PROVINCIAL EDUCATION FUNDING MODEL

In 1998, the Province of Ontario introduced per pupil based education funding grant formulas. The Grants for Student Needs, as they are known, provide funding in the areas of:

1. *Pupil Foundation Grants* for in classroom costs related to teachers, teaching assistants, teaching specialists and classroom consultants, library and guidance services, textbooks, classroom supplies, etc.
2. *School Foundation Grants* related to school administration and supplies.
3. *Special Purpose Grants* related to the primary class size initiative, special education, language needs, geographic circumstances, learning opportunities, continuing education, teacher qualifications and experience, student transportation, declining enrolment, school board administration and governance.
4. *Pupil Accommodation Grants* related to school operations and facility renewal, the construction or leasing of new pupil places due to enrolment growth or the primary class size initiative, outstanding capital commitments and debt charges.

The enclosed report deals with recommendations related to TCDSB’s capital expenditure needs over the next decade, and the *pupil accommodation grant* and other capital revenue sources that would potentially be available to fund the anticipated capital expenditure needs.

Therefore this section of the report will deal only with *pupil accommodation grants* portion of the Grants for Student Needs and the potential capital funding sources that might be available to the Board over the 2007/08 to 2016/17 timeframe.

PROVINCIAL CAPITAL FUNDING MODEL

The *Pupil Accommodation Grant* has six components:

1. *New Pupil Places* funds for the construction or leasing of additional classroom spaces required due to enrolment growth, and where board-wide enrolment exceeds the number of permanent classroom spaces on either the elementary or secondary panel, in any given year.
2. **Primary Class Size Reduction** allocations to fund the cost of adding additional classroom spaces required as a result of the class size cap in the primary grades (i.e. JK-3)

3. **Growth Schools** to fund the cost of constructing or leasing additional classroom spaces, where a board does not qualify for **New Pupil Places** grants, but is experiencing pockets of growth within its jurisdiction (Note: specific criteria must also be met)

4. **School Operations** funding to heat, light and clean schools

5. **School Renewal** funding to repair and renew an aging facility infrastructure

6. **Prior Capital Commitments** where the Province has agreed to fund the cost of prior capital debt incurred by school boards

In addition, boards are entitled to dispose of capital assets that are no longer required by the board (i.e. land and/or buildings), and use the proceeds of property disposition to fund capital expenditure needs.

The following outlines the eligibility parameters of each capital funding component, along with commentary re future revenue expectations under each category, for the Toronto Catholic DSB.

1. **New Pupil Places**

Within this funding category, there are three revenue components that are applicable to the TCDSB.

a. The first is new pupil place grants based on average daily enrolment (ADE) in excess of permanent capacity (**Enrolment in Excess of Capacity**). Eligibility is determined on a jurisdiction-wide basis and is based on per pupil area and construction cost benchmarks. Eligibility must be demonstrated annually in order to retain this funding stream. Applicable grants are paid to a qualifying board over a twenty-five year amortization period. Capital expenditure decisions need to be based on the lowest projected grant entitlement over the forecast period, in order to ensure full repayment of capital debt.
Grants for New Pupil Places where enrolment exceeds capacity and applicable to the TCDSB are as follows:

<table>
<thead>
<tr>
<th>Funding Year</th>
<th>Total 25 Year Elementary Panel Grant Entitlement (Cumulative Basis)</th>
<th>Total 25 Year Secondary Panel Grant Entitlement (Cumulative Basis)</th>
<th>Total 25 Year Grant Entitlement (Cumulative Basis)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998/99</td>
<td>$0</td>
<td>$87,531,107</td>
<td>$87,531,107</td>
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<tr>
<td>1999/00</td>
<td>$0</td>
<td>$164,994,102</td>
<td>$164,994,102</td>
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<tr>
<td>2000/01</td>
<td>$0</td>
<td>$177,516,433</td>
<td>$177,516,433</td>
</tr>
<tr>
<td>2001/02</td>
<td>$0</td>
<td>$182,366,442</td>
<td>$182,366,442</td>
</tr>
<tr>
<td>2002/03</td>
<td>$28,227,977</td>
<td>$198,933,693</td>
<td>$227,161,670</td>
</tr>
<tr>
<td>2003/04</td>
<td>$7,257,436</td>
<td>$165,023,890</td>
<td>$172,281,326</td>
</tr>
<tr>
<td>2004/05</td>
<td>$0</td>
<td>$226,438,552</td>
<td>$226,438,552</td>
</tr>
<tr>
<td>2005/06</td>
<td>$0</td>
<td>$232,783,934</td>
<td>$232,783,934</td>
</tr>
<tr>
<td>2006/07</td>
<td>$0</td>
<td>$238,791,161</td>
<td>$238,791,161</td>
</tr>
<tr>
<td>Revised Estimates</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

