

*Québec*  
POLICY  
ON UNIVERSITY

*Funding*

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**T**he Québec Policy on University Funding is an outgrowth of the commitments formulated in the Québec Policy on Universities, which was made public in February 2000.

*In the wake of the consensus that emerged from the Québec Youth Summit, the Government of Québec has announced a reinvestment of \$1 billion in education. Beginning in the 2002-2003 academic year, university-level institutions in Québec will have access to an additional \$300 million annually to fund their activities.*

*Public resources earmarked for universities must be distributed in an appropriate manner in light of the activities they intend to pursue. The State expects the universities to use the amounts they receive efficiently and to account for how they manage these amounts. It has therefore established this policy on university funding, which is based on transparency and equity, autonomy for universities in implementing their activities, and consistency with government expectations set out in the Québec Policy on Universities.*

*Universities play an important role in Québec's social, cultural and economic development. I firmly believe that the people of Québec are proud of their universities, and that collaboration between universities and the Government is a vital key to our students' success.*

A handwritten signature in blue ink, reading "François Legault". The signature is fluid and cursive.

**FRANÇOIS LEGAULT**  
*Minister of State for Education and Youth*

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# INTRODUCTION

In June 1999, Québec universities were invited to take part in a major reassessment of future prospects for the university as an institution. The process was based on the underlying premise that universities, in Québec as in all developed societies, especially in a period marked by increasing globalization and the widespread use of new information and communication technologies, play an essential role in the education of individuals, the advancement of knowledge, and the social, cultural and economic development of society as a whole.

The process was to take place in three steps, and lead to the production of a policy on universities setting out government expectations and commitments with regard to universities; a reinvestment plan stating the level of funding that the Government intended to devote to university institutions; and lastly, a funding policy outlining a transparent, equitable method for distributing the overall financial resources provided for universities by the State.

The first two steps have been completed. On February 2, 2000, the Government of Québec adopted the Québec Policy on Universities. On March 14, 2000, in the 2000-2001 Budget Speech, in keeping with the consensus reached at the Québec Youth Summit, the Minister of Finance announced a reinvestment of \$1 billion in education over a three-year period from 2000-2001 to 2002-2003, including \$600 million for universities. Beginning in 2002-2003, an additional recurrent amount of \$300 million will be directed toward universities.

The day after the Budget Speech, the Minister of Education defined the main areas for reinvestment. Taking into account the \$35 million in savings generated by the agreement on the millennium scholarship fund, \$23 million of which was allocated to support for university education, the recurrent reinvestment will reach \$323 million in 2002-2003. Most of this amount—roughly \$230 million—will be used to provide general funding for universities, and the remainder—around \$90 million—will be allocated to priority needs.

This funding policy explains the underlying principles of a new formula for distributing grants among university institutions that reflects the general orientations of the Québec Policy on Universities and the various facets of the situation faced by Québec's universities.

# OVERVIEW OF THE MAIN ORIENTATIONS OF THE QUÉBEC POLICY ON UNIVERSITIES

The introduction to the Québec Policy on Universities provides for the adoption of a funding policy to correct the problems identified in the current model, which has been in force for a number of years, and specifies the related orientations and priorities for government action.

It is important to specify which of these orientations and priorities will be explicitly addressed in the Québec Policy on University Funding, as follows:

