



POLICY PAPER

Tuition

March 2015

Prepared by:

Jen Carter, VP External
University Students' Council (USC), Western University

Jamie Cleary, Research Intern
University Students' Council (USC), Western University

Joyce Wai, External Advocacy Coordinator
Alma Mater Society (AMS), Queen's University

Colin Zarzour, Academic Affairs Commissioner
Alma Mater Society (AMS), Queen's University

With files from:

Armin Escher, Operations Coordinator
Ontario Undergraduate Student Alliance

Danielle Pierre, Research Analyst
Ontario Undergraduate Student Alliance

ABOUT OUSA

OUSA represents the interests of over 140,000 professional and undergraduate, full-time and part-time university students at seven student associations across Ontario. Our vision is for an accessible, affordable, accountable, and high quality post-secondary education in Ontario. To achieve this vision we've come together to develop solutions to challenges facing higher education, build broad consensus for our policy options, and lobby government to implement them.

This OUSA Tuition Policy Paper by the Ontario Undergraduate Student Alliance is licensed under a [Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International License](#).

SUGGESTED CITATION:

Carter, Jen, Jamie Cleary, Joyce Wai, and Colin Zarzour. *Policy Paper: Tuition*. Toronto: Ontario Undergraduate Student Alliance, 2015.

TABLE OF CONTENTS

Executive Summary	1
Acronyms.....	6
Glossary	7
History & Context.....	9
Improving System Regulation	12
Ensuring Fair Cost Sharing.....	21
Addressing Student Debt	26
Encouraging Transparency	32
Covering the Costs of Education.....	38
Developing Fair Payment Processes.....	40
Looking Toward the Future of Tuition	48
Engaging Ideas: Prototyping Student Priorities	52
Policy Statement	56
Appendix	59

EXECUTIVE SUMMARY

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 are 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

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 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).

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.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

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.

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.

ACRONYMS

BIU – Basic Income Unit

COU – Council of Ontario Universities

CPI – Consumer Price Index

CSLP – Canada Student Loan Program

FFTE – Fiscal Full-time Equivalent

HEQCO – Higher Education Quality Council of Ontario

JD – Juris Doctor

JDUC – John Deutsch University Centre (Student Life Centre) at Queen's University

LICO – Low-Income Cut Off

OSAP – Ontario Student Assistance Program

OSL – Ontario Student Loans

OSOG – Ontario Student Opportunity Grant

PSE – Post-secondary Education

TSA – Tuition Set-Aside

GLOSSARY

Basic Operating Grant refers to the funds universities receive from the provincial government to cover operations; basic operating grants are awarded under general enrolment based grants.

Compulsory Tuition-Related Ancillary Fee refers to a fee which is levied to cover the costs of items normally paid for out of institutional operating or capital revenue (recovered from operating and capital grants, and tuition fees); under the current framework, institutions are not allowed to charge this type of compulsory ancillary fee.¹² This fee is in contrast to compulsory non-tuition related ancillary fees, which are levied to cover the costs of items, which are not normally paid for out of operating or capital revenue.

Current Tuition Framework, used throughout this document, refers to the 2013/14 to 2016/17 Tuition Fee Framework and Ancillary Fee Guidelines for Publicly-Assisted Universities provided by the Ministry of Training, Colleges and Universities to govern the collection of tuition and fees.

Differentiated Tuition refers to differences in tuition fees by programs; these differences can occur within and between institutions.

Flat-fee Tuition refers to a tuition payment model where students pay a flat-fee for tuition, regardless of the number of courses or credits they are enrolled in, usually charged after the student has enrolled in a prescribed “full-time” threshold.

Inflation refers to the rate at which the prices for goods and services rise and is measured using the Consumer Price Index (CPI).

Interest refers to either the charge associated with borrowing money or the income earned from investing money.

Juris Doctor refers to the first professional graduate degree in the study of law.

Market Modifier refers to a strategy for increasing tuition outside of current policy, recently employed by the Government of Alberta. In Alberta, tuition normally increases annually by inflation; with the use of a market modifier the government was able to allow some institutions to increase tuition beyond the rate of inflation for specific programs based on market comparisons to similar programs across Canada.¹³

Net Tuition refers to the real amount of tuition students are required to pay after non-repayable aid and other subsidies have been subtracted.

Operating Grant, used in this paper, refers to the total funds Ontario universities receive from the provincial government; final operating grants include general enrolment based grants, general quality and performance funding, health human resources grants, and first generation support grants, Aboriginal support grants, French

¹² Tuition Fee Framework and Ancillary Fee Guidelines for Publicly-Assisted Universities: 2013-14 to 2016-17 (Ontario Ministry of Training, Colleges and Universities, 2013), 16.

¹³ Christine Ochitwa, *Fact Sheet: Engineering Market Modifier Proposal* (University of Calgary Students' Union, 2014).

language support grants, support for students with disabilities, and other special purpose grants.¹⁴

Persistence refers to students' ability to complete their post-secondary studies.

Professional Programs, also known as Professional Undergraduate Programs, are differentiated from undergraduate arts & science programs in the current tuition framework; the categorization of programs on page 8 of the framework guidelines lists: architecture, commerce & business administration, computer science, dentistry, engineering, industrial design, landscape architecture, law, medicine, optometry, pharmacy, physical & occupational therapy, and veterinary medicine as professional programs.¹⁵

Stranded Tuition refers to systemic differences in tuition between entire institutions that are solidified by proportional fee caps written into regulatory frameworks.

Tuition Cap refers to the prescribed average rate of tuition fee increases allowed across all publicly funded universities and programs.¹⁶

¹⁴ "Operating grants to universities – XLS," *Ontario Ministry of Training, Colleges and Universities*, last modified October 9 2014, accessed March 4, 2015.

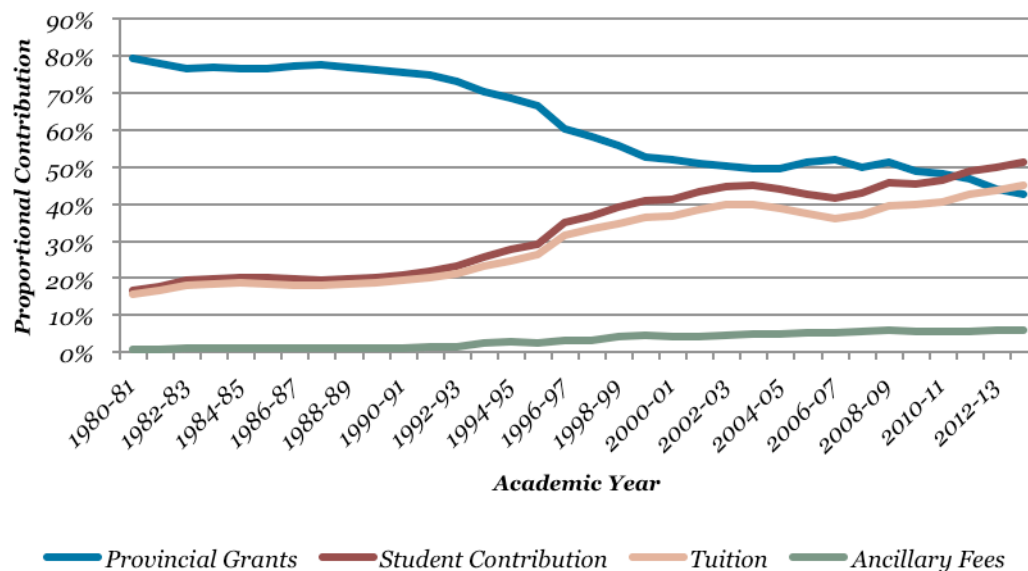
¹⁵ Tuition Fee Framework and Ancillary Fee Guidelines, 8.

¹⁶ This does not include ancillary fees.

HISTORY & CONTEXT

Over the past several years, conversations about post-secondary education (PSE) in Ontario have been dominated by discourse around the “increasing costs of education.” Ontario students have paid the highest tuition fees in the country since the mid 1990s, with the largest differences beginning in 2009/10.¹⁷ According to the Council of Ontario Universities, per-student government funding decreased through the early 1990s, increased toward the end of the 1990s and has remained flat ever since. As illustrated in Figure 1 below, in 1980, provincial grants comprised 80 percent of all university revenue, compared to less than 50 percent of revenue today. It is this decline in provincial funding that has led to undergraduate students in Ontario paying the highest average tuition fees in Canada (averaging \$7,539 in 2014/15), followed not so closely by students in Saskatchewan (with an average tuition of \$6,659).¹⁸ High tuition fees have presented as a reoccurring story across the media in this province, resulting in public concern surrounding this issue. In a survey conducted by the Ontario Undergraduate Student Alliance, two-thirds of students indicated that they were concerned they would not have enough money to pay for their education.¹⁹ This concern is most prevalent amongst low-income (86%) and first-generation students (79%).²⁰

Figure 1: Student and government contributions to Ontario university operating budgets.²¹



Before a nuanced understanding of tuition in the context of Ontario’s post-secondary sector can be gained, the policy decisions that have created the present

¹⁷ Erika Shaker and David MacDonald, *Tier for Two: Managing the Optics of Provincial Tuition Fee Policies* (Canadian Centre for Policy Alternatives, 2014).

¹⁸ Statistics Canada, “Weighted average undergraduate tuition fees for Canadian full-time students, by province,” last modified September 11, 2014, <http://www.statcan.gc.ca/daily-quotidien/140911/t140911b001-eng.htm>.

¹⁹ Ailsa Bristow and Spencer Nestico-Semianiw, *Paying Our Way: A Look at Student Financial Assistance Usage in Ontario* (Toronto: Ontario Undergraduate Student Alliance, 2014).

²⁰ Ibid.

²¹ 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 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>.

context must be considered. Tuition policy in Ontario has always been plagued with two seemingly conflicting goals: adequate revenue generation for universities and optimal accessibility for students.²² Prior to 1998, funding announcements to universities were made on an annual basis, providing little to no predictability for students and posing a significant challenge to student access.²³ It was in 1998 that the Ontario government deregulated fees for professional programs including medicine, dentistry and law.²⁴ This policy adjustment drastically increased tuition levels by 125 percent over a period of just one year.²⁵ These increases were incredibly dramatic especially when considered against mere one percent increases in household income during the same time period.²⁶ This period of deregulation was followed by a tuition freeze in 2003, once again aggravating the conflict between overall policy goals, and presenting significant challenges to university revenue streams. In order to rectify the challenges associated with tuition and the goals of the system, the new tuition framework focused on predictability and overall weighted tuition increases to prevent significant cost inflation in specific programs.

Conversations about increasing tuition costs bring up additional challenges related to decreases in non-repayable grant assistance for students. As tuition in the province continues to rise, the Ontario Student Assistance Program (OSAP) has not been able to quickly adapt to these rising costs. Because of this, the province has seen climbing graduate debt. In 2003, the average repayable debt was for an undergraduate was \$20,875.²⁷ Ten years later, this debt load rose to an average of \$22,207.²⁸ However, it is worth noting that our student members reported an average debt of \$26,887 (from all sources) in the fall of 2013.²⁹ Increasing student debt leads to an important conversation about the challenges associated with a high-cost, high-aid model. In order to allow for students to pay for increased tuition in Ontario, the government has had to increase loan assistance to students in the province. Unfortunately, this is an unsustainable model that puts a significant amount of financial burden on the backs of students.

Principles of fair-cost sharing become extremely important when considering the manageability of student loans and ensuring that student loans remain an attractive option for students, especially those from traditionally disenfranchised backgrounds. The Ontario government has recently made improvements to the OSAP program, adjusting student loans every year by inflation. This is a step in the right direction, but more needs to be done to ensure that all Ontarians can access PSE. The new tuition framework will be incredibly important in regards to access and fair-cost sharing should be taken into serious consideration by the provincial government.

Despite rising tuition fees, attaining a university degree in Ontario is still the best option for Ontarians. In an effort to highlight the importance of higher education, TD commissioned a special report to evaluate the return on investment on post-secondary degrees for Ontarians. This special report found that “higher education raises the prospects for employment, is more likely to result in full time employment, reduces the odds of unemployment, lowers the duration of unemployment if a job is lost, and helps

²² Andrew Michael Boggs, “Ontario’s University Tuition Framework: A History and Current Policy Issues,” *Canadian Journal of Higher Education* (2009): 74.

²³ *Ibid.*, 75.

²⁴ Linda Quirke and Scott Davies, “The New Entrepreneurship in Higher Education: The Impact of Tuition Increases at an Ontario University,” *The Canadian Journal of Higher Education* (2002): 88.

²⁵ *Ibid.*

²⁶ *Ibid.*

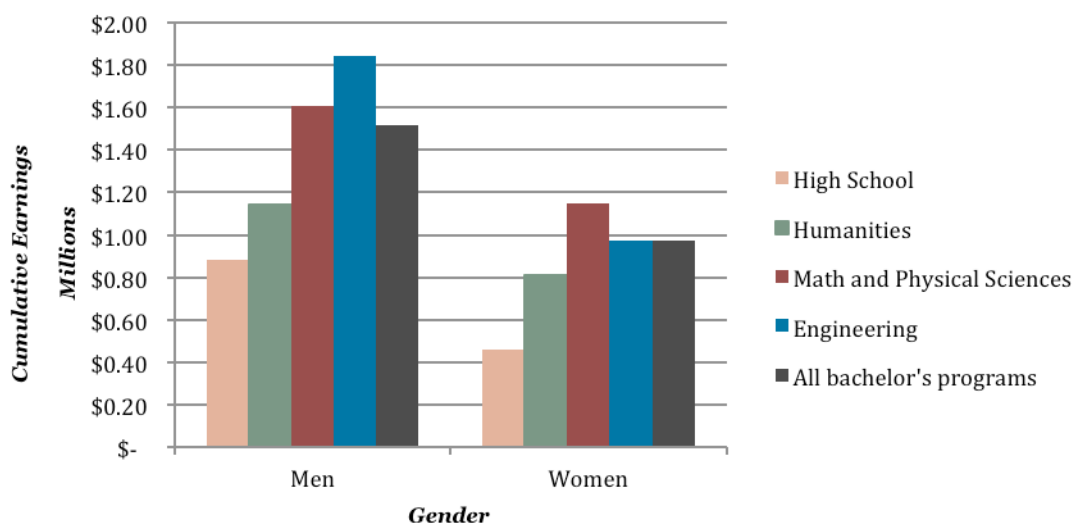
²⁷ “Average OSAP debt: Average debt of Ontario Student Assistance Program recipients, by postsecondary sector,” *Ontario Ministry of Training, Colleges and Universities*, last modified August 12 2014, accessed April 24, 2015, <http://www.ontario.ca/data/average-osap-debt>.

²⁸ *Ibid.*

²⁹ Bristow and Nestico-Semiani, *Paying Our Way*.

to facilitate retraining and/or skills development.”³⁰ This report also determined that university graduates have a higher standard of living than those who did not attend university, and are more likely to pay better attention to their health.³¹ In addition to this report, the Higher Education Quality Council of Ontario (HEQCO) has also found significant benefits to attaining a university degree. There is a notable difference, as demonstrated in Figure 2 below, in cumulative earnings between those with only high school diplomas and those with bachelor’s degrees.³² The HEQCO report goes on to clearly articulate why it is beneficial for Ontarians to attain a post-secondary degree, but also highlights the importance of government support in the endeavor: significant investments into education will return a stronger economy and a healthier population.

Figure 2: Median cumulative earnings in Canada over a 20-year period from 1991-2010 by field of study (in 2010 constant dollars).³³



Principle One: All willing and qualified students, regardless of socioeconomic status, must be able to access and excel within the post-secondary education system.

Students believe that tuition must be in the foreground of any discussion related to the affordability and accessibility of higher education. Regardless of the sticker price of tuition or the amount of operating revenue recovered from students, the link between access to PSE and the ability of students to pay is of utmost importance. However, some members within the PSE sector have sought to deny the link between tuition and the accessibility of higher education. For example, in a 2011 report from HEQCO, it was claimed that, “Canadian research finds no consistent relationship between tuition fees and post-secondary participation rates.” Additionally, a report to the Manitoba Minister of Advanced Education and Literacy stated, “reductions or small increases in tuition fees had no significant effect either on participation overall or on equity of participation...”

³⁰ Special Report: Post-Secondary Education is the Best Investment You Can Make (TD Economics, 2011).

³¹ Ibid.

³² Martin Hicks and Linda Jonker, *Still Worth It After All These Years* (Higher Education Quality Council of Ontario, 2015).

³³ Ibid, 7.

However, both of these reports analyze only small changes in the price of tuition, thereby ignoring any potential connections between substantial tuition increases and the affordability of PSE. Hypothetically, youth in their secondary school years who perceive higher education to be beyond their financial capabilities may be less likely to apply to PSE, especially not university and, consequently, these students will be less likely to access PSE.

While there are much more influential determinants of access than the stick price of tuition alone, we believe it is still crucial to consider the barriers that high-costs present to prospective, current, and graduating students alike. The participation of certain groups of students in higher education should never be the sole measure of affordability. This perspective ignores the increased strain that rising tuition places on student and family budgets as well as its effect on choices—many students are forced to work long hours, attend institutions closest to their homes, or attend post-secondary studies part-time in order to manage increasing costs.