To date, the TCDSB has only qualified for elementary grants for new pupil places based on enrolment in excess of capacity in 2002/03 and 2003/04. This was due to the decision by the Board to consolidate surplus elementary spaces.

Secondary grants under this funding regime have generally increased from a level of $87.5 million in 1998/99 to a level of $238.8 million in the 2006/07 funding year, based on enrolment in excess of capacity at a level of 5,348 secondary spaces in 1998/99 versus 11,174.5 pupil places in 2006/07. However, this secondary grant entitlement is expected to decrease by more than 32% between 2009/10 and 2017/18 as secondary enrolments decline consistent with the trends in school age population.

Finally, it is anticipated that the Board’s future grant entitlement, based on projected average daily enrolment and existing permanent capacity of 60,917.6 elementary and 17,550.0 secondary spaces, will approximate the numbers shown in the following table.
TCDSB must pay for elementary and secondary school leases from the above NPP grant which has used ($30.9Million) as of 2005/06. (projected to 2032/2033 the amount lease cost balloon to ($108M).

TCDSB committed all the above NPP funding to capital projects in 2001 ($378M in Debenture payments to 2032/33). Many of these projects have been completed as of 2006/07.

b. The second revenue component under Grants for New Pupil Places is Enrolment Pressures funding, which was introduced for the 2001/02 fiscal year. This grant entitlement is designed to fund a shortfall in permanent classroom spaces, where there are no spaces available to accommodate the shortfall within a reasonable distance from an eligible school property. A Board may qualify for enrolment pressures funding for either the elementary or secondary, but only if it doesn’t already qualify for enrolment in excess of capacity for the same panel. For example, the TCDSB doesn’t qualify for enrolment in excess of capacity on the elementary panel, but it does qualify for enrolment pressures funding in respect of this panel. The reverse is true in respect of the secondary panel.
A reduction in the number of pupil spaces, through consolidation, has the potential to increase this grant entitlement over time, subject to the distance criteria set out in the policy.

c. The third component is grants for *New Pupil Places* in respect of *Prohibitive to Repair*. The Province allocates capital funds equivalent to the benchmark cost to replace a school facility that has been deemed ‘prohibitive to repair’. In other words, the ongoing cost to repair and renew the facility approaches, or exceeds the cost to replace the facility.

During the 2003/04 fiscal year, the Board received a commitment to funds equal to the cost of replacing 575.5 elementary pupil spaces, or $6.73 million over 25 years.

Funds allocated under this grant structure are specific to particular schools, however the monies may be spent on other school facilities, if it makes sense to consolidate the eligible spaces and rebuild the spaces elsewhere.

Recently, the Ministry has invited school boards to submit ‘business cases’ where it can be demonstrated that a school facility is approaching prohibitive to repair status and that there is an associated consolidate/relocate strategy that would serve to substantively improve the learning environment of the Board’s students. Approximately $700.0 million has been set aside for this initiative, Province-wide. TCDSB has submitted a preliminary list of schools to the Ministry of Education and is presently preparing the necessary documentation.

