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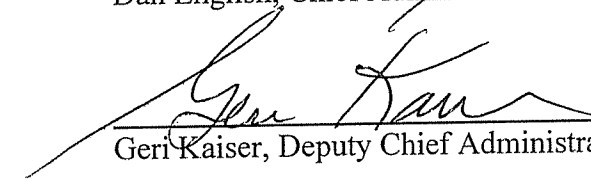
Committee of the Whole
March 20, 2007
March 27, 2007

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:



Dan English, Chief Administrative Officer



Geri Kaiser, Deputy Chief Administrative Officer

DATE: March 1, 2007

SUBJECT: Options for Supplementary Education Funding

ORIGIN

The Supplementary Funding Joint Working Group Report of May 30, 2006 was debated at Committee of the Whole on November 7, 2006. At that time a motion was made requesting a staff report "outlining options for a blended rate and dropping the present boundaries across HRM".

RECOMMENDATION

It is recommended that Halifax Regional Council authorize the Mayor and Municipal Clerk to enter into an Agreement with the Halifax Regional School Board concerning Supplementary Education as outlined in Attachment 2 of this Report and instruct staff to proceed with the necessary changes to the Municipal Government Act.

BACKGROUND

Since 1996-1997 HRM Regional Council has struggled with a series of issues surrounding Supplementary Education. While Education policy clearly rests with the Provincial Government and the school boards, the Municipal Government Act (MGA) requires HRM to provide supplementary funding to the Halifax Regional School Board for use in the former Cities of Halifax and Dartmouth. In 2000-2001 Council added an area rate for use in the Bedford-County areas. As of 2006 the Province requires HRM to provide comparable funds to the Conseil scolaire acadien provincial (CSAP), the Province-wide French school board.

Fundraising by parents, community members and businesses usually takes place annually at the individual school level with these funds spent at the individual site and are accounted for in the consolidated financial statements of the HRSB. These funds are raised primarily for the following purposes:

1. to support student activities, such as school teams (uniforms, travel expenses to and from other schools, referees, ice costs, etc.), speakers for assemblies, and trips for a school band or another group. These monies are raised and expended within a school year;
2. to undertake a major project, such as the construction of an outdoor playground or an auditorium in a high school that is not provided for in the Department of Education's capital program. The funding for such initiatives may take several years to accumulate and remain on the books until the project can be completely funded;
3. to enhance their children's classrooms with additional technology and additional library books.

The Supplementary Funding Joint Working Group Report presented to Council in May of 2006 concluded that School Boards should have the ability to levy tax rates on up to 10% of their budget. This proposal was debated at Committee of the Whole and rejected. Instead it was moved that

Halifax Regional Council request a staff report outlining options for a blended rate and dropping the present boundaries across HRM and that consideration be given to CSAP and how schools across the municipality approach fund-raising.

Subsequent to that request, on January 23, 2007 Committee of the Whole debated and approved the creation of an area rate for mandatory education and other Provincial charges. During that meeting a motion to "Give notice that HRM will be reducing supplementary funding for the 2007/08 budget year by 10%" was deferred until the report requested in November of 2006 could be brought back.

During the past four months HRM and HRSB, recognizing the benefits of a cooperative approach, have jointly focused on improving their relationship and the dialogue between the two organizations.

Some examples of recent successes achieved are:

- HRSB adoption of HRM grass cutting standards on HRSB properties;
- agreement to a joint approach regarding remediation of the CA Beckett and Eaglewood School sites;
- a settlement of outstanding false alarm receivables; and,
- the Citadel High School Joint Use Agreement.

An agreement on supplementary education represents the next step in such a collaborative approach.

DISCUSSION

The current system of supplementary education has spawned a series of inter-related issues. The comment has been made that supplementary education allows for uneven access to education across HRM. It has also been inferred that some of those supplementary funds do not provide for an enhanced level of service as intended by past Councils, rather they provide for core services and should be funded by the Province. The complex relationships that exist between taxation, funding (provincial, municipal) and service levels make progress in reforming supplementary education difficult.

