



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

**Budget 2009 Backgrounder:
Ontario's Post-Secondary Spending Plans**

OCUFA WORKING PAPER SERIES

ONTARIO CONFEDERATION OF UNIVERSITY FACULTY ASSOCIATIONS

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Ontario Budget 2009 unveiled no long-term measures comparable to the McGuinty government's *Reaching Higher* plan, but it did provide immediate, and welcome, measures that should douse the flames of panic fanned by university presidents in recent months. Added funding includes \$780 million in infrastructure renewal funding for universities and colleges over the next two years, and \$150 million in 2008-09 year-end funding for universities and colleges to address enrolment-related cost pressures. Temporary changes to pension funding requirements should also relieve some of the stress on university budgets.

While none of these initiatives amount to a long-term plan to address the next phase of development in Ontario's universities, they do serve to create an environment in which stakeholders can establish their priorities and plans for the follow-up to *Reaching Higher*.

Infrastructure funding for PSE

The largest piece of the post-secondary education (PSE) stimulus package is capital funding for infrastructure renewal. Ontario Budget 2009 announced \$780 million in provincial funding for university and college infrastructure projects to modernize facilities and reduce the backlog of deferred maintenance. To be allocated over two years, the total could reach almost \$1.6 billion if federal funding promised in this year's federal budget is forthcoming. The federal Canada Budget 2009 announced a two-year shared-cost funding program for the repair, retrofit and expansion of facilities at colleges and universities, 70 per cent of which is earmarked for universities.

The combined infrastructure funding for universities comes to \$1.1 billion, or more than two-thirds of the cost of the current backlog in deferred maintenance expenses at Ontario universities. Ontario Budget 2009 makes no long-term commitment to expanded funding for facilities renewal on provincial campuses, but this two-year

infusion of stimulus money should provide some relief to operating budgets. Universities spend one and one-half per cent of operating budgets on renovations and alterations, and transfers from operating funds, typically to capital projects, are equivalent to four and one-half per cent of operating expenses.

Temporary though this infrastructure funding program is, the momentum created by it should not be lost. It is an opportunity to deal with the most pressing deferred maintenance needs, to take stock, and to develop a long-term approach that ensures that capital budget items for renovation and modernization no longer make demands on operating funds.

Government operating grants

Contrary to the warnings of university administrators, the increase in provincial operating funding is proceeding as indicated in the *Reaching Higher* plan. Ontario Budget 2005 outlined an increase of \$200 million in operating funding for universities and colleges for 2009-10. The university share of that increase has yet to be determined, but the Council of Ontario Universities (COU) estimates that the university portion of the current increase will be \$168 million.¹ If so, the increase in on-going operating funding for universities will be five per cent for the next year.

Budget 2009 also includes \$150 million in year-end 2008-09 funding for universities and colleges to address, among other things, increases in enrolment that were unanticipated by the original *Reaching Higher* plan. Where enrolment might have been expected to decline after the majority of the “double cohort” graduated with their baccalaureate, the data show that total fall university enrolment increased by one per cent in 2007 and two

¹ COU, *Progress Report: University Access, Accountability and Quality in the Reaching Higher Plan*, November 2006.

per cent in 2008. The number of high school students applying for fall 2009 entry into undergraduate programs has increased by one per cent over the previous year.

The COU anticipates that the number of eligible students in 2009-10 (for whom universities receive provincial operating funding) will increase by 13 per cent from 2004-05. OCUFA estimates the corresponding number of Basic Income Units (BIU, or weighted enrolments reflecting different resource requirements – between undergraduate and graduate students, for example) will rise by 15 per cent. As shown in the following table, this represents a four per cent increase in (inflation-adjusted) per BIU funding since 2004-05, but this coming year it will remain 12 per cent lower than the funding necessary to fill the gap that *Reaching Higher* was meant to bridge.

Year	BIUs	Operating \$ per BIU	Inflation- adjusted (2004-05 dollars)	% Change from 1995-96
1995-96	440,196	\$ 4,113	\$ 4,962	
2004-05	581,760	4,176	4,176	-15.8%
2005-06	607,821	4,348	4,251	-14.3%
2006-07	631,862	4,447	4,284	-13.7%
2007-08	646,959	4,558	4,310	-13.1%
2008-09	654,542	4,633	4,276	-13.8%
2009-10	671,357	4,767	4,360	-12.1%

The government continues to promise that all students will be fully funded. To date, this has been accomplished, in part, by diverting unallocated funds and providing year-end funding injections that universities have treated these funds as one-time only funding. Certain enrolment-related funding envelopes will also be folded into base operating grants to reflect enrolment growth, but the provincial government must begin planning for the next phase of development in Ontario's university system. It must increase operating funding to levels where: a) year-end stop-gaps are not required to

ensure funding for all students; and b) enrolment-related funding envelopes are folded into base operating on an annual basis to eliminate ambiguity about future funding.

