

FINANCING HIGHER LEARNING

Post-secondary Education Funding in BC



By John Malcolmson
and Marc Lee

NOVEMBER 2004



CCPA
CANADIAN CENTRE
for POLICY ALTERNATIVES
BC Office

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ABOUT THE AUTHORS

John Malcolmson is a Burnaby-based sociologist who does research and evaluation work in the fields of literacy, education funding, justice and public policy affecting families. He has worked as a treaty negotiator for First Nations and for 12 years was Research Analyst for the BC Teachers' Federation (1982–94).

Marc Lee is an economist in the BC office of the CCPA. He is the author of numerous CCPA publications, including *Tall Tales about Taxes in BC*, *Who's Cutting Classes? Untangling the Spin about K-12 Education in BC*, and *State of the BC Economy 2004*, and is a frequent media commentator on economic policy issues. Marc benefited from generous government grants and low tuition fees while obtaining an M.A. in Economics from Simon Fraser University and a B.A. in Economics from the University of Western Ontario.

ACKNOWLEDGEMENTS

The authors would like to acknowledge assistance received in the compilation of relevant statistical and analytical information from the Confederation of University Faculty Associations of BC, the Federation of Post-Secondary Educators of BC (formerly the College Institute Educators' Association), the Canadian Federation of Students, and the Canadian Association of University Teachers. The authors would like to thank Paul Bowles, Rob Clift, Michael Gardiner, Seth Klein, Fiona MacPhail, Stephen McBride, Roseanne Moran and Ruth Scher for their feedback and comments on a draft of this paper.

The CCPA would like to thank the Columbia Institute for its financial support of this work.

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ISBN 0-88627-389-7

Printed copies: \$10 | Download free from the CCPA website



CCPA

CANADIAN CENTRE
for POLICY ALTERNATIVES
BC Office

www.policyalternatives.ca

CCPA BC Office

1400 – 207 West Hastings Street
Vancouver, BC V6B 1H7
tel: 604-801-5121
fax: 604-801-5122
email: info@bcpolicyalternatives.org

CCPA National Office

410 – 75 Albert Street
Ottawa, Ontario K1P 5E7
tel: 613-563-1341
fax: 613-233-1458
email: ccpa@policyalternatives.ca

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Summary

This report looks at the financing of post-secondary education in BC over the 1990-2004 period, with a focus on the relationship between public funding and tuition fees. It considers two aspects of operating funding: the amount of operating funding for students that are in the system; and the amount required to support greater capacity (the number of seats in the system).

The context for this analysis is a major expansion of post-secondary education beginning in the early 1990s that continues today. Between 1991/92 and 2003/04, full-time equivalent spaces in colleges and universities grew by 42,700 seats, an increase of 38 per cent. In addition to expanding capacity, from 1996/97 to 2001/02 the BC government froze tuition fees. Hence, provincial policy at the time aimed to address two key barriers to entry in the post-secondary system: financial cost and the availability of seats.

Key findings:

- Per-student funding, after accounting for inflation, has declined significantly for both colleges and universities since the early 1990s. Real per-student funding for universities fell by 21 per cent between 1990/91 and 2003/04, while real per student funding for colleges fell by 10 per cent between 1991/92 and 2004/05 (base years differ due to data availability).
- Most of the real per-student funding decline can be attributed to the period before the introduction of the tuition freeze. During the tuition freeze, real per-student funding was essentially flat for universities and increased for colleges.
- Since the tuition freeze was lifted in 2002/03, tuition fees have increased by 76 per cent in inflation-adjusted terms, and are now the primary means by which post-secondary institutions are meeting cost pressures.
- Student tuition and other fees have increased by a total of \$356 million since 2001/02. This is the amount of additional public funding that would have been necessary to provide the same level of post-secondary services in 2004/05, while keeping tuition and other fees at 2001/02 levels.

- Public funding relative to the 18-24 population has changed little from the early 1990s, a period when it was widely recognized that BC lagged most other provinces.
- Public funding relative to GDP has declined. While not large in magnitude, this has occurred at a time when post-secondary education is increasingly important to the provincial economy.

