



# **The Public Funding Gap: University and College Finances in Canada**

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Victoria, British Columbia

Canadian Association of University Teachers  
Association canadienne des professeures et professeurs d'université



# Overview

- What is the state of university/college financing?
- How did we get here?
- Where do we go from here?



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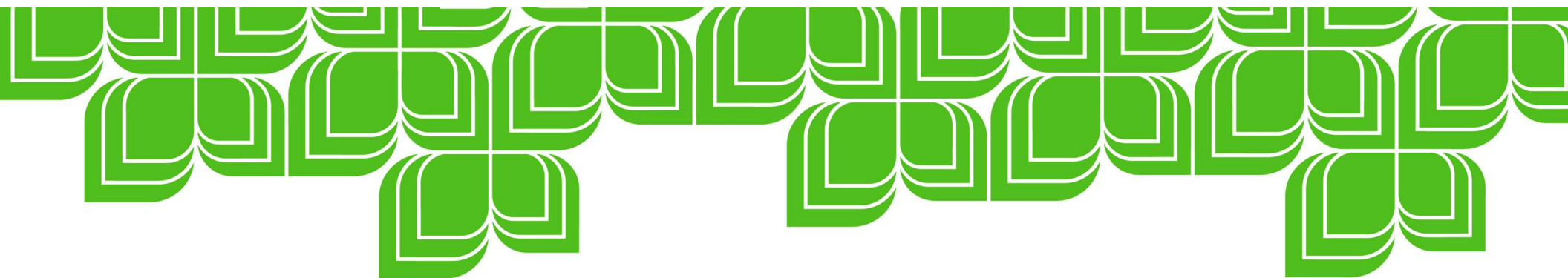
# General trends

- Long decline in the real value of direct operating grants to institutions
- Sharp increase in tuition revenues, with an accompanying rise in grants/subsidies to individuals
- Inconsistent federal commitment to research funding
- More privatized, more market-driven funding models (including, until recently, a growing reliance on international students)
- Growing provincial and institutional variations in financial health
- Shrinking share of expenditures on academic rank salaries



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# University and College Operating Revenues

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# Operating Revenues

- Main sources of operating revenues (2022/23):
  - Provincial operating grants (41.6%)
  - Tuition fees (49.2%)
    - Canada Student Grants (\$3.4 billion)
    - Canada Education Savings Grant payments (\$1 billion)
  - Investment (2.5%)



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# The latest operating financial picture

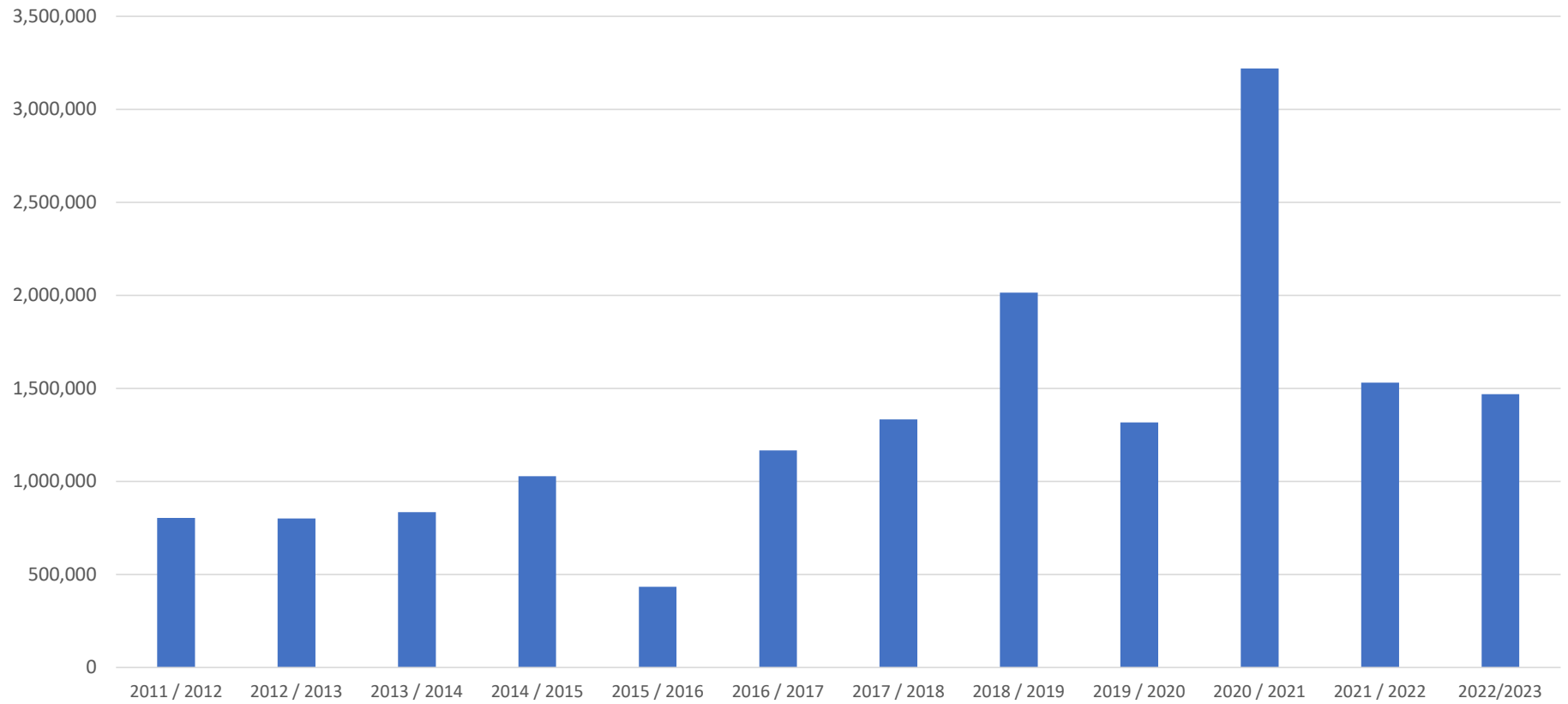
- In 2022/23, universities and degree-granting colleges collectively posted an operating surplus of about \$1.5 billion
- Total provincial operating funding grew by 1.9% over the previous year, well below the average inflation rate of about 4.4% over the same period
- Expenditures on academic rank salaries were up 3.8% vs. 6.6% for non-academic rank salaries



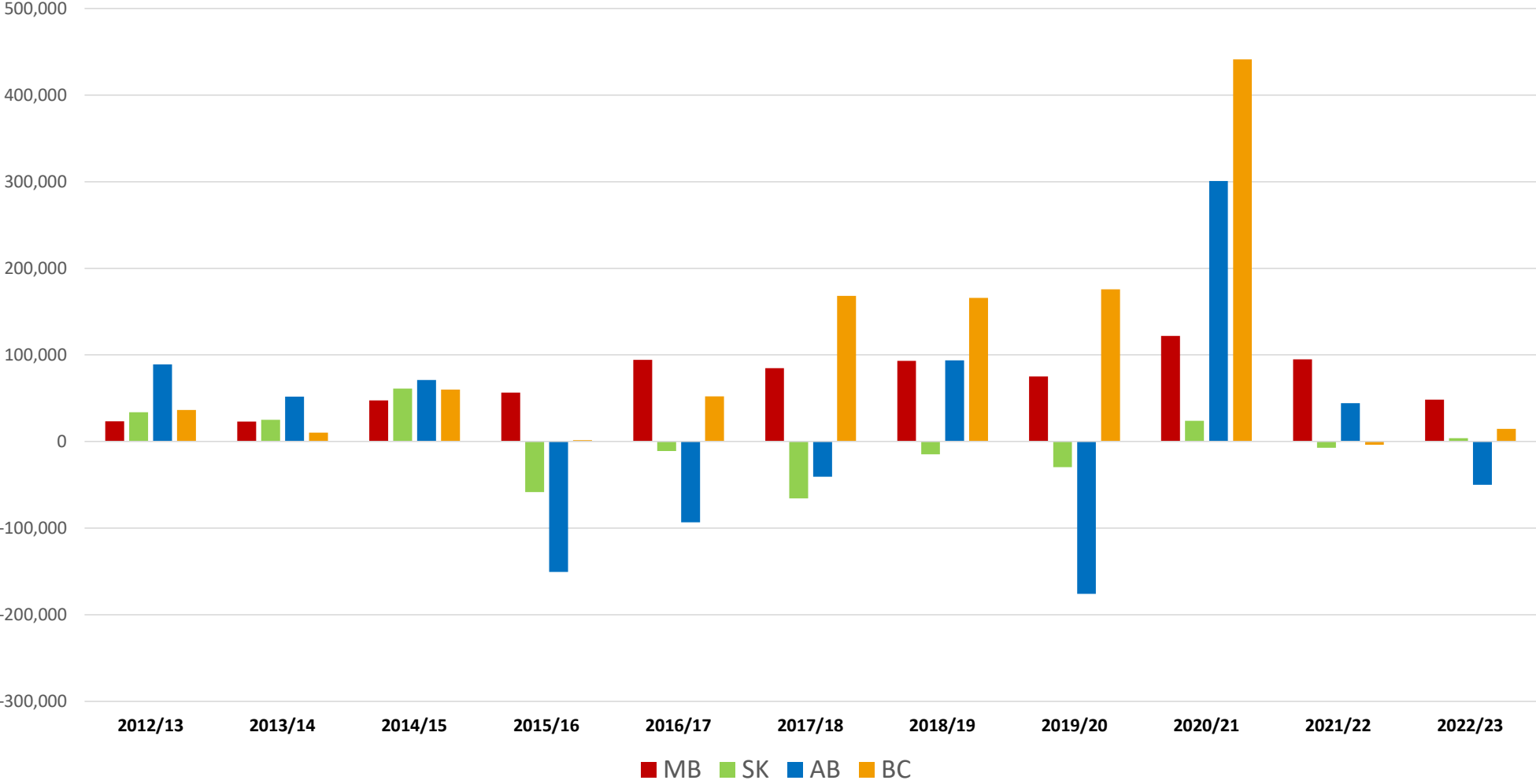
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## University operating balances, Canada, 2011-2023 (\$000's)



