

INTRODUCTION

Canada's public post-secondary education system is funded through two main sources: government grants and individual user fees. Over the past two decades, there has been a fundamental shift in the ratio between the two.

In the 1960s and 70s, more than 90 percent of direct post-secondary costs were borne by government. Following a decade of cutbacks, by the end of the 1980s the government's share stood at 84 percent of overall funding. Two decades later, government funding accounts for only 57 percent. Higher fees have replaced almost all of the lost government funding. During the same period, tuition fees grew from one-seventh to over one-third of institution's operational funding. The remaining portion comes from other private sources such as donations and endowments.

In recent years there have been some efforts by the federal government to restore the funding that had been cut in the 1990s. However by late 2008 the Canadian economy had entered a recession cycle similar to that of the mid-1990s. By 2010 the government expected to post a deficit in excess of \$50 billion. Consequently, governments are expecting to post deficits for the coming years and are contemplating further cuts to spending on social programs, including post-secondary education.

Post-Secondary Education: a Shared Responsibility

While some politicians view post-secondary education as the sole jurisdiction of provincial governments, a distinction must be drawn between jurisdiction and responsibility. Although Canada's Constitution places most social programs, including education, within the jurisdiction of provincial governments, assigning an explicit legal authority does not relieve both levels of government of their responsibility to ensure the best possible system of post-secondary education. Constitutionally, health care is a realm of provincial jurisdiction, however it is subject to federal legislation that sets standards for care and funding, and ensures universal access. The federal government has the ability to use its spending powers to intervene in areas of provincial jurisdiction without altering the Constitution's division of powers. However, despite the federal government's central role in post-secondary education, Canada remains the only major industrialized country without national oversight over higher education.¹

HISTORICAL OVERVIEW: FEDERAL FUNDING IN CANADA

Pre-WWII (1867 to 1945)

Prior to the Second World War universities received very little public funding and community colleges did not yet exist. Most academic programs were tied to the church, on which they relied for funding along with private donations and substantial tuition fees. A very small portion of the Canadian population attended university and the vast majority of students came from the wealthiest families.

Post-War (1946 to 1976)

Following the War, veterans were given generous grants to enroll, which resulted in a major increase in post-secondary

participation. By the mid-1960s, nearly all funding for Canadian universities and colleges was provided by federal and provincial governments.

Starting in 1967, federal funding was provided on a cost-sharing model. The provinces made spending decisions and administered the system and the federal government matched their spending dollar-for-dollar. Under this arrangement, federal expenditures on higher education tripled between the introduction of this model and its demise ten years later.

Abandoning the Cost-Sharing Model (1977 to 1995)

Looking to balance the budget by cutting public spending, the federal government abandoned the cost-sharing model and created the Established Program Financing framework in 1977. This new arrangement ended the policy of tying increases in federal funding to increases in provincial spending, the result being far more limited increases in federal transfers for higher education.

Under Established Program Financing, funding was transferred to the provinces through two mechanisms: tax points and cash transfers. Tax points are a transfer of federal taxing authority to the provinces, under which the federal government decreases corporate or personal income tax rates to allow a provincial tax increase without increasing the overall level of taxation. Cash transfers are envelopes of funds transferred directly from federal to provincial coffers. Although transfers are made with an intended destination, such as health care or education, without binding legislation and agreements with provincial governments, the provinces are free to spend the funds as they choose.

Throughout the 1980s, the federal government continued to reduce funding for post-secondary education and other social programs. Federal transfers for post-secondary education dropped from a high of 0.5% of GDP in 1983 to only 0.33% by 1989. Most provincial governments passed federal funding cuts directly onto students and their families in the form of higher tuition and ancillary fees, except in Québec where the government increased its funding to make up for the shortfall. While tuition fees doubled at most universities and tripled at most colleges, universities in Québec maintained low tuition fees and colleges in the province remained free.

Social Program Cuts (1994 to 2000)

In 1995, the federal government made one of the deepest cuts to funding for social programs in Canada's history, reducing transfers for post-secondary education, health-care, housing, and social assistance by \$7 billion.

To mask this massive cut, the government replaced the Canada Assistance Plan and Established Program Financing with the Canada Health and Social Transfer (CHST), which amalgamated the funding for health, education, social assistance and various other programs into one lump sum payment. Because the money was transferred to provincial governments, they were forced to make the decision about which programs would be cut, which allowed the federal government to deflect criticism. The introduction of the CHST was the culmination of a slow transition from a cost-sharing to a block-funding model.

