

ARE SCHOOL BOARDS AND THE SCHOOL TAX STILL JUSTIFIED?

A sharp rise in municipal tax rolls has led school boards in many regions in Quebec to announce exorbitant increases in the school tax for 2006-07, exceeding 50% in some places. The Quebec government has intervened to limit the increase to about 4%. This controversy has nonetheless revived debate on the value and legitimacy of the school tax as a means of complementary financing for school boards – and of school boards themselves as institutions. More than a century-and-a-half after they were created, do school boards still play a necessary role in managing the education system? Can a fairer and more efficient arrangement be devised?



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How the Quebec school system is organized

At the pre-school, primary and secondary levels, a feature of the Quebec school system is the existence of two parallel networks, one public and the other private. The private school network consists of about 267 schools with administrative autonomy. These schools are fully responsible for managing human resources, maintaining their buildings and organizing the transportation of their students. They also provide a pedagogical framework to their teaching staff and students. They deal directly with the Department of Education, Leisure and Sport, with no intermediary. In 2005-06, about 122,000 students (not counting adult education) attended private schools in Quebec.¹



Private schools are financed by government subsidies amounting on average to about 44% of their operating budgets in 2004-05, with the rest of their financing divided more or less evenly between parents' contributions and various other income sources (donations, auxiliary businesses, etc.).² About 188

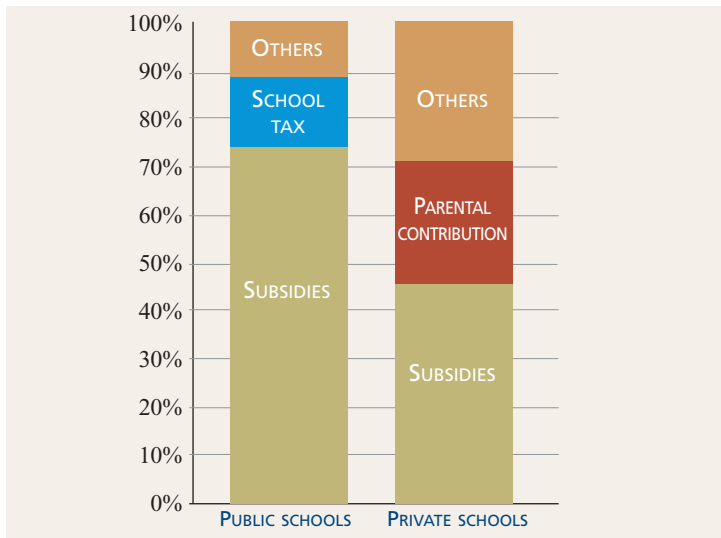
private schools have agreements with the department of education enabling them to receive government subsidies, while the remainder are financed entirely by private sources. Typically, a subsidized private school receives a per-student subsidy equal to about 60% of what is paid to the public network.

The administrative autonomy of private schools is manifested through a management structure at the school level, backed by a pedagogical section and administrative services comparable to those found in most businesses (budget, human resources, maintenance, etc.). This management structure is normally overseen by a board of directors consisting of parents, teachers, support staff, community members, etc.

Unlike schools in the private network, schools belonging to the public networks are grouped under school boards. Quebec is divided territorially into 72 school boards (60 French-speaking, nine English-speaking and three with special status) that run about 2,414 schools with about 964,000 students (not counting adult education).³

1. Department of Education, Leisure and Sport, *Rapport annuel de gestion 2005-2006*, pp. 116-117, http://www.mels.gouv.qc.ca/publications/rapports_annuels/2005-2006/rapport_annuel2005-2006.pdf.
2. Department of Education, Leisure and Sport, *Le financement de l'éducation préscolaire et de l'enseignement primaire et secondaire 2006-2007*, p. 15, <http://www.mels.gouv.qc.ca/dgfe/Financement/PDF/Financement2006-2007.pdf>.
3. Department of Education, Leisure and Sport, *Rapport annuel de gestion 2005-2006*, pp. 115-117, http://www.mels.gouv.qc.ca/publications/rapports_annuels/2005-2006/rapport_annuel2005-2006.pdf.

FIGURE 1
Sources of financing by network



Source: Department of Education, Leisure and Sport, *Le financement de l'éducation préscolaire et de l'enseignement primaire et secondaire 2006-2007*, pp. 3 and 15, <http://www.mels.gouv.qc.ca/dgfe/Financement/PDF/Financement2006-2007.pdf>.

School boards manage human resources (teaching and non-teaching staff), building maintenance and the organization of transportation for students over a given territory and provide a pedagogical framework to school staff. They also serve as the favoured intermediary between the department of education and the schools.

