

A VISION FOR EXCELLENCE

**COU Response to the
Postsecondary Review Discussion Paper**

October 29, 2004


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A STRONG ONTARIO NEEDS STRONG UNIVERSITIES

COUNCIL OF
ONTARIO UNIVERSITIES

CONSEIL DES
UNIVERSITÉS DE L'ONTARIO



OVERVIEW

The best way to attract investment, and create high wage jobs that last is to build the best educated, most highly skilled, most productive workforce in North America. . . I trust that we all see the restoration of higher education as key to our future.

Ontario Premier Dalton McGuinty
Ontario Economic Summit, October 6, 2004

Our government's first and foremost priority is excellence in public education. Universities and colleges play a crucial role in helping Ontarians succeed in an innovative economy. . . I am confident that by working with the postsecondary community, we can develop a system that is a pillar for the future success of the province. . . By helping students succeed today, we are ensuring Ontario succeeds tomorrow.

Mary Anne Chambers,
Minister of Training, Colleges and Universities
Government of Ontario News Release, April 8, 2004

I think education is the bedrock of modern society. I also think our system of higher education in Ontario is in serious jeopardy. It is in jeopardy because we are on the edge of major change and the level of both public and private support is insufficient to keep Ontario as strong, competitive and socially advanced as we want to be.

Bob Rae, Advisor to the Premier and Minister
"Higher Expectations for Higher Education: A Discussion Paper," October 2004

A Shared Vision

These words reflect the importance and urgency of restoring quality and excellence to the higher education sector. Ontario universities are ready and willing to work in partnership with the government to ensure that Ontario has the highly skilled work force and the competitive research and innovation environment needed to guarantee Ontario's prosperity and global competitiveness. Last year, the Council of Ontario Universities (COU) issued *Shared Goals and Building Blocks*, calling upon government and universities to work together to secure Ontario's future. The following "shared goals" inform all our deliberations for developing a financially sound, high-quality university sector in Ontario.

- All appropriately qualified Ontario students will have access to a place in an Ontario university.

- No student will be denied access to the program of his or her choice for financial reasons.



- ❑ The education received by Ontario university students will be the best in Canada and on par with that offered in the best public universities worldwide.
- ❑ Research support will enable Ontario's faculty and students to add valuable knowledge and produce economic and societal benefits to all Ontario residents such that the province secures a reputation for excellence in both its scientific/medical and its humanities/social sciences research.
- ❑ The physical environment of Ontario universities will be safe, up-to-date, accessible to those with special needs, and will enhance the learning effectiveness of each student's educational experience.

Summary Recommendations

To meet these shared goals, COU urges the government of Ontario to make a substantial investment in university quality—an investment in Ontario's future—by:

1. Ensuring a robust student financial assistance program to help ensure financial access for all students and restoring flexibility in tuition setting;
2. Funding all eligible students—graduate and undergraduate—in Ontario universities to correct the longstanding problem of “unfunded students” that developed through years of government underfunding of enrolment growth;
3. Increasing operating grants for universities to a level comparable with the average funding per student provided in the other nine provinces, and funding annual increases in operating costs;
4. Adopting a plan to double graduate enrolment by 2013, and fully funding that growth and related capital requirements;
5. Addressing capital requirements and deferred maintenance to restore university buildings; and
6. Providing on-going investments to ensure that Ontario's university research remains competitive.



Organization of this Submission

The Postsecondary Review Discussion Paper, made public on October 1, 2004, raises all of the principal issues facing university education and research in Ontario and provides a five-category framework for considering them: *accessibility, quality, funding, accountability, and system design*. The Discussion Paper poses a question in each of the five categories, e.g., *how can we increase participation and success in higher education?*

This submission is organized by the five categories and provides the COU response to the five questions posed in the Discussion Paper. The submission draws heavily on the work of the COU Quality and Financing Task Force, chaired by Peter George, President of McMaster University, and the COU Standing Committee on Government and Community Relations, chaired by Ross Paul, President of the University of Windsor. Over the past 15 months, the Quality and Financing Task Force has reviewed the determinants of quality in university education and research in Ontario and other leading jurisdictions and the impact of different financing models. The Committee on Government and Community Relations has overseen the work of reviewing and refining the common elements of an accountability framework for universities in Ontario.

THINK... ACCESSIBILITY

Around the world, more and more young people are realizing the benefits of pursuing postsecondary education. However, many individuals face barriers to accessing and completing higher education as well as regional and local challenges.

Bob Rae
Advisor to the Premier and Minister
"Higher Expectations for Higher
Education: A Discussion Paper"
October 2004

ACCESSIBILITY: HOW CAN WE INCREASE PARTICIPATION AND SUCCESS IN HIGHER EDUCATION?

Accessibility to university education encompasses two major elements: first, ensuring that universities have the capacity to offer a quality education to all qualified students seeking admission, and second, ensuring that no student is denied access for financial reasons. The provision of adequate student financial support is of limited value if places are not available for the students and if the education they receive is not of high quality. In this section we address financial accessibility for students, and in subsequent sections we address quality and financing issues.

Ontario's provincially assisted universities are fully committed to ensuring accessibility to a university education for all qualified students from all social, cultural and economic backgrounds. COU has worked cooperatively with the provincial government to meet the growing demand for university education—a demand fueled by higher participation rates, changing skill requirements in the workplace, and the “double cohort.” Ontario universities are planning for further enrolment growth that by 2010-11 will reach 320,000 full-time students, an increase of 33 per cent over enrolment levels in 2000-01. Full-time equivalent enrolment in universities is estimated at about 333,000 students in 2003-04, an increase of 30 per cent over the past decade.



The enrolment growth in universities over the last decade has occurred while provincial operating grants per student have declined by 25 per cent in real terms, reducing government's share of operating costs from about 70 per cent to about 50 per cent. At the same time, the contribution from students to university operating costs has increased from 25 per cent to 45 per cent. The provincial government's share in Ontario is among the lowest in Canada.

Government should make available a robust financial assistance package for needy students, such that the requirements for repayment of student loans are not onerous and are linked to income after graduation, and such that students wishing to study part-time have access to reasonable levels of financial assistance.

There have been recent enhancements to student assistance programs at both the federal and provincial level, but the programs present an array of often uncoordinated funding sources, with varying eligibility criteria, making it difficult for students and families to understand the sources and amounts of assistance available to help them pay for postsecondary education. Both levels of government need to focus their financial assistance programs on the needy, fully integrate their sources of assistance, and work with universities and colleges to present students with a coherent picture of postsecondary costs and resources.

