



CIVIC AFFAIRS

A BULLETIN ISSUED BY THE BUREAU OF MUNICIPAL RESEARCH, 32 ISABELLA STREET, TORONTO 5

January 29, 1959

PROVIDING THE SCHOOLS - UNDER METRO

When Metro was formed the local municipalities were relieved of all outstanding school debt and a formula was introduced for the sharing of future debt obligations. In practice, however, the proportion of pooled debt has dropped sharply. To relieve the pressure on the fast-growing suburbs, the Metropolitan School Board has secured provincial legislation which will permit the Metropolitan Council to alter the debt-sharing arrangement. The School Board has also put forward a new plan but the Council has failed to act. The Bureau urges immediate consideration of this question and suggests, in addition, that the Metropolitan authorities reconsider and, if necessary, tighten up their screening of the capital programme for schools.

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Supporters of our metropolitan form of government will doubtless all agree that the object behind its creation was to provide a vehicle through which the common interests of people in every part of greater Toronto could be recognized and served effectively. Towards that end, the young municipality has already spent many millions for schools, expressways, parklands, homes for the aged and a variety of other purposes. The same argument is advanced in support of the plan to shoulder much of the capital cost of the east-west subway, despite the fact that the entire route happens to be confined within the city.

When Metro began operations, it took over much of the debt of the constituent municipalities, including all the existing school debt. Furthermore, the projects Metro has taken on since have done much to reduce the pressure upon those area municipalities with limited tax resources. On the other hand, a steadily increasing proportion of the capital cost of schools has been turned back upon the local areas, until today mounting school debt poses a serious and growing problem for some suburbs.

Need for Priorities

There are obvious limits to the financial abilities of both Metro and its member municipalities--especially on going into debt. That being so, some sensible plan of priorities should govern all new commitments. Similarly, where a choice exists, the relative urgency and essentiality of various capital projects should become an important factor in deciding for or against the pooling of the required debt load.

To illustrate: An east-west subway is plainly a desirable part of an improved public transit system. The Metropolitan Council doubts whether it can be financed from T.T.C. fares and, hence, the taxpayers throughout Metro may have to put up part of the funds. Delay in launching the project will prolong and aggravate the present inconveniences of those who travel the Bloor-Danforth line; it will also have some adverse effect on Toronto's future development. But the consequences of failing to keep up with required school construction could be far more serious. Educational opportunities which are missed in youth are seldom retrieved.

Background

In an earlier bulletin, the Bureau pointed to the growing debt distortion among the area municipalities in relation to their taxable capacity and warned that the situation "strikes a blow at the credit standing and solidarity of Metro itself". The most serious distortion was in school debt, and the municipalities most adversely affected were the three fast-growing townships--North York, Etobicoke and Scarborough.

At the end of 1957, there was over \$31 million debt outstanding against local area municipalities for school purposes. All had been incurred in the four short years since the inception of Metro. The new school debt assumed by Metro during the same period as a pooled responsibility was just under \$40 million. While a portion of the latter was repayable from provincial grants, not a penny of the area debt was eligible for similar assistance. In 1958, the situation worsened and the outlook for 1959 is similarly bad--unless action is taken to shift more of the burden onto the Metropolitan Municipality.

The Metropolitan School Board has been working on the problem for some two years. To date it has succeeded only in getting the province to pass legislation which will allow the Metropolitan Municipality to assume more of the load if it sees fit. The enabling legislation was put through last March and could have been made to apply to the whole of 1958. But the Metropolitan Council is not yet prepared to take advantage of it in spite of an urgent plea from the Metro School Board.

The formula for dividing the capital cost of schools between individual area municipalities and an overall metropolitan levy was contained in "Bill 80". Pooled financing was to be restricted to capital expenditures approved for provincial grant assistance. The remainder authorized by the Metropolitan School Board and assented to by the Metropolitan Council and the Ontario Municipal Board was to become a debenture obligation of the area municipality concerned. Proposed expenditures not meeting these qualifications had, in consequence, to be financed from current funds or dropped.

Where the problem has arisen is in the fact that the basis on which provincial grants are paid is decidedly restrictive.

- 1) Support is given only for construction of the most essential classroom and administrative facilities.
- 2) No assistance is available towards the cost of school sites which are becoming very expensive within the metropolitan area.
- 3) The limits on "approved costs" have not been raised sufficiently to counter the full effects of inflation upon construction price levels.