As a result of the cut, federal transfers for post-secondary education fell from 0.41% of GDP in 1993 to 0.19% in 2000. Across the country the cuts were passed directly onto students resulting in the largest tuition fee increases in Canadian history. Despite the federal government posting billion-dollar surpluses by the end of the decade, federal transfers for post-secondary education remained \$4 billion per year less in 2000 than in 1990.

2001 to the Present

In 2004, under pressure from governments and activists to improve the stability and accountability of funding for health care, the federal government created a dedicated transfer payment for health, by splitting the CHST into two transfers: the Canada Health Transfer (CHT) and the Canada Social Transfer (CST), which encompassed all of the items previously in the CHST with the exception of health. Following the creation of the CHT, all ten provinces and the federal government signed a binding agreement that guaranteed major increases in health funding to the provinces through increased federal transfers, and an assurance from the provinces that their health care systems would meet standards set out in the Canada Health Act and that funds in the CHT would be used solely for health care.

In order to pass the 2005 budget, the minority Liberal Government brokered a deal with the New Democratic Party to adopt an amendment that included, among other things, a \$1.5 billion dollar increase in transfers for post-secondary education, to help the provinces reduce tuition fees. Shortly after the budget was adopted, the government fell and when the Conservative Government took office in 2006, it reneged on the previous government's commitment to reducing fees and did not transfer the funds that had been promised.

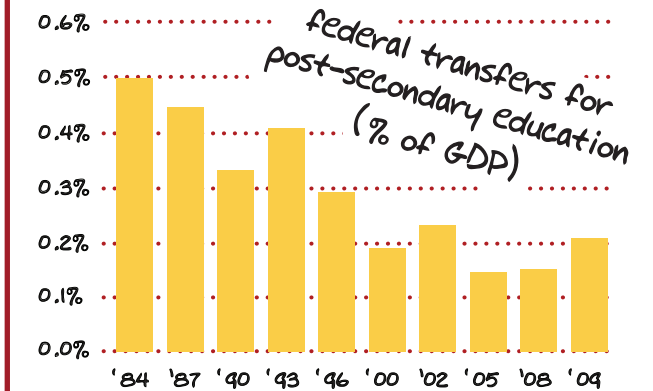
As a result of student pressure, the 2007 federal budget included an \$800 million dollar increase to funding for post-secondary education. Along with the funding increase came a revision to the budget that created an "ear-mark" that clearly delineated the amount of the CST intended for post-secondary education. This enabled the funding to be traced and provided more accountability for the funds being transferred.

In spite of multi-billion dollar federal budget surpluses for most of the decade, and the 2007 budget providing the largest increase in transfer payments in recent memory, cash transfers for post-secondary education at the end of the decade were still over \$400 million short of 1992 levels, when accounting for inflation and increases in enrolment.

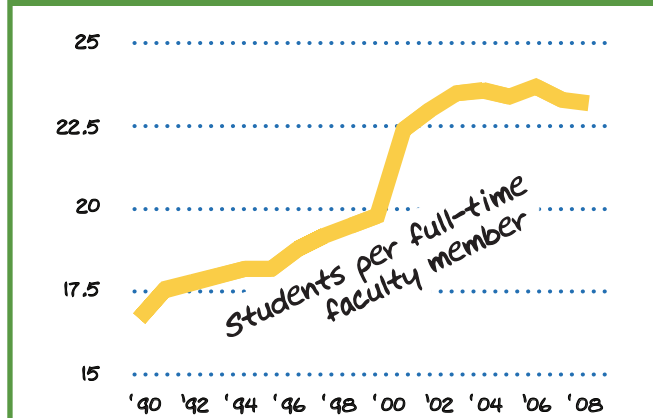
IMPACT OF FUNDING CUTS

Reductions in federal transfers and the subsequent drop in funding for post-secondary institutions have resulted in increased user fees and a drop in the quality of post-secondary education. The large increase in university class sizes seen in recent years is one direct example of this. Institutions have increasingly turned towards lower paid, part-time and sessional instructors to teach undergraduate classes. Between 1990 and 2006, the ratio of students to full-time faculty members increased by almost 40 percent.²