Institution-based assistance is a substantial and growing source of student financial assistance. In 2002-03, Ontario universities provided \$385 million in financial support to students, representing 10 per cent of operating expenses. This has increased from a three per cent share a decade ago. The tuition set-aside and the Ontario Student Opportunity Trust Fund program have enhanced all universities' capacity to help ensure that no student is denied access for financial reasons. However, to fulfill our shared commitment, government and universities must work together to ensure that students understand how the various sources of assistance combine to make university education affordable for lower and middle-income students. Accordingly, COU recommends the following:

Recommendation 1a: It is recommended that the following improvements to the Ontario Student Assistance Program should be made to enable the government to reinforce its commitment to ensuring that no student is denied access to university education for financial reasons:

- i. Recognizing full educational costs in determining the assessed need of each student at publicly supported postsecondary institutions, and then providing enough assistance to meet the assessed need;
- ii. Providing a portion of total assistance as non-repayable grant assistance to students from low- and middle-income families in all years of their programs, by rationalizing the existing array of grant and forgiveness programs funded by the federal and provincial governments and by the Canada Millennium Scholarship Foundation;
- iii. Working with the federal government to review the effectiveness of expenditures on education-related tax credits and the Canada



Education Savings Grant to determine if these programs are contributing to accessibility for lower-income and under-represented students;

- iv. Linking loan repayment to income after graduation for students who would benefit from this option;
- v. Implementing further improvements to the parental contribution assessment to make the requirements more realistic for middle-income families;
- vi. Introducing a reasonable financial assistance program for part-time students;
- vii. Ensuring that students and their families understand the financial aid program and the assistance available, and that information is available on a timely basis to help each student make an informed decision; this will require close cooperation between government and institutions so that, for example, one initial notice to an OSAP recipient encompasses all forms of assistance from governments and from the university; and
- viii. Ensuring that information about financial assistance is made available to students starting in the middle grades and continuing through secondary school, to help inform choices at an early age.

With a solid financial assistance program in place designed to ensure financial accessibility, all students, regardless of family income, will be in a position to contribute a fair share of their educational costs. It has long been accepted in Canada and in many other jurisdictions worldwide, that the personal benefits that derive from university education are substantial—sufficient to justify a meaningful direct contribution from students. Studies have demonstrated that the practice of keeping university tuition levels artificially low as a mechanism to ensure accessibility leads to the perverse result of having lower income taxpayers subsidize wealthier students. Moreover, tuition can be kept artificially low only if other sources of operating revenue increase to meet rising costs, otherwise the quality of education suffers. As noted above, provincial operating grants per student have declined in real terms, and the province's share of university operating costs has decreased at the expense of students. It is no longer tenable to maintain a policy wherein government controls both sources of revenue at the expense of quality.

In 1996, the Advisory Panel on Future Directions for Postsecondary Education, chaired by the late Dr. David Smith, advocated a return to the legal authority of governing boards to determine tuition fees. Some other provinces allow their universities to determine fee levels and this is usually done within the spirit of an informal pact—universities will not increase fees simply because it is within their authority to do so; rather, they will take account of a range of factors to arrive at a fair price, including affordability and the relative contribution from government to operating costs. COU believes that a policy of prudent self-regulation on tuition fees will improve student access to a quality



education. The recommendation that follows represents a consensus position among Ontario universities, which means that the position is supported by the majority, but not necessarily all. An individual university may hold a different view on tuition policy, which would be reflected in the university's individual submission:

Recommendation 1b: It is recommended that the government allow, consistent with the recommendations of the Advisory Panel on Future Directions for Postsecondary Education, institutional flexibility in the determination of tuition fees, allowing each university's governing board to exercise its authority to determine fees, program by program, based on analysis of the value of programs in a competitive market, the resources that are needed to provide a high-quality learning experience for students, and the capacity of the university to help ensure that no student is denied access due to lack of financial means.

THINK... QUALITY

Defining, measuring and improving quality is a critical task for all higher education institutions and a legitimate concern of the students and governments who fund them.

Bob Rae
Advisor to the Premier and Minister
"Higher Expectations for Higher
Education: A Discussion Paper"
October 2004

QUALITY: HOW SHOULD WE IMPROVE THE QUALITY OF HIGHER EDUCATION?

Ontario universities provide a solid foundation for fulfilling the commitment to build the highest quality university sector in Canada and one comparable with the best in the world. This commitment applies to undergraduate and graduate education and to research. Numerous surveys and studies point to what must be in place to ensure high quality university education for Ontario students and leading-edge research output. Ontario universities must hire and retain high-calibre faculty in sufficient numbers to ensure improved student-faculty ratios and a wide choice of courses and programs. Students and faculty need access to well-maintained facilities, well-stocked libraries that make use of leading-edge technology, and up-to-date classrooms, laboratories and equipment. Students and faculty need adequate support staff and services. Students need study space and faculty need office and research space.

Our universities operate in a highly competitive environment and face extensive scrutiny from prospective students—and their parents—who wish to ensure that they will have access to a high quality educational experience. Universities welcome this scrutiny and have pioneered many educational innovations that broaden students' learning experience beyond the traditional lecture-hall format. These innovations include co-op education, internships, laboratory experiences, lectures that are enriched by new audio and visual technologies, senior-year research projects, small-group seminars, technology-based learning, international experiences, and many others. Universities believe that offering a variety of educational experiences is essential to serve students with different learning styles and to prepare students fully for the challenges that they will face after graduation.



Quality programming at the graduate level is also contingent upon the availability of top-level faculty and well-equipped libraries and research laboratories. Graduate education requires innovative and challenging programming and intense and ongoing intellectual interaction with faculty. It is informed by the research that is fundamental to the very nature of the university. Graduate programming in Ontario must also be of high calibre to attract the best and most accomplished international students, who enrich the graduate learning experience for Ontario students.

The faculty, programming, equipment, facilities and support services that create a meaningful educational experience to prepare Ontario students for their role in the knowledge economy and as productive citizens and leaders in an increasingly complex society, require adequate resources. While there are many creative strategies that institutions use to provide high-level programming with shrinking resources, there is no long-term, sustainable solution that does not involve more resources.