# University Operating Fund Balances by Province, 2012-2023 (\$'000s)

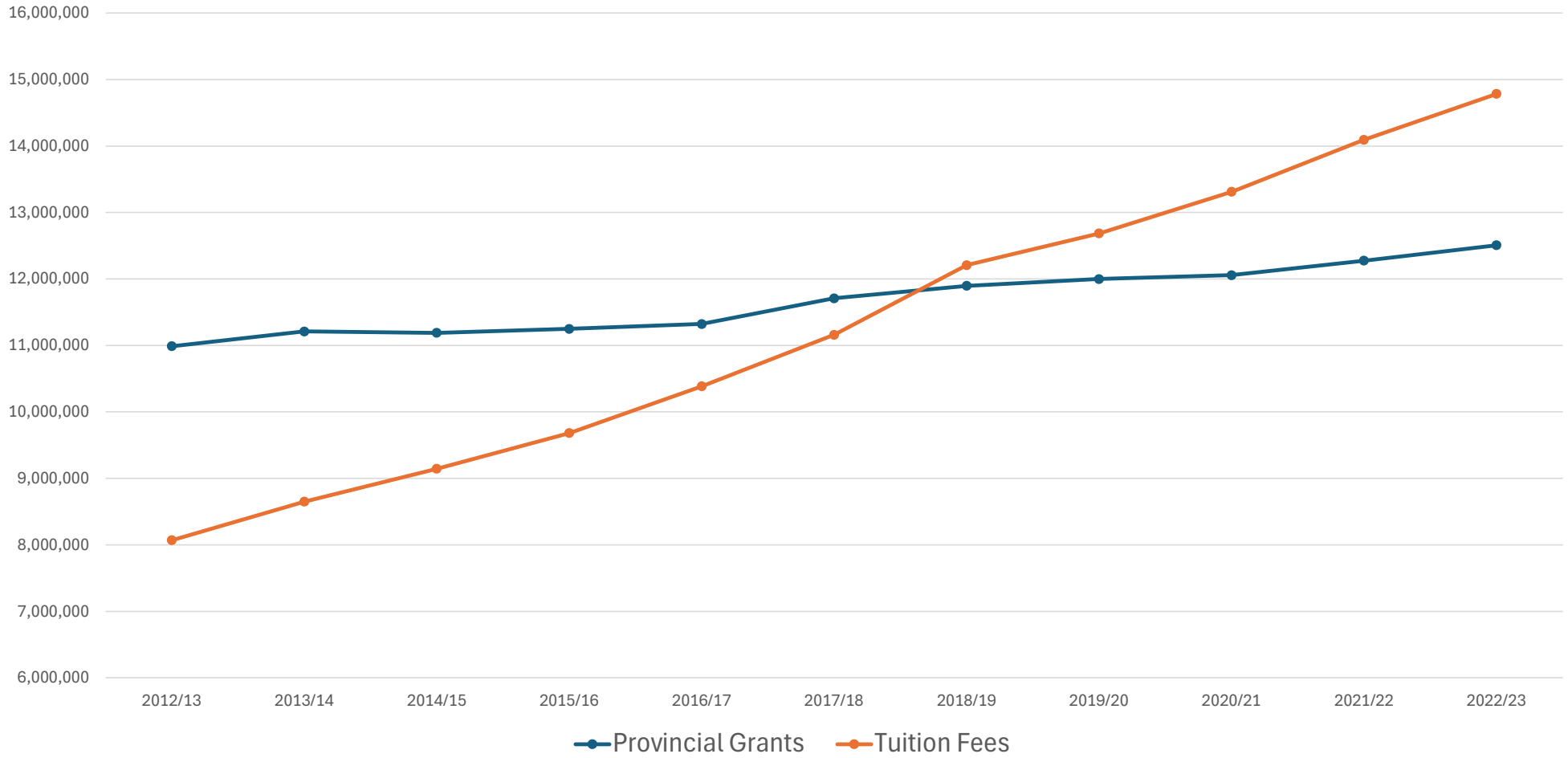




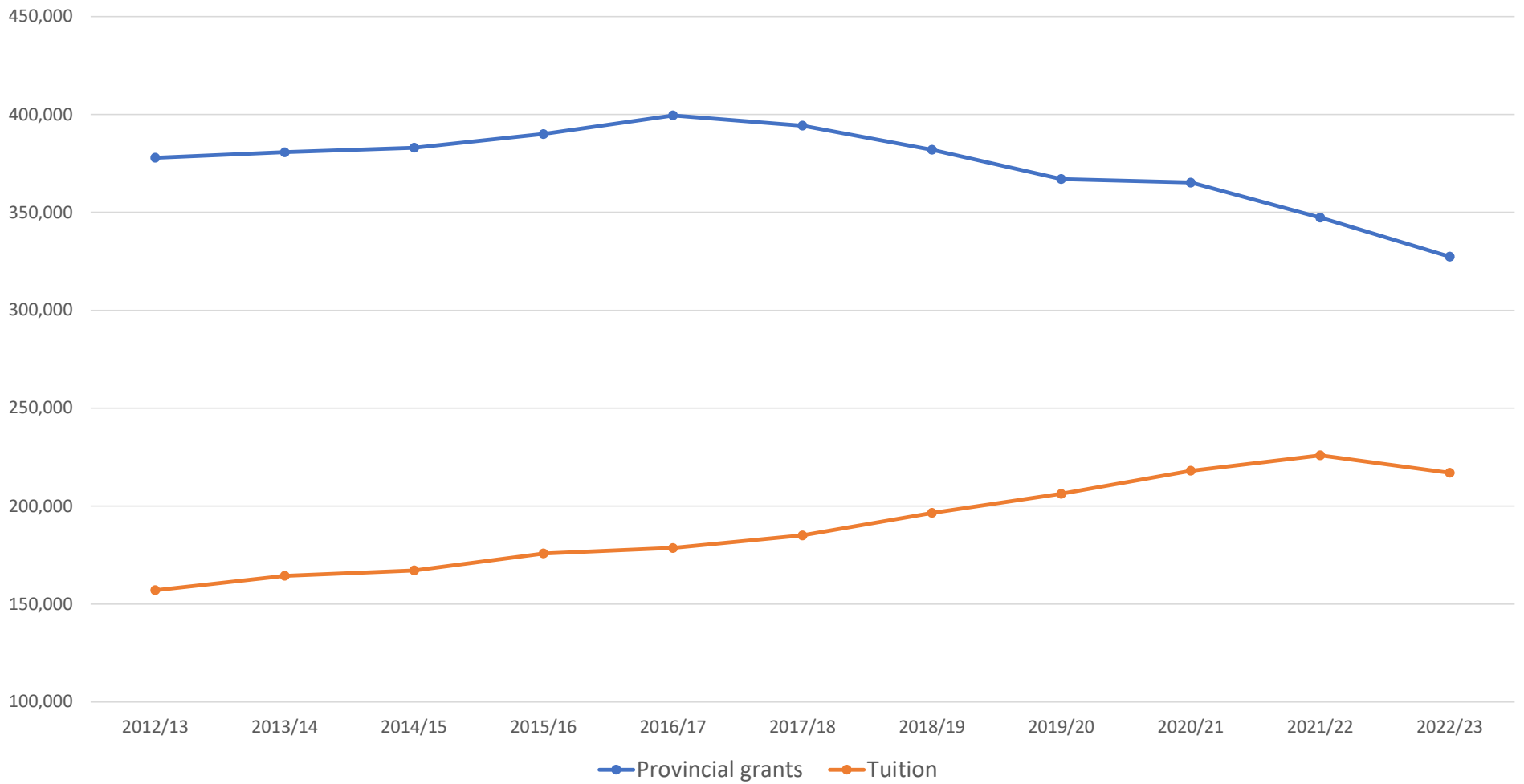
# **% share of operating revenues by source (2022-23)**

