

# **Justice in Education?**

## **The Provincial Takeover of School District 44**

by

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**A thesis submitted in conformity with the requirements  
for the degree of Master of Arts  
Department of Theory and Policy Studies in Education  
Ontario Institute for Studies in Education of the  
University of Toronto**

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**Justice in Education? The Provincial Takeover of School District 44**  
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This thesis explores the removal from office of the North Vancouver Board of School Trustees by the British Columbia Minister of Education, in January 1996. Under allegations of financial mismanagement, the trustees were replaced by a government appointed official trustee. This case study examines the actions and attitudes of local and provincial politicians, the local teachers' union, school board trustees and administrators, and parents, in the events surrounding the removal of the trustees.

A historical overview of public education traces the increasing centralization of education finance and governance in British Columbia. The removal of the school trustees is analyzed in terms of provincial centralization and the corresponding loss of local autonomy; and in terms of the related tension between the principles of equality of educational opportunity and cost-containment. The thesis concludes by making recommendations to improve education funding and increase local school board autonomy in British Columbia.

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# INTRODUCTION

*Victoria is Cheating Kids  
North Vancouver won't take it  
The deficit is not our fault  
Save our schools, please have a heart  
Glen Clark, Paul Ramsey  
We want funding equity!*

On a rainy Sunday in March 1996, one thousand parents and children marched down North Vancouver's main avenue to demand fairer funding for education from the province of British Columbia. Their local school board had been removed two months prior, by then Minister of Education, Art Charbonneau, for accumulating a projected deficit of \$5 million, and refusing to make a partial debt repayment of \$500,000, by the end of that school year. An official trustee, Mr. Robert Smith, had subsequently been appointed to restore the fiscal reliability of School District No. 44, and in fulfilling that mandate had proposed sweeping cutbacks to the local schools. As an assortment of banners, placards, umbrellas and strollers wove down the wet pavement, the chorus of "Stop Education Cuts! Fair Funding Now!" echoed through the ranks.

On January 18, 1996, the trustees of the North Vancouver School Board had been ostensibly removed for bringing the school district to the point of "bankruptcy." While bankruptcy in the private sector usually requires the dissolution of assets in the wake of irresolvable debt, in the public sector financial insolvency from excessive debt has variable outcomes depending on the nature of the service. In the case of the North Vancouver School District, desks and library books were not put on the chopping block and sold to the highest bidder, but the school district lost their democratically-elected representatives and became subject to the dictates of the provincial government in the Ministry's attempt to restore fiscal solvency.

At the time the North Vancouver trustees were removed by the Minister of Education, speculation ran rampant as to the cause of the district's financial distress. The trustees were blamed for financial mismanagement, administrators were blamed for generous retirement

benefits, teachers were blamed for a lucrative contract, the New Democratic Party provincial government was blamed for partisanship, North Vancouver parents were blamed for wanting an education system better than the rest, and almost all blamed the Ministry of Education for underfunding the North Vancouver School District.

Parents, trustees, the appointed official trustee, school board administrators, the teachers' union, and the Ministry of Education all played a key role in this crisis. The objective of this case study is to examine the actions and attitudes of the key players to determine a rationale for their actions; the stated, or tacit, principles behind their decisions. Historically in British Columbia, the democratic ideal of equality of educational opportunity had been tempered with financial concerns of cost-containment, and challenged by parents, students, and educators wanting excellence and innovation in the school system. Evidence of the tension between the principles of equality, cost-containment, centralization and local autonomy appears in the ever-changing structures and policies in local and provincial government, the degree of local school board autonomy versus the increasing centralization of the Ministry of Education, employee contract negotiations, and parental involvement. The roles and responsibilities of each key player in the North Vancouver dispute reflects these principles in varying and often conflicting degrees.

- Part 1 includes a profile of the community of North Vancouver and the North Vancouver School Trustees.
- Part 2 is a historical look at public education in British Columbia in terms of local and provincial powers and funding policies.
- Part 3 examines the removal of the North Vancouver trustees, and the combined effects of the collective agreements of the teachers' union and provincial funding policies.
- Part 4 asks whether justice has been served in the North Vancouver School District, and answers the following questions:
  1. Was the imposition of the official trustee necessary?
  2. Did the collective agreements of the North Vancouver Teachers' Association "bankrupt" the system?
  3. Are the funding policies and practices of the Ministry of Education fair and reasonable?

**4. Are the expectations of North Vancouver parents too high and too expensive for the provincial school system?**

**The thesis concludes by making recommendations to improve education funding and increase local school board autonomy in British Columbia.**

**On a personal note, my interest in this issue is not purely academic. As a parent of two children currently in North Vancouver schools and a third to be entering the system, I was horrified to learn of the removal of our local trustees and the impending cutbacks that were to follow. Another parent, Susan Verver and myself, felt compelled to bring parents together across the school district to form an organized protest to the Ministry's actions. The lobby group, Justice in Education was formed for that purpose. When Justice in Education was disbanded, I was elected as co-president of the North Vancouver Parent Advisory Council, the parent group representing all 41 school-based parent advisory councils in the school district. As co-president I represent parents at school board meetings, meet with the superintendent of schools, senior administrators, parent groups, and representatives of principals' associations, teachers' and support staff unions, on a regular basis.**

**My position within the school district has motivated me to understand the problems within the funding system, and given me access to information that may otherwise have been difficult to obtain. However, the Ministry of Education is a complex bureaucratic entity, and research has often been problematic. In addition, as the financial problems have a political aspect, some of the information obtained is speculative and open to interpretation. Research sources include academic references, Ministry of Education and North Vancouver School Board documents and correspondence, local newspapers, and public meetings. I also conducted a number of interviews with the North Vancouver School Trustees, school board administrators, union representatives, Ministry officials, and elected officers.**

# **PART 1**

## **COMMUNITY PROFILE**

### **North Vancouver School District**

North Vancouver is a mid-sized community, located on the north shore of the City of Vancouver's inner harbour. The school district is comprised of two municipalities, North Vancouver City, a small, urban center that is surrounded by the suburban District of North Vancouver. Originally called Burrard Inlet, and then Moodyville, in the late 1800's the area was the site of the first sawmill in the region, provided with lumber by logging the mountain slopes on which the community is now built. Two native bands retained villages within the area and received reserve status from Britain in 1870. The City of North Vancouver was incorporated in 1907, and immigrants primarily from Great Britain and Europe settled here throughout the early part of the century.

The Burrard Inlet School District was formed in January 1870, and the first school opened that August, while British Columbia was still a Crown Colony. As was the case in many pioneer schoolhouses, financing was difficult; and the obtaining of government grants was subject to compliance with the province. The New Westminster School Trustees, who governed all schools in the lower mainland at that time, initially requested a grant of \$500 for a new school at Burrard Inlet. The grant, plus a tuition fee of \$1.50, was to pay the teacher's salary, and voluntary subscriptions were to be used for other expenses and repairs. Teachers were required to pay fuel costs out of their salaries. The one-room school was built and furnished by the sawmill proprietors Messrs. Moody, Dietz and Nelson, and was the seventh public school to be built in British Columbia. When the school opened in August, the school inspector found the school small and poorly equipped as "the local board had made no attempt to supplement the government grant."<sup>1</sup> In a prophetic act, the government grant was withheld the following year.

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<sup>1</sup> Kathleen Woodward-Reynolds, "A History of the City and District of North Vancouver," M.A. Thesis, University of British Columbia, 1943, 141.

In the early 1900's, North Vancouver experienced a real estate boom for most of the years prior to the stock market crash of 1929. From 1902 - 1924, ten schools were built and expanded in the growing city and district, the financing of which required heavy borrowing from the province. The city and district had also overextended itself in providing municipal services beyond the ability of the taxpayers to pay, and land began to revert to the municipalities. The ensuing deficit as expenditures exceeded revenue resulted in the appointment of a Commissioner in 1932 to administer the city and district. The bonded indebtedness of the school district was said to have "contributed to the financial instability of both City and District."<sup>1</sup>

The Second World War brought prosperity to the North Vancouver's port and ship building industries, and ratepayers resumed self-government in 1945. A provincially appointed administrator did not again appear in the municipality or school district until the removal of the school trustees in 1996.

### ***District Demographics***

Since the late 1800's, North Vancouver has grown steadily as a suburb of Vancouver and there are currently almost 120,000 people living in the city and district combined. The recent wave of immigration to the Vancouver area has not affected North Vancouver, where from 1988-95, there has been a 9.8% rate of growth compared to 30.8% in the Greater Vancouver Regional District. According to the 1991 census, 18.8% of North Vancouver's population do not have English as a first language, compared to 29.8% in the GVRD.<sup>2</sup>

As of 1993, the average income of a family in North Vancouver was \$31,932, compared to \$28,398 in Greater Vancouver.<sup>3</sup> In 1997, the assessed median house value in North Vancouver was \$311,018, compared to \$263,802 in the Greater Vancouver area.<sup>4</sup> Provincially, all North Vancouver ridings are currently Liberal, while the provincial government is a New Democratic Party majority. In North Vancouver City an NDP MLA

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<sup>1</sup> Woodward-Reynolds, 149

<sup>2</sup> Greater Vancouver Regional District, Strategic Planning Department, *Greater Vancouver Key Facts*, 1996, 39-43.

<sup>3</sup> *Greater Vancouver Key Facts*, 57.

<sup>4</sup> B.C. Ministry of Education, "Budget Instruction Manual for B.C. School Districts, 1997/98 Preliminary Budgets."

served from 1991-96, only the second time in North Vancouver's history that the NDP has held a riding in the area. Since 1952, the ridings have elected either Liberal or Social Credit members of parliament. Federally, the city and district combined are currently Reform, but prior to 1993, it had been mainly a Conservative riding.

In the 1995/96 school year, 17,800 children attended 42 schools in the public school system. In general, student performance ranks higher than the provincial average in almost all subject areas and more go on to higher education.<sup>5</sup> At 15%, there are more university-educated adults living in North Vancouver, than the provincial average of 8.8%.<sup>6</sup> While 23.1% of students in the GVRD were enrolled as English as a Second Language students in the 1995/96 school year, only 13.9% of North Vancouver students had ESL designation.<sup>7</sup> The profile of this school district which emerges is that of middle-to-upper income residents who place a high value on education, and so far, a community relatively protected from the stresses of rapid expansion and immigration occurring elsewhere in the Greater Vancouver area.

### ***Education Programs***

During the later half of the 1980s, British Columbia spent less per student on public school education than the Canadian average.<sup>8</sup> Despite this, North Vancouver took a leading role in the province during that time to develop education programs, some of which are still considered the best not only in B.C., but also in the country as a whole.

#### **Music**

The Elementary Band and Strings program, which is almost unique in B.C., was phased in during the early 1980s, and by the mid-80s was in every school in the district. In September 1992, the program became user-fee, and is now totally parent funded. Even so, North Vancouver has recently developed a Band and Strings curriculum guide, which is correlated with a criterion-referenced report card, and sold to other school districts.

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<sup>5</sup> *1995-96 Annual Report*, North Vancouver School District.

<sup>6</sup> Statscan 95-389 & 338, based on 1991 Census.

<sup>7</sup> Sources: B.C. Ministry of Education, "English as a Second Language Report," No. 1586A, Sept. 1996, and "Comparison of Funded FTE Enrollments," 1996.

<sup>8</sup> Statscan No. 81-208, *Financial Statistics of Education, 1989-90*, 36.

## **Fine Arts**

In 1989, the Artist for Kids Trust was established through the cooperation of Canadian artists and the North Vancouver School Trustees. The goal of the trust is to establish a fine arts legacy for the children of British Columbia through the sale of original prints by its artist/patrons. Artists for Kids is completely self-sufficient and has built a \$500,000 art collection to date from artists such as Kenojuak Ashevak, Robert Bateman, Ted Harrison, George Littlechild, Tony Only, Bill Reid, and Jack Shadbolt. Artists for Kids offers art enrichment programs such as after-school art series, a Summer School of Visual Art, scholarships for graduating students, enrichment pull-out programs, and gallery tours and workshops. The Artists for Kids Trust is the only one of its kind in Canada.

## **Outdoor Education**

In 1970, the North Vancouver School District purchased 165 hectares in the mountainous coastal region north of the district. Since that time the Outdoor School has provided a residential environmental education program for all North Vancouver students. The facility has a hobby farm, a longhouse for teaching native traditions, forest ecology and bird-watching programs, and canoeing, archery, field sports, and cross-country skiing. A fish hatchery, which is part of the district's salmonid enhancement program, is supported by salmon-rearing tanks in all district schools, and is probably the most extensive in the province. The Outdoor School is also located in a wintering habitat for bald eagles, and a recent partnership with Nature Conservancy Canada provides the school district with funds to complete the purchase of the property in return for a protective covenant on the property. According to John Montgomery, Assistant Superintendent, "Of only a handful of Outdoor Schools in North America, it is considered one of the most renowned."

## **Computer Technology**

In the area of Computer Technology, North Vancouver was considered a leader in the province in 1988, when it implemented a policy to have a computer lab in every school. A minimum of 15 units was placed in every school that year, one of the first districts to do so in B.C. Assistant Superintendent, Paul Killeen, states that "in the last four years however, North Vancouver has been unique in having allocated no funding for technology in the

operating budget.” All computer technology currently in use in North Vancouver schools has been purchased from parent fundraising.

### **Reduced Education Services**

In 1992, the school district began reducing education services as their financial troubles mounted. Directors, coordinators, teacher consultants, and support staff were reduced in number and positions were eliminated; diagnostic centres and resource programs for special education were eliminated; and fees were introduced or increased in a number of areas. In many ways, the profile of North Vancouver is of a school district struggling not simply to maintain an adequate education program, but to provide an excellent and enriched learning environment for its students. Parent fundraising and user fees have helped prevent the loss of many valuable programs, but in other areas cutbacks to education programs have been drastic.

The first half of the 1990s has clearly been a time of change and adaptation for North Vancouver parents and students. Unlike other school districts in the Vancouver area, North Vancouver has not needed to adapt to rapid immigration and development, but like many districts it has struggled to balance spending on education services with funding from the province.

## **The North Vancouver Board of School Trustees**

The North Vancouver Board of School Trustees consists of seven elected trustees, four from the District and three from the City of North Vancouver. The trustees are responsible for overall educational policies and governance procedures, and they appoint a superintendent of schools as the chief executive officer who manages the operation of the school district.

School trustees, either elected or appointed, have been an integral part of the education system in British Columbia since the years of the first settlements in the 19th century. Where there are families, there are children; and historically, most pioneer communities have felt that children should acquire at least basic skills in literacy and numeration. Although the powers of school trustees have fluctuated over the years, they

have retained their key function of linking schools and their communities to the governing body of the day. As will be shown in the case of North Vancouver, this link has not always been amicable, and elected trustees can be swiftly replaced with a government appointed trustee. Nonetheless, up to this point in time, the role of trustee or board of trustees, appointed or elected, must be filled to complete the organizational structure of the education system in British Columbia.

As stated in annual reports and communications from 1989 to 1996, the North Vancouver School Trustees have been dedicated to maintaining high levels of educational standards despite budgetary concerns. In the 1990-91 Annual Report the chairperson stated that “[t]he Board of Trustees believes that the major focus for educational activities in North Vancouver Schools should be on the learner” even within “imprecise [budgeting] time lines and uncertain financial resources.”<sup>9</sup> In the 1994-95 report, the chairperson stated her commitment to “protect and enhance learning opportunities and the education environment” in spite of being “confronted with the continuing challenge of trying to maintain services in the school district with inadequate funding from the province.”<sup>10</sup>

The members of the board of trustees who were removed in January 1996, were all long-time residents of North Vancouver, some having served as trustees for over 15 years. The Chairperson of the board was a director of community services in North Vancouver. The Vice-chair was a financial officer of a major corporation, with an MBA in finance, three of the trustees had formerly served on local school parent advisory councils, one was an Anglican minister, another a Chief of the local native band. All demonstrated dedication to the community they represented, working long hours for a nominal stipend.

### ***School Act Revisions-1990***

A review of financial policies and practices in the years prior to the dismissal of the trustees presents a complicated series of events. From the trustees’ point of view, the reason for the district’s financial problems was clearly one of chronic underfunding by the Ministry of Education following School Act revisions in 1990. During the latter half of the 1980s, local programs such as Outdoor School, Band and Strings, Computer Technology, and

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<sup>9</sup> *Annual Report 1990-91*, North Vancouver School District.

Diagnostic Centres for special education were supported and/or initiated by additional local tax levies. In addition, North Vancouver usually generated a surplus of operating funds and built a sizable capital reserve fund during these years.

In 1990 however, two fundamental amendments were introduced to the funding provisions of the School Act for British Columbia:

1. Funding for each school district would be fully centralized in the province, and based on the distribution of a “block” of funds, indexed for growth and inflation, and
2. School boards would no longer be able to levy local taxes for a portion of their budgets.

In the years following the School Act revisions, North Vancouver experienced funding shortfalls, an accumulating deficit, and a severe reduction in education services. The removal of the North Vancouver School Trustees by Minister Charbonneau occurred after years of dispute over funding issues related to this school district. To gain perspective on the positions of both the Ministry and School Board, the following historical overview of public education in British Columbia focuses on changes in education funding, taxation policy and the powers of local school boards.

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<sup>10</sup> *Annual Report 1994-95, North Vancouver School District.*

## PART 2

# HISTORICAL OVERVIEW OF PUBLIC EDUCATION IN BRITISH COLUMBIA

*"A few months experience was sufficient to demonstrate that nothing short of an absolutely Free School system would meet the requirements of the Colony."*

John Jessop, Victoria 30, 1892.  
1st Annual Report of the Superintendent of Education

From British Columbia's early years as a British colony to the present, the ideals of freely accessible public education have been a consistent theme. Public education however, is not free. Somehow, someone has to pay for services, and the question of who pays has determined, and made increasingly complex, the funding policies of the provincial Ministry of Education. The two major sources of revenue for public education, are local property taxes and general provincial taxes on services. While it can be argued that these sources do not differ in principle, and it is insignificant whether one pays for education through local or general taxes, in practice there are differing power structures associated with each model. Funding education, at least in part through local property taxes, has given more power to local school boards over spending decisions and levels of revenue. Funding derived in a greater proportion from general provincial revenues has given greater power to the province. Historically it has been significant how funds for education are obtained, as it has determined the level of local autonomy within a school district.

In the case of North Vancouver's financial crises, the policies of the Ministry of Education have been determinative, as they currently control all levels of funding for public education in B.C. This was not always the case however, and the centralization of funding in the Ministry is a fairly recent amendment, having previously occurred only briefly from 1872-1888. From the early part of the century until 1945, the major portion of education funding in British Columbia was derived from local property taxation. From 1945 to the present, the province has exerted increasing levels of control over education funding, and

has contributed more funds from general provincial revenues. While the degree of financial instability that has occurred in North Vancouver is not commonplace, it has not occurred in isolation from the province. The increasing centralization within the Ministry of Education over the previous fifty years has directly contributed to the financial instability of the North Vancouver School District.

The following historical overview traces the development of the current centralized funding system and the diminished powers of school boards over revenue sources. Legislative changes can be related to several overriding principles that have been alternately endorsed or mitigated by the provincial government of the day. The principles of equality in educational opportunity and financing, cost-containment, local autonomy and centralization have been expressed by policy-makers over the years. The current finance system encompasses these principles in varying degrees.

## **Principles of Equality**

### ***Funding Alternatives: Colonial period to 1944***

The question of how education should be financed is central to both a school system and the community it serves. The debate in British Columbia began with the first immigrants and it primarily centered on whether or not education should be available to all children, rich or poor. The years prior to the entry of British Columbia into the Dominion of Canada saw the beginnings of a non-sectarian, public school system in which the powers of local school councils were very limited, and authority resided for the most part within a centralized agency, be it a general board or governor. Education funding was initially fully privatized and based on tuition fees, then fully subsidized by the colonial government, and finally based on shared local-provincial arrangements.

### **"Free" Schooling**

Following the union of the Colony of British Columbia with the Dominion of Canada in July 1871, the Superintendent of Education, John Jessop, brought the principal of free schooling into the new provincial system. "Free schooling" at this time would have referred

to the absence of tuition fees. As F.H. Johnson documents, Jessop's Public Schools Act of 1872 was greatly influenced by the Ontario policies of Egerton Ryerson in terms of both funding and governance. The new governance structure mirrored the Ryerson system in that "both provided for locally elected school boards and an overall Provincial Board of Education, chaired by a Superintendent of Education."<sup>1</sup>

The Ontario principle of free schooling was also paralleled in B.C., although the source of funds was obtained differently. "The British Columbia act provided free schooling by implication, i.e. through provincial grants to the school boards to cover the necessary costs of education. The funds were to come from the general revenues of the province rather than from local property taxes."<sup>2</sup> As very little of B.C. had established communities in 1872, and most of the revenue of the province was from the migratory employment of miners, loggers, and road building, there would have been an inadequate assessment base from which to collect taxes.<sup>3</sup> Thus the difference between the two provinces in how funds were obtained was likely only a function of the difference in degree of established communities. In any event, funding education through general provincial revenues was short-lived in B.C., and by 1888 local school boards could begin to raise funds through property taxes.

Locally elected school boards were established in each school district in B.C., and in North Vancouver the first school trustees were elected in 1870 to govern the one-room school house by the sawmill. As stipulated in the Public Schools Act of 1872, the three-person board was empowered to call school meetings, receive and disburse funds, maintain school buildings and equipment, ensure that authorized textbooks were used, and that the schools were conducted in accordance with provincially mandated regulations. They were not responsible for the hiring or dismissal of teachers, for setting salaries or raising funds.<sup>4</sup>

Although local school boards had gained greater powers with the Act of 1872, most authority for the management of the schools still resided within the government of the

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<sup>1</sup> F.Henry Johnson, "The Ryersonian Influence on the Public School System of British Columbia", in *Shaping the Schools of the Canadian West*, Editors David C. Jones, Nancy Sheehan, Robert Stamp, Calgary: University of Calgary, Detselig, 1979, 32.