Cumulative Impact of Underinvestment

These resource needs will be discussed in more detail in the next section, but it cannot be overstated that Ontario universities require a steady, predictable flow of revenue to address problems created through years of government underinvestment in universities, including:

- ❑ A STUDENT-FACULTY RATIO that is the highest in Canada, having increased to 24-to-1 from 19-to-1 a decade ago. The average ratios are 35 per cent better in peer institutions in the United States, and 16 per cent better in the rest of Canada. Class size is such an important indicator of quality in the elementary/secondary system that special funding has been provided by the Ontario government to address this, and school boards are held accountable for keeping average class size down. There is no pedagogical reason to assume that university students can adapt to enormous classes as the norm and still have a quality learning experience. Indeed, evidence points to the opposite.
- ❑ CAMPUS FACILITIES that are in desperate need of renewal, with 78 per cent of university buildings over 30 years old, which is considered the average life cycle of a building. A systematic audit of facilities identified that almost 50 per cent of audited buildings are considered to be in poor condition, and overall, the deferred maintenance problem is estimated at \$1.5 billion. These figures are documented in the report, *Campus in Decline*, by the Council of Senior Administrative Officers (CSAO) and the Ontario Association of Physical Plant Administrators (OAPPA). The report, submitted as a separate brief to the Postsecondary Review, discusses the impact of deferred maintenance on the quality of the educational experience, including the disruption of educational activities, the impact of the failure of major building components, and the threat to health and safety created by hazardous and unsafe conditions.



- ❑ GRADUATE ENROLMENT LEVELS that lag substantially behind American levels and have been identified as a contributing factor to the prosperity gap between Ontario and peer states by the Task Force on Competitiveness, Productivity and Economic Progress. Last year, COU proposed a plan to immediately begin graduate expansion in order to double graduate enrolment by 2013, an expansion that would bring Ontario in line with advanced degree production rates in the U.S. in 1997. Expansion is needed urgently to provide the “double cohort” students now in second-year university with access to graduate and professional programs comparable to that of recent Ontario graduating classes.
- ❑ RESEARCH CAPACITY that has benefited considerably from federal and provincial investments in recent years but which requires further funding for research operating, infrastructure, and indirect costs to ensure that Ontario universities remain competitive with other provinces in accessing federal and international research funding to help secure Ontario's economic competitiveness.

Quality Assurance Processes in Ontario Universities

While acknowledging that sustaining a high level of quality in undergraduate and graduate education requires more resources, Ontario universities have not left quality assurance to happenstance. Indeed, Ontario has one of the most rigorous processes in place worldwide for the introduction of new graduate programs and the appraisal of ongoing graduate programs, and has recently entered the second cycle of a program of comprehensive audits of institutional undergraduate quality assurance policies and processes.

At the graduate level, the Ontario Council on Graduate Studies (OCGS) oversees a process that ensures that new graduate programs are introduced only when the university has a critical mass of faculty, support services, and adequate resources to support and sustain a high quality graduate program in the discipline, and a regular appraisal process of ongoing programs ensures that this capacity and level of quality is maintained. Only programs that meet the standards set out in the appraisal process are recommended to the Ministry of Training, Colleges and Universities as eligible for provincial funding.

At the undergraduate level, the Ontario Council of Academic Vice-Presidents (OCAV) has implemented a procedure for the systematic auditing of the policies and processes in place at all Ontario universities for the conduct of periodic quality reviews of undergraduate programs, through the Undergraduate Program Review Audit Committee (UPRAC). The UPRAC process imposes a stern test on institutional processes to ensure quality, by determining if institutional program review processes conform with the UPRAC guidelines, and by determining if the institutional reviews actually do what they say they are doing.

These quality assurance processes are discussed more fully in the University Accountability Framework referenced in the section on Accountability. The proposed Framework is submitted as separate brief to the Postsecondary Review.



THINK... FUNDING

It costs money to provide a great education and it costs money to be educated. We need to ensure that higher education is affordable for Ontario and for students, and that institutions can thrive.

Bob Rae
Advisor to the Premier and Minister
"Higher Expectations for Higher
Education: A Discussion Paper"
October 2004

FUNDING: HOW DO WE PAY FOR HIGHER EDUCATION TO ENSURE OPPORTUNITY AND EXCELLENCE?

The commitment of Ontario universities to ensuring access for all qualified Ontario students has been demonstrated, not just through the preceding recommendations on financial assistance and tuition revenue, but also through university actions in accommodating the unprecedented growth in enrolment that has occurred in the last decade and is anticipated to continue through to the end of this decade.

The consequences of underinvestment and the need for increased investment by government is evidenced by comparisons with other jurisdictions, including other Canadian provinces and the U.S. states that are Ontario's economic competitors. This has been well-documented, not only in reports from COU and individual universities, but also in

reports by independent commentators including the TD Bank Financial Group and the Task Force on Competitiveness, Productivity and Economic Progress, and has been acknowledged in the Discussion Paper. Ontario universities fully understand the competing priorities that the provincial government must juggle in determining the amount of funding it will commit to postsecondary education. However, all evidence points to the need for a revitalization of Ontario's postsecondary system. As Jeffrey Simpson noted in *The Globe and Mail* on September 11, 2004:

Postsecondary education . . . is about today and tomorrow. Unless we create a better-educated work force and better-equipped national research capacity, we will be unable to improve our country's productivity. On this everything else rests, including financing the future demands of social programs such as health care.

The Province should be willing to commit the funds necessary to secure Ontario's future. And this should be done through direct operating and capital support to institutions. Universities need a multi-year funding commitment from the government to ensure that they can offer Ontario citizens a quality learning experience, a strong research performance, and all the benefits that derive from these.

Operating Support

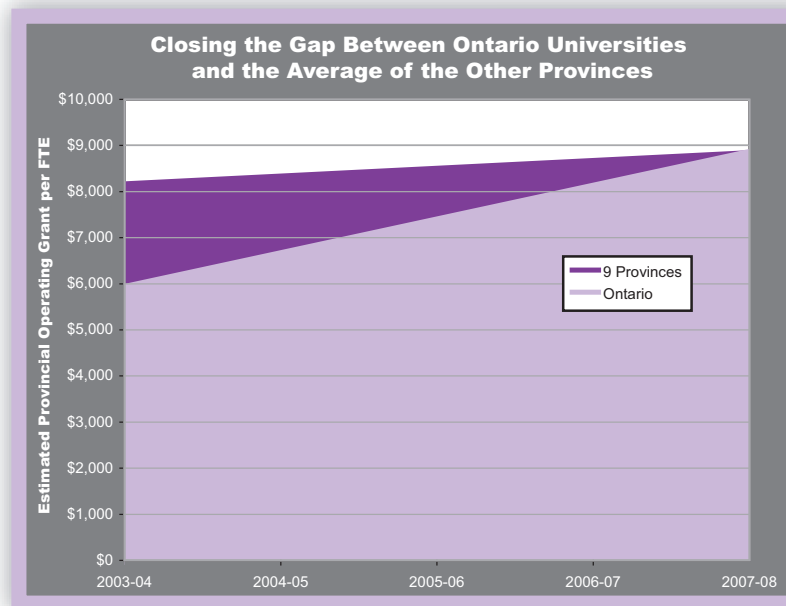
The underfunding of Ontario universities encompasses two major factors—both the level of support on a per-student basis and the number of students actually funded. There are thousands of eligible enrolments on Ontario campuses that receive no operating funding, a phenomenon that often has been referred to as the “unfunded students” issue. This problem arose during the mid-eighties and through the nineties, when universities responded to the increased demand for university-level education but government did not provide full funding for enrolment growth. While the undergraduate