	<b>Provincial grants</b>	<b>Tuition fees</b>
BC	44.4	51.1
AB	45.0	43.7
SK	51.6	35.5
MB	53.4	35.6
CANADA	41.6	49.2

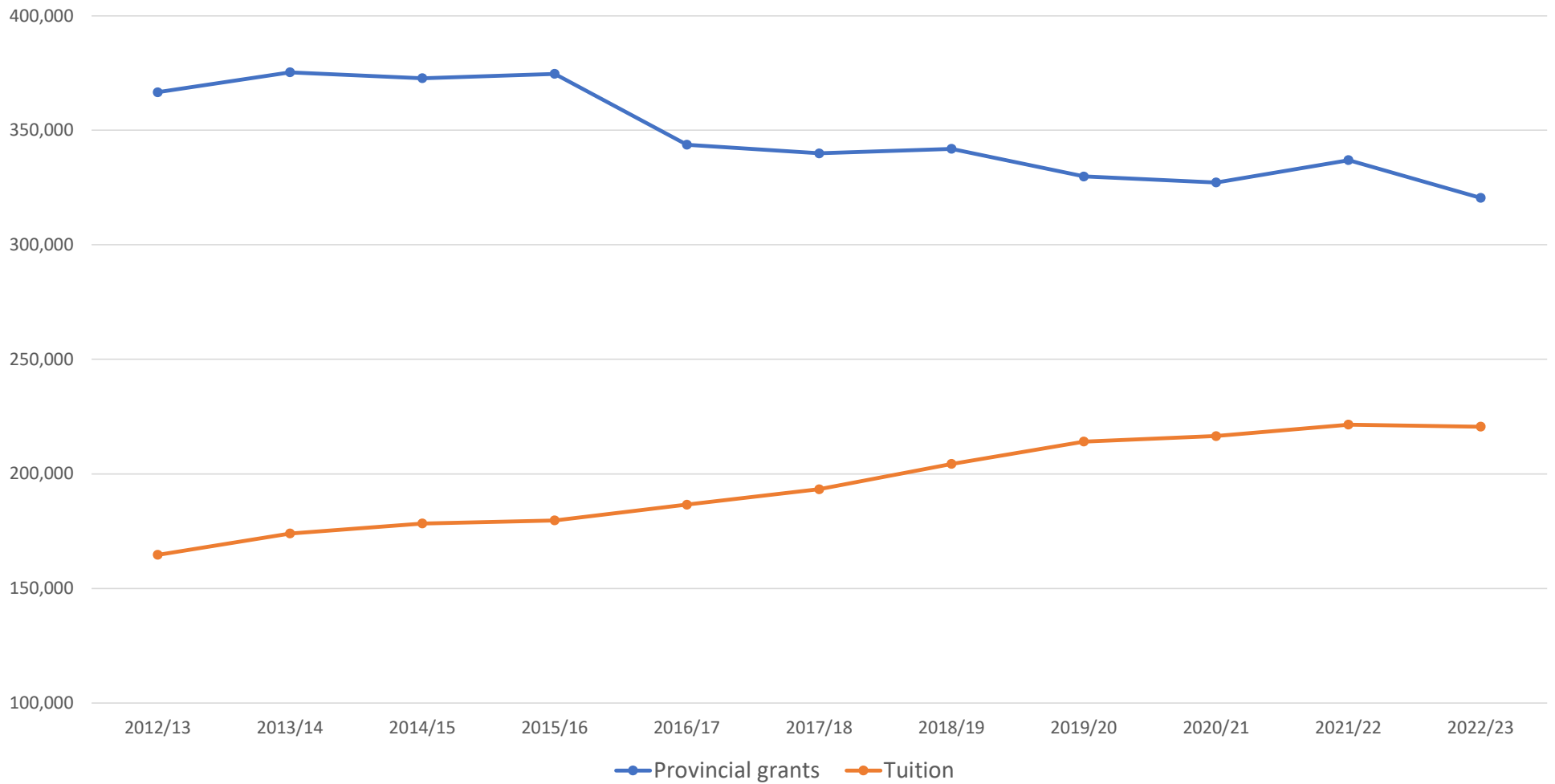
## University operating revenues by source, Canada, 2012/13-2022/23 (\$000's)



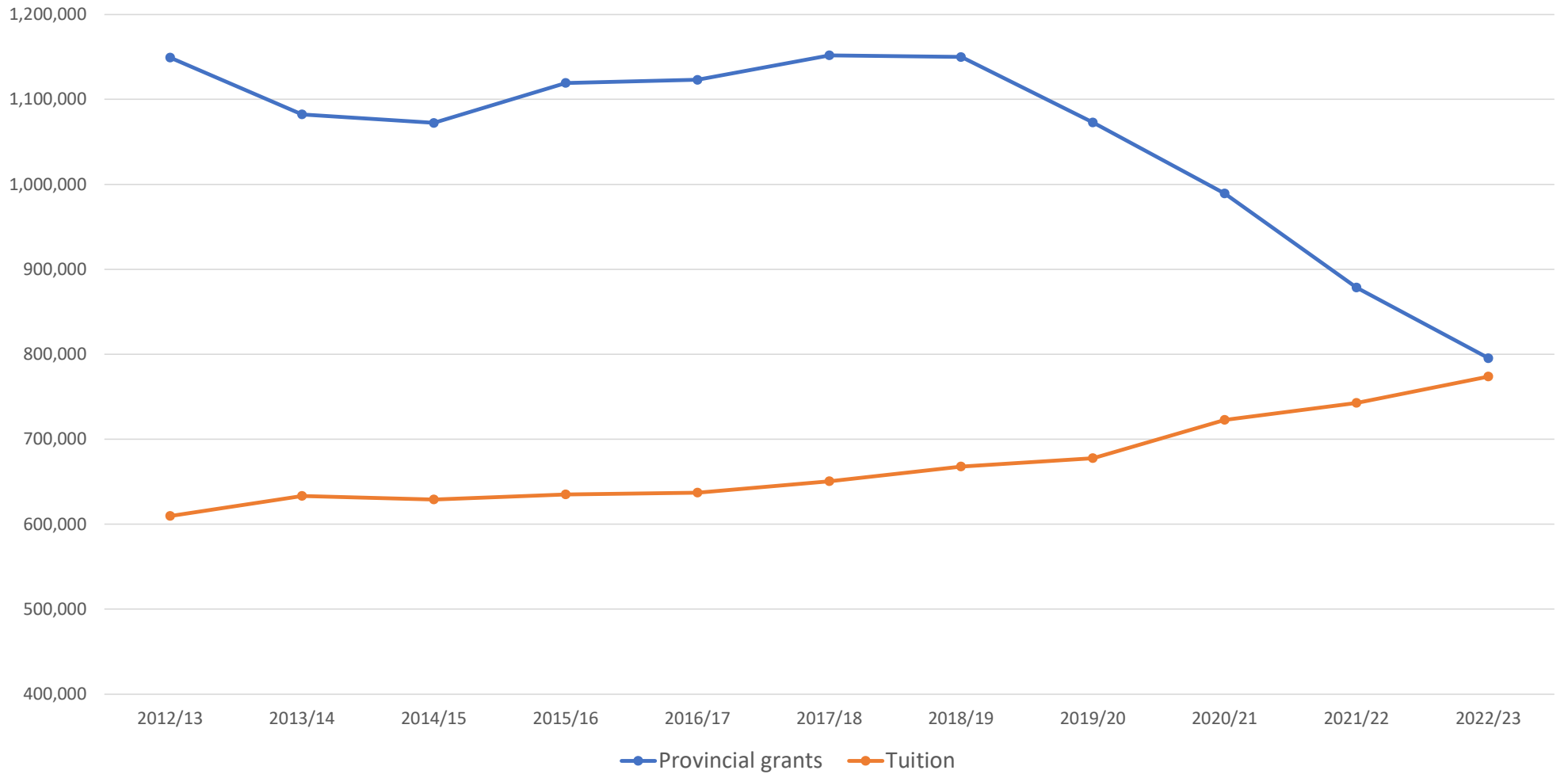
## University Operating Revenues by Source, MB (\$000s) constant 2002 dollars



