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Item No. 11.1.12
Halifax Regional Council
August 18, 2020

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY:

Original Signed by

Dave Reage, Acting Chief Administrative Officer

DATE: July 14, 2020

SUBJECT: Mandatory Education and Supplementary Education Funding

ORIGIN

Staff initiated, in response to requests for program and cost impacts of COVID-19 on Halifax Regional Center of Education's (HRCE) operating budget and ability to deliver supplementary education programming.

LEGISLATIVE AUTHORITY

Education Act

Payments by municipality to regional centre

70 (1) Unless an agreement made between a municipality and regional centre under subsection (2) otherwise provides, a municipality shall pay to the regional centre

- (a) the minimum municipal contribution that is required to be paid by the municipality to the regional centre; and
- (b) to the extent that the amount has been approved by the municipality, the municipality's proportion of the amount that is requested by the regional centre to provide for the estimated expenditures of the regional centre, after deducting
 - (i) the amount of the Minister's contribution as set out in the Minister's statement under Section 67, and
 - (ii) the sum of the minimum municipal contributions to be made by the participating municipalities under clause (a).

Supplementary funding of Halifax Regional School Board

80 (1) The Council shall provide to the Halifax Regional Centre for Education at least the amount of additional funding that was provided to the Halifax District School Board in the fiscal year beginning April 1, 1995.

(2) The guaranteed amount payable pursuant to subsection (1) must be recovered by area rate levied on the assessed value of the taxable property and business occupancy assessments.

RECOMMENDATIONS ON PAGE 2

- (3) The Council shall provide to the Halifax Regional Centre for Education at least the amount of additional funding that was provided to the Dartmouth District School Board in the fiscal year beginning April 1, 1995.
- (4) The guaranteed amount payable pursuant to subsection (3) must be recovered by area rate levied on the assessed value of the taxable property and business occupancy assessments.
- (5) Funding provided pursuant to this Section is in addition to funding provided pursuant to the *Education Act*. 2008, c. 39, s. 80; 2009, c. 15, s. 1; 2018, c. 1, Sch. A, s. 117.

RECOMMENDATION

It is recommended that Halifax Regional Council authorize the Chief Administrative Officer:

1. to engage in conversations with the Provincial Departments of Education and Early Childhood Development, Municipal Affairs and Housing with the objective of having the mandatory education contribution policy reviewed, and
2. to only begin to pay 100% of supplementary education funding upon HRCE's provision of a plan, satisfactory to the CAO, of how they intend to deliver the fine arts program that is paid for by HRM during COVID pandemic.

BACKGROUND

The issue of municipalities mandatory education contribution has been a long-standing issue between the province and Nova Scotia municipalities. Municipalities are required by legislation to collect a tax for education and remit it to the Province. Municipalities have no input to where the contribution is spent, how the rate is set nor is there any accountability for the Province, either through the regional centers of education (RCE) or the Department of Education to report back to municipalities.

Halifax is different from other municipalities, Halifax provides two types of education funding to the education system: Mandatory Education funding and Supplementary Education funding.

Mandatory Education Funding

Mandatory Education payments are required under the *Education Act*. In essence, the funding of education is shared in Nova Scotia between the Province and the municipalities. The Province establishes all education policy and standards, and using its education funding formulas, determines a total budget for each of the RCE in Nova Scotia. Once it has set that budget, it requires every municipality in Nova Scotia to pay a share of those costs to their respective RCE. (That funding is calculated as a function of assessment, namely a Provincial "Education Rate" times Uniform Assessment, which is largely the previous year's final assessment). The municipalities only role is to provide funding from the property tax base. They have no say in how the funds are spent.

The provincial wide mandatory education rate has not been changed since 2012/13, it is \$0.3048/\$100 of uniform assessment. The rate is set by regulation and is not based on a formula, there is also no accountability to municipalities on where the funds are directed. This lack of accountability has long been a concern for both the Federation of Nova Scotia Municipalities (NSFM) and the Nova Scotia Association of Municipal Administrators (AMA). Because the mandatory education payment is a function of uniform assessment it is very difficult to anticipate what the increased payments will be. In HRM the increases have ranged from a low of \$393K in 2010/11 to a high of \$7.62M in 2013/14.

In 2004, the provincial government announced it would be reviewing the education funding formula. They hired Bill Hogg the former Deputy Minister of Education, Transportation and Public Works and Finance to prepare a report. The report was completed in 2005. A press release

(<https://novascotia.ca/news/release/?id=20050329003>) issued at the time stated that the intent of the review was to recommend to the Department of Education a funding formula that is fair and transparent to school boards and the public.