- core funding to enable universities to fulfil their mission, in keeping with their specific characteristics and with the Government's financial capacity
- core funding that allows universities to retain their autonomy and power of initiative in organizing their teaching and research activities
- the renewal, recruitment and retention of high-quality academic staff
- geographical access to university education, particularly through the presence of university-level institutions throughout Québec and the development of distance education
- modernization of basic equipment and infrastructures (libraries, studios, scientific and laboratory equipment, information technologies, etc.) to ensure that they meet teaching needs
- optimal management of program offerings
- the preparation of the next generation of university researchers
- an increase in the number of students in master's and, especially, doctoral, programs
- greater interaction between the universities and the various stakeholders
- greater awareness of the international arena among students, and encouragement for them to pursue part of their education abroad
- the adoption of strategies to help graduates enter the workforce
- the optimal use of available resources, efficient management by universities, and the accountability of universities to society and the public authorities for the management of the public funds they receive, for the main orientations of their development and for the results they achieve
- dialogue and coordination among institutions, and the signing of cooperation and service agreements with businesses or social groups contributing to the fulfilment of the universities' mission
- the establishment of guidelines for the use of off-campus service centres in order to promote the optimal utilization of existing facilities
- in-depth reviews of the universities' short programs in relation to those offered by college-level institutions, in order to ensure complementarity, consistency with the specific missions of universities and colleges, as well as an economical use of resources within the education system

# OBJECTIVES OF THE FUNDING POLICY

## FUNDING LEVELS AND TRENDS

The level of funding given to universities results from decisions made by the Government. After a number of difficult years for university funding, the Government has now achieved a balanced budget and has made decisions concerning the reinvestment of its surplus. It has made education—particularly university-level teaching and research—a priority in order to ensure the individual and collective prosperity of Quebecers in an outward-oriented economy where knowledge, imagination, creativity, research and innovation have become the new raw materials.

The Government of Québec has decided to reinvest gradually in universities over the years 2000-2001 to 2002-2003. The injection of new resources is intended to give Québec universities the means to compete successfully with their counterparts in Canada and the United States. The budget of the Ministère de l'Éducation du Québec (MEQ) is not, however, the only source of public funding for the universities, and the level of reinvestment proposed by the MEQ takes into account support from other sectors, such as the contribution made by the Ministère de la Recherche, de la Science et de la Technologie du Québec.

Subject to the availability of resources, the MEQ will provide funding to cover certain cost growth factors, such as salary adjustments and fringe benefits.

## RESOURCE DISTRIBUTION

The resources provided by the MEQ, i.e. the amounts provided and, especially, their distribution among university institutions, are tied to certain government expectations concerning universities. These include general expectations concerning teaching and research, and other expectations concerning the optimal utilization of resources.

The funding policy is reflected in the budgetary rules issued by the MEQ each year. The rules lay down certain principles—equity, transparency, and predictability—and are designed, among other things, to direct the actions of the universities toward specific objectives: meeting the needs of society, managing public funds efficiently and effectively, ensuring public access to services, and so on.

Under the funding policy, universities also retain their autonomy to act; in other words, each university is free to choose the means by which it accomplishes its mission. The choices made by universities will not, however, change the proportion of overall resources devoted to university-level teaching and research; the Government remains responsible for setting the total amount of its contribution and for distributing resources among the universities.

The MEQ makes two kinds of grants to universities: operating grants and investment grants. Operating grants are funded out of the budget appropriations voted for that purpose; investment grants, authorized under the five-year university investment plan, are funded out of public borrowing paid back through debt service.

On the investment side, recurrent grants are made to ensure that buildings are maintained in a good state of repair, and to renew facilities. These grants are established in accordance with a periodically updated *normative framework*. Special grants can be made to meet certain specific needs, such as the acquisition of new buildings.

The budget envelope for operating expenses was, in recent years, distributed among universities according to the historical funding base, with the addition of special adjustments. The conceptual approach was simple and the available resources were distributed among institutions in a stable manner, on the premise that they had achieved a stable level of student enrolment. The major portion of each grant was established at the beginning of the university year on the basis of the actual data collected for preceding years.

Beyond the actual level of funding, several aspects of the method used in recent years needed to be improved. There was a lack of transparency concerning the major portion of each grant, i.e the *historical funding base*; funding was disconnected from variations in student enrolment, with a one-and-a-half year delay between the measurement of student enrolment and the provision of funding; there was no regulatory mechanism for the classification of activities for funding purposes; and so on. This funding policy provides for the required improvements.

