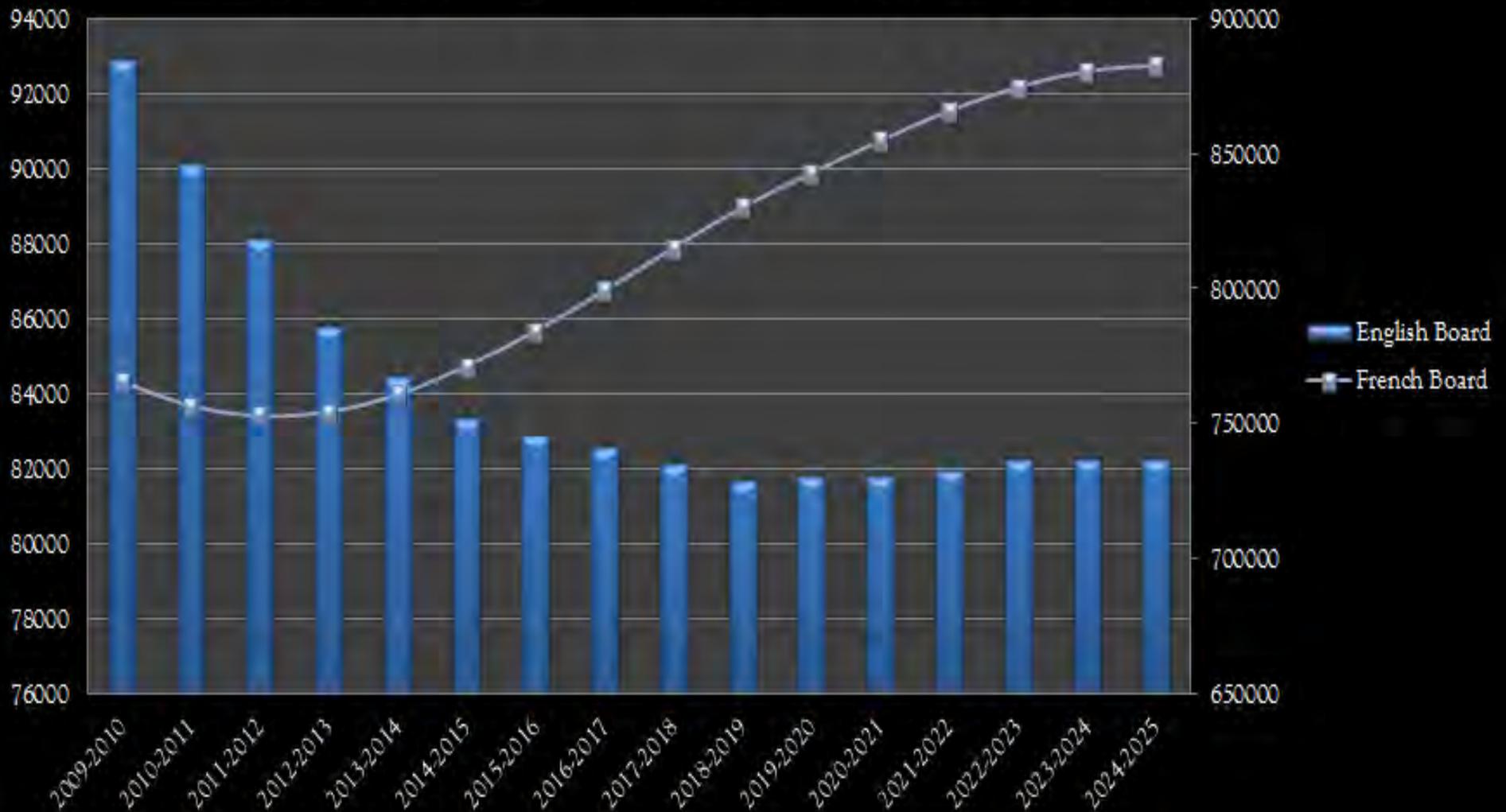


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Demographics – English vs French SB

