



Policy Paper

Tuition: Towards a Fair Student Contribution for Higher Education

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“Let us think of education as the means of developing our greatest abilities, because in each of us there is a private hope and dream which, fulfilled, can be translated into benefit for everyone and greater strength for our nation.”

- **John F. Kennedy**

Introduction

Ontario is at its most formidable crossroads in a generation. Economically, culturally, and demographically, this province, and indeed this entire country, has shifted into new and uncharted territory. These new waters have led to serious challenges such as severe job loss and a systematic shift in economics and industries. As always, great challenge also brings with it opportunity. As the government combats this economic crisis, it has become clear that Ontario needs to enact a strategy that will move the province into a situation that will allow for a prosperous and successful Ontario once again. There is growing consensus both at home and abroad that higher education is the key to Ontario's future success.

If higher education is to be the silver bullet to repair Ontario's damage economy, then it must be affordable to all those who are willing and qualified. The current economic challenges across the globe demand a realist's discourse in the ongoing debate regarding who should bare the cost of post-secondary education (PSE) and how much that cost should be. It is the objective of the Ontario Undergraduate Student Alliance (OUSA) to create educated solutions that provide clear deliverables with achievable milestones. Outlined in this paper are principles, concerns and recommendations (PCRs) to meet these milestones in a manner that ensures fairness, quality and sustainability.

At the outset of our discussion regarding cost, let it be stated clearly that as the students are the primary benefactors of PSE, they should therefore be responsible for contributing to the cost. That being said, the concurrent reality is that all of society clearly benefits from a more educated population, and thus students are not the only benefactors of post-secondary education. Families, corporations, as well as government reap the rewards ranging from increased revenues due to enhanced creativity and to a healthier populace. As such, all benefactors should be partners in the investment cost of educating a student. It is OUSA's belief that the student, as one partner, should only be paying one partner's share.

Current economic instability limits our prescience of the future abilities of students to make an investment in their continued education. Now is the time to make sure that students and their families are protected and that the post-secondary education system does not become more exclusionary. Educational investment ensures the future strength of our economy.

The intent of this paper is to propose fair financial contribution strategies, which ensure the accessibility, affordability, accountability and quality of post-secondary education, while taking into account the current economic environment. This paper will examine the issue of tuition from the perspective of the three major subsections of students that it represents; undergraduates, second entry students, and international students.

Cost of Education: Undergraduate Students

It is evident that a responsible cost sharing model is needed. But, just how much of the cost should students have to pay? Currently, the Canadian national average for student contributions of educational cost is hovers around 30%, while the provincial and federal governments fund the remaining 70%. Ontario's student contributions, however, is growing ever closer to 50%. This means that, relatively speaking, Ontario's students are paying more than their fair

share of their educational cost.

The Ontario Undergraduate Student Alliance proposes the “30% student contribution” as the most efficacious division of cost responsibility. Given that this model is based on the national average, it is not only fair, but it has also proven to be feasible and manageable. Presently, the Ontario provincial average is closer to 45-55. This is best expressed when the national tuition average of \$4,724 is compared to, the Ontario average which stands at \$5,643 and is the second highest tuition in the country. This difference is due in part to the fact that Ontario experienced one of the biggest tuition increases in Canada last year.

Cost of Education: Second Entry Students

OUSA uses the term “second entry students” to delineate those who are in programs which require a degree or a proportion of a degree to be completed as a requirement of entry. Examples of such programs are medicine, law, rehabilitation sciences, and dentistry. These are not just professional programs, but also bachelor degrees. Second entry programs have a different set of regulations than standard undergraduates. The Ontario government has imposed institutional tuition caps at a 5% raise. 2nd entry students have a cap at an 8% raise the first year, followed by a limit of 4% each of the following years. Even with the 8% raise cap, the institutional average must not exceed 5%.

An 8% cap exposes students to considerable tuition fee fluctuations. Affordability should not be the factor that decides which programs second entry students apply to. This is of particular concern for industries that face shortages of skilled workers. It is our recommendation that the government of Ontario make second entry programs more accessible in order to meet the shortages within our labour market.

Often, it is argued that second entry programs can charge more because it is thought that these students will end up making more income in the long term. However, if this assertion is to be made then it is crucial that better research to support this argument be undertaken. Until such a time as this is possible, then tuition for these programs should be regulated in the same way as all other undergraduate tuition.

Cost of Education: International Students

The current tuition model leaves international students particularly vulnerable to dramatic and persistent cost increase. Tuition costs for international students attending post-secondary institutions in Ontario are not regulated by the province. Unsurprisingly, this has led to significant tuition hikes over the past many years.

It is a goal of Ontario universities to attract the best and brightest minds, both locally and from abroad. The influx of qualified international students is necessary to ensure the continued growth of Ontario’s knowledge economy. Unaffordable post-secondary education limits the ability of Ontario institutions to attract students from abroad, thereby preventing the Ontario post-secondary system from strengthening its international reputation.

It has often been argued that international students must pay more than domestic students because they are not paying taxes. This argument is logical, and thus one might expect international students to bear the full cost of their education, meaning both the student and government portions. Unfortunately, at many Ontario universities this is not the case and international students are paying more than the actual cost of their education. This payment in addition to cost means that some universities are actually making a profit off international students’ education. It is the opinion of OUSA that international student tuition levels be regulated so that they are only paying for the education they are getting. The students of Ontario believe that this is only fair.

Principles

Principle One: All willing and qualified students in Ontario must be able to access and excel within Ontario's system of post-secondary education.

Underpinning all other principles related to post-secondary education, this one is of particular importance. Whether for reasons of greater social equality, a more engaged citizenry, or simply to allow individuals to pursue their dreams, all willing and qualified students must be able to access post-secondary education. Given that within the next 10 years, 70 per cent of jobs will require some form of post-secondary education or training, the time to act is now. Students, once accepted into university, must not be deterred or diverted from completing their degree due to financial pressures. Excelling through the system is fundamental to true access, and true access is essential to students in Ontario.

For individual Ontarians and the province as a whole to reap the extensive benefits of university education, the doors of the system must be open to everyone with the will and academic preparation to attend. Unfortunately, Ontario faces serious accessibility challenges. Individuals from lower-income backgrounds, Aboriginal communities, rural regions, and students with dependents continue to be drastically underrepresented in the university system.⁹ The access statistics paint an unsettling picture of higher education participation for these groups.

