

The Public Finance of Private Education in the Province of Quebec

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Depuis l'approbation du Bill 56 par l'Assemblée Nationale en 1968 décembre, le Québec a fortement subventionné les écoles privées approuvées par le Ministère de l'Education. Pendant l'année scolaire 1975/76 les effectifs des écoles privées élémentaires, secondaires, et collégiales étaient de 5,5% des effectifs totaux de ces trois sections. Les écoles privées du Québec emploient le programme officiel d'études comme le secteur public et présentent leurs élèves aux examens du Ministère de l'Education. Par contre elles sont beaucoup plus petites que les écoles publiques et elles inscrivent une plus grande proportion de leurs élèves dans l'enseignement général. Les élèves des écoles privées sont auto-sélectionnés et ensuite sont sélectionnés par les écoles sur plusieurs critères. Les techniques utilisées par le Ministère de l'Education pour financer les écoles privées favorisent mieux l'efficacité de la répartition des ressources que celles utilisées pour le secteur public.

Since the early sixties there has been considerable debate in North America concerning the public financing of private schools. Much of this debate has centered around the idea of an education voucher which would allow parents to send their children to the school of their choice, public or private. In the midst of this debate, in 1968, the province of Quebec in Canada initiated a similar scheme. During the 10 years that it has been in operation it has gone almost unnoticed outside the province even though Quebec subsidizes private schools more heavily than any other North American jurisdiction. Meanwhile, within the province, this subsidization has been a contentious issue and has received much attention in the media. Although there is a considerable body of literature on this topic, it is mainly in French and is not widely available outside Quebec.

This paper has three objectives. The first is to acquaint especially the anglophone reader with the details of the system and its operation by means of an extensive analytical review of the literature. This review is itself a second objective. It brings together the important literature on Quebec private schooling since 1968. Since voucher financing is a system of resource allocation, it can be subjected to the tools of economic analysis, especially those of price theory. A third objective is to compare, using price theoretic concepts, the public and private education sectors in Quebec in terms of structural provisions affecting economically efficient resource allocation.

THE PRIVATE EDUCATION ACT OF 1968

The "Private Education Act" or Bill 56, as it is often called, was assented to in December 1968, and now forms Chapter 67 of the Revised Statutes of Quebec. It replaced a series of stopgap measures used during the sixties to prevent the complete disappearance of private sector education as the public sector expanded rapidly. The debate on Bill 56 in the Quebec National Assembly was preceded by public hearings which resulted in important changes to the original draft bill. The final product was intended to do more than provide a temporary reprieve to the financially hard-pressed private sector. It has remained in force now without amendment for 10 years.

Bill 56 covers the licensing of private educational institutions (Act, 23 to 30),¹ regardless of whether they receive grant support, as well as providing for two defined levels of grant support (Act, 14 and 17) and one level determined by regulation (Act, 20). Excluded from the Act entirely are public schools of any type, schools controlled by other ministries (e.g., driving schools), persons who instruct without charge, and companies that offer free courses to employees (Act, 2). The Regulations (43 and 44) also exclude certain very small institutions, courses offered by churches, and municipally offered recreational courses, among others. Those schools excluded by regulations are required to inform the Minister of Education of their activities but need not obtain a permit to operate.

Five types of education are defined (Act, 1): academic education,² vocational education, education for handicapped children, self-improvement education, and education by correspondence. Only the first three types benefit from the grant provisions, with self-improvement education denied grants by statute (Act, 11 and 16) and correspondence education by practice. There are four defined levels of academic education (Act, 32-35): pre-elementary, elementary, secondary, and college.

The two defined levels of grant support are termed "recognition for purposes of grants" (Act, 15) and "declaration of public interest" (Act, 9). The base for these two support levels is the average cost per pupil for the preceding school year for public establishments of the same class (Act, 14 and 17). An institution recognized for the grant purposes receives 60% of the base (Act, 17) and an institution declared to be of public interest receives 80% of the base (Act, 14). These institutions may, in addition, levy tuition fees to bring their per pupil revenue up to but no higher than 110% of the base. Notwithstanding the two defined grant levels, institutions providing education for handicapped children which are recognized for grant purposes or declared to be of public interest receive grants at a level defined by regulation (Act, 20).

Bill 56 provides for the formation of a "Private Education Advisory Commission" (Act, 3) consisting of nine members appointed by the Lieutenant-Governor-in-Council upon the recommendation of the Minister of Education. This commission advises the minister generally on

matters of private education and supervises the evaluation of private schools wishing to receive grants.

