

RESEARCH NOTE / NOTE DE RECHERCHE

Not Hidden but Not Visible: Government Funding of Independent Schools in Canada

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Abstract

A growing body of comparative public policy research examines the effects of delegated delivery of public services and the related emergence of what is labelled a submerged state that obscures the role of government in the provision of public services. Data limitations have constrained investigations of these dynamics in Canada, including for K–12 education. In this research note, we draw on charitable tax records and provincial and federal spending data to present the evolution of provincial and federal financial support for independent schools over time, drawing on the case of British Columbia (BC). By factoring in indirect support through various tax mechanisms, we establish that BC independent schools have seen increasing financial support from both the federal and provincial governments in recent decades, primarily via tax expenditures tied to their charitable status—a “not hidden but not visible” shift in public expenditure that has substantial political, distributive and accountability implications.

Résumé

De plus en plus de recherches comparatives sur les politiques publiques mettent l'accent sur les effets de la délégation des services publics et sur l'émergence de ce que l'on appelle un État submergé qui obscurcit le rôle du gouvernement dans la fourniture des services publics. Le manque de données a limité les recherches sur ces dynamiques au Canada, y compris pour l'éducation de la maternelle à la 12^e année. Dans cette note de recherche, nous nous appuyons sur les registres fiscaux des organismes de bienfaisance et sur les données relatives aux dépenses provinciales et fédérales pour présenter l'évolution du soutien financier provincial et fédéral aux écoles indépendantes au fil du temps, en nous appuyant sur le cas de la Colombie-Britannique (BC). En tenant compte du soutien indirect par le biais de divers mécanismes fiscaux, nous établissons que les écoles indépendantes de la Colombie-Britannique ont bénéficié d'un soutien financier croissant de la part des gouvernements fédéral et provincial au cours des dernières décennies, principalement par le biais de dépenses fiscales liées à leur statut d'organisme

de bienfaisance - un changement « non caché mais non visible » dans les dépenses publiques qui a d'importantes implications politiques, distributives et de responsabilisation.

Keywords: school finance; public and private education; tax expenditures; spending transparency

Mots clés: financement des écoles; éducation publique et privée; dépenses fiscales; transparence des dépenses

Introduction

Since the 1980s, school choice has proliferated in Canadian education—both within and outside the public system—affording schools greater autonomy and parents significantly more scope to choose where and how to educate their children (Asadolahi et al., 2022a). School choice can encompass a variety of policy instruments—including the most obvious, which are voucher programs for charter or independent schools—but also include open enrolment policies within public education systems that permit students to attend schools outside of their catchment area, selective admission to specialty programs and schools, second-language immersion programs, and homeschooling (Asadolahi et al., 2022b). We often think of schools as either fully funded by the government or fully private, but most Canadian schools are somewhere on a continuum, where varying degrees of direct provincial government support are supplemented by an often less visible combination of local property taxes, charitable donations, endowments, occasional federal grants, tuition, and auxiliary parental spending. Even if governments may not be intentionally hiding these additional supports, the lower visibility of these forms of independent school financing raises concerns about equity and accountability. The “not hidden but not visible” nature of this funding often makes it challenging for the public to identify the extent of their governments’ funding in education and to scrutinize how funding to public and private schools is apportioned and who it benefits.

Drawing on publicly available charity school data in Canada, we uncover the “hidden” patterns of government funding directed to charity independent schools in order to examine the broader implications of state support for school choice. While greater school choice can translate into positive performance outcomes for students, it can also contribute to social stratification based on income or race (Parekh and Gaztambide-Fernández, 2017) that may be higher than neighbourhood-based or catchment-area stratification (Gingrich and Ansell, 2014). Thus, while not all private schools are elite and not all parents who choose private schools are wealthy, it is important to attend to issues of income and racial and ethnic stratification in government education financing.

Despite the importance of education spending, little empirical research exists in Canada on these government expenditures (although see Bosetti and Gereluk, 2016; Davies and Aurini, 2011; Van Pelt et al., 2016) and even less on the appropriate role of government funding for private programs. Our research contributes to a growing body of public policy literature, mainly US-focused, that examines what has been labelled the “hidden” or “submerged state.” Mettler (2011: 4) defines the submerged state as “a conglomeration of federal policies that function by providing incentives,

subsidies, or payments to private organizations or households to encourage or reimburse them for conducting activities deemed to serve a public purpose.” Researchers have documented the use of more submerged forms of policy instruments, such as tax expenditures for specific policy goals, in a number of policy areas (Faricy, 2011, 2015; Hackett, 2016; Mettler, 2011). In Canada, a range of tax benefits exist, such as contributions to registered retirement savings plans, deductions for child care expenses, and credits for charitable donations (Sheikh, 2014).

