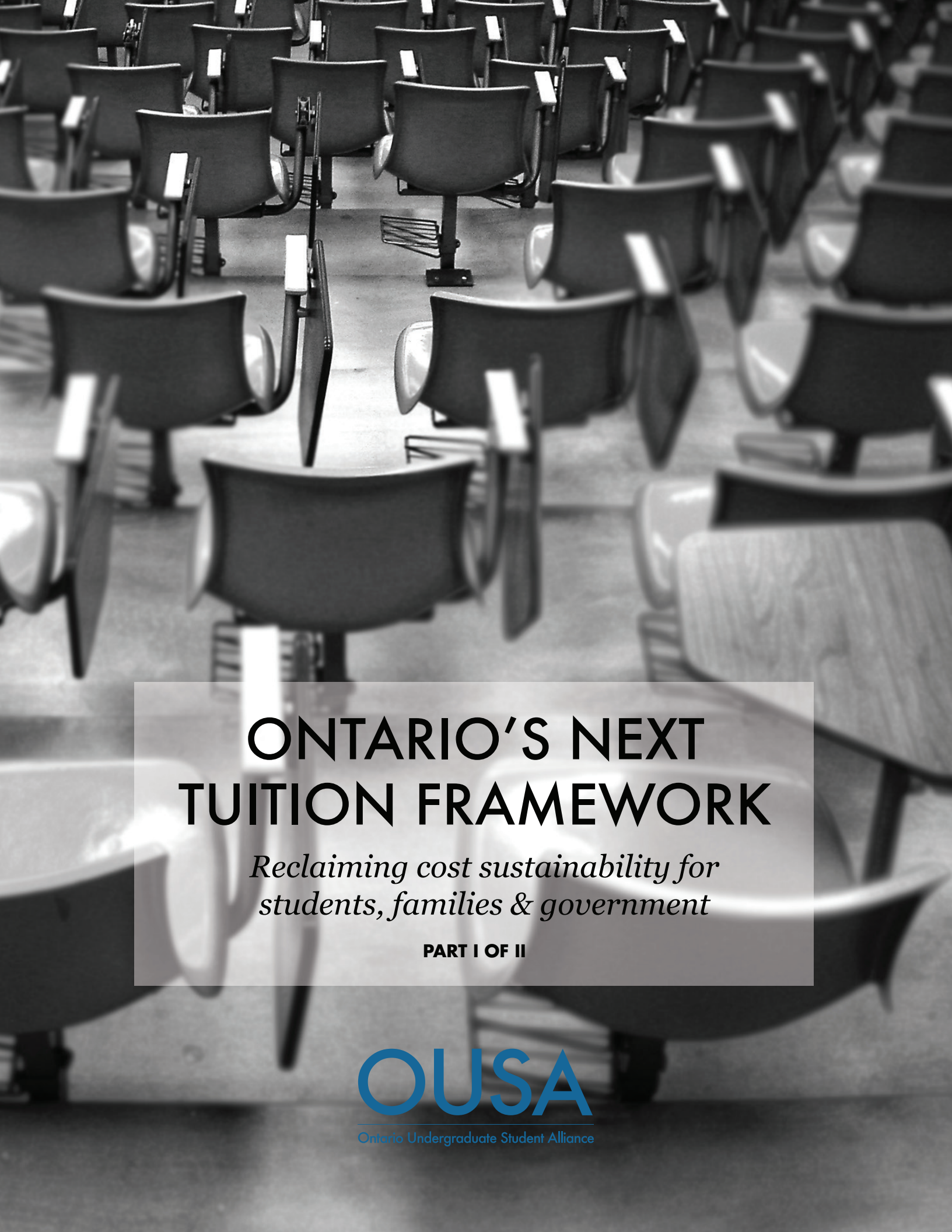

ONTARIO'S NEXT TUITION FRAMEWORK

Reclaiming cost sustainability for students, families & government

PART I OF II

OUSA

Ontario Undergraduate Student Alliance

WHY IS IT CRUCIAL TO THE FUTURE OF ONTARIO TO LIMIT TUITION INCREASES?

executive summary

It will not come as a surprise to most readers of this document that students are asking for a shift in Ontario's tuition policy. Students' concerns with tuition are so omnipresent in public debate that they have almost become synonymous with the very notion of a student movement. This harmful perception can make it seem like the student position on tuition is simple and has not evolved over time. In turn, the student movement is sometimes viewed as overly idealistic and opposed in principle to any student-borne costs.

It is really too bad, because the student movement is far from simple; so too are our concerns around tuition increases.

Students' reasoning for collective advocacy is two-tiered; firstly, to shape a learning environment that is ideally suited to our goals; and secondly, to set ourselves up to be successful members of society. Higher education is an integral part of the development of the province. It is a space that, whether directly or indirectly, prepares citizens to raise families, start businesses, build communities, and ultimately make it possible to realize our potential as citizens. Tuition, like any economic concern, affects all of these objectives. However, when all is said and done, student concerns about tuition are not about the money.

On the contrary, student concerns about tuition are inseparable from our goals as Ontarians. They are about the Ontario that we cultivate for the next generation.

As Ontarians, students understand that anything worthwhile, including higher education, comes with sacrifice and hard work. Part of this sacrifice is financial; supporting the province's universities and colleges with tuition revenue to ensure a high quality return on our investment. However, Ontarians also know when to change course, revisit old ideas and challenge long-held assumptions.

It is this spirit that created a second post-secondary system in the 1960's, that guided the creation of Canada's most robust system of non-repayable assistance in the country and that more than doubled the size of the post-secondary system in the past 10 years. This type of change does not bend to convenience; rather, it is conducted when there is a clear and present need.

When it comes to rising tuition, students believe that such a need for change exists. Contrary to popular assumptions, students acknowledge and celebrate Ontario's world-leading participation rate, which has increased in the context of rising tuition. It is not overall participation rates that we believe create a need for change. Rather, the need stems from a variety of short-term conditions and long-term impacts that will make the continuation of the current framework problematic for the future of our province.

Overall, students believe that continued tuition increases at 5 percent will have the following long-term impacts:

- A complicated array of negative impacts on overall affordability, differentiated for low- and middle-income families;

- Reduced insitutional accountability to public goals; and

- A perpetual need to increase investments in student financial assistance to offset rising tuition that families cannot afford. This will be particularly harmful as the government moves to eliminate the provincial deficit by 2017-2018.

2012 has also been a landmark year for students across the country. The successes of the student protests in Quebec have caused Canadian students to think critically about their provincial tuition policies. Students believe this year has created several short-term realities that provincial tuition policy must address:

- This year, Ontario claimed status as the highest tuition increase in the country, as well as the highest tuition. This will hurt Ontario's competitiveness as a study destination in the long-term.

• Compounding current affordability problems, broader economic trends in the labour market have had devastating consequences on student employment, creating a situation where many students cannot be assured of summer income to off-set rising tuition costs.

Students believe that an immediate change of course on tuition policy is the only solution that will mitigate the long-term impacts and satisfy short-term pressures on students. The following are potential solutions that OUSA recommends:

Recommendation: Freeze tuition fees for at least one-year and increase per-student funding to post-secondary institutions at the rate of inflation to partially compensate.