Low-Income Ontarians: The participation rate for 18- to 24-year-olds from families with incomes of \$100,000 or more was double that of individuals from families with incomes of \$25,000 or less.¹⁰ Participation rates for low-income groups increased from the late 1970s to the 1990s, but the percentage difference in participation between the highest income and lowest income quartiles has remained roughly the same at 20 per cent.¹¹ Moreover, Statistics Canada estimates that every ten per cent increase in parental income was associated with a 2.5 per cent increase in the probability of university attendance in 2000.¹²

Aboriginal Ontarians: From 1996 to 1999, the post-secondary enrolment rate for Registered Indians aged 17 to 34 averaged 6.5 per cent, while total Canadian enrolment stood at 11.5 per cent.¹³ Moreover, participation and total enrolment for this group has decreased over the past five years of reported data. Total participation for the Registered Indian population has gone from 6.5 per cent in 1996/97 to 5.9 per cent in 2000/01.¹⁴ Total enrolment for Registered Indians and Inuit individuals has also decreased, from 27,172 in 1997/98 to 25,825 in 2001/02 despite an increase of enrolment for the general population over the same period.¹⁵

Rural Ontarians: When looking at participation rates and distance to school nationwide, the participation rate of students living beyond commuting distance from a university (80 kilometres or more) is 11 per cent.¹⁶ This rate is less than half of those students who live within 40 kilometres of an institution.¹⁷ In addition, students from families in the lowest income tier living beyond commuting distance from a university are six times less likely to attend when compared to their highest income counterparts.¹⁸ Distance and the lower family incomes associated with rural residency are preventing many individuals from advancing into the university system.

Students with Dependents: According to recent research by the Canada Millennium Scholarship Foundation, approximately 19 per cent of women between the ages of 20 and 24 have dependent children. However, only four per cent of 20-year-old women attending university reported having a child.¹⁹ In 2001, only 12.5 per cent of women who were lone parents in Ontario had a university certificate, degree or other qualifications, compared to the Ontario average of 19.6 per cent.²⁰

Middle-Income Students: There is also growing evidence that rising tuition fees, both concretely and as a percentage of household income, may be squeezing middle-income students out of the university system. According to research conducted by Statistics Canada, the university participation rate for students from middle-income families in Canada decreased during the mid-nineties, until the final year of reported data.²¹ It is uncertain whether this represents a long-term trend that will continue into this decade.

Principle Two: All those who benefit from the post-secondary education system must contribute to funding it.

This principle is not an argument for a cost-sharing arrangement wherein students bear the majority of the operating costs through fees. Rather, this principle establishes a broad social responsibility for the maintenance of the university system, from individuals and their families to the provincial and federal governments to the corporate sector that benefits from post-secondary graduates. However, the objective of modern educational policy makers is to ensure that students never have to pay a disproportionately high/non-sustainable price to attain a university education.

Principle Three: The costs of a post-secondary education credential must be recovered by the provincial government in a fair and progressive manner.

If the goal of the system is to provide equitable access (to post-secondary education) to a high percentage of the public, any model of recovering the cost of that system must not simply incorporate a plethora of uncoordinated progressive elements. Instead, it must be designed with fairness and equity as its foundation.

The current system, unfortunately, has progressive elements grafted onto it to address non-progressive elements that exist up-front, in-study, and at the back-end for students. As just one example, inequity in the current system still exists after graduation as women systemically earn 32.5 per cent less than their male counterparts.²⁶ As a result, debt repayment can take longer and, with interest, causes the principal cost of education to effectively be higher for women than for men.

A fair and progressive system would strive to ensure equality of access and the belief that post-secondary education is an option for all Ontarians regardless of individual circumstances.

Principle Four: Student control through democratic mechanisms is necessary to ensure accountability of compulsory non-tuition related ancillary fees.

According to the Ministry of Training, Colleges and Universities, a compulsory, non-tuition related ancillary (CoNTRA) fee is any fee that “is levied in order to cover the costs of items which are not normally paid for out of operating or capital revenue”.²⁷ In other words, these fees are charged for services and non-academic infrastructure not covered by provincial operating grants or student tuition fees. As university funding began to stagnate in the 1980s and early 1990s, institutions increasingly turned to ancillary fees to cover budget deficits. This led to a marked increase in the level of these charges. After a period of intense lobbying by student groups, new rules governing compulsory, non-tuition related ancillary fees were introduced in 1994.²⁸ Essentially, the new regulations empowered student unions to control the level of existing fees and the implementation of new fees through student referenda, student council ratification and a variety of other democratic mechanisms.²⁹

In OUSA’s opinion, this policy has been largely successful. Institutions have not been able to levy irresponsible or otherwise unacceptable ancillary fees on their students, while genuinely useful fees have not been capriciously blocked by student governments. The principles that brought these changes into effect are still factors today. University administration should not have free reign to increase ancillary fees to side-step tuition regulations imposed by government. The control of CoNTRA fees must lie with students as they stand to bear both the costs and the benefits.

Principle Five: The federal government has a responsibility to help fund the university system in Canada.

Just as citizens and students in Ontario have responsibility for the university system on the basis of the benefits they each derive from it, the federal government also has a role to play. Increased tax revenues, economic benefits, and prosperity derived from an educated population are just a few of the key benefits the citizens of Canada as a whole derive from a well-funded, broadly accessible university system. Although Article 91 and 92 of the Canadian

Constitution limits the ability of the federal government to directly fund institutions, the Canada Social Transfer, research and innovation funding, the Canada Student Loan Program, various student-directed granting programs, and the Canada Student Grant Program all provide monies essential to the success of the province's university system.

Concerns

Concern One: Students in Ontario pay a significantly larger portion of the cost of their education than students in other provinces.

OUSA's analysis of current tuition fees levels shows that students at Ontario universities pay a much higher proportion of the costs of their education compared to their Canadian peers. In 2004/05, Ontario tuition constituted 45 per cent of the total operating costs of the province's universities, compared to a 29.6 per cent average for other Canadian provinces. Ontario also has one of the highest levels of student contribution in the Organization for Economic Cooperation and Development (OECD), and is well above the OECD average contribution level of 21.4 per cent.³⁷

While the Ontario government has made significant funding commitments to higher education, the proportional contribution of its students to their universities' operating budgets remains out of line with the other provinces and many other countries. Given rising student-faculty ratios, this disproportionate contribution has also not resulted in a higher quality education.

