

Ontario's Universities: Partnering to Ensure all Ontarians Thrive

2017 Pre-Budget Submission

January 2017



COUNCIL OF
**ONTARIO
UNIVERSITIES**

CONSEIL DES
**UNIVERSITÉS
DE L'ONTARIO**

2017 Provincial Pre-Budget Submission

Introduction

Universities are Partnering to Ensure all Ontarians Thrive

The pace of change is rapid and accelerating and the challenges facing the citizens of Ontario are more complex than ever before. Global trends such as disruptive technologies, artificial intelligence and demographic shifts are changing every aspect of business and society. As an important part of the social and economic infrastructure of our province, Ontario's universities want to be good partners with the government in developing the many talents and resources the province has to offer to ensure that everyone in Ontario thrives.

Universities play a key role by developing Ontario's highly skilled workforce for jobs of the future. They educate, expand the bounds of knowledge through world-class research, foster entrepreneurship, contribute to individual and community well-being, and lead the innovation agenda that increases Ontario's productivity and makes our companies more innovative and competitive.

Universities are also engines of growth for their regions and the province. They collectively add tens of billions of dollars to the provincial economy through their own spending, spending by their students and visitors, and spending from the income premium that alumni gain from their education. Universities contribute billions more in productivity generated by their research and knowledge development.

Indeed, the overall economic impact of Ontario's universities is more than \$115 billion annually, comprised of:

- \$42 billion generated through spending by universities, students and visitors, as well as from the spending of the income premium of alumni;
- \$49 billion in human capital development, a partial estimate of the total impact of human capital development on GDP; and
- \$25 billion resulting from the productivity boost generated by research and development.^{1, 2}

¹ This is an underestimate of the economic impact of universities because it does not take into consideration profits and other non-employee revenues that derive from the increase in human capital of graduates, or taxes (income taxes and taxes on production) that result from the increase in economic activity from the existence of universities.

² The Council of Ontario Universities is developing a report to be released in the spring of 2017 on the economic impact of Ontario's universities.

Universities want to help shape the future. All 21 institutions have come together to engage in a province-wide conversation, engaging with students, parents, businesses, government and communities to tap into insights about how we can work together to unlock the full potential of our province's future.

These voices are informing a discussion among Ontario's universities about how we can partner with Ontarians to create a brighter future, not just for the students we teach, but for the communities we serve.

Universities are Fostering an Inclusive Economy in Ontario

Universities share the government's goal of an inclusive economy in which no Ontarian is left behind.

Inclusive growth is what sets Ontario apart. And the highly skilled workforce and the opportunities for growth that this provides make Ontario a preferred jurisdiction for investment.

The Ontario government has long recognized the importance of postsecondary education to societal and economic well-being.

The province has made substantial investments over the last decade to improve access. These investments have contributed to growth in Ontario university enrolment of more than 70 per cent since 2000 and have led to Ontario holding one of the highest graduation rates for postsecondary students in the world.

The provincial government's 2016 budget commitment to the transformation of the Ontario Student Assistance Program (OSAP) and net tuition billing, which will further reduce financial barriers to higher education, is the most recent example of the overall commitment to improved accessibility.

In addition to focusing on access over the past number of years, government has made other policy changes and investment. Specifically, there has been continued support for ground-breaking university research that changes lives; ongoing funding for eCampus Ontario and the Ontario Council on Articulation and Transfer (ONCAT), which help students tailor their own education by accessing postsecondary courses online and moving between college and university; the provincial contribution to the Strategic Investment Fund and the one-time increase in funding for the renewal of university facilities; and partial solvency relief for pension plans.

Universities and the Ministry of Advanced Education and Skills Development are working together on key initiatives designed to ensure all Ontarians thrive by developing a new round of Strategic Mandate Agreements that commit universities and the ministry to shared goals and priorities; changing the university funding formula to, among other things, focus on outcomes; and implementing the recommendations of the Highly Skilled Workforce report with a focus on experiential learning, in partnership with the ministry and employers.

