Federal Spending on Primary and Secondary Education on First Nations Reserves

Ottawa, Canada
6 December 2016
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The mandate of the Parliamentary Budget Officer (PBO) is to provide independent analysis to Parliament on the state of the nation's finances, the Government's estimates and trends in the Canadian economy; and, upon request from a committee or parliamentarian, to estimate the financial cost of any proposal for matters over which Parliament has jurisdiction.

This report responds to a request of Mr. Charlie Angus, the member for Timmins-James Bay, to estimate the costs of First Nations education program spending and to compare these estimates with provincial education spending. It also follows up PBO reports in 2009 and 2013 that look more closely at First Nations school infrastructure spending.

This report was prepared by the staff of the Parliamentary Budget Officer. Elizabeth Cahill wrote the report. Nigel Wodrich and Peter Weltman contributed to the analysis. Mostafa Askari and Tonina Simeone provided comments. Special thanks to Jonathan Anuik, Paul Bennett, Cindy Blackstock, Matthew Calver, Don Drummond, Kent Elson, Donna Feir, The Martin Family Initiative, Jan Haugen, Jarret Laughlin, Tyrone McNeil, Michael Mendelson, Keith Miller, Christine Neill, Melanie O’Gorman, Jasmine Thomas, Len Thomas, Janet Smylie, Paulette Tremblay, John Richards and Doug Willms. Nancy Beauchamp and Jocelyne Scrim assisted with the preparation of the report for publication. Any errors or omissions are the responsibility of the author. Please contact pbo-dpb@parl.gc.ca for further information.

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Parliamentary Budget Officer
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Executive Summary

In Canada, education is largely a provincial domain. The notable exception is education for First Nations students living on reserve. This responsibility falls squarely with the Crown, specifically the Minister of Indigenous and Northern Affairs (INAC).

This report analyzes federal spending on elementary and secondary education for students living on First Nations reserves. It examines the evolution of spending over the past decade and analyzes how funds were allocated and how these allocations compared to the provinces. It also provides forward projections.

Summary Box 1  Snapshot: Primary and Secondary Education on First Nations Reserves 2012-13

There were over 110,000 First Nations students living on reserves.

There were about 500 band-operated schools in Canada serving about 65 per cent of the on-reserve student population.

About 33 per cent of on-reserve First Nations students attended provincial schools.

The remaining 2 per cent attended the seven schools operated by the federal government or private schools.

How much does the federal government spend educating children living on reserves?

Program spending supports instructional services in on-reserve schools, reimbursement of tuition costs for students who attend off-reserve provincial schools, and other services such as transportation, and financial assistance. It also includes secondary services (such as guidance counselling, special education, libraries and speech therapists), school administration and student support services.

In 2004-05, federal spending on elementary and secondary education programs (from kindergarten to grade 12) for students living on reserve was about $1.26 billion. This represented roughly 22 per cent of INAC’s budget and less than 1 per cent (0.59 per cent) of total federal spending.
Federal Spending on Primary and Secondary Education on First Nations Reserves

By 2014-15, program spending exceeded $1.72 billion, representing roughly 22 per cent of INACs budget and 0.61 per cent of total federal spending.

Adjusted for inflation, spending on educational programs increased at about 1 per cent a year during the 11-year period. These increases occurred in the context of enrolment that was relatively stable over the period.

**Capital spending** on education infrastructure during this same period was highly variable. Capital expenditures fluctuated between $83 million and $193 million per year.

**How are these resources allocated?**

INAC provides funding for K-12 programs through a combination of Core and Proposal based mechanisms. **Core funding** is used to pay:

1. Instructional services, professional and support staff, as well as paying for classroom supplies, student support services and busing for band-operated schools; and
2. tuition fees for students attending provincial schools.

About 80 per cent of total education program funding is delivered through core mechanisms. Core funding is allocated to regional offices based on their previous year’s allocation with an increase based on an annual escalator. Between 1996 and 2016, a 2 per cent cap on annual increases was in place. The regions distribute funding to bands based on tuition fees for students attending provincial schools and by regional calculations for band-operated schools.

**Proposal-based funding** supports defined, often time-limited projects, as well as students with high-cost special education needs. Proposal-based funding requires submitting an application, often in response to an INAC call for proposals. Roughly 20 per cent of education program spending is allocated through proposal based funding.

**What do the provinces spend and how is it allocated?**

Expenditure on elementary and secondary education comprises a much larger share of total provincial budgets, between 15 per cent and 25 per cent. In 2013-14, expenditures exceeded $60 billion. Between 2004-05 and 2013-14, expenditures increased roughly 2 per cent a year after adjusting for inflation. This is in the context of declining enrolment.

Provinces use funding formulas to allocate resources to school boards. Provincial formulas provide a foundation for education funding that is stable, predictable and transparent.
Funding formulas are structured to account for important cost drivers including: geographic location, size of schools, language and culture, percentage of students whose first language is not English or French (ESL/FSL), socio-economic circumstances, climate and percentage of students with special needs.

How do federal spending and provincial spending compare?

After comparing and analyzing data on federal and provincial education spending, PBO came to these conclusions:

1. PBO found evidence that INAC funding mechanisms:
   - do not adequately take into account important cost drivers for band-operated schools;
   - favour students living on reserves who attend provincial schools; and
   - put band-operated schools in remote northern regions at significant disadvantage.

2. PBO estimates that in 2012-13, the per-student funding rate for band-operated schools in Ontario would have been between $21,000 to $25,000 if band schools had been funded using the Ontario provincial funding formula. This range is well above the INAC per-student rate of $14,500 and the Ontario provincial per-student rate of $11,500. These averages are for program spending and do not include estimates for capital amounts.

3. The funding shortfall – the difference between INAC funding and funding that would occur under the provincial formula – is the result of INAC not adequately costing for operating small schools in remote northern regions. Many band schools are located in remote, northern regions with small student populations. In addition, band schools face higher costs because of higher incidence of socio-economic disadvantage; commitments to provide culturally relevant instruction in indigenous languages; and large numbers of students for whom English or French is a second language. The incidence of children requiring special education support is also higher.
Summary Box 2  Band-Operated Schools in Canada

Over 160 schools (over 30 per cent) have fewer than 100 students.

More than 140 schools (about 30 per cent) could be considered remote/special access/north of the 55th parallel. These schools do not benefit from economies of scale; they face significantly higher operating/maintenance/heating/supply costs and they have considerable challenges attracting, retaining and housing qualified teachers.

Roughly two-thirds of band schools would be considered rural by provincial standards. Only between 3 and 4 per cent of band-operated schools could be considered urban.

4. PBO estimates that, nationally, the total funding shortfall for education programming in all band-operated schools in 2012-13 amounted to between $300 million and $595 million. PBO estimates this shortfall grew to between $336 million and $665 million in 2016-17.

How will recent commitments in Budget 2016 affect the situation?

Budget 2016 announced significant new investments for First Nations education. These investments will begin to roll out in 2016-17 and are projected to ramp up over five years.

