

Investing in Ontario's Future

OCUFA's 2012 Ontario Budget Brief

OCUFA

Ontario Confederation of University Faculty Associations
Union des Associations des Professeurs des Universités de l'Ontario

SUMMARY OF RECOMMENDATIONS

The Ontario Confederation of University Faculty Associations recommends the following be included in the 2012 Ontario Budget:

Fair and robust funding for Ontario's universities

- Raise per-student net operating revenue to the national average by 2020
- Freeze tuition and provide compensatory funding to universities
- Restore research funding

Ensuring quality

- Hire 6,000 additional faculty by 2020 and reduce the student-to-faculty ratio
- Provide funding to restore aging infrastructure
- Retain the link between teaching and research
- Pursue a balanced and sustainable use of online learning
- Work with stakeholders to develop a meaningful quality and accountability framework

An informed and measured approach to reform

- Any reform proposals must build upon Ontario's strengths
- We need made-in-Ontario solutions
- Any reform should be conducted in extensive consultation with university stakeholders

INTRODUCTION

Investing in higher education always makes sense

Derek Bok once quipped, “If you think education is expensive, try ignorance.” Bok, a former president of Harvard University, highlights a central truth: any society that fails to invest in education is doomed to fail.

No question, the province of Ontario is facing serious financial challenges. Restructuring of our manufacturing economy coupled with the financial crisis of 2008 has led to a collapse in government revenues and a sizable deficit. With the publication of the report of the Drummond Commission on the Reform of Ontario’s Public Services, ‘austerity fever’ has gripped the province. Many pundits claimed that Ontario can no longer afford its public services.

In the case of education, this attitude can be fatal. Everything in Ontario – from the economy to the health of citizens to the quality of our democracy – depends on higher education. As an integral part of our education system, Ontario’s universities must be well-funded in order to achieve the best results for our society. University graduates enjoy higher incomes and social mobility while our society benefits through innovative new ideas, strengthened civic commitment, and a thriving economy. Funding of Ontario’s universities is not a *cost* against the government’s budget. It is an investment in our future.

The Drummond Report recommends limiting funding growth for universities at 1.5 per cent per year. As the report itself highlights, this increase will not keep pace with inflation, never mind the cost pressures driven by enrolment increases. This would create a quality crisis at our universities. In the face of growing class sizes, aging infrastructure, and rising tuition fees, our students will not get the education they need to succeed.

This brief lays out an alternate plan for funding higher education. It emphasizes fairness and the ongoing need for robust funding for higher education. It highlights the urgent need for new faculty and a meaningful quality framework. It also argues that the best way forward for Ontario is to build on our strengths, not to embrace poorly conceived and untested reforms. Our province needs a plan for long term, meaningful investment in its universities. The Ontario Confederation of University Faculty Associations presents these recommendations as a first step in moving forward towards this goal.

FAIR AND ROBUST FUNDING FOR ONTARIO'S UNIVERSITIES

The best way to ensure accessible and affordable universities is through public funding. To preserve and enhance educational quality at public institutions, it is necessary to provide a level of public funding that allows universities to provide a high-quality experience to every student. The recommendations in this section outline a funding system that ensures quality while fairly balancing the costs between government and students.

Under-funding has serious consequences. It leads to larger class sizes and less interaction with faculty. It prevents universities from repairing older buildings and investing in the latest learning technology. It forces students to pay ever higher tuition fees to compensate for the decline in government revenue, causing many students to graduate with unprecedented levels of debt.

Raise per-student funding to the national average by 2020.

