

The public funding of higher education: Is it sustainable?

Financing Higher Education in the Current Economic Climate

OCUFA Conference
Sutton Place, Toronto,
January 22/23, 2010

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Overview

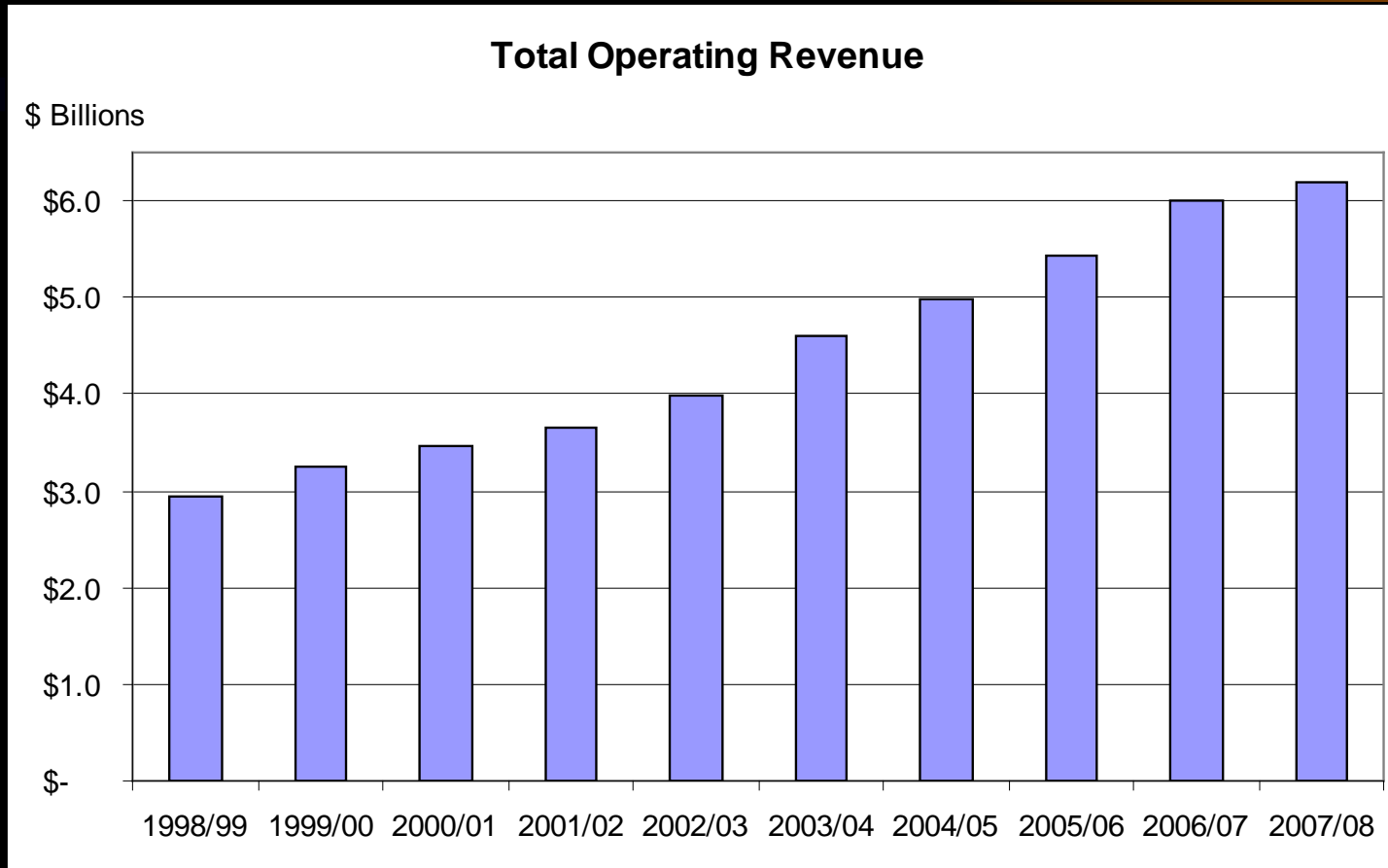
- **Setting the context**
- **Factors affecting Expenditures**
 - Expanded mandates / initiatives
 - New claims on “operating funds”
 - Compensation and the ‘market’ for faculty
- **Funding mechanisms**
- **Considerations**

