

# Tuition:

**2012 Ontario Tuition Framework Submission**



## EXECUTIVE SUMMARY

Recent government initiatives, such as the tuition grant and the expansion of the Ontario Student Assistance Program (OSAP) have helped address access and affordability issues. However, without a change to the tuition framework, these initiatives will only temporarily address issues of affordability. Ontario has consistently had the lowest per-student funding in Canada during the last two decades, with funding currently at 24% below the national average. The College Student Alliance (CSA) believes that the new tuition framework should result in the capping of tuition and allowing it to grow with the rate of inflation. Student debt loads have continued to increase which is particularly concerning from an access and affordability perspective, especially considering the growing debt loads as roughly 50% of college students accessed OSAP in order to pay for their education in the 2009-2010 school year.

In 2009, the student unemployment rate surpassed 20%. In 2011, it has edged down only slightly to 17%. Debt accrual is a significant deterrent for many potential students especially for students from groups traditionally underrepresented in the post-secondary education (PSE) sphere. Research shows that there is considerable overlap between groups identified as low-participating in other studies and those identified as especially price sensitive, suggesting that groups may be underrepresented in PSE because they are more sensitive to the PSE costs. Four options for the new tuition framework are discussed here, namely; a freeze; tying increases to the rate of inflation; maintaining the status quo (5% increase); and deregulation.

### Summary of Recommendations:

- 1: The government should cap full-time tuition and allow it to grow with the rate of inflation, with high demand program tuition fees increasing no more than 5% per year.
- 2: The government should strengthen per-student funding with the goal of achieving the national per-student funding median average by 2015-16.
- 3: The government must address transparency and clarity issues that stem from ancillary fees by implementing coherent and unambiguous guidelines and methods to guarantee fee protocol compliance.
- 4: The government should address deferred tuition payments in the new framework and mandate that institutions allow an automatic deferral for students in receipt of student financial aid, with no financial penalty.
- 5: The tuition and ancillary fee refund policy needs to be assessed and modified to allow for fairness and higher retention rates.
- 6: The government must ensure that students are charged a fair exemption fee when they transfer credits to further their education. Furthermore, students should be refunded at least a portion of their successful exemption credit.
- 7: The government must regulate international student tuition fees following the initial year of study to ensure predictability of tuition costs.

## Introduction

Over the last two decades, the average cost of tuition fees for college students has consistently risen with full-time students paying over \$2,300 each year. Over the last two decades, the average tuition fees for college students have consistently increased with the average full-time student paying over \$2,300 each year.<sup>1</sup> The extent to which tuition fees affect access to PSE deserves particular attention as it can impact a student's ability to attend school and participate in the knowledge economy. This submission will describe how the policy framework has evolved over the last decade and provide realistic recommendations to help further build the quality of a college education.

Recent government initiatives, such as the tuition grant and the expansion of the Ontario Student Assistance Program (OSAP) have helped address access and affordability issues. However, without a change to the tuition framework, these initiatives will only temporarily reverse this trend. All the while, Ontario has consistently had the lowest per-student funding in Canada during the last two decades, with funding currently at 24% below the national average. Furthermore, Ontario colleges remain amongst the lowest per-student-funded educational institutions in all of Canada.

This situation has made a new tuition framework an exciting opportunity for moving forward to ensure quality, affordability and access are maintained within the post-secondary education system. The submission concludes by providing recommendations as to how tuition can be more affordable for students by examining different policy options that the College Student Alliance (CSA) is currently advocating for

## College Tuition Overview

Overall, tuition fees are recognized as students' main contribution to the costs associated with their education and to the activities supported by the general purpose operating grant and capital grants.<sup>2</sup> There have been significant changes in revenue sources, with a considerable shift toward tuition.<sup>3</sup> For colleges, the share provided by grants fell from 85% in 1992 to 71% in 2000 before rising slightly to 73% in 2008.