Ontario university applications reached a record level this year – the highest in history with the double cohort anomaly removed. This means that there will be increased demands on Ontario institutions; however, students should not have to bear the cost of extra students and inevitable over enrolment. (COU)

For the 2008/2009 academic year, Ontario's tuition fees were the second highest in Canada with the provincial average equalling \$5643 compared to the national average of \$4724. Tuition will rise next year making Ontario's undergraduate university system the most expensive in the country as Nova Scotia is poised to see another reduction. Ontario students are paying close to \$1000 more than their peers from other provinces.

Concern Two: Deregulation of tuition has resulted in significant tuition increases over the last decade, putting at risk the affordability and accessibility of post-secondary education in Ontario.

In December 1997, the Ontario government deregulated tuition fees in professional and graduate programs, allowing individual institutions to set the fee levels for the following year. All institutions chose to raise fees substantially, so tuition levels skyrocketed for these programs, particularly high-demand professional programs such as law, medicine, and dentistry. Average tuition rates nearly quadrupled in medical programs, and almost tripled for law degrees.³⁰

Several years onward, we are beginning to witness the effects of these dramatic tuition hikes. A Statistics Canada study of access to professional programs found that enrolment patterns in law, medicine and dentistry had shifted. The proportion of students from high-income families increased, and the proportion from low-income families also increased slightly. However, the proportion of students from middle-income families declined. The report concludes that the rapid and unpredictable tuition hikes incurred through deregulation had the effect of reducing the accessibility of professional programs to students from middle-income backgrounds, which had neither access to sufficient funds nor financial aid.³¹

As this and other studies demonstrate, deregulation of tuition fees results in rapid and dramatic rises in tuition fees, which have a direct effect on the accessibility of the deregulated programs. To create a higher education system, open to all willing and qualified students, tuition fees in any program must be regulated.

Concern Three: Differentiation of tuition on a program basis based on perceptions of future income is inaccurate, dissuades enrolment by low-income students, and may negatively affect career choices.

At present, tuition fee levels for different programs are in part based upon the expected job prospects and income of graduates in each program. When the provincial government announced in 1997 that tuition fees for professional and graduate programs in colleges and universities would be deregulated, part of the rationale was that students in these programs would be able to bear higher costs. As then-Finance Minister Ernie Eves noted to the legislature, for some of these programs, “job opportunities for graduates are virtually guaranteed and income after graduation is substantial”.³²

OUSA’s concern about this implicit assumption in tuition-setting policy is that it assumes that students in these programs all successfully reach graduation and obtain high-paying employment. However, for a range of reasons, not all students acquire these financial benefits from their education, but are nonetheless levied higher levels of tuition than students in other programs.

Furthermore, research on the perception of educational costs and benefits has found that individuals from lower-income backgrounds tend to overestimate the cost of obtaining a post-secondary qualification, while underestimating the financial benefits typically accrued over a lifetime of higher earnings.³³ These findings suggest that low-income Canadians in particular may be less likely to pursue a high-cost education, given the tendency to under-estimate potential financial benefits.

The choice to enter a particular program can also be affected by differentiation of tuition based on program of study. A Statistics Canada study of access to professional programs found that enrolment patterns in law, medicine and dentistry had shifted. The proportion of students from high-income families increased and the proportion from low-income families grew slightly; however, the proportion of students from middle-income families declined.³⁴ After graduating from a program, debt loads and the necessity of earning large income may also demand that graduates choose higher paying private jobs rather than lower paying jobs at not-for-profit corporations and non-governmental organizations.

Concern Four: “Flat Fee” or “Full Time Rate” tuition models are inconsistent across the province and are a financial deterrent for many students

Universities across Ontario charge students tuition in a number of different ways. Some charge students based on how many courses they are enrolled in, while others charge students a flat-rate for a full time student, regardless of the number of courses a student takes. Of the twenty largest degree-granting institutions in the province, half currently institute some version of a structure known as “full time rate” or in some places, “flat fee” tuition structure. These effectively mean the same thing: any student taking more than a fixed percentage of a full-time course load, pays the tuition as if they were taking 100% of a full load. This begins, in the case of the University of Toronto, as low as 60% of the standard full-time course load for a year.

Other tuition models require students to pay only for the courses which they are enrolled in and are receiving instruction and educational benefit, but students who are subject to “full time rate” models are paying for courses which they do not enrol in, and do not receive credit for. The universities themselves simply keep the additional tuition money. The following chart outlines the tuition models used across Ontario as they exist for the 2008-2009 academic year.

Per-Credit Tuition Models				
Sub-Group	Time Unit	Universities	Description	
Unit-Based	Semesterly	UOIT	Every additional credit has the same tuition charge as the previous credit.	
Unit-Based	Annual	Nippising Queen's Ryerson York	Every additional credit has the same tuition charge as the previous credit	
Final-credit discount	Semesterly	Laurier Waterloo	A full-time course load is 5 courses per semester. The first four courses each have the same tuition charge, and the tuition charge for the 5 th course is significantly less than the first four.	
Multiple-credit discount	Annual	OCAD	A full-time course load is 5.0 credits per year. Students receive a \$10 per-credit discount if they enrol in 4.0 or more.	
Surcharge	Annual	McMaster	A full-time course load is 30 units per year. Each additional unit has the same tuition charge as the previous unit, however all students taking 18 units or more pay a surcharge ranging from \$517.79 to \$716.72	
Sliding Scale	Semesterly	Algoma	A full-time course load is 15 units per semester. Tuition is charged on a sliding scale of 3-unit increments, where the cost per-unit is progressively cheaper when more are taken	
"Full Time Rate" Tuition Models				
Charge begins at	Full load	Time Unit	Universities	Additional information
3.0 credits (60%)	5.0 credits	Annual	Toronto	No charge for overload credits
3.5 credits (70%)	5.0 credits	Annual	Trent Western	No charge for overload credits
22 credits (73.3%)	30 credits	Annual	Laurentian	No charge for overload credits
2.0 credits (80%)	2.5 credits	Semesterly	Carleton Guelph	No charge for overload credits
12 credits (80%)	15 credits	Semesterly	Ottawa	No charge for overload credits
4.0 credits (80%)	5.0 credits	Annual	Lakehead	No charge for overload credits
4 courses (80%)	5 courses	Semesterly	Windsor	If an overload semester is required based on program schedule, there is no additional charge. If overload is taken by discretion, there are extra tuition charges
4.0 credits (80%)	5.0 credits	Annual	Brock	All overload credits have an additional tuition charge

