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2005: B5

MEMORANDUM TO: Directors of Education
Secretary/Treasurers of School Authorities

FROM: Nancy Naylor
Assistant Deputy Minister

DATE: June 16, 2005

SUBJECT: **Education Funding for 2005-06**

I am writing to provide you with information about changes to education funding for the 2005-06 school year. This will assist your school board in developing its budget for the school year that starts in September 2005.

The government is making significant investments in education for the 2005-06 school year. Changes to education funding will support and encourage a shared, system-wide focus on improved achievement, with the clear priority of helping all students reach their potential.

In 2005-06, the government is increasing Ontario's commitment to elementary and secondary education by a total of approximately \$820M. This increase has three components:

- i) Funding for school boards through Grants for Student Needs (GSN) will total \$16.9B in 2005-06. This represents an increase of \$658M, or 4 per cent, from the previous year and maintains the multi-year commitment to elementary and secondary education announced in 2004;

The information in this Memorandum is provided in advance of the release of the 2005-06 grant regulations and the contents of this memorandum must be implemented by regulation.

These regulations must be approved by the Lieutenant Governor in Council.

For regulations to govern the 2005-06 school year, the government intends to seek this approval in June 2005.

The government has further stated that the funding commitments for 2005-06 described in the memorandum assume that teachers' federations and school boards have achieved successful collective agreements.

- ii) The government will also undertake some initiatives outside of GSN to invest in student success. These initiatives will provide \$250M to education in 2005-06 – an increase of \$117M from 2004-05.
- iii) The balance of the new investment comes from the change in base funding requirements in 2005-06 compared to 2004-05, which the government has used to support additional investments. It is important to recognize that this balance results, in part, from savings measures the government has identified, such as the lower costs that will be achieved through more timely financing of school construction. Boards are encouraged actively to seek greater effectiveness and efficiency in the use of resources, through measures such as pooling costs and sharing best practices and innovations. The investment room created through such steps will free additional resources that can be invested in students.

A. OVERVIEW

Grants for Student Needs in 2005-06 reflect the government's ongoing commitment to a renewed partnership between government, school boards, teachers, and schools. This commitment recognizes that a climate of peace and stability in our schools is vital to making progress for students. The government is prepared to invest additional resources that will benefit students while fostering that positive environment. Through the provincial dialogues, the government has committed to:

- i) Elementary school staffing increases that would provide more specialist elementary teachers and increased preparation time; and
- ii) Secondary school staffing increases that would provide more teachers for Student Success programs and allow a reduced workload for secondary teachers.

Changes to education funding for 2005-06 include enhancements to (1) support student achievement, including improvements to students' learning environment; (2) support stability in the education sector; and (3) support reform, by ensuring stable funding for school boards in 2005-06 as consultation continues to restructure key aspects of the funding approach in 2006-07 and future years:

Support for student achievement

- Primary class size
- Elementary specialist teachers
- Secondary Student Success teachers
- French-language education
- Good Places to Learn

Support for stability

- Updates to salary and non-salary funding benchmarks

Support for reform

- Rural schools
- Declining enrolment
- Special Education
- Transportation
- Cleaner Safer Schools
- Grants for New Pupil Places

Information about these changes is presented in this Memorandum under the following headings:

- A. Overview
- B. Support for student achievement
- C. Investments in stability
- D. Investments in reforms for transparency and effectiveness
- E. Other changes to education funding in 2005-06
- F. School authorities
- G. Reporting and Accountability
- H. Financial reporting and due date for submission of Estimates
- I. Information resources

Where new funding would be allocated to boards, a provisional board-by-board allocation is appended to this memorandum. These appendices are listed in section *I. Information Resources*, page 22 below.

Also appended is the board-by-board allocation for the \$44M investment in textbooks and learning resources, which is being provided in 2005-06 outside the Grants for Student Needs. The government has also announced that it will provide extra support in 2005-06 for struggling students, with increases in resources for ESL/PDF and Learning Opportunities Grant programs. Further information about this investment, which will be made outside the Grants for Students Needs, will be provided in the near future.

For 2005-06, some of the enhancements include specific reporting and accountability requirements. These are listed in section *G. Reporting and Accountability* (page 19 below).

It should be noted that, starting in 2005-06, the Teacher Qualification and Experience Grant will be called the "Cost Adjustment and Teacher Qualification and Experience Grant."

B. SUPPORT FOR STUDENT ACHIEVEMENT

1. Primary Class Size

Primary class size reduction in 2005-06

The government is investing a further \$90M in 2005-06 to increase the total allocation for the Primary Class Size Reduction Amount to \$180M. This investment builds on the success of Primary class size reduction in the current school year, which saw more than 1,100 additional Primary teachers hired and reductions in class size that benefited students in approximately 1,300 elementary schools.

Funding will be provided on a per-Primary-pupil basis through the Primary Class Size Reduction Amount. For 2005-06 this per-pupil amount is \$340. A board's allocation is calculated by multiplying this per-pupil amount by the 2005-06 day school Average Daily Enrolment of elementary pupils, counting only pupils enrolled in Junior Kindergarten, Kindergarten, and Grades 1 to 3. Projected board-by-board allocations are attached as Appendix 1.

In 2005-06, boards will be expected to use the whole of the \$90M increase in the allocation from the Primary Class Size Reduction Amount to hire additional teachers. No portion of the increase is to be used for classroom supplies or temporary

accommodation. Boards will be required to submit a plan, by August 31, 2005, that shows how many teachers they intend to hire with the increased funding in 2005-06 – see Primary class size in section *G. Reporting and Accountability* below (page 19) for further information.

The level of investment in 2005-06 will allow boards to make considerable progress toward achievement of the 20:1 cap. Boards are not required to implement a cap in 2005-06, but planning for next year should take into account the goal of full implementation in 2007-08. To assist boards, the government is providing direction on key planning assumptions for full implementation – see Flexibility at full implementation, below (page 5).