A change in course on tuition will be more evident and obvious to Ontarians if a strong signal is sent immediately. Students are aware that a tuition freeze does not come inexpensively, but it must also be acknowledged that not all university costs require subsidization. The signal will not only be evident to students struggling to afford education, but also to universities who have struggled to conform to broader public sector goals of cost-containment. This freeze would not need to be fully funded, though some increased funding would be required to ensure that the revenue impact on institutions is not harmful to the learning environment on campus.

Recommendation: Should tuition increase in any future year, it must be no more than the rate of inflation as measured by the Ontario Consumer Prince Index.

Fundamentally, students believe that the price of undergraduate education must be tied to the ability of consumers to pay. By definition, tuition increases above the rate of inflation defy this logic.

Despite quickly-rising costs, universities continue to serve the purpose of educating a substantial proportion of Ontario. The price of this education cannot continue to rise above inflation, as each year of increase makes the whole endeavor increasingly expensive. An inflationary cap on increased funding from students will allow cost certainty for students and families, as well as universities who need to engage in multi-year fiscal planning. Additionally, a cap on tuition increases creates pressure for university cost increases to come down to a level that students and the public will be able to afford in the long-term.

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OUSA
Ontario Undergraduate Student Alliance

contents

PREAMBLE: ONTARIO'S CURRENT TUITION FRAMEWORK

The Ontario government's tuition framework regulates how post-secondary institutions can increase students' tuition fees. The current framework was announced in April 2006 for the academic years 2006/07 to 2009/10, and was subsequently extended for the 2010/11, 2011/12 and 2013 academic years. In May 2011, then Minister of Training, Colleges and Universities (MTCU) John Milloy announced the government's intention to "develop a new tuition policy for fall 2012 that provides cost certainty to families by continuing to regulate tuition fees."

The tuition framework is regulatory rather than legislative, meaning that changes to the framework are made by the Ministry of Training, Colleges and Universities. These regulations apply only to students who are in programs eligible for government support, which excludes most international students. The popular conception is that tuition increases are capped at 5 percent annually; this is true, but the actual system is more complicated than a uniform cap.

Tuition is set at the program level, with annual increases depending on the program classification. First-year tuition differs widely between non-professional, undergraduate, professional and graduate programs. Professional undergraduate programs include commerce and business, computer science, physical and occupational therapy, architecture, engineering, dentistry, law, medicine, optometry, pharmacy, veterinary medicine and a variety of other specialized disciplines. The cap for professional and graduate students applies to all of these programs.

For instance, most engineering programs increase tuition fees utilizing the 8 percent cap at the first year, whereas more standard arts and natural sciences programs use the 4.5 percent cap. All subsequent tuition increases must be no more than 4 percent annually. When the total tuition increases at a given university are averaged together, the resulting average is not allowed to exceed more than 5 percent, excluding changes in enrolment.

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

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

LONG-TERM IMPACTS OF FURTHER TUITION RISE

To fully appreciate why it is important that Ontario change course in tuition policy, it is important that policymakers fully appreciate the impacts of a high-tuition system. It is well known that students are concerned with rising tuition, but the reasons for this are oftentimes not well understood. Students concerned with rising tuition have repeatedly been characterized as entitled, ignorant of financial pressures on universities and ungrateful for investments that governments and the public have made in their education.

None of these interpretations are completely accurate. With the exception of the two-year freeze enacted by the McGuinty government in 2004, Ontario students have seen consistently increasing tuition for the last two decades. These increases supported an unprecedented growth in per-student revenue at universities.

However controversial this contribution has been amongst students, students broadly agree that a well-financed university system is important to Ontario's future, and have accepted the responsibility to support this objective to this point. However, students also feel the weight of responsibility to ensure that the growth in universities and colleges is sustainable, planned and strategic. OUSA's criticism of rising tuition fees centers not on a mere desire not to pay, but concern over the long-term impacts of sharply increasing tuition. These long-term impacts will most certainly be:

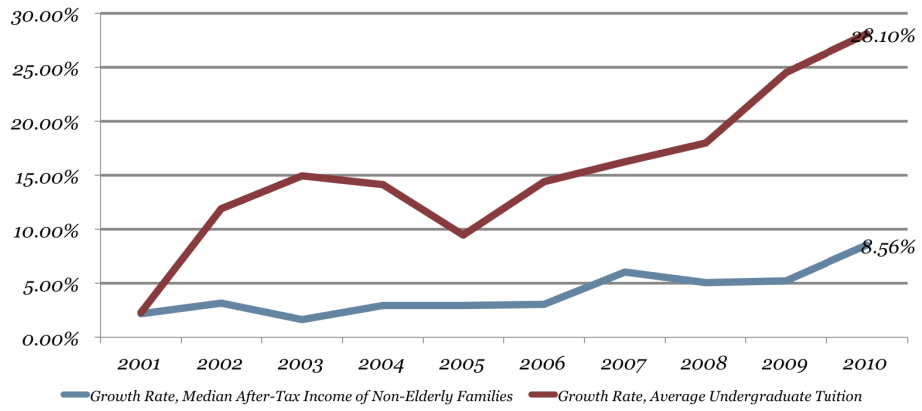
i. Reduced affordability.
ii. Reduced institutional accountability.
iii. Increased cost to government in the form of financial assistance to students.

REDUCED AFFORDABILITY

If affordability is measured as the price of a good or service in relation to a family's ability to pay, tuition has certainly become less affordable for families over the last few years. If it continues to rise at a faster rate than inflation, this trend will continue. There is very simple math that leads to this conclusion.

The best measure of available household income for tuition is real median after-tax income of non-elderly families.[1] Most economic family groups with post-secondary age children fall into this category. Between

FIGURE 1: CUMULATIVE GROWTH RATES IN AVERAGE ONTARIO UNDERGRADUATE TUITION AND MEDIAN INCOME (2010 CONSTANT DOLLARS)



2000 and 2010, inflation adjusted after-tax median income for families in Ontario rose only 8.56 percent.[2] Yearly average increases were only approximately 0.86 percent.[3] In comparison, tuition fees have risen approximately 28.1 percent between 2000 and 2010, with yearly increases averaging approximately 5 percent.[4] The differential in the growth rates of average tuition fees and median family income very clearly illustrates a growing proportion of family resources that must be devoted to tuition. As figure 2 shows, the average tuition for students in Ontario has risen nearly 1.5 percent as a proportion of family resources in the past decade. If the current framework remains this upward trend will continue.

Beneath this basic arithmetic however, lies a more complicated picture. Tuition increases have had varying impacts on different types of students; particularly when one examines students from across different income backgrounds.

