



Budget 2007 Backgrounder:
Ontario's Post-Secondary Spending Plans

OCUFA WORKING PAPER SERIES

ONTARIO CONFEDERATION OF UNIVERSITY FACULTY ASSOCIATIONS

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Ontario Budget 2007 contains no new initiatives for universities that will be sustained through the life of the government's *Reaching Higher* plan. As with last year's Budget, *Reaching Higher* funding targets were re-announced. A one-time injection of \$390 million from federal funding was also announced for post-secondary education (PSE).

The year 2007-08 is crucial for Ontario universities. *Reaching Higher* announced that 12,000 more graduate spaces would be created by this time than were in place in 2002-03. Undergraduate enrolments are now expected to have increased by over 66,000 over the same period.

Government funding: operating grants

Of the \$390 million announced for PSE, \$210 million has been earmarked for universities "to alleviate immediate cost pressures." It represents a welcome addition to operating funding, but enrolment levels are ongoing and increasing, as is the need to provide funding to cover operating costs, including the hiring and retention of full-time tenure-stream faculty members to deliver the goods promised under *Reaching Higher*.

Otherwise, Budget 2007 essentially stays the course on the government's five-year plan to invest an additional cumulative \$6.2 billion in the postsecondary education sector. The 2007-08 total PSE operating grant will increase to a level \$932 million above 2004-05, the base year for *Reaching Higher* investments. There is a 5 per cent increase in post-secondary operating grants in 2007-08.

The university share of that increase has yet to be determined, but the Council of Ontario Universities (COU) estimates that the portion of the funding will be \$584

million. The increase would represent a 22 per cent increase in the level of operating grants from the Ministry of Training, Colleges and Universities (MTCU) since 2004-05.

In the meantime, however, graduate enrolment is expected to increase by 35 per cent over the same period. Budget 2007 announced that \$170 million has been allocated to facilitate the expansion of graduate education.

According to recent data and COU projections, university enrolment has been increasing at a greater rate than anticipated in the 2005 Budget. Far from there being a decline in undergraduate enrolments, they continue to rise. Applications for fall 2007 entry into undergraduate programs have increased by 5.2 per cent over the previous year.

As a result, the combination of enrolment increases and inflation mean that the level of per student funding will not reach as high as expected. There has been an improvement over previous years, but funding per student will remain substantially below the level it was at before funding was reduced in the mid '90s.

Year	Per Student Funding	Ontario CPI (1992 =100)	Inflation-adjusted (2005-06 dollars)	% Change from 1995-96
1995-96	7,128	104.8	8,805	
2004-05	7,451	126.5	7,622	-13.4%
2005-06	7,778	129.4	7,778	-11.7%
2006-07	7,908	131.9	7,761	-11.9%
2007-08	8,350	134.0	8,065	-8.4%
2008-09	8,274	136.4	7,851	-10.8%
2009-10	8,557	138.8	7,975	-9.4%

Faculty

OCUFA reported in 2005 that Ontario universities would need to hire 11,000 new faculty by 2010. (*Closing the Quality Gap: The Case for Hiring 11,000 Faculty by 2010*, April, 2005) Its latest report supports those findings, even without taking retirements into consideration. Simply to accommodate graduate expansion, more than 2,200 qualified faculty will be required by 2009-10. Nineteen hundred of those should be in place by September this year if the province aspired to reach student-faculty ratios comparable to 1995-96. (*Quality at Risk: An Assessment of the Ontario Government's Plans for Graduate Education*, March, 2007)

Admirable goals and the implementation of accountability agreements that include provisions for faculty hiring notwithstanding, the outlook is not encouraging. According to data for 2003-04 and 2004-05 from Statistics Canada and for 2005-06 and 2006-07 from accountability agreements between the universities and the MCTU, the total net hiring of full-time faculty since 2002-03 has been barely 2,100 to cover increased enrolment of both graduate and undergraduate students. The accountability agreements indicate that a disproportionate amount of these appointments have been for limited terms, typically between one and three years. If the same pattern holds true for the previous two years, fewer than 1,400 full-time tenure-stream faculty members will have been hired in time for the 2007 fall term.

The one-time money added from federal funding will not fill the gap.

Research

Last year's budget committed the Ministry of Research and Innovation (MRI) to invest nearly \$1.7 billion through 2009-10 to fund "research, commercialization and outreach programs." Budget 2007 reiterated that intention: new projects to be funded, but no new, additional funding for research was announced.

