This paper provides a historical review of equity in funding education in Alberta. It describes government attempts to address fiscal inequities and shows how the introduction of full spending in 1994 addressed many of the equity problems in Alberta. Full provincial funding of education has proved an overall success, but it faces the following challenges: unresolved litigation regarding the opting out of separate school boards from the Alberta School Foundation Fund, the potential for average programming and delivery, a short-lived narrowing of the equity gap, the need for funds to provide vertical equity, and variable assessments of property values. A conclusion is that horizontal equity has improved due to the introduction of full funding in Alberta. One hundred percent of the funds are equitably distributed under a similar set of rules. The measure has reduced the cost of education and equalized tax rates. However, the province needs to consider ways to improve vertical equity—the need for different amounts of funding to meet different needs—and other inequities affecting student achievement and access to knowledge. One table is included. The appendix contains a list of equity indicators. (Contains 31 references.) (LM1)
ADDRESSING EQUITY IN ALBERTA:
A HISTORICAL REVIEW


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ADDRESSING EQUITY IN ALBERTA: A HISTORICAL REVIEW

General overview of equity

The new School Act passed by the Government of Alberta in 1988 was founded on five principles: access to quality education, equity, flexibility, responsiveness, and accountability. Concurrent with the introduction of the School Act at the spring 1987 session of the legislative assembly, Alberta Education issued a discussion paper entitled, "Framework for a New School Act: Highlights." In response to the question of financing education, the discussion paper stated:

There are wide variations in how much money a school district has to spend and how much it needs to tax its property, depending on how much industry it has. Yet, every student in Alberta -- regardless of where he or she lives -- is guaranteed a right of access to a basic education. Given that equity is a primary principle of the new legislation, some jurisdictions require more help to provide a basic education than others. The need for equity is recognized in the current method of funding but there may be a more equitable way to provide funding.

The legislation did not include any significant changes to the method of financing education. Yet, it encouraged discussion and debate, and, since equity was enshrined as one of the guiding principles of the Act, ultimately a resolution to the fiscal inequities in the province of Alberta had to result.

A 1987 discussion paper on financing (Alberta Education, October 13, 1987, pp. 1-2) furthered the debate on equity. This paper distinguished between the terms "equity" and "equality."

We have said that the goal is to ensure that our method of financing school jurisdictions is equitable. Not all school jurisdictions are the same. They have differing costs, and differing needs for their students. An "equitable" method of financing recognizes these differences and ensures that school jurisdictions are treated fairly.

In contrast, an "equal" method of finance would ignore the differences among school jurisdictions and provide them all with an equal amount of funds from the province. Recognizing the diversity of school jurisdictions and the fundamental principle that every student must be guaranteed a right of access to basic education, an equal method of financing is not appropriate. Instead, we must examine alternative ways of ensuring equity and fairness in our financing system.

This paper provides a historical review of equity in funding education in Alberta. It describes government attempts to address fiscal inequities. It shows how the introduction of full funding in 1994 addressed many of the equity problems. It suggests areas of equity that may require further consideration.
Summary of Equity problem in Alberta

The fiscal inequities across school jurisdictions in Alberta were viewed as affecting all aspects of education funding: tax effort, tax base, and spending per student (Alberta Education, February 1993, p. 2). In a five year period, between 1987 and 1991, the highest net mill rate ranged from 15.36 to 17.10 and the lowest from 1.10 to 2.64. The gap between the highest and lowest ranged from 14.26 to 15.31 mills over the five year period. To illustrate the inequities, the owner of a house assessed at $100,000 in the school jurisdiction with the lowest net mill rate would have paid $264 in school tax and $1710 if the house had been located in the school jurisdiction with the highest net mill rate.

The gap in tax revenue raised per student between wealthy and poor school jurisdictions continued to widen. In 1991-92, one mill of property assessment raised as little as $52 per student and as much as $2800 per student because of the wide variation in the fiscal capacity of school jurisdictions. In the previous year, the amount raised per student ranged from $54 to $2500; in 1985-86 it ranged from $8 to $1074.

