

**2007-08 FUNDING POLICY MANUAL
K-12 OPERATING GRANT**

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PURPOSE OF THE FUNDING MANUAL

This manual documents funding recognition used in the calculation of the 2007-08 provincial K-12 Operating Grant. An updated manual will be prepared and released with the provincial budget on an annual basis. The manual can be access on the following website:
http://www.sasklearning.gov.sk.ca/branches/ed_finance/funding/index.shtml

The manual is intended to improve the transparency and system understanding of the K-12 Operating Grant and provide a common source document for determining funding recognition. The legislative documents remain the authoritative source; it is anticipated that the *2007-08 School Grant Regulations* will be available in early summer.

LAYOUT OF THE FUNDING MANUAL

The manual contains the following sections, which correspond to the major headings on school division grant print-outs:

- Basic Program Recognition
- Transportation Recognition
- Targeted Funding Support Recognition
- Special Education Recognition
- Other Recognition
- Revenue Recognition

Within each of these broad sections, a number of grant factors exist. The manual contains the following information for each factor:

- Purpose of funding recognition and eligibility requirements
- How funding recognition is calculated
- 2007-08 rates
- Key program expectations
- Description of any changes from previous years and/or scheduled reviews
- Listing of data used in the calculation
- Additional relevant information
- Contact information

Section I contains a number of appendices; Appendix A contains a complete listing of 2007-08 funding recognition rates and Appendix H contains a contact list.

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2007- 08 PROVINCIAL GRANT AND SUMMARY OF RATE CHANGES

The 2007-08 provincial operating grant is **\$587M**, which is up **\$23.8M** over the previous year.

The following table provides a summary of the distribution of the 2007-08 provincial K-12 operating funding:

	AMOUNT [IN THOUSANDS OF DOLLARS]
K-12 Operating Grant (included in budget day print-outs)	557,034
Funding reserved to pay actual costs associated with other recognized expenditures	891
K-12 Initiatives	29,087
Total provincial school operating funding	587,012

The following table provides a summary of 2007-08 rate changes:

FACTOR	CHANGE IN RATE
Basic rate	<ul style="list-style-type: none"> ▪ \$6,426 <p>See section B Page 3 for a detailed reconciliation of the basic rate.</p>
Prekindergarten	<ul style="list-style-type: none"> ▪ Increased base program recognition for prekindergarten programs by \$1,000 for urban programs and \$5,000 for rural programs, with some exceptions.¹
Intensive Supports Level I	<ul style="list-style-type: none"> ▪ Increased funding pool to \$15.85M (10% increase)
Intensive Supports Level II	<ul style="list-style-type: none"> ▪ Increased funding pool to \$48.5M (5% increase)
Diversity (revised)	<ul style="list-style-type: none"> ▪ Increased funding pool to \$74.0M (8% increase)
Northern and Francophone allowance	<ul style="list-style-type: none"> ▪ .34 (.01 increase)

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¹ Note: For 2007-08 the prekindergarten base per program rate has been increased to include funding for transportation. Those school divisions that have in previous years provided enhanced transportation for prekindergarten children over newly assigned rates will be guaranteed funding at the previous rate for 2007-08. Prekindergarten transportation funding will be reviewed along with all other transportation in 2007-08.

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HOW EDUCATION IS FINANCED IN SASKATCHEWAN

Financing the public education system in Saskatchewan is a shared responsibility, mainly between the provincial government and school boards:

- The government provides funding from general revenues on an equalizing basis that is distributed through the operating grant formula; and,
- School boards have autonomy to deliver education services in their school division within the parameters of *The Education Act, 1995*, and to raise the remaining education funding requirements from the property tax base.

PROVINCIAL K-12 OPERATING GRANT

The operating grant formula is a distribution mechanism to allocate a fixed amount of provincial funding, taking into account local need (school boards' expenditure requirements) and local fiscal capacity (school boards' capacity to collect education tax levies from the property tax base).

Key to understanding the funding allocation system is the fact that the formula is based on *recognized* expenditures and revenues, which are not equal to the *actual* expenditures and revenues reported by school divisions in their Audited Financial Statements after year-end.

The basic funding formula is:

$$A - B = C$$

Where: A = the school division's recognized expenditures
B = the school division's recognized local revenues
C = the provincial operating grant

Since the total provincial operating grant is a fixed amount, the formula ($A - B = C$) must balance. Any increase in recognized expenditures must be offset either by an equal increase in recognized revenues, provincial grant or a combination of recognized revenue and provincial grant. Similarly, any adjustments that result in a grant increase for one or more than one school division can only be achieved by reducing grants to other school divisions by an equal amount.

Recognized Expenditures

Recognized expenditures are calculated through a series of expenditure factors, which are detailed in this manual. The most significant factor is the basic per pupil rate, which represents the Department's recognition for educational program expenditures as well as costs for administration, instruction, plant operation and maintenance, non-capital furniture and equipment, non-capital renovations and repairs, current interest expenses and bank charges and special events transportation. Actual school division expenditures typically exceed the Department's recognized expenditures, as school divisions have the authority to set their own budgets and levy funds from the property tax base.