accessibility funding of recent years has addressed recent undergraduate growth, a significant amount of enrolment remains unfunded. The numbers have increased in recent years because of increases in graduate enrolment that are not fully funded by graduate accessibility funding. It is estimated that in 2002-03, there were over 35,000 unfunded BIUs, representing a funding shortfall of over \$150 million, an amount that is growing as graduate enrolments increase.

Recommendation 2: It is recommended that the government fund all eligible students—undergraduate and graduate—in Ontario universities, to correct the problem of “unfunded students,” including recent graduate enrolment growth.

The second issue is the level of funding provided by government. It is well known that Ontario ranks at or near the bottom in terms of provincial operating funding to universities, on a per-student basis, on a per-capita basis and on a “per \$1,000 of provincial personal income” basis. On a per-student basis at current enrolment levels, the gap between Ontario universities and the average operating grant per student of the other nine provinces is estimated at roughly \$850 million. Taking account of projected growth in both graduate and undergraduate enrolment and increases in operating costs over the next three years, the gap is expected to grow to over \$1 billion by 2007-08.¹



¹ Based on the model used in the COU *Resource Document*, 2004, p. 22, using estimated enrolment for 2004-05 and beyond, and accounting for increases in operating costs of two per cent per year since 2001-02. Newer estimates since the publication of the *Resource Document* indicate that Ontario ranks 9th in terms of funding per FTE, with an estimated difference of \$2,209 between Ontario's operating funding per student and the average of the other nine provinces in 2001-02. This analysis assumes that the funding level in Ontario and the other nine provinces is the same in 2003-04 as in 2001-02 and then rises by two per cent per year.



While acknowledging that such comparative models are inexact because of the numerous factors affecting postsecondary financing in other jurisdictions, this gives an order of magnitude estimate of the funding gap that developed over the decades, exacerbated by the “unfunded students” phenomenon.

The level of funding for medicine, dentistry and veterinary medicine students also contributes significantly to the funding gap. As an example, the level of per student funding associated with medical students in Ontario is about \$25,000 compared to about \$55,000 in British Columbia and Alberta. The cost of educating a medical student is estimated at about \$65,000. Similarly large discrepancies exist in dentistry and veterinary medicine between the cost of education and the contribution from government. The government should not expect Ontario universities to draw resources from other programs to supplement the costs of educating the province's doctors and dentists.

The funding gap between universities and the other provinces must be addressed:

Recommendation 3a: As the economic leader of this country, Ontario should ensure that its universities are funded at a level comparable to the other nine provinces. The government should commit to phase-in an increase in operating grants of \$1 billion over the next three years, with incremental increases of \$333 million in each of 2005-06, 2006-07, and 2007-08. This revenue target takes account of expected enrolment increases in graduate and undergraduate programs and two per cent annual increases in operating costs through to 2007-08, so that Ontario is not falling behind as we strive to catch up with other provinces.

COU recognizes that this is a substantial commitment. The arguments in favour of it, however, speak directly to the position of Ontario universities relative to competitor jurisdictions, and the impact this has had on Ontario's prosperity. The Task Force on Competitiveness, Productivity, and Economic Progress examined Ontario's prosperity relative to the performance of 14 economic comparator U.S. states. COU has analyzed the levels of operating revenue in 2000-01 for public doctoral and master's universities in the 14 states and determined that the per-student revenue gap was about \$1 billion.² If the Ontario government commits to increase operating grants as recommended above, this revenue gap will be reduced but it will not be eliminated, as we can expect that these states will have increased their tuition revenue and operating support since 2000-01 and will continue to do so each year to 2007-08. The policy of tuition flexibility recommended in Recommendation 1b will allow universities to remain competitive. And government should commit to re-examine operating grant levels in 2008-09 and make a further multi-year commitment to ensure that Ontario does not again fall so dramatically behind other jurisdictions. Explicit in these commitments should be the principle that all eligible students in our universities will be fully funded.

² This is an estimate at Ontario's 2003-04 FTE level, using financial data from 2000-01, the last year for which the U.S. data is available in comparable form. These estimated figures were arrived at by using a similar, but not identical, methodology to the “U.S. Peers” data in the 2004 COU *Resource Document*, Table 2.6. In comparing Ontario to the competitor states, all public universities in the 14 states in the first four Carnegie classifications were used: doctoral/research universities—extensive and intensive, and master's colleges and universities I and II. Their operating revenue per student in 2000-01 was an estimated \$15,625 per student, compared to an estimated \$12,456 for Ontario universities.



Allocation of Operating Funding

The preceding discussion is premised on the assumption that the government will continue to provide direct operating support to universities, using the existing allocation mechanism, specifically the “corridor funding model.” This model fulfils key objectives for allocating operating funds, as it ensures stability, predictability, equity, accountability, and simplicity. The following recommendation confirms the corridor funding model and suggests an approach for refining it:

Recommendation 3b: The fundamental principles of the “corridor funding model” based on weighted basic operating units (BIUs) should be retained. The government should work with the universities through the joint Working Group on University Capacity to refine the application of the model to deal with the special funding measures introduced in the double-cohort period (including the Access to Opportunities Program and Accessibility Funding). The key principles should be full funding for all existing enrolments (2004-05, including graduate enrolments) and negotiated corridor midpoints for the next three-year planning period.

Graduate Expansion

Funding for access and quality are not the only revenue pressures that universities face. Another major pressure is the need for expansion of graduate enrolment and the associated costs. The Report of the COU Task Force on Future Requirements for Graduate Education in Ontario, *Advancing Ontario's Future through Advanced Degrees*, published in November 2003, called for a doubling of graduate enrolment over the next decade, which would require an estimated \$406 million in additional annual funding by 2013-14. Capital costs to build and equip the laboratories, libraries and other instructional facilities in which graduate education will occur are roughly estimated at about \$2 billion. The enrolment demand and funding assumptions are detailed in the report (available on the COU website at http://www.cou.on.ca/_bin/briefsReports/onLine.cfm).