In 2020-21, the allocation of new money will be just over $1.0 billion. About 80 per cent will be invested in education program spending (Investments in the Current System and Supporting System Transformation). The rest is targeted for capital spending (Learning Environments). (Summary Table 1)
PBO estimates that in the medium term, new investments in education program spending announced in Budget 2016 could begin to address funding shortfalls for band-operated schools. (Summary Table 2)

PBO notes, however, that this would depend upon how new investments are allocated. Funding formula methodologies used in the provinces may not fully address the reality of First Nations communities, but they represent a starting point that is both transparent and evidence-based.

PBO estimates that over the medium term, new budget announcements for capital spending have the potential to address capital shortfalls, but only if the historical trend of lapsing significant amounts of capital funding is addressed.

<table>
<thead>
<tr>
<th>Program Related Budget 2016 Announcements*</th>
<th>2016-17</th>
<th>2017-18</th>
<th>2018-19</th>
<th>2019-20</th>
<th>2020-21</th>
<th>5-year Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>PBO Low Gap Estimate</td>
<td>336.2</td>
<td>345.8</td>
<td>355.6</td>
<td>365.6</td>
<td>376.1</td>
<td>1,779.4</td>
</tr>
<tr>
<td>PBO High Gap Estimate</td>
<td>664.8</td>
<td>684.0</td>
<td>703.5</td>
<td>723.6</td>
<td>744.4</td>
<td>3,520.3</td>
</tr>
</tbody>
</table>

Sources: INAC administrative data, provincial education data and school board financial statements, British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, PBO calculations. Department of Finance Budget 2016.

Note: Budget announcements include current system and supporting system transformation announcements. *These relate to education program spending (Supporting System Transformation and Current Investments in On Reserve Primary and Secondary Education)
1. Introduction

The objective of elementary and secondary education programs (kindergarten through grade 12) of Indigenous and Northern Affairs Canada (INAC) is to provide eligible students living on First Nations reserves with elementary and secondary education programs comparable to those required in provincial schools by the statutes, regulations or policies of the province in which the reserve is located. ¹

This report analyzes federal spending on elementary and secondary education for students living on First Nations reserves. It examines the evolution of spending over the past 10 years and where possible, analyzes how funds were allocated and how these allocations compare to the provinces. It also provides forward projections to examine the implications of the current government’s recent announcements related to primary and secondary education on First Nations reserves. ²

Box 1-1   Costing Information

The Auditor General, in her 2004 Report to the House of Commons, recommended that INAC obtain reliable and consistent information on the actual costs of delivering education and compare these costs with those of the provinces.

INAC responds in the same 2004 report that it was undertaking this work and would “compare the funds it allocates to schools operated by First Nations with the funds those schools would receive under the applicable provincial funding formula.” It also notes that a study comparing teachers’ salaries in First Nations schools and provincial schools is underway. In her 2011 Status Update Report, the Auditor General notes that INAC has made progress in its costing work.

INAC could not provide PBO with the costing analysis referenced in the Auditor General’s Reports. In addition, detailed costing analysis in support of recent Budget 2016 announcements could not be provided. INAC did provide PBO with administrative data which informed PBO’s costing work.
2. Federal Spending on First Nations K-12 Education

Program spending

In 2004-05, federal spending on elementary and secondary (K-12) education programs for students living on reserve amounted to about $1.26 billion. This represented roughly 22 per cent of INAC’s budget and less than 1 per cent (0.59 per cent) of total federal spending.

By 2011-12, this federal program spending had increased to $1.60 billion. However, proportionally, it had declined slightly to 20 per cent of INAC spending and 0.58 per cent of total government spending.

By 2014-15, program spending on elementary and secondary education exceeded $1.72 billion. This accounted for roughly 22 per cent of INAC’s budget and 0.61 per cent of total federal spending. (Table 2-1)

Adjusted for inflation, spending on educational programs (excluding programs delivered in communities with self-governing agreements) increased about 1 per cent a year over the past 11 years. Expenditures related to educational programs in communities with self-governing agreements (James Bay Quebec and Mi’kmay Kina’matnewey) increased over 3 per cent a year, adjusted for inflation. (Figure 2-1)
Elementary and Secondary Education Program Spending, Total Government Spending

<table>
<thead>
<tr>
<th>Year</th>
<th>INAC spending on education programs ($ millions)</th>
<th>Total INAC spending ($ millions)</th>
<th>Total government spending ($ millions)</th>
<th>% of total spent on education programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>1,257</td>
<td>5,654</td>
<td>212,774</td>
<td>0.59%</td>
</tr>
<tr>
<td>2005-06</td>
<td>1,300</td>
<td>5,875</td>
<td>211,125</td>
<td>0.62%</td>
</tr>
<tr>
<td>2006-07</td>
<td>1,349</td>
<td>6,131</td>
<td>224,645</td>
<td>0.60%</td>
</tr>
<tr>
<td>2007-08</td>
<td>1,393</td>
<td>7,322</td>
<td>235,928</td>
<td>0.59%</td>
</tr>
<tr>
<td>2008-09</td>
<td>1,430</td>
<td>6,993</td>
<td>243,041</td>
<td>0.59%</td>
</tr>
<tr>
<td>2009-10</td>
<td>1,492</td>
<td>7,440</td>
<td>277,701</td>
<td>0.54%</td>
</tr>
<tr>
<td>2010-11</td>
<td>1,540</td>
<td>8,235</td>
<td>274,212</td>
<td>0.56%</td>
</tr>
<tr>
<td>2011-12</td>
<td>1,602</td>
<td>7,881</td>
<td>275,386</td>
<td>0.58%</td>
</tr>
<tr>
<td>2012-13</td>
<td>1,665</td>
<td>8,095</td>
<td>275,050</td>
<td>0.61%</td>
</tr>
<tr>
<td>2013-14</td>
<td>1,690</td>
<td>8,039</td>
<td>276,827</td>
<td>0.61%</td>
</tr>
<tr>
<td>2014-15</td>
<td>1,717</td>
<td>7,692</td>
<td>280,435</td>
<td>0.61%</td>
</tr>
</tbody>
</table>

Sources: Public Accounts of Canada, Departmental Performance Reports, INAC Administrative Data, PBO calculations.

Note: Program amounts do not include estimates of administrative expenses related to Band Support Funding (BSF) and Band Employee Benefits (BEB) and capital spending related to new projects. Program amounts do include spending on operations and maintenance and James Bay Quebec and Mi’kmaw Kina’matnewey education agreements.

Capital spending

Spending on education infrastructure was highly variable. Capital expenditures fluctuated between $83 million and $193 million per year between 2004-05 and 2014-15. (See figure 2-2). An examination of planned and actual spending reveals significant lapses in planned spending in four out of five years.

Several factors may contribute to the variability in capital spending. One factor may be the challenges associated with building schools in far northern regions. The building season is short and many building materials have to be flown in from afar.

Another factor may be how INAC’s Capital Facilities and Maintenance Program is structured. The Capital Facilities and Maintenance Program is the main source of capital funding. The program relies on First Nations to
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identify projects. This approach is contrasted with systematic capital budgeting frameworks and asset management systems, which set aside each year funding for replacement and renewal of education infrastructure.

Figure 2-2
Federal Spending on Capital Projects on Reserve 2004-05 to 2014-15

(in millions of $)

Sources: INAC Administrative Data, PBO calculations. Figures do not include operations and maintenance expenses.