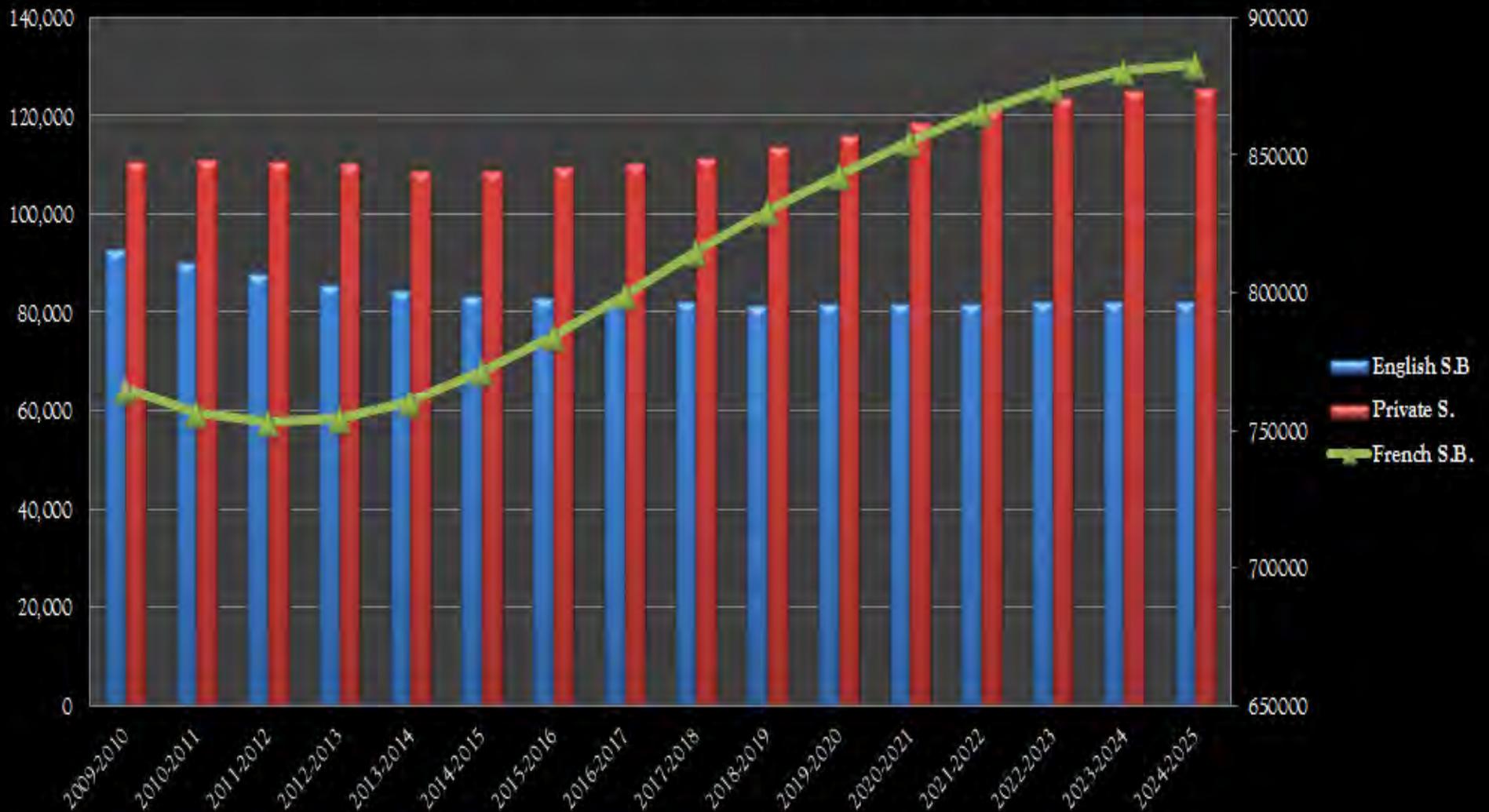
Demographic Projection - English vs French School Boards





Demographics – English, French and Private

Demographic Projection - English, French, and Private School



Change in the English school's enrolments

- Restrictions placed by the Charter of the French Language Bill (101);
- Out-migration of Anglophones;
- Fewer allophone students in the English-language schools (36 953) and an increase of 104 183 in the French-language schools;
- Increase of over 3000 students who were eligible for instruction in English who enrolled in French-language schools.