<sup>2</sup> *Ibid.*, 32.

<sup>3</sup> *Sessional Papers of the Legislative Council of British Columbia*, 1872.

<sup>4</sup> F. Henry Johnson, *A History of Public Education in British Columbia*, Vancouver: University of British Columbia, 1964, 45.

province. As revenue for the schools was provided in total from the general revenues of the province, local boards were not required to solicit funds through local taxation or tuition fees. The purpose of the Public Schools Act of 1872 was to provide free non-sectarian schooling for every child in the province. The trustees were elected to facilitate the delivery of educational services to their local communities. Their duties did not extend into the classroom where a centralized provincial government authorized and regulated all curricular and teaching activities. Nor could trustees seek improvements to the system by levying taxes for additional revenue.

### **Co-funding and Co-governance**

As trustees powers were slowly increased from 1872-1888, the funding system came under review. The completion of the transcontinental railway in 1886 brought huge waves of immigrants into the province and the fiscal strain of covering the full cost of education began to be realized by the provincial government. As the cost and complexity of education increased in both city and rural districts, funding and administrative structures evolved. In 1888, municipalities had contributed nothing to the cost of education, but twelve years later, in 1900, municipalities provided 35% of the cost. "By 1910 the municipalities' proportion had increased to 60% and by 1939 it was 72%."<sup>5</sup> As local school boards were increasingly required to raise more funds, they acquired more control over governance of their schools.

In 1901, the grant system was changed to create what Johnson calls "the first example in British Columbia of an equalization grant"<sup>6</sup> Per capita grants were now to take population numbers into account. Larger school districts would receive smaller provincial grants, based on the assumption that a larger population created more wealth and therefore could contribute more to the local costs of education. By 1913, there were no limits restricting mill rates for the school portion of local taxes, and a school district could raise as much additional funding as they wished. However, some rural school boards were unable raise sufficient funds to operate their schools, and legislation in 1919, empowered the Council of Public Instruction to

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<sup>5</sup> *A Century of Education in B.C., Statistical Perspectives 1871-1972*, Ministry of Industry, Trade, and Commerce, 1971, 22.

<sup>6</sup> Johnson, *History of Public Education in B.C.*, 94.

abolish school boards and appoint an official trustee.<sup>7</sup> It was essentially this same legislation which permitted the Ministry to replace the North Vancouver trustees in 1996.

At the same time that local school boards were required to take on a greater share of the costs of education, the percentage of school-age children attending school also increased dramatically. In an 1871 report from the Inspector General, the twenty schools in the newly designated province “were educating probably one fifth of school age children.”<sup>8</sup> By 1873 almost 56% of children attended school and this had risen to 82% by 1922.<sup>9</sup>

Thus within roughly a fifty year period the groundwork was laid for an education system co-governed by a central bureaucracy and local school boards, largely funded by local ratepayers, and serving a major percentage of school-age children.

### **Post-war Education Funding**

When British Columbia joined the Dominion of Canada in 1872, the province funded the entire cost of education, but full funding was to last only 16 years until 1888. Rapid increases in population coupled with economic forces both local and global created financial pressure on the Department of Education and local contributions to the cost of education were required. By 1923/24, funding from the provincial government had dropped to 35.1% of total revenue. The depression and war years exerted further pressure on the province’s ability to support the costs of education, and by 1933/34 it was 29.6%, in 1943/44 it was 31.6%.<sup>10</sup> By the end of the war provincial funding covered only one third of total education costs, while local communities contributed the balance.

Increased demand for education funding is based on growth. In the beginning years of the province, growth was primarily a function of the number of children able to attend school and be retained in the system for more years. In the last fifty years, growth has been a function of population increase, inflation, and expanded educational services. As demand

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<sup>7</sup> *Statutes of British Columbia, 1919, Public Schools Act, C75 S2.*

<sup>8</sup> Johnson, *History of Public Education in B.C.*, 44.

<sup>9</sup> *A Century of Education*, 84.

<sup>10</sup> Maxwell A. Cameron, *Report of the Commission of Inquiry into Educational Finance*, Victoria: Banfield, 1945, 9. Further references to the Cameron Report are included in the text.

upon the system has grown, education funding policies have been a key element in providing equality of educational opportunity, and equality in bearing the financial cost of education.

The growth and prosperity of the post-war period began a major shift away from the existing decentralized education system in which school boards funded two-thirds of education costs through local property taxes. Over the next fifty years education finance became fully centralized in the Ministry of Education.

### ***The Cameron Report of 1945: Centralization Begins***

In 1944, the government appointed Dr. Maxwell Cameron to investigate school finances and administration in the school districts. The local boards of school trustees controlled most of the administration of the school districts, and raised two-thirds of the funds, while the province had more jurisdiction over curriculum matters.

The Cameron Report, released in 1945, recommended two major reforms of the school system: 1) to greatly reduce the number of school districts, and 2) to increase the financial contribution of the provincial government.

At the time, there were 649 school districts in the province and the larger city school districts were relatively better off than the rural and smaller municipal school districts. Many of the rural school boards had been replaced by an official trustee because of either financial distress, or simply due to lack of interest for school board positions within the local community. As evidenced by the increasing number of official trustees, as well as restrictions on local boards by teacher's associations and the province, Cameron argued that the school system was becoming increasingly centralized without much awareness of the fact. The duty of his report was to come to a decision "as to whether or not this tendency towards centralization should proceed further, or should be arrested or reversed." (pg 8)

Cameron's first major reform was to reorganize the province's school districts into a small number of larger units. Larger units of school administration, he argued, would increase efficiency and economy, create a larger pool from which to elect trustees, and increase the attractiveness of remote teaching posts. However, the particular plan of reorganization was to be "arrived at only after much public discussion and the gathering and weighting of all possible opinions." (pg. 97) In fact, Cameron claimed that he was seeking to

revitalize local control and interest by creating “school districts large enough and powerful enough that their work will be a challenge to the trustees who control them” (pg. 85), and with adequate financial resources to do the job.

Although reducing and amalgamating school districts is generally considered a measure of centralization, Cameron argued that it would actually increase local autonomy. To garner more support for his reorganization of the school system, in his report he dichotomized the principles of centralization and local governance. The dangers of centralization, he claimed, are rigidity of administration, and the loss of humanism in the face of the routine, static machinery of a large organization.

“Now this mechanical, static, routine administration may not be regrettable, may even be desirable in some public services. But in the delicate, sensitive affair which is a school system, human relationships are immensely important, and machinery must be kept to a minimum; and uniformity is almost the same as lack of progress.” (pg. 37)

Local control, on the other hand, results in greater public interest and the feeling that local people “are doing things for themselves rather than having things done for them.” (pg. 37)

The Cameron report was quickly implemented in the spring of 1946, and approximately 80 large school districts were created.

The second major reform of the Cameron Report was to increase the provincial funding of public education. In the previous 45 years, provincial grants had been reduced from 79% to 31% of total education spending. Why would the province want to reverse this trend and pay more, not less, towards the cost of education? In philosophical terms, Cameron claimed that the stated educational principles of the province included the notions of equality of opportunity and equality of burden.

“[The people of British Columbia] have made up their minds that their Government shall see to it that, as far as Nature permits, every child shall have a chance to obtain an adequate schooling, and that the cost of this schooling shall be apportioned with reasonable fairness, all relevant factors being considered.” (pg. 37)

In pragmatic terms, at the time there were a number of problems in education funding, both in how revenue was collected and how it was disbursed. The principle of ‘equality of burden’ refers to taxation, and ‘equality of educational opportunity’ is tied to the availability of funds to the school districts. To achieve these principles within the education system, Cameron claimed the government needed to take a more dominant position in the governance of the school districts.

## **Equality of Educational Opportunity A Rationale for Centralization**

In 1944, the major inequality in educational opportunity was in the disparity between rural and urban areas. "The children in the vast and sparsely settled hinterland will continue to be at a disadvantage, no matter what system is adopted," but in the effort for equality, everything possible should be done to provide the rural child with good schooling. (pg. 36) With more students staying in school for longer periods the disparity between rural and urban was growing. To address the problem, the provincial government needed to take a stronger position in equalizing opportunities and resources in all areas of the province, urban and rural, and this required greater centralization of finance and power in the province.

"In the eyes of the Province the child in Telegraph Creek is as much entitled to a good schooling as the child in Vancouver, and everything possible would be done to see that he got it. The great merit of centralization is the equality it can produce."(pg. 36)

Although this statement would seem to contradict Cameron's earlier description of the static, inhumanity of centralization, it reveals the paradox Cameron sees between centralization and local autonomy. Is centralized government more democratic because it can equalize opportunities for all people, or is local governance more democratic because there is direct involvement of the community? Cameron concludes that there must be more equality of opportunity, but not so much equality that local governance would be lost. "Some inequality there must be if local authority is to be retained." (pg. 38) In short, he was looking for a compromise, an improvement of equality, but not perfection.

Perhaps however, there was another reason why he would not threaten the total loss of local autonomy through complete centralization. In Cameron's time it was assumed that there was a necessary connection between funding and control. "It is true that if the Government assumes the whole cost [of education] it would have to exercise all or nearly all of the financial control, and that if it gave no grants it could wield little control." (pg. 38) Cameron needed to increase government control if he was to achieve greater equalization of educational opportunities around the province. However total equalization would require total government funding and at that time the province only contributed one-third of all education costs while local property taxes contributed the other two-thirds.

The province's minor position in the sharing ratio between local and provincial funding was not conducive for major redistribution of wealth. Recent annual surpluses of \$7 million in post-war budgets however, meant it was possible to increase the province's position in the sharing ratio, and consequently its ability to equalize resources. The province was unwilling to transfer all of the \$7 million annual surplus to education (pg. 44), as large expenditures were anticipated in other ministries, presumably to repair and build neglected infrastructure from the depression and war years. Therefore it is unlikely that the province would have entertained the idea of a completely centralized, and hence completely funded, education system, even though Cameron posits the idea as a real possibility, or threat.

The province did indicate that it was willing to increase its portion of education funding from one-third to 55 percent, but Cameron downplayed the effect this increased grant would have on local governance. "There is no very close correspondence between the amount of support which the government gives to education by way of grant and the amount of control it must exercise." (pg. 38) In other words 50% funding does not necessarily mean 50% control. It is likely that he introduced further ambiguity into the relationship between funding and control to convince local ratepayers that increased government funding would not necessarily require lessening of local autonomy. Furthermore, he claimed that the proposed increase in the grant system would "leave to local boards a great deal of freedom, perhaps more freedom that they enjoy at present." (pg. 38)

Cameron's report signals a shift in the governance and finance structure of public education, and it lay the groundwork for the funding dilemmas of the next fifty years. The Ministry moved from a lesser to a greater position in the local/provincial sharing ratio in education funding, while the local trustees moved to a minor role. This shift in funding was accompanied by a corresponding shift in the power structure giving the province the ability to equalize educational opportunity among all school districts. The shift in the power equation was predicated on the assumption that funding and governance are correlated. Although Cameron claimed that he wanted to revitalize local control, his reorganization of the local governance system was massive. Over 600 school districts were eliminated and amalgamated into larger units, and spending levels began to be regulated by the Ministry.

### **Minimum Education Standards**

Cameron's survey of all the school districts in the province revealed that "costs per pupil vary so widely as to indicate great differences in the quality of the schooling provided, and that differences in ability to pay for education, and in the burden of school taxes, are undoubtedly substantial." (pg. 27) To remedy this, Cameron recommended that a "basic or Provincial programme or standard of schooling be set up [to provide a] substantial degree of equality of opportunity." (pg. 38) The Basic Programme was supported by a provincial grant and consisted of teachers' salaries as determined by a provincial salary schedule based on training and experience, teachers' pensions, an allowance for remote schools, and other special posts. A minimum amount to be spent on expenditures such as electric lighting, fuel, and janitor services was also specified. Cameron felt percentage grants did not encourage cost efficiency on the part of school boards, but as transportation and building costs were specific and periodic budget items, they would be supported by 50%. (pgs. 81-82) Although the program was to be described in financial terms, Cameron clearly makes the assumption that it would affect the quality or standard of schooling.

### **Provincial Equality of Taxation Burden**

To remedy the inequality of burden as experienced by local ratepayers, Cameron set a uniform tax rate for both rural areas and municipalities of 5 mills (\$5 per \$1000 assessed value), to replace the practice of local municipalities setting their own tax rate for school purposes. He also recommended that an agency for supervising property taxation and assessment be created to standardize assessment procedures. The basic grant for each school district would be the actual expenditures of the school district, and would include teachers' salaries as dictated by the Provincial salary schedule, and current operating and maintenance expenditures, minus the amount raised locally by the 5 mill rate. (pg. 82) This grant system established a minimum level of spending for all school districts, and equalized educational opportunity among school districts. For Cameron, basing grants on the subtraction of local taxes created a method of distribution of provincial funding "so as to obtain the maximum equalization possible." (pg. 57)

## **Democracy in Education (in B.C.)**

In democratic terms, Cameron's intent to provide equal access to educational opportunities by providing grants based on a local community's ability to pay is unassailable. Equal educational opportunity regardless of wealth, ethnic origin, or whether one lives in a rural or urban community, is the core philosophy of a society seeking to diminish the traditional class distinctions of its constituent members. Equal opportunity puts all of its members on an equal footing; but a certain amount of economic buoyancy may be necessary for these ideas to have easy acceptance among taxpayers. Although the ideals of democracy in education had been circulating since the end of the previous century, and had briefly appeared with John Jessop's Public School Act of 1872, the economic optimism of the post-war period was probably the first financially and socially receptive period for equality of educational opportunity.

By reversing the trend toward diminishing financial and governance powers of the province, Cameron's reforms brought the democratic principles of equality of opportunity and burden into the education policies of British Columbia. Although Cameron claimed that local autonomy would be strengthened, the dominant position taken by the province assumed a correlation between increased funding and increased control, i.e. the greater the provincial contribution of funds, the greater control the province could assume in delivering educational services.

Democracy in education, as Cameron claimed, is thus contingent upon the centralization of power in the province. And traditionally, centralization of power has assumed a greater financial contribution from the province.

## **Post-war Inflationary Pressures**

While many of Cameron's recommendations were implemented, the inflationary growth of the post-war period exposed weaknesses in the new system. From 1946-1950, the average annual increase in education spending was 34%, in part due to returning war veterans completing secondary education and enrolling in the universities. The sharing of capital costs introduced with the Cameron Report, also encouraged the building of educational facilities. Over the ten-year period from 1945-1955, expenditures on education increased by

445% of which 37% was attributable to growth in student population and 129% due to inflation as gauged by increases in personal income.<sup>11</sup>

### ***Campbell Formula of 1955-Equitable Education Funding***

In 1955, the province established a committee chaired by Dr. H. L. Campbell to address the growing cost of education, and remaining inequities in local taxation and property assessment. Under the Campbell formula, a basic grant covered teacher's salaries, compensation for supervisory duties or remote postings, and all operating expenses approved for in 1955. A supplementary grant provided for yearly increases over the 1955 budgets. Both basic and supplementary grants were reduced by the amount of funds raised locally through uniform tax rates of 10 and 7 mills. School districts could raise additional taxes for teacher's salaries exceeding the salary schedule, and non-approved operating expenses.<sup>12</sup>

An equalization formula introduced in 1961 raised the local tax levy set annually by the province to a maximum of 18 mills. The basic grant was calculated by subtracting the amount raised from the increased levy from the cost of the Basic Education Programme; and a proviso in this amendment was that total school taxes raised by the levy could not exceed 50% of the province's Basic Programme<sup>13</sup> This formula increased the equalization of education dollars by reducing grants to, and pulling more funds from, wealthy districts. The province was thereby committed to contributing larger grants to poorer districts and smaller grants to richer districts, reducing the difference in the inherent fund raising capacities of communities. The 50% limit on local taxes maintained the dominant position of the province in the local/provincial sharing ratio to better achieve equalization.

Although the Basic Programme did not specify the content of educational programs, it did regulate minimum acceptable spending practices. Grants to cover teachers salaries based on experience, growth in enrollment, minimum spending levels for buildings and maintenance, all based on a school district's ability to pay, would have discouraged cost-

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<sup>11</sup> *A Century of Education*, 64-65.

<sup>12</sup> *Statutes of British Columbia*, 1955, Public Schools Act, C69 S15.

<sup>13</sup> *Statutes of British Columbia*, 1961, Public Schools Act, C53 S2.

cutting by a local school board. It seems reasonable to assume that it would have encouraged higher and more equitable standards of educational service.

The Campbell formula was said to “come closer than previous formulae to achieving the aims of the Cameron Report.”<sup>14</sup> Both the Cameron and Campbell recommendations sought to achieve “equality of opportunity” and “equality of burden.” Their intent clearly seems to have been to improve levels of education for all children in the province, regardless of the wealth of a local community.

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<sup>14</sup> Johnson, *History of Public Education in B.C.*, 153.

## **Cost-containment Strategies**

### ***Basic Education Program of 1968: A restraint measure***

In the latter part of the 1960s, as the first part of the post-war baby boom reached post-secondary age, another period of rapid growth in education occurred due to increases in expenditures on universities, vocational training, and regional and district colleges. In addition to the increased demand for post-secondary education, per capita federal funding for post-secondary ended in 1966/67 and provincial grants for post-secondary rose from 41% to 59% over the next three years.<sup>15</sup> Coupled with this was a brief slowdown in the provincial economy in 1967.<sup>16</sup> Neither the Cameron or Campbell formulae were equipped to deal with rising education costs of this magnitude. The Basic Programme set minimum, but not maximum levels of expenditure, and in 1968 the Social Credit government amended the School Act to redefine the Basic Programme.

The Social Credit government had held continuous office for the 16 years prior to 1968, and was clearly in the heyday of developing a resource-based economy. In the Budget Speech of that year, the government turned its resource development model to the education system.

“[Y]oung people [are] the Province’s most important resource. Investment in education is an investment in our future... However this large investment in education in these times of a disrupted money market and inflation requires [that] ...everyone affected by or responsible for this expenditure ensure maximum value is received for every dollar expended.”<sup>17</sup>

All parties involved in the education system were urged to obtain the maximum rate of return on the investment by exercising fiscal prudence.

### **A Quantitative Model**

Substantial revisions in the 1968 School Act redefined the Basic Education Programme along financial rather than educational guidelines.<sup>18</sup> Whereas the Cameron and

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<sup>15</sup> *A Century of Education*, 80.

<sup>16</sup> In 1967, the B.C. GDP increased 4.5% (in 1981 market \$) from the previous year. In 1966 the increase had been 6.8% and in 1965 7.6%. *B.C. Provincial Economic Accounts, Historical Issue 1961-86*. Statscan 13-213.

<sup>17</sup> *1968 Budget Speech*, Legislative Assembly of British Columbia.

<sup>18</sup> As per convention, the post-1968 Basic Education Programme is referred to by either the acronym BEP or by dropping the -me from Programme.

Campbell formulae assumed a correlation between spending levels and quality of education, the new formula was based primarily on arithmetic calculations and avoided references to educational levels of service such as the minimum teacher's salaries and essential operating expenses referred to in the 1955 School Act.<sup>19</sup> To that end, the calculation of the current year's BEP was based on dividing the previous year's total operating expenses of all school districts, by the number of instructional units for that year.<sup>20</sup> As before, the basic provincial grant for each school district was determined by a uniform tax levy applied to the assessed value in each district. The basic grant was the difference between the amount of the approved BEP for that school district and the amount raised in that district by the basic levy.

The legislation was also designed to introduce a ceiling to school board spending. In defining limitations, the total cost of the BEP as determined by the province could not be less than 95% of the total operating expenses for all school districts. A maximum was set for the operating expenses of each school board by limiting the total to an amount not exceeding 110% of that district's approved BEP. If a board wanted to raise additional amounts they were required to either seek approval from the municipality or the Lieutenant-Governor in Council, or conduct a referendum if either 100 or 1/20th of the owner/electors petitioned against the proposed and advertised increase in taxes.<sup>21</sup> The additional amount raised by the board could not be used in the calculation of the next year's budget, and if the mill rate set by the board was inadequate, the deficiency in revenue would have to be made up through cost efficiencies in the district.

The 1968 amendments also affected increases in teacher salaries. Part of the basic grant in the 1955 Campbell formula was based on the total amount of minimum teachers' salaries that "would be paid according to a standard basic salary grant schedule,"<sup>22</sup> as authorized by the Council of Public Education. As teachers gained work experience they would automatically move up the salary grid and affect increases in overall budget levels.

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<sup>19</sup> *Statutes of British Columbia, 1955, Public Schools Act, C53 S27.*

<sup>20</sup> *1968 Public Schools Act, C45 S24.*

<sup>21</sup> *1968 Public Schools Act, C45 S24, S27.*

<sup>22</sup> *1955 Public Schools Act, C53 S27.*

The 1968 School Act omits all reference to salary grids, introducing the notion of instructional units based on enrollments and class size instead.<sup>23</sup>

The amendment thus exempted the Ministry from automatically funding salary increases based on teacher experience in the current year's BEP. As the allowable increases could not exceed 110% when calculating the next year's BEP, the local school board would still be required to fund salary increases in succeeding years in excess of the provincial BEP.

### **Provincially Imposed Fiscal Restraint**

The purpose of the 1968 legislation was to control spending of local school boards, and the subsequent funding requirements from the Ministry. In 1960, local school boards contributed 50.9% of revenue for the provincial education budget, but by 1967 local revenue increased to 60.5 % of the budget. In 1968, the expenditure limitations of the BEP were introduced, and by 1969 the local portion had fallen to 55%.<sup>24</sup>

Why would the Ministry care if school boards wished to increase their portion of funding to education? One explanation lies in the 1961 School Act revision stipulating that the province could not provide less than one-half of the cost of the provincial Basic Education Programme. This proviso maintained the Ministry's dominant position in the local/provincial sharing ratio to better equalize provincial funding among all school districts, rich or poor. But what was originally intended in the Act to encourage higher and more equitable levels of school boards spending, tied the Ministry into increased funding if school boards increased their spending. In 1968, equalizing funding does not appear to have been the rationale for controlling local spending, but rather local spending was controlled to reduce provincial obligations to funding.

