

STUDENTS NOVA SCOTIA  
DRAFT POSITION PAPER: FUNDING AND ACCOUNTABILITY  
Released November 9, 2012

DRAFT FOR COMMENT

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RELEASED NOVEMBER 9, 2012

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EXPECTED DATE OF REVIEW AND APPROVAL BY THE BOARD OF DIRECTORS OF  
STUDENTS NOVA SCOTIA: DECEMBER 9, 2012

**Students Nova Scotia logo****Statement of Values**

Students Nova Scotia is built upon the belief that post-secondary education can play a fundamental role in allowing both the individual and society to realize their full potential. Students Nova Scotia's values are pillars built upon this foundation. They give direction to Students Nova Scotia's work and reflect our organizational goals.

**Accessibility:** Every qualified Nova Scotia student who wishes to pursue post-secondary education should be able to do so, irrespective of their financial situation, socioeconomic or ethnic background, physical, psychological or mental ability, age, sexual orientation, geographic location, or any other factor exogenous to qualification.

**Affordability:** The cost of post-secondary education in Nova Scotia should not cause undue hardship upon any student, restrict their ability to pursue the career path they choose, or make them financially unable to live in the community of their choice.

**Quality:** The Nova Scotia post-secondary system should strive at all times to provide the highest possible quality of education to its students, fostering student success.

**Student Voice:** Nova Scotia students must be empowered to actively participate in setting their post-secondary system's direction via engagement through their representative student bodies, within the post-secondary institutions themselves, and through the broader democratic process.

**Our Research Process**

Position papers are the primary outputs of our research. They aim to describe and clearly articulate Students Nova Scotia's **Principles** in approaching an issue, and **Concerns** that obstruct the realization of those principles. Finally, we propose **Recommendations** aimed at addressing the policy issues (and our specific concerns) in a manner that is consistent with our organization's values.

The Students Nova Scotia Board of Directors is comprised of student representatives from our six member associations. It sets annual priorities for Students Nova Scotia activities, including research. Position Papers represent formal Students Nova Scotia policy and are approved by the Board of Directors at bi-annual Board Policy Retreats, following a draft's one-month release for consultations with students.

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## **List of Common Abbreviations**

(in Alphabetical Order)

AAU – Association of Atlantic Universities

CONSUP – Council of Nova Scotia University Presidents

CUSC – Canadian University Survey Consortium

FCE – Full Course Equivalent

MPHEC – Maritime Provinces Higher Education Commission

MOU – Memorandum of Understanding

PSE – post-secondary education

UFDF – University Funding Distribution Formula

USA – Université Ste. Anne

WEG – Weighted Enrolment Grant

## 1. Introduction/Executive Summary

Nova Scotia's universities serve many important functions in our province: they facilitate essential learning and personal growth in our young people, strengthen current and future economies through research and human capital development, and help weave the social and cultural fabric of our communities (CONSUP, 2010; AAU, 2010; 2011). This position paper proposes improvements that would expand the benefits students and the public derive from our collective investment in these institutions.

Nova Scotia requires something that has long been lacking from our approach to post-secondary education: long-term, system-level thinking articulated through clear policy objectives.<sup>1</sup> This claim has received repeated support from the Office of the Auditor General of Nova Scotia over the past two decades (1996, 2000, and 2003).

Unfortunately, recent public debate about Nova Scotia's university system has focused largely on government cost containment and how to divide a shrinking funding pie among institutions.

Students Nova Scotia believes that the construction of a genuine post-secondary education (PSE) system in Nova Scotia must begin with a serious conversation about institutional accountability and the structure and function of Nova Scotia's University Funding Distribution Formula (UFDF). As of the 2011-12 academic year, provincial university operating grants totaled \$338 million dollars, representing 35% of total university revenues. Meanwhile, students contribute nearly the same total amount through tuition. Institutions must be accountable for their funding not only to government, but also to the students they are mandated to serve. Nova Scotia requires a University Accountability Framework that includes institutions, government and students as full partners in directing our post-secondary education system.

Each year, the UFDF allocates shares of the fixed provincial university-operating fund to each of Nova Scotia's 10 universities. It is an essential tool for ensuring adequate and predictable funding to the institutions, but could also very effectively create accountability for this funding. We describe key aspects of the current UFDF and identify a number of problems; the most significant being the formula's disproportionate emphasis on student enrolment. 90% of operating funding is allocated through the Weighted Enrolment Grant (WEG) (NSCHE, 1998a; 1998b; O'Neill, 2010), which both threatens institutional viability in a time of unpredictable enrolment and government funding and is a missed opportunity to promote other important aspects of university

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<sup>1</sup> Note that this paper's primary focus is Nova Scotia's universities. StudentsNS recognizes community colleges and private career colleges as two other important components of our provincial post-secondary education system. The principles outlined in this paper are certainly also applicable to these other PSE institutions, as well as many of the concerns and recommendations targeting universities.

activity; such as the quality of academic programs and services, accessibility and other economic, social or cultural objectives.

We recommend that a significant proportion of the WEG, including all funding for international students, be re-allocated to conditional envelopes based upon institutions pursuing standards and activities determined in partnership with government and students. We also argue for the continuation of current extra-formula grants to address assorted miscellaneous costs, but with strict conditions to ensure institutions are not unduly diverting research funding into administration.

Nova Scotia should aspire to build a truly world-class post-secondary education (PSE) system. The university accountability and funding reforms proposed in this paper would move us closer to such a system that is accessible, affordable, of the highest quality, and that includes students in decision-making, while advancing the economic, social, and cultural development and competitiveness so crucial to our province's future.

## 2. Overview

Any conversation concerning PSE funding in Nova Scotia must recognize, as a first principle, the myriad economic, social, and cultural benefits of our collective investment in colleges and universities. Even a cursory review quickly reveals how Nova Scotia's post-secondary institutions are crucial assets for the province:

- Demand for well-educated workers continues to grow. Approximately 70% of new jobs in Canada require a PSE credential and this proportion is projected to reach 80% over the next decade (HRSDC, 2012).
- Universities drive growth in Nova Scotia's provincial and local economies, employing nearly 10,000 faculty and staff across the province (6400 full-time, 3400 part time) (AAU, 2010).
- Our universities are integral to their local communities: for example, Acadia and Saint Francis Xavier Universities each represent more than a third of their local economies; Cape Breton University is a key contributor to local economic development; and each of the Halifax universities is very important to the city's economic prosperity and social fabric (AAU, 2010; 2011).
- Universities are the sites of 60% of all research activity in the province.
- Universities are social and cultural epicenters of their communities, combining to host thousands of social and/or cultural programs and events involving tens of thousands of people each year (AAU, 2011).

***PRINCIPLE: Post-secondary institutions play a vital economic and cultural role in Nova Scotia, most significantly by educating students.***

Considering this, significant public investment in PSE is absolutely appropriate and necessary. Furthermore, institutions should spend the money entrusted to them in ways that maximize the benefits derived by the public and students. Thus, a strong *post-secondary education system*, where institutions cooperate with each other, with their students and with government in pursuit of collective objectives, is a crucial public good.