Decline in Enrolment = Decrease in funding



Decrease in Funding

A decrease in funding is fundamentally impacted by the following:

- 1) A variation of Per Capita: Per capita amounts are established by the MELS in the funding parameters and are used to determine teachers allocation, building maintenance, student transportation, supplementary grants, etc.;
- 2) A variation of Taxation Revenues: Taxation revenues (maximum) are based on the student population ;
- 3) The application of Law 100: Reduction of administration cost by 10% and a reduction of professional development, public relations, and travel by 25% (base year 2009-2010);
- 4) The cuts to School Board budgets (Effort to attain Budget Equilibrium): Negative measures imposed to school boards to attain a provincial balanced budget 2013-2014;
- 5) The rules governing the Budget Rules and Regulations (MELS).



Decrease in Funding

A decrease in student population results in a decrease in funding. Since 2009, the Anglophone student population has decreased by 10.3% while Francophone student population increased by 2%.

While a decline in enrolment impacts the per capita and taxation revenues, Law100 and general cuts also impact school board budgets. Below are approximate figures pertaining to loss in funding, from 2009-10 to 2013-14 for the nine English School Boards:

Loss in Funding - English School Boards (9) ¹

Variation in per capita funding	-\$24,792,815
Variation in Taxation funding	-\$6,447,641
Law 100 Compression	-\$3,549,916
Cuts - Effort to attain Budget Equilibrium	<u>-\$15,408,198</u>
Approximate Total Loss in Fundings	<u><u>-\$50,198,570</u></u>

¹ Amounts calculated for 2013-2014 were based on estimates



Decrease in Funding

As English school boards, the cuts are equal but not equitable because:

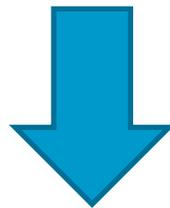
- Student population in English school boards (10 681) are decreasing while French school boards are increasing (117 000) by the year 2024-2025
- Size of school board territory (equitable services to all students)
- Budget rules and parameters are applicable to ALL school boards
- School capacities and age of buildings – attainment of optimization
- Cuts are applied in the same manner – parametric compression
- While there is a reduction in personnel, the accountability increases with more reporting



MELS' Grant versus Taxation Revenues

The MELS's grants are generally targeted revenues with little or no discretion including specific criteria and regulations i.e. teacher's envelope, supplementary grants, complementary services, transportation, debt services, capital, etc. On the other hand, taxation revenues are discretionary with some limitation.

Although we have seen an increase over the years in MELS's grant i.e. additional funding for complementary services, reduction in class size, K4 programs, École 2.0, Maintien des bâtiments, etc., school boards' discretionary funds are proportionally decreasing. As a result, the level of autonomy to make financial decisions decreases and is compounded by loss of student population. See annex 2.



Decrease in enrolment = Decrease in funding = Decrease of
financial autonomy to make decision



Source of Funding MELS' Grants and Other Revenues



Sources of Funding

Grants from the Ministère de l'Éducation, du Loisir et du Sport (MELS)

- MELS plays an essential role in funding school boards to provide access to education across Québec, regardless of students' socioeconomic background
- The resources that school boards receive from MELS are allocated in accordance with the annual budgetary rules published on an annual basis

School taxes

- School taxes collected by school boards also represent an important source of funding for operating activities
- Each year, the amounts are set by the MELS (maximum taxation revenue), which allows school boards to set tax rates based on students enrolments and assessed evaluation.