## OBJECTIVES

The funding policy is designed, first, to ensure the quality of services and the quality of teaching and research activities, taking into account the specific features of each institution, and, second, to support the orientations set out in the Québec Policy on Universities.

The funding policy is also intended to promote educational success and faculty renewal, to encourage partnerships and to contribute to a reduction in overlaps and competition between levels of education (college-level institutions and universities).

The objectives of the Québec Policy on University Funding are therefore as follows:

- to ensure transparency in budget-related decisions, equity in the distribution of available resources, predictability in the level of funding granted to each institution, consistency with government expectations (accessibility, performance in terms of the quality of teaching and research and efficiency, responsiveness to the needs of society), and the maintenance of an annual balanced budget in all institutions

- to respect the choices made by universities in implementing their teaching and research activities, and to collaborate with each institution on the establishment of performance indicators
- to base most of the distribution of the available budget envelope on a dynamic approach that may be adjusted to take account of new situations, changes in universities and the general expectations of the Government and society, thereby ensuring that the distribution clearly reflects both the volume and the nature of the teaching and research activities taken into account for funding purposes
- to continue to provide for non-recurrent actions or specific measures other than general teaching and research activities

With regard to investment by the universities, the MEQ will continue its work with university representatives to improve the *normative framework* in order to ensure that material resources are maintained in a proper state of repair and that available facilities and equipment are used more efficiently. Special attention will be paid to the manner in which the parameters for determining the amount of required investment and its distribution are established, and to the current way of monitoring how the amounts granted for the maintenance of physical assets are used.

# FUNDING FORMULA

The funding formula for operating grants has two parts: one to establish general funding for universities, and one to establish specific funding to meet priorities and objectives that may be reviewed periodically, as needed.

## GENERAL FUNDING

General funding covers the basic resources that allow universities to fulfil their mission, taking into account their specific features, their autonomy, and their power of initiative in the organization of their activities. In particular, this type of funding may be used by universities to prepare the next generation of university researchers, improve support services and course quality, promote educational success and increase graduation rates by, for example, taking appropriate steps to recruit, renew and retain faculty.

The elements taken into account for general funding purposes concern the main functions of university teaching and research, most of which were included in the *historical funding base*: teaching, support for teaching and research, and maintenance of land and buildings. The specific mission of certain institutions may also be recognized, such as that played by the constituent institutions of the Université du Québec in outlying regions.

One feature of the new formula is that it takes into account variations in student enrolment on a 100% basis, both for “teaching” and “support for teaching and research.” Formerly, an increase in student enrolment triggered a 58% adjustment based on the *average network cost*, while a decrease triggered a 50% adjustment based on the *institutional cost*.

The “teaching” amount is based on a measurement of the teaching activities carried out by a university during a given year, expressed in terms of *weighted student enrolment*. The budget envelope for teaching is distributed in proportion to the weighted student enrolment of each university institution.

The weighted student enrolment for each university is established by dividing its activities<sup>1</sup> into a number of different groups and assigning a budgetary weighting to each group at each level of instruction. The classification is not based on families of disciplines, but rather on comparable costs. A provisional classification has been established for 2000-2001,<sup>2</sup> and work will be undertaken with the universities in the coming months to jointly determine a classification method that is not based on past choices or on the resources available in specific institutions, but that reflects the relative cost of a given teaching activity as compared to other teaching activities, on the understanding that the classification will be used solely to distribute the available “teaching” budget envelope equitably among the universities. In other words, the relative cost of a teaching activity will be used to establish the related grant.

The “support for teaching and research” amount is intended mainly to fund library operations, expenditure relating to computer and audiovisual equipment, and general administration costs. It has two separate parts: a fixed amount<sup>3</sup> granted to each institution to cover basic general administration costs; and an amount from a budget envelope shared among the institutions in proportion to full-time student equivalent (FTSE) enrolment at each institution.