Another possible explanation is that the province would not want to lose the support of overtaxed ratepayers. However, a Homeowner's Grant from the province was introduced in 1957, and subsidized a large portion of residential taxes. It is likely that the province's elected officials would have had more concerns about the non-residential taxes which school boards could levy against commercial and industrial business in their school district.

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<sup>23</sup> *1968 Public Schools Act, C45 S24.*

<sup>24</sup> *A Century of Education, 75.*

The problems inherent in combining revenue sources are evident. Agreement on expenditure levels is clearly required, and the years leading up to the legislation of the BEP show the inclination of school boards to increase spending, while the province wished to control costs. The financial tension between the province and local school boards is drawn around these two positions.

- Local boards claim the province doesn't spend enough on education and are thus forced to increase property taxes.
- The province claims that local school boards do not exercise fiscal prudence, are not accountable for their spending decisions, and then shift the blame for higher taxes to the province.

As opposed to the Cameron recommendation of 1945, school boards were now accused of spending too much, not too little, on education. In *A Century of Education in B.C.*, a 1971 publication, Dr. C. B. Conway is cited in reference to keeping ever-mounting expenditures under control. The era of "automatic increases in grants as the number of teachers increased and improved their qualifications came to an end. School boards were discouraged from living in the manner to which they had been accustomed."<sup>25</sup>

### **Education or Resource Development?**

According to the province's 1968 Budget Speech, reductions in education spending were necessary because of inflation and money market disruptions. While it is true that the B.C. GDP experienced a momentary downturn in 1967 and 1970, the province had generated a steadily increasing surplus throughout the 1960s, with a decreased surplus only in 1970, and then again slightly in 1972.<sup>26</sup> Not mentioned in the Budget Speech was a shifting in priorities in the province, from education to the resource development sector. In 1968, B.C. was in the midst of constructing huge projects for hydro-electric power, mining, and shipping, and revenue was needed to offset costs in these areas. By 1970, total education

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<sup>25</sup> *A Century of Education*, 67.

<sup>26</sup> B.C. GDP increased 11.9% in 1966, 8.8% in 1967, 9.5% in 1968, 13.9% in 1969, 5% in 1970, and 11.1% in 1971. Statscan 13-213. The provincial budget had a surplus of \$212 million in 1969, in a steady increase from \$63 million in 1961. In 1970, the surplus was reduced to \$143 million, but increased to \$247 million in 1971. Cansim matrix 6778.

spending, including elementary, secondary and post-secondary, had dropped to 27.8% of provincial expenditures, from 30.6% in 1968. The category of "Other" expenditures, which included provincial projects such as dams and port facilities, had increased from 21.6% to 25.3%.<sup>27</sup>

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<sup>27</sup> *A Century of Education*, 68-69.

## **Equality and Local Autonomy**

### ***NDP Elected - 1972: Recognition of the Individual***

In 1972, the Social Credit government that had been in power continuously since 1952, was defeated by the New Democratic Party. Although this was a first and short-lived term of office of only four years, the NDP had long been a significant force in British Columbia with its roots in the CCF, the official opposition over most of the previous forty years. In his first speech from the throne in February 1973, Premier Dave Barrett's statements clearly indicate a humanist philosophy. "The economy should serve the people, not people the economy." He recommended that the development of the natural resources of the province should be re-evaluated, and that unless the utilization of natural resources "can bestow social as well as economic benefits upon the Province, then it is possible their development may best be left to a later date." The province's progress should be gauged by qualitative, not quantitative, measurement.<sup>28</sup>

This philosophy emphasizing the human element of society also appeared in educational policy in the NDP White Paper of 1974. In comparing the Ministry of Education to an industrial organization reminiscent of Cameron's static inhumane bureaucracy, Minister Eileen Dailly maligned its top-down structure.

"...[W]e discover the school system is organized like an industry, with the Department of Education as top management and classroom teachers as production workers. There are many levels of educational decision-makers between, who have diminishing responsibility and authority, the closer they are to the products of the education system, the student. The student is often on the receiving end of a series of decisions that are made for him by people in the system who have no direct knowledge of his actual circumstances.... Parents, in general, are not involved with these decisions."<sup>29</sup>

To remedy the alienation of students, and to encourage their success, the Minister recommended that the education system be changed to enable it to respond to the needs of each and every individual student. Class sizes were reduced, and support staff were hired for non-classroom instructional services. From 1974-1976 class size was reduced 8%, the

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<sup>28</sup> 1973 Budget Speech, Legislative Assembly of British Columbia, 3.

<sup>29</sup> Eileen Dailly, *Ministry of Education White Paper*, 1974, 1.

pupil/teacher ratio was reduced by 15%, and an increasing number of teaching staff provided classroom support.<sup>30</sup>

After the NDP were elected in the fall of 1972, the new government quickly held a special session in October to initiate several new policies. Among these were revisions to the School Act, enabling school board spending to increase beyond the 108% ceiling which had been imposed by the Socreds the previous spring. The new legislation relaxed restrictions on how additional taxes could be raised by a school board. The 108% ceiling returned to 110%, and the board was no longer required to go to referendum or seek the approval of the Lieutenant Governor in Council. "The Board may, with or without the assent of the owner/electors, adopt a bylaw, passed by a rate of not less than 2/3 of all members of the Board, to provide for an additional amount the Board considers necessary."<sup>31</sup> Further, if the minister did not want to include the additional amount in the calculation of the next year's BEP, the board could appeal to the Lieutenant Governor in Council.

The NDP also reduced residential school taxes by increasing the Homeowner Grant, and in the 1973 Budget Speech, Premier Barrett announced that they were reviewing the removal of all school taxes from home owners. Barrett's stated intent was to "assist the middle-income home-owner who works hard to help himself and his family but has difficulty in maintaining a home with the present level of annual local government property taxes."<sup>32</sup>

The NDP was only in office for less than four years, but these amendments to the public schools legislation remained in effect until 1982. While in office, the NDP commissioned R.A. McMath to conduct an inquiry on property taxation and assessment, but the report was not presented until 1976, when the Social Credit government had returned to power. The McMath Commission Report made the following recommendations on education funding. "We believe that the provincial government should consider committing itself publicly to paying 75% of the current and capital cost of the public school system as a whole in British Columbia within a period of five years."<sup>33</sup> As equalization grants would be

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<sup>30</sup> John R. Fleming, *Financial Management of Education in British Columbia*, Ministry of Education, 1984, 10.

<sup>31</sup> 1972 *Public Schools Act*, C375 S196.

<sup>32</sup> 1973 *Budget Speech*.

<sup>33</sup> R.A. McMath, *Commission of Inquiry on Property Assessment and Taxation: Preliminary Report of the Commissioners, July 30, 1976*, Victoria: Government of B.C., 101.

continued, the actual grant district to district would vary, but would be on average 75%. In 1976, the province was funding less than 60% of the total costs of public education, and residential and non-residential taxation combined contributed approximately 36%. The proposed increase of provincial funding from 60% to 75% was not to include any proceeds from local taxation, residential or non-residential.

The 25% that McMath recommended be raised by local boards was proposed as a means of maintaining the autonomy of local school boards. Most of the commission believed that if the province paid the entire cost of public education “for all practical purposes [local autonomy] would disappear.”<sup>34</sup> The 25% raised by boards would both confer and restrain the “freedom they have in spending”, as they would be politically responsible for the funds they raise through taxation. Total funding from the province would mean that they could continually lobby the government for increased funding, without having to “face the political hazards of raising any of the necessary funds.” In other words, by requiring 25% of funding be raised by local boards, the limits to education spending would be defined by the willingness of the taxpayers to pay. Although the education funding recommendations of the McMath Commission were not enacted by the Socreds in 1976, they were still being referred to in the Legislature in the 1990s.

### ***Socred Return - 1975: Taxpayer Confusion***

When the Socreds were returned to power in 1975, they inherited the NDP's legislative changes to school finance. They did not immediately reinstate prior restrictions on school board spending, and the next six years were a time of rapid expenditure growth. From 1976 to 1981, total gross budgets on education grew 75%, from \$910 to \$1,597 million.

J. R. Fleming, who was Assistant Deputy Minister of Education at the time, attributed the increased expenditures to lower pupil/teacher ratios, growth in administrative and support services, and the beginning practice of increasing spending on special education students. Teachers were bargaining for higher salaries, the cost of living was rising, and there was pressure to expand local programs. As the calculation of the next year's BEP was based on

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<sup>34</sup> McMath, 101.

the previous year's total spending of the school district, and the NDP had relaxed the regulations for school boards to raise additional funds from local taxpayers, the requirement for the provincial share of the BEP kept increasing. While government grants during this period did increase, expenditure increases were even greater, and thus as in the years leading up to 1968, revenue increases from local property tax outpaced that of the province's contribution.<sup>35</sup>

Fleming concluded that the runaway expenditures were also the result of taxpayer confusion in not recognizing the increases in the property tax base. If taxpayers had been clearly aware of their property tax increases they would have raised objections by "bringing expenditure decisions under public scrutiny."<sup>36</sup> In other words, the taxpayer would have served as agents of fiscal control. Fleming identified three areas that disguised the rise of local school taxes. 1) The annual Homeowner Grant was raised from \$280 to \$380 in 1979; 2) an actual value assessment system which raised assessed property values, was phased in from 1978-1980; and 3) there was a rapid rise in house values in the Greater Vancouver area.

Without the confusion of these added factors, Fleming claims that taxpayers would have been aware of the spending decisions of the local school boards, and held school boards, not the province, accountable for tax increases. Fleming's position is of interest, because it assumes the province's grants were appropriate, that school boards were overspending, and that taxpayers can control excessive expenditures of school boards through the power of public scrutiny. Fleming also claimed that the province could not provide an educational rationale to justify its funding levels because the BEP was based on a financial formula that did not specify educational service levels.

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<sup>35</sup> Ministry of Education, *School Taxation Report: Report of the Committee to Examine the Effect of Rapid Rises in Homeowner Real Estate Values on School Taxation*, Victoria: Min. of Ed., 13-14.

<sup>36</sup> Fleming, 14.

## **Fiscal Restraint Revisited**

### ***1982 Education (Interim) Finance Act***

In the early 1980's, the B.C. and Canadian economies experienced a major recession.<sup>37</sup> In 1982, the Social Credit government introduced some of the most restrictive legislation to date in British Columbia. The Education (Interim) Finance Act revised the system of providing provincial grants to school boards. It revised the system for levying property taxes for school purposes; introduced Compensation Stabilization, a means for restricting increases in teacher's salaries; and gave the province the right to "issue directives limiting the amount of the budget of the school district in the calendar year."<sup>38</sup>

The immediate impact of the 1982 Interim Finance Act was felt by school boards in the reduction of their overall budgets. In the first restraint period beginning in March 1982, boards were required to resubmit their 1982/83 budgets to limit budget increases for the September to December period of that school year to 12% rather than the planned increase of 18%. The legislation also removed school boards' ability to set their own budgets, and this restriction was to remain in place from February 1982 until December 1986. The second restraint period was instigated in July 1982, when the government claimed a further \$60 million needed to be removed from the budget. Half of this amount was found by reducing 1982 school district budgets by a further 2.3%, which translated into an 8% reduction over the remaining four months of the school year. Further restraint legislation allowed districts to save costs by closing schools for up to five days, and eliminating non-instructional days.<sup>39</sup>

The Interim Finance Act also introduced Compensation Stabilization legislation, giving the province the right to prohibit salary increases and prescribe salary limitations for all public sector employees.<sup>40</sup> Specific salary guidelines, set in July 1982, limited pay increases to between 0% and 10%, and in October 1983, guidelines were reduced to between

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<sup>37</sup> In 1982, the GDP dropped by 4.5%, and in the provincial budget expenditures exceeded revenue by \$628 million. Statscan 13-213, Cansim 6778.

<sup>38</sup> *Statutes*, 1982, Education (Interim) Finance Act, C2 S12.

<sup>39</sup> Fleming, 27-35.

<sup>40</sup> *1982 Education (Interim) Finance Act*, C32, S17

-5% and +5%. Given the magnitude of the teacher cutbacks, it is no surprise that the BCTF (British Columbia Teacher's Federation) organized a three-day walkout in November 1983.

### **Base and Shared-services grants**

The 1982 amendments to the School Act changed the system of providing provincial grants to school districts. Grants were now to be based on a percentage of the school districts' current year operating expenses, rather than on the sum of total operating budgets divided by instructional units minus the local contribution, as specified in the BEP. The grant was calculated in two parts: a base grant for all school districts, and a shared services grant to partially cover operating expenses for education services not covered by the base grant.<sup>41</sup> The basic grant was initially based on a fixed percentage of 60%, and this was subsequently reduced to 55%. The shared services grant was derived by subtracting the amount raised from local taxation from those operating expenses not covered by the base grant.

Introducing base grants in 1982 was due perhaps to a lack of conviction in the Ministry to maintain equalization among school districts across the province. Unlike Cameron, who saw no problem in a wealthy district receiving no aid, every board would now receive a fixed amount from the province, regardless of whether they needed it or not. As Fleming states, with fixed grants "the equalization system no longer forced local residential taxpayers to subsidize expenditures of other boards."<sup>42</sup>

Provincial grants based on a percentage of school district expenditures had not appeared in grant systems since being revoked in 1968, in an effort to control costs. As introduced in 1982, percentage-based grants were not susceptible to being tied into increases in school board spending, as they had been prior to 1968. The 1982 Education (Interim) Finance Act provided control mechanisms that protected the province from being drawn into increased grants. The minister was now empowered to issue directives to limit school district budgets, and major taxation revisions greatly reduced the local sources of funds for school boards and hence their ability to increase spending.

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<sup>41</sup> Ibid., C2 S2.

<sup>42</sup> Fleming, 26.

## **Taxation Revisions**

The Education Interim Finance Act radically changed the guidelines for local taxation for school purposes. For the benefit of some homeowners, the levy system was amended to reduce variations in assessed home value, and hence taxes paid. To introduce fiscal control mechanisms, and to the dismay of school boards, the province took permanent control of the non-residential tax base, and “temporary” control of the residential tax base.

To address the taxpayer concerns of escalating taxes in primarily the Greater Vancouver area, the basic levy system, which set a uniform tax rate for all ratepayers, was changed to a variable levy system. The basic levy system that had initially provided a consistency to school taxes levied around the province, was unable to accommodate inflated house prices. The new variable levy system adjusted the tax rates to reduce the effect of wide variations of assessed property values. The intent was not to manipulate the tax rates so severely that the product of the various tax rates and assessed property values would create a uniform school tax across the province. The intent was to minimize variations in schools taxes that were attributable to property value fluctuations that had little relation to the real income, or ability to pay, of the homeowners.

The new variable tax levy can be said to have maintained the principle of equalization between rich and poor districts, if it is also assumed that property values are not always a reliable indicator of ability to pay. The revised grant system however, had more serious repercussions for equalization. The portion of the grant shared with local sources was now less than half of school board expenditures, and the effect of equalization was modified accordingly. A wealthy district, for example, which had previously raised all its education funding, and perhaps some for other districts through the basic levy on local taxpayers, would now only be required to raise 45% of its operating budget. West Vancouver residential taxpayers, living in the wealthiest school district in the province, were the greatest recipients of the new grant and variable levy system. In 1981, the average ratepayer paid \$819 in school taxes (before the Homeowner Grant), but in 1982, this was reduced to \$247, a reduction of \$572.<sup>43</sup>

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<sup>43</sup> Fleming, 22.

As part of the fiscal control plan, the Ministry took control of the non-residential component of school board revenues, and “temporarily” took away the right of school boards to levy any additional residential taxes. The rationale behind taking control of non-residential taxes was purportedly to equalize local revenue capacities between school districts with different commercial and industrial bases. Fleming disputed the “notion that the generally accidental distribution of these values [non-residential school taxes] on the tax rolls of some districts should remain the “private” domain of the local school board and be inaccessible to the general system.”<sup>44</sup> Critics of provincial control of non-residential school taxes, such as Crawford Kilian in his account of this restraint period in “School Wars,” claimed that the real effect on local school boards was to reduce their sources for available revenue, pushing boards “further towards the periphery.”<sup>45</sup>

Although the province did not achieve its original stated objective to return to mid-1970’s level of educational service<sup>46</sup>, it did achieve its objective of restricting the growth of education spending. In the two years prior to restraint, total education costs increased over 40%. Once restraint legislation took full effect annual cost change was reduced to almost nil over the next three years.<sup>47</sup>

Residential school taxes were also reduced from both the effects of the new variable tax rate and by having the right to levy additional taxes temporarily suspended. In 1982, school taxes declined by an average of \$57 in all school districts. In 1983, taxes declined by an average of \$24. Of 92 school districts, only three did not experience some form of tax reduction.<sup>48</sup>

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<sup>44</sup> Fleming, 26.

<sup>45</sup> Crawford Kilian, *School Wars: the Assault on B.C. Education*, Vancouver: New Star Books, 1985, 56.

<sup>46</sup> *1983 Annual Report*, Ministry of Education, and Fleming, 35.

<sup>47</sup> *Baseline Provincial Data, 1980/81 to 1996/97*, Ministry of Education, Skills and Training, 1996.

<sup>48</sup> Fleming, 21-22.

# **Equality and Cost-containment**

## ***Fiscal Framework - 1984***

During the restraint period, in 1984, the Ministry changed the method of funding school districts from the shared-cost model of the Basic Education Programme to a standard costing model, called the Fiscal Framework. The shared-cost model of the BEP introduced in 1968 was based on actual expenditures of school boards, and validated the decision-making process of local boards, so long as budgets kept within the Ministry set restrictions on minimum and maximum budgets. The Ministry was simply required to fund the difference between a school district's essential operating expenses of the basic program, and the amount raised by the local tax levy. It was the responsibility of local school boards to raise additional funds for their school district through supplementary tax levies.

The 1968 legislation based funding on enrollment numbers as expressed in instructional units, a quantitative formula, and omitted any reference to education service levels, which would require a qualitative formula. Originally this legislation had excused the province from automatic increases in funding based on increases in school board expenditures and recognition of actual teachers' salaries or minimum salaries as dictated by the Council of Public Instruction's salary schedule. Although the lack of reference to education service levels had originally been a cost-saving measure, by the early 1980s, after NDP policies had relaxed limits on levying additional taxes, the shared-cost system had allowed costs to escalate rapidly, and for the provincial share of the BEP to decrease. In defending the province's position, Fleming stated the need for an educational rationale for the Basic Education Programme.

**“These locally selected, automatic additions to the BEP, made it easy for boards to criticize the Province for not keeping pace with their local spending aspiration. In the absence of an educational rationale for the BEP, the argument became solely a political-financial issue, with no attention paid to issues educational quality and student achievement.”<sup>49</sup>**

In 1984, the fiscal framework was introduced and phased-in over a three year period. Service levels for each major program area were cost and set, and each school board was

given a total operating budget it would be permitted to spend. School boards were still able to make detailed program decisions, but were to submit budgets outlining expected revenue sources and expenditures by educational activity. Theoretically, the collected information could then be used to establish appropriate and equitable educational service levels for all districts in the province, as well as equitable levels of funding and cost effective guidelines for expenditures.

As teaching and staffing levels are the largest budget component, the educational service levels defined in 1984 were primarily based on a return to 1975/76 pupil-teacher ratios. Rather than a return to the actual ratio of 19.14, the intent was to realize the financial equivalent of the 1975/76 ratio. Consequently, from a low of 16.65 in 1981/82, the pupil/teacher ratio reached a high of 18.05 in 1985/86.<sup>50</sup> Teacher salaries were also controlled through Compensation Stabilization legislation that restricted salary increases based on experience or qualifications.

### **Work in Progress**

As a restraint mechanism, the fiscal framework justified provincial levels of funding by referring to educational levels of service it deemed sufficient. In addition, the fiscal framework was intended to correct inequities in educational service levels among school districts. In D. Green's 1986 analysis of the effect of the fiscal framework, he found that in the Greater Vancouver area "the new financial management system has been effective in moving towards more equal per-pupil operating costs."<sup>51</sup> The new system was also found to be equitable, in the sense of providing similar levels of education services, if the needs and backgrounds of students were similar, which they appeared to be in Metro Vancouver. "Outside of the Lower Mainland [however,]...the new financial management system [did] not perform quite as well in providing sufficient funds which would allow districts to purchase

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<sup>49</sup> Fleming, 5.

<sup>50</sup> Summary of Key Information, Student/Educator Ratio, 1976/77 to 1995/96, Ministry of Education, Skills and Training, 1996.

<sup>51</sup> Douglas Green, "Toward Equality: An Examination of the Impact of Recent Changes in Provincial Government Policies on Funding Public School Education in Metro Vancouver," Master's of Education project, Simon Fraser University, 1986, 71.

similar educational services.”<sup>52</sup> This early analysis and criticism of the fiscal framework characterizes the ongoing status of this standard-costing model up to the present. In fact, since its introduction in 1984, the fiscal framework can be seen as a “work in progress,” subject to criticism and revision.

The fiscal framework has undergone many revisions since its inception. In some respects this would be the expectation and challenge of any system that is setting costing levels, so as to accurately reflect actual financial reality. To be successful, the fiscal framework should provide sufficient and equitable levels of funding for all school districts, verified by equitable service levels as shown by detailed school district expenditures. In the spring of 1985 however, 35 out of 75 school districts submitted “needs” budgets to restore services cut since 1982. Most of these school boards eventually submitted compliance budgets but two school boards, in Vancouver and Cowichan, refused and were replaced with official trustees.<sup>53</sup> Although it may not be fair to assess the adequacy of the fiscal framework following as it did on the heels of restraint, it is significant that initial costing and service levels were set during this restraint period.

