Ontario’s deteriorating schools

The fix is not in

An analysis of the physical condition of Ontario’s elementary and secondary schools and the funding and program changes needed to bring them up to standard

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The Campaign for Public Education

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Ontario’s deteriorating schools – the fix is not in.¹

Over the twenty years since the provincial government took control over education funding in Ontario, the physical condition of Ontario’s schools has been a consistent casualty. Funding for school operations and maintenance was established at a level below the actual costs incurred by boards serving more than half of Ontario’s students. Overall funding cuts experienced put many boards in the position of having to choose between instructional programming and facility maintenance.

The choice was often made to defer maintenance expenditures and renewal investments to protect programs. This was highlighted in the December 2002 report of the Education Equality Task Force (known as the Rozanski Report), which identified a deferred maintenance backlog estimated at $5.6 billion and growing.

Despite several rounds of special funding aimed at school facility renewal over the ensuing 15 years, the backlog, as measured by the Ministry, has grown consistently, and now stands at $15.9 billion.²

A 2015 report from Ontario’s Auditor-General zeros in on the chronic underfunding by our provincial government that has led to the rapid and continuous increase of disrepair in Ontario’s schools, “An independent assessment calculated that the Ministry of Education needs $1.4 billion a year to maintain schools in a state of good repair. However, actual funding in the last five years has ranged from $150 million to $500 million.” In the three years between 2011 - 2014, provincial funding to school boards for school renewal was only $150 million per year - roughly one-tenth of what the Auditor-General’s Report indicated was needed. Cumulatively, between 2011-2014, provincial funding ought to have been $4.2-billion in total but was only $450 million, a funding shortfall of $3.6 billion for school repairs over only three years.

The fact that we have a problem with the physical condition of school facilities in Ontario is clearly recognized by the government. The individual school database on which this report is based was created and published by the government. The government has also responded to the problem through the School Condition Improvement (SCI) program which provides capital funding over and above the regular School Renewal Amount (SRA) in the education funding formula.³

¹ Hugh Mackenzie is an economist specializing in public finance. He was the Executive Director of the Ontario Fair Tax Commission from 1990 to 1994 and was the author of the Commission’s reports on local government and education finance. Since Ontario’s current funding formula for elementary and secondary education was introduced in 1997, he has produced regular detailed analyses and assessments of the funding formula and its impact on public education programming.
² Even this figure is an understatement. Of the 4,636 schools in the detailed database released in 2017, no data on renewal needs was reported for 346, of which 284 were shown as not having been assessed.
³ The School Condition Improvement program was identified in the funding formula’s capital funding allocation in 2013-14 at $150 million. That amount was increased to $250 million in 2014-15. In the 2015-16 funding announcement, SCI funding was doubled to $500 million for 2015-16 and 2016-17. An announcement in June 2016 increased funding for 2015-16 by $500 million and for 2016-17 by $575 million relative to the previously-announced $500 million per year allocations for those years. After taking
The program’s funding currently stands at $1 billion (for the 2017-18 school year) and funding at that level is committed to the end of the 2018-19 school year.\(^4\)

There are two fundamental problems with the approach the government has taken to the school condition problem. The level of SCI funding is not even close to being enough to eliminate the renewal investment backlog; and while the injection of cash is welcome, the government has not addressed features of its approach to funding school facilities that led to the problem in the first place.

Even with the injection of SCI funding on top of the regular allocation for school renewal, the total allocation is insufficient even to prevent the repair backlog from growing larger. As noted above, school renewal funding is currently in two parts: the SCI program funding announced in 2016 and continuing to 2018-19 of $1 billion a year and aimed at the renewal backlog; and the normal renewal allocation which stands at $357 million in 2017-18.

The three years of funding to which the government is committed to address the backlog is less than 20% of the amount identified in the Ministry’s 2011-2015 review cycle. At the same time, the basic ongoing school renewal funding level of $357 million is just 6/10 of 1% of replacement value. This compares with investment in a range of 2% to 4% of replacement value identified by the Provincial Auditor as required on an annual basis to offset normal depreciation. In other words, the current ongoing investment in renewal is one fifth of investment suggested by the mid-point of the Auditor’s suggested ongoing renewal investment target. In net terms, by the end of the 2018-19 period, even with the special funding, we can expect the renewal backlog to reach $17 billion.

