



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

Better, affordable, sustainable: A university funding plan for success

Submission to the Standing Committee on Finance and Economic Affairs

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Executive Summary

Ontario's universities continue to offer a quality educational experience. However, they face significant challenges in the form of steadily increasing enrolment and declining financial resources. The confluence of these trends has led to higher student-faculty ratios, deteriorating facilities, and unprecedented tuition fees. If allowed to worsen, these problems will harm the quality of education our students receive.

This paper provides solutions to these problems. OCUFA's funding plan contains the following recommendations:

- The Government of Ontario should invest an additional \$300 million a year for four years in university operating grants, for a total new investment of \$1.2 billion by 2015. This money will be used to:
 - Hire an additional 6,000 faculty and reduce the student-faculty ratio to 22-1;
 - Make additional quality enhancements to the university system; and
 - Fund a tuition freeze.
- Tuition fees should be frozen immediately and institutions given compensatory funding for lost projected tuition fee revenue.
- The government should provide \$100 million per year for four years in permanent funding for campus facility renewal, rising to a total additional investment of \$400 million by 2015.
- The government should invest an additional \$50 million per year in the Ontario Research Fund specifically for operating transfers in support of basic research.
- The government should ensure proposals for expanded credit transfer, the new online institute, and the plan to recruit international students are funded to ensure student success.

Introduction

Ontario needs its universities. It needs them to educate the skilled workforce and citizens of tomorrow. It needs them to produce the research and innovation the province requires for economic success. And, Ontario needs its universities to make the dreams and aspirations of its residents a reality.

Ontario is right to take pride in the accomplishments of its university system. It continues to provide a quality educational experience and is educating more students than ever before. But this success contains the seeds of its own undoing. As enrolment continues to climb and resources remain static or decline, quality will begin to suffer. The fault lines are already making themselves clear: Ontario now has the worst student-faculty ratio in Canada; many of our university facilities are deteriorating and are in urgent need of renewal; and our tuition fees are simply too high, creating a barrier to participation in university education and saddling graduates with historically high levels of debt. If we care about our future, we simply cannot afford to let these trends to continue.

This submission reviews these key threats to the university system and provides achievable solutions. By hiring more faculty, strengthening our educational infrastructure and keeping university education affordable, this plan will make a real difference to university quality in Ontario. It also keeps a careful eye on the financial circumstances of the province, and makes recommendations that are responsible and sustainable.

In 2005, the Government of Ontario made a historic investment in the higher education system. It is time to make good on this investment and consolidate the many achievements of our universities. When it comes to higher education, our future success depends on the decisions made today.

Protecting and promoting quality: the need for faculty hiring

Ontario's university sector should always be governed by two principles: the system should be open to every willing and qualified student, and that the quality of education received by these students must be excellent. There is a dynamic tension between these goals: increases in the number of students will necessarily strain the financial resources of the system. It is therefore vital that the Government of Ontario pursue a

funding policy that guarantees institutional capacity always matches growth in student numbers.

A key component of this capacity is full-time faculty. As the primary providers of education, faculty are critical to student success. They are the backbone upon which the quality and strength of our universities depend. When student numbers increase, it is essential that faculty numbers increase with them.

Indeed, the Government of Ontario has set some very ambitious targets for enrolment growth – increasing international student enrolment by half by 2015 and ensuring that 70 per cent of Ontarians have post-secondary credentials by 2021 – that will ensure that university enrolment will continue to grow in spite of expected demographic shifts.¹

The Ministry of Training, Colleges and Universities (MTCU) and the Council of Ontario Universities (COU) are expecting undergraduate enrolment to increase by an average of two per cent per year over the next decade. In addition, the COU expects full-time graduate student enrolment to increase by six per cent per year.² If these projections are accurate (and part-time graduate student enrolment matches undergraduate enrolment increases), full-time equivalent enrolment will reach 465,000 students in the fall of 2015.