OUSA finds these discrepancies problematic for a number of reasons. First among them, is that many students are being charged for education which they are not receiving. A student who is only enrolled in four courses per semester should not be forced to pay the same tuition as a student who is taking five courses in the same period. The student

taking five courses is receiving more instruction and education, and receives the academic credit for that additional course upon completion. A student who only wishes to enrol in four courses has chosen not to attempt a fifth course, and is receiving nothing in return for their additional tuition contribution.

With the rising cost of education, many students choose to take less than a standard course load due to the constraints of time and money. In order to finance their education, they need to find employment in order to pay for tuition, academic materials, rent, transportation, and other costs. Students at per-credit schools will be able to reduce their in-year costs when they reduce their course load, while students at full-time-rate schools are not able to achieve these savings.

A discussion regarding the need for increased financial assistance measures which would reduce the need for part-time employment is discussed in other OUSA papers, but the current reality is that students spend significant hours working to subsidize their education. Because their tuition costs are not decreased when they reduce their course load, they need to spend more hours at work to pay these extra charges. This is time that the student could have been using for education and study, and may encourage the students to drop even more credits until they fall below the full-time-rate threshold.

Compounding the issue of value for money, if students shed enough courses that they fall to part-time student status, the amount of financial aid they are eligible for is greatly reduced. At the University of Toronto, this is the only option: the only way to avoid a full-time-rate charge is to drop to part-time student status, which comes with the consequence of lower assistance limits.

If a student in fact chooses to mitigate their costs by enrolling in fewer courses, they will already be facing additional financial burdens. In order to receive their certification, the student will need to extend their study period; either by taking additional years to complete their degree, or by taking courses in the spring/summer study sessions. Either of these choices provides the lost opportunity-cost of employment earnings. Additional years of study also require additional expenditures on housing, transportation and living expenses. And as a further addition, the student would still be required to pay tuition when they take the course later.

To give one concrete example, a student who wishes to complete their 20-credit degree in five years (instead of 4 years) by taking 4 credits per year (instead of 5 per year) will pay for one additional year of living expenses, and have the lost opportunity of one-year's earnings. Under a full-time-rate model, this student is additionally punished by paying 25% more tuition than the student who completed their degree in four years, despite receiving the exact same education from the university. In the most extreme example, a University of Toronto student who takes 3.0 credits per year will have paid 60% more in tuition for the exact same education as her peers (not including inflationary pressures), by the time she graduates.

A full-time-rate may be compared to an all-you-can-eat buffet, where one price allows for a student to choose how much they wish to consume from a wide menu. Yet two institutions with buffet-style tuition structures implement a surcharge once the students take too many plates. At Windsor and Brock, students are charged tuition on a per-unit basis for courses they take in excess or "overload" of what is considered a full courseload. Paradoxically, the universities choose to retain excess tuition paid for a number of courses not actually taken by an individual student. This confusing, duplicitous stance means that either way students choose, they are the ones who end up paying for the university's greedy tuition stance.

Concern Five: Compulsory non-tuition related ancillary fees have increased substantially over the last 15 years in part to compensate for shortfalls in provincial operating grants.

According to Statistics Canada, ancillary fees have increased approximately 90 per cent between 1993 and 2002, with the majority of those increases occurring in the five year period between 1997 and 2002.³⁸ These increases have amounted to ancillary fees accounting for roughly 15 per cent of the total amount of tuition. For students in Ontario,

this works out to be approximately \$640 per year.³⁹ Compulsory fees in Ontario now stand at \$729 on average, which is more than 30 per cent higher than in 2001-02.⁴⁰

While ancillary fees have proven to be a large cost to students, the services that they fund are often vital programs, such as health counselling and athletics and recreation. However, a balance must be struck.

Although these services are important, ancillary fee levels should not become a barrier to the entrance of, or the continuation of, higher education. These fees must also not be used to compensate for shortfalls in provincial operating grants to fund such essential services.

Concern Six: The system of upfront payment of education costs through an overly complex structure of family and personal contributions, tax credits, loans, and grants is confusing, inefficient, and leaves those without the ability to pay up front with sizeable debt loads.

While the financial aid system offers assistance to many students with monetary need and works to reduce the barriers to accessing post-secondary education, it is not achieving these goals in the most successful or efficient way. The current system is a mix of tax credits, loan programs, and grants that are not effectively or efficiently meeting the needs of students. There are serious failings in the student assistance program, which often fails to accurately assess financial need, does not provide sufficient amounts of aid, and leaves graduates with huge debt burdens.

The biggest expenditure on “student financial aid” in Canada is not loans or grants, but untargeted initiatives such as tax credits and savings programs that are available to anyone regardless of income or need, and cost taxpayers over \$2.5 billion per year.⁴³ Governments spend over \$1.7 billion on education related tax credits for students, and new tax credits were announced by the federal government and several provinces over the past year. Yet this money does not go to students in need – only 31 per cent of tax credits are used by students while they are studying. Instead of loans or tax credits, OUSA believes that grants are the most effective way of reducing student debt and increasing access for students from underrepresented groups.

Concern Seven: International students’ tuition is not regulated and is at a level that is above the actual cost of the education they are receiving.

The creative economy and future success of the province depends on having the brightest minds from around the world working and contributing here in Ontario. Universities need to be pursuing international students and creating an environment that promotes their inevitable settlement and integration into the Ontario system. OUSA believes that at many Ontario universities international students are being unfairly charged for their education. Since international student tuition is unregulated, it is prone to unreasonable and dangerous increases. International students pay far more than their residential peers, in fact paying for the whole cost of their education. 100% of the cost compared to the 44% that Ontario students currently pay, and the 30% Canadian average.