The Minister of Education has the authority to recognize educational institutions for either of the two levels of grant support (Act, 9 and 15) and to revoke such recognition. He is required to seek the advice of the Private Education Advisory Commission but need not act in accordance with the advice received. By statute, an institution that receives a grant is one that "ensures services of quality and contributes to the advancement of education in the province of Quebec by reason of the characteristics of the education which it provides, the competence of its staff, and the pedagogical methods which it employs" (Act, 9). The regulations further specify the areas to be evaluated as: objectives, general administration, academic organization, physical facilities, personnel, and efficiency (Regs., 16). This is done through a system of self-evaluation followed by an external evaluation (Laroche, 1972, pp. 4-7).

The performance of this evaluation and the subsequent recommendation is one of the main responsibilities of the Private Education Advisory Commission (Pardoen, 1970, pp. 193-196). The members of the Commission can make one of five recommendations to the minister based on a request from an institution and their evaluation of it. To begin with, they judge whether the school comes under the terms of the Act, and if it does not then it is allowed to operate without a permit. If it does fall within the bounds of the Act a permit can be granted or denied. In the latter case, operation of the school is an offence (Act, 68-70). A permit may be issued without government financial support or the institution may be recognized for grant purposes or declared to be of public interest.

The Private Education Act contains numerous other provisions governing the operation of private schools which will not be considered here.

The debate which took place in December 1968 in the Quebec Legislative Assembly concerning Bill 56 showed all major political parties to be in support of the Act (*Débats*, 1968, pp. 5014-5056). The bill was introduced by Guy Cardinal, Minister of Education for the governing Union Nationale Party. The major opposition spokesman was Jean Lesage, leader of the Liberals, who were the official opposition. Lesage's support of the bill was even more vocal than that of Cardinal. Private schools had been in a state of decline during the sixties in the face of the rapidly expanding public sector, and many assembly members were concerned that they would disappear altogether if not helped by the state and helped soon. The debate had an air of nostalgia as members spoke of the education they had received in the province's private schools. What little opposition there was centered around the claim that the bill provided too little and came too late. The absolute authority given to the minister in choosing to provide or not to provide grants was seen by at least one member (*Débats*, 1968, pp. 5029-5030) as a plot to control public opposition while slowly phasing out private schools. He strongly supported

private schools but questioned the sincerity of the government in introducing the bill. Bill 56 passed without difficulty.

IMPLEMENTATION OF THE PRIVATE EDUCATION ACT

The Private Education Advisory Commission was appointed in March 1969 (*Premier Rapport*, 1970, p. 4). The members proceeded immediately to draft regulations for the Act and to develop their own operating procedures. The regulations were adopted in July 1969 and applications for grants were being processed by the end of the year. By December 1970, when the commission published its first annual report, the minister had made 85 recognitions for grant purposes and 268 declarations of public interest, in accordance with the recommendation of the commission in most cases. It should be noted that the actual number of institutions subsidized was somewhat smaller since a recognition or declaration must be made for each level and type of education even if offered by the same school.

In the process of funding these institutions a number of problems arose. The base for the level of funding, which was the average cost in the public sector during the previous school year, could not be determined early enough to notify the private schools of the value of their grant in time for either budgeting in January or school opening in September (Le ministre, 1970, p. 158). The regulations (Regs., 34) require the government to pay the grant in 10 approximately equal instalments beginning at the end of October. The amount of the early instalments must be estimated. A more serious problem arose with that portion of the grant based on the cost of capital in the public sector. Initially this included only the cost of indebtedness and did not include the cost of capital facilities financed in other ways (Le ministre, 1970, p. 158). This issue was the subject of repeated recommendations by the Advisory Commission (*Premier Rapport*, 1970, p. 36; *Deuxième Rapport*, 1971, p. 6) and was rectified for the 1971-72 school year and beyond by the introduction of imputed rent (Caron and Doucet, 1976, p. 5), which is treated in more detail later in this article.

The choice of institutions to subsidize at the elementary level posed some unique problems. Until recently Quebec francophones have had a tradition of almost exclusively private secondary and college education but have funded elementary education publicly in much the same way as other provinces. Many secondary schools and colleges were receiving some public funding before Bill 56 and they easily accepted the more flexible and generous provisions of the new legislation. Private elementary schools had not previously received public subsidies. Initially the Advisory Commission recommended for public funding those elementary schools with student residences and with at least 20% of the student body receiving room and board (*Cinquième Rapport*, 1974, pp. 38-39; David, 1975,

p. 19). Public funding was extended to a small number of pre-elementary schools for ethnic minorities designed to assimilate them into the French language and culture. The Advisory Commission proceeded to recommend non-boarding elementary schools for funding, since boarding facilities were not required for subsidization at higher levels, but they were consistently turned down by the minister in spite of attempts by the appropriate lobby (Association des institutions de niveaux pre-scolaire et élémentaire du Québec) to eliminate this restriction (Desjardins, 1973). The ministerial discretion provided for in the Act has resulted in funding criteria for the elementary level not explicitly provided for in either the Act or the Regulations. The penetration of the private sector into elementary education is minimal compared to the higher levels, as indicated in Table 1.