In 2004-05, about 76% of financing in school board budgets came from government subsidies, with income from property taxes accounting for 14.5% and various other sources for 9.5%.⁴

Schools in the public network have a light administrative structure since they have little administrative autonomy, with most finance-related decisions being made by the school boards. In other matters, school management defers to the governing board formed by parents, teachers, support staff and community members. At the school board level, a management division assisted by a pedagogical department and the usual administrative services looks after day-to-day management. The work of the management division is overseen by a board of commissioners, elected by universal suffrage every four years.

A private school applies the same pedagogical system as a public school. Thus, for example, the reform of primary and secondary teaching instituted progressively in Quebec over the last few years applies both to public and to private schools. For students, schools (whether public or private) are distinguished by the special programs that may vary from one school to the next and by characteristics such as dress codes, levels of supervision or extracurricular activities.

For parents, major differences exist between private and public schools in terms of how they are financed and managed. Like public schools, a large majority of private schools are subsidized by the government. However, unlike public schools, the rest of their financing comes not from school taxes but directly from parents' pockets. The greater autonomy of private schools in all matters apart from the pedagogical system no doubt explains in part why parents agree to pay tuition fees exceeding what Quebec universities charge so that their children can attend these schools. If they are dissatisfied, they can easily "vote" with their feet and go elsewhere.

For public schools, most financing other than the government subsidy comes from the school tax assessed on properties in the territory served by a school board. There is no connection between this tax and school attendance.⁵ If parents are dissatisfied, they can complain to the school or the school board. They can also vote with their feet by migrating to the private sector where they will have to pay tuition fees.

Can we do without the school tax?

In theory, the commissioners who sit on school boards are elected. In practice, nearly 70% of them are chosen by acclamation. In the last school board elections in 2003, voter turnout was only about 8%.⁶ There is scope to speculate on why voters show so little interest. One thing for certain is that the absence of a connection between the school tax and school

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4. Department of Education, Leisure and Sport, *Le financement de l'éducation préscolaire et de l'enseignement primaire et secondaire 2006-2007*, p. 3, <http://www.mels.gouv.qc.ca/dgfe/Financement/PDF/Financement2006-2007.pdf>.

5. However, a property owner with children attending a school run by one of the two school boards (French or English) in the territory is required to pay the tax to the school board where the children are enrolled.

6. Department of Education, Leisure and Sport, *Résultats des élections scolaires 1998 et 2003*, <http://www.mels.gouv.qc.ca/daasa/electionsscolaires/resultatsglobaux1mars04.pdf>.

attendance is an explanatory factor. An owner-taxpayer who has no children attending a school run by the school board in the territory where he or she pays taxes cannot appreciate the quality of the educational services provided and thus has no reason to vote for any particular candidate. Furthermore, a school board candidate cannot compete with a promise of lower taxes since school taxes are, in practice, set by the government. Finally, the school tax represents a fairly minor proportion of the owner's total tax burden, even though this proportion has been rising in recent years.

In reality, there are no serious grounds for using a school tax based on property values to finance an education system. Unlike items such as alcohol, cigarettes or gasoline that may be heavily taxed to deter consumption, the existence of property produces no social cost. It is only because the school tax is very easy to collect that the government uses it. A special tax could be applied to bicycles or lawnmowers, and the result would be much the same.

An individual may place a value on being educated because it yields personal benefits. This is the private value of education. People in Quebec also place a value on living among an educated populace. This represents in a way the collective (or social) value of education. In contrast, education provides no special benefit to property owners.

Considering how the benefits of education are distributed, it would be more logical for the education system to be financed, on the one hand, by all Quebec taxpayers through general taxation and, on the other hand, by individuals themselves, given that part of the benefit is private in nature. Individual contributions can obviously be adjusted in various ways to guarantee equitable access to the education system.

In this context, the school tax is indefensible and constitutes an anachronism that is hard to justify. As proof, private schools, CEGEPs and universities collect no school taxes. These teaching institutions are financed either by government subsidies, by individual contributions (tuition fees) or by a combination of the two.

In 2004-05, the school tax provided about \$1.2 billion in income to school boards, or about 14.5% of their income. Were it to be abolished, it would have to be replaced by a rise in government subsidies. In these circumstances, the Quebec government would have to choose between cutting other areas of spending and redirecting the freed-up amounts to education and/or raising taxes.

If the government fully covers the shortfall due to abolition of the school tax with a corresponding increase in other taxes, the load borne by taxpayers would not go up. It would simply amount to a rearrangement of taxes that would be desirable both in terms of equity (why subject property owners to a bigger tax bite?) and of efficiency (overtaxing property for no valid reason limits access to ownership).