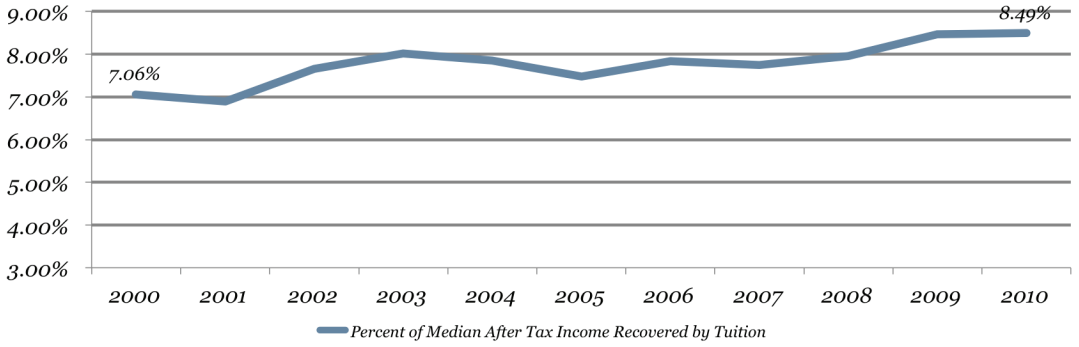
Impact on low-income Ontarians: Stagnating Participation and Sticker-Shock

Tuition is a prime contributor to Ontario's problem with unequal access to post-secondary education. Between 1999 and 2007, the proportion of Ontario students from the lowest income quartile attending university full-time has remained relatively constant, increasing from 14 to 17 percent (see figure 3).[5] This is curious, considering that the total enrolments over this period almost doubled.[6] Indeed, most of this growth came from high-income Ontarians, whose participation rates increased from 32 to 46 percent in this time period.[7]

The relationship between income, participation and tuition fees is more pronounced when drastic increases in tuition occur. For example, during the first four years of deregulation of medical school at the University of Western Ontario, the average household income of students participating increased from $40,000 to $60,000, while the percentage of students attending from households earning $40,000 decreased by more than half.[8]

Similar impacts have been observed in law and other professional programs during the deregulation of professional programs that occurred between 1996 and 2002, where professional tuition increased by an average of 132 percent.[9] [10] Stagnant participation among low-income Ontarians can be partially explained by the fact that economically

FIGURE 2: AVERAGE TUITION AS A PROPORTION OF MEDIAN INCOME, 2000-2010 (2010 CONSTANT DOLLARS)



speaking, the last decade has not served low-income Ontarians well. After-tax earnings growth for low-income families accelerated only 2.83 percent over the last decade, while the growth of high-income earnings accelerated by 5.4 percent.[11] With the cost of tuition averaging approximately $7,180 and increasing rapidly, post-secondary education can seem an expensive proposition for a family making under $16,000 annually.[12] The word "seems" is very intentional in this instance, recognizing that low-income Ontarians benefit from a variety of non-repayable student financial assistance programs available through the Ontario Student Assistance Plan and institutions themselves. In 2011-2012, a hypothetical student studying a liberal arts program whose parents made $15,500 after-taxes (the average for the lowest income quintile in 2010), would be eligible for approximately $6,000 in combined federal and provincial grants.[13] Given that average tuition for a liberal arts program was approximately $5,448 in 2011-12, net-tuition for this student would be below $0.

FIGURE 3: FULL TIME UNIVERSITY PARTICIPATION AMONG ONTARIO YOUTH, 1999-2007

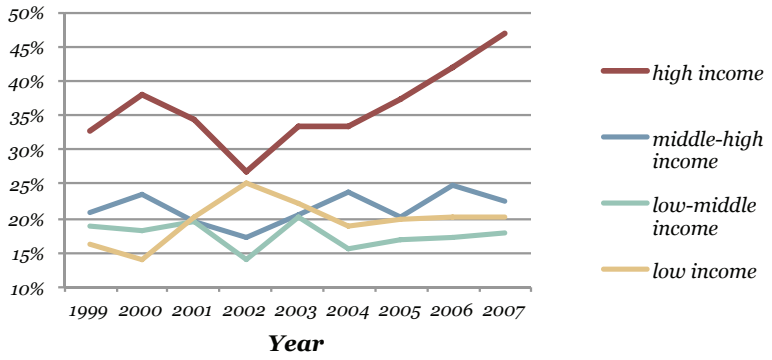
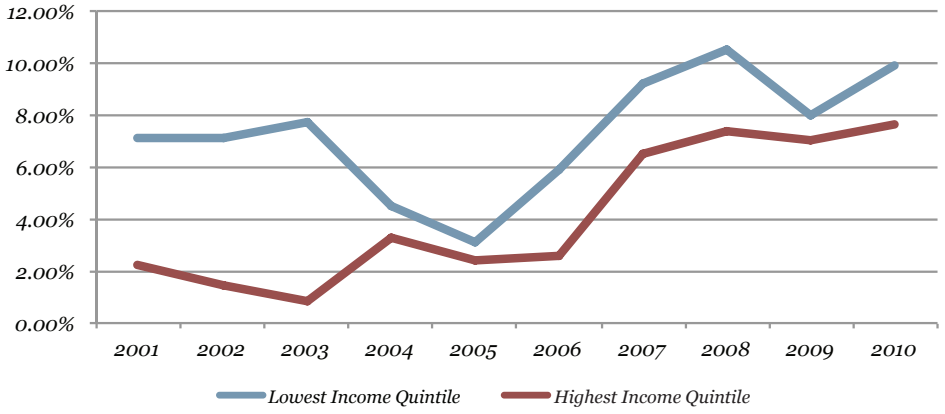


FIGURE 4: GROWTH RATES IN AVERAGE INCOME BY QUINTILE, 2011-2010



If net tuition for the lowest income Ontarians can be zero, why then does such large participation gap between low and high-income Ontarians continue to persist in university education?

Three compelling reasons why the participation gap might exist:

Perception of Price Matters. Post-secondary education carries a wide variety of large-up front expenses that can be daunting for low-income Ontarians, even with social transfers in place to offset high costs. Tuition is widely perceived by the public to be expensive. A poll conducted by OUSA in 2011 revealed that 72 percent of Ontarians with children 18 years of age or younger were worried they would not be able to pay for their child's post-secondary education.[14] Indeed, a great deal of research supports that people from low-income backgrounds are more price-sensitive than the general population, particularly aboriginal students.[15] In one study, low-income Canadians estimated that tuition costs were more than double what they actually were.[16] Despite the fact that Ontario has one of the most generous financial assistance systems in Canada, there are a large number of potential students who still perceive that education is too expensive.

"Students often do not understand the relationship between grants and loans, and often do not know grant programs exist at all..."

Some are quick to point out that this, not rising tuition is the problem for low-income participation in university. OUSA believes that financial literacy is important, but also that tuition increases exacerbate the perception that costs are unmanageably high. Despite continued investment in financial assistance, the income-distribution of university-bound students has not become more equal over most of the past decade. OUSA believes that this change in participation will only come when changes are made to the source of price sensitivity & sticker shock: rising tuition.