Setting the Context

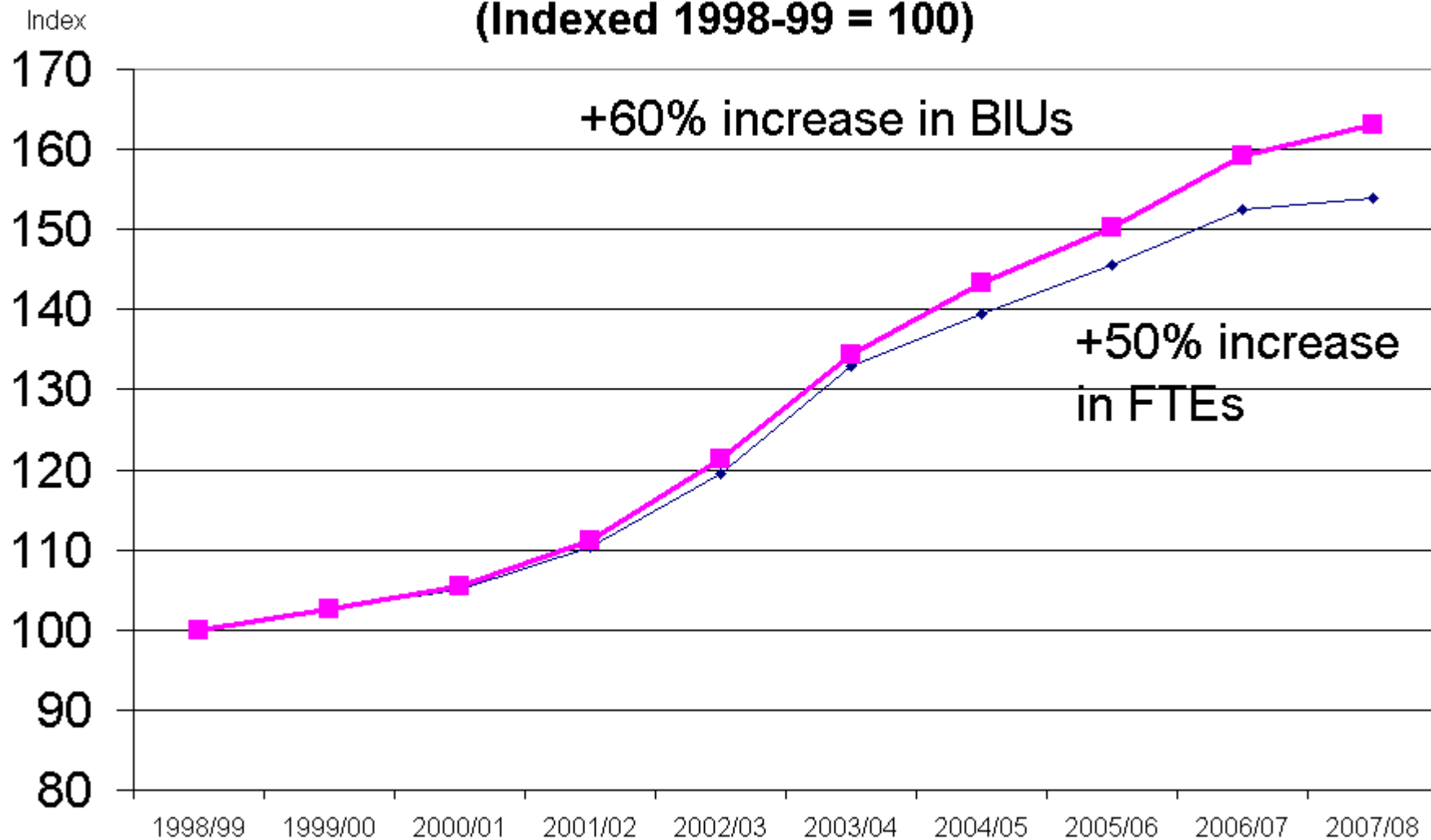
- Universities share one characteristic with compulsive gamblers and exiled royalty: there is never enough money to satisfy their desires. (p.9)
- The prospect of new revenue is a powerful temptation and can easily lead decent people into unwise compromises... (p.185)

Derek Bok, 2003. *Universities in the Marketplace: The Commercialization of Higher Education.*

