Protecting the Gains We've Made

OCUFA's 2013 Pre-Budget Submission to the Standing Committee on Finance and Economic Affairs

OCUFA
Ontario Confederation of University Faculty Associations
Union des Associations des Professeurs des Universités de l'Ontario

SUMMARY OF RECOMMENDATIONS

The OCUFA plan aims to dramatically enhance the quality and affordability of university education in Ontario by 2020 through increased government investment. We are also sensitive to the financial constraints the province is facing. As such, our recommendations reflect both **the estimated minimum and maximum cost** of our proposals. The Government of Ontario can choose to make a smaller investment as finances dictate. The important thing is that re-investment begin now.

We recommend:

1. Increasing per-student public investment in universities to the national average by 2020.
   Cost in 2013-14: A minimum of $120 million and a maximum of $280 million

2. Bringing the student-faculty ratio to the national average by 2020 by hiring new full-time faculty.
   Cost in 2013-2014: A minimum of $16 million and a maximum of $110 million

3. Freezing tuition fees and consulting with students, faculty, and administrators on a new funding framework that preserves quality while ensuring affordability.
   Cost in 2013-14: $170 million.

4. Increasing research funding to universities by phasing out ineffective tax credits for private sector research and development.
   Cost in 2013-14: No additional cost.

5. Respecting faculty collective bargaining rights.

6. Engaging faculty meaningfully in pension reform.

INTRODUCTION

Ontario’s universities have accomplished much since the province’s first institution – the University of Toronto – opened its doors in 1827. Our universities are respected internationally for their research, and have a long history of building success and opportunity for generations of students. Our universities have also responded to changing demands. Over the past century, they have changed from small, elite-dominated schools to large institutions with incredibly diverse programming, accessible to students from every background. Our universities are something to be proud of.

There is no secret to the success of higher education in Ontario: public funding, invested by forward-thinking governments, has allowed our universities to grow and thrive.

Unfortunately, Ontario seems increasingly hesitant to continue this long tradition of investment in higher education. In the face of large deficits, a spirit of austerity has gripped the Government of Ontario. Some suggest we can no longer afford to invest in our universities, and advance false-hope alternatives like increased tuition fees or misguided “productivity” enhancements. We know what builds world-class universities, and austerity isn’t it.

This is not to minimize the scale of Ontario’s fiscal challenges, or to suggest that there is an abundance of new funding available. At the same time, the fiscal challenges the government faces are not the result of overspending, but rather reflect a short-term impact of the 2008 financial crisis and the recession it created. Long-term damage to universities cannot be justified by a short-term fiscal challenge. Ontario’s professors and academic librarians want the government to recognize that *any* level of new investment will help safeguard our universities and help build the higher education system we need to face tomorrow’s challenges. Investment isn’t always easy, but when it comes to the education of our young people, it is the only option.

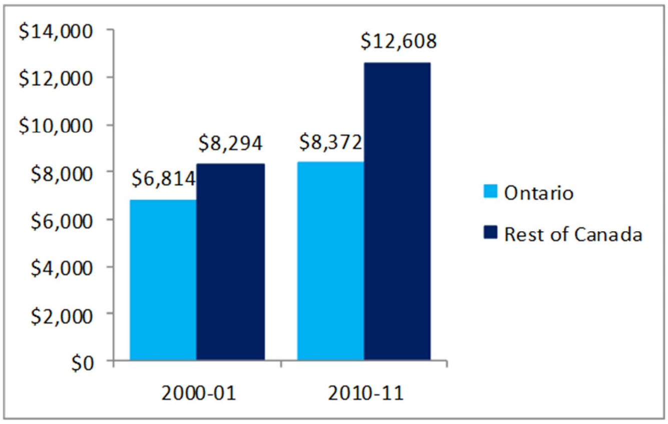
This submission outlines critical needs in Ontario’s universities – per-student funding, tuition fees, faculty hiring, and research support – and indicates the amount of new investment needed to address the needs and strengthen our institutions. It is not our expectation that all of this investment be made at once; we should invest what we can now, and invest more when we are able. Any new funding for universities will pay dividends in student success, economic growth, and in the health of our society.

