

DATE: January 22, 2019

TO: Board of Trustees

FROM: Darrel Robertson, Superintendent of Schools

SUBJECT: Multi-Year Block Funding Model for School Infrastructure
(Response to Request for Information #031)

ORIGINATOR: Dr. Lorne Parker, Assistant Superintendent

**RESOURCE
STAFF:** Roland Labbe, Christopher Wright

REFERENCE: December 11, 2018, Board meeting (Trustee Ip)
[Alberta School Capital Manual - March 2015](#)

ISSUE

The following information was requested by Trustee Ip at the December 11, 2018, public Board meeting: In pursuit of fairness and equity for public school students, staff, and families and in pursuit of predictable sustainable funding to create quality learning environments for all District students, provide a brief report on the benefits and challenges of a multi-year block funding model for school infrastructure for Edmonton Public Schools tied to measurable factors such as student enrolment, age of school buildings, deferred maintenance, projected student growth and need for new schools among other relevant factors. I should note that school infrastructure funding is received from the provincial government.

- How would such a model impact our current capital planning process as required by the province?
- Would the District realize financial savings if it were able to access infrastructure funding in flexible multi-year blocks?
- Are there examples of other jurisdictions using a similar block model to fund school infrastructure?
- What are the financial implications of such a funding model for the government of Alberta?
- What are the potential consequences for student learning if the District is not able to address the deferred maintenance of its aging buildings and growth in new and developing neighborhoods in a timely manner because of the lack of predictable, sustainable funding?

BACKGROUND

Annually, school jurisdictions in Alberta submit a Three-Year Capital Plan to Alberta Education identifying their top capital priorities for new schools, building additions to existing schools, and modernization or replacement of existing schools. Funding predictability and certainty for school authorities, which would support the development of infrastructure strategies and investment plans on a fixed schedule basis, is not in place. The number of projects which may be funded and the timing of funding announcements lack predictability. Given the consistent growth pressures faced by the District, and a mounting deferred maintenance liability approaching \$1.0 billion, our school jurisdiction and other jurisdictions in the province require consideration for alternative or renewed funding models.

CURRENT SITUATION

Administration was asked to provide a brief report on the benefits and challenges of a multi-year block funding model for school infrastructure for Edmonton Public Schools tied to measurable factors such as:

- student enrolment
- age of school buildings
- deferred maintenance
- projected student growth and need for new schools, among other relevant factors

Q: How would such a model impact our current capital planning process as required by the province?

Our current capital planning processes are in line with processes and guidelines established by Alberta Education, as articulated in the *Alberta School Capital Manual*. The process requires submission of Three-Year Capital Plans which identify priorities for new schools, building additions to existing schools, and the modernization or replacement of existing schools. An alternative model could impact processes in terms of reducing the need or the opportunity to review priorities annually. As an example, municipalities in Alberta now establish a four-year capital construction program tied to available capital infrastructure funding, which includes provincial and federal funding, tax revenue and other income (service fees, licensing, permitting, etc.). These plans are approved based on completed pre-design and costing, and they are not amended significantly unless anticipated funding is withdrawn unexpectedly, or as emergent grants or funds are secured. Any alternative infrastructure funding method would likely need to be aligned with provincial funding cycles, which are currently approved annually prior to or at the beginning of the second quarter of the calendar year.

Q: Would the District realize financial savings if it were able to access infrastructure funding in flexible multi-year blocks?

There could be savings realized from block funding through opportunities to tender larger scopes of work involving multiple projects. These savings may deliver higher quality results and an opportunity to realize more projects for the same funding.

If project funding is tied to required pre-design completion (sometimes referred to as *Shovel-Ready*), rather than provided for the entire project scope including design and construction, this would preclude the consideration of the recently utilized Integrated Project Delivery (IPD) procurement methodology. The IPD methodology has provided considerable value for our District so far, resulting in improved quality and product delivery when compared to more traditional project delivery platforms such as *Design-Bid-Build*.

Q: Are there examples of other jurisdictions using a similar block model to fund school infrastructure?

There has not been sufficient time to research other jurisdictions for school infrastructure block funding. This can be conducted subsequent to this report and reported in the future. There is a significant block funding element to the Infrastructure Maintenance Renewal (IMR) funding grant, which is an annual provincial capital grant provided to school jurisdictions. However, the total amount available within the annual provincial budget cycles can fluctuate significantly and this remains the greatest risk to predictable funding provision.