Funding through the Primary Class Size Reduction Amount in 2005-06 will result in a corresponding reduction in funding through the Distant Schools Allocation (a component of the Geographic Circumstances Grant). This adjustment recognizes that, at present, a portion of the funding provided through the Distant Schools Allocation supports Primary class sizes below 20:1 in eligible elementary schools with small enrolment.

Transitional Program Equivalency

The government recognizes that a small number of boards may face accommodation pressures. In 2005-06, these boards may have insufficient space in existing school buildings to add all the new classrooms they could potentially set up with their allocation from the Primary Class Size Reduction Amount.

In these circumstances, boards may seek – as a transitional measure – consideration by the Ministry to use Primary Class Size Reduction Amount funding for alternative programming, where that would provide more equitable implementation of the funding within their jurisdictions:

- Eligible boards will be those that can demonstrate they currently have insufficient permanent elementary classroom space to absorb all their additional Primary class size reduction funding.
- These boards will still be expected to hire additional Primary teachers, but they will be allowed to deploy these teachers to create smaller groupings of Primary students within the school day. Examples include team teaching, where two teachers are assigned to a classroom; or organizing smaller classes/groups to give students small-group instruction in areas such as reading, writing, and math.
- Each eligible board will be required to demonstrate that it has hired a number of additional Primary teachers commensurate with its allocation (over and above additional teachers hired as a result of other initiatives, such as more specialist teachers) and that these teachers are scheduled for regular blocks of instruction in specified Primary classrooms. The FTE time for that instruction plus the FTEs for any new Primary classes established must equal the number of teachers funded from the Primary Class Size Reduction Amount.

Any board that meets the criteria concerning available space and wants to seek consideration for the inclusion of alternative programs should submit its request by July 30, 2005, to its financial officer in the Transfer Payment and Financial Reporting Branch. If approved, the alternative programming would be included in the board's implementation plan due on August 31, 2005.

It is important to note that this approach is intended as a transitional measure only in 2005-06, as boards plan and implement changes to provide space for additional Primary classrooms resulting from the cap in 2007-08. The need for a similar transitional approach in 2006-07 will be assessed based on a review of boards' capital plans – see Primary class size - pupil accommodation below (page 5).

Flexibility at full implementation

The government recognizes that school boards and schools will need some flexibility to fully implement the cap in 2007-08.

The purpose of flexibility is to ensure that boards and schools can achieve the cap in a way that maximizes the benefits for Primary students. Within the cap framework, flexibility will allow schools and boards to organize classes and schools that conform to provincial guidelines while responding to local circumstances and delivering quality education programs. In particular, flexibility will help boards and schools accommodate changes to enrolment prior to the enrolment count date, reduce the need for split grades, and avoid unnecessary transportation of students.

In 2007-08, the provincial planning guideline for Primary class size will be that each board must organize its Primary classes so that, as of October 31, 2007:

- At least 90% of Primary classes within a board have 20 or fewer students;
- Up to 10% of Primary classes within a board can have up to 23 students.

It is anticipated that, in 2007-08, the Ministry will provide funding to boards for implementation of the cap on Primary class size based on a board-wide average Primary class size of 20:1, with a corresponding adjustment of the funding for smaller Primary classes in the Distant School Allocation (and potentially other special purpose grants). It is anticipated that, with the flexibility described above, boards will be able to hire sufficient teachers to fully implement the class size cap with this funding.

Primary class size - pupil accommodation

In some boards, full implementation of the cap on Primary class size will require construction to begin as soon as possible. The government will make up to \$36M available in 2005-06 for new program capital that includes construction to accommodate lower Primary class size. The Ministry has met with board officials to explore options that would allow these boards to proceed with construction in 2005-06 while at the same time ensuring the effective use of public funds.

All school boards will, however, be required to submit long-term capital plans outlining their capital needs by October 2005. As part of this process, boards will be asked to assess the needs arising from implementation of the primary class size cap, as well as from other program improvements.

2. Elementary specialist teachers

To support the provincial dialogues, the government is making a substantial new commitment to funding for more specialist elementary teachers.

Specialist teachers are certified classroom teachers with rotating, regularly scheduled, full or partial teaching assignments in literacy and numeracy, physical education, music, the arts, previously unfunded French, or Anglais instruction. Specialist teachers will be

added in each year from 2005-06 to 2008-09. These additional teachers will mean a significant increase in resources in elementary schools to help students achieve high levels of literacy and numeracy; to provide a full range of learning that includes physical education, arts, music, and drama; and to support the commitment to ensuring twenty minutes of daily physical activity for students in elementary schools.

On a province-wide basis it is expected that, in the first year, boards will be able to hire approximately 600 additional elementary teachers. At full implementation, the new funding provided by the province will allow boards to hire more than 2,000 elementary specialist teachers. The number of specialist teachers hired will vary from board to board, depending on a board's current level of preparation time.

In 2005-06, new funding of \$39M will be allocated to eligible school boards through the Foundation Grant. This investment will grow to \$146M by 2008-09. Eligibility for this additional funding is contingent on the completion of successful collective agreements between teachers' federations and school boards.

Boards that already have specialist elementary teachers at levels above those defined in the provincial policy framework will receive credit for those teachers.

Projected board-by-board allocations are attached as Appendix 2.

Changes to Foundation Grant - Elementary

Funding changes to allocate the \$39M in funding in support of the provincial dialogues are:

- The Preparation Time component of the Foundation Grant – Elementary will be eliminated and replaced by funding for specialist teachers. The number of specialist teachers added will be in accordance with the additional minutes of preparation time described in Specialist teachers and preparation time below (page 7).
- Specialist teachers will be reported as part of classroom expenditure. The classroom envelope will be changed to reflect this new approach.
- The number of classroom teachers funded through the Foundation Grant will continue to be 40.82 teachers per 1,000 pupils. This reflects an average class size of 24.5. It is anticipated that amendments to the *Education Act* concerning Primary class size requirements will be introduced to support full implementation of the Primary class size cap initiative in future years.
- Funding for elementary teachers in various Special Purpose grants will not be adjusted. Rather, additional funding corresponding to preparation time changes for teacher allocations in the Special Purpose Grants will be incorporated into the Foundation Grant – Elementary.
- Current benchmarks for Library and Guidance Services in the Foundation Grant will not be changed.
- The combined funding from the additional minutes of preparation time as outlined above and the Special Purpose grants will result in an increase in the number of specialist teachers funded in the Foundation Grant from the existing level of 4.08 teachers per 1,000 pupils as follows:

0.45 teachers per 1,000 pupils in 2005-06

0.81 teachers per 1,000 pupils in 2006-07

1.13 teachers per 1,000 pupils in 2007-08

1.59 teachers per 1,000 pupils in 2008-09

- The additional teachers hired as a result of this initiative will be included in the calculation of the Cost Adjustment and Teacher Qualification and Experience Grant, which recognizes variations in salary costs based on teachers' qualifications and experience. Funding to boards will be adjusted to reflect the costs of the additional teachers according to these teachers' placement on the salary grid.

