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RECOMMENDATION TO COUNCIL  
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RECOMMENDATION TO COUNCIL NO. 1  
(First Session 1965)

Financing of School Districts in the Northwest Territories

A paper prepared in the spring of 1964, under the title of "Financing of Education in the Northwest Territories" and scheduled for presentation in the sessions of July and November 1964, was not dealt with either of those sessions. To comply with the request made by the Council at its last session that papers contain specific recommendations, the following recommendations have been added to the original Reference for Advice and are submitted. These recommendations are presented in the same order as the items appear in the Brief and the original paper.

Recommendations :

I. The Grant System

1 (a) Capital Grants for Teacher Accommodation

Any additional assistance to School Districts to permit them to subsidize teacher accommodation should be in the form of increased operating grants rather than capital grants, as requested.

(b) Additional Grant for Accommodation of Special Cases

Another paper before Council at this session deals with the question of accommodation for retarded children. School Districts are not required to accommodate seriously handicapped or delinquent children, neither do they have the responsibility of providing residential accommodation for children of minority groups.

2. Alleged Delay in Payment of Operating Grants

This request arises from a misunderstanding of the procedures involved in payment of grants. There is no delay and no change is needed because grants for each school year are paid in advance.

3. Operating Grants to be based on Pupil Enrolment

This request is reasonable and should be granted.

4. Allowance in Grant Structure for possible increases in Operating Costs

Consideration of this item must await renegotiation of the current Federal-Territorial Financial Agreement which terminates in 1967.

5. Eligibility for Grant of Current Capital Expenses

Payment of such grants should be made on items on which prior approval has been given.

II. The Real Property System

1. Division of Federal Grants in-lieu of Taxes among Municipal Governments and School Districts

This is a matter of local concern and should be settled by mutual agreement at the local level. No legislation is proposed at this time.

2. Financial Basis for Establishment of New School Districts

This request is directly related to the previous recommendation.

Under the School Ordinance the Commissioner has authority to deal with individual cases taking into account their financial basis before granting approval for establishment of a District. No action is recommended.

3. Interim Arrangement for School District Development

The suggestion made in the brief that an arrangement similar to that of the Yukon Territory be adopted for the Northwest Territories is not possible under the present arrangements for financing School Districts and Federal Schools in the Northwest Territories.

## Financing of School Districts 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. 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 39% 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 area, 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 61% 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 (1962-1967) 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 (Av.)

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

A	B	C	
Year	Estimated Grants (based on av. attendance)(1)	Estimated Grants (based on enrolment)	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	206,540.00	222,040.00	15,500.00
Totals	582,020.00	625,680.00	43,660.00

- (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
1964-65	11,254.00
1965-66	12,000.00
1966-67	12,800.00
	<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		Average Grant Per Pupil
			Cost per Pupil	Grants	
			\$	\$	\$
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 Districts	<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 <sup>(1)</sup>
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 in general revenue and uses it to defray the cost of municipal services other than schools. In Yellowknife, the assessment of Federal Government property is excluded for the purpose of striking mill rates. Where school districts are in operation, they must requisition the full amount of the locally raised revenue to pay for school costs because the municipal authority does not distribute any of the federal grant to the school district. In 1963, the assessment of Federal property in Yellowknife on which grants-in-lieu were paid was \$1,597,460, on which grants of \$86,264 were paid. As a result, the school tax is considerably higher than it would be if the federal grants were distributed to the school boards. Although the total taxes levied for both school and municipal purposes in a municipality remains unchanged, the natural relationship between school costs and municipal costs as reflected in the mill rates concerned is disturbed. This is causing concern to the school districts because they say it gives the ratepayer and the public a false picture of the actual cost of operating the school districts. Whereas the actual proportions of expenditures for municipal and school purposes were respectively 44% and 56%, the mill rates were respectively 30% and 70% of the total tax rate. This problem is complicated further in the case of Yellowknife where there are two school districts. The Brief proposes that grants-in-lieu-of-taxes be distributed on a percentage basis according to the share each budget requisition is of the total monies required by the town and the schools.

Since Federal grants-in-lieu-of-taxes are made unconditionally to the taxing authority, distribution rests with that body unless provincial or territorial legislation makes such distribution mandatory. Without specific provision in the Ordinance requiring distribution of grants-in-lieu, each municipality might pursue its own course through some mutually agreed local formula.

Provincial practice gives little guidance in this respect. In most provinces, the statutes are silent concerning the application of the monies received by a municipality. As a result, grants-in-lieu are usually treated as general revenue of the municipality.

At present the following provinces have no legislation specifically related to apportionment of federal grants-in-lieu-of taxes:

Alberta	Ontario	New Brunswick
Manitoba	Quebec	Nova Scotia

The following provinces have legislation requiring distribution to the school districts of that portion of grant pertaining to schools:

British Columbia  
Saskatchewan

Due to certain other factors, this problem does not apply to Prince Edward Island and Newfoundland. In the case of Alberta, the grant system is reported to have the effect of eliminating this problem.

In the Northwest Territories this problem now affects only Yellowknife. Arrangements for apportionment of these monies might be worked out locally by mutual agreement between the Council and the school boards concerned.

If legislation is to be proposed, the views of the municipalities concerned should also be given consideration before an amendment to the Ordinance is drafted.

Total taxes (school and municipal services) remain unchanged regardless of which method of using the grant is followed. Thus,

- (2) "No School District, Public or Separate, of the size required today at various localities throughout the North could be supported by taxes at reasonable mill rates when total assessed value in a municipality is less than \$1,000,000.00"

This section stresses the importance of ensuring that there is adequate financial base before a school district is established.

Under the Yellowknife method of treating Federal grants-in-lieu-of-taxes, Fort Smith, now a village, and Fort Simpson, nearing village status, could not hope to support schools under the school district system. The present practice of incorporating grants-in-lieu into general revenue of the municipality could act as a deterrent to the development of school districts in the Northwest Territories.

Because of many variables, it would be difficult to lay down general principles for deciding when a municipality has an adequate assessment base for supporting a school system. Most certainly the size of the school and the nature of the program would have to be considered in relation to the assessment. In the Northwest Territories, for instance, there is always the possibility of the assessment being divided between two school districts, one a public school district and one a separate school district. Thus, an assessment that might be adequate to support one district might be totally inadequate to support two. The degree of maturity of the student population, too, can cause a tremendous variation in the cost of education. If secondary school facilities are not required, the costs would be much lower than where a small number of secondary school children are present. If there are large numbers of secondary pupils, school rooms, teaching staff and equipment can be economically used and costs are proportionately lower than where facilities, equipment and staff must be provided for a relatively small number of pupils.

The percentage that costs of education bear to school assessment as shown in Table 6 below indicates that during the three-year period school costs have risen faster than the comparable school district assessments. This data provides additional support for the need for additional grant revenue if the Territorial Government is to bear its proper share of increased costs.

The unsatisfactory assessment base for the Hay River Roman Catholic Separate School is pointed up by the fact that school costs are approximately equal to the assessment base, (99%). (See Table 6).

Creation of school districts based on inadequate financial bases even though motivated by the desire to encourage local government would inevitably lead to serious difficulties. Providing an equalization factor in the grants system might encourage creation of school districts which would not be viable. In the provinces, such practice has been made necessary because the districts were in being and steps had to be taken to assist them to become viable units. The amalgamation of various weak school districts into large districts with an adequate tax base has proved to be the most effective method of remedying this situation. In the Territories, where few school districts now exist, creation of new school districts on an inadequate financial basis is unsound.

This whole area would require broader study and treatment than is possible in this paper, and should be treated along with suggestion number 3 which follows.

