

The background of the entire page is a photograph of a classroom. In the foreground, a student with brown hair, wearing a pink and blue striped shirt, is seen from behind with their right hand raised. To their left, another student is also raising their hand. In the background, a teacher is standing at the front of the class, and a green chalkboard is visible. The lighting is bright and natural, suggesting a daytime setting.

OUSA

Ontario Undergraduate Student Alliance

Tomorrow's Tuition

A New Framework for Affordable Higher Education

Submission to the Government of Ontario | February 2012

TOMORROW'S TUITION: A New Framework for Affordable Higher Education

Submission to the Government of Ontario

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About OUSA

OUSA represents the interests of over 145,000 professional and undergraduate, full-time and part-time university students at nine member associations across Ontario. Our vision is for an accessible, affordable, accountable and high quality post-secondary education in Ontario. To achieve this vision we have come together to develop solutions to challenges facing higher education, build broad consensus for our policy options, and lobby government to implement them.

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EXECUTIVE SUMMARY

Since 2006, a government framework allowing an average of five per cent increases annually has regulated tuition fees in Ontario. This framework sets no requirements on how or when universities may charge tuition. This current system has caused concern among students for quite some time due to implications for the affordability, accessibility and fairness of higher education.

Over the lifetime of the existing framework, average tuition in Ontario has risen by 35 per cent from less than \$5,000 to over \$6,600. Not only has this made Ontario the most expensive province in Canada in which to study, but it has also compromised the public nature of Ontario's university system. Students now pay the same proportion of system-wide operating costs as the government. Moreover, with another year of five per cent increases, student investment through tuition and ancillary fees will be greater than the government's for the first time in the history of the province.

At this critical juncture, it is time that the province begins a serious discussion on the future of tuition fee increases, set in the context of the changing landscape of higher education. While tuition increases may seem like an easy solution to the maintenance of quality for a university system that increases its costs annually beyond inflation, students are concerned that further rise in private revenue through tuition and fee increases will have a significant impact on students and their families. Students recognize that universities face cost pressures, but believe that the best way forward is increasing the value of government grants, exercising restraint and finding new efficiencies, not increasing tuition beyond inflation. Limiting tuition increases should be part of a plan to return towards a more equitable cost-sharing model where the government increases its proportional contribution to university operating budgets. Using a uniform cap across year of study and program, and international tuition predictability should also be considered.

This discussion on the future of tuition must be holistic, inclusive not only of the amount by which tuition increases, but also the processes through which students pay tuition. The narrow focus the current framework places on increases has allowed universities to employ a number of payment processes that have compromised the affordability of higher education. Universities have developed billing structures that result in students paying for education they do not receive. Furthermore, many institutions require fees to be paid by unrealistic deadlines, forcing students to pay even more to defer payment. Government regulations are needed to curtail these unfair practices.

The discussion of tuition must also not fail to include discussion of the new Ontario tuition grant. When implemented in full, the program will result in more than half of full-time undergraduate students having their tuition significantly reduced prior to payment. The importance of a sustainable tuition framework is even more important in this context. The value of this investment will be quickly eroded if tuition fees are allowed to increase beyond inflation each year. Moving forward, the grant's eligibility criteria and the planned phasing out of existing grants should also be modified to better support high-need mature students. The grant should come off of tuition bills directly and more cohesively interact with existing financial aid programs to have the maximum impact.

With the current tuition framework set to expire at the end of the 2011-12 academic year and the grant program scheduled for full implementation September 2012, this submission represents a student contribution to this important discussion. The submission is organized into three sections: how tuition increases should be controlled; how tuition payment should be regulated; and how the new tuition grant program should operate.

RECOMMENDATIONS

TUITION INCREASES

If tuition must increase, the maximum increase should be no more than inflation as measured by the Consumer Price Index.

Annually increase per-student operating grants to universities to cover reasonable inflationary costs.

To flatten the escalating disparities that exist between programs and to provide clarity on year-to-year increases, all tuition increases should be consistent across program and year.

International tuition fees should be added to the framework such that maximum increases beyond the first year would be capped at the comparable domestic rate.

PAYMENT PROCESSES

The tuition framework should require all universities to charge tuition fees on an equal per-credit basis.

Add regulations to the tuition framework that allow students to pay their tuition and ancillary fees at a reasonable time each term without financial penalty.

TUITION GRANT

Ensure that independent students who are Aboriginal or have a child under the age of 12 are adequately supported by the new tuition grant or other existing financial assistance programs.

Cancel the planned elimination of the Textbook and Technology Grant for independent students.

Extend the eligible time period of the Ontario tuition grant for first-entry students in five-year programs.

Work with Ontario's post-secondary institutions and application centres to facilitate applications for the new tuition grant to maximize participation and have the grants come directly off students' tuition bills.

Harmonize the Ontario Access Grants with the Ontario tuition grant to create one two-tiered grant without a student having to take out an Ontario Student Assistance Program loan.

For those eligible for the Ontario Student Assistance Program, have the Ontario tuition grant first meet students' unmet need.

Have the value of each student's tuition grant be equal to 30 per cent of their actual tuition fees.



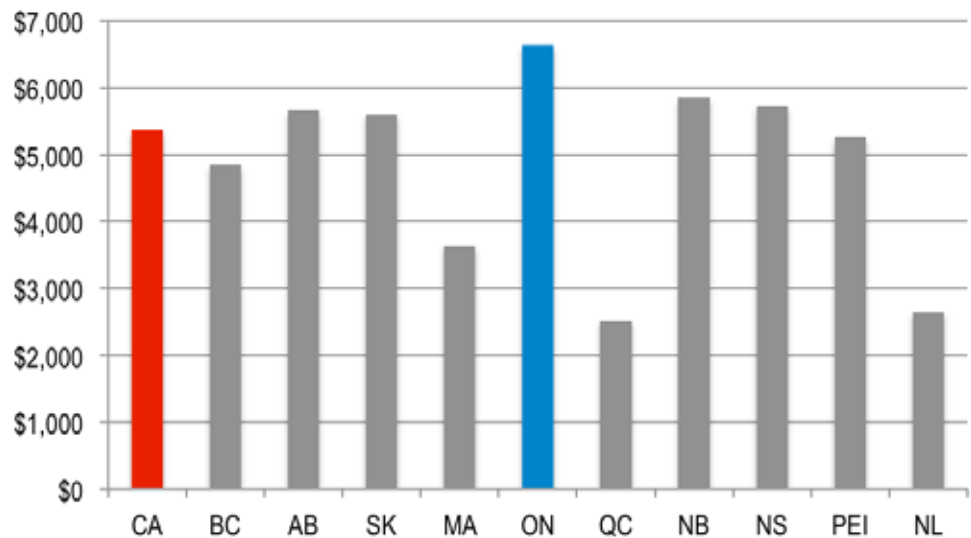
This province is far and away the most expensive place in the country to attend university.



INTRODUCTION

Government tuition policy is an issue of critical importance to students: it determines how expensive university and college education is for students, and greatly impacts the accessibility and affordability of the post-secondary education system. Ontario has a long history of tuition regulation. This tradition has recognized the impact tuition has on Ontario families and students, and the importance of balancing public and private investment in higher education. The current framework for tuition regulation began in 2006, following a two-year freeze for most students in 2004-05 and 2005-06. In conjunction with new public investments attached to the *Reaching Higher* plan, the Ontario government implemented a tuition framework that permitted increases that have averaged five per cent annually.

Figure 1: Average Undergraduate Tuition Fees by Province, 2011-12¹



Through this period, the rest of Canada increased average tuition fees by less than three per cent annually.² This resulted in Ontario becoming the province with the highest average tuition fees in 2009 – a distinction that has lasted to date. When combined with the fact that Ontario has the second highest average ancillary fees, this province is far and away the most expensive place in the country to attend university. Students believe that continued five per cent increases in tuition are unsustainable, and have negatively affected Ontario's post-secondary system from an affordability, accessibility and fairness perspective.

In the larger picture however, tuition is one part of the question of "who should pay for higher education?" Students strongly believe in the importance of both public and private contribution to Ontario's post-secondary system. Under the current tuition framework, the proportion of private contributions to university budgets has dramatically increased while public investment has declined in real terms. This imbalance has implications for accessibility, affordability, and quality. This submission outlines students' vision for the next multi-year tuition framework. Students believe that even in conjunction with increased financial assistance, the current five per cent rate of tuition increase is unsustainable for Ontario's students and families. The submission is organized into three sections all related to the affordability and accessibility of Ontario's post-secondary system: the first discusses a new regulatory framework for tuition; the second covers how tuition payment should be regulated; and the final section outlines students vision for how the new tuition grant program can be effectively implemented and operated.

ONTARIO'S CURRENT TUITION FRAMEWORK

The Ontario government's tuition framework regulates how post-secondary institutions can increase students' tuition fees. The current framework was announced in April 2006 for the academic years 2006-07 to 2009-10, and was subsequently extended for the 2010-11 and 2011-12 academic years. In May 2011, then Minister of Training, Colleges and Universities John Milloy announced the government's intention to "develop a new tuition policy for fall 2012 that provides cost certainty to families by continuing to regulate tuition fees."

The tuition framework is regulatory rather than legislative, meaning that changes to the framework are made by the Ministry of Training, Colleges and Universities. These regulations apply only to students who are in programs eligible for government support, which excludes most international students. The popular conception is that tuition increases are capped at five per cent annually; this is true, but the actual system is more complicated than a uniform cap.

Program	First Year Maximum Increase	Subsequent Years Maximum Increase
Non-Professional Undergraduates	4.5%	4.0%
Professional & Graduate Students	8.0%	4.0%
Maximum Allowable Increase		5.0%

Tuition is set at the program level, with annual increases depending on the program classification. First-year tuition differs widely between non-professional, undergraduate, professional and graduate programs. Professional undergraduate programs include commerce and business, computer science, physical and occupational therapy, architecture, engineering, dentistry, law, medicine, optometry, pharmacy, veterinary medicine and a variety of other specialized disciplines. The cap for professional and graduate students typically applies to all of these programs. For instance, most engineering programs increase tuition fees utilizing the 8.0 per cent cap at the first year, whereas more standard arts and natural sciences programs use the 4.5 per cent cap. All subsequent tuition increases must be no more than 4 per cent annually. When the total tuition increases at a given university are averaged together, the resulting average is not allowed to exceed more than five per cent, excluding changes in enrolment.

In 1996-97, the Ontario government required institutions to set-aside a portion of revenue from tuition increases for locally-delivered student assistance. This set-aside policy has changed somewhat over time but continues to date. In its current form, 10 per cent of additional tuition revenue is set-aside to meet the Student Access Guarantee through bursaries, scholarships and work study programs. While students have suggested improvements to the Student Access Guarantee and set-aside policy, this submission assumes that this policy will remain unchanged.

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This submission outlines students' vision for the next multi-year tuition framework.

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91% OF  **BELIEVE**
HIGHER EDUCATION
WILL LEAD TO *PROSPERITY* 



While only 27 per cent of the Ontario population holds a university degree, these individuals contribute 50 per cent of income tax.



Students believe that any discussion on the role of public and private funding for post-secondary education must start with the recognition of the enormous individual and societal benefits that come from an accessible and high quality higher education system.

Individual Benefits

The private benefits of post-secondary education are usually expressed as a return-on-investment or earnings premium. A TD Economics report, released in 2004, demonstrated that a university or college diploma leads to a 12-28 per cent return on investment for the student.³ A recent CD Howe Report similarly found that the rates of return for bachelor's degree are 13 to 17 per cent.⁴ Over their lifetime, an individual with a bachelor's degree will earn \$1.3 million more than someone with only a high school diploma and experience more stable employment.⁵ Aside from economic arguments, there are also significant non-economic personal benefits to pursuing higher education, including the opportunity to expand on an area of interest, interact with diverse colleagues, and develop critical thinking and literacy skills.