Ontario Universities – Operating Revenues

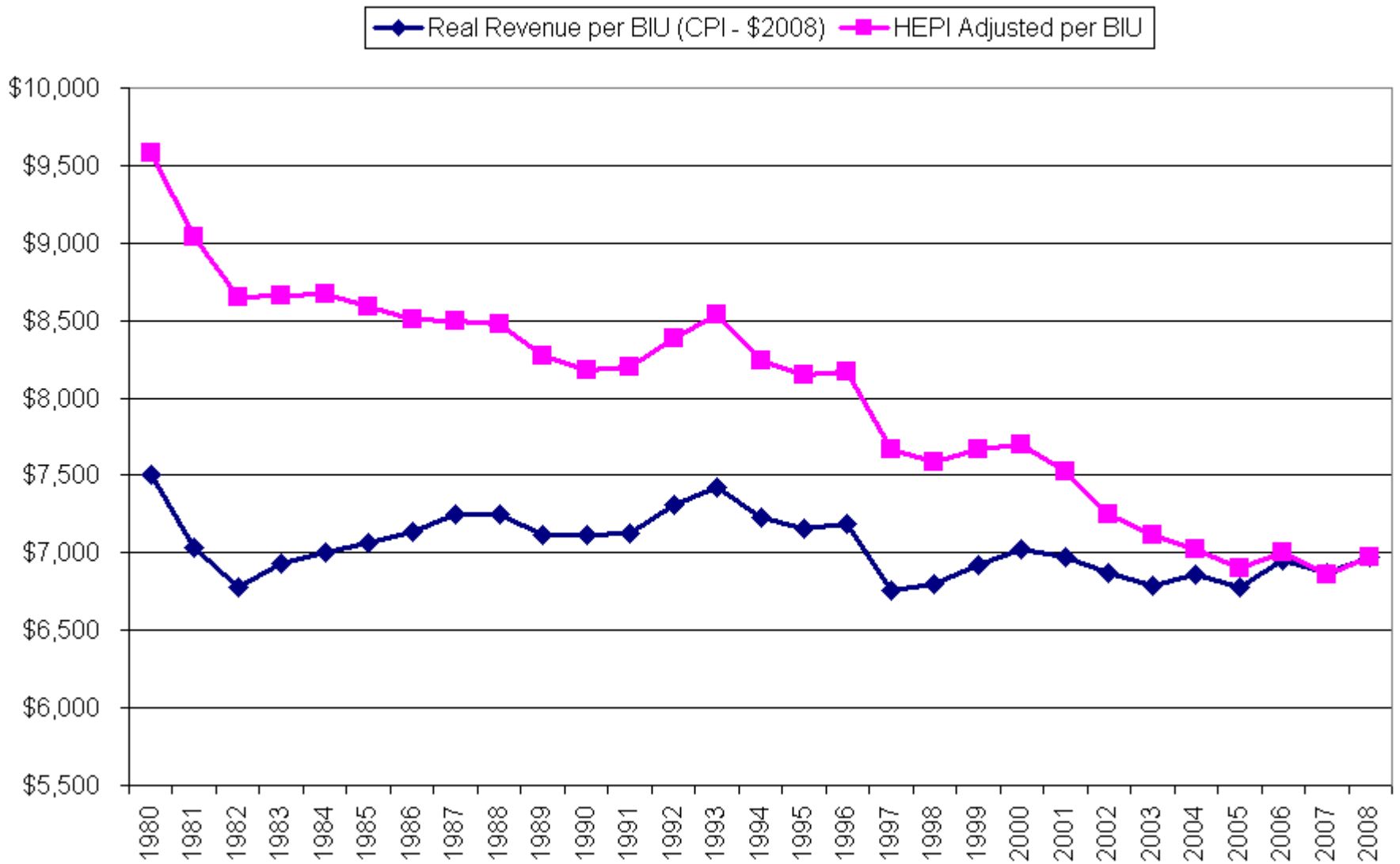


Enrolment Change (Indexed 1998-99 = 100)