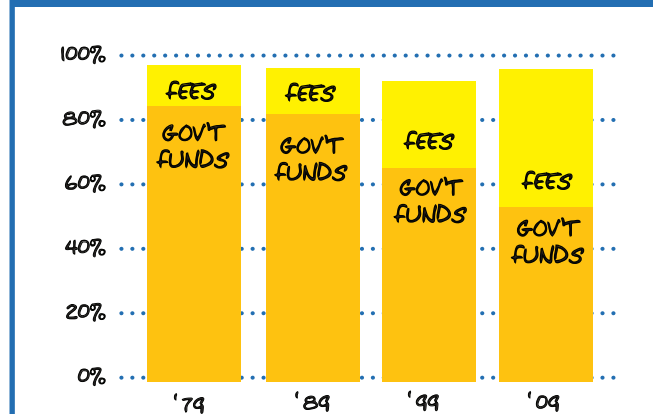
FEDERAL FUNDING



FEWER PROFESSORS, BIGGER CLASSES



UNIVERSITY BUDGETS: MORE FEES, LESS FUNDING



FUNDING FOR POST-SECONDARY EDUCATION

While class sizes have increased and the proportion of full-time faculty members has decreased, colleges and universities have increasingly foregone necessary maintenance and upkeep on campus buildings. Deferred maintenance has accumulated to such a great extent on some campuses that it has begun to pose a danger to the health and safety of staff and students. In 2009, the Canadian Association of University Business Officers estimated that the total value of deferred maintenance on Canadian campuses was more than \$5 billion, half of which is considered urgent, a 35 percent increase in less than a decade.³

While the operating revenues that pay for day-to-day operations of colleges and universities have dropped, governments have invested large sums in infrastructure projects that they can tout as political successes. The 2009 federal budget contained the largest of such investments, with \$2 billion allocated to spending on infrastructure in colleges and universities. The government required that the funding go entirely to new projects, with a preference for research infrastructure. In addition, the government only covered up to 50 percent of the cost of any project, requiring institutions to find matching funds from provincial governments or private sources. These restrictions limited the effectiveness of the funds.

While infrastructure funding can be useful in some instances, it cannot serve as a replacement for adequate operational funding, without which deferred maintenance costs will continue to grow.

TRANSFER PAYMENTS

Although federal transfers are intended to augment provincial funding for social services and post-secondary education, there is no mechanism to ensure that the money actually goes to these programs. Under a cost-sharing model, provinces had to invest their own monies in order to receive federal funds. If they chose to cut funding, federal transfers were reduced by a proportionate amount. The move to a block-funding model removed the requirement that provincial governments maintain their funding in order to receive federal money.

The federal government has yet to take action to create a new policy instrument to ensure that federal monies intended for social programs are used for them. As a result, provincial governments have been free to misuse federal transfers intended for post-secondary education. The Government of British Columbia, for example, cut funding to universities by \$50 million in 2008 the same year that they received over \$110 million in new post-secondary funding from the federal government.

A NEW MODEL

There is consensus in the post-secondary education community that the current design of federal transfers has failed to ensure that Canadians across the country have equitable access to a high quality system of post-secondary education.

While some discussions have centred on moving post-secondary education from the CST into a dedicated transfer payment, doing so would be merely symbolic unless the federal government attaches conditions to the funding. The Canadian Federation of Students and Canadian Association of University Teachers argue that the most effective way to ensure a pan-Canadian affordable and high quality post-secondary education system is through a federal act that would enshrine Canada-wide standards and define the requirements of transfer payments.

An act would tie funding to a commitment from the provinces to uphold a set of principles, namely public administration, affordability, comprehensiveness, collegial governance, and academic freedom. In return for upholding these principles, provincial governments would receive increased and predictable funding from the federal government. Such legislation has been introduced into Parliament as a private members' bill, but died when an election was called, before it could be put to a vote.

Indeed, Canada's health care system serves as a living example of the type of federal-provincial relationship currently being contemplated by many in the higher education community. The Canada Health Transfer provides accountability to the federal government for the large sums of money transferred and guarantees the provinces stable funding. The federal Ministry of Health oversees the transfer, ensuring that the provinces comply with the standards set out in the Canada Health Act.

CONCLUSION

The shift from a cost-sharing to block-funding model has not only helped hide the magnitude of funding cuts that have taken place in recent decades but also removed accountability. These cuts have been accompanied by a massive increase in user fees and a decrease in the quality of education.

The move to a private user-pay model has had severe consequences, with higher education becoming increasingly out of reach for many Canadians. This is compounded by a lack of national leadership and oversight of post-secondary education, leading to drastically different levels of access across the country. It is clear that a highly educated population is essential for Canada's long-term economic and social health. What remains to be seen is whether the federal government will show leadership.

Notes

1. Malcolm Tight. "International Handbook of Higher Education". Routledge Publishing, April 2009
2. Canadian Association of University Teachers. "2010-2011 Almanac of Post-Secondary Education in Canada", September, 2010.
3. Canadian Association of University Business Officers. "A Point of No Return: The Urgent Need for Infrastructure Renewal at Canadian Universities". 1999

FUNDING FOR POST- SECONDARY EDUCATION

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