

Leading Higher:  
Funding for Ontario Universities

OCUFA RESEARCH PAPER SERIES

ONTARIO CONFEDERATION OF UNIVERSITY FACULTY ASSOCIATIONS

OCTOBER 1, 2007

## Executive summary

With the province's future prosperity dependent on its ability to prevail in the global economy, Ontario's economic competitiveness is frequently compared to other jurisdictions.

Because the economic well-being of a society – and of individuals – is strongly correlated to their achievements in higher education, such comparisons often include analysis of a jurisdiction's support for post-secondary education.

Ontario fares poorly in such comparisons. For more than a decade, it has placed second last in Canada in its financial support for higher education. The province's funding level for higher education is now 25 per cent below the Canadian average.

Comparisons with American jurisdictions' support for higher education are also troubling, with Ontario providing one-third less than appropriations from American state governments.

Recent government increases for higher education are not enough. By 2009-2010, because of larger-than-anticipated enrolment increases, the Liberal Government's planned funding increases to universities, announced in its 2005 *Reaching Higher* plan, will have boosted funding per student by all of one per cent.

To reach the Canadian average by 2009-2010, Ontario needs to boost university funding from its currently planned \$3.2 billion in 2009-2010 to \$4.2 billion that year.

To reach American standards will require even more, at least \$4.4 billion, especially as American jurisdictions are increasing their funding at a rate twice the inflation rate.

Notably, such increases would not be out of line with the financial support Ontario devoted to universities in the 1970s (a period that witnessed a similar enrolment expansion), either as a proportion of Ontario's GDP or the provincial Budget.

OCUFA recommends the Ontario government

- Immediately commit \$1.6 billion more in annual operating and capital funding to universities.
- Direct all \$350 million of the anticipated increase in federal transfer payments towards augmenting its support for universities instead of using it to replace previously committed provincial funding.

The Ontario university system arises as a topic whenever Ontario's economic performance is compared to other jurisdictions in its ability to adapt to the global economy. The need to produce more graduates with advanced degrees is frequently cited as an essential part of any Ontario "innovation" strategy.

The 2005 Rae Review of postsecondary education in Ontario highlighted the need for increased participation rates, stressing that as much as 70 per cent of future jobs will require a postsecondary education. For Ontario to become a leader in learning, Rae said, the province needs to raise postsecondary funding to levels comparable to other provinces by 2007-08, and subsequently to match peer North American jurisdictions.<sup>1</sup>

On the eve of this provincial election, some of the same challenges the Liberal Government's 2005 *Reaching Higher* plan was meant to address remain. Enrolments continue to grow, and more undergraduates continue into graduate studies. To do more than reach higher – to become a leader in postsecondary education – Ontario will need to devote substantially more operating support to its universities than is currently being planned.

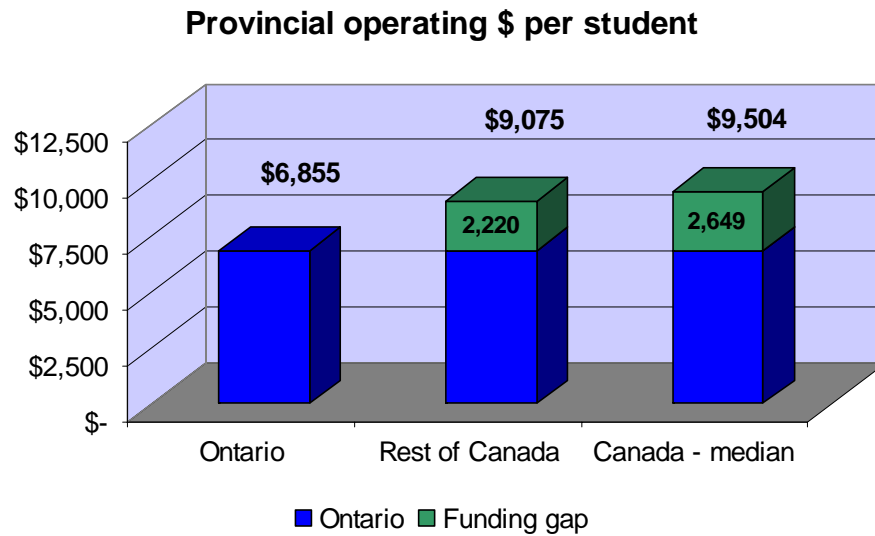
## Funding in 2004-05: Ontario and other jurisdictions