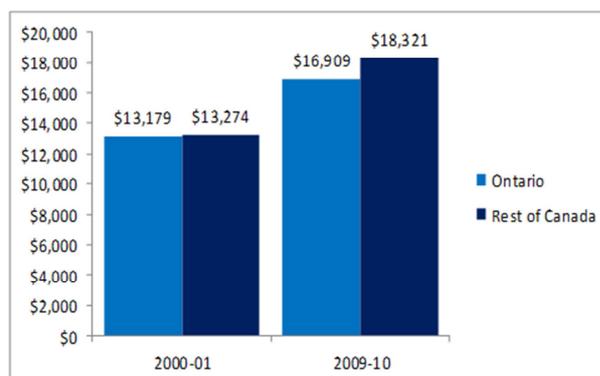
It is no secret that Ontario lags behind its peers in terms of per-student university funding. Ontario is dead last in Canada, providing only \$8,253 of public funding per student compared to \$12,413 in the rest of Canada and \$9,585 at public American universities. Ontario now contributes 25 per cent *less* funding than it did in 1990, despite significant enrolment increases over the same period.

We need to do better.

In Budget 2011, the provincial government indicated that it intends to provide modest increases in operating funding to cover enrolment expansion in universities until 2015-16. Even with the promised increase in funding, the inflation-adjusted level of per-student funding will continue to decline.

Many pundits suggest that, in the age of austerity, universities must do more with less. But Ontario's universities have already been doing more with less for years.

Operating expenditures per student FTE

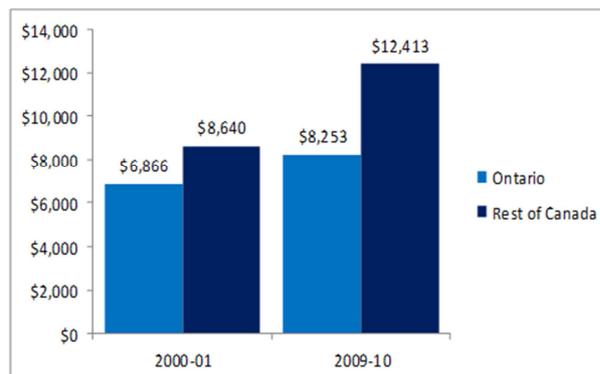


From 2000-01 to 2009-10 per-student operating expenditures in Ontario grew by 28%; in the rest of Canada they increased by 48%. In 2000-01, per-student operating expenditures in Ontario were 1% lower than in the rest of Canada. In 2009-10 they were 8% lower.

Ten years ago, operating expenses per full-time equivalent (FTE) student at Ontario universities were comparable to other universities in the rest of Canada.¹ Over the course of a decade, however, Ontario universities have fallen behind their counterparts and now spend 13 per cent less. With the possible exception of Quebec, operating expenditures in Ontario are the lowest in Canada.²

Ontario is now 34% behind the rest of Canada when it comes to provincially provided per-student operating funding. For Ontario to have provided operating funding comparable to the national average in 2010-11 would have required a \$1.8 billion increase over what was allocated.

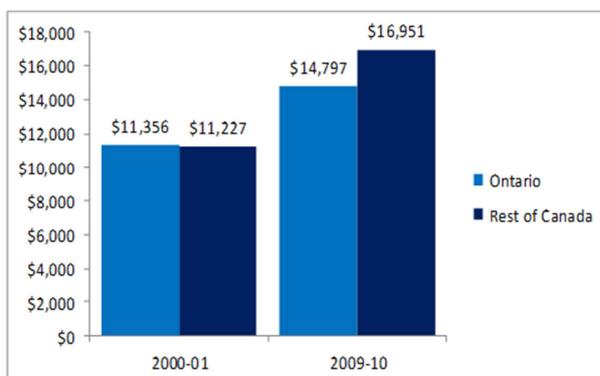
Provincial operating grants per student FTE



From 2000-01 to 2009-10 per-student operating grants in Ontario grew by 20%; in the rest of Canada they increased by 44%.

In 2000-01, per-student operating grants in Ontario were 21% lower than in the rest of Canada. In 2009-10 they were 34% lower.

Net student tuition fees and provincial operating funding per student FTE



From 2000-01 to 2009-10 funding in Ontario increased by 30%; in the rest of Canada it increased by 51%.