Further detail of changes to the Foundation Grant – Elementary is provided in Appendix 3.

Specialist teachers and preparation time

Direction from the provincial dialogues provides for preparation time for elementary school teachers as follows:

160 minutes in 2005-06

180 minutes in 2006-07

190 minutes in 2007-08

200 minutes at June 30, 2008

The provincial dialogues also provide that the cost of implementation will be met by funding from the province and a realignment of resources by school boards. The new funding from the province – \$39M in 2005-06 increasing to \$146M by 2008-09 – will support increases in preparation time on the following scale:

10 minutes in 2005-06

18 minutes in 2006-07 (an additional 8 minutes over 2005-06)

25 minutes in 2007-08 (an additional 7 minutes over 2006-07)

35 minutes in 2008-09 (an additional 10 minutes over 2007-08)

Boards are required to make up the difference between their actual preparation time and the preparation time funded by the province in each year. Boards with different amounts of existing preparation time will contribute different amounts.

It should be noted that, where boards currently provide professional development time to teachers within the instructional day – often referred to as “soft time” – the intent of the provincial dialogues is that such time shall continue to be provided at current levels, but not increased, until the 200 minutes of preparation time is fully implemented. For most boards, this will be on June 30, 2008. When the 200 minutes is achieved, the professional development time will revert to the school board or to Ministry-directed professional development.

3. Student Success Teachers

The government is committed to ensuring that secondary schools have the resources to provide every student – whether heading for postsecondary education, training, or the workplace – with the opportunity to succeed. In 2005-06, Ontario will begin a multi-year investment of additional resources for secondary education that will increase the number of teachers to support student success.

In 2005-06, new funding of \$89M will be allocated to eligible school boards through the Foundation Grant – Secondary. This investment will grow to \$143M by 2007-08. This would enable boards to hire 1,300 teachers in 2005-06 and more than 1,900 additional

teachers in 2007-08. Eligibility for this additional funding is contingent on the completion of successful collective agreements between teachers' federations and school boards.

This funding will result in an increase in the number of teachers per 1,000 students from the 2004-05 level as follows:

- 1.89 additional teachers per 1,000 students in 2005-06
- 2.35 additional teachers per 1,000 students in 2006-07
- 2.82 additional teachers per 1,000 students in 2007-08

Projected board-by-board allocations are attached as Appendix 4.

Changes to Foundation Grant – Secondary

Adjustments to the Foundation Grant will be as follows.

- The Foundation Grant currently assumes an average secondary teacher workload of 6.5 credits, an average class size of 21:1, and an average student credit load of 7.2 credits. The workload assumption would be amended to 6.1 credits in 2005-06; 6.05 in 2006-07; and 6.0 in 2007-08. Starting in 2005-06, funding would be calculated with an average secondary class size of 22:1, and the average student credit load would be set at 7.5 credits.
- Current benchmark staffing levels in the Foundation Grant for secondary Library and Guidance Services (that is, for teacher-librarians and guidance teachers) will not be changed.
- Funding for secondary teachers that is provided through some of the Special Purpose grants will not be adjusted. Additional funding, corresponding to preparation time changes for teacher allocations in the Special Purpose Grants, will be allocated to the Foundation Grant.

Further detail of changes to the Foundation Grant – Secondary is provided in Appendix 3.

It is the intention of the Minister, contingent on the completion of successful collective agreements between boards and teachers, to introduce legislation that would, if approved by the Legislative Assembly, repeal sections 170.2 and 170.2.1 of the *Education Act* regarding elementary and secondary teaching time, and to revoke *Ontario Regulation 274/01 – Secondary School Teaching Assignments*.

Cost Adjustment and Teacher Qualification and Experience Grant

The Cost Adjustment and Teacher Qualification and Experience Grant, which recognizes variations in salary costs based on teachers' qualifications and experience, will continue in 2005-06 and future years. The additional teachers hired as a result of this initiative will be recognized in calculating this allocation, which means that funding to boards will be adjusted to reflect the costs of the additional teachers according to these teachers' placement on the salary grid.

It should be noted that the Special Assistance for Average Per-Pupil Credit Load component of the Grant currently provides assistance to recognize an average credit load of up to 7.5 credits per pupil. Since the Foundation Grant will, beginning in 2005-06, recognize 7.5 credits as the average credit load, this component of the Cost Adjustment and Teacher Qualification and Experience Grant will no longer be required.

Teacher-Adviser Program

The proposed legislative and regulatory changes outlined in Changes to Foundation Grant – Secondary above (page 8) would, if approved, include ending the requirement that schools establish a Teacher-Adviser program. The direction from the provincial dialogues is that the program goals of the Teacher-Adviser program should be delivered through other approaches. If changes to the legislation are passed, it is expected that these goals will be met in the future, in part, through individual and small-group student mentoring and advocacy as alternative duties and, in part, through the additional dedicated secondary staff for Student Success, as outlined below.

Supervision and On-Calls

The direction of the provincial dialogues is that there should be no reduction in a board's current, system-wide level of supervision and on-calls. There is no provincial funding for any changes with respect to supervision or on-calls.

Eligible Uses

The focus of the additional resources for secondary education is to increase the number of teachers to support student success. Student success will be measured by increased credit accumulation in Grades 9 to 12, improved graduation rates – especially four-year graduation rates – and decreased drop-out rates.