- (3) Because of the lack of an adequate tax base, the financing of education and the policy of greater encouragement towards growth of local government must advance in some interim atmosphere conducive to the development of both in harmony

The Brief proposed that a school financing arrangement similar to that now in force in the Yukon Territory where the Territorial Government levies a school tax and finances the operation of all schools would provide for the economical operation of schools and give the ratepayers in any community a fair share in the administration of this service through local advisory committees. Such an arrangement would, it is claimed, encourage the development of local government in communities such as Hay River, Fort Smith and Fort Simpson. It is unlikely that an arrangement of this type could be put into effect before the present Federal-Territorial Financial Agreement for the Northwest Territories terminates (1957).

At the present time, complete equalization in regard to educational facilities in the Territories is a fact because the Federal Government operates schools in communities where school districts have not been established.

In other educational systems where local advisory committees have been established with the object of giving the local community a voice in administration, very difficult administrative problems have developed because this arrangement violates the basic principle of good administration which requires that responsibility and authority be closely related. Under the present arrangement the wishes of a community may be expressed by local Home and School or Parent-Teacher Associations voluntarily organized. On several occasions in the past, action has been taken by the Administration as a result of such expression by local Home and School groups. There exists, therefore, at the present time, an effective means by which local opinion may be expressed.

TABLE 6.

COMPARISON OF COSTS OF EDUCATION, ASSESSMENTS AND TAX REVENUES  
FOR

School District	Year	Cost of Education				Assessment	School Mill Rate		School Tax Revenue	% of O.E. of Ass.
		Capital Debenture Payments	Current Capital	Operating Expense	Total		Real	Business		
Yellowknife #1	1960-61	22,062.50	16,572.85	188,824.01	227,459.36	3,142,541.00	32	16.25	135,260.75	6.0
	1961-62	24,662.50	3,023.68	191,873.04	219,559.22		34.5	17.25	144,165.50	
	1962-63	15,649.38	15,157.45	202,736.69	233,543.52	3,178,392.33	38	19	166,350.00	6.4
Yellowknife #2	1960-61	-	-	69,203.47	69,203.47	1,278,727.00	30	15	48,500.00	5.3
	1961-62	11,586.70	19,078.46	107,712.88	138,378.04	-	30	15	55,650.00	
	1962-63	11,740.96	4,082.41	105,855.19	121,678.56	1,495,827.67	38	19	65,400.00	7.1
Hay River #3	1961-62					96,140.00	20		1,822.80	
	1962-63	-	-	60,738.75	60,738.75	60,950.00	12		731.40	99.
Yellowknife S.D. 1 & 2	1960-61	22,062.50	16,572.85	258,027.48	296,662.83	4,421,268.00			183,760.75	5.8
All School Districts	1961-62	36,249.20	22,102.14	299,585.92	357,937.26				199,815.50	
"	1962-63	27,390.34	19,239.86	369,330.63	415,960.83	4,735,170.00			232,481.40	7.8



The main point to resolve is whether some additional type of interim arrangement (between the existing one and the time when school districts are established) is required after the termination of the present Federal-Territorial Agreement. Since the present agreement has another three years to run, there is time to give further study to this proposal and its implications.

When any type of proposed alternative arrangement is considered, the many demonstrated educational and administrative advantages inherent in the larger unit system of administration should be taken into account. All educational systems in Canada either have moved or are moving toward this type of educational administration unit.

### Summary of Comments on Brief

#### I The Grants System

1. In place of capital grants of 50 per cent of the cost of constructing teacher accommodation, an increase in grants to permit the purchase of accommodation in some form is considered preferable. Beyond the younger age-grade retardants, the need for special provision for age-grade retardants, physically-handicapped, mentally-disturbed and delinquent children can be better handled within the facilities of the Federal School system or by special arrangements with the Provinces than by the individual school districts.
2. The so-called delay in payment of operating grants is a misunderstanding - there is no delay. Grants are now paid in advance by the Territorial Government.
3. The proposal that the operating grant be based on pupil enrolment rather than average attendance is a reasonable request and is supported.
4. Consideration will be given to including a factor for annual increase in educational costs in the per pupil operating grant when the next Five-Year Financial Agreement is under consideration. The Territorial Government is in no position to make this change now.
5. The payment of capital grants (50%) for approved capital expenditures out of current funds is considered to be a reasonable request provided care is taken to ensure that duplication of facilities is not undertaken and is supported provided the expenditures have the prior approval of the Commissioner.

#### II The Real Property System

1. While the school districts may feel that the lack of territorial legislation to direct the division of grants-in-lieu-of-taxes to the municipalities places an unwarranted emphasis on taxes for school districts, such legislation would have no effect on the total tax picture and no change could be made without taking the views of the municipalities into consideration.
2. The creation of new school districts in the Territories on an inadequate financial base is obviously unsound and a review of the legislative provisions for the erection of new school districts is supported.

3. Any proposed change in the system of financing education in the Territories should recognize that for the Territories as a whole perfect financial equalization now exists. Any proposed changes must await study by the next Interdepartmental Committee on Federal-Territorial Financial Relations which is responsible for reviewing and recommending the overall financial structure of the Territorial Government for the ensuing five years.

APPENDIX A

Excerpts From Municipal Grants Act -  
(R.S.C. 195, c.182 as amended by  
1955, c.49, 1957, c.10)

GRANTS

Grants in respect of  
federal property.

4. (1) Where, in a form prescribed by the Minister, a municipality applies for a grant, the Minister may, in his discretion, out of moneys provided by Parliament, make a grant to the municipality in respect of federal property situated therein, but no grant shall be made in an amount exceeding that authorized by this Act.

No right to grant conferred.

(2) No right to a grant is conferred by this Act.  
1951, c.54, s.4.

Calculation of grant.  
Rep. and new. 1957,  
c.10, s.3.

5. (1) A grant may, pursuant to this section, be made to a municipality in respect of any federal property in the municipality, not exceeding the amount obtained by applying

(a) the effective rate of the real estate tax levied in the municipality in the appropriate tax year,

to

(b) the accepted value of that federal property.

Calculation of grant  
where separate tax  
for school purposes.

(2) Where, in any municipality, a separate real estate tax is levied for school purposes and the rate of the tax levied for such purposes varies with the support of different religious denominations, in determining the amount of any grant made to the municipality under this section

Rep. and new. 1957,  
c.10, s.3.

(a) there shall be substituted for the rate referred to in paragraph (a) of subsection (1) the effective rate of the real estate tax levied for purposes other than school purposes,  
and

(b) there shall be included in the amount of the grant an amount not exceeding a fraction of the accepted value of federal property in the municipality, such fraction to be determined as follows:

(i) the numerator is the total amount of the real estate tax levied in the appropriate tax year for school purposes, and

(ii) the denominator is the assessed value of all real property in the municipality in respect of which a person may be required by the municipal taxing authority to pay a real estate tax levied for school purposes.

Deduction of certain  
amounts from grant  
otherwise payable.

(3) The Minister may, in determining the amount of any grant to a municipality, under this section, deduct from the amount that might otherwise be payable.

(a) an amount that, in the opinion of the Minister, represents

Rep. and new. 1957,  
c.10, s.3.

(1) the value of a service that is customarily furnished by the municipality to real property in the municipality and that Her Majesty does not accept in respect of federal property in the municipality, or

(ii) the value of a service customarily furnished by municipalities that is furnished to taxable property in the municipality by Her Majesty; and

(b) such other amount as the Minister considers appropriate having regard to the existence of any special circumstances arising out of any heavy concentration of federal property in the municipality.

Where full amount of grant not taken into account.

Rep. and new. 1957,  
c.10, s.3.

(4) Where, in preparing its budget for a tax year, a municipality has not, in the opinion of the Minister, taken into account the full amount of any grant that may be made under this section, the Minister may, in determining the amount of that grant, make such adjustment in the rate referred to in paragraph (a) of subsection (1) or in the rate referred to in paragraph (a) of subsection (2) or the denominator referred to in paragraph (b) of subsection (2), as the case may be, as, having regard to the amount of the grant or portion thereof not so taken into account, he considers appropriate.