Universities are already starting to expand their graduate enrolment and can anticipate a sharp increase in demand when the first year of double cohort students graduate in 2007 and many seek admission to graduate programs. Government provided graduate accessibility funding of \$31.1 million over the three-year period from 2001-02 to 2003-04 and has committed \$16.5 million for growth in 2004-05, but this funding did not fully address the growth that has taken place. To ensure that universities are able to continue graduate expansion and can address the pressing need for increased space, increased numbers of faculty, and increased student assistance, a multi-year full-funding commitment is needed:



Recommendation 4: It is recommended that the government establish a ten-year goal of doubling graduate enrolment in Ontario's universities and work with the universities to implement a plan that will build towards annual graduate funding of \$776 million by 2013-14, an increase of \$406 million in annual operating funding in constant dollars over 2002-03 funding levels. The government should task the joint Working Group on University Capacity with developing a detailed plan for increasing graduate enrolment in the next five years, addressing capital requirements, the funding mechanism, and the implications for graduate enrolments in institutions and disciplines.

Facilities

In the years leading up to the double cohort, the provincial government provided funding for a share of the costs of capital expansion on our campuses, to help accommodate the growing number of students. This funding was most welcome as it addressed one pressing need—for more space. However, continuing undergraduate and graduate enrolment expansion, combined with the need to replace or significantly renovate older buildings, and changing programming requirements that necessitate significant alterations to existing space, all point to the need for an on-going program of annual capital grants. Such a program existed before the introduction of the SuperBuild program, recognizing the need for ongoing renewal of our campuses. A one-time infusion of capital funding for growth does not respond to the need for an annual capital grant program for ongoing renewal of facilities.

This requirement is but one aspect of the overall facilities problem that needs to be addressed. Deferred maintenance requirements totaling \$1.5 billion were created through decades of underfunding that halted routine upkeep and maintenance of our buildings. At \$27 million, the annual provincial funding through the Facilities Renewal Program (FRP) falls far short of the estimated \$260 million in annual revenue needed to minimally maintain university buildings. Similar requirements in the elementary/secondary system were addressed by the Province following the release of the Rozanski Report. An approach similar to the “amortization fund” introduced this year for school boards is discussed in the CSAO-OAPPA *Campus in Decline* report. The report recommends either increasing the annual FRP funding to \$260 million annually immediately or through incremental annual increases over the next five years. An alternative approach is to introduce a debt financing model that would require a \$21 million incremental increase to FRP funding in each of the next three years, and continuing for 25 years, allowing universities to borrow \$260 million per year in each of the next three years. This is reflected in the following recommendation:

Recommendation 5a: It is recommended that the government reinstate an annual major capital grant program for new buildings and significant renovations of existing space.



Recommendation 5b: It is recommended that the government increase funds available for facilities renewal to \$260 million per year, an amount that would bring funding from 0.2 per cent to 1.85 per cent of current replacement value (CRV) and is equivalent to the funding provided by the government to the elementary/secondary system. The funds would be distributed to universities on the same basis as the current FRP grant, which is based on the amount of academic space at each university as a percentage of the system. To reduce the immediate fiscal impact of achieving this goal, the government could:

- ❑ Phase-in the increase in the FRP grant over a number of years until it reaches \$260 million, e.g., annual increases of \$46 million per year for the next five years, bringing FRP funding to about \$260 million by 2010; or
- ❑ Use debt financing based on the government guaranteeing the principal and interest payments, requiring a modest annual increase in FRP funding with a commitment that the funding would continue for 25 years. If the FRP grant is increased by \$21 million in each of 2005-06, 2006-07 and 2007-08, it would allow universities to borrow approximately \$260 million in each of those three years for facilities' renewal. This approach provides the appropriate level of funding for the system in the period from 2005 to 2008. Funding levels would be re-evaluated in 2009 based on the condition of the facilities at that time. Alternative ways to secure capital financing to obtain the most favourable terms available in the capital market can be considered.

In making this recommendation, COU affirms its support for the five principles of the infrastructure renewal framework issued in July 2004 by the Ministry of Public Infrastructure Renewal, namely, that in the approval of projects and the selection of financing options, the public interest is paramount; value for money must be demonstrated; appropriate public control/ownership must be preserved; accountability must be maintained; and all processes must be fair, transparent and efficient.

Research

Research and scholarship are part of the mission of every university. Investments in competitive research help position Ontario at the leading edge of breakthroughs and developments in socially and economically important fields such as health care, automotive technology, computing, bio-sciences, environmental studies, agriculture, and entertainment. Research informs university teaching and contributes to the development of world-class expertise and a workforce that bring the latest knowledge to product and process innovation.

The crucial role of university research in this province's and country's economic and social development and capacity for innovation has been acknowledged through the funding programs of both levels of government, including substantial investments through such programs as the Canada



Foundation for Innovation, the Canada Research Chairs program, the Federal Indirect Costs of Research program, as well as increased funding to the three federal granting councils, and provincial programs such as the Ontario Research and Development Challenge Fund, the Ontario Innovation Trust, the Research Performance Fund, the Premier's Research Excellence Awards, and numerous others.

More recently, the provincial government has introduced changes to its research funding programs, including the consolidation of several existing programs into a new Ontario Research Fund and the introduction of new programs for commercialization in the 2004 Budget. Much concern was raised in recent months when there were indications that the Province did not intend to continue matching funding for research infrastructure awards through the Canada Foundation for Innovation (CFI), concerns that were partially alleviated when the Premier announced, on October 6, 2004, the government's commitment of \$300 million for infrastructure matching funds. The commitment is most welcome and a further \$300 million will be needed to ensure that Ontario can compete for its share of CFI funding through to the end of its mandate in 2010.

Last November, the Ontario Council on University Research (OCUR) issued a position paper, *A University Research Strategy for Ontario*, to explain the crucial role and contribution of university research and outline the key components of a support strategy to ensure that universities can fulfil that role. The Strategy, available on the COU website at http://www.cou.on.ca/_bin/briefsReports/onLine.cfm, contains the principles and funding elements that should guide provincial investment in research, and is applicable to the design of the new Ontario Research Fund and commercialization programs. It is crucial that Ontario does not lose ground to other provinces through an erosion of the funding currently in place, including funding for the indirect costs of university research.

