



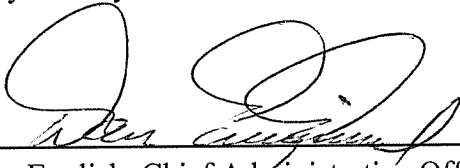
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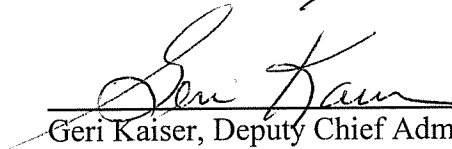
Halifax Regional Council
June 26, 2007

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:



Dan English, Chief Administrative Officer



Geri Kaiser, Deputy Chief Administrative Officer - Corporate Services
& Strategy

DATE: June 5, 2007

SUBJECT: 2007-2008 Tax Rates for Supplementary Education

ORIGIN

Regional Council approved an Agreement with the Halifax Regional School Board (HRSB) concerning Supplementary Education on March 27, 2007. A motion of rescission was defeated on April 3, 2007. Since that time it has become clear that the required amendments to the Municipal Government Act (MGA) will not be passed prior to the setting of the 2007-2008 tax rates.

RECOMMENDATION

It is recommended that Halifax Regional Council

(1) as reflected in the spirit and intent of the Agreement with HRSB, approve the 2007-2008 education tax rates as detailed in the budget implications section of this report, and

(2) authorize the Mayor and Municipal Clerk to clarify the Approved Agreement with the Halifax Regional School Board concerning Supplementary Education as outlined in Attachment 2 of this Report.

BACKGROUND

Since 1996-1997 HRM Regional Council has struggled with a series of issues surrounding Supplementary Education. Each year education funding has become a divisive debate. In 2006-2007 Council reduced Supplementary Education funding by almost 5%. These amounts were later added back. In 2000-2001 Council added an education area rate to the former Bedford and County areas. In 2005-2006 it created separate area rates for music and arts in Halifax and Dartmouth.

Following considerable debate Council agreed in 2007 to a merger of the various education area rates. The main elements of that agreement are:

- Over the next four years the Supplementary Education 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.
- 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.

The agreement did not set specific tax rates, rather establishing the tax rates remains the responsibility of HRM. Previous reports, however, did lay out the expected transition to the harmonized tax rates.

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

DISCUSSION

Since it was passed by Council it has become clear that the legislative amendments required to make the agreement effective for 2007-2008 would not be passed prior to the setting of the tax rates. Therefore, for 2007-2008 HRM must establish the tax rates under the existing legislation. In order to remain within the spirit and the intent of the Agreement, HRM staff have proposed to the HRSB the following:

- Establish a "HRM Education Area Rate" under Section 75 of the MGA with a budget of \$17,386,000. Under the MGA these funds can be spent anywhere in HRM.
- Reduce Supplementary Education funds under Section 530 of the MGA from the 2006-2007 total of \$15,329,400 to \$2,029,100 (Halifax) and \$981,000 (Dartmouth). The remaining funds will be directed to arts and music. Under the MGA such a reduction can only be done with the consent of the HRSB.
- Eliminate the Bedford/County Education Area Rate (\$3,312,000 in 2006-2007).
- Eliminate the Arts and Music Area Rates for Halifax and Dartmouth (totalling \$2,204,800 in 2006-2007).

The MGA states that Supplementary Education may not "be decreased by more than ten per cent" unless both Council and the HRSB agree to "reduce the amount of the guarantees at a faster rate". The HRSB has agreed to these changes for 2007-2008 on the condition that the transfer of funds from Supplementary Education to a new HRM Education Area Rate not permanently reduce the