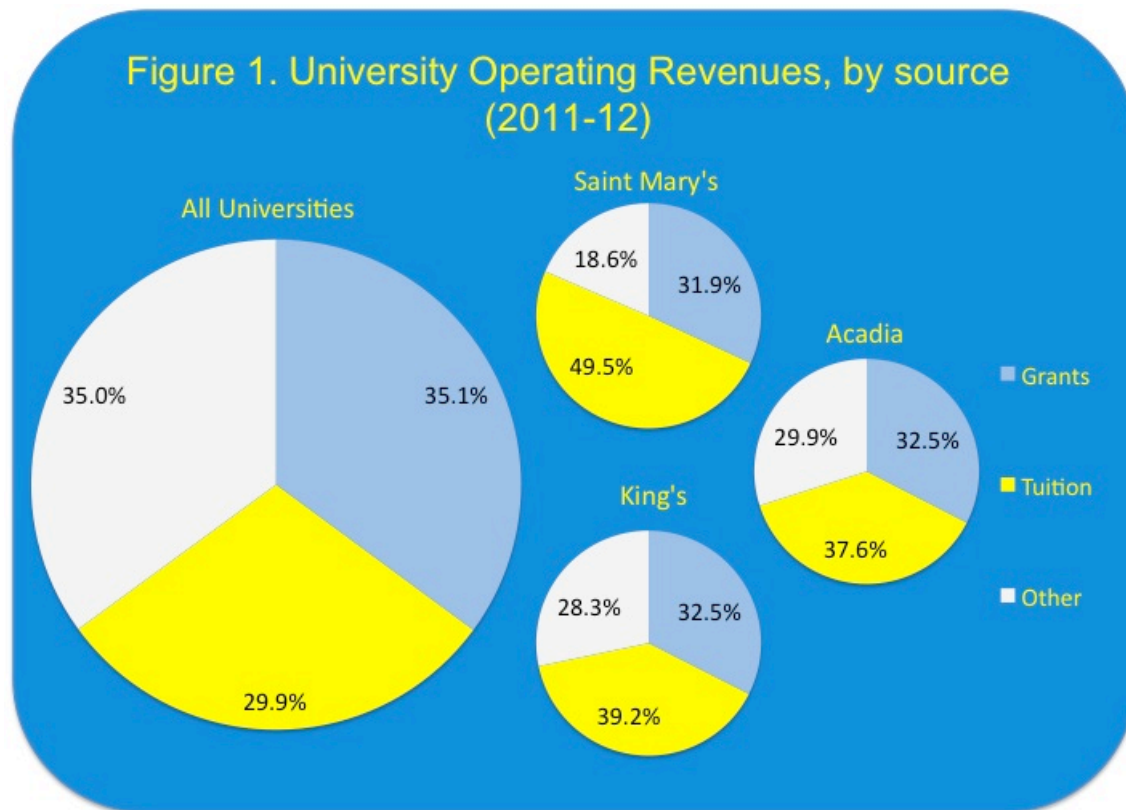
***PRINCIPLE: Post-secondary institutions in Nova Scotia should be treated as parts within a system and encouraged to cooperate in pursuit of common objectives.***

### 2.1. Funding PSE in Canada

This paper's analysis and recommendations reflect a rigorous review of PSE funding approaches already used in Canada. In Canada, PSE is a provincial responsibility as defined by the Constitution Act [s.93, 1867]. Consequently, provincial governments historically provide the largest share of PSE institutional funding in the form of operating



grants.<sup>2</sup> Students and their families pay the next largest contribution to the system (i.e. tuition and fees<sup>3</sup>). In Nova Scotia, tuition's share of university revenues has more than doubled since 1979 (CAUT, 2012) and now accounts for nearly the same proportion of total system funding as provincial grants and the largest revenue source for some specific institutions (Figure 1). Other sources of institutional revenue include the federal government (mostly through competitive research grants), private donations, sale of goods and services, and investment income.



While some provinces attach minimal conditions to their university operating grants, Canada's public universities are autonomous institutions with freedom to set their own

<sup>2</sup> The primary source of funding for post-secondary education funding is the Canada Social Transfer. Canada's model of fiscal federalism, ensuring all Canadians reasonably equal access to reasonably equivalent services, is the basis for federal-to-provincial funding mechanism known as the Canada Social Transfer (CST). The CST transfers tax revenue collected by the federal government back to the provinces, on a basis roughly proportionate to the provincial share of the federal population (The Canadian Encyclopedia, 2012).

<sup>3</sup> The trend toward student tuition becoming a larger share of the university funding across Canada has been underway since the 1980s (CAUT, 2012) and was accelerated by provincial funding cuts in the early 1990s and the federal deficit-reduction program that reduced federal-provincial transfers dramatically between 1995 and 1998 (O'Neill, 2010). University operating grants have never fully recovered from these funding cuts. Ignoring inflation, provincial grants to universities have grown in magnitude from 1990-1991 (\$209 million, 1990 dollars) to 2012-13 (\$328 million, 2012 dollars); but are roughly equivalent in real dollar terms (\$212 million, 2012 funding expressed in 1990 dollars) (O'Neill, 2010). Current funding per student remains well below 1990 levels (\$5,800 versus \$4,800, based on total student headcounts).

priorities and spend funds as they see fit. This autonomy is considered important for a number of reasons; most notably to protect the academic freedom of faculty, which is essential for the free development and communication of ideas.

In assigning operating funding, every province employs some variation of four basic mechanisms, singly or in combination: incremental or historical funding, formula funding, strategic funding, and performance funding (Pakravan, 2006; Andrey et al., 2010) (for summary, see Table 1). Consideration of all four mechanisms is pertinent to a comprehensive assessment of Nova Scotia's past, present, and potential future PSE funding practices.

Table 1. Funding methods used by Canadian provinces (by % total funding)

	Incremental Funding	Formula Funding	Strategic Funding	Performance Funding
Definition	Year-to-year funding adjustments (by percentage)	Mathematical calculation (typically based on enrolment data, cost of course delivery, etc.)	Funding distributed for specific activities (e.g. research priorities; fields in high labour market demand, etc.)	Funding distributed for achievement of specific outcomes (e.g. quality measures, enrolment targets, etc.)
Newfoundland & Labrador	100%	-	-	-
Prince Edward Island	100%	-	-	-
Nova Scotia	4%	96%	-	-
New Brunswick	75%	25%	-	-
Quebec	-	~98.5%	-	~1.5%
Ontario*		~77.5%	~3%	~1%
Manitoba*	~94%	n/a	~0.3%	-
Saskatchewan*	-	~97%	~2%	-
Alberta	-	85-88%	~10%	2-5%
British Columbia	> 90%	-	< 10%	-

\* Provinces not totaling 100% reflect unique local funding arrangements not fitting a specific category. Table adapted from Andrey et al. (2010).

## 2.2. Incremental Funding in Nova Scotia

Nova Scotia used an incremental approach to university funding until the 1998-99 academic year. Through this method, funding is typically provided to institutions based on the amounts each received in the previous year, adjusted by a common increment (or decrement). In this way, each university receives the same relative proportion of the

overall funding pot year after year<sup>4</sup>, often as an unconditional grant (i.e. with no performance or other criteria imposed by government).

Incremental funding is sometimes the preferred method of universities because it lacks conditions. For the PSE system overall, however, this is a serious concern because it creates few incentives for universities to improve their performance (Pakravan, 2006).

***PRINCIPLE: Public funding to Nova Scotia post-secondary institutions should be provided in ways that encourage accountability and incentivize improved performance.***

Another purported advantage of incremental funding is administrative simplicity. However, in PSE systems undergoing rapid change, incremental funding may create both practical and political barriers to achieving equitable funding of institutions.

***PRINCIPLE: Public funding to Nova Scotia post-secondary institutions should be responsive to changes in cost drivers.***

By the mid-1990s, growing and shifting enrolments and the introduction of new programs at many Nova Scotia universities made the incremental funding approach less and less viable, with many institutions claiming inequitable funding relative to others (Cameron, 2000). Formula funding was introduced to address these concerns.

