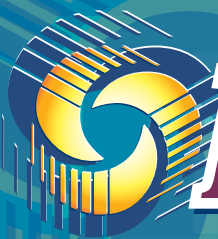


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# POLICY SERIES

FRONTIER CENTRE FOR PUBLIC POLICY • No. 172 • JANUARY 2015



## The Cost Disease Infects Manitoba Education

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## About the Author



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Jackson Research Award from the Canadian Educational Researchers' Association, and both an Edward Sheffield and a Distinguished Research Awards from the Canadian Society for the Study of Higher Education. He has written for numerous newspapers and journals, including the *Canadian Journal of Education*, *Policy Options*, *Sociology of Education*, the *National Post*, and the *Winnipeg Free Press*. His books include *Socioeconomic Status, Attitudes, and Educational Performances: A Comparison of Students in England and New Zealand*, *Authority in Classrooms*, *Crosscurrents: Contemporary Canadian Educational Issues*, and *Recent Social Trends in Canada, 1960-2000*. His most recent book, *What's Wrong With Our Schools and How We Can Fix Them*, was published in 2010. and written with Michael Zwaagstra and John Long.



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Date of First Issue: January 2015.

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ISSN 1491-78

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When e-reading, these links will directly access relevant online websites or documents using your associated browser.

Endnotes' numerals will directly link to the appropriate reference at the end of this document.



# Executive Summary

- In the 10-year period from 2002/2003 to 2012/2013, enrollment in Manitoba public schools decreased by 3.5 per cent while the number of educators increased by 5.8 per cent and expenditures increased by 48.5 per cent — from slightly more than \$1.3-billion to more than \$1.9-billion. Over that same period, the Consumer Price Index (CPI) increased by 20.9 per cent.
- If the public education expenditures per student had increased at the same rate as the increase in CPI, total expenditures would be slightly more than \$1.5-billion in 2012/2013 with savings of more than 22 per cent in that year, which represents more than \$421-million.
- Professor William Baumol coined the term “the cost disease” to indicate that the cost of education and other social services often increases at an exponential rate that is unsustainable over the long term.
- To constrain the cost of education so that it is sustainable, the provincial government, not school boards that levy property taxes, should fund school jurisdictions.
- In addition, parent-controlled funding (vouchers) would increase competition among schools and improve the education of students. Schools would concentrate on objective, measurable outputs — those that are essential for ensuring that students are informed, enlightened and employable.
- Excellent schools would attract more students, and low-performing schools would need to improve or face closure. As a result, schools would save considerable sums of money as they became more efficient and more responsive to the educational needs of students and parents.



# Introduction

Earlier this year, the Frontier Centre for Public Policy and the Atlantic Institute for Market Studies published a report I wrote that showed that the cost of public education in all Canadian provinces and territories has been increasing at rates far above the growth in the economy, as measured by the Consumer Price Index (CPI).<sup>1</sup> Moreover, the study showed considerable variability across the provinces and territories.

The rising cost of public education was highest in Newfoundland and Labrador at 111.1 per cent and lowest in British Columbia at 53.3 per cent. Manitoba was in the middle of the distribution for the 12 jurisdictions. Between 1999 and 2010, the cost of educating the average student increased by 77.4 per cent while the CPI increased by 25.5 per cent. In other words, the cost of public education rose by almost three times the CPI. Obviously, it is not sustainable to have the cost of education persistently expand faster than the provincial economy. Sooner or later, it will be necessary to slow the increasing cost to a rate that is, at most, on par with the rate of economic growth.<sup>2</sup>

This policy paper extends the previous study by examining the cost of public education in 36 of the 38 school divisions/districts in Manitoba from 2002/2003 to 2012/2013. The study shows that the cost of schooling has been increasing across the 36 jurisdictions between two and four times higher than the growth in the CPI. These data have implications for the way school divisions/districts raise money and for the way the provincial government funds schools.

