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FINANCIAL SERVICES

MEMORANDUM

TO: Halifax Regional Council

FROM: Bruce Fisher, Manager  
Financial Planning

DATE: September 12, 2002

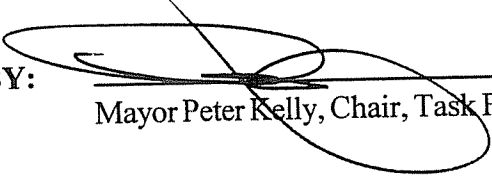
SUBJECT: Report of the HRM Task Force on Supplementary Education Funding

Based on the motion of Halifax Regional Council of 16 July 2002 to consider Recommendation 1, Recommendation 2, items 2, 3, 4 and 5 and Recommendation 3 attached please find the Report of the HRM Task Force on Supplementary Education Funding as prepared by Bruce Fisher, Manager, Financial Planning, approved by Dale MacLennan, Director, Financial Services and submitted by Mayor Peter Kelly, Chair, Task Force on Supplementary Education Funding. The report submitted includes only the covering report as well as the Issues and Recommendations (included under the original Table of Contents as pages 1-19).

Councillors are requested to bring their copies of the full report dated July 16, 2002 to the Council Meeting on September 17<sup>th</sup>, 2002.

Halifax Regional Council  
July 16, 2002

TO: Halifax Regional Council

SUBMITTED BY:   
Mayor Peter Kelly, Chair, Task Force on Supplementary Education Funding

DATE: July 10, 2002

**SUBJECT: Report of the HRM Task Force on Supplementary Education Funding**

**ORIGIN**

The Task Force on Supplementary Education Funding was established by Regional Council on January 16, 2001 with a mandate to report on a "proposed approach with respect to the provision of education funding for the year 2001/02 and beyond." Task force members include the Mayor, Community Council representatives, Citizens-at-Large, the Halifax Regional School Board (HRSB), and the Conseil Scolaire Acadien Provincial (CSAP). The Task Force recommendations to Regional Council are contained in this report, and include the recommended Supplementary Education rates for fiscal 2002/03.

This report contains the recommended Supplementary Education rates for 2002/03, and the July 16, 2002 session of Council will be the last session before the final tax billings for fiscal 2002/03 are processed.

**RECOMMENDATION**

It is recommended that :

**Recommendation #1**

1. **With respect to Supplementary Funding, beginning with the 2003/04 Fiscal Year, the HRSB present a Budget and Business Plan to Program and Service Review, and subsequently Regional Council. The Plan will be based upon HRM's budget and business plan guidelines and templates as per Appendix 19. HRM's budget/business planning timelines must be followed. The objective will be to finalize all funding issues for inclusion in the HRM Budget before it is presented to Regional Council.**

2. Seek legislative changes to the Municipal Government Act that would allow Regional Council to have more direction and guidance in how Supplementary Funding is being spent.

**Recommendation #2**

1. Each of the Halifax, Dartmouth, and County/Bedford Tax Rates be set at the 2001/02 per student amounts after adjusting for inflation of 3.5%. *Therefore, it is hereby resolved that Supplementary Education for Fiscal 2002/03 shall be set at the rate of \$0.117 to the residential and resource assessment and set at \$0.299 to the commercial, machinery and equipment assessment including business occupancy of the former City of Halifax; and \$0.095 to the residential and resource assessment and \$0.241 to the commercial, machinery and equipment assessment including business occupancy of the former City of Dartmouth; and \$0.044 to the residential, resource, commercial, machinery and equipment assessment including business occupancy of the former Town of Bedford and Halifax County. Total discretionary funding shall be set at \$20,846,200. (Italics part added by HRM staff).*
2. HRM start a systematic reduction of Supplementary Funding in the fiscal year 2003/04 of 10% per year to eliminate the present form of Municipal Supplementary Funding. If a more rapid reduction over a shorter time frame can be achieved, in cooperation with HRSB and the Province of NS, then this accelerated, reduced scope should be considered.
3. HRM and HRSB approach the Province of Nova Scotia to investigate amendments to the Education Act, relative to the calculation of Mandatory Funding, to enable changes deemed necessary for the collection of additional funds over and above the present mandatory calculation to be substantiated by budget and the business planning process, such additional dollars to be allocated equally over the HRSB school system.
4. Further, mandatory funding to be spent within HRM.
5. The Mayor would write the Province requesting supplementary funding be rolled into the mandatory.
6. That the dollar allocations for former City of Halifax equal \$12,295,000, former City of Dartmouth equal \$5,239,200 and the former County/Bedford equal \$3,312,000 for 2002/03.

**Recommendation #3**

1. **The Province of Nova Scotia cease to use the Baseline Funding formula in favour of the new funding formula recommended by the Education Funding Review Work Group. Any required funding reductions should be applied against the calculations produced by the new formula.**

## **BACKGROUND**

Under the current system of educational financing, the Provincial Department of Education determines how much government funding each school board shall receive. After determining that total it allocates a portion of those costs to each municipality based upon its uniform assessment. This is referred to as "Mandatory Education". It is required by law and individual municipalities have no say in whether or not to pay it. Supplementary Education are amounts above the Mandatory amount.