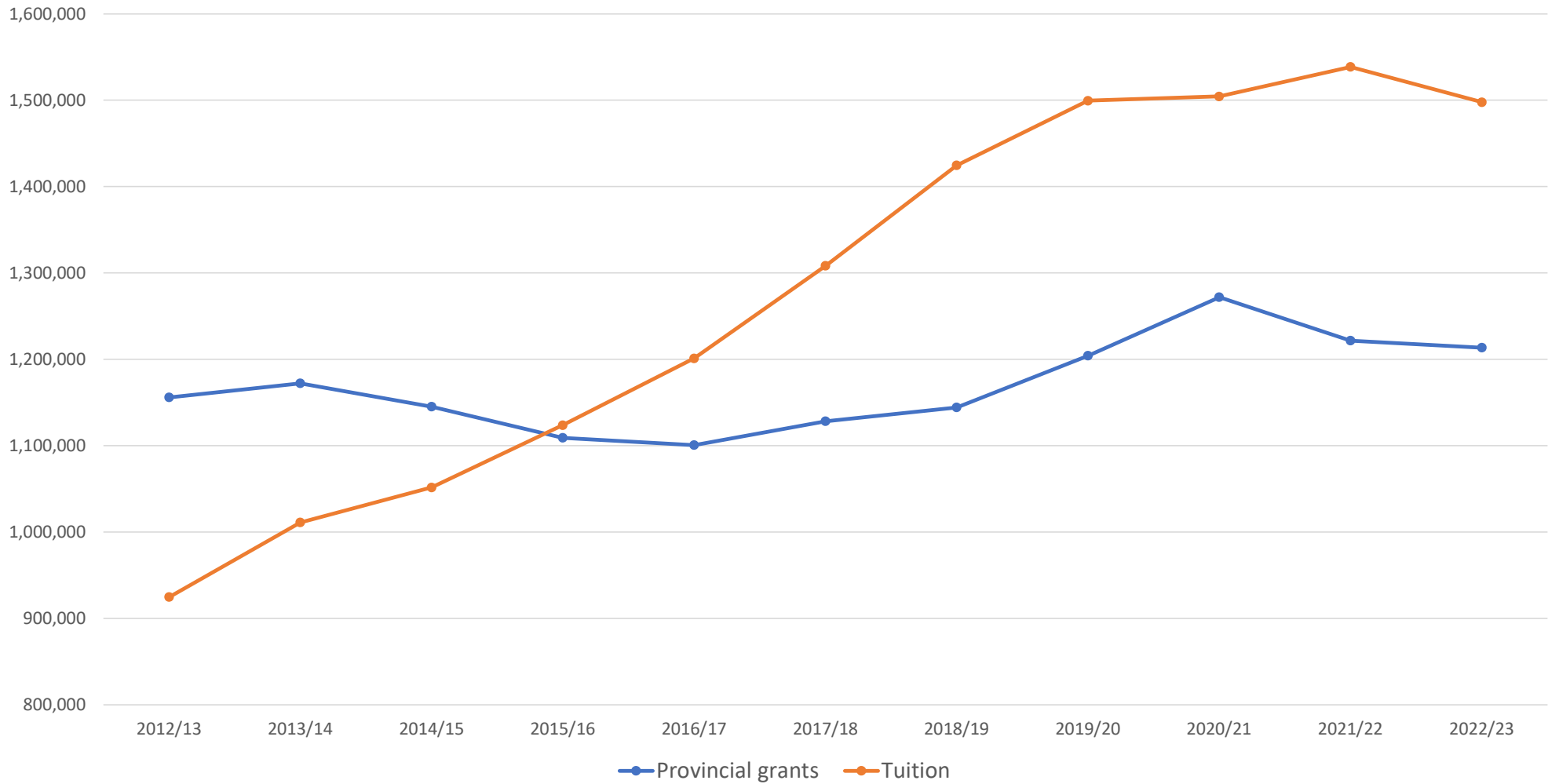
## University Operating Revenues by Source, SK (\$000s), constant 2002 dollars



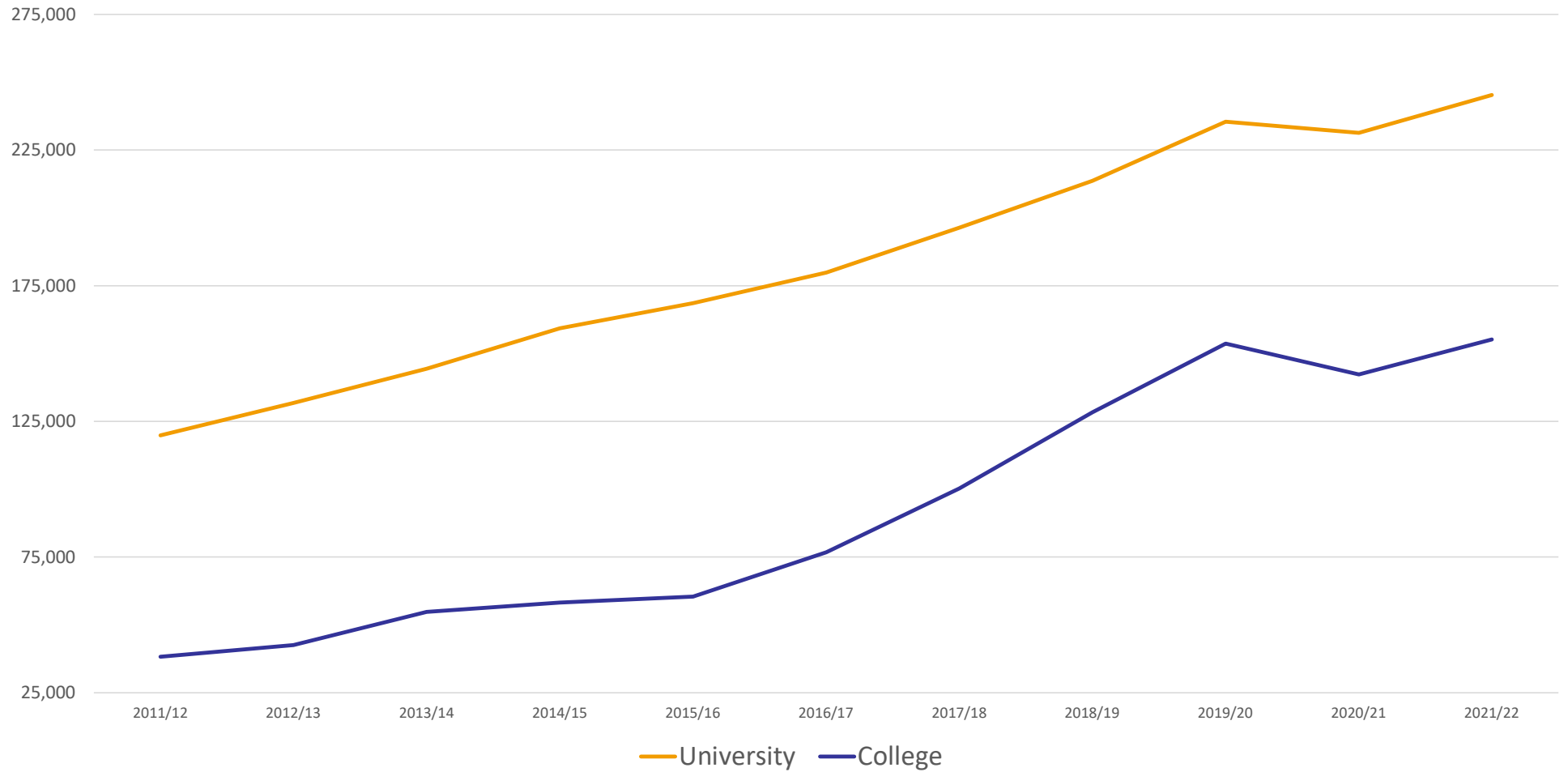
## University Operating Revenues by Source, AB (\$000s), constant 2002 dollars



