



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

## OCUFA analysis of the 2017 Ontario Budget

*May 2017*

The 2017 Ontario Budget did not make much-needed investments in the province's universities. This continued underfunding threatens the quality of education and will cause Ontario to fall even further behind other provinces in per-student funding.

There were no major new announcements about postsecondary education in this year's provincial budget. However, some modest commitments were made to expand workplace learning opportunities for students and improve the recently overhauled student assistance program. These commitments reflect the government's stated approach to transforming the postsecondary education system by focusing on preparing students for a changing economy and increasing access.

OCUFA's pre-budget recommendations included increasing per-student funding, supporting faculty renewal, ensuring fairness for contract faculty by strengthening employment and labour laws, rejecting the use of punitive performance-based funding in the renewed university funding model, and establishing a new higher education data agency. Each of these areas remain unaddressed in the 2017 Ontario Budget. OCUFA's full pre-budget recommendations are available [online](#).

### Eroding university funding

The budget includes no new public operating funding for universities. Over the next three years, operating grants will essentially flat line. Adjusted for inflation, this will amount to a six per cent decline in funding in real terms. This represents a troubling erosion of public financial support for Ontario's universities.

Projections in this year's budget indicate that when inflation is taken into account, operating grants for universities will have returned to 2005 levels by 2019. This is a backslide to levels of university funding before the multi-year Reaching Higher investments in postsecondary education. Meanwhile, despite enrolment declines at some institutions, on balance, student enrolment continues to grow.

The projections made in the 2015 budget that enrolment would flatten and then actually decline are not coming to fruition. It's too early to confirm numbers for this year – the Strategic Mandate Agreements will provide more information about enrolment projections once they are finalized – but the trend across the province is towards growth. In 2016, fall enrolment increased by 2 per cent province-wide for both undergraduate and graduate students.

However, the province did not account for any increases in enrolment in this year's budget. This will force universities to stretch existing resources even thinner. Per-student funding is on track to drop nineteen per cent below peak levels – which Ontario reached in 2008 – over the next three years. When compared to other provinces, the decline in per-student funding is dramatic. For eight

consecutive years, Ontario has ranked last among the provinces in per-student funding, and inaction in this budget will see the province slip even further behind. Preliminary estimates suggest the gap between Ontario and the average in the rest of the country will grow to 37 per cent in 2016-17.

Regional demographic changes mean that some universities, in particular northern and regional institutions, are facing declining enrolment as noted above. The resulting financial pressures on these universities will be exacerbated by the failure to account for province-wide enrolment growth in provincial operating grant allocations because less total funding will be available for distribution through the system.

One goal of the government's recent university funding model review was to help protect institutions against the financial impacts of declining enrolment. An effective approach to addressing this challenge must consider the overall level of provincial funding that institutions receive in addition to the mechanism by which that funding is allocated. To date, however, only the allocation mechanism has been addressed as part of the funding model review.

The budget also indicates that the government remains committed to "tying funding to performance outcomes and areas of institutional strength." This is consistent with the planned implementation of "at-risk" funding in the next round of Strategic Mandate Agreements in 2020. OCUFA remains skeptical of the effectiveness of a punitive performance-based funding system that will create instability and unfairly punish students at institutions that fail to reach their targets.

## **Improving student assistance**

The government continues to follow through on its plan to increase access to postsecondary education for students from low-income families. The budget reiterated that the flagship changes to student assistance made last year are expected to cover the cost of average tuition for 210,000 Ontario students and reduce costs for many more. OCUFA welcomes these measures.

Building on these changes, further adjustments to the Ontario Student Assistance Program (OSAP) were announced this year:

- The minimum salary for commencement of OSAP repayment was raised from \$25,000 to \$35,000.
- Savings from Registered Education Savings Plans (RESPs) will no longer reduce the amount of assistance provided through OSAP.
- Targeted supports for Indigenous students were introduced including waiving the expected student contribution of \$3000 towards their education and exempting income from the Postsecondary Student Support Program (PSSSP) in OSAP assessments.

OCUFA supports these measures as steps towards making postsecondary education accessible to students from all background. Investments in access must be coupled with investments that will support a high-quality learning experience for every student that attends university in Ontario.

Despite changes to the student assistance system, tuition fees in Ontario remain the highest in the country. If left unaddressed, declining per-student funding will continue to put upward pressure on tuition fees as a means to fill the funding gap. The tuition framework, which currently caps tuition fee

increases at an average of 3 per cent, will be up for review in 2019. OCUFA believes that government must consider tuition fees as part of its strategy to expand access to students from all backgrounds.

