

**A FAIR
AND BALANCED
UNIVERSITY
FUNDING PLAN**

**TO GIVE
QUÉBEC
THE MEANS
TO FULFIL
ITS AMBITIONS**



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2011-2012 Budget

A Fair and Balanced University Funding Plan

To Give Québec the Means to Fulfil Its Ambitions

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HIGHLIGHTS

In March 2010, the budget speech included a five-year financial framework for health spending.

The government is entering a new stage in providing for adequate, long-term funding of public services, by tabling **a plan that guarantees adequate funding** for universities over **a six-year period** from 2011 to 2017.

- The **Québec University Funding Plan** gradually meets the funding needs of universities, which will have access to **additional revenue of \$850 million in 2016-2017**.
- A little over **half** of this additional revenue, i.e. **\$430 million**, will be provided by the government.
- Students will pay their **fair share** of the university funding plan. As of fall 2012, tuition fees will be raised by **\$325 a year** until 2016-2017, bringing them to the **same level as in 1968**, taking inflation into account.
- University studies will continue to be financially accessible to students. In particular, **all students who receive bursaries** under the Loans and Bursaries Program will be **fully compensated** for the tuition fee increase.
 - In fact, **35% of the revenue** from the tuition fee increase will be returned to students through the student financial assistance program.
- Universities are being asked to collect additional funds from **individuals and businesses** and to increase their other revenue sources.
- Through partnership agreements with universities, the government is ensuring that **65% to 85%** of the additional resources will be used to improve the **quality of teaching and research** and will thus directly benefit students.

INTRODUCTION

In March 2010, the budget speech included a five-year financial framework for health spending. The government is entering a new stage in providing for adequate, long-term funding of public services, by tabling its plan for the funding of Québec universities over a six-year period from 2011 to 2017.

Thanks to this plan, universities will be sure to have access to the means they need to improve the quality of the teaching they offer students. This plan will thus contribute directly to improving university education, which is considered the key to success in a modern society and economy.

It will provide new means to universities, which are major pillars of the knowledge economy.¹

¹ Unless specifically mentioned, the tables in boxes are presented on a government fiscal year basis while the others are presented on an academic year basis.

□ Québec University Funding Plan

The **Québec University Funding Plan** will make it possible to achieve four objectives:

- **Meet the funding needs of universities**, a prerequisite for the excellence and prosperity of Québec society as a whole. Universities will have access to **additional revenue of \$850 million in 2016-2017**.
- **Share the contribution fairly among all partners**, namely, the government itself; the student population, through a gradual and managed increase in tuition fees; individuals and businesses, through increased donations under Placements Universités; and universities, through the own-source revenue they will be encouraged to generate.
- **Ensure**, at the same time, **that the accessibility of a university education is maintained for students**, by fully compensating all students who receive bursaries under the Loans and Bursaries Program for the tuition fee increase and thereby preventing these students from going deeper into debt. The contribution required of parents and spouses will be reduced.
 - In fact, **35% of the revenue** from the tuition fee increase will be returned to students through the financial assistance program.
- **Introduce performance commitments** with universities to ensure that the new resources will actually be used to improve the quality of teaching.

Every year, between now and 2016-2017, the additional government contribution to university funding will be greater than the effort required of students as a result of the tuition fee increase.

TABLE 1

Québec University Funding Plan

(millions of dollars, impact on an academic year basis)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Québec government	74	117	149	263	357	430
Students	41	90	144	193	231	265
Other revenue sources for universities	24	45	66	81	92	101
Donations from individuals and businesses	9	18	27	35	44	54
TOTAL ADDITIONAL REVENUE	148	270	386	572	724	850

□ The 2010-2011 Budget and the meeting of December 6, 2010

In the 2010-2011 Budget, the government laid out the path it intended to follow to improve university funding over the long term. At the time, it announced that a meeting would be held with representatives of its main education partners.

This meeting, which took place on December 6, 2010, focused on the future of universities and their contribution to the development of Québec.

The meeting underscored the fundamental role of universities in all advanced societies. In a society like Québec, prosperity depends largely on the development of knowledge. Universities play a leading role in supporting this development since they shoulder most of the responsibility for training a qualified, highly skilled workforce and contribute directly to the advancement of research.

The meeting revolved around the following three themes:

- the funding of university education;
- the financial accessibility of education;
- the performance of universities.

A discussion paper provided participants and Quebecers as a whole with information on the topics discussed.²

The **Québec University Funding Plan** is a direct follow-up to this meeting.

² Ministère de l'Éducation, du Loisir et du Sport, 2010. *L'avenir des universités et leur contribution au développement du Québec, Document d'appui à la réflexion, Rencontre des partenaires en éducation*, December 6, 2010, Québec.

1. A PLAN TOTALLING \$850 MILLION IN 2016-2017

During the meeting of education partners in December 2010, an assessment of the funding of Québec universities was made public.³

□ Positive data overall

Based on the indicator of total university spending relative to gross domestic product (GDP), Québec, in relation to the rest of Canada, is one of the provinces that makes the greatest effort to fund universities. In 2008-2009, total university spending in Québec accounted for 1.94% of GDP, compared with 1.76% in Ontario, 1.65% in Canada as a whole and 1.58% in Canada without Québec.

A similar conclusion is reached when total university spending per student is compared. In 2008-2009 as well, total spending per student was \$29 242⁴ in Québec, compared with \$28 735 in the rest of Canada, \$26 383 in Ontario and \$28 846 in Canada as a whole.

TABLE 2

Total university spending¹ in Québec and the other regions of Canada, 2008-2009

	As a % of GDP %	Per student \$
Québec	1.94	29 242
Canada without Québec	1.58	28 735
Atlantic provinces	2.03	26 831
Ontario	1.76	26 383
Western provinces	1.37	32 976
Canada	1.65	28 846

1 Total spending includes spending on all university activities.

Sources: Ministère de l'Éducation, du Loisir et du Sport, calculations performed using data from Statistics Canada and the Canadian Association of University Business Officers (CAUBO).

³ MELS, *L'avenir des universités...*, op. cit., page 21.

⁴ Calculation based on gross full-time equivalent student enrolment.

□ Problems that cannot be denied

However, other data show that these generally positive observations need to be qualified.

- In regard to both total spending and total revenue per student, Québec universities fare better than universities in the rest of Canada as far as subsidized research and capital expenditures are concerned.
- But the reverse is true when it comes to operating expenditures.
 - Indeed, Québec universities spend less than universities elsewhere in Canada on operations.
- In addition, since 2005, Québec universities as a whole have posted a deficit at the end of each fiscal year, such that their accumulated deficit reached \$483 million in 2009.

TABLE 3

Annual result and accumulated operating deficit of Québec universities as at May 31

(millions of dollars)

	2005	2006	2007	2008	2009
Annual result	- 33	- 95	- 57	- 62	- 28
Accumulated deficit	- 241	- 336	- 393	- 455	- 483

Source: Ministère de l'Éducation, du Loisir et du Sport.

The Conférence des recteurs et des principaux des universités du Québec (CREPUQ) believes that Québec universities are underfunded. The Conférence has estimated the underfunding at \$375 million in 2002 and \$620 million in 2010.⁵ Québec universities are calling for reinvestment to address this situation.

The document made public in December 2010 stressed two points.

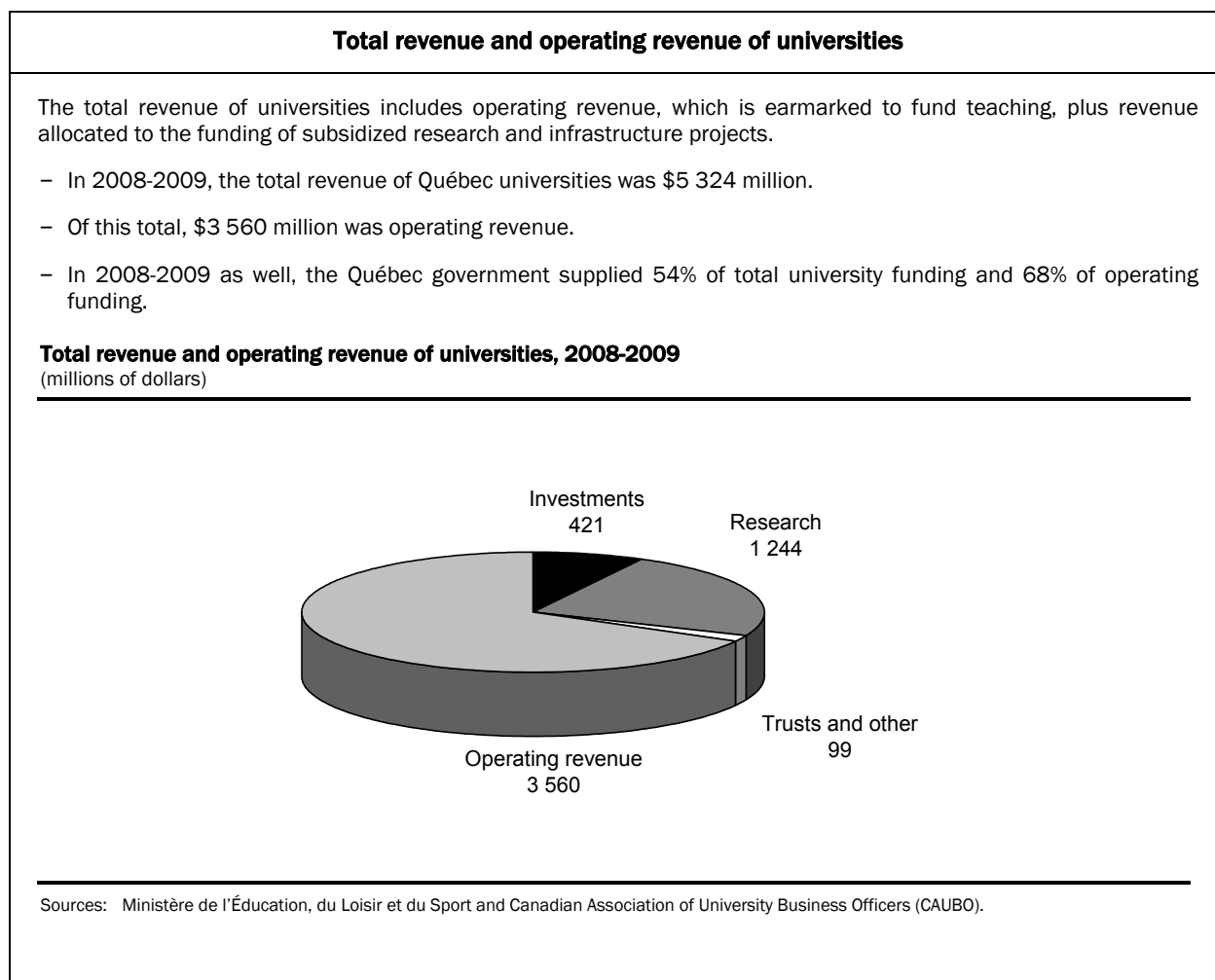
- As the above-mentioned data show, conclusions about the extent to which Québec universities are underfunded are very sensitive to the methods used to estimate and compare their funding levels with those of universities in the rest of Canada.

