



BC ASSOCIATION of SCHOOL BUSINESS OFFICIALS

REVIEW OF THE ADMINISTRATION COSTS AND OPERATING RESERVES FOR BC PUBLIC SCHOOLS – Report Commissioned by BCASBO and released on January 8, 2015

Background:

- This review was commissioned by BC Association of School Business Officials (BCASBO) to provide a better understanding of the spending on administrative costs in the K-12 sector and the level of operating reserves.
- The 2015/16 to 2017/18 Budget and Fiscal Plan indicated that the cost of administration was rising and districts were required to reduce administrative expenditures by \$29 million in 2015/16 and a further \$25 million in 2016/17.
- As early as the Royal Commission on Education in 1988, it was concluded that there is a need for appropriate leadership and administration in operating the public school enterprise.
- The sector manages over \$5 billion of taxpayers' funds and employs over 78,000 staff, and serves 540,000 students and their families.
- To determine if the administrative spending is reasonable, this review reports on other jurisdictions and public sector entities and their administrative cost levels, definitions, reserve balances and reporting.
- This report also looks at options for information sharing and reporting for the BC public education sector.
- This review is not exhaustive research but does provide perspective to the issues. It is meant to enable conversations at and between the Ministry of Education and local school districts to further common understandings and to enable informed decision making.

How well have school districts managed the cost of administering the public education system?

- Statistics Canada reports BC as the lowest per pupil district administration cost in Canada.
- In 2013/14 when comparing audited financial statements, BC continues to spend 30% less on district administration per pupil than the other provinces with BC spending \$306.95 per pupil on district administration, Alberta at \$395.47, Manitoba at \$402.58 and Saskatchewan at \$500.52.
- The trend line for BC expenditures over time would indicate that BC's pattern is similar to other provinces and similar sized districts
- Information from Statistics Canada providing expenditures by function for universities and degree granting colleges in British Columbia reports administration expenditures at 6.67% on average. School districts are able to manage in that range for the total of all definitions of administration outlined by the Ministry of Education.



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- The United States National Centre for Education Statistics study of 2011, reported that district and school administration was 10.7% of expenditures. Per the Revenue and Expenditures Tables, the expenditure reported in program 1.41 (school administration) and function 4 (district administration) represents 9.85% of the total expenditures in 2010/11.
- If districts were providing overall administration services at the 2009/10 level which totals \$1,106.03 per pupil in today's dollars, districts would be spending \$13.78 million more in 2014/15 than they are spending today.
- BC expenditures as a percentage of operating budgets are in line with other public sector entities
- Overhead is within best practice guidelines for not-for-profit entities.

Operating Reserves:

The Accumulated Operating Reserve is the amount accumulated over time of operating surpluses and deficits. The Board may approve restrictions on spending of the reserve such as an allocation to fund a portion of the following year's operating budget which is designated in the restricted portion of the Operating Reserve. The Ministry of Education has questioned the quantum of the accumulated reserves.

- It is important to note that reserves are a one-time funding source that cannot sustain on-going services and reserves are the only source of funding to cover unexpected and unavoidable expenditures.
- The ability to carry forward unspent operating funds helps districts budget and spend their annual operating grants effectively.
- School districts also have the ability to plan and sustain services for a period longer than one year because of the reserves.
- Districts use these funds in many ways. How would districts be able to fund a one-time transition to a new network or a new student information system without some operating reserves to draw on?
- Better understanding of the reserves is possible with financial statement reporting or notes to support these reserve balances.
- BC's school district operating reserves as a percentage of operating expenditures are in line with other jurisdictions.



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Frequently Asked Questions:

- 1) How has the number of Full Time Equivalent (FTE) staff in business administration changed over the last two years?**

Comparison of EDAS (Education Data Analysis System) reported data which is based on school district human resources and payroll data between 2013 and 2014, indicates a reduction of 28.20 FTE in staff performing finance, payroll, human resources and information technology functions.

There is an increase in the number of students served by administrative staff-a factor considered important by Ernst & Young in their report of 2015 on the Vancouver School Districts

- 2) How does the spending per pupil on district administration compare between BC and other provinces?**

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3) How has administration spending changed over time?

If districts were providing overall administration services at the 2009/10 level which totals \$1,106.03 per pupil in today's dollars, districts would be spending \$13.78 million more in 2014/15 than they are spending today.

4) How does school district spending on district administration compare with other public sector entities?

Taking into account the differing definitions of administration and looking at the common needs of all organizations for business administration of finance, payroll, human resources, the K-12 sector in BC is in line with other public sector entities when comparing percentage of operating expenditures.

5) How is administration defined in BC and other provinces and jurisdictions? Can this be used to ensure figures are comparable and transparent across districts?

The definitions are similar and close enough to be comparable. Other provinces are more specific in their cost allocations and reporting requirements to provide more assurance of comparability and transparency.

6) With this report, is BCASBO stating that the Minister of Finance is wrong and no administrative savings are possible?

As business officials, we understand the need to be efficient and effective and prioritize our resources on services for students. This report outlines that the sector has done much of this work. It does not mean that we cannot do more, just that the significant savings have already been implemented.

7) This report is prepared at a provincial level – are individual districts doing as well?

It is well understood that there are fixed costs of managing the business of public education and the charts on pages 20 and 21 of the report show the variations in costs per pupil between school districts depending on enrolment size and



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geography. The charts indicate that this variation is expected and BC trends well when compared with like sized districts in other provinces.

8) Knowing the information in this report, should the Province continue to remove the \$25 million in funding from public education in 2016/17?

BCASBO respects the authority of the province to decide to remove the funding. This report would indicate that the removal of services to fully offset this funding may not be available in administrative areas.

9) How can the system be changed to ensure that all parties understand the administrative costs?

The cost allocations guidelines for allocating costs between instruction and administration can be better defined. The budget documents and financial statements can be improved to add notes that explain changes in expenditures.

10) Ernst & Young outlined that unrestricted operating reserves should be about 2 to 3% of expenditures – how do school district results compare to this number?

School districts vary on the amount of overall operating reserves and the amount restricted for future expenditures. As at June 30, 2015, the provincial total is 1.2% of operating expenditures, well within the Ernst & Young guidelines. (Section G.3)

11) How should accumulated operating reserves be reported to ensure a common understanding and transparent reporting?

There are many examples of other jurisdictions that provide more information and improved reporting of their operating reserves and the plans to utilize these reserves over time. A shift to a more common reporting practice for the reserve balances in districts would lead to a better understanding of these reserve balances and a more informed understanding for their intended future use.