Financial Assistance is Complicated and Most People Do Not Understand it. It is a well-known fact that Canadians from all income backgrounds struggle to understand our financial aid system. In a 2009 survey, three quarters of financial aid users failed a basic literacy test, misunderstanding basic parts of the system.[17] The failure rate for high-need students who relied more on assistance was lower, but the majority of these students still failed.[18] A reading-level test of the OSAP application found that an upper-year university education was required to get through it.[19]

Students often do not understand the relationship between grants and loans, and often do not know grant programs exist at all. For example, despite much public fanfare, only about half of post-secondary age Ontarians were aware of the Ontario Tuition Grant launched last year, according to a poll commissioned in 2012.[20]

Financial Assistance Does Not Completely Cover Student Costs: Students are aware that there is a cap on the resources government will make available through financial assistance programs. Currently, Ontario Student Assistance Plan maximums are capped at $12,240 for single students without children and $19,040 for married students, or those with dependent children.[21] Given that the most recent available cost estimates for post-secondary education places costs for students living away from home at nearly $22,000, it is a fact that a large number of students in

Ontario post-secondary carry unmet financial need.[22] It is currently estimated that 30,000 students had unmet financial need in 2011-12, even taking into account the government's Student Access Guarantee.[23] For a student from a family without income to support post-secondary, a financial assistance system that leaves some students without the resources to cover up-front costs does not do enough to motivate students to attend post-secondary. Combined, the realities of high price-sensitivity, a complicated financial aid system and unmet need, a compelling theory emerges: there are students who perceive that they cannot pay for school and do not know enough about the financial assistance system to allow them to overcome this informational barrier. OUSA believes firmly that this issue should be addressed through tuition policy as well as a greater effort to promote financial assistance mechanisms.

Impact on Middle-Income Ontarians: Increased Debt-Loads

Low-income students have long had to accrue debt to complete university or college, but it is actually middle-income students who have turned to loans and debt more than any other socio-demographic group. Very directly, this

FIGURE 5: GROWTH IN OSAP RECIPIENTS AND ENROLMENT, 2008-2012

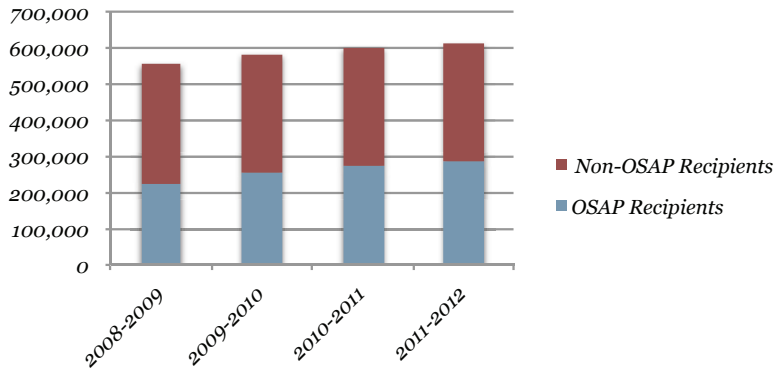
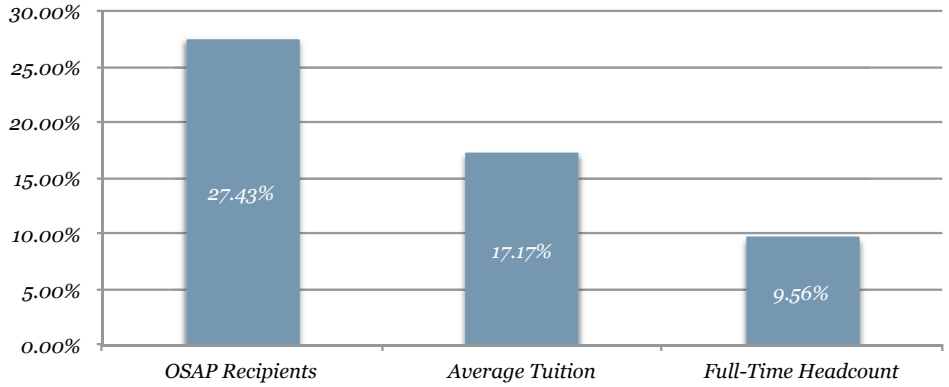


FIGURE 6: TOTAL PERCENTAGE GROWTH IN STUDENT AID RECIPIENTS, ENROLMENT AND TUITION, 2008-2012



has been the result of rising tuition in Ontario universities. Student debt linked to tuition is increasing in both incidence and theaverage amount owed after Ontario students graduate. In 2009, the average total undergraduate student debt in Ontario was approximately $26,700, where roughly 64 percent of all Ontario students reported having debt.[24] In real terms this the highest magnitude and incidence of debt in twenty years.[25]

There are Many Students Taking Out Student Loans that Would Not Have Previously: The trend of middle-income families utilizing loans to afford rising tuition is not new. Using data from the last census, between 1999 and 2005 the amount of total student debt reported by middle income families had increased by 74 percent, or $1.5 billion dollars overall.[26]

"OSAP use increased from approximately 40 to 47 percent between 2008 and 2012."

This increase was sharply above the increase in debt for those from high or low family incomes. Middle-income families often do not qualify for the same amount of non-repayable assistance, and must often turn to private loan sources to recover post-secondary costs. This is evidenced by two trends observable in the last four years.

Such a large increase indicates that middle-income families are not only taking out larger loans to pay for post-secondary education, but also that more of them are seeking loans in the first place. The decreased affordability of higher education in Ontario is also evident in the fact that between 2008/09 and 2011/12, over 62,000 more students received OSAP, indicating that more students are turning to loans to finance their education.[27] This represents a 27.4 percent growth in OSAP use in 2012, relative to 2008. This would not be so alarming if it did not substantially eclipse enrolment growth over the same time period. Undergraduate enrolment as measured by a headcount only increased by approximately 31,000 over this time period, representing 9.56 percent growth.[28]

Relative to the total Ontario post-secondary enrolment, OSAP use increased from approximately 40 to 47 percent between 2008 and 2012.[29] A four-year 7 percent increase in the proportion of students taking student loans should be cause for alarm that the rising price of education is putting it beyond the reach of many Ontarians without up-front financial help.

With increased debt-loads comes concern about the ability for students to live independently after they graduate, save for some of the more expensive life purchases such as a down-payment on a house or car, marriage, child-rearing, and it may also compromise the ability for students to thoughtfully seek out their preferred job to set themselves up for a career. Care should be taken to ensure that rising tuition does not cause the proportion of students going in to debt to increase dramatically.

REDUCED ACCOUNTABILITY TO ONTARIANS

Often forgotten in discussions around rising tuition is its potential to erode the accountability of Ontario's universities and colleges to public goals. Classically, the government has been able influence institutional behavior through providing funding and then demanding progress on a variety of outcomes. Additional funding acts as a carrot; the lack of it acts as a stick. The threat of reduced operating funding is currently how the government regulates the price of tuition and ancillary fees, encourages participation in multi-year accountability agreements,

and secures institutional participation in the Student Access Guarantee.