"As pleased as we are with Mr. Hogg's work, we are not in a position today to accept his proposal," said Mr. Muir. "We must first discuss the proposal in depth with each school board. Their input is critical to ensure a new funding formula reflects the different cost pressures across the province and other factors, including geography and the rate of enrolment decline."

The proposed funding formula framework indicates that there needs to be a change in how education dollars are distributed. In response, the Department of Education will start to address equity differences in 2005-06 while it reviews the proposed formula with school boards.

In the interim:

- To ensure no school board will receive a funding reduction in 2005-06, school board funding will be distributed on the same basis as 2004-05,
- School boards that would receive increased funding under the report's recommendations will receive 50 per cent of that increase as an additional allocation starting in 2005-06. This amounts to \$2 million shared among the Cape Breton-Victoria, Halifax, South Shore and Tri-County school boards and Conseil scolaire acadien provincial.

Staff cannot find where there was any further work done on the funding formula. In 2013 the Province announced once again they were looking at the education funding formula and again in May 2018. Minister Churchill announced, "that there would be a new funding formula, moving away from per student funding to one based on student needs".

Municipalities have not been consulted on education funding formulas. It is the Province's view that municipalities simply collect the tax on behalf of the Province and do not have a say in what the level of taxation should be.

HRM's required Mandatory Education payment for 2020/21 is \$149.6M, an increase of \$5.9 M from the prior year and an increase of \$52.6 M (or 54%) since 2010/11. HRM's annual payment currently accounts for 55.7% of total mandatory education contributions across the province. By comparison, students in the Halifax Region (in HRCE and CSAP schools) account for 44.9% of Nova Scotia's PrePrimary -12 enrolment. As a result of this the cost per student in HRM is significantly higher than in the rest of the Province. HRM pays \$2,839 per student vs. \$1,838 per student in the rest of the Province.

Of the \$617.1 million annual budget for the Halifax Regional Centre for Education, HRM contributes \$149.6 million, nearly one-quarter of the operating budget. The HRCE operating budget includes salaries for teachers, administrators and support personnel, as well as costs for supplies and materials, building operations and maintenance, program funding and student transportation (busing). Some of these costs may be fixed, but others are variable (lower) when schools are not in use.

Supplementary Education Funding

The second source of municipal education funding is "Supplementary Education" funding. Supplementary Education funding is required under Section 80 of the *Halifax Regional Municipality Charter*. The Halifax Charter requires that the Municipality provide a guaranteed amount for supplementary education, although it may reduce the guaranteed amount by 10% of the amount spent in 1995-96. HRM's position is that guarantee has been fully phased out. This funding was originally provided by the former cities of Halifax and Dartmouth, ostensibly to provide a higher level of arts and music education. Funds are now raised and spent across the entire HRM. The funds are apportioned between the Halifax Regional Centre for Education (HRCE) and the Conseil Scolaire Acadien Provincial (CSAP). Since 2007-08 the funding levels have been determined by a Memorandum of Understanding (MOU) between HRM and HRCE. The approved 2020/21 budget for Supplementary Education (before surplus/deficits and other amounts) is \$14,546,100.

Supplementary education is used to fund fine arts programs in the HRCE schools in accordance with the terms of the MOU. HRM views its relationship with HRCE in the provision of supplementary education as one of purchasing a service.

Both Mandatory Education and Supplementary Education are set up as area tax rates, separate from the general tax rates.

DISCUSSION

On March 22, 2020 the Province issued a State of Emergency related to COVID-19 and public schools in the Province were closed. In subsequent announcements it was determined that schools would not open until the fall, this meant that the schools were not occupied, or students transported for three months of the school year (approximately 25% of the year).

COVID-19 resulted in severe financial uncertainty for the municipality. There was concern about cashflow and very real concerns about liquidity. As a result of this the municipality recast it's March 24th budget in order to address the potential \$85.4M budget shortfall. As part of the uncertainty and potential liquidity issues, the CFO authorized paying HRCE at 75% of the mandatory payment once the HRM Recast Budget was passed on June 9th. The expectation was, much like HRM, HRCE would be going through a similar exercise to reduce costs and to identify savings. That did not appear to be the case HRCE has not carried out an exercise to identify savings for a number of reasons. HRCE's view, supported by the Department of Education and Early Childhood Development is that municipalities pay an amount based on the mandatory education rate times uniform assessment. The contribution is not linked to specific programs or budget amounts. HRM's position is since we contribute 25% of the school board's budget, we should share in savings that are accruing rather than have them pass to the Province.