Additionally, they ignore the reality that rising tuition has historically affected the demographic composition of Ontario's student body, privileging those with greater financial means. In 2005, Statistics Canada published a study reviewing the impact of tuition fees on university access between 1995/96 and 2001/02. During a time period when tuition fees increased steeply in professional programs, the study found, "enrolment patterns by socioeconomic background tended to change more substantially in provinces that saw larger increases in tuition fees."³⁴ Using parental education levels as a measure of socioeconomic status, it was found that, "The only group that saw a decline in enrolment consisted of Ontario students whose parents had post-secondary qualifications below the graduate or professional level," suggesting that these students could not afford the increases in fees but did not qualify for adequate financial aid.³⁵ This is in comparison to increases in enrolment amongst students whose parents had no post-secondary qualifications or graduate and professional degrees. This study helps make the case that tuition affects the affordability and accessibility of PSE for a majority of students, not just those from disadvantaged socioeconomic backgrounds and circumstances.

IMPROVING SYSTEM REGULATION

PRINCIPLES

Principle Two: System wide affordability towards tuition cannot occur without reasonable regulations on the price of tuition.

History has proven that universities show no willingness to limit tuition increases when fees are unregulated by the government. This was demonstrated in Ontario during a period of deregulation, where post-secondary institutions increased tuition significantly. High tuition fees can result in significant access barriers, an unquantifiable return on investment, and a culture of high fees being equated with quality create a system that has largely become insulated from market forces, thus creating pressure for all institutions to increase their prices.

³⁴ Marc Frenette, Summary of: The Impact of Tuition Fees on University Access: Evidence from a Large-scale Price Deregulation in Professional Programs, (Ottawa: Statistics Canada Business and Labour Market Analysis Division, 2005) 6.

³⁵ Ibid., 9.

There are a variety of arguments supporting the concept that tuition increases can occur without compromising the accessibility of the system so long as comparable increases are made to student financial assistance. For instance, in *Ontario Tuition Fee Policy Options*, HEQCO supports this view so long as a mix of loan and grant programs are used, upfront funds are available, and financial assistance is coupled with strategies to increase utilization of these programs among debt-averse or hesitant underrepresented populations. While students certainly agree that all of these factors are important, we do not necessarily agree that student financial assistance can adequately address the real and perceived access barriers created in an environment of steep tuition increases.

Consider that by allowing tuition to increase each year and paying increasing amounts to students in financial assistance, governments have allocated resources in PSE inefficiently. While a laudable rationale for this course of action has been a belief that student assistance can reduce costs for those students with the greatest need, research indicates that those with the greatest need may be 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 PSE and display more aversion to the prospect of taking on debt.³⁶ Additionally, students from presumably middle-income families are not always eligible for large amounts of need-based aid and are required to take on the brunt of higher education costs.

Principle Three: Year-to-year tuition increases in every program of study should be predictable so that students can budget and plan appropriately.

Aside from a tendency to keep costs themselves controlled, tuition regulation can help ensure that increases are predictable for students. If increases fluctuate widely year-to-year, students become increasingly unable to budget effectively for future years in study. With the vast amount of planning that must be invested into financing higher education (securing employment, applying for financial aid, etc.), it is only fair that students be able to anticipate exactly what their tuition and fees will be from year-to-year.

The current framework allows tuition to increase by three percent annually in first year undergraduate arts and science courses, and five percent annually in professional and graduate programs.³⁷ Overall, the average tuition increase across an institution must not exceed three percent.³⁸ This framework has clarified the predictability challenges of the preceding framework. It also provides stronger definitions of what constitutes an undergraduate program versus a professional program and therefore provides a better understanding of the cost increases students can expect. In the creation of any new tuition framework, it will be important to maintain this predictability in order to make sure that students can budget accordingly.

³⁶ Boris Palameta and Jean-Pierre Voyer, *Willingness to Pay for Post-Secondary Education Amongst Under-Represented Groups – Report* (Toronto: Higher Education Quality Council of Ontario Ottawa, 2010).

³⁷ *Tuition Fee Framework and Ancillary Fee Guidelines for Publicly-Assisted Universities: 2013-14 to 2016-17* (Ontario Ministry of Training, Colleges and Universities, 2013), 4.

³⁸ *Ibid.*

Principle Four: Tuition caps should never significantly restrain an institution from providing a high quality education.

While it is very important that tuition costs remain both affordable and predictable for students, tuition caps should never significantly restrain an institution from providing a high quality education. It is of paramount importance that all students in Ontario are able to access a high quality, affordable education. Students understand that tuition caps can have a significant impact on the ability of institutions to provide a good quality educational experience. As will be explained in Concern One; Concern Two; and Concern Three; some institutions' have had to overcome funding shortfalls as a direct result of shortsighted regulations. This paper has clearly demonstrated that students' contributions to universities' revenue has increased significantly over the past three decades. Unfortunately, at the same time, government contributions have steadily decreased, threatening the overall quality of the system. As university costs grow at faster rates than tuition is allowed to increase, it is becoming clear that the current funding model is unsustainable.

CONCERNS

Concern One: A period of deregulation in the 1990s created differentiated tuition levels which have left some institutions stranded.

In the late 1990s, the Ontario government deregulated some tuition programs, which resulted in significant increases to tuition.³⁹ Many institutions took advantage of this policy shift and drastically increased tuition fees over a short period of time—while increases across all undergraduate programs averaged 50 percent, some professional programs saw dramatic increases as high as 370 (medicine) or 173 percent (law).⁴⁰ It is worth noting that while some institutions took advantage of deregulated tuition policies, others did not. “Under the 1998-2004 policy, significant differentiation in tuition-fee levels emerged among universities... the introduction of the tuition freeze in 2004 pinned tuition fee levels... at whatever level they had achieved as of 2003-04 and locked in the fee discrepancies that existed between institutions.”⁴¹ Now, as tuition continues to increase at capped rates each year, many institutions are able to charge more for similar programs offered at different institutions. Institutions that did not take advantage of the deregulated period have not been able to earn as much income from their students and subsequently, find it difficult to compete with institutions charging more for tuition and pulling in much greater revenue. The concern here is that future revisions to post-secondary tuition regulation will forget these lessons learned in recent decades.

Concern Two: The current tuition framework exacerbates cost discrepancies between programs, allowing programs with larger base tuition fees to increase at rates disproportionate to others.

The current tuition framework in the province perpetuates differential tuition amongst programs and differential growth in tuition revenue amongst institutions.⁴²

³⁹ This included some 'first entry' programs that were related to government strategic enrolments (such as computer science, and determined through the Access to Opportunities Program) all graduate programs (including professional programs), and 'second entry' programs (including dentistry, law and medicine) (Boggs, "University Tuition Framework", 66).

⁴⁰ Marc Frenette, "Summary of: The Impact of Tuition Fees on University Access: Evidence from a Large-scale Price Deregulation in Professional Programs," *Statistics Canada*, 2005.

⁴¹ Boggs, "University Tuition Framework."

⁴² Snowden & Associates, *Revenue Data*.

Differentiated tuition occurs within institutions—at most universities students enrolled in professional undergraduate programs will pay much more than their peers in other programs. For example, at Lakehead University, students in the Commerce program pay \$77 more per course than students earning a Bachelor of Arts (B.A.).⁴³ Another more drastic example can be seen at the University of Guelph where students in the Commerce program will pay \$188 more per course than students earning a Bachelor of Arts.⁴⁴ Since both of these schools charge flat-fee tuition, should students in these Commerce programs wish to take elective classes outside of their departments, they would be paying more for classes than their B.A. peers.

It is important to note that 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. Under the current framework, average tuition in the humanities will only increase by \$759 by 2018/19, whereas the average engineering tuition will increase by \$2,254 over the same time frame.⁴⁵ The tuition framework does not make clear why there are different caps placed on undergraduate, and professional and graduate programs. There is no clear argument to suggest that costs in all professional programs are increasing faster than general undergraduate programs, and it is therefore troublesome that certain programs have been allowed to increase at such significant rates.

Stranded tuition on the other hand, occurs between institutions and is a by-product of the period of deregulation in the late 1990s, as described in Concern One:. While this differentiation is a sector wide problem, the challenges associated with stranded tuition can be best illustrated—see Figure 3—between the law programs offered at the University of Toronto and University of Windsor. The University of Toronto’s first year tuition for their Juris Doctor program is about \$14,181 more than first year Juris Doctor tuition at the University of Windsor. Under the rules of the current framework, this difference will only continue to grow larger. This is one of the most extreme examples of the challenges stranded tuition can create—in comparison to all programs offered at the University of Toronto, the University of Windsor is stranded.

Less drastic, but equally important is the difference between tuition fees charged at Waterloo and Nipissing. In 2006/2007 the difference in tuition between these two schools for Arts and Science programs was \$254. By 2012/2013, this difference compounded to a total of \$329.⁴⁶ While this may appear to be a small difference per student, institutionally this difference in per-student revenue can pose challenges to providing similar service levels within their programs. Individually this is not a large discrepancy, but institutionally such a difference could impact ability to hire more professors. Once again, in comparison to Arts and Science programs offered at Waterloo, Nipissing is stranded.

Stranded and differentiated tuition can lead to institutional challenges of providing high quality education and begs further exploration in regards to the impact of capped tuition growth on the competitiveness and quality of stranded institutions.

⁴³ Comparison of publicly available tuition estimates from the university’s website, assuming students are taking a full course load of five courses in the 2014/15 academic year; comparison does not include additional fees.

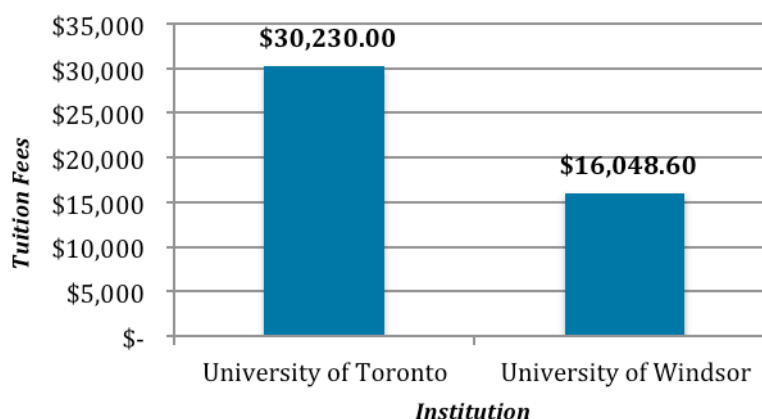
⁴⁴ Ibid.

⁴⁵ Estimated tuition increases calculated using caps as listed in *Tuition Fee Framework and Ancillary Fee Guidelines* and average undergraduate tuition fees from Statistics Canada, “Weighted average undergraduate tuition fees.”

⁴⁶ Based on our own calculations using tuition reported on Nipissing University and University of Waterloo websites.

Differentiated and stranded tuition present complex and inter-related challenges to the sector; this paper will further explore what can be done about these complications.

Figure 3: Differences between full-time, first year tuition in different Juris Doctor programs, 2014/15.



Concern Three: Differentiated and stranded tuition fees have the potential to affect physical access to institutions and programs for students who do not live close to any universities.

It is widely accepted that students who live closest to a university will be most likely to attend PSE. Across Canada, 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.⁴⁷ Vastly different tuition fees for similar programs at different institutions create access challenges for low-income students. There are extra costs associated with living away from home to go to university. This research points to a challenge for students who live in proximity to an institution with differentiated and/or stranded tuition. If the institution that is closest to a student has higher tuition fees than one that might be farther away, this has the potential to discourage that individual from attending post-secondary programs.

Concern Four: The current tuition framework includes a loophole that encourages universities to pursue activities that increase tuition at maximum allowable rates in order to compensate for decreasing government grants.

As provincial grants to universities continue to decrease, institutions have been forced to turn to the next best source of revenue: tuition. In this regard, it is in the best interests of universities to increase tuition at the maximum allowable rate every year. There is no incentive to restrain increases because if an institution does not take advantage of their annually allotted increase, increases the following year will be smaller.

Additionally, the current tuition framework states that if there is a material change made to a program, it can be exempt from tuition caps and tuition will be calculated based on similar programs in the province. Boggs argues that, “the re-

⁴⁷ Isabelle Duchaine, *Policy Paper: Rural and Northern Students* (Toronto: Ontario Undergraduate Student Alliance, 2012).

profiling of existing programs represents a loophole in the government's new tuition policy.”⁴⁸ Boggs notes that, “institutions appear to be pursuing avenues to circumnavigate the regulatory features of the tuition policy in an effort to match the tuition fee levels and resources of other institutions, an activity that counteracts the fee differentiation achieved by decoupling tuition increases from the formulate fee.”⁴⁹ Any new tuition framework in the province will need to take this loophole into serious consideration.

Concern Five: Tuition increases negatively impact the accessibility of post-secondary education for students from low-income groups.

Ontario values high post-secondary attainment rates; the most recent data show Ontario's post-secondary attainment to be around 64 percent.⁵⁰ In other words, two-thirds of Ontario's adult population has attained some type of post-secondary qualification. Despite this high attainment level, further examination of the composition of the student population reveals that family income plays a significant role in university participation.

Certain groups within the Ontario population are more or less likely to access education based on the cost. The relationship between income, participation, and tuition fees becomes quite pronounced when dramatic increases in tuition occur. A 2005 study examined the effect of tuition deregulation on the student population studying medicine at the University of Western Ontario. During the first four years of deregulation in this particular program, 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 approximately 9.6 percent.⁵¹ In fact, during the period of deregulation between 1996 and 2002, professional school tuition increased from just over \$3,000 to just under \$8,000, an increase of approximately 132 percent in real terms over a six year period.⁵² In short, students with lower earnings accessed education less, correlating to both tuition increases and a lack of increase in tuition set aside. Dramatic increases in tuition, like those outlined above, compromise the ability of students from low and middle-income backgrounds to access professional programs and homogenizes the student demographic.

In addition to this example, tuition costs must be carefully considered as a potential access barrier even when student financial aid increases are used alongside them. One cannot assume that aid will be able to keep up with tuition costs.⁵³ Sticker price is another important factor for debt averse students^{54,55}. Correspondingly to all these concerns, we see that since 1999, the number of Ontario students from the lowest income quartile attending university full-time has remained relatively constant, increasing from just below 40,000 to slightly less than 50,000; meanwhile, the number of students from the highest income quartile has increased from about 60,000 to over

⁴⁸ Boggs, “University Tuition Framework.”

⁴⁹ Ibid.

⁵⁰ Statistics Canada, “Table 1 Number and proportion of the population aged 25 to 64 by the highest level of educational attainment, Canada, 2011,” *National Household Survey (summary table)*, last modified June 18, 2013, <http://www12.statcan.gc.ca/nhs-enm/2011/as-sa/99-012-x/2011001/tbl/tbl01-eng.cfm>.

⁵¹ Quirke and Davies, “New Entrepreneurship in Education.”

⁵² Ibid.

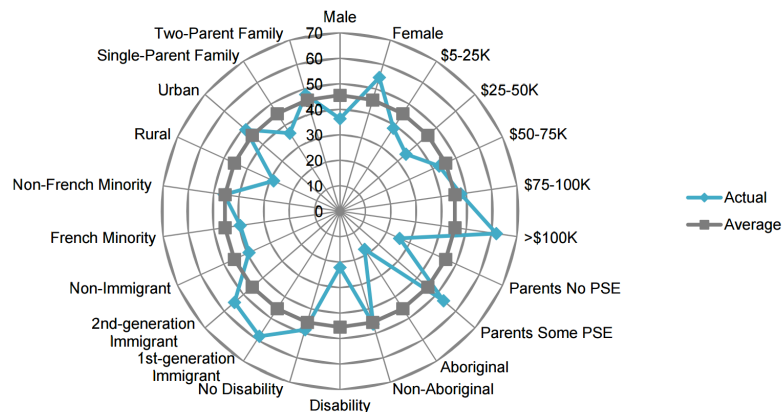
⁵³ Chris Martin, *Reforming Ontario's Student Financial Assistance System*, (Toronto: Ontario Undergraduate Student Alliance, 2012).

⁵⁴ Sarah Brown, Gaia Garino, and Karl Taylor, “HOUSEHOLD DEBT AND ATTITUDES TOWARDS RISK,” *Review of Income and Wealth* 59 (2013): 283-304.

⁵⁵ 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.

110,000.⁵⁶ Clearly, the participation gap between low- and high-income students is on the rise. The gap in the application rate between the highest and lowest income quartiles sat between 13 and 21 percent in 2007, a conclusion consistent in most of the literature available on participation and income.⁵⁷ Among other underrepresented groups, the story is much the same. Although the assumption inherent in our tuition frameworks is that with adequate aid funding, access will not suffer, HEQCO in their 2013 report on key performance indicators in the sector demonstrated that in most areas Ontario is deficient when compared to the average attainment numbers among underrepresented groups (see Figure 4).