In addition, students often attend schools outside their taxing jurisdiction making it difficult for school boards to manage supplementary education funds. For instance, in HRSB 5% of students attend school outside their taxing jurisdiction. Technically, the Municipal Government Act requires that area rated funds could not be spent on a student from another taxing jurisdiction. Hence, HRSB could be required to separate such students to prevent them benefiting from area rated funds. The situation is even more serious in CSAP where 45% of students attend a school outside their taxing jurisdiction.

There are five basic approaches HRM Council might use:

1. Status Quo: Leave the current system as is and accept it for what it is.
2. Phase Supplementary Education out.
3. Harmonize the current tax rates
 - At the current funding levels
 - A decreased level of funding
 - An increased level of funding
4. Request the province assume funding
5. A combination of the above.

One of the critical factors at play in this debate is the difference between the tax rates in the three areas. In the last 10 years the difference in the three tax rates has narrowed considerably from a gap of 14 cents to 5.3 cents (see Attachment One). Over the next three years as student enrolment continues to decline this offers the opportunity for the rates to merge.

At the current level of funding, supplementary education could be harmonized at a rate of 5.6 cents. If all music and arts funding were excluded this rate could decline to 4.8 cents. Any reductions in the overall level of funding reduce that rate further.

In approaching this issue it should be recognized that if Council wishes to blend the supplementary education tax rates, this will require compromise on the part of both Council and the School Board. Staff have discussed the key points that would be required to achieve such a compromise with the HRSB and detailed them in the attached agreement. The main elements are:

- Over the next four years the Supplementary Funding budgets would be reduced by \$450,000 each year for a total reduction of \$1.8 million.
- HRSB would not request any additional funds during the four year period.
- Arts and Music area rates in Halifax and Dartmouth would disappear. HRSB would commit to maintaining the existing programs and enhancing arts and music in Bedford and the County. As an alternative, separate arts and music area rates could be maintained and the rates adjusted accordingly.

Education Tax Rates	
Halifax	
Supplementary	7.1
Music and Arts	<u>1.6</u>
Total	8.7
Dartmouth	
Supplementary	6.0
Music and Arts	<u>1.3</u>
Total	7.3
Bedford/County	3.4

- HRM and HRSB would seek legal amendments to the MGA allowing the school boards to spend funds anywhere in HRM (effective 2007-2008) irrespective of where the funds were raised.

- All tax rates would be harmonized to a single rate, to be phased in over the four year period.
- The agreement would be reviewed at the end of four years and HRM would consider indexing payments to the consumer price index.
- Funds to CSAP would continue and the benefits of harmonizing the rates would apply to CSAP.

Establishing the tax rates would remain the responsibility of HRM. There are differing speeds at which rates could be phased in to a harmonized rate of 5.1 cents. The suggested approach is:

Option - Harmonize all Rates (including Arts and Music Area Rates)

	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Halifax	8.7	6.0	5.7	5.4	5.1
Dartmouth	7.3	6.0	5.7	5.4	5.1
Bedford/County	3.4	4.4	4.7	4.9	5.1

This proposal has a number of key advantages. First of all, it allows for the better management of education funds. Under the current system school administrators in both HRSB and CSAP are required to segment the funds and establish a system whereby those funds only benefit students from the relevant taxing jurisdiction. This is an impractical approach that creates inefficiencies in the delivery of education. Secondly, this provides stable, predictable funding and allows for the elimination of what has been a divisive issue. It will encourage an equitable distribution of funds for enhanced education. It should be a more transparent system to taxpayers, making it clear that all taxpayers pay the same and there is an equitable distribution of funds. HRM's efforts to provide better educational funding should be recognized. As with any compromise there are disadvantages. Supplementary education funds are being reduced, hence there will be pressure on services. There will be a perceived risk of service reductions in the former cities especially in arts and music. Lastly, there will be a shift in the tax burden with Bedford and County taxpayers paying higher taxes, especially for commercial taxpayers.

This agreement has been negotiated through discussions with HRSB. CSAP has been provided with copies of the draft agreement but has not yet officially responded. CSAP's position on supplementary funding, however, has never been to support or oppose the existence of supplementary funding per se. In fact, they have no official position on whether supplementary funding should be provided. Rather, their position is that if supplementary funding is to be provided, it must be apportioned to both boards, not just HRSB. CSAP has also requested whether funds can be distributed on an equal per student basis, irrespective of taxing jurisdiction. This approach is in line with the proposed agreement.

