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# **The Debate on First Nations Education Funding: Mind the Gap**

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## Section 1: Introduction

It is at long last becoming part of the public discourse that improving living conditions and opportunities for First Nations communities in Canada is a national imperative. It is also widely recognized that education is critical to fostering a better future for First Nations people. Yet, for many First Nations youth, particularly those on reserve, completing even high school is well beyond reach. The graduation rate of First Nations people living on reserve was 35.3 per cent as recently as 2011<sup>1</sup> compared with 78 per cent for the population as a whole.<sup>2</sup> At the same time, the First Nations population is young and growing fast – in First Nations communities 49 per cent of the population is under 24 years of age compared to 30 per cent of the general population.<sup>3</sup> Despite some incremental improvements in education success rates for First Nations students in recent years, the education gap between First Nations and the rest of the country is increasing. The concerns expressed in the 2011 Auditor General report continue to hold weight: “In 2004, we noted that at existing rates, it would take 28 years for First Nations communities to reach the national average. More recent trends suggest that the time needed may still be longer.”<sup>4</sup>

The social and economic impacts of the educational deficit are significant for First Nations youth and their communities as well as for the country as a whole. First Nations youth without a high school diploma are twice as likely to be unemployed as those with a grade 12 diploma. In a country that is increasingly typified by the ‘knowledge economy’, 70 per cent of new jobs will require some form of post-secondary education, leaving First Nations reserve communities at an obvious disadvantage.<sup>5</sup> First Nations students, particularly those on reserve, face significant socio-economic challenges including poverty, substandard housing and poor health and nutrition, all of which have an impact on their ability to succeed in school. The Centre for the Study of Living Standards reported that, “if Aboriginal Canadians were, by 2026, able to increase their level of educational attainment to the level of non-Aboriginal Canadians in 2001, the average annual GDP growth rate in Canada would be up...an additional cumulative \$179 billion (2006 dollars)” by 2026 due to greater employment and reduced government spending on income support, social services, health care, and security.<sup>6</sup>

The government, First Nations leaders and advocates all agree that the education gap must be reduced and that in order to do so changes must be made with regard to the structure and funding of educational services for First Nations students. There is considerably less agreement, however, on the federal government’s spending levels for First Nations education, especially as compared to provincial education funding levels. Just last year the Hon. John Duncan, then Minister of Aboriginal Affairs and

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<sup>1</sup> Trends in high school graduation rates of First Nation students ordinarily resident on reserve, from 2006/07 to 2010/11, Aboriginal Affairs and Northern Development Canada (AANDC) Nominal Roll Database

<sup>2</sup> Statistics Canada, Graduation rate, Canada, provinces and territories, 2005/2006 to 2009/2010  
<http://www.statcan.gc.ca/pub/81-595-m/2011095/tbl/tbla.11-eng.htm>

For dropout rates see Statistics Canada National Household Survey (NHS), 2011 [http://www12.statcan.gc.ca/nhs-enm/2011/as-sa/99-012-x/99-012-x2011003\\_3-eng.pdf](http://www12.statcan.gc.ca/nhs-enm/2011/as-sa/99-012-x/99-012-x2011003_3-eng.pdf) Note: The NHS figures are in line with those of the 2006 census.

<sup>3</sup> Ibid. <http://www12.statcan.gc.ca/nhs-enm/2011/as-sa/99-011-x/2011001/tbl/tbl04-eng.cfm>

<sup>4</sup> 2011 June Status Report of the Auditor General of Canada, Chapter 4

[http://www.oag-bvg.gc.ca/internet/english/parl\\_oag\\_201106\\_04\\_e\\_35372.html#hd5c](http://www.oag-bvg.gc.ca/internet/english/parl_oag_201106_04_e_35372.html#hd5c)

<sup>5</sup> National Panel on First Nation Elementary and Secondary Education for Students on Reserve, February 2012  
<http://www.aadnc-aandc.gc.ca/eng/1373075023560/1373075345812>

<sup>6</sup> Sharpe, A., Arsenault, J.F., Lapointe, S., Cowan, F., The Effect of Increasing Aboriginal Educational Attainment on the Labour Force, Output and the Fiscal balance, Centre for the Study of Living Standards for the Educational Branch of Indian and Northern Affairs Canada, May 2009

Northern Development (AANDC), indicated that federal funding of First Nations schools was on par with provincial funding levels on a per capita basis. First Nations leaders and advocates, including the Assembly of First Nations (AFN) and the First Nations Education Council (FNEC), disagree. They and others argue that federal funding is 20 to 50 per cent lower than provincial education funding in some parts of the country. Reports from individual provinces have also acknowledged that there is a significant funding gap for First Nations students.

Funding alone will not solve the issues plaguing First Nations education - the very structure of the education system is fraught with problems. Moreover, there are myriad social, health and economic challenges confronting First Nations communities, which have a profound and negative effect on the ability of First Nations students to succeed in school. Yet, adequate funding is essential and conflicting messages over funding creates confusion and perpetuates mistrust - perspectives that ultimately will undermine potential progress on First Nations education. This paper attempts to understand and clarify the funding discrepancies as presented by the federal government and First Nations advocates. Closing the education gap is one of Canada's most compelling public policy issues. Solving only the funding issue will not close the education gap. Understanding the stakeholders' positions, however, may help clarify the issues and support the development of policies necessary to meet the educational needs of First Nations students and enable them to succeed.

## Section 2: Background

Since Confederation the federal government has maintained a principal role with regard to elementary and secondary education for First Nations students living on reserve, while provincial governments have been responsible for the delivery of education services for the rest of the population. Beginning in the 1870's, federal education policy centred on the residential school system which saw, "more than 150,000 First Nations, Inuit and Métis children taken to boarding schools, miles away from their families, to be 'civilized', educated, and converted to Christianity."<sup>7</sup> The system, designed to "kill the Indian in the child," ended formally in 1969 with the last school closing in 1996.

In 1972, responding to the trauma of residential schools and in opposition to a 1969 White Paper which proposed integrating First Nations children into existing provincial / territorial education systems, the National Indian Brotherhood called for 'Indian Control of Indian Education,' whereby each First Nation community would be in control of its own education.<sup>8</sup> This proposal, which formed the basis of the current paradigm of 'First Nation Control of First Nation Education', began the devolution of administrative control of education from the federal government to First Nations communities.

The education of First Nations children is mandated through a combination of statutes, treaties, agreements, and government policy. AANDC establishes funding levels, policy and delivery requirements and has financial responsibility for the education of First Nations students living on reserve. Education programming is funded through formula-driven agreements and through discretionary arrangements. These arrangements vary among and within regions and include different funding methods, such as grants, set contributions, fixed contributions, and block contributions.<sup>9</sup>

Formula-driven funds are distributed through AANDC to their seven regional offices across the country. Determined by funding agreements between the regions and band councils, the funds are provided to band councils or other First Nations educational authorities to deliver education services. First Nations band councils may also buy education services from local school boards, or use a combination of the two. Provinces and school boards provide education to on-reserve children attending schools outside their community.<sup>10</sup> Funds from AANDC pay for the education of First Nations students who live on reserve, whether they attend schools on or off reserve.

The funding per student varies across jurisdictions due to the funding agreements between AANDC and First Nations bands, which are determined through a mechanism known as the Band-Operated Funding Formula (BOFF). Based on a 1988 draft proposal for the development of a funding formula, the formula contains a list of services to be included and excluded for band-operated and federally-operated schools.<sup>11</sup> Also included is the basic calculation for funding, determined by multiplying the number of full time equivalent (FTE) students by the tuition rate. The federal funding formula was based on the amount of funding available at the time. As stated in the BOFF draft, "The resource base for distribution by the formula is calculated on funding for formula services available in fiscal 1988-1989." According to

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<sup>7</sup> <http://www.parl.gc.ca/content/sen/committee/411/appa/rep/rep03dec11-e.pdf>

<sup>8</sup> The National Indian Brotherhood was the forerunner to the Assembly of First Nations (AFN).

