

The Funding of Postsecondary Education in Ontario

The funding that the Government of Ontario (the Province) provides for postsecondary education (PSE) doubled between 1998-99 and 2014-15.¹ At the same time, Provincial funding has declined as a share of the revenue of PSE institutions due to relatively stronger growth in revenues from tuition, fees and other private sources. This commentary is designed to help Members of Provincial Parliament (MPPs) to better understand the evolution of Provincial funding of PSE, by answering the following questions:

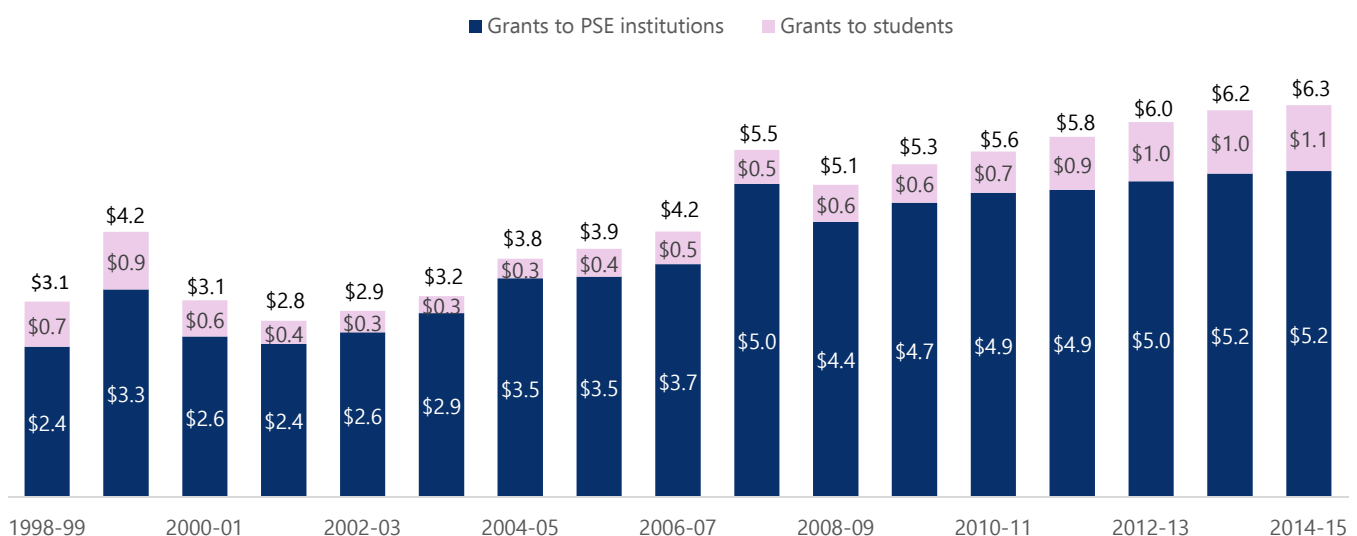
- How much funding has the Province provided for PSE and how has the level of funding changed over time?
- What is the distribution of Provincial funding across students, colleges and universities?
- What is the contribution of various sources to the funding of PSE institutions?
- How has Provincial PSE funding per student changed over time?

How much funding has the Province provided for PSE and how has the level of funding changed over time?

The Province provides direct funding to PSE institutions through the Ministry of Advanced Education and Skills Development (the Ministry) in the form of grants. These grants are the largest expense in the Ministry's budget. In 2014-15, the Ministry's total expenses amounted to \$7.8 billion, of which two-thirds was grants to PSE institutions.²

In addition to the direct funding allocated to colleges and universities, the Province also provides funding to PSE students mainly through the Ontario Student Assistance Program grants and tax credits³ (Student Loan Interest Credit, and Tuition and Education credits). Note that given that this commentary is based on data to 2014-15, changes in student financial assistance announced in the 2016 Ontario budget are not reflected. Overall, the Province has increased its support for PSE from \$3.1 billion in 1998-99 to \$6.3 billion in 2014-15 (Figure 1).

Figure 1: Provincial funding to PSE (\$Billions)



Source: FAO analysis of the Public Accounts of Ontario. Details on the distribution of PSE expenses only available from 1998-99.

¹ Funding to the PSE sector includes student support and direct funding to PSE institutions, i.e. colleges and universities, which are separate legal entities from the Province.

