



April 4, 2012

Mr. Colin Craig
Prairie Director, Canadian Taxpayers Federation
(ccraig@taxpayer.com)

Dear Mr. Craig:

I am writing in response to your most recent correspondence regarding capital projects related to the Prairie Valley School Division (PVSD).

In 2009, the provincial government cut and capped education property taxes (mill rates) by setting province-wide tax rates for each of the three property classes – residential, commercial, and agriculture – in accordance with tax relief commitments. The balance of school division funding is now provided through the province's General Revenue Fund. As a result of this decision, school divisions are now required to submit their budgets to the Ministry of Education for approval. The ministry reviews annual school division budgets in order to determine if their estimated sources of revenue (provincial grant and property tax) match their estimated expenditures. A board of education still governs its own budget and the ministry approves it if it is determined upon review that the board and school division are managing their operating and capital expenses within their approved funding amount. The system of funding preK-12 education in Saskatchewan retains school board autonomy and authority to make budget allocations.

The ministry has reviewed the annual audited financial statements of the Prairie Valley School Division over the last two years and has determined each year that the division has had the funding capacity to pay for the expenditures required for the capital projects it has prioritized. The ministry has established that the division is using their allocated funding for stated purposes, including for operational capital, and is using its available funding year over year to fund the different phases of its capital projects. The ministry has reviewed the audited financial statements of PVSD and has not identified a specific reserve dedicated to entirely funding the projects you reference, and therefore the ministry cannot identify a funding accumulation by PVSD for this purpose. Prairie Valley's financial statements point to the division utilizing a pay-as-you-go approach for financing their capital projects.

In my previous letter to you the 'significant surplus' that I referenced in relation to PVSD was related to the fact that PVSD has stated in its *2010-11, Auditor's Report and Financial Statement* that it had an internally restricted surplus of \$5,505,299 designated for tangible capital asset expenditures. It should be noted that this surplus was accrued as part of the school division's financial planning under the previous education funding formula. Under the previous funding formula, some school divisions designated surplus funds to help with long-term facility planning. Under the new funding formula being introduced this year, funding will be allocated to all school divisions to aid in their long-term facility planning. School boards still retain the ability to make this kind of budgetary decision.

In regard to your questions about the Kipling School project, the final design of Kipling School was approved based on the school division's preferred concept including the following: demolition of the K-3 elementary school; and, a projected enrolment of 365 K-12 students, with a finished project size of 4,102 square meters gross area, including 676 square meters of new construction added to the existing high school, which is to be partly renovated. Please find attached the approval letter from the ministry. As of September 30, 2011, the current enrolment at Kipling School is 356 students. This demonstrates that the ministry's scope and design approval, which was based on plans and enrolment projections submitted by the PVSD, will accommodate modest enrolment increases at the school. It is not the intention or place of the ministry or Minister to speculate on how the Kipling School Project will impact the future of Kennedy-Langbank School. School boards have the legislative authority to make decisions around school closures or grade discontinuance within their school division. An important point to note is that our government enacted school review legislation in 2008 to ensure that if a board of education passed a motion to review a school for closure or grade discontinuance, and the school is the only one within a school district, a community review must be included as part of this process. Our legislation now ensures community consultation occurs during the entirety of the school review process.

In reference to your question about how the ministry approved PVSD's self-funded school division expansion, I would like to reiterate that this project was reviewed by the ministry to determine if it complied with facility planning guidelines. The ministry provided approval based on draft Non-School Capital Program guidelines.

The answer to your question about how many other self-funded school board projects have received ministry approval is that the ministry only approved one other self-funded school board project during the interim funding period from 2009-10 to 2011-12. It should be noted that the funding for self-funded projects before and during this period would have been obtained through school board property taxes and other budgetary decisions by school boards before provincial taxation authority was changed. The ministry's interim funding model did not provide for an allocation of "surplus" funds to school divisions.

Finally, I would like to share that currently *The Education Act, 1995* is being amended to clarify that boards of education shall submit a copy of their audited financial report and financial statements in accordance with *The Tabling of Documents Act*. This will allow the Office of the Provincial Auditor to examine how boards of education are using public money.

I trust this correspondence has provided clarification to your questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Donna Harpauer".

Donna Harpauer
Minister of Education