TABLE 1
*Number of Pupils at Various Levels of the Public
and Subsidized Private Sector Schools of Québec
During the 1975-76 School Year*

<i>Level</i>	<i>Public Sector</i>	<i>Private Sector (Subsidized)</i>	<i>Total Public and Private</i>	<i>Private Sector as Percentage of Total</i>
Pre-elementary	92,695	796	93,491	0.9
Elementary	607,282	6,372	613,654	1.0
Secondary				
academic	477,249	58,991	536,240	11.0
vocational	104,660	3,024	107,684	2.8
Schools for handicapped children	93,023	2,187	95,210	2.3
College				
academic	53,971	9,966	63,937	15.6
vocational	48,907	3,973	52,880	7.5
All levels	1,477,787	85,309	1,563,096	5.5

SOURCE: *Clientèle Scolaire Des Organismes D'Enseignement 1975/76*, pp. 108-109, 132-133, 240-241.

SELECTION OF PRIVATE SCHOOLS FOR FUNDING

The selection of private schools for funding within the framework of Bill 56 is described in detail in a five-volume self-evaluation guide (Service, 1973) published by the Ministry of Education. This guide, it should be emphasized, forms the basis of recommendations of the Private Education Advisory Commission to the minister but not necessarily the basis of the ministerial decisions which follow. The minister rarely approves a school not recommended by the Advisory Commission, but he has more frequently refused funding to those recommended.

The evaluation procedure consists essentially of an internal self-evaluation followed by an external verification. The self-evaluation is conducted by a series of specialized subcommittees under the control of a directing committee containing representatives of administration, teachers, parents, and pupils if appropriate. The directing committee appoints subcommittees to conduct various aspects of the evaluation. At all levels there may be subcommittees covering philosophy and objectives, plant and facilities, administrative organization, student services, guidance, health, culture and sports, spiritual affairs, student residences, cafeterias, and several others. Each level of schooling has additional subcommittees covering academic subject areas and aspects specific to that level. The directing committee assembles the reports of the subcommittees and makes arrangements for the visitation committee to verify the self-evaluation. During a visit of one or two days to the school, the visitation committee goes over the self-evaluation with school officials and makes recommendations for improvement. After leaving the school they prepare a report for the officials of the Private Education Advisory Commission. This report and the school's self-evaluation guide the commission in preparing its recommendation to the minister.

The format of the self-evaluation follows the extremely detailed guide provided by the ministry. The categories of evaluation, correspond to the subcommittee designations. Under philosophy and objectives, for example, the school states the philosophical basis for its formation and develops this chronologically to the present. It then states its future objectives. Included in this section are the characteristics of the pupils it wishes to serve and the relationship of the school to the larger society including the labor market. The various subcommittees answer hundreds of questions covering every phase of the school and its operation. Some can be answered with a simple yes or no while others require well-thought-out expositions.

In the introductory section of the self-evaluation guide (Service, 1973, vol. 1, p. 3) the authors point out the difference between self-evaluation and self-defence. Self-evaluation is seen as a prerequisite to self-improvement. Schools are encouraged to be open about their weaknesses and to take remedial action. The visitation committee, which consists of expert specialists, is prepared to offer advice to this end. The different funding levels provide an incentive for schools to improve their performance while the evaluation procedure provides them with clear guidance as to what must be changed and how it can be done. It will be shown later that the funding mechanism for private schools allows them the flexibility they need to implement these changes.

DIFFERENCES BETWEEN PUBLIC AND PRIVATE SCHOOLS

Private schools in Quebec have become significantly different than public schools in some ways and very similar in others. Here we examine some