Per student expenditures continued to go up. Each year wealthy school jurisdictions pushed the cost higher, while poorer school jurisdictions found it harder and harder to keep up. The expenditure gap between rich and poor school jurisdictions continued to increase. The per student expenditures in 1991/92 ranged from a low of $3500 to a high of $20,200, for a difference of $16,700. In the previous year it was $16,500; in 1985-86 it was $10,000 (Alberta Education, February 1993).

In 1993, Alberta Education analyzed school jurisdictions in Alberta on the basis of their fiscal capacity and their performance on 14 indicators of educational quality. The 14 indicators are listed in the appendix. The study concluded that students in poor school jurisdictions encountered a number of educational disadvantages compared to students in wealthy school jurisdictions (Alberta Education, February 1993). Key findings were:

- Students from poorer school jurisdictions did not do as well on provincial achievement tests.
- Proportionately fewer students in school jurisdictions with a low tax base and mill rate achieved either the acceptable standard or the standard of excellence on the grades 3, 6 and 9 achievement tests than students in school jurisdictions with more wealth.
- Students in poor jurisdictions were less likely to attain a high school diploma. Proportionately fewer grade 12 students in school jurisdictions with a low tax base and mill rate were awarded a high school diploma than students in school jurisdictions with more wealth.
- Students in poor jurisdictions had a lower participation rate in diploma level courses. Proportionately fewer students in school jurisdictions with a low tax base and mill rate wrote provincial diploma examinations in Math 30, Biology 30, Chemistry 30 and Physics 30.
- Students in poor school jurisdictions had a more limited selection of high school courses. School jurisdictions with a low tax base and mill rate offered fewer high school courses than were available in wealthier jurisdictions.
Students in poor school jurisdictions had less experienced teachers. Teachers in school jurisdictions with a low tax base and mill rate had less experience than their counterparts in wealthier school jurisdictions.

Historical background

A brief review of Equity in the funding of Education prior to 1961

From the its origins the province of Alberta faced inequities in school funding. The major reason for these inequities overtime has been related to access to the highly diversified tax bases across the province. Part of these inequities related to the formation of separate school districts (mostly Catholic) which have not had the assessment base to fund their schools at the same level as public schools.

*The Constitution Act (1867)*, formerly the *British North America Act*, guaranteed that children of the minority faith (either Catholic or Protestant) be educated in separate schools operated by their faith. This provided equity of educational opportunity for all students, irrespective of religious preference. In fact, from Alberta’s beginnings inequities in funding existed between public and separate schools because of inequities within the system of assessment.

Changes to the *Northwest Territories Ordinances* in 1901 (Chapters 29 and 30) allowed the formation of separate school districts. Each separate district possessed and exercised all the rights, powers and privileges and was subject to the same liabilities and methods of governance as a public district. Minority ratepayers were liable only to such rates as they imposed upon themselves. A business could designate a portion of its land to support a separate district but only in the same proportion as there were shares owned by separate school supporters.

*The Alberta Act* (Section 17) and the *Saskatchewan Act* which established the provinces of Alberta and Saskatchewan in 1905 continued to guarantee separate school district rights. Assessment changes in 1910 permitted separate schools to claim part of the assessment of a corporation that did not assign their assessment to the Catholic board (*Statutes of Alberta*, chapter 6, section 55). The amount that could be claimed was based on the ratio of the declared residential assessment to the total residential assessment. This provided for more equitable sharing of company taxes between public and separate school districts (Fenske, 1968).

Differences in assessment bases as a criterion for fiscal equity appears in Alberta legislation as early as 1925 (*School Grants Act*, 1926, chapter 59, section 26). The Government amended the School Grants Act to provide financial equalization aid to jurisdictions on the basis of assessment per teacher. Milne (1982, p.37) has described this “as the first direct attempt at implementing a grant to offset wealth differences among school jurisdictions.”