<table>
<thead>
<tr>
<th>Funding Year</th>
<th>Elementary Panel Enrolment Pressures 25 Year Cumulative Entitlement</th>
<th>Secondary Panel Enrolment Pressures 25 Year Cumulative Entitlement</th>
<th>Total 25 Year Grant Entitlement (Cumulative Basis) Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001/02</td>
<td>$14,473,936</td>
<td>$0</td>
<td>$14,473,936</td>
</tr>
<tr>
<td>2002/03</td>
<td>$14,473,936</td>
<td>$0</td>
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<tr>
<td>2003/04</td>
<td>$14,473,936</td>
<td>$0</td>
<td>$14,473,936</td>
</tr>
<tr>
<td>2004/05</td>
<td>$18,230,589</td>
<td>$0</td>
<td>$18,230,589</td>
</tr>
<tr>
<td>2005/06</td>
<td>$18,230,589</td>
<td>$0</td>
<td>$18,230,589</td>
</tr>
<tr>
<td>2006/07</td>
<td>$18,396,383</td>
<td>$0</td>
<td>$18,396,383</td>
</tr>
</tbody>
</table>
2. **Primary Class Size Reduction**

For the 2006/07 year, the Province announced primary class size capital funding to construct or acquire new classrooms to address additional space required to fully implement this initiative, which establishes a cap of no more than 20 pupils per classroom for grades JK to 3.

It is anticipated that the TCDSB will receive capital funds equivalent to 2,254 elementary spaces, (annual entitlement of $2.640M) or total grant funding in the order of $66 million over 25 years.

It is important to note that the permanent capacity of elementary schools has been adjusted to reflect the lower classroom loading. While this change in capacity supports the increase in funding for the primary class size initiative, it decreases the top-up funding associated with school operations and renewal.

3. **Growth Schools Capital**

In 2006/07, the Province will provide $137.0 million in new funding to construct new schools attributed to enrolment growth generated by new residential development. An eligible board must:

- have an EDC by-law in place;
- demonstrate that enrolment in the area of the proposed school will be sustainable over a 10 year period;
- demonstrate that all schools in the planning area are at 80% utilization or better
- demonstrate that Grants for New Pupil Places are insufficient to support this new need

A board’s existing capital reserve funds must be applied to fully support, or partially support the cost of the new school.
It is noted that boards must ensure that the cost to construct the growth schools project is within the Provincial funding benchmarks.

Facilities staff is currently working on business cases for the following:
   a) Morningside Heights
   b) Port Union
   c) Botham Road
   d) Yvonne
   e) Father Serra
   f) St .Kevin
   g) Father John Redmond

4. School Operations

The cost to heat, light and clean schools is funded from Grants for School Operations. For 2006/07 this funding source is expected to translate into $63.76 million in regular school operations grants. In addition, the Board is expected to receive in the order of $5.16 million in top-up allocations for elementary and secondary school operations in 2006/07. Top-up funding is available for schools that are offering a regular day school program (exclusive of adult day school) and are operating at less than full capacity.

Therefore, in 2006/07 total School Operations Grant revenue is expected to be in the order of $69,050 million, or $64.8 per sq metre of permanent space. In 2005/06 the Board expended $76.53 per square metre of permanent space, or 18.1% over the Provincial benchmark.

Finally, the Board will receive $826,645 during 2006/07 in respect of the community use of schools compensation funding. The latter funding source is designed to make schools more accessible for community use. As was noted earlier, the top-up allocation is expected to decrease, given the primary class size reduction initiative.

5. School Renewal

All boards receive the School Renewal Allocation in respect of addressing the costs to repair and renovate schools. The grant allocation is calculated separately for elementary, secondary and adult education spaces. In addition, boards may receive school renewal top-up funding for underutilized schools. The Board’s top-up allocation for 2006/07 is expected to be $809,616.
However, annual grant entitlements for top-up school renewal will decrease under the Province’s primary class size reduction initiative.

Boards may be entitled to receive a School Renewal Enhancement Allocation which is designed to address a portion of a board’s deferred maintenance needs. For example, the TCDSB is expected to receive an allocation of $3.5 million under this funding initiative in 2006/07.