The Metropolitan Council recognizes the growing problem which the province's formula has imposed upon the local area municipalities. Under the amendment to the Metropolitan Act, it could go so far as to meet the entire capital cost of schools which is debentured. And there seems to be as much authority to finance other capital costs out of current funds as there is to put such money into subway construction. But the Metropolitan Council chooses to ignore these possibilities and to concentrate instead on seeking a change in the provincial grant formula which would raise the income from this source at the same time as it transferred more of the school debt load to Metro.

At the moment, the Provincial Government has before it a joint petition from the Metro Council and School Board to broaden its grant pattern. This request from the most important municipality in Ontario will certainly receive serious consideration. At the same time, Metro has a much stronger tax base than average and the weight of its representations will doubtless be measured accordingly. There is no guarantee that the Province will act quickly or even that it will act at all.

Meanwhile the Metropolitan School Board forwarded a detailed proposal for relief of the local situation to the Metropolitan Council late last May. The Board advocated pooling 75 per cent of the cost of school buildings and sites which obtained its backing, including expenditures on rehabilitation of older schools. It suggested a ceiling cost formula for school construction which would be revised from year to year. And it proposed additional controls over rehabilitation undertakings.

Actually, the School Board's plan never got beyond the Executive Committee of the Council. The joint brief to the province became an alternative, although the two courses of action could easily have been followed concurrently. Indeed, in seeking a change in grant legislation, Metro's willingness to assume a greater proportion of school debt locally could have been put forward as evidence of its own good faith. As it is, the procedure adopted encourages the Metropolitan Council to close its eyes to the local dilemma for as long as the Province takes to ponder the grant question.

What is Involved

How the capital costs for schools have been shared among the province, Metro and the responsible area municipalities since January 1, 1954, is set out in Table I. It reveals a decided drop in the proportion of provincial assistance and a sharp rise in the amount borne by those municipalities in which the schools are actually being built. While the changes in both directions have levelled off, the resulting position is far from satisfactory.

T A B L E I

Sharing of the Capital Costs for Schools Since the Formation of Metro

Principal Only
(In Thousands of Dollars)

	1954		1955		1956		1957		1958 (Estimated)	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
To be paid from Provincial grants	5,652	27	5,993	26	4,034	17	3,490	18	4,907	17
To be pooled throughout Metro	7,896	38	7,776	34	5,228	23	4,594	23	4,923	18
To be repaid by responsible Area Municipalities	7,308	35	9,025	40	13,898	60	11,443	59	18,254	65

In 1954, the individual municipalities met only one-third of the capital costs on their own; by 1958, it is estimated that they had become responsible for two-thirds of the land. The beneficial pooling effect of Metro was cut in half over the same time span, while the province's participation, expressed in percentage terms, had also shrunk very considerably.

While Metro remains in existence, it would seem only proper for each local municipality to pay a portion of its capital expenditures on schools. But that is not the point at issue. The concern is that those municipalities which are faced with the bulk of our population increase are presumably being left to tackle more than they can afford.

Again, one might be tempted to argue that the province and Metro are still backing the most necessary outlays and that, buttressed by Metro's diversified financial assistance, the local school boards have become free spenders. The conditions under which capital borrowing operations must be conducted make such a conclusion highly improbable. Local borrowing proposals of the school boards are reviewed in turn by the area municipality's council, the Metropolitan School Board, the Metropolitan Council, the provincial Department of Education and the Ontario Municipal Board. A number of successive screenings could, it is true, prove less effective than a single thorough-going review. Yet each body concerned has an opportunity to question any outlay which to it appears wasteful or frivolous. Proposed expenditures which do not clear all these hurdles must either be financed out of current funds or abandoned. In other words, the public's representatives both locally and at the provincial level have ample opportunity to set the standard to be followed.

How Area School Debt is Divided

At the end of 1957, the total school debt of Metro and the local area municipalities stood at \$117 million. Of this total close to \$86 million was an obligation of Metro to be paid off by uniform levies upon all thirteen area municipalities according to their taxable capacity as measured by the total assessments for school purposes. The remainder was composed of direct obligations of eleven area municipalities. (Two more had no such debt outstanding.)

Table II shows the area school debt and the weight of the obligation per \$10,000 of taxable assessment for public school purposes. For convenience, the order in which the municipalities are listed is according to

the real weight of the debt load they were carrying. If the total of all area debt had been spread evenly, the load per \$10,000 of taxable school assessment would have amounted to \$98.28 everywhere in contrast to the present extremes of \$256.09 in Scarborough and nothing in Forest Hill and Swansea.

