

Is Provincial Funding of Ontario's Universities and Colleges Sustainable?

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Introduction

This article compares Ontario's funding of post-secondary institutions to the overall provincial budget and economy, other provinces, and previous years. By all of these measures, provincial transfers to universities and colleges are fiscally and economically sustainable.

Such transfers are by far the most important source of public funding for higher education. Other provincial post-secondary spending, such as direct transfers to students, is far smaller. The federal government transfers some money directly to institutions and students, but much of its post-secondary funding flows to provincial governments through the Canada Social Transfer.

Therefore, provincial transfers to universities and colleges encompass the lion's share of public funding for higher education. If these transfers are sustainable, then one can reasonably extrapolate that overall public spending on post-secondary education is sustainable.

The Provincial Budget and Economy

In 2008-09, the most recent fiscal year of available Statistics Canada data, the Government of Ontario transferred \$5.5 billion to universities and colleges. While this figure is large in absolute terms, it amounted to only 4.7% of total provincial expenditures.

Post-secondary transfers are sustainable because they are relatively small. Even if the Government of Ontario decided to reduce its total expenditures, such a small portion of the budget would not need to be on the chopping block. The provincial government could realistically reduce overall spending without reducing post-secondary spending.

In 2008-09, provincial post-secondary transfers amounted to only 0.9% of provincial Gross Domestic Product (GDP). In other words, Ontario devotes less than 1% of its economy to provincial funding of universities and colleges.

Other Provinces

A frequently cited statistic is that Ontario provides the least post-secondary funding per student of any Canadian province. Some have questioned this ratio because it could reflect either a disproportionately small amount of funding or a disproportionately large number of students. In particular, international students pay higher tuition fees but attract less provincial funding than Canadian students.

However, Ontario's post-secondary transfers are also comparatively low by other measures. As a share of provincial expenditures, these transfers amount to 4.7% in Ontario and 5.1% in the other nine provinces combined.

As a share of GDP, post-secondary transfers are 0.9% in Ontario and 1.2% in the other nine provinces. That seemingly small difference implies a funding shortfall of \$1.8 billion in Ontario compared to the rest of Canada.

As a proportion of university and college budgets, provincial transfers are 37% in Ontario versus 52% in the rest of Canada. This comparison explains why Ontario institutions are relatively more dependent on tuition fees.

Other Canadian provinces are, in fact, sustaining higher levels of post-secondary funding than Ontario. Therefore, one must conclude that Ontario's current spending is sustainable. Indeed, these inter-provincial comparisons suggest that Ontario could realistically transfer more to its universities and colleges.

Previous Years

Given inflation and economic growth, the dollar value of post-secondary transfers has obviously increased over time. However, these transfers have declined as shares of institutional budgets, provincial expenditures, and provincial GDP. Recent increases in Ontario's post-secondary spending have not made up for previous cutbacks.

In 1988-89, provincial transfers accounted for 62% of university and college budgets in Ontario. That figure dropped to a low of 36% in 2004-05 and has since edged back up to 37%.

Over the past two decades, it has declined 25%. In the rest of Canada, this decline was 16%.

As a share of total provincial expenditures, Ontario's post-secondary transfers fell from 6.3% in 1988-1989 to 3.9% in 2003-04. They have since rebounded to 4.7%, still 1.6% lower than two decades ago. In the rest of Canada, this proportion fell only 0.6% over the same period.

As a share of GDP, Ontario's post-secondary transfers declined from 1.1% in 1988-89 to as low as 0.7% in the late 1990s and early 2000s. They are now back to 0.9%, leaving a decrease of 0.2% since 1988-89.

This measure is the only one by which other provinces have arguably fared worse. Over the same period, their transfers declined from 1.5% to 1.2% of GDP, a decrease of 0.3%.

Public spending might be deemed unsustainable if it continually and rapidly increases. For example, healthcare spending is often alleged to be unsustainable because it accounts for a growing share of provincial budgets.

However, over the past two decades, provincial post-secondary transfers have decreased not only as a share of provincial budgets, but also in relation to university and college budgets and the wider economy. Therefore, these transfers cannot reasonably be characterized as unsustainable.

Conclusion

From a fiscal or economic standpoint, the Government of Ontario clearly could maintain or increase transfers to universities and colleges. Whether or not it actually chooses to do so is a question of political will.

Table 1: Provincial Post-Secondary Transfers in Ontario

Fiscal Year	Provincial Transfers (\$ millions)	As a Percentage of:		
		University Budgets	Provincial Expenditures	GDP
1988-89	\$2,888	61.9%	6.3%	1.1%
1989-90	\$2,950	60.8%	6.0%	1.1%
1990-91	\$3,176	59.4%	5.8%	1.1%
1991-92	\$3,483	59.9%	5.7%	1.2%
1992-93	\$3,515	58.4%	5.5%	1.2%
1993-94	\$3,229	54.4%	5.0%	1.1%
1994-95	\$3,182	52.8%	4.8%	1.0%
1995-96	\$3,384	52.7%	5.0%	1.0%
1996-97	\$2,637	45.3%	4.1%	0.8%
1997-98	\$2,616	42.7%	4.0%	0.7%
1998-99	\$2,757	42.1%	3.9%	0.7%
1999-00	\$3,360	44.1%	4.7%	0.8%
2000-01	\$3,075	38.8%	4.0%	0.7%
2001-02	\$3,123	37.3%	4.0%	0.7%
2002-03	\$3,336	36.5%	3.9%	0.7%
2003-04	\$3,789	36.3%	4.1%	0.8%
2004-05	\$4,220	37.3%	4.4%	0.8%
2005-06	\$4,566	37.8%	4.5%	0.8%
2006-07	\$5,011	38.4%	4.7%	0.9%
2007-08	\$5,316	37.4%	4.7%	0.9%
2008-09	\$5,514	37.3%	4.7%	0.9%

Source: Statistics Canada Tables 385-0007, 385-0001 and 384-0002.

Table 2: Provincial Post-Secondary Transfers in the Rest of Canada

Fiscal Year	Provincial Transfers (\$ millions)	As a Percentage of:		
		University Budgets	Provincial Expenditures	GDP
1988-89	\$5,247	67.9%	5.7%	1.5%
1989-90	\$5,539	66.0%	5.5%	1.5%
1990-91	\$6,019	66.4%	5.6%	1.5%
1991-92	\$6,477	65.0%	5.6%	1.6%
1992-93	\$6,534	63.1%	5.4%	1.6%
1993-94	\$6,473	61.7%	5.3%	1.5%
1994-95	\$6,565	61.2%	5.3%	1.4%
1995-96	\$6,493	59.9%	5.2%	1.3%
1996-97	\$6,391	58.6%	5.1%	1.3%
1997-98	\$6,317	56.1%	5.0%	1.2%
1998-99	\$8,292	61.3%	5.9%	1.5%
1999-00	\$6,862	53.8%	4.8%	1.2%
2000-01	\$7,377	53.4%	4.9%	1.2%
2001-02	\$7,825	52.5%	4.9%	1.2%
2002-03	\$8,481	52.3%	5.2%	1.3%
2003-04	\$8,961	50.8%	5.3%	1.2%
2004-05	\$9,224	50.8%	5.2%	1.2%
2005-06	\$9,712	50.6%	5.1%	1.2%
2006-07	\$10,536	51.6%	5.2%	1.2%
2007-08	\$11,321	51.5%	5.2%	1.2%
2008-09	\$11,739	51.8%	5.1%	1.2%

Source: Statistics Canada Tables 385-0007, 385-0001 and 384-0002.