Figure 4: Ontario Access Rates for Underrepresented Groups.⁵⁸



Concern Six: Increased investments in financial aid are seemingly being used as a political tool to ease the burden of tuition increases.

As discussed previously, there are a number of parties who argue that participation in higher education has not been negatively impacted by rising tuition costs, and that with an adequate financial aid system, tuition increases can continue without affecting access to education. Students are concerned that these perspectives are overrepresented in the political realm, and that real concerns associated with tuition and access are not often raised with decision-makers in a meaningful way. When discussing high-tuition and high-financial aid post-secondary systems, economist Hugh Mackenzie points out that the relationship between accessibility and affordability is often not simple enough to reduce to a simple target; students who fall outside income targets may have circumstances wherein their parents' assets are tied up, or where they are unwilling or unable to fund their child's education. Lower-middle income families whose parents only have marginally more income than the income target or slope are left without adequate assistance.⁵⁹

Equally relevant is the evidence for debt aversion among students: between 10 and 30 percent of students display some degree of debt aversion, an attitude that is

⁵⁶ *Third Annual Review and Research Plan* (Toronto: Higher Education Quality Council of Ontario, 2010).

⁵⁷ *Ibid.*

⁵⁸ Copied from *Performance Indicators: A report on where we are and where we are going*, (Toronto: Higher Education Quality Council of Ontario, 2013) 14.

⁵⁹ Hugh Mackenzie, *The Tuition Trap* (Toronto: Ontario Confederation of University Faculty Associations, 2005), 16.

particularly acute amongst Aboriginal and first generation students.⁶⁰ The relatively high prevalence of debt aversion overall suggests that a number of individuals, especially those who have few alternative funding sources other than student loans, may perceive PSE to be unaffordable and refrain from enrolling. Often these concerns are well-founded: Aboriginal students may be intending to return to an Aboriginal community after graduation where employment levels and compensation are low, making debt-repayment difficult. Low-income students may have witnessed first-hand parents' and other family members' struggles with credit issues and as a result are unwilling to begin their adult life deep in debt.

Students' concerns over the use of financial aid to justify tuition increases is in no way intended to imply that students do not welcome targeted financial assistance, without which PSE in Ontario would be far less accessible. Rather, it is an admission that targeted student aid alone is not the solution to ensuring affordability and increasing accessibility.

RECOMMENDATIONS

Recommendation One: Tuition must remain regulated by the provincial government.

Students believe that tuition must continue to be regulated by the provincial government. It is not uncommon for policymakers to mistakenly apply free-market principles to universities in the hope that competition will help keep prices down for students and encourage efficient use of resources. If such a world existed, deregulation of tuition would be justified. Instead, deregulation schemes have been implemented at great cost to students and with little benefit to universities.

Most recently, the United Kingdom's coalition Conservative-Liberal Democrat government has announced sweeping reforms of public higher education. While tuition fees were not deregulated completely, the government has attempted to subsidize massive cuts to higher education by allowing universities the freedom to increase tuition with the assumption that only the "highest-quality" institutions would do so. Market forces did not keep tuition down and most universities increased by the maximum allowable amount. With almost guaranteed demand, universities have little incentive to keep prices down.⁶¹

In Ontario's medical and dentistry programs, deregulation during the 1990s resulted in sharp fee increases which then contributed to increasing participation rates amongst individuals from affluent families.⁶² The amount of investment in financial assistance that would be required to mitigate this effect means that deregulation would be a costly venture for the government.

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. This belief in regulation extends to tuition charged of international students as well as the regulation of ancillary fees. For more on OUSA's

⁶⁰ Palamata and Voyer, *Willingness to Pay*.

⁶¹ *The Government's Response to Lord Browne's Review*, (London: Department for Business Innovation & Skills, 2011).

⁶² Frenette, *Summary of: The Impact of Tuition Fees on University Access*.

position on international tuition and ancillary fees, refer to the *International Students* and *Ancillary Fees* policies respectively.

Recommendation Two: 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.

In order to address the concerns associated with stranded tuition, institutions should have the ability to apply for additional grant support from the province if quality is deemed to be suffering. This past year, the government of Alberta approved market modifiers for university programs in recognition of similar concerns. In Alberta, 25 of 26 applications were approved “to enhance program quality and correct tuition anomalies between programs.”⁶³ This move set a precedent for provincial governments to recognize the difference between differentiated tuition (by program) and stranded tuition (by institution). Here, Alberta recognized program increases as more legitimate than institutional increases.

The precedent that the Alberta government set should be taken under further consideration in Ontario, but in a slightly different way. As mentioned in Principle Four, tuition caps should never significantly restrain an institution from providing a high quality education. In recognition of low per-student provincial funding and a shift toward a one-third student contribution, the province should consider envelope funding in order to assist institutions who have the lowest tuition fees. As demonstrated in Concern Two, the current tuition framework has locked differential tuition fees in place and has allowed similar program to increase at different rates.⁶⁴ In order to ensure tuition caps are not significantly impacting specific programs at various institutions, the new tuition framework must address stranded tuition by institution.

If an institution can prove that the quality of a specific program has been significantly impacted, the government should grant continued envelope funding, assessed on an annual basis, in order to enhance the quality of institutional programming. A move such as this would reaffirm the provincial government’s commitment to building high quality education for the province, while at the same time moving towards a fairer cost-sharing model. Recognizing the already significant portion of tuition students will pay, it is the intention of this recommendation to add a layer of protection for students while at the same time recognizing the financial challenge to the institution. It is important that the province work alongside institutions to ensure tuition caps are not significantly impacting the ability of universities to provide a strong educational experience.

Recommendation Three: If tuition must increase it should never do so more than the Consumer Price Index.

Since the implementation of the 2006 tuition framework, the average cost of an undergraduate education has increased from \$5,388 to \$7,539, making Ontario the most expensive province in which to attend university⁶⁵. If tuition is not frozen under the new tuition framework, students believe that if tuition must increase, it should never do so by more than the rate of inflation, in recognition of the fact that the ability of students

⁶³ Alberta Government, “25 Campus Alberta market modifiers approved,” *Press Release*, December 22, 2014.

⁶⁴ See example of Arts and Science tuition charged at Waterloo and Nipissing universities in Concern Two.

⁶⁵ Statistics Canada, “Weighted undergraduate tuition fees.”

and/or families to pay for PSE is directly related to cost inflation. Students recognize that universities face external cost pressures and believe that the best way to overcome these pressures is through increasing the value of the Basic Operating Grant, not by increasing tuition beyond inflation. However, the recommendation that tuition never increase more than changes to the Consumer Price Index (CPI) must be understood in the context of fair cost-sharing. Tuition increases of less than CPI should be part of a plan to return towards more equitable cost-sharing models where the government increases its proportional contribution to university operating budgets (as will be discussed in detail in the following section).

ENSURING FAIR COST SHARING

PRINCIPLES

Principle Five: Since students, the government and the public at large benefit from high post-secondary attainment rates, all should be expected to contribute to the system.

The question of funding for post-secondary institutions often creates a belief among groups that all involved, except for themselves, should contribute more funding towards the system. Over the past decade, per-student funding from the provincial government has declined by \$318 (almost four percent) while tuition and fees have increased \$2468 (or about 35 percent).⁶⁶ As shown in Figure 1, students have contributed more than the government to university operating budgets since the 2011/12 academic year. All parties should be dissatisfied with the decline in government funding and the move to a publicly subsidized, rather than publicly funded, system. It is time to recognize the need for increased funding from the government in order to guarantee the continued prosperity of PSE institutions.

All participants involved in higher education, a crucial sector for ensuring the economic vitality of Ontario, must share the responsibility for ensuring its sustainability. Students have continually lived up to this principle—shown through the positive correlation between tuition increases and students' contributions to university operating budgets. Students believe that higher education has greater dividends to society than simply to individuals. Universities pay professors and support staff, provide jobs to the surrounding communities, and furnish society with cutting-edge research and innovation. As such, the responsibility for ensuring long term financial sustainability must be realized in ways other than tuition increases.

This principle establishes that there is a shared responsibility for the maintenance of the university system by all those involved, from individuals and their families to the provincial and federal governments, to the 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 all stakeholders. Consistently, students have been the only stakeholders expected to increase their contributions to the system. If the success of higher education is to continue, other

⁶⁶ OUSA funding summary calculations using data from Snowden and Associates, *Revisiting University and College Revenue Data*, as well as the Council of Ontario Universities' *Common University Data Ontario* and Council of Financial Officers "Financial Reports and Highlights (Table 2)".

stakeholders should follow suit and also increase their contributions. This will ensure the sustainability of higher education for future generations.

Principle Six: The student contribution towards the operating budgets of higher education institutions should not exceed one-third of the total contribution.

OUA's long-time position on tuition is that it should only comprise a third of the total operating costs of Ontario's universities. This position has been controversial, derided by some as an endorsement of tuition increases or an apology for the great shift from public to private financing that higher education has faced over the last few decades. It is absolutely necessary to understand that it is neither an acceptance of the status quo, nor is it a galvanizing cry towards an end such as free or deregulated tuition.

Rather, 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 for those who do not directly access it. The average private earnings premium associated with PSE ranges from several hundred thousand dollars to over a million dollars depending on the post-secondary credential in question. In comparison to high-school diploma holders, we estimate university graduates will contribute half a million dollars more in tax revenue over their lifetimes.⁶⁷ This is a valuable social investment both in the human capital for the individual and the social capital of the province. Strong government support of PSE will create a stronger province, and as such, is one of the best investments the government could make.

Certainly, there are also benefits to the individual who attends PSE and the financial responsibility should be shared. A university degree is a personal investment, which will provide higher earning potential and a better quality of life. As such, students should contribute one-third toward the cost of their education in recognition of these benefits.

It is also true that in 2009 while those in Ontario with a university credential comprise only 22 percent of the population they contributed to 41 percent of income tax paid.⁶⁸ As the Ontario economy becomes increasingly dependent on jobs that require post-secondary credentials it will become vital, from both economic and equality standpoints, that all individuals are able to access the PSE system. Both the provincial and the federal government partner in funding higher education and are responsible for ensuring the well-being of society as a whole. This principle affirms that for every dollar of student revenue, the federal and provincial government should contribute two.

Principle Seven: The rate of tuition increases should never outpace the financial ability for students or their families to pay.

As outlined in Principle Six: above, the costs of providing higher education should be shared between all parties who benefit in order to ensure the success of the post secondary education system in Ontario. For this success to occur, it should be understood that low- and middle-income families might struggle to afford a higher

⁶⁷ Based on our own calculations using average employment incomes reported in *University Works: 2014 Employment Report*, (Toronto: Council of Ontario Universities, 2014) 15.

⁶⁸ Joseph Berger, Anne Motte and Andrew Parkin, *The Price of Knowledge: Access and Student Finance in Canada* (The Canada Millennium Scholarship Foundation, 2009).

education due to the rising costs of tuition. For example, many families are delaying retirement savings to save for post-secondary costs. Additionally, the amount of students seeking external student lines of credit and loans is continually increasing.⁶⁹ The need for fair cost sharing is becoming even more important with the growing connection between higher education and employability. The Martin Institute for Competitiveness and Prosperity estimates that 70 percent of all future jobs will require PSE.⁷⁰ Additionally, it is shown that post-secondary graduates consistently have lower unemployment rates than those with only a high school education—as of January 2015 in Ontario, just over four and a half percent of individuals with bachelor’s degrees were unemployed compared to over nine percent of high school graduates.⁷¹ This further shows the connection between education and employability and strengthens the idea that all students should have fair accessibility to a higher education. It is in the interests of students, the public, and the financial health of universities to keep higher education affordable for all willing and qualified students.

CONCERNS

Concern Seven: The contributions from students towards post-secondary institution operating budgets have surpassed contributions from the provincial government.

As government contributions towards university operating budgets have declined, students are now contributing more towards operating funding overall than the provincial government. It is crucial that the sector widely acknowledge the fact that over the past few decades, a great shift in university financing has occurred, with no clear plan articulated to reverse this trend (see Figure 1). It is becoming seemingly apparent that the public service of a university education is becoming principally privately financed.

The consequences of a shift from public to private financing is particularly troubling given the fact that students are one of the only stakeholders completely lacking any means of controlling their contributions, as well as lacking the means to control costs within the system. Governments have various policy levers available to shape institutional behaviour, control compensation and benefits, 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 the system in which they are funding.

Concern Eight: Universities have become increasingly dependent on tuition dollars for their operating budgets, resulting in annual tuition increases.

Year-by-year, the cost of tuition for undergraduate students continually rises. As a result, the operating budgets for post-secondary institutions have become heavily reliant on these tuition dollars. Although detectable over the last three decades, the growth in students’ proportional contribution to university operating budgets over the last ten years—from 43 percent in 2005/06 to 51 percent in 2013/14—most clearly

⁶⁹ 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>.

⁷⁰ *Today’s Innovation, Tomorrow’s Prosperity* (Toronto: Martin Institute for Competitiveness and Prosperity, 2010).

⁷¹ Statistics Canada, “Table 282-0208: Labour force survey estimates (LFS), by educational degree, sex and age group, unadjusted for seasonality, monthly,” *CANSIM (database)*, last modified February 5, 2015, accessed March 5, 2015.

illustrates this trend.⁷² In fact, in the 2013/14 academic year the proportion of operating revenue coming from tuition alone exceeded revenue from provincial operating grants for the first time.⁷³ It is clear that the success of the higher education systems is being sustained by the student dollars. Students are worried about the affordability of their education, as they are quickly becoming the primary source of university operating funding.

Concern Nine: As tuition continues to increase, outpacing the inflationary rate and median household income, the cost of a post-secondary education becomes less affordable each year.

In addition to having the highest tuition fees, the rate of Ontario's tuition increases have substantially outpaced the rate of income for households within the province. While the median income of individuals and families in Ontario increased about five percent between 2008 and 2012, the cost of tuition increased of 23 percent over the same period.^{74,75} Additionally, over the last decade, the average household income has increased at a rate below increases in inflation rates while the rate of tuition increases have skyrocketed above the rate of inflation.⁷⁶ Considering the steep increases in tuition fees over this time frame, it seems the affordability of higher education has significantly decreased and trends demonstrate insufficient ability for students and their families to pay.

This problem is particularly harsh amongst individuals from low-income families. Between 1990 and 2011, middle and high-income households saw tuition jump from two to almost seven percent of average household income; for low-income households, the proportion of household income spent on tuition has jumped from eight to seventeen percent.⁷⁷ It is for this reason perhaps that students from lower income families, first generation, and Aboriginal students are more likely to have greater price sensitivity than the general population. For these populations, smaller fluctuations in the price of higher education can have a much larger impact of the budgets of these individuals and their families.

Concern Ten: A system-wide tuition freeze would not account for the cost fluctuations that could be incurred as a result of changes to accredited professional programs.

It is important to note that professional, accredited programs offered at Ontario's universities have different factors than traditional undergraduate programs that can impact their cost. Accredited programs are regulated by external organizations, which conduct regular evaluations of their programs in order to determine the qualifications for accreditation. In this specific case, universities can have less control over the rising costs associated with a specific program.

⁷² 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 Ontario," 2014, and, Council of Financial Officers, "Financial Reports and Highlights," 2014.

⁷³ Ibid.

⁷⁴ Calculated using Statistics Canada, "Table 111-0009: Family characteristics, summary," last modified July 23, 2014, <http://www5.statcan.gc.ca/cansim/a26?lang=eng&id=1110009>.

⁷⁵ Calculated using Statistics Canada, Undergraduate tuition fees.

⁷⁶ Comparisons of information from "Table 111-0009," "Undergraduate tuition fees," and Statistics Canada, "Table 326-0021 – Consumer Price Index, annual (2002=100 unless otherwise noted)," *CANSIM (database)*, last modified January 22, 2015, <http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=3260021&paSer=&pattern=&stByVal=1&p1=1&p2=37&tabMode=dat> aTable&csid=.

⁷⁷ Palamata and Voyer, *Willingness to Pay*.

There is value in Ontario's universities offering accredited programs in order to ensure that students can follow the career path of their choice, but it is important to acknowledge the increased financial burden and lack of predictability this can pose to students. In the case that external accreditation boards make changes to program requirements which would result in increased tuition fees, universities must play a critical role in implementing cost-cutting measures in attempts to maintain the cost of accredited programs within the tuition framework in place at the time of the proposed increase.

RECOMMENDATIONS

Recommendation Four: The provincial government should enforce a tuition freeze for the duration of the new tuition framework.

As students' contributions to universities' operating budgets begin to eclipse those of the provincial government, students are struggling to afford the costs of their education. In the development of the new tuition framework, students first ask that their tuition be frozen at current levels in an effort to mitigate these affordability issues. It is worth noting here that only students' tuition would be frozen; there would be room for ancillary fees to increase under this regulation. A freeze would help restore balance to the current cost-sharing model; students' nominal contributions would remain constant, ensuring institutions receive the operating funding they are used to, but under this new regulation, student contributions would become more predictable, more affordable, and more responsive to perceived access barriers.