Benefits for Society

In addition to private benefits, there are a number of economic benefits for society as a whole that derive from widespread post-secondary participation.⁶ Graduates contribute hundreds of thousands of dollars in additional tax revenue over their working lives. While only 27 per cent of the Ontario population holds a university degree, these individuals contribute 50 per cent of income tax.⁷ In Ontario, 7 out of every 10 new jobs will require a post-secondary credential.⁸ The Conference Board of Canada predicts that if steps are not taken to encourage increased post-secondary participation there will be a shortage of 1 million skilled labourers in Canada by 2020.⁹ Investing in human capital has vast economic returns and is necessary in order for Ontario to remain economically competitive and prosperous on a global scale, as other OECD countries increase their investment in education. Ontarians with a post-secondary degree are also likely to live longer, be healthier, commit fewer crimes, vote in larger numbers, donate to charity, and volunteer in their communities.¹⁰ Parents with a post-secondary credential have children who experience lower levels of teenage pregnancy, child abuse and neglect, and are more likely to attend university or college themselves.

Due to these individual and societal benefits, increased participation in post-secondary education is crucial for Ontario's future economic and social success. Mass participation is only possible in the context of predictable tuition regulation that respects and balances these significant public and private benefits.

Students believe that any discussion on the role of public and private funding for post-secondary education must start with the recognition of the enormous individual and societal benefits that come from an accessible and high quality higher education system.

7 of 10 NEW JOBS Require HIGHER EDUCATION



TUITION INCREASES

RECOMMENDATION: If tuition must increase, the maximum increase should be no more than inflation as measured by the Consumer Price Index.

Students believe that continued five per cent tuition increases are simply unsustainable for Ontario students and families. Moreover, continued tuition increases above inflation will quickly erode the value of the government's new tuition grant. While the government has committed to tying the new grant to 30 per cent of the average first-entry non-professional tuition, continued five per cent increases will mean that even those students receiving the grant will be paying more than currently in just a few years. For the half of students not eligible for the tuition grant, costs will continue to rise faster than the resources available to them. Tackling the rising tuition costs will be critical to sustaining the value and importance of the government's new investment in financial assistance.

Solutions to system-wide affordability issues cannot occur meaningfully without price controls on tuition. Tuition regulation is an important pact that the government holds with students to ensure predictability, fairness and affordability in higher education. While students have not always approved of regulations completely, the most important priority of students is that they remain in place. Time and time again, deregulation schemes have been implemented at great cost to students and little benefit to universities. It is not uncommon for policymakers to mistakenly apply free-market principles to universities in the hope that competition and deregulation will help keep prices down for students and encourage efficient use of resources. However, significant barriers to new providers, an unquantifiable product and a culture of high fees being equated with quality create an oligopoly that is largely insulated from market forces, thus creating pressure for all institutions to substantially increase their prices.

Table 1: Projected Degradation of the Value of the Ontario Tuition Grant

Year	Average Tuition Fee	Ontario Tuition Grant	Net Tuition
2011-12	\$6,604	\$800	\$5,804
2012-13	\$6,934	\$1,672	\$5,262
2013-14	\$7,281	\$1,747	\$5,534
2014-15	\$7,645	\$1,826	\$5,819
2015-16	\$8,027	\$1,908	\$6,119
2016-17	\$8,429	\$1,994	\$6,435
2017-18	\$8,850	\$2,084	\$6,766

The affordability and accessibility of the post-secondary system are key considerations for students. In recognition of the fact that the ability of students and their families to pay for post-secondary education is related to price changes tied to inflation, if tuition must increase in the future, it should not be by more than inflation as measured by the Consumer Price Index. Several studies have noted that the purchasing power and net income of low- and middle-income families has not grown in real terms for over 25 years, while tuition has increased substantially in real terms.¹¹ A lower increase would also bring Ontario into line with the other Canadian provinces that have averaged less than three per cent tuition increases over the past few years. Students recognize that universities face cost pressures, but believe that the best way forward is increasing the value of government grants, exercising restraint and finding new efficiencies, not increasing tuition beyond inflation. Limiting tuition increases should be part of a plan to return towards a more equitable cost-sharing model where the government increases its proportional contribution to university operating budgets.



Continued tuition increases above inflation will quickly erode the value of the government's new tuition grant.





A critical piece of a sustainable way forward is greater investment in higher education on the part of the government.



RECOMMENDATION: Annually increase per-student operating grants to universities to cover reasonable inflationary costs.

A critical piece of a sustainable way forward is greater investment in higher education on the part of the government. An increased government contribution would accomplish several goals. First, it would remove pressure on institutions to increase tuition to meet rising costs. Institutions often argue that their costs increase at a rate higher than inflation and as a result they must be allowed to increase fees by more than inflation. Students have been subject to tuition increases well beyond inflation since 2006, and believe that the rising cost of post-secondary education must be more fairly shared with the government. If the government would absorb some of the financing burden of higher education through an increase to per-student operating funding, it would relieve both institutional pressures to raise tuition and cost pressures resulting from inflation.

Secondly, increased government funding would allow institutions to devote more resources towards funding quality. While the government has made commendable efforts over the past few decades towards growing the system, the devotion of most new funding towards growth has meant that per-student resources have declined in real terms. Increasing the amount of per-student government funding would enable institutions to make the investments in quality necessary to maintain world-class post-secondary institutions without further burdening students.

WHY SHOULD TUITION INCREASES BE LIMITED?

In light of the significant individual and societal benefits to an accessible and affordable higher education system, students believe that the most important principle governing policymaking must be the link between student fees and the ability of students to pay. The responsibility for financing a healthy public education system in Ontario should be shared in good faith between the government and students. Part of this good faith must be an understanding that individuals and families have limited financial resources with which to pay for higher education, and price increases above the rate of inflation have negative consequences for the accessibility and affordability of the post-secondary system. For example, many families are delaying retirement savings to assist their children with post-secondary costs.¹² Yet post-secondary education is increasingly necessary given that 70 per cent of future jobs will require a university or college credential.¹³ It is in the interest of students, families, and the broader public, then, to keep higher education affordable for all willing and qualified students.

Tuition Impacts Accessibility

Some post-secondary stakeholders have sought to deny a link between tuition and accessibility. For example, in a recent report on tuition from the Higher Education Quality Council of Ontario claimed “Canadian research finds no consistent relationship between tuition fees and post-secondary participation and persistence rates.”^{14,15} Students firmly disagree with claims that tuition and accessibility are unconnected. Studies that have attempted to justify this perspective often confuse overall enrolment growth and underrepresented students’ participation, examine only small changes in tuition, and ignore the connection between motivational barriers and affordability. For example, youth who believe a post-secondary education is beyond their reach due to high tuition are less likely to excel in secondary school studies, and may be dismissed by these studies as having an academic, not financial, barrier to post-secondary participation.¹⁶ Moreover, these studies cannot explain away the reality that an Ontario student from a high-income family is still nearly four times more likely to go to university than one from a low-income family.¹⁷

Some academics have also sought to argue that as long as tuition increases occur in the context of increased financial assistance, tuition can increase without compromising access, and thus tuition should be allowed to increase significantly in order to enhance educational quality.¹⁸ While

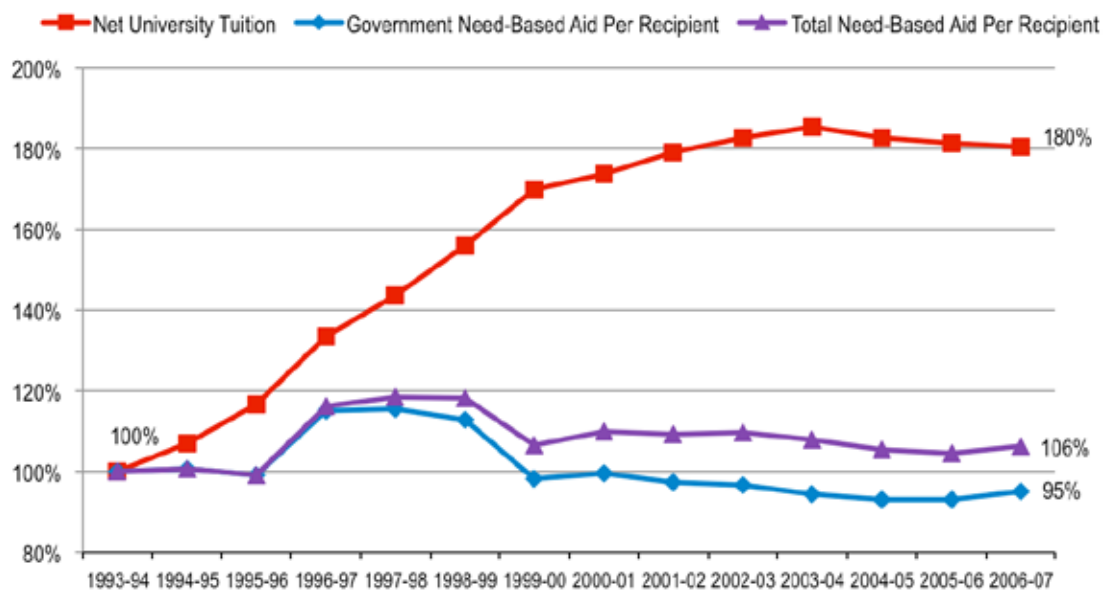
students certainly agree that a robust student assistance program is important, we do not agree that financial assistance alone, absent tuition regulation, can adequately address the real and perceived access barriers created by high tuition. There are three primary reasons for this.

The first is that those with the greatest financial need are often less likely to utilize financial assistance and more likely to be price-sensitive to high tuition costs regardless of the assistance available. In a study of price-sensitivity and debt aversion amongst under-represented groups, it was found that low-income, Aboriginal, first-generation, and students with disabilities are far more likely to over-estimate the price of post-secondary education and display more aversion to the prospect of taking on debt.^{i,19} Furthermore, many students lack sufficient information regarding financial assistance systems to make informed choices or understand the net cost of attending post-secondary education. In a recent survey of post-secondary non-attendees, 40 per cent did not know how to apply for student assistance, and in the Canada Student Survey, over three quarters of students failed a basic financial aid literacy test.^{20,21} While clear and early information is necessary, tuition policy cannot be divorced from the reality that many students' post-secondary choices are made based on the sticker price alone.

Moreover, economist Hugh Mackenzie points out that in high tuition systems, lower-middle income families whose parents only have marginally more income than the income target of financial aid programs are left without adequate assistance.²² For many students in Ontario, this is currently a reality: available data indicates that participation of low- and middle-income students largely stagnated between 1999 and 2007, while participation from high-income families nearly doubled and almost exclusively drove overall enrolment growth.²³

Secondly, students know from experience that while it is often the intention of governments to match financial assistance to yearly tuition increases, this is seldom actually realized. Evidence available shows that between 1993 and 2007, tuition increased by 80 per cent in constant dollars, while need-based aid per recipient increased by only six per cent. When one removes institutional aid and isolates just public government assistance, the amount actually decreased by five per cent in real terms.

Figure 2: Changes in Need-Based Aid and Tuition in Ontario²⁴



i. This debt aversion may be due to the very well founded concern that these subgroups of students may have less reliable employment prospects upon graduation. For example, Aboriginal individuals and those with disabilities are shown to have lower employment rates and earnings than their peers, even once data is adjusted for education levels.

While it is often the intention of governments to match financial assistance to yearly tuition increases, this is seldom actually realized.



Rising tuition should not require students to take on unmanageable student debt.



Finally, evidence from other jurisdictions tells us that large tuition increases have created accessibility issues for students and have been costly for the government. For instance, in the United Kingdom, recent education “reforms” have raised tuition fees by over 300 per cent, while creating a financial aid system that is expected to cost the British government billions of dollars in the coming decades. This high-tuition, income contingent loan system has also been tried in New Zealand, where nearly one-third of all money spent on post-secondary education is utilized in interest and payment subsidies. Students believe that while financial assistance is important, it typically cannot address the accessibility concerns associated with deregulated or ‘flexible’ tuition. In the absence of robust tuition regulations, relying on financial assistance to address affordability concerns is not an effective or sustainable way of maintaining an accessible post-secondary system.