BRIEF

ON THE

FINANCING OF EDUCATION IN THE NORTHWEST TERRITORIES  
SCHOOL GRANTS AND TAX REVENUES

PRESENTED TO

THE COMMISSIONER IN COUNCIL  
NORTHWEST TERRITORIES

JANUARY 1964

on behalf of

Yellowknife Public School District No. 1  
Yellowknife Separate School District No. 2  
Hay River Separate School District No. 3

November 5th, 1963

FINANCING FOR EDUCATION IN THE N.W.T.

SCHOOL GRANTS AND TAX REVENUES

PREAMBLE

The process of financing education in the Northwest Territories has been, until recently, an elementary procedure in those areas outside the two established municipalities of Hay River and Yellowknife. The Federal and Territorial governments have discharged their responsibilities by providing one hundred percent of the elementary education cost at such centers as Inuvik, MacPherson, Simpson, Rae, Smith, in government schools at Hay River (secondary) and at Yellowknife (secondary and vocational) and in many isolated smaller settlements throughout the north where the population has shown little interest in the administration of local affairs. Of the three established school districts only the two at Yellowknife have provided a fair share of the monies required for construction and operation from taxes levied within their districts. The third School District located at Hay River will probably continue to require private subsidy until such time as that District's tax base has grown appreciably or until new financing policies are developed.

The Interdepartmental Committee on Federal-Territorial Financial Relations in its Report on the Northwest Territories, 1962, "considered that greater encouragement should be given to the growth of local government by providing an intermediate stage in municipal development which would allow some measure of responsibility for the administration of local affairs beyond those of the Local Improvement District, and would include the collection of taxes and spending of tax revenue." (Sessional Paper No. 12, 1963, First Session). The Committee's Report of July 1961 (pages 19 to 22 inclusive) was considered and approved by Council, who in turn proposed that the new "incorporated local improvement district" or "village" government have essentially the same features already provided in the Municipal Ordinance of which the main responsibilities would be, "power to impose a real property tax and the power to expend monies thus raised on all matters normally considered to be of local concern, such as the construction and maintenance of roads and sidewalks, fire protection, garbage collection, street lighting, community centers, parks and recreation and public health."

In line with the policy to encourage the growth of local government the Committee considered the property tax paid by village ratepayers to be low in relation to the services received. Furthermore, since no contribution was being made towards the cost of education the village tax rates were considered to be inequitable by comparison with the town tax rates and incompatible with the gradual advance towards Territorial autonomy. The latter objective implies assumption by the residents of the Territories of a more direct financial responsibility for the services they receive. The Committee's recommendation to levy a 10 mill property tax in villages to rectify the situation was accepted by Council and implementation was to be made through a Real Property Tax Ordinance at the Twenty-fifth Session in July 1963.

On behalf of the three organized school districts in the Northwest Territories and possibly for all those new school districts that will be formed in the future (Fire Point) we would like to take this opportunity to suggest that those who are responsible for drafting the Real Property Tax Ordinance take into account certain situations and consider certain problems which, in practice, work to the detriment of the orderly development of local government growth. These situations and problems create unfair burdens on those responsible ratepayers 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.

TO: THE COMMISSIONER IN COUNCIL  
NORTHWEST TERRITORIES

Solutions must be found to the problems facing organized School District operations otherwise northern residents will, quite, properly, refuse to assume the additional financial burden of education. Some of these problems which will be considered by this Brief relate to inadequacies in

- (a) Eligibility for capital grants
- (b) Operating grants and working capital
- (c) Property tax system

Specific suggestions for improvement in existing legislation and objectives for future regulations are respectfully submitted for Council's consideration.

#### THE GRANTS SYSTEM

##### 1. THE CAPITAL GRANTS SYSTEM SHOULD BE EXTENDED TO INCLUDE TEACHER ACCOMMODATION IN NORTHERN COMMUNITIES.

It is submitted that the problem of accommodation for teaching personnel in school districts is one of grave concern and therefore, it is suggested that Council give thorough study to the following observations with a view to extending the present Capital Grants system to include Teacher Accommodation for school districts in the Northwest Territories.

In order to fully understand the problem of teacher accommodation it must be considered in the light of:

- (a) Industrial treatment of the professional worker
- (b) Federal government provision for housing
- (c) Lack of risk capital in real estate ventures and housing projects.
- (d) General purpose of worker moving into northern community.

In the past 25 years the gold mining industry has inspired large scale interest in the Northwest Territories. Because this industry entails abnormal risk and is dependent upon a wasting asset the philosophy of the mining companies towards employee housing has been unusual. Gold mining companies have accepted the responsibility for the housing of key personnel throughout the area. While the danger in such a philosophy is readily apparent it is equally evident that to secure qualified and experienced staff adequate provision for housing is necessary.

Following the mining industry into the north were various government agencies who also found that in order to attract adequate staff it was essential to embark on some program of employee housing. Undoubtedly these government housing projects were intended to be temporary in nature and were to be discontinued immediately the community assumed a "normal" urban character.

In point of fact the community has not matured as government assumed it would. Private investment for the most part continues to shun real estate ventures in gold mining centers because of the uncertain future. Individuals and private concerns who have entered the field of housing feel justified in demanding excessive profits necessitated by quick writeoffs predicated on assumed shortlived mining ventures. Naturally, the tendency is for public bodies to achieve maximum service at minimum cost and consequently they seldom patronize the private entrepreneur. It is true that more and more dedicated northerners are building substantial homes, especially in Yellowknife. This is understandable in the light of certain recent developments:



- (a) N.H.A. mortgages are now available and also are now guaranteed by the government. If the community fails the mortgagee feels he can abandon his debt and be out no more than rent money.
- (b) Gradual improvement in the standard of living in a community with a broadening industrial tax base.
- (c) Road access to the area has improved construction costs and a new confidence in the future of the Northwest Territories has begun to emerge.

Regardless of these favourable changes it would be untrue to assume Yellowknife has become a "normal" community from the standpoint of real estate investment. At present most medium-term and long-term credit sources refuse to place significant sums in real estate at Yellowknife.

In spite of the recent emphasis on Northern development the professional worker is generally attracted to northern communities not by a desire to pioneer, but more likely for a combination of the following reasons:

- (a) To increase his earning power, or at least to increase the opportunity to earn more than his southern counterpart.
- (b) To fulfil a spirit of adventure.
- (c) To escape the conformity of large city life and find a personal identity.
- (d) Because of company transfers of personnel.

Of the four suggested reasons only (c) gives any assurance of long-term residence. It must be conceded therefore that most teachers and professional workers in the north consider their residence in the area to be of a short-term nature. Consequently they desire adequate housing on a rental basis.

The cost of providing and subsidizing living quarters of acceptable standard for single female teachers as well as married personnel requires capital outlays for buildings and furnishings equal to twenty percent of the cost of new classroom space. It is improbable to conceive that this amount of money can be provided from tax revenues and operating grants, or full-cost loans. Higher standards of living in affluent communities such as Yellowknife with an assessment of \$9,000,000 will certainly bear the stress of education's rising operating costs but extended borrowing for capital expense tends to erode any gains made in operating.

At present there are no boarding houses in Yellowknife as such, where normal teacher arrangements can be made, especially for single girls. School Boards must rent such houses, suites in apartment buildings, or space in public rooming houses as may be available at considerable expense. This type of accommodation is usually second class and must be subsidized by School Boards often at outrageous costs resulting in chronic operating losses. There are 35 teachers employed by organized school districts at Yellowknife now, aside from government employed teachers. High rents would be necessary to provide housing on a self-supporting basis making it impossible to attract teachers without increasing salaries. Teachers salaries now account for 65 percent of operating costs; teacher accommodation subsidies add another 5 to 6 percent. Both of the organized school districts in Yellowknife have the same teacher salary schedule.