It worked in 1827, and it will work now.

PROTECTING THE GAINS WE'VE MADE

There is no way around it: a high quality university sector requires adequate public funding. Unfortunately, Ontario is not making the investments our students and institutions need to be successful.

Provincial operating grants per student FTE



From 2000-01 to 2010-11 per-student operating grants in Ontario increased by 23%; in the rest of Canada they increased by 52%.

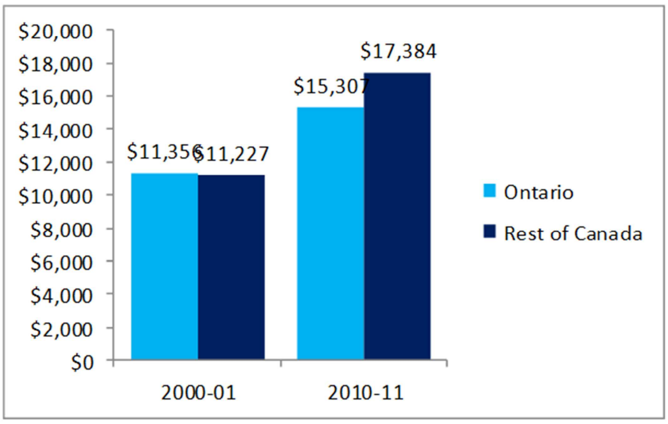
In 2000-01, per-student operating grants in Ontario were 18% lower than in the rest of Canada. In 2010-11 they were 34% lower.

Ontario's universities currently receive the lowest per-student funding in the country, providing only $8,372 of public funding per student compared to $12,608 in the rest of Canada. Ontario now contributes 26 per cent *less* funding per student than it did in 1990, despite significant enrolment increases over the same period.

This chronic underfunding has serious implications for the quality of education received by students. It means larger classes, less engagement with faculty, and rising tuition fees as the cost of education is shifted onto students and their families.

This funding gap cannot be closed with so-called "efficiencies" or through productivity gains. By any measure, Ontario's universities and their faculty are already highly productive. In terms of the number of students taught, graduation rates, and research output, Ontario's universities perform exceedingly well – in fact they are leaders in Canada. And Ontario's universities are achieving this with the lowest combined provincial operating grants and net student fees in the country. Net operating revenue

Net student tuition fees and provincial operating funding per student FTE



From 2000-01 to 2010-11 funding in Ontario increased by 35%; in the rest of Canada it increased by 55%.

In 2000-01, funding in Ontario was 1% higher than in the rest of Canada. In 2010-11 it was 12% lower.

from students and the provincial government in Ontario is $15,307 per student. On average in the rest of Canada that figure is $17,384. Just over a decade ago, Ontario's net operating revenue was in line with the rest of Canada average.

At some point, productivity gains of this kind – doing more with less – will begin to harm the quality of education received by students. The strain is already showing in Ontario's universities. Another few years of stagnant per-student funding may well push the province's higher learning institutions over the brink.

We cannot keep asking our institutions to do more with less. It's time for government to provide greater support for our universities to do better.

Bringing government funding of Ontario's universities in line with the rest of Canada would require a cumulative investment of $2.4 billion from 2013-14 to 2020-21 as outlined in the table below:

Funding above 2012-13 Levels Required to Bring Ontario Per-Student Funding to the National Average

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Annual Increase	$280 million	$285 million	$290 million	$295 million	$300 million	$310 million	$320 million	$330 million
Cumulative	$280 million	$565 million	$855 million	$1.15 billion	$1.45 billion	$1.76 billion	$2.08 billion	$2.41 billion

OCUFA recognizes that the province is in a constrained fiscal position, and that investment of this magnitude is not currently possible. The important thing is for the province to *begin* the process of reinvestment that will protect the quality of Ontario's universities. Any movement toward increased per-student funding would help to ensure that Ontario's universities don't fall even further behind our provincial counterparts.