Halifax and Dartmouth's connection to extra educational funding has its origins in the pre-amalgamation cities of Halifax and Dartmouth. Each of them provided for educational funding above the mandatory amount through their general tax rate. Upon amalgamation the HRM Act, and later the Municipal Government Act (MGA) required HRM to continue funding these costs through a special area rate. HRM could not decrease the rate more than 10% per year without the permission of the Halifax Regional School Board. The rate was decreased by 4.7% in the first year following amalgamation. The former County collected educational funding through trustee rates. These were area rates levied on behalf of the school trustees. The catchment areas used were the same as the individual school boundaries. Upon amalgamation the Province eliminated the use of such rates and they ceased to be collected in 1996. The former Town of Bedford also had trustee rates which were eliminated. In 1999/2000 a small one-time area rate was levied in Bedford to finance the purchase of computers for the schools. The current County/Bedford area rate for education was initiated in 2000/01.

## **DISCUSSION**

The recommendations put forth in this report by the Task Force deal with three key issues surrounding the current funding structure:

1. While HRM provides the HRSB with Supplementary Education funding, HRM and the HRSB have no ongoing institutional mechanism with which to determine the budget for education or to account for goals, objectives and outcomes. Finalizing the budgets of each organization has become difficult. Currently, the 2002/03 supplementary education budgets are outstanding. Recommendation# 1 provides a mechanism by which the business plan and budget for Supplementary Education can be presented to Council at the same time and in the same manner as the business plans and budgets for the HRM business units. In this way, it will now be possible for Supplementary Education to undergo the same review process and be approved at the same time as the remainder of the HRM budget.
2. A full 60% of the HRSB student population lives in Bedford or the former County. However,

about two-thirds of the weighed property tax base is located in Halifax and Dartmouth. The high student population and lower tax base in Bedford and the former County make the funding of additional educational services in those areas difficult. Supplementary Education provides funding of over \$900 per student in Halifax, and almost \$500 per student in Dartmouth, while the County/Bedford have funding of just under \$100 per student. Recommendation# 2 is one of the three options considered by the Task Force for addressing this situation. It also recommends the Supplementary Education rates for Fiscal 2002/03. The other two options are described in the Alternatives section of this report. The recommended option would be to increase each budget equally by 3.5%. Under this approach the gap in per student funding continues to grow. For instance, per student funding in Dartmouth would rise by 5.8%, in Halifax by 4.5% and in the County/Bedford by 3.0%.

3. Under the formula for funding from the Province, the HRSB receives the lowest per student funding of any school board in Nova Scotia. In 2002/03, the HRSB will receive just under \$4,700 per student. Other boards range from just under \$5,000 to over \$6,200 per student. This discrepancy occurs because the 2002/03 funding allotment is based upon 80% of the 1998/99 Baseline funding formula, plus 23% of a new funding formula which was recommended by the Education Funding Review Work Group in that year. The Baseline calculations being done today are still based on 1998/99 enrollment figures which have changed significantly since then. Full implementation of the new funding formula at the level the Province currently funds would result in several school boards losing funding, while the HRSB would gain over 3% in funding. The HRSB would then receive funding on a per student basis that is almost comparable to other boards. However, to presumably avoid such a sudden shift in School Board funding, the Province and the Boards agreed to maintain the old "Baseline" formula while implementing only a portion of the new funding formula. Hence, the 80/23 split between the two formulas. Funding for the HRSB under the Baseline formula is only 87% of the average for Boards other than the HRSB and CSAP. It would increase to 97% under the new formula. Recommendation# 3 calls for full implementation of the new funding formula.

**BUDGET IMPLICATIONS**

The recommended Supplementary Education tax rates and revenue generated for 2002/03 compared to 2001/02 are as follows:

**Supplementary Funding (Current and Proposed)**

Tax Rates are expressed per \$100 of assessed value

	2001/02 Budget	2001/02 Residential Tax Rate	2001/02 Commercial Tax Rate	2002/03 Budget	2002/03 Residential Tax Rate	2002/03 Commercial Tax Rate
Halifax	11,879,900	0.123	0.314	12,295,000	0.117	0.299
Dartmouth	5,062,200	0.097	0.248	5,239,200	0.095	0.241
County/Bedford	3,200,000	0.045	0.045	3,312,000	0.044	0.044
<b>TOTAL</b>	<b>\$20,142,100</b>			<b>\$20,846,200</b>		

## FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

## ALTERNATIVES

Council may choose to accept and/or modify some or all of the recommendations. **However, it is important to note that this report contains the recommended Supplementary Education rates for 2002/03, and the July 16, 2002 session of Council will be the last session before the final tax billings for fiscal 2002/03 are processed.**

With respect to the actual tax rate, there were two other options discussed by the Task Force. The first option is to freeze the budget at the current level. In the case of Halifax and Dartmouth this has been the case in the past. Tax rates in Halifax would fall from 12.3 cents to 11.4 cents. Dartmouth's rate would fall from 9.7 cents to 9.2 cents. The County rate would fall from 4.5 cents to 4.2 cents. Due to changing enrollment, per student amounts would rise in Dartmouth (2.3%) and Halifax (1.0%) but would fall slightly in the County and Bedford (-0.4%). Without proper outcomes agreed to by the two parties this is a viable alternative.

The second option would be to follow procedures similar to those used in the HRM Budget process. In that process the cost drivers for services are examined along with the demand for the service. Using that process, each of the Halifax, Dartmouth, and County/Bedford Tax Rates would be set at the 2001/02 per student amounts after adjusting for (1) Inflation of 2.6%, and, (2) enrollment changes<sup>1</sup>.