BUDGET IMPLICATIONS

If Council accepted this agreement and the suggested tax rates, the Budgets for 2007-2008 would be established as \$20,396,100. If, as an alternative, area rates for arts and music were maintained the budgets would be:

Supplementary Education	17,386,000
Arts and Music - Halifax	2,029,100
Arts and Music - Dartmouth	981,000
Total	20,396,100

The required tax rates for 2007-2008 under this agreement would be:

	Residential	Commercial
Halifax	6.0	17.2
Dartmouth	6.0	17.2
Bedford and County	4.4	12.6

The changes in residential tax rates (including arts and music area rates) are as follows:

Summary of Residential Tax Rates

	2006-2007	2007-2008	Change
Halifax	8.7	6.0	-2.7
Dartmouth	7.3	6.0	-1.3
Bedford and County	3.4	4.4	1.0

Summary of Commercial Tax Rates

	2006-2007	2007-2008	Change
Halifax	23.8	17.2	-6.6
Dartmouth	20.1	17.2	-2.9
Bedford and County	3.4	12.6	9.2

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 could decide to harmonize all rates except for the Halifax and Dartmouth Arts and Music Area Rates. The impact would be:

Option #1 - Continue with Arts and Music Rates

	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Halifax	8.7	7.1	6.8	6.5	6.2
Dartmouth	7.3	7.2	6.9	6.6	6.3
Bedford/County	3.4	3.7	4.0	4.1	4.3

Council could decide to maintain the same structure and to leave the existing funding as is. The impact would be:

Option #2 - Status Quo

	Halifax	Dartmouth	Bedford /County	Total
Expenditures				
Supplementary Education (Sec 530):	10,661,400	4,668,000	0	15,329,400
Arts and Music Area Rate	1,633,600	571,200	0	2,204,800
Area Rate	0	0	3,312,000	3,312,000
Total	12,295,000	5,239,200	3,312,000	20,846,200
Residential Tax Rate	6.4	5.5	2.8	
Commercial Tax Rate	21.0	18.0	2.8	
Arts and Music Rates	1.5	1.2	-	

Council could maintain the existing rate structure and reduce supplementary education by 10% of the 1995-96 amount, the maximum amount permitted under the MGA. This would reduce the supplementary education budget by \$1.8m from \$15.3m funding (excluding area rates) to \$13.5m. The Bedford/County area rate and the arts and music area rates are not subject to the 10% restriction and can be altered by Council without notice.

Option #3 - 10% Reduction

	Halifax	Dartmouth	Bedford /County	Total
Expenditures				
Supplementary Education (Sec 530):	10,661,400	4,668,000	0	15,329,400
Less: 10% Cut	-1,246,600	-531,200	0	-1,777,800
Sub-Total	9,414,800	4,136,800	0	13,551,600
Arts and Music Area Rate	1,633,600	571,200	0	2,204,800
Area Rate	0	0	3,312,000	3,312,000
Total	11,048,400	4,708,000	3,312,000	19,068,400
Residential Tax Rate	5.6	4.8	2.8	
Commercial Tax Rate	18.8	16.0	2.8	
Arts and Music Rates	1.5	1.2	-	

Council could vary the recommended proposal in a number of other ways. For example, it could reduce more than \$450,000 per year or it could not do any such reduction. The phase-out period or manner could also be adjusted.