Other revenues

- The other main sources of revenue that may be used to finance school board operating activities are:
 - fees for consumable materials, food services, the rental of premises
 - lunchtime supervision
 - daycare services
 - other Federal or Provincial Government grants
 - See annex 4 for an exhaustive list of other revenues



Sources of Funding

Operating budget rules

- The draft operating budget rules are published annually by MELs in March-April and confirmed in May-June for the year starting July 1
- The principal changes to the school boards' operating budget rules published by MELs on an annual basis are as follows:
 - Implementation of growth factors, including:
 - indexation of salaries for teachers and for other personnel
 - indexation of other costs
 - indexation of the maximum school tax yield
 - Implementation of new initiatives
 - Removal of programs and other changes to budget parameters



Sources of Funding (cont'd)

Base Allocation

- Organization of services
- Educational activities
 - General education in the youth sector: the allocations are determined on the basis of student enrollment in the different levels of education (preschool, elementary and secondary school) as of September 30 and according to the categories of students involved (e.g. regular students and students with handicaps).
 - Vocational training: the allocations are based on the number of full-time equivalent students who have been evaluated (deemed to have passed or failed) and on the amounts specific to each program.
 - General education in the adult sector: the allocations are based on the number of students, which is determined *a priori*.
- Pupil transportation
- Specific supplementary allocations (*a priori* and throughout the year)



Source of Funding Taxation Revenues



Taxation Revenues - History

In 1990-1991, a major reform was brought in with respect to the formula used to calculate the school tax because the school boards wished for more autonomy at the board level. In addition the reform aimed to correct inequalities that existed between school boards as a result of the 1980 formula, and to build up accountability among the school boards with respect to the management and financing of certain operating expenditures.

This accountability translated into various transfers (decrease in grants, increase in the rate)

- Buildings and equipment operating expenditures in 1990-1991
- Central administration expenditures in 1996-1997
- Schools and Centers administration expenditures in 1997-1998.
- Transportation expenditures in 2003-2004

Please see Annex 3 for calculation of tax rate



Taxation Revenues - Reform

In 2007 **Law 43** was introduced. It required: (a) increases in new role deposits to be staggered over three years, equal to the duration of the role and (b) the application of a reduction to the tax rate to limit the amount payable as a result of rising evaluations. The province granted school boards additional assistance to provide this reduction to the taxpayers so the school boards' annual budget would not be affected.

Essentially the funds the government injected in equalization for education prior to 2006 continued despite the rising property evaluations.

The 2013-2014 provincial budget includes the elimination of this segment of the equalization grant to school boards by virtue of **Law 25**;

- Recuperates 50% of the reduction amount calculated in 2012-2013 be removed in 2013-2014
- 2014-2015 the removal of 25% of the 2012-2013 figure
- 2015-2016 the 25% balance.

The 2014-2015 provincial budget may see the light of **Bill 63**, a bill aimed at reimbursing taxpayers for the “downloading” of school taxes to taxpayers by school boards. In essence, school boards would reduce tax payers' invoices by virtue of a reduction of their expenses.



School Taxation - Challenges

- Potential for increases in bankruptcies, land tax sales, and bank repossession
- Increase in bad debt expense for non-collected taxes (increases admin. expenses)
- Higher outstanding account receivable resulting in interest expenses
- Increase in taxpayers' inquiries and possible migration from Anglophone to Francophone school board (or reverse)
- Double-billing by both school boards on the same territory
- Increase in administrative expenses (human resources)
- Inequities on the same territory (taxation rate)





Commissioners Involvement in the Budget Building Process



Budget Consultation Document

Consultation Document adopted by the Council of Commissioners

- The major components found in the consultation document are:
 - Budget management philosophy
 - Objectives, Guiding Principles, Criteria and related Orientations
 - Specific context of the school board (if applicable)
 - Budget cycle
 - Roles and responsibilities
- Bill 88 introduced the notion that partnership agreements shall be concluded between school boards and the MELS in order to agree on the measures required to implement the school boards' strategic plans.
- Also, that management and educational success agreements shall be concluded between the school board and each of its educational institutions.



Budget Consultation Document

Consultation with Various Committees

- Section 275 of the *Education Act* states:

“After consulting with the governing boards and the parents’ committee, the school board shall establish objectives and principles governing the allocation of subsidies, school tax proceeds and its other income among its educational institutions.