This approach has several advantages. First, it focuses education funding on the equity issues. The gap in per student funding has been frozen. Per student amounts rise equally in all three areas by 2.6% which is HRM's estimate of the increase in inflation. Secondly, it places the funding for 2002/03 on a rational basis. It not only recognizes that costs are rising but also accounts for the fact that the composition of the student body is changing. For instance, Halifax and Dartmouth have both seen a decline in enrollment while the County/Bedford has been virtually no change. Hence, the County's budget has increased by roughly the amount of inflation while Halifax and Dartmouth's budgets have increased only marginally (1.2% for Halifax and 0.3% for Dartmouth). All three tax rates have declined.

Under these two options the budgets and tax rates for 2002/03 for Supplementary Education funding

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<sup>1</sup> Enrollment amounts are from HRSB for 2001-2002. Final 2002-2003 numbers are not available and it is administratively easier to lag enrollments by one year.

would be:

## Supplementary Funding (Other Options)

Tax Rates are expressed per \$100 of assessed value

	"Freeze" Budget at 2001/02 Level	Residential Tax Rate	Commercial Tax Rate	Inflation of 2.6% Adjusted by Enrollment	Residential Tax Rate	Commercial Tax Rate
Halifax	11,879,900	0.114	0.291	12,068,000	0.115	0.293
Dartmouth	5,062,200	0.092	0.235	5,079,000	0.092	0.235
County/Bedford	3,200,000	0.042	0.042	3,298,000	0.044	0.044
<b>TOTAL</b>	<b>\$20,142,100</b>			<b>\$20,445,000</b>		

Other possibilities exist for dealing with the equity issues. For instance, all three tax rates could be blended into one. This is unlikely to be acceptable since it would lead to significant decreases in services in both Halifax and Dartmouth. Secondly, per student funding could be equalized. In the short-run this is unlikely due to the huge financial cost that would be required. For instance, this would require an additional \$40 million in funding. Until clear goals, objectives and outcomes are jointly set by Regional Council and the HRSB such an approach is not advisable. Lastly, each former unit could pay the same tax rate. This only guarantees that every taxpayer pays the same rate. Service levels will continue to differ.

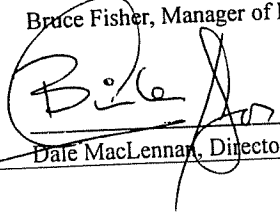
In 2003-2004 and future years, HRM could consider increasing the current commercial tax weighting of 2.55 to allow for a more even residential education rate across the municipality. Legislative changes could permit the Bedford/County area rate to be weighted.

### ATTACHMENTS

The Final Report of the HRM Task Force on Education Funding, including Appendices 1 to 20.

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Bruce Fisher, Manager of Financial Planning, Financial Services 490-4493

Report Approved by:   
 Dale MacLennan, Director, Financial Services 490-6308

## Issues & Recommendations

The purpose of this report is to recommend a funding level for Education for the 2002/03 fiscal year, a process for determining future funding and service levels including bringing greater equity into the current system and to formulaize a common approach to dealing with the Province of Nova Scotia on education issues.

### Issues

Four main interrelated issues continue to dominate the education debate in HRM. From the perspective of the Halifax Regional School Board (HRSB) there is a discrepancy in the funding levels provided to it by HRM. These funding levels come through three separate programs, one each for Halifax, Dartmouth and the former County/Town of Bedford. The discrepancy in funding levels has forced the HRSB to provide three distinct levels of education across HRM. As a result students in the former County and in Bedford often receive fewer enhanced services such as music, french and art.

From the perspective of HRM, educational funding is a provincial responsibility. The majority of funding provided by HRM is as a result of Provincial laws requiring a HRM contribution. A complete takeover of education costs by the Province, along with adequate funding, would help provide an appropriate solution to many of the equity issues at play.

The Conseil Scolaire Acadien Provincial (CSAP) receives no funding from HRM towards education even though as taxpayers they help fund the contributions to the HRSB.

Lastly, HRM and the HRSB have no ongoing institutional mechanism with which to determine the annual budget for education or to account for goals, objectives and outcomes.

### The Pre-Amalgamation Situation

Under the current system of educational financing, the Provincial Department of Education determines how much government funding each school board shall receive. After determining that total it allocates a portion of those costs to each municipality based upon its uniform assessment. This is referred to as "Mandatory Education". It is required by law and individual municipalities have no say in whether or not to pay it. Supplementary Education are amounts above the Mandatory amount.

Halifax and Dartmouth's connection to extra educational funding has its origins in the pre-amalgamation cities of Halifax and Dartmouth. Each of them provided for educational funding above the mandatory amount through their general tax rate. Upon amalgamation the HRM Act, and later the Municipal Government Act (MGA) required HRM to continue funding these costs through a special area rate. HRM could not decrease the rate more than 10% per year without the permission of the Halifax Regional School Board. The rate was decreased by 4.7% in the first year following amalgamation. The former County collected educational funding through trustee rates. These were area rates levied on behalf of the school trustees. The catchment areas used



were the same as the individual school boundaries. Upon amalgamation the Province eliminated the use of such rates and they ceased to be collected in 1996. The former Town of Bedford also had trustee rates which were eliminated. In 1999/2000 a small one-time area rate was levied in Bedford to finance the purchase of computers for the schools. The current County/Bedford area rate for education was initiated in 2000/2001.

**Inequities in Funding**

The patterns of growth which exist in HRM have led to serious inequities in the way education is financed by HRM. At the heart of these inequities is a serious dichotomy. The majority of students are located in the former County and Bedford. A full 60% of the student population lives in Bedford or the County. However, the property tax base is heavily concentrated in Halifax and Dartmouth. Only just over one-third of the tax base resides in Bedford and the County.