In 1931, under the authority of the *Tax and Rates Collection Act*, all school districts ceased to levy and collect their own taxes and taxes were now collected by municipalities. During the Depression, in many school districts, “school taxes were uncollectable and uncollected, therefore teacher salaries went unpaid” (Chalmers, 1967, p. 341). This change was very beneficial for schools, “for without this aid hundreds of
schools would have remained closed in the depression after 1930” (Goresky, 1944, p.130).

However, the problems associated with different tax bases and resulting inequities in tax effort remained and were referred to in a Department of Education discussion paper as early as 1935. The discussion paper recommended the amalgamation of rural school districts into divisions. “The inequality and injustice of one district having to levy a rate of only three mills to operate its school while another district sets a rate of sixty-five mills or more for the same services or less would be an impossibility. A system of equalization grants as between the larger units of administration would overcome almost completely the present unjustifiable variations in taxation rates for school purposes” (Alberta Department of Education, 1935, p.13).

In 1935 with the advent of Social Credit government in Alberta the government paid off teachers’ salary arrears (slightly more than $1 million across the province) as well as organizing most of the province into school divisions. Poor rural school districts benefited from the amalgamation of small rural districts into school divisions and between 1935 and 1940 the average per pupil expenditure in the province went up by about 10 percent from $54.54 to $60.82 (Chalmers, 1967). Taxation equity, then, was a concept applicable to all school boards in the province.

During the late 1940’s and the 1950’s school grants and the funding for schools were changing with the level of revenues the province generated. Hanson (1971, p. 9) notes that “there were two very large increases in the school grants of 42.1 percent in 1947-48 and of 54.4 percent in 1948-49.” As new oil fields were discovered and developed, revenues increased rapidly. School grants increased substantially during the early 1950s.

1946 Regulations Respecting School Grants contains, in addition to setting the assessment practices and definitions, the mechanism for the Equalization Grants. These were based on the calculated average assessment per classroom (School Grants Act Regulations, from the Alberta Gazette, May 31 1946).

The government continued to address taxation inequities and fiscal equality. In 1955, a tax reduction subsidy grant was introduced. Hanson (1971, p. 6) describes the 1955 changes, “The major change, however, was the introduction of the tax reduction subsidy grant. Under this provision school districts which kept requisitions below a specified mill rate (25 mills) were paid a subsidy related to the difference between 25 mills and the lower mill rate levied.... For a variety of reasons, the tax reduction subsidy grant was repealed in 1958.” The grant demonstrated the government efforts to provide taxation equity and tax relief for tax payers in jurisdictions with high tax efforts.

Changes in Equity Funding introduced in 1961

In the 1961 Budget Speech, the Honourable E.W. Hinman indicated that “during the course of this session there will be further opportunity to discuss the proposals to equalize mill rates for educational purposes and to provide grants adequate to supplement the cost of a basic educational program throughout the province” (1961 Alberta Budget Speech, p. 14).
The School Foundation Program shifted the burden of funding from the local school jurisdictions to the provincial government which provided more than 90 percent of the funds for school jurisdiction. In 1960, school jurisdictions raised $54.35 million out of their total revenues of $102.9 million, or 52.8 percent. Provincial grants represented only 44.4 percent of revenues. In 1961, the province equalized the mill rate across the province at 32 mills. All property tax revenues were pooled into the School Foundation Program Fund (SFPF). The province provided from the SFPF $106.3 million or 91.1 percent of all school jurisdictions revenues. School jurisdiction requisition only provided 5.4 percent or $6.3 M (Alberta Education Annual Reports, 1960, 1961; Hanson, 1971). It is interesting to note that apparently the school jurisdictions did not see the provincial government's taxing of property assessments as a threat to their autonomy. Nor did that the level of provincial funding (90 percent) cause concern.