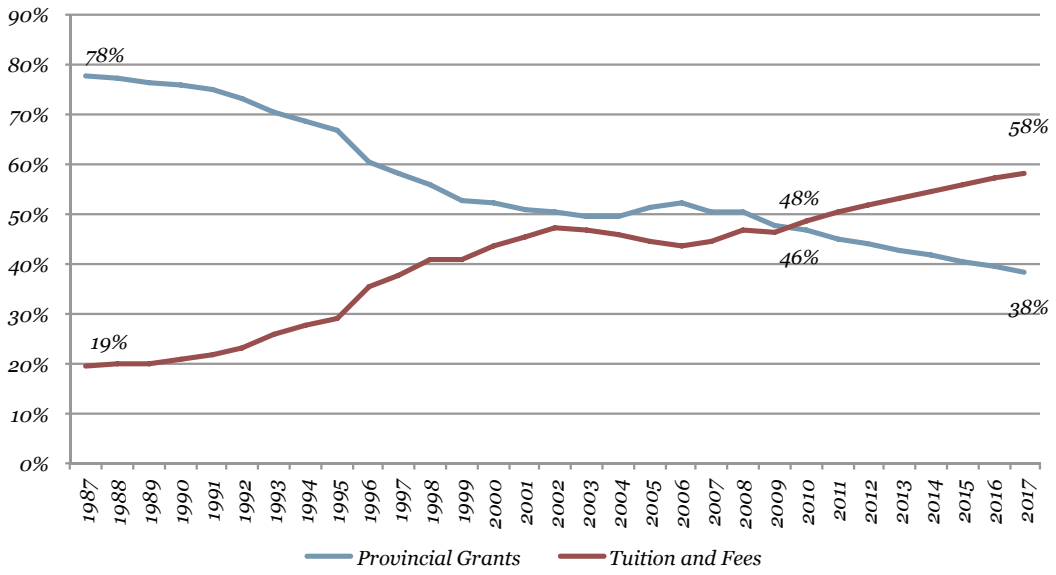
Many of these regulations keep post-secondary education affordable for Ontarians. The Student Access Guarantee alone re-directs over $145 million in tuition revenue back to Ontario students on a need-basis.[30] Others provide the government with important information for policymaking. The wide variety of report-backs institutions provide to the government, including the multi-year accountability agreements, are only carried out due to fact that they are tied to some portion of funding.[31]

This important policy lever is only possible because public revenue makes up nearly half of all university financing. Consequently, no institution in Ontario could completely forgo public funding without nearly doubling tuition to compensate. But however beholden to public funding a university is, it is important to remember that all of Ontario's twenty universities are private corporations. However undesirable the outcome may currently be, any university could choose to forgo public revenue and set tuition at whatever rate it wanted.

In this environment, the most devastating long-term impact of Ontario's current tuition and funding policies is simple. As tuition makes up a greater and greater proportion of university operating funding, the easier it will become for some universities to completely forgo public funding in favour of an all-tuition model. At this point, Ontario's university sector would divide into two sectors; a publically supported sector and a private sector. This radical shift would mean the end of many facets of government involvement in post-secondary education, including:

1. The ability to regulate tuition increases at all universities.
2. The ability to require all-tuition universities to participate in post-secondary accountability regimes.
3.The ability to require all-tuition institutions to participate in the Student Access Guarantee and tuition set-aside programs.

FIGURE 7: PROJECTED STUDENT FEES AND GOVERNMENT GRANTS AS A PROPORTION OF OPERATING REVENUE, 1987-2017



The most worrying aspect of this long-term trend is that Ontario is currently at the halfway point with regards to university funding provided by government and students. As Figure 8 demonstrates, if current enrolment trends continue and five percent annual tuition increases are allowed to continue with no corresponding increase in government funding, Students will be funding 58 percent of university operating revenue through tuition and ancillary fees by 2017.[32]

In addition to the direct removal of government involvement in university finance and governance, a shift to a mixed public-private university sector would carry a host of financial and socio-cultural impacts for Ontario students, families and governments. To date, no complete analysis has been conducted of what the direct impacts would be for Ontario, but global examples provide some much needed context.

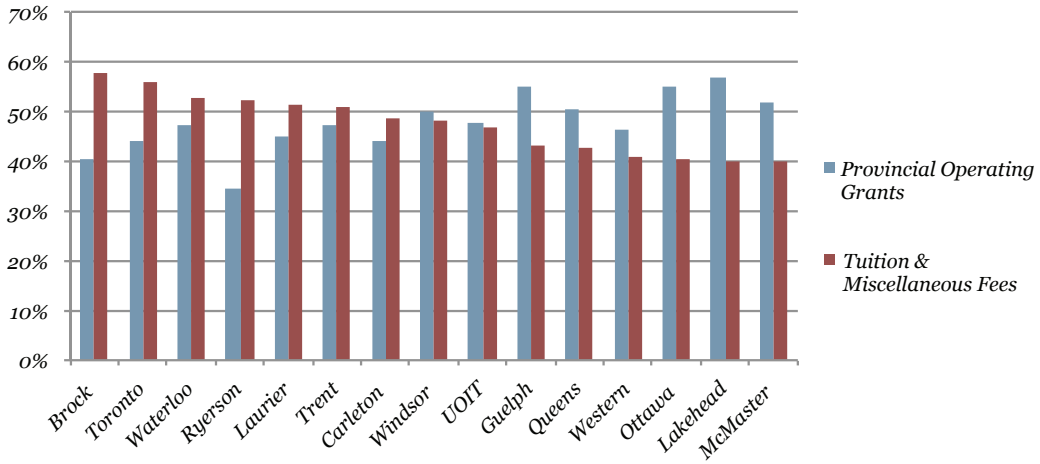
For example, New Zealand's high-tuition system has required the government to provide increased financial support to students. Over one third of financial support comes in the form of interest relief and payment subsidies.[33] In contrast, Ontario currently spends less than a single percentage point of all student support on these two activities.[34]

Proportionally, the importance of government funding to university operating budgets varies across the province, with some universities like Brock and the University of Toronto closer to being private institutions than others (Figure 8).[35] With current rates of tuition (5 percent) and enrolment increase (1.7 percent), as well as expected increases in per-student government funding, it can be projected that student fees will overtake government contributions to operating budgets as early as this year.[36] Each year of increased tuition and reduced per-student funding increases the gap. There are a variety of potential remedies to this trend, but all involve limitations on tuition increases. Even robust government investment will not remedy the growing disparity between tuition and per-student government funding if tuition continues to increase at 5 percent annually.

INCREASED FINANCIAL ASSISTANCE COSTS

Limits to tuition increases are often seen

FIGURE 8: TUITION AND GOVERNMENT REVENUE AS A PROPORTION OF OPERATING REVENUE, 2011-2012.



by governments as expensive proposals, as tuition freezes are generally understood to be associated with increased funding in lieu of tuition revenue. This is a fair perception; all public sector costs increase annually, demanding some additional investment. With expected revenue from students foregone, some increased funding from government will be required to ensure that institutions can meet costs that rise unavoidably.

However, often forgotten are the direct costs that tuition increases bring to government, mostly through increased investments in financial assistance. When a government commits to preserving accessibility for those without the means to pay for tuition out-of-pocket, the need to increase investment in financial assistance comes part and parcel with any increase to tuition itself. Without investments in financial assistance, post-secondary participation in Ontario could surely have not climbed to 64 percent during a period where tuition rose at such a drastic pace.[37]

With such high participation, a high-tuition/high-financial assistance system would appear to be successful at providing universities with increased revenue while preserving access. The conventional wisdom seems to be that if new university revenue can come from students and the government can simply issue financial support to those students who need it the most, high-tuition/high-financial assistance might be a cheaper model to government in the long run. Students would argue that this is not a sensible way to finance post-secondary education. While some financial assistance must always exist, tuition increases create constant pressure for governments to increase student financial assistance investments. Currently, Ontario invests well over a billion dollars in financial support for students, through grant programs, loan remission, interest subsidies, repayment assistance and tax credits.[38]

In the past five years alone, spending on student financial assistance through direct government transfers has increased by nearly $311.3 million.[39] Given that spending on the 30off Ontario Tuition Grant will double in the next year, total spending on financial assistance can be expected to increase by over $411 million dollars. When taking tax credits into account, the 2011-2012 fiscal year saw a total student assistance expenditure of $331 million over what was spent five years ago.[40] The question of whether tuition increases have driven this increase in student aid spending cannot be answered by simply examining overall expenditure.