ATTACHMENTS

- Attachment One - Historical Education Tax Rates
- Attachment Two - Agreement - Supplementary Education Funding
- Attachment Three - Letter of Commitment from HRSB on Arts and Music Funding

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Bruce Fisher/Manager of Fiscal and Tax Policy

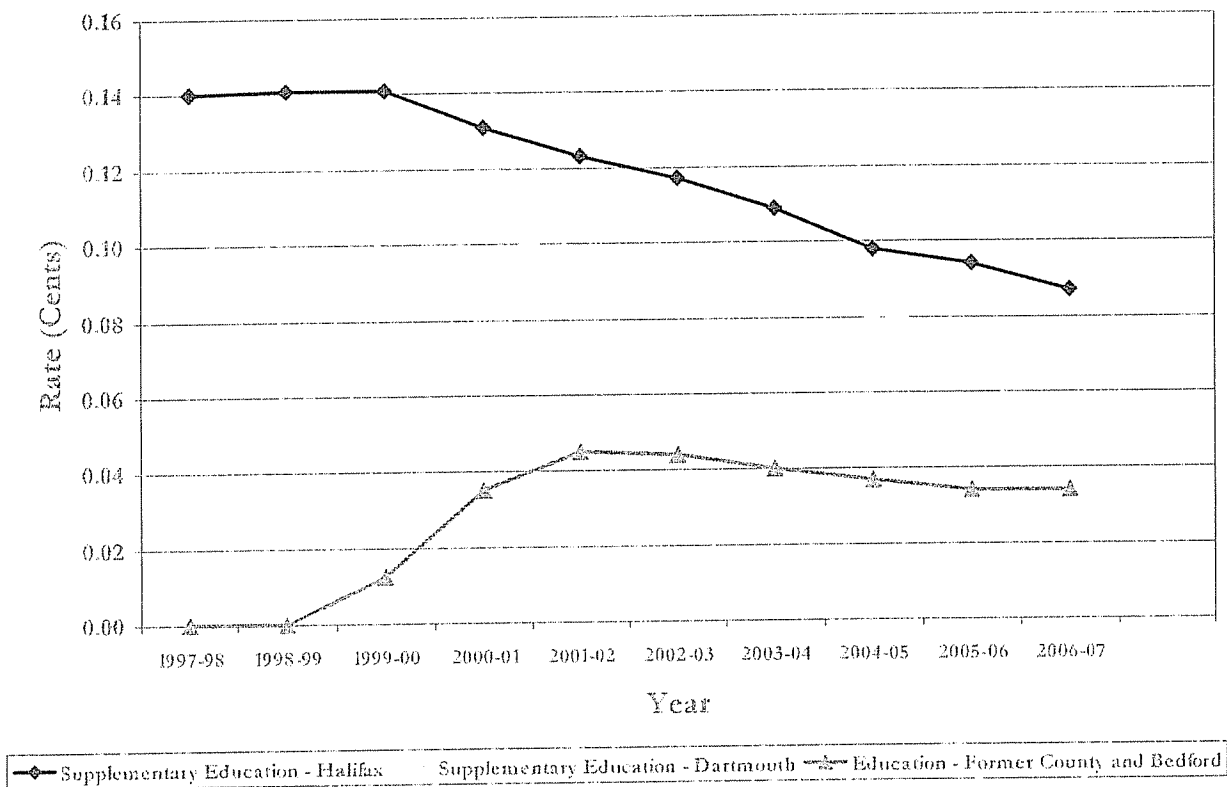
Financial Review: Catherine Sanderson, Senior Manager, Financial Services 490-1562

Report Approved by:


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Cathie O'Toole, Acting Director of Finance

Attachment One- Historical Education Tax Rates



**Attachment Two -
AGREEMENT
Supplementary Education Funding
March 2007**

Introduction

Both HRM and HRSB recognize the need to develop a long term resolution to the issues surrounding supplementary education funding.

Supplementary education funding provides significant benefits to students of the Halifax Regional School Board. However, the annual process of determining the amount of funding, and its purpose, has created tensions between the Board and HRM.

While there have been several initiatives over the past few years to resolve these issues, final resolution has not been reached.

Staff of HRM and HRSB have recently met to develop this joint proposal for presentation to HRM Council and the Halifax Regional School Board. With full staff support of both organizations, this proposal can resolve the long standing issues regarding supplementary funding.

Guiding Principles

1. Supplementary education funding is supported by HRM and HRSB as a means of enhancing the Public School Program(PSP) through augmenting existing PSP Programs and/or providing new programs and services not covered by the PSP.
2. HRM and HRSB support stable and predictable supplementary education funding.
3. HRM and HRSB support supplementary education funding being available on an equitable basis to all students and schools throughout the municipality based on HRSB's assessment of educational needs.
4. HRM and HRSB support a standardized supplementary education funding tax rate throughout the entire HRM.

