

OCUFA Briefing Note

Issue: University Funding - Capital

Date: July 2011

Ontario universities face two types of capital funding challenges - deferred maintenance and new facilities to accommodate increasing enrolments. According to the Council of Ontario Universities (COU), the backlog of deferred maintenance is \$2 billion. Another \$480 million are required to renovate and adapt existing infrastructure to current demands. Simply to maintain facilities in their current condition would require an average \$380 million per year over the next decade. The most recent COU report on Ontario university space requirements indicates that the available space is less than 75 per cent of what is required.

Following its announcement of *Reaching Higher* in the 2005 provincial budget, the Liberal government announced a five-year infrastructure investment plan - *ReNew Ontario*. The plan included \$540 million for new equipment and facilities renewal at Ontario universities and colleges. \$550 million was pledged to fund new construction to accommodate 14,000 new graduate student places by 2009-10; a further \$50 million was earmarked for a 15 per cent increase in medical school enrolments.

Ontario Budget 2009 announced \$780 million in post-secondary infrastructure funding over two years to match the federal government's stimulus funding post-secondary infrastructure. Ontario Budget 2010 announced a comprehensive review of capital spending. Funding for facilities renewal was reduced to \$17.3 million for 2010-11. A consultation process was initiated to receive submissions on a proposed 10-year infrastructure plan. The resulting plan, *Building Together*, was announced in June 2011.

Putting Students First, the Liberal government's latest postsecondary education plan was announced in May 2011. It announced a plan to increase the number of students at Ontario universities and colleges by 60,000, including 6,000 graduate students, by 2015-16. It promises that postsecondary institutions will be included in the provincial government's long-term capital funding planning for the first time. \$346 million in funding for new construction at Ontario universities was announced in June this year.

OCUFA's Position

- Universities should not be required to fund capital requirements from operating funds.
- Capital funding for facilities renewal should be increased to restore universities' facilities to a state of excellent repair to enhance the quality of education.
- Capital funding for new facilities must be adequate to accommodate enrolment growth.

Background

In Budget 1999, the provincial Conservative government announced the establishment of the “SuperBuild Growth Fund” as preparation for the 2003-04 influx of the “double cohort” of Ontario high school graduates. Since 2000-01, the amount allocated to universities for the Facilities Renewal Program (FRP) has remained at \$26.7 million, although there have been occasional one-time increases. As part of the budget restraint measures undertaken in 2010, the most recent FRP allocation is \$17.3 million.

In conjunction with the provincial Liberal government’s 2005 five-year *Reaching Higher* plan for increased funding for Ontario’s post-secondary system, \$550 million over five years was promised for construction of facilities for 14,000 new graduate student spaces. The \$550 million is “notional” funding: it was allocated to universities over a five year period, based on formula space requirements and research/program mix of incoming graduate students. Actual payments are spread over 20 years and incorporate an assumed 6.5 per cent interest rate over the life of the funding.

The latest Council of Ontario Universities (COU) inventory of available space at Ontario universities indicates that laboratory and research facilities were 75 per cent of what was required for faculty and their graduate students to follow their pursuits, and graduate students had only 53 per cent of the recommended office space. Overall, Ontario universities have less than three-quarters of the space required to accommodate all the activities of and services for students and faculty. With both undergraduate and graduate enrolments expected to increase for some time, the COU now estimates that \$9.4 billion in new construction will be required by 2021-22.

Adequate provincial funding is an ongoing problem. COU data indicate that over the decade from 1995-96 to 2004-05, Ministry of Training, Colleges and Universities (MTCU) funding for new construction and facilities renewal accounted for less than a third of Ontario universities’ expenditures for those purposes. Insufficient capital funding puts pressure on operating budgets in two ways: universities are forced to pay for renovations/alterations from operating funds; and institutions may find it necessary to raise capital funding for new construction by taking on debt, for which interest payments are paid from operating sources.

Federal-provincial funding arrangements have not stabilized capital funding. Ontario Budget 2007 announced \$390 million in funding from the federal government Post-secondary Education (PSE) Infrastructure Trust (established by Bill C-48), of which \$210 million was directed to universities. Subsequently, the Canada-Ontario Agreement (COA) provided for annual federal transfers to the Ontario government for postsecondary education. The COA has since been superseded by changes to the Canada Social Transfer, which made the increase in federal support for Ontario PSE permanent. To date, it appears that the Ontario government has been using the

additional funding for serial one-time injections of operating and campus renewal funding.

The 2009 federal budget announced \$2 billion for PSE infrastructure funding, 70 per cent of which was to be set aside for universities. Ontario received \$793 million in federal stimulus funding under this program. Ontario Budget 2009 provided \$780 million in matching funding. The May 2009 announcements of the projects to be funded under this stimulus program indicate that \$500 million of federal funding was being provided to universities. The announced provincial share of \$607 million actually includes funding that had been announced as much as 18 months previously.

A comprehensive review of capital planning was announced in Ontario Budget 2010 and submissions from stakeholders requested for August 2010. Since then, the Ontario government has announced its infrastructure plan – *Building Together* – in June 2011 and its strategy for postsecondary education in the province – *Putting Students First* in May 2011. The government claims that, for the first time, capital funding for colleges and universities will be included in its planning for capital funding requirements. The plan for colleges and universities includes an increase of 60,000 students over the next five year. Of those, 6,000 are expected to be graduate students.