While international students do not pay taxes and thus should not expect to benefit from the Canadian tax system, there is currently a dangerous trend in the province to charge these students more than the true cost of their education. This means that in many cases institutions are profiting from these students as they are being charged for more than what they are receiving. This year alone, international students’ tuition increased by 5.1% in Ontario, the highest raise in the country. OUSA believes that students should be fairly charged for their education and thus believes that seeking profit from students Ontario desperately needs is neither advisable nor proper. The best way to attract international students is to provide them with the highest quality education, at the best possible value.

Recommendations

Recommendation One: All tuition must remain regulated by the provincial government.

In conceiving the current tuition framework in the current up-front cost-recovery model, the provincial government rightly decided in 2006 to regulate tuition fees.

It is OUSA's firm belief that the provincial government is in the single best position to control tuition fees in Ontario. As an objective third party, the province can balance competing stakeholder demands and build a system which is both accessible and able to offer the highest quality education. This is not an argument for absolutist central planning within the university sector. Rather, the provincial government should implement various safeguards and limits to institutional tuition fees, as opposed to dictating absolutely uniform fee levels across institutions and programs.

From OUSA's perspective, there are four compelling reasons why government must continue to retain control over all tuition fees in Ontario:

1. Control Student Cost. Tuition is the single largest expense faced by students, so fluctuations in fees have the potential to seriously impact the financial sustainability of attending higher education.

Unfortunately, it is impossible to deny that student costs have spiralled out of control over the past decade. Average tuition in Ontario has ballooned by 139 per cent, and debt levels have followed suit. The average Ontario graduate who received OSAP support now owes \$22,700—the highest debt level in the country.^{47,48}

As disturbing as these figures are, things are much worse in currently deregulated programs. Tuition has more than tripled, rising 261 per cent since 1993. While there is no specific debt data for graduates in these programs, it is reasonable to assume they owe considerably more than peers who graduated from regulated programs.

There are two essential problems with rising tuition and debt. First, higher up-front costs may serve as an obstacle to individuals from lower-income backgrounds. These individuals may lack the up-front resources to attend university, and may not wish to incur a significant debt load to access higher education. As seen earlier in this paper, lower participation in higher education by socio-economically disadvantaged groups remains a persistent problem in Ontario. The increase in fees has already had notable impacts on the accessibility of deregulated programs. A study conducted by the Social Programs Evaluation Group at Queen's University of accessibility at Ontario's six law schools revealed that tuition liberalization had created a five per cent increase in enrolment for students from families in the top 40 per cent of the income distribution, and a participation decline for individuals from the middle 20 per cent.⁴⁹ Decreases in enrolment were also seen for students from French-speaking backgrounds and from Northern Ontario.⁵⁰

Second, high debt poses a serious financial burden for graduates. It limits career and life choices, and can lead to severe financial consequences if a graduate defaults on their student loans. Worst of all, student debt unfairly penalizes those least able to pay for a university education—students from lower socioeconomic backgrounds. Forced to borrow high amounts of money, these students will end up paying much more for their education than individuals with relatively low debt. A \$28,000 loan paid back over ten years will cost a student \$42,563 in total payments, with monthly payments of over \$350.⁵¹ Although paying the same loan back in five years reduces the total cost to \$34,874, the monthly payments for such a plan are a punishing \$581 a month.

By using tuition regulation as a means to control student cost, the provincial government puts itself in a position to both manage financial barriers to higher education and reduce the overall indebtedness of its university graduates. In short, the provincial government will be in a better position to ensure the equitable access of its university system.

2. Prevent unfair distortions in fee levels. There are strong indications that under-funded institutions in Ontario are using deregulated fees to subsidize the operating budget of the entire university, not just the program in which the deregulation has occurred. Consider the case of law tuition. Under the Basic Income Unit (BIU) formula used by the provincial government to determine university operating grants, an arts student is worth one unit, while law students are worth 1.5. Based on this data, it is reasonable to assume it costs roughly 50 per cent more per student to educate a lawyer than it does an arts student. However, average arts tuition in Ontario is \$4,161, while average law tuition is

151 per cent higher at \$10,483. It is difficult to avoid the conclusion that law tuition, like the tuition in many deregulated programs, is used to shore up the operating budgets of other departments.

OUSA believes the practice of extreme tuition differentiation for the purpose of leveraging additional revenue beyond program costs is unfair to students. Full regulation within a new tuition fee structure would eliminate this inequity.

3. Ensure the predictability of student cost. In order to plan their finances effectively, it is important for students to know how much they will pay in tuition over the course of their program of study. Deregulated fees can rise sharply from year to year, making it difficult for a student to create a plan to finance their education. Moreover, once a student is in study, a sharp increase in tuition could well push university beyond his or her financial reach, forcing their withdrawal from the program.

Total fee regulation is necessary to ensure stable fees around which students and their families can plan. Allowing heavy fluctuation in tuition from year to year is irresponsible and harmful to the affordability of the system.

4. Ensure the stability and efficacy of the financial aid program. From a financial aid perspective, there are two very compelling reasons to regulate tuition. First, by controlling costs, students will borrow less money and graduate debt will be reduced. Second, by regulating tuition fees, governments make an investment in the long-term sustainability of their financial aid systems. In order to remain student friendly, financial aid programs must make provisions for accompanying grant assistance, interest rate controls, interest relief, debt reduction and debt forgiveness. These programs cost money. As fees rise, more students will need to borrow more money from the aid program. As a result, the cost of all the above debt control measures begins to increase. In relatively short order, deregulated fees will drive the expense beyond the government's ability to pay. The programs must then be rolled back or eliminated altogether, with correspondingly negative graduate impacts. Debt, already enlarged by inflated fees, will constitute a huge burden in the absence of any control and reduction programs.

Moreover, if fees are deregulated, the cost of education may end up outstripping the ability of the aid program to effectively cover student costs. Indeed, the Ontario example demonstrates the grim possibilities of this scenario. Since 1994, average undergraduate tuition has increased by 137 per cent. Tuition in deregulated programs has literally exploded, rising 261 per cent from \$2,076 in 1993 to an average of over \$7,500 in 2003.^{52,53} Students in programs like law, medicine and dentistry pay even more— \$10,483, \$14,355 and \$17,087 respectively.⁵⁴ Until the 2005/06 school year, the maximum financial aid package was frozen at its 1994 level of \$9,350. While the maximum loan limit is now \$11,200, this amount is still inadequate in accounting for the huge costs associated with deregulated programs. Clearly, deregulation in Ontario has severely undermined the effectiveness of the OSAP system in meeting student needs.