**Students versus Tax Base**

	<b>HRSB Students</b>	<b>Weighted Tax Base</b>
Halifax	22.7%	41.6%
Dartmouth	17.3%	22.0%
County/Bedford	60.0%	36.4%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

This disparity between the tax base and the student level can be easily viewed in terms of the size of the assessment base to the student population. Halifax has over \$900,000 of assessment for each student. The County and Bedford have just over \$250,000.

**Assessment per Student**

	<b>Weighted Assessment per Student</b>
Halifax	931,000
Dartmouth	565,700
County/Bedford	259,900
<b>TOTAL</b>	<b>\$447,100</b>

This situation has had beneficial results for Halifax and Dartmouth. With a smaller student population and wealthier tax base they can afford a higher level of education services. For the County and Bedford the reverse is true. The high student population and lower tax base make the funding of additional educational services difficult. Supplementary Education in Halifax provides funding of over \$900 per student while the County/Bedford have funding of just under

\$100 per student.

## Supplementary Funding per Student

	2001-2002
Halifax	901
Dartmouth	497
County/Bedford	93
<b>TOTAL</b>	<b>\$349</b>

More important than the funding levels, however, are the types and levels of educational programs and opportunities that are available to students across HRM. Education costs can be funded either through the General Fund (which collects contributions from the Province and from Mandatory Education) or one of the three funds. Until recently, the HRSB was not able to identify which "enhanced and/or augmented" programs and costs it felt should be assigned specifically to supplementary education. Table 1 shows which services come from which fund(s). Several points are key to remember when reviewing this listing:

- Halifax has the most extensive list of extra services available followed by Dartmouth. Both of the former cities have funds dedicated to music, french instruction, physical education, fine arts and art instruction and junior high support. In addition they provide funds for therapeutic swimming, the exemplary practice and discretionary funds, administrators, secretaries and substitutes. Halifax raises funds for Core French while Dartmouth receives a small amount of funds for bussing. The County provides English as a Second Language tutors and programs through the Schools Funds.
- Some services available through supplementary funds are also available through general funds. In many cases this is likely because the supplementary fund provides for the enhancement of the service.
- The HRSB publishes its business plan for its General Fund. While a draft business plan for supplementary education has been prepared, it has not been agreed to by HRM Regional Council. Regional Council and the HRSB have yet to agree on goals and objectives for the funds.
- While HRSB has developed budgets for each of the funds, they have not always been presented to Regional Council prior to the setting of the tax rates.
- No outcome or performance measures are available for the various supplementary programs.

### Provincial or Core Funding

At the heart of the supplementary funding debate are jurisdictional issues. The Province maintains responsibility for all aspects of educational policy. HRM and its Councillors have no role in the direct provision of educational services, only the funding. The Province determines

how much funding each school board receives and what portion of that funding will come from either the Province or the Municipality. In addition, a frequent complaint of the provincial system has been that the funding formula it uses under funds the HRSB, which receives the lowest per student funding of any board. In 2002/03 HRSB will receive just under \$4,700 per student. Other boards range from just under \$5,000 to over \$6,200 per student. It is also felt that the Province unfairly takes into consideration the supplementary education when it sets the total amount the HRSB receives.

## Provincial Funding per Student by School Board

Total Funding per Student for 2002/03

	Total Funding	Enrollment	Funding per Student
Annapolis Valley	\$85,490,300	17,287	\$4,945
Cape Breton - Victoria	106,037,700	20,135	5,266
Chignecto - Central	129,965,900	25,551	5,087
CSAP	24,994,400	4,026	6,208
Halifax	266,116,400	57,152	4,656
Southwest	92,514,600	17,962	5,151
Strait	57,805,200	9,749	5,929
<b>Total</b>	<b>\$762,924,500</b>	<b>151,862</b>	<b>\$5,024</b>
Total less HRSB, CSAP	\$471,813,700	90,684	\$5,203

The Provincial formula for calculating the funding level for each of the boards is fairly complex. In fact, it is not one formula but two separate formulas with a number of add-ons. In 1997/98 there was one main formula for calculating how much each board should receive, known as its "Baseline" funding. That formula was based largely on a per student transfer amount. Other features of the formula included allocations for buses, an equity grant and a variety of funding decreases and administrative measures. In that year, however, the Education Funding Review Work Group proposed a new Formula. Two things are striking about the new formula. First, it was considerably more complex and involved than the other formula. Secondly, it was extremely costly.

While the new funding formula was based chiefly on per student amounts, those amounts varied by grade and for individual service. For instance, Grade Primary funding assumed one classroom teacher for every 22 students. It used other ratios to calculate the number of teachers for other classes (eg Music, Phys Ed and French).

Other amounts in the new formula were also directly or indirectly based on the number of students. These included amounts for property services (operating and capital) and textbooks.

Administrative costs were split between a fixed \$1 million per board and an amount per student. There was also a salary adjustment factor (for boards with higher cost teachers) and a classroom size adjustment factor (for the CSAP and the Strait Boards). Both of these were based upon enrollment levels. Amounts for Principals, Transportation costs and Governance were not student based.