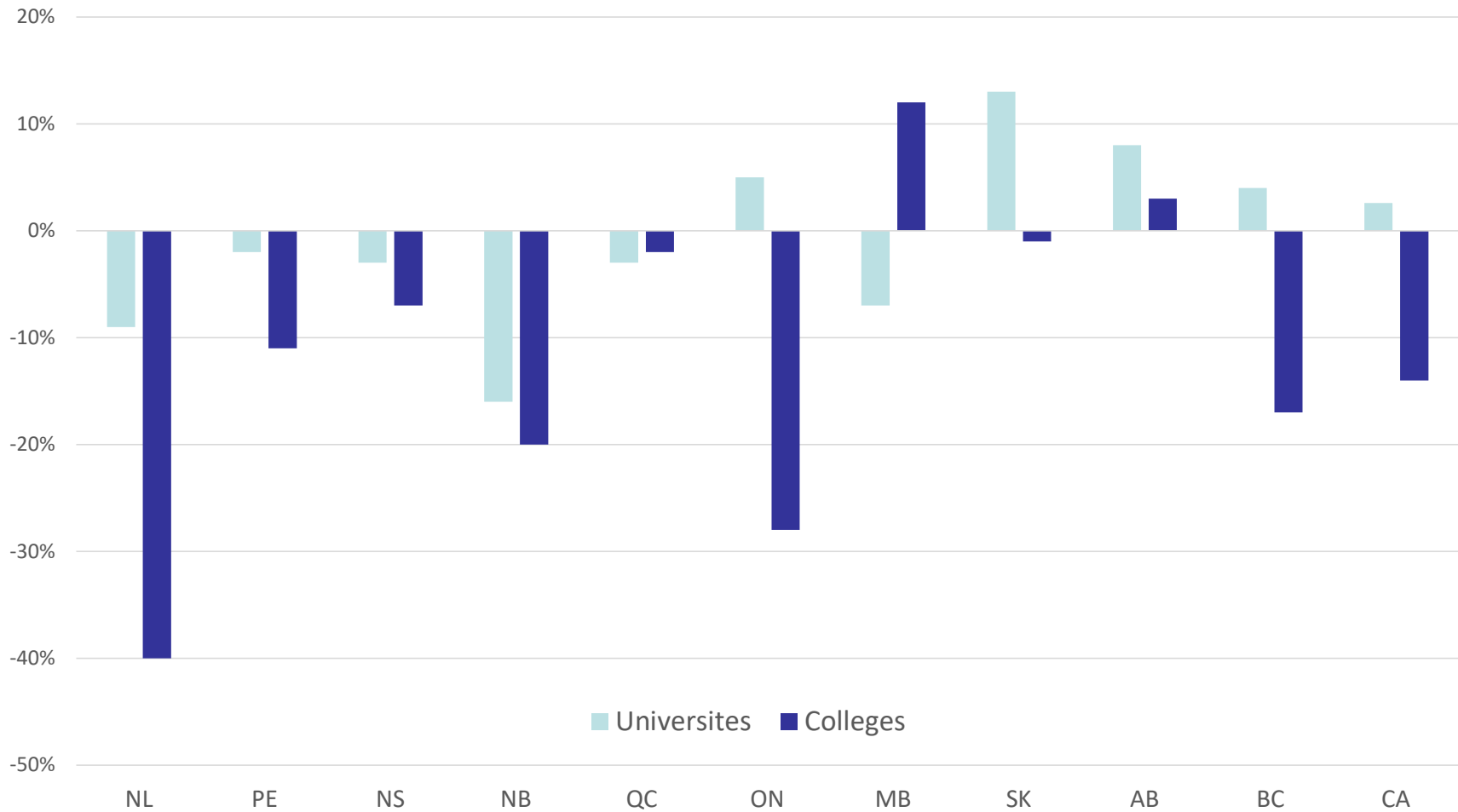
## University Operating Revenues by Source, BC (\$000's), constant 2002 dollars



## International Student Enrolment, Canada, 2011/12 to 2021/22

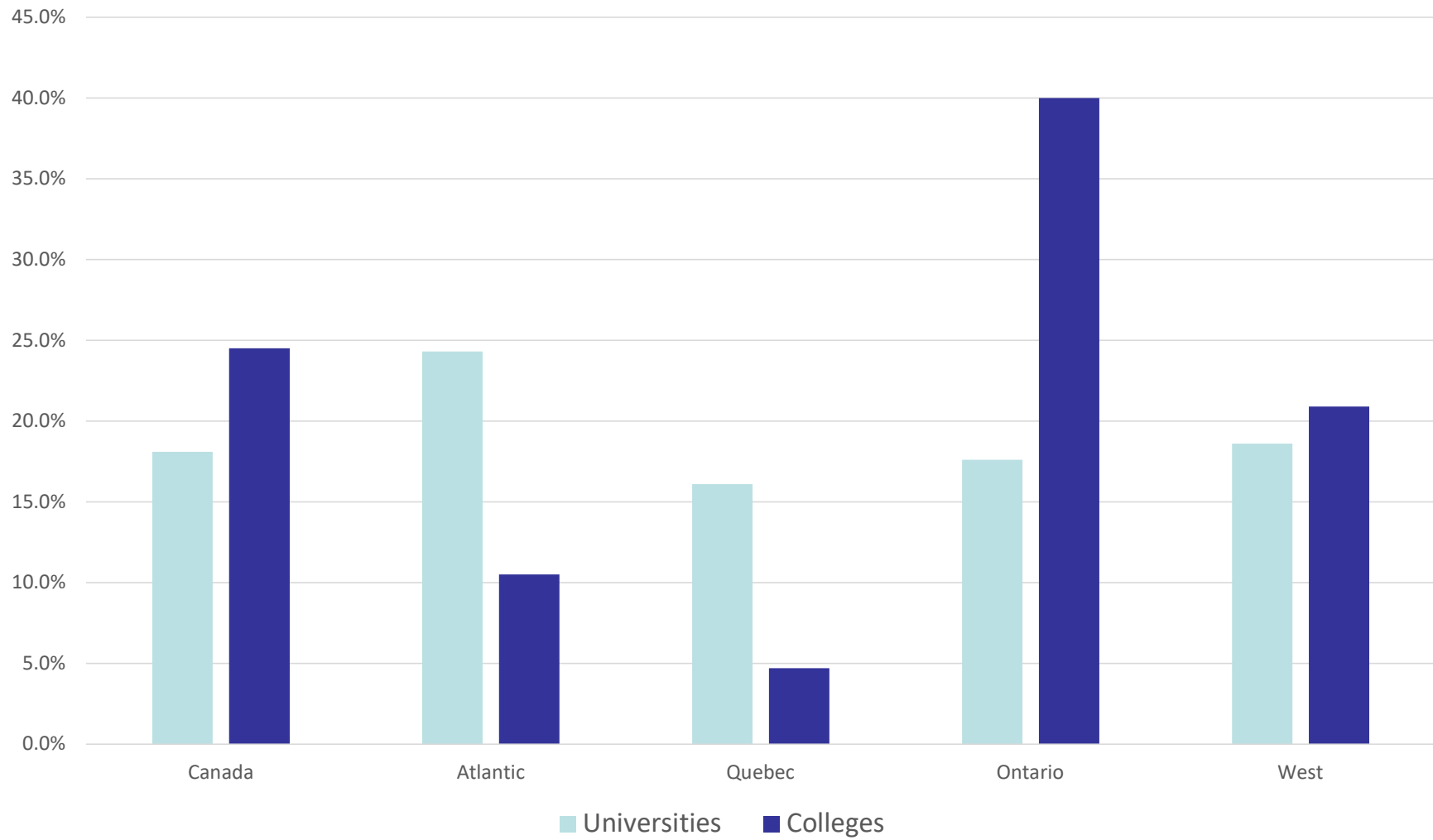


## % Change in domestic enrolment, 2012-13 to 2022-23





## International students as % of total student population, 2022-23



# Study Permit Allocations by Province, 2024

PROVINCE	STUDY PERMIT ALLOCATION	PROJECTED APPROVED	% CHANGE FROM 2023
ALBERTA	40,894	24,537	10%
BRITISH COLUMBIA	83,000	49,800	-18%
MANITOBA	15,233	9,140	-10%
NEWFOUNDLAND & LABRADOR	2,365	1,419	10%
NOVA SCOTIA	12,906	7,744	-10%
NEW BRUNSWICK	9,279	5,567	-10%
ONTARIO	235,000	141,000	-41%
PRINCE EDWARD ISLAND	2,004	1,202	-10%
QUEBEC	72,716	43,629	10%
SASKATCHEWAN	12,043	7,226	10%
TOTAL	486,523	291,914	-28%

# International student enrolment dropping

- Processing volume declines have outpaced the intended decreases from the caps
- The number of new study permit applications processed by the Canadian government dropped by 54% in Q2 2024 versus Q2 2023
- If current trends hold, it is estimated that just over 231,000 new study permits will be approved in 2024 or 47% lower than the 436,600 new study permits which were approved in 2023



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# Demographic outlook

- Between 2012 and 2022, the gross domestic participation rate fell in six of ten provinces (NL, PE, NB, ON, MB, BC).
- Changes driven in large part by the decline in the 18 to 21-year-old age cohort over this period.
- Most recent population projections show a significant increase in this cohort over 2023-2033 that, if participation rates remain steady, could result in increased domestic enrolments of between 15% and 35%.
- Are institutions prepared and are governments willing to fund spaces to meet this demand?