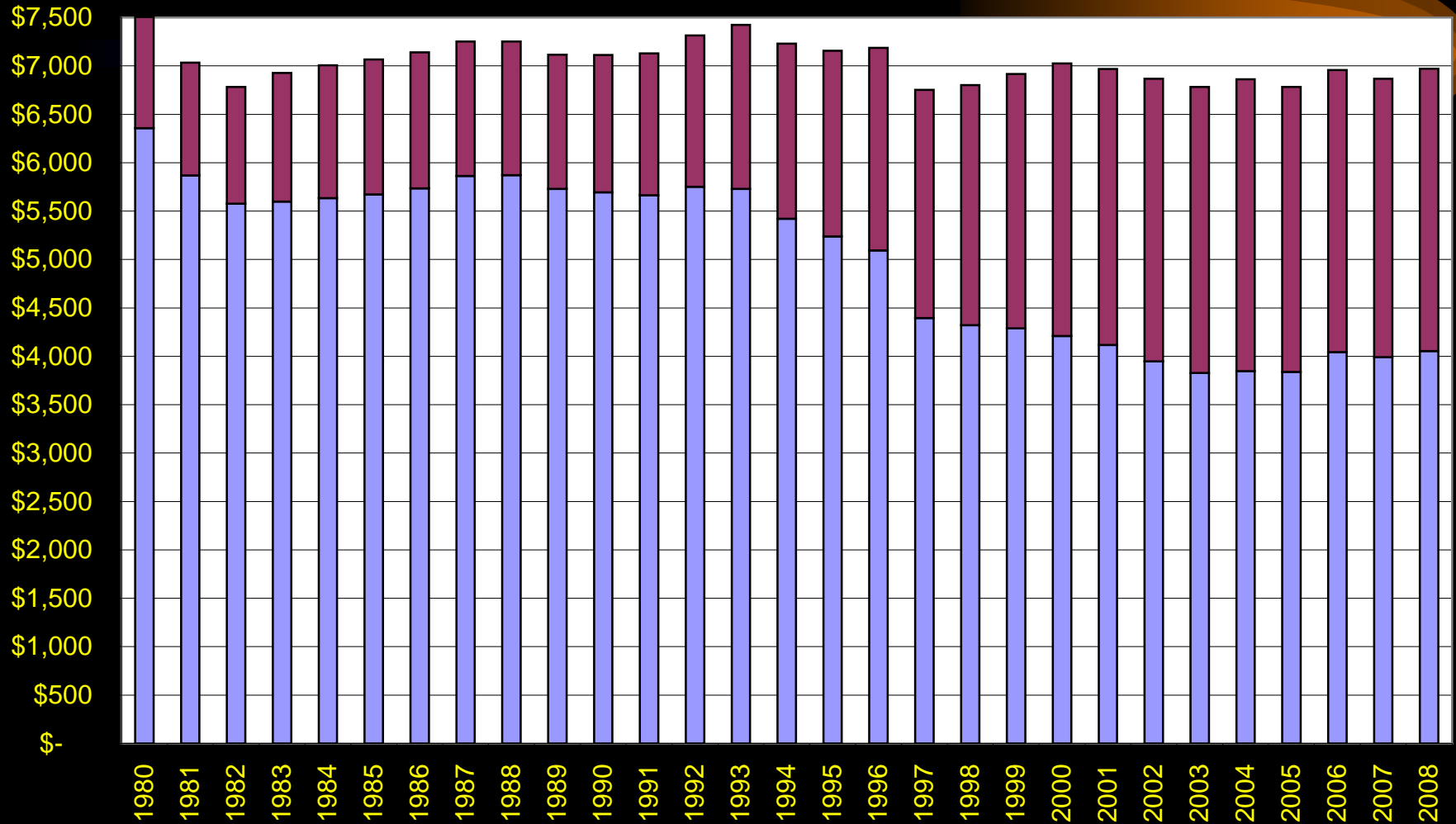


Revisiting Ontario Revenue Data

Revenue per BIU - Universities



Tuition and Operating Grants per BIU



Revisiting Ontario Revenue Data

Part Three

Adding Context to the Funding-Per-Student Information

- PSE Funding: Shifts in Income – Universities
- Changes in Tuition Levels and Regulation
- Student Assistance
- Changes in Provincial Funding Allocation Mechanisms
- Grants for Targeted Enrolment Growth
- A Comment on 'Envelope' or 'Targeted' Funding
- Changes in Capital Financing
- ★ Federal Initiatives in Research and Student Support
- The Rise of Public Accountability
- The Cost of 'Fund Raising'
- ★ Student Diversity and Access

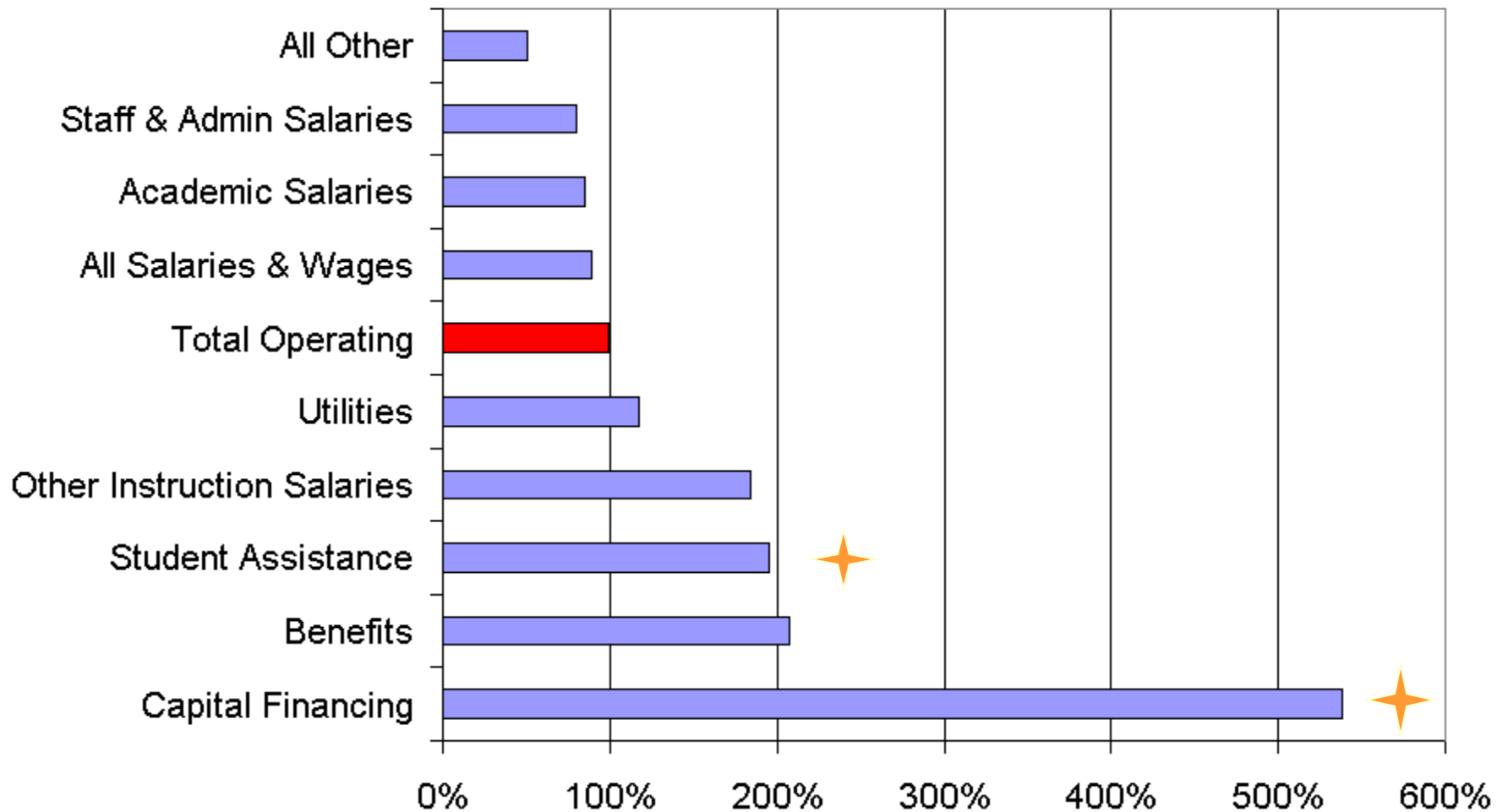
Expanded mandates

– cost implications

- “Innovation agenda”
 - Indirect AND **direct** costs
 - Major shift in activity and mandate
- Diversity and Increased Access
 - Significant escalation of costs
 - Special Ed funding is 10% of M of Education
 - Access and diversity = 1%-1.5% of Univ grants