The “maintenance of land and buildings” amount provides standardized funding to ensure the proper operation of university buildings. The allocation model reflects the costs associated with the maintenance and renovation of land and buildings, cleaning, energy consumption, security and protection, property insurance and the coordination of all the above activities. The allocation model depends to a great extent on the gross floor space recognized for funding purposes. As is the

1. Activities are measured in terms of FTSE (full-time student equivalent).

2. The classification is mainly based on the most recently observed average costs, established in light of the financial statements of all Québec universities.

3. An amount of \$2 million per institution for 2000-2001, thereafter adjusted according to the global parameters set annually by the Conseil du trésor.

case for the “teaching” amount, work will be undertaken in the coming months with university representatives in order to make adjustments to the model used for 2000-2001.

Funding for “teaching,” “support for teaching and research” and “maintenance of land and buildings,” as established using general parameters applicable to most university functions, cannot take into account all the situations that may be encountered in a diversified university network. The MEQ has already begun work to focus on special cases that will allow adjustments to be integrated into the allocations for the 2000-2001 university year. In the coming months, the MEQ intends to complete its analysis of a number of other situations.

The funding formula also takes into account the accessibility of university education in geographical terms, and earmarks \$23.5 million for this purpose. It is designed to reflect the fact that the constituent institutions of the Université du Québec that offer programs in a number of disciplines play an important role in their respective regions. The amount set aside for accessibility for certain constituent institutions reflects their distance from the cities of Québec and Montréal and their catchment area, i.e. the potential student population in their *natural territory*, although of course no territory is reserved for a given institution. In addition, the MEQ takes into account the fact that certain constituent institutions of the Université du Québec are required to offer programs for which it is difficult to attract a critical mass of students (in FTSE), given the population of the region concerned.

The funding formula does not change former practices concerning the equalization of revenues such as tuition fees paid by Canadian students from outside Québec and the fees prescribed for foreign students. The necessary adjustments are integrated into the general grant.

In the immediate future, the MEQ intends to ensure that all university institutions receive an adequate and fair share of the amount to be reinvested in university education. However, the implementation of the proposed formula will result in a significant increase in the general grant for McGill University. Given the wish expressed by the universities to see the establishment, *in the long term*, of a model applied in a uniform manner to all universities, and in light of the agreement reached in this connection between the MEQ and all the universities—including McGill—the difference, before general reinvestment, between the initial alloca-

tion for 2000-2001 calculated according to the new model and the grant established according to the *historical funding base* will be reduced gradually over a period of 15 years.

## OTHER PROVISIONS INTEGRATED WITH GENERAL FUNDING

Other adjustments to general funding have been provided for, as presented in the following paragraphs.

### FUNDING BY UNIVERSITY YEAR AND ADJUSTMENT FOR PREVIOUS YEARS

The initial allocation for a given university year (year  $x$ ) will be calculated on the basis of student enrolment (and other parameters, such as recognized floor space) for the university year  $x-2$ . This means that the initial allocation for 2000-2001 will be based on data from the 1998-1999 university year. However, the initial allocation for 2000-2001 will be based on data from the 1999 calendar year in order to ensure that data under the old allocation system and the new formula are comparable.

When preparing its budget and financial statements, every university institution will now have to enter a debit item or a credit item corresponding to the effect on its budget of the parameters specific to the institution (student enrolment, floor space recognized for funding purposes, etc.) for the current year (year  $x$ ). This will allow bookkeeping to be based on the fiscal year. The MEQ will introduce rules governing the adjustment to be made for previous years that will eliminate the funding discrepancy (positive or negative) between the student enrolment used to calculate the allocation and the actual enrolment for the university year concerned. The adjustment will be computed two years later on the basis of the *budgetary rules for the year for which the adjustment is made (in other words, year  $x-2$ )*.