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# Federal research funding

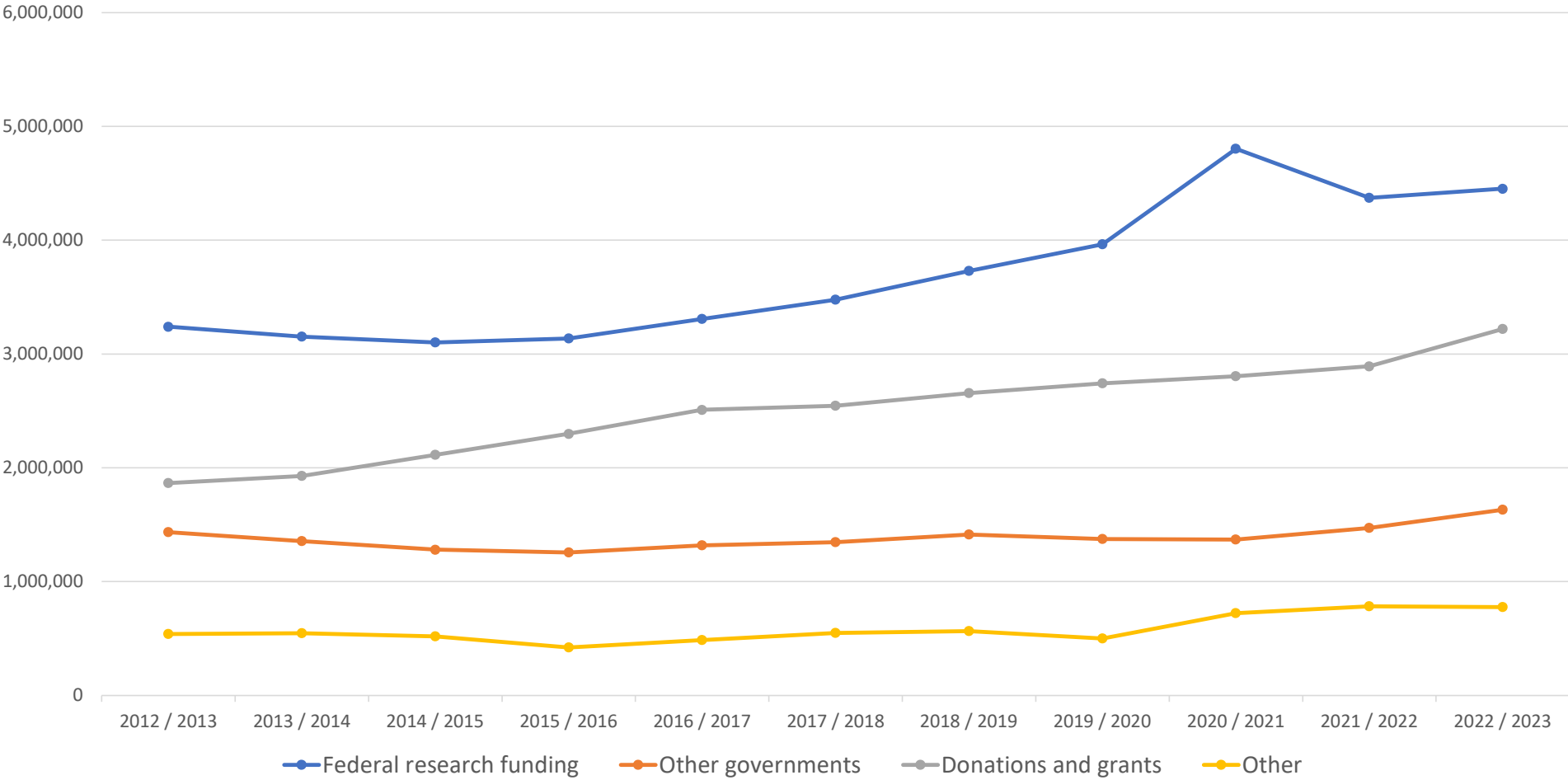
- Significant increases to the Tri-Councils beginning in 2019/20, now being eroded by inflation
- Budget 2024 announced new funding increases, nearly 90% of which will come after 2025 (and a federal election)
- Privately sponsored research revenue now rising faster than public funding and made up 33% of all research funding in 2022/23 compared to 27% in 2012/13