It is also noted, that information released through access to information suggests that lapses in capital spending have been reallocated to education program spending. The historical trend in reallocating funds notionally planned for education facilities is also noted in 2009 and 2013 PBO reports. Between 2010-11 and 2014-15, cumulative overspending in educational programming amounted to roughly $87 million. The cumulative capital lapse exceeded $250 million. (See Figure 2-3)

Figure 2-3
Program Overspends/Lapses and Capital Overspends/Lapses

(in millions)

Sources: INAC administrative data (note: facilities include operations and maintenance expenses), PBO calculations
The 2009 PBO report also notes that INAC consistently underestimates capital requirements related to First Nations education facilities. PBO estimated that between 2009-10 and 2013-14, education capital requirements ranged from $287 million to $307 million. This translates into annual shortfalls of between $94 million and $221 million during this period.8

Trends in the student population

Between 2004 and 2014, the number of students registered on the nominal roll remained relatively flat.9 On September 30, 2004, the number was 114,303. Ten years later, it had declined slightly to 113,834. (Please see Appendix C for a discussion of related data issues)

In 2004, about 36,000 indigenous students attended provincially-operated schools. By 2014, this number had fallen to around 33,700. In contrast, about 66,000 students attended band-operated schools in 2004. A decade later, this number had surpassed 67,500.

The total registered on-reserve population rose from 415,422 in 2004 to 481,068 in 2013, an increase of roughly 16 per cent. It is possible to be non-resident, but registered on reserve.

There is also evidence that the registered population is quite mobile, spending periods of the year off-reserve (for example, during spring flooding or taking up temporary contract work). Taking only one measurement on September 30 may not be an accurate snapshot of the number of students living on reserve who may be attending school.
2.1. How federal resources are allocated

Students living on reserves attend either:

1. schools in their own community operated by the band; or
2. schools in neighboring communities operated by the province; or
3. in rare circumstances, schools in their own community operated by the federal government; or
4. in rarer circumstances, privately operated schools.

About 65 per cent of students attend First Nations-operated schools, while 33 per cent attend provincially operated schools. Geography often dictates school choice. Students can only attend a provincial school if there is one near their community.

Types of funding

INAC provides funding through a combination of Core and Proposal based mechanisms. Core funding is used to pay principals, teachers and staff, as well as paying for classroom and school supplies, operating and maintenance of schools, guidance counselling, busing, student services and tuition fees for students attending provincial schools. About 80 per cent of total program funding is delivered through Core mechanisms.

Table 2-2

<table>
<thead>
<tr>
<th>Recipient</th>
<th>Core Programs</th>
<th>Notionally Available Proposal Based Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Band Schools</td>
<td>Instructional Services</td>
<td>High Cost Special Education Partnership Initiatives</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Community Engagement Initiatives</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Student Success Program</td>
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<tr>
<td></td>
<td></td>
<td>New Paths</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Teacher Recruitment Retention</td>
</tr>
<tr>
<td>Provincial Schools *</td>
<td>Tuition Agreements</td>
<td>High Cost Special Education Partnership Initiatives</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Community Engagement</td>
</tr>
<tr>
<td>Federal Schools**</td>
<td>Instructional services</td>
<td>High Cost Special Education Partnership Initiatives</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Community Engagement</td>
</tr>
</tbody>
</table>

Sources: INAC administrative data, program descriptions.

Notes: * Communities that access the provincial system are still eligible for some proposal based programs. ** A very small percentage of students (under 2 per cent in total) living on reserve attend federally operated or private schools and thus does not constitute a significant source of expenditure.
Core funding is allocated to regional offices from headquarters based on the previous year's allocation with an increase based on an annual 2 per cent escalator.\textsuperscript{12} Funding is then distributed by the regional office based on tuition fees for students attending provincial schools and a regional calculation for band-operated schools.\textsuperscript{13}

Proposal-based funding supports defined, often time-limited projects, as well as students with high-cost special education needs. Proposal-based programs provide Internet services, teacher training, programs to improve reading and math, community and parental engagement and partnership initiatives.

Proposal-based funding requires submitting an application, often by First Nations, tribal councils, or regional First Nations educational service organizations, in response to a request for proposals.

Between 2004-05 and 2014-15, the proportion of education programming allocated through proposal-based funding mechanisms has grown steadily from roughly 14 per cent to 18 per cent.

**Figure 2-5  Trends in Core-based and Proposal-based Funding**

Sources: INAC Administrative data, PBO calculations. Calculations do not include James Bay and Mi'kmaq education agreements and capital spending.
3. Provincial Spending on K-12 Education

Expenditure on K-12 education comprises a large share (between 15 per cent and 25 per cent) of provincial budgets. In 2004-05, total spending by provincial governments approached $42 billion. By 2013-14, expenditures exceeded $60 billion.

Adjusted for inflation, this represents a 2 per cent annual increase in education spending over this period.

Statistics Canada data show a decline in the population of young people aged five to 19 in Canada of roughly 2 per cent, from 6,005,900 to 5,880,000, between the 2006 Census and 2011 National Household Survey.

Between 2004-05 and 2013-14 provincial spending has been increasing at a higher rate than federal spending, even in the context of declining provincial enrolment.

Figure 3-1

Adjusted Provincial/Local Government Spending on K-12 Education

(in millions of 2002 $)


Note: Provincial/municipal expenditure encompasses both revenues from municipal property taxes and provincial revenue sources. Federal expenditures include all education program-related expenditures including the James Bay Cree Northern Quebec Agreement and the Mi'kmaq Education Act.
While there are important differences among the provinces in how education is funded and delivered, there are also important similarities. Similarities include:

1. Provinces use comprehensive funding formulas to allocate resources to school boards;

2. Provincial funding formulas account for important costs drivers: geographic location, number and size of schools within the board, language and culture, percentage of students whose first language is not English or French (ESL/FSL), socio-economic circumstances, climate and percentage of students with special needs;

3. Funding formulas and supporting technical manuals are public documents and often available on the Internet. The majority of Canadian parents have access to detailed information about how their government distributes money to school boards; and

4. Proposal-based funding is not a significant source of funding.

Ontario and Alberta formulas are illustrated in Table 3-1. Formula funding relies on mathematical formulas containing components (or variables) that determine a school board’s budget. Formulas in both Ontario and Alberta contain over 15 components reflecting different cost inputs.

Each component is calculated based on school board-level data related to the local student population, number, and size and condition of schools, as well as community and geographic characteristics. The different components are summed to arrive at an annual projection for each board.