To establish the possibility of a causal

TABLE 1: TOTAL PROVINCIAL SPENDING ON NON-REPAYABLE ASSISTANCE, IN MILLIONS[41]

	2007 - 2008	*2008 - 2009*	*2009 - 2010*	*2010 - 2011*	*2011 - 2012*
Non-repayable student support	$539.70	$598.30	$613.90	$664.90	$851
Tax credit expense	$290	$290	$330	$295	$310
Total expense	$829.70	$888.40	$943.90	$959.90	$1,161

link between student aid spending and increasing tuition, it must be ruled out that increased spending has been driven simply by an increasing number of students in post-secondary education.

Two trends might indicate that rising tuition has driven spending on need-based assistance: increasing proportions of students utilizing financial assistance, and increased use of non-repayable aid packages. Since most non-repayable assistance is delivered through the Ontario Student Assistance Plan (OSAP), tuition is included in a student's need assessment. Rising tuition should be reflected in higher overall loan and grant packages.

"...it must be ruled out that increased spending has been driven simply by an increasing number of students."

This is particularly true for the Ontario Student Opportunities Grant, which caps an individual student's debt at $7,300 for each year of study. For example, a student receiving the maximum OSAP package of $12,240 would be entitled to $4,940 in OSOG funding. As student need is pushed higher by rising tuition, the government will be required to spend more funds through OSOG to meet this need.

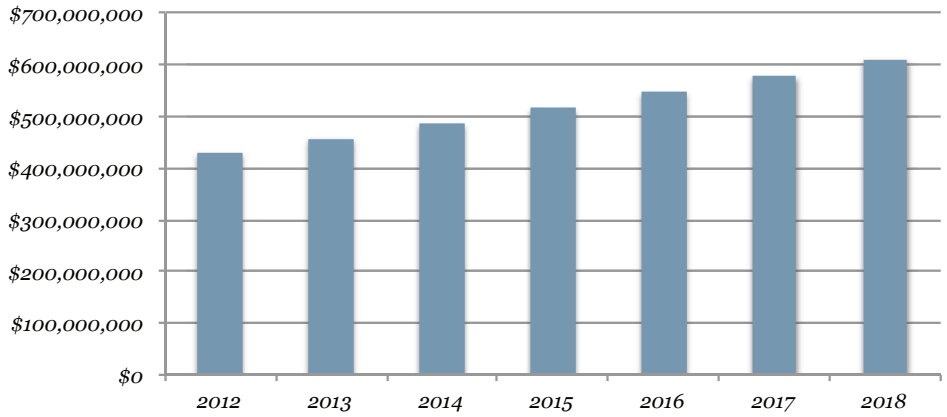
With a simple examination of OSAP use over the past four years, it can be safely ruled out that the increase in student aid spending has simply been driven by rising enrolments. Between 2009 and 2012, the proportion of students at colleges and universities utilizing OSAP has increased by 7 percent, from approximately 40 to 47 percent of all students utilizing public financial assistance.[42] Year-to-year increases in student aid use have been between 2-3 percent of all students annually. This increase in OSAP use has translated to a direct increase in OSOG expense to government.

Between 2009 and 2012, OSOG spending increased by $131.5 million, with year-to-year percentage increases in OSOG spending averaging approximately 13 percent.[43] The proportion of OSAP recipients with OSOG has not increased over the specified time period, but per-OSOG recipient spending has increased from approximately $3,700 to $4,200, which indicates that those students

TABLE 2: GROWTH IN ONTARIO LOAN REMISSION, USAGE & PUBLIC EXPENSE

Fiscal Year	*Total Domestic Enrolment of Colleges and Universities*	*Total OSAP Recipients*	*Total OSOG Recipients*	*Total OSOG Expense (Millions)*	*Per-Student OSOG Expense*
2008-2009	557,290	225,600	80,000	289.0	$3,725
2009-2010	583,437	255,000	91,600	329.2	$3,593
2010-2011	602,286	272,045	93,080	372.3	$3,999
2011-2012	612,525	288,756	102,400	429.5	$4,194

FIGURE 9: ONTARIO STUDENT OPPORTUNITIES GRANT COST ESTIMATES, 2012-2018



who had high enough need to receive OSOG are receiving increased amounts of assistance.[44]

Assuming that current trends in enrolment, financial assistance use, tuition and government spending continue, it is possible to construct a crude projection of how OSOG costs will increase in the coming years. It is important to note that these OSOG expense projections are likely lower than what they will actually be. Expenditure projections are calculated by multiplying a projection of OSOG recipients with the per-student OSOG expenditure in 2011-2012. The projection of OSOG recipients is calculated by multiplying the average growth in the percentage of total post-secondary students with OSOG over the last four years (0.79 per cent per annum) with projected post-secondary enrolment.

Due to an inability to estimate growth in per-student OSOG expense, these should be treated as a very conservative estimate. Utilizing the Drummond Commission's projection of 1.7 percent enrolment growth and current increases in the proportion of students utilizing it, OSOG spending alone could increase by as much as $180 million over the next seven years as Ontario moves to eliminate its deficit. OSOG is a tremendously important grant program to Ontario students. Not only does it go to the students with the highest need, it has contributed to keeping student debt in Ontario from rising dramatically over the last several years. Indeed, students believe that funds invested in OSOG are funds well spent.

However, as the government moves to eliminate its deficit by 2017-2018, reducing the rate of tuition increase would allow the government to reduce the necessary amount of future OSOG spending without harming accessibility.

Future costs of the new 30off Ontario Tuition Grant present another compelling reason to limit tuition increases. Currently, the value of the grant is designed to grow as tuition increases, to ensure that it remains 30 percent of the average arts & science tuition rate. The government will pay more for the Ontario Tuition Grant students pay more for post-secondary education.

How much more expensive?

In its launch year, the tuition grant reached

TABLE 3: PROJECTED VALUE OF THE TUITION GRANT TO NET TUITION, 2012-2017

Year	*Average Tuition*	*Tuition Grant*	*Net Tuition*
2012-2013	$7,180	$1,680	$5,500
2013-2014	$7,539	$1,764	$5,775
2014-2015	$7,916	$1,852	$6,064
2015-2016	$8,312	$1,945	$6,367
2016-2017	$8,727	$2,052	$6,685
2017-2018	$9,164	$2,144	$7,020
2018-2019	$9,622	$2,215	$7,731

207,000 of an estimated 300,000 eligible students.[45] In 2012-13, the cost of the program will be at least $291.2 million, assuming no rise in application rates. Given that applications are likely to rise, the tuition grant program cost may rise considerably.[46] Given that the value of the grant has doubled for 2012-2013 and the likelihood that more eligible students will apply once the program becomes more well known and established, even a conservative estimate places the price of the program increasing by at least $118.5 million by 2020. Utilizing the most conservative model, assuming no growth in application rates to the program, the value of the grant will increase by $80.5 million from approximately $291.2 million in 2012-2013 to $371.7 million in 2017-18. This entire cost increase will be due to the value of the grant growing along with tuition costs.