For over a decade, Ontario government support to universities has been the second worst in Canada. Operating funding per full-time equivalent (FTE) student fell further and further behind the rest of Canada so that by 2004-05, Ontario's funding level was one-quarter below the Canadian average, and 28 per

---

<sup>1</sup> Bob Rae, *Ontario: A Leader in Learning*, February 2005.

cent behind British Columbia, the province which provided the median level of funding per student.<sup>2</sup>



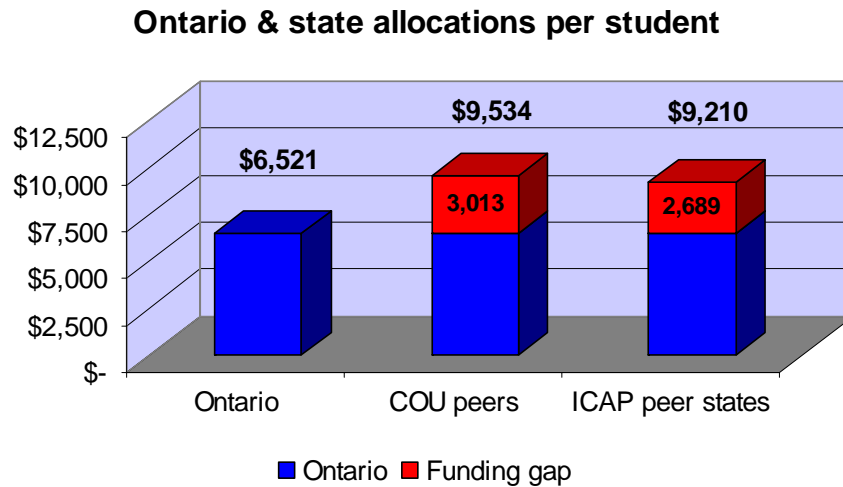
Per student funding was similarly behind that provided by U.S. states to public universities. Compared to the universities identified by the Council of Ontario Universities (COU) as peer institutions,<sup>3</sup> funding from the Ministry of Training, Colleges and Universities (MTCU) in 2004-05 was one-third lower than the level of U.S. state appropriations for Ontario universities' American counterparts.<sup>4</sup> Compared to the U.S. states identified by the Institute for Competitiveness and

<sup>2</sup> Source: Canadian Association of University Business Officers (CAUBO), *Financial Information of Universities and Colleges, 2004-05*; Statistics Canada, Centre for Education Statistics.

<sup>3</sup> For a complete list, see the Figure 2, COU, *Comparing Ontario and American Public Universities*, December 2000.

<sup>4</sup> Source: United States National Center for Education Statistics (NCES), *Integrated Postsecondary Education Data System (IPEDS)*. Ontario universities report research funding separately from operating revenues, but data for US universities includes research income in "State Operating Grants and Contracts." Unlike comparisons with other provinces, therefore, "State Appropriations" and MTCU operating funding are compared. Canadian dollar values for US state appropriations are determined by multiplying their value in US dollars by the five-year average Purchasing Power Parity estimates, as published by the Organisation for Economic Cooperation and Development.

Prosperity (ICAP) as Ontario's peer group, MTCU operating allocations were 29 per cent lower than state appropriations for public four-year universities.<sup>5</sup>



Simply to have met the same level of funding as other Canadian jurisdictions in 2004-05 would have required an increase in per student funding ranging from 32 per cent to 40 per cent. Meeting levels of funding for comparable U.S. universities and states would require increases in the order of 41 to 46 per cent.

## Funding for the future

Actual budget requirements will depend, of course, on the number of students in each year. During the 2003 Ontario election, ensuring access for the “double cohort” – the class of Ontario high school students that combined the graduating members of the last year of the Ontario Academic Credit (OAC) program and the first group of graduates of the post-OAC system – was a primary issue for postsecondary education.

<sup>5</sup> Task Force on Competitiveness, Productivity and Economic Progress, *Agenda for our prosperity, Fifth Annual Report*, November 2006. California, Florida, Georgia, Illinois, Indiana, Massachusetts, Michigan, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Texas, Virginia.