The deteriorating condition of our schools is only one of a number of issues raised by the government’s approach to funding school facilities. Provincial freezes on new construction in boards with underutilized space has prevented boards from providing adequate facilities in growing areas within their jurisdiction. Recent changes in funding rules have ramped up pressure on school boards to close schools that do not meet an arbitrary utilization target, closures which do not take adequate account of the role of schools in their communities.

On one level, the issue of deteriorating schools is completely straightforward. There isn’t enough funding going into school operations and maintenance to keep schools from

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4 In summary, SCI funding has been:
2011 - 12 to 2014 - 15 -- $700 million
2015 - 16 -- $ 960 million
2016 - 17 -- $ 1,035 million
2017 - 18 -- $1.0 billion
2018 - 19 -- $1.0 billion
deteriorating without cannibalizing other programs. Funding for school operations and maintenance, facility renewal and new capital construction needs to be increased.

But more than that, we need a fundamental rethink about the way we finance the operation of school facilities under Ontario’s centralized funding formula. The provincial government has made a mess of funding for school facilities. In the long term, we can’t fix our schools without fixing the way we pay for them.

**Why are our schools in a state of disrepair?**

The most recent data from the Ministry of Education shows estimated 5-year renewal needs amounting to $15.9 billion. This figure compares with the estimate of $5.6 billion in the 2002 Rozanski Report. I.e. despite the Good Places To Learn program and funding, the renewal investment backlog has nearly tripled in 15 years.

This backsliding is clearly attributable to the failure of the government to address the underlying causes of the growth of the renewal investment backlog in the first place: inadequate funding for day-to-day school operations and maintenance; inadequate funding for ongoing school renewal requirements; and financial pressure on school boards arising from shortfalls relative to need in other Grants for Student Needs (GSN) grant areas.

Funding per square metre has been maintained at the original inadequate 1997 base, adjusted for inflation – that funding base was established as the average of the per-square foot costs of the two rural separate school boards at the median of the then-122 boards in the province. This funding benchmark took no account of local cost differences driven by local labour markets and climate. And while the calculation of the operations and maintenance grant was eventually changed to take into account the age of facilities, no additional credit is given for facilities more than 20 years old.

The direct link between school operations and maintenance funding and student head-counts also created significant problems. By basing operations and maintenance funding on student head-counts, the formula implicitly assumed that school operations could be organized so that every building operated by a school board was fully occupied by revenue-generating students. That assumption was hopelessly unrealistic.

Rather than acknowledge that the starting point for funding school operations and maintenance should be the school building itself, the revised funding formula allowed for less than 100% utilization. In effect, the definition of full occupancy for funding purposes was lowered. However, recognition of school utilization has been haphazard.

Until 2010-11, the Ministry took into account the practical challenges of trying to operate schools at full capacity by providing “top-up funding” on a school-by-school basis for schools that met a less-than-full capacity utilization standard. As of the 2009-10 funding year, the funding formula provided for top-up funding of up to 20% of full-capacity funding, essentially deeming schools operating at an occupancy of greater than 80% to
be fully occupied. In 2010-11 and 2011-12, the top-up percentage was reduced to 18% and 15%, respectively. In the subsequent two funding years, the eligibility of schools for funding was restricted, and the maximum percentage top-up offered further reduced.

For the 2017-18 funding year, base top-up funding has been eliminated, implicitly assuming that boards are able to operate every school at full Ministry-designated capacity. Top-up funding is now provided only for schools which are more than a fixed number of kilometres from each other by road – 10 km. for elementary and 20 km for secondary.

The root of the problem is that in its preoccupation with utilization rates, the funding system is missing the most important question for school facilities – should this facility be kept open or closed? If the building is to be kept open, it doesn’t make sense to provide funding for only a portion of the floor area of the building. On the other hand, if the facility should actually be closed, it also doesn’t make sense to provide funding for a portion of the floor area of that building. It doesn’t make sense to base funding for a building on student head counts.