This allocation is then divided by the average daily enrolment (full-time equivalents) to arrive at the per-student amount. This per-student amount is roughly equivalent to the tuition rate that INAC pays for students on reserve attending provincial schools.
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Table 3-1  Funding Formula Components

<table>
<thead>
<tr>
<th>INAC</th>
<th>Alberta</th>
<th>Ontario</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Funding</td>
<td>Basic Instruction Funding</td>
<td>Pupil Foundation</td>
</tr>
<tr>
<td>Band-Operated Schools</td>
<td>English as a Second Language</td>
<td>School Foundation</td>
</tr>
<tr>
<td>Tuition Agreements (students attending provincial schools)</td>
<td>Building Collaboration</td>
<td>Special Education</td>
</tr>
<tr>
<td>Proposal-Based Funding (not a significant funding mechanism in provincial systems)</td>
<td>Special Education</td>
<td>Language</td>
</tr>
<tr>
<td></td>
<td>Francisation</td>
<td>First Nations, Métis, and Inuit</td>
</tr>
<tr>
<td></td>
<td>Francophone Equivalency Access</td>
<td>Education Supplement</td>
</tr>
<tr>
<td></td>
<td>Home Education Amount</td>
<td>Geographic Circumstances</td>
</tr>
<tr>
<td></td>
<td>Hutterite Colony Amount</td>
<td>Learning Opportunities (socioeconomic disadvantage)</td>
</tr>
<tr>
<td></td>
<td>Equity of Opportunity (Remote and Rural Allocation)</td>
<td>Safe and Accepting Schools</td>
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<tr>
<td></td>
<td>Northern Allowance by Zone (lower, intermediate, upper)</td>
<td>Continuing Education</td>
</tr>
<tr>
<td></td>
<td>Outreach</td>
<td>Teacher Qualifications and Experience</td>
</tr>
<tr>
<td></td>
<td>Plant operations and maintenance</td>
<td>Student Transportation</td>
</tr>
<tr>
<td></td>
<td>Regional consortium</td>
<td>Declining Enrolment Adjustment</td>
</tr>
<tr>
<td></td>
<td>Small Board Administration</td>
<td>School Board Administration</td>
</tr>
<tr>
<td></td>
<td>Small Schools Allocation</td>
<td>School Operations Allocation</td>
</tr>
<tr>
<td></td>
<td>Socio-economic status</td>
<td>School Renewal Allocation</td>
</tr>
<tr>
<td></td>
<td>Inclusive Education Funding</td>
<td>Interest Expense</td>
</tr>
<tr>
<td></td>
<td>Transportation (urban, urban francophone, rural)</td>
<td>Non-Permanently Financed Capital Debt</td>
</tr>
<tr>
<td></td>
<td>Transportation (special education, boarding, inter-school...)</td>
<td>School Authorities</td>
</tr>
</tbody>
</table>


Figure 3-2 illustrates how the Ontario formula operates for four different school boards. Each coloured section represents a different input.

The Thames Valley Board (serving the city of London) received roughly $11,000 per student. The Kenora Catholic Board (northwestern rural Ontario) received roughly $15,000 per student.
The Superior Greenstone Board (serving rural and remote communities in the north) received roughly $22,000 per student. The Aurore Boreale Board (a francophone board in northeastern Ontario) received almost $27,000 per student.

Because most students live in southern urban/suburban regions, the average cost of educating a student in Ontario is far closer to $11,000 per student than $27,000.17

Figure 3-2: How Different Components Stack Up: Ontario

Also in evidence at the national level is considerable variability in per-student funding related to factors such as: geography; population density (school size); proportion of ESL/FSL students; and population characteristics. In 2011-12, the national per-student expenditure was around $12,200. British Columbia had the lowest per-student expenditure ($10,827), while Northwest Territories was more than twice as high ($24,465).18

Per-student expenditures in Yukon, Northwest Territories and Nunavut significantly exceed the national average. This reflects higher costs associated with operating small schools in remote, sparsely populated northern communities where a large percentage of students speak English or French as a second language.

Figure 3-3

Annual Expenditure Per Student: Provinces and Territories

Sources: Statistics Canada, Elementary-Secondary Education Survey; Survey of Uniform Financial System - School Boards; Survey of Federal Government Expenditures in Support of Education; Provinciial Expenditures on Education in Reform and Correctional Institutions. Figures include all services, by educational level: Pre-primary, primary, lower secondary, upper secondary (2011-12)
4. How Provincial Spending and Federal Spending Compare

INAC publishes high-level breakdowns of per-student funding by province, but notes that this information may not be meaningful. INAC states that it does these calculations for illustrative purposes. It notes that there is considerable variation in the level of per-student funding across the country, and any funding comparisons must consider the factors that influence per-student funding levels. INAC also recognizes that factors that must be taken into consideration include: geographic location and size of student population.19 (See Figure 4-1) However, the PBO could not find any examples in INAC documents on how factors that influence per-student funding levels are considered, or what meaningful information or funding comparisons would look like.20

INAC First Nations K-12 Education Operating Expenditures per Student

After comparing available information and data on federal and provincial education spending, PBO’s analysis found that INAC funding mechanisms:

- do not adequately account for important cost drivers related to operating band schools;
- favour students living on reserves who attend provincial schools; and
- put small schools in remote and northern regions at significant disadvantage.

Figure 4-1

Costing analysis

The Auditor General in her 2004 Report to the House of Commons recommended that INAC obtain reliable and consistent information on the actual costs of delivering education and compare these costs with those of the provinces.

INAC responds in the same 2004 report that it was undertaking this work and would “compare the funds it allocates to schools operated by First Nations with the funds those schools would receive under the applicable provincial funding formula.” It also notes that a study comparing teacher salaries in First Nations schools and provincial schools is underway.

In her 2011 Status Update Report, the Auditor General notes that INAC has made progress in its costing work.
4.1. Core Funding Mechanisms

INAC core funding mechanisms do not account for important cost drivers related to the operation of band schools. Many band schools are located in remote, northern regions with small student populations. In addition, band schools face higher costs because of higher incidence of socio-economic disadvantage; commitments to provide culturally relevant instruction in indigenous languages; and large numbers of students for whom English or French is a second language. The incidence of children requiring special education support is also higher.22

In addition, INAC core funding mechanisms favour students living on reserve attending provincial schools. This is related to inadequate accounting for important cost drivers, but it is also a function of provincial spending on education escalating at a faster pace than federal spending. INAC spending on tuition for students attending provincial schools is a function provincial tuition rates which track increases in provincial education spending.

Administrative data reveal dynamics and important trends related to how INAC core funding supports band-operated schools and students attending provincial schools.23

Box 4-1 INAC’s Regional Funding Methodologies

Detailed information on different INAC regional funding methods is difficult to access. PBO reviewed INAC funding calculations for band schools in Atlantic Canada, Quebec, Ontario, Manitoba, Saskatchewan and British Columbia. (No information on Alberta was provided)

The information provided described high-level calculations that take the previous year’s allocation as a starting point. The allocations are then adjusted according to the annual escalator, changes in the nominal roll numbers, eligible teachers and student support services. Some regional methodologies do incorporate adjustments for school size, climate and remoteness. These calculations, however, make no reference to any corresponding provincial formula or costing data.

Recent INAC information released under an access to information request contained documents stating that regional funding “formulas” were developed in the mid-1990s and have not been substantively reviewed since that time.

In contrast, students who have the option and choose to attend a local provincially operated school, are charged tuition that is roughly equivalent to the local school board per-student rate. This rate is a function of the provincial funding formula.
Problems with the core funding mechanism are illustrated using Ontario as an example. In 2008-09, the core allocation for First Nations children attending provincial schools reached $13,000 per student. By 2014-15, this allocation had increased 24 per cent to about $16,100.

The trend of increasing core funding to students in the provincial system is expected. It is a function of the provincial funding formula. Tuition fees are a function of the per-student rate for the school board that the student attends. The fees escalate annually tracking increases in provincial spending.

