

Chapter 1

Ministry of Education

Section 1.08

Ministry Funding and Oversight of School Boards

Follow-Up on VFM Section 3.08, 2017 Annual Report

RECOMMENDATION STATUS OVERVIEW						
	# of Actions Recommended	Status of Actions Recommended				
		Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	3	1	1	1		
Recommendation 2	1			1		
Recommendation 3	2			2		
Recommendation 4	2		2			
Recommendation 5	2		2			
Recommendation 6	1			1		
Recommendation 7	1		1			
Recommendation 8	1			1		
Recommendation 9	2			2		
Recommendation 10	1	1				
Recommendation 11	1			1		
Recommendation 12	1		1			
Recommendation 13	2	1			1	
Recommendation 14	1			1		
Recommendation 15	2		2			
Total	23	3	9	10	1	0
%	100	13	39	44	4	0

Overall Conclusion

As of October 2019, 13% of the actions recommended in our *2017 Annual Report* had been fully implemented, and an additional 39% of recommended actions were in the process of being implemented. Little progress had been made in implementing 44% of recommended actions, and 4% will not be implemented.

The Ministry of Education (Ministry) had fully implemented recommendations such as updating the benchmarks it uses in its funding formula for school boards, and reminding school boards of its expectation that they make best efforts to maintain class size limits throughout the school year. In addition, the Ministry instituted a new regulation requiring teachers to pass a mathematics proficiency test as a requirement for registration with the Ontario College of Teachers, on or after March 31, 2020.

The Ministry was also in the process of implementing recommendations to use more current census data to determine allocations for grants.

However, the Ministry had made little progress on regularly analyzing spending by individual boards with similar characteristics to identify areas where fiscal restraint or a review of expenditures is needed. It had also done little to implement a recommended action to design and conduct validation procedures to verify the use of restricted funds, and to audit enrolment numbers of specific groups of students.

The Ministry also indicated that it would not be implementing our recommendation to verify class sizes at select schools periodically during the year to ensure adherence to class-size restrictions.

The Ministry of Finance was developing oversight measures to verify the accuracy and completeness of Education Property Taxes received by school boards; the overall plan was approved in June 2019.

The status of actions taken on each of our recommendations is described in this report.

Background

The Ministry of Education funds 72 district school boards to provide elementary and secondary education to about 2 million students (as of the 2018/19 school year). Of the 72 school boards, 31 are English public, 29 are English Catholic, four are French public and eight are French Catholic. Collectively in the system, there are approximately 4,000 schools (4,590 in 2016/17), about 117,000 teachers, excluding long-term occasional teachers (113,600 in 2016/17), and about 7,400 administrators (7,300 in 2016/17).

The province shares responsibility with municipalities for funding school boards. In the 2018/19 school year, the Ministry and municipalities provided the boards with a combined total of \$25 billion (\$23 billion in 2016/17) in operating funding.

With respect to oversight of school boards' use of operating funds, the Ministry is responsible for the development and implementation of policy for funding the boards.

In our 2017 audit, we noted that the Ministry received considerable information from school boards to monitor student performance and the boards' financial situation. In addition, we found that the Ministry had processes to check financial data submitted to it electronically.

However, we found the Ministry needed to improve its oversight of boards in certain areas. Most significantly, we found that the Ministry did not ensure that students with similar needs received the same level of support no matter where in the province they lived. We also noted that the Ministry gave boards considerable discretion in spending funds provided for specific education priorities.

Our more significant audit findings were as follows:

- In 2002, an independent task force reviewed the Ministry's complex formula for determining school-board funding. The

task force recommended that the Ministry annually review and update the benchmarks used in the formula and conduct a more comprehensive overall review every five years. Fifteen years later, the Ministry had not commissioned another independent review of the funding formula.

