Higher Educational Affordability and Opportunity in Ontario

Ensuring Quality and Affordability
in Ontario Universities

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- Former Chancellor, State University of New York system (1988-94);
- Scholar of International Comparative Higher Education Finance:
  - Cost-Sharing: Tuition Fee Policies
  - Student Assistance (Grants and Loans) Policies
  - International Comparative Higher Education Finance and Accessibility Project: http://www.gse.buffalo.edu/org/2/index.html

Starting Points: Policy Aims and Constraints

1. **Aim**: to expand participation to students on the "participatory margin"

- Lower income -- greater sense of opportunity cost
- Greater likelihood of recent immigrant cultural—e.g. "different" views on:
  - Worth / need for higher education
  - Risk and uncertainty
  - Importance of H Ed to girls

2. **Need** for:

- Expansion of capacity
- Expansion of student financial assistance
- New programs to better accommodate new students

3. **Facing** High and rising costs

- High and rising per-student costs (inflation+)
- Exacerbated by rising enrollments (inflation ++)

1. 3. **Constraint:** Limited additional tax funding—need to prioritize:

Reasonable Priorities for Additional Taxpayer funding:

In Priority Order:

- Maintain the present taxpayer share (increase at at inflation +)
- Fund all of the institutional expense of enrollment expansion
- Fund the greater per-student financial aid expenses at the "participation margin"
- [?] Fund some recovery to institutions
- [?] Fund some enhancements
- [?] Fund added expense of freezing tuitions
- [?] Fund roll back in tuitions

Cost-Sharing – tuition and other fees -- here to stay:

Regardless of justification – e.g.:

- ✓ Equity
- ✓ Efficiency
- ✓ Need for revenue

Examples:

- US
- UK England)
- UK (Scotland)
- Sweden
- Germany
- Austria
- Australia
- Russia
- Czech Republic
- China
- Chile
- Brazil

Tuition Fees

Politically volatile -- *Euphemisms*:

- ✓Tuition "only" to non-regular students (Russia & other former Marxist countries)
- ✓"Fees" (California, New York, India)
- ✓"Contribution"after graduation (and then "only income contingent") (HECS)
- ✓Contribution to *Endowment Fund* (Scots)

- *If it looks, waddles and quacks like a duck …*

Two Issues / Problems / Questions of “Cost Sharing”:

1. What is the impact of “Cost Sharing” on accessibility or participation?
2. What is the impact of “marketization” generally on academic substance & quality?

Those Promoting "Cost-Sharing" Claim Greater:

- ✓ Equity or fairness

  [Assume means-tested grants and loans]
- ✓ Capacity (thus even greater equity)
- ✓ Responsiveness
- ✓ Quality (especially of teaching)
- o (Acceptance of inevitable)

Those Lamenting “Cost-Sharing” Claim

- ✓ Loss of participation (loss of equity)
- ✓ <u>Distortion</u> of participation
- ✓ Distraction and loss of learning
- ✓ Loss of public / governmental control
- ✓ Distortion of academic orientation
- (In addition to loss of Socialist

The Political Acceptability of Tuition Fees Requires:

1. Means-Tested Financial Assistance: Effective and Extensive Grants and Loans
2. Perception & Reality of Expanding Participation and/or Quality
3. Tuition Clearly Supplementing not Supplanting Tax-Based Revenue
4. Tuition Increases Modest & Regular
5. “Depoliticization” of Tuition Fees

Tuition Fees & Student Loans: 10 Critical Issues / Questions

1. If there is to be cost-sharing to cover some of the costs of instruction (i.e. tuition fees) shall it be:

   (a) up front – from parents (at least from those who can pay), or

   (b) deferred (via loans or “graduate taxes) -- from students?

(Critical Issue / Question continued)

2. For Tuition Fees: What should be the approximate percent of under-graduate operating costs to be covered <u>at the outset</u> -- i.e. the approximate ratio of tuition fee to the taxpayer subsidy?
   - No tuition fee 0 %
   - Nominal > 10%
   - Low 10-20%
   - Moderate 20-35%
   - High >40%

(Critical Issue / Question continued)

3. For any Tuition Fees: How, and/or should they <u>vary</u> – that is, by:
   a) The academic ability of entering student?
   b) Cost of academic program?
   c) Level [Baccalaureate, masters, etc]?
   d) Expected earnings of graduates (by the likely varying ability to repay student loans)?
   e) Market demand?

(Critical Issue / Question continued)

4. How should tuition Fees <u>increase over time</u>? That is:
   - Not at all or as little as possible?
   - With the rate of inflation?
   - With the rate of increase of underlying per-students operating costs
   - Whatever it takes to fill the gap from declining tax revenues
   - Whatever politics determines

(Critical Issue / Question continued)

5. For Tuition Fees (and however they are to vary), <u>by whose / what authority</u> are they to be set and increased?
   - The government
   - The university management or board
   - Some publicly established and accountable entity (other than government)

(Critical Issue / Question continued)

6. To the degree to which there is an officially expected parental contribution, how should it be <u>means-tested</u>?
   - Income, assets, and other declarations per income tax system,
   - Categorical criteria (occupation, region, etc.)
   - Both
   - Combined with academic merit

(Critical Issue / Question continued)

7. If there are to be loans or some form of *deferred* contributions, how is the basic repayment obligation to be expressed?
   - a fixed schedule of repayments at a rate of interest;
   - some percent of lifetime earnings or income of the borrower (i.e. income contingent) until repay at rate of interest)
   - *hybrid* fixed schedule with maximum annual payment as maximum % of income?

(Critical Issue / Question continued)

8. If there are to be generally available loans, who/what is to bear the risk of non repayment?
   - Banks
   - Co-signatories (e.g. parents)
   - Other borrowers (that is, mutualized)
   - The government

(Critical Issue / Question continued)

9. If there are to be generally available loans, <u>how subsidized</u> (by the taxpayer) <u>should they be</u>?
   - Not at all (market sets rate and rations credit by risk),
   - Minimally (government's borrowing rate),
   - More subsidized – inflation, or zero <u>real</u> rate
   - Heavily subsidized (fixed low rate)

(Critical Issue / Question continued)

10. If there are to be generally available loans, <u>how should payments be made</u>:
    - By borrower (e.g. monthly)
    - By employer (deduction from wage)
    - Base or default obligation by borrower with employer payment as option

These 10 Questions / Issues:

- Must be answered
- May be answered in a variety of ways—with important consequences
- The answers will define the tuition fee and loan policy
- “income contingency” itself not the answer

Some presumptuous recommendation for Ontario:

- Stem reductions in taxpayer “share”
- Seek <u>prioritized</u> increases in tax funding
- Maintain means-tested parental share
- Maintain minimally subsidized loans
- Continue income/earnings-sensitive deferment / refinancing / subsidy
- Avoid being beguiled by Australians

The End