<sup>9</sup> Summative Evaluation of the Elementary/Secondary Education Program on Reserve, Aboriginal Affairs and Northern Development Canada, June 2012 <http://www.aadnc-aandc.gc.ca/eng/1365183942467/13651840803566>

<sup>10</sup> [http://www.oag-bvg.gc.ca/internet/English/parl\\_oag\\_200411\\_05\\_e\\_14909.html#ch5hd3a](http://www.oag-bvg.gc.ca/internet/English/parl_oag_200411_05_e_14909.html#ch5hd3a)

<sup>11</sup> Working Draft, Formula Funding, Education Branch, Indian and Northern Affairs Canada, Regional Directors General Report, September 20, 1988

the FNEC, the formula was outdated and “was scheduled for revision after a period of two years to ensure a better rationale”, but no such review occurred and the formula has remained in place.<sup>12</sup>

Under the formula, some bands have more flexible agreements with regard to their block contributions than others, depending on band capacity and priorities. Basic per student funding can vary, therefore, among and within regions depending on the regional agreements and approaches to funding. Per student funding also varies on the basis of the size, location and composition of the particular community, although to a lesser extent than in some provincial jurisdictions.

In 1996-97, when the country was facing a serious financial deficit, the government placed a cap on the annual growth rate of core program funding to First Nations for elementary and secondary education, including on-reserve schools, and for other services such as social welfare and child and family services. The cap, which was at 6 per cent the first year and 3 per cent the second year, was set at 2 per cent thereafter. Although the cap was initially contemplated as a temporary measure within the broader attempt to reduce the federal deficit, it remained in place long after the budget was balanced in 1997-98; indeed it is still in place on core funding even though other areas of federal spending have since seen large increases.

While the cap had minimal impact on the education funding gap in the 1990's, when provinces were also implementing austerity policies, the bite has become progressively deeper since. At 2 per cent growth, the expansion in core appropriations just matched the pace of inflation, leaving the funding unchanged in real terms. But the 29 per cent growth of the First Nations population between 1996 and 2006 means that real per student funding declined 3-4 per cent annually.<sup>13</sup> In contrast, most provinces only continued the constraint on education spending until they too returned to balanced budgets in the late 1990s. Most provinces then ramped up education spending until the recession hit in 2009 with the result that annual average provincial spending on education increased 1.7 per cent real per capita from 1998 – 2009.<sup>14</sup>

In the late 1990s, as part of its response to the Royal Commission on Aboriginal Peoples, the federal government introduced additional funding to supplement education allocations for First Nations communities in the form of proposal-based targeted program funding. Specifically, the government introduced programs in 1998 under Gathering Strength; in 2006 these initiatives were redirected as ongoing funding as described by AANDC and enabled the implementation of the New Paths for First Nation Education Initiative, providing approximately \$50 million annually. In 2003, the Special Education Program was introduced to address students with high cost special needs, which provided \$130 million annually for elementary/secondary education funding. Investments of \$268 million over five years and \$75 million in ongoing funding were announced in Budget 2008 for Reforming First Nation Education Initiative. Budget 2010 identified \$30 million over two years (and \$15 million a year ongoing) for supporting an implementation-ready tripartite agreement in British Columbia and Budget 2012 included \$100 million over three years as part of Strong Schools, Successful Students Initiative. Taking all K-12 funding into account, including core and proposal-based funding, education-related band employee

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<sup>12</sup> Funding Formula for First Nations Schools: The Instrument of a detrimental policy, First Nations Education Council- FNEC, December 2009 [http://www.cepn-fnec.com/PDF/etudes\\_documents/fiche\\_complete\\_eng.pdf](http://www.cepn-fnec.com/PDF/etudes_documents/fiche_complete_eng.pdf)

<sup>13</sup> Statistics Canada, Censuses of Population, 1996 and 2006

<sup>14</sup> Fiscal Management System, Statistics Canada, in Provincial and Territorial Government Health Expenditures and Fiscal position, National Health Expenditure Trends, 1975 to 2013  
[https://secure.cihi.ca/free\\_products/6.0\\_ProvTerrHealthExpenditureFiscalPosEN.pdf](https://secure.cihi.ca/free_products/6.0_ProvTerrHealthExpenditureFiscalPosEN.pdf)

benefits and band support funding, AANDC maintains that funding for elementary-secondary education on reserve has had an average annual growth rate of approximately 4 per cent from 1995 to 2012.<sup>15</sup>

These proposal-based targeted program funds, which range from one year to multi-year arrangements, are for specific initiatives such as student success programming, professional development for teachers and parents and culturally relevant teaching materials. The funding does not cover teachers' salaries or other basic educational services. Individual communities apply for this funding through the regional offices, centrally, or through the First Nations-controlled entities that represent them. There are significant variations among schools with respect to this funding; as schools must apply for it, some receive this funding, whereas others do not. Moreover, the amount of funding varies even among those schools that receive it.

There are First Nations communities in Nova Scotia and elsewhere, in which educational outcomes are improving, due to tripartite education agreements and other successful initiatives.<sup>16</sup> Nevertheless, the education gap continues to grow across the country, particularly for students on reserve. Efforts to address the education gap between First Nations and the general population have resulted in a myriad of joint committees, reviews and reports. For First Nations advocates, these initiatives culminated in the 2005 consultations between the federal, provincial and territorial governments and Indigenous leaders, which led to the Kelowna Accord, an agreement that sought to improve education and socio-economic conditions for Indigenous peoples through government funding and programs. The Accord contained \$1.8 Billion for education in the first five years and a commitment to increase that amount based on results in the second five years.<sup>17</sup> The Accord was cancelled with the change of the federal government in 2006.

In recent years debate has focused on structural as well as funding issues. In 2012 the report of the National Panel bemoaned the lack of a structure that could lead to improved educational success:

“Despite the work of governments and educational leaders over decades and the development of promising initiatives in a number of regions across the country, there is no First Nation education system that consistently supports and delivers positive outcomes for First Nation students in Canada. What we have now is a patchwork of policies and agreements that do not provide an adequate foundation to support comprehensive improvement or meet the accountability requirements of ensuring that all partners in the education of First Nation students do better.”<sup>18</sup>

All stakeholders have come to recognize that the status quo is unacceptable. Following the announcement of the federal budget in March 2012, AANDC began the process of developing a *First Nation Education Act* to address problems in First Nations education by working with willing partners to establish, “structures and standards to support strong and accountable systems on reserve.” The

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<sup>15</sup> Aboriginal Affairs and Northern Development Canada

<sup>16</sup> In 2012-13 the Mi'kmaw education authority in Nova Scotia, reported a high school graduation rate of 86.3 per cent for students in their system. <http://www.kinu.ca/downloads/MKAnnualReport2012-13.pdf>

<sup>17</sup> Aboriginal Roundtable to Kelowna Accord: Aboriginal Policy Negotiations, 2004-2005, Appendix A, First Ministers' Meeting with National Aboriginal Leaders, Financial Commitments Chart <http://www.parl.gc.ca/Content/LOP/researchpublications/prb0604-e.htm#appendixa>

<sup>18</sup> National Panel on First Nation Elementary and Secondary Education for Students on Reserve, February 2012 <http://www.aadnc-aandc.gc.ca/eng/1373075023560/1373075345812>

government tabled the legislation in October 2013 with the intention that the Act will be in place by September 2014.