Generally, colleges are funded in a few different ways, these being primarily through government grants (50.8%), mandatory ancillary fees (12.3%), and tuition (24.1%). Each of these three areas contributes to the overall total revenue of the Ontario college system of \$3.2 billion. Tuition can be broken down into three different forms; regulated tuition (14.7%), additional cost recovery tuition (3.8%), and unfunded and international student tuition (5.6%).<sup>4</sup> Tuition fees make up the remainder of total operating revenue, rising from 15% in 1992 to 29%

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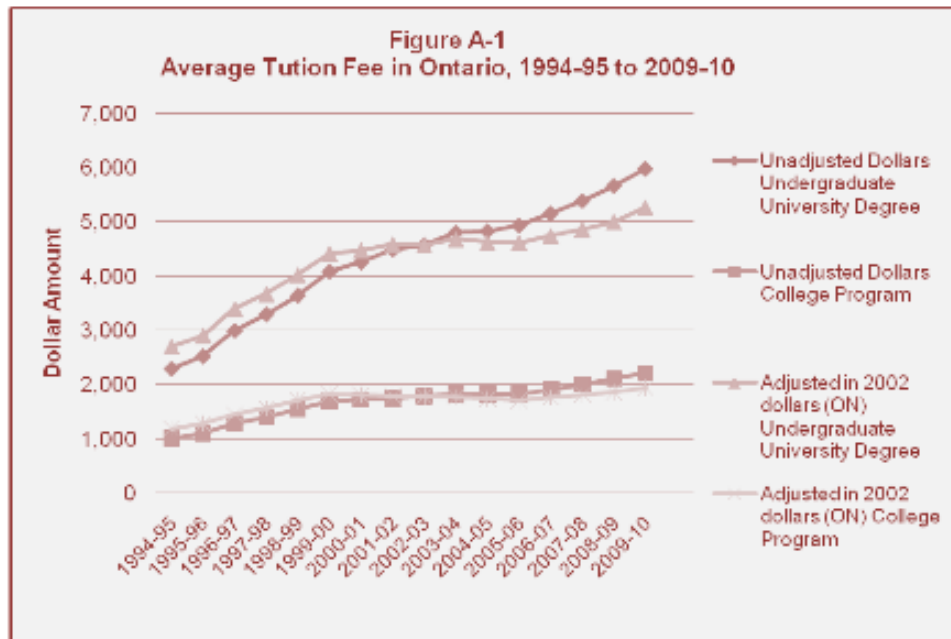
<sup>1</sup> Colleges Ontario. "2010 Environmental Scan" College Resources. p. 12

<sup>2</sup> Ministry of Training, Colleges and Universities. (September 1, 2010) *Tuition and Ancillary Fee Reporting*. p. 34

<sup>3</sup> Snowdon & Associates. (2009) *Revisiting Ontario College and University Revenue Data*. Toronto: Higher Education Quality Council of Ontario. P. 67

<sup>4</sup> Colleges Ontario. (2011). *2011 Environmental Scan: College Resources*. p. 3

in 2000 and then falling slightly to 27% in 2008.<sup>5</sup> The graph below illustrates the change in average tuition fees from 1994-2010 for college and university programs.



Source: Statistics Canada, Centre for Education Statistics. Tuition and Living Accommodation Costs for Full-time Students at Canadian Degree-granting Institutions Survey (TLAC), and Colleges Ontario<sup>20</sup>.

### Students and Tuition Fees

The current tuition fee policy was slated to end in 2009-10, but was extended by two years. A new framework must be in place for the 2012-13 academic year. Over the last 10-15 years, students have seen significant increases to tuition fees for post-secondary students in Ontario. Institutions have used these fees in order to maintain their revenue. The College Student Alliance identifies the barrier to student affordability as a main concern of our students and we believe that it should be addressed by our government.

Prior to 1997-1998, the ministry established one standard tuition fee for each type of program. In 1997-1998, a one-year policy determined that tuition could be raised by 20% over the previous year's tuition level with a maximum average increase of 10%.<sup>6</sup> This meant that it was at the discretion of the college to establish tuition as long as the enrollment-weighted average did not exceed the maximum average regulated tuition fee. Over the course of the next 10 years, short term (2-5 year) policies were introduced which saw continual increases to tuition.

<sup>5</sup> Norrie, Ken and Mary Catharine Lennon. (2011). *Tuition Fee Policy Options for Ontario*. Toronto: Higher Education Quality Council of Ontario. P.21

<sup>6</sup> Ministry of Training, Colleges and Universities. (2010) *Tuition and Ancillary Fee Reporting*. p. 4

In 2004-2005 the previous five-year tuition fee policy was discontinued with the announcement of a college and university tuition fee freeze for two years. A new framework for funding was developed as well as an all-new tuition fee policy and any new programs that were established had to be based on fees for comparable programs.<sup>7</sup> When the freeze was concluded, the government announced a new framework for all publically funded programs, which allowed for tuition fee differentiation based on program and program year.