The allocation shall be carried out in an equitable manner and reflect the needs expressed by the institutions and the social and economic disparities with which they must contend, the partnership agreement between the school board and the Minister and the management and educational success agreements between the school board and the institutions.

The allocation shall include amounts for the operation of governing boards and amounts to meet the needs of the school board and its committees.

The school board shall make public the objectives and principles governing the allocation and the criteria used to determine the amounts allocated.”



Budget Cycle

Budget Cycle - Creation of budget and link to Strategic Plan

Budget building

- Phase I: Planning (October - April)
- Phase II: Preparation (April - June)
- Phase III: Decision making (May - June)

Budget monitoring

- Phase IV: Management and control (September - June)



Budget Workshops

Commissioners' Budget Workshops

- In order to get adequate Commissioner involvement in building the annual budget, many school boards provide workshops during the budget preparation phase.
- These workshops allows administration an opportunity to explain the budget rule changes, revenue estimates, staffing and non-salary expense estimates.
- In addition to the opportunity to ask questions, these workshops also allow Commissioners the opportunity to better understand the intricacies of the school board's budget and provide orientations regarding changes proposed by Administration in salary and non-salary budgets for the following year.



Budget Consultation Document

Adoption of staffing plan

- As part of the preparation phase, school boards are required to consult with various unions and association regarding the staffing plan of positions that would be maintained, created and abolished in the following school year.
- Following the consultation process, various collective agreements require that the Council of Commissioners adopt the final staffing plan which will eventually be used to determine the salary expenses included in the operating budget (May 15th).



Budget Adoption

Adoption of the operating, capital and debt service budgets

- The last step of the preparation phase of the budget building process is the adoption of the operating and capital budgets by the Council (usually at the June public board meeting)
- Section 96.24 of the *Education Act* states:
 - *“The principal shall prepare the annual budget of the school, submit it to the governing board for adoption, administer the budget and render an account thereof to the governing board.”*
- Section 66 of the *Education Act* states:
 - *“The governing board shall adopt and oversee the administration of its annual operating budget and render an account thereof to the school board.”*

The budget must maintain a balance between expenditures, on the one hand, and the financial resources allocated to the governing board by the school board, on the other.”



Budget Adoption (cont'd)

Adoption of the operating, capital and debt service budgets

- Section 277 of the *Education Act* states:
 - “Every school board shall adopt its operating, investment and debt service budget for the following school year and transmit it to the Minister before such date and in such form as he determines.”
- The budget adopted by the Council of Commissioners must also include revenues and expenses of all its schools and centres



Vigilance of Commissioners in Budget Monitoring



Vigilance in Budget Monitoring

Systematic follow-up of operating budget

Budget Cycle

- Phase IV: Management and control (September - June)

This phase consists of the following activities:

- review of student population on September 30;
- presentation and adoption of the audited previous year's financial statements;
- adjustment of envelopes based on confirmed student population;
- regular reviews of budgeted and actual expenses and revenues;
- budgetary transfers required.



Vigilance in Budget Monitoring

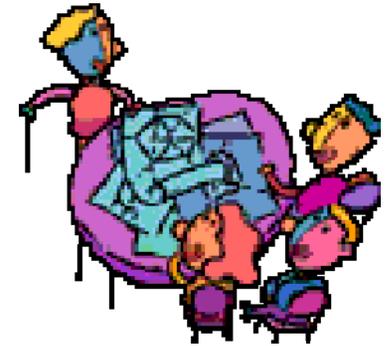
Quarterly budget revisions and variance analysis

- ensure that the Council of Commissioners obtains in a timely manner all the relevant information regarding the administrative expenses to enable the Council to fully assume its responsibilities.
- budget revisions should be completed on a regular basis and the results of the revisions should be shared with the appropriate Governance Advisory Committee.
- department heads may be required to explain variances between budget and actual revenues/expenses at September 30, December 31, March 31 and June 30 (year-end).
- based on information received from departments, variances may determine an increase or decrease to either revenue or expense budgets.
- the results of the quarterly review are shared with the Governance Advisory Committee.