The provincial dialogues have recognized that school boards should have flexibility to determine the best deployment of these resources in their schools. The dialogues have further recognized that, while student success is the clear priority for this additional funding, teacher workload issues – such as reduction in differentiation and reduced class sizes in general – should be simultaneously addressed to the greatest extent possible.

Board and school staffing committees should be part of the process and mandated to look at staffing implications, help track results, and recommend best practices.

To support this framework, eligible uses for the additional staffing have been identified for full implementation in 2007-08:

- i) A Student Success teacher in every secondary school;
 - a. In schools where no Student Success teacher position exists, at least one full-time position should be allocated to this role. In very small schools, boards may allocate a proportional level of resources;
 - b. In schools where there is already at least one full-time position dedicated to Student Success *and* where the graduation rate is below 70%, at least 0.5 additional positions should be allocated to this role. These can take a variety of forms, including guidance, learning resource (LRT), cooperative education, or alternative education teachers.
- ii) Additional sections in courses, provided that at least two thirds of the new sections created are in the following types of courses:
 - locally developed compulsory credit courses
 - applied courses
 - workplace preparation courses
 - college preparation courses

- learning strategies courses
- career-related senior course packages (for example, in building construction, hospitality)
- English as a second language/English Literacy Development (ESL/ELD) and l'actualisation linguistique en français/le perfectionnement du français (ALF/PDF) courses
- guidance courses related to cooperative education
- alternative programs, including credit recovery (especially for grades 9 and 10).

A school board could diverge from the two-thirds minimum where it can demonstrate that a different ratio would better achieve the goal of student success. It is expected that the establishment of these new sections of courses will result in lower class sizes in the relevant program area(s), without increasing class sizes in any other program area.

- iii) General workload improvements that will help students in general. These improvements can be achieved through:
- a. Additional librarians and guidance teachers;
 - b. Eliminating differentiated staffing where it has had a negative effect on students; or
 - c. Lowering class size in general. It should be noted that the allocation of resources for this purpose would be in addition to the allocation of resources to create additional sections of courses described in ii) above.

The Ministry intends to issue a Policy/Program Memorandum to provide further assistance to school boards in allocating additional secondary school teachers to increase student success.

4. French-language education

To help reduce assimilation and improve the literacy and numeracy skills of French-language students, the government will provide an increase of \$20M to French-language school boards in 2005-06.

A \$13.5M increase will be allocated through the Actualisation linguistique en français (ALF) allocation of the Language Grant. The assimilation factors underlying the ALF calculation have been refined by establishing a minimum assimilation factor of 75% for boards. In addition, the per-pupil component of the ALF allocation has been increased to focus resources in the classroom.

It is expected that this additional funding will be of particular help to boards in providing programs to meet the needs of students who have limited or no competencies in French, or use a variety of language that is different from standard French.

This investment is part of the government's multi-year funding strategy to address the recommendations of the French-Language Education Strategy Task Force. The Ministry will continue to work with its French-language education partners to examine the remaining recommendations of the Task Force.

A further \$6.5M in funding will also be provided to French-language boards. Information about this funding will be provided as soon as possible.

5. Good Places to Learn

Stage 1 Allocations - Eligible Projects

Stage 1 projects are those high and urgent priority projects identified through the inspections of schools in 2003 and incorporated into the ReCAPP facility management database. Renewal projects will be eligible for funding where they were identified under Stage 1 allocations and undertaken on or after the date of the Good Places to Learn funding announcement of March 18, 2005. It should be emphasized that, as noted in 2005:B4, funds from Stage 1 are to be used only for projects that have been identified as urgent and high needs in the ReCAPP database.

Where these renewal projects have been undertaken after March 18, 2005, the Ministry will fund short-term interest costs associated with these projects in the 2005-06 school year.

Memorandum 2005:B4 established 2.75% as a target short-term interest rate. This target interest rate may be adjusted, based on current market conditions, by the joint government and school board task force on capital financing. School board interest costs will be recognized at the revised target interest rate, or the interest rate negotiated by a board with a financial institution, whichever is lower. Where boards have borrowed funds internally from reserves, the Ministry will impute an interest rate for funding purposes. It would be prudent for boards to ensure that they negotiate a competitive rate of short-term interest on any renewal projects before the target interest rate has been confirmed.

Details will be provided as soon as possible concerning the revised target rate and the pooled financial vehicle that will be available to all boards to accommodate short-term financing of projects under Good Places to Learn.

As stated in 2005:B4, final decisions with respect to Stage 2 of Good Places to Learn will be made after boards have finalized their long-term capital plans in Fall 2005. The Ministry expects that it will, in the near future, communicate further information to boards about next steps on key components of Good Places to Learn, including capital planning and school closure policy.

6. Textbooks and learning resources

The \$44M funding announced on May 31, 2005, for textbooks and learning resources is a one-time investment outside the Grants for Students Needs and is in addition to the funding for textbooks and learning materials provided through the Foundation Grant. A total of \$29.5M of the \$44M is dedicated to resources for elementary students and \$14.5M is dedicated to resources for secondary school students.

The \$44M funding is dedicated to board purchase of ministry-approved textbooks which are in *Liste Trillium List* and supplementary learning resources (Reference: *Guidelines for Approval of Textbooks*, 2002, p. 6). Boards are encouraged to use this funding to support their literacy and numeracy programs for Kindergarten, Grades 1-6 students and their Student Success programs, Grades 7-12, in the 2005-06 school year. In addition, the resource needs of other subjects and/or courses may also be included in this funding initiative.

School boards must make their purchases before March 31, 2006. Recipients of this funding will be required to report back to the Ministry on their expenditures on or before

April 28, 2006. The completed Report-back Form, signed by the Director of Education, must be included in the file along with all required documentation. All recipients will be responsible for maintaining proper financial records, books of account and relevant information relating to the purchases and expenses incurred/claimed in accordance with the investment specifications. This documentation shall be made available for inspection and audit by the Ministry or its agents, at the Ministry's request, for a period of seven years after initiative completion.