## Provincial Funding by Grade for 2002-2003 Per Student Amounts Only

Formula Funding and Other Amounts Per Student

	Formula Amount per Student	Other Amounts per Student*	Total per Student
Primary	4,098.10	854.45	4,952.55
Grade One	4,666.98	872.17	5,539.15
Grade Two	4,098.10	854.45	4,952.55
Grade Three	3,787.80	844.79	4,632.59
Grade Four	3,787.80	844.79	4,632.59
Grade Five	3,787.80	844.79	4,632.59
Grade Six	3,787.80	844.79	4,632.59
other Elementary	3,787.80	844.79	4,632.59
Grade Seven	4,048.54	990.41	5,038.95
Grade Eight	4,048.54	990.41	5,038.95
Grade Nine	4,048.54	990.41	5,038.95
other Junior High	4,048.54	990.41	5,038.95
Grade Ten	3,764.09	1,036.55	4,800.64
Grade Eleven	3,764.09	1,036.55	4,800.64
Grade Twelve	3,764.09	1,036.55	4,800.64
other High School	3,764.09	1,036.55	4,800.64
Vocational	3,792.54	1,037.44	4,829.98
<b>Total</b>	<b>\$3,950.40</b>	<b>\$927.70</b>	<b>\$4,878.10</b>

\* Includes amounts for Salary Adjustment, Class Size Adjustment, Property Services, Administration (Variable) and textbooks

The new formula was quite expensive. For example, to fully implement the new formula in 2002/03 would cost \$832 million. This is \$70 million, or nearly 10%, more than the current funding level of \$762 million. Full implementation would cost the Province, and possibly the municipalities, a significant amount of additional funds. While all school boards would gain funds under full implementation, several school boards would lose funding if the new formula was pro-rated downwards to the level the Province currently funded. For instance, if the new formula was capped at the 2002/03 level the Cape Breton-Victoria Board would lose nearly 6% of its funding. The Strait, Southwest and CSAP would lose 2% to 3% of their funding. HRSB

would gain over 3% in funding.

In order to presumably avoid a sudden shift in School Board funding the Province and the Boards agreed to maintain the old "Baseline" formula while implementing only a portion of the new funding formula. For example, the 2002/03 funding allotment is based upon 80% of the 1998/99 Baseline Funding plus 23% of the new funding formula. This is illustrated in Table 2.

## HRSB, CSAP and Total Provincial Funding

Total Funding for 2002/03

	HRSB	CSAP	All Other Boards
<b>New Formula</b>			
<b>Amounts Based on Per Student Funding</b>			
Formula Funding	52,214,740	3,703,960	82,723,900
Salary Adjustment Factor	1,625,810	0	2,947,800
Class Size Adjustment Factor	0	446,140	1,058,300
Property Services (Operating)	7,087,224	482,270	11,298,720
Property Services (Life cycle)	1,574,939	107,170	2,510,840
Administration (Variable portion)	1,321,759	93,110	2,097,260
Textbooks	652,288	45,950	1,034,980
Enrollment Decline	<u>(781,200)</u>	<u>(188,300)</u>	<u>(5,108,000)</u>
<b>Sub-Total</b>	<b>63,695,560</b>	<b>4,690,300</b>	<b>98,563,800</b>
<b>Other Amounts</b>			
Principals and Other	2,170,580	368,400	5,052,100
Transportation (Operating)	2,299,860	494,400	6,435,100
Governance	97,130	118,000	568,900
Administration (Fixed portion)	<u>231,270</u>	<u>231,300</u>	<u>1,156,400</u>
<b>Sub-Total</b>	<b>4,798,840</b>	<b>1,212,100</b>	<b>13,212,500</b>
<b>Total New Formula</b>	<b>68,494,400</b>	<b>5,902,400</b>	<b>111,776,300</b>
<b>Baseline Formula</b>			
Previous Baseline (Based on 1996 enrollment)	180,363,800	12,955,500	312,206,700
Other Baseline Funding	17,258,200	6,136,500	47,830,700
<b>Total Baseline Funding</b>	<b>197,622,000</b>	<b>19,092,000</b>	<b>360,037,400</b>
<b>Total</b>	<b>\$266,116,400</b>	<b>\$24,994,400</b>	<b>\$471,813,700</b>

It is important to note that while the older formula was heavily based on the number of students per board, enrollment has changed significantly since 1998/99. The baseline calculations being done today still use the 1998/99 enrollment figures. Hence many, but not all, of the funding discrepancies which exist are due to the use of the old formula. For instance, under the new formula HRSB receives funding on a per student basis that is almost comparable to other

## HRSB, CSAP and Provincial Funding per Student

Total Funding per Student for 2002/03

	HRSB	CSAP	All Other Boards
<b>New Formula</b>			
<b>Amounts Based on Per Student Funding</b>			
Formula Funding	914	920	912
Salary Adjustment Factor	28	0	33
Class Size Adjustment Factor	-0	111	12
Property Services (Operating)	124	120	125
Property Services (Life cycle)	28	27	28
Administration (Variable portion)	23	23	23
Textbooks	11	11	11
Enrollment Decline	<u>(14)</u>	<u>(47)</u>	<u>(56)</u>
<b>Sub-Total</b>	<b>1,114</b>	<b>1,165</b>	<b>1,087</b>
<b>Other Amounts</b>			
Principals and Other	38	92	56
Transportation (Operating)	40	123	71
Governance	2	29	6
Administration (Fixed portion)	4	<u>57</u>	<u>13</u>
<b>Sub-Total</b>	<b>84</b>	<b>301</b>	<b>146</b>
<b>Total New Formula</b>	<b>1,198</b>	<b>1,466</b>	<b>1,233</b>
<b>Baseline Formula</b>			
Previous Baseline (Based on 1996 enrollment)	3,156	3,218	3,443
Other Baseline Funding	302	1,524	527
<b>Total Baseline Funding</b>	<b>3,458</b>	<b>4,742</b>	<b>3,970</b>
<b>Total</b>	<b>\$4,656</b>	<b>\$6,208</b>	<b>\$5,203</b>

boards. Its per student funding is 97% of the average for Boards other than HRSB and CSAP. It is the use of the older Baseline formula which penalizes it the most. Funding under the Baseline formula is only 87% of the average for Boards other than HRSB and CSAP.