Enrolments continue to rise and can be expected to do so for the foreseeable future, particularly as governments undertake to increase the rate of participation of 18 to 24 year-olds in university education.

### **The impact of increasing enrolments**

*Reaching Higher* expected that there would be 46,000 more “eligible” students enrolled in university in 2009-10 than there had been in 2002-03.<sup>6</sup> If enrolment actually followed the expected trend, operating funding per eligible FTE student would have increased by 19 per cent from 2004-05 to 2009-10, even after adjusting for anticipated inflation. As helpful as the reversal of previous funding trends is, two enrolment factors mean that even this modest increase will not be achieved.

First, the enrolment forecasts behind *Reaching Higher* have since become outdated as enrolments continue to rise. Where *Reaching Higher* anticipated a decline in the number of eligible students in the final three years of the plan, the Council of Ontario Universities (COU) now expects enrolments to increase throughout the period. The additional eligible students by 2009-10 will be 92,000, double the original forecast.

Second, because each jurisdiction has different rules about which students and programs are eligible for funding, comparisons with other provinces and states must be based on a per student basis, irrespective of eligibility. In Ontario, the number of “ineligible” students has been rising over the past decade and can be

---

<sup>6</sup> Eligible students are those registered in programs for which universities receive operating funding from the MTCU. Ineligible students include international students and students in programs that are not eligible for provincial operating funding. Forecast data for eligible student enrolments are from Council of Ontario Universities, *Progress Report: University Access, Accountability and Quality in the Reaching Higher Plan*, November 2006.

expected to continue increasing. Thus, the total number of students in 2009-10 could be almost 425,000.<sup>7</sup> If the *Reaching Higher* funding plan is maintained – with inflation taken into account – the funding per total student FTE will be one per cent higher than 2004-05 levels, virtually unchanged.

## **Future funding**

The current operating funding forecast for Ontario universities is well below the threshold set by other jurisdictions. Operating allocations from MTCU will increase to \$3.2 billion for 2009-10.<sup>8</sup> Yet, even the minimal challenge of reaching the average of the rest of Canada will require \$4.2 billion by then. The more ambitious target of becoming the leading Canadian supporter of university education comes with a price tag closer to \$4.4 billion.

If Ontario universities are to keep up with their U.S. peers, operating funding from the province will have to increase to \$4.4 billion, just as a starting point. American per student state appropriations for postsecondary education were at a 25-year low in 2004-05. Per student funding increased by eight per cent in 2005-06, more than double the U.S. rate of inflation.<sup>9</sup> For 2006-07, state appropriations increased by seven per cent, yet inflation rose by less than three per cent and enrolments are projected to increase by less than two per cent.<sup>10</sup>

---

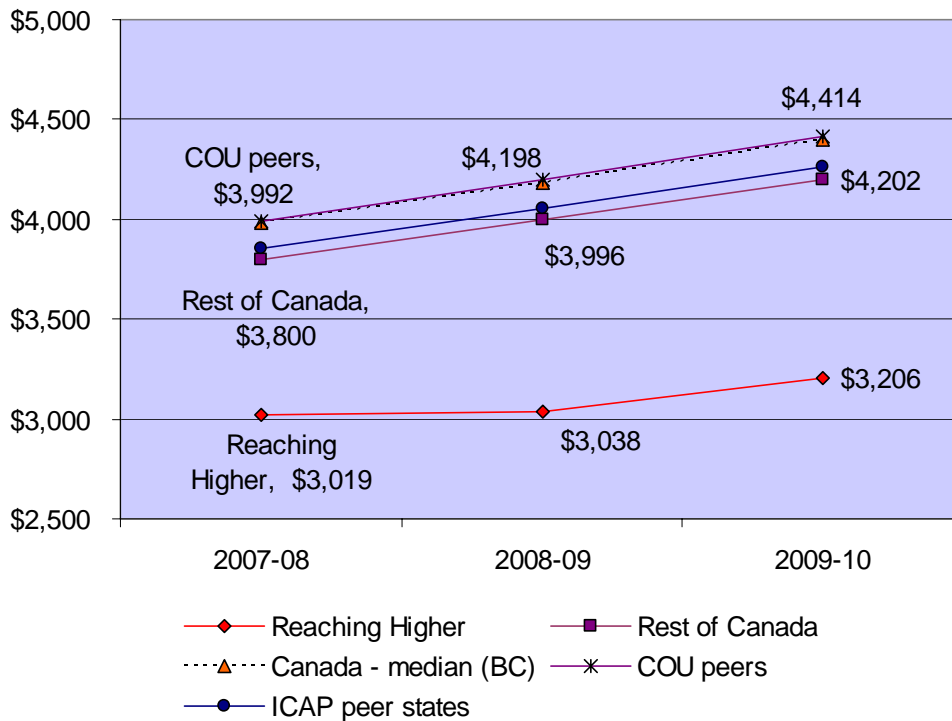
<sup>7</sup> The number of estimated ineligible students is added to the COU forecast for eligible students. If ineligible student numbers are estimated using lowest recent non-negative growth rate (to eliminate double cohort effect) the total enrolment could be 413,000. Using average annual growth rates yields the 425,000 estimate.