Many First Nations organizations, including the AFN, have been critical. They argue that First Nations leadership and communities have not sufficiently been included in the development of the Act, that the consultation process has been inadequate, that the proposal does not sufficiently protect First Nations language and culture and that it does not provide a clear commitment to addressing the funding gap. Critics also view it as an attempt on the part of the federal government to further control First Nations education.

## Section 3: The Funding Debate

### a) Federal Funding

The objective of AANDC's elementary and secondary education programming is, "to provide eligible students living on reserve with education programs comparable to those that are required in provincial schools by the statutes, regulations or policies of the province in which the reserve is located. The objective is that eligible students will receive a comparable education to other Canadians within the same province of residence and achieve similar educational outcomes to other Canadians, and with attendant socio-economic benefits to themselves, their communities and Canada."<sup>19</sup>

In 2011-2012, education funding from AANDC supported approximately 110,597 First Nations students (FTEs<sup>20</sup>) across the country. Most First Nations students (approximately 60 per cent or 66,388 FTEs) attend band-operated schools on reserve, of which there are approximately 518 across the country, 37 per cent (or 40,863 FTEs), mostly high school students, attend provincial schools, and the remaining three per cent attend 'private schools' (1,925) or one of the seven federally-operated schools (1,421).<sup>21</sup>

The Federal Government provided \$1.55 billion for First Nations elementary and secondary education in 2011 – 2012, along with an additional annual \$200 million for infrastructure, construction, operation and maintenance of education facilities on reserve. Calculating the per student amount by dividing \$1.55 billion by 110,597 students, the Government has determined that AANDC provided approximately \$14,056 per FTE student in 2011-2012. The additional \$200 million for construction and maintenance of band-operated schools is not included in the per student calculation.<sup>22</sup> The 2012 federal budget also allocated an additional \$175 million for infrastructure and \$100 million for early literacy programming over three years.

Most of AANDC funding (60 per cent<sup>23</sup>) covers instructional services, i.e. core educational services, which includes professional staff salaries, cultural and language instruction, counseling, books and supplies, professional and curriculum development, purchase of instructional materials and supplies, school nutrition programs, school administration costs, evaluation procedures and the implementation of program recommendations. Based on the \$14,056 per FTE student rate, the average instructional service allocation would be approximately \$9,839.20. This funding, provided on the basis of regional agreements, is disbursed by the regions to the bands. Although all schools receive core funding, there is some variability across the country in the amounts schools receive.

The proposal-based targeted funds and other special funds are also included in the \$14,056 per FTE student rate for on-reserve schools. Intended to fill gaps and provide additional services, these funds make up approximately 30 per cent<sup>24</sup> of the funding and include system level initiatives such as New Paths, the First Nation Student Success Program and the Education Partnerships Program, as listed above. These funds are not allotted to all schools and amounts per school vary.

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<sup>19</sup> Summative Evaluation of the Elementary/Secondary Education Program on Reserve, AANDC, 2012

<sup>20</sup> FTE or Full Time equivalent is the term used to adjust for half day kindergarten students

<sup>21</sup> Federal Funding Levels for First Nations K-12 Education, AANDC, 2013

<http://www.aadnc-aandc.gc.ca/eng/1349140116208/1349140158945>

<sup>22</sup> Ibid.

<sup>23</sup> AANDC says that the figure is closer to 70 per cent, as indicated in the link included in note 21 above and in the Department's answers to Senator Hubley during the Standing Committee on Human Rights, 29/10/12.

<sup>24</sup> AANDC says that the figure is closer to 20 per cent, as explained in note 23 above.



Other administrative costs that support education (approximately 10 per cent of the allocation) are also included in the per-student calculation. These costs include, “providing advice to Band Administrations, consultations with communities, management of education boards, honoraria to First Nation school board members,” band employee benefits and education agreements with some provinces.<sup>25</sup>

In its March 2012 Budget, the government committed to “work with willing partners toward passage of legislation that will establish the structures and standards to support strong and accountable education systems on reserve.” The following October, The Hon. John Duncan, then Minister of AANDC, provided the rationale behind the per-student allocation and the additional funding. He also indicated that, “Federal per-student funding is, across the country, comparable to provincial per-student funding levels.” The Department’s 2012 Summative Report indicated that “funding for total education expenditures on reserve exceeded that of provincial districts on average between \$5,000 and \$7,000 per full-time equivalent (FTE) in British Columbia, Ontario and the Maritimes.”

A recent report on the AANDC website provides breakdowns of the average per student expenditure for six provinces and one region ranging from \$12,563 in Saskatchewan to \$15,420 in Quebec, as illustrated in the following table:

**First Nation Elementary and Secondary Education: Funding Breakdown per FTE Student (2011-2012)\*<sup>26</sup>**

	BC	AB	SK	MB	ON	QC	Atlantic	National
<b>(A) Total Elementary/Secondary Expenditures</b> (in millions of dollars)	197.5	229.8	234.5	271.7	286.5	241.5	93.1	1,554.6
<b>(B) Total of Full-Time Equivalent (FTE) students</b>	13,618	15,922	18,666	21,114	19,520	15,661	6,098	110,597
<b>Per Student Elementary/Secondary Expenditures (A ÷ B)</b>	<b>\$14,503</b>	<b>\$14,433</b>	<b>\$12,563</b>	<b>\$12,868</b>	<b>\$14,677</b>	<b>\$15,420</b>	<b>\$15,267</b>	<b>\$14,056</b>

\*NOTE: Figures may not add up due to rounding. Per-student elementary/secondary expenditures do not include education facilities expenditures.

Notwithstanding the government’s assertion that overall federal funding is comparable to provincial funding, AANDC’s 2012 Summative report identified specific funding discrepancies. The report, which was based on discussions with government and First Nations representatives, acknowledged a resource

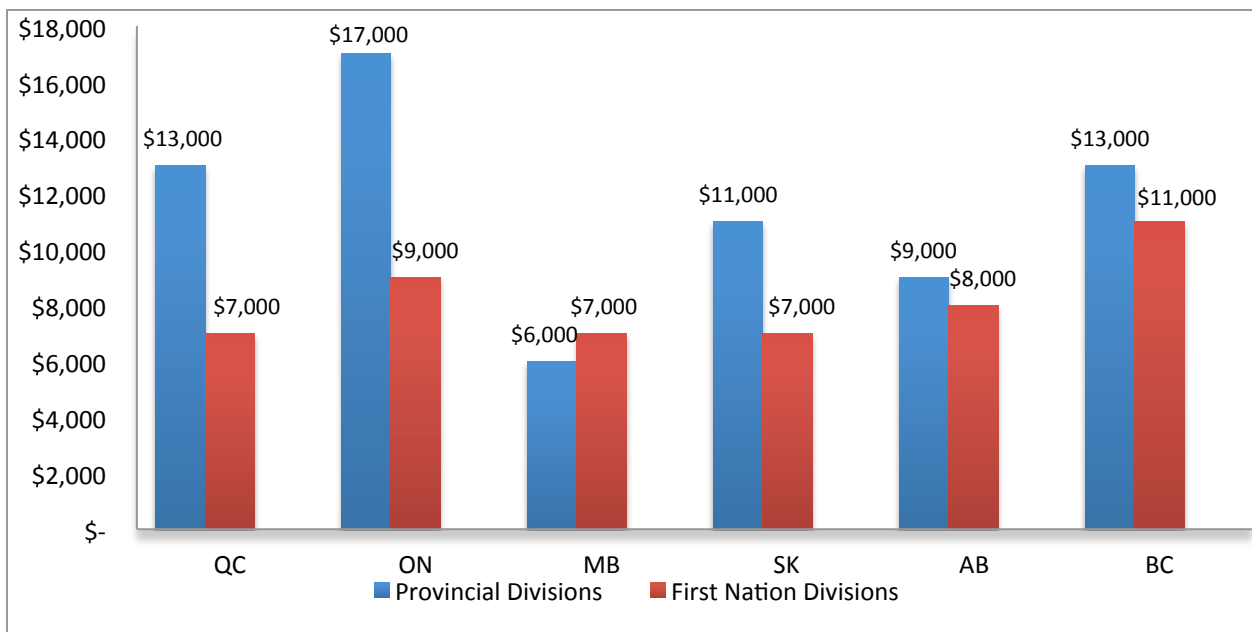
<sup>25</sup> Supporting a Comprehensive and Equitable Funding Framework: FNEC Rationale for Funding Formula for First Nations Elementary and Secondary School, April 2009

