

## **Manitoba's School Board Amalgamations—Before and After**

**The savings were illusory, because stakeholders “harmonized” their returns.**

### **Executive Summary**

- In 2001, Manitoba's Minister of Education announced that the number of school boards in the province would be reduced from 54 to 37.
- One of the main reasons given for the change was efficiency, that the reduction of unnecessary duplication would save up to \$10 million.
- Despite that prediction, overall spending by amalgamated school divisions has been greater than it was prior to amalgamation.
- Administrative cost savings have been almost negligible, with reductions in the order of only 2.6%, or half a million dollars, in amalgamated school divisions.
- A previous Frontier backgrounder, *Amalgamating School Boards Not an Answer*, had found virtually no correlation between school board size and per-pupil expenditures. This finding is confirmed in the analysis of post-amalgamation school division expenditures.
- Upward wage harmonization and the equalization of working conditions are largely responsible for substantial increases in personnel costs in amalgamated school divisions.
- The time and energy spent on the amalgamation process would have been better directed towards meaningful education reform.

### **Introduction**

In 2002, the Manitoba government passed Bill 14, the *Public Schools Modernization Act*, which reduced the number of school divisions in Manitoba from 54 to 38.<sup>1</sup> While this decision faced significant opposition, particularly from school board trustees, the government argued that amalgamation would result in significant cost savings. In addition, Drew Caldwell, then the Minister of Education, asserted that amalgamation was necessary in order to prevent school divisions from becoming too small and ineffective.<sup>2</sup>

Now that the amalgamation process has been completed, have these objectives been achieved? Did amalgamation result in cost savings? Is there clear evidence that per-pupil spending in the amalgamated school divisions has been reduced? Has there been a significant reduction in administrative costs in each of these divisions? In what sense have amalgamated school divisions become more effective because of their size?

### **History of the Amalgamation Process**

When Manitoba became a province in 1870, it held only 24 local school districts. As the province grew in population, the number of local school districts steadily increased until, by the 1950s, they numbered almost 2,000, most of them extremely small. In 1959, the McFarlane Commission recommended that most of these school districts be amalgamated into

48 larger school divisions. The recommendations were adopted in 1966 and a total of 48 school divisions and 6 remote school districts were created.<sup>3</sup>

In July, 1993, the provincial government created the Manitoba School Divisions/Districts Boundaries Review Commission, familiarly called the Norrie Commission, to determine whether or not the number of school divisions in Manitoba should be reduced. One year later, the Commission recommended that the number of school divisions in Manitoba be reduced to 21.<sup>4</sup> However the provincial government chose not to adopt the Commission's recommendations and decided, instead, to encourage voluntary amalgamation.<sup>5</sup> The government was concerned that the cost savings would not be significant enough to make forced amalgamation worthwhile.<sup>6</sup>

In 1999, voters installed a new provincial government with a different perspective. In 2000, Education Minister Drew Caldwell wrote to school boards and instructed them to investigate the possibility of voluntary amalgamation. While a few school boards began seriously to investigate amalgamation, the vast majority refused to comply voluntarily. On November 8, 2001, the Minister of Education announced a compulsory amalgamation plan which would reduce the number of school divisions from 54 to 37.<sup>7</sup>

While school divisions with smaller enrolments form the bulk of those required to amalgamate, some larger school divisions (Fort Garry and Assiniboine South, St. Boniface and St. Vital, and River East and the Transcona segment of Transcona-Springfield) were forced to amalgamate as well. Amalgamation was not limited to any one area of the province.