The effect of the new debt contracted in 1958 has not been calculated. It is enough, however, to know that the burden upon the three large townships continued upwards at a rapid rate whereas the positions of Forest Hill and Swansea remained unchanged, thereby increasing still further the unhappy debt distortion.

T A B L E II
Area School Debt as of December 31, 1957

	Amount \$ '000	Per \$10,000 School Assessment
Scarborough	7,051	256.09
Etobicoke	6,088	191.94
North York	6,595	154.68
City of Toronto	10,147	61.63
York	1,017	54.61
Mimico	118*	53.41
New Toronto	190*	53.07
Long Branch	79*	49.73
Weston	49	25.08
East York	36	3.61
Leaside	19	3.16
Forest Hill	Nil	Nil
Swansea	Nil	Nil

*Share of Lakeshore Board of Education Debt.

What the New Formula Would Mean

Within each local jurisdiction, capital spending for schools can vary considerably from year to year. In the smaller municipalities it may fluctuate quite widely. Consequently, the amount of new financing in any one year may be far from typical.

While recognizing the above limitation, the Metropolitan School Board considered it worthwhile to include in its presentation to the Metro Council a table showing the effect of its proposed formula upon the estimated new debt for 1958. The Board calculated that four suburbs would have benefited at the expense of the remaining eight and the city, namely, East York, North York, Scarborough and York. In explanation, it should be stated that East York had embarked upon a larger than average construction programme while Etobicoke spent less than usual in 1958. None of the thirteen municipalities would be sharply affected in a single year by the additional pooling. In the long term, however, the illustration shows that the adjustment would serve its intended purpose well.

Should the Two Mill Levy be for Schools?

Along with the greater pooling of school debt, it might seem advisable to redirect all or part of the two mill capital levy to the school programme. To do so, however, a number of practical difficulties would have to be overcome. The money could not be earmarked for the most essential construction without a special agreement on provincial grants.

Locally, the position of separate school supporters would also have to be considered. A shift in the comparative position of public and separate school mill rates would result unless either the assistance from current taxation was directed solely to secondary schools or the separate school authorities introduced a parallel capital levy. Finally, the results would not be equitable unless the arrangement was long term because of the considerable fluctuations in capital programmes from year to year.

Whatever the two mill levy is used for, the important point is that it should be retained, in 1959 and thereafter. The alternatives are a cut-back in total capital spending or a sharper increase in the future debt load.

Why Nothing is Done

Under the two-level pattern of government, it becomes almost impossible to separate out metropolitan-wide interests from strictly local interests and to develop a financial arrangement which will reflect accurately the agreed upon division of responsibility. But it is equally apparent that some arrangements are fairer than others. The proposed new formula for sharing school site and construction costs is patently more equitable than the existing arrangement. Provincial law is no longer blocking the change. The inaction of the Metropolitan Council is all that stands in its way.

The case for a change in financing of schools has been clearly presented and strongly supported by the press. One is forced to consider what influence lies behind the fact that more municipalities would stand to lose by the new formula than the reverse, the City of Toronto among them. Does the problem serve as an argument in favour of the system of multiple votes on Metro Council advocated by the Chairman in his recent inaugural address?

Something Should be Done

Yet members of the Metropolitan Council would do well to recognize:

- a) "that it is not in the best interests of the area as a whole that large amounts of area debt be permitted to build up against any of the municipalities", to quote the Metropolitan School Board;
- b) that the rehabilitation of certain older schools can be carried out at less cost than replacement of such accommodation and should therefore be encouraged;
- c) that the fast-growing suburbs cannot safely encourage housing, particularly needed low-cost housing, under existing conditions of school finance;
- d) that the cost of schooling should be manageable under a proper system, bearing in mind Toronto's strong tax base and the fact that it contained, in 1956, the lowest proportion of persons under 15 of any metropolitan area in Canada;
- e) that the entire problem can be solved much more easily while it remains within manageable proportions.

The Bureau recommends:

- 1) that the Metropolitan Council give immediate consideration to the adoption of a new formula for capital financing of schools along the lines proposed by the School Board;
- 2) that the Metropolitan Council and School Board reconsider and, if necessary, tighten up their standards for screening proposed capital spending for schools;
- 3) that the two mill levy be continued in 1959 and applied to whatever components of the capital programme the Metropolitan Council considers most advisable.

BUREAU OF MUNICIPAL RESEARCH

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This bulletin is issued solely in the interest of advancing objective analysis of a matter of public concern. The present proposal upon these area municipalities with limited tax resources. On the other hand, a steadily increasing proportion of the capital cost of the subway has been turned back upon the local areas, until today the subway system poses a serious and growing problem for some schools.