<sup>26</sup> Federal Funding Levels for First Nation K-12 Education, modified May, 24, 2013 <http://www.aadnc-aandc.gc.ca/eng/1349140116208/1349140158945>

gap for instructional services and emphasized the impact of that gap on teachers' salaries: "It was broadly agreed....that there are serious gaps in the ability of First Nation schools to attract and retain teachers and support staff with competitive salaries and benefits, and in the ability to manage increasing costs for programming and infrastructure."<sup>27</sup>

The report specifically notes that for small school districts, which have characteristics that are similar to many First Nation schools, provincial funding is higher than federal instructional services funding. The report indicates, for example, that British Columbia provides \$2,029 and Quebec provides \$5,953 more funding for their students than the federal government provides for First Nation students for instructional services. Other provincial comparisons are provided in the chart below. The report notes that federal funding allocations do not account for cost variability as do the provinces and that "there is no obvious relationship between remoteness and funding on reserve." Some AANDC regions, however, have recently developed allocation methodologies that include adjustments for small schools and geographic circumstances. The Saskatchewan Region's Education Program Management Regime for 2012-2013, for example, includes a Small School Administration Funding component to Instructional Services funding and adds a northern factor to most of the components of their education funding allocation formula.

**2009 Average Instructional Services Dollars per FTE between AANDC and Provincial Districts, by Region for Districts with Fewer than 100 FTEs:** <sup>28</sup>



Despite the Summative Report's inclusion of the per-student calculation and of figures comparing federal and provincial funding, AANDC identified limitations to both. In its explanatory notes the report states, "Calculations of per-student elementary / secondary expenditures are included for illustrative purposes only," as they do not include funds for education facilities. The note indicated that "funding comparisons need to take into account important differences between schools such as their geographic

<sup>27</sup> Summative Evaluation of the Elementary/Secondary Education Program on Reserve, AANDC 2012

<sup>28</sup> Reformatted from Summative Evaluation, AANDC, 2012, p.32

location and student population,” factors that have an impact on AANDC funding.<sup>29</sup> The Department also noted that federal and provincial systems are different and that different services are included in the respective calculations.<sup>30</sup> According to departmental sources, the issue is reflected in the chart above as they indicate that it compares only the instructional services element of AANDC’s education funding to provincial data that represents comprehensive education funding. These limitations and inconsistencies highlight some of the problems associated with current funding realities.

With the growing consensus on the need for systemic change (see the recommendations of the National Panel on First Nation Elementary and Secondary Education for Students on Reserve and the 2009 Report of the Caledon Institute of Social Policy as examples<sup>31</sup>), AANDC is developing a *First Nation Education Act*, to be in place for September 2014. The purpose of the Act is to improve graduation rates by restructuring on-reserve education systems in order to provide a legislative base for funding that is “stable, predictable and sustainable.” A draft proposal of the Act was released on October 22, 2013. Among other things, the draft encourages the development of education systems to be operated under aggregated First Nations education authorities that would benefit from increased size, capacity and economies of scale. Funding projections were not included in the proposal.

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<sup>29</sup> Federal Funding Levels for First Nation K-12 Education, modified May, 24, 2013

<sup>30</sup> In a report for the Canadian Policy Research Networks, “Aboriginal Education: Strengthening the Foundations,” 2009, John Richards and Megan Scott adjusted average per student education funding of the four western provinces to proxy some of the conditions that might be taken into account if a province were funding on-reserve schools. In particular they added expenditures to recognize the small student population of on-reserve schools and the extent of “special needs” among the students. Their adjusted figure is close to the average per student funding INAC (former title of AANDC) applied across Canada. Due to a large number of caveats, many of them noted by the authors themselves, caution must be exercised in interpreting this result as implying there is no funding gap in the western provinces.

Among the caveats are the following: The authors include internal INAC administrative costs for all education (amounting to around \$1,000 per student); The INAC funding includes money the band must pay to the provinces for their students attending school off reserve. If the off reserve schooling is more expensive, this imparts an upward bias to the INAC on-reserve funding figure; the authors count all base and project-specific funding of INAC. While the project-specific funding is undoubtedly of value, due to its finite duration and uncertainty over the prospects of renewal, it does not carry the same weight as base funding in addressing ongoing education challenges; it is not clear that the adjustments made capture the full extent of the allowances the provinces, in particular British Columbia and Alberta, make for factors such as remoteness, small student population and special needs (including language training, cultural factors, socio-economic conditions).

The authors note that “the provinces spent in 2007/08...over \$20,000 in some remote districts with high student needs and small, widely dispersed schools” (page 59). This is more than \$6,000 higher than their provincial spending figure after adjustments and the INAC average per student funding which itself, due to the caveats noted above, may be over-estimated. Indeed, the CPRN report provides evidence that at least in British Columbia and Alberta there are large funding gaps relative to what the provinces spend, or at least would spend, in districts with similar conditions to those on most reserves. The gap may be smaller in Saskatchewan and in particular in Manitoba because these provinces do not have as much within province variance in education funding.

<sup>31</sup> National Panel, 2012 <http://www.aadnc-aandc.gc.ca/eng/1373075023560/1373075345812> and Michael Mendelson, “Why We Need a First Nations Education Act,” Caledon Institute of Social Policy, (2009). <http://www.caledoninst.org/Publications/PDF/820ENG.pdf>

## b) A Critical View

Persistent problems with educational outcomes and service delivery have prompted criticism of federal funding methodologies and allocations. Reports of the Auditor General (2000 – 2011), the Minister’s National Working Group on Education (2002), the Joint National Working Group on Band-Operated School Funding (2004), INAC’s Education Action Plan (2005), the Report of the Standing Senate Committee on Aboriginal Affairs (2011); and the National Panel on First Nation Education on Reserve (2012), to list but a few, have criticized federal funding as inadequate and allocation methods as out-of-date and inappropriate.

Figures cited by the AFN, The Right Honourable Paul Martin, the Federation of Saskatchewan Indian Nations (FSIN), the FNEC, provincial premiers, journalists and others have drawn a different picture of First Nations education funding from the government’s claim that it is generally on par with that of the provinces. The AFN has argued that the federal government, rather than providing comparable funding rates with the provinces, has been on average \$3500 short in their per-student funding of instructional services,<sup>32</sup> a figure based on comparisons between AANDC’s data on instructional services to First Nations schools and the amounts provinces charge First Nations for tuition in provincial schools.<sup>33</sup> The AFN also reports that provincial funding rates for education range from \$7,000 per student to \$30,000 per student, depending on the needs and circumstances of the school and the community in which it resides.<sup>34</sup>

Media statements on the disparities between federal and provincial funding and among the critics themselves highlight the challenge of obtaining a definitive funding picture of First Nations education and further expose the complexities inherent in the funding debate.