Projected board-by-board allocations are attached as Appendix 10.

C. INVESTMENTS IN STABILITY

1. Salary benchmarks

The government has provided funding to increase the salary benchmarks by 2% in 2004-05 and will provide funding for salary increases of 2% in 2005-06, 2.5% in 2006-07, and 3% in 2007-08.

The salary increase of 0.7% as of August 31, 2008, in the salary guidelines established through the provincial dialogues will be taken into account in the setting of the salary benchmarks for the 2008-09 school year.

Real 2%

Additional funding will be provided in 2005-06 and future years, through the Cost Adjustment and Teacher Qualification and Experience Grant, to address the difference between the annual benchmark increase and the cost of a corresponding annual increase to actual average salaries.

For teaching staff, this funding will be provided in a manner similar to that used in 2004-05, as described in the memorandum of December 14, 2004: B21 – Support for Transparency and Stability, based on actual salary costs in 2004-05 and 2005-06. Boards will calculate this funding as part of Estimates.

For non-teaching staff, the Ministry has estimated the amount of funding needed by calculating average salaries for various staffing categories – using salary and staffing information reported by boards in the 2004-05 Revised Estimates – and comparing these average salaries to the benchmarks. Board-by-board allocations are attached as Appendix 5.

Reopener Clause

The direction of the provincial dialogues includes a reopener clause that, when certain conditions are met, would provide inflation protection in the 2006-07 and 2007-08 school years, to a maximum increase in each year of 0.5% above the salary guidelines described above:

- If the province's tax revenues in the 2005-06 fiscal year are at least 1% higher than predicted in the 2004 provincial budget and the annual rate of inflation as measured by the Ontario CPI during the 2005-06 school year, measured at August 2006, is higher than 2.5%, then the 2.5% salary increase for September 1, 2006, will be increased to match the rate of inflation up to a maximum of an additional 0.5%.

- If the province's tax revenues in the 2006-07 fiscal year are at least 1% higher than predicted in the 2004 provincial budget and the annual rate of inflation as measured by the Ontario CPI during the 2006-07 school year, measured at August 2007, is higher than 3.0%, then the 3.0% salary increase for September 1, 2007, will be increased to match the rate of inflation up to a maximum of an additional 0.5%.

If the reopener clause were to trigger, all relevant salary benchmarks – in the Foundation and Special Purpose grants and the cost adjustment to recognize actual average salaries – would be adjusted accordingly.

2. Non-salary benchmarks

The government is investing a total of \$46.7M to increase non-salary benchmarks. The additional funding provides a 2 per cent increase in these benchmarks to allow school boards to keep up with costs in 2005-06.

This total investment of \$46.7M does not provide any increase to benchmarks for New Pupil Places and School Renewal. These benchmarks have been adjusted; see below (page 18).

In the case of the Transportation benchmark, the additional \$14M represents a 2 per cent increase. A further amount, which is not included in Table 1 below, is being provided in recognition of the pressure from fuel price increases. See below (page 17) for further information about this and other enhancements to funding for transportation.

It should be noted that these updates are in addition to other funding enhancements described in this memorandum:

Table 1: Benchmark Updates 2005-06

<i>Classroom Supports and Supplies</i>	<i>(\$M)</i>
Textbooks and Learning Materials	5.0
Computers	3.0
Classroom Supplies	7.2
School Supplies	1.9
School Operations	12.7
Transportation	14.0
Board Administration	2.9
TOTAL	46.7

D. INVESTMENTS IN REFORMS FOR TRANSPARENCY AND EFFECTIVENESS

1. Good Schools Open

Improvements to funding for operating costs

Building on the \$31M commitment in 2004-05 for Good Schools Open, funding will be provided in 2005-06 in recognition of the costs of operating rural schools. These enhancements total \$20M, bringing the government's investment in Good Schools Open to over \$50M.

The definition of rural schools includes all open schools that are located in areas of the province defined as "rural" by Statistics Canada (that is, population living in towns and municipalities outside the commuting zone of larger urban centres having a population of 10,000 or more) or schools for which the second character of their postal code is "0". A total of 1,134 schools meet this definition of rural schools.

Funding will be added for in-school administration for rural schools, so that each rural school generates 100% of the benchmark costs of a principal and a school secretary. Additional funding of \$4,000 per elementary school and \$5,000 per secondary school will also be added to support higher costs for supplies, equipment, and services such as Internet connectivity.

To recognize the costs of heating, cleaning, and maintaining rural schools where enrolment is less than the capacity of the school, each rural school will be provided with enhanced top-up funding for school operations and renewal up to 100% of its capacity.

Projected board-by-board allocations are attached as Appendix 6.

Distant Schools Allocation

Boards' funding under the Distant Schools Allocation will be at 2003-04 levels, adjusted in 2005-06 to take account of new schools and school closures since 2003-04. Further information will be provided with the release of the grant regulations and Estimates forms.

Review of funding approach

The Ministry intends to review funding for small/rural/remote schools and develop a new funding approach for implementation in 2006-07. Further information will be provided as soon as possible.

2. Declining Enrolment

The Declining Enrolment Adjustment recognizes that, when a board experiences a decrease in enrolment and a corresponding decrease in funding, some costs cannot be adjusted immediately and additional time is required to bring spending into line with funding levels.

In April 2005, the Ministry and representatives from school boards with small schools and declining enrolments held a working session to identify approaches for a transitional strategy to refine the DEA and/or funding for small schools.

Based on the consensus reached at the working session, the Ministry is providing a one-time funding increase to the DEA of \$53M in 2005-06. This increase is a transitional measure. As part of their long-term capital plans due in October 2005, boards will provide detailed modelling of key program needs, including supplemental measures to address declining enrolment.

The adjustment for enrolment decline in 2005-06 will be calculated in a manner similar to the method used in 2004-05. A school board with an enrolment decline in 2005-06 will receive its total 2004-05 DEA allocation plus an additional adjustment for any enrolment decline in 2005-06. A board without a 2005-06 enrolment decline will receive its DEA allocation from 2004-05.

