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220A
1981
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Conseil
supérieur
de l'éducation
Québec

THE NEW METHOD OF RESOURCE ALLOCATION
TO SCHOOL BOARDS

Recommendations to the Minister of
Education, February 1981

CSSE

DOC - 13684

E359

A8/220A

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CONSEIL SUPÉRIEUR DE L'ÉDUCATION
CENTRE DE DOCUMENTATION
1970, Route de l'Église, porte 3.20
Sainte-Foy, QC
G1V 4Z4

ISBN 2-550-04348-0
Dépôt légal: premier trimestre 1981
Bibliothèque nationale du Québec

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Foreword

This year 1980-1981 has been witnessing the implementation of a new system of financing school boards along with a new method of allocating resources to the boards, changes which have not failed to arouse serious dissatisfaction and complaints from the officers and personnel of school boards in general.

The above context was to therefore prompt the Conseil supérieur de l'éducation to take a look at the new method of allocating resources to school boards and at the problems generally claimed to be associated with it. After extensive consultation with all parties concerned and reflection based on a wide range of gathered information, the Council concludes that there are, in effect, some very real problems related to the issue in question.

The Council in this paper emphasizes certain facts and analyzes different problems created by the new method of resource allocation. It then dwells upon its resulting effects and finally concludes with recommendations aimed at improving the new method of resource allocation and at overcoming its inherent difficulties as promptly as possible.

As for the legal dispute raised by the new mode of financing school boards, it is up to the courts which already have the matter before them to settle it. The Council has therefore refrained from examining this new system of financing. Nor has it made any comparative study of funds allotted to education and those allotted to other provincial ministries. It has limited itself to the submission of recommendations only which it hopes may help to improve the new process of allocating resources to school boards.

1. The New Method of Allocation of Resources

The principal expenditures of a school board include the salaries of its teaching and non-teaching personnel, those incurred from the purchase of material and equipment, heating and maintenance costs of school buildings, service on capital expenditures or on activities meant to be self-financing.

The Old Method

Up to this year these expenditures were reimbursed by the Government on the basis of certain norms. Again, by virtue of the former system of financing school boards it was possible for the latter to levy a local tax on their constituents to finance so-called "expenditures not eligible for subsidies" aimed at imparting a local identity to their schools. Since 1980, this system of financing has been modified and a new method of allocating State resources is now in progress.

A Closed Budget

The major characteristic of this new method consists of a closed budget system. Each school board must provide a forecast of its expenditures and its forecast then constitutes its budget and its financial limitations. The primary goal of the new method is to find out beforehand and with precision the exact cost of the school system and to rationalize expenditures. Moreover, through a free transfer of funds among the three items of a board's budgetary package, i.e. its teaching personnel, "other" personnel and "other" expenditures, the Government is seeking to make boards responsible for their own administration and to give them a chance to define their own priorities. And the Act on Municipal Reform furthermore allots a portion of the real estate tax to school board purposes.

To determine the basis of its new method of resource allocation, the MEQ did to some extent trace a picture of the school board network, mainly by establishing the average costs of various items such as teachers' salaries, the rates of staff ageing and substitute teaching. Thus, the subsidies assigned to school boards are determined on the basis of amounts accorded to certain boards in 1978-1979 and to others in 1979-1980, amounts mainly readjusted in terms of variations in student enrolments and a certain evolution in costs. And the MEQ has just recently "personalized" to a greater extent the major expenditures of individual boards by establishing new parameters based on a highly complex system.

A Closed
Budget and
Adequate
Resources

The Council agrees with the implementation of a closed budgetary system for determining how which money should be assigned to school boards. It is only a normal if not belated procedure, considering that school board financing remained the sole governmental area not yet subjected to it. This new system should permit us to know beforehand the real cost of the school system and to control the education budget at the base in order to avoid unpleasant surprises. It requires school boards to set themselves priorities and to operate as responsible administrative entities. These may be all sound principles for the management of public funds, but it is nevertheless hoped that all future decisions may be taken in consultation with the main agents involved and that school boards will have the necessary resources to realize State-determined objectives. Consultation has just begun for the year 1981-1982 but to the Council's mind the consultation schedule is too short to be truly effective.

A Desired
Change

The results of the Québec School Boards Conference held in January 1979 permitted both sides to agree on the mechanisms needed to modify the old method of allocation, the most important of which was the inconvenience of discovering the real cost of a school year only after several years. It was unanimously agreed that such a system must end, and a new method of resource allocation be introduced, whatever the mode of financing school boards.