- The Globe and Mail reported on the per student figure indicating that, “the federal government.....provides about \$7,000 per student compared with roughly \$10,000 per student that the provinces provide to the schools within their jurisdictions.”<sup>35</sup>
- Citing a study by the FSIN, The Star Phoenix provided a province-specific comparison, indicating that, “First Nations schools in Saskatchewan receive 40 to 50 per cent less funding per student for K-12 education than their off-reserve counterparts.”<sup>36</sup>
- In an August 2012 report, *Aboriginal students: An education underclass*, Maclean’s stated “...in much of the country Aboriginal students on reserves receive about a quarter less funding for their primary school education than other Canadian children.”<sup>37</sup>
- Steve Styers, Principal at Walpole Island First Nation School, wrote in January 2013 that, “Ontario elementary schools receive on average \$11,000 per student to fund their education.

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<sup>32</sup> Chiefs Assembly on Education, October 2012

[http://www.afn.ca/uploads/files/events/fact\\_sheet-ccoe-8.pdf](http://www.afn.ca/uploads/files/events/fact_sheet-ccoe-8.pdf)

<sup>33</sup> AFN spokesperson

<sup>34</sup> The debate is not new. The 2009 CPRN report referenced a study in which Brian Postl argued that in 2003 First Nations schools in British Columbia needed an average of 20% more funding to reach funding levels of comparable provincial schools. Small schools (under 25 students) required an average increase above 40 %.

<sup>35</sup> The Globe and Mail, July 24, 2013 <http://www.theglobeandmail.com/news/national/education/afn-seeks-premiers-help-with-overhaul-of-native-education/article13408386/>

<sup>36</sup> The Star Phoenix, August 24, 2013

<http://www2.canada.com/saskatoonstarphoenix/news/story.html?id=7ade52cc-b663-4faa-9282-e0d9ea958c8a>

<sup>37</sup> MacLean’s, August 8, 2012, <http://www2.macleans.ca/2012/08/08/an-education-underclass/>

Schools that operate on reserve receive approximately \$6,000 per student from the federal government. This is the disparity usually highlighted in discussions about the differences between provincial and First Nations education systems.”<sup>38</sup>

- The AFN’s Chiefs Assembly on Education addressed the issue from a cumulative perspective stating, “Chronic underfunding of First Nations schools has created a First Nations education funding shortfall of \$747 million in 2010-2011, and a cumulative funding shortfall of over \$3 billion since 1996.”<sup>39</sup>

AANDC challenges the accuracy of federal-provincial comparisons based largely on the notion that they are not inclusive of all of the AANDC funding that would correspond to the provincial funding included in the data. The Department argues that public statements and media reports often compare only the instructional services component with tuition rates or provincial funding figures that represent the comprehensive funding provided to provincial school boards.

How is one to make sense of the differences between the Department’s calculations and perspectives and those cited by their critics and with the range and variability in the numbers cited by the media, First Nations advocates and government critics?

***i) Federal – Provincial Education Comparisons***

A number of roadblocks emerge in the effort to compare federal allocations for First Nations education with those of the provinces. The first issue is related to the country’s constitutional makeup. The federal government is responsible for First Nations education but the provinces are responsible for education of the other students within their jurisdictions. Because education is a provincial responsibility, each province develops its own standards, structures, funding models and allocations. There is no national educational standard or funding formula to which all provinces adhere. It is therefore difficult to make meaningful inter-provincial comparisons of education funding, despite the equivalent jurisdictional status of the provinces, to say nothing of federal-provincial comparisons. While it would be desirable to have a single, definitive number that compares federal and provincial investments in education, it is difficult to determine as the provincial numbers vary among all of the provinces and federal allocations vary among regions, but not according to the provincial variances. The average figures cited in the funding debate, therefore, have limited practical value as they do not necessarily reflect the reality of any jurisdiction.

Provincial and federal education systems are also structured differently: provincial education systems are organized and funded on the basis of aggregated school boards whereas the federal system is based on the funding of individual on-reserve community schools. Large provincial school boards and the instructional services they provide benefit from economies of scale and their average allocation numbers reflect the combined costs for large and small schools. Small reserve schools, many of which have fewer than 25 children, operate independently and do not have the economic benefits of aggregated boards and services.

There are significant differences in provincial and federal funding approaches. Education is a provincial responsibility, in part to enable provinces to respond to local needs and conditions. Provincial funding formulae tend to be more detailed than the federal formula, enabling them to be more responsive to

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<sup>38</sup> Toronto Star, January 13, 2013, republished in <http://www.maei-ieam.ca/pdf/Issue%203%20-%20Spring%202013.pdf>

<sup>39</sup> Chiefs Assembly on Education, October 2012

special needs students and students at risk, which also results in greater formula-driven variability in provincial funding than in federal funding. Unlike federal allocations, provincial allocations also include “various forms of indexation to ensure that the framework remains responsive to needs and to changes in costs. Each of these components allows the formula to address the differences both in location and situation and in student populations of the various schools and boards, as well as meeting local programming needs and priorities.”<sup>40</sup>

The problem of provincial comparability is also articulated in AANDC’s Summative Report 2012 which states: “Assessing the gap in funding....by assigning average dollar funding gaps per-FTE is not meaningful or useful as the real issue is cost in light of need in each school, which would be more aligned to provincial methodology. If comparability of educational opportunity is the goal, then **provincial methodologies**, not just raw funding amounts, need to be fully understood and applied to First Nation districts to fully appreciate the degree of the gap.”<sup>41</sup> Consequently, as many stakeholders have suggested, if funding were based on need rather than on the existing funding formula, on-reserve funding would be higher, not lower than the provincial averages.

A 2008 report of the Caledon Institute for Social Policy was highly critical of the Department for its failure to know and understand provincial methodologies and funding levels and to collect comparative data:

“The harsh reality is that the Department’s confidence in the parity of its funding is misplaced, since it simply does not know. There are no regular data collected to compare provincial and federal education funding levels, nor is there any mechanism in the budget-setting process for First Nations education to ensure that funding levels are indeed comparable to those in provinces. In her 2004 report, the Auditor General concluded: “At present, the Department does not know whether the funding provided to First Nations is sufficient to meet the education standards it has set and whether the results achieved, overall and by the different delivery mechanisms, are in line with the resources provided” [Auditor General 2004: 5.50]. First Nations education budgets are set without reference to provincial education funding. If there indeed does happen to be parity between some provincially and federally – funded schools, it is a coincidence, not the outcome of a planned budgetary process.”<sup>42</sup>

The collection of data related to funding in general is also an issue. AANDC provides funding to the regions, which allocate the funds to the bands, but the Department does not track all of the funds that go to the bands and the individual schools. Furthermore, accessible federal calculations do not break down the instructional services funding to facilitate the comparison of like services with provincial schools. AANDC “does not report on transfers or programs in the kind of detail that allows a granular analysis (or) on the comparability of its funding of particular programs and services for First Nations with that of the provinces.”<sup>43</sup> Notwithstanding perceived tensions between the need for accountability on one hand and First Nations control of their education on the other, significant information is absent. As

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<sup>40</sup> FNEC, 2009,

<sup>41</sup> Summative Evaluation of the Elementary/Secondary Education Program on Reserve, 4.4.1, AANDC, June 2012

<sup>42</sup> Mendelson, M., “Improving Education on Reserves: A First Nations Education Act.” Ottawa, The Caledon Institute of Social Policy, (2008)

<sup>43</sup> Scott Serson, “The Canadian Government Knowingly and Deliberately Maintains First Nations in a State of Poverty,” A Submission to the Special Rapporteur on the Rights of Indigenous Peoples, 2013

one First Nations advocate indicated, funding is not determined through results-based or evidence-based reporting: “The entire accountability structure itself is broken.”<sup>44</sup>