School Boards have no desire whatsoever to be in the housing business in any way, shape or form for the obvious reasons stated above, but there is no alternative at present. No doubt the government finds its position on housing to be akin to that of organized school boards having to provide modern apartments with every facility at subsidized rentals. Where government

schools operate in the same communities as organized school districts, such as at Yellowknife and Hay River, there should not be unfair competition in this regard. Whether authorities are aware or not there is competition and the decision to move hinges on accommodation almost entirely.

It is the School Boards' firm opinion that construction grants for one-half of the cost of teacher accommodation should be made available to organized school districts in the Northwest Territories, a high cost area, at least until such time as city conditions prevail. This is a legitimate request in a field usually exalted above the community center and the hockey arena both of which were recently approved in the Territories for construction assistance in the form of capital grants.

A hard look at another type of accommodation in the sphere of education demands urgent consideration for a much different reason and that is the unbalance caused by forced grouping with normal classroom students of:

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

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.

The government presently pays \$45.00 per head per month for room and board in such cases whereas no student could be housed and fed in normal surroundings for less than \$100.00 per month in the Northwest Territories. In government hostels having large enrolments the cost is seldom less than \$130.00 per month. Some consideration should be given to adjusting such payments to prevailing conditions.

2. THE PRESENT METHOD OF DISPENSING THE OPERATING GRANT WORKS A HARDSHIP ON NEWLY ESTABLISHED SCHOOL DISTRICTS AND AUTOMATICALLY PLACES SCHOOL DISTRICTS IN A BORROWING CATEGORY FROM WHICH THERE IS NO ESCAPE.

In order to understand the necessity for a School District to borrow operating capital it must be remembered that approximately half of the income of a District is in the form of the Territorial grant, and this half is not collected until the school term is completed. As a result the Territorial grant will often be used to repay the loan which provided operating capital during any particular grant year. Furthermore, the School District is prevented, by Ordinance, to requisition any more than one hundred and ten percent of estimated current requirements from the ratepayers. This means that at least ten years will be required to accumulate sufficient operating capital, by taxes, to eliminate the need for borrowing. In fact, more time will probably be required because it is generally impossible to forecast cost increases as quickly as they occur.

It is recommended that Council give serious consideration to amendment of the Ordinance to permit a payout of 80 percent of the operating grant within 60 days of the opening of the school term based on the enrolment and attendance records submitted monthly to the Chief Superintendent of Schools at Fort Smith, followed by payment of the hold back at year end,

3. PAYMENT OF THE OPERATING GRANT TO SCHOOL DISTRICTS IS BASED ON AVERAGE ATTENDANCE WHEREAS PAYMENT OF THE OPERATING GRANT FOR TERRITORIAL GOVERNMENT SCHOOLS IS BASED ON ENROLMENT.

The report of the Interdepartmental Committee on Federal-Territorial Financial Relations noted (page 5) that "uring the 1957-62 period the Territorial Government met its responsibility toward the Federal Day Schools operated by the Department of Northern Affairs and National Resources by reimbursing the Federal Government at the rate of \$375 per pupil per year for Territorial pupils, being the average per pupil operating cost during the years 1952 to 1956 inclusive.

"The Committee notes that a pupil rate based on average attendance as recommended in the previous report placed an excessive financial burden on the Territorial Government because of the great variation in attendance of Federal pupils. It, therefore, considered that the pupil enrolment as of March 31st of each year would be a more equitable basis on which to calculate the fees to be paid for Territorial pupils. The Committee recommends that

- (a) For the five-year period commencing April 1, 1962, the Territorial Government reimburse the Federal Government for the operational cost of educating Territorial pupils in Federal Day Schools at the rate of \$630 per pupil per annum based on enrolment at March 31st in each year-----".

Based on enrolment at March 31st, the average per pupil cost of operating all Federal Day Schools in 1959-60 was \$633. Based on average attendance the cost during the same period was \$819.

A directive was sent to School districts in July 1963 stating that due to overcrowding in hostels twenty-five to thirty-five children not eligible for hostel attendance would be required to attend district schools. The parents of these children are absent from the community intermittently for at least three months of the school year in order that they may earn their livelihood by hunting, trapping or fishing, which makes a mockery of average school attendance.

The movement of large numbers of government employees from point to point often causes shifts in enrolment calling for unusual space maneuvering which is later lost along with the grant.

Because the Federal-Territorial Financial Committee found that pupil grants based on average attendance placed an excessive financial burden on the Territorial government, the same reasoning must be applied to school districts expected to provide classroom space for sudden changes in attendance at crucial times with no consideration grantwise. To rectify the disparity in operating cost of rapidly changing school populations the Territorial government receives grants on the basis of enrolment rather than attendance. The same policy should apply to district schools, especially those accommodating the bulk of the native population. Operating costs are tied to enrolment rather than average attendance, that is, the operating cost of any school building unit is constant for a given period whether it is 50 percent or 100 percent occupied.

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.

Although the average per pupil cost of operating all Federal Day Schools in 1959-60 was \$633 based on enrolment and \$819 based on average attendance, (up from \$375) a figure of \$630 was approved for the period 1962-67. It is submitted that the amount actually paid in either case would

be the same at 77% average attendance. The "grant-cost" increase of 68% from \$375 for the period 1957-62 to \$630 for the period 1962-67 was not reflected in the increase to organized school districts of 20% in the elementary grades and 14% in secondary grades. The approved rate of \$630 per pupil based on 1959-60 could be very much below actual costs before 1967, the end of the five-year fixed period, in spite of the unprecedented increase in school population. A similar situation faces the school districts but on a greater scale because of a decreasing government participation in the sharing of local school expense.

It is strongly suggested, therefore, that recognized significant increases in educational costs on a National basis should be a determining factor in setting per pupil operating grants for any five year period in the Territories.

5. NO GRANT-IN-AID IS MADE FOR CURRENT CAPITAL EXPENSE.

A School District may receive financial assistance in the form of a capital Grant provided the procedures approved by Council at the July 1961 Session are followed. These procedures envisage new construction only, although this may include additions to existing buildings. No reference is made in the instructions to either land or equipment essential to the new building. However, in practice, the Territorial government has considered such expenditures to be eligible for grant purposes. By and large there is little criticism of the Capital Grant system as far as it goes; the difficulty is that it does not go far enough.

When expenditures of a capital nature are made in other than construction years there appears little possibility of a grant being made. In fact capital expenditures over and above repayment of debentures are made as a matter of course every year by probably every School District. Some of these expenditures might be for replacement of equipment which was originally eligible for capital grants and logic would insist they be eligible again. Other expenditures would be to provide new service or accommodation not previously provided by the District but now considered necessary. There does not seem any reasonable justification to exclude such expenditures from cost sharing by both local and Territorial governments.

In planning a new school it is customary to consider future as well as present needs. Whereas a building capable of housing a certain student population may be erected, it is almost certain maximum use will not be attained for a few years. Consequently, the Board will probably only furnish the new building for the present requirements with plans for additions as the school population demands. Under the present plan, however, only the equipment purchased the first year will receive consideration for grant and subsequent purchases will have to be provided from local taxes, that is, since the operating grant is fixed the cost of any current capital outlays must come from an increase in local tax revenues.

These expenditures are not insignificant and can cause some considerable difficulty for a struggling School District as their cumulative effect is felt over the years of operation. In the case of the School District No. 2 this has amounted to \$33,893 over the past eleven years.

We submit these expenditures should be eligible for a 50% capital grant if formally approved by Territorial authorities before purchase.

## 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.

Section 125 of the British North America Act states that:

"no land or property belonging to Canada or any province shall be liable to taxation."