Projected board-by-board allocations for 2005-06 are attached as Appendix 7.

3. Special education

Special education funding in 2005-06 will ensure stability in boards' program and service levels for special needs students. This will be a transition year, as consultations continue through the Working Table on special education, chaired by Kathleen Wynne, MPP and Parliamentary Assistant to the Minister of Education, and Professor Sheila Bennett of Brock University, to develop a new funding approach, to be implemented in future years.

Net new needs

The transitional funding approach for 2005-06 will address "net new needs." This approach will be similar to the approach used in 2004-05 to calculate allocations from the Effectiveness and Equity Fund. Funding will recognize each board's costs of providing supports to newly enrolled students with high needs in 2005-06, net of any change in funding requirements resulting from other students with high needs no longer enrolled in the board.

- Boards will receive, as the baseline for determining 2005-06 allocations for students with high needs, the level of funding they received for ISA 2 & 3 at the end of cycle 5 of the ISA review in 2003-04. On a province-wide basis, this represents a total of \$924.6M in funding (excluding Special Incidence Portion allocations).
- Each board's baseline allocation will be adjusted by the change in the board's population of students with high needs in 2005-06.
- Each board must submit summary information, through a simple administrative process, regarding the number of high needs students entering and leaving the board. Boards' allocations will be adjusted upwards or downwards, reflecting the movement of students with high needs.
- This funding for net new needs will be capped at \$40M and distributed based on each board's share of demonstrated net new needs. The per-pupil amount for each student with high needs has been set, on a preliminary basis, at \$17,000. This per-pupil amount may be adjusted to ensure that the total allocation remains within the available funding.

Net new needs will be calculated as follows:

Net new needs:

Number of recently enrolled high needs students in 2005-06 – *Number of students on ISA baseline list no longer enrolled*

The *Number of recently enrolled high needs students in 2005-06* is defined as the number of students who:

- a. Are enrolled on October 31, 2005 but were not enrolled on October 31, 2003;
and
- b. Are receiving supports in an integrated setting from a dedicated teacher assistant or other professional or paraprofessional support for at least 50% of the day on average; *or*

Are in self-contained classes where the pupil to adult ratio is 4:1 or less. For this purpose, “adult” means the full-time equivalent of teachers, teacher assistants and paraprofessional staff assigned to the class.

The *Number of students on ISA baseline list no longer enrolled* is the number of students on the ISA baseline list of eligible students provided by the Ministry in September 2004 who are no longer enrolled in the board on October 31, 2005.

As noted, each board’s high needs allocation will be adjusted upwards or downwards by the net new needs calculation, up to a provincial maximum increase of \$40M.

Other components of special education funding

The SEPPA component of the Special Education Grant will continue to be allocated on the same basis as in previous years. It will be based on each board’s total enrolment, with adjustments for salary and non-salary benchmark changes as in previous years, including adjustments that correspond to the high needs component [formerly ISA 2 & 3] of the Special Education Grant.

The Special Equipment Amount (formerly ISA 1), and Special Incidence Portion remain unchanged.

Funding available for Special Education Programs in Facilities and School Boards (formerly ISA 4) will be increased by 2%, through adjustments to salary and non-salary benchmarks.

Special education reserves

As in 2004-05, to ensure that funding provided for special education is fully expended on services and supports for students with special needs, boards’ allocations for special education will be reduced if an excessive amount of funding has been placed in special education reserves at the end of the 2004-05 school year.

A board’s allocation for special education in 2005-06 will be reduced by any amount in its special education reserve at August 31, 2005, that is greater than 2% of the board’s high-needs allocation in 2003-04 (that is, its allocation for ISA levels 2 and 3 at the end of cycle 5 in 2003-04).

To ensure that funding allocated from the Effectiveness and Efficiency Fund (EEF) in 2004-05 has been used for the intended purpose of addressing needs in 2004-05, the special education enveloping provisions for 2004-05 will also be amended. Special education expenditures that were approved or authorized by the school board before

May 30, 2005, will be included in expenditure for the purposes of calculation of compliance with the special education envelope. Expenditures approved or authorized after that date cannot be included as allowable expenditure for the purposes of enveloping. Boards whose Financial Statements for 2004-05 show a higher level of expenditure for special education than their Revised Estimates for 2004-05 will be required to provide documentation demonstrating the timing of the approval or authorization of the higher expenditure.

4. Transportation

For 2005-06, the government has approved an additional \$33M in funding for transportation. This represents an increase of nearly 5% over the 2004-05 funding, and brings the total projected transportation allocation to \$720M. These additional funds will provide stability as work continues with the sector to develop a fair and equitable approach to funding transportation and to expand the use of consortia and other efficiency measures.

As noted above in the **Non-salary benchmarks** section (page 13), the additional funding includes a benchmark increase of \$14M and an additional increase in recognition of higher fuel, capital and other operating costs for student transportation. These increases total \$24.5M and represent an increase of more than 3.5 per cent for cost pressures.

To recognize costs associated with the implementation of transportation safety programs, a total of \$4.5M in one-time funding is being provided to assist school boards to provide first aid/CPR training for their school bus drivers. This funding responds to a recommendation made by the Chief Coroner in November 2004.

An additional amount of \$3.5M will also be provided for school boards that experience enrolment increases in 2005-06. These boards will receive proportional increases to their transportation funding allocation. School boards with declining enrolment will not see their funding reduced; rather, they will receive their allocation for 2004-05 plus their share of the \$24.5M allocation for increased costs and the \$4.5M for safety training.

The government recognizes that many school boards in the province have developed successful partnerships which deliver student transportation efficiently and effectively. While other boards may be taking positive steps toward developing similar partnerships, it is apparent that some coterminous boards are not moving effectively towards co-operative delivery. Over the next year, school boards who are not currently in a consortium partnership will be expected to demonstrate efforts and progress made in moving toward a more co-operative system of delivery. The government intends to require consortia and will determine effective ways to implement consortia and other efficiency measures.

Projected board-by-board allocations are attached as Appendix 8.