### **Expanding workplace learning opportunities**

This budget includes a Career Kick-Start Strategy that aims to provide students and recent graduates with the work experience they need to find a job. It is part of a broader focus on supporting “innovative teaching” and promoting “career readiness.” The strategy includes a funding commitment of \$190 million over 3 years to support the creation of 40,000 new experiential learning opportunities for both K-12 and postsecondary students.

One component of the strategy is a \$68 million Career Ready Fund “to help postsecondary institutions and employers create more opportunities,” which will include “launching a new program to offer more workplace learning opportunities” and “creating new digital tools to help match students with employers.” The budget document is not clear whether any of this money will flow directly or primarily to institutions.

### **No support for good jobs in the university sector**

This budget did not make any new commitments to address precarious work. After much speculation in major news outlets that this budget would usher in labour law reform and a \$15 minimum wage, it only contained a passing reference to the ongoing Changing Workplaces Review. The budget did indicate that the final recommendations from the Review – expected in spring 2017 – will address five fundamental areas, including measures that will “deal with the differential treatment of part-time and full-time workers” and “better calibrate the protections for bargaining rights.” While the signal that inequities between full-time and part-time workers will be addressed is encouraging, it must also include contract workers.

While taking action to improve minimum employment standards continues to be delayed, the number of contract faculty teaching at Ontario universities has doubled in the last fifteen years. The financial pressures created by continued underfunding of Ontario universities will further incentivize the growth of low-paid, insecure positions, and any cuts will disproportionately affect workers already in these precarious positions. Leadership from the provincial government in setting a standard for our universities that recognizes the importance of decent, stable jobs is long overdue.

The need for a faculty renewal strategy for Ontario universities was left unaddressed in this budget. Instead, declining public funding will put universities in a weaker position to close the gap between full-time faculty hiring and growth in student enrolment.

### **Pension initiatives updates**

This budget provides updates and announcements about several pension initiatives, including:

- The guiding principles of the new solvency funding framework for defined benefit plans will be released later this spring, and draft regulations will be released for consultation in fall 2017.
- The rules governing defined contribution plans will be updated this spring to allow the payment of variable benefits. Consultations will also take place about disclosures to

members, as well as transparency and communications with members of defined contribution pension plans.

- The new framework for target benefit multi-employer plans is due for release this spring, and will be followed by draft regulations in fall 2017.

## **Other budget measures**

### **Children and youth pharmacare**

The high-profile and unanticipated announcement in this budget was the launch of a new drug benefit program that will cover the full cost of prescription medications for Ontarians aged 24 and under. This will impact many students on our university campuses.

### **Executive compensation**

The budget reiterates a commitment to the Executive Compensation Framework for the broader public sector released in 2016. It also indicates that the government will “enhance its approach” to ensuring accountable, transparent and responsible compensation packages by “direct[ing] employers to revisit any proposed compensation program that is not reasonable.” This reflects the Minister’s directive to the colleges earlier this year to reconsider their executive compensation proposals, which relied on questionably selected comparator employers to justify unreasonable pay increases.

### **Broader public sector bargaining**

While government calls for broader public sector bargaining to impose “wage freezes” and “net-zero” agreements were absent in this year’s budget, the government outlines their approach as follows:

“The government is committed to delivering collective bargaining outcomes across all key areas of the public and broader public service that align with the current public-sector wage trend and support the Province’s transformation objectives.”

While postsecondary education is listed as a sector where bargaining will be guided by this approach, the government is likely referring to the colleges as they have no direct role in university bargaining.

### **Other postsecondary education measures**

The budget included several other measures related to postsecondary education that may be of interest to faculty associations:

- Re-announcement that a planning board will provide advice to the government about the cost and design elements for a French-language university in central and southwestern Ontario.
- An investment of \$56 million over three years in Ontario’s nine Aboriginal Institutes to enhance their capacity and sustainability.
- Reiteration of a commitment to the Postsecondary Institutions Strategic Investment Fund for modernizing and improving environmental sustainability of on-campus facilities, which represents investments of \$1.9 billion over 3 years from federal and provincial governments, institutions, and other donors.

- Several re-announcements of funding under the Business Growth Initiative to support “Ontario’s transition to the new economy” and “making Ontario’s economy more innovative”, including in areas such as artificial intelligence (establishing the Vector Institute), fifth generation wireless technology, advanced research computing and big data (including new hardware investments at the Universities of Toronto and Waterloo), autonomous vehicles (in partnership with the Ontario Centers of Excellence), and next generation technological advances (at the Perimeter Institute).
- No increase in funding for, or mention of, basic research at Ontario universities.