Interestingly, in another component of the funding formula, the government has recognized and addressed exactly this issue. Prior to the introduction of the School Foundation Grant, funding for in-school administrative services ( principals, vice-principals and support staff) was driven by student Full Time Equivalent (FTE) head counts. The result was that smaller schools ended up with funding for ¼ or 1/3 of a principal and ¼ or 1/3 of a school secretary, an outcome that clearly did not make sense. The School Foundation Grant provides full funding for varying levels of in-school administration with the levels defined by levels of student populations. The School Foundation Grant takes as a starting point that a school exists, and then funds the administrative support required to enable that school to operate. The same logic could and should apply to funding for the school facility itself.

**Moving beyond a head-count driven formula**

Rather than address the role of the school directly – considering issues like the viability of programming in the school, the role of the school in the community and the relationship between the school and student transportation requirements -- the formula continues to treat the fundamental issue of school needs and viability as a by-product of a head-count driven formula.

A focus on the school as the funding formula unit would not be novel. Funding for administrative overhead in small schools was addressed through the creation of The School Foundation Grant, which breaks the 1:1 link between head counts and funding for in-school administration. However, the idea of school-based funding incorporated into the School Foundation Grant has not been extended to other aspects of school operations although several of the specialized grants in the GSN suite of grants address small school operations indirectly.
Funding for renewal far below what is required

The generally accepted standard requirement for ongoing renewal funding is 2–4% of replacement value. The Ministry estimates a total replacement value of $56.9 billion for the 4,558 of Ontario’s 4,636 schools for which it reports the data. Based on the available replacement value data, and taking the mid-point of the required renewal investment range, Ontario’s annual renewal investment needs would be 3% of $56.94 billion, or approximately $1.7 billion. At $357 million, it is roughly 0.6% of replacement value of Ontario’s schools. For its full three years, the current special renewal funding level of $1 billion per year combined with the impact of the shortfall in ongoing renewal funding relative to the 3% standard would result in an increase in the renewal investment backlog from the 2015-16 level of $15.9 billion to 17.0 billion by the end of the 2018-19 school year, in 2015-16 dollars.

The key point here is that ongoing renewal investment requirements are in addition to whatever additional investment is required to pay down the $15.9 billion renewal investment backlog.

“State of good repair” – an objective without a standard

In its annual technical papers, the Ministry has started to refer to an objective of maintaining schools in a “state of good repair”. However, the Ministry has not even adopted a definition of what it means by a state of good repair, much less identified what level of funding would be required to maintain buildings to that standard.

The relationship between expenditure levels and standards of building operations and maintenance is not a mystery. In Canada, the Building Owners and Managers Association prepares estimates of the costs of meeting various standards of maintenance for various classes of buildings in major markets in the country.

A comprehensive annual report by the APPA: Leadership in Educational Facilities\(^5\) employs a survey of educational institutions across North America to develop cost-to-standards measures for educational facilities. The organization and its data was referenced favourably in the report of the Ontario Auditor on the use of school renewal funds in its 2008 report. The average in the 2014 report for custodial, maintenance and energy costs only, translated to 2017 Canadian dollars, is 8.7% higher than Ontario’s current funding level.

Funding for school quality

From a financial perspective, there is no longer a distinction between the Government of Ontario and school boards. Before elementary and secondary education expenditures were consolidated into the provincial budget, school boards were accounted for as

\(^5\) In the organization’s earlier history, APPA stood for the Association of Physical Plant Administrators. Through subsequent name changes, the organization kept the original acronym, so that it is now referred to as APPA: Leadership in Education Facilities, or APPA for short.
independent entities. Reported provincial expenditures included only transfer payments to school boards to top up the revenue they received from property taxes. School board borrowing was included in the provincial debt only to the extent that it was guaranteed by the province. With the consolidation of school board budgets into the provincial budget, all school board spending is treated as provincial spending, property tax revenue is treated as provincial revenue, and all borrowing for elementary and secondary education purposes is considered to be provincial borrowing.