A second, related body of literature tracks the use of private actors to deliver services on behalf of the state in what is labelled “delegated” forms of governance (Morgan and Campbell, 2011). Delegation to private actors, along with the practices of deregulation and accretion—where “private actors acquire power by taking the initiative to move into a policy arena where the role of the state is still limited, and gradually assume a central intermediating role” (Busemeyer and Thelen, 2020: 454)—over time create lock-in effects that solidify the institutional power of private actors in the delivery of public services. For example, the use of contracts, public-private partnerships and civil society delivery organizations to provide a range of services on behalf of the state including prisons, roads, health care and social services is prevalent in the United States and other Organisation for Economic Co-operation and Development (OECD) countries (Clemens and Guthrie, 2010; Freeman and Minow, 2009; Rathgeb Smith and Lipsky, 1993).

In the area of education, governments across OECD countries have historically used a variety of instruments and actors to deliver education to citizens (Ansell and Lindvall, 2013). Even today, a large portion of public finances is directed to religious organizations to deliver education (OECD, 2014). For example, Australia, the Netherlands, Sweden and England have all directed public monies to what are essentially education markets—with varying degrees of autonomy from the state—so that parents can choose to which kinds of school to send their children (Dijkstra *et al.*, 2004; West, 2014). And in the United States, educational vouchers—which include “all types of programs that offer a sum of public money to parents to spend on their children’s education at private schools of their choice, whether they are ‘tax credit scholarship’ vouchers, ‘tuition grants,’ or ‘educational savings accounts’”—are experiencing rapid growth (Hackett and King, 2019: 234; Hackett, 2020). The United States has also seen the increase of what Busemeyer and Thelen (2020) call “venture philanthropists,” who channel funding into charter schools (Hess, 2005; Reckhow, 2013).

In Canada, governments’ use of instruments of the submerged state, such as tax expenditures (Sheikh, 2014: 12), has increased significantly over the past decades, although largely without scholarly notice (although see Marando, 2016, 2021). In 2016, the OECD estimated that Canadian governments spent \$140 billion on tax expenditures (Chant, 2016). Yet despite indications of growth in the size of the submerged state in Canada, the Canadian academic literature has been largely silent on the topic (for a notable exception in the economics literature, see Murphy *et al.*, 2015). Virtually no academic scholarship exists in Canada on the use of these instruments in education provision.

In this research note, we begin to address this gap in the literature. We study a specific policy domain—the delivery of primary and secondary education in

independent schools—in which both the use of indirect or hidden sources of financing and delegation to private organizations has grown. We focus on British Columbia (BC) as a key case, since it is a province with extensive public financing of privately delivered primary and secondary education, with the highest percentage student enrolment in independent schools among the provinces (followed closely by Quebec) (MacLeod and Hasan, 2017: v). BC provides the clearest means of studying the submerged state in education financing, as the government uses a rather straightforward set of policy instruments and there are fewer confounding factors such as a separate publicly funded Catholic school board, as in Ontario, or multiple types of independent schools, as in Saskatchewan or Alberta. The province of Quebec is an important case, but it is complicated by the politics of language (Farney and Banack, 2023). The independent school sector in BC is sizeable, the population is diverse, and the economic inequality is similar to Canada's other larger provinces. These substantive factors, combined with high-quality publicly available data, make BC an excellent initial case for analysis.

Almost half of independent schools in BC are registered as charitable organizations with the Canada Revenue Agency (CRA). In order to maintain their charitable status, these charity schools are required to file annual information returns (T3010 form). These returns provide comprehensive financial and related administrative information about each charitable organization. Using data on BC independent schools registered as charities for the period from 1999 to 2017, we conduct quantitative trend analysis by focusing on funding from three levels of government (federal, provincial and municipal) while also integrating data on the level of individual donations and grants from institutional philanthropists (that is, charitable foundations). We find that charity independent schools receive significant additional funding in the form of provincial and federal government grants, which is further supplemented with private and institutional donations of almost equal size.

Our research note is structured as follows. The next section describes school choice in the Canadian provinces and associated education funding. The third section describes less visible forms of government support of Canada's education system. The fourth section presents our case study of BC's independent schools and uncovers the "hidden" sources of independent school funding. The research note ends with a discussion of policy implications.