% Change in Operating Expenditures

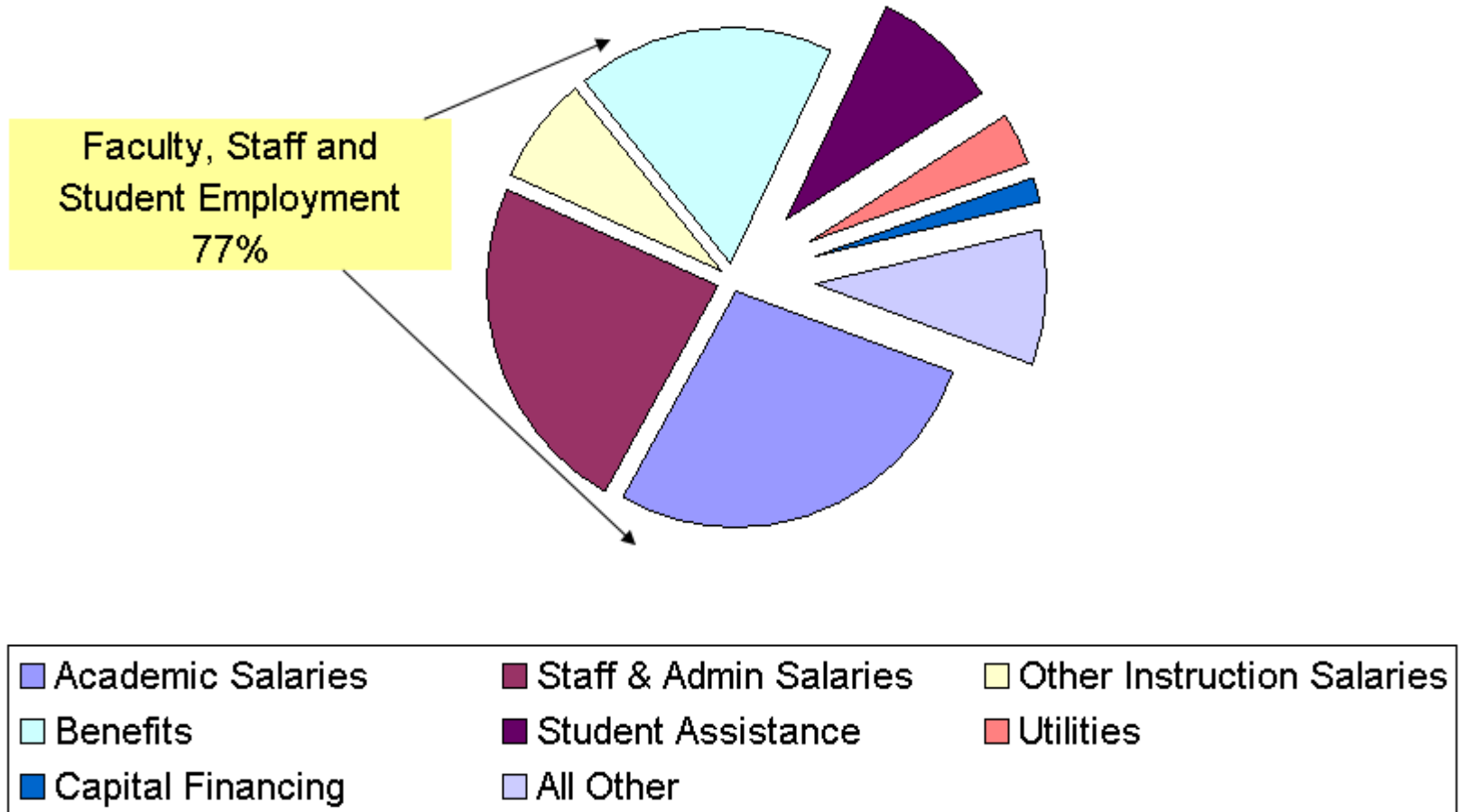
1998-99 to 2007-08



Operating Expenditure Increases

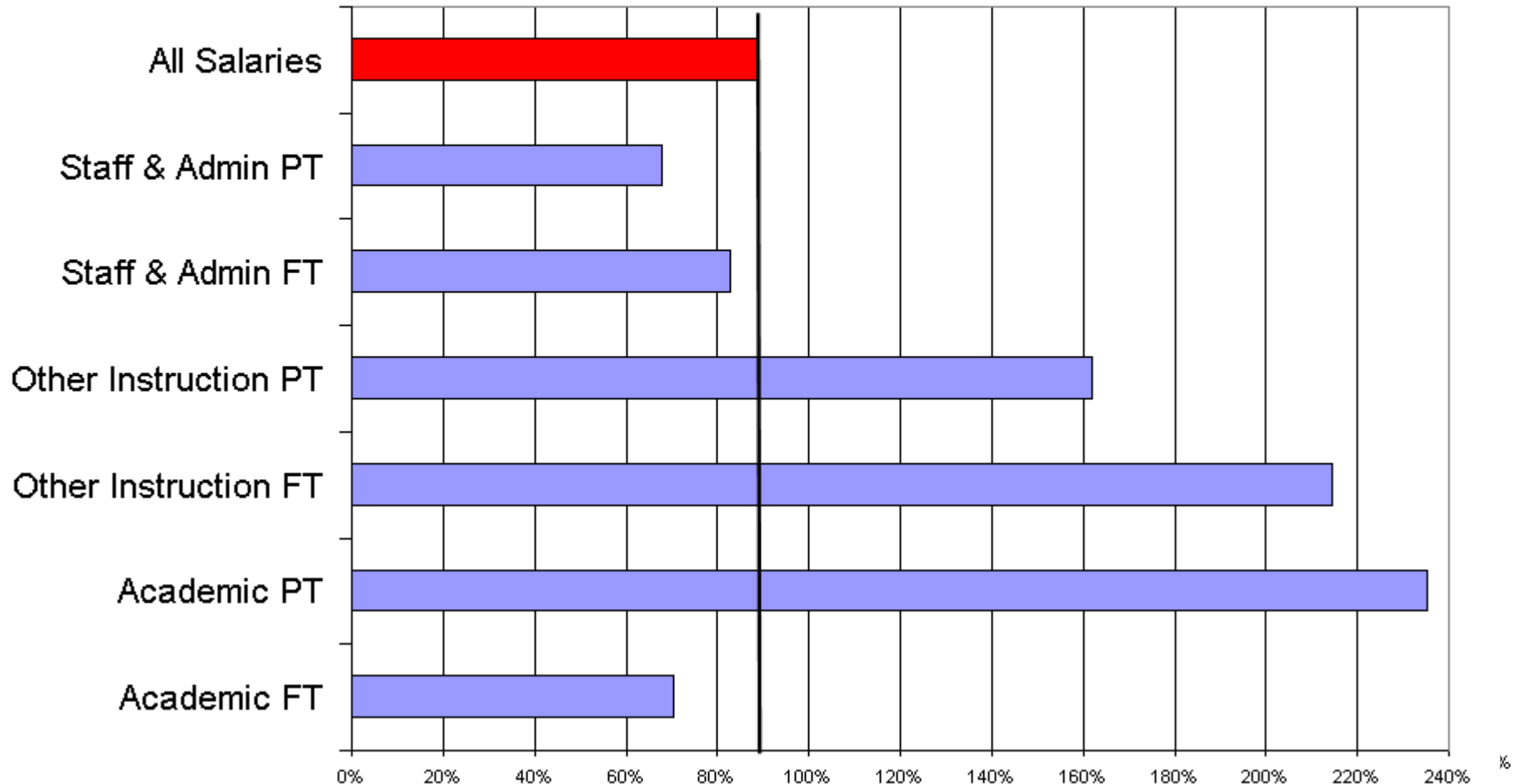
Shares of \$2.9 Billion Increase