While we recognize that the costs of operating universities will continue to increase (as a result of inflation and other outside forces), other revenue sources must be sought. A tuition freeze would necessitate increases in revenue from alternative sources. So, with increases in revenue from provincial sources, as an example, and a freeze in tuition, the proportion of students' contributions will remain constant as the province's contribution grows. Over time the two-to-one, government-to-student contribution ratio could be restored. A tuition freeze may also help to encourage greater accountability for institutional spending. Increases in provincial PSE spending would certainly give the government greater incentive to monitor university spending and, likewise, give institutions greater incentive to use funding efficiently and responsibly.

Recommendation Five: The provincial government should increase its proportional contribution toward the operating budgets of post-secondary institutions.

Students believe that university operating costs should be shared amongst all stakeholders. Currently, the proportions of provincial grants, and students' tuition and fees are relatively equal, however trends show the system moving away from this ratio. If the government increases their contribution to the system while tuition is frozen, this will effectively decrease the proportion of funds students contribute while simultaneously allowing for the operating budgets of the institution to remain constant.

An increased government contribution 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 unmanageable tuition increases well beyond inflation since 2006, and believe that the rising cost of PSE must be more fairly

shared with the government. If the government would absorb some of financial burden of higher education through an increase in base operating funding, it would relieve both institutional pressures to raise tuition and student pressures to take on massive debt.

Increased government funding would also allow institutions to devote more resources towards educational quality. While the government has made commendable efforts towards growing the system, the devotion of most new funding towards growth has meant that per-student resources been in declined over the last two decades. Increasing the amount of per-student funding would allow institutions the resources to invest in quality to match the impressive enrolment growth that has occurred over the last decade.

ADDRESSING STUDENT DEBT

A Note on Net Tuition

In response to the discourse surrounding increasing costs of tuition in Ontario, arguments about net tuition have begun to circulate. At the core of the argument about net tuition is the premise that due to grant programs and tax credits available to students, “not a single student pays the full sticker price.”⁷⁸ Alex Usher, in *Beyond the Sticker Price: A Closer Look at Canadian University Tuition Fees*, has noted, “students with higher need receive more in non repayable aid, and thus have lower net costs.”⁷⁹ The net tuition argument even goes so far as to suggest that students who are the most in need will actually profit from government student assistance programs. Unfortunately, there are some significant challenges presented by the net tuition argument, which further complicate common understanding of tuition costs in Ontario.

Firstly, net tuition arguments does not take student loans into account when calculating the net cost a student will pay for tuition. Student loans must be paid back in full, in addition to the interest accrued during the average nine and a half year repayment term—an estimated \$11,081 on the average student loan at current interest rates of prime plus 2.5 percent for their federal loan and prime plus 1 percent for their provincial loan.⁸⁰ Failing to factor student loans into the overall calculation of net tuition is simply a misnomer. Students who receive loans from the government do so with the complete understanding that those loans will be paid back in full after their graduation. In addition, the default rate on student loans in Ontario continues to decrease, with only 4.5% of university borrowers defaulting on their loans,⁸¹ showing that students are in fact returning the money they have borrowed. Knowing these facts, it is simply not appropriate to include money paid in the form of a loan as a means of decreasing the net cost of tuition.

Secondly, the net tuition argument also places a lot of weight on the value of tax credits for undergraduate students. Education tax credits are non-refundable tax credits—meaning they only reduce taxes owed—where in order to qualify for a credit in the first place, you must be paying income tax. To satisfy these conditions, students would have to make more than \$20,000 to qualify for the education tax credit.⁸² With

⁷⁸ Alex Usher, *Beyond the Sticker Price: A Closer Look at Canadian Tuition Fees* (Educational Policy Institute, 2006).

⁷⁹ Ibid.

⁸⁰ Estimate calculated using the average government student loan debt, \$22,207, as reported in “Average OSAP debt,” 2014.

⁸¹ 2013 Canada-Ontario Integrated Student Loan Default Rates by Student Characteristics for Ontario Postsecondary Institutions, (Toronto: Ontario Ministry of Training, Colleges, and Universities, 2014).

⁸² Ontario basic personal amount (\$9863) plus tuition and education deduction as per TD1ON tax form.

this steep income requirement, it is safe to argue that the many of Ontario's students do not collect tax credits while they are in university; the most recent OUSA Ontario Post-secondary Student Survey showed that one in three students do not benefit from their tax credits until after graduation.⁸³ Another challenge with education tax credits is that they are transferrable to family members. As well, parents of post-secondary students may apply the tax credit to their own tax return, up to \$5000 annually, even if they did not contribute to their child's education and thus removing the amount from the student altogether. The challenge with tax credits is that students may not receive a single dollar until they have graduated and found full-time employment. It is therefore not feasible to include the tax credits in calculations of the upfront financial assistance students receive.

In addition to the above listed concerns, the net tuition argument does not take into account the cost of living associated with being a student. While it may be fair to say that not a single student will pay the actual sticker price of university, it is important to remember that there are more costs associated with being a university student than just tuition. Students pay much more than the so-called 'sticker price' of tuition. When considering costs incurred by students, it is not possible to exclude the cost of living as well as compulsory fees and textbooks. By taking such a narrow view of the cost of education, we are convoluting the true challenges associated with affordability.

It is the intent of this paper to debunk some of the myths surrounding tuition fees in Ontario. Knowing the benefits that an educated population can bring, it is vital to have a meaningful discussion about what tuition should look like in Ontario. This discussion cannot take place if arguments like net-tuition add an unnecessary layer of complication. This paper aims to have an informed discussion about the real challenges today's students face. A fruitful discussion that will lead to impactful change must be based upon facts that neither devalue, nor conflate the challenges associated with the rising costs of education in Ontario. It is in no single group's best interest to maintain any sort of discourse that discombobulates the situation at hand.

PRINCIPLES

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

The fact that increasing tuition is linked to student debt is well known and widely accepted. Though there has been much controversy and debate over the acceptability of rising student debt, it is exceedingly unlikely that repayable financial assistance will disappear in the foreseeable future. As such, it is incumbent upon stakeholders in higher education to determine when student loans turn from tools for helping students afford higher education into disincentives for participation. Student loans can serve as a significant barrier to PSE, especially for those from traditionally underrepresented backgrounds. 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 the increasing inaccessibility and unaffordability of the higher education system. While many choose to attack the mechanism of student loans themselves, bringing this discussion back to tuition focuses the issue on the foundation of rising student debt.

⁸³ CCI Research Inc., *Ontario Post-secondary Student Survey Summary Report* (Toronto: Ontario Undergraduate Student Alliance, 2013).

Principle Nine: Rising tuition should not require students to take on an unmanageable in-study employment burden.

In an economy currently struggling to sustain well-paying jobs, it may seem strange to characterize student employment as a burden. Certainly, the necessity for students to take on summer work to pay tuition, living costs, and other expenses is widely accepted by students, universities and government. However, as the costs of education have risen and wages have stagnated, summer employment is no longer sufficient to cover the costs for a year of university, and students are working increasing numbers of hours during the academic year in order to make ends-meet.

Employment burden refers to the degree to which in-study employment negatively impacts persistence and academic performance. As costs continue to rise and students attempt to find new revenue sources to fund tuition increases, the need for greater amounts of in-study employment increases. The burden associated with this trend is well documented in terms of persistence and completion rates. The Canada Millennium Scholarship Foundation noted, “data show that the more hours university students work, the more likely they are to say that it affects their academic performance.”⁸⁴ In a survey by Prairie Research Associates, students who worked 30 hours per week were almost twice as likely to report negative impacts on academic performance than students who worked 10 hours per week or less.⁸⁵ Even more troubling, evidence from Statistics Canada’s longitudinal Youth in Transition survey suggests that students who did not persist to further years of education were more likely to have worked greater numbers of hours during their first year.⁸⁶

Intuitively this makes sense. University is a stressful and time-consuming pursuit, only further complicated by the need to work part-time to cover the costs. There is a great deal of dispute over the threshold at which employment begins to hurt academic performance and persistence. While it is reasonable to assume that working a limited number of hours could help with the development of time management skills, working too many hours during the academic term could very well have detrimental effects upon students’ studies.

In-study employment has also increased substantially in tandem with tuition increases. Since 1976, the rate of in-study student employment has doubled, while the average number of hours worked has increased from 10 to 18.⁸⁷ Since students have not seen considerable increases in their average hourly earnings over the past decade, the increases in global sums can be attributed to increases in hours worked, not in overall pay.⁸⁸ Over the past 10 years, tuition has increased at an average 3 percentage points above inflation annually.⁸⁹ For students making minimum wage, the situation is particularly dire. Due to high average tuition, Ontario has the lowest minimum wage to tuition-recovery rate in Canada.⁹⁰

⁸⁴ Berger, Motte and Parkin, *Price of Knowledge*.

⁸⁵ Jacqueline Lambert and Alex Usher, “Making the Most of It: Canadian Student Employment in Summer 2012,” *Canadian Education Project* (2012).

⁸⁶ Berger, Motte and Parkin, *Price of Knowledge*.

⁸⁷ *Ibid*, 17.

⁸⁸ *Ibid*, 103.

⁸⁹ *Ibid*.

⁹⁰ *Ibid*, 106.

CONCERNS

Concern Eleven: Post-secondary students are facing increasingly significant financial burdens due to rising tuition costs.

Rising costs associated with attending PSE have necessitated an increased reliance on repayable financial assistance, from both public and private sources. The number of students receiving government student loans is increasing, as is the amount owed after graduation. Students graduating in 2009/10 reported owing an average \$26,800 to all lenders in the 2013 National Graduate Survey.⁹¹ The survey also found 24 percent of graduates owing debts to private sources, and 42 percent to government sources three years after graduation.

Observers have noted that these increases in the number of loans issued and value of debt are certainly linked to rising tuition.⁹² Unfortunately, it is middle-income individuals and families who have mostly borne the brunt of increases in student debt owed. Many of the available need-based grants are targeted to students whose family incomes fall below a certain threshold, or who are assessed with a substantive amount of financial need. Consequently, students whose resources are just significant enough to disqualify them from non-repayable assistance are often the most adversely affected by tuition increases and have little recourse other than to take out repayable loans. Hugh Mackenzie discusses this trend in detail in his 2005 report, “The Tuition Trap”.⁹³ He observes that the targeted financial assistance proposed in the 2005 Rae Review (which became the Ontario Access Grants) tends to leave out students who may not have substantial financial resources but fall just above the cut off for non-repayable assistance.

Mackenzie’s observations provide an interesting perspective by which the issuance of federal grants can be considered. In 2012/13, the Canada Student Loans Program awarded \$281.3 million in grants to low-income families in Ontario—an estimated \$1896 per recipient. Comparatively, that same year \$45.9 million in grants were awarded to middle-income families at an estimated value of \$754 per student.⁹⁴ So we can assume that some students who may benefit from larger federal grants are not receiving that aid because they are unable to demonstrate financial need according to the thresholds used in the government’s needs assessment.

What becomes clear is that, in terms of the impact of student debt, the rising student-borne cost of education has adversely affecting middle-income students the most. While student debt has grown for all individuals and families, the presence of greater amounts of need-based student assistance has, to some extent, resulted in more moderate increases in overall debt for individuals from low-income backgrounds than for those from middle-income backgrounds. With increased debt-loads comes concern about the ability of students to live and thrive independently post-graduation.

⁹¹ *Budget Report 2014-15* (Queen’s University, 2014), 4.

⁹² *2014-15 Operating and Capital Budgets* (Western University, 2014), 8.

⁹³ Ontario Ministry of Finance, “2011 Ontario Budget: Chapter II: Ontario’s Economic Outlook and Fiscal Plan Section G: Accountability, Transparency and Financial Management,” last modified March 29, 2011, <http://www.fin.gov.on.ca/en/budget/ontariobudgets/2011/ch2g.html>.

⁹⁴ Queen’s University, “FAQs on activity-based budget model,” date accessed February 2015, <http://www.queensu.ca/provost/BudgetPlanning/BudgetingatQueens/FAQsonActivity-BasedBudgetModel.html>.

Concern Twelve: Since increases in tuition are outpacing increases in inflation, students are increasingly required to work additional hours.

Employment is one of the only funding sources that students have a degree of control over. Post-secondary students ranked personal savings (79%) as the most important means of paying for their education, with income from employment a close second (63%).⁹⁵ Rising tuition has created a desire among students to work longer hours, during both the summer months and while in-study. A 2009 survey found that almost 64 percent of Ontario students would have worked more hours during the summer if they'd had the opportunity, higher than the Canadian average of 59 percent.⁹⁶

Despite this, increasing tuition over the past several years provides a troubling outlook for those trying to pay their way through university. Over the past decade in Ontario, tuition has risen by \$2658.⁹⁷ If tuition had risen by inflation, this increase would have only been \$766.⁹⁸ So comparatively, actual increases to tuition in the province amount to more than three times estimated inflationary increases in Ontario. Considering the importance of savings and employment to financing an education, this is a rather bleak outlook for the potential of earnings to cover the costs of education.

In the context of rising tuition, at a time when students are feeling the need to work more, it is not guaranteed they will be able to find sufficient employment in order to finance their education. In the summer of 2012, Ontario students made an average of \$472/week⁹⁹, barely covering the expenses associated with university. Take for example the \$17,718.54 that Lakehead University estimates as a typical student budget for those attending the Thunder Bay campus; such a budget requires about \$554 per week of study to manage. At their Orillia campus, Lakehead estimates the typical student budget to be \$19,239.84; students would need \$601 per week.¹⁰⁰ According to these estimates, students cannot earn enough money over their summer breaks to cover all of their in-study expenses—this is a significant challenge with which students are faced, and places a significant workload on students to work increasing hours during the study period.

Concern Thirteen: Government financial aid programs have not adequately adjusted to the rising costs of education.

In December of 2014, the Ontario government announced some significant changes to the OSAP program. The government increased the cost of living assessment for students, created new loan rehabilitation programs, and will now index Ontario Student Loans (OSL) increases to inflation each year. These are positive steps in the right direction, but present some challenges of their own. Before the changes to the program, students in the province were expected, by OSAP, to live under the Ontario Low-Income Cut Off (LICO). Now that student loans will adjust by inflation, this inequality has been frozen in place. Through these changes, the actual dollar amount provided to students each year will increase, but the level of inequality will remain constant. For those students who receive the maximum amount of OSAP these changes will reflect a \$170 increase to the funding they receive, while undergraduate tuition in Ontario will increase

⁹⁵ Katherine Marshall, *Employment Patterns of Post-Secondary Students* (Statistics Canada, 2010).

⁹⁶ "Summer Work and Paying for Post-Secondary Education," *Canada Education Project*. (Ottawa: Canadian Alliance of Student Associations, 2010).

⁹⁷ Statistics Canada, "Weighted undergraduate tuition fees."

⁹⁸ "Inflation calculator," Bank of Canada, accessed January 2015, <http://www.bankofcanada.ca/rates/related/inflation-calculator/>.

⁹⁹ Lambert and Usher, "Student Employment," 9.

¹⁰⁰ "Cost of University," Lakehead University, accessed March 5, 2015, <https://www.lakeheadu.ca/future-students/cost>.

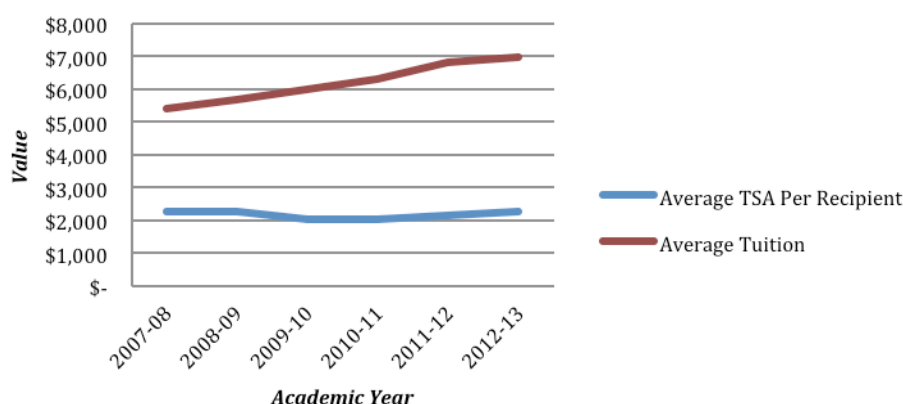
on average by more than \$220 next year.¹⁰¹ Annual tuition increases above inflation and student loan assessments that require post-secondary students to live under the poverty line provide insurmountable challenges for students pursuing PSE. This is a major obstacle, especially within conversations about the cost of tuition in the province.

Concern Fourteen: The tuition set-aside program has not been re-evaluated in several years.

Another form of financial aid available to students is institutional financial aid through the tuition set-aside (TSA) program. This program was designed in recognition of the rising costs of education in the province. Understanding the challenge to students, and especially those from traditionally underrepresented backgrounds, universities are required by the Ministry of Training, Colleges and Universities to set aside a portion of tuition increases in order to help students with financial need. One of the challenges with the tuition set aside program, is that it has not adequately adjusted to reflect increasing tuition. “Tuition set-aside funds were, and continue to be, intended for needs based student financial aid, although merit-based scholarships given to students in financial need are permissible. As of 2006/07, institutions were no longer required to set aside a percentage of new tuition revenue arising from tuition increases. However, they are still required to maintain existing tuition set aside allocations, and these amounts may fluctuate based on overall student enrolment.”¹⁰² Effectively, the dollar value of TSA funds has remained constant since 2006/07 and as such is insufficient and does not meet students’ current needs.