Amounts to be Budgeted for Education

	Status Quo Current 2006- 2007	2007-2008 under Agreement	
		Amended Legislation	Existing Legislation
Supplementary Education (Sec 530):			
- Halifax	10,661,400	0	2,029,100
- Dartmouth	4,668,000	0	981,000
- HRM wide	<u>0</u>	<u>20,396,100</u>	<u>0</u>
Sub-Total	15,329,400	20,396,100	3,010,100
 Area Rates (Sec 75):			
- Bedford/County	3,312,000	0	0
- Halifax (Arts and Music)	1,633,600	0	0
- Dartmouth (Arts and Music)	571,200	0	0
- HRM Area Rate	<u>0</u>	<u>0</u>	<u>17,386,000</u>
Sub-Total	5,516,800	0	17,386,000
Total	20,846,200	20,396,100	20,396,100

amount that HRM is required to “guarantee” under the MGA. In 2008-2009, pending legislative changes to the MGA, funds will be reinstated under the Supplementary Education sections of the Act. The HRSB has also agreed that the amounts remaining in the Halifax and Dartmouth Supplementary Education rates in 2007-2008 will be dedicated to arts and music. Hence, what is occurring is a swap: arts and music funds will be placed back within Supplementary Education and Supplementary Education funds (less the \$450,000 reduction) and the Bedford/County area rate will be transferred into a new area rate. This accomplishes two things: first, it allows for almost all the funds to be spent anywhere in HRM. The only exception is the arts and music funds which the HRSB had already guaranteed it would spend in Halifax and Dartmouth regardless. Secondly, it

Residential Tax Rates for Education

	Status Quo	2007-2008 under Agreement	
	Current 2006-2007	Amended Legislation (Former Proposal)	Existing Legislation (Proposal)
Halifax			
- Supplementary Education (Sec 530)	7.1	6.0	1.3
- Arts and Music Area Rate (Sec 75)	1.6	0.0	0.0
- HRM wide Area Rate (Sec 75)	<u>0.0</u>	<u>0.0</u>	<u>4.7</u>
Total	8.7	6.0	6.0
Dartmouth			
- Supplementary Education (Sec 530)	6.0	6.0	1.0
- Arts and Music Area Rate (Sec 75)	1.3	0.0	0.0
- HRM wide Area Rate (Sec 75)	<u>0.0</u>	<u>0.0</u>	<u>4.7</u>
Total	7.3	6.0	5.7
Bedford/County			
- Supplementary Education (Sec 530)	0.0	4.4	0.0
- Arts and Music Area Rate (Sec 75)	3.4	0.0	-0.3
- HRM wide Area Rate (Sec 75)	<u>0.0</u>	<u>0.0</u>	<u>4.7</u>
Total	3.4	4.4	4.4

allows for the tax rates to be set at almost the exact same level as was foreseen in report recommending the agreement. These rates include the surplus/(deficits) for the previous years as detailed in the budget implications section of this report. In 2008-2009 all funds will be budgeted for and taxed under Section 530.

On the whole, the combined residential and the commercial tax rates are either the same as in the previous Council reports or are slightly lower. The slight variations are due to the way the rates are constructed under the MGA, the inclusion of year end surplus/(deficits) for 2006-2007, and the use

of a slightly lower commercial weighting (2.74 vs 2.86). In the case of Halifax and Dartmouth surpluses and deficits have been included in the calculation of the Supplementary Education rates. For the Bedford/County Rate, that ceases to exist, the surplus appears as a negative tax rate that will be credited back to those taxpayers. Commercial tax rates can be similarly summarized as

Commercial Tax Rates for Education

	Status Quo	2007-2008 under Agreement	
	Current 2006- 2007	Amended Legislation (Former Proposal)	Existing Legislation (Proposal)
Halifax			
- Supplementary Education (Sec 530)	22.2	17.2	3.7
- Arts and Music Area Rate (Sec 75)	1.6	0.0	0.0
- HRM wide Area Rate (Sec 75)	<u>0.0</u>	<u>0.0</u>	<u>12.9</u>
Total	23.8	17.2	16.6
Dartmouth			
- Supplementary Education (Sec 530)	18.8	17.2	2.8
- Arts and Music Area Rate (Sec 75)	1.3	0.0	0.0
- HRM wide Area Rate (Sec 75)	<u>0.0</u>	<u>0.0</u>	<u>12.9</u>
Total	20.1	17.2	15.7
Bedford/County			
- Supplementary Education (Sec 530)	0.0	12.6	0.0
- Arts and Music Area Rate (Sec 75)	3.4	0.0	-0.3
- HRM wide Area Rate (Sec 75)	<u>0.0</u>	<u>0.0</u>	<u>12.9</u>
Total	3.4	12.6	12.6

This agreement has been negotiated through discussions with HRSB as have the 2007-2008 transition changes. 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 remains in line with the proposed agreement.

