

THE IMPACT OF GOVERNMENT UNDERFUNDING ON STUDENTS

Fact Sheet | July 2015

GOVERNMENT FUNDING

The last substantial expansion of post-secondary education in Canada occurred in the 1960s and was the result of significant public investment at both the federal and provincial levels of government. Government was guided by the principle that access to post-secondary education should be determined by ability and the willingness to learn, and not be denied for financial reasons. However, adherence to this principle has diminished over the course of the past four decades and Canada's public post-secondary education system has become considerably less accessible.

Starting in the 1980s, the federal government began to change the way transfer payments for post-secondary education would be allocated to the provinces. As a result of these changes, federal government cash transfers for post-secondary education, measured as a proportion of the country's GDP, totaled 0.49 per cent in 1983-84, declined to 0.41 per cent by 1992-93, and currently rests at 0.20 per cent.¹

While the federal government transfers money to the provinces for post-secondary education, there is no mechanism to ensure that the funds are actually spent on post-secondary education. Canada remains the only major industrialized country without national oversight over higher education. As a result, tuition fees and quality of education vary greatly from province to province, depending on the spending priorities of provincial governments.

In Ontario, provincial funding for colleges and universities declined at the same time as federal funding cuts. Over the last three decades, Ontario has held the unenviable distinction of having the lowest per-student funding anywhere in the country. According to 2012 data, funding for Ontario's universities is 16 per cent below the national average and 21 per cent below the national average for Ontario colleges. As a way of highlighting how undervalued post-secondary institutions in Ontario are, consider that while the government

of Ontario transfers just over \$9,000 per student to its institutions, the Government of Newfoundland and Labrador transfers more than \$23,000 per student.²

The chronic defunding of post-secondary education has led some institutions to engage in extremely risky financial behaviour. Soon after the 2008 economic crisis, the University of Toronto revealed that they had been investing in "alternative investments" to fund the university's pension plans, salaries, scholarships, financial aid and other operations.³ The impact of the economic crisis resulted in the university losing \$1.3

billion on its investments. The school subsequently reduced its pension and endowment funds by 30 per cent.⁴ That same year, York University's endowment and pension funds

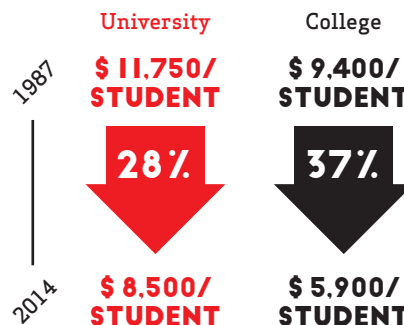
declined by 19 per cent, creating a loss of over \$250 million.⁵ The financial losses incurred by these two institutions would have covered the entire 2008 operating budgets—including revenue from both government funding and tuition fees—for Algoma University, Brock University, Lakehead University, Nipissing University, OCAD University, Wilfrid Laurier University, Carleton University, Guelph University and Ryerson University combined.

ONTARIO'S COLLEGES & UNIVERSITIES HAVE BECOME PRIVATELY-FUNDED INSTITUTIONS

■ percentage funded by government
 🏛️ university
 🏫 college



IN THE LAST 25 YEARS OPERATING GRANTS PER FULL-TIME STUDENT PLUMMETED



TUITION FEES

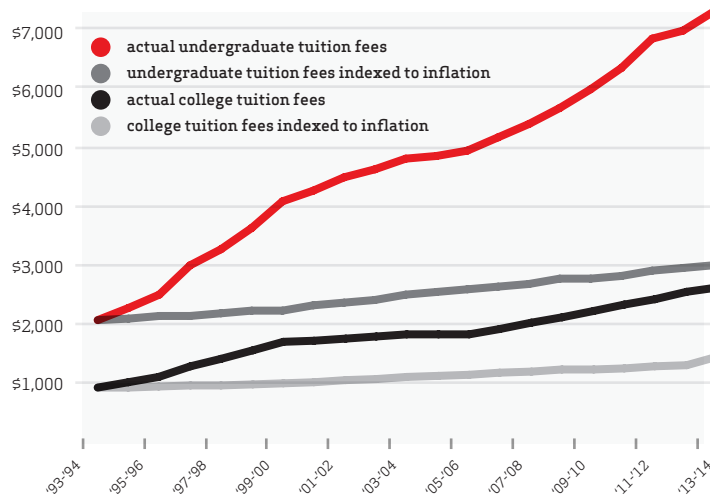
The lack of public investment in post-secondary education has forced Ontario's universities to rely increasingly upon private sources such as tuition fees to fund their operations. In 2014, fees accounted for almost 51 per cent of university operating budgets.⁶

