

## OCUFA Briefing Note

**Issue:** University Funding - Operating

**Date:** August 2011

In Ontario Budget 2005, the Liberal government announced *Reaching Higher*, its five-year plan for increased funding for post-secondary education in Ontario. The plan outlined a cumulative increase of \$4.5 billion in operating transfers to universities and colleges 2009-10. Ministry of Training, Colleges and Universities (MTCU) allocations to universities rose from \$2.4 billion in 2004-05 to \$3.2 billion in 2009-10.

Instead of applying the increases to base operating grants, the number of funding “envelopes” was increased to earmark funding, e.g., graduate expansion and “quality” initiatives. And, until recently, the increases in federal cash transfers to provinces for post-secondary education through the Canada Social Transfer (CST) appear to have been used for one-time top-ups for facilities renewal and for operating funding to cover higher than expected enrolments.

Budget 2010 represented the first time the Liberal government attempted to get ahead of enrolment increases by announcing \$310 million in operating funding to cover established growth and to accommodate 20,000 new college and undergraduate students. The provincial government announced its current plan five-year plan - *Putting Students First* - in May 2011. It anticipates 60,000 new college and university places by 2015-16, 6,000 of whom are expected to be graduate students. Budget 2011 announced an increase of \$64 million in additional operating funding for colleges and universities in 2011-12, rising to \$309 million by 2013-14. Per student funding will remain stable, but that is before the effect of inflation.

Even while the Ontario government has improved funding levels, and some other jurisdictions have reduced funding in the midst of the recession, Ontario’s funding per student remains well below the average in the rest of Canada and at comparable institutions in the United States. The most recent data indicate that Ontario funding would have to increase by 41 per cent to match average funding in the rest of Canada and 17 per cent to match recession-rocked US peer institutions.

### OCUFA’s Position

- Funding per student should begin approaching the average in the rest of Canada and US peers - approximately \$1.2 billion more by 2015-16.
- Use of funding envelopes should be reduced, with envelope funding being folded into base operating grants.
- Additional federal funding must be “passed through” to universities and colleges.

## Background

*Reaching Higher* was introduced by the McGuinty Liberal government in the 2005 Ontario Budget as the biggest investment in post-secondary education in Ontario since the expansion of the sixties and seventies. It represented a departure from the previous decade of under-funding after the Harris Conservatives slashed funding by 16 per cent in their first year of government. *Reaching Higher* also responded to many of the recommendations outlined in the 2004-05 Rae Review of postsecondary education. Its key themes are accessibility, quality, and accountability.

*Reaching Higher* promised a cumulative \$6.2 billion dollars funding above the 2004-05 amount. Of that amount, \$4.3 billion was earmarked for operating funding for universities and colleges, \$1.5 billion for student support, and the remainder for vocational education. Operating funding included amounts intended to compensate universities for revenue foregone because of the two-year tuition freeze and designated for planned increases in medical and graduate student enrolments. The number of doctors graduating each year is expected to increase by 15% by 2011-12. Under the graduate expansion program, the number of Ontario graduate students in 2009-10 was expected to be 14,000 higher than in 2002-03. In 2009, the graduate expansion targets were extended to 2011-12.

Graduate expansion funding represents one of the numerous envelopes introduced under the auspices of *Reaching Higher* and the Multi-Year Accountability Agreements. Envelopes to facilitate the participation of under-represented groups increase the number of programs that are supported by access funding, but other envelopes have problematic features. OCUFA has objected to some of them because they reduce the institutional autonomy of universities, for example. Because a number of envelopes have not been folded into base operating grants on an annual basis, and some funding has been distributed on a year-end basis, universities have claimed that funds received one year cannot be expected the following year. For this and other reasons, faculty members continually face the prospect of budget and staffing cuts.

The number of envelopes did not decline with changes introduced in Budget 2010, but it does appear to represent an effort to stop ad hoc year-end funding and to get ahead of enrolment increases and provide universities with some measure of future funding certainty. Budget 2010 pledged \$310 million in additional operating funding for colleges and universities for 2010-11. Of that, \$248 million was intended for universities. \$101 million was for established enrolment growth, part of which has been funded retroactively in year-end grants. The remaining funding indicates that the increase in funding is an attempt to get ahead of the game and to reduce the reliance on one-time, year-end funding. Enrolment-related funding continues to be incorporated as base operating funding only in subsequent years.

Budget 2011 announced that college and university enrolment will increase by 60,000 by 2015-16. That includes 6,000 graduate students. To accommodate the expanding student population, Budget 2011 also promises \$64 million in new operating funding for 2011-12. Additional funding will rise to \$309 million by 2013-14. If enrolment increases by an equal amount each year and funding increases occur as planned, per student funding will remain essentially stable. After inflation, however, per student funding may decrease by about nine per cent. It is certainly not enough to make up the funding gap between Ontario and other jurisdictions. If the additional funding promised for 2013-14 is distributed according to the current weighting of college, undergraduate and graduate enrolment, Ontario universities will see approximately \$230 million more than 2010-11.

Per student funding by US states for institutions comparable to Ontario universities has consistently been more than 30 per cent higher than Ontario government contributions. With federal stabilization funding during the recession, that remains true. Even if we do not count the federal stabilization funds, attaining current US levels of state funding would require that the Ontario government spend close to \$800 million more in 2015-16 than it did in 2010-11.