The province and the boards have yet to agree on a timetable for phasing out the use of the old baseline formula. With respect to Supplementary Education, it is not used as an input into either the Baseline Formula or the new formula. The continued use, however, of a baseline formula using outdated enrollment figures, has placed considerable pressure on HRM to assist the HRSB. Should the new formula be implemented, the pressure to provide supplementary education would be relieved.

### **The CSAP**

The Halifax Regional School Board is one of two school boards that operate within HRM. The Conseil Scolaire Acadien Provincial (CSAP) provides French Education for students across Nova Scotia including approximately 1,100 Students in Halifax, Dartmouth, Bedford and the more urbanized parts of the former County. In HRM the CSAP operates three schools. While it is a full-fledged school board it operates in a slightly different fashion than other boards:

- It operates along-side the English language boards
- Because of its widely dispersed student body it faces more serious transportation problems than most of the other boards. Its class sizes are smaller by necessity. It receives additional provincial funding for the latter.
- The three CSAP schools which operate in HRM receive students from all four of the former municipal units. None of these schools operates solely for the benefit of a former municipal unit.
- It does not receive mandatory education funding from any of the municipalities. Because it operates across the various municipal tax bases used to fund mandatory education, its inclusion in this formula would complicate education funding. Hence for administrative purposes it is funded 100% by the Province.

The CSAP is precluded from receiving any supplementary education funds. The MGA specifically restricts supplementary funds to the HRSB for use in Halifax and Dartmouth. Parents of CSAP students in Halifax and Dartmouth, however, are required to pay supplementary education even though they receive no direct benefit. CSAP can legally receive funds from HRM thru a separate area rate or the general tax rate.

The CSAP has received no benefit from the County/Bedford area rate for education. Funds from that area rate have been provided exclusively to the HRSB. Again, parents of CSAP students in the former County and Bedford are required to pay the area rate even though they receive no direct benefit. The committee investigated allocating a portion of the County/Bedford area rate to CSAP but area rates can only be used for the benefit of the area paying the tax. Many of the CSAP students are from Halifax and Dartmouth and do not pay the County/Bedford area rate.

The County/Bedford area rate could only be used to benefit CSAP students who live in the County or Bedford and not the CSAP students who live in Halifax and Dartmouth. This presents considerable administrative difficulties.

If CSAP is to receive any form of municipal funding from HRM there are two other possibilities:

- An area rate could be levied on all of HRM to fund educational requirements for CSAP. This area rate would likely be restricted to those areas of HRM that CSAP draws its students from. As per the MGA, the area rate would be levied equally on residential and commercial assessment.
- Funds could be provided to CSAP through the General Tax rate.

### **Options and Recommendations:**

#### **(1) A Process for determining future funding and service levels**

Both HRM and the HRSB have invested considerable time and effort into their budgeting and business planning processes. HRSB has prepared business plans for its general fund and has proposed a Supplementary Education business plan for 2002/03. In the case of HRM, each of its Business Units is required each Fall to prepare a budget and a business plan for the upcoming fiscal year. Business Units are provided with guidelines and templates. Individual budget “envelopes” have been created based on the key cost and service drivers such as the rate of inflation and demographic changes. Through the Business Planning Process considerable emphasis has been placed on goals, objectives, outcomes and bench marking. Each Business Unit presents its Budget and Business Plan to the Program and Service Review Committee, a committee of Council, prior to the recommended budget and business plans being tabled at Council in January. The goal is to have funding in place well before the start of the fiscal year. To date, supplementary education has not been handled through this process. For example, in 2002 HRM Council approved its budget in early March. Supplementary education tax rates are still outstanding three months later. It is therefore recommended that

- 1. With respect to Supplementary Funding, beginning with the 2003/04 Fiscal Year, the HRSB present a Budget and Business Plan to Program and Service Review, and subsequently Regional Council. The Plan will be based upon HRM’s budget and business plan guidelines and templates as per Appendix 19. HRM’s budget/business planning timelines must be followed. The objective will be to finalize all funding issues for inclusion in the HRM Budget before it is presented to Regional Council.**
- 2. Seek legislative changes to the Municipal Government Act that would allow Regional Council to have more direction and guidelines in how Supplementary Funding is being spent.**



(2) Education Funding for the 2002-2003 fiscal year

Without agreement on a mission, goals and objectives it is difficult to determine what levels of funding are acceptable to HRM Regional Council. Several considerations are key however:

Funding levels per student differ across HRM  
Enrollment levels in the public schools are declining  
HRSB faces additional cost pressures due to teachers salary increases and inflation

With respect to the actual tax rate, there are three options. The first option is to freeze the budget at the current level. In the case of Halifax and Dartmouth this has been the case in the past. Tax rates in Halifax would fall from 12.3 cents to 11.4 cents. Dartmouth's rate would fall from 9.7 cents to 9.2 cents. The County rate would fall from 4.5 cents to 4.2 cents. Due to changing enrollment, per student amounts would rise in Dartmouth (2.3%) and Halifax (1.0%) but would fall slightly in the County and Bedford (-0.4%). Without proper outcomes agreed to by the two parties this is a viable alternative.