*...Between 1999 and 2010, the cost of educating the average student increased by 77.4 per cent while the CPI increased by 25.5 per cent.*



# The Data

The data for this study comes from the Financial Reporting and Accounting in Manitoba Education (FRAME) Reports for 2002/2003 and 2012/2013, which are produced by the Schools' Finance Branch.<sup>3</sup> The data were collected in the same manner in each jurisdiction and year. As such, the data are better for comparing the changing costs in public education than the Canadian data used in the previous study.<sup>4</sup>

## Division/District

In July 2002, the government of Manitoba restructured the 54 school divisions/districts into 38 divisions/districts. Thirty-six of these jurisdictions are included in this study. Two divisions, Pine Falls and Whiteshell, are very small and are excluded. In addition, the Winnipeg Technical College was recorded as a separate jurisdiction and is also excluded.

## Full-time Equivalent Enrollment (FTE)

The FTE enrollment is the number of full-time students plus the part-time students according to the fraction of the school year in which they are registered. Students enrolled in kindergarten programs for half a day over a 10-month school year are counted as 0.5 FTEs. Likewise, full-time students in Grades 1 to 12 who were enrolled for only 2 months count as 0.2 FTEs, and if those students transferred to another division/district for the remaining 8 months, that jurisdiction counted them as 0.8 FTEs.

## Student-Educator Ratios

Educators include teachers, school administrators and pedagogical support staff. Teachers are involved in direct instruction, which excludes teachers' aides. School administrators are involved in the direct management of schools, e.g., principals and vice-principals, but this excludes higher-level managers such as superintendents and secretary-treasurers. Pedagogical support personnel are non-teaching employees such as guidance counsellors, librarians and educational media specialists, but this excludes health and social support personnel. The Schools' Finance Branch calculated the student-educator ratios by dividing the number of FTE students by the number of full-time equivalent educators.



## Expenditures

The expenditures represent the total operating expenditures minus the funds that were transferred to other school divisions, organizations and individuals. The expenditures were adjusted by the Schools' Finance Branch and provide accurate per student costs across all jurisdictions and school years.<sup>5</sup>

## Expenditure per Student

The Schools' Finance Branch calculated this by dividing the expenditures by the FTE student enrollment in each division/district for the 2002/2003 and 2012/2013 school years.

## Results

Table 1 reports data for the 36 school divisions/districts for the 2002-2003 school year. The first column shows that there were 178,537.7 FTE students registered in these school divisions/districts. There is one very large division, Winnipeg School Division, with more than 30,000 students and one very small division, Turtle River School Division, with fewer than 900 students. Column 2 reports the student-educator ratios, which range from 17.9 in Hanover to 12.4 in the Division scolaire franco-manitobaine (DSFM) with an average ratio of 14.8 students per educator. Column 3 reports the total expenditures, which range from almost \$245.4-million for the Winnipeg School Division to slightly more than \$6.5-million for the Turtle River Division. Total expenditures across the province were slightly more than \$1.3-billion. The expenditure per student is reported in column 4 and ranges from the most expensive division, Frontier at \$11,878, to the least expensive division, Hanover at \$5,444. The average expenditure per student was \$7,429. Thus, Hanover was almost \$2,000 below the average, and Frontier was more than \$4,000 above the average.

*..the cost of educating the average student in the public school divisions/districts in Manitoba increased by between two and four times the increase in the CPI.*





Table 2 reports similar data for the 2012-2013 school year. Over the 10 years, the FTE students had decreased by more than 6,000 students to 172,261.2, which represents a 3.5 per cent decrease. As before, the Winnipeg School Division is the largest jurisdiction and Turtle River is the smallest. The average student-educator ratio is 13.5, which is 1.3 students lower than the ratio was in 2002-2003. Thus, from 2002-2003, the number of educators increased by 697, which represents a 5.8 per cent increase. Hanover still has the highest ratio at 15.3, and Frontier and Mystery Lake have the lowest ratio at 11.3. The total expenditures for the 36 jurisdictions increased to more than \$1.9-billion, representing a 48.5 per cent increase. The average expenditure per students was \$11,437, and Hanover was \$2,300 below the average while Frontier was \$7,342 above the average.