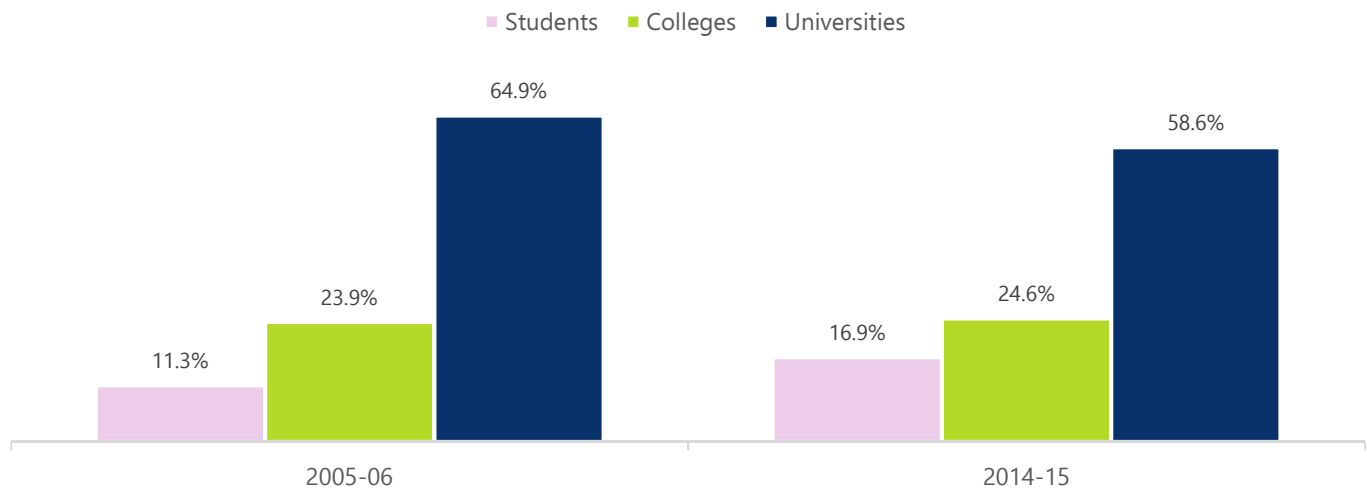
² 2014-15 Ontario Public Accounts, Vol. 1, p. 2-368. Grants to PSE institutions consist of grants for operating and grants for capital. Expenses for operating grants are significantly higher than for capital grants, representing 90 per cent of the grants to universities and colleges, on average, between 1998-99 and 2014-15.

³ PSE-related tax credits amounted to \$225 million in 2005, growing to \$371 million in 2015. Transparency in Taxation reports, Ontario Ministry of Finance.

What is the distribution of PSE funding across students, colleges and universities?

Universities receive the largest share of the funding that the Province provides for PSE. That share has declined over the last decade, from 65 per cent in 2005-06 to 59 per cent in 2014-15 (Figure 2). On the other hand, the share of Provincial funding that goes to colleges has increased slightly over this period. The same applies to the share of funding that the Province provides to postsecondary students, which rose to 17 per cent in 2014-15 from 11 per cent in 2005-06.

Figure 2: Distribution of Provincial funding for PSE



Source: FAO analysis of the Public Accounts of Ontario.

Note: The Public Accounts of Ontario do not provide a breakdown of capital grants by type of institution prior to 2005-06, which makes it difficult to determine the total funds (operating and capital) going to universities on one hand, and colleges on the other.

What is the contribution of various sources to the funding of PSE institutions?

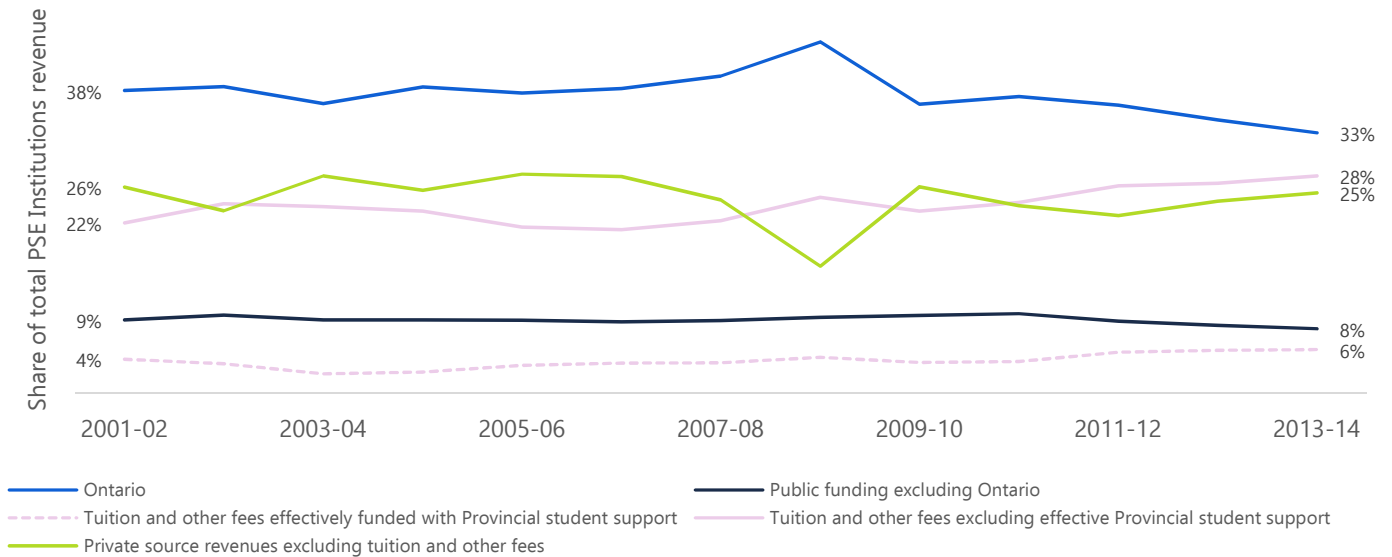
The share of direct Provincial funding in the revenues of Ontario colleges and universities has declined since 2000-01, from 38 per cent to 33 per cent in 2013-14 (Figure 3).⁴ This downward trend occurred despite the increase in direct Provincial funding to PSE institutions⁵ and effective indirect Provincial funding provided to students (Ontario Student Assistance Program grants and tax credits). Indeed, the share of tuition and other fees – excluding effective Provincial support to students – in the total revenue of PSE institutions has increased from 22 per cent in 2001-02 to 28 per cent in 2013-14. In 2013-14, universities and colleges derived the majority of their revenue from tuition and other fees and from private sources.⁶