A meeting was held July 13th with the Deputy Ministers of Education and Early Childhood Development, Municipal Affairs and Housing, Regional Executive Director of Education for HRCE and their staff as well as HRM's CAO, CFO and Solicitor. The purpose of the meeting was to clarify HRM's position on the outstanding payments to HRCE and to understand how HRM's \$149.6M contribution to mandatory education was being spent. HRM's position is we have an accountability to our taxpayers to be able to explain where their tax dollars are being spent.

There was a philosophical difference of opinion between the parties on taxpayer accountability and the Province's need to be transparent about how the funds were being spent. HRCE was concerned that HRM would want to be involved in programming and saying what we would fund or would not fund. HRCE's view is HRM is required by legislation to pay the full amount of the mandatory education contribution and that is the level of municipal involvement.

The CAO requested that the Deputy Ministers engage in a dialogue about municipal funding for education, through mandatory education, specifically a review of the contribution rate, the per student funding as well as the establishment of a funding formula. Both Deputy Ministers indicated that they would take the request back to their respective Ministers, but in general were supportive of opening the dialogue.

Recognizing that any dialogue regarding mandatory education funding will likely result in a province wide solution staff have spoken with the Executive Director of NSFM as well as the AMA to make both organizations aware of HRM's initial conversation and the potential for further dialogue with the Province. Both organizations confirmed that mandatory education funding continues to be a major concern for them and accounts for a significant portion of a municipalities operating budget.

Supplementary Education Funding

Funding for supplementary education is unique to HRM, the authority for the provision and payment of supplementary funding is contained in the Charter, with program details contained in the MOU that is signed between HRCE and HRM. HRM is purchasing a service, fine arts programming, from HRCE.

With schools closed since mid-March HRM has asked HRCE to provide details as to how they provided fine arts programming to students during the months of April, May and June as well as how they intend to deliver the programming in the beginning of the school year. The purpose of the request was to determine if HRM students have been receiving the programming that HRM is purchasing. If they have not been receiving programming HRM is of the opinion that we should not have to pay for a service that has not been provided.

The Regional Executive Director of Education of HRCE has committed to supplying the CAO with a letter that confirms that the students have received programming in the last three months of the school year. And in addition, to forward the plan of how programming will be delivered in the event that the students are not being taught in-person in class. As of August 6th, a letter has not been received.

It should be noted that since the initial meeting was held the Minister of Education has announced (July 22nd) the Provinces return to school plan. Children are scheduled to be in class starting September 8th. The plan does acknowledge that if there is a second wave of COVID-19 the schools may have to close and go back to virtual classes if the Chief Medical Officer of Health directs them to do so. Given the uncertainty around the future of schooling in HRM there is value in receiving HRCE contingency plan for the provision of fine arts programming through supplementary funding.

The CAO explained that HRM would not be paying any supplementary funding for fine arts programming until such time HRM received both the description of program delivery for the last quarter of the school year and the go forward plan. The Executive Director of Education committed to supply HRM with a letter in advance of this report going to Council. At the time of writing this report HRM has not received the letter and plan from HRCE.

FINANCIAL IMPLICATIONS

The full amount of funding for both programs is contained in HRM's operating budget. There are no negative budget impacts to this report. If savings are realized in supplementary funding it will be forecasted as part of the year end surplus or deficit.

RISK CONSIDERATION

There is a risk that HRCE will bring legal action against HRM for withholding a portion of supplementary funding payment. The Education Act contains a remedy for nonpayment of mandatory education contribution. In the event a municipality does not pay its mandatory contribution the relevant Regional Education Center (legislation still uses school board) may borrow money and pass the cost of borrowing on to the municipality.

The Province also has the right of set off against provincial grant programs such as equalization, this is a moot point for HRM as we do not receive unconditional grants from the Province.

COMMUNITY ENGAGEMENT

N/A

ENVIRONMENTAL IMPLICATIONS

N/A

ALTERNATIVES

Regional Council could direct the CAO to submit payment in full to HRCE for supplementary education funding immediately. Staff do not recommend paying supplementary education funding in full until such time as there has been verification that the services HRM purchases is being delivered.

ATTACHMENTS

None.

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

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