But this method was to be implemented under rather special conditions.

Fiscal Reform
(Bill 57)

First of all, it should be noted that the new method had to comply with one major provision of Bill 57, the municipal fiscal reform Act, which modified the powers of the boards. By virtue of this Act the boards lost their right to the real estate tax, whatever their stated needs in the past and without any legal limitations, a property tax now almost exclusively reserved to the municipality. Bill 57 allows the boards recourse to this tax for at most 6% of their net expenditures or 0,25\$ on 100\$ of the property valuation (whichever is less). This restricted recourse to the property tax is to permit the boards to give themselves a local identity. Should they seek to exceed these limits they must hold a referendum according to the law. School boards have never accepted this reform which limits their powers of taxation and which according to them, divests them of a vital part of their administrative freedom, placing them at the mercy of a single purveyor. They have, moreover, called upon the courts to have this section of the Bill rescinded.

The "500
million \$
Hole"

We then witnessed what has now been described as the "500 million \$ hole" affair, a deficit accumulated over the course of several years because of inadequate control methods at both the school board and governmental levels. This situation was only discovered in 1980 and has had serious repercussions on present school board budgets. The Auditor General was given a mandate to study the causes of the past situation and a report was submitted. This "affair", it should be noted, has had strong implications for the new method of resource allocation. The Government has now imposed budgetary restrictions to correct the past situation and to gain some amount of compensation.

Lack of
cooperation
and misunder-
standings

The Council would like to emphasize the M.E.Q.'s premature haste in implementing the new method of resource allocation, an attitude much in contrast with the principles advocated at the Québec School Boards Conference which were largely based on interesting forms of cooperation. The Council also notes that boards have been most successful in confounding two very separate issues - the new method of allocating resources to school boards on one hand, and the new mode of financing boards on the other hand, as decreed by legislation, a problem which has made it difficult for both the school sector and general public to grasp the basics of the issues in question.

2. The Problems Raised

Accepting
the
Principle

It was therefore within a troubled context, to say the least, that the new method of resource allocation was implemented. Most of the agents involved consulted by the Council agree with the underlying principles of the new method and with the very need for a closed budget system. What they do disagree with, however, is the way in which the new system is being implemented or applied. The parameters used in the calculation of subsidies have also solicited a number of reactions. It is therefore important to distinguish between the problems created by the implementation of the method and those that result from the method itself.

Unfavourable
climate

The Act on municipal reform and the dispute associated with the search for those responsible for the "500 million \$ hole" have fostered resistance to change in school boards, an understandable resistance in many respects. The ministère de l'Éducation judged it necessary to implement the method despite its shortcomings which it felt could be remedied later. In the view of the boards, the new method was implemented too rapidly. They would have preferred proceeding on a transitory basis to allow for experimental testing and validation of the method. They now find themselves greatly disturbed and losers in the whole operation.

A Misunder-
standing with
Serious
Financial Im-
plications

A serious misunderstanding arose when determining the subsidies required by school boards for the engagement of teachers. The fact the State does not assume the full cost of this budget item, which is by far the largest, has had repercussions throughout the school network at large.

The national teachers' collective agreement contains teacher/pupil ratios for determining the number of teachers required per type of instruction; it also establishes maximum workloads and maximum pupil numbers per class. Yet, a directive from Treasury Board, later to be entrenched in Bill 113 forcing the teachers of certain boards back to work, compels the Ministry to subsidize the total number of teachers engaged by a board at a lesser cost. Teachers' unions have tried to obtain locally the number of teachers contained in the ratios of the national collective agreement but about one-half of the boards refused to comply, arguing that they lacked the necessary subsidies. Whenever possible, these boards assigned maximum workloads to teachers and increased the number of pupils per class to the maximum allowable limit of the collective agreement. The remaining boards had agreed, prior to adoption of Bill 113, to accept the number of teachers stipulated in the ratios.

Both the school boards and teachers' unions claim to have been betrayed by this apparent change in the rules of the game after the signing of national agreements. Where the unions are concerned, the ratios were most obviously meant to serve as rules for determining the number of teachers to be engaged. In turn, the school boards were convinced the ratios were meant to help establish a lump sum permitting them some freedom of action in either hiring all the teachers provided for in the ratios or only a part and to direct leftover funds to other educational purposes. By both a directive and Law, the Government

(1) Calculation of teacher/pupil ratios allows for a greater number of teaching posts than calculation of maximum teaching workloads combined with maximum class sizes (about 3%).

indicated the ratios were no more than guidelines and its subsidies were to be allocated on the basis of teaching workloads and numbers of pupils per class, while referring to the maximum figures of the collective agreement.