of the more obvious differences. Of the 95 private secondary schools surveyed by Gauvin (1975, p. 2), only 17% were administered entirely by lay (as opposed to religious) persons. Seventy-two percent were administered entirely by members of religious orders, and the others had mixed administration. Although the public system is legally divided into Protestant and Roman Catholic sections, public schools are secular schools administered by elected school boards. Only 23% of the schools in Gauvin's sample were co-educational. The rest were about equally divided between boys only and girls only. About 71% had room and board available for at least some of their students. Private sector teachers are less unionized than those in the public sector. Only 11% of private francophone schools offering full time instruction in 1973-74 were unionized (David, 1975, p. 141). Caron and Ayotte (1976, p. 5) report that 7.9% of private schools and 19.1% of private school teachers are unionized. Unionized private school teachers are less militant (Lysiane Gagnon, 1977, p. 21), and strikes in the private schools occur less frequently than in the public schools. Seventy-four percent of the schools in Gauvin's sample offered only academic education. The public sector at the secondary level is now dominated by large, comprehensive (poly-valent) schools offering an academic stream and a wide range of vocational options. Table 1 shows that private schools at the secondary and college level enrol a disproportionately large number of students in the academic stream. The difference between public and private schools which is emphasized most prominently in the literature is that of institutional size. A comparison of public and private secondary schools by size (David, 1975, p. 148) showed the modal public school to have between 1,000 and 2,000 students and the modal private school between 100 and 200 students. In 1973-74 the average private elementary, secondary, and college level schools had 283, 441, and 388 students respectively (David, 1975, pp. 104-105), far fewer than their public equivalents. Their reduced size is said to lead to a more human climate (Gagnon, 1977, p. 54).

PRIVATE SCHOOL ATTENDANCE AND REASONS FOR IT

Quebec private schools have been increasing their enrolments during the seventies, a decade of shrinking enrolments in the public sector. Table 1 compares public and private school enrolments in 1975-76. The relative unimportance of private elementary institutions is apparent. Much of the recent expansion of private schools has occurred at the secondary level where private schools enrolled 9.6% of the students. Table 2 shows the expansion of private sector enrolments over time.

Enrolments in private schools in Quebec are expanding in contrast to those of the public schools for two main reasons, according to the popular press. A high proportion of private school students go on to university (Private Schools Packed, 1976), and private schools have lower pupil-

TABLE 2
*Number of Pupils and Rate of Change of Number of Pupils
 in Subsidized Private Schools in Quebec Between 1970 and 1978*

<i>School Year</i>	<i>Number of Pupils</i>	<i>Percentage Change From Previous Year</i>
1970/71	60,051	
1971/72	59,921	—0.2
1972/73	63,972	6.8
1973/74	70,137	9.6
1974/75	73,133	4.3
1975/76	85,309	16.6
1976/77	88,253	3.5
1977/78 ^a	92,662	5.0

NOTES: The figures for early years include private institutions which acted as sub-contractors to public school commissions in educating pupils whose tuition was paid by the commissions. These so-called "associated institutions" have now disappeared.

^aThe figure for 1977-78 is a Ministry of Education estimate.

SOURCES: David, Guy. *La situation de l'enseignement privé au Québec*, p. 61; *Clientèles Scolaires* 1 1974/75, p. 117; *Clientèles Scolaires Des Organismes D'Enseignement* 1975/76, pp. 133, 241; Morin, Jacques-Yvan, *L'éducation en 1977-78: Nouveau Départ*, pp. 59-60.

teacher ratios than public schools (Why Parents, 1972). The latter contention is disputed by Lysiane Gagnon (1977, p. 28), who claims that the private schools have higher pupil-teacher ratios than public schools. People send their children to private schools because there they are not treated like numbers (Le Blanc, 1975, p. 18).

These journalistic impressions were largely confirmed by a careful and detailed empirical study of private secondary school students and their families in Quebec conducted by Louis Gadbois (1976) for l'Association des institutions d'enseignement secondaire. In a questionnaire completed by 9,961 parents of private school students Gadbois used 30 questions to gauge the reasons for private school enrolment and their intensities. The reason cited most frequently by far was the increased likelihood of the student being well prepared for college and university studies (Gadbois, 1976, p. 167). Also mentioned frequently were the teaching of values permitting one to better conduct his life and good discipline of students. The interpretation of these reasons is somewhat complicated by their lack of mutual independence. For example, the good reputation of the specific institution attended was frequently mentioned, but this could be a reputation for sending students on to higher education or for stern discipline. The third most frequently occurring reason was that the small size of the institution permitted it to better respond to the needs of the student. This

may be tied up with its ability to send students on to higher education. The reasons indicated least frequently provide additional insight. Almost no one sent his child to a private school because of "avant-garde" methods of teaching. Matters of social milieu, nature of classmates, extra-curricular activities, and coeducation or the lack of it were considered unimportant. A picture emerges of small, highly academic institutions that have gained the reputation of sending their students on to higher education and that are successful in doing so for a number of reasons. These reasons may include some of the above-mentioned ones such as small class size and strict discipline, but may also include other less obvious ones such as singularity of objective and careful selection of pupils.

A telephone survey directed to the public in general and conducted by Lafleur (1975) provided information on public school supporters. The most common reason given for sending children to public secondary schools was the high cost of private schooling. Sixty-six percent of the respondents indicated that they would send their children to private schools if they were tuition-free. Those respondents who favored the existence of private schools did so for three main reasons: better education, greater attention to individual pupils, and better discipline, in that order.