Faculty

Ontario Budget 2005 plans for *Reaching Higher* included intentions to “create new faculty positions” and to facilitate “improvements to the student learning experience by increasing contact between faculty and students.” OCUFA reported in 2005 that Ontario universities would need to hire 11,000 new faculty by 2010 to attain student-faculty ratios comparable to US peer institutions (*Closing the Quality Gap: The Case for Hiring 11,000 Faculty by 2010*, April, 2005). Even a more modest goal of improving the student-faculty ratio to the Canadian average would have required 5,500 net new full-time faculty members to be hired between 2006-07 and 2008-09. These are in addition to the number of faculty hired to replace retiring members.

The outlook is not encouraging. Not all progress reports for Multi-Year Accountability Agreements (MYAA) are available, but if the current trends for actual and planned hiring are maintained, fewer than 1,500 net new faculty will have been hired since 2005-06. Since it appears that current levels of operating funding are insufficient to improve student-faculty ratios and offer students meaningful interaction with faculty members, future versions of *Reaching Higher* should ensure sufficient resources to ensure that meaningful progress is made on recruiting and retaining faculty and enhancing the quality of the learning experience at Ontario universities.

Research

Budget 2009 indicates that \$715 million in new investments will be made to support research and development partnerships and to encourage innovation by the private sector.

The budget promises \$300 million over six years for research infrastructure funding through the Ontario Research Fund, to leverage funding from the Canadian Foundation for Innovation and private sector sources. Budget 2008 announced \$250 million over five years, in which case the net new investment may be \$100 million (assuming \$50 million was allocated in the previous year).

Budget 2009 also promises \$100 million over four years for operating costs of biomedical research, focusing especially on genomics and gene-related research, and \$5 million for the Ontario Genomics Institute.

The additional funding is not enough to cover the gap in funding for basic research caused by the federal government's failing support for Genome Canada and federal research granting agencies, and there remain concerns that commercialization of university research continues to be a priority for the provincial government.

In 2006 consultations about the MRI's *Ontario Innovation Strategy*, and subsequently, OCUFA has repeatedly stressed the need to maintain the independence and integrity of university-based research, specifically 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

In addition to the \$780 million for infrastructure renewal funding, \$35 million over three years has been promised for new construction to accommodate the creation of 100 additional medical school places.

As indicated above, a two-year infusion of funding for infrastructure renewal does not resolve the manner in which deferred maintenance and the ongoing needs of facilities renewal are addressed. The Rae Review recommended substantially increased funding for three years for institutions to make progress on their maintenance and renovation needs while universities and the MTCU developed a go-forward solution to funding and planning. If the current injection of funding is a delayed response to provide universities with some catch-up funding, it must be followed with a go-forward plan for “keep-up” as well.

Tuition and student aid

There is a regrettable dearth of measures for students in the 2009 Ontario Budget. The only cash directed specifically towards student aid is an additional \$10 million that has been pledged for graduate student fellowships. Otherwise, the only new assistance provided to students is additional funding to provide summer employment.

Meanwhile, the current tuition policy remains in place. Tuition may increase by an average of five per cent. If it does, tuition in inflation-adjusted terms will be 19 per cent higher this fall than it was in 2004 when a tuition freeze was in place. As it stands, 41 per cent of Ontario universities' combined net student fee and government operating grant income comes from student fees.² By comparison, the proportion is 39 per cent at their US peer institutions and 29 per cent in the rest of Canada.

There is a continuing concern that the provincial government's grants and aid programs do not go far enough and that tuition policy will act as a disincentive to future students who fear they cannot afford a university education. Rising participation rates clearly indicate that there is an interest in a university education. Especially in economic conditions that encourage Canadians to stay in or return to school, consideration must be given to freezing tuition and raising provincial operating grants to ensure that universities are accessible by all.

Concluding comments

It is still true that the Liberal Government's *Reaching Higher* plan is a laudable initiative. It is also true that enrolment and faculty hiring trends have meant that the goals of higher quality have not been fully realized. \$150 million in year-end funding for 2008-09 should be appreciated as acknowledgement of that fact. \$780 million in infrastructure funding is a welcome step in alleviating operating budget stresses and, hopefully, a first step in rejuvenating the entire funding structure for Ontario universities.

It is now up to university presidents to respond in like fashion and return to the task of building Ontario's university programs, not dismantling them.

² Student fee income includes non-credit tuition to ensure comparability; net fees are derived by subtracting scholarships and tuition discounts paid from operating and institutional sources.