⁵ Underfunding estimate for 2007-2008. Source: CREPUQ, *Le financement des universités québécoises comparé à celui des universités des autres provinces canadiennes de 2000-2001 à 2007-2008*, December 2, 2010.

— Nonetheless, there is no denying that deficits are incurred by Québec universities year after year and that these deficits are of a size not found in any of other province.

A convincing solution to this underfunding problem must now be found:

- by ensuring that **real per student funding is maintained** until 2016-2017;
- by investing **additional resources** in Québec universities in order to give Québec the means to fulfil its ambitions.



□ **Guaranteeing the increase in core funding: \$320 million in 2016-2017**

It is important to first **ensure real per student funding** so as to guarantee the quality of teaching and take into account the change in enrolment.

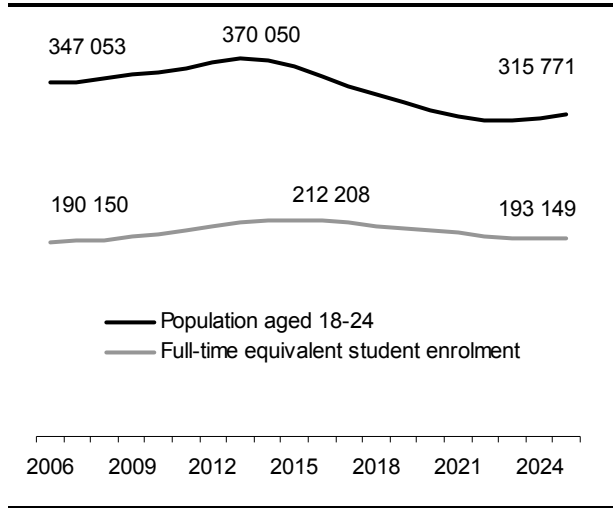
- According to current projections, the regular student population will continue to grow until 2014-2015, when it will peak with just over 212 000 students.⁶ It should start to shrink as of 2015-2016 and then stabilize at the 2011 level at the beginning of the next decade.
- The impact of inflation on all of the costs covered by universities must also be taken into account. In this regard, the consumer price index is expected to climb by at least 2.0% per year between now and 2016.

The corresponding financial requirement is estimated at **\$320 million** in 2016-2017.

CHART 1

Long-term change in student enrolment and the population aged 18 to 24 in Québec

(for all levels of study, number of people attending university and population aged 18 to 24)

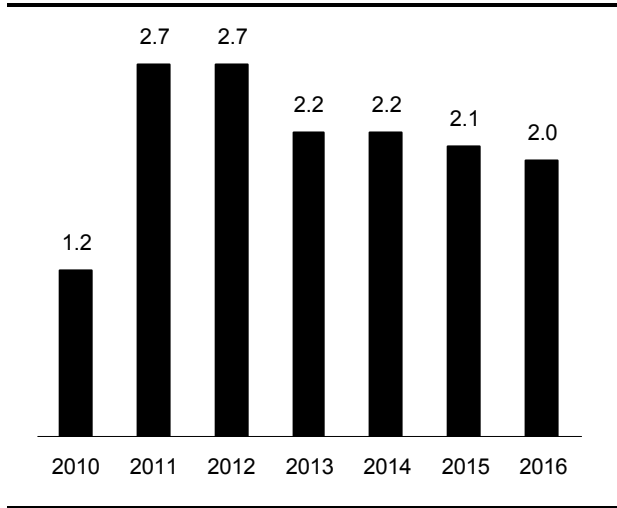


Sources: Institut de la statistique du Québec and Ministère de l'Éducation, du Loisir et du Sport.

CHART 2

Consumer price index – Québec

(percentage change)



Sources: Institut de la statistique du Québec and Ministère de l'Éducation, du Loisir et du Sport.

⁶ Full-time equivalent student enrolment.

□ **Excellence funding: \$530 million in additional resources**

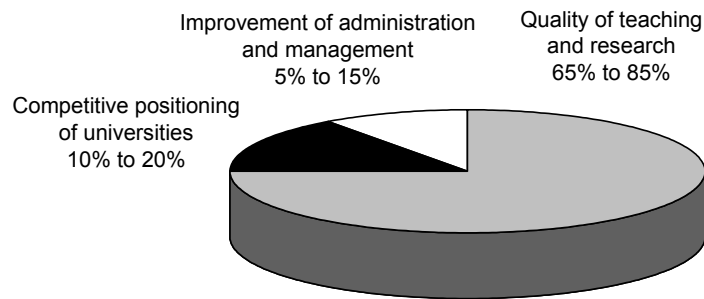
This first effort that has to be made to guarantee core funding is substantial. However, it will not be enough to ensure the excellence of Québec's universities and enable them to position themselves internationally.

To give Québec the means to fulfil its ambitions, **\$530 million** in additional resources will gradually be allocated to universities between now and 2016-2017.

CHART 3

Breakdown of the additional resources for universities

(per cent)



Sources: Ministère de l'Éducation, du Loisir et du Sport and Ministère des Finances du Québec.

These additional resources will be used for the following purposes:

— **65% to 85%** will be allocated to the **quality of teaching and research**.

— **50% to 60%** of universities' additional revenue will be allocated to the **quality of teaching**

Universities must have access to new resources in order to improve students' learning environment, invest in enhancing their graduation rate and increase the rate of student support and supervision by regular professors. Universities must also step up their research activities.

In concrete terms, measures must be taken to boost Québec students' academic success in university, increase the number of courses given by professors and improve the school-to-workplace transition for graduates.

— **15% to 25%** of the additional revenue will be allocated to the **quality of research**

Québec already does better than elsewhere, but it has to improve its performance even further by enhancing funding for research activities as a whole and capitalizing on them to a greater extent.

For the government, it is clear that this increased funding is not a sign that it is taking over responsibilities that the federal government refuses to bear in full. The responsibilities referred to here are indirect research costs, in respect of which the Québec government has already submitted a number of requests. These requests have still not been met, however.

— **10% to 20%** of the additional resources will be used to improve the **competitive positioning of Québec universities** in Canada and abroad.

Québec universities must improve the training they offer, be more competitive internationally and further develop their areas of excellence.

They must be able to boost their recruitment of high-calibre postdoctoral students. They also have to boost the number of foreign students.

— In addition to addressing these major challenges, the government has added funding to improve governance and restore order to university finances.

5% to 15% of the additional resources will be used to improve **administration** and **management**.

The goal is to enable all universities that are currently running a deficit to return to balanced budgets two years after the partnership agreements come into effect. They will also have 15 years to eliminate the accumulated deficit.

Federal research grants and the underfunding of indirect research costs

Indirect research costs are costs related indirectly to the implementation of research projects.

They can include:

- costs related to services, such as administration, libraries, telecommunications or human resource management;
- costs related to the facilities used, such as the cost of operating the facilities, keeping them in good condition or renewing their general equipment.

Financing research costs and their related indirect costs

Since 2004-2005, the Québec government has adhered to the principle that the organization which supports a research project (known as the research project funding agency) must finance both the direct costs of the project and its related indirect costs.

An interdepartmental working group set up by the Québec government has estimated that such indirect research costs represent, on average, 60% of the funding granted by research project funding agencies, i.e. 27% for service-related costs and 33% for facility-related costs.

A shortfall of \$90 million for 2007-2008 alone

The federal government currently covers only a small share of the indirect costs related to research projects whose implementation it supports: slightly over 23%, according to the estimates of the Association of Universities and Colleges of Canada. According to the Québec government's estimates, federal underfunding of the indirect costs of research conducted by universities represents a shortfall of approximately \$90 million for 2007-2008 alone.

□ **Additional revenue for universities: \$850 million in 2016-2017**

The government is announcing a funding plan for Québec universities to provide them with **\$850 million** in additional revenue, including **\$530 million** in additional resources, in 2016-2017.

- From 2010-2011 to 2016-2017, university operating revenue will rise from \$3.7 billion to \$4.6 billion, which represents a budget increase of nearly 25% in six years.
- The funding plan will be implemented gradually over the next six years.

TABLE 4

University operating revenue

(millions of dollars, impact on an academic year basis)

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Operating revenue, 2010-2011	3 735	3 735	3 735	3 735	3 735	3 735	3 735
Maintenance of core funding		128	191	237	291	320	320
Additional resources		20	79	149	281	404	530
Total additional revenue		148	270	386	572	724	850
University operating revenue	3 735	3 883	4 005	4 121	4 307	4 459	4 585
<i>Average annual change - 2011-2012 to 2016-2017</i>							3.5%

Sustained growth in government grants to universities since 2003

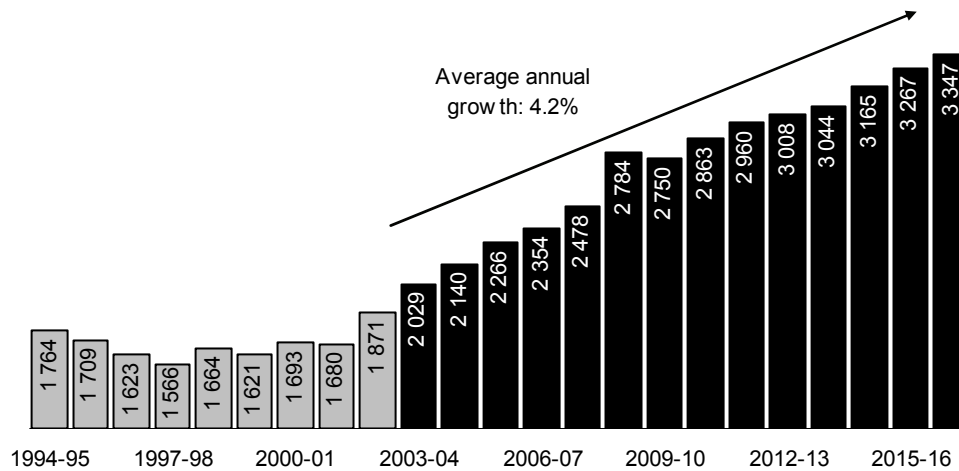
From 2002-2003 to 2016-2017, annual operating grants from the Québec government to universities will increase from \$1.9 billion to \$3.3 billion. This will correspond to an annual average growth of 4.2%.

- In comparison, the government contribution to university funding rose by only 0.7% per year from 1994-1995 to 2002-2003.

By contributing over half of the additional \$850 million provided for in the Québec University Funding Plan, the government is confirming its will to continue the efforts made since 2003-2004.

Annual grants paid to universities by the Ministère de l'Éducation, du Loisir et du Sport on a government fiscal year basis^{1, 2}

(millions of dollars)



1 Before the budgetary impact of the sums stemming from the tuition fee increase returned to students under the Loans and Bursaries Program as of 2012-2013.