The pending enrolment increase will further strain an over-burdened and under-funded system. Cracks are already beginning to show: Ontario now has the worst student-faculty ratio in Canada, and lags behind peer jurisdiction in the United States.

In repeated policy statements, the Government of Ontario has emphasized its goal of providing space at Ontario universities for every qualified student. This raises an obvious question: while the Government may provide access, what exactly will students

Why are student-faculty ratios important?

Student-faculty ratios, like most assessment tools employed in the university sector, are a proxy measure of teaching quality. They give us a good idea of the level of engagement students have with faculty and how easily they can access faculty for educational support. These ratios also indicate class sizes and the course options available to students. So, if student-faculty ratios are high, we can expect students to have less access to faculty, be placed in larger classes, and have fewer course choice options.

¹ Ministry of Training, Colleges and Universities, *Results-based Plan Briefing Book, 2010-11*, ISSN # 1718-7109.

² Council of Ontario Universities Position Paper, *Framework for Planning and Funding of Enrolment*, June 2010.

be accessing? If current rates of hiring full-time faculty continue to decline the student-faculty ratio in Ontario will get even worse, with predictable consequences for the quality of education. Providing space must necessarily include providing additional professors.

Before the government's *Reaching Higher* plan was created in 2005, it was estimated that 11,000 additional faculty members would be required by 2010 to meet the access and quality goals set out in *Ontario: A Leader in Learning*, the final report of Bob Rae's review of the higher education system. Nearly six years later, Ontario universities have not met this target, falling short of their own goals as outlined in their Multi-Year Accountability Agreements with the province.

To restore the ratio enjoyed by students in 2000, Ontario would have needed to hire 5,200 new full-time faculty between 2005 and 2010. Instead, fewer than 2,000 professors have been added to the faculty ranks. This is significant, as it means the system has failed to even maintain the 2005 student-faculty ratio. As a result, this important quality measure has deteriorated to 27-1 from an already basement-dwelling 26-1.

Ontario's poor performance in faculty hiring is due to the chronic under-funding of the university system's core activities – teaching and research. The persistence of this under-funding is, ironically, due to the success of *Reaching Higher* in increasing student enrolment. The government's \$6.2 billion investment was largely eaten up by a flood of new students. So while there are more students in university education than ever before, the funds necessary to maintain and improve their educational experience have not been put in place. This is reflected in the per-student funding gap Ontario continues to experience relative to other peer jurisdictions:

Ontario's Per-Student Funding Gap: Comparison by Peer Jurisdictions		
Operating funding per student (constant 2008-09 dollars)	2008-09	Ontario worse by
Ontario (10 th of 10 in Canada)	\$ 8,470	N/A
Rest of Canada	\$ 12,043	-30 %
US peer universities	\$ 11,690	-28 %
US comparator states	\$ 11,658	-27 %
US 4 yr public universities	\$ 11,413	-26 %
Ontario 1990	\$ 10,983	-23 %

One sure way to help overcome this funding gap – and to improve the quality of education – is to hire an appropriate amount of new faculty. As the following chart demonstrates, this is no small task:

Faculty hiring required to attain sample student-faculty ratios by 2015							
Hiring years 2011-12 to 2014-15							
	Rest of Canada 2004	Rest of Canada 2008	US peers 2008	Ontario 1990	Ontario 2000	Ontario 2005	Ontario 2010
Ratio	20	19	18	18	22	26	27
Faculty	8,100	9,300	10,700	10,700	6,000	2,700	2,100

required						
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For Ontario to be a leader in student-faculty ratios, 11,000 additional faculty members are needed by 2015. Clearly, this level of hiring is not practical given the province's current financial situation. A more reasonable target is restoring the student-faculty level Ontario had in 2000, 22-1. Attaining the goal requires two things. First, universities must redouble (or re-triple!) their efforts to hire additional full-time faculty, especially to full-time tenure-stream positions. Second, the Ontario Government must commit to providing additional operating funding with the explicit goal of hiring new faculty.