Recommendation 6: To help ensure Ontario's competitive economic position in Canada, and globally, it is recommended that:

- a) the government work closely with the research community in developing and implementing its research strategy for Ontario, that long-term funding needs be determined in the context of the strategy, and that the government commit to providing sufficient annual funding to the Ontario Research Fund to enable Ontario universities to continue to develop their research capacity to internationally competitive levels.
- b) the government provide full matching funding for Canada Foundation for Innovation (CFI) projects through to the end of the CFI's mandate, an amount estimated at about \$600 million to 2010.
- c) the government maintain annual indirect cost funding at a level indexed to cover a minimum of 40% of the direct costs of provincially funded research.



THINK... ACCOUNTABILITY

The growing awareness of the fundamental role that postsecondary institutions play in the economic, social, and cultural development of Ontario, combined with the increased costs of higher education has resulted in an increased profile of accountability and governance in the postsecondary sector.

Bob Rae
Advisor to the Premier and Minister
"Higher Expectations for Higher
Education: A Discussion Paper"
October 2004

ACCOUNTABILITY: DO WE HAVE THE RIGHT STRUCTURES IN PLACE TO KNOW OUR SYSTEM IS ACHIEVING THE RESULTS WE WANT?

Ontario universities are fully committed to accountability and to the development and implementation of a university accountability framework that reflects the special relationship that exists between the government of Ontario and the publicly assisted universities, and strikes the appropriate balance between accountability and autonomy.

The development of a framework has been underway for some time, stemming initially from the work of the government's Task Force on University Accountability, which reported in 1993, and subsequently in follow-up to the 1999 review by the Provincial Auditor of the Ministry's accountability framework for university funding. COU's proposed framework is being submitted in full to the Postsecondary Review and is summarized briefly here.

While Ontario universities receive public funding in support of their operations, they are not considered to be government agencies in the strictest sense. Each Ontario university is an autonomous institution with its own establishing Act (provincial legislation for all universities but Queen's, which has a Royal Charter) that vests control of the university in a governing board or council and assigns responsibility for academic matters to a senate or equivalent.³ The Task Force on University Accountability identified the governing body as the major focus of institutional accountability to the public and to government, a concept that is broadly understood and accepted.

Public funding is provided to universities to assist them in fulfilling the objectives assigned to them in their individual Acts and those expressed by government from time to time. Universities serve the public good by creating an educated populace; conducting basic and applied research in the interests of knowledge creation and innovation; training highly qualified personnel; and providing service to their various communities in a variety of ways, and through these, playing a critical role in Ontario's economic strategy.

³ This is a general statement. More specific information, including the distinction between universities with bicameral and unicameral governing structures, is included in the detailed Framework.



Universities acknowledge the need to demonstrate accountability for the public funding they receive, and to demonstrate accountability to all their various stakeholders and funders, but assert that an accountability framework for universities must reflect their status as autonomous institutions, the overall diversity of the system, and the evolving differentiation of universities as they develop strong missions and mandates appropriate to their particular size, location and role in Ontario. Universities should be judged against these particular missions and the strategic plans put in place to ensure that each university contributes to Ontario's economic and social development.

The proposed accountability framework allows an individual university to “customize” essential accountability mechanisms to reflect its distinct mission, history, and culture. The framework establishes a common set of mechanisms that each university would implement in its own way, based on key elements of broader public sector accountability including:

- legal authority;
- governance and management of the institution;
- mission statement and strategic and business planning;
- institutional performance measurement/information, with an emphasis on results and outcomes;
- financial management including assessment of financial and operational health;
- the clear articulation and transparency of accountability relationships with all stakeholders, including students.

These elements, while generic to any publicly supported organization, are tailored to Ontario universities as autonomous institutions and reflect the nature of their relationship with government.

Universities report extensively on the funding provided by government and, in fact, view existing reporting requirements as onerous and often duplicative. It is anticipated that with the implementation of the accountability framework, the existing array of annual reporting requirements will be reviewed and substantially reduced, giving way to the practice of each university preparing an annual report based on the framework and posting it on its website.

The following is a brief description of the framework elements:

Legal Authority

Each university's establishing act, although specific to the time of enactment and the history and culture of the university, contains certain common elements that establish the university as a corporation without share capital and as a charitable organization. The provisions of the act address institutional objects; its degree granting authority; the structure, powers and duties of the governing body and the senate or equivalent; the role and function of the president and chancellor; ownership, stewardship, and disposition of property; audit requirements; and reporting requirements to government, among others. The legal autonomy of the university is firmly established, along with the responsibility of the governing bodies for the financial, legal and academic stewardship of the institution.



Governance and Management

The roles and responsibilities of the governing board and senate (or equivalent) are clearly established in legislation and encompass all aspects of oversight of the institution. The effective interaction of these two bodies, and effectiveness of the processes put in place for interaction with management, is crucial. While practices understandably differ among institutions, by-laws, policies and processes have been adopted at each university that address such issues as board and senate operations; how the board holds the President and Administration accountable for meeting expectations; the structures and processes in place to ensure effective governance and management, for example, audit committees, strategic planning committees, and risk management committees; ensuring that the institution has in place appropriate administrative policies and practices to achieve the most efficient use of resources; and the role of students, faculty, staff, alumni, and community members on key decision-making bodies, committees and task forces.

Mission Statement and Strategic and Business Planning

The governing board oversees the development of a detailed mission statement and ensures that the institution has a clear and articulated understanding of its overall mission. This is usually achieved through the periodic development and implementation of a strategic plan that encompasses academic planning and business planning and that includes processes for annual review of progress in meeting strategic priorities and/or assessing if those strategic priorities should be revised. The strategic plan is generally developed through broad consultation with major stakeholders and clearly articulates all players' roles in ensuring the strategic plan is fulfilled. The strategic plan is usually a public document, prominently displayed on the university's website.

Performance Indicators: Institutional

Performance measurement is a tool for monitoring progress toward achieving institutional goals and objectives and/or assessing in a systematic manner if objectives are reasonable and achievable. Institutional-based performance indicators are selected after goals and objectives have been articulated, as an agreed-upon means of assessing performance to ensure continuous improvement, with a focus on results and outcomes. While indicators are meant to be objective, not all measures are quantifiable; some qualitative information must also be considered. Ontario universities are at different stages in the implementation of institutional indicators, and some have adopted other means of demonstrating progress in the achievement of strategic objectives.

Program quality is a key consideration of university performance and is fully addressed through the OCGS appraisal process for graduate programs and the UPRAC audits of the policies and processes in place for the systematic review of the conduct of periodic undergraduate program quality reviews.