2 Including long-term infrastructure funding.

Sources: Secrétariat du Conseil du trésor, expenditure budget, Ministère des Finances du Québec, public accounts.

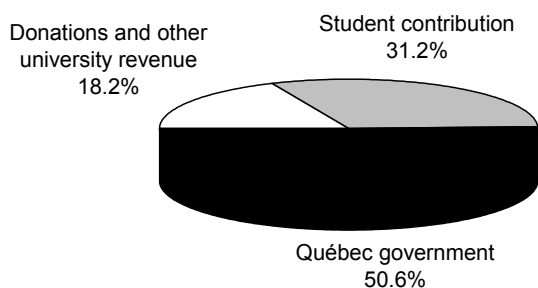
2. SOURCES OF FUNDING: A FAIR SHARING OF THE CONTRIBUTION AMONG ALL PARTNERS

The **Québec University Funding Plan** provides for a fairly shared contribution.

- Over half of the additional revenue transferred to universities will be provided by the **government**.
- **Tuition fees** will be raised in a gradual and managed manner.
 - The student contribution, which represented 12.7% of total university revenue in 2008-2009, will be raised gradually to 16.9% in 2016-2017.
- Universities will be asked to encourage more **donations from individuals and businesses** through Placements Universités, a new lever introduced by the government for this purpose.
- In addition, universities will have to launch new initiatives to boost their **other revenue sources**, i.e. research revenue, revenue from certain continuing education services and revenue from ancillary services.

CHART 4

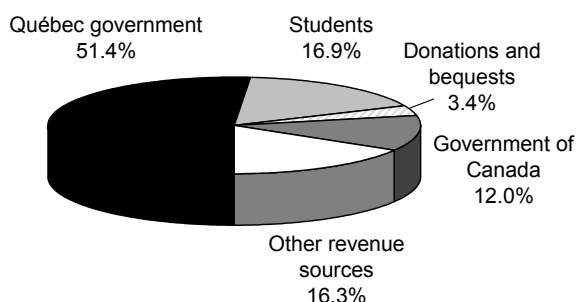
Total additional university revenue – \$850 million in 2016-2017
(per cent)



Source: Calculations performed by the Ministère de l'Éducation, du Loisir et du Sport using data from Statistics Canada and the Canadian Association of University Business Officers (CAUBO).

CHART 5

Total university revenue¹ in 2016-2017
(per cent)



¹ Excluding endowment funds.

Source: Calculations performed by the Ministère de l'Éducation, du Loisir et du Sport using data from Statistics Canada and the Canadian Association of University Business Officers (CAUBO).

□ An increased government contribution

It is important that the government continue to be the leading contributor to university funding. Universities have an essential role to play in building a modern society based on the knowledge economy.

Therefore, the government has decided to set its contribution to the university funding plan at at least **50%**.

Accordingly, in 2016-2017, the government will transfer **\$430 million** to universities, or more than half of their total additional revenue.

- Of this amount, \$206 million will be used to cover indexation and fluctuations in enrolment.
- An amount of \$224 million will also be added, including in particular funding to match donations. This matching funding will be discussed a little later on.

By the end of the period, i.e. in 2016-2017, the government contribution will amount to almost \$2.9 billion, compared with \$2.4 billion in 2010-2011.

TABLE 5

Government contribution

(millions of dollars, impact on an academic year basis)

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Government contribution	2 443	2 517	2 560	2 592	2 706	2 800	2 874
Maintenance of core funding		69	107	129	170	200	206
Additional resources		5	10	20	92	157	224
TOTAL ADDITIONAL REVENUE		74	117	149	262	357	430

Note: Since figures are rounded, they may not add up to the totals shown.

1 Amount paid on a fiscal year basis into the Fonds pour l'excellence et la performance universitaires.

Reinvestment of \$1 billion in higher education

The Québec government's contribution to university funding is substantial, and it has increased considerably since 2003.

In 2007, the government made a commitment to allocate an extra \$1 billion to higher education in 2012, in addition to the transfers received from the federal government.

- From 2007-2008 to 2010-2011, the government added \$650 million to the sums allocated to higher education, including \$393 million for universities.
- Taking into account the \$152 million allocated to the expenditure budget for higher education in 2011-2012, \$198 million must still be invested in higher education funding to meet the 2007 commitment.

This balance will be reinvested.

- \$120 million will be transferred to university education;
- \$78 million will be added for college education.

The government will have thus fulfilled the commitment made in 2007 with regard to universities.

Reinvestment by Québec of \$1 billion in higher education

(millions of dollars, impact on a government fiscal year basis)

	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
2006-2007 expenditure budget	3 920	3 920	3 920	3 920	3 920
Maintenance of current services	107	283	387	517	664
Reinvestments	120	160	133	133	138
Portion of commitment met	227	443	520	650	802
Balance required to meet commitment	773	557	480	350	198
College education				140	78
University education				210	120

2.1 To ensure that students pay their fair share: a gradual and managed increase in tuition fees

It is important for the government that students pay their fair share of the university funding plan. However, the government has sought to make sure that the tuition fee increase defined for that purpose will be managed and limited.

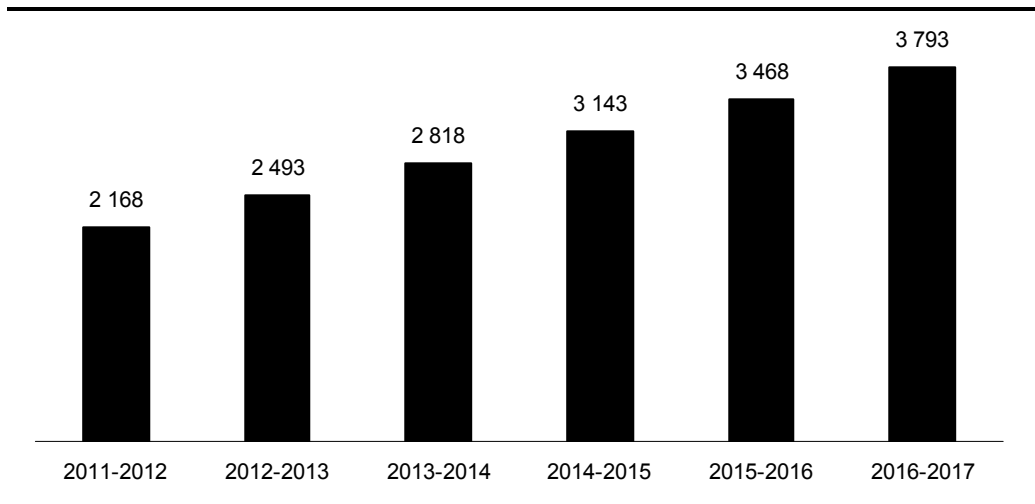
□ Tuition fee increase of \$325 a year

Tuition fees will be raised by **\$325 a year**⁷ as of 2012-2013. This increase will begin to take effect as of fall 2012.

- The increase will apply over five years. Accordingly, tuition fees will rise by \$1 625, to \$3 793 in 2016-2017, compared with \$2 168 in 2011-2012.
- The increase will apply in the same way regardless of the discipline.

CHART 6

Tuition fees in Québec (dollars)



Note: Based on a 30-credit year of study.

⁷ Based on a 30-credit year of study.

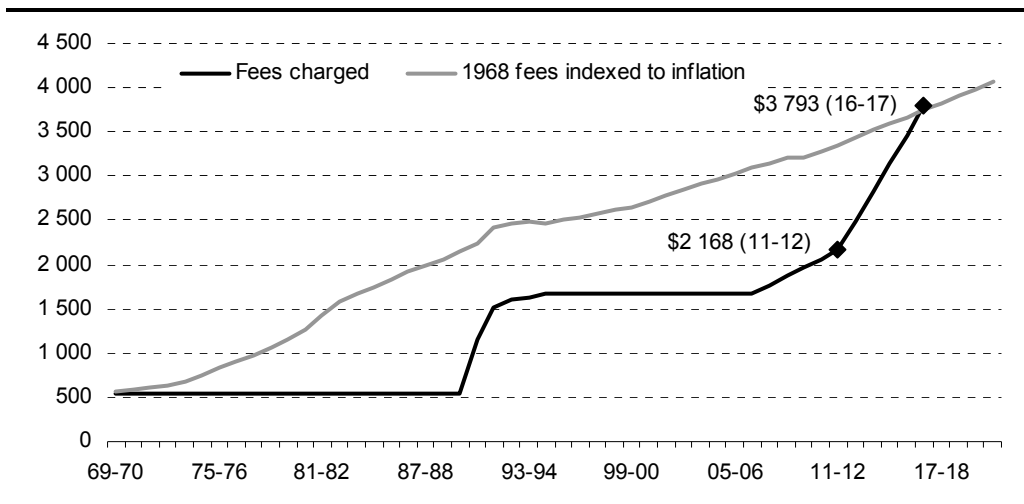
❑ Tuition fees at the same level as in 1968, taking inflation into account

In 2016-2017, the tuition fee increase will bring these fees to the level they were at in 1968, taking inflation into account.

As of 2016-2017, tuition fees will be indexed according to the terms and conditions provided for in the government policy on fees for public services.

CHART 7

Change in basic tuition fees in Québec universities
(dollars)



Sources: Ministère de l'Éducation, du Loisir et du Sport and Ministère des Finances du Québec.

Tuition fee increase

Tuition fees for the 2011-2012 academic year will be set at \$72.26 per credit for all levels of study and all educational activities offered under university programs. Therefore, one 30-credit year of study will cost students \$2 167.80.

As of fall 2012, tuition fees will be raised by **\$325** for a **30-credit** year of study. Starting in the fall term of each year, tuition fees per credit will be as follows:

- \$83.09 in 2012-2013;
- \$93.92 in 2013-2014;
- \$104.75 in 2014-2015;
- \$115.58 in 2015-2016;
- \$126.41 in 2016-2017.

The cost of studies for each student will depend on the number of credits that he or she enrolls in over the year as a whole.

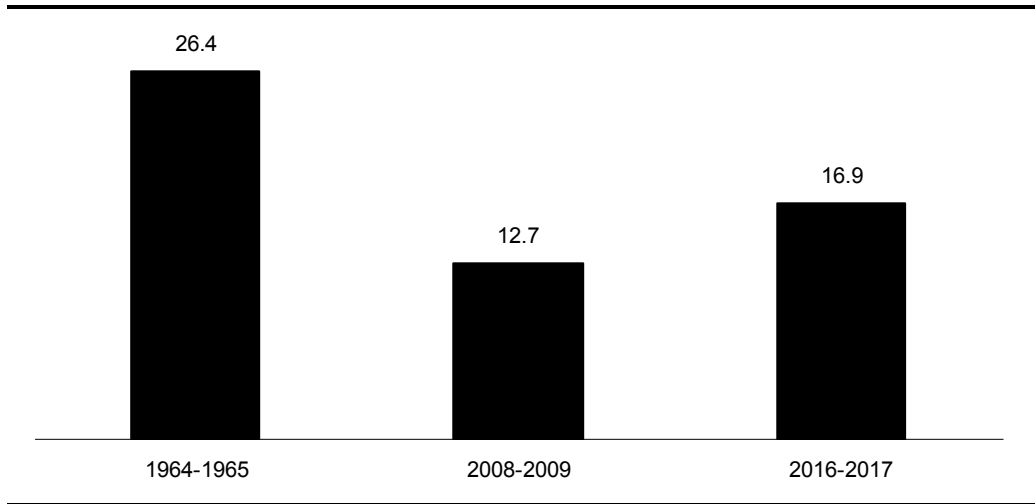
□ **A contribution to total university funding that is lower than in 1964-1965**

The increase in tuition fees will raise the student contribution to the **total funding** of universities from 12.7% to 16.9%.

