

Brief to 2008 Ontario Pre-Budget Consultations

Ontario Confederation of University Faculty Associations

Presented by OCUFA President Professor Brian E. Brown

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For further information, please contact:

Henry Mandelbaum, Executive Director, hmandelbaum@ocufa.on.ca

Mark Rosenfeld, Associate Executive Director, mrosenfeld@ocufa.on.ca

416-979-2117

We come before you at a potentially critical juncture for academic staff and their institutions.

The province's tax revenues will come under pressure just as government expenses rise in order to care for people hurt by the recession. The federal government will face the same pressures.

At the same time, students at Ontario universities are facing larger classes, less time with faculty, a deteriorated physical environment, and high tuition fees, with their accompanying debt hangover. Faculty are dealing with unacceptable workloads, with their administrations asking them to do more and more with less and less.

The root cause of all this is a significant under-funding of our university sector. Ontario ranks last in Canada in per capita funding for universities. Per student funding is 22 per cent below the Canadian average and 26 per cent below the average of American peer universities.

Current funding is 35 per cent lower per student than in the 1970s, a situation which constitutes a significant intergenerational inequity.

At the same time enrolments are increasing far beyond the projections that underlay the government's praiseworthy "Reaching Higher" program. The government projected 46,000 new undergraduates between 2003 and 2010, but the Council of Ontario Universities says the reality is closer to 92,000, double the government's projection. In other words, even though the program's \$6-billion investment in colleges and universities was welcome and desperately needed, it has been inadequate to the task of restoring Ontario universities to the fiscal strength needed to provide quality education.

We know this because of the impact of too-meagre investment on faculty, which can be seen in clear, hard numbers. Far from lowering Ontario's student-faculty ratio, which was already just about the worst on the continent, "Reaching Higher" has presided over a worsening of that ratio. It's now at 27 to 1, up from an already deplorable 26 to 1 ratio.

We once knew how to do this as a society – namely, invest appropriately in our universities. In 1990, fewer than 20 years ago, Ontario had an 18 to 1 student-faculty ratio. As citizens we urge the government to return to that way of wisdom – the wisdom *and* the will to provide the students of this province with a healthy, robustly funded university sector. Not only is this the way of wisdom – it is the way to long-term prosperity, an increasing concern today, as every day brings us more and more bad economic news.

Spend current funding more effectively

The economic situation will put enormous strains on government finances. Canadian university endowments funds have so far lost, on average, 10 per cent in September alone, thanks to the stock market plunge, and a further 10 per cent will likely be reported for October. Many funds are considering halting disbursements. Also affected by the stock market, defined benefit pension funds are facing deficits, which will need to be made up. Meantime, university fundraising has been slowing since last summer, with observers predicting it will only worsen.

We cannot say emphatically enough that there cannot rollbacks in current university funding without lasting damage to the university system. We have to ask how much more the postsecondary system can withstand before our institutions can no longer attract the faculty, research money, and students this province needs to refresh its economy.

OCUFA believes, however, that there are ways the Ontario government can flow *current* funding more effectively.

1. As pressures on university operating budgets grow, one way to ease that pressure is to divert funding from *current* capital funds to fund shortfalls on the operating side, including faculty hiring.
2. Universities are being forced to spend millions on the information demands of envelope funding and the multi-year agreements universities are making with the government. Streamlining this process would also relieve officials at the Ministry of Training, College and Universities, which is cutting back on its resources. Of course, universities have to be accountable for their spending, but there are less expensive ways of assuring such accountability. Simply reducing the number enrolment-related envelopes and folding them into base operating grants is one measure. Other reports could be consolidated into an omnibus report. And where universities provide the same content in different reporting formats, some way of eliminating duplication should be considered.
3. The government trend towards envelope funding should stop, and the money put instead into base funding so that universities have the predictable, stable funding they need to plan and resource projects and programs with maximum efficiency.

The government should flow funding to universities at the beginning of a fiscal year and trust them to spend it according to the multi-year agreements. If a university breaches that trust, they can be penalized the following fiscal year.