The School Foundation Program Fund (SFPF) resolved previous funding inequities. A provincial SFPF property tax replaced most of the local property taxes. Revenue from the SFPF property tax was distributed on a per student basis to school jurisdictions across the province. Recapture was built into the School Foundation Program Fund (SFPF) in the form of a provincially-set uniform levy. Greater revenues were collected from areas of the province with wealthier assessments and distributed equitably to all districts on the basis of an equal per student grant. The SFPF levy was uniform throughout the province, thus also providing tax effort equity (Elhav, 1996).

1974 Changes to the School Foundation Program Fund (SFPF)

In 1974 the School Foundation Program Fund (SFPF) levy was removed from farmland and residential property, thereby greatly reducing the amount raised by the SFPF levy. Revenues from the SFPF levy on farmland and residential property were replaced by funds from the provincial general revenues, mainly income tax and oil and gas royalties. (Table 1 shows the effect of this change on the proportion of local and provincial revenue over time.)

In making the 1974 revision to the SFPF levy, Alberta kept its guaranteed foundation distribution formula and its recapture collection mechanism in place (Elhav, 1996). School districts maintained their right to levy taxes on local residential and non-residential properties through a local supplementary requisition. However, one important element changed: the provincial access to the residential tax base. The residential tax base, which comprised more than 60 percent of the total tax base, was no longer taxed by the province. This meant that the SFPF levy was applicable to only 40 percent of the tax base. School districts in Alberta reacted to the change, increasing their expenditure at a higher rate than that of the provincial grants (Nichols, 1982). Consequently, both fiscal inequity and inequality followed.

Prior to 1974, 81 percent of Education funding was collected at the provincial level and distributed on a per-pupil basis. School districts relied on local property taxes to supplement the provincial contribution. In 1974, school districts' local property tax requisitions, termed supplementary requisitions, contributed only 15 percent of the education budget. During the same year, the provincial School Foundation Program Fund (SFPF) levy, based on a uniform provincial taxing of all properties, contributed over 13
percent to education revenues. Being almost equal in size, the SFPF levy contribution neutralized the inequities induced by the 15 percent of the property taxes raised locally. Over the next two years, the provincial government stopped collecting education property taxes from residential properties under a municipal tax relief program. A number of factors led to this policy change (Elhav, 1996).

During the early seventies, provincial revenues greatly benefited from an economic boom in the gas and oil sectors. Revenues from taxing a rapidly-growing commercial assessment were enough to provide tax relief for residential property owners. The policy change followed a number of attempts to provide home owners with a tax rebate in the late 60's and early 70's. The decision to fully exempt the residential property tax owners from provincial education taxation, then, was undertaken with full consideration of the government general revenue position at the time.

Alternatively, the 1974 change in the recapture provision was in essence a change in the size of the tax base available for the province for province-levied property taxes. Prior to 1974, both the province and the school boards were levying taxes on all residential, commercial and farm land properties. After the policy change, the province removed its levy from the residential and farm land properties. Since then, the province applied a uniform tax rate on all non-residential properties. These same properties were taxed again by the local school boards, at a different tax rates, to raise funds locally. Table 1 exhibits a trend toward increased reliance on the local contribution for education funding (Elhav, 1996).