From 2007 to 2013, tuition in Ontario increased by 23 percent.¹⁰³ Alongside this increase, the system-wide sum of TSA amounts appears to have increased 38 percent, however, the average amount per recipient fell 10 percent from \$2,262.48 in 2008/09 to \$2,027.58 in 2009/10 and only returned to \$2,262.48 in the 2012/13 academic year.¹⁰⁴ During this time the total number of students receiving assistance system-wide increased from 81,379 in 2007/08 to 101,929 in 2012/13.

Figure 4: Increases in average tuition set-aside per recipient compared to increases in average tuition.



¹⁰¹ Estimates calculated using Statistics Canada, “Weighted undergraduate tuition fees,” in Ontario reported as \$7539 multiplied by 0.03% increase as outlined in *Tuition Fee Framework and Ancillary Fee Guidelines* = \$226.17.

¹⁰² Boggs, “University Tuition Framework.”

¹⁰³ Statistics Canada, “Weighted undergraduate tuition fees.”

¹⁰⁴ TSA Expenditures 07/08 to 12/13 requested from MTCU’s Student Financial Assistance Branch on Feb 13, 2015.

This is an important concern that must be addressed in any new tuition framework. Access to PSE is of paramount importance for the advancement and economic development of our province. Historically, according to Marc Frenette, enrolment patterns in provinces that saw larger tuition increases saw more substantial changes in enrollment based on socioeconomic background, such that students whose parents had some post-secondary credential below the graduate level were less likely to enter professional studies.¹⁰⁵ This implies that students who do not always qualify for need-based government assistance are still in need of some kind of financial assistance.

RECOMMENDATION

Recommendation Six: The provincial government should adjust the tuition set-aside program to better reflect increases to tuition.

As previously mentioned in Concern Thirteen, the tuition set-aside program essentially has not increased since 2007 despite a 23 percent increase in tuition. If tuition continues to increase, a portion of this revenue must be allocated to students in need of financial assistance. Increases in need-based and non-repayable aid should mirror increases in the costs of education. Where possible, TSA amounts should be increased with every increase in tuition: the amount in the 2010 Ontario Operating Funds Distribution Manual plus 30% of any new tuition revenue. Ideally however, under a tuition freeze, TSA allocation will still be re-evaluated to reflect students' current financial needs. Increases from 2013/2014 onwards should be considered the new standard for TSA.

Regardless of the details of any new tuition framework, a system should be developed to award students from lower-middle income families with more non-repayable aid. This could involve increasing the threshold by which financial need is determined. Another option would be developing financial assistance programs to target students with financial need who are currently being overlooked.

ENCOURAGING TRANSPARENCY

PRINCIPLES

Principle Ten: There exists an implicit assumption between students and their respective universities that the payment of tuition is an investment in specific products and services offered by the university, which needs to be made explicit.

The concept of the payment of tuition as an investment in a service is reinforced by numerous post-secondary institutions. For example, the University of Waterloo refers to the payment of tuition as a student "responsibility."¹⁰⁶ Additionally, the University of British Columbia's academic calendar recognizes the contractual nature of a student's payment of tuition.¹⁰⁷ However, while students' obligations to their universities are explicitly expressed, universities' reciprocal obligations to their students are often overlooked. In fact, the payment of tuition should establish an explicit contractual

¹⁰⁵ Frenette, *Summary Of: The Impact of Tuition Fees on University Access*.

¹⁰⁶ University of Waterloo, "Cost and Financing," accessed February 2015, http://pts.uwaterloo.ca/cost_financing_p.html.

¹⁰⁷ University of British Columbia, "Vancouver Academic Calendar 2015/16: Policies on Fees," accessed February 2015, <http://www.calendar.ubc.ca/vancouver/index.cfm?tree=14,265,0,0>.

obligation on the part of post-secondary institutions to provide the specific educational services and resources that students believe they are paying for.

Currently, there does not appear to be any substantial institutional recognition of the reciprocal nature of the university-student relationship. While there may be an implicit understanding that tuition is a payment for a service delivered by universities, there are significant policy gaps regarding what these services actually are. Given the individuality of institutional programming, it is difficult to generate a clear and specific description of universities' contractual obligations to their students that would be applicable province-wide. Nevertheless, a student enrolls in a university program with the intention of obtaining a diploma or degree from their chosen institution. As such, for the purposes of undergraduate education, the primary service of any university is to provide students with the educational resources needed to successfully complete their program of choice. Macroscopically speaking, then, the payment of tuition sets up the expectation that universities will provide their paying students with all of the requisite elements needed to obtain a degree or diploma, to be determined by individual institutions in consultation with their students.

Principle Eleven: Universities should be held accountable for their spending and major stakeholders, such as students, should have transparent access to a means of tracing their investment back to their education.

In Queen's University's budget report for 2014/15, the university reported that "almost 95 percent of revenue in the operating budget is derived in the form of operating grants from the government ... and student tuition."¹⁰⁸ The significance of public and student investment in Ontario's universities is also clearly demonstrated at Western University, while government grants contributed \$279.5 million to the operating budget and student tuition accounted for an even larger portion with the contribution of \$310.7 million.¹⁰⁹ Since post-secondary institutions are largely funded by public and student taxpayer dollars, it is important to ensure their financial accountability.¹¹⁰ This would be best achieved through the establishment of an accessible, transparent, and detailed budgeting through which fiscal spending can be viewed according to precise income sources and specific expenditures.

There are established mechanisms in place at each post-secondary institution to hold their students accountable for the payment of tuition; these range from payment deadlines to consequences of late tuition payments. It is integral that universities are also held accountable for delivering the education that students are investing in. Given that the payment of tuition is a financial investment made with the expectation of receiving the requisite elements needed to complete their chosen educational program, an accountability mechanism should be created whereby students are able to know that their tuition instalments are directly paying for their opportunity to access and complete the requisite elements of their education, rather than funding other projects and university expenditures that should be covered through separate venues of funding.

¹⁰⁸ *Budget Report 2014-15* (Queen's University, 2014), 4.

¹⁰⁹ 2014-15 Operating and Capital Budgets (Western University, 2014), 8.

¹¹⁰ Ontario Ministry of Finance, "2011 Ontario Budget: Chapter II: Ontario's Economic Outlook and Fiscal Plan Section G: Accountability, Transparency and Financial Management," last modified March 29, 2011, <http://www.fin.gov.on.ca/en/budget/ontariobudgets/2011/ch2g.html>.

Principle Twelve: Fundamentally, the activity-based funding model is more transparent and advantageous than current Ontario funding models.

The University of Toronto and Queen's University are two Ontario post-secondary institutions that have recently transitioned to an activity-based funding model. Also known as responsibility-centered budgeting or activity-based costing, this funding model is an alternative resource allocation system whereby "all revenue flows directly to Faculties and Schools, and similarly, all costs are attributed to Faculties and Schools."¹¹¹ By encouraging Faculties and Schools to balance their financial management, this alternative budgeting model incentivizes cost-neutral improvements to education while maintaining fiscal responsibility.¹¹² The activity-based funding model brings with it various benefits: for students, this model will improve transparency, ensure that tuition will directly pay for education, and allow for longer-term budget accountability.

First, the activity-based funding model will simplify university accounting. This will afford a higher degree of transparency and accessibility, as the average student will be able to openly access and comprehend their university's revenue allocation. Therefore, the activity-based funding model will establish a venue through which the university can be held fiscally accountable to the students who are contributing to the university's operating budget through the payment of tuition. Second, the activity-based funding model will benefit students because it internalizes the principle that revenue derived from specific sources should be attributed to a specific activity. In the case of student tuition, this specific activity would take the form of providing the requisite elements of a student's educational programming. As such, the activity-based funding model formally recognizes that tuition revenue should be directly allocated to providing the resources associated with pursuing PSE, whatever those resources are deemed to be by students and administrators of a given post-secondary institution. Finally, as the University of Michigan argues, the activity-based funding model allows for longer-term budget accountability because the transparent nature of the model will enable stakeholders to critically assess the balance between financial efficacy and quality of education.¹¹³

CONCERNS

Concern Fifteen: There is currently no clear and direct relationship between the payment of tuition and the subsequent educational programming to be provided by universities.

With its 2010 analysis of the operating budgets of Ontario universities, HEQCO identifies a general trend whereby student tuition is becoming an increasingly significant source of operating revenue. For example, within the span of 20 years, tuition as a source of operating revenue grew from 18 percent in 1988 to 37 percent in 2008.¹¹⁴ The Canadian Centre for Policy Alternatives attributes this growth to the rising cost of tuition and compulsory fees for students, reporting that "average tuition and compulsory fees in

¹¹¹ Queen's University, "FAQs on activity-based budget model," date accessed February 2015,

<http://www.queensu.ca/provost/BudgetPlanning/BudgetingatQueens/FAQsonActivity-BasedBudgetModel.html>.

¹¹² *Activity Based Budgeting (ABB) Decision Summaries*, (Seattle: The University of Washington, 2011) 2.

¹¹³ Paul N. Courant, Marilyn Knepp, Philip J. Hanlon, Glenna L. Schweitzer, *Budgeting with the UB Model at The University of Michigan*, (Ann Arbor: University of Michigan, 2008) 17.

¹¹⁴ Snowdon & Associates, *Revenue Data*, 29.

Canada have tripled since 1990, even after inflation is taken into account.”¹¹⁵ However, despite this increase in student supplied revenue, it does not appear that the quality of undergraduate education has been sustained or improved. For example, small class sizes are generally regarded as a key feature of a high-quality educational experience, but enrolment growth has led to larger class sizes, thus detracting from the quality of educational programming.¹¹⁶

Additionally, post-secondary institutions have committed significant financial expenditures towards priorities that are not primarily concerned with providing the educational programming that students are paying for the opportunity to access and complete. OUSA’s research report also expressed concern over the considerably high costs associated with new buildings and capital projects. While increased investment in faculty members could arguably improve the student experience, this does not seem to be the case in the context of class sizes. Additionally, the financial commitment to new infrastructure does not generally factor into the quality of educational programming in a significant manner. Therefore, despite overall growth in university revenues, achieved in part due to rising tuition revenue, this new revenue has not had a direct impact on improving the quality of educational programming for undergraduate students.

Concern Sixteen: University revenue generated by student tuition is not being used to directly provide the best possible requisite elements of this programming, thus infringing upon the current implicit contract.

A large portion of university operating budgets are attributed to tuition revenue; in fact, the direct financial contributions made by students through the payment of tuition and ancillary fees has steadily increased in recent years, and with the student contribution surpassing the government’s in 2011/12 and exceeding 50 percent in 2013/14 (see Figure 1). Given the finite financial resources of a university and the sizable contribution attributed to student supplied revenue, the rerouting of tuition towards extraneous expenditures is concerning because it would disregard the implicit agreement between a university and its students regarding the nature of this financial investment. More specifically, in a 2011 research report on university spending, OUSA examined increased university expenditures and where revenue was being spent. Given the tuition increases and increased government funding since 2005, OUSA found that about 72 percent of the additional funding went to salary and benefit expenditures. Yet, this “increased expenditure on academic salaries was not used to hire significantly more full-time faculty to reduce class sizes.”¹¹⁷ This is a notable concern for students because tuition revenue, which constitutes a large portion of university operating budgets, is not being funnelled directly towards the expected goal of funding the undergraduate educational experience. Students pay tuition fees in order to receive access to their university’s educational programming, and it is unfair to students if their contribution is not being used to directly support and optimize their educational experience.

¹¹⁵ Canadian Centre for Policy Alternatives, “Cost of university education to rise 13% over next four years,” last modified September 11, 2013, <https://www.policyalternatives.ca/newsroom/news-releases/cost-university-education-rise-13-over-next-four-years-study>.

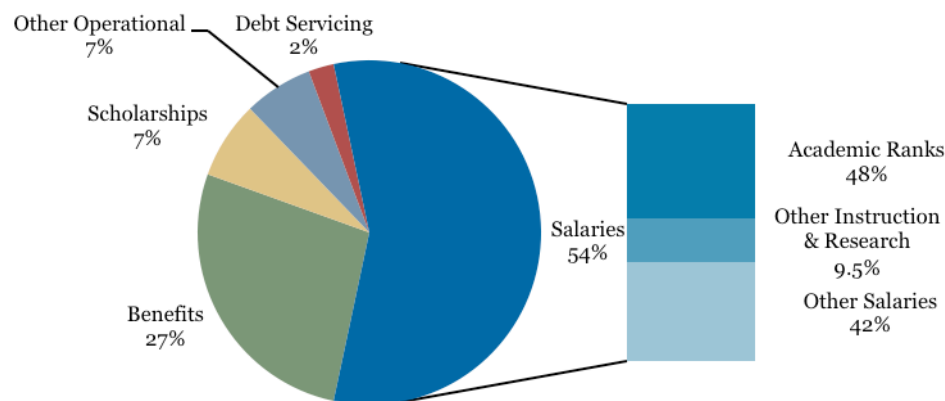
¹¹⁶ Angelika Kerr, *Teaching and Learning in Large Classes at Ontario Universities: An Exploratory Study* (Toronto: Higher Education Quality Council of Ontario, 2011), 9.

¹¹⁷ Laura Pin, Chris Martin and Sam Andrey, *Rising Costs: A Look at Spending at Ontario Universities* (Toronto: Ontario Undergraduate Student Alliance, 2011), 4.

Concern Seventeen: There are currently few effective mechanisms in place to ensure accessible and transparent means for the average student to become aware of how their tuition is being spent by the university.

As major stakeholders at their respective universities, students should have a means of accessing expenditure information; this is important because it holds universities accountable to their students and public taxpayers, and provides an opportunity for relevant stakeholders to understand and assess the financial efficiency of post-secondary institutions. The challenge of accessibility became prevalent at McMaster University in 2008, when *The Hamilton Spectator* reported “shocking” perks for McMaster’s senior administrators while the university was facing a budget deficit and student fees were soaring. *The Spectator* was only able to gain access to this information by requesting the contracts of senior administrators under the Ontario Freedom of Information and Protection of Privacy Act.¹¹⁸ The concern regarding administrative spending of tuition dollars can be confirmed by OUSA’s teaching and learning submission (*Those Who Can, Teach*, 2015), which illustrates that tuition dollars largely contribute to the salaries and benefits for tenured faculty (see Figure 5).

Figure 5: Sources of increased expenditure from general operating revenue 2007/08 to 2011/12¹¹⁹



There is a need to establish more effective mechanisms for ensuring that students, as paying stakeholders, have ready and transparent access to information regarding where their financial investment is being used in their universities’ operating budgets, including all budget details. This would allow stakeholders to have a cohesive understanding of the university’s budgetary choices.

Concern Eighteen: Despite the clear advantages of the activity-based funding model, this model produces a number of concerns that must be addressed before it can be effectively implemented.

As previously expressed in Principle Twelve, the activity-based funding model posits a viable alternative to improve the current state of budgetary transparency and

¹¹⁸ “Hey, where did my money go?” *Maclean’s*, October 30, 2008, <http://www.macleans.ca/education/uniandcollege/hey-where-did-my-tuition-money-go/>.

¹¹⁹ Sean Madden, *Those Who Can, Teach: Evolving Teaching and Learning Strategies in Ontario’s Universities*, (Toronto: Ontario Undergraduate Student Alliance, 2015) 11.

accountability. However, this model also generates a number of concerns that call for serious consideration. While the activity-based funding model attempts to mediate between the quality of education and financial efficacy, it can be argued that the quality of education is susceptible to decline under the activity-based funding model. Since the activity-based funding model introduces financial efficacy as a significant factor for administrative deliberation on the faculty and departmental levels, it can detract from considerations of educational quality. For instance, if a Faculty or School prioritizes financial efficacy under this model, then an incentive is often created to hire contract staff and have them teach increasingly large classes. This is detrimental to the quality of the student learning environment. Additionally, the desire to maximize revenue could lead institutions to introduce unnecessary mandatory courses, thus raising issues of content and programming quality. There are certainly flaws associated with this alternate model that warrant further investigation for remedies and solutions prior to its full implementation in the Ontario post-secondary educational system.

RECOMMENDATIONS

Recommendation Seven: Ontario's post-secondary institutions should implement an activity-based funding model, so long as the accessibility and transparency benefits are not significantly compromised or overshadowed by Concern Eighteen.

While the activity-based funding model brings with it a variety of benefits not previously seen in Ontario post-secondary funding structures, there must also be a recognition of potential consequences arising from the simultaneous prioritization of transparent accountability and long term budget sustainability with the need to maintain and strive for high-quality educational programming. In order to effectively implement an activity-based funding model, post-secondary institutions must first construct a reasonable balance between these two often-differing priorities through a collaborative effort between university administrations, respective student bodies, and faculty. This includes identifying any areas where cost-cutting, or revenue-seeking practices, could potentially jeopardize the learning environment. Correspondingly, then, post-secondary institutions must be proactive in addressing and resolving these concerns.