Table 3 reports the increase in expenditure per student in each of the jurisdictions over the 10-year period. The number of students decreased by 3.5 per cent, and the number of educators increased by 5.8 per cent. As well, the increase in expenditure per student ranged from a low of 41.1 per cent in the Winnipeg School Division to a high of 71.8 per cent in the Mystery Lake School Division. The increase is 47.2 per cent in DSFM, 66.9 per cent in Flin Flon, 67.8 per cent in Hanover and 42.6 per cent in Portage la Prairie. In comparison, the CPI increased by 20.9 per cent over the same period.<sup>6</sup> Table 3 also shows that over the 10 years, the largest increase was \$6,901 per student in the Frontier School Division; the next largest increase was \$5,970 in Swan Valley; and the lowest increase was \$3,061 per student in Portage la Prairie. Thus, the cost of educating the average student in the public school divisions/districts in Manitoba increased by between two and four times the increase in the CPI.

## Implications

Over the last decade, even more resources have flowed into public school jurisdictions that have fewer students, larger school bureaucracies and better-paid educators. If, over this 10-year period, the expenditures for students were equivalent to the increase in the CPI, the average cost per student would be \$8,989 rather than \$11,437 (see Table 2). This would amount to a saving of \$2,448 per student in 2012-2013 and would have represented a saving of more than \$421-million in that year alone.



In other words, over the last four years, the saving would have been more than \$1-billion.

Rethinking the funding of public education in this province is overdue. Many school trustees, school administrators and teachers still claim that students benefit from a lower student-educator ratio, but little, if any, evidence supports this claim.<sup>7</sup> Nevertheless, there is a pressing need to improve educational achievement so that Manitoba students can compete successfully with students from other provinces and countries. This rethinking can begin by asking why the exponential growth in costs does not affect the private economy. The answer is that competition between businesses constrains the cost of products, e.g., automobiles and computers. William Baumol, professor emeritus of economics at Princeton University, calls the exponential growth in the cost of public services “the cost disease,” but it has also been called “Baumol’s disease” or “Baumol’s curse.”<sup>8</sup>

To improve student achievement while lowering costs, the Frontier Centre for Public Policy has recommended that school boards should not have the authority to tax properties. The Frontier Centre also recommends increasing competition among public and independent (private) schools.

At present, the Manitoba government empowers school boards to levy property taxes, but it retains the right to adjust school arrangements such as regulating class size for K to Grade 3 students and to create new and expensive education programs such as physical education programs that have been imposed on all public schools. In this way, the provincial government can take credit for these innovations while passing the costs on to the local school boards. Since the funding from the province generally falls short of the budgetary requirements, property taxes must increase.<sup>9</sup> Nevertheless, some school boards spend substantially less than others (compare Hanover with Swan Valley, for example) without any evidence that the students are suffering.

So, how do we put an end to this “cost disease” and the off-loading of some school costs on to municipalities that tax property owners? The answer is simple: Do what other provinces have done. Fund education entirely from

***...school boards should not have the authority to tax properties.***

***The Frontier Centre also recommends increasing competition among public and independent [private] schools.***



provincial revenue and do not allow school divisions to raise money by taxing property. This policy would force the provincial government to take responsibility for funding all aspects of schooling that it wants the school boards to implement and administer. As a result, the differences in cost across the 38 jurisdictions would more than likely decrease.

Along with this, the provincial government should promote increased competition between schools by tying funding directly to demand by using vouchers so that parents can send their children to any public or independent school of their choice. Higher enrollment would mean larger budgets, and lower enrollment would mean smaller budgets. This policy would limit spending in the face of declining student enrollment. It would also eliminate the unfair financial burden placed on an increasing number of parents who are sending their children to independent schools such as St. Mary's Academy in Winnipeg or to tutoring services such as Sylvan Learning Centres. Currently, these parents effectively pay twice — first, when they pay taxes that support public schools and second, when they pay for private instruction. For these parents, public schools apparently do not adequately meet their children's educational needs.

Parent-controlled funding would force schools to concentrate on objective, measurable outputs, notably academic achievement and to report the results to students, parents and taxpayers. As a result, we would get more schools focusing on the teaching and learning that are essential for developing informed, enlightened, skilled and employable citizens.<sup>10</sup> Increased competition and published test results would mean that excellent schools could attract students while low-performing schools would be forced to improve or close.