### ***Partial Restoration of Local Taxation - 1986***

In 1986/87 the education fiscal restraint program ended as the general economy improved, and school boards were again given the right to levy local property taxes. The loss of access to the non-residential tax base was permanent however, and supplementary budgets could now only be drawn from residential property taxes. Over the five-year period from 1984/85 to 1988/89, total education spending increased by 19%, but revenue from total residential taxation increased by 108%. Revenue from residential taxation included a portion based on a Ministry determined tax rate, and a supplementary portion based on a tax rate determined by the local school board. Most of the increase of 108% was in supplementary

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<sup>52</sup> Green, as per P. Coleman, 1986, 72.

<sup>53</sup> Kilian, pg. 190, Chapter 13.

taxes that had increased from \$20.7 million in 1984/85 to \$137.6 million in 1989/90. During that same five-year period, revenue from non-residential taxation decreased by 24.3%.<sup>54</sup>

The dramatic increase in supplementary school taxes levied by school boards became a political issue, and in 1989, NDP education critic, Anita Hagen, claimed that the provincial grant “fails to recognize the real costs of educating children in our system.”<sup>55</sup> Local residential taxpayers were in turn, compensating for this “unfair funding of the base.” The Minister of Education, Tony Brummet, responded to the accusations by citing increases in government funding over the previous five years, stating that only a socialist could interpret increases in funding as cutbacks.<sup>56</sup>

Education budgets during the 1980s indicate that Brummet was selective in presenting the Ministry data. While total gross school budgets had indeed increased 19% from 1984/85 to 1988/89, Brummet did not mention that the provincial grant portion had only increased by 11%, an average of 2.8% annually. If the average inflation rate of 3.5% during those years is then factored into the calculations, the 2.8% increase becomes a reduction of funds for the school districts. When stating his government’s increases in per pupil spending, Brummet also failed to mention that the increases relied on both provincial grants and local taxation as revenue sources, and that residential taxes had increased 108% over the previous five years.

In referring to the reduction in non-residential taxes, Brummet stated that over the last “few” years the taxes on industry had only been decreased by 5.7%, and as intended, the reduction had encouraged economic development.<sup>57</sup> Brummet’s figure of 5.7% is not incorrect but probably refers back to 1981, before the rapid rise of non-residential taxes in the early 1980’s. Hagen had previously called Brummet to task for reducing the non-residential tax by \$160 million from 1984/85 to 1988/89, a reduction of 24.3%. She claimed that the

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<sup>54</sup> Sources: *1988/89 Annual Report, Statistical supplement*, Ministry of Education, 67. British Columbia Royal Commission on Education, *Commissioned Papers: Vol. 5, Support Systems for Learning: Finance*, James Cutt, James McRae, Peter Adams, Victoria: Queen’s Printer, 1988, 17. The *1988/89 Annual Report* provided figures for residential property tax, total revenue, and provincial grants. *Support Systems for Learning: Finance* provided non-residential property tax figures which was subtracted from the provincial grant to determine the net grant. The BCTF 1989 publication, *Education Finance in B.C.*, ed. Mavis Lowry, provided the 1988/89 non-residential taxation amount.

<sup>55</sup> *Hansard Debates*, Legislative Assembly of British Columbia, vol. 11 (1989), 5868.

<sup>56</sup> *Hansard*, vol. 11(1989), 5928.

reduction in non-residential taxes, coupled with government underfunding, had caused residential taxes to be increased by \$308 million over that same time period.<sup>58</sup> Although Hagen overstated the increase in residential taxes, they had actually only risen \$170 million,<sup>59</sup> the 24.3% reduction in non-residential taxes since 1984/85 was correct.

Aside from somewhat misleading and erroneous data in the Hansard debates, the impact of the reductions in the non-residential tax base are not clearly represented in Brummet's vaunted increases in education funding. He claimed that since 1981, "grants from general revenue to the school districts have increased by 63%,"<sup>60</sup> compared to the 5.7% reduction in non-residential taxation. When 1981 is taken as the starting point these figures are correct, and provincial grants yield a respectable average yearly increase of 8.5%.<sup>61</sup> If however, the revenue from non-residential taxation revenue is included in the data, the average annual increase in funding falls to 5%. If 1984/85 is taken as the starting point, when revenue from non-residential taxation was up to \$662 million per year and then declined to \$501 million by 1988/89, the average annual increase is reduced to 2.8%. From the perspective of school boards, once inflation is accounted for, these seeming increases in funding would clearly appear as cutbacks. Local property taxes would then become the only other source for increased revenues. Thus, the increase in provincial funding was in part necessary to compensate for the loss of revenue from non-residential taxation. This change in taxation policy may have succeeded in stimulating the market economy, but at the expense of shifting a greater burden to residential taxpayers.

Judith Clark, Director of Legal Services at the British Columbia School Trustees Association (BCSTA) also maintains that increased school board levies during this time period were only a response to years of insufficient funding from the Ministry. "It would be misleading to look only at the increase in school taxes. One also needs to look at the decreasing share of provincial funding in terms of the total amount going to schools."<sup>62</sup> A look at the data shows that while total education budgets increased by 42.6% from 1981/82 to

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<sup>57</sup> *Hansard*, vol. 11 (1989), 5928

<sup>58</sup> *Hansard*, vol. 11 (1989), 5867-8.

<sup>59</sup> From \$157 million in 1984/85 to \$328 million in 1988/89, as per *1988/89 Annual Report*.

<sup>60</sup> *Hansard*, vol. 11 (1989), 5928.

<sup>61</sup> Provincial grants include teacher's pensions, learning resources, and the Home owner grant

<sup>62</sup> Judith Clark, Director of Legal Services, BCSTA, telephone interview with author, June 9, 1997.

1988/89, once non-residential taxes came under provincial control, revenue from this source became a steadily shrinking portion of the total education budget. From a high of 32.5% in 1981/82, non-residential taxes had dropped to 22% by 1988/89. In contrast, revenue from residential taxes increased from 10% to 14.4% of the total Ministry budget. Provincial grants, excluding non-residential taxes, increased from 52.6% to 58.7%.<sup>63</sup> Thus, although the province increased its share in the total education budget, the increase benefited the industrial sector, while the residential taxpayer compensated for a perceived insufficiency of funds in the school districts.

Another rationale for the increase in supplementary taxes is given by Rob Gage, who at that time was the Assistant Director of Funding in the Ministry of Education. During the spending freeze of the restraint period, education programs were reduced to a basic level, and total education budgets decreased an overall of 1.5% over four years.<sup>64</sup> Once the economy began to pick up after 1985, Gage characterized the Ministry as being willing to give the school boards another chance in levying supplementary taxes. With the fiscal framework now providing the financial model for funding the core education programs, levying an "additional amount for local programs was considered the penultimate of democracy."<sup>65</sup> Within this context the rapid rise in supplementary taxes could be considered as a justifiable means to restore enhanced local services lost in the restraint period. According to Gage however, once local taxation was restored, increasing questions in education funding centered around whether or not the "base" or "core education programs," as referred to in the fiscal framework, were being fully recognized by the province. School districts argued that as not all basic costs were being recognized, the supplementary tax levies were funding core as well as enhanced programs.

It is evident that some increase in education spending was necessary given the no-growth policy of the restraint period. The unanswered question is whether an increase in

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<sup>63</sup> From 1981/82 to 1988/89, total budgets increased from \$1,597 million to \$2,626 million (baseline provincial data), non-residential taxes decreased from \$520 million (approx.) to \$501.7 million, residential taxes increased from \$160 million (approx.) to \$328.1 million, and provincial grants increased from \$840.6 million to \$1,337 million. Figures derived as per footnote #53, with 1981/82 estimates from Fleming, *Financial Management of Education*.

<sup>64</sup> From \$1,867 million in 1982/83 to \$1839.4 million in 1985/86 (baseline provincial. data).

local supplementary taxes from \$20.7 million to \$137.7 million over five years, was necessary, superfluous, or compensating for funding shortfalls. This question can only be answered by determining the sufficiency of the fiscal framework, and whether it fully recognized all costs of a core education program. In an attempt to resolve the dispute over the sufficiency of the fiscal framework, and presumably to control the tax increases made by school boards, major changes to education funding were again forthcoming.

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<sup>65</sup> Rob Gage, Assistant Director of Funding Allocation System, Ministry of Education, telephone interview with author, June 13, 1997.

## **Centralization of Funding Complete**

### ***Finance Report of the Sullivan Royal Commission on Education -1988***

In March 1987, the province established a Royal Commission on Education to establish the most appropriate and cost-effective means to guide the education system into the 21st century.<sup>66</sup> Barry Sullivan, Q.C., was appointed as Commissioner, and the Report of the Royal Commission on Education was released in August 1988. The Sullivan Report, as it is commonly known, received most attention for its recommendations on curriculum reform, known as the Year 2000.

The Sullivan Commission's recommendations on financial management of the education system supported, for the most part, maintenance of the existing structure. The Commission recommended that the use of property taxes for school purposes be continued. It was also recommended that the province continue to set and collect the non-residential tax, provided tax proceeds are redistributed to the school districts; that the Homeowner Grant be continued; that the province continue to recognize distinct local revenue-raising capacities in determining local grants, and that the principle of equity of tax burden be retained.<sup>67</sup>

The impact of the loss of the non-residential tax base to school boards was discussed in the Sullivan Commission's Finance Systems Report. When non-residential taxation was removed from local school board access in 1982, Fleming had anticipated that variations in the ability of school districts to raise revenue would decrease, as school districts with a large industrial base would no longer have an advantage over those with little industry. The Sullivan Report showed that, to the contrary, revenue variations had actually increased when the non-residential tax base was removed.

In 1982, the variation among schools district budgets did not appear because the restraint legislation had eliminated the right of school boards to levy supplementary taxes from any source whatsoever, residential or non-residential, and education budgets were reduced to "core" services. "Core" refers to the portion of a school district's operating

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<sup>66</sup> Hon. Anthony Brumett, Minister of Education, *Policy Directions: A response to the Sullivan Royal Commission on Education by the government of British Columbia*, Vancouver: Ministry of Education, 1989, 1.

<sup>67</sup> Barry M. Sullivan, *A Legacy for Learners, The Report of the Royal Commission on Education*, Victoria: Queen's Printer, 1988, 259.

budget that is funded by the provincial basic and shared services grant, and the provincially determined amount raised by local taxation. An equalization factor applies to the shared services component of the budget to reduce the variations in revenue raising capacity of individual school districts. Thus an education system which is reduced to “core” services is largely equalized.

Once supplementary taxation was restored in 1986, the discrepancy in revenue raising capacity among school districts reappeared because supplementary budgets are the domain of each school board and are not subject to equalization.<sup>68</sup> Prior to 1982, a school district with a large industrial base was considered advantaged. Now, a district with a large residential tax base would have a larger pool of available sources for supplementary taxes.

The Sullivan Commission recommended that the non-residential tax base stay within the general revenues of the province, so long as the funds were distributed back to the school districts. The variations in tax revenue raised by school districts for their supplementary budgets could be reduced by “expanding the definition of school expenditures which are shareable, i.e., increasing the level of the provincial grants to the districts.” It was also admitted however, that “with each step toward increased provincial grants comes the offsetting loss of local control over the characteristics of the educational output produced.”<sup>69</sup>

The Sullivan Commission concluded that non-residential taxation stay within the control of the province because the variation in cross-district taxation revenue was offset by the distortion of business investment and production decisions that would occur if businesses were subject to locally determined school taxes. It was also concluded that any subsequent increase to the residential tax base would not be significant once the Homeowner Grant was deducted.

At least for some school districts, increases in the supplementary school tax appears to have been significant, Homeowner Grant or not. In the Ministry of Education Statistical Supplement to the 1986/87 Annual Report, 1986 and 1987 residential taxes are compared. Average net school taxes in 1987 were \$91, an increase of \$56 over the \$35 paid in 1986.

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<sup>68</sup> *Support Systems for Learning: Finance*, 16 (Tables 4.6, 4.7), 18

<sup>69</sup> *Ibid.*, 16, 19.

Fifteen school districts however, had increases of between \$80 to \$119 for the average homeowner, primarily due to increases in the locally levied supplementary budgets.

The Commission was however, unconditional in its support of local taxation for public education “to ensure a continued tie between local preferences and the political decision making process which determines taxing and spending levels for education. Without a fiscal contribution raised by local taxation, locally elected officials will have no “seat at the table” where education decisions are being made.”<sup>70</sup> The stated rationale for retaining the property tax base for school purposes is that “it is the only tax base which is clearly local in nature.” If funding for education were to be solely derived from the province’s general revenue, “the weight given to local educational preferences will have been considerably reduced.”<sup>71</sup> In addition, if funding were to be switched from property taxes to general taxes, such as personal or corporate income, or sales tax, the change would be too massive and too costly to be practical.

The Sullivan Commission seemed satisfied with the relative shifting of the school tax burden from non-residential to residential so long as two conditions were met: local autonomy was maintained over educational decision making, and proceeds from the non-residential tax were distributed equitably among all school districts.

### ***Block Funding - 1990***

In January 1989, the province responded to the Sullivan Commission Report on Education with a number of policy directions, among which was the preparation of a new School Act. The new School Act was the first major rewrite since 1958, and replaced the existing School Act and the Education (Interim) Finance Act.<sup>72</sup>

In May 1990, the Ministry introduced funding changes to the new Act and proposed a move to the Block Funding system. Minister of Education, Tony Brummet, opened the second reading of Bill 11 of the School Amendment Act. As had been suggested by the Sullivan Commission, block funding would continue the use of the fiscal framework to distribute funds, but would base costs on the 1989/90 school year, indexed for subsequent

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<sup>70</sup> *Ibid.*, 19.

<sup>71</sup> *A Legacy for Learners*, 156.

<sup>72</sup> Ministry of Education, *The New School Act*, Educational Innovation Division, 1989

years according to growth, inflation and other increases in education services. Enrollment, for example, would be estimated in the spring, and then adjusted in the fall based on actual enrollment figures, and funding adjusted accordingly. Inflation would be funded at 6 percent. To encourage cost-effectiveness, school boards would be able to carry operating budget surpluses into future years. Deficits would also have to be carried forward, and repaid or deducted from their block funding.

According to Brummet, the main revenue sources of the block were to be general provincial revenue and local residential taxation as determined by a provincially set levy. Non-residential taxation as a revenue source was omitted, presumably because it was now considered general provincial revenue. This block of funds, he claimed, will be sufficient, and coupled with the fair distribution of the fiscal framework, will provide an “equitable educational opportunity ... anywhere that students reside in this province.” If however, “a board then wishes to spend beyond this fair and equitable block, they must go to referendum.”<sup>73</sup>

The 1990 School Act, as in 1982, infringed upon the right of local school boards to levy additional taxes. This time however, boards could raise taxes if given consent by their local ratepayers through a referendum, but rules on referenda were rigid. Taxes must be raised and spent in one year, could only be derived from residential properties, and would not become part of the base budget for future years. In addition, the raised funds could only be used for new projects, additional activities, or capital projects.

When NDP Education Critic Anita Hagen, responded to Brummet’s reading, she attacked the government on the centralization of power inherent in the Bill and its discrepancy with the Sullivan recommendations. “We are looking at a bill that centralizes power over school funding very strongly in the ministry, and there is nothing in this legislation that alleviates that centralization- very much at odds with the Sullivan commission co-management and maintaining autonomy and responsibility of boards.”<sup>74</sup> Furthermore, the

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<sup>73</sup> *Hansard*, vol. 16 (1990), 9354.

<sup>74</sup> *Hansard*, vol. 16 (1990) 9357.

symbolism of the government setting, collecting and distributing school taxes, symbolizes the “eventual demise of [school] boards.”<sup>75</sup>

The model of block funding which had been introduced in the Sullivan Report, had retained the ability of school boards to levy residential taxes. The model of block funding being presented by the Socreds substituted referenda for the right to levy supplementary residential taxes.

Although Hagen supported the basic concept of block funding, she declined to support the Bill because it “undermines the true accountability of the boards by the introduction of the referendum system.”<sup>76</sup> As cited by Hagen, the BCSTA (B.C. School Trustees Association) and BCCPAC (B.C. Confederation of Parent Advisory Councils) were also strongly opposed to the introduction of referenda for such reasons as long-term planning by school boards becomes impossible, childless property owners and parents become adversaries, and on principle, public education is not a market commodity to be haggled over. Hagen also stated that “in accepting referendums, we buy into the minister’s perception - a perception not borne out by the facts - that boards have not been responsible and accountable to their electorate.”<sup>77</sup>

The province claimed that because block funding was to provide fair and adequate funding to all school districts, referenda would not even be necessary, but would be available for the extras that the province could not supply. Centralization of funding would ensure fair and adequate funding for all students.

### **By any other name...**

While the notion of complete centralization of education funding and governance had been considered periodically over the previous one hundred years, perhaps the strongest argument for maintaining some local autonomy has been based on the inability of the province to provide for the full costs of education through its general revenues.

The Cameron Report of the 1940s, opted for 55% provincial funding because money was needed for post-war expansion and improvements. In the latter half of the 1960s,

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<sup>75</sup> Ibid., 9362.

<sup>76</sup> Ibid., 9357.

provincial grants for education declined as a percentage of total expenditures, while funding to other areas, such as the resource sector, increased. In the 1970s, the NDP reduced the burden on residential taxpayers through increasing the Homeowner grant, and considered full provincial funding of education, but the McMath Commission concluded that 25% of education funding should be carried by local taxation, as the cost of full provincial funding would require either a 4% increase in sales tax or 61% increase in provincial income tax.<sup>78</sup> The Sullivan Commission also concluded that the required changes in shifting school taxes from property to the other tax bases would be too large to be considered practical.<sup>79</sup> Besides, as every commission pointed out, local input and local accountability were a positive corollary of local taxation.

The Socred government in 1990 however, circumvented an obstacle that had created a dilemma for many earlier ministries and commissions of education. They centralized the right to set, collect and distribute local school taxes within the Ministry and called it “fair and adequate funding.” The block of funds, as interpreted and implemented by the Socreds, operates as full provincial funding, even though it is derived from the traditional revenue sources, including residential and non-residential taxation. The school boards now had no jurisdiction over their tax bases, save for the right to hold a referendum, and the province had total control over the collection and allocation of funds to every school district. Granted, the 1982 restraint legislation restricted the right of local boards to levy taxes, but it was introduced as a temporary measure to control school board expenditures, and was not introduced as a means to provide full and equitable funding.

### **Historical Significance of Block Funding**

The introduction of the block funding system in 1990, was the first time since 1888 that a completely centralized funding system would operate in the B.C. education system. Governance had also been affected, as centralized funding had diminished the level of local school board autonomy.

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<sup>77</sup> Ibid., 9364.

<sup>78</sup> McMath, 191.

<sup>79</sup> *Support Systems for Learning: Finance*, 11.

There is a historically based notion that centralization is necessary for the equalization of educational opportunity. The Free School Act of 1872 which fully funded public education through the general revenues of the province, was “to give every child in the Province such knowledge as will fit him to become a useful and intelligent citizen in after years.”<sup>80</sup> The increased centralization of funding and governance, as implemented in the Cameron Report, was intended to reduce the disparity in education spending, especially between rural and municipal school districts. In this case centralization provided greater equalization by recognizing the “the child in Telegraph Creek is as much entitled to a good schooling as the child in Vancouver.”<sup>81</sup>

In 1968, provincially legislated control of funding and governance increased the provincial share of education funding. The objective of this legislative change was not equalization however, but cost-containment and cost-effectiveness by imposing limits on school board spending to achieve maximum return on education dollars. While Cameron had proposed that the province pay 55% of the costs of education to raise standards of educational quality, and Campbell kept the provincial contribution at a minimum above 50%, by 1967 the provincial share had dropped to 39.4%.<sup>82</sup> After the introduction of the BEP, the provincial funding contribution rose to 41% in 1968 and in 1971 was approximately 44% (not including the Homeowner Grant). There is no indication however that improving equalization was a factor in the introduction of the BEP and the subsequent increase in the provincial share of school costs. Cost-containment appears to have been the only rationale.

With the 1982 Education (Interim) Finance Act, centralization of funding in the province was by all counts introduced as a means of cost containment. But the introduction of the fiscal framework in 1984 complicated the restraint message by bringing forward the issue of equalization. In fact in 1984, equality in educational opportunity was presented by the Ministry as being contingent upon cost-containment. “The service levels represent the required amount of resources to cover each program area of the budget. It will be possible under the new system for every board to provide the equivalent of these levels of service. However, to do so costs will have to be kept in line with those described in the costing

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<sup>80</sup> F.H. Johnson, *A History of Public Education in B.C.*, 45.

<sup>81</sup> Cameron, 36.

system.”<sup>83</sup> In other words, given a limited amount of funds, every district will need to keep within budget so that there are sufficient and equitable resources for every child in the province.

In historical terms, since the Cameron Report of 1945, there has been an ever-increasing centralization of funding and governance in the Province, except for the 1972 policy changes in the NDP’s first term of office. The stated rationale for legislative changes that increased centralization has been given as either equalization of educational opportunity or cost-containment. When the fiscal framework was introduced during the restraint period in 1984, the rationale given for centralization was not simply one of equality of educational opportunity or cost-containment, it included both objectives.

The centralization of funding and governance in the province, was codified in the 1990 School Act, with the introduction of block funding, and the continuation of the fiscal framework. The current system therefore, reflects the combined objectives of an equitable and cost-effective distribution of funds.

The original question posed in looking at the history of education funding in B.C. was to determine whether the funding practices of the Ministry of Education are fair and reasonable. Given that cost containment and equalization of education opportunity are both considered integral to the fiscal framework, the question should be rephrased in two parts.