The difficulty in maintaining a sound financial aid system in the context of deregulated fees is evocatively demonstrated by the American example. At private institutions with unregulated fees, student loan default rates are a staggering 45.5 per cent, as compared to 29.6 per cent for public institutions with much lower regulated fees.⁵⁵

Recommendation Two: Tuition fees must not increase beyond the rate of inflation as measured by CPI.

Regulation alone could continue to shift more of the financial burden of education onto students and undermine the effectiveness of the financial aid system. Under the current regulated tuition fee framework, increases to the base fee can increase by 4.5 per cent in lower cost programs such as arts and science and can increase as high as 8 per cent in additional cost-recovery programs such as engineering, commerce, law, and medicine.

Over the course of the 1990s and into the 21st century, students have been asked to bear an increasing share of the cost of the university system. Since 1990, the student share of operating revenue has more than doubled, increasing from 21.2 per cent in 1990 to 44.7 per cent in 2004.⁵⁶ Taken another way, students have already made a huge investment in the university system and should not be expected to continue to contribute even higher financial contributions to the system.

Inflation, in this case, must mean the Consumer Price Index (CPI) and not the university inflation rate as presented by the Council of Ontario Universities. It is important to remember that while the costs at universities increase at a rate higher than CPI, the ability of students to contribute to the system is at best limited to CPI. By keeping tuition increases to CPI, the provincial government maintains the value of the student investment while simultaneously allowing public investment to catch up.

Recommendation Three: The provincial government must annually increase per-student operating grants in a manner that funds the university rate of inflation.

In the 2005 provincial budget, the McGuinty government announced historic re-investment in higher education. Under the budget plan, the government will increase university operating grants by an average of six per cent per year until 2009/10 under constant enrolment.⁵⁷ After a decade of government neglect, the re-investment was universally applauded by students and universities. However, in order to ensure that the promise of *Reaching Higher* is not eroded by inflationary pressures at universities, it is essential that on an annual basis, operating grants on a per-student basis must be at least indexed to cover university inflation. University inflation is usually increasing at a higher rate than CPI due to different cost drivers, including salary costs and high cost technological equipment.

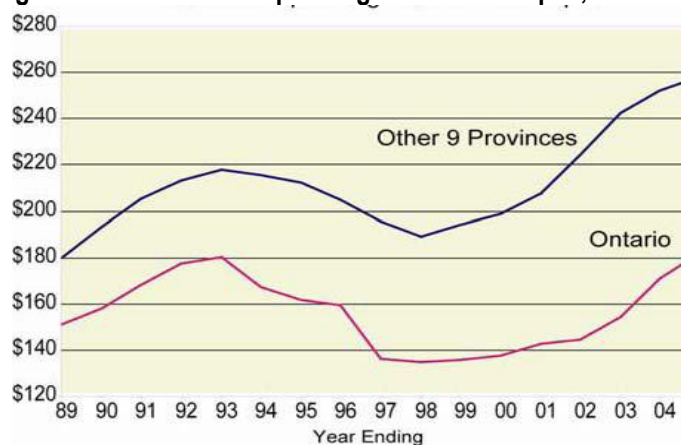
Given students cannot reasonably be expected to cover more than a CPI calculation of inflation, this will ultimately require the provincial government to cover both university inflation on the traditional provincial contribution portion and the difference between university inflation and CPI on the traditional student contribution portion.

Recommendation Four: The provincial government must at least increase university operating grants to the per student national average.

Even after the investments in *Reaching Higher*, Ontario is still outpaced in provincial operating grants provided to universities on a per-capita basis in relation to other jurisdictions in Canada. The Ontario government has provided the lowest levels of funding per capita of all the provinces, and has remained in the bottom place for ten years.

The funding gap between Ontario and its peers is illustrated in the following chart:

Figure One: Provincial Operating Grants Per Capita, 1989-2005⁵⁸



Increasingly, Ontario also measures its success on an international level, particularly against peer jurisdictions in the United States. Compared to peer American institutions, the Council of Ontario Universities found that Ontario universities had 24 per cent less revenue available, when comparing purchasing power.⁵⁹

In order to remain competitive, Ontario will need to raise its per-student funding levels to match its peer jurisdictions. At the very least, it must compete with other jurisdictions in Canada by raising university operating grants to the per student national average.

Recommendation Five: The provincial government must be more responsive in providing operating grants to institutions in the event of unplanned enrolment anomalies.

Before the recent re-investment in post-secondary education, the university funding formula allowed for a phenomenon known as the “unfunded BIUs”, which saw universities have more students than they were funded to accommodate. In committing to funding these “unfunded students” in *Reaching Higher*, the province neglected to correct the underlying problem with the BIU funding model. Instead of determining a value of the Basic Income Unit and multiplying it by the number of students in the system (as calculated in BIUs) to overall determine the provincial funding level, the province continues to take the overall provincial funding level, divide it over the number of students in the system (as calculated in BIUs) and arriving at a value for the BIU.

As a result, with 86,000 new students in universities since 2003 instead of the 50,000 new students projected by the province, the value of BIUs and therefore the per-student funding level in Ontario has decreased. In 2006-07 alone, there were 14,000 more students in the post-secondary university than projected under the *Reaching Higher* plan.⁶⁰

The province provided \$210-million in the 2007 Ontario budget to alleviate immediate cost pressures, but this funding came at the end of the universities fiscal year and was one-time only.⁶¹ In the future, the provincial government will still need to fund these students on an on-going basis and will need to be more responsive to unanticipated enrolment anomalies outside reasonable enrolment projections and institutional admissions policies.

Recommendation Six: All tuition in Ontario must be charged on a per-credit or value-received basis, and all credits within a program must have a similar financial impact.