The second option would be to follow procedures similar to those used in the HRM Budget process. In that process the cost drivers for services are examined along with the demand for the service. Using that process, each of the Halifax, Dartmouth, and County/Bedford Tax Rates would be set at the 2001/02 per student amounts after adjusting for (1) Inflation of 2.6%, and, (2) enrollment changes<sup>1</sup>.

This approach has several advantages. First, it focuses education funding on the equity issues. The gap in per student funding has been frozen. Per student amounts rise equally in all three areas by 2.6% which is HRM's estimate of the increase in inflation. Secondly, it places the funding for 2002/03 on a rational basis. It not only recognizes that costs are rising but also accounts for the fact that the composition of the student body is changing. For instance, Halifax and Dartmouth have both seen a decline in enrollment while the County/Bedford has been virtually no change. Hence, the County's budget has increased by roughly the amount of inflation while Halifax and Dartmouth's budgets have increased only marginally (1.2% for Halifax and 0.3% for Dartmouth). All three tax rates have declined.

The third option would be to increase each budget equally by 3.5%. Under this approach the gap in per student funding continues to grow. For instance, per student funding in Dartmouth would rise by 5.8%, in Halifax by 4.5% and in the County/Bedford by 3.0%.

Other possibilities exist for dealing with the equity issues. For instance, all three tax rates could be blended into one. This is unlikely to be acceptable since it would lead to significant decreases in services in both Halifax and Dartmouth. Secondly, per student funding could be equalized. In

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<sup>1</sup> Enrollment amounts are from HRSB for 2001-2002. Final 2002-2003 numbers are not available and it is administratively easier to lag enrollments by one year.

the short-run this is unlikely due to the huge financial cost that would be required. For instance, this would require an additional \$40 million in funding. Until clear goals, objectives and outcomes are jointly set by Regional Council and the HRSB such an approach is not advisable. Also, each former unit could pay the same tax rate. This only guarantees that every taxpayer pays the same rate. Service levels will continue to differ.

In 2003-2004 and future years, HRM could consider increasing the current commercial tax weighting of 2.55 to allow for a more even residential education rate across the municipality. Legislative changes could permit the Bedford/County area rate to be weighted.

Under these three options the per student funding for 2002/03 would be

### Supplementary Funding per Student by Year

	2001-2002	Freeze Budget 2002-2003	Inflation of 2.6% adjusted by enrollment 2002-2003	Increase by 3.5% 2002-2003
Halifax	901	910	924	942
Dartmouth	497	508	510	526
County/Bedford	93	93	96	96
<b>TOTAL</b>	<b>\$349</b>	<b>\$350</b>	<b>\$356</b>	<b>\$363</b>

The percentage change in per student funding under these options is as follows:

### Change in Per Student Funding by Option

	Freeze Budget	Inflation of 2.6% adjusted by enrollment	Increase by 3.5%
Halifax	1.0%	2.6%	4.5%
Dartmouth	2.3%	2.6%	5.8%
County/Bedford	-0.4%	2.6%	3.0%
<b>TOTAL</b>	<b>0.4%</b>	<b>1.9%</b>	<b>3.9%</b>

Due to the desire to see improvements in education funding, it is recommended that

1. **Each of the Halifax, Dartmouth, and County/Bedford Tax Rates be set at the 2001/02 per student amounts after adjusting for inflation of 3.5%. Therefore, it is hereby resolved that Supplementary Education for Fiscal 2002/03 shall be set at the rate of \$0.117 to the residential and resource assessment and set at \$0.299 to the commercial, machinery and equipment assessment including business occupancy of**

*the former City of Halifax; and \$0.095 to the residential and resource assessment and \$0.241 to the commercial, machinery and equipment assessment including business occupancy of the former City of Dartmouth; and \$0.044 to the residential, resource, commercial, machinery and equipment assessment including business occupancy of the former Town of Bedford and Halifax County. Total discretionary funding shall be set at \$20,846,200. (Italics part added by HRM staff).*

This will allow for increased staffing in Halifax(5.6) and Dartmouth (7.0). In Bedford and the County the overwhelming majority of the staff hired in 2001/02 are likely to be retained (60 of 65 staff). Under the recommended option the tax rates and budgets for 2002/03 would be

## Supplementary Funding (Current and Proposed)

Tax Rates are expressed per \$100 of assessed value

	2001/02 Budget	2001/02 Residential Tax Rate	2001/02 Commercial Tax Rate	2002/03 Budget	2002/03 Residential Tax Rate	2002/03 Commercial Tax Rate
Halifax	11,879,900	0.123	0.314	12,295,000	0.117	0.299
Dartmouth	5,062,200	0.097	0.248	5,239,200	0.095	0.241
County/Bedford	3,200,000	0.045	0.045	3,312,000	0.044	0.044
<b>TOTAL</b>	<b><u>\$20,142,100</u></b>			<b><u>\$20,846,200</u></b>		

As a addition to this approach the committee has recommended for 2003/04 that

2. **HRM start a systematic reduction of Supplementary Funding in the fiscal year 2003/04 of 10% per year to eliminate the present form of Municipal Supplementary Funding. If a more rapid reduction over a shorter time frame can be achieved, in cooperation with HRSB and the Province of NS, then this accelerated, reduced scope should be considered.**
3. **HRM and HRSB approach the Province of Nova Scotia to investigate amendments to the Education Act, relative to the calculation of Mandatory Funding, to enable changes deemed necessary for the collection of additional funds over and above the present mandatory calculation to be substantiated by budget and the business planning process, such additional dollars to be allocated equally over the HRSB school system.**
4. **Further, mandatory funding to be spent within HRM.**
5. **The Mayor would write the Province requesting supplementary funding be rolled into the mandatory.**

6. That the dollar allocations for former City of Halifax equal \$12,295,000, former City of Dartmouth equal \$5,239,200 and the former County/Bedford equal \$3,312,000 for 2002/03.