- Grants for specific education priorities were not always allocated to school boards according to actual student needs. For example, half of the special-education funding was allocated based on a board's average daily enrolment of all its students, instead of the number of students actually receiving special-education programs and services. We found that if the Ministry had allocated this half of the special-education funding based on the actual number of students receiving special-education programs and services, \$111 million would have been allocated differently across the boards.
- The Ministry was not ensuring that funding to school boards for specific education priorities was being spent as intended. In 2016/17, only 35% of \$10.9 billion in special-purpose funding was restricted in use. Except for restricted funding, the Ministry did not require boards to report how the individual grants that comprise the overall Grants for Student Needs were spent, even if those grants were provided for specific purposes.
- The Ministry did not compare and analyze actual expenses of school boards on a per-student or per-school basis. Our analysis showed significant differences in expenses per student by region, but also between boards in the same region. Such analysis could have helped the Ministry identify boards that were not operating efficiently or highlight where further review was necessary.
- Students had been performing below the provincial standard in Grades 3 and 6 mathematics, and Grade 9 applied math, since at least the 2008/09 school year. Root causes

identified through Ministry consultation included the need to increase educators' knowledge of the math curriculum, effective teaching strategies, and effective assessment and evaluation practices.

- Although the amount of funding allocated to each school board was based to a large extent on overall student enrolment, enrolment was audited at only 6% of schools—3% of all elementary schools and 18% of all secondary schools—over the six-year period from 2011 to 2016.

We made 15 recommendations, consisting of 23 action items, to address our audit findings.

We received commitment from the Ministry that it would take action to address our recommendations.

Status of Actions Taken on Recommendations

We conducted assurance work between May 2019 and June 2019. We obtained written representation from the ministries of Education and Finance that effective November 8, 2019, they had provided us with a complete update of the status of the recommendations we made in the original audit two years ago. The status of each of our recommendations is as follows.

Funding Formula May Not Be Meeting the Needs of Students

Recommendation 1

To ensure that funds are allocated in a manner that supports school boards in providing a high standard of education to all students, we recommend the Ministry of Education:

- *conduct a comprehensive external review of the funding formula, including all grant components and benchmarks, as recommended*

by the Education Equity Funding Task Force in 2002;

Status: Little or no progress.

Details

Our 2017 audit found that the funding formula for the Grants for Student Needs (GSN) last underwent a comprehensive external review in 2002. Since 2013, the Ministry had undertaken an annual consultation process with stakeholders to update the funding formula for the GSN, but these consultations did not take the place of a full comprehensive review.

In our follow-up, we found that, while the Ministry continued its annual consultation process with stakeholders, it had not undertaken a comprehensive external review as recommended.

- *regularly review the formula and update all benchmarks to reflect the province's changing demographics and socio-economic conditions;*

Status: Fully implemented.

Details

Our 2017 audit found that benchmarks used in the funding formula for the various grants comprising the GSN were often out of date.

At the time of our follow-up, we noted that the Ministry had made changes to many of the benchmarks for the 2018/19 school year.

- *use the more current census data available when determining allocations for grants.*

Status: In the process of being implemented by spring 2020.

Details

Our 2017 audit found that the census data used by the Ministry to determine the allocation of various grants was more than 10 years old, even though more current census data was available. To the extent that Ontario's demographics have changed from when that old data was collected, there is a risk that grants will not be distributed fairly and equitably to the students who most need

them. The Ministry's 2016/17 Technical Paper, which describes how components of GSN funding are determined for individual school boards, announced the start of a three-year phase-in of updates using more current census data.

At the time of our follow-up, we reviewed the 2019/20 Technical Paper and noted that some grants or components of grants had been updated with either 2016 or 2011 census data. However, we also noted two grants, the Demographic Allocation of the Learning Opportunity Grant and the Safe and Accepting School Allocation, used 2006 census data. The Ministry told us that the more current census data was not used because it would create significant fluctuations in school-board funding, and further analysis of the impacts and planning was needed. The Ministry said it would consider census updates as part of the planning process for the 2020/21 school year.

Recommendation 2

In order to provide funding in a more equitable manner and ensure the funding meets the actual needs it is intended to address, we recommend the Ministry of Education assess whether the funding of grants intended to serve the needs of a specific group of students or for a specific purpose is achieving that purpose.

Status: Little or no progress.

Details

In our 2017 audit, we found that some grants were allocated in ways that did not reflect the number of students per school board that had the particular need the grant was intended to address. Specifically, half of special-education funding was allocated based on a board's average daily enrolment of all students, as opposed to only the number receiving special-education programs and services. Similarly, the majority of funding under the Learning Opportunity Grant for at-risk students was based primarily on 2006 socio-economic census data identifying numbers of students from low-income households, those who had recently immigrated

to Canada, those being raised by a single parent, or those whose parents had less than a high school diploma. In addition, not all students so identified in the 2006 census data would necessarily require the additional supports and resources provided by this grant.