In addition to any variation in student enrolment, the work to be completed by March 2001 (FTSE classification by groups and land and buildings) could change the calculation for the 2000-2001 grant (which would normally be adjusted when grants are made for 2002-2003). The 2000-2001 grant will only be adjusted upwards in order to ensure that no institution experiencing falling enrolment is penalized.

As a result, for the 2000-2001 university year, a university that expects its student enrolment to decline as compared with the enrolment used to calculate its initial grant (calendar year 1999) will not be required to create a credit item. An institution that expects its student enrolment to increase compared with the enrolment used to calculate its initial grant for the 2000-2001 university year (1999 calendar year), **and solely for 2000-2001**, will be required to enter a debit item in a proportion of 70%.

In addition, beginning in the 2001-2002 university year, the budget envelope for "teaching" and "support for teaching and research" will be distributed among institutions on the basis of the average student enrolment for each institution over the three most recent years,<sup>4</sup> where this method is more advantageous for the institution than the use of actual enrolment figures. This will cushion the grant reductions caused by a temporary drop in student enrolment or spread the effect of repeated drops in successive years.

### SHORT PROGRAMS AND NON-DEGREE PROGRAMS

The Québec Policy on Universities calls for an examination of university activities as they relate, in particular, to the activities of college-level institutions, to ensure complementarity, consistency with the mission of each level of institution, and an economical use of resources within the education system.

As a first step, it will be important to analyze the available data on graduation rates in programs other than degree programs: types of programs, student status, disciplines concerned, student profiles, educational background of students, etc.

As a second step, the MEQ would like to work with universities to establish a streamlined mechanism to certify the quality and relevance of such programs for funding purposes (calculation of the funded FTSE and classification by group and by level), and to monitor graduation rates (graduate follow-up surveys). This work will be carried out from 2000-2001 to 2002-2003 and could result in changes to funding allocations for these programs as of the 2002-2003 university year.

4. For the initial allocation, the student enrolment for university years  $x-4$ ,  $x-3$ ,  $x-2$ ; for the final adjustment, the student enrolment for university years  $x-2$ ,  $x-1$  and  $x$ .

### PERFORMANCE CONTRACTS

Under the *Financial Administration Act*, the Minister of Education must account for his management of the public funds placed at his disposal. The reinvestment plan introduced the day after the 2000-2001 Budget Speech made considerable new sums available to universities in order to help them fulfil their mission. This reinvestment plan is conditional upon the signing, in 2000-2001, of a performance contract between the Minister and each university institution and upon the fulfilment of this contract in the following years.

The elements of the performance contract are specified in the budgetary rules. The contract stipulates the commitment made by the institution with respect to various aspects of its activities and states that the institution must not use the amounts reinvested to eliminate its general fund operating deficit. All performance contracts will be made public. Universities will report to the Minister on their progress in fulfilling the commitments they made in their respective performance contracts so that the Minister may, in turn, report to the Government.

### SPECIFIC FUNDING

The new specific funding measures echo several orientations found in the Québec Policy on Universities: to increase the number of students in master's and doctoral programs; to improve the training of academic staff; to adopt strategies to help graduates enter the workforce; to increase students' awareness of the international arena; to modernize basic equipment and infrastructures; to ensure optimal management of program offerings; and to increase the interaction between universities and various stakeholders (practicums, fundraising, special projects, etc.).

### INCREASE IN THE ADJUSTMENT FOR THE NUMBER OF MASTER'S AND DOCTORAL DEGREES AWARDED

The Québec Policy on Universities states that access to university studies is indissociable from the question of graduation. "Successful completion of a program of study, recognized by the granting of a degree, should thus be a major focus of any strategy concerning access to university education." In addition, universities are encouraged to prepare the next generation of researchers and to diversify the objectives of master's and doctoral education to meet the need for highly qualified personnel.