Several universities participate in surveys of student or graduate satisfaction, such as the Canadian Undergraduate Survey Consortium and National Survey of Student Engagement (NSSE), to help gauge how effectively they contribute to student learning.



Performance Indicators: System-level

Although universities are not proposing the use of system-level indicators, they recognize that government may do so, based on the recommendations of the Postsecondary Review. If this is the case, extensive consultation with the university system is needed in the development of system-level objectives and in the development and implementation of indicators based on those objectives.

Financial Management and Assessing Financial Health

Ontario universities properly manage the funds provided to them, adopt reasonable policies on balanced budgets, and generally do not allow operational deficits. Policies and practices differ among universities, but usually include: financial reporting to the board, including the use of annual summaries of operating results and financial position covering both financial and non-financial results; budget monitoring and requirements for addressing variance from the budget; use of financial information to assess and address financial and operational health, including risk management and audit committees; and the preparation of independently audited annual financial statements that are submitted to government. In addition, the annual *Financial Report of Ontario Universities* prepared by the Council of Finance Officers - Universities of Ontario (COFO-UO), provides a consistent, detailed presentation of the financial information of all universities and for the system as whole.

Accountability Relationships

Ontario universities are accountable not just to government, but to major stakeholders including students, faculty, staff, alumni, funders and donors, and the community. These accountability relationships involve not just reporting, but the involvement of stakeholders on decision-making bodies, institutional planning committees, presidential search committees, and so on. Universities demonstrate this accountability in a variety of ways and through processes and forums that vary from institution to institution.

Recommendation 7: It is recommended that government accept the proposed university accountability framework (as summarized here and as presented in a separate submission) and work with the universities in its implementation.



THINK... SYSTEM DESIGN

If increased access and improved quality are key goals for Ontario, then ensuring the province has the right postsecondary system design and structure is a critical part of the solution. Improved collaboration among institutions must ensure students can move easily along career and learning pathways.

Bob Rae
Advisor to the Premier and Minister
"Higher Expectations for Higher
Education: A Discussion Paper"
October 2004

SYSTEM DESIGN: HOW CAN WE MAKE SURE THAT OUR INSTITUTIONS CONSTITUTE A COHERENT, COORDINATED SYSTEM TO MEET ONTARIO'S GOALS FOR HIGHER EDUCATION?

Ontario's postsecondary system includes 24 colleges of applied arts and technology and 18 universities, with differentiated missions and strengths serving the needs of a diverse, geographically dispersed population.

The issue of college-university cooperation was canvassed extensively in a series of reports in the early and mid-1990s, including the report of the Premier's Council (1990), Vision 2000 (1990), Dr. Stuart Smith's report for AUCC (1991), the Task Force on Advanced Training chaired by Dr. Walter Pitman (1993), and the Advisory Panel chaired by Dr. David Smith (1996).

Since that time, Ontario's universities have worked with colleges to put in place new opportunities for students seeking alternatives to traditional postsecondary programs. Many new opportunities have been created for students who wish to combine the benefits of a college education and a university education. These opportunities now include:

- ❑ A new facility, created through a partnership between the University of Guelph and Humber College, dedicated entirely to serving students who wish to receive both a university degree and a college diploma.
- ❑ A new partnership among UOIT, Trent University and Durham College to offer a full range of programs on a single campus that reflect each institution's academic mission and strengths.
- ❑ Major facilities devoted to programs offered in partnership between a college and a university, including Seneca@York, McMaster-Mohawk, and Centennial-University of Toronto, Scarborough Campus.
- ❑ A new partnership between the University of Windsor and Georgian College that will see Georgian offering an accredited four-year Bachelor of Applied Science - Mechanical Engineering (Automotive Option) from the University of Windsor beginning September 2005.



- ❑ Laurentian University and Georgian College have partnered to offer a three-year Bachelor of Arts at the Georgian campus, with the first graduates receiving their degrees in May 2004. The first group of students continuing in the fourth year are now at the Laurentian campus. The first students in a new collaborative Bachelor of Social Work degree are currently enrolled at Georgian's Orillia campus.
- ❑ More than two hundred arrangements to grant advanced standing to qualified students who wish to attend both a college and a university—an increase of 60 per cent in three years—and an online Ontario-University Transfer Guide to make these arrangements accessible to interested students.

These initiatives have been supported by two important changes in government policy:

- ❑ The provision of full funding for incremental undergraduate enrolments, beginning in 2001, has meant that universities receive revenues to help pay the costs of serving additional students, including students transferring from colleges.
- ❑ The government's decision to reserve a portion of SuperBuild funding in 2000 for joint college-university initiatives has meant that the new partnerships selected by the government were able to proceed without taking space from existing programs.

The achievements of the past decade are all the more remarkable when one considers the challenges that institutions face in creating college-university partnerships. The challenges are substantial, both for programs based on transfers from college to university and for fully integrated college-university programs:

- ❑ With 24 colleges, each offering dozens of different programs, it is no small task for a university to assess whether a prospective college transfer student is likely to succeed in his or her intended university program, or to determine how much advanced standing should be granted to that student.⁴ The greatest progress in transfer arrangements has been made where individual program heads at universities and colleges have worked together to ensure a smooth transition from the college curriculum to the university curriculum.

⁴ It is instructive to compare the experience of students applying to university from college with that of students applying from secondary school. Secondary school students learn a curriculum based on uniform province-wide standards, enforced by the Ministry of Education, with a reasonably uniform province-wide marking system. The curriculum includes courses specifically designed to prepare students to succeed in university, developed in consultation with universities and other stakeholders. This system has allowed universities to assess as many as 103,000 applications from secondary schools annually, with results whose fairness is widely acknowledged. While a level of uniformity among the colleges similar to that among the secondary schools may be undesirable, the comparison illuminates the challenges universities face in assessing college transfer applicants.



- ❑ Creating a custom-designed college-university program that minimizes duplication for the student requires a substantial upfront investment. For each new program, an investment of \$200,000 or more in direct costs for curriculum development is typical. An additional investment of \$200,000 or more for library materials may be required. Equipment costs may range from \$25,000 to over \$1 million, depending on the program and the availability of existing facilities. These are daunting amounts for specialized programs that typically attract 30 to 100 new students annually. The provision of SuperBuild funding for selected college-university partnerships supported the capital costs for those institutions, but the institutions continue to bear the financial risk of other start-up costs.

Postsecondary students who wish to attend both a college and a university are finding pathways that allow them to do so. Institutional arrangements such as those listed above are making it possible for these students to identify pathways that minimize unnecessary duplication and program length.