Students in Ontario pay the highest tuition fees in Canada. When compared to the national average, undergraduate and graduate student tuition fees in Ontario are 27 per cent⁷ and 41 per cent⁸ more, respectively. Tuition fee statistics become more dramatic when increases are compared against inflation. In Ontario, college tuition has outpaced inflation by 318 per cent, while undergraduate tuition fees has outpaced inflation at a rate of 572 per cent.⁹ However, even under these pressures, students in Ontario have been able to halt tuition hikes. Between 2004 and 2006, students won a fully funded province-wide tuition fee freeze. Although the provincial government lifted the tuition fee freeze at the end of 2006, students in Ontario showed that a mobilized and united student movement will generate results.

In 2006 the government of Ontario implemented the *Reaching Higher* framework, allowing undergraduate

tuition fees to increase an average of five per cent annually. This has resulted in cumulative average increases of 40 per cent, with some programs experiencing increases of up to 71 per cent. According to Statistics Canada, the average debt burden taken on by students pursuing a bachelor's degree in Ontario is \$26,900.¹⁰ It is clear that government defunding of post-secondary education is increasingly being downloaded onto students and their households.

IN THE LAST 20 YEARS TUITION FEES HAVE FAR OUTPACED INFLATION



UNDERGRAD
TUITION FEES
OUTPACED
INFLATION
BY **572%**

COLLEGE
TUITION FEES
OUTPACED
INFLATION
BY **318%**

DEBT & HIGH TUITION FEES

Access to government and private loans to pay for post-secondary education masks the consequences of the debt-burden on students and their households. Students and graduates are delaying important life and economic milestones like home ownership, having savings and investments, starting families and planning for their retirement in order to prioritize the minimization of their debt, or debt repayment.¹¹ The burden of financial commitments to servicing student loan debt limits the ability of individuals and families to engage in their communities. Ontario loses out when educated workers are unable to contribute to society financially, politically or socially due to debt concerns.¹²

There is also the consideration of those not able, or not willing to, severely indebt themselves in order to attend college or university. The majority of students currently accessing post-secondary education in the province of Ontario are students and families with the ability to pay the entire cost of tuition upfront. In 2011, the university participation rate for students from households in the highest income quartile is 52 per cent, while the participation rate drops to only 10 per cent for students from households in the lowest income quartile. These statistics are similar in colleges, with participation rates from highest income households at over 40 per cent.¹³

The systematic defunding of post-secondary education also has a disproportionate impact on young people from marginalized communities. Upon graduation, it takes longer for Aboriginal peoples, women, recent immigrants and racialized individuals to pay back their loans regardless of their educational attainment.¹⁴ Ontario's high fee and debt-based post-secondary education system perpetuates existing inequalities and leaves marginalized groups without proper access to a college or university education.

1. Canadian Association of University Teachers "2014-2015 Almanac of Post-Secondary Education in Canada", September 2014.
2. Canadian Association of University Teachers "2011-2012 Almanac of Post-Secondary Education in Canada", September 2012.
3. The Globe and Mail "U of T to curtail aggressive investing", February 22, 2010.
4. The University of Toronto "Report Number 175 of the Business Board", June 18, 2009.
5. York University "A Statement to the York Community on Financial Restraint", December 2008.
6. Council of Ontario Financial Officers – Universities of Ontario "Financial Report of Ontario Universities 2013-14", January 2015.
7. Statistics Canada, "Undergraduate tuition fees for full time Canadian students, by discipline, by province", August 2014.
8. Statistics Canada, "Weighted average graduate tuition fees for Canadian full-time students, by province", August 2014.
9. Statistics Canada "Consumer Price Index, historical summary", January 2015.
10. Statistics Canada "Table 477-0068 – National graduates survey, student debt from all sources, by province and level of study", March 2014.
11. Canadian Broadcasting Corporation "Is student debt keeping you single?", July 22, 2015.
12. Canadian Centre for Policy Alternatives "Under Pressure: The impact of rising tuition fees on Ontario families", August 2011.
13. Data requested as custom report from Statistics Canada, February 2014.
14. Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities "Federal Poverty Reduction Plan: Working in Partnership Towards Reducing Poverty in Canada", November 2010.