1998-99 to 2007-08



% Change in Salary Expenditures

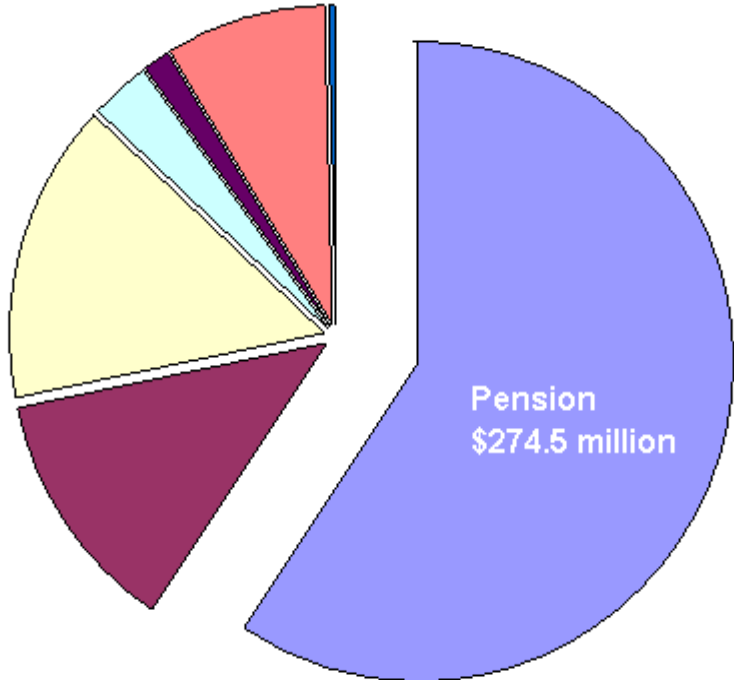
Operating Fund 1998-99 to 2007-08



Benefits Expenditure Increases

Shares of \$463 Million Increase