Figure 4-2  Trends in Core Funding per Student: Ontario Example

Sources: INAC administrative data, PBO calculations.
Note: Core funding calculations include instructional services and student support services for band and provincial schools. Operations and maintenance amounts included in band school calculations. Operation and maintenance components for provincial schools are built into provincial funding formulas and therefore reflected in tuition fees.

For example, INAC pays roughly $22,000 in tuition, to the Superior Greenstone board for every First Nations student resident on reserve attending one of their schools. The fees increase annually according to the provincial formula calculation for that board.
In contrast, the core allocation for children attending band-operated schools in Ontario was roughly $11,600 per student in 2008-09 and remained flat through 2014-15. Figure 4-2 illustrates that all of the increases in core funding between 2008-09 and 2014-15 were directed towards First Nations students attending provincial schools. The core-based funding for band schools is constrained both by INAC’s 2 per cent annual escalator and increases in provincial tuition fees.  

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### 4.2. Proposal-Based Funding

Since 2009, INAC has been using proposal-based funding to address gaps between band school allocations and increasing provincial tuition fees. Between 2009 and 2015, INAC increased support for band-operated schools significantly through Student Success Program initiatives. This has, in turn, increased the level of available funding for band-operated schools.

In Ontario, for example, the level of available proposal based funding for band-operated schools increased almost three-fold, from just over $11 million in 2008 to over $31 million in 2015. It must be noted, however, that this funding, while notionally available, must be accessed through a successful proposal submission process.
Proposal based contribution agreements

These are transfer payments subject to performance conditions specified in a funding agreement. A contribution must be accounted for and is subject to audit.

In contrast, a grant is a transfer payment based upon entitlement criteria or pre-established eligibility. A grant is not normally subject to audit.

In her 2011 Status Report to the House of Commons, the Auditor General states: “Contribution agreements involve a significant reporting burden, especially for small First Nations with limited administrative capacity.”

In contrast, provincial school boards receive predictable year-over-year grants. This is consistent with their mandate to provide an essential service and is a prerequisite for long term planning.

In her 2011 Status Report to the House of Commons, the Auditor General states: “Contribution agreements involve a significant reporting burden, especially for small First Nations with limited administrative capacity.”

Yet, even under optimistic allocation assumptions, increases in proposal-based funding were insufficient to make up for gaps in core funding. Figure 4-3 models alternative high-low scenarios for total per-student funding that is notionally available.

The bars represent ranges of Core + Proposal amounts for a First Nations student attending a band-operated (blue) or a provincially-operated (tan) school. The high ($15,500) estimate for band students models an optimistic set of assumptions: the band is both diligent in its pursuit and preparation proposals, and is successful with its submissions.

Proposal-based funding has the potential to raise the average per-student rate significantly from ($11,500 to $15,500). However, it is not sufficient to close the gap with the per-student provincial school allocation, which is a function of the province’s funding formula.27 The $15,500 rate per student is also well below the PBO estimate for the per-student rate for band operated schools calculated using the province’s formula. (This will be explored in the next section.)

PBO also reviewed data (total core and proposal spending) for a small sample of 19 communities with band-operated schools across Canada. The data reflect considerable variation in per-student funding ranges, even

Estimates of Total Per-student Funding Ranges (Notionally Available Proposal Based Funding + Core Funding) Band-Operated and Provincial Schools

<table>
<thead>
<tr>
<th>Low Band/Prov Baselines</th>
<th>High Band/Prov Baselines</th>
</tr>
</thead>
<tbody>
<tr>
<td>$14,900</td>
<td>$17,248</td>
</tr>
<tr>
<td>$15,459</td>
<td></td>
</tr>
<tr>
<td>$16,751</td>
<td></td>
</tr>
<tr>
<td>$17,248</td>
<td></td>
</tr>
</tbody>
</table>

Sources: INAC administrative data, PBO calculations for 2012-13. These calculations assume that special education proposal funding is allocated equally among all students living on reserve.
among communities operating small schools in remote northern regions. Among the sample of fly-in northern communities, the data reflect funding rates ranging from $9,500 to $32,000 per student. This sample will be discussed further in section 4.3.

Box 4-3 Attention to Communities with the Greatest Need

Provinces will incorporate targeted initiatives within the context of the funding formulas. These formula calculations will address needs that may disproportionately affect certain communities. For example: formulas can allocate additional resources to school boards that serve communities with higher incidences of low-income families. Allocations increase or decrease depending on low-income indicators for the community.

INAC’s current targeted proposal-based system can reinforce strong links in the system. Strong links include: bands that have formed education associations or aggregates with other bands; communities in close proximity to good provincial schools; and communities that have partnered with provincial boards or have strong leadership that can negotiate tri-partite agreements or self-governing agreements.

Just as importantly, it may be difficult for proposal based mechanisms to ensure predictable year-over-year funding that is required to deliver essential services and conduct long-term planning. This dynamic may be further aggravated by the administration of proposal based mechanisms following the federal fiscal year as opposed to the school year. The Auditor General notes further that proposal based mechanisms are not transparent, favour communities and associations with greater capacity to develop and prepare proposals and create additional administrative burdens associated with reporting requirements.28
4.3. Applying a Provincial Funding Formula to Band-operated Schools: Ontario

A case can be made that tuition fees paid for First Nations students to attend provincial schools meet the criteria for providing comparable provincial education programing. (See section 4.1).

However, the gap, or funding shortfall, in per-student funding between First Nations students attending provincially-operated schools and those attending band schools does not tell us what a comparable band school per-student rate should be. It should be noted that First Nations students attending provincial schools tend to live in more densely populated and southern regions.29

Figure 4-4

Estimated Range Per-student Funding: Ontario Band-Operated Schools using the Provincial Funding Formula

Sources: Ontario Ministry of Education, Technical Paper: Education Funding (2012-13), Ontario Ministry of Education, Data from projected School Board Funding, INAC Map Room Geomatics Canada (2012), INAC administrative data, PBO calculations
If the objective is to provide a level of funding that is comparable to the province in which the reserve is located, then applying the relevant provincial formula to band-operated schools is the logical starting point.

PBO applied the Ontario funding formula to Ontario band school data. As a result, we estimated that band-operated schools in Ontario would have been funded in the range of $21,000 to $25,000 per-student. (Figure 4-4, see Appendix 2 for a more detailed discussion of methodology.)

This range is well above both the Ontario provincial average and even the high-end estimates for INAC per-student rates. These estimates are higher because band-operated schools are more likely to be located in remote northern communities and tend to have small student populations.

The funding formula also recognizes higher costs associated with operating schools that have larger numbers of students who face socio-economic disadvantage, speak English or French as a second language, need culturally relevant instruction in French or indigenous languages and/or face large student transportation costs. (See Figure 4-4)

It is noted that $21,000 to $25,000 per student is significantly higher than available INAC band school funding. However, it may still be inadequate to effectively operate a small school in a remote northern community with no road access, hundreds of kilometres away from the nearest neighbouring community, and without certified teachers who currently live in or are from the community.

4.4. A Sample of Remote First Nations Communities and Provincial Comparisons

PBO found further evidence that INAC funding mechanisms put band-operated schools in remote regions at significant disadvantage. A combination of factors makes it difficult for small, remote communities to access sufficient resources to operate schools. Some of these factors are:

- methodologies that do not adequately account for important cost drivers;
- core funding that pays tuition for students in the provincial system according to the local school board rate; and
- the practice of allocating resources through requests for proposals.