### 2.3. Formula Funding in Nova Scotia

The first three-year Memorandum of Understanding (MOU-1: 2005-08) between the Province and the universities implemented a new formula approach to funding Nova Scotia's universities (O'Neill, 2010). The MOU itself was envisioned also as a mechanism to build greater funding stability and predictability, increase transparency of the funding process, and provide a forum for common work on systemic challenges<sup>5</sup> (Government of Nova Scotia, 2005). Funding allocations would be determined in two steps.

In step one, overall system funding is determined based on projected university operating costs common to all universities (called the University Chart of Accounts<sup>6</sup>), the projected rate of inflation, the fiscal position of government, and projected tuition revenues. Since the first MOU of 2005-08, however, this step essentially reverted to an incremental process of annual adjustment based on an increment (or decrement) of

<sup>4</sup> Adjustments to overall funding proportions across institutions are sometimes made on the basis of cost-of-living differences, institutional collective agreements, and other such factors (see Pakravan, 2006).

<sup>5</sup> These challenges included reigning in growth of tuition fees, which were the highest in Canada.

<sup>6</sup> The University Chart of Accounts is a set of 12 cost drivers that are common to all universities: Faculty Salaries, Other Salaries, Benefits, Utilities, Insurance, Library Collections, Debt Servicing Costs, Financial Aid to Students, Externally Contracted Services, Facilities Renewal, Technology, Other Costs.

government's choosing. Other funding policy developments since that time are summarized in Table 2.

**Table 2. University Funding Policy Developments since 2008**

Following MOU-1 (2005-08), two subsequent agreements – MOU-2 (2008-11) and MOU-3 (2012-15) – have followed the same basic approach but have also included several unique features that impact funding conditions.

- MOU-2 imposed a 3-year tuition freeze and increased operating funding by an average of 10.4% per year (in real dollars) (Government of Nova Scotia, 2008).

- MOU-3 replaced the tuition freeze with a 3% annual growth cap and cut university operating funding by 4%, 3%, and 3% in three consecutive years (Government of Nova Scotia, 2012; StudentsNS, 2012).

- MOU-3 introduced the *University Excellence through Innovation* program, a fund of \$25 million over three years, aimed at encouraging collaboration amongst universities to find \$25 million in annual cost savings across the PSE system by 2014-15.

One or more universities can apply for funds with the province approving funding “based on the strength of the business case to achieve ongoing cost reductions while maintaining quality.” To date, the Province has approved only \$1.5 million in grants under this fund (Jackson, 2012).

For the purposes of this position paper, we are more interested in step two whereby funding is distributed among the institutions.<sup>7</sup> The UFDF allocates 90% of total funding among universities on the basis of enrolment and the final 10% through a combination of grants to accommodate one or more universities' special circumstances and grants for specific institutional needs.

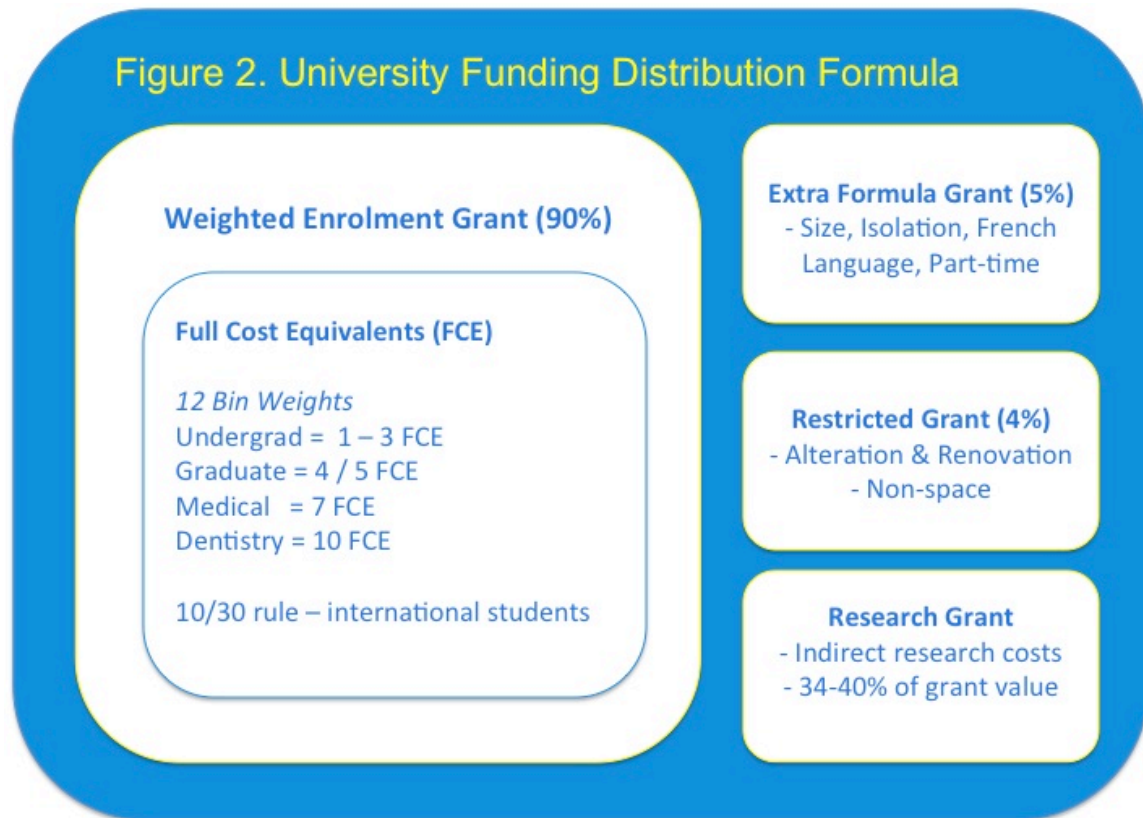
### **2.3.1. The Weighted Enrolment Grant (WEG)**

The WEG is the 90% portion of the UFDF dedicated to enrolment and is depicted in Figure 2. Briefly, each academic course offered at a Nova Scotia university is assigned to one of 12 “bins” according to its relative cost of delivery.<sup>8</sup> The full cost equivalent (FCE) is the estimated cost to deliver any course in the least expensive “Alpha” bins while courses in the other bins are valued at some multiple of the FCE (NSCHE, 1998a; 1998b). Alpha includes most undergraduate Liberal Arts courses and carries a weight of 1, while at the far end dentistry courses carry a weight of 10. At each institution, this weighted

<sup>7</sup> Please see our Position Paper on Funding and Tuition, to be released in March-April 2013, for more information on the overall post-secondary funding envelope.

<sup>8</sup> Costs of delivery include pay to faculty and other staff, technology costs, space costs, etc.

bin structure is applied to the specific courses offered and the number of enrolments in each course to yield a total WEG dollar value.



To insulate institutions from dramatic funding changes, the enrolment figures used to calculate the WEG are based on a three-year average. Funding corridor provisions also dictate that (1) enrolment increases will not be recognized unless the government agrees to fund this growth in advance, (2) enrolment declines of less than 5% (based on three-year FCE averages) will not be penalized through funding reductions and (3) reductions of 5% or more are cause for an enrolment review, but not an automatic funding reduction (MPHEC, 1998a; 1998b). Pakravan (2006) and Andrey et al. (2010) caution that the upper end of the funding corridor provides little incentive for universities to build enrolment sustainably through program and quality improvements, and a perverse incentive to build quickly often at the expense of such considerations. In practice in Nova Scotia, however, it is unclear if the funding corridor provisions are actually used.