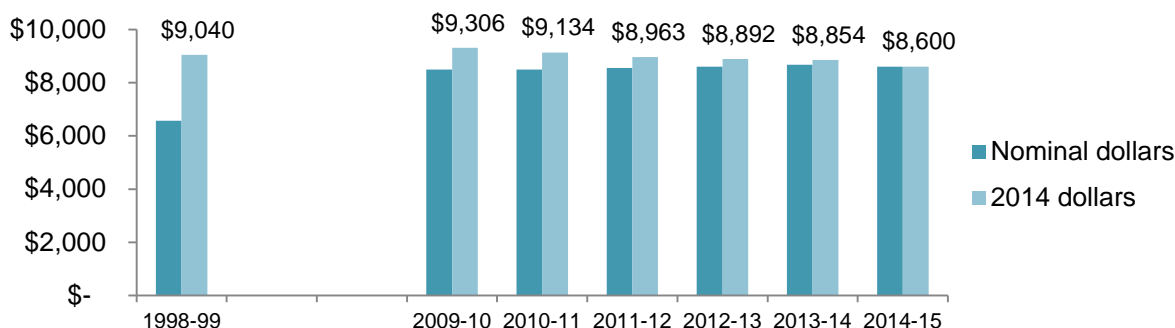
Ontario’s universities appreciate these investments and initiatives. Great strides have been made in ensuring better and more equitable access to postsecondary education for all students. However, a sharper focus is needed to ensure that university education in Ontario continues to be of the highest of quality through a shared commitment to student success with funding levels that ensure graduates are best positioned to contribute to the economy and to society in a deep and meaningful way.

An Investment in Universities is an Investment in A Better Future

The government and universities have long shared a strong commitment to ensure that more Ontarians benefit from postsecondary education. Universities have worked hard to ensure that their students receive excellent outcomes from their education and enjoy a high quality student experience. Universities have achieved this despite the high growth in student numbers and increasing student demand for services and supports.

Ontario’s universities are preparing students for the future. Students are learning transferrable skills for jobs and technology that have not yet been invented. To date, Ontario’s universities have made a major contribution to the development of a highly skilled workforce by educating hundreds of thousands of students, and an increasing proportion of the population. Since 1998, the number of students enrolled in Ontario’s universities increased by 68 per cent. However, over the same period, total grants and contracts from the Ministry of Advanced Education and Skills Development increased by 60 per cent, meaning that funding per student actually decreased by five percentage points.

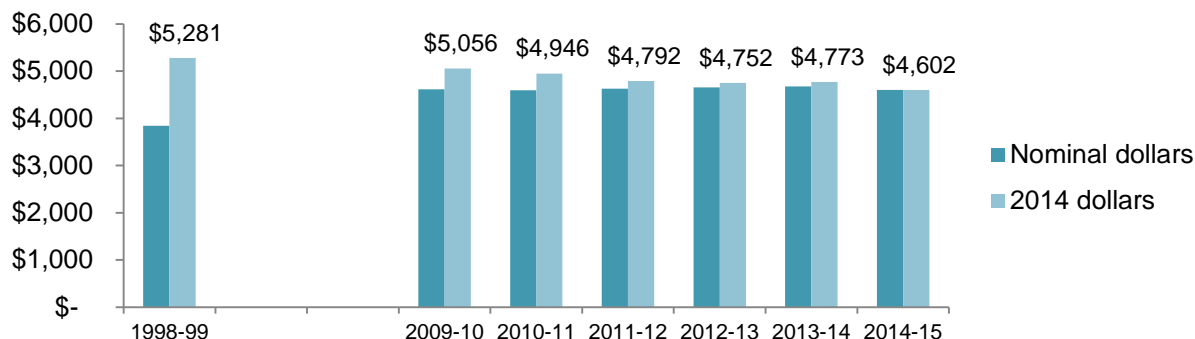
Figure 1: MAESD transfer payments to universities, per eligible FTE³



Universities have also been responding to the increase in demand for programs in the fields of science, technology, engineering, and math (STEM), as well as other professional and graduate programs. These programs are more expensive to deliver, and the current system of funding applies weights to program enrolment to reflect the relative cost of delivering programs. For example, funding for a first-year arts and science program is weighted at one, while a veterinary medicine program is weighted at five. In the same 15-year period of extraordinary enrolment growth, government funding per weighted enrolment unit actually decreased by 13 per cent.