Across Canada today, however, the principle of grant-in-lieu of taxes by the federal and provincial governments to municipal bodies is widely accepted. According to the Rowell-Sirois report:

"The principle is clear that the burden of providing services for government properties should be spread widely by federal or provincial taxation, as the case may be, and not charged against neighbouring properties."

In other words, it is not logical to exempt government bodies from urban taxation, where such properties tend to concentrate, because the cost of servicing such properties becomes the burden of the urban center where they are located, rather than the responsibility of the entire population. This principle has been strongly advocated by both municipalities and Royal Commissions and at the present time the Municipal Grants Act outlines the method by which municipalities may obtain federal grants-in-lieu. Legislation concerning provincial grants-in-lieu is not so consistently applied in all parts of Canada but this legislation is receiving serious consideration in several provinces and some changes may be expected.

It is the intention of this Brief to consider only federal grants-in-lieu with regard to the proper recipient of the grant and to make specific submissions for consideration to assure a logical distribution of funds.

### FEDERAL GRANTS-IN-LIEU OF TAXES

In 1950 the federal government assumed a lead position in establishing the principle of grants-in-lieu, by payments based on 7% of the assessed value of any federal property, located in a municipality, which was in excess of 4% of the assessed value of all taxable federal property in that municipality. This formula remained in force until 1955, at which time the grant was increased to full taxes on any federal property in excess of 2% of the combined assessment of taxable federal property in a municipality. In 1957 the 2% floor was removed and since that time the federal grant has been the equivalent of full real property tax on most of the federal property located wherever municipal services are provided.

It will be noted that certain federal property is not regarded as "taxable" or on which no grant is made. The exemptions are:

1. Real property used for conservation, irrigation, reclamation, rehabilitation or reforestation of land.
2. Parks, historical sites, monuments, museums, public libraries, art galleries or Indian reserves.
3. Any improvement to land or a structure that is not a building designed for the shelter of people, plant or movable property (e.g., piers, wharfs, runways, etc., but not the buildings on them or the land beneath them).

4. Self-contained defence establishments, but omitting buildings and land used for living quarters by married personnel, (provided the municipality foregoes any right to tax the occupants as Crown tenants).

Under the terms of the Municipal Grants Act any municipality may make an annual claim for a grant-in-lieu of municipal and school taxes on any non-exempt federal property, exclusive of Crown Corporations. These latter corporations, (e.g., C.N.R., C.B.C., etc.), make their own payments-in-lieu of property taxes.

At the present time those municipalities in the Northwest Territories receiving federal grants-in-lieu regard these funds as revenue of the municipal corporation. Accordingly, the federal payments reduce the mill rate for town purposes and, through this action, serve, indirectly, to increase the school mill rate.

#### DISCUSSION

Since the federal grant-in-lieu is calculated on the current mill rate in force in a municipality, for both town and school purposes, it is apparent that the federal government has thereby discharged all of its responsibility to local municipalities for services received. These services include all general benefits such as roads, sidewalks, sewer and water, street lighting, fire protection and so forth, as well as the benefit of tax supported public and separate schools, providing schooling for the children of civil servants.

#### PART A - CURRENT MILL RATE PROCEDURE

In Yellowknife, (the only municipal district for which 1963 tax figures are presently available), the general economic division of the services provided by the town and school districts according to actual requirements is as follows:

TABLE 1

REQUIRED FOR	AMOUNT REQUIRED FROM TAXES AND GRANT-IN-LIEU	PERCENT
Municipal purposes	\$ 181,220	44
School purposes	231,570	56
TOTAL	\$ 412,790	100

It is obvious that the tax supported services provided by the school districts have a greater economic value than those provided by the municipal corporation. This fact should be recognized when devising mill rates, otherwise there will be no logical relationship to the actual financial requirements.

In calculating mill rates for the Municipal District of Yellowknife it is the current practice to exclude the Federal government assessment on which the grant-in-lieu of taxes is based. The exclusion of Federal assessment from total general assessment for the purpose of striking mill rates in reality destroys the natural relationship which should exist between property assessment and current tax spending. This practice also ignores the spirit and intention of the Federal government grant-in-lieu, that is to discharge its responsibility to the municipality for services rendered - the largest portion of

which is the benefit of tax supported public and separate schools. The method used at Yellowknife at the present time is illustrated below:

Municipal Budget Requirement (Table 1)	\$181,220
Less: Federal grant-in-lieu (1,597,460 x 54 mills)	
Net Municipal Requirement	<u>86,264</u> <u>\$ 94,956</u>

In the following Table 2 the actual mill rate construction at Yellowknife for 1963 is detailed.

TABLE 2

TAXPAYERS*	NET ASSESSMENT	MILL RATE	TAX YIELD		YIELD <sup>o</sup>	%
			Town Purposes	School Purposes		
Land & Imprvmnts	4,674,220	16	\$74,787		\$94,956	30
Business	2,521,136	8	20,169			
TOTAL TOWN PURPOSES			\$94,956			
Land & Imprvmnts	4,674,220	38		\$177,620	225,521	70
Business	2,521,136	19		47,901		
TOTAL SCHOOL PURPOSES				\$225,521		
GRAND TOTAL					\$20,477	100

- \* Exclusive of Federal Assessment
- o Exclusive of Federal Grant-in-lieu.

It is immediately apparent that the reduction of the town requisition by the whole amount of the Federal Grant-in-lieu has caused a shift in mill rates and destroyed the natural relationship derived in Table 1.

	ACTUAL 1963		TABLE 1
	Mill Rate	%	%
Town Mill Rate	16	30	44
School Mill Rate	38	70	56
TOTALS	<u>54</u>	<u>100</u>	<u>100</u>

It is important to note also that the dollar yield actually derived at Yellowknife in 1963 for school purposes by applying the above mill rate of 38 varies considerably from the required amount shown in Table 1. A comparison of the actual requirements and yields is shown in the following Table 3:

TABLE 3

MUNICIPAL REQUIREMENTS	AMOUNTS REQUISITIONED	YIELD FROM TAXES	TAX YIELD VARIANCE	
			Over	Under
Net Town Services	\$ 94,956	\$ 94,956	-	-
School Services	231,570	225,521	-	\$6,049
<b>TOTALS</b>	<b>\$326,526</b>	<b>\$320,477</b>	<b>-</b>	<b>\$6,049</b>

The method of mill rate development used at Yellowknife in 1963 and illustrated in Table 2 resulted in a mill equivalent dollar value of \$5,935 approximately from taxes. The tax yield variance in Table 6 is \$6,049, or in excess of one mill by the amount of \$114. If an adjustment of one mill were effected then it would have been possible to strike mill rates having a variance of only \$114. Accordingly the mill rates might have been:

	<u>CORRECTED</u>		<u>TABLE 1</u>
	<u>Mill Rate</u>	<u>%</u>	<u>%</u>
Town Mill Rate	16	29	44
School Mill Rate	39	71	56
<b>TOTALS</b>	<u>55</u>	<u>100</u>	<u>100</u>

It is obvious from the above that the mill rate of 39 for School purposes would have resulted in a requisition equalization and a much smaller variance. The equalization of demand and yield for Schools through increasing the mill rate by one to 39 further aggravates the shift in mill rates by reducing the Town share to 29% of the total community budget. On the surface there appears to be no logical reason for the mill rate of 38 for schools used in Yellowknife for 1963. However, a possible explanation for the one mill discrepancy is that the Municipal Council recognized, in part, the validity of the claims by the School Boards (presented in memorandum form at special meetings and by letter prior to striking the 1963 mill rates) that the Federal grant-in-lieu of taxes should be divided between the municipality and the school boards and consequently artificially reduced the school mill rate with the intention of making up the school yield deficiency from Town revenues.