It is also worth noting that the WEG imposes limits on funding for international students. While the raw number of international students permitted to study at any Nova Scotia institution is unlimited, the proportion of international students funded through the WEG is limited to 10% of total undergraduates and 30% of total graduate students. This “10/30 rule” was designed to ensure institutions do not accept international students over domestic students for purely financial reasons (discussed further in Section 3.3)



(NSCHE, 1998a; 1998b). International students pay differential tuition fees that are currently more than twice Nova Scotian students' tuition and are unprotected by the 3% cap on annual tuition increases<sup>9</sup>. The bin-weights help ensure domestic students in less expensive programmes do not subsidize their colleagues in more expensive programmes, but their differential complicates this process for international students.

***PRINCIPLE: All reasonable efforts should be made to ensure the revenues post-secondary institutions receive to educate a student are tied to the cost of serving that student.***

The WEG-driven funding formula has been described as more "principled" than incremental funding; less subject to political wrangling or seemingly arbitrary decisions over the size and distribution of the overall pot (Cameron, 2000, p.298, 303, and 314). The funding process would be made more objective, rigorous, equitable and predictable, thereby improving institutional stability.

In reality, however, it is apparent that politics cannot be fully removed from the funding process. A common criticism of formula funding is that in provinces with multiple institutions that have divergent priorities and enrolment trends, the approach can still create winners and losers (Pakravan, 2006). Governments are often loath to single-out institutions for funding reductions, and may therefore make exceptions, which undermines the formula funding mechanism. Later discussion in this paper will address concerns with the WEG in detail.

### **2.3.2. Research Grant**

This grant attempts to offset administrative overhead costs associated with federal research awards, since the particular granting councils do not provide extra funding for this purpose.<sup>10</sup> Mireille Brochu (NSCHE 1998a; 1998b) estimated these costs at 40% of research awards' total value, which is the top-up universities receive for non-medical research. For medical research, the research grant is limited to 34% of award value in recognition that hospitals provide supplementary funding. Similar to the WEG, funding is calculated on the basis of three-year moving averages in funding data provided directly by the award granting agencies.

### **2.3.3. Extra Formula Grants**

These grants address special circumstances that generate additional costs for one or more institutions. Altogether, they represent roughly 5% of the total funding envelope.

<sup>9</sup> Higher tuition fees for international students are typically justified on the basis that they offset the costs normally covered by the public to educate Canadian citizens (Government of Nova Scotia, 2009).

<sup>10</sup> These councils are NSERC, SSHRC, CIHR, and the Canada Council for the Arts. Other federal and provincial funding councils are not eligible for the research grant. The funding agencies do recognize administrative overhead is a legitimate cost of university research and sometimes require estimates of these costs in applications for funding. Each of these federal agencies sets a limit on the proportion of funding (20%) that can be used by university to cover overhead costs. Other funding agencies not eligible for the research grant may set different overhead cost criteria.

Although many Extra Formula Grants are allocated in part based on the WEG, their inclusion represents a tacit acknowledgement that no single formula, no matter how well designed, can allocate funding equitably amongst a group of universities with such disparate enrolment structures and priorities. In his critical history of the current funding formula's development, Dalhousie political scientist David Cameron (2000) describes the extra formula grants as a pragmatic compromise in an otherwise principled effort to develop a funding formula based on equitability. According to Cameron, various universities petitioned for special funding on a variety of grounds but most claims were "exaggerated in the extreme" (p. 314). Those cases for which some justifiable rationale could be identified were recognized with relatively small grant amounts. The four grants are briefly described below.

The *Size Grant* allocates additional funds to institutions too small to take full advantage of economies of scale. It is structured such that:

- Universities with fewer than 100 students receive additional funds equivalent to 65% of their calculated WEG.
- Universities with 100-899 students receive an additional 10% of their WEG;
- Other small universities (enrolments 800-1300) receive an additional 10% of their WEG minus 2% of their WEG for each 100 students above 800.

The *French Language Grant* was created specifically for Université Sainte-Anne (USA), recognizing the institution's added costs to provide French language programs in a predominantly Anglophone province. USA receives an additional 15% of its total WEG.

The *Part-Time Student Grant* is awarded to all universities in which part-time students comprise 25% or more of total enrolment, in acknowledgement of greater administration associated with part-time enrolments. This grant is determined by applying an empirically derived cost differential to the affected universities' administrative costs.<sup>11</sup>

The *Isolation Grant* recognizes costs incurred by universities as a result of operating outside the Halifax Regional Municipality. The total amount is fixed at \$1.5 million, which is divided into small block grants for the eligible universities.

**PRINCIPLE: Funding allocation must accommodate the diversity of Nova Scotia post-secondary institutions.**

#### 2.3.4. Restricted Operating Grants

This category of operating grants comprises approximately 4% of the total university-funding envelope and is split into two categories. The Alteration and Renovation Grant assists with upgrading and maintenance of physical university infrastructure (buildings

<sup>11</sup> The cost differential is based on a Canadian study demonstrating that a 1% increase in part time students gives rise to a 0.19% increase in administrative costs (MPHEC, 1998a; 1998b).

and facilities), while the Non-Space Grant assists universities in purchasing equipment for academic, administrative, or plant operations, as well as furnishings and library acquisitions. Both are classified as restricted because they may only be applied to the purposes for which they are intended.

## 2.4. Strategic and Performance Funding

We will now briefly discuss the two other approaches used in Canada – strategic funding and performance funding – as potential alternatives in Nova Scotia. (see Table 1).

*Strategic funding* allows governments to create financial incentives for PSE institutions to undertake specific activities in accordance with public policy goals (Pakravan, 2006; Andrey et al., 2010). This type of funding is associated with institutional effort, rather than measuring specific outcomes, and can be administered by either competitive or non-competitive methods. In the latter form, all institutions in compliance with government-set standards would receive a block grant of a pre-defined value. Meanwhile, in the former case institutions submit detailed proposals aimed at specific government priorities. Nova Scotia's University Innovation Fund (see Table 2) is an example of a competitive strategic mechanism as are research awards from Canada's federal granting agencies (e.g. funding through NSERC, SSHRC, and CIHR; CFI; NRC; etc.), though these emphasize knowledge gaps more than specific government priorities.

A majority of provinces allocate a small fraction of their overall funding envelopes (0.3%-10%) using strategic mechanisms, most often to promote human capital development in an under-populated economic sector (e.g. training of more health care workers). Strategic funding could conceivably be used to promote any economic, social, or other objective valued by PSE stakeholders though.

*Performance funding* is very similar to strategic funding. It differs by rewarding the achievement of specific outcomes rather than simply the pursuit of an activity (Pakravan, 2006; Andrey et al, 2010). These outcomes are typically mandated by government and could demonstrably meeting performance standards in financial, administrative, and/or academic domains. Only three provinces in Canada currently use this type of mechanism – Alberta, Ontario, and Quebec – and the mechanism comprises only a minor share of funding in each case (maximum 5% of total operating grants).

The main drawback of these funding approaches is that because they come with government-imposed conditions, they can be unpredictable for institutional planning purposes. This is less true of non-competitive strategic grants, which under normal circumstances can be obtained merely by institutional effort.

Since these mechanisms make up small portions of the overall formulas in all provinces that use them they currently pose minimal risk to institutions that do not qualify for strategic funds. If, however, a province chose to allocate a more significant share of funding through these mechanisms, financial planning at non-compliant institutions



could come under additional strain. Envelopes must be carefully structured to avoid unduly undermining an affected institution.

***PRINCIPLE: Public funding to post-secondary institutions should be reasonably predictable.***

Another potential drawback of strategic or performance funding is their propensity to create winners and losers amongst competing universities. Without a doubt, the putative losers under such a scenario might suggest that strategic funding is inequitable. Certainly, poorly designed policy objectives and outcome measures could unintentionally favour some institutions over others and all efforts must be taken to avoid this.