"...the value of the tuition grant will be completely eroded in as little as nine years."

What of the grant's utility to students then? Unfortunately, all evidence points to little or no added benefit to recipients in little over a decade, if tuition continues to increase. Since increases in the grant value will be slower than the overall rate of tuition growth, the value of the tuition grant will be completely eroded in as little as nine years. Today, a student with the tuition grant can have their tuition reduced by $1,687 per year. In nine years, though the value of the grant will grow to over $2,000 annually per-student, eligible students will be paying exactly what they pay today.

This year, the Drummond Commission advised that the tuition grant expenditure faced threats due to its rising costs at a time when Ontario is attempting to trim a deficit.[47] In contrast to the Drummond commission's advisement that the program itself might be unsustainable, students would argue that continuing 5 percent tuition increases are the source of this unsustainability. It is tremendously important to students that this investment be maintained over the long term. To ensure that costs do not grow disproportionately, tuition increases to institutions should be capped.

This chapter demonstrates that tuition increases do not come inexpensively for government. In a high-tuition/high-financial

assistance system, governments choose to spend on an extremely complicated and expensive financial assistance system rather than keeping costs low in the first place. Certainly, some financial assistance expenditure would be necessary even if Ontario had low tuition. However, the constant pressure for increased investment would be significantly relieved.

While funding financial assistance is certainly cheaper than funding all cost growth at institutions, it also endorses that cost-growth at institutions is fully justified. At a time when the government is asking all actors in the broader public sector to exercise restraint, funding cost inflation pegged at 6-7 percent annually through tuition increases and increased financial assistance (for students to subsidize cost inflation) seems a poor way to promote efficiency and accountability with public funds.

OUSA's belief in the relationship between tuition and financial assistance is relatively simple:

Data indicates that the proportion of students using financial assistance increases annually. This trend indicates to OUSA that rising educational costs are forcing more students to take financial assistance in order to access university or college.

Growth in financial assistance costs represents a direct new expense to government, currently projected at $180 million over seven years for OSOG and a minimum of $80.5 million over the same time period for the 30off Ontario Tuition Grant.

Given that tuition is the largest and fastest rising post-secondary education related expense, curbing tuition growth would be the most effective means to put a dent in this future spending while maintaining and potentially improving Ontario's high participation rates.

WHY IT IS IMPORTANT TO ACT NOW

2012 has been a tumultuous year so far in many areas of public policy, but particularly tuition. From massive student demonstrations in Quebec to policy changes in other provinces, the nature of the tuition debate has vastly changed from this point a year ago. The dynamics of the student labour market have also shifted from slow but steady growth to another downturn. As Ontario moves towards a new multi-year tuition framework, it is worth considering the following factors.

ONTARIO'S NEW POSITION AS THE FASTEST GROWING TUITION IN THE COUNTRY

As Ontario moves towards a new multi-year framework, OUSA thought it might be prudent to compare Ontario's tuition framework with similar regulations in other provinces. After analyzing each province's regulations, students have some serious concerns about a continuation of Ontario's current regime of 5 percent average tuition increases per year. Namely, that it will make Ontario a far less affordable and competitive study destination than the other provinces in Canada.

With newly elected Quebec Premier Marois' decision to continue to freeze tuition for a year, Ontario will be home to the fastest rate of tuition growth in the country.[48] Our rate of tuition growth is currently 2.5% higher than the national average, which presents a serious problem when combined with the fact that Ontario already has Canada's highest tuition costs. If a 5 percent growth rate continues, the affordability gap between Ontario and the rest of Canada will widen substantially, annually. In addition to Quebec, Manitoba made a drastic change in its tuition policy for this academic year, matching increases to the rate of inflation.[49] This change places Manitoba with Alberta as the only two provinces to have such a policy.[50] Many of the other provinces set tuition growth on a year-to-year basis.

What will the growing tuition gap between Ontario and the rest of Canada mean over time? In 2016-2017, average undergraduate tuition in Ontario will be approximately $8,475 if current growth rates continue. New Brunswick will have the second highest tuition, averaging $6,779. In other words, Ontario will be nearly $1,700 more expensive than any other province in Canada. The situation becomes worse if another five years pass by with no change to the system; Ontario will be the first province to breach $10,000 in average undergraduate tuition, while the second most-expensive province will be nearly $3,000 less.[51]

FIGURE 10: AVERAGE TUITION, ANCILLARY FEES AND GROWTH RATES, BY PROVINCE, 2012

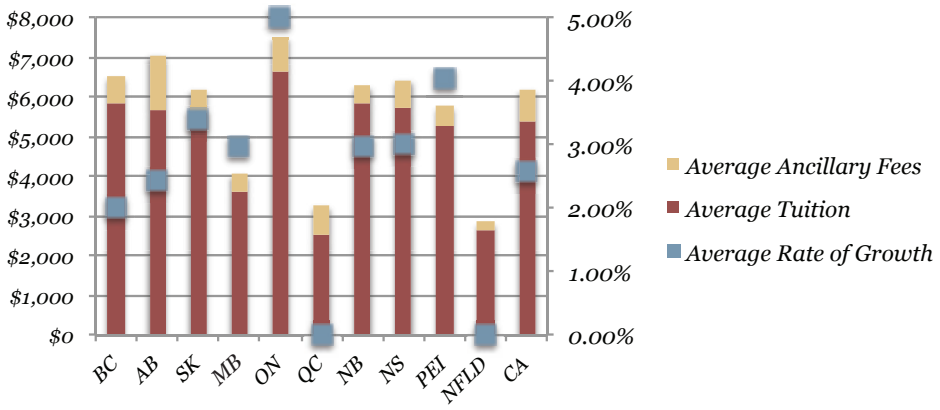
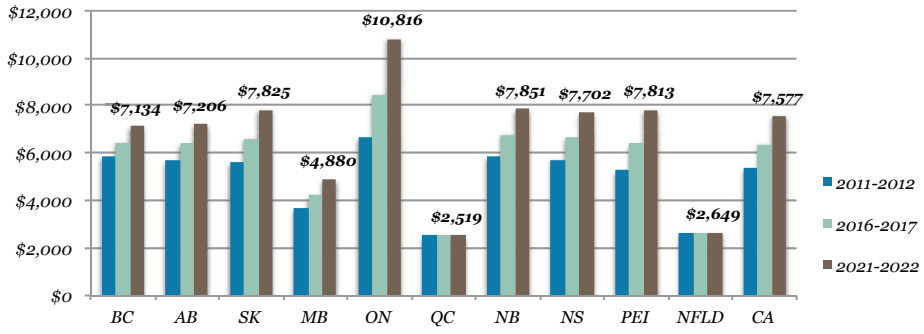


FIGURE 11: AVERAGE TUITION BY PROVINCE, 2012-2022, ASSUMING PRESENT DAY GROWTH RATES



Students believe that a $3,000 affordability gap between Ontario and the rest of Canada will hurt our province and universities in the long term. Students will have an increased incentive to study in other destinations, which is particularly troubling in a context where in-province enrolment growth is expected to slow.