These changes could save a great deal of money for taxpayers while making schools more responsive to the needs of students and parents. Curbing the exponential increases in the cost of public education is the only real option for sustaining a viable public educational system. It is not feasible for education costs to continue increasing at an exponential rate without crowding out other necessary expenditures in provincial budgets and/or without burdening taxpayers with ever-increasing taxes.



Tables

**TABLE 1**

**Selected Educational Statistics  
for Divisions/Districts  
(2002-2003)**

Division/District	K-12 Full-time Equivalent Enrollment	Student-Educator Ratio	Total Expenditures (in current dollars)	Expenditure per Student (in current dollars)
Beautiful Plains	1,622.5	15.2	11,166,615	6,882
Border Land	2,349.9	13.5	17,883,408	7,610
Brandon	7,293.0	15.2	46,472,088	6,372
DSFM	4,279.2	12.4	39,328,158	9,191
Evergreen	1,686.0	16.1	12,289,896	7,289
Flin Flon	1,409.1	14.6	10,778,848	7,649
Fort La Bosse	1,570.7	13.5	12,256,252	7,803
Frontier	5,929.0	12.8	70,422,417	11,878
Garden Valley	2,927.3	15.8	17,680,628	6,040
Hanover	6,121.0	17.9	33,325,751	5,444
Interlake	3,309.4	15.0	23,180,659	7,004
Kelsey	1,690.0	14.8	12,353,028	7,309
Lakeshore	1,371.1	14.5	10,509,778	7,665
Lord Selkirk	4,611.7	14.9	32,770,433	7,106
Louis Riel	14,889.2	15.2	102,995,915	6,917
Mountain View	3,350.0	14.1	25,696,923	7,671
Mystery Lake	3,318.3	14.2	25,682,002	7,740
Park West	2,142.2	14.4	16,069,354	7,505
Pembina Trails	13,077.9	14.8	97,469,910	7,453
Pine Creek	1,282.6	14.2	9,629,942	7,508
Portage la Prairie	3,365.3	14.6	24,178,332	7,185
Prairie Rose	2,350.0	14.4	17,898,483	7,616
Prairie Spirit	2,493.1	13.2	21,666,050	8,690
Red River Valley	2,212.0	15.9	16,232,825	7,339
River East Transcona	17,817.7	15.1	121,068,113	6,795
Rolling River	2,124.0	14.3	15,786,108	7,432
Seine River	3,380.1	15.9	23,109,516	6,837
Seven Oaks	8,523.5	15.4	60,912,914	7,146
Southwest Horizon	1,809.0	14.5	14,630,988	8,088
St. James-Assiniboia	9,119.4	15.0	61,581,665	6,753
Sunrise	4,915.8	14.3	36,338,724	7,392
Swan Valley	1,880.3	15.3	14,462,324	7,691
Turtle Mountain	1,219.0	13.7	8,911,455	7,310
Turtle River	818.5	13.4	6,538,212	7,988
Western	1,458.0	16.7	9,620,939	6,599
Winnipeg	30,823.0	14.6	245,372,716	7,961
<b>Totals</b>	<b>178,537.7</b>	<b>14.8</b>	<b>1,326,271,370</b>	<b>7,429</b>