Past and current provincial municipal funding grants have been tied to specific criteria (i.e., population, total kilometers of roads) similar to that proposed based on enrolment, infrastructure age and condition, deferred maintenance calculations, experienced and projected growth etc. Multi-year funding amounts or, at minimum, projections for future amounts to be made available based on revenue forecasts, have been in place for some time in Alberta. Municipal funding grants may be a starting place for comparable research, but examples of school-based models will be harder to find for the purposes of comparison.

Q: What are the financial implications of such a funding model for the government of Alberta?

As long as funding for school infrastructure is tied to provincial revenues, a commitment of funds from future revenues would represent a risk for government. The fact that our economy is linked to volatility in the resource sector increases the risk, and global economics also carry predictability challenges among other factors.

Deferred maintenance costs continue to mount when infrastructure is not renewed on a life-cycle replacement basis. The deferred maintenance deficit, if allowed to accrue over time, represents a higher overall future cost once the needs are eventually addressed. Replacement can also become the only option should components deteriorate too much or fail. The cost of emergent remediation represents unknown risk. It is not dissimilar to rising debt when the principal on a loan is not reduced as part of the repayment schedule, and interest payments rise proportionally to the principal.

While a commitment to longer-term capital construction programs may represent a risk, the greater risk lies in the accrued impact of deferred maintenance, high operating costs due to outdated infrastructure, and related costs associated with accommodation and over-crowded schools in new and developing communities.

Our efforts to have timely, responsive mature community discussions regarding improved organization for instruction and 21st Century learning environments, and equitable access to quality infrastructure, requires a planned and transparent manner to deliver new learning facilities. In order to realize improved educational programming and a long-term return on operational and capital funding, these conversations with mature communities need to continue. Communities want to know that their vision will be funded to become reality. Increased certainty around the provision of public infrastructure in communities allows public agencies and community partners to jointly plan and deliver facilities that serve as vibrant centres within new and existing communities. The broader financial efficiencies related with the concept could be significant.

Q: What are the potential consequences for student learning if the District is not able to address the deferred maintenance of its aging buildings and growth in new and developing neighborhoods in a timely manner because of the lack of predictable, sustainable funding?

Poor building conditions negatively impact student learning. Research indicates that factors such as poor lighting quality, temperature and humidity control, air circulation, acoustics, power or telecommunications infrastructure, furniture, equipment and access to technology among other factors, have a negative impact on teaching, and learning. This growing body of evidence connects poor school infrastructure with negative impact on student achievement.

The concept of ‘planned’ growth that is applied to new communities at the municipal/regional levels in an effort to ensure more efficient and sustainable urban development should also apply to public infrastructure such as schools. Operational and capital cost implications are inevitable (transportation, portables, etc.) where growth is addressed in an unplanned or reactive fashion. In the absence of adequate capital funding, inefficient operational budget planning by jurisdictions could place pressure on resources intended for use in the classroom. Challenging financial implications are possible as a result of reactive decisions required by jurisdictions. Measures such as re-designations, attendance area amendments, temporary learning spaces, shifts in program distribution, all serve to interrupt a student’s ‘planned’ approach to a learning journey. Increased costs and impacts on a student’s learning and extra-curricular day follow increased yellow bus commitments and extended ride times resulting from a lack of planned school construction to support communities.

KEY POINTS

- Regardless of funding calculation methodology and project versus block funding approaches, the greatest challenge to stable and predictable funding for school infrastructure remains with the correlation between provincial revenues and the distribution of infrastructure funds among the various Ministries and the entities who rely on those funds to address their infrastructure needs.
- Commitment to predictable funding is important, but not in a manner that limits a jurisdiction’s ability to be flexible in how to deliver projects to stakeholders.
- Ability to be responsive is important, so a degree of flexibility in the funding model must remain.
- Efficiencies related to planned growth by school jurisdictions, as well as collaboration across ministries or agencies are possible should a longer-term lens be applied to the delivery of public facilities.
- Predictable funding is a key component to mature community discussions, so that community engagement and vision is honored.
- Student learning is not maximized with reactive decision making, multiple shifts in programming and accommodation, or as a result of outdated learning environments.

ATTACHMENTS and APPENDICES

n/a

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