In 2000-01, funding in Ontario was 1% higher than in the rest of Canada. In 2009-10 it was 13% lower.

Net operating revenue from students and the provincial government in Ontario has also fallen behind the rest of Canada.³ The total gap in net operating revenue between Ontario and Canada now amounts to \$900 million for 2010-11.

¹ Although operating funding is for teaching students and for research, there is no good way of measuring funding for the combination. As a proxy for the linked activities of the scholar-teacher, operating funding per student is the most convenient and most widespread.

² Canadian Association of University Business Officers (CAUBO), *Financial information of Universities and Colleges*; Statistics Canada, Postsecondary Student Information System (PSIS). All provincial comparisons are based on CAUBO and Statistic Canada data. In 2008-09 Quebec universities spend less per student than Ontario. 2009-10 CAUBO data are not available for Quebec, but estimates based on institutions' audited financial statements indicate that Quebec universities spend approximately \$500 more per student.

³ Net operating revenue equals student tuition and other fees, minus scholarships and bursaries paid from operating funds, plus provincial operating funding. Net funding does not include other sources of income.

On every measure, Ontario universities are educating increasing numbers of students while relying on ever-decreasing funds. Operating budgets are already significantly leaner than in the rest of Canada. This funding gap cannot continue without serious harm to our universities and our students. **OCUFA recommends the government of Ontario invest \$1.3 billion in university operating funding by 2020.** This investment would mean that per-student net operating revenue (composed of net tuition and provincial funds) reaches the national average by the end of this decade. Meeting this target will require an additional \$145 million per year in provincial funding.

Recommended increase in operating funding above 2011-12 levels								
2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
\$145 million	\$290 million	\$435 million	\$580 million	\$725 million	\$870 million	\$1.015 billion	\$1.16 billion	\$1.305 billion

OCUFA recognizes that this investment will not be easy in the current fiscal climate, but it is an essential investment in the future economic competitiveness and social vitality of our province. With modest economic growth and changes to tax policy, it will be possible to bring Ontario per-student net operating revenue in line with the national average by 2020 – the same year by which the provincial government wants 70 per cent of Ontarians to have a post-secondary qualification.

Freeze tuition and provide compensatory funding to universities

As public funding has declined, universities have turned to students to make up the financial shortfall. As a result, Ontario now has the highest domestic undergraduate tuition fees in Canada at \$6,640. Ontario students also pay for the highest proportion of their studies, covering 45 per cent of the total cost of their education compared to the 28 per cent paid by students in the rest of Canada.

Clearly, students already pay for more than their fair share. Any fair funding system must recognize that we cannot continue to shift the costs of post-secondary education onto students and their families. The recent announcement by the Minister of Training, Colleges and Universities that the current tuition policy, which permits five per cent average annual tuition increases is disappointing.

OCUFA recommends that tuition fees be frozen at current levels, and each institution be compensated for lost tuition revenue. With fees frozen, the Government of Ontario should initiate a sector-wide consultation to determine a long-term, fair, and sustainable tuition policy for the province.

While a compensated tuition fee freeze represents a cost to government, funding for a freeze is included in OCUFA's recommendation to increase per-student net operating revenue to the national average by 2020, as outlined above.

Restore research funding

The cancellation of Rounds Six and Seven of the Ontario Research Fund Research Excellence Program (ORF-RE) at the end of 2011, as well as the termination of the special round for the social sciences, arts, and humanities will harm the quality and quantity of research and innovation produced by Ontario universities. It sends the wrong message at a time when Ontario should be increasing funding of research – both basic and applied – in the interest of supporting "transformative, internationally significant research of strategic value to the province," as intended by the program. In order to produce the ideas and technology that will drive our economy forward, Ontario must have a well-funded research and development system that balances curiosity-driven inquiry and commercialization.