### **Amalgamated School Divisions<sup>8</sup>**

<b>New Divisions</b>	<b>Old Divisions</b>
Border Land	Boundary, Rhineland, Sprague, a portion of Red River
Frontier	Churchill, Frontier, Leaf Rapids, Lynn Lake, Snow Lake, a portion of Duck Mountain
Louis Riel	St. Boniface, St. Vital
Mountain View	Dauphin-Ochre, Intermountain, a portion of Duck Mountain
Park West	Birdtail River, Pelly Trail
Pembina Trails	Assiniboine South, Fort Garry
Prairie Rose	Midland, White Horse Plain
Prairie Spirit	Mountain, Prairie Spirit
Red River Valley	Morris-Macdonald, a portion of Red River
River East-Transcona	River East, the Transcona portion of Transcona-Springfield
Southwest Horizon	Antler River, Souris Valley
Sunrise	Agassiz, the Springfield portion of Transcona-Springfield

### **Rationale for Amalgamation**

One of the key justifications offered for amalgamation was a reduction in costs—particularly in regards to administration. The Minister predicted that amalgamation would result in significant savings that could then be directed towards classroom instruction.<sup>9</sup> His department estimated that amalgamation would result in an overall savings of up to \$10 million.<sup>10</sup>

In addition, it was argued that amalgamation would reduce unnecessary duplication of services between school divisions. Since all school divisions are responsible for educating children, it is not surprising that they would have similar programs and structures in place. The Minister of Education claimed that amalgamation would make it possible for school divisions to combine their resources and reduce administrative duplication.<sup>11</sup> Children, it was suggested, would benefit from an enhanced ability by school divisions to provide services that post-amalgamation would be superior to the ones they provided separately.

Finally, the Minister of Education noted that many rural school divisions in Manitoba were experiencing significant declines in enrolment. Since school division boundaries had not been revised since the 1960s, some of the current boundaries made little sense in light of changing demographics. Thus, amalgamation was proposed as a way for smaller school divisions (particularly those with less than 2000 students) to combine resources and avoid unnecessary school closures.<sup>12</sup>

### Evaluation of Effects of Amalgamation

If amalgamations are achieving significant cost savings, that fact is not reflected in the financial statements of amalgamated school boards. Instead of showing decreases in program and administrative costs for recently amalgamated school divisions, the Financial Reporting and Accounting in Manitoba Education (FRAME) reports show the opposite:

#### Per Pupil Spending in Amalgamated School Divisions<sup>13 14 15</sup>

School Division	Pre-Amalgamation 2002/2003	Post-Amalgamation 2003/2004	Difference	% Change
Border Land	\$7,320	\$7,689	+ \$369	+ 5.0
Frontier	11,154	12,341	+ 1187	+ 10.6
Louis Riel	6,970	7,360	+ 390	+ 5.6
Mountain View	7,638	8,051	+ 413	+ 5.4
Park West	7,590	8,156	+ 566	+ 7.5
Pembina Trails	7,592	7,903	+ 311	+ 4.1
Prairie Rose	7,757	8,086	+ 329	+ 4.2
Prairie Spirit	8,193	8,544	+ 351	+ 4.3
Red River Valley	7,114	7,892	+ 778	+ 10.9
River East-Transcona	6,761	7,083	+ 322	+ 4.8
Southwest Horizon	7,918	8,349	+ 431	+ 5.4
Sunrise	7,135	8,166	+ 1031	+ 14.4
<b>Average</b>	<b>\$7,762</b>	<b>\$8,302</b>	<b>+ \$540</b>	<b>+ 7.0</b>

Rather than an overall decrease in costs, amalgamated divisions are reporting significant increases. In total, spending in amalgamated school divisions went up by over \$27 million in one year.<sup>16</sup> Despite the predicted cost savings, spending in each of the amalgamated school divisions is noticeably greater than it was the year prior to amalgamation.

Have there at least been administrative savings? There are now fewer school trustees and, in theory at least, there should be fewer duplicated administrators. Post-amalgamation administrative costs should be significantly reduced. In fact, since the majority of amalgamations consisted of the merger of two intact school divisions, one might expect to see up to a 50% decrease in expenditures on administration. That's not the case:

## Administrative Costs <sup>17 18 19 20</sup>

School Division	Pre-Amalgamation Administrative Costs	Post-Amalgamation Administrative Costs	Difference
Border Land	\$735,923	\$717,487	- \$18,436
Frontier	4,396,143	3,959,312	- 436,831
Louis Riel	3,389,963	3,392,070	+ 2,107
Mountain View	900,745	883,347	- 17,398
Park West	701,621	651,144	- 50,477
Pembina Trails	3,902,532	3,821,410	- 81,122
Prairie Rose	741,215	685,220	- 55,995
Prairie Spirit	881,757	680,670	- 201,087
Red River Valley	735,325	786,795	+ 51,470
River East/Transcona	3,197,257	3,609,498	+ 412,241
Southwest Horizon	678,030	600,846	- 77,184
Sunrise	1,500,063	1,413,262	- 86,801
<b>Total</b>	<b>\$21,760,574</b>	<b>\$21,201,061</b>	<b>- \$559,513</b>