Canada's School Choice and Government's Education Funding

The range of education options currently within and outside the public school system varies across Canada's provinces and territories. In addition to private options, such as independent schools and homeschooling—which MacLeod and Hasan (2017: 17) note that all provinces permit to varying degrees of oversight and funding—parents in some provinces can choose from a number of publicly funded and delivered "open enrolment" or "optional attendance" programs that do not require families to reside within a particular school catchment area (Asalodahi et al., 2022a). These include specialty schools or specialized programs within schools focused on arts or computer science and math, French immersion (partially covered by the federal government) (Allison, 2015: 289) and, increasingly, distance

and online education. BC, along with Alberta, has a significant amount of choice within the public board, with an open enrolment policy adopted in 2002 that allows students to apply outside of their school catchment area (Allison, 2015: 291).

A small number of provinces in Canada (Alberta, at 25 per cent of all school attendees in 2014–2015; Saskatchewan, at 23 per cent; and Ontario, at 29 per cent) provide publicly funded separate (almost entirely Catholic) schools (MacLeod and Hasan, 2017: 11). Both Ontario and Saskatchewan also maintain one Protestant separate board, and Ontario maintains four major boards (francophone public and Catholic, plus anglophone public and Catholic), although the francophone separate school system is much smaller (3 per cent of total enrolments in 2014–2015) than the anglophone separate school system (26 per cent in 2014–2015). Historically, the governments of Manitoba, Quebec and Newfoundland maintained denominational school systems. Manitoba abolished separate schools in 1890, Newfoundland in 1997, and Quebec in 1998 (Quebec replaced them with linguistic-based schools) (Allison, 2015). Additionally, as a result of the section 23 minority education rights guarantee in the Canadian Charter of Rights and Freedoms, each province in Canada funds both anglophone and francophone schools. A very small number of non-faith-based charter schools also exist in the province of Alberta, making it the province that offers the most choice (four public options, plus independent school funding). Furthermore, MacLeod and Hasan (2017: 4, 10–11) note that the Alberta government provides public funding for other faith-based and alternative schools within the public boards, under an open enrolment policy adopted in 1988 (Allison, 2015: 290). The Alberta government also offers a per-student grant to families for homeschooling, the only province to do so (Banack, 2015: 937; MacLeod and Hasan, 2017; Farney and Banack, 2023).

BC, by contrast, has the largest number of students enrolled outside of the public system, followed by Quebec (see Figure 1). BC, like Alberta, Saskatchewan,

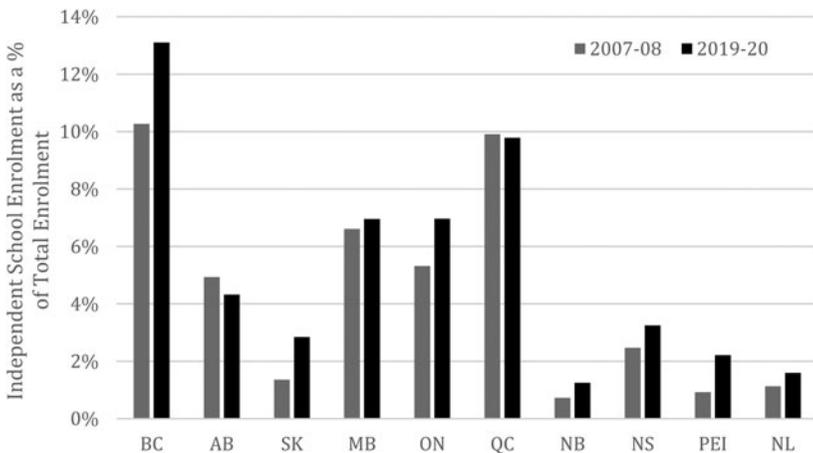


Figure 1. Independent school enrolment by province (2007–2008 and 2019–2020)

Source: Statistics Canada, Table 37-10-0109-01.

Manitoba and Quebec, provides public funding—a very visible form of financial support—to private schools outside the public system. Alternatively, Ontario and the four Atlantic provinces do not (MacLeod and Hasan, 2017: v). The level of support varies by province and often by religious status of the private school authority (Teyssier, 2012). In BC, since 1977, the provincial government provides per-student grants of between 35 and 50 per cent of the public school base allocation (Clemens et al., 2017: 2). As of 2013–2014, a majority of those schools—54 per cent—had a religious orientation and another 20 per cent were composed of specialty schools such as Montessori and Waldorf, arts, and STEM (Clemens et al., 2017: 2). Banack (2015: 937) reports that since the 1967 decision to provide partial funding to private schools, the Alberta government provides between 60 and 70 per cent of the per-pupil basic public school instruction grant to private schools, the majority of which are religious. The Saskatchewan government provides 80 per cent of the per-pupil basic public school instruction grant to faith-based “associate schools,” which operate under joint operating agreement between the province and nonprofit corporations and which can educate using different philosophical principles but must follow the provincial curriculum (Allison, 2015: 292). The Manitoba and Quebec governments provide 50 and 55–60 per cent support, respectively, to their private schools (Allison, 2015: 295).