With respect to CSAP, the MGA requires that CSAP be provided a share of any education funds based on the share of students present in each area rate. By merging five rates into the three rates described in this report and reducing the size of the fund by \$450,000, the allocation to CSAP falls

by approximately \$25,000 in 2007-2008. By 2010-2011 the allocation to CSAP will have declined from \$568,000 to an estimated \$489,000. Current provincial legislation, however, does not specify how funds to CSAP will be allocated in 2008-2009 and 2009-2010. (In these two years, as a transition, funds are not required to be spent where they are raised.) HRM staff expect to present this issue to the Province and seek a provincial resolution.

BUDGET IMPLICATIONS

If Council accepts these changes to the agreement the final budgets, including (surplus)/deficits would be:

2007-2008 Budget and Tax Rates for Education

	Budget	Tax Rates (Cents per \$100)	
		Residential	Commercial
Supplementary Education (Sec 530):			
- Halifax	2,029,100		
(Surplus)/Deficit*	17,713	1.30	3.70
- Dartmouth	981,000		
(Surplus)/Deficit*	-250,718	1.00	2.80
- HRM wide	<u>0</u>	0.00	0.00
Sub-Total	2,777,095		
 Area Rates (Sec 75):			
- Bedford/County	0		
(Surplus)/Deficit	-328,073	-0.30	-0.30
- Halifax (Arts and Music)	0	0.00	0.00
- Dartmouth (Arts and Music)	0	0.00	0.00
- HRM Area Rate	<u>17,386,000</u>	4.70	12.90
Sub-Total	17,057,927		
Total	19,835,022		

* Includes (surplus)/deficit for arts and music area rates.

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 postpone the Agreement and maintain the status quo for 2007-2008.

ATTACHMENTS

Attachment One - Agreement - Supplementary Education Funding

Attachment Two - Additional Agreement - Supplementary Education 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



Report Approved by: _____

Cathie O'Toole, Acting Director of Finance

**Attachment One -
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.

**Attachment Two -
ADDITIONAL AGREEMENT
Supplementary Education Funding
June 2007**

Introduction

In March 2007 both Halifax Regional Municipality (HRM) and Halifax Regional School Board (HRSB) agreed to enter into an agreement to resolve the long standing issues regarding Supplementary funding.

Under that agreement 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.”

As of June 1st, 2007 the required legislative changes have not been enacted.

Additional Provisions

1. As per Section 530(6) of the Municipal Government Act (MGA), HRM and HRSB agree that for the 2007-2008 fiscal year only the amount specified in Section 2 of the original agreement (\$20,396,100) shall be allocated as follows:

–	Halifax Supplementary Education (Section 530)	2,029,100
–	Dartmouth Supplementary Education (Section 530)	981,000
–	HRM Region Wide-Area Rate (Section 75)	17,386,000

2. HRM and HRSB agree that the intent of Section 1 of this Agreement is to not permanently reduce any guaranteed amounts that existed under Section 530 et seq as of March 31st, 2007. The guaranteed amounts as of April 1st, 2008 shall be the same as they were on March 31st, 2007.

WITNESS that this agreement, made in triplicate, was properly executed by the respective Parties on this ____ Day of _____, A.D., 2007.

SIGNED, SEALED AND DELIVERED)	<u>HALIFAX REGIONAL SCHOOL BOARD</u>
In the presence of)	
per: _____)	per: _____
per: _____)	per: _____
)	