To achieve this goal, 6,000 new faculty will be required by 2014-15. To fund this increase, \$480 million will be needed to cover additional salary costs (assuming an average salary of \$80,000).

Faculty hiring objectives and related salary costs			
Academic year	Net new faculty hiring	Cumulative increase in faculty	Cumulative Added salary (\$ millions)
2011-12	1,500	1,500	\$ 120
2012-13	1,500	3,000	\$ 240
2013-14	1,500	4,500	\$ 360
2014-15	1,500	6,000	\$ 480

To put this admittedly large figure in perspective, the cost of closing the per-student funding gap with the rest of Canada would require Ontario to spend \$1.9 billion more in 2015-16 than it is spending this year. In this light, new funding for faculty hiring is a relatively cheap way to deliver real quality dividends to the university system.

Deferred Maintenance

In addition to an adequate faculty complement, a quality educational experience requires quality facilities. This means that the spaces in which students learn – labs, libraries, and classrooms – must be up-to-date and in good repair. Unfortunately, and despite a spate of new building, the overall health of Ontario's university infrastructure continues to deteriorate.

The most recent assessment of the state of buildings and facilities at Ontario universities concludes that the value of deferred maintenance has risen to \$2.0 billion.³ A year ago, the average age of academic and ancillary buildings (residences excluded) was 40 years, and more than two-thirds were deemed to be in poor condition. Simply to maintain facilities in their current condition is estimated to cost an average of \$381 million per year over the next decade. To attain an excellent state of repair would require an average of \$587 million per year.

The Ontario Government has typically provided \$26.7 million per year to universities through the Facilities Renewal Program (FRP). From 2005 to 2008, the Ontario Government also provided an additional \$468 million for the FRP and for the Campus Renewal Program. Taken together, an average of \$115 million per year between 2005 and 2010 has been provided to universities. This money, though inadequate to cope with the size of the deferred maintenance problem, was badly needed and appreciated. Unfortunately, this funding ends in 2011.

Through dedicated infrastructure renewal funding, universities receive the benefits of more money and greater consistency in funding for facilities rejuvenation. When stable, year-over-year funding is provided, money need not be diverted from operating budgets to cover the cost of repairs and upgrades. In turn, this means better facilities *and* more money for teaching and programs, thereby enhancing the student experience.

The Ontario Government's infrastructure strategy is due to be released this year. The Government needs to reverse course from the reduction in university FRP due to hit in 2011. The Ontario Government should ensure that at least \$400 million more per year is allocated to universities through the FRP to fund deferred maintenance and facilities modernization. In the longer term, the FRP funding should be expanded to provide universities the opportunity to upgrade their facilities so that no building is in any less than "fair" condition.

Again, this level of investment may be impractical in the short term. However, progress towards these goals is important to preserving and enhancing the quality of university education in Ontario. As such, OCUFA recommends that FRP funding be increased by \$100 million per year, with the eventual target of providing sufficient funding to eradicate deferred maintenance in Ontario.

³ COU, *Ontario Universities' Facilities Condition Assessment Program, As of February 2010*.

Tuition

There is no way around it – Ontario’s students are paying too much for their education. Since 2006, domestic undergraduate students in arts and sciences programs have experienced an average increase of 22 per cent. Students in professional programs saw tuition rates increase at a faster pace – 31 per cent for engineering students alone.⁴ Adjusting for inflation, the weighted (by program enrolment) undergraduate tuition in Ontario has increased by nine per cent since the tuition freeze was implemented. By way of contrast, the corresponding increase in the rest of Canada was only one per cent. As a result, domestic full-time undergraduate students at Ontario now pay the highest tuition in Canada, more than 50 per cent above the average in the rest of the country. This has a variety of consequences, from preventing many low-income or economically vulnerable students from attending higher education to saddling graduates with high levels of debt.