PART B - DIVISION OF CORPORATION TAXES BETWEEN SCHOOL DISTRICTS

Where more than one kind of school district, (e.g., Public and Separate), has been erected in a municipality Section 8j of the School Ordinance must be applied to share school tax revenue from undeclared sources. The formula for sharing is based on the percentage of declared individual assessment to total individual assessment for each district. For example, in 1963 these percentages were calculated for Yellowknife as follows:

To allocate Undeclared Land and Improvement School Taxes between School Districts the following percentages would apply:

TO THE PUBLIC SCHOOL:

$$\frac{\text{P.S. Individual Real Assessment}}{\text{Total Individual Real Assessment}} \text{ or } \frac{958,230}{1,415,760} = 67.7\%$$

TO THE SEPARATE SCHOOL:

$$\frac{\text{S.S. Individual Real Assessment}}{\text{Total Individual Real Assessment}} \text{ or } \frac{457,530}{1,415,760} = \frac{32.3\%}{100.0\%}$$



To allocate Undeclared Business School Taxes between School Districts the following percentages would apply:

TO THE PUBLIC SCHOOL:

P.S. Individual Business Assessment or 133,261 = 85.7%  
 Total Individual Business Assessment 155,456

TO THE SEPARATE SCHOOL:

S.S. Individual Business Assessment or 22,195 = 14.3%  
 Total Individual Business Assessment 155,456 = 100.0%

TABLE 4  
 SOURCE AND DIVISION OF ACTUAL SCHOOL TAXES  
 Yellowknife 1963

TAXPAYER CATEGORY	ASSESSMENT		SCHOOL TAX		ALLOCATED TO	
	Land and Impvmnts	Business	Mill Rate	Yield	Public School	Separate School
<b>DECLARED</b>						
Individuals	1,415,760		38	53,799	36,413	17,386
Corporations	230,170	155,456	19	2,954	2,532	422
		95,860	38	8,746	6,460	2,286
			19	1,821	1,609	212
<b>UNDECLARED</b>						
Corporations	3,028,290		38	115,075	77,906	37,169
		2,269,820	19	43,126	36,959	6,167
<b>TOTALS</b>	<b>4,674,220</b>	<b>2,521,136</b>		<b>225,521</b>	<b>151,879</b>	<b>63,642</b>

Table 4 is presented above as an enlargement of Table 2 which indicated the actual 1963 mill rates for Town and School purposes. Table 4 gives the breakdown of tax revenues between the schools in accordance with the provisions of the School Ordinance.

Some recognition must also be given to the variances between school requisitions and the allocation of taxes derived in Table 4. In Table 5 below the variances are analyzed:

TABLE 5  
 ANALYSIS OF VARIANCE BETWEEN SCHOOL  
 REQUISITIONS AND TAX YIELDS AT YELLOWKNIFE - 1963

SCHOOL DISTRICTS	AMOUNTS REQUISITIONED	TAX YIELD TABLE 4	TAX YIELD VARIANCE	
			Over	Under
Public School Dist., #1	165,170	161,879		4,291
Sep. School Dist. #2	65,400	53,642		1,758
<b>TOTALS</b>	<b>231,570</b>	<b>225,521</b>		<b>6,049</b>
Difference due to Mill rate variance (Table 3)		6,049	6,049	
	231,570	231,570	6,049	6,049

It will be noted from the above Table that the mill rate of 38 was too low to satisfy the requisitions of both School Districts. This indicates that under present practice certain discrepancies do occur between requisitions and yields

but apparently are not considered of any great concern, especially so when funds available to the municipal district are not a problem; that is, when the grant-in-lieu can be used to manipulate the mill rate; in this case to set a rate which will pay the difference between school yield and school requisition.

PART C - DEVELOPMENT OF EQUITABLE MILL RATES

In Table 1 of Part A above a general economic division of Yellowknife services is shown to be 44% for Municipal purposes and 56% for School purposes and further, in Table 2, it is shown that a total tax of 54 mills was applied to actual assessment to approximate the overall requirements of the two requisitioning parties. Moreover, by Table 3 it is shown that the mill rate should have been 55 to satisfy current needs. Development of equitable mill rates for each party would only be possible by applying the percentages developed in Table 1. Using actual assessment figures for 1963 the calculations presented in Table 6 show the development of mill rates and the tax yields necessary to achieve the realistic economic division of the tax burden called for in Table 1.

TABLE 6

ALL TAXPAYERS	TOTAL ASSESSMENT	MILL RATE	TAX YIELD		TOTAL YIELD	%
			Town Purposes	School Purposes		
Land & Impvmnts	6,271,680	24	150,520	194,422	180,774	44
Business	2,521,136	12	30,254			
TOTAL FOR TOWN PURPOSES			180,774			
Land & Impvmnts	6,271,680	31	233,500	233,500	233,500	56
Business	2,521,136	15.5				
TOTAL FOR SCHOOL PURPOSES						
			GRAND TOTAL		414,274	100

The mill rates developed in Table 6, that is 24 mills for Town purposes and 31 for School purposes, do approach the desired proportionate division derived in Table 1, that is:

	<u>Mill Rate</u>	<u>%</u>
Town mill rate	24	44
School mill rate	<u>31</u>	<u>56</u>
Total	<u>55</u>	<u>100</u>

It is important to note here that the dollar yields corresponding to the mill rates developed in Table 6 do not exactly equal the requisitioned amounts prescribed in Table 1. A comparison of the yields and requisitions follows:

TABLE 7

MUNICIPAL REQUIREMENTS	AMOUNTS REQUISITIONED	YIELD FROM TAXES	TAX YIELD VARIANCE	
			Over	Under
Town Services	\$181,220	\$180,774		446
School Services	231,570	233,500	1,930	
TOTALS	\$412,790	\$414,274	1,930	446

The tax yield variance could be eliminated by employing fractional mill rates. Such a procedure would require more complex calculations and does not, therefore, appear warranted provided the funds raised by whole mill rates are not applied for purposes other than the requisitions dictate and provided the tax yield variance is credited or debited to the proper account as required by Ordinance.

It would be possible, of course, to extend this development of mill rates to show the effect between School Districts, as was done in Table 4. The important feature to be noted from Table 6 is that Federal assessment is included for the purpose of establishing mill rates and tax yields. If this Federal assessment is not included in the development of school mill rates then the natural relationship between supply (taxes) and demand (requisitions) is lost and the illusion is created in the eyes of the taxpayer that an unreasonable percentage of his tax dollar is required for school purposes.

PART D - THE SCHOOL TAX BASE

In most communities in the Northwest Territories several factors combine to provide a rather unique problem where local assessment is concerned. These factors are:

- (1) A relatively high proportion of federal investment to overall investment in land and improvements.
- (2) A relatively high proportion of native population to total urban population.
- (3) Private investment is generally confined to low-cost construction and sub-standard housing.
- (4) An abnormally high birth rate and subsequently large school population per capita.

While it is realized that the system of Federal schools has been created to overcome the effect of these factors, it is probable that more municipalities will be created and new school districts will be erected in the not too distant future; example Pine Point. As these municipal bodies come into being the problem of sharing the Federal grant-in-lieu will become more urgent from the viewpoint of the school districts.

In Yellowknife, where private investment forms a much higher proportion of total investment than in any other Territorial community, the sharing of the Federal grant-in-lieu appears to be a necessity at the present time. Consider the effect of including Federal property in the school tax base as shown in the following Table:

TABLE 8  
SCHOOL TAX YIELD PER MILL AT YELLOWKNIFE 1963

	INCLUDING FEDERAL GRANT		EXCLUDING FEDERAL GRANT	
	Amount	%	Amount	%
Individual - Real Property	\$1,416			
Business	78			
Declared Corps. - Real property	230			
Business	48			
DECLARED TOTAL	1,772	24	1,772	30
Undecl. Corps. - Real property	3,028		3,028	
Business	1,135	55	1,135	70
Federal - Real property	1,597	21		
TOTAL	\$7,532	100	\$5,935	100

The total declared yield per mill of \$1,772 in Table 8 is made up of \$1,237 for the Public School and \$535 for the Separate School. The yield for Separate School purposes is dependent upon Declared taxpayers only, since Undeclared taxpayers pay at the Public School rate by Ordinance.