SELECTION OF STUDENTS BY PRIVATE SCHOOLS

The Organization of Catholic School Boards (la Fédération des commissions scolaire catholique du Québec) has compared private schools to hospitals that only accept patients whose cure is guaranteed by their good health (Fortin, 1974, p. 3). Private schools send a very high proportion of their graduates on to college because of their selective admissions policies (Fortin, 1974, p. 3), leaving the unacceptable students to the public sector, which is not permitted to select those it wants, according to Fortin. This argument needs to be examined carefully from a logical viewpoint.

Assume the existence of two school systems which offer identical educational programs. One of the systems admits only the best students and charges tuition while the other accepts anyone and charges no tuition. Clearly the rational, perfectly informed student will choose the non-selective free system since he is getting the same program at a lower price. Thus the existence of selectivity is not, in itself, enough to make the private schools more desirable unless the nature of one's classmates is important. But Gadbois (1976, pp. 166-167) has shown that this is not considered to be important by those choosing private schooling. If we now drop the strong assumption that the student (or his family) has perfect knowledge of the educational alternatives, the analysis yields different results. In the absence of good information about program quality, students may judge the quality of the program by its output. They ignore the effect of student input because they don't have informa-

tion on that either. This leads to what has been called the "charter effect." The school is successful in sending a large proportion of its students on to higher education because it accepts only those students who would go on to higher education regardless of which system they were in. In this way it gains an undeserved reputation for a high quality program. Such a reputation attracts more applicants which permits the school to be even more selective, and successful, thus reinforcing its reputation. Under a reasonable set of assumptions it is possible for private schools to attract students that would attend public schools if they had been better informed about the two alternatives.

Gauthier (1975) compared the results of public and private secondary school students on the Ministry of Education examinations of June 1974. Of 39 courses, private school students had higher averages on 36. The proportion of failures was 15% lower among private school students. These comparisons are based simply on the scores for students writing the examination and are not adjusted for the proportion of eligible students writing or for the selectivity on entry of the schools. No conclusions can be drawn concerning relative program quality, but results such as these may influence public perceptions of quality.

Central to this analysis is the nature and extent of curricular differences between the public and private sectors. Private schools are required by the Act (31-35) to offer the official curriculum, or a part of it, and to present their pupils for the final examinations conducted by the Ministry of Education. The criteria used to determine whether a private school will be funded and at what level (Laroche, 1972; *Cinquième Rapport*, 1974, pp. 13-19) are essentially those which one would expect of a good public school. In short, at the official level private school curriculum is controlled by the ministry and is the same as for the public schools. At the classroom level the private schools are thought to be pedagogically traditional (David, 1975, p. 125) but to have programs similar to the public schools (Pelletier-Baillargeon, 1973, p. 11). Gatson Bibeau, (1973, p. 12), for many years the president of the Private Education Advisory Commission, also noted striking similarities between public and private institutions at the college level. He accused the private colleges of copying the organization, administration, functions, and working conditions of the CEGEPS (public colleges) to the point where there was little difference. Bibeau deplored the reluctance of the private colleges to experiment with new programs and teaching techniques. The expectation that private schools would be in the forefront of curricular innovation has not materialized at any level.

The analysis so far has ignored the question of just how selective private schools really are. There are two phases to this selectivity. The first is the self-selection by parents of the school system to which they will apply on behalf of their children. The second is the selection of pupils from the set of applicants by the private schools. Lafleur (1975, p. 50)

found that 26% of the parents who sent their children to public secondary schools did so because of the high cost of private schooling. Gauvin (1975, p. 15) found that 8% of those who dropped out of private secondary schools for known reasons did so because of financial difficulties. We would therefore expect some self-selection of students by parental income. On the other hand the schools would probably not select pupils from the applicant pool with this variable. Gadbois (1976, p. 117) compared the father's income of students in private secondary schools with that of a control group drawn from Statistics Canada data in such a way as to make it as representative of fathers with children in secondary school as possible. Although persons from all income levels supported private schools their median income was 41% higher than that of the control group. Their rate of unemployment was only 0.5%. Thirty-three percent of the fathers had some post-secondary education as opposed to 13% of Quebec males over age 14 who had some post-secondary education at the time of the 1971 census. The evidence suggests considerable self-selection on economic and educational grounds.

Somewhat more evidence is available on selection by the schools from among the applicants. The president of the Québec Association of Independent Schools suggested an acceptance rate of 30 to 50% (Private schools packed, 1976) but admitted that he did not have hard statistics. A survey of private secondary schools belonging to the Association des institutions d'enseignement secondaire (Grégoire, 1977, p. 119) reported accepting 40% of applicants for the school year 1977-78. Pelletier-Baillargeon (1973, p. 12), indicated selection of the children of alumni and of the top students from the public system, but she provided no data to support her contention. Her comments certainly do not apply to all private secondary schools since some have been approved for funding which are aimed primarily at students having adjustment problems in public schools (*Sixième Rapport*, 1975, pp. 19-20).