The result is a significant funding gap for band-operated schools.
The funding disparity is illustrated using Manitoba as an example. In 2012, the INAC per-student funding rate in Manitoba was about $13,000. The per-student rate for the Manitoba provincial system was roughly the same ($13,000).

PBO examined education program data from three remote communities with no year-round road access in northern Manitoba.

- The Sayisi Dene operates a small school of roughly 63 students. Between 2010 and 2015, the Sayisi Dene received between 13 per cent and 22 per cent of its annual education program budget through proposal-based funding.
- York Factory has a small school of about 112 students. Between 2010 and 2015, it received between 22 per cent and 25 per cent of funding through proposal-based programs.
- Shamattawa school has about 263 students. Between 2010 and 2015, the community received between 20 per cent and 22 per cent of funding through proposal-based programs.

The data reveal large variations in the total (core + proposal) per-student funding rates. In 2012-13, per-student funding rates ranged between $8,800 and $20,000.
and $10,700. In that fiscal year, all three communities received per-student rates below INAC and provincial averages -- despite the fact that all three reservations are remote fly-in communities.

Moreover, the per-student funding rate of the Frontier Division school board (the provincial board serving northern Manitoba) exceeded $20,000. (See Figure 4-5)

Box 4-4  Manitoba: Frontier School Division

Frontier Division is a provincial school board responsible for educating students over a territory that covers 75 per cent of Manitoba. (See Figure A-2)

Unlike other provincial boards, Frontier Division is not one continuous geographical entity; it comprises the frontiers of the province from the farthest northern regions to farthest southern regions, and from points east and west.

In 2012-13, Frontier Division operated about 39 schools with nearly 6,000 elementary and secondary students.

Over one-half of the Frontier Division’s revenue comes from INAC in the form of tuition fees paid to the board to educate students living on reserve. The Division operates about nine schools on reserve under educational agreements.
4.5. Tripartite Educational Framework Agreement: British Columbia

In 2012, band-operated schools in British Columbia\textsuperscript{33} signed an agreement with INAC and the Minister of Education in British Columbia. In this agreement, INAC agreed to a new funding model following the British Columbia Ministry of Education’s Operating Grants Manual or B.C.’s provincial funding formula.\textsuperscript{34}

Figure 4-6 illustrates results of using the provincial funding formula to allocate resources to band schools. The dotted line denotes the point at which the B.C. funding formula was applied to band-operated schools.

Figure 4-6: Estimates of Per-student Funding Ranges: Band-Operated Schools in British Columbia

\begin{figure}
\centering
\includegraphics[width=\textwidth]{figure46}
\caption{Estimates of Per-student Funding Ranges: Band-Operated Schools in British Columbia}
\end{figure}

Sources: INAC administrative data, PBO calculations

The estimated band school per-student rate increased about 28 per cent within the first two years of implementing the agreement.\textsuperscript{35} (See Figure A-3 for a map of band schools in British Columbia.)

As of October 2016, British Columbia is the only region that is applying the provincial funding formula to allocate resources to band-operated schools. About 4 per cent of First Nations students on reserve live in British Columbia and attend band-operated schools.\textsuperscript{36}
5. Looking Forward

How will recent commitments in Budget 2016 affect the situation?

PBO estimates that the funding shortfall for education programming in band-operated schools in 2012-13 was between $300 million and $595 million. PBO estimates this shortfall grew to between $336 million and $665 million in 2016-17.

Budget 2016 Announcements Related to First Nations Education

<table>
<thead>
<tr>
<th></th>
<th>2016-17</th>
<th>2017-18</th>
<th>2018-19</th>
<th>2019-20</th>
<th>2020-21</th>
<th>5-year Total</th>
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<tbody>
<tr>
<td>Program Related Announcements*</td>
<td>287.5</td>
<td>382.9</td>
<td>482.4</td>
<td>647.0</td>
<td>801.0</td>
<td>2,600.8</td>
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<td>Learning Environments</td>
<td>96.6</td>
<td>282.9</td>
<td>197.4</td>
<td>183.7</td>
<td>208.8</td>
<td>969.4</td>
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<tr>
<td>Early Learning and Child Care</td>
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<td>100</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>129.4</td>
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<tr>
<td>Total New Money</td>
<td>413.5</td>
<td>765.8</td>
<td>679.8</td>
<td>830.7</td>
<td>1,009.8</td>
<td>3,699.60</td>
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Sources: Department of Finance, Budget 2016. Figures in millions of dollars. *These relate to education program spending for Supporting System Transformation and Current Investments in On Reserve Primary and Secondary Education.

Budget 2016 announced significant new investments for First Nations education. These investments will begin to roll out in 2016-17 and are projected to ramp up over five years. In 2020-21, the allocation in new money will be just over $1.0 billion. About 80 per cent will be invested in education program spending (Investments in the Current System and Supporting System Transformation). The rest is targeted for capital spending (Learning Environments). (Table 5-1)

PBO estimates that in the medium term, new Budget 2016 investments in education program spending could begin to address funding shortfalls for band-operated schools. (Table 5-2)

PBO notes, however, that this would depend upon how new investments are allocated. Funding formula methodologies used in the provinces may not fully address the reality of First Nations communities, but they represent a starting point that is both transparent and evidence-based.
Federal Spending on Primary and Secondary Education on First Nations Reserves

Table 5-2  High and Low Estimates of Funding Shortfalls to Band-operated Schools and Recent Budget Announcements

<table>
<thead>
<tr>
<th></th>
<th>2016-17</th>
<th>2017-18</th>
<th>2018-19</th>
<th>2019-20</th>
<th>2020-21</th>
<th>5-year Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Related Budget 2016 Announcements*</td>
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<td>382.9</td>
<td>482.4</td>
<td>647.0</td>
<td>801.0</td>
<td>2,600.8</td>
</tr>
<tr>
<td>PBO Low Gap Estimate</td>
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<td>345.8</td>
<td>355.6</td>
<td>365.6</td>
<td>376.1</td>
<td>1,779.4</td>
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<tr>
<td>PBO High Gap Estimate</td>
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<td>684.0</td>
<td>703.5</td>
<td>723.6</td>
<td>744.4</td>
<td>3,520.3</td>
</tr>
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</table>

Sources: INAC administrative data, provincial education data and school board financial statements, British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, PBO calculations. Department of Finance Budget 2016.

Note: Budget announcements include current system and supporting system transformation announcements. *These relate to education program spending (Supporting System Transformation and Current Investments in On Reserve Primary and Secondary Education). Figures in millions of dollars.

With respect to capital, in 2009, PBO estimated that over the medium term, education capital requirements ranged between $287 million and $307 million. This translates into annual shortfalls of between $94 million and $221 million.

PBO estimates that again over the medium term, new budget announcements have the potential to address capital shortfalls, but only if the historical trend of lapsing significant amounts of capital funding is addressed.
Appendix A:  Tripartite and Education Funding Agreements

**Quebec** - Chapters 16 and 17 of the James Bay and Northern Quebec Agreement (JBNQA) provided for establishing the Cree School Board and the Kativik School Board. Both boards operate under provincial jurisdiction and ensure that educational programs are culturally relevant to the First Nation communities and Inuit.