Tuition is Becoming Less Affordable for Families

As tuition outpaces the rate of inflation and median household income, the current framework of five per cent annual increases makes post-secondary education less affordable each year. Between 2000 and 2007, real median after-tax income of non-elderly families rose by approximately 13.3 per cent, while tuition increased at three times the rate – 41 per cent.²⁵ At a time when many have been experiencing stagnant or shrinking purchasing power, a policy of tuition rising above inflation, is a real threat to affordability for Ontarians.

The problem of rising tuition is particularly acute for low-income individuals and families. Between 1988 and 2006, low-income households with students in post-secondary programs saw the proportion of household income spent on tuition jump from 8 to 17 per cent.²⁶ For Aboriginal students, the cost of attending university away from home rose to beyond the median total income of the average Aboriginal family. In a poll of Ontarians in September 2011, two-thirds of the population agreed that students have to borrow too much to pay for their post-secondary education and that the cost of tuition fees prevents students who are qualified and motivated to go to post-secondary education from doing so. When asked if the Ontario government should spend more to reduce students’ tuition fees and improve student aid even if they would have to pay more taxes, 54 per cent agreed.²⁷

The relationship between income, participation and tuition fees becomes more pronounced when dramatic increases in tuition occur. For example, during the first four years of deregulation of medical school at the University of Western Ontario, the average household income of students participating increased from \$40,000 to \$60,000, while the percentage of students attending from households earning \$40,000 decreased by more than half.²⁸ Similar impacts have been observed in law and other professional programs during the deregulation of professional programs that occurred between 1996 and 2002, where professional tuition increased by an average of 132 per cent.^{29,30} Significant increases in tuition, like those outlined above, compromise the accessibility and affordability of higher education for students from low- and middle-income backgrounds.

Student Debt is Rising

Rising tuition should not require students to take on unmanageable student debt. When actual or perceived student debt is substantial enough to dissuade students from participating in higher education in the first place, or when debt levels affect a student’s ability to persist to completion, it is indicative of an inaccessible higher education system. While many choose to attack the mechanism of student loans themselves, bringing this discussion back to tuition focuses the issue on one of the principal drivers of rising student debt.

Student debt linked to tuition is increasing in both incidence and average amount owed after graduation. In 2009, average total undergraduate student debt in Ontario was approximately \$26,700, with approximately 64 per cent of students reporting debt. This reported average debt represents both the highest magnitude and incidence of debt in the last two decades.³¹

Low-income students have long had to accrue large debt-loads to complete university or college. Increasingly, the need to take on student debt is spreading to middle-income families as well. Using data from the last census, between 1999 and 2005 the amount total student debt reported by middle income families had increased by 74 per cent, or \$1.5 billion.³² Such a large increase indicates that middle-income families are not only taking out larger loans to pay for post-secondary education, but also that more of them are seeking loans in the first place. The decreased affordability of higher education in Ontario is also evidenced by the fact that between 2008-09 and 2010-11, the number of students who received OSAP increased by over 45,000, indicating that more students are turning to loans to finance their education. With increased debt-loads comes concern about the ability of students to live independently post-graduation, save for important life purchases such as a house or car, marriage, child-rearing, and also may compromise the ability of students to choose their preferred course of employment. The government's current policy of capping and relieving student debt through the Ontario Student Opportunities Program and the Repayment Assistance Plan are important ways to ensure public debt is manageable, and these programs should continue. However, allowing tuition fees to continue to increase beyond inflation will both place strain on these programs and continue to drive increased use of private loans.

Tuition Influences Student Employment

Rising tuition has led to more students taking on substantial hours of paid employment during the academic year to make ends meet. As the costs of education have risen, summer employment is typically no longer sufficient to cover the costs of a year of university. Since 1976, the rate of in-study student employment has doubled, while the average number of hours worked each week has increased from 10 to 18.³³ For students earning minimum wage, the situation is particularly dire – it would take longer in Ontario to earn a year's worth of tuition than anywhere else in Canada.

Excessive in-study employment negatively impacts persistence and academic performance. The Canada Millennium Scholarship Foundation notes: "the more hours university students work, the more likely they are to say that it affects their academic performance."³⁴ In one survey, students who worked 30 hours per week were about twice as likely to report negative impacts on academic performance as students who worked 10 hours per week or less. Even more troubling, evidence from Statistics Canada's longitudinal Youth in Transition Survey suggests that students who left college or university without graduating were more likely to have worked more hours during the academic year than their peers.

While undertaking limited, study-related work during the academic year may be beneficial for some students, excessive work is linked to reduced academic achievement and student persistence. Controlling tuition increases is a key way the government can reduced the increased employment burden faced by students.

**SEVENTY-FOUR PER CENT
BELIEVE STUDENTS
BORROW *TOO* MUCH**



**\$ TO PAY FOR POST-SECONDARY
EDUCATION \$**

“
Since 1976,
the rate of in-
study student
employment has
doubled.”

“



For the first time, government and students are equal stakeholders in financing higher education.



Tuition Increases Prevent Fair Cost Sharing

Higher education is a public good that benefits society as a whole.

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 professors, administrators and communities that benefit from the existence of universities. Students believe that this social responsibility should be shared to a greater degree between these stakeholders. In recent years, students have been the sole stakeholder significantly increasing their contribution to the system, and it is time that other contributors joined students in ensuring the long-term sustainability of higher education. Over the past twenty years, real per-student government funding has declined by nearly \$4,000 while tuition and fees have increased to approximately 47 per cent of overall operating revenue.

OUSA's long-held position on tuition is that it should only comprise one-third of the total operating costs of Ontario's universities. In other words, for every dollar of student revenue, the provincial and federal governments should contribute two. This principle is an acknowledgement of the reciprocal relationship between the tremendous private benefits accrued by an individual who attends higher education and the substantial benefits higher education brings to society at large, even the segments that do not access it. It is also a reflection of students' views. Students surveyed in 2011 were asked what proportion of the cost of operating a university should be paid for by students; the median response was 30 per cent. When informed that the current reality is closer to 45 per cent, a majority (55 per cent) described the situation as unfair. This rose to two-thirds of low-income students.³⁵

As government contributions have declined in real terms, students are now contributing more operating funding than the government at several institutions. It is extremely important that policymakers acknowledge the fact that over the last 30 years, an enormous shift in university financing has occurred, from government to student, even when increases to student grants are taken into account. The 2011-12 university operating budgets project that student and government contributions have now reached parity.³⁶ The implications of this point are profound. For the first time, government and students are equal stakeholders in financing higher education. If current trends continue, students are poised to become the primary source of funding in higher education.

Figure 3: Sources of Ontario University Operating Revenue, 1988-2009³⁷

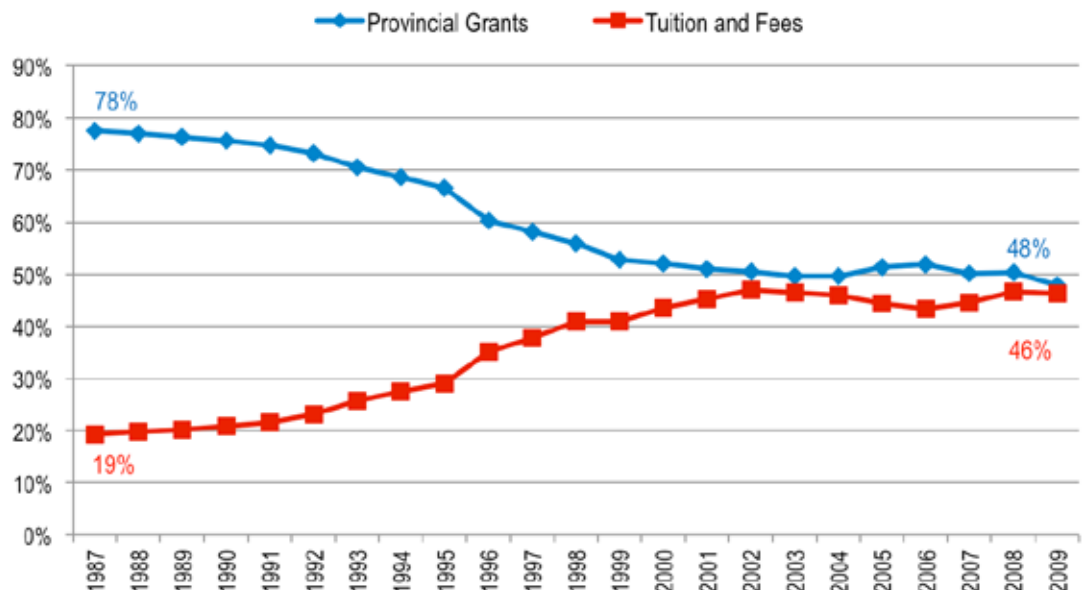


Figure 4: Projected Operating Revenue Sources of Ontario Universities, 2011-12³⁸

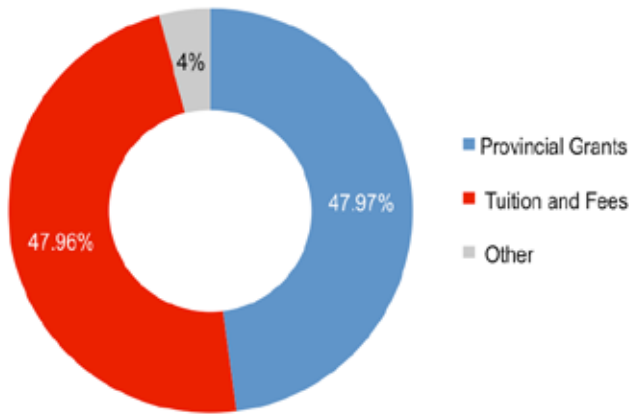
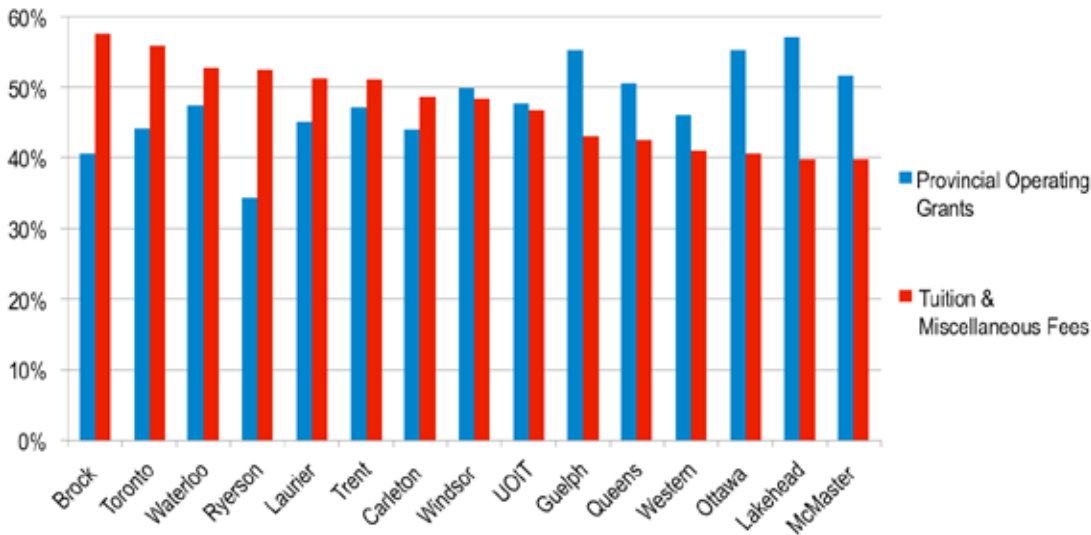


Figure 5: Tuition and Government Revenue as a Percentage of University Operating Budgets, 2011-12



“ Limiting tuition increases while increasing operating funding is a necessary way forward to preserve the affordable, accessible and quality university system that Ontarians have come to rely on. ”

The consequences of a shift from public to private financing are particularly troubling given the fact that students are one of the only stakeholders completely lacking in a means to control their contribution, as well as lacking a means to control costs within the system. Governments have various policy levers available to shape institutional behaviour and direct the priorities of the overall system. Students, on the other hand, have no such levers and are required to pay whatever tuition fee is charged, with few mechanisms for influencing system that they are funding.