While the federal government is reducing funding for basic research in real terms, it is crucial to ensure that the provincial government does not contribute to the erosion of the scientific and social foundations on which innovation rests. Over the years, OCUFA has expressed its concern that efforts to encourage commercialization of university research are proceeding at the expense of basic research. Most of the increase in operating transfers for research and development programs administered by the Ministry of Economic Development and Innovation between 2004-05 and 2011-12 has been for commercialization. Funding for commercialization now represents an estimated 42 per cent of funding transfers.

As the Drummond Report pointed out, there is little evidence that tax incentives encouraging private sector research, development and innovation produce results. According to the Finance Minister's latest fall economic statement, these corporate tax credits cost taxpayers \$365 million. Ontario universities lead the charge on research and development activity in the province. Government funding for corporate subsidies for research, development and innovation would be better spent as direct funding for university-based research.

We should of course encourage Ontario businesses and entrepreneurs to innovate. OCUFA believes that the best way to do so is to invest in university basic research, and facilitate the linking of researchers with innovators in the broader economy.

OCUFA recommends the immediate restoration of the cancelled rounds of the Ontario Research Fund, and a phased-in transfer of business research and development tax credits to funding programs for university-based research. Allowing for inflation, \$100 million should be allocated this year, rising by a similar amount each year over the next four years.

By phasing out the research and development tax credits over the same period, this proposal would be cost neutral until 2015-16, and thereafter only \$35 million per year, as demonstrated by the following chart:

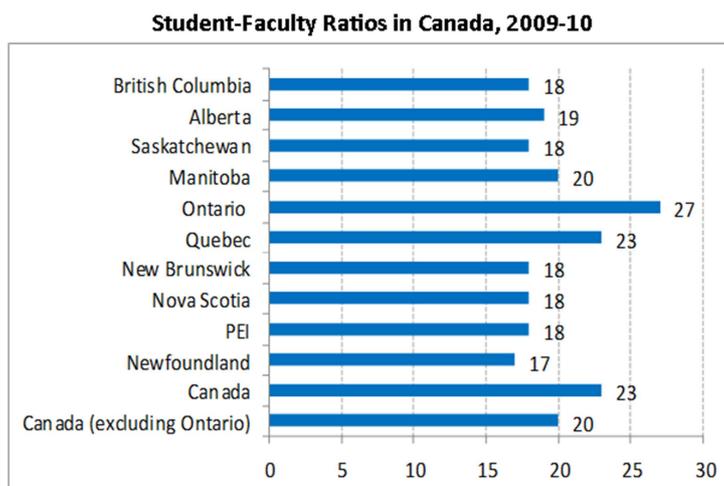
Recommended increase in research grant funding above 2011-12 levels									
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Proposed additional research funding	\$100 million	\$200 million	\$300 million	\$400 million					
Savings from reduction to tax credits	\$100 million	\$200 million	\$300 million	\$365 million					
Net cost of additional research funding	\$0	\$0	\$0	\$35 million					

ENSURING QUALITY

While it is important to ensure that a greater number of Ontarians are able to attend post-secondary education, it is also vital that each of those students receive a high quality education. Without advanced critical thinking, problem-solving, communication, and workplace skills, our graduates will not be able to compete in the new economy. We need to build an education system grounded in exceptional infrastructure and meaningful student and faculty interaction.

Hire 6,000 additional faculty by 2020 and reduce the student-to-faculty ratio

Ontario currently has the worst student-faculty ratio in Canada, at 27-to-1 compared to 20-to-1 in the rest of Canada. A higher student-faculty ratio means less faculty interaction with students, larger class sizes, and fewer course choices. All of these outcomes harm the quality of education at our institutions.



It is not hard to understand why Ontario's ratio is so bad. Enrolment has increased by 57 per cent since 2001, while the number of full-time professors has only increased by 31 per cent. Ontario is falling behind when it comes to faculty hiring.

To address this problem, **OCUFA recommends hiring 6,000 new faculty by 2020**, or approximately 660 new full-time professors per year. This rate of hiring will allow the faculty complement to keep pace with enrolment while reducing the student-faculty ratio to 24-to-1, the pre-Double Cohort benchmark. Hiring will also ensure meaningful student engagement with faculty and an enhanced educational experience.