***PRINCIPLE: Public funding among post-secondary institutions should be distributed transparently and without unfairly favouring certain institutions over others.***

Academic performance funding seeks to improve program quality, but is often criticized for producing unintended consequences such as lowered academic standards or higher admission standards (cream-skimming of top students). However, it has been argued that with carefully designed funding criteria both these challenges can be overcome (Pakravan, 2006).

Finally, strategic and performance funding are criticized as unduly intruding on institutional autonomy and even academic freedom. Ill-conceived mechanisms could certainly validate these concerns. Given the scale of our collective investment and PSE's crucial importance to our economic, social, and cultural prosperity though, the stakes are simply too high for institutional autonomy and academic freedom to automatically trump accountability. A careful balance must be struck.

***PRINCIPLE: Institutional autonomy, academic freedom and accountability to students and the public must be and can be reconciled.***

### 3. Discussion

As stated at the outset, Nova Scotia's universities serve several crucially important functions in our province. We should aim to strengthen a nationally and globally competitive post-secondary system by emphasizing accessibility and affordability; the highest quality programs and services; innovative teaching and research; student voice; and alignment with our province's broader economic, social, and cultural objectives.

#### 3.1. Student Voice and a University Accountability Framework

In our view, university-funding reform is a necessary step towards achieving this vision. Students Nova Scotia believes that our PSE system requires long-term, system-level thinking, articulated through clearly defined goals and measurable policy objectives. As previously mentioned, the Office of the Auditor General shares this view and has repeatedly (1996, 2000, 2003) criticized the university system for its lack of accountability.

***CONCERN: Nova Scotia's university system lacks long-term system-level thinking and accountability.***

The MOU process has created a greater level of predictability in year-to-year funding and provides a useful forum where the government, universities, and to a lesser degree students, come together to discuss the university system. Overall, however, student inclusion has been inadequate. Student representatives have been shut out of working groups<sup>12</sup> and other key partnership negotiations, and are not MOU signatories.

***CONCERN: Students are not included as full partners in the MOU negotiations that set the direction of Nova Scotia's university system.***

While Students Nova Scotia supports the collaborative approach to PSE system planning made possible by the existing MOU processes, as well as the stated commitments of government and universities to a student-centred PSE system, students must become full partners. The education of students is and always has been the primary *raison d'être* of any university; without students to educate, institutions would not have the forum or the funding to influence minds, economies, and communities. Students' right to full partnership is clearer still given that they are burdened with more and more of the system's costs. This is the first step towards an accountable PSE system.

<sup>12</sup> Recent invitations for Students Nova Scotia and the Canadian Federation of Students-Nova Scotia to join some, but not all, Partnership Working Groups have been a positive step.

***RECOMMENDATION: Students Nova Scotia, as the representative of 85% of Nova Scotia university students, should be included as a full partner in future Province-Universities-Students Memoranda of Understanding.***

As partners in the university system, Students Nova Scotia would echo the Auditor General's call for a comprehensive accountability framework that includes detailed policy objectives, standards, and targets. This important work could begin in ongoing Partnership negotiations that are strengthened by greater student involvement.

***RECOMMENDATION: Nova Scotia should build a formal PSE Policy and Accountability Framework in full partnership with students and the universities, in time for the next Memorandum of Understanding (2015-2018). This framework should include mandatory comprehensive annual reports from government and institutions, which are easy to access and fully transparent with respect to revenues, spending decisions and compliance with accountability measures.***

Talking about accountability is relatively easy, however. Actually creating it, to the satisfaction of relevant stakeholders, is much more difficult. Moving beyond the framework above, we find that the funding envelope provides the most valuable tool for realizing accountability.

### **3.2. Concerns With The Existing Funding Formula**

Nova Scotia's current funding formula has been championed for its equitability (Cameron, 2000), presumably because it allocates the same amount of funding for the same category of student in a relatively clear and transparent way. It has also been described as "logical, consistent, and well-structured" and "arguably the best [funding formula] in Canada" (O'Neill, 2010, p. 153; p. 7). There are merits to these claims and for this reason Students Nova Scotia favours a formula-based funding approach. We find that the present bin-weights continue to be relevant and should be maintained, most notably because the costs of recalculating bin-weights would out-weigh the benefits.

***RECOMMENDATION: Nova Scotia should continue to employ a funding formula approach including a WEG based upon the present bin-weights.***

That said, we have a number of concerns with the present formula, which is most basically too WEG-driven.

#### **3.2.1. WEG-driven formula is ill-suited to current funding and enrolment conditions**

It is important to remember that the UFDF was implemented at a time of steady growth in provincial operating funding and enrolment (Cameron, 2000), neither of which is assured in the near future. In 2013-14, provincial operating funding will have decreased in real terms and as a share of total university revenues for three consecutive academic years (see Table 2) (CAUT Almanac, 2012; Government of Nova Scotia, 2012). And, while

province-wide PSE enrolment has continued to grow for the moment, Nova Scotia's shifting demographics promise significant challenges (O'Neill, 2010).

Nova Scotia's historical age cohort of university entrants – 17 to 29 year olds – has been in decline since 2003-04 and is set to shrink by 24% (roughly 36,000 people) between 2011 and 2031 (NS Department of Finance, 2012). In addition, the PSE participation rate of this prime cohort has also been in decline since the mid-2000s (O'Neill, 2010), while O'Neill further notes that enrolment gains from among underrepresented groups are unlikely to be large simply because these communities are relatively small.<sup>13</sup>

Statistics Canada projects national enrolment growth of less than 0.1% per year between 2012 and 2032 (Statistics Canada, 2012). If Nova Scotia is to match even this modest growth rate, the majority of new enrolments must likely come from two sources: Ontario – where the 17 to 29 year old population will continue growing until 2017 (Statistics Canada, 2011) – and overseas.

Enrolment growth in 2012-13 is already being driven entirely by international students (AAU, 2012).<sup>14</sup> Furthermore, the Organization for Economic Cooperation and Development (OECD, 2009) estimates the number of international students looking to study abroad could rise from 3.7 million in 2009 to 6.4 million by 2025.

The Government of Canada recently set an ambitious goal to recruit more than 200,000 new international students by 2022 (Advisory Panel on Canada's International Education Strategy, 2012). In this scenario, international enrolment in Nova Scotia would grow by nearly 7,000 if we maintained our 3.25% share of Canada's international student population (DFAIT, 2009). Such an eventuality would more than offset the projected 5,000-person decline in the local prime university-age cohort over the same period, though such rapid growth in international enrolment raises many other concerns with respect to maintaining quality.<sup>15</sup> Also, as O'Neill (2010) rightly points out, intensified competition for both international and out-of-province students is inevitable.

Considering the uncertainty of future enrolment, allocating 90% of university operating funding based on this basis undermines the predictability of funding for individual universities and the stability of the PSE system as a whole. This is truer still when universities' next largest funding source (tuition) is also enrolment-driven.

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<sup>13</sup> These underrepresented groups includes Aboriginal Nova Scotians, African Nova Scotians, individuals from low-income families, young adult males, and mature students (O'Neill, 2010; Chui and Maheux, 2011; Richards, 2011). While recruitment of these groups is unlikely to offset local enrolment decline in the coming decades, promoting greater access for these groups is imperative on equity grounds alone. StudentsNS will release additional research addressing accessibility issues specifically in September 2013.

<sup>14</sup> The 695 new international students in 2012-13 exceed the student population's net growth of 654.

<sup>15</sup> Students Nova Scotia will explore these challenges in its 2013 position paper on international students.