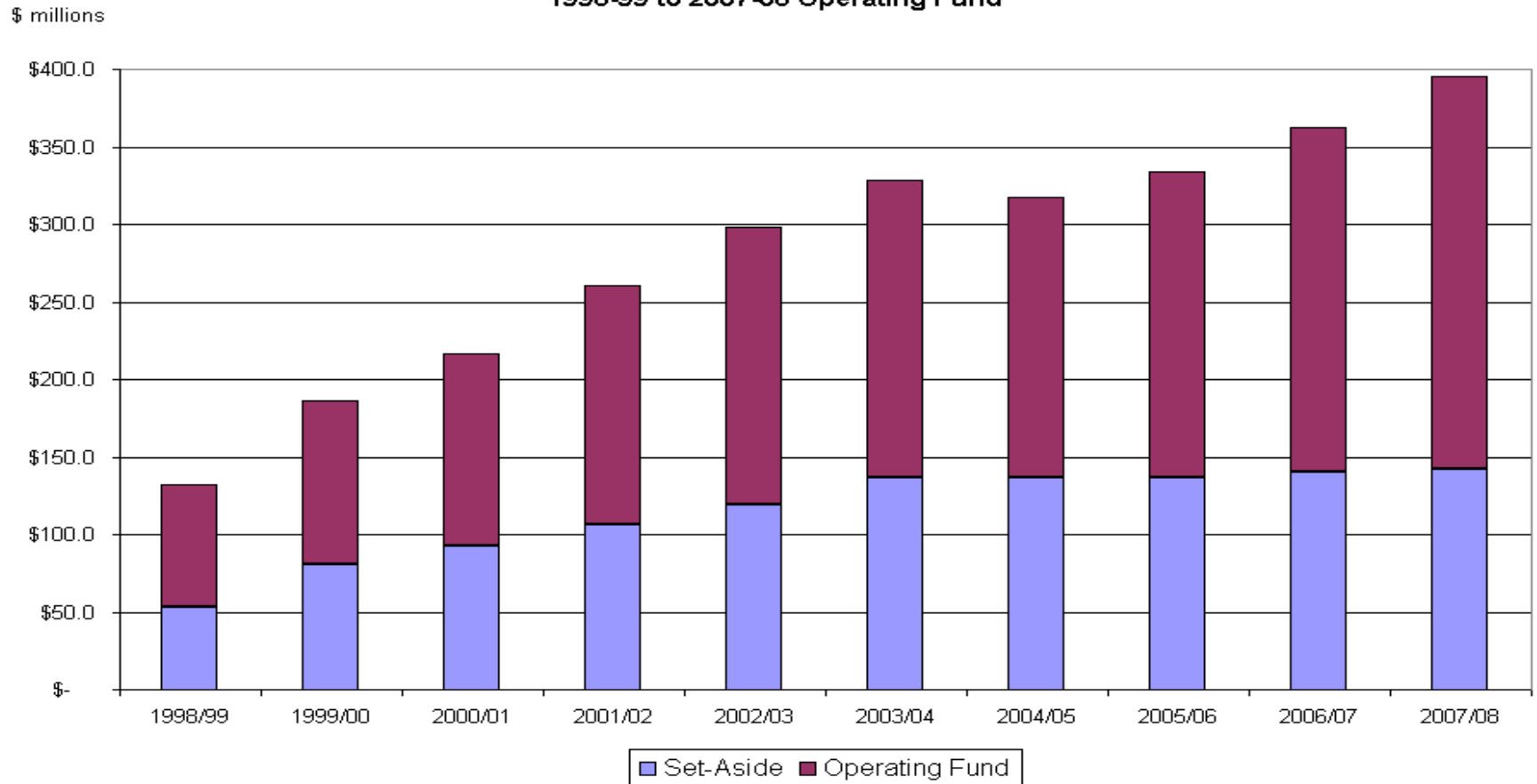
2000-01 to 2007-08



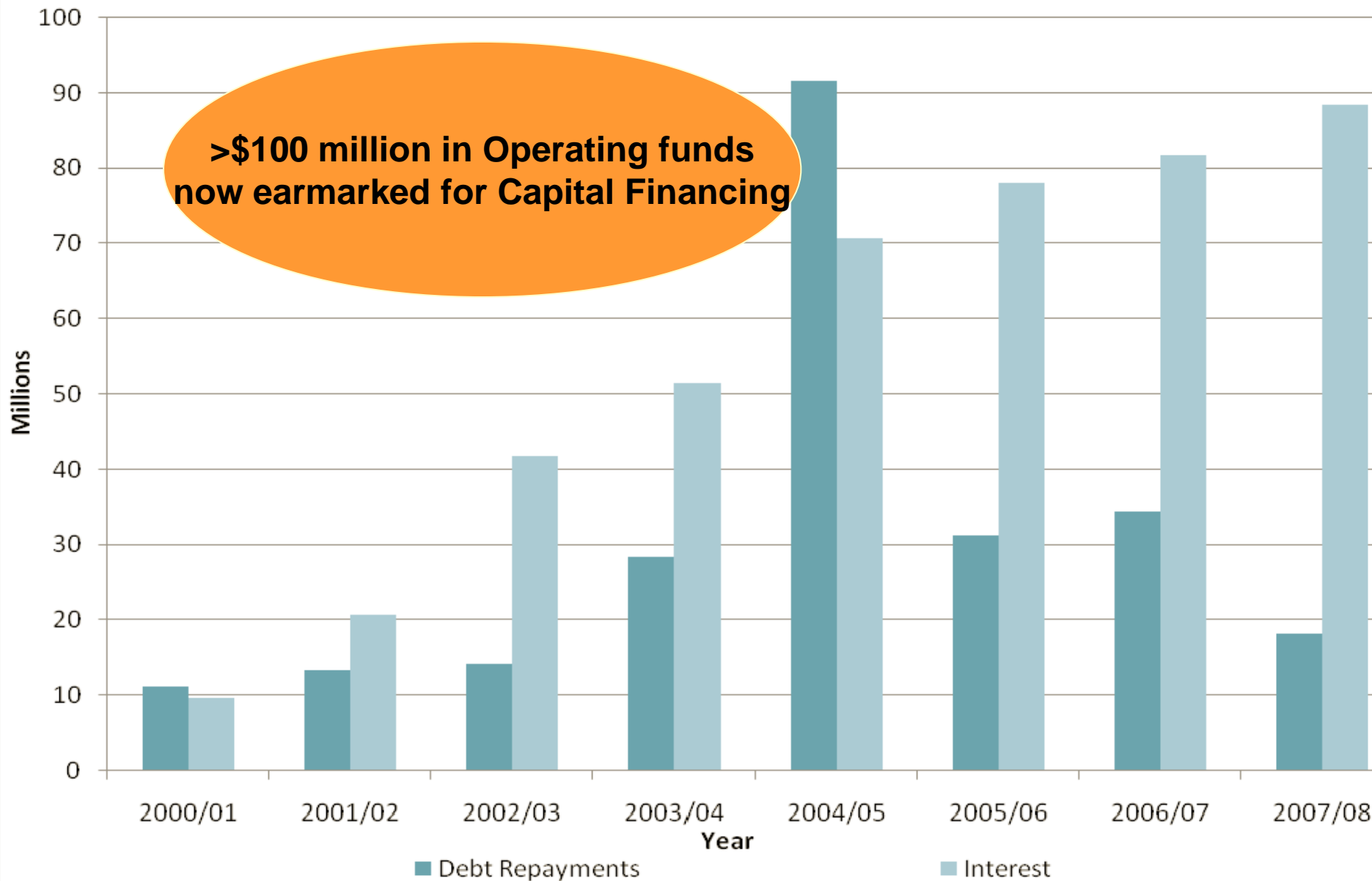
- Pension
- CPP
- Supp. Health
- Tuition Remission
- Employment Insurance
- Dental
- All Other*