³ Data is from the Public Accounts of Ontario, excludes capital.

Figure 2: MAESD transfer payments to universities, per eligible weighted funding unit⁴



While the province has increased operating grants to universities, the increases are linked to enrolment increases and changes in program mix. As shown in the figures above, funding per student from the Ministry of Advanced Education and Skills Development has decreased. While universities have had increased revenues from tuition, the combined growth in revenue from tuition and government grants per student has only kept pace with the general cost of inflation. This has put significant financial pressure on Ontario’s universities.

With no real increases in revenue on a per-student basis, universities nevertheless have improved academic and other services for students, including increasing the number of experiential learning opportunities that are linking graduates to the workplace and integrating the best new learning technologies into the classroom. Universities also have made their campuses inclusive and safe learning environments, through mental health resources, sexual violence education, and dedicated spaces and culturally relevant supports for Indigenous learners.

Universities are committed to ensuring access to all qualified students and providing assistance to offset the costs of higher tuition programs for students with financial need. Universities also provide additional financial aid to low-income students and scholarships to high-achieving students.

Additionally, Ontario’s universities share a strong commitment to the recommendations of the Truth and Reconciliation Commission. Achieving higher participation among Indigenous learners in postsecondary education, and ensuring universities can provide culturally appropriate resources, is an important undertaking. In partnership with the government and the Indigenous community, universities stand ready to ensure enhanced opportunities for Indigenous student success.

⁴ Data is from the Public Accounts of Ontario, excludes capital. Weighted funded units in the university sector are Basic Income Units (BIUs).

Ontario's universities are proud of the efficiencies they have achieved that enable them to continue to provide excellent programs for students and excellent research despite funding restraints.

Premier Kathleen Wynne has said that ensuring every region in Ontario is unlocking its full potential will require the development of the highly skilled workforce that makes the province so attractive to investors. She has said that Ontario must have all its citizens performing at their best. Enabling the inclusive growth that ensures all Ontarians thrive in the future will require additional investments in universities, which are an important part of the infrastructure of society.

Investing in Long-Term Growth for Ontario

Recognizing that universities are key drivers of economic growth, the provincial government has supported universities by providing some economic stability through a two-year tuition framework and by introducing a new funding model. Allowing increases in tuition rates under an overall cap of three per cent will help to maintain the quality of programs and supports for students. Changes to the funding model will provide greater stability for universities where enrolments are declining, and will introduce a greater focus on performance-based funding for all universities.

Over the longer term, universities need a real increase in the value of grants per student from the province so that we can continue to develop Ontario's highly skilled workforce and contribute to the economic development of Ontario. However, in the short-term, recognizing the province's current constrained fiscal context, Ontario's universities are asking the province to make some targeted investments in universities to ensure all Ontarians thrive as a result of a top-quality postsecondary education and the research that improves lives.

Investment is required to:

- Support access to postsecondary education with funding for anticipated growth in the number of undergraduate students and funding to attract and support more graduate students;
- Shape the future by ensuring support for student success through experiential learning opportunities, investing in research and linking students and employers to create a highly skilled workforce;
- Foster community impact in Ontario for a global economy, through attracting and supporting international students; and
- Enhance the long-term financial stability of Ontario's universities through continued focus on pension sustainability.

Recommendations

To help ensure all Ontarians thrive in the future, Ontario's universities recommend that the government of Ontario provide funding for the priorities outlined below.

1. Supporting Access for Students

Universities share in the government's commitment to facilitate access to postsecondary education for all qualified students. In efforts to ensure this is possible, support will be required to accommodate anticipated growth in undergraduate students as well as funding to attract more graduate students which contribute to fostering a highly skilled workforce.