The Financing
of "National"
Costs

Taking the new mode of financing into account, according to the Superior Council the boards are right in insisting upon the real means of paying what was negotiated on a province-wide basis and what was sanctioned by governmental decree. The ratios agreed to in the national agreement with teachers were to serve as rules in establishing the size of teaching staffs. It is impossible to conceive how the Government, on accepting these ratios, was convinced that it would not have to finance them. The Government has taken two decisions which modify the rules of the game. First, it has stated that the ratios are not norms to be respected in the engagement of teachers; second, it has decided not to finance these ratios. Both decisions clash with the assurance that was given to the boards of receiving subsidies corresponding to the cost of applying the ratios.

It is clearly obvious that if "national costs" were financed in full the boards would not have to "borrow" from the proceeds of local taxes to finance their current operations. Local taxes could then serve for what they were destined to serve. This condition is all the more justified in that the Government's new procedure for supervising the right to taxation now makes it virtually impossible, at least for some boards, to exercise this right.

More Board
Disappoint-
ments

Other problems associated with the method itself have marked the implementation of the new system of school board financing. Many board officials complain the announced subsidies do not match the real cost of expenditures. In addition to the problems involved in the

application of the agreement contracted with the teachers' unions, boards point to other problems or examples of gaps to be filled out of the limited tax permitted by Bill 57 which is meant to serve, it should be noted, for local priorities in the interest of a "local identity".

- . Selection of the year 1978-1979 as the base year for all school boards where other costs and other personnel are concerned is a first example. School boards that had started to compress their expenditures found themselves in a less favourable position than boards which had not yet undertaken such action and which benefitted from the application of provincial average costs.

- . The average provincial parameters applied to the teachers' collective agreement do not correspond with real costs nor reflect the particular situation of each board: the rates applying to the ageing of personnel, substitute teaching and improved job security do not conform to reality. Here again, even if all agree to use the personnel on the availability list for substitute teaching, this measure is subject to limits, in particular, that of the size of the school board territory or discrepancies between teachers' assigned duties and their qualifications. However, the application of definitive parameters may perhaps do much to correct this situation.

- . One of the objectives of the new method, that of transferability among the budget items "teaching personnel", "other personnel" and "other costs" is on the whole theoretical. The budgetary funds barely succeed in covering compulsory costs. Movement is possible only between the items "other personnel" and "other costs" which is generally to the detriment of "other personnel".

- . As for "other costs", the allotted increase of 5% this year is far inferior to the real rate of inflation which is above 10%. The situation is especially serious where energy is concerned. Here inflation exceeds 20% and only a small part of energy costs for 1980-1981 were covered through financing. To fill the gap it was necessary to resort to dismissals or job cancellations, mainly among the support, technical and professional staff, and to a lesser extent the administrative staff.

- . School boards find it most difficult to tax beyond the limit prescribed under the law because of the constraint of the referendum the boards must organize and subsidize by themselves. Referendum and tax collection costs are prohibitive, mainly for boards in urban centres or the protestant regional school boards. For example, to obtain one cent over the 0,25\$ allowed by the law, the Québec Catholic School Commission must hold a referendum that will cost it 130 000\$, a sum equal to the proceeds obtained from the extra cent. The referendum should therefore deal with a basic increase of 0,02\$ and not 0,01\$. The Government obviously meant to limit local taxation almostly exclusively to 6% or it would have proceeded otherwise.

- . The negotiation of untransferable "supplementary subsidies" or "special funds" takes place at the regional bureaus of the Ministry without clearly defined allocation rules in many cases, which can lead to arbitrary action.

Finally, the results of the temporary parameters were released only in June 1980 but the boards had already prepared their 1980-1981 budgets. They had to recover them and prepare new ones which were still no more than temporary budgets (the final parameters were released only

in January 1981). It is easy to see that with such budgets the boards were far from being bodies increasingly responsible for their own management or, as otherwise stated, school boards administered in relative confusion while waiting for confirmation of their definitive parameters.

3. Some Foreseen Consequences

The Council wishes to point to several major trends attributed to the implementation of the new method of resource allocation to school boards.