Current Tuition Framework

This 2006-2010 framework continued to recognize that higher demand programs may be supported by higher fees.<sup>8</sup> Fees could increase by a maximum percentage given with the maximum average tuition fee increase not exceeding 5%.<sup>9</sup> Compounding annually at a 5% rate, fees would be 28% above their current level in 5 years and 63% above in 10 years.<sup>10</sup> In addition, tuition increase had to be tied to quality improvement and the student access guarantee. The current tuition fee policy was slated to end in 2009-10, but was extended by two years, with the following exception:

*The amount of tuition fee set-aside funding to be disbursed annually will be set at the previous year's tuition fee set-aside levels plus 10% of the additional fees resulting from tuition fee increases in the current year, with adjustments to be made for annual enrollment changes, ie. increased/decreased by the annual percentage increase/decrease in full time equivalent (FTE) enrolment.*<sup>11</sup>

The table below illustrates the maximum allowable fee increase for university and college programs under the current tuition fee framework.

Maximum Allowable Fee Increase		
Program Type	Program Year	
	First Year	Continuing Years
College Regular Fee Programs	Up to the greater of \$100 or 4.5%	Up to 4%
College High Demand Programs	8%	Up to 4%
Professional and Graduate Programs	8%	4%
University Arts and Science and Other Programs	4.5%	4%
<b>Total Tuition Increase</b>	<b>5%</b>	

Source MTCU, 2006

<sup>7</sup> Ministry of Training, Colleges and Universities. (2010) *Tuition and Ancillary Fee Reporting*. P. 6  
<sup>8</sup> Ministry of Training, Colleges and Universities. (2010) *Tuition and Ancillary Fee Reporting*. p. 6  
<sup>9</sup> Ministry of Training, Colleges and Universities. (2010) *Tuition and Ancillary Fee Reporting*. p. 7  
<sup>10</sup> Norrie, Ken and Mary Catharine Lennon. (2011). *Tuition Fee Policy Options for Ontario*. Toronto: Higher Education Quality Council of Ontario. P.4 (in footnote)  
<sup>11</sup> Ministry of Training, Colleges and Universities. (2010) *Tuition and Ancillary Fee Reporting*. p. 7

## The Impact of Tuition Fees on Students

### Growing Debt and Unemployment

Currently, the average tuition fee (2010-2011) for students in Ontario is \$2,311 for regular programs of study, \$4,477 for high demand and \$10,876 for international students. Due to these high tuition costs, the incidence of student debt continues to increase. On average, a college student's debt can be upwards of \$13,000, which is particularly concerning from an access and affordability perspective. Only about half of students apply for OSAP and its associated up-front grants. Applications from the most needy – the lowest income quartile – are just 50% for university students and 30% for college students, rising to 70% and 40% respectively for the second income quartile.<sup>12</sup> Student debt loads have continued to increase, as has student unemployment.

This negative correlation between age and unemployment is well documented in many countries and Ontario is no exception. In 2009, the student unemployment rate surpassed 20 per cent. In 2011, it has edged down only slightly to 17 per cent. Much like Ontarians, college students are concerned about their employment during their educational career and their career prospects after completing their program, especially considering the growing debt loads as roughly 50% of college students access OSAP in order to pay for their education. Furthermore, it has been found that those who accumulate high amounts of debt are more likely to drop out of school. Students should be focusing on their studies and not burdened with stress from debt and unemployment issues.

### Affordability

Students from a number of socio-economic groups remain underrepresented in Ontario's PSE system. These include low-income students, Aboriginal students, first generation students whose parents did not attend a post-secondary institution, rural and northern students, racialized students, students with dependants, and students with disabilities. The rise in tuition fees corresponds with high levels of student borrowing and associated debt loads. With regards to affordability to education, high tuition fees have a negative impact on students from groups traditionally underrepresented in post-secondary education. This is further exacerbated by the fact that needs-based aid has not kept pace with tuition increases.

While Canadian research finds no consistent relationship between tuition fees and PSE participation and retention rates, debt accumulation is a significant deterrent for many potential students and must be recognized as a strong impediment in the pursuit of higher education. For some students, the benefits of a post-secondary education may not be realized right away by all upon graduation. This means that the accumulation of debt may have lasting effects on some graduates.<sup>13</sup> Also, the increased cost of a PSE has resulted in limited access to

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<sup>12</sup> Ken Norrie and Mary Catharine Lennon, *Tuition Fee Policy Options for Ontario* (Toronto: Higher Education Quality Council of Ontario, 2011).