Tables

**TABLE 2**

**Selected Educational Statistics  
for Divisions/Districts  
(2012-2013)**

Division/District	K-12 Full-time Equivalent Enrollment	Student-Educator Ratio	Total Expenditures (in current dollars)	Expenditure per Student (in current dollars)
Beautiful Plains	1,501.5	13.9	15,627,872	10,408
Border Land	2,286.8	11.8	28,941,649	12,656
Brandon	7,848.5	12.8	80,151,366	10,212
DSFM	5,094.0	12.7	68,931,094	13,532
Evergreen	1,544.0	13.8	18,519,301	11,994
Flin Flon	992.5	13.0	12,673,417	12,769
Fort La Bosse	1,295.5	12.9	15,750,129	12,158
Frontier	5,776.0	11.3	108,465,940	18,779
Garden Valley	4,189.3	15.2	38,904,695	9,287
Hanover	7,390.5	15.3	67,523,840	9,137
Interlake	2,758.5	12.6	32,407,686	11,748
Kelsey	1,595.5	13.6	17,921,935	11,233
Lakeshore	1,185.5	12.0	15,511,307	13,084
Lord Selkirk	4,243.7	12.8	50,236,809	11,838
Louis Riel	13,705.8	14.3	148,668,623	10,847
Mountain View	3,107.5	13.3	37,162,684	11,959
Mystery Lake	2,739.0	11.3	36,432,069	13,301
Park West	1,984.5	11.8	25,217,124	12,707
Pembina Trails	12,172.4	14.1	137,051,842	11,259
Pine Creek	1,077.8	12.5	13,304,000	12,344
Portage la Prairie	3,181.0	13.3	32,594,043	10,246
Prairie Rose	2,062.5	12.4	24,395,376	11,828
Prairie Spirit	2,024.0	13.2	25,213,075	12,457
Red River Valley	2,038.9	12.7	24,189,412	11,864
River East Transcona	15,784.0	14.0	163,717,495	10,372
Rolling River	1,649.5	12.6	20,412,796	12,375
Seine River	3,728.5	14.3	39,170,545	10,506
Seven Oaks	10,351.6	14.1	108,078,949	10,441
Southwest Horizon	1,586.0	13.0	19,465,890	12,274
St. James-Assiniboia	8,035.7	13.8	91,867,413	11,432
Sunrise	4,474.0	12.6	56,650,312	12,662
Swan Valley	1,428.7	11.8	19,518,074	13,661
Turtle Mountain	975.5	13.0	11,390,454	11,677
Turtle River	715.5	11.5	9,743,376	13,618
Western	1,610.0	14.6	15,870,388	9,857
Winnipeg	30,127.0	13.7	338,440,748	11,234
<b>Totals</b>	<b>172,261.2</b>	<b>13.5</b>	<b>1,970,121,728</b>	<b>11,437</b>



Tables

**TABLE 3**

**Increase in Expenditure per Student  
for Divisions/Districts**  
(Between 2002-2003 and 2012-2013)

Division/District	Increase in Expenditure per Student	Percentage Increase in Expenditure per Student
Beautiful Plains	3,526	51.2
Border Land	5,046	66.3
Brandon	3,840	60.3
DSFM	4,341	47.2
Evergreen	4,705	64.6
Flin Flon	5,120	66.9
Fort La Bosse	4,355	55.8
Frontier	6,901	58.1
Garden Valley	3,247	53.8
Hanover	3,693	67.8
Interlake	4,744	67.7
Kelsey	3,924	53.7
Lakeshore	5,419	70.7
Lord Selkirk	4,732	66.6
Louis Riel	3,930	56.8
Mountain View	4,288	55.9
Mystery Lake	5,561	71.8
Park West	5,202	69.3
Pembina Trails	3,806	51.1
Pine Creek	4,836	64.4
Portage la Prairie	3,061	42.6
Prairie Rose	4,212	55.3
Prairie Spirit	3,767	43.3
Red River Valley	4,525	61.7
River East Transcona	3,577	52.6
Rolling River	4,943	66.5
Seine River	3,669	53.7
Seven Oaks	3,295	46.1
Southwest Horizon	4,186	51.8
St. James-Assiniboia	4,679	69.3
Sunrise	5,270	71.3
Swan Valley	5,970	77.6
Turtle Mountain	4,367	59.7
Turtle River	5,630	70.5
Western	3,258	49.4
Winnipeg	3,273	41.1
<b>Totals</b>	<b>4,008</b>	<b>54.0</b>



## Endnotes

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## Further Reading

March 2014

### **The Cost Disease Infects Public Education Across Canada**

Rodney A. Clifton

<https://www.fcpp.org/posts/the-cost-disease-infects-public-education-across-canada>

October 2013

### **In the Heart of Edu-Babble: One Week in the Life of a Graduate Education Student**

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