Table 8 shows that about 21% of the school tax revenue at Yellowknife could originate from the Federal grant-in-lieu. When Federal property assessment is excluded from the school tax base not only does it destroy the natural relationship which should exist between property assessment and current tax spending but it has the added ill effect of:

- (1) Decreasing the school tax yield per mill by \$1,600 from \$7,532 to \$5,935.
- (2) Increasing the school tax required from Declared sources by 6%, from 24% to 30%.
- (3) Increasing the school tax required from Undeclared sources by 15%, from 55% to 70%.

CONCLUSIONS:

1. From the foregoing it is obvious that the Federal grant-in-lieu is based on monies required for the operation of the Municipal Corporation and the School Districts. At the present time the Municipal Corporation appropriates all of the Federal grant and the School Districts receive none of it. The overall effect of this treatment is that the Municipal mill rate is reduced and the School mill rate is increased.
2. The present method of allocating the entire Federal grant-in-lieu to Municipal use causes a wide disparity between Town mill rates and School mill rates. This tends to create the illusion in the eyes of the taxpayer that an unreasonable percentage of his tax dollar is required for school purposes.

3. The exclusion of Federal assessment from total general assessment for the purpose of striking mill rates in reality destroys the natural relationship which should exist between property assessment and current tax spending. This practice also ignores the spirit and intention of the Federal grant-in-lieu, that is to discharge its responsibility to the municipality for tax supported services rendered - the largest portion of which is the benefit of tax supported Public and Separate schools.
4. If the Federal grant-in-lieu is distributed between the Town and the School districts the general economic division of the services provided by the Town and the School districts would be recognized, the natural relationship which should exist between property assessment and current tax spending would be satisfied, the Federal government responsibility to the municipality for tax supported services rendered would be discharged and the school mill rates would assume a realistic position in tax dollar spending.
5. It is obvious from the foregoing that the total tax load on the taxpayer would remain the same under any scheme of distribution of the Federal grant-in-lieu; the only change would be in the mill rates. The grant-in-lieu could be distributed on a percentage basis according to the share each budget requisition is of the total tax monies required by the Town and the Schools. Once the principle of sharing the grant-in-lieu is established, the mechanics of distribution would be a matter of facility.
2. NO SCHOOL DISTRICT, PUBLIC OR SEPARATE, OF THE SIZE REQUIRED TODAY AT VARIOUS LOCALITIES THROUGHOUT THE NORTH COULD BE SUPPORTED BY TAXES AT REASONABLE MILL RATES WHEN TOTAL ASSESSED VALUE IN A MUNICIPALITY IS LESS THAN \$4,000,000.

Because of the unique problem of local assessment in northern communities, as outlined in Part D of 1 above, the cost of educational facilities will increase at a more rapid rate than the cost of other municipal services. The communities where School Districts are established must face the fact that school requisitions will increase annually because of certain uncontrollable factors (e.g., high birth rate, competitive increases in teachers' salaries which make up 65% of operating costs, etc.) thereby necessitating higher school mill rates. Since the Federal grant-in-lieu is partly based on school mill rate this means the government will pay an ever increasing amount to municipalities. If the present treatment of Federal grants-in-lieu continues, the Town in turn will have more grant money available to subsidize town services. Accordingly, the municipal mill rate will tend to decrease because of a shift of the tax burden to the schools.

There are two Towns in the Northwest Territories with municipal district administrations, there are two more settlements contemplating municipal status as Villages, and a new industrial (mining) town is under construction. Of the five, Yellowknife has by far the largest assessment value, in excess of \$9,000,000. The second town is Hay River with total assessment valued at \$2,200,000 before the recent flood. Fort Smith, with an assessment of \$4,500,000 and Fort Simpson at \$1,500,000 are considering municipal (Village) status. The new mining town of Pine Point is under construction and will rapidly reach Village, if not Town status with significant assessment, probably of the order of \$5,000,000 by 1966.

At Yellowknife the mill rate is presently 54 mills, which produces slightly over \$400,000 in tax revenues (including Federal grant-in-lieu) of which 56%, or \$233,500 provides the municipal cost of operating the two tax supported schools with a total population of 700 pupils. Tax yield per pupil is \$334. At Hay River a mill rate similar to that at Yellowknife, (54 mills), would produce an estimated \$104,000 in tax revenues. If it is further assumed that the Hay River municipal services are in the same proportion of the total tax yield as Yellowknife, then the \$104,000 would be logically divided as follows:

Hay River municipal purposes	(44%)	\$45,760
Hay River school services	(56%)	<u>58,240</u>

TOTAL TAX YIELD \$104,000

This would mean that for an approximate Hay River school population of 410 students the tax yield would be \$142 per pupil from \$58,240 of school tax. In Yellowknife at the present time the school tax yield is considered barely adequate at \$334 per pupil.

The Federal School system helps to alleviate the problem at Hay River by accommodating some 230 students. A token 10 mills is paid by non-separate school supporters to the Territorial government for this service. The yield from this 10 mills is not known but it is likely to be about \$11,000. If the taxes raised for school purposes were reduced accordingly, (\$57,000 - \$11,000), the tax yield per student for the established school district would become \$250. This amount is still well below the minimum acceptable yield at Yellowknife. In both the examples above the Federal grant-in-lieu is included.

The point here is that the contemplated Municipal status for Fort Smith and Fort Simpson with their low assessment could not hope to support schools by taxes under the Yellowknife method of treating Federal grants-in-lieu, but a distribution of the grant-in-lieu could provide an impetus toward establishment of tax schools once an acceptable assessment is attained. This would be especially significant at Fort Smith where Federal assessment forms such a high proportion of total municipal assessment.

A study of all the aspects of assessment in terms of school costs, student enrolment, total population and tax base is recommended. There is no doubt some definite relationships can be established on which to base Real Property Tax consideration. For instance at Yellowknife where there exists a major industrial tax base it may be shown that, in spite of the increasing cost of educating a student, there is a corresponding decrease in the amount of assessment required to support a student.

YELLOWKNIFE PUBLIC SCHOOL TAX BASE

<u>YEAR</u>	<u>ASSESSMENT</u>	<u>STUDENTS</u>	<u>ASSESSMENT PER STUDENT</u>
1960-61	\$4,128,605	364	\$11,342
1961-62	4,171,732	378	11,316
1962-63	4,178,856	408	10,242
1963-64	4,259,975	449	9,487

Currently some \$10,000 of assessment at 38 mills at Yellowknife will provide sufficient tax monies to support a student in the school atmosphere to which he has become accustomed and at a mill rate close to the National average for towns of similar circumstance. A rate of 24 mille will accomplish the same thing if the Federal grant-in-lieu is shared. Not so in Hay River where there is no broad industrial tax base, therefore there is little or no annual capital expenditure to maintain and improve plant and employee living standards, which are the factors influencing assessment values. In the absence of equalized assessment Territorial grants should be designed to provide an equalizing effect.

Nor can we expect the old settlements of Simpson, McPherson, Rae, etc. to support the general services normally considered to be of local concern, aside from the high cost of education, when the economy is based on transportation, trapping and fishing. Government enterprise momentarily supplies the impetus and replaces the industrial base of private enterprise at almost all centers in the north except for Yellowknife and at the coming new mining town of Pine Point. Therefore, government must continue to maintain and improve its plant and keep up the standard of living (especially accommodation) for civil servants; because of its investment and its policy to advance

gradually towards responsible local government it has an obligation to do so, at least until such time that private industrial enterprise takes over. The impetus to accelerate this latter condition has been lagging, and the judicious use of incentives must be employed to attract industry and counteract the shrinking industrial tax base.