<sup>13</sup> Luong, May. (2010). *The Financial Impact of Student Loans*. Statistics Canada p. 5

a college education. These issues coupled together have resulted in low participation rates that negatively impact labour market participation.

### Lack of Access

Research shows that there is considerable overlap between groups identified as low-participating in other studies and those identified as especially price sensitive, suggesting that groups may be under-represented in PSE in part because they are more sensitive to the cost of PSE.<sup>14</sup> Students from poorer socioeconomic backgrounds may be more averse to borrowing and the possibility of default, a phenomenon known as debt aversion.<sup>15</sup> This is especially worrying due to the fact that debt aversion appears to be the most important single financial obstacle to participation in post-secondary education, both among those who did not pursue a post-secondary education after high school for financial reasons, as well as for those who dropped out for financial reasons.

### Policy Options

**RECOMMENDATION 1: THE GOVERNMENT SHOULD CAP FULL-TIME TUITION AND ALLOW IT TO GROW WITH THE RATE OF INFLATION, WITH HIGH DEMAND PROGRAM TUITION FEES INCREASING NO MORE THAN 5% PER YEAR.**

**RECOMMENDATION 2: THE GOVERNMENT SHOULD STRENGTHEN PER-STUDENT FUNDING WITH THE GOAL OF ACHIEVING THE NATIONAL PER-STUDENT FUNDING MEDIAN AVERAGE BY 2015-16.**

When discussing tuition policies, there are really two options: maintain the status quo (the average 5% increase) or pursue another option. This section will entertain a discussion on possible alternatives to the current policy and will recommend that Option 1, capping tuition and allowing it to grow with the rate of inflation. . Likewise, the CSA believes that in order to sustain a quality education the government must strengthen per-student funding with a goal of achieving the national average by 2015-16. Both recommendations are favorable for students, institutions and for government alike. Tuition and ancillary fee policy dialogue must consider three key factors: college revenue needs, the impact of fees on access and affordability and government funding available for public PSE institutions.

#### Policy Option 1: Tying increases to the rate of inflation

Students' resources are very limited and asking them to pay for tuition increases that are higher than the rate of inflation does not bode well for a sustainable tuition fee policy. When tuition rates are higher than inflation, education becomes more and more unaffordable each school year, especially for those students in high demand programs. Assuming a constant 2% inflation rate, tuition fees would increase by 10.4% over five years and by 21.9% over ten years.

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<sup>14</sup> Palameta, B. & Voyer, J.P. (2010). *Willingness to pay for Post-secondary Education Among Under-represented Groups – Report*. Toronto: Higher Education Quality Council of Ontario.

<sup>15</sup> Guillemette, Yvan. (May 2006). *The Case for Income Contingent Repayment of Student Loans*. The Education Papers series, no. 233. Toronto: C.D. Howe Institute.

With a 3% inflation rate, these figures are 15.9% and 34.4%. By definition, the real tuition fee increases as measured by the CPI would be zero.<sup>16</sup> This option is favoured by the College Student Alliance. In order to make sure that the quality of education is maintained, the government would have to fund an increase to the annual operating grants, and by an amount larger than in the status quo. This is a better option for Ontario’s families as the average household incomes in Ontario do not increase at the rate of inflation, but actually below it.

This option would allow the ratio of student to government funding now in place to remain, while providing adequate resources for institutions to maintain a high quality of education. Due to the fact that Ontario’s students have the lowest per-student funding in Canada and the province have been contributing less and less each year to the operating revenue currently, an increase tied to inflation will help ensure that student fees do not become the primary revenue source for Ontario’s colleges.

**Approximate increases to tuition fees by the rate of inflation**

<b>Program</b>	<b>Tuition Fee 2012-2013</b>	<b>Tuition Fee 2013-2014</b>	<b>Tuition Fee 2014-2015</b>	<b>% Increase by Inflation</b>
Full-time Basic, Regular	\$2,390	\$2,462	\$2,536	No more than 3%
Full-time, High Demand	\$4,348	\$4,565	\$5,021	No more than 5%
Full-time, Applied Degree	\$5,028	\$5,178	\$5,331	No more than 3%
Bacc. of Nursing	\$5,262	\$5,418	\$5,580	No more than 3%

Policy Option 2: Maintain the status quo (5% increase)

Extending the current tuition fee policy is an obvious choice. This choice would almost certainly mean that average fees would increase by the maximum amount of 5% each year, as. Given compounding the effect would be to increase average tuition fees by a maximum of 28% over 5 years and by 63% over 10 years, increases that are not sustainable for Ontario’s families. Based on revenue shares as they were in 2008, a 5% annual increase in fees would generate about a 1.5% increase in annual operating revenue per student for the college sector.<sup>17</sup> The college Student alliance sees the first policy option as a more progressive and fair policy alternative to the status quo as the ability of students to increase their financial contribution to post-secondary education is constrained.

