



Ontario Undergraduate Student Alliance

TUITION BRIEF

BACKGROUND

Within the span of 20 years, tuition as a source of operating revenue grew from 18 percent in 1988 to 37 percent in 2008.¹ The most recent financial reports show tuition alone made up 45 percent of universities' operating budgets in 2014—51 percent when fees are included—compared to the provincial government's 43 percent contribution.² As tuition continues to increase the affordability, accessibility, and accountability of a university education is put at risk. Our Tuition policy sets out students' priorities for addressing their short and long term concerns with regards to the tuition framework and tuition payment processes.

THE PROBLEM

Patchwork Regulation

Periods of deregulation and re-regulation and in the 1990s created differentiated tuition levels, which now exacerbate cost discrepancies between programs, and in some cases, suppress the earning potential of entire institutions creating challenges for quality and competitiveness. The current framework further aggravates these historical issues: with the allowance of two-tier tuition increases—caps of 3 and 5 percent per year for undergraduate and professional programs respectively—the cost differences between programs will increase dramatically and disproportionately.

The current tuition fee landscape negatively impacts physical and financial access to Ontario universities. Nationwide, students living more than 80 kilometers from a post-secondary institution are 58 percent less likely to attend PSE when compared to students who live within 40 kilometers of an institution.³ Keeping this trend in mind, students' choice of programming becomes restricted by cost considerations associated with differentiated and stranded tuition. This problem is especially concerning for debt averse and low-income student groups where sticker price is an important consideration.^{4,5} While increased investments in financial aid are seemingly being used as political tools for easing the burden of tuition increases, previous research suggests that university participation amongst the lowest income quartile has remained constant.⁶

Increasing Financial Burden

Universities are becoming increasingly dependent on tuition dollars for their operating budgets as students' proportional contributions continue to exceed those of the provincial government. As tuition continues to increase, outpacing rates of inflation and increases in household income, the cost of a post-secondary education becomes

less affordable with each passing year. Over the past decade in Ontario, tuition has risen by \$2658.⁷ If tuition had risen by inflation, this increase would have only been \$766.⁸

As tuition continues to increase, students are pressured into increasing their working hours and their debt load. Although changes have been made to increase maximum amounts of OSAP funding, changes to financial aid are not keeping up with rising costs. Additionally, the tuition set-aside program has not been re-evaluated in several years, such that the dollar value of the per student set-aside has not changed since 2007. Students are left carrying long-term debt with 24 percent of graduates owing to private sources, and 42 percent of graduates owing to government sources three years after graduation, as of 2010.⁹

Lack of Transparency and Accountability

There is currently no clear and direct relationship between the payment of tuition and the subsequent educational programming to be provided by universities, nor are there effective mechanisms in place to ensure accessible and transparent means for students to become aware of how their tuition is being spent. Despite increases in student-supplied revenue, it does not appear that the quality of undergraduate education has been sustained or improved. For example, although small class sizes are generally regarded as a key feature of a high-quality educational experience, enrolment growth has led to larger class sizes.¹⁰ While we have found that about 72 percent of the additional university funding has gone into salary and benefit expenditures, "increased expenditure on academic salaries was not used to hire significantly more full-time faculty to reduce class sizes."¹¹

Some compulsory fees are unjustifiably increasing the total costs of education. There seems to be some discrepancy between students' and institutions' interpretation of "tuition-related," fees—students believe that compulsory fees for access codes for online learning materials, lab equipment, co-op, field trips, and other essential components of their degree completion should be included in the price of tuition.

Students hold a number of concerns related to the implementation of more clear and easily accessible budgeting models. There is the potential for new models to detract from educational quality in order for departments to spend revenue most efficiently. There is also the worry that some departments may attempt to maximize revenue by offering additional (and potentially unnecessary) mandatory courses, jeopardizing content and program quality.