No clear plan to reverse the trend from government to student has been articulated, leaving students worried about the future. A continuation of the trend of frozen per-student government grants and five per cent tuition increases will result in students funding 55 per cent of university operating costs within the next five years, while government grants will fall to 41 per cent – a complete reversal from 1999. University education is unique as a provincially-funded public service that is on the verge of being predominantly privately funded in such a short amount of time. Limiting tuition increases while increasing operating funding is a necessary way forward to preserve the affordable, accessible and quality university system that Ontarians have come to rely on.



The current tuition framework also exacerbates cost discrepancies between programs, creating unfair cross-subsidization of programs.



DIFFERENTIAL FEE INCREASES

RECOMMENDATION: To flatten the escalating disparities that exist between programs and to provide clarity on year-to-year increases, all tuition increases should be consistent across program and year.

Estimated Cost to Government: \$0

The convoluted nature of the current tuition framework has made the predictability of future costs impossible for students. As outlined earlier, the framework allows tuition to increase by 4.5 per cent annually in first-year undergraduate arts and science courses, and 8.0 per cent annually in professional and graduate programs. Overall, the average tuition increase across an institution may not exceed 5.0 per cent. While this framework has some advantages, it has a number of disadvantages from a predictability and fairness perspective.

Differential Program Classification

The first of these disadvantages is that the tuition framework places little clarification on what qualifies as a professional program. The distinction between professional and non-professional programs is an important one. Professional programs not only tend to have higher tuition to begin with, but also larger tuition increases.

This has led to a variety of different institutions classifying programs differently, and a cross-institution comparison shows that students at different institutions in similar fields of study are charged different tuition increases. For instance, a computer science student at Western generally pays a 4.5 per cent tuition increase annually, though their colleagues at Brock may pay up to 8 per cent more each year. Commerce students at Lakehead paid an increase of four per cent between 2006/07 and 2007/08, followed by an eight per cent increase the year after, increasing tuition from \$4,500 to \$4,860.

Sample: Computer Science			
University	2007/08	2008/09	2009/10
Brock	8.0%	8.0%	8.0%
Carleton	4.5%	4.5%	8.0%
Western	4.5%	4.5%	4.5%

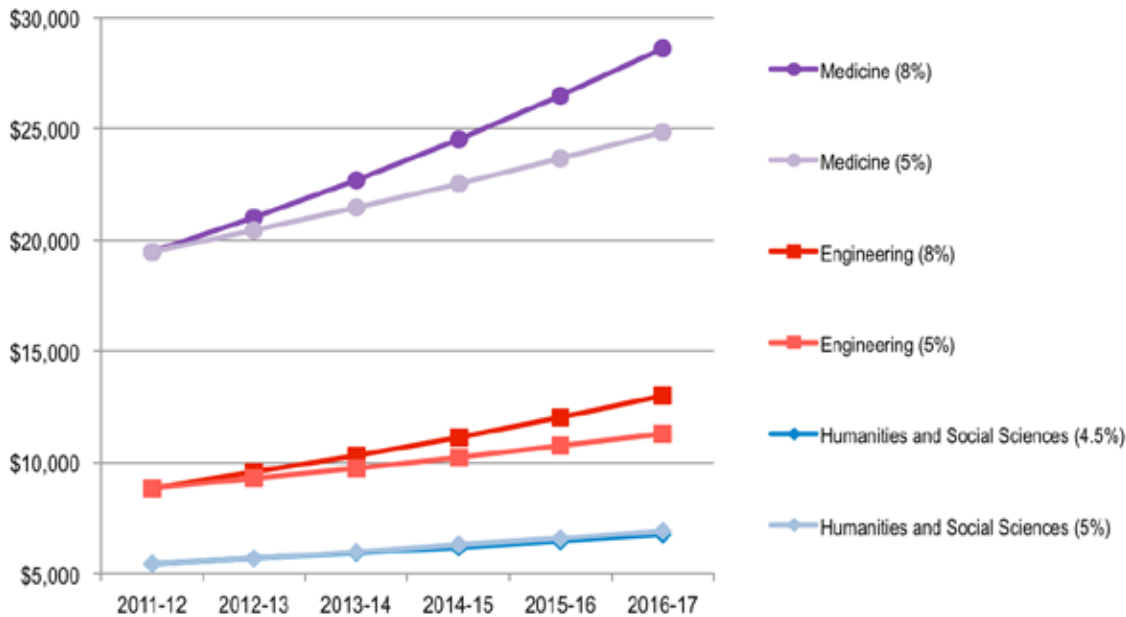
Sample: Commerce			
University	2007/08	2008/09	2009/10
Western	3.0%	3.0%	3.0%
Lakehead	4.0%	8.0%	4.5%
York	8.0%	8.0%	8.0%

These differential fee increases create an inability for students planning to enter professional programs to know exactly what tuition increases to expect. It also typically prevents institutions from publicly posting the exact tuition costs of each program, since the actual tuition paid by a student depends on what year they entered and how long they have been in the program. This has real implications for transparency, accountability and clarity for students.

Differential Caps and Cost Escalation

The current tuition framework also exacerbates cost discrepancies between programs, creating unfair cross-subsidization of programs. Under the current allowable increases, average tuition in the humanities will only increase by \$1,300 by 2016, whereas the average engineering tuition rate will increase by \$4,000 and the average medicine tuition by \$9,000 over the same time frame.³⁶⁹ While it is understandable that costs are likely different in providing professional programs, the higher Basic Income Unit weight in the provincial funding formula for professional programs, the higher average base tuition rates, and the lack of evidence suggesting that costs in all professional programs are increasing faster than general undergraduate programs leaves the justification for this significant annual increase in per-student revenue in dubious territory.

Figure 6: Average Tuition by Program with Differential and Uniform Growth Caps, 2011 to 2016



There are very real access implications for ever-higher professional tuition fees. Low- and middle-income students are already less likely to enrol in professional programs than higher-income students.⁴⁰ While little research has been done on the most recent period of increases, several studies cited earlier found that the large-scale increases to professional tuition fees that occurred during the 1990s resulted in a decline of applications from lower-income students. The price sensitivity, debt aversion and liquidity constraints that many low-income students face are even greater for higher-cost programs. The current system of higher caps on professional programs further exacerbates this challenge.

Compliance and Transparency

Finally, if tuition growth rates are not tied to inflation, a predictable framework must exist. The current tuition framework's emphasis on differential caps for different programs adding up to an institutional average has created an overwhelmingly complex tuition landscape in Ontario. Every program of every year at every institution has a slightly different fee increase. From a student perspective, this is an unnecessary hindrance to predictability and transparency. From a university administrative perspective, time and effort must be spent to make sure that program-level increases do not raise the institution's average tuition beyond the government's regulated tuition. From a government perspective, monitoring hundreds of different tuition increases impedes the ability to ensure that every institution is following government-mandated guidelines.

A single, uniform increase across all programs and levels will allow students to know exactly how much tuition will increase annually, which will in turn allow for better financial planning. It will allow institutions to know exactly how much new operating revenue to expect on a yearly basis from students and provide clarity as to how much each program's fees may increase. Additionally, a uniform tuition increase will halt the growing price gap between professional degree programs and arts and science programs; whether a program is classified as professional or not should cease to matter for the purpose of tuition increases.

“
Low- and middle-income students are already less likely to enrol in professional programs than higher-income students.”



The absence of any regulation surrounding international tuition makes it difficult to ensure that international students are being levied fairly.



INTERNATIONAL TUITION FEES

RECOMMENDATION: International tuition fees should be added to the framework such that maximum increases beyond the first year would be capped at the comparable domestic rate.

Estimated Cost to Government: \$0

As noted earlier, international tuition fees are unregulated and, as such are completely unpredictable. From 2006 to 2010, international tuition fees for arts and science students increased at an average rate of 6.4 per cent, which was considerably higher than the 4.5 per cent cap that was in place on domestic increases for these programs.⁴¹ Universities across Ontario increase international tuition every year and are not required to provide any justification for doing so. Increases in tuition are often based not on the increase in costs, but on the institution's ability to meet their international enrolment targets in the global market.

It is not uncommon at Ontario universities for double-digit tuition increases to be sandwiched by increases below domestic inflation, making it impossible for international students to know how much money they will require to finance their education. At York University, there was a 17.8 per cent increase in 2006-07, followed by a 1.1 per cent increase the following year. At Lakehead University, there was a 20 per cent increase in 2006-07, followed by a 4.2 per cent increase.⁴² These are just some examples of dramatic and unpredictable fee increases that international students cope with from year-to-year. In addition, since increases in educational costs for institutions should be relatively consistent from year to year, unpredictable fee increases raise the concern that the money is being used to fund other expenditures. The absence of any regulation surrounding international tuition makes it difficult to ensure that international students are being levied fairly.

International students typically move considerable distances to attend post-secondary education here in Ontario, and they deserve to know the total cost of their current and future tuition fees from the moment they first enrol. Universities have the ability to provide this predictability, and while some have attempted to move in this direction, many have not. Thus, it falls to government to ensure, through regulation, the predictability that international students need and deserve.

Table 2: Average Growth in First Year Undergraduate Arts and Science Tuition at Ontario Universities⁴⁴

Period	Domestic Students	International Students
2009 to 2010	4.5%	7.0%
2008 to 2009	4.0%	6.2%
2007 to 2008	4.3%	6.9%
2006 to 2007	5.0%	5.7%
2006 to 2010	19.1%	28.4%

Students envision a system where government regulates the rate of tuition increases beyond the first year at the comparable domestic rate of increase, thus ensuring predictability for future years. The capacity for institutions to implement this proposal is already in place, as the current tuition framework requires institutions to track individual students, as their fees cannot increase by more than four per cent annually after first year. In the long-term, full regulation of international tuition fees that would ensure fair pricing would be very welcome. However, in the interim, this proposal would give institutions the flexibility to set first year fees at whatever level they deem appropriate, while at least providing international students with a measure of tuition predictability.

TUITION PAYMENT PROCESSES

While tuition levels and the rate at which it increases are obviously important subjects to students, they often cloud other important tuition-related issues. There is currently no regulation governing how and when universities may charge students tuition, meaning that each institution has set different payment processes. Additionally, this has meant that institutions have changed tuition payment rules to suit their own needs, sometimes at the expense of accessibility and affordability for students.

When students talk about tuition payment processes, four major concerns arise: payment deadlines, payment deferral fees, flat-fee billing and elective pricing. The diversity of tuition payment processes across Ontario has meant that some institutions lead in providing progressive and fair tuition billing practices to students, while others fall behind. Enhancing the regulatory scope of Ontario's tuition framework will ensure that all institutions provide students the most convenient and accessible payment processes. These changes would save students a great deal of confusion and stress and should cost the government nothing to implement.

PER-CREDIT BILLING

RECOMMENDATION: The tuition framework should require all universities to charge tuition fees on an equal per-credit basis.

Estimated Cost to Government: \$0

A longstanding complaint students have had about the tuition framework in Ontario is its allowance for institutions to charge flat-fee tuition. Flat-fee tuition is the practice whereby students who take courses past a certain threshold are charged a flat program rate, regardless of the number of courses they are enrolled in. Other institutions utilize a per-credit system whereby students are charged entirely depending on the number of courses they take up to a normal full course-load.