Finally, variations in federal funding allocations to the regions and to the bands make it difficult, if not impossible, to get a reliable per student funding average, further complicating federal-provincial comparisons. Regional funding agreements differ somewhat from region to region and the discretionary BOFF arrangements with the bands differ within regions. In addition, the proposal-based targeted funding does not go to all schools and some get more than others, contributing to significant variability even before need, location and circumstance are taken into account. Funding variations also exist among provincial schools as provincial funding formulae tend to adjust for need, location, remoteness, special needs, language and culture to a greater extent than the federal formula. Federal and provincial average per-student figures are therefore misleading, and it is difficult to determine what individual reserve schools actually get per student.<sup>45</sup>

**ii) The Funding Formula:**

First Nations advocates argue that the funding formula (the BOFF) itself is fraught with problems. Describing the federal system as one based on administrative controls since 1988, the AFN has argued that the original funding formula was a draft proposal that was built on the existing amount of money, showing merely “how the pie was being split up.” It was, “more of a budget than an actual formula.”<sup>46</sup> (Note page 3 above).

The 2 per cent cap on the annual growth rate for the mandated instructional services portion of the funding, i.e. teachers’ salaries and other core items, is pivotal. Reflecting on the impact of the 2 per cent cap on funding generally, former Deputy Minister of INAC, Scott Serson wrote, “When federal funding growth is capped at 2%, it is impossible for First Nations to deliver programs and services of reasonable quality or comparability.”<sup>47</sup> Since 1996, when the cap was imposed, there has been a 2 per cent annual rate of inflation. At the same time, as noted above, the First Nations population increased by 29 per cent.<sup>48</sup> The AFN, citing Statistics Canada and AANDC Nominal roll data, indicates that provincial education funding has risen 4.1 per cent per year, despite declining student enrollments, which is double the rate of federal funding. The Department views the impact of the 2 per cent differently. They argue that the 2 per cent annual growth rate is an annual departmental budget growth adjustor rather than a cap on the Department’s overall budget. As such, when all of the additional proposal-based investments, which have occurred over the years above that growth rate (see list on page 3) are included, they maintain that the average annual growth rate since 1995 is closer to 4 per cent.<sup>49</sup>

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<sup>44</sup> Daniel Wilson, Independent Consultant on Indigenous Rights, former AFN Director of Strategic Policy and Planning

<sup>45</sup> Getting a clear portrait of funding is further complicated by the number of youth who are not in school. The Edmonton Journal reported that 39 per cent of youth on reserve in Alberta (ages 4 – 21) dropped out of school or were never registered. They are not counted in the Nominal Roll the government uses to determine funding amounts as they do not meet the attendance threshold. Communities do not receive federal funding for these students and must support them, even when they are in school, through other means.

<http://www.edmontonjournal.com/aren+First+Nations+kids+school/7998036/story.html>

<sup>46</sup> Karihwakeron Tim Thompson, AFN

<sup>47</sup> Scott Serson, *ibid*

<sup>48</sup> Statistics Canada, censuses of population, 1996 and 2006

<sup>49</sup> See explanation provided in note 23 above.

First Nations advocates argue that notwithstanding the additional funding the government has provided through the proposal-based targeted programs and as announced in the 2012 budget, the 2 per cent cap on instructional services, has been and remains fundamental to the inability of First Nations schools to pay teachers competitive salaries and benefits when compared to their provincial counterparts.

**iii) The Per-Student Calculation:**

As stated above, most of the per-FTE student calculation (70 per cent) is comprised of instructional services. First Nations advocates indicate that the instructional services portion of AANDC funding excludes costs borne by the provinces for their students. They argue that the federal allocation, “does not include costs needed to support the educational components of a 21<sup>st</sup> century school system” including school libraries, technology, sports and recreation, vocational training, First Nations languages, history and culture and school board-like services.<sup>50</sup> The instructional services component also includes fewer secondary and tertiary services (classroom and administrative supports), and built-in provisions for capital support when compared with provincial funding.

They also maintain that the AANDC per-student figure is inflated as it includes non-education costs, such as band administrative costs, within the instructional services education basket. A 2009 report by the Canadian Policy Research Networks (CPRN) also questioned whether the Department’s internal services should be included in the allocation, “since bands are almost wholly responsible for the administration and operation of their respective schools.”<sup>51</sup> AANDC’s Summative Report of 2012 confirmed that the costs are made up largely of broader operations and maintenance, as well as project costs, which would naturally be higher on reserve given the higher operating costs and the complex needs of students living in distant and sparsely populated communities.<sup>52</sup> The implication of this is that there is less money per student for instruction. AANDC supports the inclusion of band administrative costs within the per-student calculation arguing that they are similar to the administrative functions that are typically performed by school boards, which are included in the provincial funding calculation.

Proposal-based targeted programs, as suggested above, make up some of the gap with approximately 30 per cent of the federal allocation coming from proposal-based funding, compared to 2 - 5 per cent for the provinces. As schools must apply for the funding, some schools do not get any of it while others may get a significant amount, compounding the disparities among regions and bands. Proposal-based funding can be anywhere from one-year to multi-year funding, which is a serious impediment to the development of long-term education planning. Furthermore, proposal-based funds do not cover basic instructional services and cannot be applied to increasing teachers’ salaries which would enable First Nations schools to better compete with provincial schools. They are for specific, targeted programs that accord with the priorities and programs of the government of the day.<sup>53</sup> The current focus is on partnerships and student success programs. In short, critics argue that proposal-based targeted funding is not predictable, secure or sustainable; it does not benefit all schools and does not effectively fill the gap in instructional services funding.

The instructional services portion of the AANDC calculation of \$14,056 per student also includes the 40 per cent of First Nations students, most of them high school students, who attend provincial schools.

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<sup>50</sup> Federal Funding for First Nations Schools, Chiefs Assembly on Education, October 2012

<sup>51</sup> Richards, J., M. Scott, “Aboriginal Education: Strengthening the Foundations.” Canadian Policy Research Networks, Ottawa, December 2009, p. 56.

<sup>52</sup> National Panel on First Nation Elementary and Secondary Education for Students On Reserve, 2012

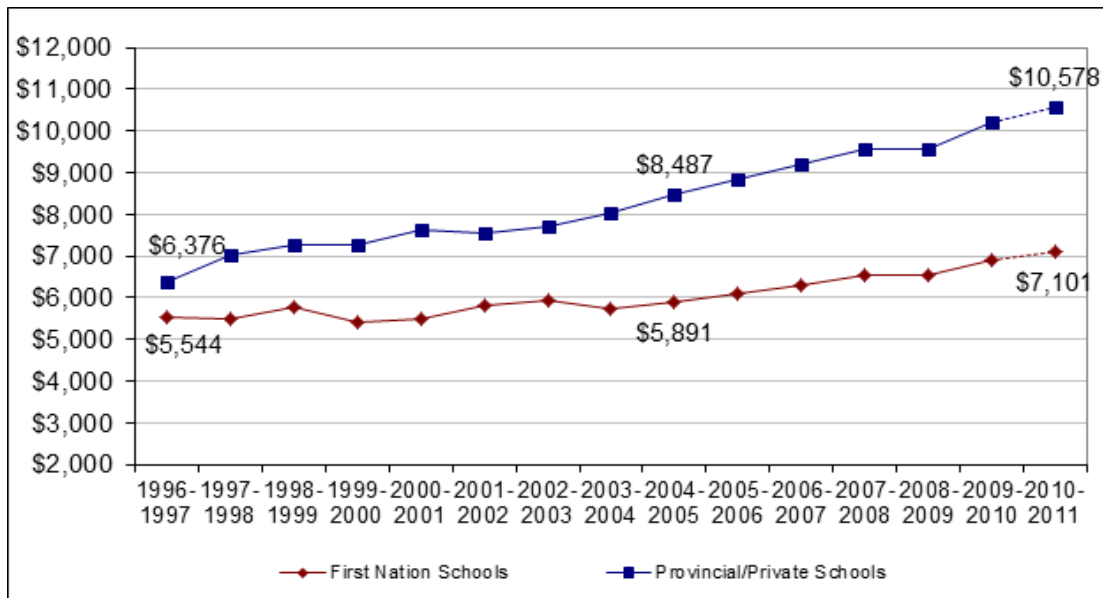
<sup>53</sup> Daniel Wilson, Consultant on Indigenous Rights, former senior director of strategic policy and planning, AFN



Funds are generally transferred to provincial school boards through tuition agreements with First Nations communities. AANDC maintains that they are generally paying provincial schools less than the \$14,056 average, although in some cases they are paying higher tuition fees to the provinces.

