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REFERENCE FOR ADVICE
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NORTHWEST TERRITORIES

REFERENCE FOR ADVICE

FINANCING OF EDUCATION IN THE NORTHWEST TERRITORIES

The Commissioner requests the advice of the Council on the question of the financing of Education in the Northwest Territories.

Financing of Education in the Northwest Territories

A. Introduction - This paper deals with a Brief on the above subject submitted to the Commissioner in Council by the three school districts of the Northwest Territories. The Brief (Appendix A) sets out "specific suggestions for improvement in existing legislation and objectives for future regulations" with the object of correcting situations and solving problems which "create unfair burdens on those responsible ratepayers (Ed. Note - in school districts) who are striving to meet their obligations honestly and to reasonably advance desirable community development in the Territories in accordance with the expressed policy of the government."

B. Summary of Suggestions in the Brief

I. THE GRANTS SYSTEM

1. Capital Grants for Teacher Accommodation:

Capital grants should be extended to include 50 per cent of the cost of constructing teacher accommodation.

2. Delay in Payment of Operating Grants:

It is proposed that 80 per cent of the grant be paid within 60 days of the opening of the school term.

3. Operating Grant Base Change from Average Attendance to Enrolment:

Amount of operating grant should be calculated by multiplying the per pupil grant by the actual pupil enrolment rather than by the average daily attendance per annum.

4. Normal Annual Increases in Educational Costs Should be a

Determining Factor in Setting Per Pupil Operating Grants for any Five Year Period.

Some flexibility should be built into the five-year Financial Agreement to allow for the increasing costs of education; otherwise the government's share of costs will be gradually reduced over the five-year period.

5. Eligibility of Current Capital Expense:

Provision should be made to pay grants (50%) on approved capital expenditures out of school district current funds.

II. THE REAL PROPERTY TAX SYSTEM

1. Federal Grants-in-Lieu of Taxes Should be Shared Between Tax Supported School Districts and Municipal Districts in the Northwest Territories.

The present arrangement of incorporating the entire Federal grant-in-lieu of taxes with Municipal funds destroys the natural relationship which should exist between property assessment and current tax spending by the municipality and the school districts.

2. Total Assessment of at Least \$4,000,000 is Required in Northern Municipalities to Support School Districts by Taxes at Reasonable Mill Rates Today.

Distribution of grants-in-lieu of taxes as recommended in 1. above would help provide an impetus to establishment of school districts in communities where the assessment would, under the present system as practised in Yellowknife, be too low.

3. Because of the Lack of an Adequate Tax Base, the Financing of Education and the Policy of Greater Encouragement Toward the Growth of Local Government must Advance in some Interim Atmosphere Conducive to the Development of both in Harmony.

C. General Comments

1. Part I of the Brief makes five suggestions relating to grants to school districts. Four of these suggestions, if adopted, would have the effect of increasing the amount of grants paid by the Territorial Government to the School Districts. Suggestion number 2 affects the time of payment rather than the amount. Two of the four suggestions would affect capital grants and two would affect operating grants.
2. Since the terms of the Federal-Territorial Financial Agreement are fixed for the five-year period 1962-1967 inclusive, any increase in grants to school districts would have to be met from Territorial funds without corresponding increases in Federal assistance to the Territorial Government.
3. Provincial grants to school districts in southern Canada for 1960, the last year for which figures have been published by the Dominion Bureau of Statistics, give the average grant as 43% of the total expenditures on elementary and secondary education. The provinces' share of school costs has increased from an average of 35% in 1954 to 43% in 1960.

In the Northwest Territories the average grants for school operations to the school districts has averaged 37% for the three school years from 1960 to 1963. Grants of 50% of approved capital expenditures have also been made. Grants have increased gradually in amount and in proportion to total expenditures over the past four years to an overall grant percentage of 33% of operating costs for the year 1960-61 and of 43% in 1962-63. (See Table 1.)

4. Territorial grants are calculated on two separate types of expenditures:
 - (a) Capital-
50 per cent of the approved capital outlays
 - (b) Operating-
\$210 per pupil (elementary) of average daily attendance
\$285 per pupil (secondary) of average daily attendance

Table 1. Comparison of Operating Costs and Grants Received for the Three School Districts - 1960 - 1963

Grant Year	Operating Cost	Enrolment March 31	Average Cost per Pupil per Annum (based on enrolment)	Grant Paid	Average Grant Paid per Pupil	Grants as a % of Operating Cost
1960-61	\$ 258,057	546	\$ 473	\$ 84,775.00	\$ 155	33%
1961-62	299,586	603	496	101,440.25	168	34%
1962-63	369,381	800	462	159,795.75	200	43%

D. Specific Suggestions

1. Capital Grants for Teacher Accommodation.

In Northern communities demand for housing exceeds supply and there are few houses or apartments available on a rental basis. Because Yellowknife is a gold-mining community where a house may become surplus if the mines close, individuals and private concerns who have entered the field of housing require high returns on investment so that they can write off their investment over a short period. The abnormally high rents which result make necessary subsidies to teachers in one form or another. School Boards are called upon to bear (out of tax revenue) these extra costs amounting to possibly 5% of total operating expenditures.