As a consequence, it is no longer possible to finance new or renewal capital spending “off book”. All borrowing shows up in the measured total of provincial debt. And all capital spending finds its way into the provincial operating budget as amortized over the expected life of the investment.

**Priorities for funding formula renewal**

This suggests five key themes for a program to address permanently the ongoing deterioration in Ontario’s elementary and secondary educational facilities:

1. Ontario should adopt a specific “state of good repair” standard for school operations and maintenance and fund to that standard
   a. Funding should be school-based, and should take into account specific funding requirements for small schools
   b. Funding levels should reflect differences in costs related to local labour market conditions, climate and the age of facilities
   c. The current practice of using funding formula facility utilization rates to pressure boards to close schools which fall below a target utilization rate should be ended and replaced by a process that focuses specifically on the question of whether or not given schools or groups of schools should be closed, consolidated or kept open, and should be determined by the viability of the program and the importance of the school to the community with funding driven by the outcome of that process.

2. Ongoing funding for school renewal should be set by policy at a fixed percentage of estimated replacement value in the generally accepted range of 2% to 4% of replacement value.

3. The Ministry of Education should establish a specific schedule of renewal and replacement investments to eliminate the repair backlog within a fixed time period. Construction would be required to start on all investment projects within five years.

4. Criteria for school capital funding and the use of development charges should be amended to:
   a. Take into account changes in the geographic distribution of student populations within a school board area;
   b. Accommodate opportunities to share a single purpose-built building among boards in coterminous areas;
   c. Broaden access to education development charges to include both land and facility construction and to include new and replacement construction
in developing areas within school board boundaries, without regard to board-wide occupancy factors.

The state of repair of Ontario’s elementary and secondary schools – the facts

Data published online by the Ministry of Education and Training presents a clear picture of the current state of Ontario’s public and Catholic elementary and secondary schools. The data are derived from information collected in the Ministry’s Assessment Cycle 2011-2015 updated to August 2016. The data do not present an encouraging picture.

The 4,558 (out of a total of 4,636) schools for which have data have a combined replacement value of $56.9 billion.

As would be expected, there is considerable variation among boards, as the following chart shows.

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6 http://www.edu.gov.on.ca/eng/parents/renewal_data.html
There is also a great deal of variation among individual schools as well, as the following charts show.

In general, the depth of renewal requirements is greater for public boards than it is for Catholic boards, reflecting differences in the average ages of the buildings. For elementary, Catholic boards have an average renewal/replacement percentage of 19.6% vs. 31.7% for public boards. The average age of Catholic elementary schools is 34.5 and of public schools is 42.4.

In total, $12 billion of the $15.9 billion renewal backlog is in public schools.

At the extreme end of the spectrum of renewal requirements, 346 schools across the province with a combined replacement value of more than $3.8 billion are in a condition classified as “critical”, with renewal requirements greater than 65% of the replacement value of the facility, a designation the Ministry formerly referred to as “prohibitive” to repair.
The underlying causes of school facility deterioration – the devil is in the details

The first step in addressing the disrepair afflicting Ontario’s publicly funded schools is to identify what caused the problem in the first place:

- The inadequacy and inflexibility of the formula funding model for school operations and maintenance;
- The inadequacy of the allocation in the funding model for ongoing school renewal;
- Weaknesses in aspects of the funding formula unrelated to school facilities; and
- The absence of a standard of good repair for schools in Ontario.

Inadequate Funding for Operations and Maintenance

Funding for school operations and maintenance is driven primarily by four factors:

- Uniform defined floor areas per student, with different benchmark areas for elementary, secondary and adult students;
- A flat number of dollars per floor area unit – initially, square feet; later square metres;
- An adjustment to each school’s measured floor area to reflect design features that are not taken into account in determining the defined floor area per student (for example, wider hallways than those in the reference schools); and
- An allowance to reflect the fact that as a practical matter, given year to year demographic changes, it is impossible to maintain all schools at 100%.