It did announce that the MRI's *Ontario Innovation Strategy* will be released this spring. OCUFA participated in consultations about the plan, stressing in particular that:

- Basic research remains key and requires additional funding
- Funding for university-based research should not be contingent on cost-sharing agreements with the private sector
- Peer review must remain the pre-eminent process for assessing research proposals and assessing research quality

Capital funding

As with the *Reaching Higher* plan for operating funding, no new money for capital projects from provincial sources was announced.

In the 2005 budget, the government promised to launch a five-year, \$30-billion investment in infrastructure called *ReNew Ontario*. Under *ReNew Ontario*, the government committed to investing \$540 million to renew university and college facilities and buy new equipment. This amount included \$250 million in one-time investments in 2004-05, of which \$133.3 million went to universities. Current annual funding for the renewal of university facilities is \$26.7 million, far below the \$260

million estimated is required just to maintain these buildings in their current state of repair.

Also announced in 2005, \$600 million is to be invested in the expansion of medical- and graduate-school spaces. Of this, \$550 million has been allocated for spending on new facilities to accommodate the 14,000 additional graduate student spaces expected by 2009-10. It is barely half of the funding required to ensure that the space and related equipment are adequate, to say nothing of raising the level of the graduate experience.

Of the supplemental funds from the federal government that were made available for this year, \$15 million in one-time money was promised for university capital projects in Ontario Budget 2007. The 2006 federal Budget announced the establishment of a Post-Secondary Education Infrastructure Trust to provide \$1 billion in infrastructure and equipment funding, over two years. Distribution on a per capita basis would provide approximately \$390 million to Ontario post-secondary institutions. Ontario Budget 2007 does not specify if the additional funding comes from the trust or from other federal transfers to the province.

Tuition and student aid

Ontario Budget 2007 offered no news on tuition or on an increase in financial aid to students above the programs and levels previously announced.

Under the tuition framework introduced in 2006, tuition fees are allowed to increase an average of five per cent per year over four years. Fees for students in graduate, professional and other specified programs were permitted to rise by eight per cent in the first year, and up to five per cent in each subsequent year. In addition to the double

digit tuition fee increases that Ontario families experienced during the mid '90s, tuition in 2009-10 will be more than 20 per cent higher than they were before the tuition freeze was lifted in 2006.

The current budget offers no new investments in financial aid. Despite the graduate student expansion expected for this year and into 2009-10, no additional funding for graduate scholarships has been announced.

The Ontario government announced in 2005 that student assistance funding would be increased by \$358 million per year by 2009-10. Changes to the student aid program last year broadened eligibility and maintained the commitment to improve access for the traditionally under-represented and to limit the accumulation of student debt.

However, much of the money flowing to students will be clawed back through tuition fee increases. While the expansion of the student aid program is welcome, there remain concerns that it does not go far enough and that the government's new tuition policy will act as a disincentive to future students who fear they cannot afford a university education.

Only first- and second-year students will be eligible for the Ontario grant of up to \$3,000 or 50 per cent of tuition fees, whichever is lower. Students pursuing high-fee programs like law, medicine and dentistry with prerequisites of more than two years of post-secondary education will not be eligible for the grants. Graduate students and part-time students will not qualify for grants. The vast majority of undergraduate and college students who are already in the system are ineligible.

Concluding comments

There is no question that the funding committed by the Ontario government to PSE under the *Reaching Higher* plan, and the shot in the arm from federal funds this year are sorely needed and welcome after years of neglect. Whether it is enough to fulfil the promise of Reaching Higher is another question.

With continuing inflation, however low, and increasing enrolments, certainly more funding is required to increase the level of operating funding on a per student basis and reduce the tuition pressure on student finances. Even without these pressures, in 2009-10 when the current provincial spending plan for PSE has run its course, operating grants to universities as a proportion of GDP will still be 15% lower than it was in 1995-96.

The injection of additional funding from funding sources in 2007-08 does make the goals of *Reaching Higher* more realistic ... for one year. It will not increase operating and research funding to universities, boost student aid, or provide tuition relief, on an ongoing basis. If the notional funding for PSE promised in the federal budget is translated into a reality, more of the *Reaching Higher* promise may be fulfilled. Even then, unless perhaps the entire amount of this additional federal transfer is allocated to universities, it is by no means clear or certain that the aspirations for access and quality will be met.