

Module 13 – Part B: Legislation and Education Funding

[Legislative Context]

Education funding is governed by legislation. The authority for providing grants to school boards is set out in the Education Act, which gives the Minister the power to make regulations governing the allocation of grants to school boards. The Act contains a legislative commitment to provide “fair and non-discriminatory funding” for education for all four school systems in Ontario – English public and Catholic boards as well as French public and Catholic boards. Funding must also operate so as to respect the rights given by section 23 of the Canadian Charter of Rights and Freedoms.

[Requirement for Balanced Budget]

The Education Act requires that school boards adopt a balanced budget for the coming fiscal year, unless the deficit can be covered by accumulated surplus from the prior year and is less than 1% of operating revenue. Otherwise, the board must obtain approval of the Minister before final approval of the budget.

The Minister will consider several factors:

- Is the deficit structural in nature?
- Is the size of the deficit relative to the accumulated surplus?
- Is the deficit created by circumstances beyond the board’s control?

Boards that fall into deficit or are at high risk of falling into deficit are required to complete financial recovery plans. Deficits are permitted where a board is under supervision or subject to an order.

[Financial Recovery Plans]

The Minister may order a board to adopt a financial recovery plan if the board has a deficit or it appears that it will have a deficit. The Minister may approve the plan or reject it and require a new plan. Boards must comply with the approved financial recovery plan until such time as the board is out of deficit.

[Investigation and Supervision]

The Minister may direct an investigation into the financial affairs of a board if:

- The financial statements indicate that the board has a deficit
- The board fails to submit or comply with a financial recovery plan
- The board fails to make a debenture or interest payment or is defaulting on debts or other financial liabilities
- The Minister has concerns about the board’s ability to meet its financial obligations

On receiving the report of the investigator, the Minister may issue any orders or directions to the board. If the board does not comply, control of the board can be transferred to the Minister. Control of the board can be transferred directly to the Minister if that action is recommended in the investigator's report.

Members of the board who vote for the application of funds otherwise than as directed by the Minister may be personally liable for costs, and the Minister may dismiss from office any employees who fail to carry out directives. An order placing a board under supervision must be revoked when a board finishes a year with a balanced budget or when the Lieutenant Governor in Council decides to do so.

[Financial Reporting and Compliance]

School boards have been reporting their financial results using Public Sector Accounting Standards for more than ten years. Since 2010-2011, these same standards have also been used for budget purposes. Adherence to these new financial standards has had an impact on areas such as:

- Reporting of financial results and use of reserve funds
- Depreciation of capital assets
- Timing of reporting of capital funding
- Financial reporting on the former capital funding model
- Recognition of existing outstanding long-term debt

[Other Legislative Provisions]

The Education Act defines the fiscal year for school boards as September 1 to August 31. The Act creates the framework for budgeting, borrowing and investing, financial reporting, and auditing. It also provides statutory authority for Education Development Charges and maintains provisions for designation of tax support.

[Education Development Charges]

An education development charge, or EDC, is a levy on new construction in a municipality. A board may pass a by-law to collect EDCs on new real estate development when its elementary or secondary enrolment exceeds its capacity, or when it has an existing EDC deficit. The Grants for Student Needs funding model provides boards with revenue to build new schools. However, boards are responsible for the provision of sites. Revenues from EDCs can only be used to pay for new school sites.

Good Governance for School Boards: Trustee Professional Development Program
Module 13: Education Finance

[Audit Committees]

Boards are required by legislation to establish an audit committee which is a standing committee of the board. The role of this committee is to review and provide advice on financial matters and risk management activities, as well as to provide oversight for the boards policies and administrative management as well as its internal and external audit functions. Boards receive funding for the establishment of audit committees and internal audit functions.