In conceptualizing and implementing an activity-based funding model, an institution must adapt the model to its individual needs, while taking full advantage of the benefits this model has to offer. There are numerous ways to implement the principles of activity-based budgeting; this flexibility allows for the proper resolution of any potential institutional concerns as outlined in Concern Eighteen, while still reaping the benefits of activity-based funding. It is the responsibility of the post-secondary institution, not the student, to ensure that budgeting practices do not impinge upon the quality of education or the financial accountability of the institution. To conclude, any implementation of an activity-based funding model must account for the reciprocal obligations tied to the payment of tuition between students and faculty. Due to the increased transparency of financial accountability of university budgeting, post-secondary institutions also hold the responsibility of ensuring that student tuition is used responsibly and appropriately in the operating budget.

Recommendation Eight: 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.

Despite increasing tuition, students are hard-pressed to point to specific improvements that have been made to the quality of the student experience. The majority of this funding increase has gone towards meeting contractual salary obligations for professors, administrators, and support staff. Additionally, increasing demands to fund student support services, capital projects, maintenance initiatives and research have all exerted pressure on system resources.

Without debating on the merits of these expenditure increases, it is reasonable to expect that if students are asked to fund a greater portion of the costs of higher education, efforts must be made to ensure some of this new funding is directed towards student priorities, including improving the quality of the university experience. Quality is often difficult to assess, and so, the successful execution of this policy is contingent on achieving success metrics decided upon between the student representative body and the university. As a result, students recommend that a specific percentage of new system tuition revenue should be set-aside as a funding envelope. The percentage of new revenue will be no less than the total percentage spent on student support initiatives in the prior year.

These initiatives should include support initiatives in areas relevant to students such as support services, teaching quality, classroom technology and credit transfer initiatives. As evidenced in the OUSA policy on *Student Success*, the student experience can also include such things as improvements in teaching and learning quality, as well as improvements in the broader learning environment and student support services. All of these areas would be acceptable avenues for spending on student priorities. The process for negotiating the new envelope should be between students, the government, and administration, with Ontario student organizations taking a large role in direction setting. At a time when student contributions now exceed those of the government, the importance of ensuring that student investment is driven to student priorities has never been greater. Enveloping a portion of all new system revenue will ensure that student priorities receive attention in an environment of fiscal restraint.

COVERING THE COSTS OF EDUCATION

PRINCIPLE

Principle Thirteen: Students should receive the expected services that they are investing in through the payment of tuition alone.

Following up on Principle Ten: above, part of articulating an explicit, reciprocal relationship between universities and their students, with regards to the payment of tuition, must involve a discussion of tuition-related and non-tuition related fees. As it stands, the distinction between the two is unclear to students, faculty, and administration. It is important that individual post-secondary institutions engage in consultation with their students to determine the expected services that they are investing in through the payment of tuition. This type of discussion would allow for universities to unequivocally communicate to their students the exact elements required

to complete various diplomas or degrees and the exact elements that tuition covers. This would also allow the opportunity for a two-way dialogue between students and their institutions where students can contest what is, or is not, considered tuition-related. While every institution should be allowed to determine which requisite elements of an education are tuition-related or non-tuition-related on its own, it is imperative that students pay for any elements deemed tuition-related through their tuition alone.

CONCERN

Concern Nineteen: Additional fees are currently being used to supplement tuition fees in funding the educational programming of students' degrees, thus unjustifiably increasing the costs of education.

Under the current payment structure, Ontario undergraduate students do not pay a singular, total fee; instead, post-secondary institutions charge a set of fees, each of which are meant to finance certain aspects of the student experience. However, one fee is of particular concern for students: compulsory tuition-related ancillary fees. Students are “required to pay [compulsory tuition-related ancillary fees] in order to enrol in, or successfully complete, any credit course.”¹²⁰ These include access codes for online learning materials, fees for lab goggles and coats, and co-op fees amongst others. Although compulsory tuition-related ancillary fees are prohibited under the *Ontario Operating Funds Distribution Manual (for Universities)* some students are still required to pay for essential elements of their education in addition to tuition. These additional fees are unjustifiable as they are illegal and unfair for students. These fees are unfair in the sense that without paying these fees, students will not have the opportunity to successfully complete their programs of study. While ancillary fees can be levied to finance legitimate non-tuition related costs, students are currently the “sole contributors” of these expenditures and the implementation of illegitimate compulsory fees can become an additional financial burden for students. This burden potentially limits access to PSE, as compulsory tuition and ancillary fees have “more than tripled over the past two decades.”¹²¹

RECOMMENDATION

Recommendation Nine: Post-secondary institutions should instigate consultation processes with their students to establish a mutually agreeable set of expectations regarding what tuition payments are intended to cover.

Students have raised concerns regarding the lack of expectation-setting between universities and their students regarding tuition payments; they argue that there is “nothing to hold [the university] to account” to the students because there is no explicit contract defining the services that the university provides in exchange for their tuition.¹²² Although the requisite elements of a degree or diploma may vary between institutions and programs, this diversity should not inhibit the establishment of specific standards detailing what a student’s tuition payments are meant to include. For instance, Queen’s

¹²⁰ Ministry of Training, Colleges and Universities, *The Ontario Operating Funds Distribution Manual* (Toronto: Queen’s Printer, 2009), 73.

¹²¹ Amir Eftekharpour, Roland Erman, Drew Ursacki and Christopher Yendt, *Policy Paper: Ancillary Fees* (Toronto: Ontario Undergraduate Student Alliance, 2013).

¹²² “A discussion on tuition payment policy,” *Queen’s Journal*, March 25, 2011, <http://queensjournal.ca/story/2011-03-25/opinions/discussion-tuition-payment-policy/>.

University reached an agreement with its student government in 2014 to eliminate compulsory ancillary fees that are tied to course grading; these include lab fees, access codes, tech fees, and more.¹²³ ¹²⁴ It is integral that all post-secondary institutions also form explicit criteria regarding what tuition payments should cover in consultation with their students, such as online assessment programs or lab coats. Through the establishment of these standards for all educational programming, it becomes possible to create accountability mechanisms while catering to the diverse needs of institutional programming.

Recommendation Ten: Tuition fees should only be spent on costs directly related to participating in and completing students' programs of choice.

Currently, compulsory tuition-related ancillary fees are used to supplement tuition fees in funding educational programming. Following the provincial cap on tuition increases, ancillary fees have become a prevalent source of university revenue. As discussed in the OUSA *Ancillary Fee Policy Paper* and demonstrated in Figure 1, in 2011/12, students “for the first time contributed more to the costs of Ontario’s universities than the provincial government.”¹²⁵ As previously mentioned, the imposition of compulsory tuition-related ancillary fees is problematic because they are an added and, at times, unexpected cost to students that should otherwise be covered through the payment of tuition. More concerning, their imposition is prohibited according to the *Ontario Operating Funds Distribution Manual*.

Therefore, as recommended by OUSA’s policy on ancillary fees in 2013, the Ontario government should increase funding to prevent institutional over-reliance on ancillary fees to provide educational programming. Additionally, since tuition is an investment made with the understanding that paying students will receive all of the requisite elements for their program of choice, it is recommended that post-secondary institutions bear the cost of any educational resource directly related to students’ completion of their programs. This includes costs of instruction, online assessment materials, any field trips that are required in the student’s coursework, and other essential course components. In ensuring that tuition covers all of the requisite elements of a diploma or degree, universities should endeavour to engage all stakeholders in meaningful discussions of which specific elements are tuition-related, and which are not.

DEVELOPING FAIR 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 such as payment processes. When students talk about payment processes, four major concerns arise: payment deadlines, payment deferral procedures, flat-fee billing, and refund dates. The diversity of payment processes across Ontario has meant that some institutions lead in providing progressive and fair billing practices to students, while others fall behind. Enhancing the regulatory scope of Ontario’s tuition framework could ensure that all institutions provide students the most convenient and accessible payment processes.

¹²³ Jenna Zucker, “Unnecessary Fees Eliminated,” *Queen’s Journal*, October 3, 2014, <http://queensjournal.ca/story/2014-10-03/news/unnecessary-fees-eliminated/>.

¹²⁴ “Fee Policies,” Queen’s University Office of the University Registrar website, accessed April 6 2015, <http://www.queensu.ca/registrar/resources/policies/fees>.

¹²⁵ Eftekharpour et al., *Ancillary Fees*.

These changes would save students a great deal of confusion and stress and, in most cases, would cost institutions nothing to implement.

PRINCIPLES

Principle Fourteen: Tuition payment processes should not be a barrier to participation or persistence in post-secondary education.

A great deal of effort has been invested by sector stakeholders explaining how the actual cost of tuition is a barrier to accessing PSE. However, far less attention has been paid to how the process of paying tuition can often be just as problematic for students from an accessibility and persistence perspective. At a time when the number of people saving money is dropping and an increasing number of individuals and families are living paycheque-to-paycheque, tuition represents a large, upfront expense. The Certified General Accountants Association of Canada has noted that, “even with the temporary relief of a credit card or line of credit, one quarter of Canadians would not be able to handle an unforeseen expenditure of \$5,000 and 1 in 10 would face difficulty in dealing with a \$500 unforeseen expense.”¹²⁶

Tuition should be charged in ways that do not force students to pay when they do not have the funds. This is particularly true for lower-income households, who are far less likely to have funds saved. In theory, students who receive funding from OSAP have higher financial need due to the fact that they have fewer resources to cope with the costs of PSE. Over time, governments have made considerable efforts to help offset the costs of PSE for financial assistance recipients, including the introduction of targeted non-repayable grants, loan remission, and loan repayment assistance. Institutions must make similar efforts to ensure that tuition payment processes are just as accommodating to all students.

Principle Fifteen: Universities should only administer late, deferral, or other penalties on students’ tuition when absolutely necessary.

A post-secondary degree is costly and means of payment are already complex. Additional fees levied upon students can have negative impacts given the individual financial restraints students may be under. In addition, circumstances outside of students’ control may result in their late payment of tuition fees or belated course registration. For these reasons, OUSA believes universities should only levy fees on students as a means of recovering costs over and above what is to be expected by the institution, not as a punitive, dissuasive, or revenue generating measure.

Principle Sixteen: Since the government funds institutions on a per-credit basis, tuition should be charged utilizing the same standard.

A longstanding complaint students have had about the tuition framework in Ontario is its allowance for institutions that charge flat-fee tuition. Flat-fee tuition is the practice whereby students who take courses past a certain threshold are charged a flat rate, regardless of the number of courses they are enrolled in. For instance, a student enrolled in four courses at Carleton University is charged the same rate as someone

¹²⁶ Where Is the Money Now: The State of Canadian Household Debt as Conditions for Economic Recovery Emerge (Certified General Accountants Association of Canada, 2010), 23.

enrolled in five. Other institutions utilize a per-credit system whereby students are charged depending entirely on the number of courses they take.

Leaving aside the inherent unfairness associated with charging flat-fee tuition, the 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.

If the government funds universities based on the number of credits students enrol in, students ask for similar treatment for tuition payment; particularly in light of the fact that student contributions to university operating costs are proportionally outweighing government contributions. As almost equal stakeholders, students should be receiving equally fair billing procedures.

CONCERNS

Concern Twenty: Many post-secondary institutions currently administer fees for late tuition payments, regardless of the nature of the delay, without an appeals process in place for students to raise concerns over their course selection and tuition payment.

Due to the complex nature of Registrar's Offices and the Faculties at Ontario universities, as well as the complexity of OSAP, our system should allow for administrative delays within and between the universities or provincial government without imposing late fees for students. Currently, there is a lack of protections in place to accommodate any cause for late payment that is not the fault of the student. These protections are often not in policies or procedural bodies, but rather based on the discretion of the staff working in the Registrar's Office making informal case-by-case accommodations. Since these cases are acknowledged informally, there are no accountability processes or means of alerting students to the availability of such services.

Concern Twenty-one: Many institutions charge tuition such that students pay for education they do not receive.

Currently, 10 of 20 universities charge tuition on a flat-fee basis once a specified threshold of credits has been reached (see Table 1).¹²⁷ Brock, Carleton, Guelph, Lakehead, Laurentian, Ottawa, Toronto, Trent, Western, and Windsor all charge utilizing some form of flat-fee model.

In the 2014-15 academic year, the threshold at which a flat, full-time rate is charged at these institutions varies between 60 and 80 percent of a full course load. While the tuition framework takes some steps in the right direction by mandating this threshold to be no less than 70 percent in the 2015-16 academic year and no less than 80 percent by the 2016-17 academic year, a student enrolled in four courses at one of these institutions will still be charged the same rate as a student enrolled in five courses.

¹²⁷ OUSA review of university websites of tuition models at Ontario universities.

Table 1: Tuition payment models at Ontario universities in 2014/15.

University	Tuition Model	Threshold*	University	Tuition Model	Threshold*
Algoma	Unit-Based	N/A	Ottawa	Flat Fee	80 percent
Brock	Flat-Fee	80 percent	Queen's	Unit-Based	N/A
Carleton	Flat Fee	80 percent	Ryerson	Unit-Based	N/A
Guelph	Flat Fee	80 percent	Toronto	Flat Fee	60 percent
Lakehead	Flat Fee	80 percent	Trent**	Flat Fee	70 percent
Laurentian	Flat Fee	73 percent	UOIT	Unit-Based	N/A
Laurier	Unit-Based	N/A	Waterloo	Unit-Based	N/A
McMaster	Unit-Based	N/A	Western	Flat-Fee	70 percent
Nipissing	Unit-Based	N/A	Windsor	Flat-Fee	80 percent
OCAD	Unit-Based	N/A	York	Unit-Based	N/A

*Normally, a 100% credit load is equal to approximately 10 courses over a full fall-winter academic year.

**Peterborough campus only, the Trent Durham campus charges unit-based tuition.

The crux of students' issue with flat-fee tuition is simplistic: students should not be charged for education they do not receive. While flat-fee regimes may guarantee a 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.

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.¹²⁸ 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 for encouraging persistence in PSE. 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.

¹²⁸ Felice Martinello, "Effects of University Characteristics and Academic Regulations on Student Persistence, Degree Completion, and Time to Degree Completion," *Canada Education Project* (2009).

Concern Twenty-two: When per-credit charges are calculated by a student's program and not by the specific course, an inequitable payment system is created.

Many 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 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. As discussed in Principle Four: Concern Two:, this differentiation happens most commonly when a professional student enrolls in a humanities course or vice versa.

For many institutions, students pay tuition for their program, rather than for the credits they take. These rates vary across disciplines. 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. This raises an additional concern for some students that a move toward per-credit billing will require them to pay for courses that they currently enrol in at a discounted rate.

Concern Twenty-three: Certain tuition billing structures may influence students' academic planning and decision-making such that they weigh the costs of education more heavily than other factors.

Under some circumstances, existing per-credit billing structures present challenges to the equity we envision per-credit billing to achieve. At Trent University's Oshawa campus (Trent University Durham), students are charged a flat-fee of \$488.13 in addition to their per-credit tuition.¹²⁹ At other universities—like Wilfrid Laurier University, University of Waterloo, and Algoma University—while tuition is charged per-credit, students receive a discount above certain credit load thresholds.¹³⁰

Under any flat-fee tuition payment paradigm, students may be penalized for taking lesser course loads. For example, paying tuition under a flat-fee payment process encourages students to enrol in credits or courses up to (and beyond) a given full-time course load threshold in order to capitalize on their investment in tuition. Credits taken in addition to the full-time threshold are essentially provided to individual students free of charge, posing additional questions about the cross-subsidy of students taking lesser course loads. This presents a problem for students who wish to study part-time at institutions with low course load thresholds—for example, at the University of Toronto the threshold over which flat-fee tuition is charged was 60 percent of a full course load this academic year. This limits students' freedom to lighten their course loads, as they must constantly be mindful of the flat-fee threshold.

At Trent University Durham, charging a flat fee (in addition to compulsory ancillary fees and levies) on top of per-credit tuition discourages students from taking single courses. Consider here, that the proportional cost of the flat-fee decreases as

¹²⁹ "Oshawa Campus Tuition & Ancillary Fee Schedule (September)," *Trent University*, accessed March 21, 2015, <http://www.trentu.ca/financialservices/tuitionfees/oshawafees.php>.

¹³⁰ See Appendix A.

students take on more courses. To that end, it seems intuitive to conclude that students would take on more courses in order to fully capitalize on their investments.

On the other hand, under some existing per-credit billing structures that discount credits according to fuller course loads, there is the concern that students are incentivized to overload their schedules. Considering that the fewer courses that students take the more they pay per course, this type of billing could restrict students' freedom to study part-time (particularly in summer months) as it is likely that most students would seek to optimize investments in their education.

A common problem develops from these models: students who are constrained by personal circumstances that require them to take fewer courses are disadvantaged by higher base fees. Ultimately, any hybridization of flat-fee tuition payment processes constrains students' decision-making options, as do models where discounts are provided for overloading. These payment processes and structures prioritize cost considerations over manageability in students' academic planning.