The AFN and others argue that these amounts are higher than those of First Nations schools because provinces generally spend more on remote schools with high risk populations and per student rates for high school students tend to be higher than for elementary students. The federal per student calculation therefore includes the funds for students to attend provincial schools at the higher provincial rates with the result that the calculation represents less money than suggested for First Nations schools. The graph that follows illustrates the discrepancy between the amount the provinces charge in tuition payments and federal payments for core funding for students attending First Nations schools:

**Average per-student funding, First Nation schools and provincial schools, 1996-2011<sup>54</sup>**



\* Per-student funding is calculated using the following formula: Core Funding allocated by Federal Government for First Nation education (FN school OR provincial/private school) / Nominal roll (FN school OR provincial/private school). Source: Indian and Northern Affairs Canada, Financial Information (1996-2011); Indian and Northern Affairs Canada, Nominal roll statistics (1996-2011)

**iv) Specific examples:**

Given the limitations of comparing federal and provincial average per student allocations, looking at specific communities should prove informative. Although comparisons of the 518 communities across the country are beyond the scope of this brief, a few specific examples follow. The Department is generally wary of comparisons between federal funding and provincial tuition rates because the components being compared often differ and because the comparisons do not include all federal funding.

- Waywayseecappo First Nation and Park West School Division in Manitoba entered an education partnership in 2010. Prior to the agreement, federal funding for the reserve school was approximately \$7,200 per student for instructional services but was increased by \$3,300 to the

<sup>54</sup> Federal Funding for First Nations Schools, Chiefs Assembly on Education, 2012  
[http://www.afn.ca/uploads/files/events/fact\\_sheet-ccoe-8.pdf](http://www.afn.ca/uploads/files/events/fact_sheet-ccoe-8.pdf)

provincial cost of \$10,500 once the agreement was finalized. According to media reports, the additional funding allowed the reserve school to hire more teachers, reduce class size and have access to Park West's resources and staff. Unlike other arrangements with provincial education authorities, Waywayseecappo First Nation School is a member of the provincial public school division but the chief and band council have retained control over the education the students receive.

- A study released by the FSIN in March 2013 comparing educational spending reported that, for basic instruction and special education, reserve schools in the North Battleford area received \$7,230 per student, while students in the provincial Living Sky Division received \$8,700 per student, representing a discrepancy of \$1,470 or 17 per cent per pupil. The study also found that provincial instruction budgets, “generally take up 70 to 80% of the school division budget. Within First Nations budgets, instruction accounts for 50 – to 60% of the total.”<sup>55</sup>
- In Ontario, as in some other provinces, the Ministry of Education allocates funds to each of the school boards using a funding formula based on student enrolment and the unique needs of the students in each board. The number of schools in each of the 72 boards, their distribution, location and their physical conditions are also factors. The funding formula, known as the Grants for Student Needs (GSN), includes various grants that fall into three broad categories:
  - a. Basic or foundation funding that every board receives for general costs, such as staff salaries, textbooks, classroom computers and other supplies.
  - b. Funds to help boards meet the unique needs of their students, such as English-as-a-Second-Language (ESL) programs, special education classes and funding for remote or rural schools.
  - c. Funds that are used to build new schools, and to repair and maintain existing schools.

In 2011-2012, the average per-pupil GSN allocation was \$11,165.<sup>56</sup> Due to the different grants within the formula, schools receive varying per-student allocations, with the average ranging from \$10,000 for a large urban board to \$25,000 for a small French board. A comparison of small, rural, provincial schools in which there are high needs students with on-reserve schools, which share many of the same characteristics is informative. In the Keewatin-Patricia District School Board (DSB) in northwestern Ontario, for example, the average per-student allocation in 2012-13 was \$15,566. The average tuition amount for First Nations students attending schools in that district was \$13,574 per elementary student and \$14,164 per high school student.<sup>57</sup> A 2009 study by the Grand Council of Treaty #3 indicated that for 2009-2010 the federal government provided between \$4,100 - \$7,000 per elementary student and \$3,500 - \$5,800 per high student attending First Nations schools. The report demonstrated that the “amount for each student is less than half of what INAC provides to a provincial District School Board for the education of Treaty #3 schools. More recently, in Shawanaga Elementary School the funding per student has been reported to be approximately \$5600 in 2012.

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<sup>55</sup> “Comparison of the DIAND Funding Formula for Education with the Saskatchewan Provincial Funding Formula,” R.J. Kowalchuk, Consulting, March 2013, p. 17

<http://www.fsin.com/images/stories/fsindownloads/education/2013/gap%20research%20on%20comparison%20of%20the%20saskatchewan%20band%20operated%20funding%20formula>

<sup>56</sup> 2013-14 Grants for Student Needs, Technical Briefing, Ontario Ministry of Education

<sup>57</sup> Ontario Ministry of Education, 2011-12 Financial Statements V3, Appendix B – Calculation of Fees, KPDSB

Of potentially greater relevance is a comparison of federal allocations for on-reserve schools with provincial allocations for northern French language schools. Francophone schools are designed to teach language and culture differently than the regular system, which is similar to First Nations schools where the teaching of indigenous language, history and culture is an essential component. Ontario data indicate, as an example, that for a northern French Public board in northwestern Ontario (CSD du Grand Nord de l'Ontario) the per-student allocation is \$22,536. First Nations advocates argue that current funding levels do not adequately support their ability to teach language and culture. A report on cost drivers to First Nations education prepared for the Joint AFN/INAC BOFF Working Group in 2006 indicated that the information they reviewed "demonstrates that the amounts received and spent by First Nations Education Authorities and Schools on Language Immersion programs are much less than the funding that is being provided for provincial school programs in Minority and Second Language Programs."

*Most provinces vary their funding of education depending upon the needs of the district. Many elements may go into the determination of need and funding. Here we cite purely for illustrative purposes one community in Ontario and draw a very crude comparison to the average conditions that prevail in First Nations reserves.*

The Rainy River District of Ontario receives funding above the Ontario provincial average in part due to its remoteness and below average education and income. The District has just over 20,000 people spread over about 15,000 square kilometers. The median income in the District was \$25,470 in 2006 compared to the provincial average of \$27,258. 30.3 per cent of the residents have not completed high school compared to the provincial average of 22.2 per cent (Source: Socio-demographic Profile of Rainy River District, Riverside Health Care Facilities. October 2012).

The education and income outcomes on average on First Nations reserves are much worse. The median income on reserve was \$11,224 (Source: First Nations People: Selected findings of the 2006 Census, Statistics Canada, May 12, 2009). 51 per cent of First Nations people on reserve have not completed high school (Source: Fact Sheet - Quality of Life of First Nations, Assembly of First Nations, June 2010).