Table 1: Decline in Equitably-Distributed Revenues Out of Total Revenues

<table>
<thead>
<tr>
<th>Year</th>
<th>Local - Property Taxes</th>
<th>Local - other funds</th>
<th>Gov't - Foundation Support</th>
<th>Gov't - Property Taxes</th>
<th>Provincially distributed funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961</td>
<td>5.42%</td>
<td>2.32%</td>
<td>47.40%</td>
<td>44.86%</td>
<td>92.26%</td>
</tr>
<tr>
<td>1972</td>
<td>12.75%</td>
<td>4.08%</td>
<td>56.18%</td>
<td>27.19%</td>
<td>83.37%</td>
</tr>
<tr>
<td>1974</td>
<td>15.06%</td>
<td>3.91%</td>
<td>68.00%</td>
<td>13.02%</td>
<td>81.02%</td>
</tr>
<tr>
<td>1976</td>
<td>19.00%</td>
<td>4.20%</td>
<td>68.42%</td>
<td>8.38%</td>
<td>76.80%</td>
</tr>
<tr>
<td>1980</td>
<td>26.13%</td>
<td>5.05%</td>
<td>59.16%</td>
<td>9.63%</td>
<td>68.79%</td>
</tr>
<tr>
<td>1985</td>
<td>30.52%</td>
<td>5.44%</td>
<td>56.30%</td>
<td>7.74%</td>
<td>64.04%</td>
</tr>
<tr>
<td>1990</td>
<td>34.30%</td>
<td>5.75%</td>
<td>52.59%</td>
<td>7.37%</td>
<td>59.96%</td>
</tr>
<tr>
<td>1992</td>
<td>36.23%</td>
<td>5.49%</td>
<td>50.52%</td>
<td>7.76%</td>
<td>58.28%</td>
</tr>
</tbody>
</table>

Source: Elhav, 1996.

1984 equity grants

By the mid 1980s, provincial contributions to education (including the general revenues and the SFPF levy) had fallen to 64 percent. The SFPF levy was only 7.74 percent of the total revenues. The local supplementary requisition was funding an increasing portion of the costs of education. Since the local supplementary requisition was
based on local property assessment, the amount school boards could raise across the province varied considerably.

In recognition of the growing disparities, the provincial government established equity grants (Alberta Education, October 1991, pp. 10-11). The fiscal equity grants, beginning in 1984, were to assist school jurisdictions that had a small tax base, a sparse population, and that were located in remote areas of the province. Other equity grants were established to meet various contingencies, such as the need for distance learning. This enabled low enrollment senior high schools to offer a wider range of student courses using distance education technology.

The fiscal capacity component of the equity grant provided funding for school jurisdictions with a below average assessment per student. The purpose was to bring low assessment school jurisdictions to the provincial average. This approach was ineffective for two reasons. Firstly, the fiscal equity grant was designed to be implemented over five years and at full implementation it was to bring the below average fiscal capacity up to only 80 percent of the provincial average supplementary requisition per pupil (Alberta Education, October 13, 1987, p. 3). Also, it did not control the amount wealthy school jurisdictions could spend on education. Poorer school jurisdictions were still trying to catch up to the wealthy ones.

In the 1987 equity discussion paper (Alberta Education, October 13, 1987, pp. 9-16), the provincial government introduced five options:

- maintain the current equity grant at the 1987/88 level -- 50 percent of full implementation;
- fully implement the equity grants;
- maintain the existing taxation structure with grant adjustments to compensate for low and high assessment capacity;
- full non-residential tax revenue sharing with provincial taxation on non-residential assessment and school board taxation limited to requisitions on residential and farm property; and
- limited non-residential tax revenue sharing with school boards limited in the amount they can tax non-residential property.

Option 4, full non-residential tax revenue sharing, provided the greatest equity. Option 5 still did not provide fiscal equity but it was much closer than the others (Alberta Education, October 13, 1987, figure 7). The Alberta government was unsuccessful in garnering the support it needed from stakeholders to implement changes. Fiscal inequities continued to worsen.

Educational Trust Proposal 1991

The equity discussion was reintroduced in 1991 when the provincial government introduced a variation of its 1987 option 4, called the Education Trust Fund Proposal. All school revenues from non-residential assessment would be put in a trust fund to be distributed equitably to school boards. The proposal was based on the following suggestions:

- All non-residential assessment is shared on a per student basis among operating school jurisdictions.
The school board requisitions against its total tax base -- its share of the non-residential assessment and the local requisition. The effective mill rate is the same for both.