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Recognized Revenues

Recognized revenues are primarily measured by the local property tax assessment base multiplied by a standard “equalization factor” (**set at 17.2 mills for 2007-08**). The purpose of the standard factor is to determine provincial funding based on an estimate of the relative “wealth” of a school division and, on average, is lower than actual school division mill rates. The 2006 actual provincial weighted average mill rate was 19.27 mills.

Provincial Grant

The difference between recognized expenditures and recognized revenues is the provincial grant. The vast majority of funding recognition is unconditional. The grant is not adjusted in-year for student movement. However, a number of adjustments are made during the year to reflect actual transactions and at year-end the grant is rerun using actual taxable assessment and a derived taxable assessment to account for actual grants-in-lieu and supplementary levies, and either a payment or recovery is made for the difference.

FACTORS THAT IMPACT SCHOOL DIVISION GRANTS

There are a number of factors that will have an impact on a school division’s grant. These factors are identified and explained below:

Changes in Enrolment

Total expenditure recognition within the grant is determined largely by student enrolment counts. Decreases in school division enrolments will result in a decrease in recognized expenditures; if all other factors that impact the grant remain the same, enrolment declines would translate into a reduction in provincial grant. The reverse situation occurs for those school divisions that are experiencing increases in enrolments.

Enrolment declines occur every year and can have a significant impact on the grant a school division receives and the overall grant distribution. Student counts as of September 2006 are down by 3,570² or 2.1% province-wide from the previous year.

Changes in Total Taxable Assessment

The local revenue generating capacity of school divisions is determined by taxable assessment; as the relative taxable assessment increases, the amount of provincial grant decreases. Changes occur in taxable assessment every year (although are more profound in revaluation years) and can have a significant impact on the grant a school division receives. Provincially, taxable assessments are up ~\$327M or 1% over the previous year.

Changes in Provincial Funding

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² Includes Early Entrance students – refer to Section B page 3 for a full definition.

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Provincial budget decisions determine the value for the C side of the equation. Increases in provincial funding increases grant funding and decreases have the reverse effect.

Provincial funding for K-12 operating grants is up **\$23.8M in 2007-08**.

Changes in Programs

For a number of grant factors, expenditure recognition is tied to specific programs or services occurring in a school division (examples include French Immersion programs and transportation routes). When changes in these programs or services occur, they are reflected in the recognized expenditures. Increased programming and services translates into increased recognition and the reverse is true for decreases in programs and services.

REDEVELOPMENT OF THE FOUNDATION OPERATING GRANT

The Government's May 2004 response to the Boughen Commission report committed to a three-phase initiative to renew K-12 education in Saskatchewan:

- Restructure school division boundaries to create fewer, larger divisions with the capacity to deliver high quality programs and services to all students;
- Develop a new system of school operating grants that is simpler, more equitable and more transparent; and,
- Commit to a long-term solution to lowering education property tax.

Restructuring provided the foundation for fundamental changes to the Foundation Operating Grant (FOG). The mechanism used to allocate provincial funding needed adjustment to reflect this very significant change in the K-12 system. The redeveloped funding system also needs to support the Department's emphasis on quality education for all students and a focus on student achievement outcomes, with strengthened accountability throughout the system.

Given the large number of factors in the FOG and the number of significant issues, the redevelopment of the grant needed to occur in multiple phases. The Department's intent is to renew and improve the funding methodology on an ongoing basis, consistent with our continuous improvement approach to PreK-12 renewal.

The following principles have been used to guide the redevelopment of the grant:

- Equity – working to common rates for all, while still recognizing justifiable, significant cost differences;
- Transparency – ensuring that funding policies are written down, understood and consistently applied;
- Simplicity - fewer categories and simpler formulas; and,
- Accountability – ensuring that funding is creating the right incentives, and supports the achievement of high educational outcomes for our students.

Phase I Changes

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See 2006-2007 Funding Policy Manual for details

Phase II Changes

Phase II has continued to focus on school division's recognized expenditures (the A side of the formula); the primary intent was to simplify and improve the transparency of the K-12 Operating Grant (fewer categories and less recognition of individual small dollar items), coupled with some targeted areas of assessments. A number of Phase II changes have been implemented for the 2007-2008 grant. See Section I, Appendix B for a complete listing of the 2007-2008 funding system changes.

Extensive consultations on Phase II changes were held:

- Four meetings were held with the External Reference Committee (June 20, 2006, September 27, 2006, November 21, 2006 and January 16, 2007)
- Directors of Education and Secretary-Treasurers had the opportunity to provide feedback on a number of discussion papers on proposed Phase II changes at the North/South meetings in late November and early December 2006
- A series of regional consultations were held in late October to early November 2006 with Directors of Education and Secretary-Treasurers on cost differences between urban and rural school divisions
- Directors of Education received an update on Phase II changes on September 28, 2006 and again on January 25, 2007 at the Deputy Minister/Directors' Council meetings

The following factors/areas are scheduled for review for the 2007-08 fiscal year:

- Northern
- Francophone Allowance
- Transportation (rural, urban and special education)
- Other recognized expenditures
- Home-based education
- Technology Supported Learning
- Funding for alternative schools
- Additional work on the revenue-side of the equation