Policy Option 3: A tuition freeze

Ontario has consistently had the lowest per-student funding in Canada during the last two decades, with funding currently at 24 % below the national average. Furthermore, Ontario colleges remain amongst the lowest per-student-funded educational institutions in all of Canada. This situation has made a tuition freeze a very desirable option. While the college

<sup>16</sup> Norrie, Ken and Mary Catharine Lennon. (2011). *Tuition Fee Policy Options for Ontario*. Toronto: Higher Education Quality Council of Ontario. P.24

<sup>17</sup> Norrie, Ken and Mary Catharine Lennon. (2011). *Tuition Fee Policy Options for Ontario*. Toronto: Higher Education Quality Council of Ontario. P.23

student alliance has advocated for this option in the past, we believe there are more feasible options to pursue, as the government would be heavily constrained in its effort to not only freeze tuition but also maintain quality improvements, all with factoring in the rate of inflation.

#### Policy Option 4: Deregulation

The arguments for this option are always voiced: leave the matter to the invisible hand of the labour market. The assumption made is that by allowing tuition fees to grow organically, skill sets in excess demand will experience relatively rising wages and salaries and relatively falling unemployment rates. Plainly speaking, this option does not work and never will work. One case that is top of mind in this discussion is that of England and other jurisdictions in Europe that are facing massive cuts to funding and the maximum allowable tuition fee charges. Ensuring affordability, access and quality within the PSE system should remain a priority and this option should not be entertained as a viable alternative.

### **Added Considerations for the New Tuition Framework**

#### Mandatory Ancillary Fees

**RECOMMENDATION 3: THE GOVERNMENT MUST ADDRESS TRANSPARENCY AND CLARITY ISSUES THAT STEM FROM ANCILLARY FEES BY IMPLEMENTING COHERENT AND UNAMBIGUOUS GUIDELINES AND METHODS TO GUARANTEE FEE PROTOCOL COMPLIANCE**

Mandatory ancillary fees are fees that support those services and activities that are not included in tuition fees, capital grants or supported by the General Purpose Operating Grant (GPOG). Students may also be required to incur non-mandatory fees for materials that are program-specific or are charged to every student but have a refund (or opt-out) process. Across the board we see overall increases of fees at nearly every college for the current academic year (2011-2012), which is compounded with rising tuition fees. This overall incline in fees creates concern for student affordability and their ability to attend college. Transparency issues exist due to fact that the current MTCU guidelines lack clear and definable regulations for college administration and student associations to follow when they implement new fees. Also, the guidelines put in place by MTCU in the Operating Procedure regarding appropriate mandatory ancillary fee policy, lack definition for how and why fees are exempt from fee protocol agreements and reporting

#### Deferral of Tuition payment

**RECOMMENDATION 4: THE GOVERNMENT SHOULD ADDRESS DEFERRED TUITION PAYMENTS IN THE NEW FRAMEWORK AND MANDATE THAT INSTITUTIONS ALLOW AN AUTOMATIC DEFERRAL FOR STUDENTS IN RECEIPT OF STUDENT FINANCIAL AID, WITH NO FINANCIAL PENALTY.**

In Ontario, roughly 50% of college students received OSAP in 2009-2010, which in most cases is released during or directly prior to students' post-secondary education starting. Yet,

approximately 50% of institutions require potential or returning students to pay the total cost of tuition between June and July or November for the January term. Due to the gap between receipt of financial aid and the tuition payment dates, students are placed in a difficult position to come up with the full amount of tuition. Students from low-income families who enroll in a college cannot afford to make large up-front payments to their tuition fees, especially without the receipt of student financial aid.