This contribution was 26.4% in 1964-1965.

CHART 8

Student contribution to the total revenue of Québec universities
(per cent)



Sources: Canadian Association of University Business Officers, *Report of the Royal Commission of Inquiry on Education in the Province of Québec* (Parent Report) and Ministère des Finances du Québec.

□ Net increase of \$265 million in the student contribution in 2016-2017

The increase in tuition fees will bring in \$332 million in 2016-2017. The student contribution to the Québec University Funding Plan will also include tuition fees collected for new enrolments, i.e. \$49 million in 2016-2017.

However, the sums that will be returned to students through the student financial assistance program must be deducted from this contribution.

- The government will inject \$116 million, or 35% of the sums stemming from the tuition fee increase, into the student financial assistance program in 2016-2017 (on an academic year basis).

All bursary students who are beneficiaries of the student financial assistance program will be compensated in full for the increase in tuition fees, and the government will thus avoid adding to the debt load of these students.

The amount returned to students through loans or bursaries does not include the tuition fee increases taken into account in defining tax assistance: in fact, all students will see their tuition fee increases covered in whole or in part through the Loans and Bursaries Program or tax assistance.

- The net student contribution to the university funding plan will thus be **\$265 million** in 2016-2017. This contribution represents 31% of the **additional revenue** transferred to universities.
 - The student contribution, which accounted for 12.7% of total university revenue in 2008-2009, will thus be raised gradually to 16.9% in 2016-2017.

TABLE 6

Student contribution

(millions of dollars, impact on an academic year basis)

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Student contribution	709	750	799	854	902	940	974
Fluctuations in enrolment ¹		41	51	60	63	58	49
Tuition fee increases		—	60	130	199	267	332
Portion retained for student financial assistance		—	- 21	- 46	- 70	- 93	- 116
TOTAL ADDITIONAL REVENUE		41	90	144	193	233	265

Note: Since figures are rounded, they may not add up to the totals shown.

1 Including the \$100 increase per year provided for in 2011-2012.

□ Tuition fees that are among the lowest in Canada

Despite the increase applied until 2016-2017, tuition fees in Québec will still be among the lowest in Canada.

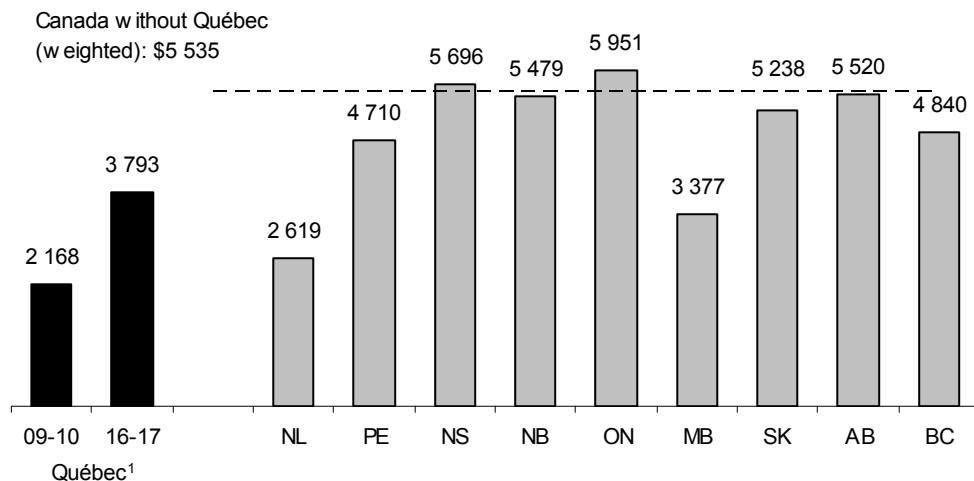
The tuition fees projected in Québec for 2016-2017 are already lower than those collected in seven of the Canadian provinces in 2009-2010: Québec will continue to be one of the places in Canada where education is most affordable.

— In 2016-2017, tuition fees in Québec will be equal to only 69% of the average in the rest of Canada in 2009-2010.

CHART 9

University tuition fees, 2009-2010

(dollars, undergraduate level)



Note: Based on a 30-credit year of study.

1 Basic tuition fees only.

Sources: Statistics Canada and Ministère des Finances du Québec.

❑ Foreign students and Canadian students who do not reside in Québec

All students in Québec are required to pay basic tuition fees. However, foreign students and Canadian students who do not reside in Québec have to pay a lump sum in addition to basic tuition fees. In 2010-2011, the total fees charged to these students were as follows:

- \$5 668 for Canadian students who do not reside in Québec;
- between \$11 984 and \$14 879 for foreign students.

■ A fee policy that has to be updated

In cooperation with universities and its other partners in the university community, the government will review in the coming months the principles underlying the lump sum amounts charged to foreign students and Canadian students who do not reside in Québec.

A new fee policy will thus be defined for these students, taking into account the fees charged in the rest of Canada and the increases of \$325 that will be applied in Québec as of fall 2012 and ensuring that the competitiveness of Québec universities will be preserved.

Current fee policy for foreign students and Canadian students who do not reside in Québec
<p>Additional tuition fees charged to Canadian students who do not reside in Québec</p> <p>Since 1997-1998, additional tuition fees have been charged to the vast majority of Canadian students who do not reside in Québec. The fees amount to \$119.99 per credit in 2010-2011, or \$3 599.70 on an annual basis (two 15-credit terms). The goal is to ensure that the tuition fees payable by Canadian students who do not reside in Québec are comparable to those charged elsewhere in Canada.</p> <p>Additional tuition fees charged to foreign students</p> <p>Since 1978, the Québec government has charged foreign students additional tuition fees. Since fall 2008, these fees have been set according to two separate components.</p> <ul style="list-style-type: none">– The deregulated component, which will apply from 2008-2009 to 2013-2014, concerns six groups of disciplines for which university institutions are free to set the additional fees they wish to charge foreign students (pure science, mathematics, engineering, computer science, administration and law). To offset this additional revenue, Ministère de l'Éducation, du Loisir et du Sport no longer pays the teaching grant for these discipline groups.– The regulated component covers all the other discipline groups at both undergraduate and graduate levels. For the 2010-2011 academic year, the additional tuition fees charged to foreign students ranged from \$330.54 to \$427.02 per credit depending on the level of study. Most of these fees are recovered by the Ministère de l'Éducation, du Loisir et du Sport and redistributed to university institutions as a whole. <p>Universities are also free to charge foreign students an additional amount equal to 10% of these additional tuition fees and they may keep the additional revenue.</p>

1 Under a reciprocity agreement concluded between Québec and France in 1978, French students have the same advantages in Québec as those granted to Québec students in France (Quebecers who study in France pay the same registration fees as French students).

The private profitability of university studies

Tuition fees provide access to university studies, which are highly profitable for both society as a whole and graduates themselves. The increase in tuition fees must therefore be viewed in the context of the direct benefits for graduates throughout their professional life after they have completed their studies.

The discussion paper made public at the meeting of education partners in December 2010 presented several assessments of the public and private profitability of university studies.¹

Public profitability of university studies

The public profitability of university-level training corresponds to the gain to society of investing in such training, because of the advantages derived in terms of increased competitiveness and active participation in high-value-added sectors.

University-level training is also profitable from a private perspective

When the cost of education to students is compared with the remuneration they receive once they graduate, Québec university graduates experience very high private rates of return.

- In 2006, the private rate of return for a person with a bachelor's degree was 15.7% for men and 20.1% for women. This represents an additional income gain of nearly \$600 000 over the working life of a person with a bachelor's degree compared to a person with a high school diploma.
- The private rate of return for a person with a master's degree compared to a person with a bachelor's degree was 5.9% higher for men and 7.4% higher for women.
- For a person with a doctorate compared to a person with a master's degree, the rate of return was 11.1% higher for men and 10.3% higher for women.
- Rates of return vary widely depending on the field of study. In medicine, the private rate of return was 30.2% for men and 31.5% for women.

1 MELS, *L'avenir des universités...*, page 61.

2.2 Placements Universités, to encourage donations from individuals and business

Annual donations from individuals and businesses to universities in Québec reached \$111 million, on average, between 2004-2005 and 2008-2009.

The document presented in December 2010 contained a number of observations about donations to universities.⁸

- In 2008-2009, 6 % of donations made in Québec were private donations compared with 46% in Ontario and 42% in the rest of Canada. Therefore, the difference between donations to universities in Québec and those to universities in the rest of Canada is due to private donations.
- The difference is even greater when donations to francophone universities alone are considered. In 2008-2009, donations to McGill, Concordia and Bishop's accounted for 47% of total gifts and bequests to universities, even though these three universities combined have just over a quarter of the entire student population.

❑ Objective: increase donations by 50% in 2016-2017

The objective is to increase donations to universities from \$111 million to \$165 million in 2016-2017, or by almost 50% in six years.

TABLE 7

Donations from individuals and businesses

(millions of dollars, impact on an academic year basis)

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Current donations	111	111	111	111	111	111	111
Additional donations		9	18	27	35	44	54
TOTAL DONATIONS FROM INDIVIDUALS AND BUSINESSES	111	120	129	138	146	155	165

Source: Ministère de l'Éducation, du Loisir et du Sport and Ministère des Finances du Québec.

⁸ MELS, *L'avenir de universités...*, page 40.

To achieve this goal, the government is freeing up additional resources to reward the annual fund-raising efforts of universities and encourage these institutions to do better.

In 2016-2017, \$30 million will be added annually to the \$10 million already allocated to matching grants. Previously, additional matching grants were recorded in the government contribution.

❑ **The current lever: matching grants capped at a total of \$10 million**

It should first be noted that general fiscal measures encourage individuals and corporations to make donations. The application of these measures is uniform, regardless of the activity sector for which the donation is made. The aim of the measures is to encourage philanthropy, without favouring one field of activity, such as education, culture or health, over another.

In addition to these tax deduction measures, Québec has established a mechanism to enhance donations to universities through public funds.