Challenges of English School Boards

- Size of school board territory (distance between schools, board office)
- Transportation costs and accessibility (extra-curricular)
- Decline in Enrolment
- Parametric Budget Cuts – one size fits all
- Age of buildings, school capacity
- Law101 – Access to English Education
- Political instability
- Vocational Training – Access to Programs (borrow from other school boards)
- A priori weighting (code 14, 50, 53) – oversize class and compensation
- Access to English Health Services (CLSC, CSSS, etc.)
- Validation process for students with special needs –(bureaucracy)
- Availability of Anglophone services (Speech and Language, Psychologist, Counsellors, etc.)
- French proficiency requirement (members of professional order)





Diversity in English School Boards

- Graduation and Success Rates
- Inclusion of our special needs student population
- Diversity in our communities, territories
- Greater decentralization of resources
- LEARN (on-line learning)
- CLC's
- Second-language programs (immersion and enrichment programmes)
- SSCCAA
- Networks/Committees (ADGESBQ, LCEEQ, ACES, PROCEDURE, etc.)
- Value-added remuneration programs



Questions/Comments



References

- ❑ **Education Act.** Available from: <http://www2.publicationsduquebec.gouv.qc.ca/>
- ❑ **Règles budgétaires pour l'année scolaire 2013-2014.** Available from: http://www.mels.gouv.qc.ca/fileadmin/site_web/documents/publications/Reseaux/Reseaux/Financement_equipement/Equipement_scolaire/RB_CS_2013_2014_FONCTIONNEMENT_s.pdf
- ❑ **Document complémentaire - Méthode de calcul des paramètres d'allocation** Available from: http://www.mels.gouv.qc.ca/fileadmin/site_web/documents/publications/Reseaux/Reseaux/Financement_equipement/Equipement_scolaire/RB_CS_Document_Complementaire_2013_2014_s.pdf
- ❑ **Prévision de l'effectif scolaire de l'ensemble du Québec (excluant le territoire des CS crie, Kativik et du Littoral), réseau public, au secteur des jeunes, en formation générale à temps plein, langue d'enseignement : anglais** Available from: Ministère de l'Éducation, du Loisir et du Sport, Direction des statistiques et de l'information décisionnelle.
- ❑ **One size does not fit all: Distinct solutions for distinct needs:** Brief presented to the MELS by ABEE Available from: www.mels.gouv.qc.ca/abee



Annexes



Change in the Policies/Bureaucracy Impact on School Boards

Annex 1

Challenges	Impact on School Boards	Future Impact
Law 101	Accessibility to English education	Viability and sustainability of English education, finances, employment, bilingualism, etc.
Military Families (Bill 14)	Restriction for military families to access English education	Right to access English education, interpretation by the Bureau of Admissibility – temporary stay
Law 100	Reduction of administrative expenses / 2:1 reduction of personnel	Budgets, shift in responsibilities, increase in workload, salary insurance, staff morale, etc.
Law 19	Anti-bullying and anti-violence policy. Action plan dealing with bullying and violence in schools	Accountability through S.B's annual report. Comparison between S.B. Exemptions are private schools
Law 43/25	School Taxation – Amendment to alleviate increase in assessed evaluation and abolishment of equalization grant	Removal of equalization grant, inequities with S.B. sharing the same territory, different tax rate (net) on school board territory, etc.



Change in the Political Face – Impact on School Boards

Annex 1

Challenges	Impact on School Boards	Future Impact
Bill 60	Charter of Values	Application of law, reasonable accommodations, grievances, mobility of personnel
Bill 63	Reimbursement of School Taxes	Decrease in budget (deficits, recovery plans), impact on student services, tax inquiries with no change to tax invoice
Budget 2014/2015	<ul style="list-style-type: none"> ▪ Large per-student cost gap across school boards, disparities • Panel of Experts -Recommendations • Improve the supervision of the taxing power of school boards. • Under funded system-cost 	<p>Grouping would generate some savings i.e. school board merger (economy of scale), fewer school boards, standard tax rate for all school boards</p> <p>School boards are financing yearly the system cost of 1.5% to 1.8%.</p>
Provincial Elections	Budget Parameters and Rules, new initiatives, see Budget 2014-2015	All of the above, budgets, taxation, etc.
School Elections	# of Commissioners, Parent Commissioners, Coop, universal suffrage for President	School Board Governance – structure, committees, reimbursement of election costs.