The yearly cost of this proposal is \$56 million. Again, the money to support this hiring would come from OCUFA’s recommendation to increase per-student net operating revenue to the national average by 2020, as described above.

Provide funding to restore aging infrastructure

Despite \$1.8 billion in stimulus funding from the provincial and federal governments, and subsequent provincial commitments, Ontario universities face two types of capital funding challenges: 1) deferred maintenance and 2) the need for new facilities to accommodate increasing enrolments and research activity.

To put this in perspective, the most recent Council of Ontario Universities (COU) report on Ontario university space requirements indicates that the available existing space is less than 75 per cent of what is required. In 2008, it was estimated that \$9.4 billion in new construction would be required to accommodate enrolment growth over the next decade.⁴ **OCUFA recommends that the government uphold its commitment to include universities in its 10-year infrastructure planning and ensure that university expansion is fully funded from a capital perspective.**

The COU’s most recent estimate suggests that the deferred maintenance tab stands at \$2 billion, even after facilities renewal funding from the provincial government was increased by \$500 million over the previous five years. Simply to maintain facilities in their current condition would require an average \$380 million per year over the next decade.⁵ Even though almost all of the stimulus and subsequent funding for capital projects was for new construction, funding under the Facilities Renewal Program (FRP) has been reduced to \$17 million per year.

Infrastructure projects continue to be an important contributor to economic activity. **OCUFA urges the provincial government to develop a mid-range plan to increase its FRP funding to a level that is sufficient to maintain facilities in their current condition by 2020-21. In the shorter term, OCUFA recommends that the government increase FRP funding for this year to \$50 million, and by an additional \$50 million annually until 2015-16 to address the maintenance backlog.**

Recommended increase in facilities renewal funding above 2011-12 levels								
2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
\$50 million	\$100 million	\$150 million	\$200 million					

⁴ Council of Ontario Universities (COU), *Inventory of Physical Facilities of Ontario Universities 2007-08*, March 2010; *Building and Sustaining the Knowledge Infrastructure*, June 2008.

⁵ Council of Ontario Universities (COU), *Ontario Universities’ Facilities Condition Assessment Program as of February 2010*, December 2010.

Retain the link between teaching and research

Scholarship – which OCUFA defines as the creation of new knowledge, the critical analysis of existing knowledge, and the communication of these insights – is central to the university. Scholarship encompasses both teaching and research, and cannot exist without both components. Therefore, it is essential that research remains part of what it means to be a university professor and what it means to be a university.

Aside from enriching the overall university experience, scholarship is also vital to graduate education. Without research-active faculty, there are no opportunities for graduate students to engage in research projects and hone their research skills. Limiting the number of research-active faculty therefore diminishes Ontario's capacity for graduate education, impairing our ability to generate the new insights and innovation important to our economy and the strength of our society.

This is not to say that scholarship looks the same for all professors. Some may choose to spend most of their time engaged in research activity, while others may choose to focus on their classroom practice.

Some have suggested that the current model of higher education in Ontario – based around learning from professors active in scholarship – is unsustainable. Critics will also point to research that says being a good researcher does not make you a good teacher. This misses the point. You simply cannot have university-level teaching without the kind of intellectual inquiry that scholars are trained to do. If you remove scholarship from the professoriate or from our universities, you are no longer giving students the education they expect.

Therefore, **OCUFA recommends that, in order to maintain educational quality and ensure an exceptional student experience, the Government of Ontario renew its commitment to scholarship as the bedrock of university education.**

Pursue a balanced and sustainable use of online learning

Online learning is an important tool that increases the flexibility of university learning. For some students, such as those with dependents, careers, or who live at a great distance from a university campus, online learning provides new and exciting opportunities for accessing higher education. However, OCUFA believes that online learning is a complement to, and not a replacement for, the traditional classroom experience.