The funding formula based the original allocations of space per student on benchmark values developed from the floor plans for new elementary and secondary schools designed to accommodate 350 to 450 students for elementary and 1,400 students for secondary. For the elementary benchmark areas, there were three reference schools, two in the Catholic system and one in the public system; one in Simcoe; one in Niagara; and one in Lakehead in Northern Ontario. For the secondary benchmarks, the formula used two schools, one a Catholic School in York Region and the other a Catholic school in Dufferin-Peel. 7

Over the years since the funding formula was introduced, each of these factors has evolved. Adjustments for non-standard design features and for less-than-100% utilization were introduced over the years to address the obvious problems that the initial insistence on uniformity and 100% occupanc created.

A number of technical problems persist. The benchmark areas do not take adequate account of the need for specialized classrooms, for music and art, for example and do not appropriately reflect the additional needs for space for instruction of students with special needs. The fact that the reference floor area for adult day students is lower than

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that for regular secondary school students (actually, the same allocation as for elementary students) is difficult to justify given the fact that adult day students and secondary students are taught in the same facilities.

The utilization factor, which was originally intended to mitigate against disruption caused by changing student demographics and population distribution, has in recent years come to be used to force school boards to close schools which are considered to be “underutilized”. The minimum utilization percentage deemed to be full utilization has been increased significantly in recent years to put additional pressure on school boards to close down space.

The most important remaining problem, however, is the amount per unit area that is provided for school operations and maintenance.

When the government first introduced the funding formula, it provided funding for school operations at $5.20 per square foot of required and funded space. That amount applied uniformly, across the province, regardless of actual operating costs. Remarkably, the government revealed in 1998 court proceedings that the $5.20 amount was calculated as the median of the per square foot costs paid by the 122 school boards in existence before the funding formula was introduced. As a result, funding for school operations in the entire province was based on the average cost per square foot reported by the middle two boards in the original list of 122: the Brant County and Kent County Roman Catholic Separate School Boards. As a consequence, these two boards determined the level of funding for every school board in the province and in fact, after adjusting for inflation, still do so today.

Even then, the figure of $5.20 per square foot was not representative of 1997 operating and maintenance costs for school facilities in Ontario. Overall, the average cost for the 122 boards was $5.31. Weighted by total space – i.e. to derive the average cost of operating a square foot of school space in Ontario – the average was $5.44. Toronto’s cost per square foot was the 11th highest in the province, at $6.58 per square foot.

Since the formula for funding school space was established in 1997, the only change that has been made has been to adjust the per unit allocation periodically, to reflect inflation. The fundamental problems raised by the Harris Government’s insistence on province-wide uniformity have never been addressed.

**Inadequate investment in ongoing school renewal**

In addition to regular ongoing operations and maintenance, the reality for any capital investment is that it deteriorates or depreciates over time. Like any other physical asset, school facilities require ongoing renewal investment to keep them in a state of good repair.

While there are no hard and fast rules, the generally accepted range – identified by the Provincial Auditor in a review of the “emergency” renewal funding provided in the mid-2000s in response to the recommendations of the Rozanski Task Force – is between 2% and 4% of the replacement value of the property on an annual basis. Renewal investment requirements are over and above normal expenditures for operations and maintenance. Using the Ministry’s 2011-2015 estimate of the total replacement value of
Ontario’s school buildings of $56.9 billion, that would suggest a renewal investment target of between $1.1 and $2.3 billion on an ongoing basis.

**Using school facilities funding to address problems with other aspects of the funding formula**

With the exception of school renewal funding, provincial funding for school operations and maintenance is not earmarked for that purpose. As a result, as inadequate as the funding for operations and maintenance may be, it is often the case that school boards do not spend even that inadequate amount on operations and maintenance. In the short run, maintenance deferral is an invisible way for school boards to free up funding to use for other purposes and, in particular, to fill holes in their budgets left by other weaknesses in the funding formula.