In our follow-up this year, we found that the Ministry had still not changed the basis for allocating special-education funding and the Learning Opportunity Grant across school boards.

Ministry Does Not Ensure Funding for Specific Education Priorities Is Spent as Intended

Recommendation 3

In order for the Ministry of Education to provide funding in proportion to a school board's need, we recommend it:

- *determine to what extent school boards are spending funds for specific education priorities (such as supports for ESL students and Indigenous students) on those specific purposes, and where it finds significant discrepancies, follow up with school boards to understand the reason for the discrepancies and better align funding with actual needs;*

Status: Little or no progress.

Details

In our 2017 audit, we reported that half of the GSN funding to school boards was identified as Special Purpose Grants (\$10.9 billion in 2016/17), but only 35% of it was restricted for use on specified purposes or specific groups of students. Furthermore, we found that the Ministry could not track whether boards spent unrestricted special-purpose funding for the purposes intended because the boards reported their expenditures by type of expense (e.g., instruction, administration and accommodation) rather than by the source of funding noted in the allocation (e.g., Language Grant for English as a Second Language [ESL] students).

At the time of our follow-up, the Ministry stated that school boards are responsible for determining the level of support that students require based on their needs, including ESL and Indigenous students. However, the Ministry stated that it was considering whether further analysis was required to evaluate the extent to which boards were actually spending funds earmarked for specific education priorities on those specific priorities.

- *design and conduct validation procedures to verify the use of restricted funds.*

Status: Little or no progress.

Details

Our 2017 audit reported that for some restricted grants, the Ministry required school boards to report considerable detailed financial information. However, the Ministry did not validate or audit these expenses to verify that they were used for the restricted purpose for which they were intended. Further, although boards submitted audited financial statements, the Ministry could not obtain assurance on the use of restricted funds because the financial statements were not prepared using fund accounting (that is, grouping expenses by distinct funding or purpose).

In our follow-up, we found that the Ministry had not taken action to address this recommendation. The Ministry's analysis was limited to a comparison of the amount allocated to a school board and the amount the board reported as spent. The Ministry informed us that it considers a new review process to be unnecessary since, on an individual basis, funding provided under each restrictive grant represents a small percentage of total GSN funding. We continue to believe that this recommendation should be implemented as the amount of restricted funding is still substantial in nature (\$3.8 billion in 2016/17).

Recommendation 4

To reduce the overall administrative burden on both the Ministry of Education (Ministry) and school boards, we recommend that the Ministry:

- regularly review grant programs funded under Education Program—Other (EPO), and where program funding is expected to continue beyond the short term, incorporate the funding into the Grants for Student Needs;

Status: In the process of being implemented by the end of the 2019/20 school year.

Details

In our 2017 audit, we found that funding to school boards through transfer-payment agreements, which were intended to be temporary, were often used over the long term rather than being incorporated into the GSN. For example, we identified 18 Education Programs—Other (EPO) grant programs that had been funded through transfer payments for at least seven years.

At the time of our follow-up, we noted that 13 of the 18 were still being funded through transfer-payment agreements in 2018/19.

The Ministry informed us that, starting in the 2019/20 school year, it was launching a new fund, called the Priorities and Partnerships Fund, to replace the EPO funding. The Ministry stated that programs or initiatives to be funded were expected to be evidence-based and outcome-focused. Further, funding would be provided in a streamlined, accountable, and time-limited way, and would be reviewed and assessed by the Ministry each year.

- complete the project to transform the financial administration, contract management, and reporting process for funding considered necessary by way of transfer payments through EPO grants.

Status: In the process of being implemented by the end of the 2019/20 school year.

Details

Our 2017 audit found that the Ministry used twice as many resources to administer EPO transfer payments as it did for GSN funding, even though EPO grants accounted for less than 1% of total Ministry funding to school boards. At the time of our audit, 14 branches were involved in administering EPO funding and the Ministry was working on establishing a single administrative process for these grants by 2019.

As noted above, starting in the 2019/20 school year, the Ministry was launching the Priorities and Partnerships Fund. Funding would be provided in a streamlined, accountable, time-limited way that would be reviewed and assessed by the Ministry each year.