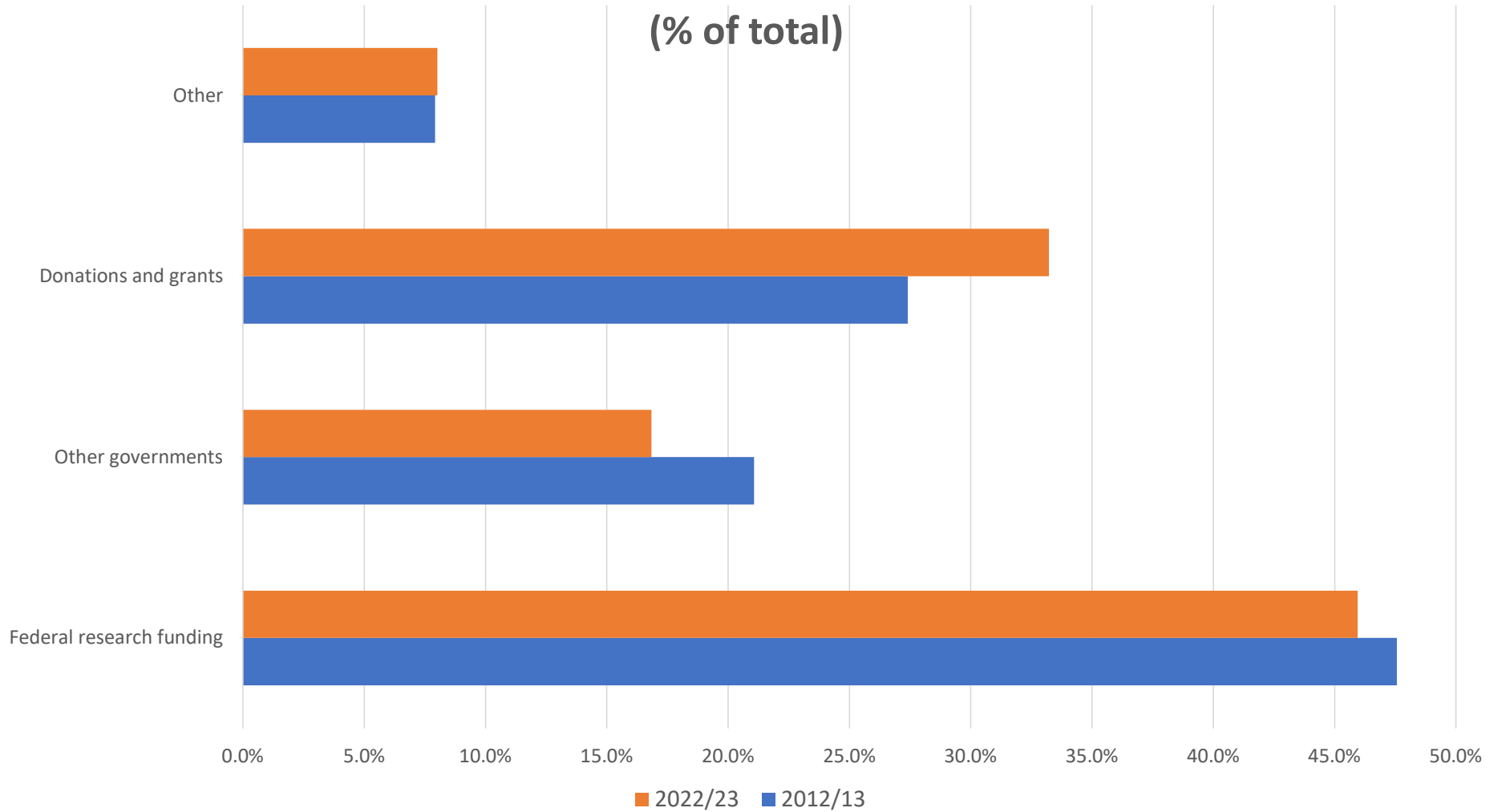
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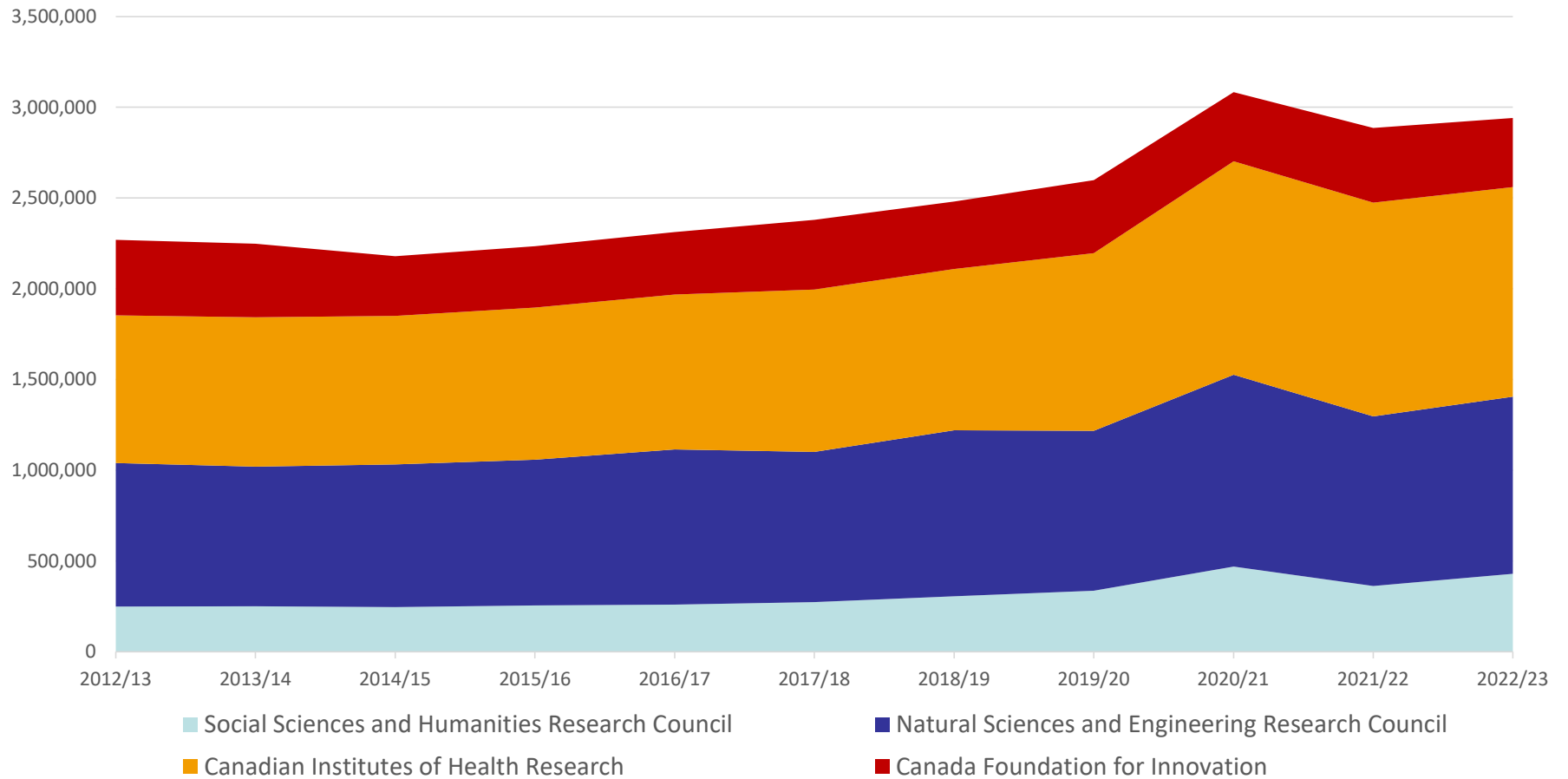
# Sponsored Research Revenues by Source, 2012/13 to 2022/23 (\$)



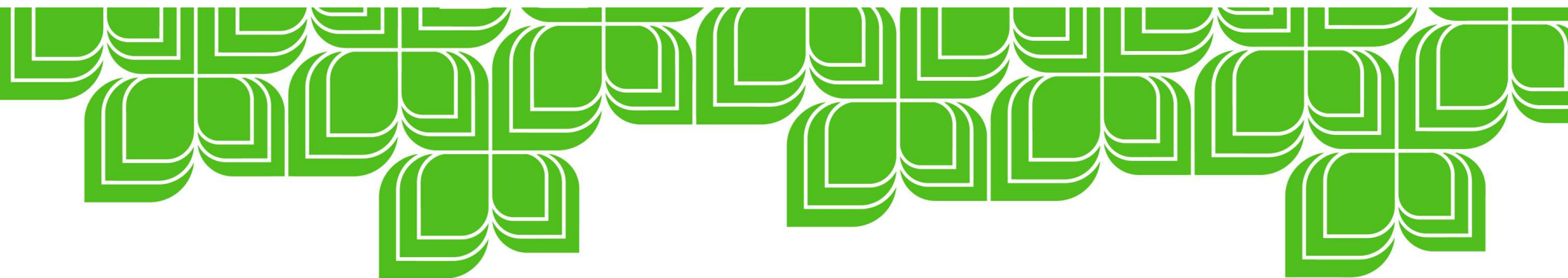
## Sponsored Research Revenues by Source, 2012/13 and 2022/23 (% of total)



## Federal Sponsored Research Revenues by Source, 2012/13 to 2022/23 (\$)







# University and College Operating Expenditures

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# Operating Expenditures

- Main sources of operating expenditures (2022/23):
  - Academic rank salaries (28.9%)
  - Non-academic rank salaries (33.1%)
  - Benefits (12.9%)
  - Scholarships and bursaries (5.6%)
  - Contracts and professional fees (4.3%)
  - Materials, supplies, library acquisitions (3.5%)