Supporting and Attracting Students

Despite the decline in Ontario's population of young adults, Ontario's universities anticipate this demographic decline will be offset over the long term in part by a higher proportion of high school graduates who choose university. The government's major investments in OSAP may also result in more students seeking a university education.

Over the next few years, a modest overall growth in the number of students is anticipated. Last fall, there was modest growth in the number of students entering university from high school and larger growth in the number of other new entrants who are eligible for operating funding (such as mature students). Trends in applications suggest a similar pattern for 2017-18.

Growth also will occur as classes that had larger number of incoming students continue to progress through their programs.

Most importantly, the government's enhanced investments in OSAP will mean that more than 150,000 students from families earning less than \$50,000 will have free tuition starting this fall. It is likely that improvements in OSAP will encourage even more students – particularly those from lower income families – to attend university.

Universities recognize that growth will not be evenly distributed among universities, and want to ensure, as does the government, that there is a space for every willing and qualified applicant.

The province's new funding model for universities will introduce greater stewardship by the Ministry of Advanced Education and Skills Development concerning growth, and universities anticipate that agreements concerning growth for some universities will be negotiated through the new Strategic Mandate Agreements. A corresponding increase in operating grants for this growth will be necessary to ensure that universities can provide programs and supports for all eligible students as Ontario continues to close the postsecondary gap for young people from low-income families.

Attracting Graduate Students

With the rapid technological changes shaping our future, graduate students will become even more important to Ontario's success. Graduate students focus on advancing research, sharing knowledge with undergraduate students, and developing their skills to become part of the highly skilled workforce that is critical for Ontario to thrive.

Recognizing that growth in the number of masters and doctoral graduates is critically important to advance and position Ontario in the new economy, the province has committed to invest in more spaces in graduate programs. Graduate enrolments have grown significantly as a result of student demand and government investment as part of the Reaching Higher plan begun in the mid-2000s. However, universities have not yet achieved the growth in graduate enrolments that was anticipated when the first round of Strategic Mandate Agreements was negotiated in 2014. This is because of competition within Canada and internationally for graduate students and the time required to introduce new graduate programs and bring them to maturity.

Ontario's universities are asking the province to maintain its commitment to expanding graduate spaces and invest in growth in graduate programs as it negotiates the next round of Strategic Mandate Agreements with universities.

Scholarships for graduate students are an important contribution to the recruitment of high quality students and to their ability to complete programs, and Ontario's universities share in the cost of these scholarships. The number of Ontario Graduate Scholarships funded by the province, however, has not increased to keep pace with the growth in the number of graduate students. The dollar value of the Ontario Graduate Scholarship has not increased for many years. To help recruit and support the best graduate students, universities recommend that the province expand the number of graduate scholarships and increase their value.

Recommendations

- **Invest in growth in undergraduate spaces – as negotiated through Strategic Mandate Agreements – to ensure top-quality education and student experience for all willing and qualified students.**
- **Maintain the commitment to expand the number of spaces in graduate programs, and invest in growth in graduate programs.**
- **Expand the number of graduate scholarships funded by the province and increase their value, to help recruit the best graduate students.**

2. Shaping the Future and Ensuring Student Success

Providing more equitable opportunities for students to access universities is a critical component of an inclusive economy in which no Ontarian is left behind.

In addition to securing a placement in university, the academic and social journey of students through enhanced quality and services is a critical component to their success.

Universities have invested in creating supportive environments for students through mental health resources, ensuring culturally relevant support for Indigenous learners, sexual violence education and policies, and support for students with disabilities. Government investment in research, experiential learning and support for the Highly Skilled Workforce Strategy is important to ensure student success.

Investing in Research is an Investment in the Future

Imagine a world where a wrist watch doesn't just monitor your heart rate and count your steps, but can actually detect a cancerous growth in your body. Or a future where cars drive themselves, and where entertainment shows and video games project your favourite characters into your living room.