- To encourage individuals and businesses to make financial donations to university endowment funds and foundations, Québec pays annually each university 25 cents for every dollar donated on average over the previous five years, up to a maximum of \$1 million per institution.
- The allocation is adjusted so as to not exceed the \$10 million set aside for this purpose annually.
- The government grant is not subject to any conditions regarding use.

❑ **A new initiative: Placements Universités, with a budget of \$40 million annually**

The government is taking two initiatives under its funding plan for Québec universities:

- The current matching grant is being improved by raising the ceiling on the total resources allocated to it.
- A new component is being added to encourage universities to set even more ambitious fund-raising objectives.

The current program and the new component, which are separate from one another, are being grouped into a single program called Placements Universités.

■ **Component 1 of Placements Universités**

The current program is being maintained and improved.

- As in the past, universities will receive for a given year a matching grant from the government of 25 cents for every dollar donated to them on average over the last five known years.
- The maximum grant will continue to be \$1 million annually per institution, which corresponds to an average of \$4 million in donations over the last five years.
- The government is improving the current program by eliminating the global \$10-million ceiling that corresponds to the amount reserved annually for all the matching grants paid to universities.

■ **Component 2 of Placements Universités**

A second component is being added to the current program that is completely different from the support mechanism now in place.

- The government is setting a fund-raising growth objective for each university for each of the next five years.
- The goal is as follows: universities are being asked to organize fund-raising campaigns aimed at increasing funds collected by 8% per year relative to the average donations they actually received from 2004 to 2009.

- The government is committing to paying a matching grant for this annual portion of 8.0%.
 - In the case of small universities, the matching grant will be equal to \$1 for every dollar received. For the purposes of Placements Universités, universities with less than 15 000 students will be considered small universities.⁹
 - Large universities, or universities with 15 000 students or more, will receive a grant of 50 cents for every dollar donated to them.

□ An attractive and flexible program

Placements Universités will be very flexible because of the rules the government has defined for this program.

- As under the current program, the government grant will not be subject to any conditions regarding use.
- Under the second component of the program, universities will be able to carry over surplus donations received in a given year to the following year if they have surpassed the annual fund-raising objective set by the government. This will make it possible to take into account fund-raising campaigns that last several years.
- Inversely, under the second component as well, universities will be able to carry over to the following year the portion of a matching grant that was not used during a given year, when donations fail to reach the annual fund-raising objectives set by the government. The government also takes into account the situation of small universities in the regions.

The program will be attractive.

- The Placements Culture experience has demonstrated the robust leverage effect created when the government matches the amounts received in fund-raising campaigns. Both businesses and individuals feel strongly encouraged to donate more during fund-raising campaigns when they learn of the multiplier effect their contribution will have thanks to the matching funding provided by the government. Universities will thus be able to use a very compelling argument to encourage donors to be generous.

⁹ Full-time equivalent student enrolment.

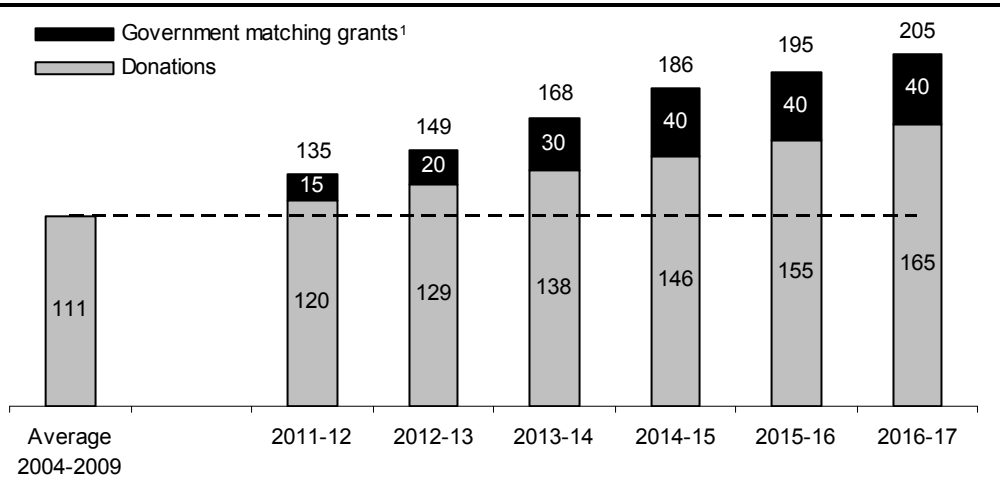
— It will be in the interests of the universities themselves to increase the donations they receive relative to the results for the reference period, because this is the condition on which they will be able to benefit from the second component of the program.

Overall, the fund-raising campaigns organized by universities should enable them to obtain slightly over **\$200 million** in 2016-2017, or \$165 million in actual donations and \$40 million in matching funds (funding, grants) earmarked for universities by the government.

CHART 10

Private donations from individuals and businesses

(millions of dollars)



¹ Including the \$10 million for the current compensation grant.
Sources: Ministère de l'Éducation, du Loisir et du Sport and Ministère des Finances du Québec.

To ensure that the sums allocated to match donations are managed effectively, the government is creating a fund called the Fonds pour l'excellence et la performance universitaires.

As will be seen later on, this fund will play an important role in the implementation of university performance commitments.

Placements Universités – A flexible measure for universities

The following example illustrates the impact for a large university of the funds placed at its disposal over the next five years under Component 2 of the program.

The government matching grant of 50 cents is paid on the basis of the lesser of the growth objective and the growth actually achieved by the university.

- If the result is lower than the objective, the matching grant is not paid and is carried over to the following year.
 - In 2011-2012, an unused matching grant of \$15 000 will be carried over to 2012-2013 because donations were \$30 000 less than the objective (\$350 000 - \$320 000).
- Inversely, if the result exceeds the objective, the amount of surplus donations is carried over to the following year.
 - In 2012-2013, donations were \$50 000 higher than the objective. This amount will be carried over to 2013-2014 (\$750 000 - \$700 000).

Component 2

Large university – Example

(thousands of dollars)

	Initial objective		Amounts carried over		Result	
	Donations	Matching grant	Donations	Matching grant	Donations	Matching grant
Growth 2011-2012 (8%)	350	175	—	—	320	160
Amounts carried over to 2012-2013					—	15
Growth 2011-2013 (16%)	700	350	—	15	750	365
Amounts carried over to 2013-2014					50	—
Growth 2011-2014 (24%)	1 050	525	50	—	900	475
Amounts carried over to 2014-2015				525	—	50
Growth 2011-2015 (32%)	1 400	700	—	50	1 600	750
Amounts carried over to 2015-2016					200	—
Growth 2011-2016 (40%)	1 750	875	200	—	1 200	700
Amounts carried over to 2016-2017					—	175

Legend:

- ▶ Donations carried over and added to those collected the following year.
- - - - -▶ Matching grant carried over and added to the available envelope the following year.

An example of private funding in Ontario: York University

York University, with over 50 000 students, is the third largest university in Canada and a source of inspiration when it comes to private fund-raising. It raised more than \$200 million in 2010 and saw its funding grow by an average of 21.6% per year over the last five years. Its funding comes not only from donations but also mutually profitable cooperative initiatives with businesses.

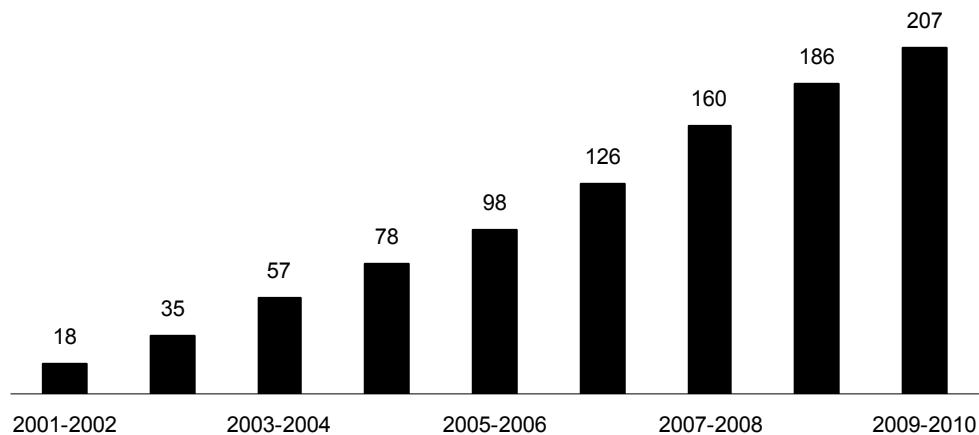
- These cooperative initiatives include on-the-job training, research, staff recruitment, technology transfers and consulting services between faculties and industry.
- The university allows business to set up employee philanthropy programs. These programs multiply the impact of each donation through matching funding from employers.
- Businesses can associate their trademark with York University to produce promotional material or organize marketing campaigns and thus reach a desirable target clientele.

The alumni association, which provides a large share of the university's private funding, proposes partnerships involving the sharing of a portion of profits with businesses that supply goods and services.

- These partnerships address needs and ensure, to some extent, the sustainability of a major source of private funding. Moreover, these initiatives help to boost the university's visibility without diminishing the quality of its teaching and its neutrality.

Private funding –York University

(millions of dollars)



Source: York University.

2.3 Other sources of revenue for universities

Universities have other sources of revenue besides the government contribution, tuition fees, and donations from business and individuals. These other revenue sources consist, for the most part, of research revenue, revenue from certain continuing education services and ancillary revenue.

In 2010-2011, revenue from these sources reached \$583 million and accounted for 15.6% of university operating revenue.

The government wants to maintain this percentage over the next six years.

- This means that other revenue sources should grow by **\$101 million** in 2016-2017.
 - Basic growth in other sources of revenue for universities is expected to stand at 1.7% per year, or the annual growth rate observed over the past six years. This represents additional annual revenue of \$65 million in 2016-2017, compared with 2010-2011.
 - The government's goal is to see universities make an additional effort and increase their other revenue sources by a further 1% per year. This represents an additional increase of \$36 million in other revenue sources in 2016-2017, compared once again with 2010-2011.
 - Accordingly, universities' other revenue sources should increase by 2.7% per year between now and 2016-2017.

Certain observations can be made about universities' other revenue sources.

- As pointed out in the December 2010 document, Québec universities do not derive all the revenue they should from their research activities. Several data show that Québec universities lag behind in this regard compared to universities in the rest of Canada.¹⁰

The government expects universities to obtain more private research contracts and to market their research results in better conditions.

¹⁰ MELS, *L'avenir de universités...*, page 46.

— In regard to continuing education services, universities already provide a large share of the services currently available. Such services generate revenue for universities, regardless of whether they are self-financed by businesses or partly subsidized by the government.

Universities have every interest in increasing services offered directly to businesses, as this would strengthen their ties to businesses and enable them to obtain additional resources.

— As for revenue from ancillary service fees, it consists mainly of parking and restaurant fees.

However, universities will not be able to target compulsory institutional fees in order to attain the objectives set.

