

# Strategic Re-Investment in Ontario Universities

(Submitted by the London Chamber of Commerce)

## ISSUE:

Ontario's universities provide us with a unique economic advantage that is being quickly eroded. Their role as vital economic generators in the province has been severely crippled by chronic under-funding thus weakening our competitive position in the national and global marketplace.

In the absence of a province-wide review of the entire education system from pre to post secondary levels - including skilled trades training, this recommendation attempts to address just one of the issues facing Ontario's education system and by association, its economy.

## Background:

Currently, Ontario ranks 10<sup>th</sup> and last among the provinces in university funding when measured against per student funding, per capita funding or by any other measure. Allowing for inflation and enrollment growth, operating grants for universities in Ontario declined by \$348 million between 1995/96 and 2000/01 according to a study – *'University Funding Cuts: Shortchanging Ontario Students'* – released by the Canadian Centre for Policy Alternatives.

During this time Ontario has cut funding more than 59 of 60 jurisdictions in North America. Only Ontario and Hawaii have cut their total funding to universities over this period.

Over the past six years the funding gap between Ontario and the average of the other provinces has widened from \$1,114 per student to \$1,734 per student. In contrast, over the same period of time tuition and other fees paid by Ontario's university students have increased by \$579 million or 69%, according to the study.

For its part, the Provincial Government is committed to making improvements for post-secondary students and institutions, but at the same time is faced with the prospects of a large deficit. While working on a long-term solution, tuitions have been frozen for a two year period.

The Premier himself has told us as recently as the Ontario Chamber of Commerce Business Achievement Awards that he wants to see Ontario develop its knowledge based workforce by modeling itself after the Massachusetts's experience where 48% of the population receives a university education compared to 28% in Ontario. This is a noble ambition indeed - but hardly an achievable legacy under the current funding model.

These cuts in government grants and the shifting of the financial burden to students have severely restricted many potential students' access to higher education and thereby undermine the principle of universality. In the long run, this will further damage Ontario's competitiveness.

*...continued/*

## Strategic Re-Investment in Ontario Universities...page # 2

### Background...continued

Ontario's Task Force on Competitiveness, Productivity and Economic Progress (generally known as the "Roger Martin Task Force") has documented a 10% *'prosperity gap'* between Ontario and comparable U.S. states, and a 15% *'prosperity gap'* between Canada as a whole and the United States. The Task Force identified our lower investment in post-secondary education and particularly the under-production of graduate degree holders, as a key factor in this prosperity gap. "Investment in education affects productivity and prosperity throughout our society".

Universities can and do contribute to the local economies of the municipalities where they are located and have a profound impact on the overall economy of the Province of Ontario. As an example, In London, the University of Western Ontario:

- Creates \$1 billion+ of economic benefit in the community
- Sustains 15,000 direct jobs,
- Spends \$158 million in the acquisition of goods and services (\$74 million in London)
- Sees student spending of \$139 million (another \$129 million in London),
- Enables University visitor spending of \$19 million+ and,
- Western grads who elect to stay in London contribute another \$275 million to the local economy.
- and, Western pays approximately \$1.4 million annually in municipal taxes.

### Summary

In the short term, we are faced with the challenge of chronic under-funding for universities compounded by a freeze on tuitions. At the same time we want universality in our education system with a fair funding formula for student tuitions. We claim to want our educational institutions to act more entrepreneurially but we prohibit them from doing so. These multi-faceted problems must be met with multi-faceted solutions. We therefore respectfully submit the following.

### Recommendations:

- 1) That the Government of Ontario bring university funding up to the national average, incrementally by the budget year 2007/08 and,**
- 2) That post-secondary institutions be allowed the flexibility to determine fees, on a program by program basis to be determined by value and market conditions and,**
- 3) That the Government of Ontario examine the Blair government model in Great Britain where flexible tuition fees for institutions are matched by special grants and tuition subsidies for lower income students – those who can afford to contribute to the cost of their education do so. Loans are available that provide for repayment rates based on income after graduation.**