1. Does centralization of costing levels provide for a fair and equitable distribution of funds?
2. Does centralization of funding and governance in the Ministry provide a fair method of controlling education costs?

These questions can perhaps be better answered by looking at the implication of these two principles in the particular case of North Vancouver. The following section examines the actions of the NDP in managing an education system inherited from the Socreds. The NDP was elected in the fall of 1991, for the second time in B.C. history. The Socreds had completely revised the School Act in 1990, and in general terms the NDP retained the block

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<sup>82</sup> *A Century of Education in B.C.*, 72-73.

<sup>83</sup> Fleming, 36.

funding and fiscal framework models. Their task has been to make these systems operative throughout school districts in the province.

## **Chronology of changes in education funding**

- 1872-1888 Full provincial funding.
- 1888-1944 Local property taxation grows to 68% of education funding.
- 1945-1968 Provincial funding increases to 55%. Cameron and Campbell reports establish Basic Education Programme based on equality of educational opportunity.
- 1968-1981 Basic Education Program (BEP) of Social Credit government. Quantitative funding formula to control education costs. Limits imposed on school board spending.
- 1972-1975 NDP elected and relax restrictions on school board spending. Gives school boards greater powers to raise local taxes.
- 1975-1981 Social Credit re-elected. Increased costs in education due to low pupil/teacher ratios and increased spending on special education services.
- 1982 Restraint legislation permanently removes right of school boards to tax business and industry, and right to levy residential property taxes temporarily removed. Minister may limit school budgets and Compensation Stabilization limits salary increases.
- 1984 Fiscal Framework introduced. Standard costs set for education services.
- 1986/87 Right to levy supplementary residential taxes restored to school boards.
- 1990 Block funding introduced. Province to provide full and equitable funding to all school districts. Boards prohibited from raising additional taxes through residential taxes, save for referenda.

## PART 3

# REMOVAL OF THE NORTH VANCOUVER SCHOOL TRUSTEES

### Return of the NDP

*The deficit is not our fault!  
Glen Clark, Paul Ramsey!  
We want funding equity!*

Although the NDP had opposed both the loss of local taxation and the use of referenda for education funding while in opposition, they did not repeal the legislation once elected in 1991, and maintained the block funding system as introduced by the Socreds. North Vancouver's first block grant for the 1990/91 school year was \$77.9 million, an increase of 13.9% over the previous year's combined revenue of \$38.7 million from the province, and \$29.8 from local taxes. As North Vancouver was accustomed to a high level of additional revenue from local taxes, the 1990/91 grant included the first installment of a three-year special purpose grant of \$8.5 million, to allow the district to adjust to the lower spending levels necessitated by block funding.<sup>1</sup>

In 1990/91, North Vancouver generated a surplus of \$1.1 million, but in 1991/92, the district posted its first deficit of \$1.8 million, and had depleted its accumulated operating surplus and capital reserve of almost \$5 million. This deficit came as a result of a retroactive salary increase for teachers as per the 1990-92 Collective Agreement. Then Minister of Education, Anita Hagen, approved the retirement of the deficit over a two-year period to be paid in full by June 1994. The Board retired the first portion of the deficit as planned in June 1993, they submitted a balanced budget for 1992/93, and the district was left with a net deficit of \$646,449.

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<sup>1</sup> Financial information and background on the accumulating deficit of the North Vancouver School Board was obtained from the district's audited financial statements 1985/86 to 1995/96, correspondence between the School Board and the Ministry from April 1995 to June 1996, and from personal conversations with Len Berg, Secretary-Treasurer of the North Vancouver School Board.

Actual expenditures for the 1993/94 school year were higher than budgeted, and not only was the Board unable to retire the outstanding \$646,494, the district had also incurred an additional deficit of \$474,738 for the current year, for a total of \$1,121,187 accumulated deficit. In January 1994, the Board requested a deferral of the outstanding deficit until the 1994/95 school year, but this was denied by the Ministry on March 2, 1994, now headed by the new Minister of Education, former Highways Minister, Art Charbonneau. On April 5, 1994, the School Board requested that the Minister increase funding to the district in recognition of costs associated with the 1992 Collective Agreement. This request was also turned down by the Minister. The resulting 1993/94 operating deficit position remained at the accumulated sum of \$1,121,187.

On April 27, 1994, the Board submitted a preliminary 1994/95 operating budget which indicated retirement of \$.9 million of the \$1.12 million 1993/94 operating deficit. It also presented a balanced budget. When the final operating budget was submitted the following year, on February 28, 1995, the retirement amount was increased to just over \$1 million. However, the district now had an additional deficit of \$.65 million for the 1994/95 school year, so that the total accumulated deficit for 1994/95 became \$1.7 million, and was not a balanced budget as initially submitted. Minister Charbonneau responded to these new developments by requesting reasons for the 1994/95 deficit and plans for its retirement. He also claimed that reasons for the 1993/94 deficit had never been received and requested this information as well.<sup>1</sup>

A contingent of trustees, the Superintendent, administrators, teachers, non-teaching staff, and parents went to Victoria on April 19, 1995, to submit a request for special funding to Minister Charbonneau. The NDP MLA for North Vancouver-Lonsdale, David Schreck, was also present. At the meeting with Charbonneau and in a follow-up letter dated May 9, 1995, the School Board requested special consideration from the Ministry based on the November 1993 recommendations of an Education Funding Review Panel.

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<sup>1</sup> Charbonneau to trustees, April 26, 1995.

## **Technical Distribution Report**

In June 1992, the Ministry of Education had established an Education Funding Review Panel to recommend improvements to the block funding system. The panel stated its first priority was to redesign the resource-costing model of the fiscal framework to establish clear levels and actual costs of educational services, address inequities in the distribution of funds to the school districts, and define the relationship between the block of funds and the distribution system.

A Technical Distribution Group was subsequently formed in April 1993, to conduct a detailed analysis of the funding allocation system among the province's 75 school districts. By this time, Charbonneau had replaced former high-school teacher Anita Hagen as Minister of Education. The Technical Distribution Group included representatives from the B.C. School Trustees' Association, B.C. School Superintendents' Association, B.C. School District Secretary-Treasurers' Association, B.C. Teachers' Federation, Canadian Union of Public Employees, as well as the Ministry of Education. The mandate of the group was to review the distribution of operating funds, not the adequacy of funding levels. <sup>2</sup>

Released in November 1993, the Technical Distribution Report recommended changes to the fiscal framework in the areas of special education, administration costs related to district size, costs of growth, operations and maintenance, transportation and other miscellaneous service levels. Methods for updating cost factors, reconciling the amount prescribed in the distribution of funds with the revenue provided in the block of funds, and simplifying the distribution system to make it more understandable, were also included in the report.

The North Vancouver School Board was most interested in changes affecting funding in the area of operations and maintenance. At the time of the report, funding for operations and maintenance was based on historical spending in a school district. If a school district spent more in this area, they would receive greater funding. Conversely, the less they spent, the less they received. The report recommended that the formula not be based on historical costs, but on estimated cost factors and service levels based on specifications such as the square footage of buildings and grounds.

Since the introduction of the fiscal framework in 1984, the grant entitlement from the Ministry for operations and maintenance had slowly decreased in North Vancouver. The School Board argued that basing grants for operations and maintenance on prior spending patterns necessitated during the 1982 restraint period, had generated less than sufficient funds for the proper maintenance and operation of the schools. The proposed change to the funding formula would have increased North Vancouver's funding by \$1,157,171 in the 1994/95 school year, an increase of 11.3% in operations and maintenance. Taking into account recommended increases and decreases in all areas of the report, North Vancouver would have seen a net increase of \$1,548,841 or a 1.8% increase in their total annual block funding.<sup>3</sup>

Although the Technical Distribution Group had originally suggested that the report be implemented in full in 1994/95, school boards were informed by Minister Charbonneau in March 1994, that the Technical Distribution Report would not be implemented in the 1994/95 school year. A new simplified finance system was to be ready for 1995/96. His reason for setting aside the report was that he believed "the funding system requires fundamental changes beyond what was contemplated when these consultative processes were initiated."<sup>4</sup>

In the Legislature he justified shelving the Technical Distribution Report due to a strong voice of opposition from rural school districts who stood to have their funding decrease, while other urban districts would see increased grants. The Cariboo-Chilcotin School District, for example, would have lost \$1.5 million, Prince George \$2.2 million, and Peace River South \$1.4 million. The North Vancouver, Surrey, Richmond, Vancouver, Coquitlam and Greater Victoria school districts would have gained between \$1.1 million and \$2.5 million each.<sup>5</sup> Charbonneau also claimed that he had been planning to set aside the report even prior to opposition from the rural boards, because the fiscal framework was "impenetrable to the public," and required more than mere tinkering.<sup>6</sup>

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<sup>2</sup> Ministry of Education, "Report of the Technical Distribution Group", November 1993.

<sup>3</sup> "Technical Distribution Report," 65.

<sup>4</sup> Charbonneau to all school districts, March 10, 1994.

<sup>5</sup> "Technical Distribution Report," 64-65.

<sup>6</sup> *Hansard*, vol. 16 (1994), 11825.

Charbonneau did however, provide compensation for urban school districts experiencing rapid growth as identified in the Technical Distribution Report, but North Vancouver was not eligible for the Community Growth grant. The only carrot held out for North Vancouver was Charbonneau's stated intention "to implement a new, simplified education finance system for 1995/96." He also acknowledged that "many of the recommendations [in the Technical Distribution Report] would have been supportable, and may still contribute to future improvements to education finance in British Columbia."<sup>7</sup>

### ***Special Consideration Denied***

The new finance system was not ready for the 1995/96 preliminary budgets. At the meeting with Charbonneau in April 1995, and in a letter of May 9th, the Board requested a special grant as though the Technical Distribution Report had been implemented, or that the forecasted deficit of \$1.7 million be forgiven, or that retirement of the deficit be deferred until 1996/97 when revenue was anticipated to improve. In keeping with this request for special consideration, the Board set aside the \$1.7 million forecasted deficit and submitted a balanced 1995/96 preliminary budget. No additional deficit was expected in the upcoming year, but this was contingent on "setting aside the repayment of the forecasted \$1.7 million deficit from revenue available in (the) 1995/96 Operating Budget."<sup>8</sup>

Charbonneau responded on June 6, 1995, stating that despite the fact the Technical Distribution Report was not implemented, and the new funding allocation system would now not be ready until 1996/97, all boards with operating deficits were instructed to fully fund them from 1995/96 operating grants with no additional support from government. "In these fiscal times, it is imperative that all levels of government balance their budgets and ensure that future programs are not impaired by previous deficit repayments."<sup>9</sup> The Board was requested to repay the \$1.7 million operating deficit in the 1995/96 school year, and Charbonneau offered the services of the Ministry to assist the district in considering opportunities for cost containment.

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<sup>7</sup> Charbonneau to all school districts, March 10, 1994.

<sup>8</sup> North Vancouver School District, "1995/96 Preliminary Operating Budget," May 16, 1995.

<sup>9</sup> Charbonneau to trustees, June 6, 1995.

## Ministry Analysis

The School Board accepted Charbonneau's offer of assistance as they had exhausted over recent years "all known and rational possibilities of legitimately reducing its expenditures."<sup>10</sup> On August 1st, the Ministry sent its analysis identifying areas where spending in North Vancouver differed from other districts of similar size.<sup>11</sup> According to Barb MacLellan, Chairperson of the Board of Trustees, the analysis was superficial, very ill-informed and "showed a tremendous lack of understanding."<sup>12</sup>

MacLellan pointed out that the Ministry had suggested that the district review library costs, but the library budget had already been reduced and was higher than other districts only in the area stipulated by the teachers' agreement. The Ministry suggested reviewing where spending on continuing education programs was greater than revenue, but in North Vancouver continuing education generated a profit. They also suggested that opportunities for revenue could be found in the instructional cafeteria program, but only one school in the district had an instructional cafeteria, and the small profit was retained by the school. In any case, it is hard to imagine how increasing hot dog prices at a local high school could offset a \$5 million deficit.

The analysis also contained questionable data, for example, two school districts were shown as having no school principals, and all spending comparisons were based on preliminary, not actual budget figures. In the case of North Vancouver this was significant, as budget overruns indicated where the financial problems were occurring.

On August 17th, the Board responded to the Ministry, noting only that the Ministry's analysis was "of interest" to the trustees, and then reiterating the Board's need for assistance. On September 14th, Charbonneau gave the Board approval to retire the projected deficit of \$1.7 million over the next two years, \$300,000 of which should be repaid in the first year. On September 27th, the Board submitted its audited financial statements for the 1994/95 school year showing that the forecasted deficit of \$1.7 million had increased by \$900,000, due to unmet revenue expectations and expenditures required by collective agreement obligations.

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<sup>10</sup> Trustees to Charbonneau, June 15, 1995.

<sup>11</sup> Charbonneau to trustees, "Analysis of District expenditures," August 1, 1995.

<sup>12</sup> Barbara MacLellan, NVSD Trustee, telephone interview with author, June 14, 1995.

The total operating deficit now amounted to \$2.6 million. The Minister replied by approving the \$2.6 million deficit for 1994/95, but added that the amount to be retired in the first year of repayment would also have to increase to \$500,000. He also requested detailed reasons as to why the deficit was incurred.

## **Community Outrage**

### **“MLA Seeks School Board Ouster”<sup>13</sup>**

News of the North Vancouver School Board’s financial crisis began to appear in the local community newspaper in the fall of 1995 and local provincial politicians and members of the community expressed their outrage. It was reported that North Vancouver-Lonsdale MLA David Schreck had written Charbonneau on September 22, 1995, “asking the Minister to appoint a trustee if the board could not retire an anticipated \$1.7 million accumulated deficit from the 1994/95 fiscal year in two years.” When the final audit revealed the actual deficit to be \$2.6 million, Schreck called again for their removal. As quoted in the news, “[t]hat, said Schreck, means one of two things: trustees either withheld information from the public up until the last possible moment, or they are not fit to manage. I think what they have done is destroy their own credibility. All they do is whine for more money.”<sup>14</sup>

As news of the deficit became widespread, the Board came under fire in the community news. A local liberal MLA publicly accused the Board of negligence, and parents attacked the Board’s labour contracts with the teachers’ union and administrators. One parent is quoted as saying, “I’m not on a mission, I’m just really annoyed at the fragrant abuses”, and “It’s not that I’m anti-union, ... its just that these guys have got themselves a sweetheart deal.” Another parent “charged the board with signing collective agreements it could not honor,” and for providing sick-day payouts to administrators.<sup>15</sup> Parent advisory councils discussed the shortage of funds in the schools, and debated whether teacher salaries were eating up the budgets or the Ministry was underfunding the district.

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<sup>13</sup> North Shore News, October 1995.

<sup>14</sup> Ibid.

<sup>15</sup> North Shore News, September 27 - October 31, 1995.

Even the neighbouring school district contributed an opinion of the N.V. School Board when faced with a possible amalgamation of the two school districts. The Chair of the other school board was quoted as saying that their own board was responsible with its budget. Although he wouldn't say North Vancouver's administration is irresponsible, "his district does not have a deficit, contracts it can't afford, or provide sick leave buyout to administrators as is the case in North Vancouver. You draw your own conclusions, ...we're not interested in getting into that financial mess."<sup>16</sup>

The North Vancouver trustees repeatedly defended themselves against these accusations by stating that if the 1993 Technical Distribution Report, which showed the underfunding of the school district, had been implemented, there would not be a massive deficit. They maintained that they had repeatedly asked the Ministry for assistance that had never been adequately given. "If someone can run the school district better than we can, then they should go ahead," the Chair was quoted in the local news. She also stated that they were doing the best job they could given the constraints they must operate under. "Constraints include the School Act, worker's compensation regulations, contracts with employees, and an 'unfair' funding formula." A few days later she added that "suggestions to cut in the areas of employee contracts aren't useful because we can't. We feel our contracts are reasonable and fair."<sup>17</sup>

### **"Board Drops Debt Bombshells"<sup>18</sup>**

Cost overruns of 1994/95 were outlined in a December 19th letter from the School Board to the Minister. \$1.6 million of the costs that exceeded the budget were in the area of instruction, and were a direct result of the teachers' union collective agreement. Class size provisions, substitute teacher costs, learning assistance and aid time for children with learning disabilities were major contributors to cost overruns. These costs were unavoidable, the Board stated, because "provisions in the collective agreement must be adhered to and there is no flexibility for the Board to reduce these costs."

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<sup>16</sup> North Shore News, November 17, 1995.

<sup>17</sup> North Shore News, September 27 - October 31, 1995.

<sup>18</sup> North Shore News, January 18, 1996.

In a subsequent letter on January 12th, 1996, the Board informed the Minister that despite the fact they had received no assistance from the Ministry, they had attempted to retire \$500,000 in the 1995/96 budget. On the recommendations of its own Budget Advisory Committee, the Board stated that the \$500,000 could not be retired, and that a further deficit of \$2.28 million would be incurred in the 1995/96 school year. The total accumulated deficit for 1995/96 was now estimated to be \$5 million, 5% of the total school district operating revenue of \$99 million. The Board requested that the Ministry excuse the retirement of the estimated \$5 million accumulated deficit, provide equitable funding to North Vancouver, and provide meaningful advice and assistance as quickly as possible.

Days later the community news reported on the “rebel” board. “Trustees announced they will defy provincial regulations by submitting an unbalanced final operating budget and they expect their school district to be nearly \$5 million in the hole by June 30, 1996.” The new Chair of the School Board, Guy Heywood, reiterated the statements of the former chair saying that the school district is underfunded and does not receive enough money from Victoria “to meet obligations in existing employment contracts and collective agreements....[but that] ... is not the fault of an inefficient school board that spends too much money, but of a provincial government that does not provide enough.” Heywood is also quoted as saying that submitting an unbalanced budget “should precipitate action from the government “sooner rather than later.” In referring to the Ministry’s earlier attempt in August to help the district find ways to balance the budget, the Chair stated it was of no value. “Really, he [Charbonneau] should fire us if he’s got a better plan.”<sup>19</sup>

On January 18th, the Chair of the North Vancouver Board of School Trustees was taken at his word. Minister of Education, Art Charbonneau removed the North Vancouver Board of School Trustees, and replaced them with an official trustee. Charbonneau’s message to the community was clear. “I can think of few instances that call for such drastic measures as the removal of a board, but obviously this board’s unwillingness or incapacity to address its fiscal responsibilities to this extent has placed the district in serious financial danger.”<sup>20</sup>

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<sup>19</sup> Ibid.

<sup>20</sup> North Shore News, January 25, 1996.

In response to his dismissal, the Chair publicly stated that “the Minister should have sat down with school board staff and looked at District 44’s books before firing the Board,” and that they were “utterly frustrated by the Minister’s response after a year of asking for his help. Instead of providing assistance, we get shot.”<sup>21</sup> The trustees maintained that they had repeatedly asked the Ministry for assistance in resolving their financial distress, but that any assistance hitherto received had been ill conceived and inadequate.

## **Appointment of the Official Trustee**

Upon removing the North Vancouver School Board, Charbonneau appointed an official trustee to bring fiscal matters under control. A government appointed trustee is not a common solution to the fiscal problems of a school district, but it is not without precedent in B.C. In 1985, the Vancouver School Board was removed for submitting a compliance budget, and in the first half of the century, when school boards numbered close to 800, the bankruptcy of a school district was common, and an appointed trustee was sent in to restore the district. The official trustee appointed in North Vancouver was Mr. Robert Smith, a chartered accountant, and president and chief executive officer of the local hospital.

Mr. Smith’s mandate was to identify and analyze the areas of over expenditure, and recommend ways to reduce operational expenditures. As stipulated in his Terms of Reference he was given \$100,000 by the Ministry of Education to develop “a plan to bring the expenditures into congruence with the revenue available to it [the District] and to retire the accumulated deficit,” and to hire education experts to assist in this process.<sup>22</sup> Accordingly, Smith hired KPMG Management Consultants to prepare a comparative analysis of district expenditures and revenues against the averages of all the province’s school districts, and against seven to eight comparable districts.

Although as official trustee Smith was functioning as a representative of the Ministry rather than a representative of the people, he was requested to consult with parent groups and others, to identify their views on the matter and their advice on reducing the deficit. To

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<sup>21</sup> Ibid.

<sup>22</sup> Ministry to official trustee, February 13, 1996

satisfy this requirement for public consultation, Smith, accompanied by his hired consultants and the superintendent of schools, conducted public meetings in local school gymnasiums. As irate parents fired questions at the panel, official trustee Smith explained the projected deficit of \$5 million, the planned expenditure reductions to educational programs, the deteriorated state of the schools district's infrastructure (i.e. buildings) and the dismal lack of computer facilities. He suggested further that monies saved from increased efficiency in the management of the School District be redirected toward capital improvements such as buildings, computers and other technological upgrades. He was emphatic that increased funding from the province based on implementation of the Technical Distribution Report could not be expected. At the same time the "window of opportunity" had been lost for that school year to repay any of the accumulated deficit. Therefore his plan was to devise a deficit repayment plan for the next school year, one not based on any increase in funds from Victoria.<sup>23</sup> These "town hall" meetings ended with a request for submissions and to hear presentations from concerned groups.

Stakeholder feedback was to accompany each recommended item in the official trustee's report for improving the district's finances. Stakeholder groups included school administrators, teaching subject specialists, the North Vancouver Teachers' Association (NVTAs), custodians, clerical and teaching support staff represented by the Canadian Union for Public Employees (CUPE), parent groups representing French Immersion, music and fine arts, special needs, and individual schools, and Justice in Education, a parent-led lobby group formed in response to the school district crises. An impressive two hundred and sixty-eight written communications were received, and he met with twenty different community groups and education partners.