Currently, nine of Ontario's universities charge tuition on a flat-fee basis once a specified threshold of credits has been reached. The threshold at which a flat, full-time rate is charged at these institutions varies between 60 and 80 per cent. There are also a number of per-credit models in which not all credits are treated equally. For example, the first four credits in a term cost the same and then the fifth credit is discounted significantly – essentially front-loading the cost on the first four credits. Furthermore, there are a number of per-credit institutions that charge certain professional programs on a flat-fee basis.

Table 3: Billing Structures at Ontario Universities, 2011-12⁴⁴

	Normal Billing	Overload Billing		Normal Billing	Overload Billing
Algoma	Unequal per-credit	Additional per-credit	Ottawa	Flat fee at 80%	Free of charge
Brock	Flat fee at 80%	Additional per-credit	Queen's	Equal per-credit	Additional per-credit
Carleton	Flat fee at 80%	Free of charge	Ryerson	Unequal per-credit	Additional charge
Guelph	Flat fee at 67%	Free of charge	Toronto	Flat fee at 60%	Free of charge
Lakehead	Flat fee at 70%	Free of charge	Trent	Flat fee at 70%	Free of charge
Laurentian	Equal per-credit	Additional per-credit	UOIT	Equal per-credit	Additional per-credit
Laurier	Unequal per-credit	Additional per-credit	Waterloo	Unequal per-credit	Free of charge
McMaster	Unequal per-credit	Free of charge	Western	Flat fee at 70%	Free of charge
Nipissing	Equal per-credit	Additional per-credit	Windsor	Flat fee at 80%	Additional per-credit
OCAD	Unequal per-credit	Additional per-credit	York	Equal per-credit	Additional per-credit



Institutions have changed tuition payment rules to suit their own needs, sometimes at the expense of accessibility and affordability for students.





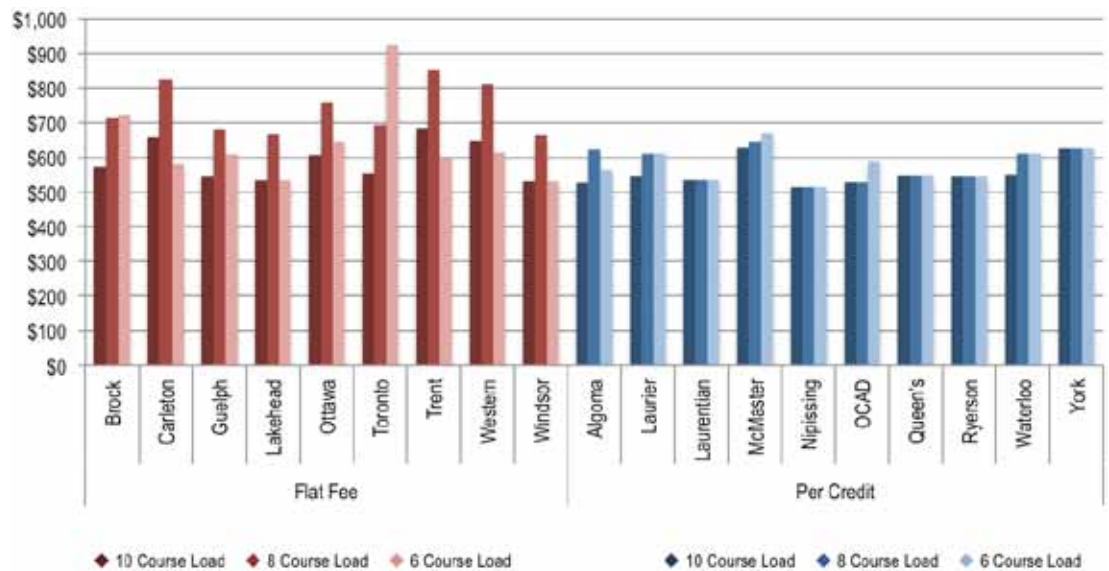
The crux of students' issue with flat-fee tuition is simple: students should not be charged for education they do not receive.



Aside from the additional revenue that universities derive from charging this way, the University of Toronto has also articulated arguments in favour of flat-fee tuition models in a news release, with one professor explaining that it “guarantees a more predictable revenue stream” and “will encourage [students] to take a full course-load.”⁴⁵ Other proponents of flat-fee tuition have argued that it allows students who wish to take extra credits to do so without incurring additional costs. For instance, if a student wanted to take an extra class or two, they would be able to do so while paying the flat rate. However, some institutions that use flat-fee billing schemes still charge for extra courses, while some per-credit institutions do not charge extra for overload credits. This indicates that flat-fee tuition schemes are not necessary to allow students to take free overload credits.

The crux of students' issue with flat-fee tuition is simple: students should not be charged for education they do not receive. While flat-fee regimes do provide a more predictable revenue stream for universities, it unjustly charges students who are enrolled in a lesser course-load. Further, this system penalizes students who are required to drop a course for any number of reasons related to academic or personal issues. These students are forced to choose between paying full fees or participating at a lower threshold, prolonging the time they must spend completing degree requirements.

Figure 7: Per-Credit Charges at Ontario Universities



In a context where the need for student employment is rising and students are working more hours in paid employment during the academic year, taking a full course load may not be feasible for students, particularly the one in five that are working more than 20 hours per week.⁴⁶ While very little data is available on the proportion of students who take reduced course-loads, some insight can be gleaned by examining the characteristics of students who tend to study part-time. Overwhelmingly, part-time students tend to be women, have dependent children under the age of five, are students with disabilities or have necessary employment commitments.^{47,48} These students often face a number of access and persistence barriers not faced by the typical full-time student proceeding directly from high school. As such, students are concerned that flat-fee tuition overcharges students already on the margins of the university community who may already face greater financial barriers to attend post-secondary education.

FLAT-FEE TUITION AND STUDENT ASSISTANCE

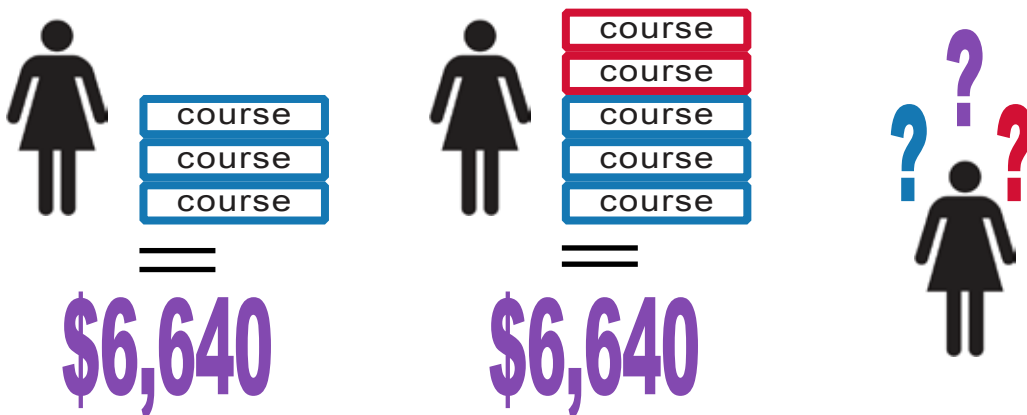
While flat-fee payment regimes are troubling to students across the board, it is particularly worrisome at schools with lower thresholds. Particularly, the University of Toronto charges full tuition fees to students taking 60 per cent of a full course load, which is also the threshold students must meet in order to receive financial assistance from the Ontario Student Assistance Program (OSAP). This forces students to make the choice between receiving financial assistance and paying full tuition fees, since OSAP is not extended to students who take less than 60 per cent of a full course-load (with the exception of students with permanent disabilities who can receive OSAP at 40 per cent of a full course-load).

While the OSAP needs assessment does take into account the amount a student is charged in tuition, it tends to underestimate student costs by approximately 30 per cent.⁴⁹ The underestimation of costs is considerably more extreme for students with children, exactly the profile of students who tend not to take a full course load. For University of Toronto students, it cannot be truly said that OSAP provides students a safety net against increased costs stemming from flat-fee tuition when the needs assessment underestimates student costs by the thousands.

While some may argue that flat-fee tuition serves as an incentive for students to take a full-course load and finish their degrees faster, evidence from a 2009 study by Felice Martinello suggests that administrative processes like course withdrawal deadlines and tuition refund dates have a significant relationship with persistence.⁵⁰ While flat-fee and per-credit structures were not examined in the report, Martinello's observation that more generous administrative policies allow students to make adjustments to their education rather than leaving entirely is an important one. A flat-fee tuition policy effectively limits the amount to which students can adjust the level of academic challenge or overall cost of their education.

The Ontario government actually funds universities on a per-credit basis. The basic formula grant provided to institutions is based on a measurement of an institution's Fiscal Full Time Equivalents (FFTEs), which are calculated based upon the number of credits an enrolled student takes. These are converted into Basic Income Units (BIUs), the measurement of enrolment universities report in order to receive operating funds from the Ontario government.

If the government pays universities on a model based on the number of courses enrolled in, students ask for similar treatment for tuition payment, particularly in light of the fact that student and government contributions to university operating costs are roughly the same. As equal stakeholders, students should be receiving equally fair billing procedures.



If the government pays universities on a model based on the number of courses enrolled in, students ask for similar treatment for tuition payment



Per-credit models allow students maximum flexibility to tailor their education to their personal, academic, and financial needs.



PER-CREDIT TUITION AND ELECTIVE COURSES

A related concern relates to the effect that some per-credit tuition billing structures have on the cost of elective courses. Most university degree programs offer students the opportunity to enrol in courses outside of their discipline. In fact, many programs mandate a certain number of elective courses outside a student's faculty that must be taken in order to graduate. Consequently, a concern arises when students are charged a different rate for an elective than their fellow peers. This happens most commonly when a first-entry professional student, such as an engineering or commerce students, enrolls in a general arts and science course or vice versa.

At most institutions, students pay tuition for their program, rather than for the credits they take. These rates vary across discipline. As a result, institutions typically charge students their discipline rate when they enrol in elective courses. This can disadvantage students who pay a higher per-course rate for their discipline than they do for electives. Furthermore, it provides an unfair discount for students who take electives with a higher per-course rate than their discipline. When institutions set per-credit charges, all students enrolled should pay the same value, rather than a disparate amount based on their program of study.

Equal per-credit billing structures are by far the best tuition payment model for students. Several institutions already utilize a form of equal per-credit billing, and this is the only fair way to come up with tuition totals for students. Per-credit models allow students maximum flexibility to tailor their education to their personal, academic, and financial needs. Other tuition policies effectively serve as a barrier to a mobile and flexible post-secondary education system. By forcing students to pay full fees regardless of course load, they serve as a disincentive for students to tailor their university experience to their individual needs.

New regulations within the tuition framework requiring each institution to charge tuition by the credit will help ensure that post-secondary education is more affordable and flexible for students near the flat-fee thresholds. This could be accomplished in much the same way that ancillary fees are controlled: by clawing back from the operating grant any revenue raised by charging students in a way that is not by an equal per-credit model. This will help ensure that every student is billed in a fair, transparent and predictable manner. For institutions already operating on a flat-fee model, the switch to a per-credit system could have revenue implications. For example, at the University of Toronto, lowering the flat-fee threshold from 80 to 60 percent raised approximately \$10 million in additional revenue for the institution. While this is a fairly minor cost for the institution – less than one per cent of their revenue – it can be a substantial cost for the individual student paying \$5,400 for three courses when they should be paying \$3,200. Moreover, students believe that revenue is being unjustly collected from them and that the eventual elimination of the inequities created by unfair tuition models and the creation of a universally flexible and fair tuition regime in Ontario is worth such a cost.

PAYMENT DEADLINES

RECOMMENDATION: Add regulations to the tuition framework that allow students to pay their tuition and ancillary fees at a reasonable time each term without financial penalty.