TABLE 8

Other sources of revenue for universities

(millions of dollars, impact on an academic year basis)

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Other sources of revenue for universities	583	607	628	648	664	675	684
Basic growth forecast 1.7% per year		18	33	48	57	62	65
Additional revenue raised by universities (1.0% per year)		6	12	18	24	30	36
TOTAL ADDITIONAL REVENUE		24	45	66	81	92	101

Note: Since figures are rounded, they may not add up to the totals shown.

2.4 Québec University Funding Plan

The government is also introducing a major plan to meet universities' funding needs and thus contribute to the excellence and prosperity of Québec society as a whole.

Over the next six years, the operating revenue of Québec universities will increase from **\$3.7 billion** to **\$4.6 billion**, which represents an annual average growth rate of **3.5%** from 2011-2012 to 2016-2017 and an overall growth rate of almost **25%**.

TABLE 9

Québec University Funding Plan

(millions of dollars, impact on an academic year basis)

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Government contribution	2 443	2 517	2 560	2 592	2 706	2 800	2 874
Maintenance of core funding		69	107	129	170	200	206
Additional resources		5	10	20	92	157	224
Total additional revenue		74	117	149	262	357	430
Student contribution	709	750	799	854	902	940	974
Fluctuations in student enrolment ¹		41	51	60	63	58	49
Tuition fee increase		—	60	130	199	267	332
Portion retained for student financial assistance		—	- 21	- 46	- 70	- 93	- 116
Total additional revenue		41	90	144	193	233	265
Other revenue sources	583	607	628	648	664	675	684
Basic growth forecast		18	33	48	57	62	65
Additional revenue raised by universities		6	12	18	24	30	36
Total additional revenue		24	45	66	81	92	101
Additional donations from businesses and individuals		9	18	27	36	44	54
Operating revenue	3 735	3 883	4 005	4 121	4 307	4 459	4 585
Maintenance of core funding		128	191	237	291	320	320
Additional resources		20	79	149	281	404	530
Total additional revenue		148	270	386	572	724	850
<i>Average annual growth 2011-2012 to 2016-2017</i>							3.5%

Note: Since figures are rounded, they may not add up to the totals shown

¹ Including the \$100 increase per year provided for in 2011-2012.

□ New sharing of funding

Once the **Québec University Funding Plan** is fully implemented, the sharing of university funding will remain balanced.

Relative to total university revenue, the share of each contributor will change as follows:

- The Québec government contribution¹¹ will decrease from 54.0% to 51.4%. It will thus still account for the major share of funding.
- The student contribution will be raised from 12.7% to 16.9%.
- The federal government contribution will fall from 14.0% to 12.0%.

CHART 11

**Total university revenue,¹
2008-2009**
(per cent)

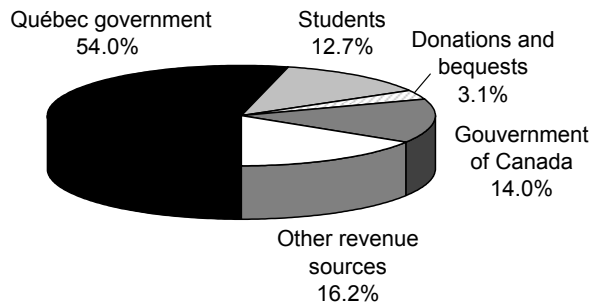
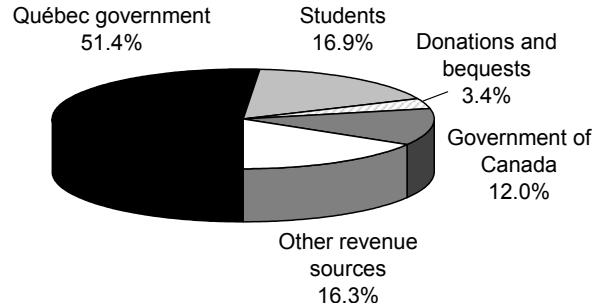


CHART 12

**Total university revenue,¹
2016-2017**
(per cent)



¹ Excluding endowment funds.

Source: Calculations performed by the Ministère de l'Éducation, du Loisir et du Sport using data from Statistics Canada and the Canadian Association of University Business Officers (CAUBO).

¹ Excluding endowment funds.

Source: Calculations performed by the Ministère de l'Éducation, du Loisir et du Sport using data from Statistics Canada and the Canadian Association of University Business Officers (CAUBO).

¹¹ The Québec government contribution is financed in part by the Canada Social Transfer (CST). However, unlike the Canada Health Transfer (CHT), which finances only the health sector, the CST is designed to finance various programs such as social assistance, day care centres and social services in addition to post-secondary education. Therefore, the CST is a block transfer and it does not include a component dedicated specifically to post-secondary education.

3. STUDENT FINANCIAL ASSISTANCE: \$118 MILLION TO KEEP EDUCATION ACCESSIBLE

The plan will meet the funding needs of universities for the period up to 2016-2017. It calls for a fair contribution from each partner, including students, for whom tuition fees will increase in a gradual and managed manner.

Students must shoulder their fair share of the effort made in regard to university education. In addition, it is essential for the government that the implementation of the funding plan does not jeopardize students' access to a university education.

This objective will be achieved through a major improvement to the Loans and Bursaries Program and several other measures that will benefit students.

- The government is compensating students who are beneficiaries of the **Loans and Bursaries Program** for the increase in tuition fees.
 - The government is increasing the resources distributed in the form of bursaries and offering a special allowance to some students who receive only loans.
 - The government is thus avoiding adding to the debt load of students receiving bursaries. Indeed, it is keeping the loan ceilings at the 2010-2011 level for students who are beneficiaries of the Loans and Bursaries Program.
 - In addition, all students, regardless of whether or not they are beneficiaries of the Loans and Bursaries Program will be able to reduce the financial impact of the tuition fee increase through tax assistance.
- The government is taking another initiative in regard to the Loans and Bursaries Program by reducing the **contribution required of parents and spouses**.
- A transportation expense will henceforth be taken into account for **students who are beneficiaries of the Loans Program for Part-Time Studies** who attend a university institution in one of the regions.
- Lastly, the **Deferred Payment Plan** currently in place will be improved.

In fact, **35% of the revenue** from the tuition fee increase will be returned to students through the student financial assistance program. In all, these improvements will represent \$118 million in additional support for students per year once this measure is fully implemented, i.e. in 2017-2018.

3.1 **Loans and Bursaries Program: \$86 million for bursary students**

□ Loans and Bursaries program

The Loans and Bursaries Program currently in effect in Québec was created in 1966. It is intended for students whose financial resources are insufficient to complete their studies.

In general, financial assistance for university-level studies is calculated as follows:

- Government assistance is first awarded in the form of a loan that is repayable once students have terminated their studies. The maximum loan granted for two terms is \$2 440 at the undergraduate level and \$3 240 at the graduate level. The government guarantees the loans against non-payment and pays the interest throughout the period students pursue their studies full time.
- If a loan is insufficient to cover recognized expenses, students may be eligible for a non-taxable bursary, which does not have to be repaid. The maximum bursary is \$16 152 in 2010-2011 for university students with no dependent children.

In 2008-2009, slightly over 135 000 students were beneficiaries of the Loans and Bursaries Program, including 70 000 university students. The latter students received a total of \$475 million in assistance. Slightly over 46 000 of them received both a loan and a bursary, representing average assistance of more than \$8 000 per student, including a bursary of just over \$4 600 on average.

□ More advantageous support than in the rest of Canada

The Québec Loans and Bursaries Program is very advantageous compared to similar programs offered elsewhere in Canada. Indeed, student financial assistance granted by Québec is largely in the form of bursaries, whereas that granted by the other Canadian provinces is mainly in the form of loans.

In addition, the level of assistance in Québec is increased regularly. In comparison, the maximum loan for two university terms in the rest of Canada has not been changed since 2005-2006.

Loans and Bursaries Program

Terms of the current program

The Loans and Bursaries Program was created in 1966, with the basic idea that anyone with the talent and desire to pursue an education should not be held back by his or her financial situation.

The program is contributory and suppletive, which means that students and, if applicable, the people with certain responsibilities towards them, i.e. their parents, sponsors or spouses, must shoulder the bulk of the responsibility for financing the students' studies.

Calculation of financial assistance

The equation used to calculate financial assistance under the Loans and Bursaries Program is as follows:

$$\text{Allowable expenses} - \text{Contributions} = \text{Financial assistance}$$

- The main allowable expenses are living expenses and tuition fees, as well as other expenses such as school equipment costs and child care expenses.
- Contributions are calculated on the basis of students' income and, if applicable, the income of their third parties (spouses, parents, sponsors).

The Loans and Bursaries Program provides for measures to make it easier for students to balance their studies and family obligations as well as measures to help students who have a major functional disability pursue an education.

Loans

Government assistance is first awarded in the form of a loan that is repayable once students have terminated their studies.

- The maximum loan for two terms is \$2 440 at the undergraduate level and \$3 240 at the graduate level.
- The government guarantees the loan against non-payment.
- It also pays the interest throughout the period students pursue their studies full time.

Bursaries

If a loan is insufficient to cover recognized expenses, students may be eligible for a bursary, which does not have to be repaid.

The maximum bursary is \$16 152 in 2010-2011 for university students with no dependent children.

Special allowance

Non-bursary students who receive the maximum student loan can obtain a special allowance equal to the tuition fee increase introduced in 2007-2008. This allowance, which is paid in the form of loan, will be \$16.67 per credit in 2011-2012, which represents an additional loan of \$500 for students enrolled in 30 full-time credits.

□ Full compensation for all bursary students

All bursary students who are beneficiaries of the Loans and Bursaries Program will be compensated in full for the tuition fee increase.

The loan ceilings will be kept at the 2010-2011 award year level until 2016-2017 so as to prevent current bursary students from going deeper into debt.

- Bursary students¹² will receive an additional bursary for an amount equal to the tuition fee increase in order to offset the increase.
- This measure will benefit 51 000 bursary students in 2012-2013 and 55 000 bursary students in 2016-2017.
- It will cost **\$86 million** per year when fully implemented.

Loans and Bursaries Program: clientele and assistance granted

In 2008-2009, nearly 70 000 university students, or 39% of students enrolled full time, were beneficiaries of the Loans and Bursaries Program. The total amount of assistance paid to these students was \$475 million. Slightly over 46 000 students who had been awarded both a loan and a bursary received assistance averaging \$8 345, i.e.:

- an average loan of \$3 754, including the loan itself, the special allowance paid in the form of an additional loan and the loan for the purchase of a microcomputer;
- a bursary of \$4 656 on average.