The proposal that a 50 per cent grant be made applicable to teacher accommodation could result in an estimated maximum additional expenditure in the form of capital grants of approximately \$215,000. (This is based on an average unit cost of teacher accommodation of \$10,000 and the total present teaching staff of the school districts, 43 in number). The amount would be reduced by the accommodation now available.

In evolving any scheme of assistance applicable to teacher accommodation the basic distinction between this and school accommodation must be kept in mind. The former is revenue producing, and so may be placed on a self-liquidating or partially self-liquidating basis whereas schools produce no revenue.

If teacher accommodation were provided gradually over the years it might result in an estimated annual grant of approximately \$15,000 for teacher accommodation. Such an arrangement would probably have the effect of perpetuating conditions which saddle the school boards for a long period of time with the responsibility of managing housing accommodation with all its attendant problems.

The Brief suggests that this is to be a temporary expedient. If so, the question of future disposal of the accommodation and the apportionment of the relative Federal, Territorial and School District equity would be fraught with difficulties.

The problem of subsidizing teacher accommodation is admitted. The proposed solution should be considered in comparison with other methods, such as;

- (a) general increase in grants to compensate school districts for the additional expenditure needed to provide higher teachers' salaries which would include a housing subsidy;
- (b) provision of housing by local individuals or concerns on a guaranteed rental basis;
- (c) provision of teacher accommodation by school districts on long term capital financing basis with self-liquidating rentals.
- (d) school boards provide certain number of housing units, "sell" them to teachers on a periodic payment basis and guarantee to buy them back at the sale price less an appropriate depreciation figure. Teachers bound to give board option to buy on this basis. Financing could be arranged to liquidate capital cost.

Some combination of these methods might provide an acceptable solution to this troublesome problem.

An earlier request by Yellowknife Roman Catholic Separate School No. 2, for similar assistance was not approved (February 7, 1962) on the following grounds:

- (a) Construction of publicly-owned housing might discourage normal development of private enterprise.
- (b) Provision of public housing now for teachers might set a precedent for the Territorial Civil Service which is expected to develop in the near future;
- (c) It was felt desirable to create conditions to encourage --
 - (i) individuals to build their own houses
 - (ii) private enterprise to construct rental accommodation
- (d) Incentives are provided through --
 - (i) second mortgage plan
 - (ii) low rental housing

This section of the Brief also requests urgent consideration for the following types of school accommodation:

- (a) Age-grade retardants
- (b) Physically-handicapped children
- (c) Mentally-retarded children
- (d) Minor delinquents

- (a) Age-grade retardants -

Less serious cases are normally accommodated in ordinary classrooms and the normal grants would apply. Serious cases of retardation require smaller enrolments per classroom, special teaching, and equipment. Additional accommodation could be approved at the time the school district submits its construction plan. Children in the higher age brackets would qualify for attendance at Sir John Franklin School. Any additional costs not covered in the above could be covered through increase in general operating grants.

- (b) Physically handicapped children -

The children are sent at Territorial and Federal Government expense to provincial institutions. Their present number does not warrant construction of the highly specialized and costly accommodation required in the Territories.

- (c) Mentally retarded children -

Institutional cases are sent to provincial institutes. Trainable cases in Yellowknife are cared for by the Yellowknife Branch of the

Association for Retarded Children which receives grants from the Territorial Government.

(d) Minor delinquents -

This category is difficult to define. Delinquency in general is a term that could be applied to a child only by virtue of court action. The court rather than the school district has responsibility for remedial treatment for such cases. These we would judge are outside the jurisdiction and responsibility of school districts.

We do not know exactly what is meant here but judge it to refer to potential drop-outs. Every effort is and should be made to keep these pupils in school. To this end curriculum adaptation and guidance service should be provided.

For the pupils of the ages for Grades VI-IX special courses, smaller classes and Industrial Arts and Home Economics should be provided. The grant structure should reflect these additional needs. An estimate of additional cost would include the following:

- (i) 50 per cent of approved capital expenditures for school plant and equipment.
- (ii) additional operating grants to allow boards to engage specialist teachers, guidance personnel, etc. This could be an additional amount added to the per-pupil grant for this type of pupil, or some other formula could be worked out to have the same effect.

The following suggestion also appears in this section of the Brief:

"Equality in subsidies might provide the necessary incentive to private enterprise to enter the field of accommodation in some areas, such as:

- (a) Supervised accommodation between vocational training graduation and gainful employment, especially for native peoples.
- (b) Accommodation of children of minority groups and others electing to live outside government hostels in order to attend the school of their choice."