The grant linked to the number of master's degrees awarded will increase from \$600 to \$1 000 per degree, and the grant linked to the number of doctoral degrees awarded will increase from \$1 000 to \$7 000 per degree. The increases represent an additional \$9.3 million in funding, which must be used first and foremost to provide support for students in order to raise educational standards, help them complete their courses successfully and increase graduation rates.

### **SUPPORT FOR INITIAL TEACHER TRAINING**

At the MEQ's request, the universities have modified their teacher training programs for elementary- and secondary-school teachers, in particular by increasing the number of practicums. In order to provide better supervision for practicums, an additional amount of \$4.8 million will be allocated in proportion to the number of bachelor's degrees awarded in the new programs.

### **SUPPORT FOR ENTRY INTO THE WORKFORCE**

The Québec Policy on Universities hopes to smooth the entry of graduates into the workforce by supporting a process of educational and vocational guidance for students, and by encouraging universities to "explore and develop new mechanisms to facilitate the integration of graduates into the labour market."

An envelope of \$10 million, distributed on the basis of student enrolment, will allow universities to offer more practicums and better guidance and placement services.

### **BURSARIES FOR STUDY OUTSIDE QUÉBEC**

The Québec Policy on Universities aims to increase awareness of the international arena among students by encouraging them to pursue part of their education abroad. A bursary program, administered by the universities, will be established for this purpose. The program will target Québec residents enrolled in a bachelor's, master's or doctoral program who wish to complete part of their program on a full-time basis in a university outside Québec. The program will allow these students to study abroad for a maximum of two sessions of at least two months each, for a total duration of not more than eight months. The bursaries will be capped at between \$750 and \$1 000 per month. The \$10-million envelope for this program will be distributed in proportion to the number of Québec residents registered for full-time studies at each university, although each university will receive a minimum allocation of \$25 000.

### **SUPPORT FOR LIBRARIES AND STUDENT ACCESS TO COMPUTERS**

As of 2000-2001, \$18 million will be allocated to universities for the purchase of books and periodicals by university libraries, and for improved student access to better services and high-performance computer equipment. This amount will be distributed in keeping with the normative framework for university investments in classrooms, teaching laboratories and libraries. Needs will be assessed in terms of FTSE enrolment, weighted by discipline.

### **SPECIAL PROJECTS AND A RECONFIGURATION OF PROGRAM OFFERINGS**

The MEQ intends to provide the universities with financial support for specific special projects or special missions. The Québec Policy on Universities encourages universities to ensure optimal management of their program offerings. The rationalization of program offerings, the pooling of resources, and partnerships with college-level institutions are some of the activities that would be eligible for MEQ support. An envelope of roughly \$15 million will be set aside for this purpose in 2000-2001, and grants will be made for the projects selected by the MEQ.

The amount of the grants and the activities concerned will be specified in the performance contracts.

### **MATCHING GRANTS**

In order to promote donations from individuals and corporations to university endowment funds and foundations, the MEQ will add 25 cents to each dollar donated, up to a maximum of \$1 million per institution. A \$10-million envelope will be set aside for this purpose, but the allocation may be adjusted to avoid a budget overrun. In 2000-2001, the matching grants will be calculated on the basis of the average donations made over the last three years for which records are available. Only donations giving rise to an income tax credit will be taken into consideration.

# CONCLUSION

This funding policy is intended to take into account the concerns expressed in the Québec Policy on Universities, and to provide for an equitable and transparent distribution of available resources among university institutions.

The introduction of a new method of resource distribution inevitably affects the relative share received by each university. Following a long period of budget constraints, such change is now possible, given the reinvestment announced in the last Budget Speech. Despite the change in the relative share of general funding received by each university, all universities will receive a larger grant compared to current funding levels.

Work will continue with the universities in the coming months to improve and fine-tune certain aspects of the funding formula, but the MEQ will distribute the resources earmarked for Québec's universities on the basis of this new funding policy and the attendant budgetary rules as of the 2000-2001 university year.