**The absence of a standard of good repair**

The freedom of school boards to defer maintenance as a budgetary strategy is abetted by the absence of a provincial standard of maintenance for school buildings. In the absence of a standard of good repair that boards are required to meet, boards are free to treat the physical condition of their school buildings as a variable in the budget-making process – a process in which it is almost inevitable that the path of least resistance will be to cut back on operations and maintenance expenditures. Indeed, it is hard not to see this process as a strategy adopted by school boards in which they defer maintenance as a budgetary tool, knowing that the deferred maintenance crisis to which they are contributing will eventually be addressed through provincial emergency stop-gap funding.

**Building for changing needs**

The repair backlog is not the only problem facing Ontario’s school facilities. As noted above, 346 schools are in such poor condition that they are candidates for replacement rather than renewal.

In addition, many school board areas in Ontario are experiencing substantial population shifts within their borders, leaving schools in some areas underutilized and newly growing areas underserviced. The government has taken the position that it will not provide funding for the construction of new school facilities in any board that has existing underutilized facilities, regardless of where those underutilized facilities are located. In some parts of Ontario, this has left school boards unable to build schools in growing suburban areas because schools in older established areas of the downtown are not fully utilized. In other parts of the province – in Toronto, for example – schools cannot be built to support renewed residential development in the downtown core because there are underutilized schools in the inner suburbs where an aging population has left schools underutilized.

Development charges, which were once an important source of capital for new school development, are now severely restricted. Development charges may only be levied to purchase land for schools. And where the provincial government has determined that a board has existing underutilized schools, even that restricted use of development charges is prohibited.
Paying for school operations, maintenance, renewal and capital construction

In 1997, effective for the 1998-99 school year, the provincial government assumed financial control of the elementary and secondary education system in Ontario. In the 2000s, accounting rules were changed so that the budgets of school boards were consolidated with those of the provincial government, essentially recognizing that school board expenditures are actually provincial government expenditures. While this change was essentially simply recognizing fiscal reality, from an accounting perspective, it has the advantage of enabling the provincial government to amortize capital expenditures over their expected life rather than account for such expenditures as a lump sum transfers to school boards.

School boards have no own-source revenue. One way or another, much of the additional revenue to fix our schools will have to come from the provincial budget, and ultimately from the revenue base of the provincial government.

The extent of the deterioration in the condition of Ontario’s school is significant and persistent. A $5.6 billion problem identified in 2002 has grown to $15.9 billion, despite “urgent” injections of renewal funding, heralded by the self-congratulatory provincial government signage that appears regularly on school buildings across the province. Based on the a 2-4% of replacement value standard for renewal investments, the natural growth of renewal requirements is between $1.1 and $2.3 billion per year. Periodic short-term injections of emergency funding that fail to address the underlying causes of the backlog will not work. That approach did not work in the mid-2000s, and it will not work now. Even the current extraordinary allocation of renewal funding will, at best, prevent the deterioration from continuing and the renewal investment backlog from growing larger.

The government’s current $1.4 billion allocation for school renewal is divided between special SCI (School Condition Improvement) funding ($1.0 billion) and the regular school renewal amount provided for in the funding formula ($357 million). SCI funding was increased to this level for 2015-16 and 2016-17; the government is committed to maintaining that level of funding until 2018-19.

To be consistent, the adequacy of on-going renewal funding should be measured against the annual renewal investment standard of 2% to 4% of replacement value. The $357 million annual funding in this program is approximately 1/3 of the low end of the range of renewal investment requirements.

On the other hand, the adequacy of the SCI program should be measured against the total renewal investment backlog of $15.9 billion in the Ministry’s school condition database. On the surface, the SCI program at its current funding level and duration would appear to be reducing the backlog by 6% a year. Unfortunately, the condition of school facilities does not stand still waiting for the SCI investments to arrive. Each year the annual renewal investment level falls below the accepted standard, the backlog grows. Consequently, if we use the mid-point of the 2% to 4% standard as the base annual expectation, by the end of the current SCI commitment period in 2018-19, the
backlog of renewal investments will actually have grown, even without taking into account the impact of inflation on replacement values and accumulated renewal investment needs. For its full three years, the SCI funding level of $1 billion per year combined with the impact of the shortfall in ongoing renewal funding relative to the 3% standard would result in an increase in the renewal investment backlog from the 2015-16 level of $15.9 billion to 17.0 billion by the end of the 2018-19 school year, in 2015-16 dollars.8