***CONCERN: Due to the declining size of Nova Scotia's prime university age cohort and uncertainty about future out-of-province and international enrolment, funding tied to enrolment will be unpredictable for the foreseeable future.***

Another problem is that in an environment where the total provincial funding is static or unpredictable and significant enrolment growth is unlikely, the institutional environment becomes hyper-competitive with respect to enrolment and funding as one university's success becomes another's failure and vice-versa. This greatly discourages institutional cooperation. Furthermore, not all institutions compete for students on equal terms. Larger universities with greater resources and profile have a significant advantage and may capture an increasing proportion of funding. Meanwhile universities that prioritize program quality over growth and have more limited resources for recruitment will receive proportionately less funding. This could easily lead to an environment where institutions must be closed.

***CONCERN: The funding formula's current emphasis on enrolment magnifies competition between universities, discouraging cooperation and threatening institutional viability.***

### **3.2.2. The WEG-driven funding formula prioritizes enrolment numbers over quality**

As our previous point suggests, the strong emphasis on enrolment creates too great an incentive for institutions to focus on growth, potentially at the expense of other important outcomes such as teaching quality or student support services. It may be appropriate that some significant portion of the provincial operating grants be allocated through a mechanism like the WEG, but tuition and fees already create strong incentives for universities to compete vigorously for new students.

***CONCERN: The current enrolment-based funding formula incentivizes enrolment growth over all other factors, including quality of educational programs and services.***

If Nova Scotia intends to build a stronger PSE system, more collective energy should be placed on achieving system-level objectives. The incentives created by the university funding formula should reflect these objectives. The WEG, on the other hand, is basically an accountability-free instrument in its current form.

***CONCERN: The WEG does not promote institutional accountability.***

### **3.2.3. WEG-driven formula is ill-adapted to diversity of Nova Scotia universities**

The diversity of institutions in Nova Scotia is an immediate warning sign that no formula is likely to allocate funding without significant complications (Pakravan, 2006). A more fundamental issue is the flawed assumption embedded in the enrolment-based approach that each incremental enrolment (in any particular program) has the same unit cost associated with program delivery.

In reality, program delivery costs are at least partially subject to economies of scale whereby the incremental cost of adding another student is less than the corresponding addition to the operating grant (FCE). This could result in a larger or growing institution receiving more funding than it needs to cover its fixed program costs while simultaneously short-changing a smaller or non-growing institution relative to its own fixed costs. At least theoretically, this creates inequity on an institutional level.

Larger universities already benefit greatest from economies of scale. And while it is true that research and professional programs are cost-intensive relative to programs offered elsewhere, this factor is supposed to be accounted for through higher bin weights and elevated graduate and professional tuition. It is difficult to determine exact fixed and variable costs for each institution. Nevertheless, it is essential that the funding allocated reflect the actual costs of the various activities undertaken. An enrolment-heavy funding formula should not allow less expensive programmes to unduly subsidize research and professional programs and administration.

***CONCERN: The heavily WEG-driven formula does not accurately reflect the costs of operating Nova Scotia's universities.***

#### **3.2.4. Enrolment numbers for the WEG are out-of-date**

An interesting and somewhat contentious wrinkle in the WEG is that the three-years of enrolment currently in use are not the most recent for which data is available. In MOU-2 (2008), the WEG for 2008-09 through 2010-11 was calculated using average enrolment from three fixed years (2003-04 through 2005-06), such that enrolment figures were 3-5 years out of date in the first year of MOU-2, and 5-7 years out of date in the last year. Meanwhile, the reference years for enrolment in the most recent MOU (2012-2015), while not explicitly specified, have not changed from the previous MOU<sup>16</sup> such that the current academic year is being funded based on enrolment figures that are 9-11 years old. In a time of unpredictable enrolment levels, there is little justification for basing current funding on enrolment numbers that are so far out-of-date. This creates a funding structure that does not accurately reflect enrolment (and costs) for at least some of our PSE institutions.

***CONCERN: The enrolment figures currently used to calculate the WEG are out of date and therefore provide an inaccurate picture of institutional costs.***

In sum, the current WEG-dominant funding formula is not conducive to supporting a successful post-secondary system in Nova Scotia.

***RECOMMENDATION: The government should significantly reduce the proportion of funding allocated through the WEG. For purposes of discussion, we propose that approximately 50% of funding be distributed through this part of the funding formula.***

<sup>16</sup> Personal Communication - Department of Labour and Advanced Education, 2012)

The fact that successive provincial governments have not allowed enrolment data for the WEG to be adjusted from year-to-year (or even MOU to MOU) suggests these governments have likely shared our concerns with the WEG's implications. Provided that the WEG's importance is significantly reduced, Nova Scotia can begin to actually apply allow the formula to respond to changes in institutional enrolment.

***RECOMMENDATION: The WEG should be calculated using a rolling average of the three most recent years for which final enrolment data is available to ensure that universities are funded, to the greatest extent possible, based on current expected institutional costs.***

### **3.2.5. The WEG is the wrong instrument for funding international students**

Another aspect of the funding formula that deserves further consideration is the so-called 10/30 rule (see above, Section 2.1), which limits funding provided to universities for international students to ensure domestic students are not disadvantaged (NSCHE, 1998a; 1998b).

The only reasonable justification for charging international student differential fees is to cover some of the additional the costs not accounted for through public funding. Yet, up to the arbitrary 10/30 limits, Nova Scotia's current policy allows universities to double dip on funding, receiving government money for these students through the WEG in addition to differential tuition. No accountability mechanisms are present to ensure institutions' extra money for international students is actually spent in educating and supporting them. Together, this violates the principle that all reasonable efforts should be made to ensure per student revenues are based on the costs to educate these students.

***CONCERN: The current funding formula restricts government funding for international students at an arbitrary percentage of the total student population.***

***CONCERN: The current funding formula includes no accountability mechanisms to ensure that public funding provided for international students is spent in support of these students.***

As discussed earlier (see Section 2.2, Table 3), evidence suggests that Nova Scotia's international student numbers will continue to grow for the foreseeable future. We need to give serious consideration to how these students can be better accommodated. Students Nova Scotia does not dispute the likelihood of additional costs associated with recruiting and educating international students (especially those for whom English is not the primary language) and we believe that government should provide funding for these students if international recruitment supports public policy objectives (e.g. diversifying campuses, immigration). With all of that said the funding mechanisms and tuition policies related to international students should be designed to accurately reflect the

costs associated with recruitment, education, and supporting these students' success.

