Backgrounder N° 1: Federal Funding for Post-Secondary Education

POST-SECONDARY EDUCATION: OUR TIME TO ACT

Funding for post-secondary education (PSE) in Canada has three main pillars: public funding, provided by federal and provincial governments; user fees, in the form of tuition and other fees paid by students; and private money, from donations, endowments, and contracts.

For decades in Canada, following the Second World War, governments were the most important funders of post-secondary education, providing more than 80 per cent of the revenue of colleges and universities. But over the past two decades that has changed, with more of the cost shifted to students and to wealthy donors.

This backgrounder looks at what has happened to federal funding for PSE and what the consequences of the drop in federal funding have been for students, workers, and institutions.

The Federal Contribution

In Canada, education is under provincial jurisdiction. This means that provincial governments have the responsibility for setting the rules under which universities and colleges operate. But since World War II, funding for post-secondary education has come from both the federal and provincial governments, in recognition of the important role that education plays in our society and in our economy.

In fact, at one time, the federal government was committed to providing half of the post-secondary operating expenses of the provinces. Since that time, however, the federal share has diminished considerably.

In 2016-17, the federal government spent $15 billion on PSE.[1] This contribution took three very different forms:

TRANSFERS TO PROVINCES	DIRECT SUPPORT TO INDIVIDUALS	RESEARCH
• Canada Social Transfer – Post-Secondary Allocation	• Canada Student Grants • Scholarships • Canada Student Loans Program • Canada Education Savings Program • Post-Secondary Student Support Program • Tax Expenditures*	• Granting Councils** • Post-Secondary Institutions Strategic Investment Fund • Research funding provided through federal departments
Total: $4.2 billion	**Total: $7 billion**	**Total: $3.8 billion**

* Tax expenditures are money the government could have collected but did not due to a deduction or credit

** Excludes operating costs

Transfers to the Provinces

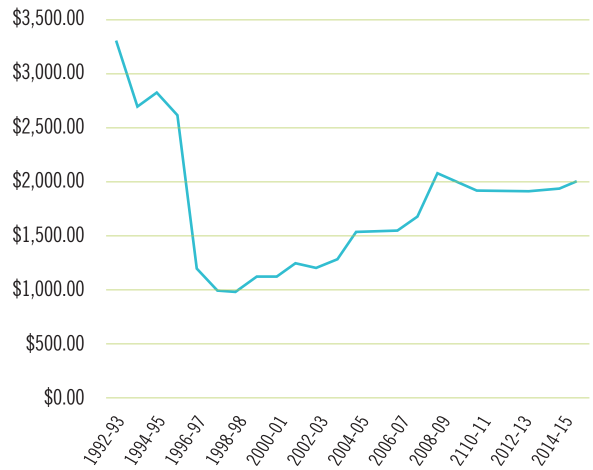
Until 1967, the federal government transferred money directly to universities, first through the *Veterans Rehabilitation Act*, which paid tuition and fees for returning veterans of the Second World War, and then through the National Conference of Canadian Universities (the forerunner of Universities Canada). In 1967, the federal government passed the Federal-Provincial Fiscal Arrangements Act, which replaced the direct funding with transfers to the provinces, intended to cover all forms of PSE, not just universities. The federal contribution was either $15 per person living in the province or 50 per cent of actual PSE expenditures, whichever was higher.[2]

In 1977, this system was scrapped in favour of a new transfer, called the Established Programs Financing (EPF). The EPF was intended to cover both health care spending and PSE, but the money was allocated unconditionally – there was no requirement for the provinces to spend the money on the intended programs. At the same time, the federal government also reduced taxes by a set amount, allowing provinces to increase their taxes by the same amount, to increase revenues for program spending. This also occurred without any requirement that the funds raised actually be spent on health or social programs.

The EPF was not a perfect program – far from it – but it provided a significant federal contribution to PSE. In 1992-93, shortly before the EPF was ended, the cash transfer for PSE was $2.89 billion. When adjusted for inflation, that is equivalent to $4.56 billion today – more than the federal government currently contributes through the Canada Social Transfer (CST).[3]

In per student terms, the federal contribution under the EPF was even greater. In 1992-93, the federal government's contribution (adjusted for inflation) amounted to $3,291 per post-secondary student; in 2015-16, the federal government's per student contribution was only $2,007. If the federal government provided the same per student amount in 2015-16 as it did in 1992-93, the PSE component of the CST would have been $6.7 billion ($2.5 billion more each year than what the government is currently providing).

The Federal Government PSE Cash Transfer Per Student (adjusted for inflation)



So what happened? When the Liberal government of Jean Chrétien was elected in 1993, they immediately began slashing transfers to the provinces in the name of reducing the federal deficit. In 1996, federal Finance Minister Paul Martin went a step further and replaced the EPF and the Canada Assistance Program (CAP), intended to provide funding for social programs, with a single new transfer, the Canada Health and Social Transfer. Overall, funding for this new transfer in 1997-98 was 27 per cent lower than the total EPF and CAP had been in 1995-96. Funding nominally allocated for PSE was approximately 60 per cent lower.