Restrictive Payment Processes

We suspect that certain billing structures may influence students' academic planning and decision-making such that they weigh the costs of education more heavily than other factors, such as manageability. Currently, 10 out of 20 universities still charge tuition on a flat-fee basis and although the tuition framework has taken steps to change this, a student enrolled in four courses at one of these institutions will still be charged the same rate as a student enrolled in five or more. In these cases, some students are paying for education they do not receive. Moreover, when per-credit charges are calculated by a student's program and not by the specific course, students are charged different rates for electives than their fellow peers.

Lastly, some post-secondary institutions currently administer fees for late tuition payments, regardless of the nature of the delay, without appropriate appeals processes in place to allow students to raise concerns over their tuition payment. As a result, there is a lack of institutional accountability when informal accommodations are made and few means of letting students know that accommodations can be made.

Little Thought of the Future

Although large systemic problems are generally outside the scope of OUSA policy papers, it is becoming clear that students' concerns related to tuition are only further compounded by every augmentation of the current regime. In an attempt to start a conversation about what tuition could be, rather than what it is, we offer an example of a new framework in an effort to highlight the main structural problems with the conception of tuition including: high upfront costs, increasing long term debt, reliance on a complex aid system, and real and perceived accessibility concerns.

RECOMMENDATIONS

Regulate Tuition

Students believe that tuition should be affordable and predictable—guaranteeing these system wide characteristics cannot occur without reasonable regulation. However, tuition regulation should never significantly restrain institutions from providing high quality education. In order to meet our expectations in *improving system regulation*, students assert that:

- Tuition must remain regulated by the provincial government;
- The provincial government should develop a process by which stranded institutions can apply for yearly envelope funding in order to help offset the impact of stranded tuition; and
- If tuition must increase, it should never do so more than the Consumer Price Index.

Share the Costs

All parties who benefit from high post-secondary attainment rates should be expected to contribute to the system. The student contribution, however, should not exceed one-third of the total contribution— for every dollar of student revenue, the federal and provincial governments should contribute two. It is important that tuition increases never outpace the financial ability of students or their families to pay. Before adequate improvements to

regulation can be implemented, it is crucial to restore balance to the system. Students offer the following recommendations for *ensuring fair cost sharing*:

- The provincial government should enforce a tuition freeze for the duration of the new tuition framework; and
- The provincial government should increase its proportional contribution toward the operating budgets of post-secondary institutions.

Address Student Debt

When actual or perceived student debt is substantial enough to dissuade students from participating in higher education, or when debt levels affect students' ability to persist to completion, it is indicative of the increasing unaffordability of the higher education system. Rising tuition should not require students to take on unmanageable debt, nor should it require students to take on unmanageable in-study employment burden. Meaningfully *addressing student debt* will require:

- The provincial government to adjust the tuition set-aside program to better reflect increases to tuition.

Disclose Budgetary Decisions

The implicit assumption between students and their universities that tuition pays for specific products and services needs to be made explicit. It seems that students' obligations to their universities are explicitly expressed, but universities' reciprocal obligations to their students are overlooked. Universities should be held accountable for their spending and students, as major stakeholders, should have the ability to easily map their tuition fees onto their education. The activity-based funding model offers a more transparent means of meeting these goals and *ensuring transparency*:

- Ontario's post-secondary institutions should implement an activity-based funding model, so long as the accessibility and transparency benefits are not significantly compromised; and
- If tuition must increase, a percentage of all new tuition revenue must be set-aside and spent to increase the quality of the student experience; metrics for quality should be defined by the university and the student representative body.

Define the Costs of Education

Students should receive all of the products and services they expect through the payment of tuition alone. In order to begin a constructive two-way dialogue between students and their institutions that will address students' concerns related to *covering the costs of education*, students recommend:

- Post-secondary institutions instigate consultative processes with their students to establish a mutually agreeable set of expectations regarding what tuition payments are intended to cover; and
- Tuition fees should only be spent on the costs directly related to participating in and completing students' programs of choice.