Ministry Does Not Know Whether Additional Funding for Some Students Is Achieving Intended Results

Recommendation 5

In order to improve students' performance in mathematics, we recommend that the Ministry of Education:

- assess the effectiveness of its 2016 math strategy and take corrective action where little or no improvement is noted;

Status: In the process of being implemented by the end of the 2019/20 school year.

Details

In our 2017 audit, we reported that students had been performing below the standard in Grades 3 and 6 mathematics, and Grade 9 applied math, since at least 2008/09. In September 2016, the Ministry announced a three-year, \$60-million strategy to help students achieve better math results.

In our follow-up, we found that the Ministry had commissioned a study to evaluate the design, implementation, processes and preliminary outcomes of the three-year math strategy launched

in 2016. However, due to a change in government direction, the evaluation was not completed. An interim evaluation report was issued in January 2018, and the results of a literature review were issued in September 2017. The Ministry indicated that it would use the recommendations in the interim report and literature review to inform the development of a new four-year math strategy, which it expected to launch in the 2019/20 school year.

In March 2019, the Ministry released parts of a new four-year math strategy, but it had not released the complete strategy at the time of this follow-up.

- *assess the costs and educational benefits of having elementary school students taught mathematics by a teacher with math qualifications.*
Status: In the process of being implemented by spring 2020.

Details

During our 2017 audit, we noted that elementary schools have single-subject teachers for certain subjects, including French, physical education and music, but generally not for mathematics. There would be value in having teachers who specialized in mathematics insofar as they would have better knowledge of the mathematics curriculum and effective teaching strategies for mathematics.

At the time of our follow-up, the government had passed a bill requiring all teachers registering with the Ontario College of Teachers as of spring 2020 to pass a math-content knowledge test before beginning to teach. (The requirement exempts educators who were teaching before spring 2020.)

The Ministry had also previously provided subsidies totalling \$7.7 million for more than 15,000 teachers to obtain additional qualifications in mathematics between 2014 and 2018. Of those that obtained additional qualifications in mathematics in 2017/18, about 80% were primary-school teachers. The Ministry informed us that it expects to continue providing incentives for teachers in inter-

mediary grades to obtain additional qualifications in mathematics.

Recommendation 6

To further understand cost drivers, we recommend that the Ministry of Education regularly analyze costs being spent by individual school boards with similar characteristics to identify areas where fiscal restraint or a review of their expenditures is needed.

Status: Little or no progress.

Details

In our 2017 audit, we found that the Ministry did not compare and analyze expenditures of school boards on a per-unit basis (e.g., per student or per school), even when boards shared similar attributes, such as operating in the same geographic area (e.g., a public and a Catholic board serving the same district), or serving the same demographics (e.g., boards in primarily rural areas).

At the time of our follow-up, the Ministry informed us that, commencing in the 2018/19 fiscal year, its assessment of school boards' financial health included a review of cost per pupil for coterminous boards, comparison of their accumulated surplus/deficits, and EQAO results—but only in cases where the board is considered to be at medium or high risk of an accumulated deficit position. The Ministry confirmed that in 2018/19, cost comparisons of coterminous boards were conducted only for 13 boards. At the time of our follow-up, the Ministry had no plans to extend this type of review to all school boards. We continue to believe that the Ministry should regularly compare the costs of all boards with similar characteristics to identify expenditures that may warrant a more detailed review.

Sick Days for School Board Employees Up 29% over Last Five Years

Recommendation 7

To reduce the rise in the number of sick days by school board employees, we recommend that the Ministry of Education ensure that school boards develop and implement effective attendance support programs.

Status: In the process of being implemented by the end of the 2019/20 school year.

Details

In our 2017 audit, we reported that a study of 56 school boards showed the number of employee sick days increased 29% over five school years, from an average of nine days in 2011/12 to 11.6 days in 2015/16. The study noted that the average number of sick days had increased province-wide for every employee group, including teachers, custodians, educational assistants and early childhood educators.

In August 2017, Ministry staff attended the Council of Directors of Education session on employee absenteeism. During the session, participants assessed key drivers of, and mitigation strategies for, absenteeism in schools, and generated and prioritized actions to address the issue. Potential actions identified by participants included:

- creation of an Absenteeism Advisory Group to liaise and provide guidance to the Ministry;
- a “trust” building initiative looking to better drive communication and grow empathy between parents, teachers and principals; and
- a stakeholder analysis and research project to better understand the stakeholders and root causes and drivers of absenteeism.