To prevent this scenario from occurring, tuition growth rates must, at the very least, be brought in line with the rest of the country. For Ontario to lose its current status as the most expensive study destination in the country, tuition growth must be slowed substantially more than the national average.

THE ONTARIO IMPACT OF THE SECOND-WORST SUMMER FOR STUDENT UNEMPLOYMENT ON RECORD

Though Canada's overall economy has remained stable over the past year, with a marginally improved employment rate, new data shows that post-secondary students are struggling more than ever to find work during the summer. More troubling is that Ontario's rate of student summer unemployment is now the highest in the country.

New data from a series of Labour Force Surveys released this summer shows a massive increase in summer unemployment for post-secondary age students. In June 2009, the labour market downturn produced a student summer unemployment rate of 14 percent.[51] This dropped to 10.4 percent the year after, indicating that the student summer job market may have been only temporarily impacted by the 2008 recession.[53] However, since 2010 summer unemployment has increased substantially, now just one percent shy of the 2009 record. Conversely, the 2012 summer employment rate of 63.2 percent saw a 4.2 percent drop from the 2011 rate of 67.4 percent.[54] According to the report, this is the lowest rate on record.

The remaining question is how the downturn in student summer employment has affected the province. In past years, OUSA identified that even small changes in Ontario student summer unemployment have drastic consequences, due to our costs and the size of our post-secondary system. Growth last year was less than a single percentage point, but meant that thousands more students were out of work than the year before. This year, the overall growth in student unemployment in Ontario was 2.8 percent, tying Ontario with Newfoundland and Labrador for the highest rate of student unemployment in the country.[55] Ontario has the highest tuition in the country, and one of the highest rates of tuition increase. While tuition and ancillary fee costs

(combined) rose substantially over the past several years, need-based assistance has only recently increased with the introduction of the new Ontario Tuition Grant. Fewer students working in the summer means that more will come to rely on need-based assistance, which is already well known to underestimate actual student need. Furthermore, student assistance demands that students work during the summer, with an expected pre-study period income contribution of close to $3,000 for single, dependent students.[56] Those students unable to find work will have their financial needs assessed much further removed from the realities of their costs.

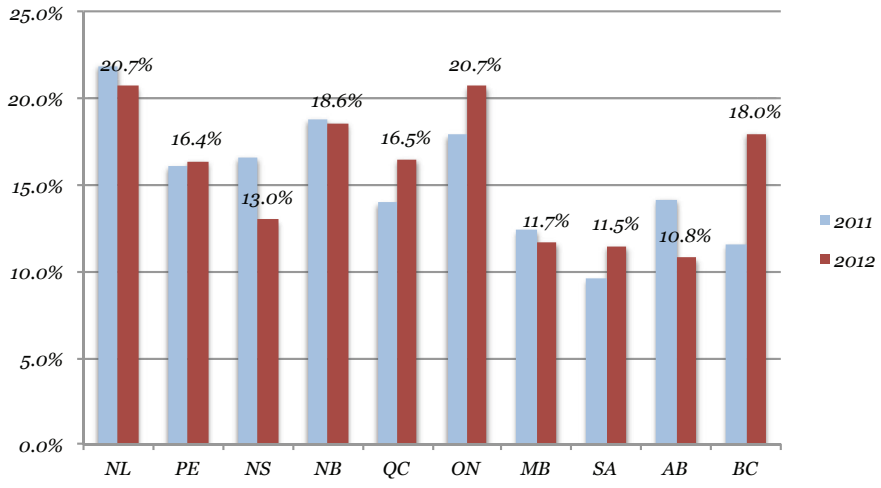
In a context where student summer unemployment seems to be sharply on the rise, Ontario must continue to take steps to ensure that higher education remains affordable for all willing and qualified students. Continuing to invest in need-based assistance is an important step. However, without addressing Ontario's rate of tuition rise, each year of increased student summer unemployment will come at an increased cost. This will cost both students, but also to Ontario's economy, which depends on a highly educated workforce.

POLICY OPTIONS & CONCLUDING RECOMMENDATIONS

In a context where Ontario is revising current regulations, OUSA hopes the government takes the aforementioned concerns into consideration. Students recognize and appreciate that considerable investments were made in post-secondary education in the last decade, both to enhance quality and preserve accessibility for students. Students also understand that rising tuition is not the only barrier to accessibility, perhaps not even the most important one.

OUSA's concerns about rising tuition do not stem from animosity around our increased costs in the past, nor do they stem from a belief that students have no responsibility to help finance post-secondary education. Rather, OUSA's concerns are about the economic realities of ongoing tuition increases over the next decade. With sluggish economic growth projected for the immediate future, it is unlikely that additional family resources will be available to pay for rising tuition. This will require the government to increase investments in need-based assistance. The

FIGURE 12: STUDENT UNEMPLOYMENT BY PROVINCE, JUNE 2012



ability to control this investment will be substantially eroded if some universities decide to become completely tuition-dependent and increase fees substantially. If Ontario remains out of step with the rest of Canada with regards to tuition increase we will become a less competitive study destination.

OUSA hopes that the next set of tuition regulations allow Ontario avoid to such a future. Though the upfront costs of controlling tuition increases may seem large, OUSA believes there are larger social and economic costs to allowing further increases. As such, students present the following recommendations:

Recommendation: Freeze tuition fees at current levels for at least one-year and increase per-student funding to post-secondary institutions at the rate of inflation to partially compensate.

Estimated Cost to Government: Approximately $100.4 million in 2013-2014.

Since 1988, student contributions to university operating budgets have risen dramatically from 19 to 48 percent. Since the implementation of the current tuition framework in 2006, the cost of an undergraduate education has increased from $5,155 to $6,640, making Ontario the most expensive province to attend university. This trend is problematic for both the accessibility of higher education and the fairness of system-wide cost recovery. Without a change to the tuition framework limiting student contributions, government funds injected into the system will only temporarily reverse this trend.

A tuition freeze would send a strong signal to Ontario students that the province is changing course. Support would come not only from students, but also families. An *Abacus Data* poll in 2011 found that a majority of Ontario families were willing to pay increased taxes if it meant increasing investments in post-secondary education to enhance affordability, signaling a strong commitment from taxpayers to prioritize tuition[57]. Another 2011 poll found that Ontarians ranked higher education affordability as the second most important issue for provincial governments, ranking above tax reduction and even unemployment.[58]

A tuition freeze would abruptly end the troubling economic trends outlined in this document and provide Ontario with a crucial window to change course.

Recommendation: Should tuition increase in any future year, it must be no more than the rate of inflation as measured by the Ontario Consumer Prince Index.

Estimated Cost to Government: $0

The affordability and the accessibility of the post-secondary system are key considerations for students. Keeping in mind the fact that the ability of students and their families to pay for post-secondary education is related to price changes tied to inflation, if tuition must increase, it must never be by more than CPI inflation. As noted, several studies have shown that the purchasing power and net income of low and middle income families has not grown for over 25 years, while tuition has increased substantially in real terms. Students recognize that universities face cost pressures, but that the best way to meet these costs is through increasing the value of government grants or by finding new efficiencies, not increasing tuition beyond inflation.

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