Less Visible Forms of Government Support

Hackett (2016: 466) identifies eight common programs of the US submerged state: (1) policies and programs that assist parents, such as education vouchers for parents to spend on private education; (2) education tax credits; (3) policies and programs that assist private schools, such as textbook loan programs to private schools from public schools; (4) transportation programs to assist in bussing students; (5) equipment programs; (6) health services; (7) food services; and (8) tax exemptions for religious school property. Hackett (2016) argues that some of these policies and programs are visible and direct, such as education vouchers. Others, such as tax exemptions, are more hidden.

In Canada, tax expenditures are much more difficult to track. For example, the CRA lumps all individual charitable deductions together, and those individual deductions are publicly reported aggregated to the postal code level (see, for example, Statistics Canada, 2016). And these more hidden forms of support rarely receive public scrutiny. In a rare public discussion, Canadian federal Conservative Party leader Andrew Scheer, while campaigning for the party leadership in 2017, promised to offer a \$4,000 income tax deduction to parents who send their children to private schools (Vigliotti, 2019). Although such a commitment of federal dollars to primary and secondary education would be unprecedented in Canada, as primary and secondary education are areas of exclusive provincial jurisdiction, the proposal brought the issue of “vouchers” onto the national education agenda. And while the federal party leader backed away from the promise during the 2019 federal election campaign (Maloney, 2019), unremarked was the fact that both federal and provincial governments already direct a nontrivial amount of public funds to private education. These forms of funding and delegated governance are much less visible.

The line between charitable deductions and tuition fees can also be murky. At the federal level, for example, parents who support their children's education in independent schools can write off a significant portion of the tuition paid to faith-based independent schools as a charitable donation (Government of Canada, CRA, 2019, line 349). Independent schools that are owned and operated by charitable societies do not pay tax on their revenue (income or capital gains) and can issue tax receipts allowing for charitable tax credits on donations. Eligible donations may include building repairs, school supplies such as computers, or sporting equipment. Although tuition fees are not intended to be tax deductible, tuition fees paid for religious instruction may be deducted. McMartin (2016) notes that in BC, for example, a deductible amount could be more than half of tuition costs. Garossino (2016) reports that in the case of Vancouver College, a private Catholic school for boys, the tax receipt issued covers 80 per cent of the cost of tuition to parents (see also McMartin, 2016). Schools connected to a registered charity also issue charitable tax receipts for donations to schools' endowment and capital funds.

Parents are often advised to make use of the federal child care expense deduction (CCED) (CBC, 2016; Garossino, 2016), which is intended to help defray the costs of caregivers, day nursery schools, day camps, and other programs that provide childcare services for children under 16 years of age (Government of Canada, CRA, 2019, line 214). The tax rules are vague regarding the use of the CCED to cover recess and lunch hour as part of academic instruction in private educational institutions. However, by assigning caregiving hours to lunch hour and recess supervision and to the after-school activities provided by the school, parents with children at independent schools are eligible for tax deductions for these expenses up to the value the private school assesses. For example, in the case of St. George's School in Vancouver, parents received up to \$3,600 in 2016 for a school tuition of \$20,000 (CBC, 2016; Garossino, 2016).

Other smaller federal tax benefits are also accessible to parents of children in private schools. For example, the CRA treats International Baccalaureate (IB) courses as equivalent to postsecondary courses and so will issue a Tuition, Education and Textbook Amounts Certificate (T2202A) to parents with children enrolled in these classes in independent schools. A report by the *Globe and Mail* in 2011 (Baluja and Hammer, 2011) found that both public and private schools across the country charge widely varying IB fees to students to cover the costs of things such as registering and grading exams, technical support, books, and teacher training. Not all provinces charge for the programs, but estimates from 2009–2010 suggest that IB fees totalled \$2.85 million in BC, Alberta and Ontario alone (Baluja and Hammer, 2011).

Additionally, parents of children with disabilities attending institutions with facilities that cater to their special needs, as approved by a medical doctor, can claim tuition as a medical expenses tax credit (Government of Canada, CRA, 2019, lines 330 and 331). This credit is provided to offset the costs of special facilities, equipment or personnel needed (McMartin, 2016).

Finally, in 2007, under then prime minister Stephen Harper, the federal government fully tax exempted bursaries and scholarships (*The Toronto Star*, 2007; Government of Canada, CRA, 2019, line 130). Previously, only the first \$500 was

exempted from tax, although these scholarships can be valued at as much as \$30,000 (*The Toronto Star*, 2007). Technically, the exemption applies to scholarships and bursaries for both public and private schools. However, public schools do not typically award scholarships and bursaries.