In the 2011 Ontario Budget, the Government of Ontario announced the creation of the Ontario Online Institute (OOI) to facilitate better integration of online learning. Through consultation, it was determined that the Institute should play a facilitative role, providing information and support for students looking to complete a portion of their studies online. By providing a one-stop resource for accessing the many online courses already offered by Ontario's universities,

the proposed OOI provided a useful and sustainable model for building on the considerable online capacity that already exists in Ontario.

Since the provincial election of 2011, the OOI has been on hold. There has also been some suggestion that the Institute should be transformed into a stand-alone institution capable of offering its own degrees. This is an unnecessary development, and will represent a significant cost to Ontario taxpayers. As such, **OCUFA recommends that the original proposal of the Ontario Online Institute be implemented as soon as possible.**

Work with stakeholders to develop a meaningful quality and accountability framework

OCUFA supports the belief that universities must be accountable for the public funding they receive. It is important to demonstrate to government and citizens that money is being spent wisely, and that the public investment is achieving desired outcomes in terms of educational quality and research output.

Unfortunately, the current Multi-Year Accountability Agreements (MYAAs) do not provide the accountability and quality assurance our institutions need. They do not collect enough, or the right kinds, of data. It is also not clear how the government – or other stakeholders – can use the MYAAs to generate real improvement. At present, the Ministry of Training, Colleges and Universities is working to redesign the MYAAs. However, they have not consulted widely within the sector, and OCUFA is worried that the new MYAAs will not represent an improvement over the current model.

The MYAAs must do a better job of tracking faculty employment, and in particular providing useful data on the number of part-time or contract faculty working in the system. No reliable data is currently collected on part-time faculty, who play an increasingly important role in university teaching.

To address this shortcoming, **OCUFA recommends the Government of Ontario initiate a consultation process with all sector stakeholders to determine 1) what the MYAAs should contain, and 2) how they can best be implemented to ensure best results.**

AN INFORMED AND MEASURED APPROACH TO REFORM

We all have reason to celebrate the successes of Ontario's universities. In the first decade of this millennium the number of students taught by faculty members and academic librarians expanded by 60 per cent. In real terms, the value of research spending for which they are responsible increased by a similar amount. All of Ontario's university students are able to study at reputable, high quality institutions where their learning is enriched by a strong culture of scholarship.

There is room for improvement. Under-funding and rising enrolment are straining the sector. If these issues are not addressed, then the quality of our institutions will suffer. It is vital that the solutions to these problems be measured, well-researched, and based upon the ideas and insights of the stakeholder community.

Any reform proposals must build upon Ontario's strengths

A number of proposals for university reform have been circulating in Ontario in recent months. Often brought forward by so-called 'policy entrepreneurs' outside of government and the sector, these suggestions call for significant change to university education in the province. Such proposals include 'differentiation', whereby universities are forced to change their missions; new, teaching-only universities; replacing the current four-year degree with a three-year credential; and year-round university programming.

These reforms are both costly and unnecessary. Worse, they may do irreparable harm to the quality of higher education in Ontario. Our province has an impressive record of achievement in higher education, and we should not compromise it with untested reforms.

Instead, **OCUFA recommends that the Government of Ontario continue its leadership and build upon the strengths of Ontario's higher education system.** Through investments in quality, accountability, and infrastructure, we can expand and enhance our universities while maintaining the commitment to scholarship and access that has characterized our higher education system for decades.

We need made-in-Ontario solutions

Many of the proposed reforms that have been circulating are borrowed from other jurisdictions with very different education systems. For example, the proposal for new three-year degrees is based upon the European model. If all of Europe is moving in that direction, it is argued, we must do so as well. However, the three-year degree experiment in Europe is only ten years old, and its long-term effects on quality and competitiveness are unknown. More to the point, it is grounded in a fundamentally different education system and context which depends on a high level of 'streaming' in European primary and secondary education systems. Students are placed

in streams at a young age – sometimes as young as nine years old – that determine whether they move on to university. Ontario voters would likely be uncomfortable with such a policy.

