

## Time for a Reality Check

by Ruth Ann Furgala

In December, Neil Brooks, a professor at Osgoode Hall Law School and Research Associate with the Canadian Centre for Policy Alternatives, shared his thoughts about taxation with the readers of the *Winnipeg Free Press*. In the opening sentence of “Taxes are the basis of civilization,” Mr. Brooks asserted that he likes paying taxes. While I may not pay my own taxes quite as enthusiastically as Mr. Brooks apparently does, I do admire his social conscience. I also share his belief that “taxes allow us to pursue our aspirations collectively and thus they greatly enrich the quality of life for the average Canadian family.”

Of course, my own acceptance—and I dare say even Mr. Brooks’ enjoyment—of paying taxes would be tempered considerably if I didn’t feel that the dollars I was contributing were being collected fairly, or spent wisely. Unfortunately, too many Manitobans are being made to feel that way about the taxes they pay in support of education. They have been told loudly and often that they are paying too much, and in the wrong way, for a service from which many of them derive no benefit. However, saying something loudly and often doesn’t necessarily make it true.

Let’s look more closely at a few of the myths that are frequently offered and accepted as fact about education funding and property taxation in Manitoba.

**Myth #1:** *Education has no relationship with property ownership, and should not be supported by property taxation.*

**Reality Check:** Historically, public education in both Canada and the United States has been governed and financed by local property owners. This model allows for greater community voice and control in public education matters. Moreover, strong schools add real value to a community and to the quality of life for its residents, a fact that is well known by real estate agents who are quick to tell prospective homebuyers that empty fields will soon hold brand new, state-of-the-art schools!

Some have argued that education property taxation is a disincentive to home ownership. In Manitoba, evidence seems to suggest otherwise. One would be hard pressed to find a recent issue of the *Winnipeg Real Estate News* that does not mention the setting of some new real estate sales record—average house price, time on market, dollar volume of sales, etc. Of more apparent merit is the argument that rising property taxes make it difficult for some of our senior citizens to stay in their homes. This is a situation that the provincial government has sought to alleviate through substantial tax credits aimed at assisting this group.

Most Canadian provinces use property tax revenues to support public education. Seven provinces have property taxes that are designated as sources of education funding. In the three remaining provinces, public education is funded from general revenues, but those general revenues usually include a provincial property tax stream. Manitoba is certainly not alone in its approach to funding public education.

**Myth #2:** *Higher property taxes are a result of school boards’ unwillingness to control costs.*

**Reality Check:** School boards are frequently accused of financial mismanagement. Some would have Manitobans believe that year over year increases in public education expenditures are significantly greater than are those in other jurisdictions or sectors. However, Statistics Canada’s Education Price

Index (EPI) shows Manitoba's EPI in the mid-range among Canadian provinces for the period 1999 to 2003, with increases comparable to increases in the Consumer Price Index for that same period.

School division administration costs are often identified as an example of school boards' spendthrift ways. However, by law, administration costs in Manitoba's 37 school divisions are restricted to between 4% and 5% of total operating expenditures. By contrast, the administration costs of the province's 199 municipal governments range from 8% to 25%. School division administration costs also compare favourably to the administration costs of many businesses, and we need to remember that running our public schools is a business as well as a social contract, and that running a business does cost money.

Many of the cost-drivers in education are beyond the control of school boards. Salaries account for some 80% of school division budgets. Arbitrators can make decisions about teacher salaries, benefits and working condition that increase annual operating costs significantly, and the public has little tolerance for strikes when school divisions are challenged to meet the financial implications of union proposals at the bargaining table. Provincial policy directions and new legislation can introduce new and unfunded costs for school boards, costs they are obligated legally to absorb. Both school board and personal budgets are impacted by rising fuel and utility costs. Annually, school boards are faced with a dilemma: increase revenues, or reduce programming.

School trustees frequently hear that provincial funding increases for public education should make property tax increases unnecessary. The current provincial government has lived up to its commitment to increase funding to schools annually at the rate of economic growth (2% to 3%), a commitment which has brought some much-appreciated stability to education funding. However, given that the provincial government currently funds approximately 62% of annual operating costs, this translates to a revenue increase of less than 2%, an amount that is not sufficient to offset increased costs.

***Myth #3: Manitobans would be better served by full provincial funding for education.***

***Reality Check:*** In only two Canadian provinces—Manitoba and Saskatchewan—do school boards have the ability to collect taxes locally. In every other jurisdiction, public education is funded solely by the provincial government. Different groups have held up this model as an ideal, for very different reasons.

The Manitoba Teachers' Society argues that full provincial funding for education will ensure quality and equity for all students in Manitoba's public schools. However, one does not necessarily follow upon the other. Independent studies in three provinces with full provincial funding have revealed significant and chronic under-funding of public education. At the same time, there has been a concurrent loss of programming and service options for students in those provinces as school boards struggle to stretch the dollars they receive.

Manitoba's Education Finance Coalition—a loosely organized collection of business, agricultural, real estate, and other groups—comes at the issue of provincial funding from a different angle. This coalition has stated that it wants to maintain a high quality public education system for Manitoba students but backs away from defining just what quality means—they want to leave that discussion to “the experts.” What they want to discuss is the elimination of property taxes in support of education as an economic measure aimed at improving the position of their members. However, the bottom line is that there is only one taxpayer. Revenues lost through the elimination of property taxes will have to be raised elsewhere, whether through income or sales tax increases, or some other mechanism. To suggest otherwise is disingenuous and irresponsible.

Neil Brooks described Canada's public schools as "our democratic treasure." I happen to agree. Students are emerging from our public schools with the strength of character, social conscience, and intellectual skills that they need to take their place as global citizens and Canada's future leaders. I see value in the dollars we spend to support our education system, and I want others to see that value as well. If Manitobans have questions about their education system in general, or about how the tax dollars they pay in its support are spent, I would urge them to ask questions. Talk to your school board members, talk to teachers and other staff, to students, parents and administrators. Decide for yourself what is myth, and what is reality.

*Ruth Ann Furgala is President of the Manitoba Association of School Trustees.*