Gauvin (1975) surveyed the private secondary schools of the Association des institutions d'enseignement secondaire concerning admission selection, dropouts, and expulsions during the 1973-74 school year. He obtained a sample of 95 institutions enrolling 43,187 students. These institutions accepted 53% of their applicants, 76% of whom were coming from public schools. Pupils were selected on the basis of academic record, entrance examination results, interviews, and disciplinary record, as indicated in Table 3. In addition 39% of the schools considered the religion of the applicant, and 29% considered the extent to which he practised his religion. Six percent occasionally considered the applicant's ethnicity. Each school was asked to rank in order the objectives of their selection process. The three highest ranked objectives in descending order of importance were to ensure the students' academic success, to ensure respect for the school's rule of discipline, and to preserve the religious character of the institution.

TABLE 3
*Utilization and Importance of Various Methods of Selection
 of Students by Quebec Private Secondary Schools
 in 1973-74*

<i>Method of Selection</i>	<i>Institutions Utilizing</i>	<i>Institutions Considering Method Most Important</i>	<i>Institutions Considering Method Equal in Importance to Others</i>	<i>Institutions Considering Method Less Important Than Others</i>
academic record	92	25	66	9
entrance examination	78	30	65	5
interview	76	16	60	24
behavioral or disciplinary record	57	2	51	47

NOTE: All figures are percents of institutions.

SOURCE: Gauvin, Roger. *Rapport statistique préliminaire du questionnaire sur l'admission, la sélection, et le renvoi ou la non-réadmission des élèves des institutions privées membres de l'AIES pour l'année scolaire 1973-1974*. Montréal: Association des institutions d'enseignement secondaire, 1975.

During and at the end of the 73-74 academic year these schools expelled or induced to leave 1,742 students or 4% of their enrolment. Of these students 56% were expelled for academic reasons, 22% for reasons of behavior, and 19% for both academic and behavioral reasons. An additional 8% of the student body dropped out voluntarily for reasons not well specified in the questionnaire. Of those who dropped out or were expelled and whose destination was known, 71% went to a public school and 14% entered the labor market.

The main Quebec teacher organization, the Centrale de l'enseignement du Québec, has accused the private schools of siphoning off the best students and leaving the others to the public schools, which have no choice but to accept them (David, 1975, p. 131). The evidence presented above appears to support these charges.

The absence of any legislation or regulations concerning the selectivity of private schools in Quebec contrasts sharply with the great concern over this matter in the extended debate on voucher financing in the United States (*Report*, 1970). The concern was that individual institutions would discriminate racially, economically, or culturally, resulting in segregated schools. Quebec is the only jurisdiction in North America which has heavily subsidized private schools over a period of time. In spite of this, very little attention has been paid to questions of justice, due process, and equity in the selection of pupils by publicly supported private schools.

FINANCING AND ADMINISTERING PRIVATE SCHOOLS

As indicated previously, the level of subsidy for private schools is based on the average cost per pupil for public schools of the same type during the preceding school year. The calculation of this base has evolved over the years and has reached a level of complexity not suggested by the legislature (Coté, 1975, pp. 14-84). Certain public sector expenditures are excluded from the calculation (Coté, 1975, p. 84). Pupil transport is excluded by the Act (21). Enterprise operations such as cafeterias are excluded as well as programs for which there is a special budget such as research projects and pupil room and board. Education of adults is not included. The average cost includes an amount for operating expenses which is unique to a type and level of education but common across institutions and an imputed rent unique to each institution to parallel the interest and depreciation expenses of public sector capital investment.

The amount for operating expenses is based on four types of data. These include expenses fixed by provincial regulation either on a per pupil basis or as a fixed amount for each public institution (Coté, 1975, p. 90). Additional data are obtained from public sector budgets and financial statements. These sources are used in a defined way to calculate separate average costs for 10 budget categories at the elementary level, 19 at the secondary level, and 9 at the college level (Demers and Fournier, 1976, pp. iii-2, 5, 7). Together they form the operating component of the average cost.

The operating component of the average cost does not include payments to retire indebtedness or the costs of constructing and equipping schools. Construction costs are discontinuous and levels of indebtedness vary considerably. The problem of providing grants to cover capital costs was raised as early as the second reading of Bill 56 in the Legislative Assembly (*Débats*, 1968, pp. 5016-5017). Jean Lesage, then Leader of the Opposition, asked whether imputed rent was to be included in the grants. Guy Cardinal, the Minister of Education, replied affirmatively. In spite of this, it was not used until the third year of application of the law (Coté, 1975, p. 77).