At an absolute minimum, per-student funding must be held steady for 2013-2014 and more substantial investments made when the economic pressures are lessened. With anticipated enrolment increases and adjusting for inflation, **maintaining the current level of per-student funding will require an additional investment of $120 million in 2013-14 above the $3.47 billion that was allocated to universities in 2012-13.**

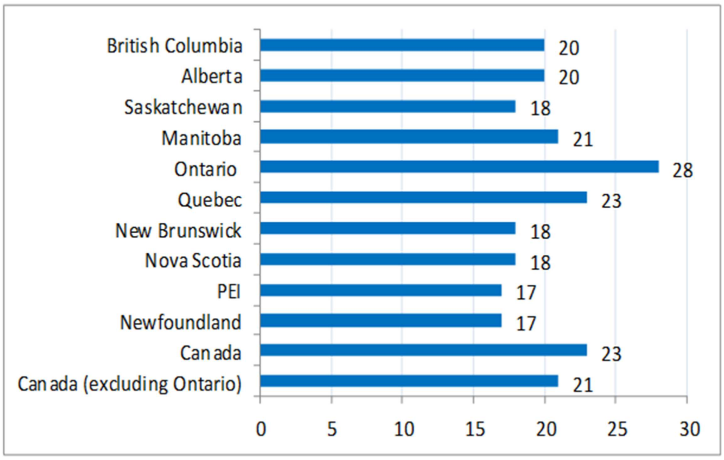
QUALITY IMPROVEMENTS

Beyond maintaining the status quo, any additional investments in higher education, would help support much-needed quality improvements, such as reducing the student-faculty ratio and updating aging infrastructure.

Faculty hiring

Ontario's universities have the highest student-faculty ratio in the country at 28-to-1 compared to 21-to-1 in the rest of Canada. A higher student-faculty ratio means Ontario students have fewer opportunities for one-on-one engagement with their professors – a key indicator of student success – than their peers in the rest of Canada. It also means that Ontario students are learning in larger classes with fewer course options.

Student-Faculty Ratios in Canada, 2010-11



Ontario's universities find themselves in this situation because faculty hiring has failed to keep pace with enrolment increases. Between 2000 and 2010, enrolment increased by 57.7 per cent. Over the same period, full-time faculty hiring only increased by 29 per cent.

If the provincial government is serious about preserving and improving quality at Ontario's universities, the most effective way to do that is to hire more full-time faculty. Hiring additional faculty would enable meaningful student engagement with faculty and an enhanced educational experience. An additional 9,200 full-time faculty members, or 1,150 new faculty members per year, would bring Ontario's student faculty ratio in line with the national average by 2020-21. Hiring at this level would cost an additional $110 million year-over-year.