Despite occasional increases in funding for the transfer, and the separation of health care into the Canada Health Transfer, the funding allocated for post-secondary education through the Canada Social Transfer today has still not returned to the level of 1992-93, when accounting for inflation.

What's more, this reduction in the federal contribution has happened despite the fact that the government's capacity to spend, measured by the growth in our economy, has grown considerably. In 1992-93, the federal government's cash transfer for PSE was 0.41 per cent of GDP. In 2014-15, it was only 0.20 per cent.[4]

Lack of Accountability

The total amount of funding the federal government contributes is not the only problem. Since 1977, the federal government has been providing funding to the provinces with no strings attached, and very little transparency as to the amount.

The amount provided is a notional amount – meaning the federal government arbitrarily assigns a number, and the amount can often be hard to find, or has to be calculated based on average percentages. From 2007 to 2013, the federal government publicly reported on the breakdown of the Canada Social Transfer but has since stopped doing so. This makes it very difficult for the average citizen to identify how much money is being given to the provinces for PSE.

Unlike the Canada Health Act, which has strict requirements regarding what Canada Health Transfer dollars may be spent on and basic principles which the provinces must meet in order to receive funding, the provinces are free to spend their PSE dollars however they choose, with no accountability for the outcomes.

In fact, in several instances, provinces have received an increase in federal PSE cash transfers while simultaneously decreasing their PSE budgets. British Columbia, for instance, decreased its per-FTE transfer to university and colleges in both 2004-05 and 2007-08, despite the fact that the Canada Social Transfer allocation for PSE increased those years.[5]

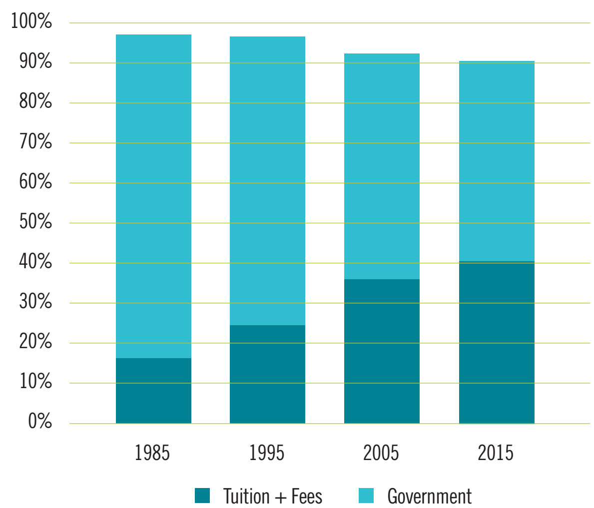
Consequences

Every government decision to fund or to cut is a choice, and choices come with consequences. In the case of the federal government's reduced contribution to the costs of the PSE system, that choice has created consequences for students, for workers, and for institutions.

INCREASED TUITION

As the contributions from governments have gone down, the price tag for students has gone up. Average undergraduate tuition and fees have increased by 159 per cent since 1990, after accounting for inflation.[6] In 1985, tuition accounted for only 16 per cent of the revenue of universities. By 2015, that proportion had grown to 40 per cent.[7]

