

## OCUFA Briefing Note

**Issue: University Funding – Operating**

**Date: January 2009**

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 increases in operating funding to universities and colleges to \$4.5 billion by 2009-10. Ministry of Training, Colleges and Universities (MTCU) allocations to universities rose from \$2.4 billion in 2004-05 to \$3.0 billion in 2007-08. MTCU allocations are expected to rise by one per cent for 2008-09.

There was an additional one-time payment of \$210 million for 2006-07, funded from a federal trust established in 2005 by Bill C-48. The federal government subsequently (in Budget 2007) announced increases in cash transfers to provinces for post-secondary education through the Canada Social Transfer (CST). The estimated additional funding is estimated to be at least \$400 million in 2008-09. Additional money for 2007-08 appears to have been allocated by the province to capital funding for universities and colleges.

*Reaching Higher* has modestly improved the operating funding situation for Ontario universities. On an inflation-adjusted basis, 2007-08 per student funding is 8 per cent higher than its lowest level in 2002-03, and two and one-half per cent higher than when *Reaching Higher* was launched. Estimates for 2006-07 indicate that provincial funding has gained ground relative to other North American jurisdictions.

Still, enrolments have increased faster than anticipated. Per student funding would have to increase by a third to match provincial funding from the previous (Peterson) Liberal government. To reach the average in other Canadian provinces or the average in comparable US institutions, provincial funding would have to increase by 27 and 47 per cent respectively.

### **OCUFA's Position**

- Funding per student should be at least as much as the average in the rest of Canada, preferably comparable to funding for US peers – approximately \$1 billion to \$1.2 billion more in 2009-10 than is currently planned.
- 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 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.

<b>Reaching Higher: New Ongoing Operating Investments *</b> (\$ Millions)							
	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>Cumul-ative Total</b>
Student Financial Assistance	150	192	241	282	314	358	1,537
Operating Grants to Colleges and Universities	50	447	732	932	958	1,156	4,275
Training and Apprenticeship and Other Initiatives	-	44	62	86	87	87	366
<b>Total New Investment</b>	<b>200</b>	<b>683</b>	<b>1,035</b>	<b>1,300</b>	<b>1,359</b>	<b>1,601</b>	<b>6,178</b>
* Increase over 2004-05 base funding, which is the 2004-05 Interim excluding \$200 million in expenditures provided for the Ontario Student Opportunities Trust Fund, endowments for graduate fellowships and faculty research chairs, and college stabilization. Source: Ontario Ministry of Finance.							

The share of operating funding destined for universities was not specified, but the Council of Ontario Universities (COU) estimated the cumulative total would be \$2.7 billion.

<b>University portion of Operating Grants (COU estimate)</b> (\$ Millions)							
	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>Cumu-lative</b>
Above 2004-05 base*		322	467	584	603	771	2,747
Annual increase		322	145	117	19	168	771
Annual change		12%	8%	5%	1%	5%	35%
* excludes \$25 million allocated in 2004-05 for Ontario Research Chairs							

Additional operating funding included amounts designated for planned increases in medical and graduate student enrolments and intended to compensate universities for revenue foregone because of the two-year tuition freeze. The number of doctors graduating each year is expected to increase by 15% by 2011-12. This expansion is in addition to the new Northern Ontario School of Medicine, which opened in September 2005.

Under the graduate expansion program, the number of Ontario graduate students in 2007-08 was anticipated to be 12,000 higher than in 2002-03. Another 2,000 are expected by 2009-10. Funding for these additional students was scheduled to be \$170 million in 2007-08 and \$220 million in 2009-10. Because of a combination of factors – several universities did not reach their specified graduate recruitment targets, and MTCU distributed funding based solely on the original Master’s and Doctoral enrolment targets – \$50 million of graduate expansion funding for 2007-08 was not allocated for that purpose. The remainder was re-allocated to cover undergraduate enrolment increases.

According to the COU, 46,000 more undergraduate students are expected to be enrolled at Ontario universities in 2009-10 than were anticipated when *Reaching Higher* was announced. Had the enrolment forecast been correct, per student funding in 2007-08 would have been nine per cent higher than it was (2004-05) when the new funding initiative was announced, rather than less than three per cent higher.

Information on preliminary allocations for 2008-09 are not yet available. However, according to the Minister’s 2006 letter advising universities of funding to be rolled out in conjunction with the Multi-Year Accountability Agreements through 2008-09, overall funding (excluding student scholarship funding) is scheduled to increase by slightly less than one per cent. According to the Budget Estimates voted by the legislature, overall operating grants for colleges and universities is set to increase by three per cent. Of that total, grants for university operating costs is less than half a per cent, while funding for medical professions education at universities will increase by 10 per cent.

In the meantime, the number of full-time first-year undergraduate registrants for fall 2008 is more than three per cent higher than it was the previous year.

## ADDITIONAL RESOURCES:

### OCUFA Research Papers

- *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, *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 (tables on following page)

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. 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 MTCU allocations and state appropriations; with Canadian universities, funding data include operating funding from all provincial sources.

## Ontario government operating allocations to universities

	\$ millions	BIUs	Funding per BIU	
			current \$	Constant 2004-05 \$
1970-71	332	227,479	1,459	7,527
1980-81	845	332,283	2,542	5,900
1990-91	1,836	433,767	4,233	5,595
2000-01	1,716	436,682	3,930	4,305
2001-02	1,723	457,148	3,769	4,040
2002-03	1,876	494,132	3,797	3,952
2003-04	2,203	546,165	4,034	4,121
2004-05	2,430	581,760	4,176	4,176
2005-06	2,668	607,821	4,389	4,292
2006-07	2,836	631,862	4,488	4,308
2007-08	2,976	646,959	4,599	4,323

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
<b>Allocations / Appropriations per student - \$</b>				
Ontario	6,886	7,156	7,487	7,701
Council of Ontario Universities (COU) peer universities	9,863	10,290	10,899	11,395
Institute for Competitiveness and Prosperity (ICAP) peer states	9,747	10,208	10,716	11,098
US public universities	9,399	9,863	10,469	11,028

### Provincial operating funding (total) per student - \$

Ontario	7,060	7,625	8,277	
Rest of Canada	9,897	10,439	10,549	

### Ontario increase required to match:

COU peers	43%	44%	46%	47%
ICAP peers	42%	43%	43%	43%
US public universities	36%	38%	40%	42%
Rest of Canada	40%	37%	27%	

Source: Canada financial data – Canadian Association of University Business Officers; Canada enrolment data – Statistics Canada and Association of Universities and Colleges of Canada preliminary 2006 estimates; US data – National Center for Education Statistics, and Center for the Study of Education Policy (for 2006-07 & 2007-08 estimates).