

Why and Why Now

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On March 9, I was part of a group of school trustees and superintendents who were told that the Minister of Education, Citizenship and Youth was requiring school boards to revisit their budgets for the upcoming year, and reduce either their accumulated operating surplus or their anticipated education property tax levy for 2007.

Upon hearing this, two questions immediately came to my mind: why, and why now?

That school divisions have accumulated surpluses (or reserves) in the first place is a fundamental aspect of sound fiscal management. Just as financial planners urge families to maintain emergency funds, school boards know that unanticipated expenses, such as increases in fuel and utility costs, do arise. As well, both families and school boards will often save for a future, planned expense. For a family, that may be something as exciting as a vacation to Disneyland, or as mundane as replacing an aging roof. For a school board, those expenses can include retroactive salary settlements for teachers and support staff, division-wide upgrades to computer technology, or planned new curricular initiatives.

Not all expenditures are appropriately drawn from financial reserves, whether a family's or a school division's. If a family is regularly dipping into its emergency fund to buy its weekly groceries, it will run into difficulties when that fund is depleted. Likewise, a school board that funds routine operating costs out of its reserve fund may be doing so at the expense of longer term fiscal stability. Take, for example, a school board that requires a 5% increase in its special levy to balance its budget. In any given year, it may decide to forgo that increase, and instead draw the needed dollars from its reserve funds. The next year, that school board will be faced with the choice of either drawing on the reserve fund again (assuming it still holds adequate dollars), or increasing the special levy by the original 5%, plus any amount needed to cover current-year budgeted increases.

Given the uses for which school division reserves are maintained, it is not surprising that they fluctuate significantly. For example, as of June 30, 2003, two Manitoba school divisions had respective accumulated operating surpluses of 8.3% and 2.2%. By June 30, 2006, the operating surpluses of those same two school divisions were 2.8% and 5.2%. The first division had expended a significant portion of its reserve over a three year period, while the second was rebuilding from what most financial experts would view as an unhealthily low level.

While the reserves of individual school boards can fluctuate on an annual basis, their aggregate reserves have held relatively stable in recent years. In targeting school board reserves, the government has stated that those reserves have been growing at an unacceptable rate. It backs up this claim by showing a 62% increase in reserve levels since the 1990s. However, it is worth noting that the government's reference point comes at the end of the previous provincial administration's mandate, a period in which the current government acknowledges public schools were severely under funded. That being the case, it should not be surprising if boards had been forced to decimate their reserve funds simply to provide basic educational services.

A look at the history of school division surpluses since amalgamation reveals a different picture. Nineteen school divisions had lower operating surpluses as of June 30 2006 than they had on June 30, 2003. Seventeen divisions had higher operating surpluses at the later date, and one had seen no change. By the end of the 2005-2006 school year, cumulative reserves for all public school divisions were 5.6% of total operating expenditures, as opposed to 5.1% on June 30, 2003.

The recent trend in school division reserves brings me to my second question: why has the government chosen to act now? The government's own financial reports show relative stability in operating surpluses in recent years. There is nothing there to indicate a recent or emerging crisis. To be sure, the Minister previously voiced some concerns about reserve levels, and school boards have responded to those concerns. A significant number have acted to lower the levels they hold, and through MAST, they have identified their own concerns and suggested solutions that would speak to both. Only a year ago, MAST once again raised the topic of reserve levels with the Minister, and indicated school boards' willingness to work together. At that time, we were told that the issue was being considered in light of new financial reporting requirements for school boards. No specific direction was given—until last Friday.

When the announcement was made on March 9, fully one third of Manitoba's school boards had already set their special levy rates for the upcoming year. The remaining boards were preparing to do so at the beginning of this week, in order to meet the statutory March 15 deadline. In getting to this point, all boards had conducted public budget consultations through which they solicited and received input from their communities about what they wanted in their public schools. By forcing school boards to make changes at this late date, the government has rendered those consultations all but meaningless. It has lessened community voice by imposing an arbitrary standard without discussion or appropriate notice. But perhaps most importantly, it has opened the door to a changed system of education governance in Manitoba, in which centralized control takes precedence over decision-making by the elected community representatives that comprise local school boards.