Reduction of Personnel

The new method for the allocation of resources attempts to determine the true cost of the various educational services decreed by the Government and the latter provides the necessary subsidies. To do so, parameters or compensation factors have been established to defray the real costs incurred by each school board in relation to the base years. The parameters do not reflect the reality of expenditures. They cause the boards to resort to the proceeds of local taxes or to reduce their level of services. Because it has been virtually impossible for the boards to increase their taxation powers by means of a very costly referendum and the risk it represents, they have had, whenever at all possible, to assign maximum workloads to teachers, to increase the numbers of students per class, or again to reduce the numbers of non-teaching personnel. If such measures do reduce expenditures they no less place a heavy mortgage on the quality of school services when they must be implemented systematically and without discrimination. Within the context of more important budgetary cuts announced to take effect shortly, this trend will likely confirm itself.

Where school administrative personnel are concerned, some regions show an increase in institutional schools. (1) Where the situation appears to be the most critical, however, is among the support, technical and non-teaching professional personnel. Already reduced to a minimum in some school boards, these categories of personnel are in danger of becoming the prime target for economizing, not because of any ill will on the part of the boards but because it is their only administrative alternative. Already such practices as job cancellations, more part-time employment or short-term contracts are being adopted and will probably become the rule within the frame of application of the forthcoming new budget restrictions.

Towards a
Better Management of
Non-teaching
Personnel

As previously mentioned, this situation stems from the fact that the total of teachers' salaries constitutes the largest expenditure of school boards and State subsidies do not permit the boards to cover this expenditure in full. The boards, then must plan for cuts among "other personnel - "other costs". Apprehension about seeing this "other personnel", whose working and remuneration conditions are controlled by regulation, the subject of further pressures is therefore legitimate. The non-teaching professionals and support staff always run the risk of being traded for school equipment, which is totally unacceptable.

Reduced
Services

This is another area where progress will decidedly be checked. Many school boards are thinking about cutting down on services provided to students by virtue of agreements between boards or contracted with establishments under the ministère des Affaires sociales. These boards

(1) Several schools under the administration of one and the same principal.

are now tempted to limit these services since the "per student grants" they receive for them do not cover their cost. It is access to these services itself that may now be compromised. Boards operating on a regional basis for certain services may no longer be able to do so for lack of sufficient resources. Regional schools for the handicapped and secondary school vocational training with "heavy" workshops (low teacher/pupil ratios, therefore more expensive) are sectors that may be the most affected. On the other hand, school boards see themselves assigned new duties without the means to accomplish them. One need only think about the cost of applying the new legislation on health and safety conditions at work.

Another very real fear is that the most expensive services may be limited, if not totally eliminated in every school board. We are thinking here of schools with a special interest in developing the musical, artistic or athletic aptitudes of students, of schools with their own unique methods of student supervision, of those that attempt to innovate, those that immediately seek to implement new governmental policies such as the integration of children with difficulties. There is good reason to fear that any initiatives whose cost exceeds the average provincial costs will be dropped entirely.

Transfer- ability

The closed budget system includes the principle of transferability of State-allotted funds. In view of the nature of this most crucial and sensitive budgetary item - the aggregate of teachers' salaries - the boards claim themselves incapable of applying the transferability clause. The total of teachers' salaries does in fact constitute three fourths of any school board's budget. Must we moreover be reminded that the practice of engaging the exact number of teachers provided for in the ratios is a practice applicable to about 50% of school boards? Transferability has a false ring to it and various gains are thereby compromised. It is certain, for example, that the need to satisfy "primary" needs compels the

boards to dip into funds reserved for other areas that may appear more "secondary" but which are also essential. Some especially threatened areas include staff improvement programs, teaching material, student activities, personal aid to students.

Disguised
Taxes

In an effort to offer customary services to students, both the schools and boards may be seriously tempted to multiply hidden expenses and to charge them directly to students for teaching material, school equipment or student activities whether included or not in the curriculum. Need we be reminded here again that such practices are unfortunately far too widespread? We must make sure that the new method of resource allocation does in no way jeopardize the principle of free schooling. (1).

The New
Policies
Challenged

Finally, certain so-called priority measures which had obtained a consensus from the school world at large as well as a firm place in the Schools of Québec and in other policy statements may in all likelihood find no form of application. Will school boards have the means to guarantee the provisions of the "new" *pedagogical régime* or course of studies and its freshly revised programs, provision to students of all basic textbooks, as well as the requirements of the new subject-period schedules? Will they be financially able to comply with the policy of keeping the last village or district school in operation, or with policies pertaining to exemption from religious instruction, the integration of children with special needs into the regular system, the educational needs of disadvantaged areas and the forthcoming policy on vocational education? Under the present circumstances, our answer is no.

(1) See Conseil supérieur de l'éducation, The Financing of School Activities, Advice to the Minister of Education, September 1980.