To alleviate the issues arising from this gap, colleges offer a deferred payment of tuition for a fee, allowing students to extend the tuition deadline until a later time. Students are charged deferral fees, whether they are in receipt of OSAP or not, adding stress to students who are already dependent on loans to finance their post secondary education. On average students pay \$80 for student support, administration and registration in Ontario's colleges through their mandatory ancillary fees. Meanwhile, the average deferral fee is \$60 per term. Students should not have to pay double for administrative support at their college. Also problematic are colleges that charge an interest rate on the total amount of outstanding tuition. In some cases students have indicated these interest payments cost upwards of \$200. These fees are especially high for students who are struggling to pay for their higher education.

#### Tuition and Ancillary Fee Refunds

**RECOMMENDATION 5: THE TUITION AND ANCILLARY FEE REFUND POLICY NEEDS TO BE ASSESSED AND MODIFIED TO ALLOW FOR FAIRNESS AND HIGHER RETENTION RATES.**

The tuition and ancillary fee refund policy applies to students whose enrolment in courses and programs of instruction is eligible and reported for funding through the general purpose operating grant. When a student chooses to withdrawal from a course, in order to qualify for a refund of their fees, they must give formal notice of withdrawal 10 business days of the beginning of a semester or the beginning of the period for which the student paid fees in the case of a non-semester or continuous intake program of instruction. If they withdrawal within this time frame, they are eligible for a refund of the full tuition and ancillary fees for the semester or program period less \$100, as well as a refund in full of any tuition and ancillary fees paid in advance for subsequent semesters. If they do not give formal notice of withdrawal outside of those 10 days, they are not eligible for a refund of even a portion of the fees paid.

The refund processes are concerning as this practice does not serve students' success. Students that withdrawal from class within the first two weeks are usually the ones that need the most support to succeed. Due to the pressure of the strict 10 day constrains, students will withdrawal from courses to avoid losing the refund of their tuition and ancillary fees. Instructors barely have time to identify these students, and as a result of this strict policy, students will not persist in their educational pursuits. As fair refund policies have a high correlation to retention, the refund policy needs to be more flexible with later course withdrawal dates.

## Exemption Fees

**RECOMMENDATION 6: THE GOVERNMENT MUST ENSURE THAT STUDENTS ARE CHARGED A FAIR EXEMPTION FEE WHEN THEY TRANSFER CREDITS TO FURTHER THEIR EDUCATION. FURTHERMORE, STUDENTS SHOULD BE REFUNDED AT LEAST A PORTION OF THEIR SUCCESSFUL EXEMPTION CREDIT.**

Ontario college and university students who transfer to another college after graduation or during a semester are often met with unnecessary costs to be exempt from specific courses. This is counterintuitive: students who are pursuing more education are charged for classes that they have received the learning outcomes for. Due to the current full-time equivalent standard set-forth by the Ontario Government, students who decided to transfer are met with an administrative fee, but yet are not refunded for the exempted courses, thus seemingly paying for the same service twice. Furthermore, these students encounter even greater difficulties due to the fact that an exempt student can be considered a part-time student, and thus meet the OSAP eligibility criteria. As Ontario's credit transfer system evolves, exemption fees and the loss of tuition must be addressed, as this is a great hindrance to the pursuit of higher education.

Another issue arises for exempt students when colleges use a flat-fee model. Students who take credits over a certain threshold are charged a standard full-time rate. To illustrate this issue: imagine a student going from an accounting program from one institution to another. If they have taken similar courses, they are eligible for exemption from these courses. However, even though they are granted exemption (for a fee), the students are still charged full tuition fees for all of their classes, even the ones they have been exempt from. They might only take a 3 credit load but be charged full tuition fees, which are usually for 5 credits.

## International Tuition

**RECOMMENDATION 7: THE GOVERNMENT MUST REGULATE INTERNATIONAL STUDENT TUITION FEES FOLLOWING THE INITIAL YEAR OF STUDY TO ENSURE PREDICTABILITY OF TUITION COSTS.**

International students' tuition is not regulated in Ontario while domestic students' tuition fees are strictly regulated. This policy vacuum has resulted in unpredictability for tuition fees from one year to the next. This lack of regulation leaves international students very defenseless against sudden and dramatic price increases that impede their access to an Ontario education. Institutions have the ability to increase tuition from year to year as they please, resulting in international students tuition being twice, if not four times higher than domestic students tuition. This negatively impacts students' abilities to pay for their education, especially in this global economic downturn where currency rates and economic insecurity affect the affordability of their education. Regulated international student fees following the initial year of study would encourage participation and bring diverse perspectives, broader cultural diversity and an economic benefit received by the province as a whole.