These initiatives suggest the soundness of governments' strategies in the past decade to encourage college-university collaboration without changing the fundamental structure of Ontario's postsecondary education system. Funding arrangements since 2001 provide significant financial support for universities that wish to admit additional undergraduate students, including those transferring from colleges and those enrolled in integrated college-university programs. These incentives are balanced primarily by universities' responsibility to offer admission only to students whose academic backgrounds indicate that they are reasonably likely to succeed in their intended university program. While improvements will continue to be made, universities know of no evidence that large numbers of qualified transfer applicants from colleges are being turned away or are being required to repeat courses unnecessarily. It is not in universities' interest to turn away or discourage qualified students.

With adequate financial support, it can be expected that universities will continue to work with colleges to identify pathways and programs that will be attractive to students. Some universities and colleges will be pioneers in the creation of such programs; some will replicate what is seen to be working well elsewhere; and, some will participate in such partnerships in a more limited way, recognizing that their strengths lie elsewhere. This competition to attract students by offering a diverse array of innovative programs is a strength of Ontario's postsecondary education system and is serving students well.

College-university collaboration is important. It is equally important to ensure that the strengths of the college sector and the strengths of the university sector are preserved, through adequate funding to both sectors, so that both are well-positioned to respond to student demand for quality education. It would not serve the province well to devalue or undermine the vital role that colleges play in the education and skill development of the vast majority of college students who do not want to receive a university education and who have chosen a college education for its particular strengths and benefits.



Recommendation 8: It is recommended that government continue to encourage collaboration between colleges and universities through the provision of operating and capital funding that supports the cost of innovative programs for students who wish to combine the benefits of a college education and a university education, while maintaining the fundamental structure of Ontario's postsecondary education system.

System Coordination

The Discussion Paper raises the question of the need for a coordinating or advisory body with a mandate to improve system-wide coordination, and suggests a variety of roles for such a body. After reviewing the history and mandate of a variety of intermediary agencies (sometimes termed “buffer” bodies) in Ontario and other jurisdictions, it is the view of Ontario's universities that the establishment of a postsecondary advisory body would not in itself do anything to address the primary issues facing postsecondary education in Ontario, namely, inadequate resources to provide access to high quality higher education and to perform high quality research.

Over the past several years, with no advisory body in place, COU and the Ministry have worked closely together, particularly to plan for and manage the double cohort. The creation of the Working Group on University Capacity, composed of senior ministry officials and Executive Heads of the universities, and co-chaired by the Deputy Minister and the President of COU, provided a new opportunity for senior university administrators and government officials to work together on significant policy and resource issues of mutual concern. This working group model has created a level of contact between the senior decision-makers in the sector and senior ministry officials that is unprecedented. Other examples of effective government-university cooperation on important policy and program issues include the Working Group on University Research and the College-University Consortium Council.

Nevertheless, if the decision is made to establish such an intermediary body, it is essential that its mandate and structure support a meaningful role that does not interfere with university and college operations, nor undermine institutional and academic autonomy, nor stifle institutional and system innovation in programming and partnerships. It is also essential that the establishment of an advisory body does not result in a delay in implementation of the Postsecondary Review recommendations. Accordingly, one could envision the following characteristics for the body:

- ❑ Its mandate should focus on enhancing the province's capacity to perform high-quality research and analysis on postsecondary policy issues, becoming a sort of policy “round table” or “think tank.”
- ❑ It could monitor accountability arrangements, including the university accountability framework described in this submission, and help ensure that the Provincial Auditor and others understand how universities are accountable; this accountability monitoring role for an arms-length advisory body was recommended by the 1993 Task Force on University Accountability and the 1996 Advisory Panel.



- ❑ It should also monitor the government's progress in fulfilling the Postsecondary Review recommendations and for adequately funding the universities and colleges so that they can fulfil the economic and social objectives assigned to them.
- ❑ It should not add to the administrative and financial burden of institutions by increasing reporting requirements; its terms of reference should include specific estimates of the costs it will impose on institutions, and one measure of its success would be adherence to these cost ceilings.
- ❑ It should have a small number of highly qualified staff, including secondments from the public service, and care should be taken to ensure that there is no overlap in the functions of the body and the functions of the Ministry, so that institutions are not faced with dual reporting and accountabilities.
- ❑ Its advisors should be drawn from the large number of recognized experts on university and college issues available in Ontario.
- ❑ Its terms of reference should include a sunset clause requiring an assessment of its purpose and value after a four-year, or at most, five-year period.

Recommendation 9: It is recommended that, if the government chooses to create an advisory body, it be staffed with a small number of very highly qualified individuals and advised by recognized experts on postsecondary issues, and that its role be one of research, policy advice, and accountability monitoring—the universities' accountability and government's progress. It should have no operational role that would duplicate the existing work of the Ministry or infringe upon the operations of universities.



SUMMARY OF RESOURCE REQUIREMENTS

Throughout this submission, we have conveyed the urgent need for additional resources to ensure quality in Ontario's universities. In view of the province's current fiscal position, we recognize that the substantial investment that is necessary may have to be made in two stages. Some recommendations establish a three-year time framework through to 2007-08 for addressing the most pressing revenue requirements, while others ensure that government is aware of the longer-term investments that are needed.

In summary, we recommend that in the immediate and short term, government:

- Implement improvements to OSAP to help ensure financial access for students (combination of loan and grant costs to be determined)
- Allow universities flexibility in tuition policy (no direct costs to government)
- Commit to fully fund all eligible students and to bring operating grants per-student to the average of the other nine provinces, requiring an increase in operating grants of \$1 billion annually, with incremental increases of \$333 million in each of the next three years
- Reinstatement of an annual capital grant program for new buildings (annual costs to government will depend on the financing model adopted)
- Increase Facilities Renewal Program (FRP) funding by \$21 million annually in each of the next three years, and commit to fund at that level for 25 years, to allow universities to borrow \$260 million in each of the next three years to begin addressing the \$1.5 billion deferred maintenance backlog

In the longer term, we recommend that government:

- Make further multi-year operating grant commitments for 2008-09 and beyond (amounts to be determined based on Ontario universities' position at the time comparable to public universities in competitor jurisdictions)
- Include in that multi-year commitment for 2008-09 and beyond, operating and capital support for graduate enrolment growth, to reach target operating support levels estimated at \$776 million annually by 2013
- Re-evaluate FRP funding levels in 2008-09 based on the condition of facilities at that time
- Continue annual funding in support of university research at a level that ensures Ontario's competitiveness and provide matching funding for CFI awards (an additional \$300 million beyond current commitments is needed for CFI matching through to 2010)