#### **Section 4: Conclusion**

Comparing federal funding of First Nations education with provincial funding is complicated – there are significant structural differences between the two systems, real funding allocations are highly variable throughout the country and different services are included in the respective funding formulae. AANDC officials and AFN critics have both argued that it is akin to comparing apples and oranges and therefore of limited value. Nevertheless, funding has a significant impact on the delivery of educational services and is integral to improving educational outcomes for First Nations students.

The controversy and confusion over the comparability of AANDC funding on reserve and provincial education funding largely revolves around two of the many differences in approaches and accounting. First, many of the reports arguing there is a large funding gap include only core AANDC funding and ignore the new, special funds added since 1998. On the other hand, some, but not all, AANDC reports include all funding, implying equal value to a dollar of core and a dollar of special funding. Both extremes seem problematic. The new, special funding is undoubtedly helpful and some credit should be assigned to it. But because much of it is time limited, it cannot contribute fully to the underlying education challenges on reserve that will need to be addressed over a long period of time. So some discount factor should be applied to the special funds to distinguish their contribution from core funding. A further problem with counting the special funding is that it is not equally distributed across reserves, so simple averages do not address the situation of individual bands.

The second major source of controversy and confusion is failure to compare reserves and provincial school districts with comparable characteristics. It is meaningless to compare AANDC per student funding to provincial average spending. The provincial averages are heavily impacted by the relatively low cost of educating students in the large, urban areas where schools and school boards benefit from economies of scale and students on average display fewer special needs. A remote reserve school should be compared to a provincial school with similar characteristics in terms of remoteness, size, and the needs of the student population.

In most of the provinces, small remote schools with high degrees of special needs and particular language or cultural requirements receive funding well above the provincial averages. The funding can be more than \$20,000 per student, which is well above AANDC funding, even including all the new, project-related funding. The discrepancy of course varies enormously by province and even by district within any particular province. Further, we do not believe that most studies that have attempted to adjust funding needs for characteristics such as small student population, remoteness and special needs have fully captured the education challenges facing many of the First Nations schools. Relative to the provincial schools being used as comparators, the schools on reserve often have fewer students, are more remote, confront much worse socio-economic conditions and have a particular language and culture.

It is simply not meaningful to attempt to capture the funding gap for First Nations schools in a single number. Yet for many First Nations schools the funding level, even including all AANDC funding, is well below that being provided for comparable provincial schools, or at least below what most provinces would provide for a school facing similar costs and needs. Further work should be done to understand the extent of the funding gap. That work would need to adopt a community by community approach and must recognize the distinction between core and special funding. And a different approach,

involving much more transparency, must be applied as work to date has left far too much controversy and confusion.

While we encourage such work, and provide below a suggestion for a new way of doing so, we also believe that a singular focus on spending is the wrong way to approach the policy challenge of improving First Nations education outcomes on reserve. Our objection goes beyond the observation that the benchmark of provincial spending may or may not itself be appropriate for a particular reserve. More fundamentally, a focus on spending looks only at inputs rather than outcomes. There may be disagreements over funding gaps but the one thing that everyone agrees on is that educational OUTCOMES for First Nations people on reserve are far below those of their provincial counterparts.

The better way forward is to re-focus on the objective of providing education programs comparable to those in provincial schools in order to achieve similar education outcomes. To date this has obviously failed. The achievement gap is substantial and growing. In an approach that targets closing the achievement gap, funding is returned to its rightful place as an input rather than a goal in itself.

Similarly, it would be simplistic and misleading to suggest that the failure of outcome parity is just a matter of funding. There are numerous structural issues, as well as social, economic, governance and health challenges that undermine progress in First Nations education. These issues must be taken into consideration when addressing the goal of providing services and achieving outcomes comparable to those of provincial education systems. The notion of parity with provincial services and outcomes is inconceivable, however, in the face of these challenges with funding that is inferior to what the provinces provide. Indeed, given the geographic and socio-economic realities of on-reserve communities, the objective of similar education outcomes would require consistently HIGHER levels of funding than provincial levels.

Addressing funding, therefore, is a necessary, but not sufficient, condition for delivering comparable education programs and achieving comparable results. It is important to determine what would be necessary to generate comparable education outcomes and then figure out what that will cost under an efficient system that is needs-based and has good governance structures. The question moving forward should therefore be: “How do you set up a mechanism that will be reliable, that First Nations will have confidence in, that parliamentarians will feel is adequately accountable and that will ensure parity in the future?”<sup>58</sup>

More than funding will need to change. It is beyond the scope and purpose of this paper to delve into the full basket of potential requirements. Complements to increased funding, however, will likely include opportunities for establishing amalgamations similar to school boards in order to create economies of scale, capacity building of band administrations to better manage schools, opportunities to measure education outcomes as they relate to objectives and planning, and clear accounting mechanisms for outcomes and expenditures.

The development of a *First Nations Education Act* may be the long-awaited first step needed to close the education gap. It also represents an opportunity for dialogue and collaboration between the federal government and First Nations peoples. All stakeholders agree that developing a legislative base for funding that is “stable, predictable and sustainable” within supportive governance structures is important to closing the education gap. The opportunity for input on the part of all stakeholders must not be squandered however – there is too much at stake. The time has come for all parties to redouble their efforts to sit at the same table to engage in meaningful consultation, discussion, and debate in

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<sup>58</sup> Michael Mendelson, September 2013

order to shape the policies and provisions of the Act as they are being developed. Failure to do so would risk perpetuating the status quo, something that nobody supports.

We believe this examination of First Nations education funding leads to some specific recommendations for addressing current funding deficiencies.

1. The funding process should be informed by an advisory panel or a commission which could consist of members nominated by First Nations, the Government and mutually, all with expertise in education and finances.
2. Overseen by the panel, AANDC and First Nations communities should do further work to better understand the differences in AANDC and provincial funding. All of the work should be highly transparent.
3. The objective of funding should be to permit comparable education services to the provinces such that ultimately comparable education outcomes will be achieved. This may be quite different, but far more appropriate, than focusing only on comparable spending. Due to costs and needs, the required funding may well be higher than current provincial levels. Having done the exercise of better understanding differences in AANDC and provincial funding, the work would then shift toward estimating the cost, on a community by community basis and then in aggregate, of providing education services that are comparable on reserve and for the total population.
4. Most of the pieces of AANDC education funding added since 1998 should be amalgamated with core funding. The total should be then legislated as a statutory payment so that it has predictability. The initial amount of the total spending will undoubtedly need to be significantly higher than at present. The increment would be informed by the work described in the recommendations above. And an indexation factor should be applied to the expanded core, operational funding. The factor should recognize inflation and the substantial growth in the First Nations school-age population. As such, the factor would need to be at least 4 per cent per annum and possibly higher. With statutory payments with an indexation factor the core operational funding would have a similar structure as the major transfers from the federal government to the provinces and territories. This seems appropriate to reflect that in many respects the education agreement would be like a “government-to-government” arrangement.
5. A second and transitional fund should be established to support capacity building and innovation to help First Nations move efficiently to new education arrangements.
6. A third fund should be established to address infrastructure deficiencies with First Nations schools.
7. These arrangements on funding should ACCOMPANY changes in the structure of education. Some have argued that funding should be resolved first. But that leaves no assurance that the funds will be used efficiently to drive toward better outcomes. Others have suggested funding can be left until the structural changes have been addressed. That notion would require a degree of trust that does not exist, and for good reason given the legacy of education failures. Further, there can be no confidence that the structural changes can succeed if there is no assurance of required funding.