When an analysis of the school district, and initial recommendations for financial improvements had been prepared, "an interim report for discussion purposes only" was made available to the public on March 14, 1996. Stakeholder groups had two weeks to respond before the issuance of the final report to the Ministry on March 31, 1996. For one of those weeks schools across the district were closed for spring break holidays.

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<sup>23</sup> Public meeting, Leo Marshall Community Centre, February 1996.

The Interim Report outlined a number of ways to reduce expenditures, including limiting and eliminating secondary school courses, relocating students, reducing spending on special education, reducing custodial services and supervision aides, school and district administration, library, paper and office supplies. Ways to increase revenue included raising fees for Continuing Education and the Outdoor School Program. Families were outraged at this proposed reduction in educational services and not because this was the first time they had ever been faced with diminished educational opportunities for their children. The official trustee's cutbacks were only the most recent in a series of cuts since 1992.

Special education services had already lost its diagnostic centres, the district psychologist, the elementary school resource rooms, and had other programs reduced. Many administrative positions had been previously eliminated including, the directors of Continuing Education, Program Services, and Personnel; the Music and Curriculum and Assessment coordinators; and the district librarian. K-5 French instruction had been completely cut, the Elementary Band and Strings program had become user pay, there were no longer any crossing guards, and many clerical positions had been lost. Even Smith admitted that these latest cuts were the last remaining peaks to be chopped, the base of the mountains had long since been removed.

Not surprisingly, parents, students, teachers, support staff and administrators were vocal in their opposition to the proposed cutbacks. Parents and students were quick to organize protests around the most drastic cuts such as closing schools or shutting down programs. Because of the succession of cutbacks over the last few years, the school community was also well aware of the underfunding issue as had been articulated by the trustees. In a consolidated effort between parents, students, teachers, support staff, and some administrators, the rallying point became inequitable funding in North Vancouver. The name of the lobby group, "Justice in Education," was a reference to the inequitable treatment the school district perceived it had been receiving from the Ministry of Education.

The tactics of Justice in Education were systematic letter, phone and fax campaigns to Ministry officials, petitions, media and parent communications, and a Family March and Rally on March 30th, 1996, the day the final report of the official trustee was submitted to the Ministry. The final report was essentially the same as the interim save the inclusion of

stakeholder feedback. The official trustee's recommendations included the following.

1. That the Minister ensure equity in the funding formula as it is applied to the North Vancouver School District.
2. That the district proceed with the proposed revenue enhancement and expenditure reduction initiative in the report to realize a savings of over \$4 million.
3. That selected properties be disposed of in a manner that generates additional capital funds to facilitate the acquisition of much needed infrastructure while operating funds address the \$4.9 million debt reduction.<sup>24</sup>

### ***Provincial Response to Report of Official Trustee***

On April 18th, MLA Schreck announced that the "school district will receive a "fair funding" boost of between \$1.5 million and \$2 million for the 1996/97 school year", and that the "\$5 million debt will be retired without affecting future operating budgets."<sup>25</sup> A few days earlier, on April 12th, the Ministry had announced that the long-awaited amendments to the funding formulas for operations and maintenance would be implemented for September 1996. On May 16<sup>th</sup>, the Ministry approved the operating fund deficit for the official trustee, approval that had previously been denied to the former trustees.

The Ministry also confirmed that they would work on the plan to dispose of certain assets to retire the accumulated deficit of \$4.9 million. The plan, which was formally approved on September 24, allowed the deficit to be retired over a ten-year period by selling surplus properties in the District which belong to the Ministry. The money raised from the sale of assets was to be used to purchase that grey area of capital projects which would "otherwise have been funded through an allocation of operating funds to local capital projects."<sup>26</sup>

The news was better than expected and though many of the expenditure reductions were implemented, some of the more drastic measures such as school closures were avoided.

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<sup>24</sup> Robert Smith, "Final Report to the Minister of Education and the Communities of North Vancouver City and District on the Financial Review of School District No. 44", March 31, 1996.

<sup>25</sup> North Shore News, April 20, 1996.

<sup>26</sup> Ramsey to official trustee, May 16, 1996, and September 24, 1996.

Although the Ministry credited Smith with restoring the fiscal reliability of the school district, Smith's success was actually occasioned by the Ministry's own willingness to comply with his recommendations. The official trustee was permitted to set aside the accumulated deficit, and start fresh in building a balanced budget, something the Ministry had repeatedly refused the former trustees. The Ministry finally corrected the funding formula under the office of the official trustee, not when the elected trustees were in office. Repayment of the deficit was essentially "set aside" by a plan that involves selling the Ministry's own assets.

Ironically, almost all of the official trustee's revenue enhancement and expenditure reduction initiatives came from the School Board's own Budget Reduction Committee, formed by the former trustees to permit retirement of \$500,000 of the \$2.3 million accumulated deficit as at 1994/95.<sup>27</sup> It was the committee's recommendations that no further expenditure cuts could be made to the system that year, which prompted the trustees to inform Charbonneau that they would be unable to submit a balanced budget in February. Charbonneau's response had been to remove them from office.

Why was the Ministry so willing to comply with the official trustee and not the elected trustees, given that they requested the same consideration? Smith could simply have been hired as a consulting financial analyst to restore the fiscal reliability of the school district, while working and collaborating with an intact board of trustees. Why did the Ministry think it necessary to remove the trustees from office?

The answers to these questions, which would give the rationale to the Ministry's actions, are not self-evident in terms of rational or effective planning. Rational planning would have had the Ministry provide a detailed analysis of the school district's finances, as had been repeatedly requested by the Board. This financial analysis would have enabled the elected trustees to provide essentially the same report as was submitted by the official trustee. The funding inequity would still have been resolved, the more drastic cutbacks would still have been avoided, and the deficit could still be repaid through asset disposal. The community however, would have been spared the disruption of losing its democratically elected representatives.

It seems clear that politics between local and provincial government bodies offers the most plausible explanation for the removal of the school trustees. But before moving on to the politics of the situation, the influence of one key player needs to be clarified: the teachers' union.

## **The Teachers' Union**

The cross-district analysis provided by KPMG consultants compared spending in various areas of school district budgets. In all areas save one, the North Vancouver School District spent either the same or less than the comparable seven districts, or the provincial average. Teachers' salaries and benefits had become an increasing community concern as the district began to experience financial difficulties. The NVTAs, the North Vancouver Teacher's Association, had come under fire for its perceived lucrative contract settlements in numerous letters to the editor in the local newspaper, and the removed Board of trustees had frequently pointed out the constraints imposed by collective agreements.

The KPMG analysis showed that contrary to popular opinion, teachers' salaries or benefits were not out of line with comparable districts, and in fact salaries were slightly lower than the provincial average. Two clauses in the teachers' contract were more expensive than most, however. Article D.1 refers to class size and composition, and although North Vancouver teachers had close to the same class size limits as other districts, their contract provided compensation once a certain number of students over the limit is reached.<sup>28</sup>

The other clause which drove up instruction costs was related to the integration of special needs students into the regular classroom, called Mainstreaming Integration (D.4). A class in North Vancouver can have no more than 3 special needs students and the class can not then exceed the class size limit except with permission of the teacher. This is similar to other districts. Where North Vancouver differs is in the support staff required for special needs students. For students with severe disabilities a full time aide of up to 20 hours per

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<sup>27</sup> North Vancouver School Board, "Report of the Budget Reduction Committee," January 9, 1996.

<sup>28</sup> All references to the local collective agreements, are drawn from either the 1988-1990, 1990-1992, or 1992-1995 Collective Agreement between the North Vancouver Board of School Trustees and the North Vancouver Teachers' Association.

week is allocated. Students with moderate disabilities are allocated 2 hours of aide time per week. According to the KPMG analysis, this provision cost the district an added \$2.4 million over the 7 district average in 1994/95.<sup>29</sup>

The difference between North Vancouver and the 7 comparable districts in instruction expenditures totaled \$4.9 million. It is not surprising that the School Board had trouble balancing the budget. Collective agreements are very difficult to change, and an attempt made by the Board on October 14, 1993, to increase class size was grieved and won by the union. An arbitration award concluded that the Board had not made "every attempt" to fill every class to its limit.

These two provisions for class size and special needs support staff were introduced in the 1992-95 Collective Agreement, the third collective agreement in North Vancouver since the right for local unions to have full collective bargaining was assented to in May 1987. The first two agreements had each been two years in duration, and the third agreement was to be in place three years. In June 1995 however, the Ministry began the transition towards centralized provincial bargaining, and local boards would no longer negotiate their own contracts. The Ministry extended all the local union contracts, regardless of how long ago they had been settled, into a Transitional Collective Agreement. The Transitional Agreement expires on June 30, 1998. It is to suffice, or will be extended, until the British Columbia Teachers' Federation (BCTF) and the provincial bargaining unit, the British Columbia Public Sector Employers' Association (BCPSEA) can reach a Provincial Collective Agreement.

The School Board had signed a teachers' contract in 1992, which has proven to be unmanageable, and has been exacerbated by the indefinite extension mandated by the province. As the former chairperson of the trustees said, "suggestions to cut in the areas of employee contracts aren't useful because we can't."

### ***An MLA's Perspective***

When asked why he called for the firing of the North Vancouver School Trustees, MLA David Schreck replied that he had been caught between the devil and the deep blue sea, i.e. the Ministry and the School Board. He was in the position, he claims, of trying to

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<sup>29</sup> Final Report of the Official Trustee, Exhibit III-3, 12.

reconcile differences between both sides, “when really they should have had their heads knocked together!”<sup>30</sup> As self-described conciliator he lobbied the Ministry for a correction in the funding formula, and compensation for the School Board.<sup>31</sup> He also urged the School Board to adjust their spending levels. By refusing to reduce spending, he contends that the trustees violated the School Act, and this action constituted an act of civil disobedience. He saw no choice but to call for the firing of the trustees.

As quoted in the community news, Schreck repeatedly condemned the school trustees for over-spending. This position he claims, was validated by the final report of the official trustee, who “found a pattern of expenditures that is no longer appropriate in an era of public sector fiscal restraint.”<sup>32</sup> Areas where overspending occurred were, according to Schreck, precisely those areas identified and recommended in the official trustee’s report where cost-efficiencies could be realized through cutbacks.

When asked to comment on provisions in the teachers’ contract which were more costly than other districts, Schreck stated that the North Vancouver contract was “never out of line with other settlements in the province. Every employer would prefer not to have to pay their employees.” After reading to him, verbatim, sections of the official trustee’s report which identified class size and special education aides as two provisions in the contract which increased North Vancouver’s instruction costs by \$4.9 million over 7 comparable districts, Schreck denied that the official trustee had made that conclusion. He also stated that he would need to see some hard evidence to that fact.

### ***Second Collective Agreement: Retroactive Salary Increases***

Schreck traced the beginning of the school district’s financial problems to negotiations of the second collective agreement of the North Vancouver Teacher’s Association (NVTA). The term of the agreement was from July 1, 1990 to June 30, 1992, but the agreement was only signed on May 28, 1992, one month before its expiry. The negotiation of the agreement occurred during a transitional time in B.C.’s education system.

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<sup>30</sup> David Schreck (former MLA), telephone interview with author, June 4, 1997.

<sup>31</sup> *Hansard*, vol. 16 (1994), 11422; vol. 19 (1995), no. 6, April 25.

<sup>32</sup> Final Report of the Official Trustee, page ii.

The block funding system was being introduced, the right for school boards to levy local taxes was restricted to referenda, and the Social Credit Party ended 20 years of uninterrupted rule, and was replaced by the NDP on October 17, 1991. As the NDP nominee for the riding of the city of North Vancouver, Schreck addressed the teachers' union and other education partners at an information meeting in the spring of 1991.

At this meeting, Shreck outlined the NDP platform of eliminating the Compensation Stabilization Program that had been introduced by the Socreds in 1982, as part of the restraint legislation. The purpose of the program was to ensure that all negotiated settlements in the public sector fell within compensation guidelines as set by the province. In that capacity a Compensation Officer, working under a two-step process, was to assist parties to reach voluntary agreements through collective bargaining within the guidelines. If the parties could not voluntarily make a plan that conformed to the guidelines, the Compensation Officer could invoke the mandatory, legally binding regulations.<sup>33</sup>

Schreck contends that it was common practice by school boards at that time to agree to a settlement with the teachers' union which was above compensation guidelines, knowing that it would be rolled back by the Compensation Officer. Thus, when the North Vancouver School Board negotiated the 1990-92 contract, Schreck claims they agreed to a large salary increase, assuming it would never be approved. Schreck accuses the North Vancouver Board of political naivety in not recognizing the imminent election of the NDP and the promised repeal of the Compensation Stabilization program. When the contract was finally signed in 1992, the Board had agreed to a 14% salary increase staggered over the previous two years, and now owing retroactively. Schreck had also stated at the public meeting that the NDP would not write blank cheques for negotiated agreements. Funding for instructional costs would only be covered by the amount stipulated in the fiscal framework.

While there is no evidence to support Schreck's claim that school boards routinely settled contracts higher than compensation guidelines knowing they would not have to honour the agreement, Schreck is correct in identifying this incident as a pivotal point in the financial problems of the North Vancouver School board. The 1991/92 school year is the first year the district posted a deficit of \$1.8 million after years of generating a surplus. But

Ken Kaiser, the Chief Bargaining Officer for the School Board for both the 1990-92 and 1992-95 Collective Agreements, claims Schreck is incorrect in believing that the Board negotiated contracts knowing the Compensation Officer would roll them back. The North Vancouver Board was “not a rebel board. They would never have gone out on a political limb like that, they were much more prone to working within whatever legislative framework was around.”<sup>34</sup>

Schreck also contends that the North Vancouver teachers' agreement was never out of line with other provincial agreements. According to Ken Kaiser, this statement is true concerning the 1990-92 Collective Agreement that fell within the average of previously settled districts. While school districts and local teachers' unions still had the power to negotiate local collective agreements, they were usually settled within the guidelines of other districts' contracts that had been recently negotiated. This was called “pattern bargaining.” Kaiser claims that the North Vancouver Board did not generally settle until well over 50% of the province's school districts had agreements. “North Vancouver characteristically waited for a solid indication of contract guidelines. They had to justify settlements to the union, and the Board would face strike action if they settled for less.” There had in fact been a 1/2 day strike during negotiations of the 1990-92 Collective Agreement.

### ***Retroactive Pay Impacts***

The problem, it appears, was when the agreement was finally settled the retroactive pay had not been figured into the 1991/92 budget. As Chuck Dixon, former president of the North Vancouver Teachers' Association states, “The money had all been spent, I'd bet my house on it.”<sup>35</sup>

Looking at the school district's audited financial statement for the fiscal year ending June 30, 1992, it is clear that the salary settlement awarded to teachers impacted expenditures. In 1991/92, there was a 18.2% increase in instruction expenditures from the previous year, and teachers' salaries exceeded the budgeted amount of \$67.3 million by \$6.3

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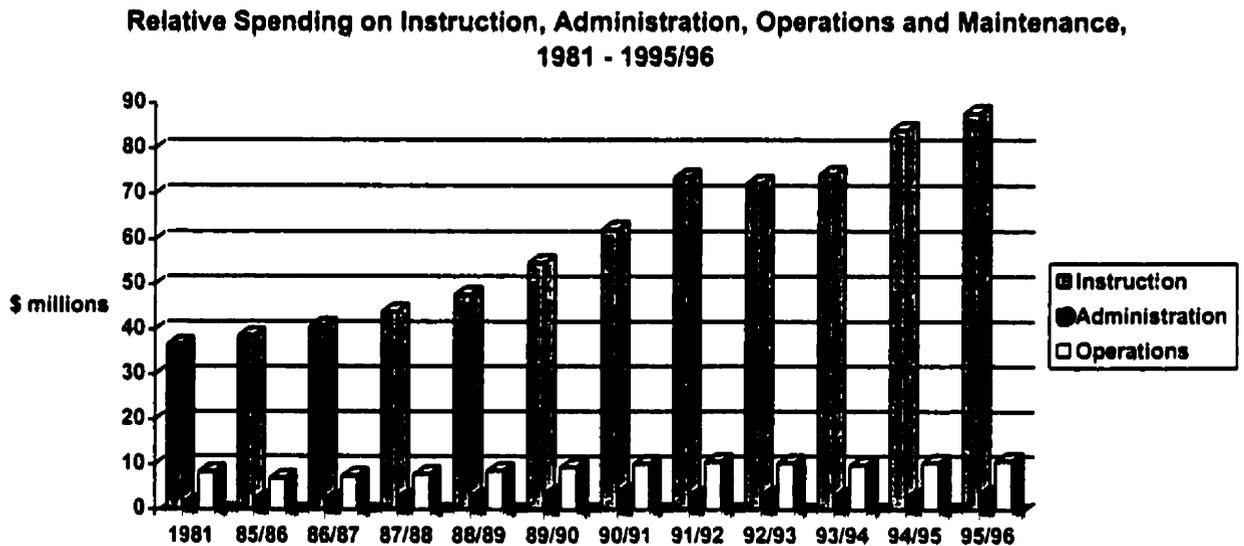
<sup>33</sup> Government document 850-23/009, 1983, 2-3.

<sup>34</sup> Ken Kaiser (former NVSD Chief Bargaining Officer), telephone interview with author, June 25, 1997.

<sup>35</sup> Chuck Dixon (former NVTA President), telephone interview with author, June 11, 1997.

million. That year the district posted its first deficit of \$1.8 million, even with a transfer of \$2.9 million from the capital reserve fund, and \$2 million from surplus funds, which were then depleted.

The impact of the salary settlement compounded the existing shortfall of funds in operations and maintenance. In 1981, before the 1982 restraint cutbacks, operations and maintenance accounted for 17.5% of total operating expenditures; but after restraint North Vancouver economized in this area in response to reduced budgets. When the fiscal framework was introduced in 1984, costing levels were set at the reduced amount, and provincial grants were based on a three-year average of historical spending. From 1985-1991, spending on operations and maintenance dropped from 13.5% to 12.4% of total spending. In 1991/92, when increased funds were required for the retroactive salary increases, spending on operations and maintenance slipped to 11.4% of operating expenditures.



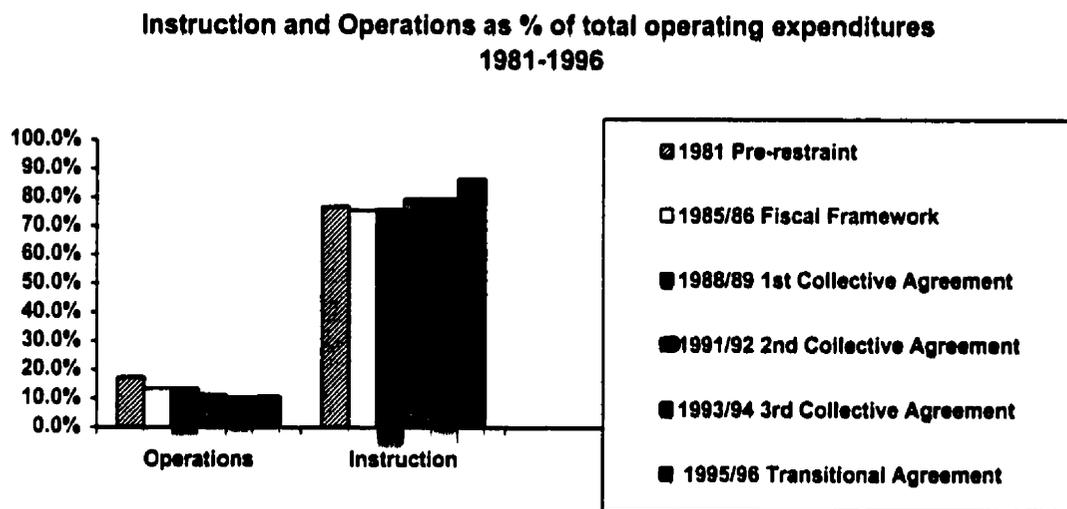
**Figure 1: Relative spending in North Vancouver School District operating budget.**

Instruction costs before the 1982 restraint period were 76.8% of the total, and from 1985-1991, still comprised close to 76% of expenditures. In 1991/92 however, instruction costs increased to 79% of the operating budget. Administration costs were consistently 2.5 -

3% of total expenditures.

Although Schreck was accurate in recognizing the significant effect the 1990-92 Collective Agreement had upon the finances of the district, he was incorrect in denying the financial impact of the 1992-95 agreement. Negotiations for the third collective agreement began in July 1992, and it was signed in November 1993.

In the years 1991/92 to 1995/96, spending on instruction increased 19.4 % (4.85% per year) to \$87.8 million, to assume 86.6% of the total operating budget.<sup>16</sup> Increased spending in instruction was largely due to specifications regarding class size and composition and the integration of special needs students. As per the funding formula, operations and maintenance increased only 2.2% over that same time period, from \$10.6 to \$10.8 million, dropping to 10.6% of total expenditures. The inverse relationship between increased instructions costs and decreased funds for operations and maintenance was extended in 1995, with the provincially imposed Transitional Collective Agreement, and was corrected with the new funding formula in 1996/97.



**Figure 2: Instruction and Operations, % of total operating budget**

<sup>16</sup> To reconcile expenditures from 1981 to 1996, instruction costs from 1994-1996 include school-based administration, even though this category was transferred from administration to instruction in 1994/95.

### ***Third Collective Agreement: Special Needs (Mainstreaming) Integration***

In the area of special needs integration, the proposal first put forward by the NVTAs (North Vancouver Teachers' Association) was similar to that of the 1990-92 agreement which stated that special education aides would be provided based on need as determined by a District Screening Committee. This proposal was rejected by the School Board bargaining team as it was considered too unpredictable, and potentially too expensive, based as it was on subjective qualitative assessments. The School Board countered with a more quantitative formula that specified two hours per week aide time for every High Incidence category student with special needs.<sup>37</sup>

The 1992/93 school year still operated under the aegis of the 1990-92 Collective Agreement, and although the operating budget had sufficient surplus that year to pay down the first portion of the previous year's deficit, the High Incidence/Low Cost category was over budget by \$1,023,209. With the signing of the agreement in November 1993, the special education aide time designations took effect during the 1993/94 school year. That year expenditures in the High Incidence category were \$431,876 under budget, and actual expenses dropped 2.8% from the previous year. One could have concluded from this that the new quantitative formula for special education aid time was proving to be more cost-effective.