While most amalgamated school divisions did experience a small savings in administrative costs, these minor savings pale in comparison to increases in other areas. In addition, amalgamated school divisions spent only 2.6% less on administration than they did prior to amalgamation. A reduction of just over \$0.5 million is a far cry from the \$10 million saving predicted by the provincial government. Amalgamation has resulted in only extremely minor administrative cost savings and there have actually been significant overall spending increases in amalgamated school divisions.

### Analysis

Amalgamation has not reduced school division expenditures for a number of reasons. First of all, school divisions are faced with the difficult problem of wage harmonization. Since employees—both teachers and non-teachers—are often paid different wage rates in different divisions, amalgamated school divisions need to harmonize their wages. As expected, unions have placing significant pressure on school boards to ensure that upward harmonization takes place.<sup>21</sup> In other words, the higher rates prevail in the amalgamated organization.

In addition to harmonizing salaries, school boards also need to harmonize working conditions. For example, if one part of a merged school division had one secretary for every 300 students while the other side had a larger secretary-student ratio, there is substantial pressure for the side with the more favourable terms for unions to prevail across the division.<sup>22</sup> The same applies to support staff as well as teaching staff. As a result, personnel costs increase.

The numbers above indicate that the bulk of the half million dollars in overall administrative savings have been achieved in remote divisions with small student populations, like Frontier and Prairie Spirit. These amalgamations have been smoothly implemented. But the forced mergers of large urban divisions, with their mature administrative and organizational cultures, are another matter. The merger of the St. Boniface and St. Vital school divisions into Louis Riel, for instance, created more administrative costs per student, not fewer. That pales in comparison to the costs experienced by the forced amalgamation of River East and Transcona divisions, where administrative overheads skyrocketed. Further, anecdotal reports from within those divisions indicate that the turf wars resulting from forced amalgamation may have seriously impaired the educational mission in those jurisdictions.

Finally, there is no evidence that larger school boards are more efficient than smaller school boards. As noted in an earlier Frontier study,<sup>23</sup> there is virtually no correlation between school board size and per pupil expenditures. With the exception of very tiny school divisions with less than 1000 students, there is no evidence that smaller divisions are any less efficient than larger school divisions. In fact, the largest school division in Manitoba, Winnipeg School Division, has the fourth highest per pupil expenditures while many small and mid-sized school divisions have low per pupil expenditures. There was little reason to expect that creating larger school boards was going to result in reduced costs.<sup>24</sup>

## Conclusion

Whatever the motives behind the decision to proceed with forced school division amalgamations, the evidence indicates that the predicted cost savings are non-existent. Amalgamation has resulted in only a minimal decrease (2.6%) in administrative costs while spending in other areas has continued to increase. Clearly, the prediction that amalgamation would save \$10 million by finding efficiencies and reducing duplication was much too optimistic.

In the absence of any evidence that larger school divisions are more cost-effective than smaller school divisions, one wonders why the province went ahead with the school board amalgamations in the first place. Regardless of the reasons for this decision, the fact remains that amalgamation has proven to be a costly and divisive experiment that has consumed time and resources which could have gone toward meaningful education reform. In the future, the provincial government should ensure that major initiatives will have a positive effect on teaching and learning before they are implemented

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<sup>1</sup> Manitoba Education, Training and Youth, *FRAME Report 2003-2004 Budget*

<sup>2</sup> Manitoba Education, Training and Youth, *Provincial Modernization of School Boundaries* News Release, Nov. 8, 2001. [http://www.edu.gov.mb.ca/ks4/schools/amalgamation/news\\_release.html](http://www.edu.gov.mb.ca/ks4/schools/amalgamation/news_release.html)

<sup>3</sup> Manitoba School Divisions/Districts Boundaries Review Commission, *Final Report and Recommendations*, November, 1994.