University-level clientele of the Loans and Bursaries Program, 2005-2006 to 2008-2009

Award years	2005-2006	2006-2007	2007-2008	2008-2009
Loans granted				
Number of recipients	67 032	68 443	69 218	69 067
Loans granted (\$ million)	275.4	238.3	265.3	259.3
Average loan (\$ per recipient)	4 108	3 482	3 833	3 754
Bursaries granted				
Number of recipients	42 772	47 346	47 516	46 330
Bursaries granted (\$ million)	173.9	203.8	214.5	215.7
Average bursary (\$ per recipient)	4 066	4 304	4 515	4 656
Total assistance				
Number of recipients	67 663	69 091	69 955	69 899
Assistance granted (\$ million)	449.3	442.1	479.8	475.0
Average assistance ¹ (\$ per recipient)	8 334	7 792	8 288	8 345

1 Corresponds to the average assistance granted to students who receive a loan and a bursary.
Source: Ministère de l'Éducation, du Loisir et du Sport.

From 2005-2006 to 2008-2009, total assistance awarded to university students increased by 5.7% and the amount distributed in the form of bursaries rose by 24 %. This can be explained by the lowering to the student loan ceiling from \$3 020 (2005-2006) to \$2 440 (2008-2009) for undergraduate university studies. The tuition fee increases implemented since then have thus resulted in an increase in the volume of bursaries.

¹² Students who have received a bursary, taking into account the current level of tuition fees.

□ Increase in the special allowance

Students who are eligible for the maximum student loan but not a bursary will be able to obtain an additional loan with advantageous terms.

- When the \$500 tuition fee increase was applied starting in 2007-2008,¹³ a special allowance was introduced for students who had obtained a loan but were unable to obtain a bursary.
- This allowance will be improved gradually as of 2012-2013, to \$2 125 in 2016-2017. This represents an increase of \$1 625 over the current allowance for a student completing 30 university-level credits during the school year.

This measure will benefit 15 000 students in 2012-2013. When fully implemented, it will cost an additional **\$3.7 million** annually.

□ Tax assistance

Besides the Loans and Bursaries Program, all students have access to tax assistance.

- Students who reside in Québec may claim a non-refundable tax credit for tuition or examination fees.
- The tax credit corresponds to 20% of the tuition fees and related fees that students have to pay to pursue post-secondary studies.
- Where the income of students is not high enough for them to benefit fully from the tax credit, they may carry the unused tuition fees over to a subsequent year or transfer them to one of their parents or grandparents.

Therefore, in addition to the improvement in the Loans and Bursaries Program, this tax credit will allow all students to be compensated in whole or in part for the tuition fee increase. Ultimately, an additional amount of nearly \$70 million will be returned to students.

TABLE 10

Impact of the tuition fee increase on the tax credit for tuition or examination fees

(millions of dollars)

	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	Fully implemented
Impact	3.2	11.7	21.7	32.2	42.9	67.9

¹³ This increase amounts to \$100 per year over a period of five years.

3.2 Reduction in the parental and spousal contribution: an additional \$27 million in bursaries

In response to a long-standing demand from student federations, the government is reducing the contribution required of students' parents and spouses.

- If applicable, the contribution of a student's parents or spouse is included in calculating the assistance awarded under the Loans and Bursaries Program. This contribution is determined by taking into account the financial resources of the parents or spouse.
- The 2011-2012 Budget is providing for a reduction in the contribution required of a student's parents or spouse. This reduction will be applied gradually over the tuition fee adjustment period, that is, in 2016-2017. All low and middle-income families and spouses who contribute in 2010-2011 will see the contribution required of them reduced compared to what it is now.

TABLE 11

Contribution required according to income – family with both parents living together and one child (dollars)

Parental Income ¹	2010-2011	Fully Implemented	Difference
0	0	0	0
30 000	346	0	- 346
35 000	1 256	0	- 1 256
40 000	2 206	950	- 1 256
50 000	4 106	2 850	- 1 256
60 000	6 006	4 750	- 1 256

1 Each spouse earns 50% of the family income

- In concrete terms, once this measure is fully implemented, no contribution other than that of the student will be included in calculating assistance under the Loans and Bursaries Program for:
 - parents with one child who live together and whose income is equal to or less than \$35 000;
 - single-parent families with one child and an income equal to or less than \$30 000;
 - spouses whose income is equal to or less than \$28 000.

Once this measure is fully implemented, the reduction in the parental and spousal contribution will make it possible to pay an additional \$27 million in bursaries to students, including \$15 million to university students. In 2016-2017, more than 35 000 bursary students, including 18 000 at the university level, will benefit from it. On average, all of these bursary students will obtain an additional \$940.

Taking into account the maintenance of the loan ceilings, an additional \$112 million will be paid annually in bursaries.

**Parameters used to calculate the contribution of a student's parents or spouse
from 2012-2013 to 2016-2017**

The contribution required of a student's parents or spouse for the purposes of calculating loans and bursaries will be gradually reduced from 2012-2013 to 2016-2017. To simplify the calculation, only two types of exemptions will be maintained for calculating the parental contribution, that is, an exemption for children other than the student who are dependent on the parents and an exemption if the student has a major functional disability. The parameters applicable to each year are shown in the table below.

Table showing the contribution required of a student's parents or spouse according to disposable income¹ -2012-2013 to 2016-2017 award years
(dollars)

Rate used to calculate the contribution ²	Income bracket considered					
	Parents living together		Single-parent family		Spouse	
	More than	Without exceeding	More than	Without exceeding	More than	Without exceeding
19%						
2012-2013	30 200	} 72 000	25 200	} 67 000	23 200	} 65 000
2013-2014	30 550		25 550		23 550	
2014-2015	32 800		27 800		25 800	
2015-2016	33 800		28 800		26 800	
2016-2017	35 000		30 000		28 000	
29%	72 000	82 000	67 000	77 000	65 000	75 000
39%	82 000	92 000	77 000	87 000	75 000	85 000
49%	92 000	—	87 000	—	85 000	—

- 1 The disposable income used in this table corresponds to gross income, from which must be subtracted the applicable exemptions, i.e. \$2 805 per dependent child other than the student and \$2 380 if the student has a major functional disability, in 2010-2011.
- 2 The rate is applied to the portion of income included between the income thresholds in order to determine the contribution required. The amounts obtained for each income bracket are added together in order to determine the total contribution required of the parents or spouse. No contribution is required on the portion of disposable income that is less than the first threshold.

For example, in 2010-2011, if both parents of a student, who is a single child, live together and earn the same employment income, a contribution is required of the parents if they earn an income of \$28 389. Henceforth, the income level as of which a contribution will be required of the students' parents will be higher since it will increase gradually to \$30 200 in 2012-2013 and \$35 000 in 2016-2017. In concrete terms, if the parents' gross income is \$50 000, the contribution required of them is as follows:

- \$4 106 in 2010-2011;
- \$3 762 in 2012-2013, or \$344 less than in 2010-2011;
- \$2 850 in 2016-2017, which represents a reduction of \$1 256 compared with 2010-2011.

3.3 Transportation expense for part-time students in the regions

The 2011-2012 Budget provides for the introduction, in 2012-2013, of an expense for transportation costs for students in the regions¹⁴ who are beneficiaries of the Loans Program for Part-Time Studies.

The expense that will be recognized corresponds to that granted under the Loans and Bursaries Program to students who live with their parents and attend an educational institution not served by a public transit system.

— The expense is set at \$89 per month of study for the 2010-2011 award year.

¹⁴ Remote areas contemplated by the *Regulation respecting financial assistance for education*.

3.4 Improvement of the Deferred Payment Plan

A Deferred Payment Plan is available to former students who have difficulty repaying their student loans. Under this program, the government repays the interest on the student loans to the financial institution concerned and allows former students to defer the repayment of their student loans for a few months. To be eligible, borrowers' monthly income must be less than the threshold calculated on the basis of the minimum wage. This threshold is as follows in 2010-2011:

- \$18 264 for a single person with no children;
- \$22 476 for a single-parent family with one child;
- \$23 880 for a couple with two children.

The Deferred Payment Plan will be improved as of the 2013-2014 award year.

- The plan will be extended to 10 000 former students with an income above the current threshold.
- A contribution based on their income and family situation will be required of the new recipients in order to reduce their debt load.
- The period over which the government will be able to assist former students by helping to repay the interest on their loan will be extended from 24 to 60 months within 10 years after the termination of their studies, instead of five years as is currently the case.

The program will be intended for 29 000 former students and represent an annual additional cost of **\$2.2 million** as of 2013-2014.

Improvement of the Deferred Payment Plan					
Additional cost of Improving the Deferred Payment Plan (millions of dollars, government fiscal year)					
	2013-2014	2014-2015	2015-2016	2016-2017	Fully Implemented
Current program ¹	7.5	7.7	7.7	7.7	7.7
Improved program	9.7	9.9	9.9	9.9	9.9
ADDITIONAL COST	2.2	2.2	2.2	2.2	2.2

1 Projected budget envelope.
Source: Ministère de l'Éducation, du Loisir et du Sport.

Example of payments required on a student loan according to income

Deferred Payment Plan currently in effect

A former student may take advantage of the current Deferred Payment Plan if his or her income is lower than the threshold calculated on the basis of the minimum wage. For example, in 2010-2011, this threshold is \$18 264 for a single person with no children. In such cases, the government repays the interest on the loan and the former student does not have to make any payments.

However, if the former student's income exceeds the threshold, he or she must make the full monthly payments normally prescribed for repaying his or her loan.

Improvement implemented as of 2013-2014

The government will continue to pay the interest on a borrower's loan if the former student's income is lower than the threshold calculated on the basis of the minimum wage.

In addition, persons whose income exceeds the threshold will be able to benefit from the Deferred Payment Plan if they demonstrate that they are unable to repay their student loan as normally prescribed. The government will pay the interest on their student loan, and the former students will have to pay a monthly amount that is lower than what they would have paid otherwise. This amount will be determined in proportion to their income and family situation and will be used solely to bring down the principal on the loan in order to promote its repayment.

For example, instead of having to make monthly payments of \$159 (i.e. \$63 to cover the interest on the loan and \$96 to repay the principal), a single person with no children and a student loan of \$15 000 will have to pay the following amount each month to bring down the principal on his or her student loan:

- \$43 if his or her annual income is \$20 000;
- \$88 if his or her annual income is \$25 000.

During the period that former students are eligible for the plan, the government will pay the \$63 in interest in full.

Monthly amount payable according to a former student's income – Single person with no children and a student loan of \$15 000¹

(dollars)

Income of former student	Amount payable under the Deferred Payment Plan					
	Current program			Improved program as of 2013-2014		
	Former student	Government	Total	Former student	Government	Total
0	0	63	63	0	63	63
5 000	0	63	63	0	63	63
10 000	0	63	63	0	63	63
15 000	0	63	63	0	63	63
20 000	159	0	159	43	63	106
25 000	159	0	159	88	63	151
30 000	159	0	159	159	0	159

¹ Based on an interest rate of 5% over 10 years.

3.5 Substantial assistance for students

In all, the **Québec University Funding Plan** provides for an increase of **\$118 million** a year in support for students once it is fully implemented (2017-2018). This represents an increase of 21.5% a year in financial assistance for students.