Ontario’s most recent disclosure of information about the state of our schools gives further cause for concern. It provides data, by individual school, of total School Improvement Investments over the period between 2010-11 and 2016. A generous estimate of the total shows investments of $1.2 billion over that six-year period. And despite those investments, the renewal investment backlog at the end of the 2011-15 review cycle had reached $15.9 billion.9

Clearly, Ontario’s current investment in renewal falls far short of what would be required to meet the Ministry’s own “state of good repair” goal.

**Ontario needs a plan.**

We know what needs to be done. The Ministry has conducted a thorough review of the state of repair of our school facilities, board by board and building by building. We know, in detail, the extent of the problem.

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All figures in 2015-16 dollars

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<th>Description</th>
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<td>Estimated 2018-19 backlog</td>
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9 Ministry data show substantial numbers of schools with investments under $10,000. In compiling the total of $1.18 billion, 536 entries that were listed as “under 10,000” assumed to be $10,000.
Now we have to address the immediate problem and take steps to ensure that it does not recur.

1. The Ministry must commit to extend the School Condition Improvement program funding level of $1 billion per year until the renewal investment backlog is eliminated.

2. The permanent education funding formula must be enhanced to provide a realistic level of funding for ongoing school renewal. Taking the mid-point of the 2% to 4% range of ongoing renewal investment needed, that would require an increase funding from the current level of $357 million to $1.7 billion per year, increasing as the replacement value of school buildings increases. This amount would be over and above that required to eliminate the current identified renewal investment backlog.

3. A separate stream of capital funding must be created to replace the 346 school buildings across the province determined to be too expensive to repair as of the most recent review cycle. That will require a one-time capital injection estimated at $3.9 billion for those 346 schools. That capital investment would be amortized over the expected life of the new facilities, normally 30 to 40 years. At current interest rates, the amortization cost would be approximately $100 million per year. Delay is not helpful. Each year, more and more schools move across the line that divides those that require substantial renewal investments from those that are prohibitively expensive to repair.

4. Capital funding should be opened up to enable boards to develop new schools in growing areas under their jurisdiction, without reference to the occupancy status of distant schools. To support that additional investment, school boards should be required to levy development charges to defray a portion of the cost of both land and buildings in growing areas.

In 1998, the province changed the regulation so that school boards could only use Education Development Charges for the purchase of land, not for refurbishing schools, even in areas of intensification. Section 257.54 of the Education Act and Ontario Regulation 20/98 need to be changed so that school boards can levy Education Development Charges to refurbish existing schools. In some areas of the province, this will help offset some of the contribution the government needs to make to address the $15.9 billion renewal investment backlog.

5. To mitigate against school conditions continuing to deteriorate in the future, the funding formula for school operations and maintenance should be enhanced, and its fundamentals reconsidered.

   a. The general level of funding for school operations and maintenance should be established based on a careful analysis of community-based
data on what is required to maintain schools as safe and secure public-use facilities. As a starting point, total operations and maintenance funding should be increased by 8.7% to match the APPA North American Average.

b. The formula should recognize explicitly the underlying drivers of differences in operating costs for schools in the province, including:

- Labour costs in the community
- Heating costs and climate
- The age and design of school buildings – a formula that recognizes building age in funding only up to 20 years is not realistic
- One size does not fit all; equality does not achieve equity when needs and costs are different.

c. The formula should take explicit account of school space needs for specialized programs such as music and art, school breakfast and lunch programs and special education programming as well as community use of school facilities.

d. Expected utilization should not be used as a weapon to force school boards to close schools; utilization expectations should be based on a broadly-based view of the role of the school in the community, and should take into account the implications for student access and commute times of forcing underutilized schools to close.

6. The provincial government should establish an explicit and quantifiable standard of good repair for school facilities in the province, require that school boards maintain their facilities to that standard and ensure that funding provided to school boards is sufficient to support that standard.