**Atlantic Canada** – The Mi’kmaq Education Act [http://laws-lois.justice.gc.ca/eng/acts/M-7.6/index.html](http://laws-lois.justice.gc.ca/eng/acts/M-7.6/index.html) stipulates that the primary, elementary and secondary programs and services offered by the Mi’kmaw Kina’matnewey (MK) shall be comparable to those provided by other education systems in Canada. This allows for the transfer of students between education systems without academic penalty.


**Figure A-1** Per-student Amounts for James Bay, Mi’kmaw and British Columbia

<table>
<thead>
<tr>
<th>Year</th>
<th>Atl. Mi’kmaw</th>
<th>Que. JBNQA</th>
<th>BC</th>
<th>Ontario</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008/09</td>
<td>$5,000</td>
<td>$15,000</td>
<td>$10,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>2011/12</td>
<td>$10,000</td>
<td>$20,000</td>
<td>$15,000</td>
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<tr>
<td>2014/15</td>
<td>$15,000</td>
<td>$25,000</td>
<td>$20,000</td>
<td>$25,000</td>
</tr>
</tbody>
</table>

Sources: INAC administrative data, PBO calculations. Note: BC and Ontario figures are for all students living on reserve in the province. Ontario is included as a reference.
Appendix B: Costing Methodology

The range of funding shortfalls for band-operated schools was estimated by subtracting band school baseline ranges (calculated on a per-student basis) from the relevant provincial comparators.

Baseline estimates were grouped into different sub-sets based on their characteristics (student population, number of schools, funding dynamics and arrangements and geography).

Band schools in Ontario, Manitoba, Saskatchewan and Alberta formed one sub-set. Atlantic Canada, James Bay Cree/Northern QC and British Columbia were each a separate subset.

Where: estimated baseline range = (br) and estimated provincial comparison range = (pr)

Total shortfall =

\[(\text{ON,MB,SK,AB (pr)} - \text{ON,MB,SK,AB (br)}) + (\text{Atl.(pr)} - \text{Atl. (br)}) + (\text{QC(pr)} - \text{QC(br)}) + (\text{BC(pr)} - \text{BC(br)})\]

The reference year was 2012-13. The reference year estimate was projected forward taking into consideration the annual gaps between the INAC escalator and provincial education spending. These figures were then compared to announcements in Budget 2016.

PBO used INAC administrative data to establish baseline funding for band-operated schools in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec and Atlantic Canada as well as under the James Bay and Mi’kmaw agreements.

PBO used data from the INAC Map Room [https://www.aadnc-aandc.gc.ca/eng/1290453474688/1290453673970](https://www.aadnc-aandc.gc.ca/eng/1290453474688/1290453673970) which contains 2012 data on the number of schools, level of schools, number of students in each level and the geographic location the school. (See figure A-1)

PBO received data from INAC on student populations in band, provincial and private and federally-operated schools from 2000 to 2014. These data allowed PBO to situate band-operated schools in the context of provincial school boards for comparative purposes.

PBO used data from funding projections and formulas from selected Ontario school boards contained in the Technical Manuals. The Ontario Ministry of Education publishes a rich dataset that details funding allocations and projections for every school board in the province from 2002 to 2016-17.
The dataset contains information on the enrolments, the number of school facilities, level and their capacity utilization. It also contains information on capital expenditures and interest costs at the school board level. It can be found at https://edu.gov.on.ca/eng/policyfunding/funding.html.

Analyzing these data allows for a better understanding of various functions:

- how funding allocations relate to different circumstances and community dynamics across the province;
- how formula calculations are applied in practice; and
- how different formula components escalate, phase out and evolve over time in response to changing realities.

It also provides important insight into how data and research inform funding allocation decisions.

Where possible, INAC data were input into the funding formula. Data from selected school boards (adjacent to First Nations communities, boards in northern regions, representative of certain geographic characteristics) were also used to estimate certain funding formula components where there were insufficient data to complete the calculation.

This was done by taking a weighted average of selected school boards with comparable characteristics to generate several alternative scenarios. Then, adjustments were made for certain assumptions about the student populations of the selected school boards and the band-operated schools.

Alternative scenarios were developed and calculated to create a range of per-student rates that reflect reasonable estimates of operating band schools under Ontario’s funding model. For 2012-13, this created a per-student allocation ranging from $21,000 to $25,000.

For example, one alternative model adopts the full language grant allocated for francophone boards. Some educational specialists would argue that the French language grant is the appropriate comparable costing model for indigenous schools because indigenous schools also aspire to provide instruction and social and cultural studies in a similar model. Calculations based on the full language grant represent the higher end per-student range.

It also should be noted that this costing approach is limited in that Ontario school boards do not operate schools in remote fly-in communities. As a result, the Ontario funding formula does not address additional costs associated with operating schools that are this remote. It is also noted that in the provincial system, local school boards have considerable autonomy with respect to how they apply funds that have been allocated to them under the provincial formula.
PBO also used manuals and data from Alberta [https://education.alberta.ca/funding-framework-for-k-12/funding-manual/](https://education.alberta.ca/funding-framework-for-k-12/funding-manual/) and Manitoba [http://www.edu.gov.mb.ca/k12/finance/schfund/funding_16-17.pdf](http://www.edu.gov.mb.ca/k12/finance/schfund/funding_16-17.pdf). PBO considers the Manitoba Provincial Frontier Division to be a reasonable provincial comparator for band-operated schools in that province. Consequently, data from the Frontier Division can be used to calculate a more accurate cost estimate for operating band schools in Manitoba.


PBO received valuable advice, funding templates and technical assistance from the First Nations Education Steering Committee (FNESC) in British Columbia. FNESC has been using the B.C. Ministry’s education funding formulas to calculate funding allocations to band-operated schools under the Tri-partite Education Agreement in B.C. since 2012.

FNESC has also developed its own templates based on the provincial model. They allow school administrators and other interested individuals to estimate the level of funding for a school based upon a projected enrolment. When INAC enrolment data are inputted into the template, the calculations are comparable to the per-student rates of provincial school boards that are adjacent to the First Nations community.
Figure B-1  On-reserve Elementary and Secondary Schools in Ontario
Figure B-2  Division Map Frontier Schools, Province of Manitoba
Figure B-3  On-reserve Elementary and Secondary Schools in British Columbia
Appendix C:  Data Issues

PBO notes some important issues in the organization and collection of data.

1. It was complicated for PBO to estimate funding baselines on a per-student basis for students on reserve attending provincial and band-operated schools. This is the result how INAC data is organized and the increasing importance of proposal based programs supporting basic instructional programs and administration. The objective is to provide eligible students living on First Nations reserves with elementary and secondary education programs comparable to those required in provincial schools by the statutes, regulations or policies of the province in which the reserve is located. Collecting and organizing data in a manner that is comparable to the provinces would in turn make it simpler to determine if INAC were meeting its stated objective.

2. The provinces make adjustments for differences between the government fiscal year (April through March) and the school year to ensure that funding flows appropriately and reporting requirements are reasonable. The provinces do not require that school authorities conform to government fiscal year deadlines and reporting requirements.