Every day, thousands of talented university researchers are changing the world and shaping the future, creating new ideas that save lives, advance technology, and foster a healthier, happier more prosperous society.

Universities are asking the provincial government to continue to ensure that funding is available to maximize the impact of federal investments in research and infrastructure.

The Canada Foundation for Innovation (CFI) is requesting on-going and stable funding for research infrastructure from Ottawa, and if the federal government agrees, this investment will benefit Ontario. Universities are seeking a commitment from the province to continue to provide funding through the Ontario Research Fund – Research Infrastructure program to match federal investments in CFI.

Ottawa also supports research and the development of highly skilled graduates through various federal-provincial matching programs including Mitacs. Without the Ontario match for these programs our researchers and graduate students face the possibility of losing access to significant federal investments in research and experiential learning. Universities are asking the Ontario government to commit to match federal investments in experiential learning and research programs.

Ontario's Universities are Helping to Develop a Highly Skilled Workforce

Ontario's universities believe in an inclusive economy where young people thrive by getting and creating jobs of the future and where businesses want to invest in Ontario because of the opportunities provided here by a highly skilled workforce.

For these reasons, universities are strongly supportive of the province's commitment to implement recommendations made by the Premier's Highly Skilled Workforce expert panel in the report, *Building the Workforce of Tomorrow: A Shared Responsibility*.

In partnerships with employers and government, universities look forward to helping students understand and communicate the skills that university programs foster, and helping universities better respond to the needs of the economy for highly skilled workers and entrepreneurs.

Universities also look forward to building more effective partnerships to help connect students to employers after graduation, and to increase students' opportunities for experiential learning and other teaching and learning practices that build skills that are highly valuable in the new economy.

New investments from government would help to realize these opportunities. Universities are already providing significant experiential learning opportunities and other innovative practices to build students' skills. There are also many supports to help students launch their careers. Enhancing those important connections to employers and the job market, and enhancing partnerships with employers, will require increased investment, and we encourage the government to work with universities to determine what investments would be most effective to support a highly skilled workforce as envisioned through the strategy asked for by the Premier.

In a globally competitive, technologically advanced and dynamically changing economy, universities are helping to create not only the employees of today, but the workforce of the future.

Recommendations

- **Continue to provide funding through the Ontario Research Fund - Research Infrastructure program to match federal investments in the Canada Foundation for Innovation (CFI).**
- **Commit to match federal investments in experiential learning and research programs.**
- **Work with universities to determine effective investments to support implementation of the Highly Skilled Workforce strategy.**

3. Enhancing Community Impact for a Global Economy

Universities play a pivotal role in contributing to the economic success and cultural and social fabric of communities.

Many students who are attracted from across the country, or the world, to come to Ontario's universities for a world-class education, end up supporting local businesses, buying Ontario goods and becoming active members of their communities. Additionally, many students living in Ontario move within its borders to attend universities thereby boosting local economies in the process, generating tourism by inviting friends and relatives to visit throughout the school year. All of this generates an economic impact of \$3.4 billion, and more than 26,000 FTE jobs.⁵

Universities support a government focus on increased internationalization to attract more students by competing at a global level and also encourage the government to ensure universities remain viable as employers and institutions.