At the time of our follow-up, the Ministry had not followed up with the Council to determine the status of or progress on key actions identified. However, the Ministry informed us that it had engaged a firm to collect, review and validate sick leave information from school boards to support talks in the current round of bargaining.

Ministry Places Moratorium on School Closures

Recommendation 8

To work toward achieving the appropriate level of physical infrastructure required to meet current and future needs, we recommend that the Ministry of Education complete its review of the process school boards use when considering school closures and work with school boards to address the issues uncovered in the review.

Status: Little or no progress.

Details

Our 2017 audit found that 13% of schools in Ontario were operating at less than 50% capacity. These underutilized schools existed in all regions, and at both the elementary and secondary levels. In addition, an assessment of the physical condition of schools in the province, conducted by the Ministry between 2011 and 2015, found that \$15.2 billion in repairs were needed by 2020. The Ministry also found that it would cost more to repair some school facilities than to replace them.

Under the School Consolidation Capital Program, funding was made available to school boards to manage their school space more efficiently through closures, consolidations and/or new construction. In June 2017, the Ministry announced plans to overhaul the process boards use when considering school closures, in order to address issues brought forward during engagement sessions held in 10 rural and northern communities.

Since our audit, the Ministry has carried out consultations on its Pupil Accommodation Review Guideline with the education, municipal and community-group sectors, as well as students. The feedback received indicated the need for more transparency and consistency in the pupil accommodation review process across the province, and a need for improved opportunities for public input.

In April 2018, the Ministry released a revised guideline, which included longer minimum timelines and more public meetings to improve opportunities for public input. Revisions also

included increased minimum information requirements for boards to share more information with their communities. The Ministry also committed to developing templates for key documents to ensure consistency in the process across the province.

Although a revised version of the Pupil Accommodation Review Guideline was released in April 2018, the Ministry advised us that it asked school boards not to initiate any new pupil accommodation reviews (unless in support of a joint-use school) until further direction is provided. The current government has committed to uphold the moratorium on school closures until the closure review process is completed. The Ministry informed us that no timeline for completion is available.

Enrolment Audits Insufficient to Show that Reported Enrolment Numbers Are Accurate

Recommendation 9

To increase assurance of the reliability of enrolment data used in calculating Grants for Student Needs funding to school boards, we recommend that the Ministry of Education:

- *set specified audit procedures for enrolment audits that include auditing enrolment numbers of student groups used in calculating funding, such as Indigenous students and students receiving special-education programs or services;*
Status: Little or no progress.

Details

In our 2017 audit, we found that the Ministry was not auditing enrolment of all student groups, such as those receiving special-education programs, students in Indigenous language or Indigenous studies programs, and students in French-language programs, to calculate funding.

At the time of our follow-up, the Ministry informed us that it would not be expanding its enrolment audit procedures to Indigenous students because the funding allocation for Indigenous

language programs was only 0.3% (or \$10.5 million) of the 2018/19 Grants for Student Needs funding, and therefore did not satisfy the risk-based approach developed by the Ministry. In addition, the Ministry said it would not be auditing the number of students receiving special education programs and services because these numbers did not drive the level of funding to a school board (much of special education funding is based on the average daily enrolment of all students) but rather how funding can be spent.

As well, the Ministry informed us that it relies on independent reviews by the boards' external auditors to perform this assessment. However, the work done by external auditors on enrolment data is not as extensive as that done by the Ministry and is not conducted across all programs or school boards. As we reported in our 2017 audit, 61% of boards that responded to our survey said that their external auditors conduct some verification procedures on their enrolment data, but did not issue a separate audit opinion or report. In addition, the boards confirmed that the procedures that the external auditors use are not as extensive as those of the Ministry.

We continue to support the implementation of this recommendation.

- *assess the costs and benefits of requiring school boards to have these audits performed annually by their external auditors.*

Status: Little or no progress.

Details

Our 2017 audit found that, despite the fact that the amount of funding allocated to each school board was based to a large extent on overall student enrolment, the Ministry audited enrolment numbers for only 12% of school boards and less than 1% of schools in 2016.