Estimated Cost to Government: \$0

If tuition is going to continue to be a reality at Ontario's post-secondary institutions, it should at the very least be charged in a way that poses as few financial barriers as possible. Unfortunately, many institutions utilize unreasonable payment deadlines that ask students to pay well before the beginning of the school year, when many students do not have the funds. Furthermore, many of these institutions charge students who are forced to defer due to lack of funds a fee in order to do so. This practice very clearly asks students who have the highest financial need to pay more for their education.

In Ontario, 10 of 20 universities require total fees for the entire year to be paid before the beginning of the term, though all allow students to defer payment for a fee. Five of 20 universities require total fees for the entire year to be paid during the first term (from September to November), three of which require a deposit prior to the start of the first term. The remaining five universities charge fees at the beginning of each term, one of which requires a deposit prior to the start of the first term. In total, 15 universities in Ontario charge some portion of tuition before the beginning of the school year.

Students are particularly concerned about the institutions that charge large portions of tuition up-front. In addition to the ample evidence that large, up-front payments are problematic for low-income families and under-represented groups, many students simply do not have enough money saved by the end of summer to pay all of their tuition up-front.

Table 4: Tuition Payment Deadlines at Ontario Universities, 2011-12⁵¹

University	Payment Process	Due Date	Full Refund Date
Algoma	Total fees due prior to start of first term	August 20	2 weeks into term (\$200 deposit is non-refundable)
Brock	Total fees due prior to start of first term	August 18	3 weeks into term (\$90/credit cancellation fee)
Carleton	Total fees due prior to start of first term	August 30	Prior to September 30
Guelph	\$200 deposit due in August; remaining fees due beginning of each term	September 17 & January 15	2 weeks into term (deposit is non-refundable)
Lakehead	Total fees due prior to start of first term	August 16	2 weeks into term (\$66 fee)
Laurentian	Total fees due prior to start of first term	August 19	Prior to September 6
Laurier	Fees due each term	August 25 & December 19	1 week into term
McMaster	Total fees due prior to start of first term	September 1	1 week into term
Nipissing	Total fees due in September	September 1	2 weeks into term
OCAD	Total fees due prior to start of first term	August 20	1 week into term
Ottawa	Total fees due in September	Sept. 2 & Sept. 30	2 weeks into term (\$25 fee)
Queen's	Total fees due in September	September 1	2 weeks into term
Ryerson	Total fees due in September	September 9	1 week into term
Toronto	Minimum payment (65% of total fees) due in August; balance due in Nov.	August 24 & November 15	2 weeks into term (minimum payment is non-refundable)
Trent	Total fees due prior to start of first term	August 16	3 weeks into term
UOIT	Fees due each term	September 7 & January 9	2 weeks into term
Waterloo	Fees due each term	August 29 & December 17	3 weeks into term
Western	Total fees due prior to start of first term	August 3 (first-years) or August 16 (upper-years)	2 weeks into term (\$270 fee)
Windsor	Fees due each term	August 16 & December 15	2 weeks into term
York	\$450 deposit due within 5 days of enrolling; remaining fees due in Sept. for full year courses; September and December for half courses	September 10	1 week into term (\$15 fee after 2 nd week)

Many students simply do not have enough money saved by the end of summer to pay all of their tuition up-front.



Students that rely heavily on OSAP also tend to be students who can least afford to pay extra costs.



A 2009 survey found that students made an average of \$3,000 in employment earnings over the course of a summer, but typically spent half on living expenses, leaving only \$1,500 to devote towards school-related expenses.⁵² Making matters worse, last student summer unemployment was at an all-time high of 17.2 per cent nationally and 18.2 per cent in Ontario.⁵³ With average tuition in Ontario sitting at \$6,640, rent for the academic year ranging anywhere from \$3,000 to \$7,000, and average textbook costs ranging from \$450 to \$1,000, it is certain that there are a large number of students who do not earn enough over the summer to cover the up-front costs of education.⁵⁴

With so many students and families facing difficult financial circumstances, it is becoming increasingly unreasonable to expect students to have saved over \$6,000 by the end of the pre-study period, let alone by tuition deadlines as early as August 3rd. Moreover, the half of students dependent on OSAP are usually unable to access funds prior to the September release of OSAP, leaving these students unable to meet early fee deadlines. Even after the September OSAP release date, students have to verify their enrolment, after which funds may take up to 10 days to actually be deposited in students' account. By this point, the tuition payment deadlines for ten for Ontario's twenty universities would have passed, often forcing these students to pay deferral fees averaging \$50 plus interest on outstanding fees.

Table 5: Available Tuition Deferral Options at Ontario Universities, 2011-12⁵⁵

University	Deferral Process	Fee	Interest	OSAP Exemption
Algoma	Can defer 30% or 50% to Dec. 10	\$50 or \$100	-	No
Brock	Can defer 30% to Nov. 15 then interest accrues	\$75	1.5% monthly	Yes
Carleton	Can defer 50% to Dec. 27	\$46	-	No
Lakehead	Can defer 50% to Jan. 6	\$82	-	Yes
Laurentian	Can defer fees beyond \$4,100 to Jan. 13	\$40	-	Yes
McMaster	Can defer 50% or 75% to Jan. 15	\$35	1.2% monthly	No
Nipissing	Can defer 50% to Jan. 7	\$40	-	No
OCAD	Can defer 45% to Jan. 14	\$50	-	No
Ottawa	Can defer 50% to Dec. 16	\$20	-	No
Ryerson	Can defer 50% to Jan. 7	\$70	1.25% monthly	No
Trent	Can defer 50% to Jan. 16	\$35	-	No
Western	Can defer 30% to Jan. 3	\$45	-	No
Ontario		\$51		3 of 12

Students that rely heavily on OSAP also tend to be students who can least afford to pay extra costs: those who already face considerable financial barriers in attending post-secondary institutions. Students who are more likely to rely on OSAP to meet fee payments include:

Low-Income Students:

The incidence of borrowing from government student assistance programs increases considerably as one descends the income quintiles. Incidence is highest (52.9 per cent) for students from households earning less than \$25,000 per year and lowest for students from households earning more than \$100,000 (7.9 per cent).⁵⁶ Low-income families are far less able to make large family contributions to in-study costs and are less likely to utilize savings mechanisms like Registered Education Savings Plans.

Underemployed Students:

Two-thirds of underemployed students (those working 20 hours or less per week during the summer) attend school in Ontario.⁵⁷ Most of these students wanted to work more, and were unable to save any of their earnings to cover educational costs. These students are forced to rely on financial assistance, personal savings, or family contributions to pay tuition.

Students with Dependants:

Student parents rely on financial assistance substantially more than student non-parents, with loan take-up rates of 73 per cent and 53 per cent respectively.⁵⁸ Student parents have additional immediate costs in addition to tuition, rent, textbooks and food. OSAP only provides a maximum of \$86 dollars per week per dependant, for a single parent of less than three children. This living allowance does not even begin to cover the cost of childcare, which averages over \$250 per week at a university campus. Consequently, student parents may have difficulty making large, up-front tuition payments as required by a number of universities.

Aboriginal Students:

Analysis of Canada University Survey Consortium and Ontario Post-Secondary Student Survey data has shown that financial assistance is used slightly more by Aboriginal students than non-Aboriginal students.⁵⁹ Aboriginal students are also more likely to come from low-income backgrounds, and are far less likely to utilize personal savings or family income to cover the up-front costs of education.

Students are concerned that through deferral fees, some institutions have created a system wherein students who rely on OSAP or in-study employment, particularly the previously mentioned under-represented groups, are forced to pay extra fees. Even at institutions with cost-free OSAP deferral processes, many students must make special arrangements to defer payment. OSAP recipients must go to their registrar's office and request a deferral on the grounds that OSAP has not been released yet, a time-consuming and unnecessary process.

Even students who are not reliant on OSAP may have difficulty paying an entire year's tuition before September. The majority of students work during the academic year at an average of eighteen hours a week.⁶⁰ Such a high in-study employment load suggests that students are struggling to make ends meet.

To alleviate the growing financial pressure that unrealistic payment deadlines can have on students, the government should include regulations in the next tuition framework concerning payment deadlines. Specifically, the provincial government should require institutions to provide students the option to defer half of their tuition and fees to the winter term. If institutions do not comply, then the government could claw back from the operating grant revenue raised that was not in compliance with the expectations. It should also be required that universities institute an automatic deferral of payment for those students receiving OSAP or other forms of provincial financial assistance. Institutional financial aid offices have the capacity to identify students receiving OSAP funds, meaning that the ability to grant automatic deferral for OSAP students exists. With a few institutions currently offering such a program, the time is right for other universities to adopt this best practice. Such a measure could save students from paying inadvertent late fees. It is also important for this automatic deferral process to adhere to dates where a majority of students have received their OSAP funds.

It should be noted that these regulations may require some changes to the way that the provincial government provides their funding to institutions, to ensure that institutions do not have cash flow constraints as a result of waiting for students' tuition fees to come in. However, this should be a minor and minimal-cost change for the government who currently releases most of their funding in equal biweekly payments. Even if this measure were to be an opt-in process for non-OSAP recipients, allowing the institution to collect full fees in the summer or fall from students fortunate enough to have the funds, it would provide an important alternative option for students who do not.



Even students who are not reliant on OSAP may have difficulty paying an entire year's tuition before September.





Such an expensive and important commitment should be designed and executed to have the maximum impact for ensuring equitable access to post-secondary education in Ontario.



TUITION GRANT

In January 2012, the Ontario government announced a new tuition grant program that has changed the tuition landscape in the province significantly. The new grant is available to over half of Ontario's undergraduate students and will be tied each year to 30 per cent of the average arts and science tuition. Students will be eligible if they meet the following criteria:

- » A Canadian Citizen, Permanent Resident or Protected Person;
- » An Ontario resident;
- » A full-time student (minimum 60 per cent of a full course-load as defined by the student's institution);
 - Students with disabilities are eligible if they are enrolled in minimum 40 per cent.*
- » Been out of high school for four years or less;
 - Students with disabilities are eligible if they are out for six years or less.*
- » In satisfactory academic standing;
- » Studying toward a first-entry college or undergraduate credential at an Ontario public university or college, but excluding second-entry professional programs;
- » From a family with a combined parental income before taxes of less than \$160,000;
- » Not currently restricted from receiving OSAP due to default, misrepresentation, fraud or second overpayment.

The new Ontario tuition grant is a major step forward for the affordability and accessibility of post-secondary education in Ontario. Grants that reduce the up-front costs for low- and middle-income families is a critical piece of building an accessible higher education system. The grant is being paid for in part by the elimination of three existing student aid programs, namely the Textbook and Technology Grant program, the Ontario Trust for Student Support, and the Queen Elizabeth II Aiming for the Top Scholarships. Even with the concurrent cancellation of these programs, the new grant still represents hundreds of millions of dollars in new non-repayable assistance for students. However, such an expensive and important commitment should be designed and executed to have the maximum impact for ensuring equitable access to post-secondary education in Ontario.

Based on thorough consultation and feedback from students, the recommendations that follow are suggestions for how to improve the grant program for September 2012.

GRANT ELIGIBILITY

The current design of the tuition grant program means that over 300,000 students will be eligible making it the largest grant program in the province's history. Students are concerned, however, that the current eligibility requirements will mean that this new investment excludes some high-need groups of students. In particular, students believe that mature students and part-time students need to be better supported by the Ontario Student Assistance Program and its grants.

In the short-term, there are three specific changes to the Ontario tuition grant program that students would like to see implemented for its launch in September 2012. Should any savings be realized from a lower-than-anticipated application rate, we believe these changes should be priorities for re-investment. If not, both eligibility changes require relatively minor financial investments, and will go a long way to improving the design of this important program.

RECOMMENDATION: Ensure that independent students who are Aboriginal or have a child under the age of 12 are adequately supported by the new tuition grant or other existing financial assistance programs.