Bringing the World to Ontario by Investing in Internationalization

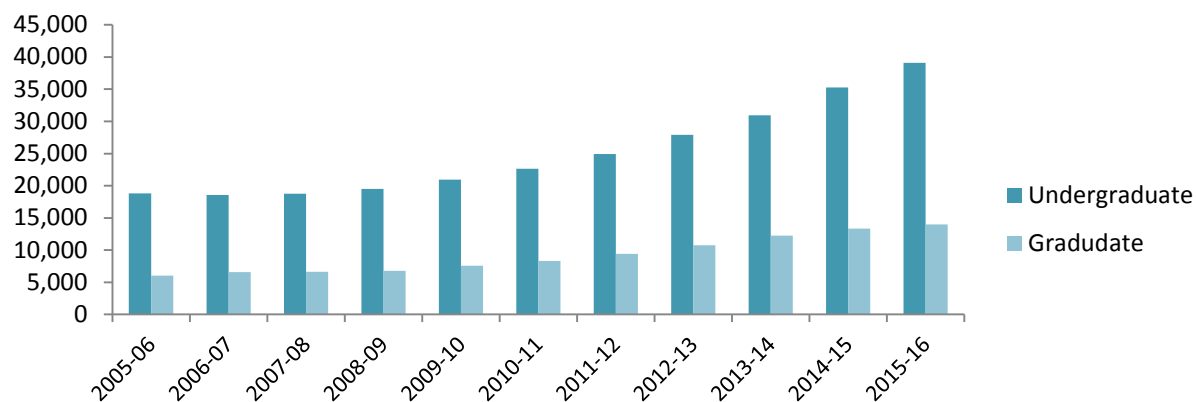
The continued global transition to a knowledge-based economy, combined with the demographic shift towards an aging population, point to increasing demands for highly skilled people and the new ideas they bring to help Ontario thrive.

Internationalization of Ontario's higher education sector is central to enhancing the province's competitive advantage and global leadership. Governments around the world have developed, or are developing, internationalization strategies to support their economic goals.

Ontario's universities welcome the Ontario government's plan to develop an international postsecondary education strategy. The province will be well served by promoting and supporting the mobility of talent – both students and faculty – as well as the development of stronger partnerships for education, research and innovation. In so doing, it also will boost Ontario's global place in trade, contribute to the globalization that increasingly defines the future, and support the inclusiveness of Ontario's culture.

⁵ The Council of Ontario Universities is developing a report to be released in the spring of 2017 on the economic impact of Ontario's universities.

Figure 3: International students, fall full-time headcounts



Ontario’s universities submitted a comprehensive series of recommendations to the Ministry of Advanced Education and Skills Development, including a recommendation for the government to end the International Student Recovery, which reduces universities’ operating grants in proportion to a portion of the tuition revenue they receive from undergraduate and masters level international students. The policy is inconsistent with the shared goal to increase internationalization. If the province’s fiscal circumstances do not allow it to end the recovery, universities ask that the recovery be capped at its current level and be phased out as the province’s finances allow.

In 2015, the province decided to allow approximately 130 of funded doctoral spaces to be filled with international students, provided that these students paid tuition fees at the same level as domestic students. This is an important strategy to bring highly skilled international talent to Ontario, which in turn makes an important contribution to the economy. Universities recommend that the province increase the number of international students in doctoral programs that can be counted as funded enrolments.

Pensions and sustainability

Universities have been making changes to ensure that they have in place sustainable, affordable pension plans. However, the overall financial sustainability of universities is greatly affected by policies set by the provincial government concerning pension plan funding obligations. The payment requirements place an undue burden on university operating budgets and divert operating funds from their intended purpose – education and services for students. As work continues in the sector on the design of a jointly sponsored pension plan (JSPP), and as the government considers the upcoming recommendations of the Marshall Review, we recommend that government exempt universities from solvency payment requirements and ensure that any new funding rules being considered on a going concern basis do not increase financial pressure on university pension plans, and by extension, on university budgets.

Recommendations

- **End the International Student Recovery of revenue from universities, or cap the recovery and phase it out as the province's finances allow.**
- **Increase the number of international students in doctoral programs that can be counted as funded enrolments.**
- **Exempt universities from solvency payment requirements and ensure the any new funding rules being considered on a going concern basis do not increase financial pressure on university pension plans, and by extension, on university budgets.**

Conclusion

Ontario's universities want to be good partners in helping to build an inclusive economy in which all Ontarians and all regions of Ontario thrive. They can do this by providing graduates with the skills that create the highly skilled workforce that attracts business. They can do this by partnering with business to ensure young people can get and create the jobs of the future. They can do this by shaping the future through innovation and life-enhancing research.

Investing in higher education is an investment in the future.



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ISBN: 978-0-88799-531-6
COU Number: 921