Both of these areas fall outside the jurisdiction and the responsibility of the school districts for the following reasons:

- (a) Vocational training is a joint Federal-Territorial responsibility.

Native peoples are the sole responsibility of the Federal Government;

- (b) School districts have responsibility only for children living within the geographical area of their district. In all cases, the school district schoolhouse is located within daily commuting distance either by foot or by conveyance. There is therefore no need for providing hostels.

2. "The present method of dispensing operating grants works a hardship on newly established school districts and automatically places school districts in a borrowing category from which there is no escape".

There seems to be a misunderstanding of the manner in which operating grants are paid. These grants are calculated on the average-daily attendance for the preceding school year but they are paid in respect of the current school year and are paid in advance for the current year. The school year ends June 30, and as soon as the report of school attendance is received, the grant for the next school year is made, usually early in August. Since the recommendation that the Ordinance be revised to permit a payout of 80% of the operating grant within sixty days of the opening of school term is based on an incorrect assumption, no action could be taken on this proposal. Present practice is even more generous than that suggested in the recommendation.

3. Payment of the operating grant to school districts based on average attendance whereas payment of the operating grant for territorial government schools is based on enrolment.

The point raised here is that operating costs relate more closely to enrolment than to average attendance (and we might add that capital costs relate more closely to enrolment as well). The position taken by the districts in this particular instance has some validity. It should be pointed out, however, that attendance for Federal Schools is generally lower in comparison with enrolment than in School Districts. The physical conditions and the presence of a large proportion of Eskimos and Indians in the Federal schools cause this wider disparity. School district attendance figures are very close to enrolment figures. Grants would increase by about 7% if based on enrolments. In September 1963 only 47 Indians were enrolled in District Schools (in a total enrolment of 869) or approximately 5%. By comparison in Federal Schools 64% of the school population was Eskimos and Indians.

Since the Federal-Territorial Financial Agreement is already based on enrolment rather than average attendance a good case can be made for basing grants to school district on enrolment. Revision during the currency of the present Federal-Territorial Agreement (1962-67) would result in an increase of grants by the Territorial Government to the school districts equivalent to the difference between enrolment as of March 31 and the average attendance for the year multiplied by the per pupil rate of grant.

Table 2. Comparison of Operating Grants to School Districts Based on (a) Average Daily Attendance and (b) Enrolment (as of March 31) for all School Districts in N.W.T.

A	B	C	D	E
Grant Year	Actual Grant (based on average attendance)	Estimated Grant (based on enrolment as of March 31)	Increase (C-B) Amount	Percentage
1960-61	84,775.20	101,375.00	16,600.00	19.5
1961-62	101,440.25	103,475.00	2,034.75	2.0
1962-63	159,795.75	168,150.00	8,354.25	5.2
1963-64	170,486.70	182,925.00	12,438.30	7.3
Total - 4 years	516,497.70	555,925.00	39,427.30	7.63 (Ave.)

Table 3. Estimated Increase in Operating Grants
for Years 1964-65 to 1966-67
for all School Districts in N.W.T.

Year	A Estimated Grants (based on av. attendance)(1)	B Estimated Grants (based on enrol- ment)	C Increase in Grants B - A
1964-65	181,740.00	195,370.00	13,630.00
1965-66	193,740.00	208,270.00	14,530.00
1966-67	<u>206,540.00</u>	<u>222,040.00</u>	<u>15,500.00</u>
Totals	<u>582,020.00</u>	<u>625,680.00</u>	<u>43,660.00</u>

- (1) Grants increased by reason of growth of school population. The average growth rate for the past four years (6.6%) has been used as a base. This would result in estimated annual increases as follows:

Year	D Increase in Grant allowed for School population growth (2)
1964-65	11,254.00
1965-66	12,000.00
1966-67	<u>12,800.00</u>
	<u>36,054.00</u>

Conclusions:

- (1) If grants are based on enrolment for the remainder of the period of the Federal-Territorial Agreement, an estimated additional \$43,660.00 in operating grants may have to be made to the three school districts.
- (2) Other data under other sections of this paper tend to support the need for additional grants.
- (3) The fact that the Federal-Territorial Financial Agreement is based on enrolment is an additional strong supporting factor for the recommendation that grants to school districts also be based on enrolment.
4. "The per pupil operating grant is based on past average costs and fixed for a five-year period rather than on projected future costs, taking into consideration significant increases indicated by the national educational cost trend."

The Brief suggests that insufficient weight is given to significant increases in educational costs when determining the per pupil operating grants for any five-year period unless costs are based on cost trends rather than on actual past costs.

This is a matter for consideration by the committee when the next five-year Financial Agreement is under consideration.