Alongside this increase in absolute numbers, Ontario students have been shouldering an increasing share of the overall cost of university education in Ontario. In 1990, student fees accounted for 20 per cent of operating income at Ontario universities. Students now contribute 42 per cent, while the average in the rest of Canada is only 26 per cent. In theory, these increases were to be offset by greater levels of student assistance, thereby notionally preserving access for lower-income students. This has not been true in practice. Even accounting for student assistance paid from the operating budget, in Ontario net student fees represent 43 per cent of combined net fees and provincial operating grants (the two revenue sources determined by government policy). Elsewhere in Canada the figure is 28 per cent. Even in comparable US institutions, it is less than 40 per cent.

In other words, students and their families have been picking up the slack as the government has quietly withdrawn from funding the higher education sector. To fund Ontario universities at the same per-student level as provinces in the rest of Canada, the Ontario Government would have to increase per-student funding by 40 per cent – approximately \$1.9 billion more by 2015-16. This funding gap is now being covered by student fees.

The Government of Ontario took a visionary step when they froze tuition in 2005. This freeze must immediately be restored in order to keep our higher education system accessible and affordable for every student. This means more than simply locking tuition in place. Additional funds will have to be made available to institutions to compensate for lost projected fee revenue.

⁴ Statistics Canada, *Survey of Tuition and Living Accommodation Costs for Full-time Students*.

Taking the broader view, if tuition fees rates are frozen, and the Ontario Government commits to increase operating funding to match the combined net tuition and provincial operating grants per student in the rest of Canada by 2015, it will only have to increase operating funding by \$300 million in each of the next four years. This is a more modest target than closing the actual per-student funding gap between Ontario and the rest of Canada, which would cost approximately \$1.9 billion. Moreover, a \$300 million increase is hardly out of the realm of possibility: operating allocations to universities were increased by almost \$250 million this year to accommodate enrolment increases. We are proposing only that the Government continue and expand this trend.

As well as improving access and affordability, this move would be politically popular. According to the results of a new OCUFA poll, 73 per cent of Ontarians are concerned about the affordability of higher education.⁵

OCUFA proposal for operating funding and capital funding

An additional \$300 million in operating funding per year until 2014-15 would address the need for hiring and other quality improvements in our universities while allowing tuition fees to remain frozen. An additional increase of \$100 million per year would allow institutions to continue their renewal of aging facilities. All told, this is a small investment considering the immense quality and accessibility benefits it will produce.

⁵ The results of this study are based on a poll of 1800 Ontarians over the age of 18 conducted between January 5 and 14, 2011. The Ottawa results are based on a sample of 300 residents over the age of 18. The margin of error for the Ottawa sample is +/- 4.1 percentage points within a confidence interval of 95%.

OCUFA's proposed funding plan is as follows:

	Operating funding (\$ millions)			Annual increas e	Capital – Facilities Renewal		Total operating and capital	
	Cumulative increase above 2010-11				Cumul ative	Annual increas e	Cumul ative	Annual increas e
	Faculty salary	Other quality	Total		(\$ millions)		(\$ millions)	
2011- 12	\$ 120	\$ 180	\$ 300	\$ 300	\$ 100	\$ 100	\$ 400	\$ 400
2012- 13	\$ 240	\$ 360	\$ 600	\$ 300	\$ 200	\$ 100	\$ 800	\$ 400
2013- 14	\$ 360	\$ 540	\$ 900	\$ 300	\$ 300	\$ 100	\$ 1,200	\$ 400
2014- 15	\$ 480	\$ 720	\$ 1,200	\$ 300	\$ 400	\$ 100	\$ 1,600	\$ 400

Research funding

With the creation of the Ministry of Research and Innovation (MRI) and the establishment of a provincial “Innovation Agenda”, the Government of Ontario has signaled its intent to foster the expansion of research and development activities (R&D) in the province. Operating transfers for that purpose were increased by over 70 per cent between 2004-05 and 2009-10. OCUFA recognizes that the government is seeking to encourage greater private sector investment in R&D, but cautions that the preoccupation with commercialization must not come at the expense of basic research.