Proposal

1. In 2006-07, total supplementary funding for all three areas was \$20,846,200. This consists of Supplementary Education funds levied under Section 530 et seq of the Municipal Government Act (MGA) and area rates targeted for education that are levied under other sections of the MGA. Included in this total is \$2,204,800 of area rates in Halifax and Dartmouth for arts and music. The combined residential tax rates in Halifax were 8.7 cents, Dartmouth 7.3 cents and Bedford/County 3.4 cents.

2. Total supplementary funding, to be shared between HRSB and Conseil Scolaire Acadien Provincial (CSAP), shall be provided in the following annual amounts for the next four fiscal years:

2007-08	-	\$20,396,100
2008-09	-	\$19,946,100
2009-10	-	\$19,496,100
2010-11	-	\$19,046,100

HRSB will not request or seek funds beyond these amounts.

3. HRM shall set the annual tax rates necessary to raise the total supplementary funding as outlined in section 2. The tax rates set within Halifax, Dartmouth and Bedford/County shall be modified over the 4 year period from 2007-08 to 2010-11 such that in 2010-11, the tax rate shall be uniform across the entire HRM.

4. HRM and HRSB will conduct a joint review of this agreement for December 1, 2010 that will consider an extension or renewal of this agreement. That review will look at the current state of educational funding including provincial funding, trends in education and education costs, the consumer price index, HRM's tax base and student enrollment.

5. HRSB commits to maintaining the current level of supplementary education funds spent on arts and music programs in Halifax and Dartmouth with a goal of enhancing these programs over the next four years in the Bedford/County area.

6. There will be no specific educational area rates for targeted areas within the HRM without the approval of HRSB.

7. HRM and HRSB will jointly seek the required changes to the Municipal Government Act including providing the authority to fund an area rate or combination of area rates under this agreement without restriction on where in HRM those funds can be spent. These changes will be effective April 1, 2007.

8. Every year, the HRSB will prepare a brochure in co-operation with HRM that outlines the current years supplementary fund and how/where it will be spent. This brochure will highlight the partnership with HRM in providing this funding and allocating resources to enhance the learning opportunities of HRM children. This brochure will be sent home from schools.

9. The parties acknowledge the requirement to allocate a portion of funding to CSAP as required by Sections 530A and 530B of the Municipal Government Act (MGA). The dollar amounts to be shared shall be allocated as per the formula in Section 530A of the MGA.

10. HRSB agrees to submit to HRM the annual supplementary fund budget and audited financial statements.



Halifax Regional

Halifax Regional School Board

MAR 15 2007

Chief Administrative Office

March 6, 2007

Mr. Dan English
CAO
Halifax Regional Municipality
P.O. Box 1749
Halifax, Nova Scotia
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Dear Mr. English:

As you know, Richard Morris and Carole Olsen have been working with Cathie O'Toole and Bruce Fisher on a joint proposal regarding supplementary funding. Two of the principles guiding the proposal are funding being available on an equitable basis throughout the Municipality and a standardized education tax rate.

To that end, the proposal will recommend one standard tax rate that would include the funds that have recently been raised as an area rate in Halifax and Dartmouth for arts and music programs. However, we are aware of the concerns of some Councilors around continuity of these programs in the Halifax and Dartmouth schools should the proposal be accepted.

As a result, this letter confirms the commitment of the Halifax Regional School Board to the Halifax Regional Municipality that annual supplementary funding budgets for the duration of the proposed agreement will maintain spending levels for arts and music programs at the current level, with an intention to also increase spending in these programs in the former Bedford and Halifax County schools. All City Music programs will remain in place with this agreement.

I trust this commitment will provide assurance to Council that these programs will continue so that a harmonized, standard supplementary education tax rate can be achieved over the upcoming 4 year period.

Yours truly,

Howard Windsor
Halifax Regional School Board

cc: Carole Olsen, Superintendent, Halifax Regional School Board
Honourable Mayor Peter Kelly, Halifax Regional Municipality

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