Provincial Education Credits 2013-2014 Kindergarten, Elementary, and Secondary

Annex 2

Programmes	<i>Budget</i> ¹ 2012-2013	<i>Budget</i> 2013-2014	<i>Variation</i> \$	<i>Variation</i>
School Boards	7,127	7,215.6	88.2	1.2%
School Boards Special Status	267.1	274.0	6.9	2.6%
Debt Service	698.9	716.7	17.7	2.5%
Private Schools	473.8	479.9	6.1	1.3%
Partners in Education	50.9	46.0	-4.9	-9.6%
Transportation	327.8	352.1	24.4	7.4%
Provision for Harmonization of GAAP	57.1	57.1	0.0	0.0%
Total	9,002.9	9,141.4	138.5	1.5%

¹ million of dollars

Sectors	<i>Budget</i> 2012-2013	<i>Budget</i> 2013-2014	<i>Variation</i> M\$	<i>Variation</i>
School Boards	\$ 7,127,400,000	\$ 7,215,600,000	\$ 88,200,000	1.2%
Debt Services	\$ 698,900,000	\$ 716,700,000	\$ 17,700,000	2.5%
Transportation	\$ 327,800,000	\$ 352,100,000	\$ 24,400,000	7.4%
Total	\$ 8,154,100,000	\$ 8,284,400,000	\$ 130,300,000	1.5%



Provincial Education Credits 2013-2014 Kindergarten, Elementary, and Secondary

Annex 2

<u>Indexation Factor</u>	Million\$	
Salary Indexation/Equity	144.1	
Debt Services	17.7	
Transportation	24.4	
Variation of energy, student population	68.9	
Increase in school taxation	(34.2)	
Realignment of the Equalization Grant	(150)	
<i>Sub-Total</i>		70.9
<u>Previous years development and initiatives</u>	Million\$	
Reduction in teaching ratios - elementary	15.3	
Reduction in teaching ratios - secondary	22.6	
Others	(0.3)	
Intensive English (grade 6)	6.3	
Other cost related to collective agreements	6.4	
Collective agreements - EHDAA	9.1	
<i>Sub-Total</i>		<u>59.4</u>
TOTAL		<u>130.3</u>



Taxation Revenues (Example)

Annex 3

The taxation revenues are based on the previous September 30 student population (youth and adult sector), and is weighted on the basis of sectors (k4, kindergarten, primary, etc.), type of students (regular or handicap population), and services (transportation, and daycares).

Revenues are generated through school tax invoice and in the event school boards cannot reach their maximum (insufficient fiscal resources), the MELS will subsidize the difference with an equalization payment (perequation).

TAXATION REVENUES = SCHOOL TAX INVOICE + EQUALIZATION GRANT

The taxation rate of \$0.35/100 evaluation along with the assessed evaluation of a school board's territory is used to determine the amount of school taxation (tax bills):

Maximum Taxation Revenues : \$18 000 000 (based on student population)		
Assessed Evaluation on School Board's Territory	\$ 4 458 000 000	
Rate of \$0.35/\$100 evaluation	Tax Bills	\$ 15 603 000
Equalization Grant (\$18 000 000 - \$15 603 000) =		\$ 2 397 000
Total Revenues		\$ 18 000 000



Sources of Funding - Others

Annex 4

- Parent user fees (sports, cultural, and social activities, lunch supervision, transportation, daycare services, etc.)
- Fundraising activities
- Donations, legs, trusts
- Rental fees and Food services
- Partners in education (MSSS, Municipal Agreements, etc.)
- Canada-Québec Entente
- School Board agreements
- Adult and Vocational programs (emploi Québec, guichet unique, etc.)
- School Fees (out of province, first nation agreements, etc.)
- Disposition of capital assets, land, etc.
- Etc.