Provincial Financial Support for Independent Schools: The Case of BC *Independent school funding and enrolment in BC*

BC's approach to supporting school choice differs from that in other provinces. On the one hand, BC does not provide public funding for a separate faith-based Catholic school system, which still exists in Alberta, Saskatchewan and Ontario, as well as Yukon and the Northwest Territories (Farney and Banack, 2023: 150; Sikkes, 2019: 44–51). Section 76 of the BC School Act states that public schools “must be conducted on strictly secular and non-sectarian principles,” a principle that first was embedded in law in 1872 (BC Ministry of Education, 1996; Farney and Banack, 2023). However, since 1977, with the passage of the Independent Schools Support Act, the BC government has funded independent schools, the majority of which are faith-based (Catholic, Protestant, Seventh-day Adventist, Jewish, Islamic, and Sikh) (Farney and Banack, 2023). The schools must adhere to the basic tenets of the province's curriculum, employ certified teachers, and adhere to provincial standards around nonviolence and tolerance. In exchange, they receive a percentage of the per-student funding directed to public schools in the district in which they are located (Barman, 1991).

Initially, schools were eligible for either 9 per cent or 30 per cent of the per-student operating grant of the local public school board. Following the passage of the Independent Schools Support Act in 1989 that increased these amounts (Barman, 1991), independent schools classified as Group 1 schools, which are primarily faith-based institutions, now obtain 50 per cent of the per-student grants received by public schools, so long as their operating costs do not exceed those of neighbouring public schools (Van Pelt et al., 2016: 6; Farney and Banack, 2023). Group 2 schools, which are primarily elite private schools, receive 35 per cent of the per-student grants (Van Pelt et al., 2016: 6). Two further groups, primarily constituting schools that do not follow provincial standards, are not funded—often as a result of a group refusing to adhere to provincial control in exchange for funding. Although details differ slightly, that approach is taken by all the provinces that fund independent schools (Farney and Banack, 2023).

Since provincial funding to independent schools in BC follows the student, it has been continuously increasing alongside growing student enrolment, as illustrated in Figure 2. During the 18-year period from 1999 to 2017, funding to independent schools rose by almost 54 per cent, growing from \$174 million in 1999–2000 to \$268 million in 2016–2017. Growth in provincial funding averaged almost 4 per cent annually in the last five years of the sample. It also constitutes 4.6 per cent of total elementary and secondary education spending in BC (Government of British Columbia, Ministry of Finance, 2019).

BC also witnessed a rapid increase in the share of students enrolled in independent schools, from 8.9 per cent in 1999–2000 to 13 per cent in 2016–2017, as illustrated in Figure 2. The majority of this increase is attributed to the considerable

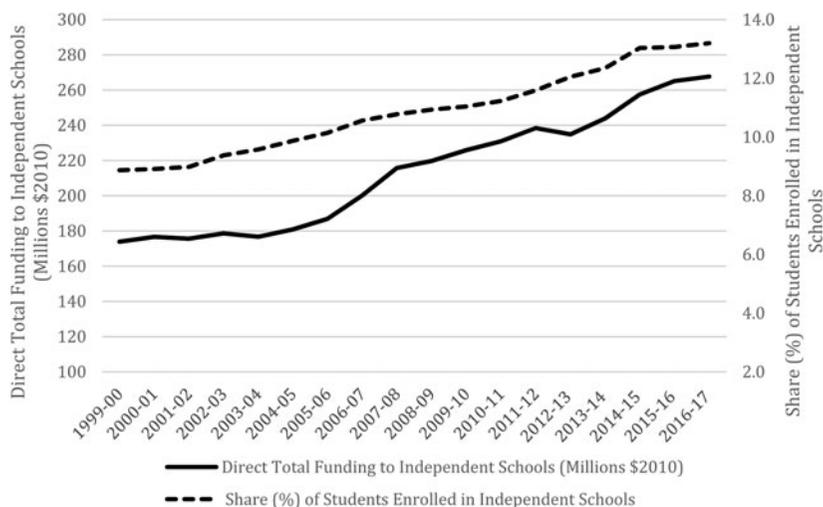


Figure 2. BC's direct funding to and enrolment in independent schools (1999–2017)

Source: Authors' calculations from the Federation of Independent School Association in British Columbia (FISA BC) website (<https://fisabc.ca/wp-content/uploads/2022/01/Enrolment-by-Assoc.-Historical-2020.pdf>, <https://fisabc.ca/wp-content/uploads/2018/04/Gprgrant-tbl-2018web.doc.pdf>). Reported funding is converted to 2010 constant dollars to allow for comparison across years.

efforts of the Federation of Independent School Associations in British Columbia (FISA BC), which serves as the primary champion for independent schools in the province (FISA BC, 2022). In 2000, FISA BC conducted an extensive lobbying campaign that reversed proposed cuts to independent school funding. Additionally, the federation worked with government agencies to initiate a new line of funding for distance learning in 2002 (16 independent agencies provided this service) and to increase funding for special needs students in 2005 (which rose from 50 per cent to 100 per cent).