⁴ 2013-14 is the most recent year for which data are available.

⁵ A report from the Higher Education Quality Council of Ontario published in June 2015 noted a similar trend with regards to the share of provincial revenue in total operating fund revenue for universities.

⁶ Private sources being other non-government funding including donations, grants other than from governments, investments, and other revenues.

Figure 3: Source of revenue of PSE institutions in Ontario (share of total revenue)

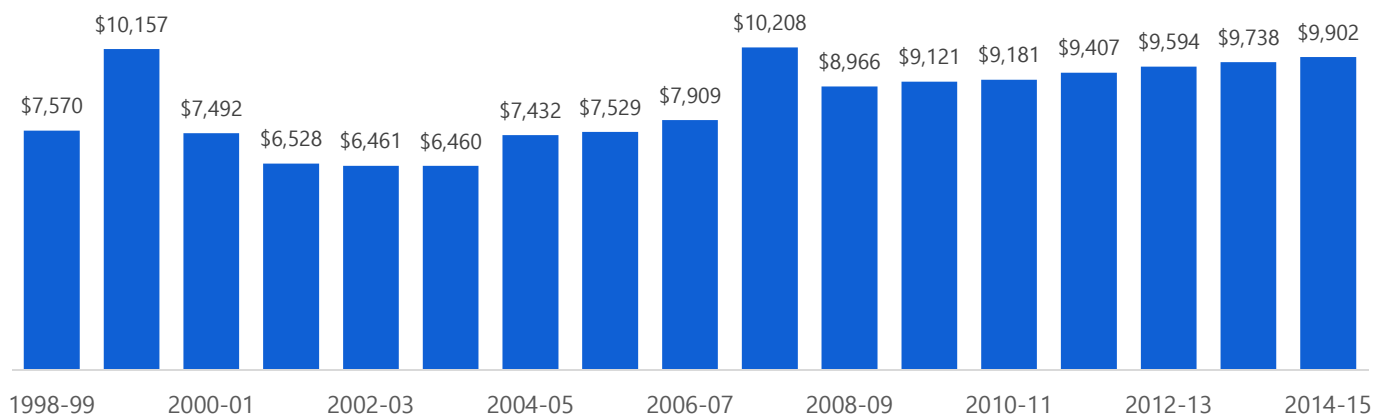


Source: FAO analysis of Statistics Canada (Table 477-0058 - Financial information of universities and degree-granting colleges and Table 477-0060 - Financial information of community colleges and vocational schools).
 Note: Details on the finances of PSE institutions only available from 2001-02; 2013-14 is the last common year for which data is available for both tables.

How has Provincial PSE funding per student changed over time?

Although Provincial funding of PSE has doubled between 1998-99 and 2014-15, total Provincial funding per eligible student has only increased by 31 per cent over the same period (Figure 4).⁷ This difference reflects a growing number of eligible students (54 per cent increase between 1998-99 and 2014-15).

Figure 4: Provincial PSE funding per student



Source: FAO analysis of the Ontario Public Accounts and enrollment data from the Ministry of Advanced Education and Skills Development.

⁷ The FAO used Full-Time Equivalent (FTE) as a measure of student enrollment; which excludes those who are not eligible to receive Provincial funding (e.g. international students). FTE measure attempts to standardise a student's actual course load against the normal course load (Education at a Glance, OECD, 2002, Glossary).

Key Messages

- The funding that the Government of Ontario provides for postsecondary education (PSE) has doubled since the late 1990s, growing from \$3.1 billion in 1998-99 to \$6.3 billion in 2014-15. In addition to this funding, PSE-related tax credits amounted to \$225 million in 2005, growing to \$371 million in 2015.
- 59 per cent of Provincial funding for PSE goes to universities; 25 per cent to colleges; the remaining 17 per cent is destined to support postsecondary students.
- Direct Provincial funding has declined as a share of the revenue of PSE institutions, from 38 per cent in 2001-02 to 33 per cent in 2013-14. This trend reflects relatively stronger growth in revenues from tuition, fees and other private sources.
- Although Provincial PSE funding has doubled between 1998-99 and 2013-14, funding per student has only increased by 31 per cent over the same period, reflecting a growing number of students.

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