Tuition and Fees and Government Funding as Proportion of University Revenues



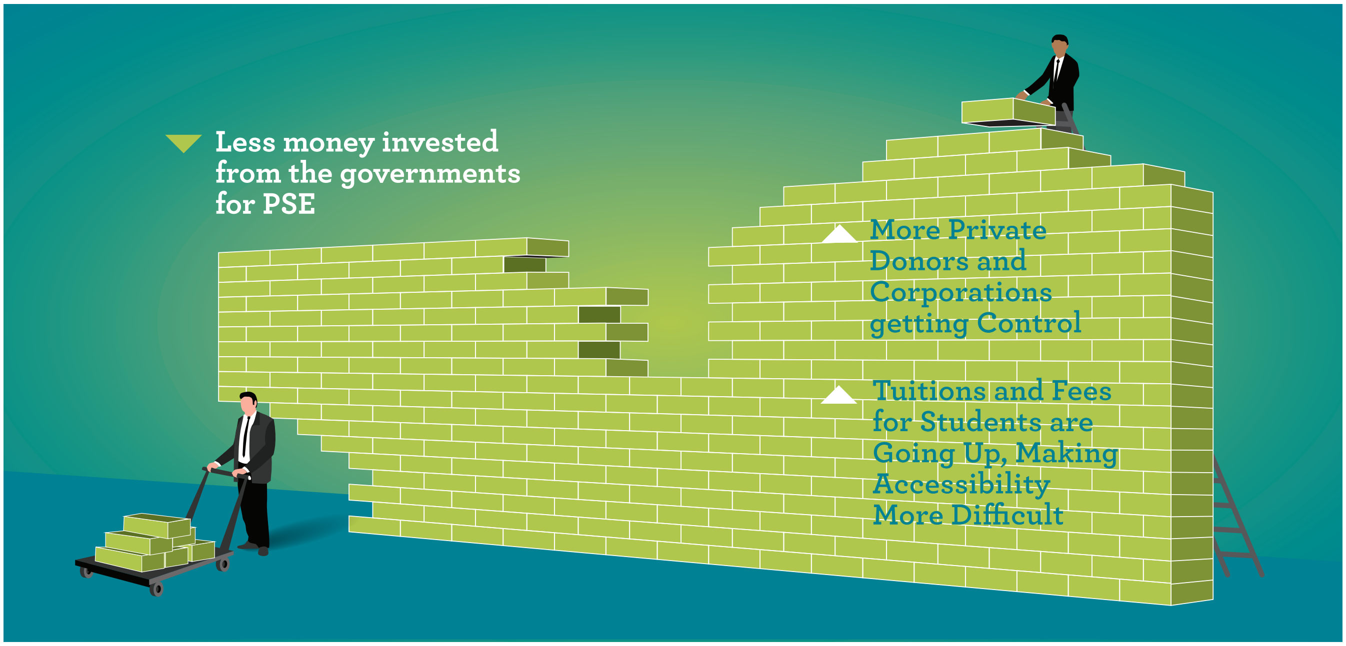
INCREASING CORPORATIZATION

The other source of income that has increased considerably is funding from wealthy donors or corporations. According to Statistics Canada, in 2010, more than $100 million was donated by individuals to universities and colleges.[8] There is nothing wrong with philanthropy, of course, but many of these donations come with strings attached – personal or corporate branding of buildings and programs, proprietary rights over research and discoveries, and, in the worst cases, control over hirings, firings, research results, and academic curriculum. What's more is that because of a lack of transparency on the part of many colleges and universities, the public doesn't know whether or not the donor has been given control over employees or academic processes.

INCREASING PRECARITY

The strain on university and college budgets has had huge consequences for workers. Institutions eager to save money have been replacing full-time, permanent positions with part-time, temporary positions, relying on the use of more contract faculty, and frequently contracting jobs out to companies that pay very low wages and fail to provide good benefits and pensions. More than half of undergraduate courses in Ontario are now taught by contract faculty.[9] And 75 per cent of Canadian universities and colleges have contracted out their food services.

Impact of Federal and Provincial Cuts



INCREASING CLASS SIZES

Less public funding for universities and colleges also translates into higher class sizes. The ratio of university students to full-time faculty has grown 20 per cent since 1992. For students, very large class sizes have been shown to correlate with negative outcomes – students are less likely to succeed in very large classes. For workers, large class sizes mean more work without more pay – especially for more precariously employed workers, such as Teaching Assistants and lab assistants.

DEFERRED MAINTENANCE

When institutions lack funding, they often put off maintenance and capital repairs. In 2014, the Canadian Association of University Business Officers estimated that the price tag for the deferred maintenance at Canadian universities was $8.4 billion.[10] Colleges and Institutes Canada estimates that Canadian colleges have $6.6 billion in deferred maintenance costs.[11] Without investments in infrastructure, students and workers are being kept in crumbling, outdated, sometimes dangerous buildings.

Conclusion

The solution is clear – we need the federal government to become a significant partner in post-secondary education once again. But we need accountability and transparency as well. That's why CUPE is calling for a Post-Secondary Education Act and a dedicated Post-Secondary Education Transfer.

Learn more at cupe.ca/ourtimetoact

1 Public Accounts of Canada 2016-17, Department of Finance Federal Transfers, Department of Finance Report on Federal Tax Expenditures 2017.
2 Donald Fisher et.al, *Canadian Federal Policy and Post-Secondary Education*, Centre for Policy Studies in Higher Education and Training, 2006.
3 Ibid.
4 Canadian Association of University Teachers Almanac 2015-16.
5 Canadian Association of University Teachers Almanac 2009-10.
6 Statistics Canada, CANSIM Table 477-0122 and David Macdonald and Erika Shaker, *Eduflation and the High Cost of Learning*, Canadian Centre for Policy Alternatives, 2012.
7 Canadian Association of University Teachers Almanac 2015-16.
8 Martin Turcotte, "Charitable Giving by Canadians," *Statistics Canada*, April 16, 2012.
9 Council of Ontario Universities, *Faculty at Work: The Composition and Activities of Ontario Universities' Academic Workforc*e, January 2018.
10 Canadian Association of University Business Officers, *Deferred Maintenance at Canadian Universities: An Update*, May 2014.
11 Colleges and Institutes Canada, Budget 2016 Priorities: Infrastructure.

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