Estimated Cost to Government: \$5-10 million

Students are very concerned that the eligibility requirement excluding students who have been out of high school for more than four years is shutting out sub-populations that are already financially vulnerable. OUSA was very pleased to see that students with disabilities were accommodated in the grant program through the extension of the eligibility period and a reduction in the definition of a full course-load to 40 per cent for these students. Expanding eligibility to more Aboriginal students and students with dependants continue to remain priorities for students.

Aboriginal students are already severely underrepresented in post-secondary education – only 9 per cent of the Ontario Aboriginal population aged 25-64 has a university degree, compared to 26 per cent of the non-Aboriginal population, a gap that has widened in recent years.⁶¹ There are a number of reasons for this underrepresentation but significant financial barriers are chief among them; Aboriginal students are more likely to come from low-income families, while federal band funding has not kept up with demand. Most concerning for the purposes of the tuition grant is that more than half of Aboriginal students are mature and are thus ineligible.⁶² The median length of time between graduating high school and entering post-secondary education is 15 months for Aboriginal students, compared to just four months for non-Aboriginal students.⁶³ There are a number of reasons for this, including wait times for Post-Secondary Student Support Program funding, the increased likelihood of attending college prior to transferring to university, and the nearly one in three Aboriginal students who report caring for a dependent child.⁶⁴

Like Aboriginal students, students with dependants are already under-represented in higher education and are more likely to be mature. For example, individuals who have a child before age 26 are less than half as likely to attend university as those with no children.⁶⁵ The presence of a dependant disproportionately impacts women: a woman under 25 with a dependent child is only 20 per cent as likely to attend university as her peers.⁶⁶ Individuals with children are more likely to be mature students because they often take longer to complete a credential or come back to school after an absence.⁶⁷ The median number of months between high school graduation and entering post-secondary education is 16 months for those caring for children.⁶⁸ Students with children also tend to have significant unmet need, as the OSAP funds provided for child care dramatically underestimate real costs. This need has been found to be particularly acute for those with children under the age of 12.⁶⁹ When individuals with dependants are unable to access higher education, this also has broader economic and social repercussions for the Province.

Both of these relatively small “high need” groups are largely excluded from the tuition grant since it is distributed only to dependent students. Moreover, these mature students have now lost the \$150 Textbook and Technology Grant that was previously available to all OSAP recipients studying in Ontario. We propose that independent students that indicate that they are Aboriginal or have a child under the age of 12 on their assistance application receive the Ontario tuition grant regardless of how long they have been out of high school. Based on rough calculations, we anticipate the approximate cost of such an extension would be \$4 million for Aboriginal students and \$2-5 million for students with children. These concerns could also be addressed in other ways, such as re-designing the Aboriginal Bursary and Childcare Bursary, or changes to the need assessment and assistance maximums.

RECOMMENDATION: Cancel the planned elimination of the Textbook and Technology Grant for independent students.

Estimated Cost to Government: \$15 million of expected savings

The planned elimination of the Textbook and Technology Grant is concerning for several reasons. The program was announced in the 2007 Speech from the Throne as a \$300 grant for all university and college students to “help them get started each year at school.”⁷⁰ When introduced for the 2008-09 academic year, the grant was worth \$150 and available to all domestic full-time students with the promise that the grant would rise to \$300 upon full implementation. In 2009, the program

Individuals who have a child before age 26 are less than half as likely to attend university as those with no children.



However, there are now approximately 100,000 independent and second-entry students that have had their student aid cut.



was cut such that only OSAP students studying at a publicly-supported Ontario institution were eligible, and the grant has remained at \$150 per year since. The \$39 million program reached approximately 260,000 students this year.

For the 150,000 Ontario students who will receive the new \$1,600 tuition grant, the loss of the \$150 Textbook and Technology Grant is regrettable but largely mitigated. However, there are now approximately 100,000 independent and second-entry students that have had their student aid cut.

The costs of textbooks and technology are rising considerably faster than inflation. The prices of first-year university compulsory course textbooks can now range from an average of \$440 for a literature major to over \$940 for students in chemistry.⁷¹ In Canada, costs of textbooks grew at about 10 times the pace of overall consumer price inflation last year, according to Statistics Canada data.⁷² In addition, revision cycles have also become shorter for many academic books, with the current cycle at three to four years for a new edition, as opposed to the four to five year standard used a decade ago, which has limited students' ability to purchase used books.⁷³ Students also must typically have sufficient resources for a computer and printer, which are estimated at \$1,000 annually.⁷⁴ While the \$150 Textbook and Technology Grant was insufficient to cover all of these costs, it did signal that the government wanted to help all students meet these costs.

The government consistently made it clear leading up to the launch of the tuition grant that no student would be worse off under the new program. Students find it hard to reconcile that with the reality that many high-need independent students have now seen the cancellation of one of the few up-front grants they were eligible for, while also being ineligible for the new tuition grant. In uncertain economic times, the government should be breaking down barriers for all students pursuing a higher education. We urge the government to reconsider the cancellation of the Textbook and Technology Grant for independent students.

RECOMMENDATION: Extend the eligible time period of the Ontario tuition grant for first-entry students in five-year programs.

Estimated Cost to Government: \$2-4 million

Another group of students left out in the current design of the new tuition grant is students registered in five-year programs. The largest group of these students are those in co-op programs who only pay four years of tuition fees, but the fees are spread out over five years due to alternating academic and work terms. There are also a small number of degree programs that are five years in length. It would be a minor cost to extend eligibility for these students to the full standard length of their program – particularly concerning that those students that already on OSAP would likely not receive any additional grant as most fifth-year students already receive in excess of \$1,600 in debt relief through the Ontario Student Opportunities Grant. While co-op students do earn money while working, these students typically also face significantly higher costs due to five years of living costs, frequent moving expenses, and co-op fees that add up to between \$2,000 and \$3,500 depending on the institution. It only seems reasonable that five-year students should be treated as other first-entry students and be eligible for the tuition grant for the normal duration of their program.

GRANT DESIGN

RECOMMENDATION: Work with Ontario's post-secondary institutions and application centres to facilitate applications for the new tuition grant to maximize participation and have the grants come directly off students' tuition bills.

Estimated Cost to Government: \$0

It goes without saying that for the new grant to reach its potential, the application process must facilitate a high take-up rate. Application rates for Ontario's current grants leave much to be desired. Only about half of students apply for OSAP and its associated up-front grants. According to some research, applications from students most in need – the lowest income quartile – are even lower than in the second income quartile.⁷⁵

Two existing proposals will go a long way to improving the situation: keeping the new grant untethered from Ontario Student Assistance Program loans; and having the grant come directly off tuition bills. Decoupling grants and loans has been a long-standing recommendation of OUSA, and students were pleased to see that receiving the new tuition grant does not require one to also take out a student loan. There remains a hesitation on the part of many students from groups traditionally underrepresented in post-secondary education to take on debt to finance their education,⁷⁶ so this is a positive step forward.

The second proposal is more complex and equally important – that the grant be deducted directly from students' tuition bills. This will ensure that students do not have to pay tuition covered by the grant up-front and then wait for the rebate, a frustrating reality for many students whose OSAP release date and tuition payment deadline do not align. More importantly, directly applying the grant to students' tuition bills will reduce price sensitivity or the perception that the benefits of post-secondary education are less than the cost, that has been demonstrated to be salient for many underrepresented students.^{77,78}

Students believe Ontario's post-secondary institutions and application centres (the Ontario Universities' Application Centre and the Ontario College Application Services) have an important role to play in directing students to the grant application to ensure that the maximum number of eligible students apply for the new grant. For all incoming first year students, we propose that applying for financial assistance be built into applying for university and/or college. At the end of the admission application, students could be given the option to be re-directed to the government's financial aid application. The application could be pre-populated with the information already provided to OUAC and OCAS, and students could then choose to apply for the full Ontario Student Assistance Program or only the non-repayable tuition grant, and add the necessary financial information to complete the application. If the student applies and is deemed eligible for the grant, the student's university or college would then be instructed to apply the grant to the student's tuition bill and would be subsequently reimbursed by the Ministry of Training, Colleges and Universities for the lost revenue. The student and their parents should have to sign and submit a master student loan agreement or Ontario tuition grant application just once. In subsequent years, the student should receive an e-mail or letter reminding them to update their financial information and simply re-apply online.

For upper-year students who often do not interact with the central application system, institutions could potentially incorporate a diversion option from their current tuition payment systems that would take students directly to the tuition grant application. Alternatively, each institution could e-mail all students the link to the grant application. If deemed eligible, institutions could directly lower the student's tuition bills in exactly the same way described above.

This process would require many actors to work together, including institutions, application centres, the National Student Loans Service Centre, and the Student Financial Assistance branch of the Ministry of Training, Colleges and Universities. However, students believe that it is a necessary step. It would ensure that every student applying for university or college was presented with financial assistance options and that the new tuition grant served the purpose of lowering tuition directly.

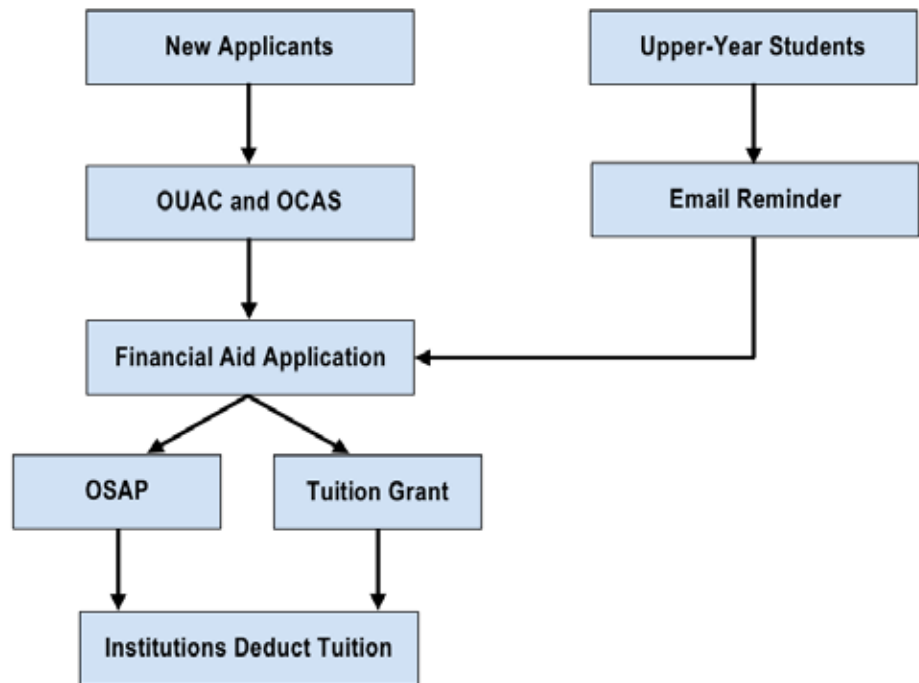
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The two grants will be acting in similar ways to reduce net tuition costs for students.



Figure 8: Proposed Ontario Tuition Grant Application Process



RECOMMENDATION: Harmonize the Ontario Access Grants with the Ontario tuition grant to create one two-tiered grant without a student having to take out an Ontario Student Assistance Program loan.