<sup>8</sup> *Reaching Higher* MTCU allocation based on final 2004-05 allocation for universities, excluding grants for municipal taxes, plus COU projections for university share of planned *Reaching Higher* operating funding. See COU, *Progress Report*, November 2006.

<sup>9</sup> State Higher Education Executive Officers, *State Higher Education Finance FY 2006*, March 2007. The Consumer Price Index-All Urban Consumers, US city average, all items, rose 3.5 per cent from 2004-05 to 2005-06.

<sup>10</sup> As a result, provincial allocations could have to reach \$4.7 billion by 2009-10 for Ontario universities to be on the same public funding footing as their US peer institutions. For 2006-07 state appropriations data, see *Grapevine*, <http://www.grapevine.ilstu.edu/>. For FTE student

### University operating funding - scenarios (millions)



The additional funding Ontario must commit over the next couple of years, above that already promised for *Reaching Higher*, is \$1 billion to \$1.2 billion.<sup>11</sup>

#### Additional funding required to match other jurisdictions

Millions of dollars	2008-09	2009-10
Rest of Canada	\$ 958	\$ 996
Canada - median (BC)	\$ 1,147	\$ 1,194
US peer universities (COU)	\$ 1,160	\$ 1,208
US peer states (ICAP)	\$ 1,018	\$ 1,058

enrolment projections, see National Center for Education Statistics, *Projections of Education Statistics to 2015*, NCES 2006-084, September, 2006. High alternative projections were used.

<sup>11</sup> Estimates include adjustments for future inflation. If the increase in ineligible enrolments corresponds to the lower growth estimate, additional funding required for 2009-10 ranges from \$900 million to match the rest of Canada, to \$1.1 billion to match the levels British Columbia and the COU peer institutions in the U.S.



None of these funding scenarios are out of reach for Ontario. Even the highest level of funding, as a proportion of GDP or provincial Budget, would not be higher than what the province saw fit to provide in the 1970s.<sup>12</sup> In any case, the federal government announced increased funding for the Canada Social Transfer (CST) payments to the provinces in its 2007 budget, including increases in notional funding for postsecondary education. This represents additional funding not already included in *Reaching Higher*. Provided federal funds are used to supplement planned provincial funding, additional funding required from provincial sources will be correspondingly less than the \$1 billion to \$1.2 billion indicated above.

## Making a difference

The challenge of improving Ontario's place in the North American and world economies is not fading. Nor is the need to provide quality university education and research. Just how far Ontario has to go to lead the way is reflected in the magnitude of the funding required. Reaching the funding targets set out by the Rae Review in the next two years could be daunting. The government elected this October should be expected to go beyond current plans and take at least modest interim steps to improve funding for Ontario universities. But to bring Ontario to the leading edge it must plan, at minimum, to meet and surpass funding support given to U.S. peer universities in the near future.

OCUFA recommends that the next government:

1. Ensure that university operating funding keeps pace with inflation and enrolment increases, and, increases in other jurisdictions.

---

<sup>12</sup> See OCUFA, *A Tale of Two Expansions: Intergenerational Equity, Quality, and Funding Fairness for Today's University Students*, September 2007.

2. Restore a student-faculty ratio of 15-to-1.
3. In the immediate term, commit to an additional \$1.6 billion in annual operating and capital funding to Ontario universities, including at least \$1.1 in operating funding.
4. Commit to directing all \$350 million of the anticipated increase in federal transfer payments towards augmenting its support for universities, instead of using it to replace previously committed provincial funding.