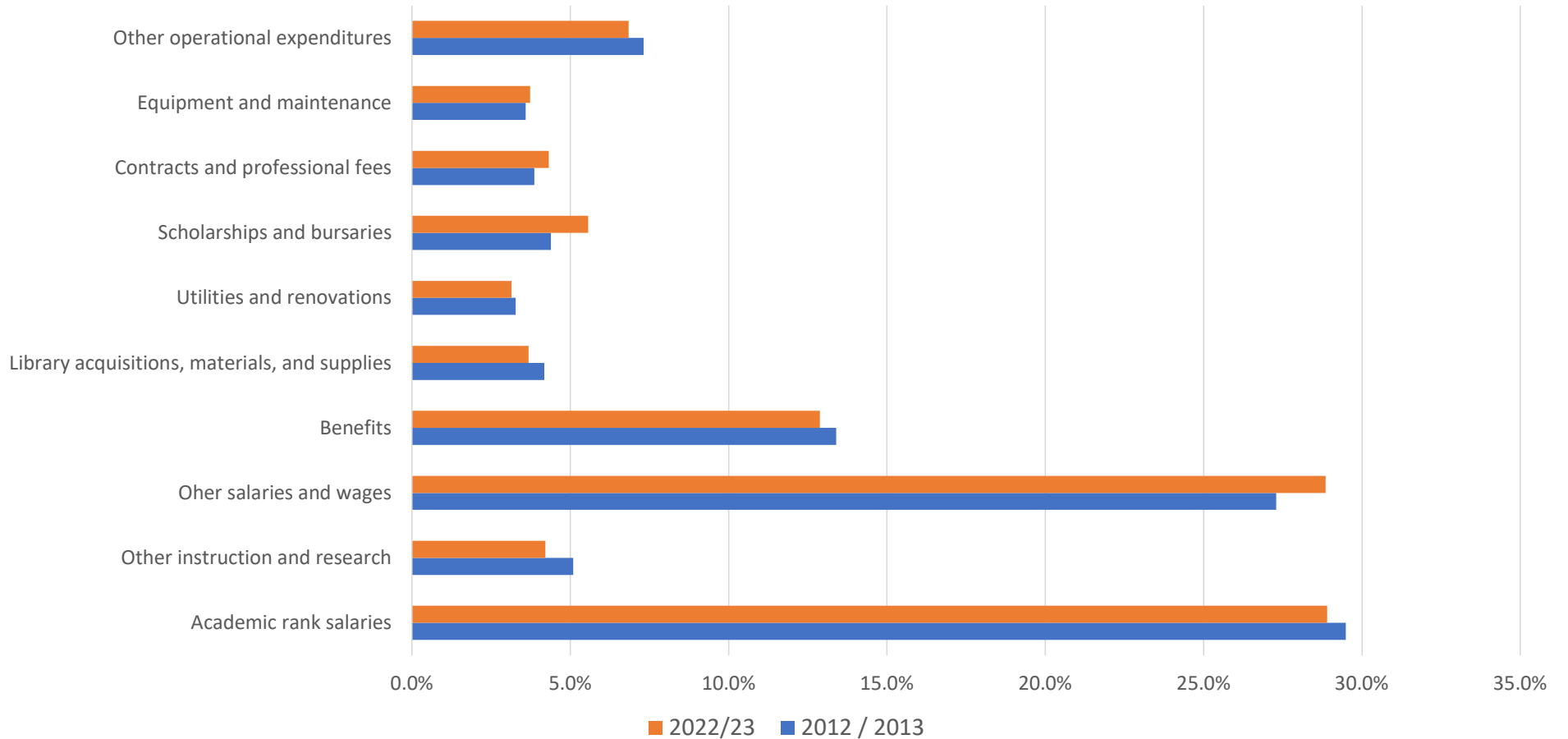
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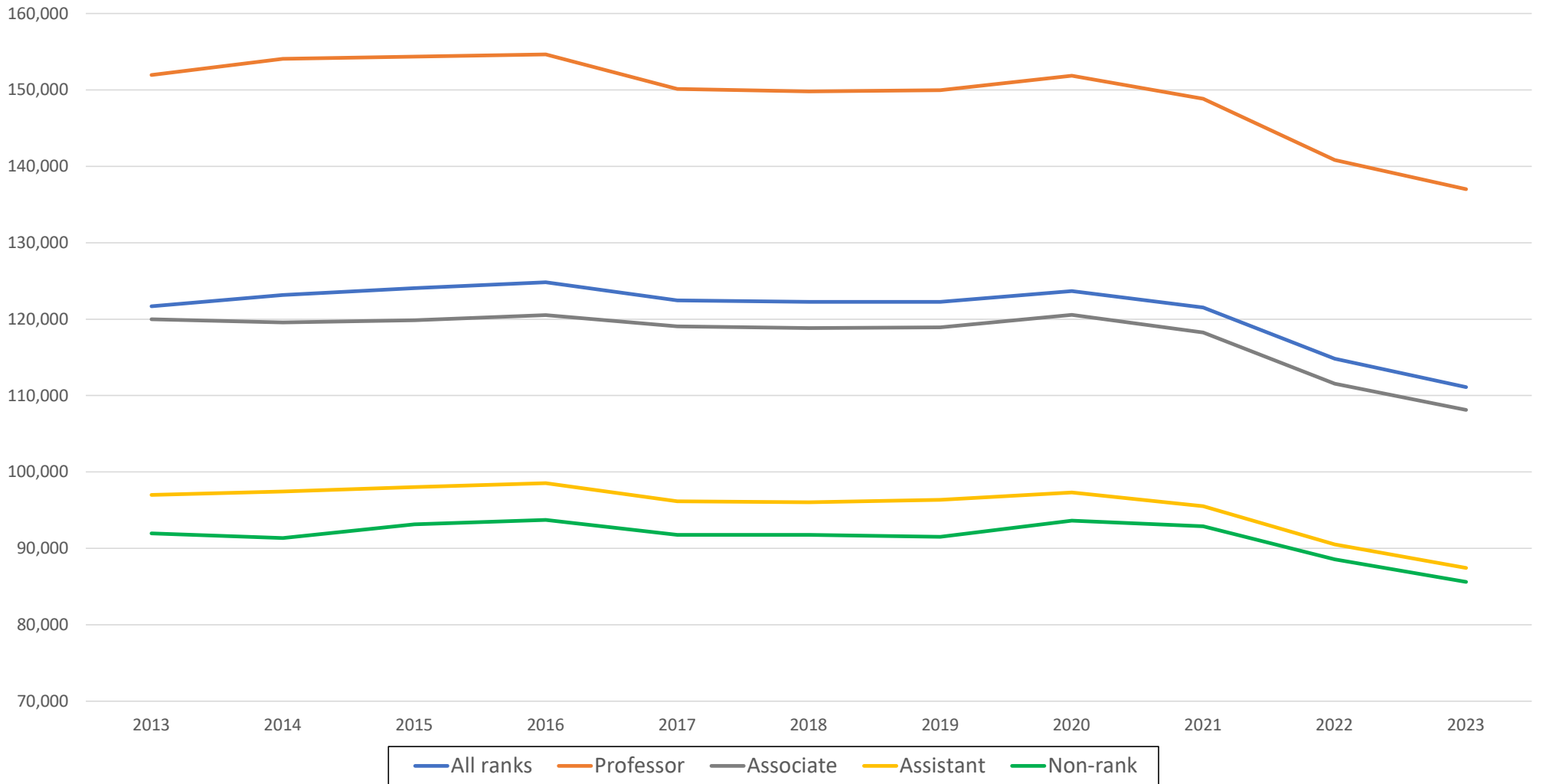
# **% share of operating expenditures by source (2022-23)**

	<b>Academic rank salaries</b>	<b>Non-academic rank salaries</b>
BC	28.5	31.5
AB	24.8	33.8
SK	25.9	34.3
MB	32.3	32.7
Canada	28.9	33.1%

## University and College Operating Expenses by Function, 2012/13 and 2022/23 (% of Total)



## Average Academic Salaries by Rank, Canada, 2013-2023 (\$2013)





# How did we get here?

# Brief history of federal funding

- Pre-1945
  - Minimal federal involvement with a focus on agriculture and technical education
  - National Research Council (1919)
- “New Deal” Order (1945-1966)
  - *Veterans Rehabilitation Act* (1945) provided tuition and living grant for veterans and a per-student grant to institutions
  - Massey Commission (1951) led to Ottawa providing *per capita* block grants to universities and colleges
  - Canada Council (1951)
  - Canada Student Loans Program (1964)



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# Early Retrenchment (1967-1995)

- *Federal Provincial Fiscal Arrangements Act* (1967) replaced direct grants to institutions with unconditional federal transfers to the provinces with a 50/50 cost sharing formula
- *Established Programs Financing Act* (1977) combined federal contributions for health and post-secondary education into one transfer of both cash and tax points
- Cash component: EPF replaced 50/50 cost sharing with an index tied to changes in nominal GDP
- It was anticipated in 1977 that growth in the value of tax points would reduce the cash payment to zero by the year 2000



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# Austerity and the Neo-Liberal Order (1995)

- 1995 - Established Programs Financing (EPF) replaced with the Canada Health and Social Transfer (CHST) that combined federal cash/tax point contributions for health, post-secondary, and social services
- Value of CHST cash transfer set at \$12.5 billion, \$6.5 billion less than previously
- Granting agency budgets cut by 12 to 13 per cent over 3 years
- "In the future, our science and technology efforts will be concentrated more strategically on activities that foster innovation, rapid commercialization and value-added production...to stretch government's science dollars further and more effectively." – *Finance Minister Paul Martin*
- Canada Foundation for Innovation (1997), Canada Research Chairs (2000), Indirect Costs Program (2003) -- to promote competition and differentiation



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# From Harper to Trudeau II

- Harper Government (2006-2015)
  - Accelerated shift to targeted research funding over investigator-led projects
  - 2007 - CHST split into the Canada Health Transfer (CHT) and the Canada Social Transfer (CST) with a \$800 million “dedicated” increase for post-secondary education
- Trudeau II (2015-2025?)
  - **2016 - first year since the early 1950s when total university income from non-government sources larger than income from government**
  - Significant investments in research (now being eroded by inflation), pandemic supports, and increased student financial assistance
  - Rapid expansion and then rollback of international student visas



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# Where do we go from here?

- Challenges
  - Canadian federalism and the 1867 Constitutional division of powers
  - Little incentive for the federal government to increase the CST (no accountability, no political payoff) and no guarantee a CST increase would make its way to institutions
  - Rise of authoritarian “populism”, ethno-nationalism, and anti-elitism = a breaking down of the neo-liberal political order?



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# A pathway forward?

- **Multilateral funding frameworks** (early learning and child care, health care)
- Set out common public service objectives: affordability, access, quality, and inclusiveness
- Conditionality: agreed upon areas of investment negotiated with each province
- Predictability: multi-year funding commitment from the federal government
- Accountability: reporting requirements on how federal funds are spent



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