4. Recommendations

After having reviewed the major consequences of the implementation of the new method of resource allocation, the Conseil supérieur de l'éducation submits the following recommendations.

Open Communication

- . The Superior Council recommends a greater effort on the part of the Minister of Education to keep the channels of communication open among all parties involved in the school system. To this end, the Minister should correct as promptly as possible all situations that can be easily rectified. The Minister is furthermore urged to submit a clear statement on the objectives of his Ministry, on its available resources and on the restrictions by which it must abide.

Cooperation from all sides

- . The Council urges the school boards to double their efforts for an efficient administration of State funds allotted to education. Their main task is to establish educational priorities in conjunction with parental and community participation and in cooperation with the ministère de l'Éducation.

National Costs

- . The Council recommends that school boards be totally subsidized for the costs of all measures defined in national agreements or in governmental decrees.

Access to National or Regional Services

- . To ensure access to educational services and to prevent residents of a given school district from having to bear the costs of services rendered to residents of a bordering district, the Council recommends that the cost of services rendered for national or regional purposes or by virtue of agreements between school boards or with other governmental agencies be covered in full and not limited to subsidies based on average costs.

"Other"
Personnel

- . The Council recommends that global norms be negotiated for non-teaching personnel and the necessary subsidies accorded. Selected norms should be based on the rates of such personnel allotted to school boards and not on numbers required to fulfill individual functions.

Consolidation

- . The Council recommends that the year 1980-1981 be viewed by the Ministry as a year of consolidation.
- . That the final parameters adjusted to each school board for 1980-1981 and modified in accordance with these recommendations be recognized as the board's base parameters for subsequent years.

Adaptation

- . The Council also recommends that the situation of each school board be reviewed periodically (every two to three years) to ensure equity between subsidies and true costs and to allow for adequate planning of needs and required resources.

Indexation

- . The Council recommends that the rate of indexation of other costs conform to the rate of inflation.

Energy costs

- . The Council recommends that school boards be urged to adopt energy-saving programs and joint-purchasing plans to keep the costs of energy down.

Deadline

- . The Council recommends that the Ministry inform school boards the latest March 1st of its budgetary rules for the next school year; that the boards be advised of their financial resources including supplementary or contingency funds as of May 30th; that the amount of resources allotted on the basis of student enrolments as of September 30th be made known on November 30th.

Supplementary
and Contingency
Funds

- . The Council recommends that the criteria and mode of distribution governing supplementary budgets or contingency funds be precisely defined to determine the budget allotted to each school board for such funds and to prevent the application of arbitrary procedures.

The Council recognizes that school boards must cope with many new changes, that they are being jostled out of their old routine and must now react and adapt to a new and necessary reality. They must now do like the colleges and universities which, in spite of their single source of financing, have succeeded in creating their own image or local identity, or a different and acceptable modus vivendi. The foregoing recommendations of the Council have been drawn up within the spirit that the ministère de l'Education, in turn, cannot fail to recognize such objectives and, as a result, will adapt its modes of intervention among school boards accordingly.

APPENDIX

Individuals and organizations consulted by the Committee

- . Ministère de l'Education (M.E.Q.) on two (2) occasions.

- . Fédération des commissions scolaires catholiques du Québec (F.C.S.C.Q.) (2)
- . Quebec Association of Protestant School Boards (Q.A.P.S.B.)(4)
- . School Council of the Island of Montreal (S.C.I.M.)(4)

- . The accompanied directors general of three school boards in the Québec City region (6)
- . The director general and deputy director for administration and financing of the M.C.S.C. (2)
- . Association des cadres scolaires du Québec (A.C.S.Q.) (4)
- . Fédération québécoise des directeurs d'école (F.Q.D.E.)(3)

- . Centrale de l'enseignement du Québec (C.E.Q.)(1)
- . Provincial Association of Protestant Teachers (P.A.P.T.)(3)
- . Provincial Association of Catholic Teachers (P.A.C.T.)(1)
- . Fédération des employés de services publics (C.S.N.), section des commissions scolaires (3)

- . Delegates from the Commissions on primary, secondary and adult education of the CSE (4).

Réalisé par la Direction des communications
du Conseil supérieur de l'éducation

50-220A

**Achévé d'imprimer à
Québec en mars 1981, sur
les presses du Service des impressions en régie
du Ministère des Communications
du Québec**

Réalisé par la Direction des communications
du Conseil supérieur de l'éducation

CONSEIL SUPERIEUR DE L'EDUCATION



QCSE000057

50-220A