The requisition is sent to the municipality which raises the funds required from the residential assessment and sends the non-residential assessment requisition requirement to the province.

The province adds up the non-residential requisitions from all of the operating school boards and determines the tax rate necessary to raise the required funds.

All non-residential property owners are taxed at a uniform rate across the province. The rate is the same as the average mill rate on residential properties. Municipalities collect the tax along with the SFPF levy.

The funds are distributed to the school boards according to their individual requisition against their share of the non-residential assessment.

The provincial government also looked at other alternatives and invited stakeholders to propose their own equity solutions. Among the other alternatives considered were:

- **Full funding of education.** This would entail removing education from the local tax base and replacing it with another tax ($1.25 billion in 1993) or the provincial taxation of all residential and non-residential property. The grant formula would be revised so all school jurisdictions were treated equitably.
- **“Power equalize”** the instructional grant. This proposal cut the instructional grant to jurisdictions with above-average property assessments according to wealth. The equity grant was then to be enhanced to bring all school jurisdictions up to fiscal capacity.
- **Alberta School Boards Association Option.** This proposal suggested raising the SFPF mill rate on non-residential property taxed below the provincial average and increase the equity grant.

Full provincial funding provided the greatest equity with the Education Trust Fund proposal providing near equity. Education stakeholders recognized the need for resolving the inequities, but again could not come to agreement. The ETF Proposal was shelved and the fiscal inequity problem continued to worsen to the point where in May 1992 a group of twenty-nine school districts filed a suit against the province to obtain greater fiscal equity.

In 1993 the provincial government added $30 million to enhance the fiscal equity grant. In the meantime, the Conservative Party was elected on a platform of balancing the provincial budget and paying down the provincial deficit. This would provide "a window of opportunity" for the government to solve the fiscal inequity problem.

In May 1993 the government set out a four-year fiscal plan to eliminate the deficit (*Budget 1993*, p. 9). As part of the plan, the government legislated a balanced budget by 1996-97. It promised to change the way it does business: to increase openness and accountability to Albertans, eliminate waste and duplication, improve cost-effectiveness of programs, encourage innovation and creativity, and establish new partnerships.

In January 1994 ("Balanced Budget Remains on Target," News release, January 18, 1994) the Premier announced new ways of funding "programs in health, education, social services and municipalities." Government would assume 100 percent responsibility
for school funding. Full funding would allow government to maintain "the balance between providing a quality education for all Alberta students and manage reductions in education spending" ("Education Grants Announced," News release, January 18, 1994). Over four years Alberta Education would reduce its overall spending by $239 million or 12.4 percent.

The Honourable Halvar Jonson, Minister of Education, declared:
"During our education consultations Albertans told us that quality education, fiscal equity, accountability, and cost control were the essential considerations in determining future directions for education in the province. Full provincial funding of education will ensure adequate funding for basic education, resolve the problem of fiscal inequity among school jurisdictions, allow for improved cost control and assist with the major restructuring of the education system" ("Restructuring Education," News release, January 18, 1994).

Among its restructuring measures, the government would introduce strategies to reduce the number of school boards in Alberta from over 140 to about 60, giving schools more authority in deploying resources and determining how results would be achieved through school-based decision-making, refocusing of dollars on instruction and away from administration, and increasing the involvement of parents, the community and business in the delivery of education through school councils.

With the announcement of full funding, the province established the Alberta School Foundation Fund to collect property taxes and redistribute them fairly and equitably to all school boards, both public and separate. However, during the debates of Bill 19, the School Amendment Act, the Catholic community, and in particular the threat of legal action by the Calgary Catholic School Board, convinced the government to allow Catholic school boards to opt out of the Alberta School Foundation Fund and collect their own taxes (Peters and Richards, 1995, p. 19). Catholic school boards that opted out would still be required to assess their rate payers at the same mill rate as the uniform mill rate across the province, would have to send any excess funds collected above what Alberta Education grants would pay to the Alberta School Foundation Fund, and would be topped up from the Alberta School Foundation Fund if they had a shortfall. In essence, they could collect their taxes, but would receive the same amount of funding as all other school boards.