The imputed rent is calculated by amortizing a constructed capital value figure for each private school (Caron and Doucet, 1976). These values are based on public school construction experience and space norms, and are determined separately for kindergartens, schools for the handicapped, elementary schools, secondary schools, and colleges. The actual size of each private school building and lot are used. Certain structures such as dormitories which are not found in public schools are excluded. Also excluded is that portion of the construction cost of each private school paid for by public grants from a number of federal and provincial agencies. The net investment after these deductions is amor-

tized over 20 years at an interest rate of 8.5% yielding an amortization factor of 0.10567. In 1974-75 the imputed-rent portion of grants was 10.141 million dollars (Caron and Doucet, 1976, p. 44), or 13.4% of the total amount granted to private schools in that year.

Although the calculation of the average cost is done by budget category, the grant to a private school is a block grant (Gagnon, 1977, p. 55) which can be allocated to budget items as the school administration sees fit.

Different opinions have been expressed as to whether private schools are better off or worse off financially than public schools under these arrangements. Coté (1975, pp. 102-103) has shown that the size differences between public and private institutions operate against the private ones in the calculation of the average cost in some budget categories. Lysiane Gagnon (1977, p. 80) calculates that even with the maximum parental contribution the private institutions receive about 12% less than the public ones. The Centrale de l'enseignement du Québec claims that, because of the lower proportion of vocational students in the private sector among other reasons, the private sector is overfunded (David, 1975, pp. 76-81). Caron (1977, p. 50) has compared the per pupil cost to the Ministry of Education of public and private education by comparing the revenue side of the accounts. His analysis unfortunately omits property tax revenue for public schools, which constitutes about 35% of total revenue at the local level (Dubois, 1977, p. 40). His figures, unlike most others published for Quebec, distinguish between costs at the elementary and secondary levels. A careful comparison would have to take into account not only the different proportions of academic and vocational students but also the different level of capital investment required for each as well as the different methods of financing it. Elementary, secondary, and college levels should be separated because of their differing numerical importance in the two sectors. Such a careful comparison has probably not been made.

A comparison of the allocative efficiency effects of the methods of finance for the two sectors is possible. This relates especially to the allocative effects of separate capital and operating budgets in the public sector as contrasted with the use of imputed rent in the private sector.

In the public sector all capital projects except for very small ones require approval of the Ministry of Education (Hall, 1972, p. 30). They are financed by a combination of provincial grant and bonded indebtedness, especially the latter in recent years (Groupe économique, 1974, p. 50). Debt repayments are part of approved operating expenditures of boards and benefit from provincial budget equilibrium grants which are inversely related to district wealth. The result is a high level of provincial support for capital costs but no possibility of trading off between capital expenditures and non-capital operating expenditures. The economically rational

board will accept all the capital investment it can get approval for since it does not bear much of the cost. The equity portion of the project, if any, is covered by a provincial grant and a high proportion of a marginal increase in provincially approved indebtedness is likely to be covered by the budget equilibrium grant. Economic theory predicts that this will result in excessive capital investment relative to other inputs.

The private school decision maker is completely free to spend his revenue on any combination of legal inputs. He faces the full market price of all inputs and has no reason for preferring capital investment over labor or other items of recurrent expenditure. He will allocate efficiently relative to the costs faced by society.

The conclusion of this analysis, that public schools are excessively capital intensive, has been noted by a surprisingly large proportion of commentators on education in Quebec. Pelletier-Baillargeon (1973, p. 13) describes the public sector as preferring cement and carpets over quality instruction. Damien Gagnon (1974b, p. 25) mentions an important advantage of private schools as being the authority to invest money in pedagogy rather than equipment, a choice public school decision makers at the local level do not have. He makes the point that private schools regard expensive equipment as irrelevant at best and possibly a barrier to student creativity. They would rather spend their money on teachers. On the other side, numerous authors have commented on the dehumanization of the public comprehensive secondary schools (Toussaint, 1975, p. iii; Favreau, 1974, p. A1).

An examination of the financing of capital investment in schools in North America (Augenblick, 1977; Hall, 1972) shows that most jurisdictions differentiate between the financing of capital investment and that of recurrent expenditure. Such differentiation interferes with allocative efficiency to a greater or lesser extent depending on the nature of the differences. The system used to finance private schools in Quebec finances both types of expenditure but does so in a way that allows economically efficient resource allocation decisions to be made. In this respect it is one of the most advanced systems of education finance in use in North America.