4. The increased federal funding for universities through the Canadian Social Transfer of some \$350 million should be allocated to capital funding for facilities renewal and thus allow provincial funding to ease pressures on the operating side.

5. The government needs to recognize that increased capital expenditure *in and of itself* has a negative impact on operating budgets through interest on bonds and increased operating expenditures like heating and lighting. The government needs to adjust operating grants to reflect the increased financial pressure arising from new buildings.

These are measures the Ontario government can take to maximize the effectiveness of its current funding for universities.

Universities should share in any stimulus funding

But we also want to emphasize that current funding, even when more effectively deployed, will not be enough. The reason for this is because the university world will be facing even more pressures as the depth of this recession becomes clearer. Just as universities face a challenging economic situation, as described above, history tells us their enrolments will increase during a recession, as the young stay in school longer and workforce veterans return for retraining. Most of us, and not just us in the academy, will welcome this, knowing that an educated, skilled population is the best way for Ontario to move forward.

But it will cost money, just as other demands on government finances soar. The government will need to increase its own expenditures in a number of areas to deal with the social consequences of a recession.

But we believe this should not be at the expense of the university sector. The government has been warning that a deficit is coming. But the people of this province need more than the government's tolerance of a no-change-scenario deficit that would stem from its wise refusal to cut current levels of spending.

The people of this province, however, need a stimulus Budget large enough to create jobs, shore up consumer demand, and restore confidence in the economy's future. The International Monetary Fund is calling on governments to bring in stimulus spending – again on top of current spending – amounting to two per cent of their GDPs, meaning \$12 billion for Ontario. United Nations economists are calling for countries to bring in stimulus spending of one to two per cent of GDP to deal with the recession.

Economists agree that deficits are essential in a recession, and governments around the globe have announced plans to boost spending significantly.

The Canadian economy needs an effective stimulus, and the Ontario government must do its part, ideally with federal help. While this will increase the no-change-scenario deficit by several billion, in hard economic times such large, but temporary, Budget shortfalls are necessary.

Our universities should be important players in any such stimulus.

First, there are capital projects on the books right now on campuses across this province, especially for deferred maintenance, but for new classrooms, libraries, laboratories, and student housing as well. All these projects would create jobs. Our one caution is that university operating budgets have to be increased when capital construction takes place, as new or retrofitted facilities need to be heated, lighted, cleaned, maintained in a good state of repair, insured, and so on.

Second, our sector can hire thousands of eager young academics to prepare hundreds of thousands of young people for a new economy and retrain older workers. Ontario universities can relieve unemployment at the same time as they help produce the skilled knowledge workers the new economy demands.

But many young people, with parental savings evaporating and credit very difficult to obtain in a recession, cannot afford to attend. The government must reconsider its tuition policy and extend generous aid to students.

The government's current student aid policy expires in three years. Students today are making decisions that mean they will need financial support long after three years hence, so we urge the government to extend the assistance program indefinitely. Today, tuition is equivalent to almost 70 per cent of the province's operating grants to universities, up from 25 per cent in 1990. The comparable figure for the rest of Canada is 37 per cent.

A new charter for universities

There were great fears throughout the Second World War that it would be followed by a return to the Great Depression, as one million men and women in Canada's armed forces returned to civilian life and the armaments industry no longer needed the hundreds of thousands it employed. The Canadian government brought in the Veterans' Charter, a stimulus measure which paid for the higher education of tens of thousands of veterans, with full tuition support and a living allowance.

A multitude of engineers, architects, metallurgists, chemists, physicists, doctors, and educators – who before the Veterans' Charter had had no hope of education – streamed into our economy and helped create the longest, deepest, most prosperous period of economic expansion in world history.

OCUFA believes that the original vision behind "Reaching Higher," a vision we share, embraced, and congratulate the government for, needs a new iteration for hard times, a charter that gives our young people, our workforce veterans, and our province a way of not just surviving these hard times, but equipping a new generation with the skills and wisdom they will need to build a new economy.