Students receive their degrees when they successfully complete a prescribed number of courses in their area of study. It is unfair to the students when the same degree can be awarded for different tuition amounts, based on how many courses the student chose to take each academic year. For students in the ten institutions which charge a full-time-rate in their tuition schedules, taking fewer courses each year will cause the student to pay tuition when they “should” have been enrolled, and then for a second time when they actually do take the class. This double-charging causes their degree to cost more than the person sitting beside them on the convocation stage.

Yet this is not the only example of students paying more for their degrees. At five of the institutions which charge tuition per-credit, the cost varies based on how many are taken each year. At Algoma, Laurier, OCAD and Waterloo, full-time students benefit by paying less tuition over the course of their degree than part-time students. At McMaster, part-time students will pay less tuition overall than full-time students.

OUSA believes that all tuition models should be harmonized, such that full-time-rate structures are eliminated, all courses are charged on a per-credit basis, and students are only paying for the education which they are receiving. Furthermore, the first credit should cost the same as the fifth credit, which should cost the same as the final credit. Ontario students should not be put at a disadvantage based on their full or part-time student status. While it is understood that tuition increases may happen year over year due to inflationary pressures, this should be the only variable impacting tuition charges. Education is too precious and too valuable to be subjected to the volume discounts we see in retail stores.

Recommendation Seven: The 30% student contribution cap must be guaranteed by an act of legislation.

In order to keep the Ontario system as affordable and accessible as possible, students should only be paying for their fair share of the educational cost. As talked about before, the 30% national average for student contributions is the benchmark and needs to be guaranteed by an act of legislation.

Recommendation Eight: The federal government of Canada must institute a dedicated higher education transfer to the provinces and must work with the provinces to create a Pan-Canadian Accord on Post- Secondary Education.

The underpinning of this paper has been the projection that 70 per cent of new jobs will require postsecondary education in Canada and the growing dialog coming out of the federal and provincial governments regarding competitiveness, specifically the economic rise of India and China. Given those challenges, the need for a national strategy on post-secondary education with the funding to match the goals is almost undeniable. The student financial aid system in particular has many players filling many overlapping roles causing confusion, duplication, and a general lack of transparency and accountability. The first ministers must hold a meeting specifically on this issue and hammer out a Pan-Canadian Accord on Post-Secondary Education and ensure financial resources are provided to meet the challenge of high postsecondary participation in Canada.

Though the task seems jurisdictionally daunting, it is also important to remember that it has happened before. In splitting the Canada Health and Social Transfer (CHST) into the Canada Health Transfer (CHT) and Canada Social Transfer (CST) in 2003, the federal government negotiated the Health Care Renewal Accord with the provinces. It was struck in response to calls from the first ministers to improve “the transparency and accountability of federal support to provinces and territories.”⁶² The plan has provided not only greater transparency and accountability, but also increased investment of \$17.3-billion over the last three years with an additional \$17.5 in growth funding over the next two.⁶³ The Social Union Framework Agreement (SUFA) of 1999 between all constitutionally recognized levels of government was also crafted under guiding principles of equality, access to social programs and services of reasonably comparative quality, and sustainable, stable funding. The same can be done for post-secondary education with sufficient political will, and the provincial government must continue to push this issue relentlessly with the federal government.

Without the investment and the strategy, it would be difficult for the province to fund the changes to the system that are necessary, and Ottawa needs to come to the table to assist the revisioning of postsecondary education to meet the demands of a globalized knowledge economy.

Recommendation Nine: The provincial government must implement an effective financial aid system.

In the shorter term, as long as an up-front tuition-based model of funding post-secondary education continues to exist, the provincial government must ensure that the financial aid system is effective in meeting the needs of students in Ontario, and ensuring that no qualified students are barred from obtaining a post-secondary education for financial reasons. Such a system would include reforms to a broad swath of policies around the financial aid system, including:

- Need assessment and assistance allocation
- Qualification and eligibility for OSAP
- Access to post-secondary education
- Institutional financial aid
- OSAP administration and access to information
- Loan repayment and debt

Full details of OUSA’s vision for an effective financial aid system in a tuition-based system are outlined in the policy paper *Building the Third Pillar: Reforming Ontario’s Student Financial Aid System*.

Recommendation Ten: The Student Access Guarantee must account for all reasonable costs of education, including but not limited to full tuition and ancillary costs, textbooks, and living expenses.

In the tuition framework announced in March 2006, the provincial government announced the creation of a 'Student Access Guarantee', promising that no qualified Ontario student would be prevented from attending a public university or college in the province. In order for a university to raise their tuition, they must participate in this guarantee.

As of October 2006, the provincial government has begun to release more guidelines for institutions to follow on the implementation of the guarantee. The 2006/07 academic year will be an interim year for the Student Access Guarantee, where institutions themselves will set out how they will fulfill two principles:

1. No qualified Ontario student should be prevented from attending Ontario's public colleges and universities due to lack of financial support programs;
2. Students in need should have access to the resources they need for their tuition, books, and mandatory fees.⁶⁴

Under the guarantee, students are expected to apply to OSAP, and their parents will still be expected to contribute to their child's education. It is the responsibility of institutions to provide any additional resources to meet the costs of tuition, books, and fees, which are not provided by OSAP. The provincial government is allowing this unmet need to be provided through bursaries, scholarships, work-study positions, and employment between terms. For students in second-entry programs, including law, medicine, and some business programs, the institution can also meet their responsibilities by providing students access to a bank line of credit.⁶⁵

While the creation of the guarantee was a significant gesture, OUSA has several concerns about its substance, as it currently stands. The first concern is that the provincial government is only guaranteeing students access to resources to fund their tuition, books, and mandatory fees. This ignores the existence of significant costs for living expenses. So while students can be assured that they will have sufficient resources to pay their university's tuition, they may lack the funds to pay rent or buy groceries. This is a significant omission that impacts students' day-to-day lives. Furthermore, for students in higher-cost second-entry programs, the access guarantee will likely mean access to more private bank debt, as institutions simply assist them in arranging bank lines of credit in order to fulfill the guarantee.

Recommendation Eleven: The federal government must eliminate the tuition tax credit and provide the additional revenue to the provinces on top of a base Canadian Education Transfer for investment in grant programs for traditionally underrepresented groups.