A related but more general aspect of allocative efficiency is the authority to make administrative decisions at the local level. Damien Gagnon (1974b, p. 25) contrasts the rapidity with which a private school decision maker can execute a decision with the need for the school boards to obtain authorization from the Ministry of Education for similar decisions. If private schools need to refer to the ministry they can do so simply and directly, according to Lysiane Gagnon (1977, p. 54), rather than going through a multi-level hierarchy. Pelletier-Baillargeon (1973, p. 12) blames the accumulated bureaucratic constraints of the public sector for choking the teacher-student relationship.

RECENT DEVELOPMENTS

Upon election in November 1976, the Parti Québécois government instituted a moratorium on decisions regarding subsidized private education (Conseil Général, p. 6), apparently to allow them to deal immediately with more urgent issues. The effect of the moratorium was to maintain the status quo. No new schools were approved for subsidization but those receiving subsidies continued to receive them. The system could still expand by increasing enrolments in existing schools although opportunities for this are limited by the desire of most private schools to remain small.

The Minister of Education did make some adjustments in the calculation of the base cost — the average per pupil cost of the previous year for public institutions of the same type — in response to the claim that private schools are over-funded relative to public schools. For the first time a distinction was made between different types of vocational education. Pupil-teacher ratios in the public sector are lower for vocational education than for academic. The one exception is the commercial program, which has ratios similar to academic education. The private sector was benefiting from the assumption of different ratios even though virtually all its vocational offerings were of the commercial type (Morin, 1977, p. 62). This unintended advantage has now been terminated. A number of miscellaneous expenses incurred by public institutions but not by private ones were also eliminated from the base cost.

The official platform of the Parti Québécois (1975) contains the statement that only public educational institutions should receive public money, although this point was debated at the party convention before being adopted. In 1975, as an opposition member of the National Assembly, the present Minister of Education, Jacques-Yvan Morin, spoke against the inclusion in the Quebec human rights charter of a clause giving parents the right to send their children to private schools (Gariépy, 1975, p. A15). During the election campaign the party leader, René Lévesque, was quoted as saying on an open line radio program that this was not the time to force those who were unhappy with the public schools to pay double (Conseil Général, p. 6). This apparent contradiction has left the subsidized private schools uncertain of their future (Conseil Général, 1977, pp. 5-7). Lafleur's telephone survey found that 68% of Parti Québécois supporters were aware of the existence of private secondary schools whereas this was so for only 53% of the Liberal supporters (Lafleur, 1975, p. 14). On the other hand she found that 87% of the respondents supported parental choice between public and private schools and that this figure did not vary according to political party supported. Of those who were aware of the existence of private secondary schools an almost equal proportion of Liberal and Parti Québécois supporters were aware of government financial support.

After more than two years in power the Parti Québécois has given no sign of actually implementing the part of its official policy eliminating the subsidization of private schools. The present Minister of Education has stated that Quebec must give priority in educational development to the public sector (Morin, 1977, p. 65). He has laid down certain principles that must be observed in giving public money to private schools (Morin, 1977, p. 66), but has carefully avoided saying that private schools will not receive public money. The recent green paper on education (*L'enseignement*, 1977) which outlines government policy in detail mentions private schools only in passing.

SUMMARY AND CONCLUSIONS

The debate over voucher financing, especially in the United States, has produced many extreme statements about the expected outcome of such a system. Some proponents expected vouchers to cure most of society's ills while the opposition extremists expected they would destroy society. The outcome in Quebec is nowhere near either of these extremes. The Quebec system has provided an "out" at a reasonable cost for some families who were disaffected with the public schools. This option is unequally available because of an absence of private schools in some regions, tuition levels beyond the means of some families, and an undersupply of private school places relative to the demand. Private schools have recruited students from all levels of society, but the upper social and economic levels are more heavily represented. Nevertheless, this problem of private school elitism is less evident in Quebec than elsewhere in Canada, probably because of the legal limitations placed on tuition levels that comes with the acceptance of public subsidies. Private schools operate with fewer financial and administrative constraints than public schools. The private school decision-maker faces market prices for all inputs and is not prevented from making allocatively efficient decisions. Many of the same decisions in the public sector cannot be made by school level personnel. They are made by persons remote from the schools and transmitted to the schools as regulations and expenditure budgets. School boards face prices that vary from those paid by society because of the methods the ministry uses to transfer funds to them. Quebec finances its private schools more rationally than its public schools.

NOTES

- ¹ In the discussion of the Private Education Act (Act) and its regulations (Regs.), numbers in parenthesized citations refer to articles rather than pages.
- ² The French term "*enseignement général*" is perhaps more precisely translated by "academic education" than by "general education" as contained in the Act. It includes all pre-elementary and elementary education as well as those forms of secondary education that lead to college and university. The colleges offer both academic and vocational education.

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