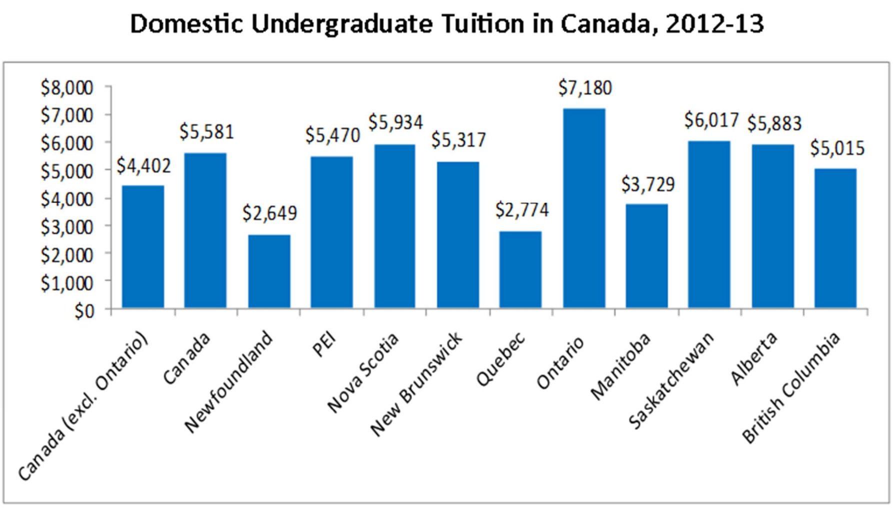
Deferred maintenance

Much of Ontario's university infrastructure is aging and in need of renewal. In 2011, the Council of Ontario Universities reported that universities' backlog of deferred maintenance had reached $2 billion. Provincial funding for maintenance under the Facilities Renewal Program was $17 million in 2012-13. The COU estimated that an average of $380 million per year – more than 20 times what is currently provided – would be required to maintain universities' physical plant in its current state of repair.

OCUFA recognizes that the province's finances are constrained. Nonetheless, infrastructure projects, such as university facilities updates, continue to be an important contributor to economic activity and should not be overlooked.

TUITION

With average tuition at $7,180, Ontario's students pay the highest tuition in Canada. And student fees at Ontario's universities account for 44 per cent of operating revenue – far more than anywhere else in Canada. Ontario's students are paying more than their fair share.



The current tuition framework has been in place since 2006 and allows for five per cent annual fee increases at each institution. Increases to tuition well beyond the rate of inflation have created an unsustainable situation in which students and their families are forced to take on an ever growing share of the cost of higher education.

The creation of the "30 per cent off" tuition grant in 2012 was an important first step in helping to address soaring tuition for Ontario's students. However, the grant only reaches about one third of students – older students, part-time students and graduate students are all ineligible. While the grant is well-intended, it is insufficient when it comes to ensuring affordability for all Ontario students.

The shift toward a high tuition/high student financial assistance model isn't just onerous for students and their families – it is inefficient for government. Shifting the cost of education onto the backs of students leads to higher student debt and increased student reliance on government financial assistance, which ultimately increases costs to government through the subsidization of interest charges, debt forgiveness, and defaulted loans. When more students are forced to rely on government loans, grants and bursaries in order to offset the cost of high tuition, the cost to the province increases. The "30 per cent off" grant is also very expensive, and will become more expensive if fees are allowed to rise. Savings in one area – replacing public investment with high tuition fees – leads to greater costs in another.

A more comprehensive and sustainable funding framework that ensures a high quality education without shifting the cost of post-secondary education onto students and their families is urgently needed. Only robust public funding, provided through the province's base operating grants to universities can ensure this in a fair and efficient way.

OCUFA calls on the Government of Ontario to freeze tuition and provide public funding to compensate each institution for lost tuition revenue. OCUFA estimates that the cost of a fully funded tuition freeze in 2013-14 would be $170 million. While tuition fees are frozen, the government should undertake to consult meaningfully with students, faculty, and institutions to develop a new funding framework that controls student costs and ensures adequate resources for universities. The current ad hoc approach that allows significant increases to student costs cannot continue.

IMPROVING FUNDING FOR UNIVERSITY BASED RESEARCH

In 2012-13, corporate tax credits for private sector research, including innovation, business research institutions and research and development tax credits, accounted for approximately $455 million in government expenditures. However, last year's report from the Drummond commission pointed out that there is little evidence that these tax credits are an effective tool for increasing private sector research and development. Government expenditures on research and development tax credits would be better spent funding university-based basic research.

We should of course encourage Ontario businesses and entrepreneurs to innovate. OCUFA believes that the best way to do so is to invest in university-based basic research, and facilitate the linking of researchers with innovators in the broader economy.

Tax credits could be phased out gradually, accompanied by an immediate increase in funding for university research to ensure institutions can take advantage of additional Canadian Foundation for Innovation (CFI) funding planned by the federal government.