<sup>4</sup> Ibid.

<sup>5</sup> Alice Krueger, "Manitoba Won't Reduce School Divisions," *Winnipeg Free Press*, June 25, 1996.

<sup>6</sup> Dennis Owens, *Are School Boards Obsolete?* Frontier Centre for Public Policy, 1999. [http://www.fcpp.org/publication\\_detail.php?PubID=426](http://www.fcpp.org/publication_detail.php?PubID=426)

<sup>7</sup> Manitoba Education, Training and Youth. *Provincial Modernization of School Boundaries: Background*. <http://www.edu.gov.mb.ca/ks4/schools/amalgamation/background.html>

<sup>8</sup> Manitoba Education, Training and Youth, *FRAME Report 2003-2004 Budget*

<sup>9</sup> Manitoba Education, Training and Youth. *Provincial Modernization of School Boundaries: Background*. <http://www.edu.gov.mb.ca/ks4/schools/amalgamation/background.html>

<sup>10</sup> Manitoba Association of School Trustees. *Unrealistic Expectations and Inadequate Funding of School Board Budget Crisis*. [http://www.mast.mb.ca/Communications/New\\_Releases/March%205%20NR.PDF](http://www.mast.mb.ca/Communications/New_Releases/March%205%20NR.PDF)

<sup>11</sup> Manitoba Education, Training and Youth. *Provincial Modernization of School Boundaries*. [http://www.edu.gov.mb.ca/ks4/schools/amalgamation/news\\_release.html](http://www.edu.gov.mb.ca/ks4/schools/amalgamation/news_release.html)

<sup>12</sup> Ibid.

<sup>13</sup> Manitoba Education, Training and Youth, *FRAME Report 2003-2004 Budget*

<sup>14</sup> Manitoba Education, Training and Youth, *FRAME Report 2002-2003 Budget*

<sup>15</sup> Some pre-amalgamation figures are estimated in circumstances where partial amalgamations took place (Red River, Duck Mountain, and Transcona-Springfield). In these cases, 50% of the school division's budget is evenly allocated to both of its new divisions.

<sup>16</sup> Manitoba Education, Training and Youth, *FRAME Report 2003-2004 Budget*

<sup>17</sup> Ibid.

<sup>18</sup> Manitoba Education, Training and Youth, *FRAME Report 2002-2003 Budget*

<sup>19</sup> In the 2003-2004 FRAME Report, minor changes to the definition of Divisional Administration costs (function 500) were made. In order to ensure consistency, figures for 2003-2004 expenses are adjusted so that the same items are included as in previous school years.

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<sup>20</sup> Some pre-amalgamation figures are estimated in circumstances where partial amalgamations took place (Red River, Duck Mountain and Transcona-Springfield). In these cases, 50% of the school division's divisional administration budget is evenly allocated to both of its new divisions.

<sup>21</sup> Manitoba Association of School Trustees. *Real Costs of Amalgamation Becoming Evident*. April 8, 2003.  
[http://www.mast.mb.ca/Communications/New\\_Releases/Sunrise%20NR%20Apr03.PDF](http://www.mast.mb.ca/Communications/New_Releases/Sunrise%20NR%20Apr03.PDF)

<sup>22</sup> CBC Manitoba. *Amalgamation Costs Some Divisions More Than It Saves*. March 17, 2004.  
[http://winnipeg.cbc.ca/regional/servlet/View?filename=mb\\_amalgamation20040317](http://winnipeg.cbc.ca/regional/servlet/View?filename=mb_amalgamation20040317)

<sup>23</sup> Frontier Centre for Public Policy. *Amalgamating School Boards Not an Answer*. March, 2003.  
<http://www.fcpp.org/pdf/FB%2015%20Amalgamating%20School%20Boards%20Not%20Answer.pdf>

<sup>24</sup> This result was predicted in the Frontier backgrounder, *Amalgamating School Boards Not an Answer*, before the 2003-2004 school year data was available.

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