All property owners would pay a uniform mill rate, one established for residential and farm property and another established for businesses. It was anticipated that 65 percent of school jurisdictions would experience mill rate decreases and 35 percent would experience increases. In most cases these would be phased in over three years. This would end the great variations in equalized mill rates for education purposes among school jurisdictions and provide tax equity to property owners.

Description of full funding framework

In announcing the funding framework, the Mr. Jonson said: “This new funding framework is fair and equitable for all school boards and provides every student in Alberta access to a quality education with high standards” (Alberta Education News Release, February 1, 1995).

The key features of the funding framework were:

- An equal basic instruction grant for every student was introduced. The basic grant for 1995/96 was $3,686 per full time equivalent student. The basic instruction grant was to follow the student anywhere within the public and separate school systems, thus allowing parental and student choice in the selection of schools.
- Administrative expenditures were strictly limited to ensure that most resources were directed to student instruction. School board spending on administration was capped at 4 percent of total spending. This was to reduce school board central office administration by approximately 25 percent thus freeing up about $60 million in 1995/96 for the instruction of students. Additional funds up to 1.6 percent in the first year were allowed for instructional support services provided by central administration.
- Additional funds were provided to school boards for students with severe disabilities, English as a Second Language, Early Childhood Services and home education. Funding for special instructional programs for economically and socially disadvantaged students and Native education were provided through project funding.
- Funding for support services was provided on the basis of actual costs. For example, transportation was based on the number of students needing transportation and distance. Operations and maintenance funds were provided to meet the fixed cost of operating school buildings, based on a formula considering student enrollment and area in square meters.
- Funds were provided to assist school boards with higher than average instructional costs because of sparsity and distance factors. The funding assisted school boards in sparsely populated areas of the province or at long distances from urban centers to cover higher instructional costs because of operating with lower than average student-teacher ratios.
- Capital funding for school buildings was taken over completely by the province. The province agreed to pay the approved costs of current school building projects as well as school board debenture and capital loan payments.
- School boards were allowed to raise additional funds for special projects through a special school tax levy approved in a public plebiscite in a general election. The amount was limited to three percent of the board’s budget for a maximum of three years.

Discussion

Although the establishment of equity in education funding in the province of Alberta should be considered successful overall, it has met a number of challenges in its implementation, particularly those related to the opting out provisions of school boards.
Full funding has been successful in reducing and controlling the cost of education in the province. It has allowed for the equal distribution of education funding on a per student basis. It has created a system of uniform mill rates across the province and has actually brought about a decrease in the average mill rate.

The opting out of separate school boards from the Alberta School Foundation Fund was the basis of a court battle, with the government as defendant and the Public School Boards’ Association and others as plaintiffs. This issue is currently unresolved and is before the courts.

Through full funding, government has been able to reduce the cost of education across the province, while at the same time increasing the amount of funding available to the formerly poor school boards. The long term result may be that the overall quality of education will improve in the province. However, with funding for all boards at the same level, the danger may be that school boards will have to settle for the average in programming and delivery to their students.

Regionalization and amalgamation of school boards has allowed more school boards to take advantage of economies of scale, although “for the most part these jurisdictions serve far larger geographic areas than the previous jurisdictions” (Peters and Richards, 1995, p. 6). The previously assessment-poor school jurisdictions have benefited most from full funding and the equal distribution of funds on a per student basis. However, because many of these school jurisdictions continue to have small student numbers and include large geographic areas, this catch-up may only be short lived.