One of the most forceful cases for government funding for basic research (also known as foundational or curiosity-based research) at universities was made by the US Committee for Economic Development (CED), self-described as a “business-led” public policy organization. The CED argued that the “social returns to basic research are often particularly high due, in part, to the wide dispersion of fundamental knowledge, which frequently leads to additional discoveries and applications in diverse fields.” The Committee also observed that the relative risk for governments, compared to private

business, is lower because its 'portfolio' is broader and more diverse.⁶ That is, government support for disinterested basic research is crucial to increasing the possibility of innovation.

The benefits of basic research may be difficult to determine as straightforward dollars and cents. Still, researchers have shown that, beyond the estimates for economic growth and returns on investment, there are other benefits. These include: increasing in the stock of knowledge; the creation of new scientific instrumentation and methodologies that may be used in industry; training the skilled graduates who make the R&D enterprise work effectively; the creation of social networks and exchange of knowledge; increase the capacity for scientific and technological problem-solving; creation of spin-off companies; and the development of the social knowledge that can be used in public policy and in aid of effective implementation of innovations.⁷

The growth in provincial funding to 2009-10 reflects greater support for research infrastructure, as well as the quadrupling of operating transfers in support of commercialization. However, operating support for the two primary research funding programs – the Ontario Research Fund and the Ontario Research and Development Challenge Fund – was scaled back by a quarter. With cuts in 2010-11, the decline is \$40 million. Meanwhile, the federal granting agencies (SSHRC, NSERC, and CIHR) are projecting a decline of almost \$100 million over the next two years; this means Ontario researchers will have \$40 million less funding to work with in the coming years.

To restore funding to its own research agencies and to compensate for pending reductions in federal research funding, OCUFA recommends that the Ontario Government add \$50 million to the Ontario Research Fund specifically for operating transfers in support of basic research. Basic research in this context should include research in the social sciences and humanities. OCUFA also recommends that such funding be awarded on the basis of open competition and selected by peer review.

Other government Initiatives: putting students first

Over the past year, the Government of Ontario has announced a variety of initiatives in the post-secondary education sector: expansion of credit transfer to allow freer movement of students between colleges and universities, and between universities themselves; a new online institute to provide internet-based learning for Ontario students; and increased enrolment of international students. OCUFA is broadly in favour

⁶ Committee for Economic Development, *America's Basic Research – Prosperity Through Discovery*, New York, 1998.

⁷ Ben Martin and Puay Tang, *The Benefits of Publicly Funded Research*, Science and Technology Policy Research, University of Sussex, Brighton UK, 2006.

of all of these initiatives, inasmuch as they contribute to student success and enrich the quality of our university system.

However, we caution against the tendency to view these initiatives as 'cost-reducers' or, in the case of international students, revenue generators. To be successful, each of these programs will require significant investment of government funds. If Ontario does these programs "on the cheap" or with an eye to saving money, we will do a disservice to our students who would otherwise benefit from high quality and sustainable online education, credit transfer, or greater interaction with individuals from around the globe.

Summary of Recommendations

To ensure the quality, accessibility and vitality of the university system, OCUFA recommend that the Government of Ontario:

- Invest an additional \$300 million in each of four years in university operating grants, for a total additional yearly investment of \$1.2 billion by 2015. This money will be used to:
 - Hire an additional 6,000 faculty and reduce the student-faculty ratio to 22-1;
 - Make additional quality enhancements to the university system; and
 - Fund a tuition freeze.
- Immediately freeze tuition fees and provide compensatory funding for lost projected tuition fee revenue.
- Provide an additional \$100 million per year for four years in permanent funding for campus facility renewal, for a total yearly infrastructure investment of \$400 million by 2015.
- Provide an additional \$50 million per year to the Ontario Research Fund specifically for operating transfers in support of basic research.
- Ensure that expanded credit transfer, the new online institute, and the plan to recruit international students are funded to ensure student success.

All told, this plan will cost \$450 million a year in additional funds, rising to \$1.65 billion per year by 2015. This figure does not include additional money needed to ensure the success of the credit transfer, online education, and international student initiatives.