\$118 million to keep education accessible						
Additional support for students under the student financial assistance program – 2012-2013 to 2016-2017 (millions of dollars, government fiscal year)						
	2012-13	2013-14	2014-15	2015-16	2016-17	Fully Implemented
Maintenance of maximum loan amounts	10.8	26.9	43.6	61.1	79.3	85.8
Increase in the special allowance	0.7	2.0	3.2	3.5	3.6	3.7
Reduction in the parental and spousal contribution	5.6	9.6	16.0	22.0	26.0	26.6
Transportation expense for part-time students who pursue studies in the regions	0.1	0.1	0.1	0.1	0.1	0.1
Improvement of the Deferred Payment Plan	—	2.2	2.2	2.2	2.2	2.2
INCREASE IN STUDENT FINANCIAL ASSISTANCE	17.1	40.8	65.1	88.9	111.2	118.4

Note: Since figures are rounded, they may not add up to the totals shown.
Source: Ministère de l'Éducation, du Loisir et du Sport.

4. PUTTING THE NEW SOURCES OF FUNDING TO GOOD USE: PERFORMANCE COMMITMENTS WITH UNIVERSITIES

In 2016-2017, Québec universities will benefit from a substantial increase in their revenue. The government is introducing a process to ensure that these new resources will actually be used to improve the quality of teaching and research.

Partnership agreements will be concluded between the government and each university to make sure that the additional revenue available to universities will be used for certain specific purposes. In regard to these new resources, the government expects:

- **65% to 85%** to be allocated to the **quality of teaching and research**.
 - **50 % to 60%** to be allocated to the **quality of teaching** in order to provide students with better instruction and services;
 - **15% to 25%** to be devoted to the **quality of research**, thanks to the improvement of the learning and research environment;
- **10% to 20%** to be used to support the **competitive positioning of universities** in Canada and abroad;
- **5% to 15%** to be used to **improve administration and management** by enabling all universities to balance their budgets and eliminate their accumulated deficit.

4.1 A declaration of principles

Partnership agreements will be based on the following principles, to which all universities must adhere:

- **Students** are central to the mission of universities.
- The **additional revenue** that will be made available to universities should lead to an increase in the number of graduates and improve the **quality** of teaching and research.
- The **development** of Québec universities is dependent on their **competitive positioning** in Canada and abroad.
- **Sound management** is characterized by transparency, efficiency and effectiveness.

4.2 Partnership agreements

Partnership agreements between universities and the government will be a means of promoting ongoing dialogue and involving universities and the government in the development of university education.

- These partnership agreements will be aimed at improving universities' overall performance.
- They will specifically account for the use of the additional revenue granted to universities, regardless of whether this revenue is from university tuition fees or other sources.
- They may contain optional commitments concerning issues related to the situation of each university institution.

These partnership agreements will have a five-year term and be implemented for each of Québec's universities as of the 2012-2013 academic year.

Concrete targets

Partnership agreements will have to include concrete targets concerning:

- the quality of teaching and research and support for students' academic success;
- the competitive positioning of universities in Canada and abroad;
- sound administration and management.

The action targets will be accompanied by indicators for measuring the extent to which the expected results have been achieved.

4.3 Reporting

Universities will have to make public the commitments contained in their partnerships agreements, as well as all the annual reports they prepare.

Universities will have to be transparent so that the university community as a whole and Quebecers are informed about the fulfilment of their commitments.

- The annual reports may be tabled in the National Assembly in accordance with the *Act respecting educational institutions at the university level*.
- This will also be the case of any other documents prepared by universities in connection with the implementation of their partnership agreements.
- The annual reports will discuss the extent to which the targets included in the partnership agreements have been met.
- In cases where the government deems that the achievement of targets is unsatisfactory, universities will have to present an action plan specifying the measures they intend to take to remedy the situation.

□ In-depth review in 2014-2015

At the end of the third year of implementation of the partnership agreements, i.e. at the end of the 2014-2015 academic year, the government will conduct an in-depth review of the results achieved relative to the initial commitments.

Following this review, universities may have to take corrective measures or even face penalties.

4.4 Application details regarding reporting

Reporting will be specific to each partnership agreement.

- It will take the form prescribed by the government and comply with the latter's requirements.
- Institutions will have to submit their reports within the time periods prescribed by law.
- Government budgetary authorizations and reporting will be carried out on an annual basis.

For each of the commitments contained in a partnership agreement, the university will have to report on the extent to which the targets set on the basis of the targets indicated in the agreement have been met.

It will also have to report on the amounts devoted to achieving these targets.

- This will be done in accordance with guidelines previously agreed upon with the government.
- The extent to which targets have been achieved will be presented in a uniform manner and indicated as a percentage, if applicable.

As soon as a partnership agreement is signed, the government may authorize the university to use the annual amount stipulated in the agreement for the current year and the following year. The goal is to give the institution the means to achieve the targets set while providing it with enough leeway in the management of the agreement.

□ The government's expectations

The government expects that the additional resources granted to universities will be used for the purposes that warranted their transfer.

- In particular, as indicated earlier, **65%** to **85%** of the new resources, i.e. approximately **\$400 million**, should be used in 2016-2017 to enhance the quality of training, boost the graduation rate, step up research activities and improve the school-to-workplace transition for graduates.
- This amount largely exceeds the net increase in tuition fees that students will have to pay, i.e. \$265 million. Students should thus benefit rapidly and directly from the additional contribution they are being asked to make.

TABLE 12

Summary of targets and indicators and percentage of additional revenue allocated to them

(percentage rate)

Targets	Indicators	Percentage of additional revenue
Quality of teaching and student services		
- Improve the quality of training and the graduation rate at all levels	- Rate of student support and supervision by regular professors	50 to 60%¹
- Improve the supply of student support services	- Student retention rate - Graduation rate	
- Improve the accessibility of university education for emerging clientele	- Number of additional positions dedicated to supporting emerging clientele	
Quality of research		
- Step up research activities	- Resources allocated to research infrastructure and complementary training infrastructure (information technologies, libraries, etc.) - Number and amount of grants and research contracts obtained from the private sector and federal research funds	15 to 25%¹
Competitive positioning of universities in Canada and abroad		
- Increase investment in clusters of excellence	- Number of world-class professors or researchers hired - Number of foreign students	10 to 20%
- Enhance the reputation of universities	- Number and scope of projects carried out in clusters of excellence in cooperation with national and international partners	
Administration and management		
- Improve governance - Improve the financial situation of universities	- Members of the board of directors who sit on committees of strategic importance in the management of the university - Results targets associated with maintaining balanced budgets and eliminating annual deficits and the accumulated deficit - Growth rate of total remuneration compared with the government's pay policy - Annual targets for revenue from donations collected during fund-raising campaigns	5 to 15%

1 The additional revenue derived from the tuition fee increase must be devoted exclusively to "Quality of teaching and student services" and "Quality of research".

4.5 Creation of the Fonds pour l'excellence et la performance universitaires

Part of the sums allocated to the **Québec University Funding Plan** will be managed under a budgetary fund created for this purpose, the Fonds pour l'excellence et la performance universitaires.

This new fund will receive \$160 million per year in 2016-2017:

- \$40 million to match donations and bequests from businesses and individuals, through Placements Universités;
- \$60 million to eliminate the accumulated deficit of universities;
- \$60 million to support research excellence;

The terms and conditions governing the payment of the sums accumulated in the fund to universities will be specified in the partnership agreements concluded with the government.

This fund will make it possible to:

- ensure that the sums are used for the purposes for which they were intended;
- monitor progress in the achievement of results;
- carry amounts owed over to a subsequent year, if necessary, if the amounts have not been allocated.

Fonds pour l'excellence et la performance universitaires						
Impact of the creation of the Fonds pour l'excellence et la performance universitaires						
(millions of dollars, government fiscal year)						
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Placements Universités	13	20	30	40	40	40
Excellence funding						
- Financial performance	—	—	—	20	40	60
- Research excellence	—	—	—	20	40	60
Subtotal	—	—	—	40	80	120
TOTAL	13	20	30	80	120	160

5. GLOBAL OBJECTIVE: IMPROVE UNIVERSITY EDUCATION FOR QUEBECERS

□ A positive impact

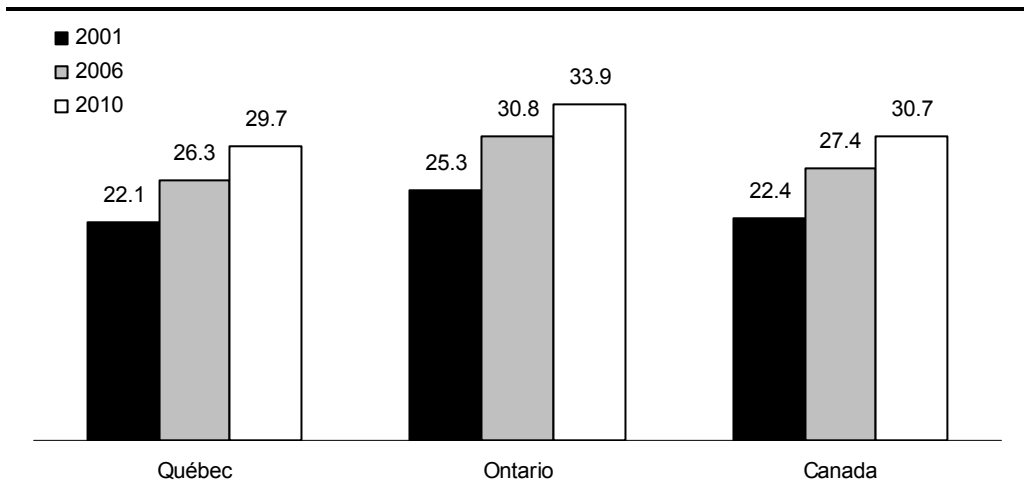
The government is convinced that the Québec University Funding Plan will have a positive impact on the higher education of Quebecers.

- Between 2001 and 2010, the proportion of the population aged 25 to 44 with a university degree or certificate increased by more than one third, from 22.1% to 29.7%.
- This increase is very encouraging, but it must continue if we are to equal or exceed the Canadian average and the performance of Ontario.

CHART 13

Proportion of the population aged 25 to 44 with a university degree or certificate

(per cent)



Note: A certificate is a university degree that is equal to or higher than a bachelor's degree. For example, this concept does not include a simple undergraduate certificate.

Source: Statistics Canada.

□ A more qualified labour force, for a more prosperous society

If Québec obtained the same results as Ontario in regard to the proportion of the population aged 24 to 44 with a university degree or certificate, approximately 4 400 more degrees would be awarded annually in Québec over 20 years:

- 2 100 bachelor's degrees;
- 2 300 graduate degrees.

This increase in the number of degrees would correspond to an increase of approximately 8% in the student population, or roughly 17 000 students.

More generally, the aim of the government is to give Québec society additional means to create wealth and sustain prosperity through a more qualified labour force and even more dynamic research.