Uncovering hidden government funding to BC's independent schools

BC's primary and secondary independent schools frequently register as charities. In 2016–2017, there were 360 independent schools in the province, 138 (38 per cent) of which were registered as charities.¹ Of these independent schools with charitable status, 47 have been affiliated with registered charities since 1967, when the Canadian Income Tax Act first required charities to register and file annual tax returns (form T3010). We use these annual tax files collected by the CRA between 1999 and 2017, drawing on the rich financial information these files contain. The advantage of Canada's charity data compared to similar data in other countries is that the records are collected for the *entire* population of charities. For the purposes of our analysis, this means we can obtain records for all charity independent schools, as opposed to only a portion of a representative sample. We are particularly interested in government funds as reported by charity independent schools, and the data provide information on revenues from municipal, provincial and federal government levels. We additionally report on tax-receipted donations and

grants from foundations that the charity schools receive over the sample period. All measures are converted to 2010 constant dollars to allow for comparison across sample years.

Table 1 demonstrates that, outside of direct formula-based funding to independent schools, government additionally transferred an average of \$87 million annually between 1999–2000 and 2016–2017 to independent schools registered as charities. These funds primarily took the form of multiyear grants and contracts (Government of Canada, 2019). Of the \$87 million average, \$76 million (87 per cent) came from BC’s provincial government, while funding from the federal government accounted for slightly over \$8 million (9 per cent), with municipal funding averaging only \$200,000. Table 1 also demonstrates that charity independent schools received almost an average of \$657,000 in funding from the three levels of government. Charity independent schools also benefited from individual and institutional donations that averaged \$73 million between 1999–2000 and 2016–2017, and the size of total donations is almost on par with the size of total government funding to these charity schools.

Education charities, as well as charities in the health sector, are typically defined as those that function as an extension of government (Spyker, 2011). CRA groups registered charities that serve to advance education into the “education” category. These charities are institutions of learning (for example, charity independent schools) and also those that support schools and other education-related charities. Because of their proximity to government, in contrast to faith-based charities, education charities tend to be largely government financed (Tafa, 2018). For example, in 2008, “government funding represented 67.4 per cent of total revenue” for education charities (Tafa, 2018: 5). Charity size also plays a role in obtaining government monies. Established charities with larger assets, professional staff and administrative capacities are more likely candidates for government funding than smaller charities with volunteer staff (Hall and Reed, 1998). It is not surprising, then, that charity independent schools would qualify for government funding. Additionally, these schools on average hold \$617 million in assets, designating them as large organizations. Figure 3 illustrates that BC’s provincial funding of

Table 1. Revenue Categories of Charity Independent Schools in BC

Revenue categories	Per-year average (1999–2017) millions \$2010	Per-school average (138 schools) thousands \$2010
Individual and institutional donations		
Tax-receipted individual donations	63.1	472.0
Gifts from other charities	10.1	104.3
Total donations	73.2	576.3
Three levels of government funding		
Federal government grants	8.2	59.3
Provincial government grants	75.8	568.0
Municipal government grants	0.2	1.6
Total government funding	87.3	656.8

Source: Authors’ calculations. Secure Empirical Analysis Lab (SEAL) at McMaster University. Total number of observations is 2,498.

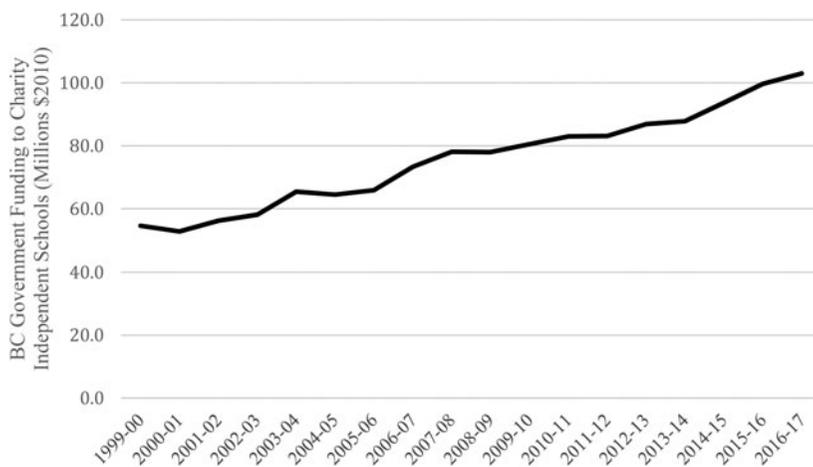


Figure 3. BC's funding to charity independent schools (1999–2017)
 Source: Authors' calculations. Secure Empirical Analysis Lab (SEAL) at McMaster University.