3. BECAUSE OF THE LACK OF AN ADEQUATE TAX BASE, THE FINANCING OF EDUCATION AND THE POLICY OF GREATER ENCOURAGEMENT TOWARDS THE GROWTH OF LOCAL GOVERNMENT MUST ADVANCE IN SOME INTERIM ATMOSPHERE CONDUCTIVE TO THE DEVELOPMENT OF BOTH IN HARMONY.

It has been demonstrated that towns and villages with an inadequate tax base, or with less than \$4,000,000 total assessment, cannot support a school district, therefore an interim method of financing education is proposed.

If the 10 mill real property tax for education in towns and villages throughout the north is implemented and revenues are deposited with the Territorial government the taxpayers should, in turn, be permitted a token participation in administration of the schools they support. So far there is no indication this condition will evolve but it must if the policy of local government growth is to advance and the ratepayers are to assume their rightful responsibilities in education.

In order to achieve an environment wherein all the expressed policies may advance in harmony it is suggested that a school financing arrangement similar to that now in force in the Yukon Territory may provide a solution, that is, until such time as a community attains the proper assessment and other normal requirements to support tax collection and the spending of tax revenues to provide the required educational services.

The Yukon agreement specifies that education, with or without school districts, public or separate, is a territorial responsibility (as in the Northwest Territories) as to curricula, teaching qualifications, examinations, over-all supervision and grant allocations. Within this framework there is provision for consultation between government and an elected advisory committee (equivalent to school board) in the responsibility for the design of the school and the grounds, the calling of tenders and the award of contracts, the care, management and supervision of school property, the promoting of harmonious teacher relations, and the general improvement and extension of education facilities.

The Territorial government picks up the tab for capital costs of construction, utilities, landscaping, equipment and furniture for both school buildings and teacherages. Operating costs are paid monthly on a per pupil basis and are all-inclusive (bus transportation as well) except for religious educational material which must be provided by church authorities.

In return for the payment of all capital and operating costs the Territorial government levies and collects a school tax which in effect stamps the system as "publicly supported" schools. When conditions permit, possibly when assessment is of such a value as to support by tax revenues the general services, including education, in any Yukon community, the agreement provides for the establishment of school districts, other than Territorial schools, and when this is done all capital contributions are transferred to the district ratepayers for the nominal sum of one dollar.

This arrangement provides for economical operation of schools and gives the ratepayers in any community a fair share in the administration of this service, a condition which does not now exist in Territorial schools in the Northwest Territories. At the present time the Municipal governments and the Territorial government share the tax load by each levying 14 mills for educational purposes, in the Yukon.

An important point to note here is that school districts usually operate more economically than government schools and a considerable saving could be realized in overall expense by transferring a fair share of administration to ratepayers in all tax producing communities.

SUMMARY

THE GRANTS SYSTEM

1. CAPITAL GRANTS FOR TEACHER ACCOMMODATION. Because no community has assumed a normal urban character in the Northwest Territories credit sources will not make available significant sums of money for normal real estate development, and since teachers and professional workers in the north consider their residence in the area to be of a short-term nature school systems (district and government) are forced to provide adequate housing on a rental basis. In order to avoid competition, relieve school districts of current capital outlay and equalize primary accommodation provisions throughout the entire northern education system it is strongly suggested that the present Capital Grants Ordinance be extended to include 50 percent of funds for construction of teacher accommodation.
2. DELAY IN PAYMENT OF OPERATING GRANTS. Since operating grants based on average attendance are paid after completion of the school year, school districts are automatically placed in a borrowing category. It is suggested that amendment of the Ordinance to permit payment of 80 percent of the grant, based on enrolment, within 60 days of the opening of the school term be considered.
3. OPERATING GRANT BASE CHANGE FROM AVERAGE ATTENDANCE TO ENROLMENT. Because of attendance variations the Territorial government found it necessary to replace operating grant calculations based on average attendance by payments based on enrolment. A similar policy might well be considered for School Districts, especially since operating costs are tied to enrolment rather than to attendance, that is the operating cost of any school building unit is constant for a given period whether it be 50 percent or 100 percent occupied. It has been suggested that Districts can control attendance and that Grants based on attendance provide an incentive to reduce truancy. It is the contention of this Brief that truancy does not affect attendance as much as other social problems relating to children staying out of school.
4. NORMAL ANNUAL INCREASES IN EDUCATIONAL COSTS SHOULD BE A DETERMINING FACTOR IN SETTING PER PUPIL OPERATING GRANTS FOR ANY FIVE YEAR PERIOD. Unless the ever increasing cost of education is recognized by the administrators of a school system as a fact of life, financing difficulties are bound to arise at some point in the five-year agreement period because the fixed grant will gradually reduce the government's share of the total cost of operation. It is recommended that future deliberations for grant fixing recognize the national trend of increasing educational costs so as to provide for cost sharing equalization over the full period.
5. ELIGIBILITY OF CURRENT CAPITAL EXPENSE. Provision for amendment of the Capital Grants Ordinance to include legitimate, approved current capital expense should be considered.



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 method of allocating the entire Federal grant-in-lieu to Municipal use causes a wide disparity between Town mill rates and School mill rates. This tends to create the illusion in the eyes of the taxpayer that an unreasonable percentage of his tax dollar is required for school purposes. The exclusion of Federal assessment from total general assessment for the purpose of striking mill rates in reality destroys the natural relationship which should exist between property assessment and current tax spending. This practice also ignores the spirit and intention of the Federal grant-in-lieu, that is to discharge its responsibility to the municipality for tax supported services rendered - the largest portion of which is the benefit of tax supported Public and Separate schools. If the Federal grant-in-lieu is distributed between the Town and the School districts the general economic division of the services provided by the Town and the School districts would be recognized, the natural relationship which should exist between property assessment and current tax spending would be satisfied, the Federal government responsibility to the municipality for tax supported services rendered would be discharged and the school mill rates would assume a realistic position in tax dollar spending.
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. The total value of assessment in a community will largely influence the success of the government policy of greater encouragement towards the growth of local government and especially so where tax supported services are to be all inclusive. Currently some \$10,000 of assessment at reasonable mill rates must be found to support each student in the school atmosphere to which he has become accustomed. The contemplated Village status for Fort Smith and Fort Simpson with their low assessment will not permit tax supported schools under the Yellowknife method of treating Federal grants-in-lieu, but distribution could provide the impetus to do so once an acceptable assessment is attained.
3. BECAUSE OF THE LACK OF AN ADEQUATE TAX BASE, THE FINANCING OF EDUCATION AND THE POLICY OF GREATER ENCOURAGEMENT TOWARDS THE GROWTH OF LOCAL GOVERNMENT MUST ADVANCE IN SOME INTERIM ATMOSPHERE CONDUCTIVE TO THE DEVELOPMENT OF BOTH IN HARMONY. The Yukon agreement for the financing of education provides for economical operation of schools and gives the ratepayers in any community a fair share in the administration of this service. This appears to be the obvious solution in communities such as Hay River where there is a lack of adequate tax base to support the existing School District. It is strongly recommended that the School Ordinance be expanded to include this system for the financing of education in low assessment communities contemplating municipal status.

Respectfully submitted by:

YELLOWKNIFE PUBLIC SCHOOL DISTRICT NO. 1

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(Sgd.) C.E.G. Brown, Chairman, Trustee Board

YELLOWKNIFE SEPARATE SCHOOL DISTRICT NO. 2

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(Sgd.) Norman W. Byrne, Chairman, Trustee Board

HAY RIVER SEPARATE SCHOOL DISTRICT NO. 3

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(Sgd.) W.R. McBryan, Chairman, Trustee Board

Yellowknife, N.W.T.  
November 5th, 1963.