3. Taking one data point on September 30 of every year to determine the nominal roll may be problematic. Many provincial systems recognize that certain student populations are quite mobile. Taking a second roll call in January or February might provide a more accurate assessment of the student population for the year.

4. Provisions in the nominal roll may also be needed to account for high drop-out rates among teenagers living on reserve. Schools may require resources to address issues related to children and teenagers who should be in school, but are absent.

5. It is noted that Indian Registration System, National Household Survey, Canadian Disability Survey, The Participation and Activity Limitation Survey and the Census indicate that there are important dynamics with respect to gender and experience with disability that merit closer investigation. There are more boys registered as living on reserve than girls. In addition, the incidence of disability is higher for boys than for girls. The incidence of disability is also higher in the indigenous population. All of these dynamics could significantly impact the educational needs of on reserve communities. More data and research are needed.

6. PBO echoes the findings of the Office of the Auditor General in her 2004 and 2011 reports that it was difficult to obtain from INAC analysis -- especially relevant costing analysis -- related to providing educational programming to students living on remote northern reserves.
References


Federal Spending on Primary and Secondary Education on First Nations Reserves


Notes


2. This report does not address funding of federal operated schools or students attending private schools. There are seven federally-operated schools serving First Nations in Canada. Less than 2 per cent of students living on reserve attend federally operated and private schools.

3. Program spending includes: instructional services, school administration, secondary services – guidance counselling, speech therapy, special education, librarians, student support services, operations and maintenance.

4. This excludes the communities under self-government agreements (James Bay Quebec agreement and the Mi’kmay Kini’matnewey education agreements).

5. Capital expenditures include replacing and rebuilding existing school infrastructure, re-capitalization expenditures and expenditures for new school infrastructure projects.


8. Ibid.

9. The nominal roll is the number of students attending school September 30th of any given years. These figures are reported in full-time equivalents and include First Nations with self-governing agreements.

10. Please note that roughly 2% of students attend private schools either federally operated or private schools.

11. Excluded from this discussion are self-governing agreements (James Bay QC and Mi’kmaw) which are negotiated independently with INAC. See Appendix A.

12. Financial resources are voted through Parliament to INAC. Between the mid-1990s until recently, resources included a nominal (not adjusted for inflation) 2 per cent escalator established on a base set of programs. The Government recently announced in 2016 that this nominal 2 per cent cap was no longer in effect. http://www.cbc.ca/news/politics/carolyn-bennett-two-per-cent-cap-1.3639189

13. INAC headquarters will hold back some regional allocations in order to respond to unexpected circumstances that may arise in the course of a school year. See http://pbo-dpb.gc.ca/en/Communications Information Requests.
14. The large share of provincial spending devoted to primary and secondary education is constrained with total federal spending. Total federal spending on primary and secondary education comprises less than one per cent of the total federal budget.

15. This includes spending from provincial revenue and local sources such as municipal property taxes or school board taxes.


17. Calculations are for the 2012-13 school year.

18. Statistics Canada notes that “Comparisons between the provinces and territories must be made with caution. Certain differences in the cost per student figures by province/territory at the secondary level are attributable to whether or not registrations for adult education programs are included in enrolments in some provinces/territories. In Quebec, vocational training and general education for adults are included at the secondary level.”


20. Internal INAC documents released though Access to Information Request Number: A-2015-01408 notes: “Provincial averages are heavily influenced by the proportion of students attending schools in urban centres, were school boards are able to achieve lower operating costs per student. In contrast, First Nations’ schools are more frequently located in rural and remote communities which have higher per-student operating costs.”

21. Per-student elementary/secondary expenditures do not include education facilities expenditures. The total for all provinces excludes $1.4 million of elementary/secondary funding to the Northwest Territories. Excluded Data also includes:
   - Funding for post-secondary education;
   - Funding for cultural centres, Indspire, and Youth Employment Strategy, as only a portion of these funds support elementary/secondary students;
   - Major capital, minor capital, and operations and maintenance funding for education facilities;
   - $1.4 million in funding under the New Paths for Education Program to the Northwest Territories;
   - Education-related expenses at AANDC’s Headquarters; and
   - Education-related funding provided under Tribal Council Programs, and funding related to provincial territorial organizations provided through Indian Government Services programming. See INAC Education Funding http://www.aadnc-aandc.gc.ca/eng/1349140116208/1349140158945

22. Internal INAC documents released though Access to Information Request Number: A-2015-01408 note “Based on data from provincial ministries of education, funding levels are significantly higher than average for school boards that are small, northern (sic) or French language.”

23. Note BC, NS and QC have negotiated separate tri-partite agreements.
24. Ontario is used due to the accessibility and education and school board data.

25. It is noted that while funding for students on reserve attending provincial schools is comparable, it may not be sufficient to close outcome gaps. See Richards (2014) and Duncombe, W. and Yinger, J. (2005).

26. There has been discussion within INAC related to establishing an appropriate annual escalator for education program spending. The documentation surrounding the annual 2% escalator does not suggest that it is a function of any costing methodology. Given that in any province, students on reserve attending provincial schools make up between 31 and 33 per cent of the student population and tuition fees paid to provincial board account for a significant level of expenditure, there is a strong case that annual escalators should reference different provincial education expenditures.

27. It follows that the per-student funding rate for students attending provincial schools would be lower than the band operated per-student rate. Having access to a provincial school means that a reserve is more likely to be in a southern region or less remote area of the province, in closer proximity to cities and towns. See maps in Appendix B.2.


30. This is consistent with analysis released under Access to Information Request Number: A-2015-01408 notes “...additional funding would be required if AANDC were to support a restructured First Nations education system with school board type entities and using a formulaic approach similar to those of the provinces.”

31. Includes students attending band and provincial schools.

32. These per-student rates reflect one reference year (2012-13). Over the course of a five year period per-student funding rates varied considerably in Sayisi Dene (from a low of $8,800 in 2012-13 to $20,500 in 2014-15). In Shamattawa per-student funding over a five year period was more consistent ranging between $9,700 to $11,500 but with no discernable trend. The same can be said about York Factory. Per student funding ranged between $9,500 and $10,600 again with so discernable trend.

33. Ninety-eight per cent of band operated schools in BC agreed to the Tripartite agreement which applies the provincial funding formula to band operated schools and allows for the First Nations Education Steering Committee to organize secondary services and provide additional administrative support.

35. INAC and the First Nations Education Steering Committee are in the process of negotiating a renewal of the Tripartite Education Framework Agreement. By all accounts the application of the BC funding formula working well to meet the needs of band schools. There are continuing to discussions about how the formula can be adapted to address certain circumstances that are more unique to First Nations communities. These circumstances include the costs of providing instruction in Indigenous languages, student transportation and ensuring broadband connectivity.

36. Both Quebec and Atlantic regions have negotiated separate self-governing arrangements with INAC that cover funding allocations to band operated schools in these regions. (See Appendix A. 2) Seventy percent of students living on First Nations reserves live in Ontario, Manitoba, Saskatchewan and Alberta.

37. This includes all the provinces although it must be noted that the per-student funding shortfalls are considerably less in band operated schools that are governed by tri-partite agreements (British Columbia, James Bay Quebec, and Atlantic Mi’kmaw).

38. This assumes an average annual 2.2 per cent gap between INAC and provincial education spending escalators.