RECOMMENDATIONS

Recommendation Eleven: The provincial government should continue to require that universities offer per-term billing for tuition at no additional cost to students.

At a time when students and families are struggling to save and when PSE is more necessary than ever, charging lump-sum payments seems a less reasonable way to charge tuition in general. Given that summer unemployment rates for full-time students in Ontario are over 20 percent and taking on in-study employment is increasingly prevalent, it is likely that every student could benefit from the flexibility provided by flexible tuition payment schedules.¹³¹

A 2010 survey of student summer employment indicated that 64 percent of working students earn \$8,000 or less over the summer months.¹³² With average tuition in Ontario sitting at \$7,539, this means that only one-third of working students earn enough during the pre-study period to comfortably cover the average cost of tuition.¹³³ Taking into account summer living expenses while working, it is clear that earnings from summer employment alone are not adequate for a large majority of students.

The majority of Canadian students work during the academic year for an average of eighteen hours a week.¹³⁴ Such a high in-study employment load suggests that students are struggling to make ends meet. Regulating flexible and realistic tuition payment deadlines is a revenue-neutral way to ease an increasing amount of financial stress. Even at institutions where per-term billing is an opt-in process as permitted by the tuition framework, the institution is able to collect full fees in the summer from students fortunate enough to have the funds, while providing an important alternative option for students who do not. We believe that the current regulation outlined in the tuition framework requiring universities to provide per-term billing at no additional cost

¹³¹ Statistics Canada, "Table 282-0006: Labour force survey estimates (LFS), by students during summer months, sex and age group, unadjusted for seasonality," accessed 5 February 2014, <http://www5.statcan.gc.ca/cansim/a26?lang=eng&id=2820006>.

¹³² Edyta Kaznowska, Miriam Kramer and Alex Usher, "Canadian University Students in the Summer of 2010: Wages and Employment," *Canadian Education Project*, (2010): 8.

¹³³ Statistics Canada, "University tuition fees, 2014/2015," Last modified 11 September 2014, <http://www.statcan.gc.ca/daily-quotidien/140911/dq140911b-eng.htm>.

¹³⁴ Berger, Motte and Parkin, *Price of Knowledge*.

to students should remain in place¹³⁵. Without this regulation, there is a clear and present danger that institutions would be tempted to revert to the practice of collecting full fees in the summer.

Recommendation Twelve: The provincial government should continue to require that universities issue an automatic deferral of payment for students receiving OSAP.

Given the reality that many institutions currently set their tuition payment deadlines at times when students have neither their total employment earnings nor their OSAP funds, the Ontario government should continue to ensure that students needing financial assistance to meet upfront costs have an alternative option. The approximately 50 percent of students that dependent on OSAP are usually unable to access funds prior to the release of their government loans. This means that half of all post-secondary students have difficulty meeting early fee deadlines. Automatic deferrals for OSAP students are saving students from paying penalizing late fees and as such, it is only fair that tuition deadlines for students receiving assistance through OSAP continue to coincide with the dates funding is transferred.

Recommendation Thirteen: Payment and deposit deadlines should be sensitive to the varying financial needs of students, by offering flexible payment plans.

Due to the diverse needs of students and aid programs, tuition payment plans should be available that match those diverse needs where ever possible. The possibility of collecting payments on dates that coincide with students' receipt of paycheques or their monthly budgeting should be investigated, in addition to the per-term billing already in place. Financing plans should always be offered to students, not enforced upon them, in ways that encourage each student to choose the model that fits themselves best. Financial aid offices should provide assistance to students for understanding what types of payment plans are available—be it per-term, per month, or bi-weekly— and in fulfilling the setup requirements of the plans they choose.

Recommendation Fourteen: Post-secondary institutions should implement an appeals process to address student concerns over any administrative delays related to tuition payments.

Often, when students are unable to meet tuition payment deadlines there may be reasons for this delay that are outside of students' control. For example, if a student's payment is late due delayed acknowledgement of a credit transfer, delay of confirmation from a Faculty or department, or any other delay on the part of the Registrar's Office, this student should not be penalized with late fees. If a situation arises where a student is penalized, financially or otherwise, for a situation outside of that student's control, each university should have in place an appeal mechanism that is accountable, accessible, and protective of students' financial standing.

¹³⁵ Per-credit billing would remain under the tuition framework and could not be increased above the amount outlined in the framework.

Recommendation Fifteen: The provincial government should require all universities to adopt a per-credit billing structure.

Although some students are concerned that a move toward tuition charged solely on a per-credit basis may require them to pay more tuition (as they may be required to pay for each course they enrol in), per-credit billing structures are by far the best tuition payment model for students. By placing a moratorium on the introduction of any additional flat-fee billing structures, the provincial government recognizes the unfair burdens placed on students by this type of payment model. Unfortunately, the 10 Ontario universities still charging flat-fees were grandfathered into the current framework and, as such, are not required to abandon this billing structure. OUSA believes that flat-fee billing structures should be eliminated altogether in favour of per-credit billing in all cases.

Per-credit models allow students maximum flexibility to tailor their education to their personal, academic, and financial needs. Consider too that approximately one in six Ontario students study part-time.¹³⁶ Greater proportions of part-time students are also mature students, some of whom are returning to PSE out of economic necessity (having lost a job, or requiring a skills upgrade for their current employment). Many of these students must balance work and family obligations with their education. Still, younger students who drop to part-time status may do so out of academic necessity, needing time to hone a study skill or re-think their post-secondary pathway. While students who choose to study part-time do so for a wide variety of reasons, they usually have one thing in common: the need for post-secondary institutions to accommodate their unique needs.

Flat-fee tuition policies are barriers to a mobile and flexible PSE system. By forcing students to pay full fees regardless of their course load, institutions are effectively offering a disincentive for students to tailor their university experience to their individual needs. This is largely the same phenomenon that Martinello observed in his analysis of tuition withdrawal dates and refund policies, where more restrictive guidelines tended to be negatively associated with persistence.¹³⁷

Removing the “grandfather clause” which allows for institutions to continue charging flat-fees will help ensure that PSE is more affordable and flexible for students below flat-fee thresholds. More importantly however, it will help ensure that every student is billed in a fair, transparent and predictable manner. While switching from a flat-fee billing structure to per-credit billing could be costly to universities, students believe that revenue is being unjustly collected from them. The elimination of the inequities created by flat-fee tuition models and the creation of a universally flexible and fair tuition regime in Ontario is well worth the investment.

Recommendation Sixteen: The provincial government should require that program rates for elective classes remain consistent with the program that the course is being taken in.

For some institutions, there arises issues where some disciplines charge students their program rate for electives rather than charging the actual course rate. For instance,

¹³⁶ Council of Ontario Universities, “Table 3: Fall Term Headcounts by Institution and Level of Study, 2004-05 - 2013-14,” updated October 2014, <http://cou.on.ca/facts-figures/multi-year-data/pdfs/enrolment/table-3-enrolment-by-institution-and-level>.

¹³⁷ Martinello, “Characteristics and Academic Regulations”.

an engineering student attempting to fulfill their degree requirements by taking elective classes in the humanities would pay for the humanities class as if it were an engineering class. This disparity in rates can foster a system of inequity in which a student is unfairly punished financially when their programs require the completion of electives outside of students' particular areas of study. A fair system would charge the student the rate for the class they are taking not the program they are in, thereby alleviating some of students' concerns about differentiated tuition.

LOOKING TOWARD THE FUTURE OF TUITION

OUSA's policy papers strive to provide educated, evidence-based solutions to contemporary higher education policy challenges. However, the recommendations are generally only minor changes to the existing system. Larger, systemic problems are generally outside the scope of the policy papers published by this organization. That being said, it may be time for a change. An overarching vision for tuition regulation in Ontario will provide direction for the long term goal setting of Ontario's partners in higher education.

This section will address concerns related to the impacts of high tuition fees on students' lives, including their ability to preserve their earnings while also covering the costs associated with attending PSE. Within the current paradigm, students are expected to take on large amounts of debt early in their lives. This is concerning because the repayment of this debt has the potential to change their long term economic behaviour. The following discussion is intended to start a conversation about what tuition could be, rather than what it is. To do this, an analysis of the main structural problems within the current framework will be undertaken:

1. **High up front costs:** The decision to begin PSE requires students to take on a series of up front expenses that are essentially a bet that the degree will be worth more in the future than the initial payments. While much research suggests a degree is worth these expenses, even essential, the more societal barriers that exist for students, the less likely they are to find that calculus degree enticing^{138,139}.
2. **Increasing long term debt:** Debt aversion has shown to be less of a factor amongst certain groups. However, recent ministry goals encouraging innovation and entrepreneurship require students to be comfortable assuming high levels of risk and long term debts.
3. **Reliance on a complex aid system:** Our aid system has too many steps. However, many of the requirements are necessary to circumvent awarding loans to those who do not need them.
4. **Real and perception-based accessibility concerns:** Perception based access concerns have real consequences that are often more difficult to measure. For example, students from high economic risk, high debt, or low-income families may never start down the university path in avoidance of perceived high costs. Access barriers related to high-costs were discussed in more detail in Principle Four:Concern Five: and Principle Four:Concern Six:.

¹³⁸ Special Report: Post-Secondary Education is the Best Investment You Can Make (TD Economics, 2011).

¹³⁹ Ross Finnie, Stephen Childs, and Andrew Wismer, *Access to Postsecondary Education: How Ontario Compares* (Toronto: Higher Education Quality Council of Ontario, 2011).

PRINCIPLE

Principle Seventeen: Many of the problems Ontario's partners in higher education attempt to solve are caused by the paradigm they exist within and as a result major problems cannot be solved without a paradigm shift.

The challenges of aid dependence, in-study employment burden, negative balances, and complex aid are products of the current tuition framework. As such, if these are to be addressed in any permanent way, the existing paradigm of student contribution to PSE must be altered. This is already occurring naturally – students now pay for most of Ontario university operating budgets. The system has moved away from a publicly funded system towards a publicly subsidized system; a system that relies on students to make up the difference in university's operating costs. It is time to seriously consider the motivations behind asking students to take on this obligation. This trend is problematic and places a high cost on students without altering the system itself to accommodate the costs. If this situation is not going to be reversed, we should evaluate changes to the tuition paradigm itself in the long term.

CONCERNS

Concern Twenty-four: The payment of tuition is a significant financial investment, the undertaking of which is not affordable based on the average students' earning potential.

Tuition in Ontario is, on average, \$7539 per student¹⁴⁰, and is increasing at one of the highest rates in all the provinces. Tuition in Ontario increased just under four percent between 2013/14 and 2014/15 when all other provinces (except Saskatchewan) saw rates of increase less than or equal to three and a half percent.¹⁴¹ Assuming that the students who are able to work over the summer get a job within one week of beginning their break, and assuming they get stable part-time hours—20 hours a week, for example— it is estimated that these students could earn about \$9702.¹⁴² So, if students were able to save 100 percent of their income (before taxes), after tuition was levied, they would only have \$2163 left over for student fees, text books, extracurricular expenses, groceries, rent, utilities, and travel. As previously discussed in Principle Nine: Concern Twelve:, some students are struggling to earn the funds required to invest in their university education. Under the current paradigm, students are ill equipped to make the significant, upfront financial investment higher education expects of them.

Concern Twenty-five: High, upfront tuition costs present challenges to students and necessitate a dependence on financial aid.

The challenges associated with the high cost of an education are compounded with recognition of the circumstances necessitated by the current aid model:

- Full-time, high-wage labour for all students over the summer;
- A reliance on student financial aid to fully supplement earnings;

¹⁴⁰ Statistics Canada, "Weighted average undergraduate tuition fees."

¹⁴¹ Ibid.

¹⁴² Calculated using Statistics Canada, "Average hourly wages of employees by selected characteristics and occupation, unadjusted data, by province (monthly)," last modified February 6, 2015, <http://www.statcan.gc.ca/tables-tableaux/sum-som/101/cst01/labr69a-eng.htm>.

- In-study employment burdens;
- Or any combination these.

As explained in Principle Nine:Concern Twelve:, some students must work through the school year in order to pay for their post-secondary education. Research shows that working while studying has a, “detrimental affect on achievement”; several studies argue that students who work, “have lower grades, do less homework, [and] are more likely to drop out.”¹⁴³ In order to avoid undue pressures of employment and cover their costs, many students turn to financial aid to get through the school year.

Concern Twenty-six: Students face various financial constraints that present a challenge to the payment of their post-secondary tuition.

It would not be possible to provide an exhaustive list of the financial constraints that students face. The intersections between financial struggles and other forms of oppression, in addition to complications such as illness, lack of financial literacy, poor job markets, and other concerns, suggests any list of constraints would be massive and continuously changing. Nonetheless, students attest to procedural and financial complications in paying their tuition. Since 2006 students at Queen’s University have been mobilized on the issue where, “Spectators were forced to watch from the balcony as hundreds squeezed into the lower ceiling of the JDUC to express their concerns about tuition, [and] accessibility.”¹⁴⁴ This issue remained relevant even in the 2013; in the Ontario Post-secondary Student Survey over half of respondents (66%) reported feeling “somewhat concerned” or “very concerned” about having enough money to complete their education.¹⁴⁵

Market instability makes these problems worse, especially in Ontario, where students have identified that, “Smaller universities, such as King’s College, are struggling with budgeting because of the way that [funds are] distributed.”¹⁴⁶ Laurier economics professor Christine Neill has said of students seeking aid to pay tuition that, “The question is really about the timing of it... It’s exactly the kids who have the lowest income parents who have to wait the longest to get the cash in hand, which is not equitable or fair, and it’s also bad from an efficiency perspective.”¹⁴⁷ A lot of the debate surrounding student access concerns come from a belief that because the government is spending money on aid, students know about it, can access it, and understand it. Those assumptions aren’t true. The research that exists misses out on data from students who testify to struggling within the system. What is important to note here, is that tuition is not the only upfront cost that students face during their post-secondary studies.

Concern Twenty-seven: The current financial aid structures require students to carry negative balances and debt for the long term.

PSE can be viewed as a financial risk due to the significance of the upfront costs of attending an institution—particularly university. Economic behavioural and statistical

¹⁴³ Charlie Naylor, How does working part-time influence secondary students’ achievement and impact their overall well-being? (Vancouver: BC Teachers’ Federation, 1999).

¹⁴⁴ Katie Drummond, “Students jam-pack ceiling to talk tuition,” *Queen’s Journal*, January 20, 2006, <http://queensjournal.ca/story/2006-01-20/news/students-jam-pack-ceiling-talk-tuition/>.

¹⁴⁵ CCI Research Inc., *Ontario Post-secondary Student Survey: Summary Report*, (Toronto: Ontario Undergraduate Student Alliance, 2013).

¹⁴⁶ Jessica Fishbein, “Combating high tuition,” *Queen’s Journal*, September 21, 2010, <http://queensjournal.ca/story/2010-09-21/news/combating-high-tuition/>.

¹⁴⁷ Richard Raycraft, “Tuition tax credits don’t work,” *Western Gazette*, November 19, 2013, <http://www.westerngazette.ca/2013/11/19/tuition-tax-credits-dont-work/>.

studies have consistently found that individuals who are risk averse avoid taking on unnecessary debt; the higher the debt, the more risk averse these individuals become.^{148,149} In the context of how university limits employment options, research investigating how unemployment affects risk supports similar conclusions.¹⁵⁰ Based on the connections proved within the previous studies, we acknowledge that while the costs and debt of accessing PSE remain high, we discourage access to PSE for students already in high debt scenarios.

In addition, if universities and the province want to encourage a higher level of entrepreneurship, they should acknowledge that by inflicting debt—and its corresponding risk aversion—upon students, they will decrease the quantity entrepreneurial entrants.¹⁵¹ OUSA believes all students should be granted equal opportunity to pursue academic options, such as entrepreneurship programs and incubators, if they are able and qualified regardless of their financial background. Therefore universities and the province should be particularly concerned with decreasing debt, and therefore risk aversion, if we are to foster an innovative and entrepreneurial Ontario.

Lastly, the detriments Ontario tuition causes are exacerbated in a myriad of ways due to high, long term, negative balances and loan debt. Student assets are often insufficient to accommodate high upfront costs, meaning that tuition steeply increases debt.¹⁵² Payments that could be going into savings accounts are often emptied into debt repayment, denying students both the potential interest earned on their savings and the security of having those savings close at hand. Thus, any model that has a low tuition, low debt schema would enable students to make more productive use of their money, specifically by giving them the opportunity to take advantage of the qualitative benefits of holding liquid cash.

Concern Twenty-eight: Our current tuition formula necessitates complex aid in order to accommodate all the different circumstances of students. This complicates attempts to deliver and explain financial aid to all students in need.