In the Ministry's 2019 enrolment audit plan, released in February 2019, the Ministry stated that it was still assessing the merits of requiring boards to have enrolment audits performed by their external auditors.

Recommendation 10

To address errors found during enrolment audits and to mitigate the risk of future errors, we recommend that the Ministry of Education follow up with school boards to ensure that recommendations resulting from enrolment audits have been implemented.

Status: Fully implemented.

Details

We found in our 2017 audit that the Ministry was not verifying or following up on whether school boards implemented recommendations resulting from its enrolments audits.

During our follow-up, we noted that the Ministry committed in its audit plan for 2019 to perform follow-up audits for boards with audit findings. The audit plan identified nine school boards requiring a follow-up audit, but determined only one required a field visit. Five of the follow-up audits were performed in the spring 2019 audit cycle and the remaining four were under way at the time of our follow-up audit.

Ministry Often Does Not Follow Up When Deficiencies Found

Recommendation 11

In order to ensure that leading practices identified during the operational reviews of school boards have been adopted, we recommend that the Ministry follow up with school boards to identify the implementation status of key recommendations outlined in their operational reviews, and work with school boards to put best practices in place, where it has not been done.

Status: Little or no progress.

Details

In our 2017 audit, we reported that the Ministry had commissioned reviews of all school board operations between 2008 and 2011. However, it did not know if all recommendations arising from the reviews had been implemented because the review teams only followed up on selected recommendations.

In our follow-up, the Ministry informed us that the operational reviews to assess the adoption of leading practices across the sector were initiated more than 10 years ago, but that expectations placed on boards have evolved over that time.

In the latest Ontario budget, released in April 2019, the government announced that the Ministry would be undertaking a thorough review of how boards can conduct their operations in the most efficient manner to best serve students and parents while ensuring their long-term sustainability. This process would be kicked off by the creation of a Minister's task force. At the time of our follow-up the Ministry did not have any information on when the task force would be created and when the review would be completed.

Recommendation 12

Where the Ministry of Education determines that the best form of funding a program is through transfer payments, we recommend that the Ministry develop procedures to ensure the required reporting is fulfilled, and that if reporting requirements are not met, that additional funding not be provided the following year.

Status: In the process of being implemented for the 2021/22 school year.

Details

In our 2017 audit, we found in 30% of the files we reviewed that the required reporting by school boards on funding under transfer-payment agreements was incomplete. The Ministry had not followed up with boards on the missing information, thereby undermining its ability to know if the funding was spent as intended.

At the time of our follow-up, the Ministry informed us that it had created a cloud-based IT system, known as the Program Agreement Administration system, to support the reporting needs of the Ministry and transfer payment recipients. The Ministry expects the system to help reduce administrative burdens and improve operational efficiency, transparency and accountability. The Ministry

reported that some transfer-payment programs started using the system in 2018/19.

The Ministry also stated that a team has been established to develop an Evidence and Accountability Framework to facilitate the efficient and effective use of funds provided outside the GSN through transfer-payment agreements, and to enable ministry staff to better measure the overall impact of funded activities on key ministry objectives.

The Ministry told us it was aiming to have the IT system and the framework fully implemented in time for 2021/22 transfer payments.

Concerns with Class Size Requirements

Recommendation 13

To monitor whether class sizes are maintained throughout the year, and not just on the reporting dates, we recommend that the Ministry of Education:

- *inform school boards that class size restrictions should be in effect throughout the school year, and not just on the reporting dates;*

Status: Fully implemented.

Details

Our 2017 audit found that the class-size restrictions stipulated in regulations were not enforced throughout the school year by either the Ministry or school boards. Four boards we visited interpreted the class-size restrictions to mean that as long as they met the restrictions as of the reporting date (once a year for elementary schools and twice a year for secondary schools), they had fulfilled the regulation.

In September 2019, the Ministry sent a memo to all school boards reminding them to “make best efforts to maintain class size limits throughout the year while keeping the best interests of students in mind. In situations where there are significant changes to class enrolment, school boards should consider whether additional sections should be provided and should be able to provide documentation of the changes if requested.”

- *verify class sizes at select schools at various times throughout the year.*

Status: Will not be implemented. The Office of the Auditor General continues to support the implementation of this recommendation because we found in our 2017 audit of School Boards’ Management of Financial and Human Resources that the school boards we reviewed did not comply with class size regulations at all times throughout the year; they were in compliance on the date specified in the class size regulations of September 30 but not at other times.