5. Cleaner, Safer Schools

In addition to the increase described above concerning school operations and renewal top-up funding for rural schools, the government will also enhance funding for school operations and renewal in all elementary schools in 2005-06. The elementary benchmark area requirement and the elementary On-the-Ground capacity for school operations and renewal funding will be adjusted to recognize the increase in the number

of classrooms boards must operate as a result of the first two years of the Primary Class Size Reduction initiative. The first phase of the adjustment for school operations and renewal funding will occur in 2005-06. It is anticipated that further changes to these benchmarks will occur in future years to support full implementation of the cap on primary class size.

Boards are to use the increased funding to hire additional custodial staff to clean and maintain school grounds and facilities, as well as to address the additional operation and repair costs of space added as a result of the Primary Class Size Reduction initiative. The Ministry will monitor year-over-year expenditures by boards on school operations and renewal to assess the use of this investment.

This enhancement will total \$30M in 2005-06.

Projected board-by-board allocations are attached as Appendix 9.

6. Grant for New Pupil Places

Disposition of surplus schools

On February 17, 2005, the *Good Places to Learn* announcement indicated that the Ministry will no longer recognize closed schools as creating eligibility for new school grants. Therefore, as of that date, the Minister rescinded the policy whereby the capacity of surplus schools offered at no charge to coterminous school boards and the Ontario Realty Corporation was removed from a board's inventory of schools in the calculation of Pupil Accommodation Grants.

Boards were requested to advise the Ministry of any issues and problems in this period of transition. The Ministry is currently reviewing these on a case-by-case basis. As well, the Ministry will review boards' long-term capital plans due in October 2005 in order to consider adjustments to the funding model that will address the needs of growth boards. Guidelines for the development of these plans will be available in the near future.

Timing of entitlement

The *Good Places to Learn* announcement indicated a change in funding policy to include a new accountability measure regarding funding for new construction through the Grant for New Pupil Places.

The policy continues to recognize for funding any pupil places that are in excess of capacity. The new accountability measure, however, will provide funding only when a board has reported acceptance of a tender for construction of pupil places for which it is eligible to receive grants. The new entitlement will be the lesser of:

- All pupil places eligible for funding in 2005-06 (that is, ADE in excess of NPP capacity);
- or
- Pupil places that have been constructed or for which a board has reported signing a school construction contract based on the acceptance of a tender bid.

Restructuring the Benchmark Construction Cost in the Grant for New Pupil Places

The construction benchmark costs currently used in the Grant for New Pupil Places were first established in 1997 by the Expert Panel on the Pupil Accommodation Grant.

The Expert Panel also established the implied interest rate of 8% used in the calculation of the annual funding benchmark cost of construction.

The existing construction cost benchmarks have been restructured to reflect a 5.25% interest rate. The overall benchmark in each panel, however, will remain stable, in recognition of higher construction costs.

Geographic Adjustment Factor

The Geographic Adjustment Factor used in the calculation of Grant for New Pupil Places has been revised to reflect updated regional cost differences. This revised factor will also apply for the first time to the calculation of the Grant for School Renewal.

Details of how these factors were calculated are available on the file transfer website <ftp://ftp.edu.gov.on.ca/sfis/june2005/GAF>

E. OTHER CHANGES TO EDUCATION FUNDING IN 2005-06

For 2005-06, as for previous years, a number of changes will be made to education funding that respond to requests from school boards and other education partners to address technical and other issues in the funding regulation. The Ministry will provide further information to school boards about these changes when the funding regulations are released.

The Early Learning Grant will be discontinued in 2005-06, because all school boards will be offering a Junior Kindergarten program. As the Early Learning Grant was intended to provide equitable funding for early learners to boards that did not offer Junior Kindergarten programs, this Grant is no longer needed. Where affected boards have declining enrolment, their revenue loss from this change will be mitigated in 2005-06 by the Declining Enrolment Adjustment.

F. SCHOOL AUTHORITIES

As in previous years, funding for School Authorities will be adjusted in 2005-06, as appropriate, to reflect changes in funding to district school boards. The Ministry will provide further information concerning funding in 2005-06 for School Authorities in the near future.

G. REPORTING AND ACCOUNTABILITY

The following highlights specific reporting and accountability provisions for key investments in 2005-06:

Primary class size (page 3)

Reporting and accountability requirements for the Primary Class Size Reduction Amount in 2005-06 will be similar to those in 2004-05. School boards will be required to:

- Submit a plan by August 31, 2005, that shows how many teachers they intend to hire with the increased funding in 2005-06. This plan will identify the schools where class sizes will be reduced. Each board is required to make this plan available to parents and the public on the board's website.

- Demonstrate a reduction in average primary class size in 2005-06 in proportion to the number of teachers hired, while ensuring that average class size in the other elementary grades (4 to 8) does not increase.

The reduction in class size will be measured by the Elementary Average Class Size Report due in December 2005.

The Ministry intends to expand its audit of class size in 2005-06 to ensure that boards are using Primary Class Size Reduction Amount funding as intended.

Elementary specialist teachers (page 5)

The new resources must be allocated to provide more specialist elementary teachers to work with students in areas such as literacy and numeracy, physical education, music, and the arts. Boards will be required to have in place additional specialist teachers in each year from 2005-06 to 2008-09 to meet that year's targeted level of preparation time. As noted above (page 6), the number of specialist teachers to be hired will vary depending on a board's current level of preparation time.

The reporting and accountability framework will require each board to report annually on its plan to use these additional resources, clearly linking the resources to the board's over all strategy for improved student achievement. The report will set a target for improved Primary literacy and numeracy. Boards will also report annually on the level of preparation time in their collective agreements and the number of specialist teachers hired, categorized by specialty (literacy and numeracy, physical education, music, the arts, etc.) As part of this framework, boards are expected to report publicly on both the use of resources and the success in achieving literacy and numeracy targets.

Student Success teachers (page 7)

Beginning in 2005–06, each school board will be required to report on the use of additional secondary teaching staff and the achievement of improved student results in its Annual Student Success Action Plan and Report.