By 1994/95 however, the effects of the quantitative contract provision of 2 hours per week for special education aide time began to surface. Cost overruns for special education aides in the High Incidence category were \$419,247,<sup>38</sup> and according to the KPMG analysis, North Vancouver spent \$2.4 million more than other comparable districts on support staff for that year.<sup>39</sup> Unlike the Ministry's analysis provided in August 1995, KPMG used actual not preliminary budget figures, and thus includes cost overruns.

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<sup>37</sup> D.4, 5h(i). High incidence refers to categories of special needs students which occur with greater relative frequency than low incidence, and do not require the service levels of, for example, a severe mental or physical handicap. Categories of High Incidence include Severe Learning Disabled, Mildly Mentally Handicapped, and Severe Behaviour.

<sup>38</sup> Trustees to Charbonneau, December 19, 1995.

<sup>39</sup> Final Report of the Official Trustee, Exhibit III.

According to Ken Kaiser, in many ways the 1992-95 Collective Agreement was the best settlement in town. Salaries were slightly less than the provincial average,<sup>40</sup> and as the Board wanted stability in the district they pushed for a three-year term instead of the conventional two years. But the provision on special needs integration “got away on us” states Kaiser. As the intent of the School Board was to increase stability in the district, they pushed for a quantifiable formula in the allocation of special education aides to better predict and control spending. They did not anticipate however, the number of students who would be designated as special needs, and on top of that, the district did not initially provide the correct data on previously identified special needs students. Thus the Board “didn’t fully see the magnitude of special needs students out there.” As time went on it became apparent that the formula was too generous. As was shown 15 years earlier in the cost escalation of the Basic Education Program (BEP), quantifiable formulas are not necessarily more cost effective than qualitative.

### ***Flex Factor Costs***

Cost overruns were also occurring in another area of instruction expenditures. Until the 1991-92 school year, the category of regular instruction, referring to the Kindergarten to Grade 12 program, kept within budgeted targets. As mentioned above, Regular Instruction ran \$2,448,454 over budget in 1991/92, mostly due to a retroactive payout for the previous two years. In the next two years this category was again over budget by \$1,067,710 in 1992-93, and by \$1,833,822 in 1993/94. Much of these overruns were due to another provision in the 1992-95 collective agreement that took effect in July 1992.

As outlined in the KPMG analysis of the 1994/95 school year, in addition to special education aides, the other area where North Vancouver differed from the other comparable school districts, was in the area of Class Size and Composition. While class size numbers were comparable in the other districts, North Vancouver differed in what is called Flex Factor Compensation. The flex factor is the number of additional students by which a class may exceed the contract specified limits before having to create a new class. North Vancouver is the only school district in British Columbia which provides release time for

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<sup>40</sup> Comparative Analysis of Provisions of the Board - NVTA Collective Agreement, North Vancouver School

teachers whose class size exceeds the specified limit for elementary schools, or the flex factor limit of three above class size for secondary schools. Although there is no data available for the 1992/93 or 1993/94 school years, the KPMG report for 1994/95 indicates that “the advantage enjoyed by North Vancouver comes at a price.”<sup>41</sup> For 1994/95, teacher expenditures were \$2.2 million over the 7-district average, much of that attributable to flex factor compensation. As the contract was also in place over the previous two years, it would be reasonable to attribute some of the cost overruns of those years in regular instruction to the flex factor.

### ***Changes to Early Retirement Incentives***

KPMG also attributed the difference in teacher expenditures to an early retirement incentive plan, a contract provision which was intended to encourage more experienced and hence, higher paid teachers to be replaced by lower paid teachers. The plan paid a percentage of employee salaries for four years following retirement. When the plan was first introduced in 1990, Ministry grants for teachers' salaries were based on a three-year average of salaries so that if less experienced teachers replaced experienced staff, the district benefited from the differential.

In 1994, Ministry policy was changed to fund current teacher salaries, so that the lower paid teachers simply generated lower Ministry grants. The province benefited from this amendment to the funding formula, but districts still committed to early retirement plans were penalized, and “the reduction in expenditure as a result of employing lower-paid teachers [was] significantly less than the costs.”<sup>42</sup> This clause was in place from July 1990 to June 1995, and was not extended with the transitional collective agreement. Early retirement incentives were offered in approximately twelve school districts in the province. The exact weighting of flex factor compensation and the early retirement incentive costs, within the \$2.2 million above the 7 district average that North Vancouver spent on teacher salaries, was not indicated in the KPMG report.

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Board, January 1996.

<sup>41</sup> Final Report of the Official Trustee, 17.

<sup>42</sup> Ibid., 44.

Contrary to Schreck's assertion that employee contracts in North Vancouver have never been out of line with other settlements in the province, the 1992-95 Collective Agreement contained two unique contract provisions, regarding class size and special education aidetime. These two provisions, along with the early retirement plan, cost the school district in 1994/95, \$4.5 million more than the average of seven comparable school districts. Increased costs in instruction drained available revenue from operations and maintenance which was, in turn, underfunded by the Ministry, as grants in this function were calculated on prior years' spending. In other words, unanticipated and costly provisions in the Collective Agreement in one area of the budget aggravated the existing underfunding from the Ministry in another area. Both of these factors compounded the deficit in the following two years, so that by January 1996, the Board was anticipating an accumulated deficit of \$5 million.

## **Administrative Spending Cap**

### ***Sick-Day Payouts***

*"Rich sick benefits hard to swallow"<sup>43</sup> "School payout sickening some"<sup>44</sup>*

Sick-pay termination packages for senior administrators in North Vancouver became a focus of public discontent in February, 1995. In response to a Freedom of Information request from the North Vancouver Teachers' Association, the public learned that almost \$300,000 would be paid to four administrators over a three-year period for sick-pay benefits. Three of the leaving administrators also received early retirement payouts of approximately \$100,000 over three years.

The sick-day payouts were part of contractual obligations with senior administrators signed in 1990. The early retirement incentive applied to all teachers, support staff and administrators in the district for a five-year period only, from July 1, 1990 to June 30, 1995. Only senior administrators were eligible for the sick-day payouts, and according to the Chair of the Board, were necessary to keep existing employees, as well as attract new ones. Four

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<sup>43</sup> Vancouver Sun, February 9, 1995.

<sup>44</sup> North Shore News, February 10, 1995.

other districts provided sick-day payouts at the time. The Chair did admit however, that having four senior administrators leave at the same time was unfortunate. While \$300,000 appears an outrageous sum for a school district in debt, or any school district for that matter, the added cost amounted to \$100,000 for each of three years, or approximately 1.2% of the total administrative budget.

The NVTA president commented that “the buybacks send the wrong message when the board is cutting services... Resources are stretched to the limit,” and the CUPE president stated that “the benefits show there is one rule for administration and one for other education workers.... the members aren’t stupid, they know what’s going on.” MLA Schreck saw it as another “example of the out-of-control administrative costs in the North Vancouver School District.”<sup>45</sup>

Charbonneau issued a press release condemning North Vancouver’s practice of giving lucrative settlements to retiring or leaving senior staff. “I have made it clear that the needs of students in the classroom are our highest priority, and have asked Ministry staff to develop proposals about how we can put an end to lavish perks by school districts.”<sup>46</sup> In the Legislative Assembly he further decried the actions of the North Vancouver School Board, stating that, “three hundred thousand dollars into a few pockets would have gone a long way in meeting the resource needs of children. It could have probably put a hundred computers on the desks of students - and printers, for that matter.”<sup>47</sup>

Charbonneau used the apparent profligacy of North Vancouver to publicly reinforce a policy decision that had been implemented the previous year, the cap on administrative spending. “The administrative cap we imposed last year is directly aimed at this kind of extravagant spending by school districts.”<sup>48</sup> In reality the North Vancouver School District spent less on administration than the 7 comparable districts of the KPMG analysis, and had consistently spent less than the government imposed ceiling. The year before the cap was imposed senior administrators had taken a voluntary 5% rollback, and beginning in the

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<sup>45</sup> Responses to sick-day payouts from Vancouver Sun, February 9 & 17, 1995; and North Shore News, February 10, 1995.

<sup>46</sup> Ministry of Education, news release 03-95.

<sup>47</sup> *Hansard*, vol. 19 (1995), #11, May 1.

<sup>48</sup> Ministry of Education, NR03-95.

1992/93 school year the school district had eliminated one assistant superintendent, all directors and some coordinators in their actions to confront the deficit.

While Charbonneau was very public in his condemnation of North Vancouver's payouts to senior administrators, he was silent on the effect that changes in the funding policy for teachers' salaries had upon revenue generated in a school district's early retirement plan. In 1994, the funding changed from a three-year average of teacher salary expenditures to current expenses only. The province saved money on this new formula, but school districts committed to early retirement incentives in their employee contracts were penalized until the contracts expired, and all plans were paid out. According to the KPMG report, the cost of this provision to the district was a significant portion of the \$2.2 million more spent on teachers in North Vancouver than the 7 comparable districts.

### ***1994 Provincial Debt Management Plan***

The cap on administration was part of the province's Debt Management Plan which had been introduced in the 1994 Budget Speech. The 1994 Debt Management Plan continued the policies of the first two budgets of cutting spending growth and reducing the deficit, but in 1994 the "Premier directed that further progress be made by reducing spending growth, not by increasing taxes."<sup>49</sup> Tax increases had accompanied the first two budgets. Cost efficiencies in education were to be realized by reducing administrative costs by 15% in 1994/95, and a further 2.3% in 95/96.<sup>50</sup>

In 1994 and 1995, no wage increases were funded by the Ministry for teachers' salaries, even though school districts had obligations to existing contracts which would have required salary increases. In 1994, the Ministry also announced that they would implement a province-wide teacher bargaining system. In May 1995, Charbonneau claimed that "built-in costs within the existing contracts are honoured fully throughout the province, and any increases that have been negotiated among support staff have also been recognized through the province."<sup>51</sup> This was clearly not the case in North Vancouver, where neither class size,

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<sup>49</sup> 1994 Budget Speech.

<sup>50</sup> *Hansard*, vol. 19 (1995), #11, May 1.

<sup>51</sup> *Ibid.*

early retirement plans, or special education aides were fully recognized in a contract that had been extended indefinitely.

In November 1995, Charbonneau announced that he would reduce the existing 75 school districts to 37 to save millions in tax dollars, unless a Ministry and BCSTA (B.C. School Trustees Association) steering committee could propose another solution. The savings realized by amalgamation were to compensate for a reduction in federal transfer payments of \$8 million over the next two years. In December 1996, for the first time since the Cameron Report of 1945, the number of school districts was reduced: from 75 to 57. The amalgamation of school districts was implemented by Charbonneau to “create a more streamlined structure to administer our education system, a structure that will use appropriate technology and integrated services to reduce the amount of duplication and redundancy that currently exists.”<sup>52</sup>

In this climate of professed debt management, the North Vancouver School Trustees struggled with an ever-increasing deficit, and were often cast as renegade, profligate, mismanagers. In his press release announcing the removal of the School Board, Charbonneau claimed that the Ministry had “offered assistance to the board on several occasions in developing a deficit reduction plan, and (had) gone as far as identifying expenditures areas that could be reduced.” Charbonneau rationalized the removal of the trustees as follows.

“To date they have rejected all recommendations for expenditure reduction, and they appear to be unwilling to make the difficult decisions that are necessary for the district to operate efficiently and effectively in future. The continued actions of the board around budget and fiscal matters show a lack of leadership and accountability. I am concerned that the board appears to be in breach of its general obligations to the electors, and is putting the district in a fiscally dangerous position.”<sup>53</sup>

Charbonneau retired from public office six weeks later.

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<sup>52</sup> Ministry of Education, NR35-95.

<sup>53</sup> Ministry of Education, NR03-96.

## **PART 4**

# **JUSTICE IN EDUCATION**

Amidst the confusion surrounding the school district's financial crisis, the cutbacks in education services, and the removal of the trustees, there was an overriding sense in North Vancouver that an injustice had occurred. The intrusion of the province into the school district via the official trustee, and the loss of democratically elected representatives were not welcomed by parents, teachers, or the community at large. How could this happen? Who is to blame? And what has North Vancouver done to deserve this treatment? These questions were frequently raised as the crisis ensued.

Justice in education as it pertains to the management of a school district can be defined as upholding educational values within a realistic framework of cost-containment. A sense of fairness and educational opportunity should prevail in recognizing the intrinsic worth and potential of every child in the province. If cost-containment becomes the primary objective without regard for educational value, justice is denied. If cost-containment strategies serve only to enhance educational value, justice is served. The following questions will clarify whether or not justice was served in the North Vancouver School District.

### **1. Was the imposition of the Official Trustee necessary?**

The stated mandate of the official trustee was "to restore the fiscal reliability of the North Vancouver School District." As a provincially appointed administrator, he was there to establish a provincial presence in the district, giving the appearance that the province was saving the school district from the incompetence of its own trustees.

In fact, almost all of the official trustee's program to improve the district's finances was taken from the recommendations of the School Board's own Budget Advisory Committee. Unlike the School Board however, the official trustee was able to implement a program because the province had changed their prior position and amended the funding formula. The province also allowed the official trustee to accumulate a deficit in that year's

budget without any repayment; and essentially forgave the accumulated deficit through the proposed sale of surplus properties.

The Assistant Director of Funding Allocation in the Ministry, Rob Gage, stated that in the normal course of events a financial analysis would have been conducted for the school trustees. This step in the process was omitted in the case of North Vancouver, even though the trustees had repeatedly requested this assistance.

Meanwhile, in the school district rumours were circulating that Ministry finance officials had actually been instructed not to give North Vancouver hands on help, as it was a politically sensitive issue.

According to Dr. Robin Brayne, North Vancouver Superintendent of Schools, Charbonneau overreacted to the situation, and thought the Board was being more political and more defiant than they were. "It was a case of trying to hit a fly with a hammer", possibly fuelled by pressure within the caucus to get rid of the Board."<sup>1</sup> Was Charbonneau's decision to remove the Board an overreaction based on a misperception of the Board's defiance, or was it an intentional move to reduce the school district's level of autonomy? Judging by his references to North Vancouver in the Legislature it appears that the North Vancouver School Board was not sufficiently compliant with Charbonneau's mandate of cost-containment to receive his support. An ex-highways minister, Charbonneau clearly set cost-containment as his objective. Charbonneau set challenges for North Vancouver to find cost-efficiencies, and accused them of mismanagement when they were inadequate. North Vancouver became Charbonneau's example of largess and waste in the system.

Through the office of the official trustee the province was able to immediately and arbitrarily terminate the powers of a local board. The removal of the trustees discredited the individuals of the Board, and gave the perception that they were incapable of resolving their fiscal problems. In fact, they were unable to restore the fiscal reliability of the district, but this was due to the province's refusal to respond to the needs of the district, not the trustees' incompetence.

Ironically, by having an official trustee implement the expenditure reductions, the removed Board of Trustees was spared taking the brunt of public opposition to the cutbacks.

The Minister of Education and the Premier of the Province became the objects of the community's discontent. When North Vancouver was again permitted an elected board of trustees, almost one year later in November 1996, all four of the fired trustees who sought a return to office were elected. The three remaining former trustees did not seek re-election.

The North Vancouver trustees pursued a different management strategy than strict cost-containment, and sought to maintain high instructional services by reducing costs in other areas of the budget. The trustees could have further reduced course options, maximized class sizes, amalgamated programs and eliminated arts electives, but they chose to reduce operations and maintenance, reduce administrative positions, and seek a correction in the funding formula. The trustees' insistence on the protection of educational opportunity and Charbonneau's insistence on cost-containment was not resolvable. Charbonneau's solution was to exercise his ministerial prerogative and remove the Board. The broader message to all school districts was clear: non-compliance with Ministry cost-containment objectives results in removal from office.

With his accusations of civil disobedience and calls for the firing of the trustees, MLA Schreck was likely a catalyst in the removal of the Board, but his motivation appears political in the sense of seeking popular support in the upcoming election. Prior to his calls for removal of the Board, Schreck himself had actively pursued a correction in the funding formula, but became later convinced that the Board was inept in managing its expenditure levels. Whatever reason Schreck had for calling for the removal of the School Board, it did not ensure his re-election. He was defeated by a large majority in the June provincial election.

As to why the Ministry responded so quickly to the official trustee's recommendations for correcting the funding formula, approving the current year's deficit without the debt repayment of \$500,000, and approving the asset disposal plan to retire the accumulated deficit, all recommendations of the former trustees, the most plausible explanation again seems related to the upcoming election.

The official trustee's request for increased funding and approval of the asset disposal plan to retire North Vancouver's accumulated deficit was received during a pre-campaign

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<sup>1</sup> Dr. Robin Brayne, School Superintendent, personal interview with author, August 21, 1997

slew of spending promises. At the provincial level, Premier Harcourt who had led the NDP to victory in the 1991 election, stepped down as Premier in February 1996, under allegations of NDP financial impropriety. Glen Clark was appointed Premier on February 22, and British Columbians waited for the upcoming election call. Clark's stated policy "cast himself as an alternative to Alberta Premier Ralph Klein and Ontario's Mike Harris."<sup>2</sup> Rather than endorsing what he termed a neo-conservative, American-style agenda, he endorsed preserving social and health-care services even if new debt were incurred.

The strength of a growing economy had spared British Columbia the recession of other Canadian provinces in the 1990s, and enabled the government to eliminate the deficit in 1995, and still carry higher debt payments. Following the Harcourt scandal, the NDP were low in the polls, and Clark's pre-election statements gambled on the belief that the electorate would like to see increased public services. To that end he froze tuition for university students, froze and provided rebates on ICBC (car insurance), froze B.C. Hydro rates, and created 11,500 job initiatives for youth. Whereas in 1995, schools boards had been threatened with a reduction in number from 75 to 37, in April 1996, that number was increased to 57 school districts. Spending promises totaled almost \$2 billion, and cuts to 2,200 spaces in the civil service were to be expected to generate tax savings of \$100,000. In the lead-up to the May 28th election, the NDP also conducted an advertising blitz extolling the government's apparent track record of job creation, debt management, and protection of health and education.

In the meantime, parents in North Vancouver were embarked on a campaign of their own to demand fair funding and forgiveness of the deficit, and were being helped along the way by the news media through radio, television and newspaper coverage. In this climate, Premier Glen Clark, and the new Minister of Education, Paul Ramsey, were quick to respond to the official trustee's request.

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<sup>2</sup> Globe and Mail, March 18, 1996.

## **2. Did the North Vancouver teachers' collective agreements "bankrupt" the school district?**

In any fiscal crisis in the education system teachers are often scapegoated and accused of being overpaid, under worked, and having lucrative benefits. In North Vancouver this animosity towards teachers surfaced as education services were reduced and the union was accused of negotiating "a sweetheart deal." It is clear that ramifications of both the 1990-92 and 1992-95 Collective Agreements have put considerable financial stress upon the school district. The financial consequences of collective agreements however, cannot be assessed apart from the conditions imposed by provincial finance policies.

First initiated in 1987, local collective bargaining was a fairly recent amendment in British Columbia's education finance system. In North Vancouver, there have only been three local agreements, two of which were settled without the school district having any control over supplementing revenue levels. Trustee Pat Heal, described negotiations for the 1990-92 agreement, the first contract since block funding was introduced, as "going into the bargaining process blind."<sup>3</sup> In the 1988-90 Collective Agreement the ability to levy local taxes had provided a buffer for revenue projections, but now the Board's estimations of expenditures and revenue were subject to what the province decided to provide.

The Board began serious bargaining for the 1990-92 Collective Agreement in the fall of 1990, and an agreement in committee was reached in February 1991. At the same time the Board was also estimating revenue and expenditure projections, including growth and inflation, for the 1991/92 preliminary budget to be submitted February 28th. They knew they were within the guidelines of teacher contracts being settled in other school districts, they knew that the previous year's provincial grant had included a 6.2% adjustment for inflation, but they did not know what would be provided for in the provincial grant in the upcoming school year.

When the 1991/92 grant was received it was less than anticipated, an increase of only 4.7% from the previous year. Enrollment growth in North Vancouver was 2.4% that year, and the average inflation rate from July 1991, to June 1992, turned out to be 3.3%.<sup>4</sup> The

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<sup>3</sup> Pat Heal, NVSD Trustee, telephone interview with author August 28, 1997.

<sup>4</sup> B.C. CPI. Average monthly change from previous year, July 1991 - June 1992.

1990-92 Collective Agreement stipulated a 7% increase in teachers' salaries the first year and another 7% for the second. Thus, the provincial grant did not fully recognize growth and inflation, let alone a 14% partially retroactive salary increase.

The North Vancouver School Board had taken a conservative approach and waited to settle their teacher contract until a clear precedence had been set by other school districts. In fact, in the final days before reaching the 1990-92 agreement the teachers had already walked out for half a day, and the Board was under pressure to settle to avoid strike action.

Salary increases as per the 1990-92 agreement were not accommodated by the provincial budgeting process. According to Dr. Robin Brayne, North Vancouver School Superintendent, the problem with the funding model at that time was that it contained all the elements of provincial employee bargaining, but school districts were still expected to negotiate their own contracts. A school district would enter into employee bargaining with little information on the amount of revenue it would receive the next year, and no means to obtain additional funding through local taxation if the provincial grant was insufficient. "Bargaining occurred without the board having any influence with respect to raising revenue, and often without any information as to what the grant would be, and whether or not any increase would be recognized in the funding formula."