charity independent schools has been consistently rising since 1999 and almost doubling in size, from \$55 million in 1999–2000 to \$103 million in 2016–2017.

Federal contributions to BC's charity independent schools have been significantly smaller than provincial funding and noticeably volatile, as shown in Figure 4. The extent of federal funding reflects an accepted historical tendency whereby federal government support of the charitable sector occurs mainly through the provision of direct tax relief for donations (Voluntary Sector Initiative, 2002). However, the pronounced volatility in federal funding mirrors a funding reform that took place in the charitable sector in the early to mid-2000s. A few contributing factors are competitive year-over-year funding, as opposed to multiyear

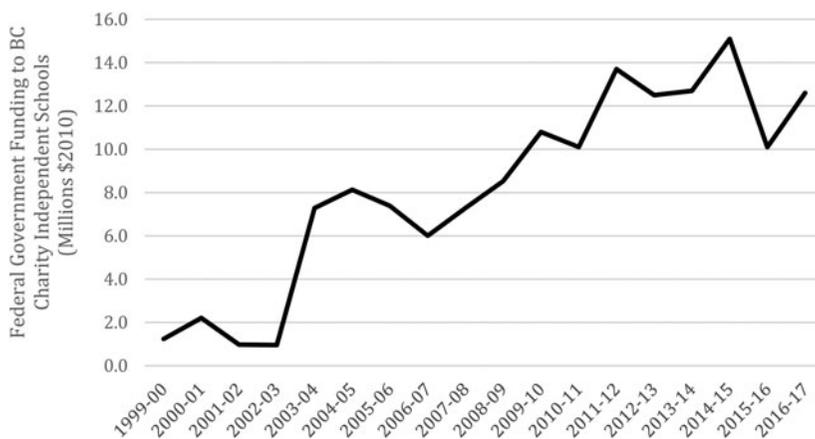


Figure 4. Federal grants to BC charity independent schools (1999–2017)
 Source: Authors' calculations. Secure Empirical Analysis Lab (SEAL) at McMaster University.

funding; a shift from core funding to project-based funding; and increased attention to funding reports (Scott, 2003).

Finally, looking to key funding sources of BC's charity independent schools, Figure 5 provides a snapshot of four revenue categories constituting almost 50 per cent of charity total revenues for 1999–2000 (sample start year) and 2016–2017 (sample end year). Tax-receipted donations and gifts from other charities, illustrated as shares of total revenues, represent total donations that charity schools receive from individuals and foundations. The government stream of funding is made up of provincial and federal grants to charity independent schools. The two charts demonstrate that BC's charity independent schools have benefited from almost equal shares of total government funding and total private giving.

Using publicly available data collected from charity information returns, we have shed light on the additional stream of government funding and philanthropic donations to independent schools when these schools register as charities. Direct formula-based funding in the amount of \$295 million transferred to independent schools by BC's government in 2016–2017 is supplemented with \$116 million in grants from three levels of government and \$107 million in total private giving to charity independent schools in the same year.

Discussion and Policy Implications

This article set out to make more visible some of the hidden government expenditures that support choice outside the public education system in Canada, drawing on the case of BC. While BC is the leader in Canada in terms of public spending and enrolment in private education—and certainly differs from eastern Canadian provinces that, in part because of their small size, predominantly support a single

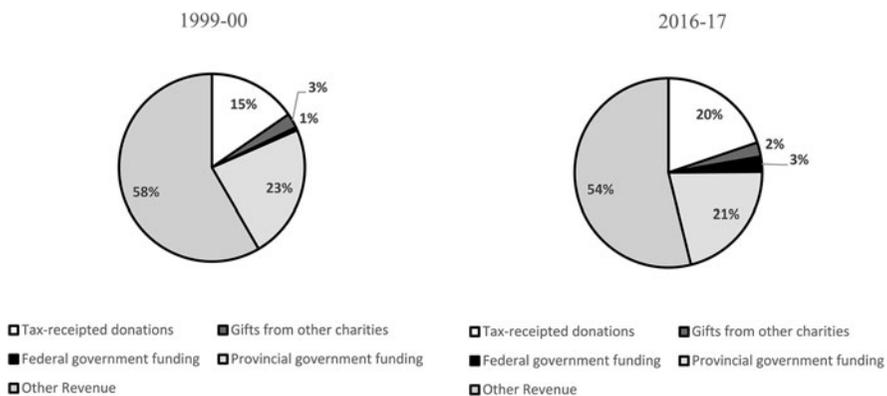


Figure 5. Key funding sources of BC charity independent schools, shares of total revenue

Source: Authors' calculations. Secure Empirical Analysis Lab (SEAL) at McMaster University.