Scholarships and Student Assistance

Scholarships and Student Assistance Expenditures
1998-99 to 2007-08 Operating Fund



Implications of Change in Capital Financing





Setting the Context - compensation

- “Recent years have also witnessed sharp growth at the top of the Canadian earnings distribution ... a phenomenon also observed in the United States.” (p.12)
- “in several sectors of the economy, pay rates rose substantially for some highly skilled workers over the last decade.” (p.14)
- Private sector –“average earnings of managers grew a solid 20%, four times the rate for other employees.” (p.19)

R. Morissette, *Earnings in the last decade*, Statistics Canada, February 2008, **Perspectives**.

Majority of faculty – top 5% – “high-income”
(average faculty salary Ontario 2004/05 \$93,737 CAUT Almanac)
(average faculty salary Ontario 2006/07 \$102,601 CAUT Almanac)

Table 1 Income thresholds for individuals and families

	Individuals		Families	
	Cut-off	Above cut-off	Cut-off	Above cut-off
Absolute threshold	\$	%	\$	%
CRA	250,000	0.6	250,000	1.5
Census tables	150,000	1.4	150,000	5.4
Ontario 'sunshine list'	100,000	3.7	100,000	15.3
Top federal tax rate	113,804	2.4	113,804	11.3
Relative threshold				
Three times median	75,000	8.1	129,000	8.2
Top third	37,000	33.3	64,000	33.3
Top 20%	50,000	20.0	88,000	20.0
Top 10%	69,000	10.0	119,000	10.0
Top 5%	★ 89,000	5.0	154,000	5.0
Top 1%	181,000	1.0	305,000	1.0

Source: Statistics Canada, T1 Family File, 2004

faculty 'market'

- Supply
 - ❖ # of PhD graduates declined in the late 90s
- Demand
 - ❖ Increased enrolment
 - ❖ Increased research activity
- Special factors
 - ❖ CRC 'boost'
 - ❖ Operating Grant increases
 - ❖ Differential tuition

Funding policy and mechanisms



- targetted' funding
 - Ignores 'core operations'
 - Start-up \$ - project based not on-going
 - Targetted expansion based on a formula 'construct' that was designed for institutional "block grants" not program funding
- Uncertainty – level \$, timing, base vs. one-time, reporting expectations
- Policy changes with major implications – capital, student assistance
- Multi-contributors – added complexity, draws on scarce resources, added overhead, skews priorities

Summary



- Expanded mandates
 - Research (indirect and faculty costs)
 - Diversity and expanded access (added costs)
- Expenditures
 - Operating \$ being used for “new” purposes (capital financing, expanded student assistance)
 - Faculty compensation – salary AND benefit pressures
- Funding mechanisms – impact the effective use of resources

Considerations....

Public Investment in PSE

- Operating Grants
- Research grants/contracts/infrastructure
- Capital grants
- Student support
 - Need based
 - Merit based
- Other support
 - Tax expenditures
 - Direct savings (CSG, CLB)

Snapshot of Government PSE Expenditures

Ontario Provincial PSE Expenditures				
(\$ millions)		1998/99	2007/08	% Change
Operating Grants	\$	2,285	\$ 4,192	83%
Research Grants	\$	123	\$ 354	189%
Capital Grants	\$	38	\$ 409	968%
Student Support	\$	196	\$ 692	254%
Tax Expenditures	\$	173	\$ 241	39%
Total	\$	2,815	\$ 5,197	85%
Provincial GDP (\$ billions)	\$	377.9	\$ 585.0	55%
Provincial PSE as % GDP		0.7%	0.9%	
Provincial Budget (\$ billions) (program spending - actual)	\$	49.0	\$ 87.6	79%
Provincial PSE as % Budget		5.7%	5.9%	
Direct Federal PSE Expenditures in Ontario				
CSG and CLB	\$	87.0	\$ 307.4	253%
Research	\$	345.4	\$ 1,135.7	229%
Tax Expenditures	\$	431.4	\$ 601.2	39%
Total Federal (Direct)	\$	863.8	\$ 2,044.3	137%
Total PSE Expenditures	\$	3,678.4	\$ 7,241.3	97%
Total as % Provincial GDP		1.0%	1.2%	

Is it sustainable?

Considerations...

- **Current funding policies / practices could be improved**
 - **More effective use of existing resources**
- **The existing array of PSE investments deserves review**
- **Prospects for the future....**

Thank You!

Universities Operating Revenue by Source