School Renewal and Good Places to Learn

In February, 2005 the Province announced Good Places to Learn (GPL) funding in support of $4.0 billion in renewal needs for Ontario schools. Priority funding is based on a facility condition assessment undertaken for each board in the Province. The first allocation, GPL Stage 1 supported the first $1.0 billion in facility renewal needs. A further $0.5 billion was allocated under GPL Stage II in 2006/07 to address high and urgent facility renewal needs. In addition, the Ministry established a long term financing vehicle for Stage I and Stage II projects in the 2006/07 school year. The Toronto Catholic DSB received $341,455 in annual grant funding for the 2005/06 school year, and is expected to receive $1,302,149 in the 2006/07 school year, under this financing commitment. These funds can only be spent on schools that are expected to remain open and operating for at least 10 years.

6. Prior Debt Capital Commitments

In February 2005, the Ministry introduced a change in the capital funding model as part of the Good Places to Learn initiative. Boards were no longer able to increase their eligibility for Grants for New Pupil Places by removing the permanent capacity of surplus classroom spaces that were offered at no cost through the disposition process. This decision has impacted a limited number of boards’ ability to continue to finance existing capital commitments.

Recently, the Ministry indicated that it will review circumstances and consider funding recognition for boards impacted by this decision, if the board meets certain criteria and where the board’s annual Grants for New Pupil Place entitlement exceeds its annual capital debt commitments. The Board’s annual long term and not permanently financed debt services cost is approx. $16.5 million for capital projects undertaken between August 31, 1998 and September 1, 2005.
In order to fund the outstanding capital debt commitments for eligible boards, the Ministry requires that 50% of the net revenue from any proceeds of disposition by applied to reduce the capital debt. In addition, any available funds in the Board’s Pupil Accommodation Allocation may be used to offset the outstanding capital debt. This does not include any reserves for such capital programs as Enrolment Pressure and Prohibitive to Repair, or School Renewal. As of March 19, 2007, the Ministry will recommend that, where a board indicates its intent to acquire a school that it is currently leasing or to acquire alternate accommodations to a leased property, the board may apply 100% of the proceeds from the sale of surplus schools to the acquisition of the leased school or alternative.

**OTHER CAPITAL FUNDING SOURCES**

7. *Education Development Charges*

The Toronto Catholic District School Board adopted an education development charges by-law in August, 2003. Education development charges are levied against residential and non-residential development in the City of Toronto and are used to fund growth-related school site purchases. The construction to construct new schools required as a result of enrolment growth must be funded from Grants for New Pupil Places or Growth Schools Capital (subject to meeting eligibility criteria). The Board’s 2006 Consolidated Financial Statements indicate that the Board had $8.796 million in the education development charges reserve fund at that time.

Having an EDC by-law in place is one of the considerations in order to qualify for *Growth Schools Capital* funding.

8. *Financial Contribution Agreement*

Financial contribution agreements refer to one-time financial contributions made by developers for residential development occurring in and adjacent to the Railway lands, and several other development projects across the City. The financial contribution stands at about $28.9 million (subject to limitations specified in the agreement) to date, and is to be used for capital improvements required as a result of new housing development. Of this amount, approximately $26.8M was collected as a joint TCDSB/TDSB levy, and is subject to apportionment between
both boards. The funding may be used for capital needs in the area that generated the contribution.

9. *Proceeds of Disposition*

Boards are entitled to sell surplus land and buildings at fair market value and use these proceeds to fund capital expenditures needs within their jurisdiction (subject to the need to offset outstanding capital debt commitments as noted above). Moreover, boards may close and consolidate surplus classroom spaces, provided that they have a *Pupil Accommodation Review Policy* in place and they follow the process and timeline outlined in the October 31, 2006 Guidelines prepared by the Ministry.

**MINISTRY OF EDUCATION APPROVAL REQUIRED FOR NEW CAPITAL PROJECTS**

As of June 12, 2006, the Ministry of Education requires that all boards seek prior approval before commencing any capital project. This change is being implemented as an accountability measure to ensure that the board has the financial resources to carry capital projects to completion.