Note: The remaining piece of the funding pie denoted as "Other Revenue" incorporates all other component of charitable income, such as revenues from rents, memberships, fundraising, investment, net capital gains and other revenues, which is its own category on the information return form.

public education system (Asadolahi *et al.*, 2022a)—we argue that the trends we observe in this province are relevant for other provinces in Canada, especially those with large urban populations, high levels of income inequality, and ethnic and racial diversity. Our findings also have implications for research on the politics of education in Canada's decentralized federation. Work by Wallner (2014: 4) shows that even though Canada's education system is highly decentralized, Canadian provinces have traditionally converged on similar education policies, with one result being that Canadian schools have ranked high on interregional and interschool equity. Thus, location has not been central to students' educational achievement. The rapid and uneven increase in support for choice outside of the public education system that we document in this article raises practical questions about ongoing equity in the system and theoretical questions about ongoing policy convergence among provinces in education policy. Thus, one aspect of our ongoing research agenda examines some of the implications of income inequality on parents' preferences for private education (Borwein *et al.*, 2022; see also Bosetti and Pryor, 2007; Davies and Aurini, 2011). Another examines to what extent these trends in public financing match those in other countries.

Our findings are significant because, as Faricy (2011: 74) notes, "the political choice between indirect and direct spending is more than just the innocuous selection of a policy tool, it is essentially a choice about altering the balance between public and private power in society." Why? Because, first, indirect expenditure measures make government financing unobservable. By design, tax expenditures—as taxes not collected—are less visible to the public than government-funded and directly provided social programs, such as employment insurance or pensions (Mettler, 2011). This form of government activity is far less transparent, but the relative invisibility of tax expenditures makes them appealing instruments to governments because they are more easily implemented or cancelled than more visible government programs. Quite often, beneficiaries of these submerged policies do not themselves recognize that they are benefiting from government support (Mettler, 2011, 2018). At the same time, the lack of visibility may affect the durability of these policies over time. If citizens are not aware of their existence, it is harder to fight for their continuation (Haselswerdt, 2014). Concomitantly, it may be difficult to oppose these policies once they are established, as researchers have also highlighted the complexity of those instruments (Hackett, 2019: 242).

A second major concern is the distributive benefits and burdens of these policies. As Schneider and Ingram (2019: 206) observe, governments may, through deliberate policy designs, create benefits for powerful groups who would otherwise be "widely viewed as unworthy" of or not needing support, in ways that are "hidden from the general public who would not approve." Instruments of the submerged state such as tax expenditures that are less visible can also mask the socially stratifying effects of those benefits; most tax expenditures have been found to disproportionately benefit the wealthy (Faricy, 2011, 2015). Data for Canada specifically are limited, but the evidence similarly suggests the wealthy disproportionately gain from many tax expenditures (Macdonald, 2016; Murphy *et al.*, 2015).

Third, these policies may also induce behaviour change, such as moving children from public to publicly financed private schools. Jacobs and Weaver (2015) note the

danger of self-reinforcing feedback effects in policy making; just as demand for private education can influence government support for private options, government funding of private education can, in turn, induce greater demand. In doing so, governments risk undermining the support base for public programs, as parents with resources to support the system (via taxes) exit the system (Asadolahi et al., 2022b).

Finally, researchers raise the issue of democratic accountability when authority is delegated to private actors (Gingrich and Watson, 2016). Again, because of their relative invisibility, complexity, and distributive burdens and benefits, it is unclear who is responsible for quality control and accountability. What are the governance mechanisms in “attenuated” forms of education governance (Hackett, 2019), for example, where private actors deliver programming?

This research note illuminates the importance of these issues of “not hidden but not visible” education policies. Both greater research and improved data transparency are needed to facilitate a more robust policy debate about how to allocate government education dollars.

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Note

I The sample of 138 schools is drawn from 149 school-associated charities with unique charity identifiers. This difference in the number of charity independent schools and the number of actual registered charities is due to nine schools having an associated foundation and one school having two associated foundations. Since these foundations serve as funding bodies of the schools, they were excluded from the sample.

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