Rather than cherry-picking from other jurisdictions, **OCUFA recommends that the Government of Ontario work with stakeholders to identify challenges in our higher education system and develop solutions that are sensitive to our unique circumstances and goals.**

Any reform should be conducted in extensive consultation with university stakeholders

Ontario has a rich university stakeholder community. Students, faculty, staff and administrators are represented by strong organizations with extensive insight into the sector. Before proceeding with any reform, **it is essential that the Government of Ontario leverage this knowledge and experience through extensive and meaningful consultation.** More than policy entrepreneurs, more than media pundits, more than government itself, the higher education sector is uniquely positioned to guide Ontario's universities into a challenging future.

REVIEW OF RECOMMENDATIONS AND COSTING

OCUFA recommends the government of Ontario raise per-student net operating revenue to the national average by 2020.

OCUFA recommends that tuition fees be frozen at current levels, and each institution be compensated for lost tuition revenue.

OCUFA recommends the immediate restoration of the cancelled rounds of the Ontario Research Fund, and a phased-in transfer of business research and development tax credits to funding programs for university-based research.

OCUFA recommends hiring 6,000 new faculty by 2020, or approximately 660 new full-time professors per year.

OCUFA recommends that the government uphold its commitment to include universities in its 10-year infrastructure planning and ensure that university expansion is fully funded from a capital perspective.

OCUFA urges the provincial government to develop a mid-range plan to increase its FRP funding to a level that is sufficient to maintain facilities in their current condition by 2020-21. In the shorter term, OCUFA recommends that the government increase FRP funding to address the maintenance backlog.

This \$1.3 billion total investment would require an additional \$145 million per year in provincial operating funding.

The money to support the tuition freeze would come from OCUFA's recommendation to increase per-student net operating revenue to the national average by 2020.

Allowing for inflation, \$100 million should be allocated this year, rising by a similar amount each year over the next four years. The phase-out of the R&D tax credits will make this proposal cost neutral until 2015, and \$35 million thereafter.

The yearly cost of this proposal is \$56 million. The money to support this hiring would come from OCUFA's recommendation to increase per-student net operating revenue to the national average by 2020.

Cost to be determined through government infrastructure planning.

Funding should increase this year to \$50 million and by an additional \$50 million annually until 2015-16.

OCUFA recommends that, in order to maintain educational quality and ensure an exceptional student experience, the Government of Ontario renew its commitment to scholarship as the bedrock of university education.

No additional cost.

OCUFA recommends that the original proposal for the Ontario Online Institute be implemented as soon as possible.

No additional cost.

OCUFA recommends that the Government of Ontario work with stakeholders to identify challenges in our higher education system and develop solutions that are sensitive to our unique circumstances and goals.

No additional cost.

OCUFA recommends that the Government of Ontario leverage the knowledge and experience of Ontario’s higher education stakeholder community through extensive and meaningful consultation.

No additional cost.

The overall year-over-year costing of the OCUFA plan is outlined below. Again, government could elect to shift the majority of the increases to the latter years in order to take advantage of a recovering economy.

Recommended increase in funding above 2011-12 levels									
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Operating Funding	\$145 million	\$290 million	\$435 million	\$580 million	\$725 million	\$870 million	\$1.015 billion	\$1.16 billion	\$1.305 billion
Net Research Funding Costs	\$0	\$0	\$0	\$35 million	\$35 million	\$35 million	\$35 million	\$35 million	\$35 million
Facilities Renewal Funding	\$50 million	\$100 million	\$150 million	\$200 million	\$200 million	\$200 million	\$200 million	\$200 million	\$200 million
Total Funding	\$195 million	\$390 million	\$585 million	\$815 million	\$960 million	\$1.105 billion	\$1.25 billion	\$1.395 billion	\$1.54 billion