The Ministry will monitor changes in the number of sections and class size in order to assess the extent to which boards have reduced class size and increased program availability in the areas identified above without increasing class sizes in other areas. The course enrolment sections of the October and March Reports will be used to monitor course offerings.

Good Schools Open (page 14)

Boards will be required to report on the use of the enhanced funding, together with the funding from Good Schools Open added in 2004-05, in the same way that they are required to report on use of funding from the Distant Schools Allocation. The Distance Schools report will be expanded to include revenue from and expenditures in rural schools.

Cleaner, Safer Schools (page 17)

Boards will be required to report on the use of these funds as part of the reporting and accountability requirements for the Primary Class Size Reduction Initiative (described above on page 4). Boards' plans for this initiative, due on August 31, 2005, must include projections of the number of custodians to be newly hired in 2005-06 with this

incremental funding.

New Pupil Places (page 18)

Boards are currently required to report new construction through the on-line reporting system, the School Facilities Inventory System (SFIS). Boards are expected to generate reports at the planning stages of a given project, indicating estimated costs and capacity, tender dates, construction start dates, and the estimated date of opening.

As a project progresses, boards update the status from “Planning Stage” to “Under Construction” to “Complete”. Costing information is updated as it is available. Boards are also required to enter the room-by-room configuration of the facility to calculate the capacity once the project plans are fully developed and submit floor plans to the Ministry to verify the capacity upon completion of construction.

To support the new accountability policy, reporting will be refined by the introduction of two reporting dates in the school year. This reporting structure will establish entitlement for funds for pupil places only when construction contracts have been signed.

Funding for the 25 years of entitlement would begin as of these reporting dates:

Table 2: Reporting dates for New Pupil Places

Reporting Date	Pupil Places reported up to that time	Eligible funding in 2005-06
September 30	Up to and including any pupil places for which tenders have been accepted and contracts awarded by September 30, 2005	100% of annual entitlement
March 31	Up to and including any pupil places for which tenders have been accepted and contracts awarded by March 31, 2006	37% of annual entitlement (100% in the subsequent school year)

Boards are requested to provide the Ministry with a copy of the signed construction contract signature page, indicating the name of the project, in order to document the construction commitment and entitlement to funding. As well, boards are to indicate to the Ministry the start date of the construction project. This reporting structure will ensure that funding is provided for projects to be constructed within the school year.

H. FINANCIAL REPORTING AND DUE DATE FOR SUBMISSION OF ESTIMATES

Timely submission of boards’ Estimates, Revised Estimates, and Financial Statements is critical for calculating boards’ entitlements to funding and avoiding unplanned adjustments to cash flow. It is also critical to the Ministry’s capacity to accurately project impacts on the government’s fiscal plan, and support decisions about refinement of education funding.

The Ministry has established the following dates for submission of financial reports in the 2005-06 school year:

July 15, 2005	Board Estimates for 2005-06
November 30, 2005	Board Financial Statements for 2004-05
December 16, 2005	Board Revised Estimates for 2005-06

The policy of cash-flow consequences for boards that do not submit reports by the required dates will continue in 2005-06.

Boards will be provided an extension to August 31 for Estimates before cash flow penalties will be applied.

Estimates forms will be available on EFIS within two weeks. An excel version of the grant calculation portion and some other sections of the Estimates forms will be available on the website <http://tpfr.edu.gov.on.ca>. It should be noted that these forms are currently for planning purposes only, and are subject to any changes that may result from finalization of the funding regulations.

Inclusion of unallocated enhancements in Estimates

For some enhancements that will be based on information not currently available to the Ministry, boards will be asked to include a projection of their revenue in Estimates. These enhancements include the cost adjustment for teachers' salaries (based on salary grids negotiated for 2005-06), net new students with high needs (based on the estimated number of new and leaving students with high needs), and NPP entitlements (based on projected timing of tender acceptance). The Estimates forms to be released on EFIS will include calculations for each of these enhancements.

I. INFORMATION RESOURCES

Reference should be made to the following appendices to this memorandum:

Appendix 1	Primary Class Size Reduction Amount
Appendix 2	Specialist Elementary Teachers
Appendix 3	Changes to the Foundation Grant
Appendix 4	Student Success Teachers
Appendix 5	Salary Adjustment for Non-teaching staff
Appendix 6	Rural school operating enhancement
Appendix 7	Declining Enrolment Adjustment
Appendix 8	Student Transportation
Appendix 9	Cleaner Safer Schools
Appendix 10	Textbooks and learning resources

As noted above (page 1), it is anticipated that the education funding regulations for 2005-06 will be released in June 2005.

A provisional version of the *Projections of School Board Funding for the 2005-06 School Year* will be available to assist school boards in preparing their budgets and planning for the 2005-06 school year. This document will be posted on the Ministry website <http://www.edu.gov.on.ca>

The Ministry's calculations of preliminary estimates of each board's Pupil Accommodation grants for 2005-06 may be obtained from the Ministry's file transfer website at <ftp://ftp.edu.gov.on.ca/sfis/june2005/documents>

As soon as possible in June 2005, the following documents will be released:

Legislative Grants for 2005-06

Technical Paper, 2005-06

Pupil Accommodation Grants, 2005-06

If you require further information about school board funding in 2005-06, please contact:

Pupil Accommodation Grant Transportation Grant	Kerry Pond	(416) 212-1180 kerry.pond@edu.gov.on.ca
Other changes in the 2005-06 regulations	Peter Gooch	(416) 325-2828 peter.gooch@edu.gov.on.ca
Financial accountability and reporting requirements	Wayne Burtnyk	(416) 325-2034 wayne.burtnyk@edu.gov.on.ca

In the current school year, Ontario's publicly funded education system has shown that it can achieve impressive results when it is allowed to focus on improvement and given the right support. The provincial dialogues and the government's commitment of additional funding will sustain and build momentum for further improvement in 2005-06. I look forward to working with you and our partners in education as we continue our common effort to achieve success for all our students.



Nancy Naylor
Assistant Deputy Minister

Copy: Superintendents of Business and Finance
Senior Plant Officials