The *Toronto Star* reports \$600 million will be provided to colleges and universities to accommodate 25,000 additional students. To date, \$346 million in funding for new construction at universities has been announced. So far, colleges will receive \$161 million.

ADDITIONAL RESOURCES:

OCUFA Research Papers

- *The Decline of Quality at Ontario Universities: Shortchanging a Generation, Trends in Higher Education*, March 2010
- *Quality in the Balance: Undergraduate Education in Ontario at Risk*, May 2007
- *Quality at Risk: An Assessment of the Ontario Government's Plans for Graduate Education*, March, 2007
- Hugh Mackenzie, for OCUFA and the Ontario Coalition for PSE, *Funding PSE in Ontario: Beyond the Path of Least Resistance*, December 2004

Other Reports

- Council of Ontario Universities, *Ontario Universities' Facilities Condition Assessment Program as of February 2010*, December 2010
- Council of Ontario Universities, *Submission: Ministry of Energy and Infrastructure Consultations on the 10-year Infrastructure Plan*, August 2010
- Council of Ontario Universities, *Inventory of Physical Facilities of Ontario Universities 2007-08*, March 2010
- Council of Ontario Universities, *Ontario Universities: Strategic Partners in Provincial Prosperity* (series, July 2008)
 - *Building and Sustaining the Knowledge Infrastructure*
 - *Expanding Graduate Studies to Boost Our Human Capital Advantage*
- Council of Ontario Universities, *Briefing Notes*, various years

COU Summary of Capital Funding for Universities and Colleges

(adapted and updated)

Date	Funds	Purpose
May 1999	\$741 million	SuperBuild Growth Fund initiative to support construction of new classrooms, labs and other facilities. Included are \$660 million for new projects, \$62.5 million in 1999 for the Facilities Renewal Program and \$19.4 million to complete existing projects.
February 2000		Awarding of the \$660 million announced in May 1999. Thirteen universities received \$365.0 million, 11 colleges received \$160.5, and six joint projects between the colleges and universities received \$134.8.
May 2000	\$231 million	Awarded to Ontario universities and colleges. Five universities received \$88.4 million, 14 colleges received \$132.5 million, and three joint projects between the colleges and universities received \$10.1 million.
July 2000	\$95 million	Investment for modernization and renewal. Included is \$40 million in ongoing annual funding for capital renewal and \$55 million in one-time modernization funding.
May 2001	\$100 million	Special allocation in the 2001 Ontario budget to address the maintenance costs incurred at colleges and universities.
July 2001	\$40 million	2001-2002 SuperBuild Facilities Renewal Program allocation.

2002	\$90 million	Special SuperBuild allocation \$60 million to UOIT \$30 million to University of Ottawa Biosciences Complex
October 2002	\$40 million	2002-03 Facilities Renewal Program allocation. \$13.3 million to colleges, \$26.7 million to universities.
2002 - 2003	\$4.5 million	Northern Ontario Medical School West Campus (Lakehead University)
April 2003	\$180.2 million	New round of SuperBuild allocations to address the need for more space to accommodate higher-than-expected post-secondary enrolment. \$150.5 to universities, \$29.7 to college
Sept. 2003	\$40 million	2003-04 Facilities Renewal Program allocation. \$13.3 million to colleges, \$26.7 million to universities.
October 2004	\$40 million	2004-05 Facilities Renewal Program allocation. \$13.3 million to colleges, \$26.7 million to universities.
May 2005	\$250 million	One time only funding announced in the May 2005 Ontario budget for 2004-05. \$200 million supplement to the Facilities Renewal Program (\$66.7 million to colleges, \$133.3 million to universities). \$40 million supplement to the College Equipment and Renewal Program and \$10 million supplement to the Apprenticeship Enhancement Program (colleges only)
June 2005	\$600 million	\$50 million to increase medical enrolment; \$550 million to increase graduate enrolment by 14,000 The \$600 million is a 5 year notional amount, with payments over a 20 year period.
January 2006	\$40 million	2005-06 Facilities Renewal Program allocation; \$13.3 million to colleges, \$26.7 million to universities.
February 2007	\$40 million	2006-07 Facilities Renewal Program allocation; \$13.3 million to colleges, \$26.7 million to universities.
October 2007	\$40 million	2007-08 Facilities Renewal Program allocation; \$13.3 million to colleges, \$26.7 million to universities.
January 2008	\$200 million	2007-08 Campus Renewal Program allocation; \$65 million to colleges, \$135 million to universities.
March 2008	\$200 million	\$200 million University Campus Renewal Program special allocation to universities announced in provincial budget.
December 2008	\$40 million	2008-09 Facilities Renewal Program allocation; \$13.3 million to colleges, \$26.7 million to universities.
May 2009	\$607 million	Two year university and college infrastructure announcement to match \$780 million in federal government stimulus investment. Including amounts previously announced, provincial PSE infrastructure total over two years reported as \$1.1 billion. University share is \$607 million. Provincial funding plus \$500 million in federal Knowledge Infrastructure Program stimulus funding totaled \$1.1 billion in government funding for university capital projects.
July 2009	\$40 million	2009-10 Facilities Renewal Program allocation; \$13.3 million to colleges, \$26.7 million to universities.
May 2010	\$26 million	2010-11 Facilities Renewal Program allocation; \$8.7 million to colleges; \$17.3 million to universities.
June 2011	\$346 million	\$346 million announced for new construction at Ontario universities; another \$141 million was allocated for new construction at Ontario colleges.