The KPMG analysis in the official trustee's report indicated that in 1994/95 North Vancouver spent \$4.9 million more on instruction than other comparable districts. The 1992-95 Collective Agreement contained a quantitative formula for special education aide time which proved to be a costly provision, even though it was intended to control costs in that area. It is now generally recognized by the School Board that the formula generated too many special education aides. According to Jay Merilees, District Principal of Student Services, "even though the work of special education aides is highly valued, the balance between professional educators and para-professionals [aides] is now inappropriate. As the collective agreement generates more aides, more professionals are needed to coordinate their activities."<sup>5</sup> The means to redress this costly system however, has been suspended while the lengthy transition towards provincial bargaining continues to this day.

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<sup>5</sup> Jay Merilees, District Principal of Student Services, telephone interview with author, June 25, 1997.

The provincial takeover of the benefits associated with early retirement incentives also reduced revenue in the district, as did the steady decrease in provincial grants in operations and maintenance. Without any way to access the local taxation base, or improve provincial funding, the instruction component of the budget began to grow disproportionately, as did the accumulating deficit. It is erroneous however, to single out collective agreements as causing the district's financial woes. The impact of collective agreements on the North Vancouver School District is not independent of the provincially imposed and regulated finance system.

### **3. Are the funding policies and practices of the Ministry of Education fair and reasonable?**

In many ways the Ministry has put itself in the unenviable position of being all things to all people. It has set itself the task of providing an equitable education for every child in the province, so that regardless of cost variations in delivering services, the Ministry can claim that every child receives an equitable level of funding. By centralizing all education funding, the Ministry has also created rigid parameters around the task of providing equitable service levels. The Ministry dictates and should correct all discrepancies in funding levels. If they do not adequately perform this task, the education system suffers.

#### ***a) Does a centralized costing model provide a fair and equitable distribution of funds?***

Centralization of costing through the fiscal framework is, in theory, a fair and equitable way to distribute funds to provide equality in educational opportunity. Taking into consideration factors such as distance to Vancouver, density of population, numbers of E.S.L. students, and the effect of climate upon heating and maintenance, the differing requirements between rural and urban school districts around the province should be addressed. Determining whether the application of the fiscal framework, both historic and current, is fair to all school districts would require an extensive provincial analysis and

comparison between education service levels year by year. An analysis based on both preliminary and actual budget figures, and descriptive levels of service.

Many problems in the fiscal framework have arisen because it was a funding system that was implemented before it was finished. According to Len Berg, Secretary-Treasurer of North Vancouver, the Ministry's finance department was going through the system function by function, developing the more sophisticated accounting system of the fiscal framework, when the Ministry decided to launch the product in 1984. As the operations and maintenance component of the fiscal framework had not yet been worked on, funding was to be based on historical spending. For those districts who had cut back on operations and maintenance spending in 1982, when restraint was provincially imposed, funding levels in this area were now abnormally low.

The 1993 Technical Distribution Report attempted to address existing problems in the distribution system but became politically unpopular by school districts whose funding would have been reduced. The British Columbia School Trustees Association (BCSTA) did not initially support the recommendations of report, but changed their position and subsequently informed Charbonneau that the "inadequacies which have occurred [are] as a result of flaws in the fiscal framework... and are not a result of faulty decision making by boards."<sup>6</sup> They also stated that the funding prescribed by the fiscal framework does not meet the "real needs of diverse school districts," and those boards being underfunded, as identified in the Technical Distribution Report, should receive additional funding. Other school districts however should not be penalized by the application of a corrected formula.

Charbonneau refused to implement the Technical Distribution Report not only because some districts would have suffered, but because he claimed a new, simplified distribution system was required. The new Funding Allocation System, which was finally introduced for the 1996/97 school year, is indeed considered more user-friendly, but is substantively much the same as the fiscal framework. According to Len Berg, "They have taken the old allocation system, summarized it, and simplified it, but deep down the pool of funds is still built in the same way as the old." North Vancouver waited three years for a

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<sup>6</sup> BCSTA to Charbonneau, March 24, 1994.

correction of the funding formula in operations and maintenance on the pretense that a major reworking of the distribution system was required, when all that was done was a facelift.

As the Ministry has total control of the collection and distribution of revenue, they are under an obligation to school districts to identify and address inadequacies in the funding allocation. Moreover, they should engage in meaningful dialogue with each and every school district to foster continuous improvements in the system.

In theory the fiscal framework, now called the funding allocation system, is an equitable concept for funding school districts, to ensure that all children receive comparable educational opportunities. In practice it is a complex process of setting accurate and sufficient cost levels, and one that should be responsive to the needs of districts. By its nature, a costing system is subject to error, but it can be effective if revisions and adjustments are continuously dealt with in a timely and responsive manner.

***b) Does centralization of funding and governance in the Ministry provide a fair method of controlling education costs?***

Centralizing funding and governance in the Ministry is an effective method of controlling costs, but it is not necessarily fair. A fair system, in which all school districts are treated equitably, requires that all cost and service levels be accurately recognized. If however, funding is centralized and employee bargaining is not, a school district is financially at risk. Centralized funding will control the overall escalation of costs, but at the expense of other education services.

The Sullivan Commission recommended that provincial funding not be tied to the outcomes of collective bargaining, so as not to influence the bargaining process, but this was based on the assumption that school boards had the right to access additional revenue through local taxation. The centralized block funding system introduced by the Socreds and maintained by the NDP prohibited school boards from levying taxes. Thus school boards were required to negotiate contracts within the uncertain parameters of the provincially controlled revenue source. North Vancouver found itself in the position of being unable to fund their employee contracts even with a drastic reduction in education service levels, with no means to inject additional funds into the district.

The Ministry claims that local school boards do have the right to raise additional funds through referenda, but in practice this is not a viable option. The right to hold a referendum has only been exercised four times since the current legislation was introduced in 1990, and only one has been successful. In April 1997, North Vancouver held a referendum for Computer Technology. Only 4,500 out of a possible 80,000 eligible voters cast a ballot, and the referendum was defeated 58% against. MLA Schreck claims that this was a ringing endorsement that the voters do not want increased taxes, but the lack of voter support may have more to do with the electorate not being accustomed to referenda style of voting.

School board referenda do not conform with common voting expectations. They are held in April, not during fall municipal elections; the school board has neither the time or financial resources to mount a campaign, so publicity is limited; and the community is not familiar with the practice of voting for “things” not politicians. Referenda are also not conducive to long-term planning, as the money must be spent in one school year. The only purpose for the referenda legislation appears to be that it permits the Ministry to say that school boards still have the right to levy local taxes. In practice this is not the case. By restricting the right to levy local taxes to referenda, the Ministry essentially eliminated a revenue source for school districts, and reduced school boards’ opportunities for improved revenue.

Errors in administrative judgment occur in all sectors of society, public or private. In the case of the public school system however, these mistakes are not “forgivable” or “correctable” if the government controls the avenues to correct the situation. The Ministry has tied the hands of school districts by restricting their additional revenue sources, and more recently by imposing the Transitional Collective Agreement, which has taken all control away from school boards over the greatest component of their operating budgets: teaching contracts.

In the move towards provincial bargaining the Ministry exacerbated any problems in existing collective agreements by arbitrarily extending contracts into the Transitional Collective Agreement. In preparation for the Transitional Agreement, Charbonneau claimed that in the 1995/96 budget “[t]he built-in costs within the existing contracts are honoured fully throughout the province, and any increases that have been negotiated among support staff

have also been recognized throughout the province.”<sup>7</sup> This was clearly not the case in North Vancouver where expenditures in the moderate handicapped area of special education exceeded funding by almost \$2 million in 1995/96, expenses mostly driven by the collective agreement.

By extending employee contracts without consideration of the impact on a school district’s long-term planning, and by essentially eliminating the revenue source of local taxation, the province has shifted all responsibility for financial management to the school districts, but placed all authority for flexibility and adaptability within the province. In the words of Dr. R. Brayne, “all authority with no responsibility now resides within the Province, while all responsibility with no authority resides within the school district.”

Rob Gage, Assistant Director of Funding Allocation, claims that an advantage in having all funding centralized in the province is that more pressure from school boards, educators and parents can be put upon the government to sufficiently fund education programs. However, Charbonneau himself admitted that the distribution formula could “not be a needs-based formula, because we all know we can never meet the total need.”<sup>8</sup> Indeed, there is no indication that many programs, such as computer technology, will ever be adequately funded by the province.

In reality, the centralization of funding has created an invisible revenue source within the system: parents. In North Vancouver, parents currently pay approximately \$1.7 million in fees, and raise over \$800,000 in fundraising activities. School boards are also branching out into the education “business,” such as fee-paying foreign students, fee-based courses, corporate sponsorships, and business partnerships.

#### **4. Are the expectations of North Vancouver parents too high and too expensive for the school system?**

In one of MLA Schreck’s many attacks on the North Vancouver School Board, he accused the Board of “keeping open elite programs that do not exist in any other school district.”<sup>9</sup> North Vancouver was considered a lighthouse school district at one time, although

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<sup>7</sup> *Hansard*, vol. 19 (1995), May 1.

<sup>8</sup> *Hansard*, vol. 16 (1994), 11420.

<sup>9</sup> *Vancouver Sun*, November 26, 1994.

most of the “extra” programs became almost totally user-fee over time. Most programs provided in the district by 1995/96 were prescribed by the Ministry and as such were not optional or extra. Very few other school districts had an Outdoor School however, and the revenue from student fees and private rentals was not enough to offset expenditures. In 1994/95, the Outdoor School cost the school district an additional \$222,000 over revenues to operate.

The philosophical question is whether a school district should offer its students a program few other school districts have, if they cannot afford to operate the program based on available funding from the Ministry? Are parents elitist in expecting their child will attend Outdoor School at least three times in his or her school career, when most other children in the province will never have that educational opportunity?

In 1984, the Association of B.C. School Superintendents published a document expressing concern for the effects of the restraint period, such as the removal of the local tax level, and the goal of returning to mid-70s service levels. Using the analogy of levels and lighthouses, they discuss the problem of elitism.

“All have a right to a common basic level of educational opportunity...Beyond the base level, however, a powerful stream of public opinion has expected schools to assume the right and responsibility to experiment with differences and to challenge levels of achievement.” While local school boards had the right to levy additional taxes they could “build lighthouses of quality or uniqueness. Each lighthouse presented a challenge to the rest, each success stimulated new initiatives.”<sup>10</sup>

It appears as if that era of uniqueness and initiative has passed. New initiatives are now the “cost-saving” kind, and uniqueness is considered elitist, not inspiring. Perhaps Cameron was correct when he opted in 1945, for a compromise between full equality and local governance. “Some inequality there must be if local authority is to be retained.”

Parents would not consider losing the Outdoor School, as it had become one of the defining experiences of North Vancouver schooling since its inception in 1970, one representative of the people and the community in which they live. The School Board was

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<sup>10</sup> Association of B.C. School Superintendents (A.B.C.S.S.), “A statement of concern for Public Education in B.C.,” March 1984, 9.

also equally committed to retaining the Outdoor School, and using some “business” initiative formed a partnership with Nature Conservancy Canada. Fittingly, the Outdoor School is now protected land, not only for eagles, but also for the students of North Vancouver.

Out of necessity and perhaps with some good fortune, the School Board was able to save the Outdoor School through a business partnership. In most other instances the lighthouse programs of North Vancouver have become completely user-fee, and even basic programs are becoming increasingly supported by parent fees and parent fundraising. The loss of the right to levy additional taxes has not been accompanied by the promised sufficient and equitable funding for all educational programs. It has resulted in the loss of some programs, and increased funding by those who have most at stake in the education of the province’s children, the parents. In North Vancouver, for example, all computers currently in use in the school district, have been purchased by parent fundraising.

Parents are pragmatic when it comes to their child’s welfare, and will not wait, “on principle” until a funding formula is improved. If they perceive that the level of education their child is receiving is inadequate, they will do whatever is within their means to supplement this level, bake sales, bingo nights, or in the case of some schools, hefty donations. The inequity now occurring in levels of educational opportunity may not be from district to district, but among schools in any given district.

In North Vancouver, parents raise approximately \$800,000 dollars each year, an average of \$20,000 per school. An average size elementary school receives that same amount from the School Board for supplies and other discretionary spending. If parents raise \$20,000, that almost doubles the discretionary spending for the school. Across the district however, funds raised by different schools varies between \$10,000 and \$50,000 in any given year. Thus the increase in discretionary funds can vary between 50% and 250% from school to school, funds that are used to buy library books, reference materials, playground and gym equipment, cultural events, and technology equipment.

By levying an additional tax, school boards could provide more equity within the school district, and distribute the additional funding burden among all ratepayers in a district, not just among parents.

## Recommendations

Historically the sharing of funding and governance between the Ministry and local boards has not always been an amicable relationship, but school boards were able to retain some autonomy in local decision-making when they could approach their ratepayers for additional funds. Removal of that right while at the same time increasing the powers of a large bureaucracy, has restricted the ability of school boards to respond to changes in financial or educational needs in the district. The “static machinery” of the province has not always been capable of responding in a timely manner to financial contingencies.

In summary, I suggest that the right to levy supplementary property taxes be returned to school boards. As a new revenue source is apt to be maximized, some limitations on taxing authority should also be imposed. The supplementary levy should be restricted to a maximum amount per pupil, and could only be raised for specific local initiatives. Under the current legislation monies raised by referenda may be used “to provide new programs, to enhance existing programs for additional activities for students, or for local capital project initiatives, but shall not be used to fund operating deficits.”<sup>11</sup> This same criteria could be applied to the supplementary tax levy.

The risk in creating another revenue source is that less pressure might be put upon the province to adequately fund the fiscal framework. It is perhaps most important then, that there are clear expectations of the funding requirements of the province, and the education service levels they will provide. To some extent the move to provincial bargaining for teacher contracts will alleviate some of the risk associated with local taxation, as the province will be required to recognize the outcomes of teacher bargaining. Until provincial bargaining is established however, compensation should be provided to school districts to recognize existing contracts, especially if the right to levy supplementary taxes is reinstated.

A further proviso would allow school boards to spend and collect monies raised from local taxation over a three-year period, not one year as is currently specified for referenda. Three years would enable school boards to generate long-term plans, and make better use of funds raised.

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<sup>11</sup> *Public Schools Act* (1990), C2. S128.

### ***Supplementary tax levy criteria***

1. The right to levy additional taxes be reinstated to school boards.
2. The additional levy be restricted to a maximum per pupil amount.
3. The monies raised from the levy be used for specific initiatives, such as new or enhanced programs, or local capital projects.
4. The monies raised need not be spent in one year, but may be collected and disbursed over a three-year period.

Although I support the reinstatement of supplementary levies at this point in time, North Vancouver taxpayers are probably fortunate that the School Board could not levy taxes during the fiscal crisis. As the Ministry appeared to have no interest in correcting the funding inequity in North Vancouver, they would not have amended the funding formula, or approved the asset disposal plan without pressure from the community. While centralization of funding within the Ministry certainly created problems for North Vancouver, reinstating the right to levy additional taxes must be considered carefully. Without specific guidelines over additional taxes, and basic funding requirements of the province, residential taxpayers would likely compensate for funding shortfalls from the province. On the other hand, continuation of the present system will unfairly draw upon the resources of parents.

### **Conclusion**

North Vancouver serves as an example of how the often conflicting principles of equality in educational opportunity, cost-containment, local autonomy, and centralization complicate the provision of education services and the establishment of education policies. The endorsement of one principle over another is subject to the politics and values of the day, upcoming elections, economic conditions and priorities, and the stated and tacit objectives of elected officials.

The removal of the North Vancouver School Trustees was a display of power by an increasingly centralized Ministry of Education. While it reinforced the provincial edict of cost-containment in all school districts, the arbitrariness of the province's action undermined

the role of public trustees as the bridge between provincial education policy and the delivery of education services at a local level.

In its current structure, the Ministry and local school boards co-govern the education system in British Columbia. The centralized Ministry has a role and a responsibility to address large-scale inequities among school districts, to minimize regional and demographic differences. Local school boards, on the other hand, understand the particular characteristics of the communities they serve, and seek to provide equitable service within the school district.

Successful management of the education system as a whole requires a cooperative relationship between these governing bodies. If local autonomy is too powerful, educational opportunities become far greater in one district than another. Too much centralization, and the individual character of school districts is lost, as well as the ability to respond to the particular needs or exigencies of each district.

The removal of the North Vancouver School Trustees was unjust not only because it was unwarranted, but also because of the detrimental effect this action had on the overall system of co-governance. The arbitrary removal of the Board further weakened the relations between local and provincial governance, without regard for the fact that both aspects are equally important in the management of the system. Without viable forms of local and provincial governance, expressed by providing equality of educational opportunity within a realistic framework of cost-containment, Justice in Education cannot be served.

## ***Epilogue***

In April 1996, the removed board of North Vancouver School Trustees brought their case to the British Columbia Office of the Ombudsman. They requested an inquiry into the removal of the Board, whether there was just cause for their dismissal, and if they had been treated differently than other school boards with financial problems. A recommendation on the case is pending.

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**Chuck Dixon, past-president, North Vancouver Teachers' Association, telephone interview June 11, 1997.**

**Rob Gage, Assistant Director of Funding Allocation, Ministry of Education, telephone interview, June 13, 1997.**

**Pat Heal, North Vancouver School Trustee, telephone interviews, June 9 and August 28, 1997.**

**Guy Heywood, Chairperson, North Vancouver Board of School Trustees, personal conversations, January to June 1997.**

**Ken Kaiser, former Chief Bargaining Officer, NVSD, telephone interview, June 25, 1997.**

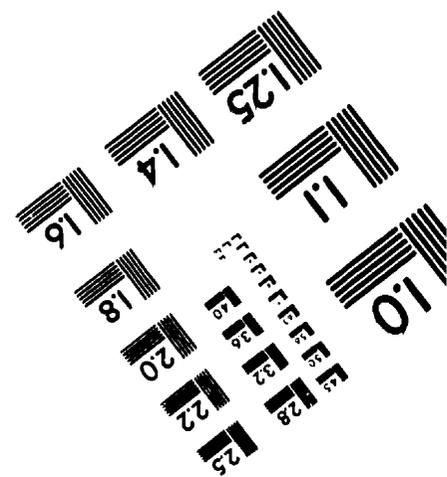
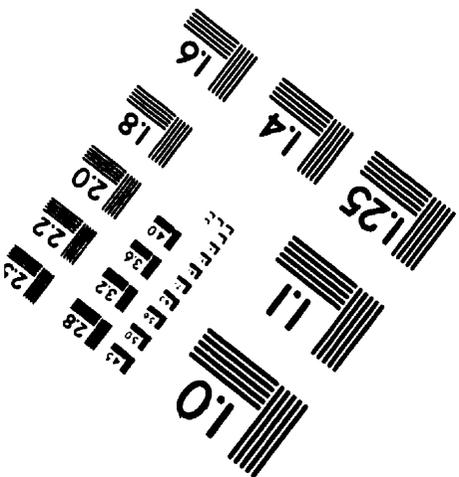
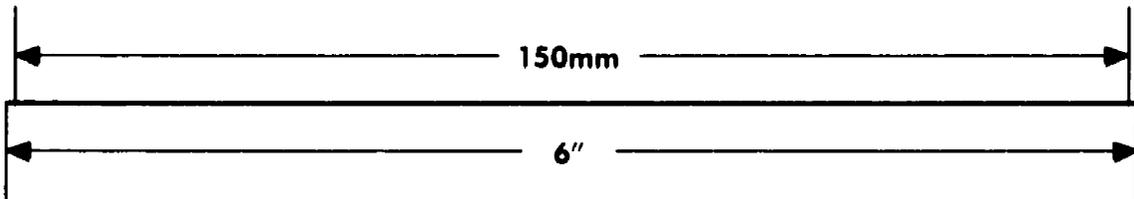
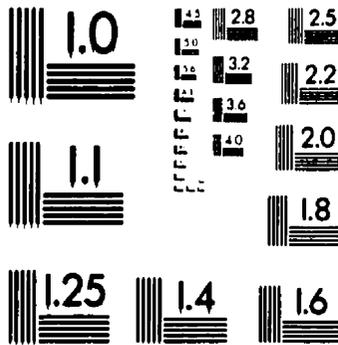
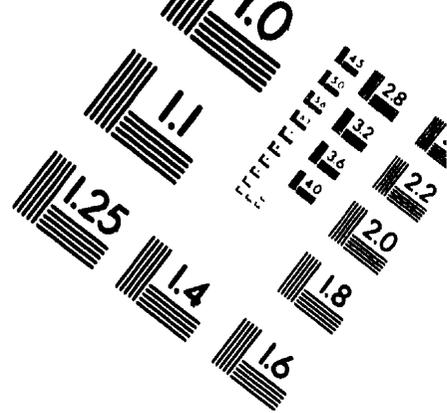
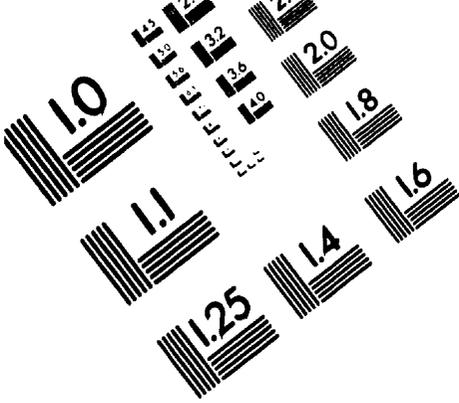
**Paul Killeen, Assistant Superintendent, NVSD, telephone interview, June 24, 1997.**

**Barbara MacLellan, North Vancouver School Trustee, telephone interview, June 14, 1995.**

**Jay Merilees, District Principal of Student Services, NVSD, telephone interview, June 25, 1997**

**John Montgomery, Assistant Superintendent, NVSD, telephone interview, June 24, 1997.**

**David Schreck, former MLA North Vancouver-Lonsdale, telephone interview, June 4, 1997.**



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