Maintain Fair Payment Processes

Tuition payment processes should not be a barrier to participation or persistence in university. To further alleviate financial burdens placed on students, universities should only administer late, deferral, or other financial penalties on students when absolutely necessary. Additionally, since the government funds institutions on a per-credit basis, tuition should also be charged according to this standard. The following considerations should be made in *developing fair payment processes*:

- The provincial government should continue to require that universities offer per-term billing for tuition at no additional cost to students;
- The provincial government should continue to require that universities issue an automatic deferral of payment for students receiving OSAP;
- Payment and deposit deadlines should be sensitive to the varying financial needs of students, by offering flexible payment plans;
- Post-secondary institutions should implement an appeals process to address student concerns over any administrative delays related to tuition payments;
- The provincial government should require all universities to adopt a per-credit billing structure; and
- The provincial government should require that program rates for elective classes remain consistent with the program that the course is being taken in.

Consider a New Framework

Many of the problems Ontario's partners in higher education attempt to solve are caused by the paradigm they exist within. As a result major problems cannot be solved without a paradigm shift. With the intention of offering a tangible example of how the following recommendations could manifest in a working model and begin a conversation intended to solve structural concerns, we offer a hybridized graduate tax system. This system is only offered as way of demonstrating the type of change we advocating for. Ultimately, in *looking toward the future of tuition*, students think that:

- The Ministry of Training, Colleges and Universities should partner with Ontario's universities and students in investigating tuition-funding models;
- Any new model of student payment for education should avoid high upfront costs, high long term debt, complex aid processes, and should make all efforts to circumvent both real and perception based accessibility concerns; and
- All students should have access to an aid model that works in concert with a tuition formula to minimize the short term and the long term financial burdens of paying tuition.

Ontario," 2014, <http://www.cou.on.ca/statistics/cudo.aspx>; and, Council of Financial Officers, "Financial Reports and Highlights," 2014, <http://cou.on.ca/facts-figures/cofo-uo/financial-reports/financial-reports-and-highlights>.

³ Isabelle Duchaine, *Policy Paper: Rural and Northern Students* (Toronto: Ontario Undergraduate Student Alliance, 2012).

⁴ Sarah Brown, Gaia Garino, and Karl Taylor, "HOUSEHOLD DEBT AND ATTITUDES TOWARDS RISK," *Review of Income and Wealth* 59 (2013): 283-304.

⁵ Wen-Chi Liao, Daxuan Zhao, and Tien Sing. "Risk Attitude and Housing Wealth Effect," *The Journal of Real Estate Finance and Economics* 48 (2014): 467-491.

⁶ *Third Annual Review and Research Plan* (Toronto: Higher Education Quality Council of Ontario, 2010).

⁷ Statistics Canada, "Weighted undergraduate tuition fees."

⁸ "Inflation calculator," Bank of Canada, accessed January 2015, <http://www.bankofcanada.ca/rates/related/inflation-calculator/>.

⁹ Statistics Canada, "Table 477-0069: National graduates survey, student debt from all sources, by location of residence at time of interview and level of study, every 5 years (percent unless otherwise noted)," last modified December 1, 2014, <http://www5.statcan.gc.ca/cansim/pick-choisir?lang=eng&p2=33&id=4770069>.

¹⁰ Angelika Kerr, *Teaching and Learning in Large Classes at Ontario Universities: An Exploratory Study* (Toronto: Higher Education Quality Council of Ontario, 2011), 9.

¹¹ Laura Pin, Chris Martin and Sam Andrey, *Rising Costs: A Look at Spending at Ontario Universities* (Toronto: Ontario Undergraduate Student Alliance, 2011), 4.

¹ Snowdon & Associates, *Revisiting University and College Revenue Data* (Higher Education Quality Council of Ontario, 2009) 29.

² Based on comparisons of data from Snowdon & Associates, *Revisiting University and College Revenue Data* (Higher Education Quality Council of Ontario, 2009); Council of Ontario Universities, "Common University Data