The intent would be to add the total supplementary amount to the mandatory amount and spread the benefit of that over the entire system. Funds would be distributed through the HRSB system according to need. Presumably this would be generally in line with enrollment figures. Hence, the disparity in funding between the three areas would be essentially eliminated.

In addition, such a system implies a re-alignment of tax rates. Individual area rates would be abolished in favour of inclusion in the general tax rate. As a result Halifax and Dartmouth would pay a smaller share of education costs while the County and Bedford would pay more. The exact tax implications would depend on how much of the \$20.8 million in extra funding continues to be provided to the Board. This would have to be decided through the Business Planning and Budget cycle according to agreed upon missions, goals, objectives and outcomes. Since the general tax rate is already set any such re-alignment would have to take place in the 2003/04 budget. Any required legislative changes, however, would have to be prepared well before then.

- (3) A common approach to dealing with the Province of Nova Scotia on education issues.

Based upon the above review it is recommended that

**The Province of Nova Scotia cease to use the Baseline Funding formula in favour of the new funding formula recommended by the Education Funding Review Work Group. Any required funding reductions should be applied against the calculations produced by the new formula.**

## **Conclusion**

Currently, provincial funding formulas create pressure for HRM to provide educational funding over and above mandatory amounts. Should the new educational funding formula be fully phased in some of that pressure will be relieved. In the meantime, supplementary education is provided on a basis within HRM that does not allow for all students to have access to the same level of service. In the short-run, integrating HRSB into the HRM Budget and Business Planning process will help to resolve these difficulties. In the longer term the province must phase in the new funding formula and takeover all responsibility for educational funding.

**Table One**  
**Service Available thru General Fund**  
**vs Supplementary Fund**

	General	Halifax	Dartmouth	County/ Bedford
<b>Classroom</b>				
Specialized Music		X	X	
Core French		X		
French Instruction		X	X	
Physical Education	X	X	X	
Art Instruction	X	X	X	
Fine Arts		X	X	
Youth English Second Language		X	X	X
Junior High Support		X	X	
Additional Teachers		X	X	X
<b>Special Education</b>				
Teachers	X	X	X	X
Tutors				
Social Workers		X	X	X
ESL Tutors				X
EPAs	X	X	X	X
<b>Library and Guidance</b>				
Library Teachers	X			
Library Technicians	X	X	X	X
Guidance		X	X	X
<b>Administrative</b>				
Administrators	X	X	X	
Secretaries	X	X	X	X
Administrative Allocation		X	X	X
Regional Board Management	X			
Corporate Service	X			
Property Maintenance	X			
<b>Discretionary</b>				
Schools Funds		X	X	X
Exemplary Practices Funds		X	X	
Discretionary Funds		X	X	

<b>Other</b>		X	X	X
4 Plus Teachers		X	X	
Substitutes	X	X	X	X
Student Support Workers	X	X	X	X
Supplies and Materials	X			
Technology and Equipment	X			
Professional Development	X			
Textbook Credit Allocation			X	
Therapeutic Swim		X		
Day Care			X	
Busses & Transportation				
Security Guards & Monitors	X			
IEI Technicians	X			

# Table Two

## Breakdown of Education Funding Formula for HRSB

	Total Before Pro-Rating	Pro- Rated by	Final Funding
<b>Baseline (Old Formula) Funding</b>			
\$3,745 for each Student (1996 Enrollment)	216,396,800		173,117,400
+ \$156 for each Student (1997 Enrollment)	9,058,000	<b>80%</b>	7,246,400
+ Funding per Approved Bus	7,773,900		6,219,100
+ Other Adjustments	13,798,900		11,039,100
<b>Total</b>	<b>247,027,600</b>		<b>197,622,000</b>

<b>Total</b>	299,543,175	69,275,600
<b>Other Adjustments Enrollment Decline</b>	(781,200)	(781,200)

**Total 2002-2003 Funding for HRSB** \$266,116,400



# New Formula

<b>Formula Funding</b>			
\$4,098 for each Primary Student	16,437,466		3,801,510
\$4,667 for each Grade One Student	18,957,262		4,384,260
\$4,098 for each Grade Two Student	17,171,025		3,971,160
\$3,788 for other Elementary Students	67,964,459		15,718,200
\$4,049 for each Junior High Student	54,307,049		12,559,640
\$3,764 for each Senior High Student	<u>50,935,728</u>		<u>11,779,950</u>
<b>Sub-Total</b>	<b>225,772,989</b>		<b>52,214,720</b>
<b>Salary Adjustment (for higher HRM salaries)</b>	7,313,330	<b>23.13%</b>	1,691,360
<b>Class Size Adjustment Factor</b>	0		0
<b>Principals and Other</b>	9,102,093		2,105,050
<b>Transportation (Operating)</b>	9,944,448		2,299,860
<b>Property Services (Operating and Capital)</b>	37,454,615		8,662,160
<b>Governance</b>	420,000		97,130
<b>Administration</b>	6,715,200		1,553,030
<b>Textbooks</b>	2,820,500		652,300