Estimated Cost to Government: \$0

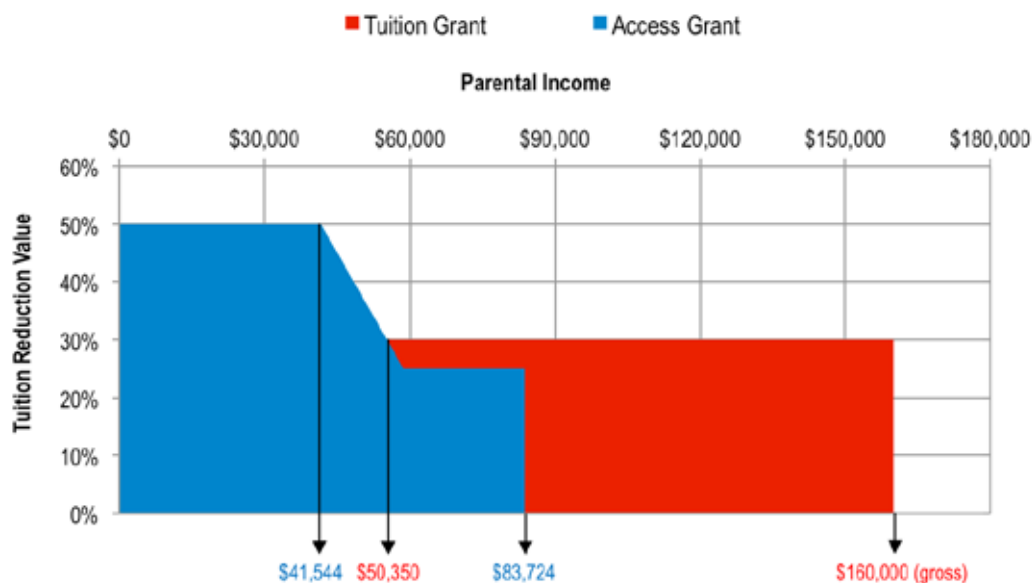
One element that has been lost in much of the debate surrounding the new Ontario tuition grant is the fact that Ontario already has a grant program designed to help students offset the costs of tuition: the Ontario Access Grants. These grants are currently only available to first- or second-year students from low-income families and are administered through OSAP. If a student's parents' net income is below the cut-off for the National Child Benefit supplement (\$41,544 in 2011-12 for two-child family), the grant is worth up to 50 per cent of their tuition, to a maximum of \$3,000 per year. Students whose parents' net income is above the cut-off for the NCBS, but below an income ceiling (\$83,724 in 2011-12 for two-child family), can receive between 25 per cent and 50 per cent of their tuition covered through the grant. Last year, around one in five OSAP recipients (approximately 55,000 students) received the Ontario Access Grant at a total expense of approximately \$96 million.⁷⁹

Currently, the government is not providing the new tuition grant to those students already receiving the Ontario Access Grants in excess of the new grant's value. Therefore, the two grants will be acting in similar ways to reduce net tuition costs for students. This will be particularly confusing for those eligible for 25 per cent of tuition through the Ontario Access Grant and then a further five per cent off through the new grant. These students have been surprised when their additional aid only came to an additional five per cent off tuition, though advertisements and media have been indicating that the value would be thirty per cent.

Students suggest that the Ontario Access Grants be harmonized with the Ontario tuition grant, and that the current funds spent on Access Grants be re-directed to create another tier worth 50 per cent of tuition fees for those students with family incomes eligible for the NCBS (the same eligibility criteria as the Ontario Access Grants). The sliding scale that is currently used could continue for those above \$41,544 but below the current threshold to receive 30 per cent of average tuition fees (\$50,350). Those above \$50,350 net income but below the \$160,000 income cut-off for the tuition grant would then receive 30 per cent of average tuition fees.

This move would accomplish a few important things. First, since the tuition grant program is available to non-OSAP students, it would open the Ontario Access Grant program to debt-averse students who are unwilling to take on student loans in order to pay for post-secondary education. Studies have shown that debt-aversion is higher amongst low-income, Aboriginal and first generation students, meaning that this could extend assistance to high-need populations without forcing them into student debt. Second, it would allow the Ontario Access Grant money to come off tuition bills directly (as we propose for the Ontario tuition grant), increasing their visibility to students. It should be noted that the Ontario Access Grants are also currently available to Ontario residents studying out of province and at private career colleges – who are not eligible for the tuition grant – and a parallel process may have to remain in place for this small group.

Figure 9: Proposed Ontario Access Grant and Tuition Grant Harmonization



RECOMMENDATION: For those eligible for the Ontario Student Assistance Program, have the Ontario tuition grant first meet students' unmet need.

Estimated Cost to Government: \$0 in new costs

The way that the new tuition grant interacts with the other provincial grants is also concerning for another reason: it means that this new program is of no benefit to the lowest-income and highest-need students. In the long-term program, it has been proposed that those students who are already receiving more than \$1,600 in Ontario Access Grant will not receive any more in grants. Furthermore, it has been proposed that those who were already receiving debt relief through the Ontario Student Opportunity Grant in excess of the value of the new tuition grant will not receive any additional grant. These students – those with the lowest incomes and highest need – are not any worse off than before, but the new aid is not of any net benefit to them.

A simple way to rectify this situation is to increase the assistance maximum by the new grant's value to ensure that the new grant comes closer to meeting students' true financial needs. If a student is eligible for financial assistance, the Canada portion of the Integrated Student Loan is equal to 60 per cent of their federally assessed need, less any Canada Student Grants, to a maximum of \$210 per week of study. The Ontario need is equal to total costs minus total resources (including federal support through the Canada portion of the Integrated Student Loan and Canada Student Grants). The Ontario portion of the Integrated Student Loan is equal to the newly calculated provincial need to a maximum of \$150 per week of study for single students or \$350 per week of study for married students and sole support parents.⁸⁰ This results in maximum assistance totals for a two-term academic year of \$12,240

It would open the Ontario Access Grant program to debt-averse students who are unwilling to take on student loans in order to pay for post-secondary education.



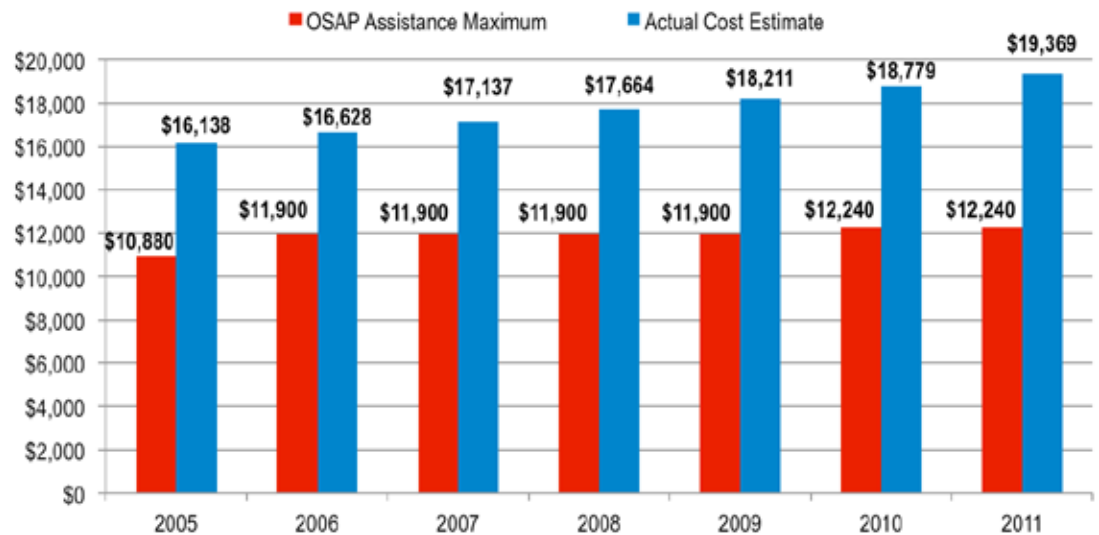
The new tuition grant is a perfect opportunity to meet this need by having it increase the maximum assistance levels.



for single students and \$19,040 for married students and students with children. Any loan above \$7,300 is converted to grant through the Ontario Student Opportunity Grant.

OUSA has three major concerns with these maximum assistance limits, and the effects they have on students' abilities to meet their educational costs. Firstly, the existence of arbitrary maximum levels of assistance creates a shortfall between aid allocations and a student's assessed cost in the need calculations, resulting in many students having 'unmet need'. In 2006-07, 42 per cent of Ontario students had an average unmet need of \$1,191.⁸¹ Additionally, it is estimated that in 2031, the number of students whose need exceeds the maximum Canada Student Loan will rise from 43 per cent to 77 per cent.⁸²

Figure 10: Comparison of Cost Estimate and OSAP Assistance Maximum for Single Student Living Off-Campus⁸³



Furthermore, recent history has demonstrated that the assistance limits can often remain in place without adjustment for inflation or other cost increases, thereby eroding the value of OSAP year after year. Between 1994 and 2005, the maximum OSAP provided to a single independent student remained constant at \$9,350, until it was finally increased. Between 1994 and 2005, the real value of the maximum assistance package fell by nearly 20 per cent to \$7,630 in 1994 dollars. This case demonstrates the results that can be incurred in a period of financial constraint, or when post-secondary education is not a political priority.

Lastly, maximum assistance amounts limit the effectiveness of other policy changes in the rest of the financial assistance system. For example, if the federal or provincial government made adjustments to their parental contribution expectations, or any other element of the need assessment formula, these changes may not actually make a difference for students with the greatest financial need because their aid allocations have already been capped by the assistance limits.

The new tuition grant is a perfect opportunity to meet this need by having it increase the maximum assistance levels. If the grant is worth \$1,600 for university students in 2012-13, then the new OSAP assistance maximum for a two-term academic year would be \$13,840 (\$1,600 higher than the current maximum of \$12,240). For married students and students with children, the new maximum would be \$20,640. The new tuition grant is already going to be tied to average tuition costs, and can therefore increase the maximum assistance if tuition fees are allowed to increase. This would also ensure that those with the highest need will see a net benefit of the new tuition grant by having their unmet need met first. The proposal is already part of the long-term cost projections of the tuition grant and is an important way to ensure this new grant helps those with the highest need, while creating a more sustainable financial aid system moving forward.

RECOMMENDATION: Have the value of each student’s tuition grant be equal to 30 per cent of their actual tuition fees.

Estimated Cost to Government: Unknown

Under the grant’s current design, all students studying toward a degree receive the same grant value (approximately \$1,600 in September), while all diploma students receive approximately \$730, regardless of the actual cost of a student’s program. This across-the-board design made communication and administration of this grant easier for the interim launch in January, but students urge the government to change this design for September 2012.

Our first and most important concern with the current design is its substantially lower value for students studying in higher-cost programs. The value of the university grant of \$1,600 was determined by tying it to 30 per cent of the average cost of a first-entry arts and science degree – which is typically between \$5,300 and \$5,600 depending on the institution and program. The true average undergraduate tuition, however, is \$6,640 according to Statistics Canada.⁸⁴ While this figure includes second-entry programs such as medicine and law that are ineligible for the tuition grant, the average excluding second-entry programs is still over \$6,400.

For example, Ontario students studying engineering directly out of high school pay an average of \$8,850, while first-entry business students are charged \$7,820. Computer science and architecture students similarly pay averages above \$7,000. Approximately one in five first-entry university students are studying in these higher cost programs. For these students, the “30% off tuition grant” is worth closer to 20 per cent.

Table 6: Tuition Grant Value for First-Entry Professional Students, 2011-12⁸⁵

Program	Average Tuition	Tuition Grant	Value
Architecture	\$7,112	\$1,600	23%
Business Management and Public Administration	\$7,821	\$1,600	20%
Engineering	\$8,846	\$1,600	18%
Math, Computer and Information Sciences	\$7,024	\$1,600	23%

Furthermore, the current across-the-board design results in students taking reduced course loads receiving the same grant as those taking a normal or increased course load. For example, a student taking six courses in an academic year (60 per cent of a normal course load) would receive the same \$1,600 grant as a student taking the normal ten courses, despite typically paying three-fifths the cost. If the student taking a reduced course load was instead given 30 per cent of their actual tuition, the government could find savings to re-invest to address higher-cost programs.

The Ontario Access Grants are already calculated using the student’s actual tuition cost, and students believe that the Ontario tuition grant should be treated the same way. From an individual student perspective, it is also considerably easier to understand and plan for your costs if you know that 30 per cent of your tuition bill will be paid for. While this will likely be a more expensive program as a result, we believe that it is the fairest and best way forward.

“

For these students, the “30% off tuition grant” is worth closer to 20 per cent.

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