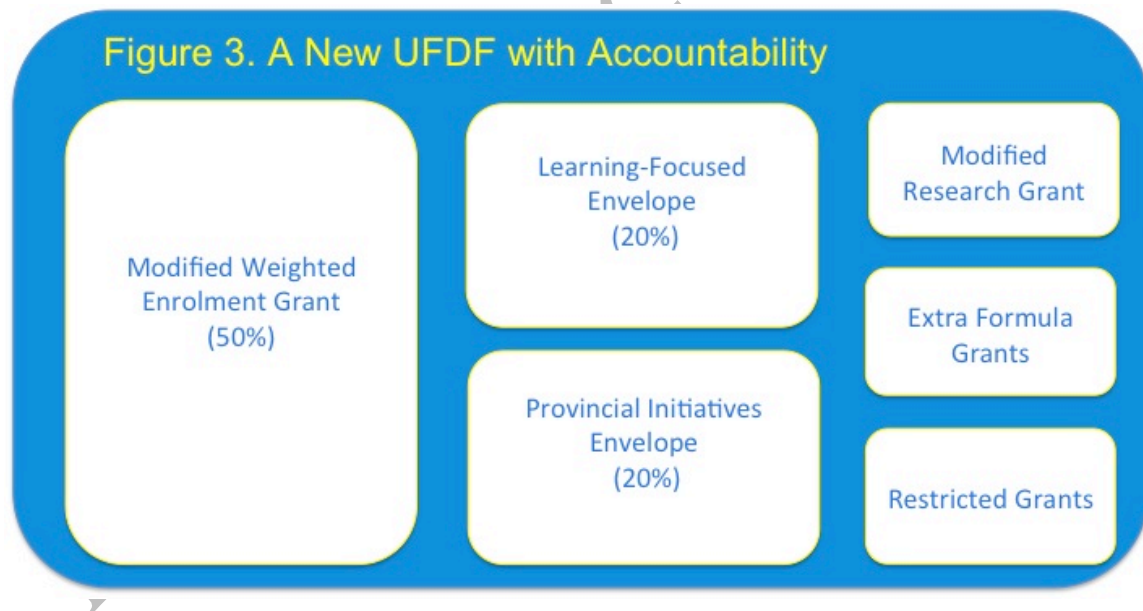
**RECOMMENDATION: International students should be removed from the WEG component of the funding formula.**

We will recommend alternative means of funding international students' education later in this section.<sup>17</sup>

### 3.3. A New Funding Model, A New Model for Accountability

Rolling-back the WEG's share of overall funding will create room for accountability-driven funding envelopes of sufficient size to influence institutional behaviour. Students Nova Scotia proposes that these be built around the two principal stakeholder groups of our PSE system: students and the public (the provincial government)<sup>18</sup>. To accomplish this, two dedicated and distinct funding streams should be introduced: a Learning-Focused Envelope and a Provincial Initiatives Envelope (Figure 3).

**RECOMMENDATION: Accountability in funding should be established by allocating significant funds between a Learning-Focused Envelope and a Provincial Initiatives Envelope. For discussion purposes, we propose the each envelope be allocated 20% of the total operating funding.**



<sup>17</sup> This topic will also be covered in greater detail in our upcoming in our 2013 position paper on international students.

<sup>18</sup> This is not to discount the other stakeholders in our PSE system, including local communities, other private funders, university faculty and staff, etc. Some of these stakeholders have their own mechanisms for ensuring desirable outcomes in return for their contributions (e.g. private funder agreements, faculty and staff unions) while the broader community would be well accounted for through our proposed accountability framework. Inclusion of other such groups is certainly a matter for further discussion.



Provided at least half the accountability-driven funding is non-competitive, the overall funding structure we propose would allocate a full 80% of system funding by a combination of a new-and-improved WEG and non-competitive mechanisms, ensuring a significant base of funding will still be available to all institutions. Also, the WEG formula may still be used to determine how funding within components of the accountability-driven envelopes is distributed among institutions.

### **3.3.1. The Learning-Focused Envelope**

The proposed Learning-Focused Envelope would require that, to receive funding, universities must meet a set of institutional performance measures that are built around student outcomes. Students, government, universities, and other appropriate stakeholders would need to discuss and agree upon the exact mechanisms for linking student outcomes to funding, but it seems apparent that at least part of the Learning-Focused Envelope should be allocated using a so-called performance funding mechanism (see Section 2.4).

At the time of this position paper's publication, the Maritime Provinces Higher Education Commission (MPHEC) is developing a comprehensive quality assurance framework to evaluate Maritime universities using student-focused outcome measures.<sup>19</sup> Their work is due for completion in 2014. Nova Scotia could look to integrate elements of the MPHEC measures into the Learning-Focused Envelope, thereby minimizing the costs of framework design and ongoing institutional compliance reporting. We do not wish to propose precise metrics at this time, but some possibilities for discussion purposes include:

- Enrolment and achievement of disadvantaged or under-represented groups;
- Educational outcomes for students at the program level;
- Student academic persistence;
- Standardized measures of student satisfaction; and
- Number, type and quality of student support services.

In addition to the performance measures, institutional efforts towards improving the quality of student programs and services could also be rewarded through strategic mechanisms. Under such an approach, useful metrics might include:

- Employment of alternative pedagogical approaches (e.g. non-lecture methods, smaller classes);
- Teaching-related improvements (e.g. class load, mandatory professional development, clear incentive structure linked to teaching);
- Investments in student support services; and/or
- Investments in international student supports.

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<sup>19</sup> Students Nova Scotia is planning to complete a Position Paper on Quality in 2013.

We would propose that the Learning-Focused Envelope's strategic funding component be non-competitive to protect funding predictability.

***RECOMMENDATION: The Learning-Focused Envelope should be allocated using a combination of performance and non-competitive strategic funding.***

### **3.3.2. The Provincial Initiatives Envelope**

The proposed Provincial Initiatives Envelope would aim to improve institutional accountability to government by linking university activity to specific government priorities. Again, while the exact mechanisms are the subject of future discussions, Students Nova Scotia preliminarily proposes that this funding be allocated primarily using strategic mechanisms, with competitive and non-competitive components. Non-competitive funding would be awarded to all institutions that participate in pre-defined activities. Meanwhile, to protect institutional equity, the competitive mechanisms would need to be structured such that all universities could reasonably compete for at least some of this funding.

There is no question that competitive strategic funding mechanisms increase the subjectivity of funding decisions – governments and priorities change, decision-makers are subject to political considerations, and so on – but public university activity should be tied to the priorities of the democratically-elected government that partially funds PSE. Still, to insulate any particular institution from a loss of funding for arbitrary or political reasons, we again propose to allocate a relatively small portion – roughly 10% – of total available system funding to competitive strategic funding.

The precise measures associated with the Provincial Initiatives Envelope will largely depend on government and system priorities. Specific initiatives might include:

- Promoting modest program differentiation in recognition of institutional areas of teaching and research strength. Importantly, differentiation must still support broad access to comprehensive, multi-disciplinary learning across the province but this should build capacity for specialized research at multiple institutions rather than concentrating nearly all research activity at Dalhousie;
- Funding to reward universities that meet certain targets for international student recruitment as part of a larger strategy to attract skilled immigrants and within a reformed approach to international student funding (see below, Section 3.3.3); and/or
- Non-competitive block funding for certain universities with clearly defined economic, social, or cultural mandates. Such mandates could be formalized through bilateral agreements between government and individual institutions.

***RECOMMENDATION: We propose that the Provincial Initiatives Envelope be allocated using a combination of competitive and non-competitive strategic funding mechanisms.***

### 3.3.3. Restricted International Student Grants

Given that increased international student recruitment is expected to continue, government should take the lead in ensuring the highest possible quality in educational programs and support services for these students. The size and structure of funding to international students would be determined based on the principle that total funding – including student fees and government funding – should broadly reflect the approximate institutional costs of educating that student. The first step, therefore, is to conduct a comprehensive assessment of the actual costs of recruiting and educating an international student *in excess of costs to serve domestic students*.

Next, we would propose that new restricted international student grants be created within the accountability-driven funding envelopes. Under the Provincial Initiatives Envelope, restricted International Student Grants would be designed to cover a share of the costs associated with international students. A further share could be covered through the learning-focused envelope, based upon universities achieving performance expectations.

Finally, in proposing these new restricted grants, we also assume implementation of our previous proposal to remove international students from the WEG calculation.

***RECOMMENDATION: New Restricted International Student Grants should be introduced to cover some institutional costs of educating international students and included within the Provincial Initiatives and Learning-Focused Envelopes.***

### 3.4. Other Funding Reforms

The existing group of Extra Formula, Restricted Grants, and Research Grants are a necessary component of the UFDF because they recognize a combination of unique cost pressures experienced by certain universities (e.g. French Language, Size, Part-Time Student, Isolation) and other cost pressures shared by all universities (Research, Alteration and Renovation, Non-Space). These grants should be maintained, though many of them will need to be adapted to the new WEG amount.