The current high cost tuition formula necessitates an aid system that attempts to deliver funding tailored to each student's circumstance. In order to do this successfully, however, intimate knowledge of students' financial situations, expenses, and income must be known in order to complete any calculations and means testing. This makes the process of awarding financial aid through the Ontario Student Assistance Program fairly invasive. The system will only continue to grow in complexity in order to accommodate the large quantities of information, calculations, testing, and funding allocation necessary to guarantee prudent spending of government aid dollars. The complexity of the system discourages some students from using it; we suspect that the students with the most financial need are the ones that understand our aid system the least. Before this

¹⁴⁸ Sarah Brown, Gaia Garino, and Karl Taylor, "HOUSEHOLD DEBT AND ATTITUDES TOWARDS RISK," *Review of Income and Wealth* 59 (2013): 283-304.

¹⁴⁹ 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.

¹⁵⁰ Fred Schroyen, "Attitudes Towards Income Risk in the Presence of Quantity Constraints," *Geneva Risk and Insurance Review* 38 (2013): 183-209.

¹⁵¹ K. Hans, H.K. Hvide Georgios A., and G.A. Panos, "Risk tolerance and entrepreneurship," *Journal of Financial Economics*, 111 (2014): 200-223.

¹⁵² Christine Niell, *What You Don't Know Can't Help You: Lessons of Behavioural Economics for Tax-Based Student Aid*. (Toronto: C.D. Howe Institute, 2013): 6.

complexity gets out of hand, Ontario's partners in higher education should look towards revising financial assistance programs with an eye for simplicity and efficiency.

RECOMMENDATIONS

Recommendation Seventeen: The Ministry of Training, Colleges and Universities should partner with Ontario's universities and students in investigating tuition-funding models.

It is time to investigate lasting systemic changes to universities' funding models. Substantial research must be conducted in order to come to an optimal solution. This recommendation seeks to give OUSA the mandate to begin working with partners in the sector to investigate these structural concerns along the lines of the principles set forth here. A solution should have broad consultation with all partners but also deep consultation and modeling with a wide scope of investigation.

Recommendation Eighteen: 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.

Although development of an entirely new tuition framework will require robust and thorough consultation, students are confident that the core, structural problems posed by our current system will need to be addressed in a long term, strategic way. Core issues of high upfront costs, debt, complicated aid and accessibility all interact and exacerbate the consequences of each other in achieving a more equitable and sustainable system. As such, to anchor any further discussion within the greater goals of accessibility and success, these core priorities are proposed as principles for any discussions moving forward on how tuition should look in Ontario.

Recommendation Nineteen: 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.

Our current tuition model far outdates our student financial aid strategy, and as a consequence, students suffer from a disconnect between the two. Tuition payments are only designed for the intent of cost recovery and aid is designed to catch students who slip through the cracks. It is also a dilemma that, due to their separation, the student financial aid system gets far more updates and technical tweaks and fixes than tuition ever could.

The model for any new tuition framework should be integrated with the governments student aid strategy. OUSA acknowledges the true cost of an education involves more expenses than just tuition, and so aid systems in place should work in concert with this recognition to cover the true costs of all aspects of earning a degree. Design of both tuition and aid strategies should each be done in the context of reducing short and long term burdens placed on students.

ENGAGING IDEAS: PROTOTYPING STUDENT PRIORITIES

OUSA's goal is to make tangible the ways in which the previous recommendations could manifest in a working model. The following offers a proposal of

how the previous recommendations would present themselves in a framework that puts student accessibility and success at its core. As a way of getting this conversation and research started, OUSA has created an example: a hybrid graduate tax system. This is a thought experiment, meant to spur conversation and is not necessarily the optimal or preferred solution, but rather a starting point. There are a diversity of options available, and while this one contains some key themes worth discussing, students should look comprehensively at every option available. Many of the ideas and problems identified in this prototype were inspired by Queen's University Professor Lorne Carmichael's paper on the topic.¹⁵³

UP FRONT COSTS

A graduate tax system that charges students for their education based on their income after they have graduated shows the potential to positively address concerns with upfront costs outlined above. Under this system, students would pay a tax to the government intended to recoup the costs of the government's investment in the upfront costs their education. This tax would only be paid after graduation and after students are earning incomes within a minimum pay grade. The tax would be a percentage of their yearly earnings and, as such, it would scale with students' ability to pay, thus making this graduate tax model income-contingent as it assumes a connection between students' earnings and the value of their degrees.

STUDENT DEBT

Low income earners below a certain salary would not have to pay any taxes until they surpassed a threshold—perhaps Ontario's low-income cut-off plus the sum of their tuition over the course of earning their degree would be a useful metric. In this way, the bottom threshold or lowest pay grade would scale with the size of individuals' tax payments. While those who earn more must pay more, and will in part subsidize the costs incurred by those who do not succeed post-graduation, high income individuals will only pay up to a predetermined amount in an attempt to maintain the system's fair treatment of all graduates. This high-end cap could perhaps be defined by a percentage of the operating costs associated with particular degrees in recognition of the fact that the delivery of lab-heavy engineering and science courses incurs higher costs than philosophy courses, for example.

FINANCIAL AID

A second component of this model would include a small per-course tuition charged to students. This would be a minimal upfront cost for which bursaries and grants should be made available through a needs-based application. The amount would never surpass the average earnings of a student employed part-time through the summer. This fee is charged recognizing the benefits of a university degree are not all income-contingent; skills like critical thinking, problem solving, and analysis are things the student benefits from even if they do not make more than this model's lowest pay grade. It also alleviates the problem of 'free loaders' within the system, in addition to granting the universities immediate cash associated with the non-structural costs that students may bring the university. Some students may be required to pay more than others, as this system seeks to tie the cost of higher education directly to students'

¹⁵³ H. Lorne Carmichael, *How Best to Fund Postsecondary Education: A Graduate Tax?* (Kingston: Queen's University, 2004).

individually experienced returns, without imposing high long term debt or high upfront costs.

An alternative option for determining the amount of taxes paid could be the use sliding scale percentages—which would allow extremely high income earners exemption from subsidizing exorbitant amounts, while relieving low-income earners of the burden of paying such high amounts. Another option could involve removing any bottom end threshold—so all graduates would pay the tax based on whatever income they are earning—and providing financial assistance to the individuals below what would have been below the threshold.

ACCESSIBILITY BARRIERS

This hybrid graduate tax is designed to locate student accessibility and the focus on academic success as the core goal for a new tuition framework. By reducing upfront costs, the model places a low sticker price on education, optically making the cost/benefit analysis tip far in favour of accessing university. By only making students spend money as a percentage of what they are earning, the payments become vastly more predictable. Also, the student is never obligated to go into debt, as their earnings will always be a significant percentage more than what they will have to pay. This contrasts with the current structural necessity for most students to take on high debt. By vastly reducing the need for aid and correspondingly dropping upfront costs, this model allows the financial aid system to be simplified and greatly reduce its spending, without harming students.

IMPLEMENTATION BARRIERS

A hybrid model would still include proportional government contributions to university operating budgets as well as financial aid programs in recognition of the overall social benefit of educating Ontario's citizens. Such a hybrid model would also allow for deeper performance based funding on the part of the province, as it would enable institutions to lessen their dependence on basic operating grants. This frees up money for the province to create incentive systems to increase overall quality. A move to such a system could find its short term funding in the incremental reallocation of student financial aid tax credits, OSAP and OTG dollars, as well as money that went to loan caps or forgiveness. As well, a short term increased provincial investment would be well worth the long term benefits to years and years of future student cohorts.

There is still much thought that needs to be put into the details of adopting a graduate tax system. While we have outlined some of the moving parts and how they could work together here, the exact numbers need to be addressed. Of course, the appropriateness of this specific model also needs to be reviewed by all stakeholders. The scope of such a review must encompass how universities will maintain their revenue streams, actual funding mechanisms, and how students will pay their tax. Additional details, that we have been unable to resolve for ourselves, include:

- Management of students' transience—how will the system treat students who move across borders?
- Delivery of financial aid to students who cannot accommodate the low upfront tuition;
- Dealing with financial aid in special circumstances—for example, how the system will manage graduates' unemployment or bankruptcy;

- Setting tax brackets, pay grades, and caps;

While these considerations pertain to the proposed graduate tax system, they may also apply to the proposition of other progressive models. While we have offered a specific system here, we would like to stress that this may not be the best solution. If the fundamental barriers within the current tuition framework are to be permanently addressed, the Ministry must work with its partners to come to a solution that meets all stakeholders' needs. The goal here is to devise a model that would allow any willing and qualified student to not only access but also persist in PSE. Low upfront costs and smaller, scalable repayments do just that, while elements borrowed from our existing model will help to soften the shock to the system and address common concerns with income-contingent loan repayment models.

POLICY STATEMENT

Whereas: All willing and qualified students, regardless of socioeconomic status, must be able to access and excel within the post-secondary education system;

Whereas: System wide affordability towards tuition cannot occur without reasonable regulations on the price of tuition;

Whereas: Year-to-year tuition increases in every program of study should be predictable so that students can budget and plan appropriately;

Whereas: Tuition caps should never significantly restrain an institution from providing a high quality education;

Whereas: Since students, the government and the public at large benefit from high post-secondary attainment rates, all should be expected to contribute to the system;

Whereas: The student contribution towards the operating budgets of higher education institutions should not exceed one-third of the total contribution;

Whereas: The rate of tuition increases should never outpace the financial ability for students or their families to pay;

Whereas: Rising tuition should not require students to take on unmanageable student debt;

Whereas: There exists an implicit assumption between students and their respective universities that the payment of tuition is an investment in specific products and services offered by the university, which needs to be made explicit;

Whereas: Universities should be held accountable for their spending and major stakeholders, such as students, should have transparent access to a means of tracing their investment back to their education;

Whereas: Fundamentally, the activity-based funding model is more transparent and advantageous than current Ontario funding models;

Whereas: Students should receive the expected services that they are investing in through the payment of tuition alone;

Whereas: Tuition payment processes should not be a barrier to participation or persistence in post-secondary education;

Whereas: Universities should only administer late, deferral, or other penalties on students' tuition when absolutely necessary;

Whereas: Since the government funds institutions on a per-credit basis, tuition should be charged utilizing the same standard; and

Whereas: Many of the problems Ontario's partners in higher education attempt to solve are caused by the paradigm they exist within and as a result major problems cannot be solved without a paradigm shift.

Be it resolved that: Tuition must remain regulated by the provincial government;

Be it further resolved that: 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;

BIFRT: If tuition must increase it should never do so more than the Consumer Price Index;

BIFRT: The provincial government should enforce a tuition freeze for the duration of the new tuition framework;

BIFRT: The provincial government should increase its proportional contribution toward the operating budgets of post-secondary institutions;

BIFRT: The provincial government should adjust the tuition set-aside program to better reflect increases to tuition;

BIFRT: Ontario's post-secondary institutions should implement an activity-based funding model, so long as the accessibility and transparency benefits are not significantly compromised or overshadowed by Concern Eighteen;

BIFRT: 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;

BIFRT: Post-secondary institutions should instigate consultation processes with their students to establish a mutually agreeable set of expectations regarding what tuition payments are intended to cover;

BIFRT: Tuition fees should only be spent on costs directly related to participating in and completing students' programs of choice;

BIFRT: The provincial government should continue to require that universities offer per-term billing for tuition at no additional cost to students;

BIFRT: The provincial government should continue to require that universities issue an automatic deferral of payment for students receiving OSAP;

BIFRT: Payment and deposit deadlines should be sensitive to the varying financial needs of students, by offering flexible payment plans;

BIFRT: Post-secondary institutions should implement an appeals process to address student concerns over any administrative delays related to tuition payments;

BIFRT: The provincial government should require all universities to adopt a per-credit billing structure;

BIFRT: The provincial government should require that program rates for elective classes remain consistent with the program that the course is being taken in;

BIFRT: The Ministry of Training, Colleges and Universities should partner with Ontario's universities and students in investigating tuition-funding models;

BIFRT: 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

BIFRT: 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.

APPENDIX

APPENDIX A: Tuition Models and Payment Structures By Institution¹⁵⁴

University	Tuition Model	Threshold Course Load	Other Determinants	Payment Process	Due Date(s)	Deferral Process	Deferral Fee	Late Fees	Full Refund Date
Algoma	Sliding Scale	N/A	Faculty and Year of Study; Students pay varying amounts for each additional course	Total fees due prior to start of first term; \$200/term deposit due at registration	August 15	Can pay second instalment of 30% or 50% of tuition on Dec. 5 with \$50 and \$100 deferral fee respectively	\$50 or \$100	Interest (5% annually)	1 week into term; \$200 deposit is non-refundable
Brock	Flat Fee	80% of a full course load	Faculty and Year of Study	Total fees due each term	September 3 and January 5	–	–	Interest (1.5% monthly)	1 week into term; \$100/credit cancellation fee for total withdrawal
Carleton	Flat-Fee	80% of a full course load	Faculty and Year of Study	Fees due prior to start of each term	August 25 and November 25	OSAP students who provide supporting documentation can defer payment at no charge until the end of the first week in each term	–	\$100/term plus interest (10% annually)	September 30 and January 31
Guelph	Flat-Fee	80% of a full course load	Faculty, Year of Study, "Type" of Program	Deposit due August 8; remaining fees due each term	September 12 and January 9	Those unable to pay at beginning of each term can request an alternative arrangement but must pay at minimum 25%.	\$60	\$200 (reinstatement fee for missing payment dates)	1 week into term; \$200 deposit is non-refundable
Lakehead	Flat-Fee	80% of a full course load	Faculty and Year of Study	Total fees due prior to start of first term	August 15 and December 15	OSAP students can provide proof of funding to postpone payment up to 10 days into term	–	\$79	2 weeks into term
Laurentian	Flat-Fee	73.3% of a full course load	Faculty and Year of Study	Total fees due prior to start of first term	August 8	Can defer fees beyond \$4,500 to December 19 for a deferral fee.	\$45	\$56.50	1 week into term; full withdrawal fee of \$275.
Laurier	Unit-Based with final credit discount	Fifth course discounted	Also based on year/faculty/number of credits taken (4th and 5th half credits)	Fees due prior to start of each term	August 28 and December 15	–	–	Interest (1.25% monthly)	1 week into term

credits cost extra.									
McMaster	Unit-Based	N/A	Faculty and Year of Study	Total fees due prior to start of first term	September 1	Can defer up to 75% of fees to March 15 with the remaining balance to be paid subject to interest.	\$35/term	Interest (1.2% monthly)	1 week into term
Nipissing	Unit-Based	N/A	Faculty and location	Total fees due in two installments	September 12 (\$3600) and January 16 (balance)	–	–	\$50	2 weeks into term
OCAD	Unit-Based	N/A	Fees differ based on lower/upper year distinction	Total fees due in two installments	September 10 (60%) and January 12 (40%)	–	–	\$50	1 week into term
Ottawa	Flat-Fee	80% of a full course load	Faculty and Year of Study	Fees due prior to start of each term	August 17 and January 7	OSAP students who provide supporting documentation by August 2 can defer payment at no charge to September 18	–	\$50 plus interest (prime + 5%)	September 30 and January 30 with \$25 fee
Queen's	Unit-Based	N/A	Faculty and Year of Study	Total fees due in September	September 1 for tuition and September 30 for remaining balance	OSAP students automatically deferred to September 30	–	\$150 plus interest (0.5% monthly)	2 weeks into term
Ryerson	Unit-Based with overload discount	Sixth and seventh billing hour free	Faculty and Year of Study	Fees due each term	September 5 and January 9	–	–	Interest (1.25% monthly)	1-2 weeks into term
Toronto	Flat-Fee	60% of a full course load	Faculty and Year of Study	Minimum payment due in August; Total fees due in October	August 19 and October 31	OSAP students may delay total payment until loans received	–	Interest (1.5% monthly)	1 week into fall term
Trent	Peterborough: Flat-Fee Oshawa: Per	Peterborough: 70% of a full course load	Faculty and Year of Study	Total fees due prior to start of first term	August 15	All students can pay in two installments (Jan. 15) for a fee; OSAP students can defer to October 15.	\$75	\$75	3 weeks into term

	Credit plus Flat-Fee	Oshawa: N/A							
UOIT	Unit-Based	N/A	Faculty, Year of Study, and Number of Credits Earned to Date	First installment due prior to start of each term, remaining balance due after start of each term	Full balance due September 17 and January 16	Deferral for OSAP students is automatic.	–	\$40	2 weeks into term
Waterloo	Unit-Based with final credit discount	Fifth course discounted	Faculty and Year of Study	Fees due prior to start of each term	August 25 and December 10	May submit Promissory Note by fee deadline to demonstrate fees will be paid by OSAP, awards, or teaching assistantships	–	\$50-130	3 weeks into term
Western	Flat-Fee	70% of a full course load	Faculty and Year of Study	Total fees due prior to start of first term	August 1 (1 st Years) or August 15 (Upper Years)	Can opt-in to installment plan and defer 30% of fees to January 5	\$56	\$137	1 week into fall term; \$308 cancellation fee for total withdrawal
Windsor	Flat-Fee	80% of a full course load	Faculty and Year of Study	Fees due prior to start of each term	August 15 and December 15	OSAP students automatically deferred until September 30	–	Interest (18% annually)	2 weeks into term
York	Unit-Based	N/A	Faculty, Year of Study, "Type" of Program	Fees due each term	September 10 and January 10	OSAP students not charged interest in first month	–	Interest (1% monthly)	1 week into term