The majority of the instruction block is allocated on a per student basis (about 90 percent of $1.878 billion in 1995/96). This provides horizontal equity, which “assumes that by providing each student or group of students with the same quantity of fiscal resources all students will be guaranteed an equal educational opportunity” (Warren, 1989, p.20). On the other hand, very little of the funds are provided for vertical equity, which suggests that “because needs are different, different amounts of money are necessary to provide equal opportunities to learn and to provide equality of educational outputs” (Warren, 1989, p.21). Under the current model funding may be inadequate for areas such as special education, small schools, Native education and high risk students. As stated in 1987, a goal of education funding should be to provide equitable, rather than equal, education opportunities (Alberta Education, October 13, 1987).

The 1995 basic uniform mill rate was set at 7.3 mills. This was the second consecutive reduction in the provincial average education tax rate, a drop from the 1994 provincial rate of 7.5 mills and from the 1993 rate of 7.6 mills. This provided tax relief for some 67 percent of Alberta municipalities, representing 88 percent of the province’s population. Even with these reductions in mill rate, the government has successfully met its cost reduction targets and been able to raise additional funds from the growth in assessment to fund the growth in student enrollments. In 1994 an additional $30 million was raised to apply to student growth (Alberta Government News Release, April 25, 1995). However, property taxes are not necessarily equitable. As long as assessments are based on property values which vary throughout the province, some tax payers will pay more for education than other tax payers. One could argue that this is acceptable where higher income property owners own more expensive property, but in many situations even
the least expensive properties in some municipalities are assessed higher than the most expensive properties in others.

Conclusions

Horizontal equity has improved because of the introduction of full funding in the province of Alberta. One hundred percent of the funds are equitably distributed under a similar set of rules. The cost of education has been reduced and tax rates (and effort) are equalized throughout the province. As the province revisits its funding model, it needs to consider ways to improve vertical equity. A study of equity indicators, such as was done in 1993, might provide measures of how well the province is doing. This kind of study needs to be done annually and included as a performance measure in the province’s annual results report.

Since the province moved to the revised funding approach in September 1995, it is too early to assess the impacts in areas other than total provincial contribution and the distribution of revenues. An analysis of the impacts of the funding change on the outcomes of the education system has not been conducted. In addition to fiscal inequity, a number of areas of possible inequity affecting student achievement and access to knowledge should be considered. Some of these areas (suggested by Goodlad and Keating, 1990) include:
- the impact of home and parents on academic learning;
- the demographics of disadvantage, such as childhood poverty;
- racial barriers,
- gender inequity;
- children with learning disabilities;
- inequity in testing;
- ability grouping and teaching techniques;
- school and district organization; and
- teacher quality and equality.

Alberta, like other states and provinces, struggled for years to resolve its inequity problems. What is interesting is that after so many tries the province was able to go ahead with a funding framework that resolved many inequities as well as other issues, such as cost control. The political climate and events surrounding these policy decisions are worthy of further study and investigation.
Appendix

Indicators of Equity of Opportunity for Students

To test the equity of opportunity available to Alberta students, 14 indicators were selected from 1991/92 Alberta Education information for analysis. These equity indicators relate to teachers, access to courses, and student achievement (Alberta Education, February 1993, p. 4).

Equity Indicators

Teachers (inputs)
1. Years of teaching experience
2. Teacher salaries

Student access to courses (process)
3. Number of high school courses offered
4. Participation in Math 30 diploma exam
5. Participation in Biology 30 diploma exam
6. Participation in Chemistry 30 diploma exam
7. Participation in Physics 30 diploma exam

Student achievement (results)
8. Grade 3 Social Studies (Acceptable)
9. Grade 6 Language Arts (Acceptable)
10. Grade 9 Mathematics (Acceptable)
11. Grade 3 Social Studies (Excellence)
12. Grade 6 Language Arts (Excellence)
13. Grade 9 Mathematics (Excellence)
14. Diplomas awarded to Grade 12 students
References


Smith, Mr. Justice V.W. M. "Memorandum of Decision in the Matter of the School Amendment Act, 1994, and in the Matter of the School Act, 1988, as Amended."