By comparison, to attain current levels of funding in the rest of Canada, Ontario would have to add over \$1.7 billion in operating funding. Ontario currently has the highest domestic undergraduate tuition fees in Canada, and Ontario graduate students pay the second highest fees. If OCUFA's proposal for a tuition freeze were to be adopted, and a per student target of combined tuition and provincial operating in the rest of Canada is set as Ontario's funding goal, even at today's rates \$800 million would have to be added to today's operating funding by 2015-16. If revenue growth in other provinces were a modest 1 per cent per year, Ontario would have to add \$1.2 billion in to catch up over the next five years.

In its presentation to the Standing Committee on Finance and Economic Affairs, OCUFA proposed increasing operating funding to universities by \$300 million each year -- \$900 million more in 2013-14 and \$1.2 billion more in 2015-16 than was allocated in 2010-11.

## ADDITIONAL RESOURCES:

### OCUFA Research Papers

- *The Decline of Quality at Ontario Universities: Shortchanging a Generation, Trends in Higher Education*, March 2010
- *Envelope Funding for Ontario Universities: Policy Discussion Background*, June 2008
- *A Failing Grade: Ontario's treatment of post secondary education is falling behind its global competitors*, November 2007
- *Leading Higher: Funding for Ontario Universities*, October 2007
- *A Tale of Two Expansions: Intergenerational Equity, Quality, and Funding Fairness for Today's University Students*, September 2007
- *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
- Michael Doucet, *The Maclean's Rankings and Ontario's Universities: A Comparison of the 2003, 2004, and 2005 Results*, January 2006
- Hugh Mackenzie, for OCUFA and the Ontario Coalition for Postsecondary Education, *Funding Postsecondary Education in Ontario: Beyond the Path of Least Resistance*, December 2004
- *Reaching for the Top: What results could well-funded Ontario universities achieve?*, June 2004

### Other Reports

- Council of Ontario Universities, *Framework for Planning and Funding of Enrolment*, Position Paper, June 2010
- Council of Ontario Universities, *Ontario Universities: Strategic Partners in Provincial Prosperity*, (series) June 2008
  - *Managing Growth in University Enrolment and Enhancing the Quality of the Student Learning Experience*
  - *Building and Sustaining the Knowledge Infrastructure*
  - *Expanding Graduate Studies to Boost Our Human Capital Advantage*
- Council of Ontario Universities, *University Access, Accountability and Quality in the Reaching Higher Plan*, November 2006

## Data

Notes for following tables

A) *Ontario government operating allocations to universities* – Ministry of Training, Colleges and Universities (MTCU) operating grants per “eligible” basic income unit (BIU):

“Eligible” students are students for which universities receive MTCU funding. FTEs are fiscal full-time equivalent students as defined by MTCU. BIUs are a weighted enrolment figures: depending on academic program and level of study, one full-time student may add between one and six BIUs for formula funding purposes.

B) *Funding per student: Ontario and other jurisdictions*: Rules for eligibility and weighted enrolment formulas differ between jurisdictions. Comparisons are based on total full-time equivalent student enrolment. Financial comparisons with US institutions based on state appropriations; with Canadian universities, funding data include operating funding from all provincial sources.

### Ontario government operating allocations to universities

	\$ millions	FTEs	Funding per eligible FTE student		BIUs	Funding per eligible BIU	
			Current \$	Constant 2009-10 \$		current \$	Constant 2009-10 \$
1970-71	332	136,063	2,440	13,826	227,397	1,460	8,273
1980-81	845	193,227	4,372	11,567	332,283	2,542	6,443
1990-91	1,836	253,385	7,247	10,466	433,767	4,233	6,110
2000-01	1,716	252,727	6,790	8,116	434,912	3,946	4,721
2001-02	1,723	263,492	6,540	7,586	456,398	3,776	4,419
2002-03	1,876	283,556	6,618	7,524	493,500	3,802	4,321
2003-04	2,279	315,297	7,230	8,008	545,587	4,178	4,661
2004-05	2,434	330,374	7,369	8,011	580,836	4,191	4,577
2005-06	2,668	344,521	7,744	8,238	607,841	4,389	4,687
2006-07	3,046	354,349	8,596	9,174	631,862	4,821	5,145
2007-08	2,976	357,959	8,312	8,533	646,959	4,599	4,720
2008-09	3,094	363,835	8,504	8,536	667,043	4,638	4,657
2009-10	3,227	378,534	8,526	8,526	696,646	4,632	4,632
2010-11	3,327	390,504	8,520	8,333	720,885	4,615	4,514

Source: Ministry of Training, Colleges and Universities; Council of Ontario Universities

## Funding per student: Ontario and other jurisdictions

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
<b>Provincial / State operating funding per student - \$</b>						
Ontario	\$6,993	\$7,592	\$8,433	\$8,352	\$8,474	\$8,257
Rest of Canada	\$9,484	\$9,984	\$10,614	\$11,277	\$12,047	\$11,877
Council of Ontario Universities (COU) peer universities	\$10,169	\$10,571	\$11,183	\$11,720	\$10,715	\$9,908
Institute for Competitiveness and Prosperity (ICAP) peer states	\$10,161	\$10,606	\$11,030	\$11,478	\$10,601	\$9,249
US public universities	\$9,708	\$10,164	\$10,739	\$11,309	\$10,502	\$10,070

### Ontario increase required to match:

Rest of Canada	36%	32%	26%	35%	42%	44%
COU peers	45%	39%	33%	40%	26%	20%
ICAP peers	45%	40%	31%	37%	25%	12%
US public universities	39%	34%	27%	35%	24%	22%

Source: Canada financial data – Canadian Association of University Business Officers; Canada enrolment data – Statistics Canada; US data – National Center for Education Statistics.