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Are school boards really needed?

The existence of school boards, as with any other order of government, leads to expenses that provide no services to students. These expenses are generated by the very existence of school boards and would no longer be required were the boards to be abolished. They are hard to quantify but are nonetheless real and possibly quite substantial.⁷ To limit tax hikes, there is good reason to wonder about the value of maintaining the school board system. The disappearance of school boards would obviously not provide savings equal to the school tax. But can a different model be devised?

Private schools manage quite well without them, as do CEGEPs and universities. We should also note that hospitals, community clinics and long-term care facilities, to give a few examples, are financed without direct access to a tax source, which explains why there is no need to elect health commissioners or CEGEP commissioners. We do, however, elect members to the National Assembly who are responsible for establishing the tax system required to finance public services such as education and health.

7. According to the Fédération des commissions scolaires du Québec, the management costs of school boards amount to 5% of their budgets (see Fédération des commissions scolaires du Québec, *Le personnel des commissions scolaires – Quelques données statistiques*, May 2004, p. 12, <http://www.fcsq.ca/Commissions/Role/Quelques-Statistiques.pdf>). The net costs of collecting the school tax on Montreal Island came to nearly \$1.7 million in 2004-05 (Source: Comité de gestion de la taxe scolaire de l'île de Montréal, *Annual report 2005*, p. 4, <http://www.cgtsim.qc.ca/pls/htmldb/adu?p=353134805711432699>).

Economies of scale – feasible when certain services can be pooled or certain expenses shared – could be used to justify the existence of school boards. The proof that economies of scale exist in the field of education remains to be shown, however. In Quebec, for example, private schools support per-student expenses similar to those of public schools⁸ even though they are fully autonomous and offer as many services, if not more.⁹

Viewed in this light, school boards now seem obsolete. Let us recall that school boards (or their equivalent) appeared in 1841 following adoption of a law aimed at creating a decentralized public education system administered by elected commissioners. One aim was to ensure the financing of this system by sharing costs between the government and the local populace (through a school tax). At that time, however, the school boards held most of the responsibility: building schools, hiring teachers and setting school programs.¹⁰

Nowadays, it seems that the sole *raison d'être* of school boards is to provide legitimacy for collecting the school tax. To this end, we maintain an extra order of government between the schools and the Quebec government, along with a deficient electoral system to comply with the principle of *no taxation without representation*. This order of government does not appear to be essential since many institutions similar to public schools in a number of countries manage quite well without them. This extra order of government also creates additional spending that could otherwise be avoided.

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Should school boards disappear, some responsibilities could be transferred to the department of education and others to the schools. The department consists of 10 general directorates or sectors, including the pre-school, primary and secondary education sector that looks after the content of schooling but has very little to do with administration. In terms of administration, it has a network sector and a general directorate for regions. The former handles the development and implementation of department policies related to human, material and financial resources, while the latter takes care of the department's presence in the various regions, supporting bodies such as school boards.

The original purpose of school boards, namely to decentralize the education system, is no longer being met because the department of education has taken over most of the responsibilities that school boards were created to look after. Whatever solution is chosen - giving added responsibility to school boards or transferring it directly to schools - a greater decentralization of the education system is called for, with all the benefits of a better match between the educational services that are offered and the specific needs of various communities, since the decision-makers would be closer to the client base. In either case, financing through school taxes on property is outdated and should be replaced by traditional financing through general taxation.



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Printed in Canada

Illustration:
Benoit Lafond

Graphic Design:
Valna inc.

8. Average cost per student in 2004-05: \$5,984 in public schools and \$5,919 in private schools. Sources: Department of Education, Leisure and Sport, *Indicateurs de gestion 2004-2005 – Établissements d'enseignements privés*, p. 12, http://www.mels.gouv.qc.ca/stat/ind_gestion_priv_06/index.htm and *Indicateurs de gestion 2004-2005 – Commissions scolaires*, http://www.mels.gouv.qc.ca/stat/ind_gestion_scol_06/igestion_cs_0405.htm.

9. In fact, the parents of students who attend private schools indicate to us through their actions that they value private schools more highly than public schools. They are willing to pay a substantial premium to enrol their children in private schools. One reason could be that parents consider that private schools offer more services.

10. See in particular Micheline Després-Poirier, *Le système d'éducation du Québec*, 3rd edition, Montréal, Gaëtan-Morin Éditeur, 1999, and Andrée Dufour, *Histoire de l'éducation au Québec*