By phasing out the research and development tax credits over the same period, this proposal would be cost neutral until 2017-18, with small annual increases thereafter, as outlined in the table below:

Recommended increase in research grant funding above 2012-13 levels

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Additional research funding	$125 million	$125 million	$55 million	$60 million	$65 million	$70 million	$75 million	$85 million
Savings from reduction to tax credits	$125 million	$125 million	$55 million	$60 million	$55 million	$0	$0	$0
Net cost of additional research funding	$0	$0	$0	$0	$10 million	$70 million	$75 million	$85 million

RESPECT FOR LOCAL COLLECTIVE BARGAINING RIGHTS

Ontario's professors and academic librarians have a long tradition of responsible local bargaining that meets the needs of universities, students, and the province. Government interference in collective bargaining violates the democratic rights of faculty members and compromises the autonomy of our institutions.

Responsible local bargaining has worked in our universities, and will continue to work for Ontario. We ask that the government respect this positive and productive arrangement.

PENSIONS

Identified as a clear priority in the 2012 Budget, the Government of Ontario has been exploring options to control the costs of broader public sector pensions, including the single employer pension plans at Ontario's universities. The health of Ontario's university pension plans varies significantly from one institution to another and Ontario's faculty recognize the challenges that these pension plans face.

OCUFA believes that any changes to university pensions should be developed by the university sector's stakeholders. We are currently engaged in a Ministry of Training, Colleges and Universities (MTCU)-funded research project to develop options and recommendations that aim to ensure fair and sustainable university pension plans over the long term. At the same time, an initiative intended to reduce pension costs by pooling the investment management function of single employer pension plans in the broader public sector is also underway. Recommendations from the asset pooling report called for framework legislation to establish the pooled asset manager by the summer of 2013 and the establishment of the investment management corporation by the winter of 2014.

OCUFA wants to ensure that our members play a significant role in the pension reform process and that their input meaningfully shapes the outcome of that process. It is important that our research project be given sufficient time to be carried out. Evidence-based, sector-specific options need to be explored and developed prior to requiring university pension plans to move forward with the asset management pooling initiative.

OCUFA recommends that any government initiative on asset pooling, as well as any other government pension initiatives that would affect the university sector, not move forward until our research project is complete and better information on the state of university pension plans is available. Specifically, we would request that no artificial deadlines for inclusion of single employer plan assets in the pooled fund be established. Additionally, OCUFA would like to re-emphasize the importance of ensuring that participation in the pooled fund be voluntary rather than mandatory, in order to allow existing individual plans to make decisions that are in their best interest and the best interest of their members.

THE OCUFA PLAN

OCUFA is committed to ensuring that Ontario continues to enjoy the benefits of high-quality universities focused on student success, connected to their communities, and integral to economic growth. The recommendations contained within this brief are designed to achieve this goal, in a way that recognizes the short-term constraints faced by the provincial government. We recommend:

- The Government of Ontario immediately begin moving per-student public investment in universities towards the national average. The full investment need not be made all at once; the important thing is that something be done *now.*
- The Government of Ontario commit funding to hiring new full-time faculty members. Again, any movement towards reducing the province's student-faculty ratio will enhance quality and improve student success.
- Freeze tuition fees, provide compensatory funding to universities for lost tuition fee revenue, and consult stakeholders on a new funding framework.
- Enhance support for university-based basic research.
- Respect the collective bargaining rights of faculty associations, preserving responsible local negotiations that have worked so well.
- Allow the MTCU-funded pension research project to be completed prior to introducing pension reforms in the university sector.

Many of these recommendations are not cheap; moving towards a better funded, more affordable, and higher quality university system would cost $560 million in 2013-14. OCUFA recognizes that this level of investment is not possible in the short term. But we urge the Government of Ontario to begin the process of reinvestment *now*. Any new investment will help. Maintaining the status quo in per-student funding, hiring a small amount of new professors, and freezing tuition would make a huge difference to the quality and affordability of our universities.

The only thing we really can't afford is to let our institutions fall further behind. Austerity in higher education doesn't just hurt students and families now. It hurts students yet to come, and damages the social vitality and economic competitiveness of our province. Investing in higher education may not be the easiest thing to do in the current climate. But it is something we must do as a province, for our collective future prosperity.