Details

The Ministry informed us that it would not be implementing this recommendation to avoid the disruption that could result from reorganizing classrooms multiple times throughout the school year to accommodate incoming and outgoing students. The Ministry said it was encouraging boards to maintain documentation on class-size changes occurring after the count date.

Recommendation 14

In order for all students in the province to benefit from smaller class sizes, we recommend that the Ministry of Education assess the costs and benefits of implementing maximum class size restriction caps for Grades 4 to 12, similar to ones in place for kindergarten and Grades 1 to 3, to complement the restrictions on average class size.

Status: Little or no progress.

Details

Our audit found that as of the 2017/18 school year, only classes for full-day kindergarten and Grades 1 to 3 had a maximum class-size restriction under regulation. For all other grades (Grades 4 to 8 and secondary school), school boards were restricted to an average class size. This means not all students would benefit from smaller class sizes.

In January 2019, the Ministry began consultations with stakeholders to solicit opinions on hard caps versus average class sizes, and it looked at class size requirements in other provinces. The Ministry’s

analysis did not include a review of empirical evidence regarding what effect different class sizes have on student performance. The Ministry announced proposed changes to class sizes in March 2019. The proposed changes did not result in a cap on class sizes for all grades, but rather an increase in the average class size for Grades 4 to 12. For Grades 4 to 8, the funded average class size increased from 23.84 to 24.5. For Grades 9 to 12, the funded average class size increased from 22 to 28. The Ministry estimated that the proposed class size changes would result in a decrease in total GSN funding of 0.4% for the 2019/20 school year and 1% for the 2020/21 school year, compared to the level of funding provided for the 2018/19 school year.

Upon release of the proposed changes, the Ministry requested additional input from the education sector to further assess the costs and benefits. Feedback was due May 31, 2019. At the time of our follow-up, the Ministry had not summarized this latest feedback.

Recommendation 15

To simplify the administrative process of remitting Education Property Tax funding to school boards and to ensure that all Education Property Taxes collected from taxpayers are being remitted, we recommend that the Ministry of Finance:

- *assess whether there is benefit to collecting Education Property Taxes centrally on behalf of the Ministry of Education to distribute through the Grants for Student Needs;*

Status: In the process of being implemented by the end of the 2020/21 fiscal year.

Details

In our 2017 audit, we reported that a portion of GSN funding to school boards came from Education Property Taxes (EPT) collected by municipalities and remitted directly to the boards. But the Ministry had no way of verifying that the amount of EPT remitted by municipalities to boards was accurate. Moreover, the collection and distribution process was cumbersome, with over 400 municipi-

palities remitting funds to four school board types, four times a year.

At the time of our follow-up, the Ministry of Finance informed us that it had begun an assessment of the benefits of municipalities remitting EPT centrally, but a more detailed cost/benefit exploration would occur after oversight measures were put in place to verify the accuracy and completeness of the EPT received by boards. These measures include proposed enhancements to the Online Property Tax Analysis (OPTA) system. The OPTA system is a centralized budgetary planning tool and property tax accounting system for Ontario municipalities. The Ministry informed us that it was working with the system developer to implement a new EPT tool within the system. This tool would include all EPT assessments and tax data for each municipality, and allow the Ministry to track transfers between all taxpayers, municipalities and school boards.

As well, in June 2019, the Ministry approved an 18-month pilot project to conduct analysis to identify whether all property tax revenue collected from taxpayers is forwarded to school boards. The project, which will begin in late fall, is expected to look at EPT transactions between taxpayers and municipalities and between municipalities and school boards. The pilot is expected to involve seven full-time equivalent staff and cost \$1 million. Results of the pilot project are expected to inform the Ministry's decision on whether there is benefit to collecting EPT centrally on behalf of the Ministry of Education to distribute through the Grants for Student Needs.

- *develop procedures to verify the accuracy and completeness of Education Property Tax received.*

Status: In the process of being implemented by May 2021.

Details

As noted above, the Ministry of Finance was undertaking a pilot project to analyze whether all property tax revenue collected from taxpayers is forwarded to school boards. The pilot is expected to begin in late fall and be fully operational by May 2021.