In Canada, all individuals paying tuition and associated education fees are eligible for a tax credit of \$400 a month while a student is in-study. These credits can be used in one of three ways:⁶⁶

1. Employ them to reduce a student's own income-tax liability; 20
2. A student may transfer credits to a parent, guardian, spouse or grandparent to reduce current tax liability; or
3. A student may carry forward the value of any unused tax credits to reduce their tax liability in subsequent years.

While they generate a definite financial benefit for students and their families, this program is not a particularly effective way to distribute student aid. First, tax credits are expensive. Canadian governments collectively, "spend almost 40 per cent of all their student financial aid dollars in the form of education related tax credits."⁶⁷ Moreover, tax credits are not distributed on the basis of need, and, "much of the money goes to students from higher income families...lower income families are unable to benefit because they do not have the tax obligations required to take advantage of the benefits or, at best, receive no more assistance than higher income families."⁶⁸ In fact, 60 per cent of all education and tuition tax credits go to families with incomes above the national median. This is an unfortunate reality which is pulling valuable and scarce funding away from assistance for lower income and otherwise disadvantaged groups. OUSA believes that the tuition tax credit should be eliminated, and the additional tax revenue be provided to the provinces to fund non-repayable assistance programs for students from underrepresented groups.

This reform will ensure that individuals who cannot pay for higher education receive the funding they need while students who are in a more favourable financial situation make a more appropriate contribution to the university system.

Recommendation Twelve: Students must retain control of compulsory, non-tuition related ancillary fees at every Ontario university.

The end of student control over non-tuition related expenses would negatively affect accountability, as institutions would be able to hide tuition charges in non-tuition related ancillary fees. Student partnership in Ontario's fee structure would also be seriously damaged, as an area of effective student input and control would be eliminated. Moreover, if the elimination of student control led to an increase in non-tuition related fees, then the overall accessibility of the university system may be impaired. As such, OUSA strongly recommends the 1994 protocol remain in effect and students continue to control ancillary fees in Ontario.

Conclusions

Analysing the system as it stands, one thing is abundantly clear: it is not working for students, nor will it continue to work for the province of Ontario if it hopes to reach 70 percent participation. The provincial government must ensure that the student contribution to the system does not continue to increase above the rate of inflation, that institutions receive the necessary funding to cover their inflationary needs, and that all students in the system are funded and have access to an effective financial aid system. Ontario must also provide per-student funding at the national average or better if it hopes to compete at home and abroad. For Ontario to truly be a leader in learning in the globalized knowledge economy of the 21st century, establishment of a system to support the education generation must begin today.

As the tuition framework comes to an end in the coming year, OUSA hopes that the new framework will allow for a fair level of student contribution that respects affordability and that students are a partner in the cost of their education a true priority. In the new tuition framework, OUSA has made it clear that we wish: -to see tuition remain regulated to be capped at the rate of CPI -to see operating grants increase to the national average of 30% through increased government funding -to see continued investment in the Student Access Guarantee so that all willing and qualified students will be able to attend, even in these tight economic times

How are we looking at higher education? "...a good education is no longer just a pathway to opportunity – it is a prerequisite" (Obama). We need to start thinking about our system as such. 70% of all jobs will be requiring some form of higher education in our creative economy and we must prepare Ontario to rise to this challenge. We have always thought of higher education as a tool to better the individual but educated individuals are vital to the future success of Ontario. We need to be the brightest and most creative to ensure that we come out of this financial crisis stronger than ever. Education is the solution to many of our challenges, and the government needs to take real leadership to ensure that we are creating not only a truly affordable and accessible system, but a system that is based around fair contributions. This is our challenge. In order to meet the call, a fair and sustainable student contribution must be delivered.

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Tuition Policy Statement

WHEREAS all willing and qualified students in Ontario must be able to access and excel within Ontario's system of post-secondary education.

WHEREAS all those who benefit from the post-secondary education system must contribute to funding it.

WHEREAS the costs of a post-secondary education credential must be recovered by the provincial government in a fair and progressive manner.

WHEREAS student control through democratic mechanisms is necessary to ensure accountability of compulsory non-tuition related ancillary fees.

WHEREAS the federal government has a responsibility to help fund the university system in Canada.

WHEREAS students in Ontario pay a significantly larger portion of the cost of their education than students in other provinces.

WHEREAS deregulation of tuition has resulted in significant tuition increases over the last decade, putting at risk the affordability and accessibility of post-secondary education in Ontario.

WHEREAS differentiation of tuition on a program basis on perceptions of future income is inaccurate, dissuades enrolment by low-income students, and may negatively affect career choices.

WHEREAS "flat fee" or "full time rate" tuition models are inconsistent across the province and are a financial deterrent for many students.

WHEREAS compulsory non-tuition related ancillary fees have increased substantially for the last 15 years in part to compensate for shortfalls in provincial operating grants.

WHEREAS the system of upfront payment of education costs through an overly complex structure of family and personal contributions, tax credits, loans, and grants is confusing, inefficient, and leaves those without the ability to pay up front with sizeable debt loads.

WHEREAS international students' tuition is not regulated and is at a level that is above the actual cost of the education they are receiving.

BIRT all tuition must remain regulated by the provincial government.

BIFRT tuition fees must not increase beyond the rate of inflation as measured by CPI.

BIFRT the provincial government must annually increase per-student operating grants in a manner that funds the university rate of inflation.

BIFRT the provincial government must increase university operating grants to the per student national average.

BIFRT the provincial government must be more responsive in providing operating grants to institutions in the event of unplanned enrolment anomalies.

BIFRT all tuition in Ontario must be charged on a per-credit or value-received basis, and all credits within a program must have a similar financial impact.

BIFRT the 30% student contribution cap must be guaranteed by an act of legislation.

BIFRT the federal government of Canada must institute a dedicated higher education transfer to the provinces and must work with the provinces to create a Pan-Canadian Accord on Post-Secondary Education.

BIFRT the provincial government must implement an effective financial aid system.

BIFRT the Student Access Guarantee must account for all reasonable costs of education, including but not limited to full tuition and ancillary costs, textbooks, and living expenses.

BIFRT the federal government must eliminate the tuition tax credit and provide the additional revenue to the provinces on top of a base Canadian Education Transfer for investment in grant programs for traditionally underrepresented groups.

BIFRT students must retain control of compulsory, non-tuition related ancillary fees at every Ontario university.