In the past, it has not been possible to establish significant trends upon which to base future costs. Some flexibility is built into the present agreement inasmuch as the grant is on a per-pupil basis. Within certain limits, schools tend to become more efficient and economical of operation as they increase in enrolment. This principle applies particularly to schools in the school districts of the N.W.T. for they are still comparatively small. As enrolment grows operating costs

per pupil are proportionately less, but increasing costs not attributable to this factor have tended to bring costs somewhat into balance as shown in Table 4. Over the past three years the average grant per pupil (based on enrolment) has increased markedly with a very sharp increase noted between 1961-62 and 1962-63. During the same period, average operating costs per-pupil have decreased.

Table 4. Comparative Per Pupil Costs of Operation
Based on Enrolment for all School Districts

Year	Operating Costs	Enrolment March 31	Average Operating Cost per Pupil	Grants	Average Grant Per Pupil
	\$		\$	\$	\$
1960-61	258,027.00	546	473.00	84,775.00	155.00
1961-62	299,586.00	603	496.00	101,440.00	168.00
1962-63	369,381.00	800	462.00	159,795.75	200.00

There would be difficulty in establishing a tenable position favouring this proposal at the present time. It merits further study, however, and should be a factor that is considered seriously when the next agreement is negotiated.

5. "No grant in aid is made for current capital expense."

This section proposes that capital grants be extended to include capital expenditures made from current funds as distinct from capital expenditures for large construction programs which were approved and which received 50% grant when approved. For example, a school may be completed but some of the rooms may not be occupied immediately and the school district may desire not to equip those rooms until such time as they are occupied. If the equipment is bought at some subsequent time, the Brief maintains that such equipment would be a direct cost on the ratepayers without benefit of grant.

In essence, the Brief is stating that the present policy encourages expenditures for capital purpose before they may be required.

If capital items are eligible for grant when financed by debentures, it would be logical to allow the same type of items for grants if alternatively financed later out of current funds. Some administrative problems may be encountered in deciding what constitutes a capital expenditure and what a maintenance cost or a repair. This problem has been solved in certain provinces, and there should be no insurmountable difficulties in administering such grants if adopted for school district schools of the N.W.T.

Any grant provided for the purpose should be subject to prior approval by the Commissioner.

Table 5 gives the actual capital outlays from current funds by school district for the last two years for which figures are available.

Table 5. Capital Outlays from Current Funds

School District

	<u>1961-62</u>	<u>1962-63</u>	<u>Total</u>
	\$	\$	\$
Yellowknife P.S.D. #1	3,023.68	15,157.45	18,181.13
Yellowknife R.C.S.S.D. #2	19,078.46	4,082.41	23,160.87
Hay River R.C.S.S.D. #3	N.A.	Nil	Nil ⁽¹⁾
Totals	22,102.14	19,239.86	41,342.00

(1) Hay River R.C.S.S.D. #3 operated only during 1962-63 and since it had just constructed a new school, no capital expenditures out of current funds were required.

Making allowances for increased expenditures of this type in the future and the probability that Hay River R.C.S.S.D. #3 will expend funds for such things as fencing, playground or gymnasium equipment, an estimate of maximum gross expenditures of \$30,000 per annum should be reasonably accurate. Based on this estimate, an additional \$15,000 in grants might be payable to the school districts by reason of making capital outlays from current funds eligible for 50 per cent grant.

THE REAL PROPERTY TAX SYSTEM

The second major portion of this Brief deals with the real property tax system. It is dealt with in three main parts. (1) Federal grants in lieu of taxes. (2) Minimum assessment required to support municipal services including the school districts. (3) Education finance and municipal government growth must advance in harmony.

(1) Federal grants in lieu of taxes

At the present time, Federal grants-in-lieu-of-taxes are paid to the municipal taxing authority, in this case the Yellowknife Municipal District. These grants are paid by the federal government to reimburse a municipality for services provided for property which is held by the Crown within that municipality. For example, fire protection, roads and other municipal services are supplied to the property and a grant equivalent to the municipal taxes for such services is paid to the municipality to compensate it for these services. If the federal government does not provide its own school facilities in the municipality where the Crown property is located then the school tax is computed and an amount equivalent to the district school tax on this property is included in the grant and paid to the municipality. The grant is based on the principle that the federal government pays the same amount as any regular taxpayer in the said municipality for the services which it receives from the municipality. If school services, however, are provided by the federal government then the school tax would not be included in the grant.

Since the value of Crown lands in Yellowknife, and Hay River, and other northern municipalities is a very high proportion of the total assessable property, the grant-in-lieu-of-tax constitutes a large part of the revenue of the municipality concerned. (Such grants-in-lieu are paid now only to Yellowknife and Hay River). At the present time the municipal authority receives the grant and even though such grant contains provision for school services, the municipality (Yellowknife) places the whole amount of the grant