***RECOMMENDATION: A portion of funding should continue to be distributed through extra formula grants, restricted infrastructure and equipment grants, and research grants. For discussion purposes, we would propose that this be allocated the remaining 10% of the total funding envelope.***

The Research Grant demands additional attention. It is problematic that the Province must subsidize research the federal government is supposed to be funding. Yet, in the absence of additional federal funding for research overhead, the province's policy of assisting with these costs is well founded.

The problem in current practice is that federal funding agencies already stipulate that universities may claim 20% of the value of research grants for administration and institutions are taking advantage of this. As a result, a research award recipient may control 80% of the original award value for research activities, while the university administration has an additional 54-60% of original award value on administration. To illustrate this point, Table 3 shows the distribution of total funding based on a hypothetical research award valued at \$100,000. Current policy reduces the amount of funding available for direct research activity by diverting a disproportionate amount to administrative functions, undermining research and innovation in Nova Scotia.

**Table 3. Distribution of Research Funding under Existing Policy**

	Research	Administration
Federal Research Award	\$80,000 (80%)	\$20,000 (20%)
UFDF Research Grant	\$0	\$40,000 (40%)
Total	\$80,000	\$60,000

**CONCERN:** *Even though the Province provides adequate money for this purpose, universities continue to claim research award money to finance administrative overhead, thereby reducing funding to academic research in Nova Scotia.*

The Province reached an agreement with the universities to help cover the costs of administering research, and these institutions must respect this agreement and cease to take further money from research awards.

**RECOMMENDATION:** *The Province should require that if an institution claims a portion of federal research awards for administration it must repay the 40% value of the province's Research Grant.*

This change would significantly increase the amount of money available for research in Nova Scotia, expanding our capacity to innovate, improving institutions' profile and competitiveness, and also, ideally, improving learning outcomes and affordability for graduate students by funding more research assistantship opportunities.

## 4. Conclusion

This position paper aims to initiate a critical conversation on the future of PSE in Nova Scotia. It is imperative that Nova Scotia and its institutions begin to think as players in a PSE system pursuing province-wide objectives, considering this system's crucial importance to our province. Institutional autonomy can no longer be an excuse for a total lack of systematic thinking and accountability to the public and to students.

The specific university funding and accountability reforms proposed herein would represent a strong step in this direction. Significant funding would be provided through more conditional mechanisms, developing more deliberate and sustainable incentives than is the case with the current exclusive emphasis on enrolment growth. Institutions would become more answerable for their results and less free to misdirect funding from what funders intend.

Our proposals would certainly grant the provincial government more tools in setting the direction of PSE in Nova Scotia, yet we must argue again strongly for the inclusion of students in deciding how an accountability framework and accountability-driven funding envelopes should work and, more fundamentally, what objectives the provincial PSE system should pursue. Nova Scotia students are the primary stakeholders in the system, and secondarily major funders. Fundamentally, irrespective of government's positioning vis-à-vis institutions, *a PSE system that is unaccountable to students is unaccountable, period.*

## 5. Students Nova Scotia Policy Statement

*PRINCIPLE: Post-secondary institutions play a vital economic and cultural role in Nova Scotia, most significantly by educating students.*

*PRINCIPLE: Post-secondary institutions should be treated as parts within a system and encouraged to cooperate in pursuit of common objectives.*

*PRINCIPLE: Public funding to Nova Scotia post-secondary institutions should be provided in ways that encourage accountability and incentivize improved performance.*

*PRINCIPLE: Public funding to Nova Scotia post-secondary institutions should be responsive to changes in cost drivers.*

*PRINCIPLE: All reasonable efforts should be made to ensure the revenues post-secondary institutions receive to educate a student are tied to the cost of serving that student.*

*PRINCIPLE: Funding allocation must accommodate the diversity of Nova Scotia post-secondary institutions.*

*PRINCIPLE: Public funding to universities should be reasonably predictable.*

*PRINCIPLE: Public funding among universities should be distributed transparently and without unfairly favouring certain universities over others.*

*PRINCIPLE: Institutional autonomy, academic freedom and accountability to students and the public must be and can be reconciled.*

*CONCERN: Nova Scotia's university system lacks long-term system-level thinking and accountability.*

*CONCERN: Students are not included as full partners in the MOU negotiations that set the direction of Nova Scotia's university system.*

*CONCERN: Due to the declining size of Nova Scotia's prime university age cohort and uncertainty about future out-of-province and international enrolment, funding tied to enrolment will be unpredictable for the foreseeable future.*

*CONCERN: The funding formula's current emphasis on enrolment magnifies competition between universities, discouraging cooperation and threatening institutional viability.*

*CONCERN: The current enrolment-based funding formula incentivizes enrolment growth over all other factors, including quality of educational programs and services.*

*CONCERN: The WEG does not promote institutional accountability.*

*CONCERN: The heavily WEG-driven formula does not accurately reflect the costs of operating Nova Scotia's universities.*

*CONCERN: The enrolment figures currently used to calculate the WEG are out of date and therefore provide an inaccurate picture of institutional costs.*

*CONCERN: The current funding formula restricts government funding for international students at an arbitrary percentage of the total student population.*

*CONCERN: The current funding formula includes no accountability mechanisms to ensure that public funding provided for international students is spent in support of these students.*

*CONCERN: Even though the Province provides adequate money for this purpose, universities continue to claim research award money to finance administrative overhead, thereby reducing funding to academic research in Nova Scotia.*

*RECOMMENDATION: Students Nova Scotia, as the representative of 85% of Nova Scotia university students, should be included as a full partner in future Province-Universities-Students Memoranda of Understanding.*

*RECOMMENDATION: Nova Scotia should build a formal PSE Policy and Accountability Framework in full partnership with students and the universities, in time for the next Memorandum of Understanding (2015-2018). This framework should include mandatory comprehensive annual reports from government and institutions, which are easy to access and fully transparent with respect to revenues, spending decisions and compliance with accountability measures.*

*RECOMMENDATION: Nova Scotia should continue to employ a funding formula approach including a WEG based upon the present bin-weights.*

*RECOMMENDATION: The government should significantly reduce the proportion of funding allocated through the WEG. For purposes of discussion, we propose that approximately 50% of funding be distributed through this part of the funding formula.*

*RECOMMENDATION: The WEG should be calculated using a rolling average of the three most recent years for which final enrolment data is available to ensure that universities are funded, to the greatest extent possible, based on current expected institutional costs.*

*RECOMMENDATION: International students should be removed from the WEG component of the funding formula.*

*RECOMMENDATION: Accountability in funding should be established by allocating significant funds between a Learning-Focused Envelope and a Provincial Initiatives Envelope. For discussion purposes, we propose the each envelope be allocated 20% of the total operating funding.*

*RECOMMENDATION: The Learning-Focused Envelope should be allocated using a combination of performance and non-competitive strategic funding.*

*RECOMMENDATION: We propose that the Provincial Initiatives Envelope be allocated using a combination of competitive and non-competitive strategic funding mechanisms.*

*RECOMMENDATION: New Restricted International Student Grants should be introduced to cover some institutional costs of educating international students and included within the Provincial Initiatives and Learning-Focused Envelopes.*

*RECOMMENDATION: A portion of funding should continue to be distributed through extra formula grants, restricted infrastructure and equipment grants, and research grants. For discussion purposes, we would propose that this be allocated the remaining 10% of the total funding envelope.*



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