These findings raise some important questions about the future direction of post-secondary education policy in BC, at a time when the provincial government has promised to create 25,000 additional seats by 2010. There is a danger that expanding the system, without putting in place sufficient operating funds, will place even greater pressure on tuition fees in the medium-term.

High and increasing tuition fees are creating financial barriers for low-income students seeking a post-secondary education. This is most evident in rising debt loads for graduates. The elimination of student grants in favour of greater loans is exacerbating this situation.

Good public policy should aim to reduce the barriers to acquiring a post-secondary education, not increase them. Ultimately, we need to take a long-term view of public funding. Students more than pay back the public investment made by government, because they pay higher taxes on the higher incomes they earn as a result of a post-secondary education.

Recommendations:

- The provincial government should re-introduce a tuition freeze in the short term (albeit at a much higher level than the last tuition freeze), with an aim of reducing tuition fees over the medium term.
- A tuition freeze should be accompanied by adequate operating funds provided to post-secondary institutions by the provincial government.
- Restoring per-student funding to 1991/92 levels would have required an additional \$220 million in operating funds in 2003/04 (this will be higher for 2004/05, the current academic year).
- To fully fund an additional 25,000 seats would cost an additional \$200 million in annual operating funds by 2010.

Introduction

Since coming to power in 2001, the BC government has moved swiftly to change the way post-secondary is financed in the province. A freeze on tuition fees—the hallmark of the previous NDP government’s post-secondary funding policy—was lifted as of the 2002/03 academic year. Despite some modest increases in provincial funding, BC’s post-secondary institutions have moved to raise student tuition fees dramatically as a means of generating additional revenue.

According to the Ministry of Advanced Education’s 2002/03 Service Plan, ending the freeze would “return autonomy to our province’s universities, colleges, university colleges and institutes,” thereby “allowing institutions greater flexibility in expanding programs and services to suit the needs of their students and their communities.” This is a much more market-oriented direction for BC’s post-secondary institutions than prevailed in the past.

This paper looks at funding of post-secondary education in BC. We consider the relationship between funding from the provincial government and tuition fees paid by students. And we examine this in the context of a major expansion of post-secondary education beginning in the early 1990s that continues today.

In the next section, we survey the major changes in post-secondary education in BC over the 1990s. Next, we review the data on provincial grants to post-secondary institutions, accounting for changes in the number of seats in the post-secondary system and for inflation. We then examine the recent cost shift from the public purse to tuition fees. To conclude, we provide some thoughts about the social and economic implications of recent trends.

Post-Secondary Education in BC

BC's post-secondary system offers a continuum of educational programming and credentials. The province's university sector offers a full range of academic and research-oriented programs. The non-university sector in BC is large and diverse, comprising colleges, institutes and university colleges. University colleges and institutes offer a comprehensive range of programs, including many degree programs, and can also offer graduate programs. Colleges also provide comprehensive programming, including transfer programs covering the first two years of university, and full undergraduate degree programs.

Although the lines between universities and colleges are increasingly blurry, this distinction is still frequently made for the purposes of reporting and analysis. A major shortcoming of an analysis of post-secondary financing in BC is that there are no consistent data sources aggregating all post-secondary institutions. As a result, we consider universities and colleges separately.

With regard to public financing of the post-secondary system, we are interested in both the amount of funding for students in the system, and, because there are far fewer seats than potential students, the amount of funding that goes toward increasing capacity, or the number of seats in the system. The latter consideration is important in the BC context because at the beginning of the 1990s, BC was one of the worst performers among provinces with regard to post-secondary participation rates. BC has historically met its needs for skilled and professional labour through high levels of in-migration from the rest of Canada and overseas.

The 1990s saw an expansion and diversification of BC's post-secondary sector, a trend that continues today. In part, this was due to the establishment of two new universities, the University of Northern British Columbia in Prince George and Royal Roads University outside of Victoria. BC's college sector also experienced significant growth, with expansion of colleges and the creation of five university colleges. Overall, the number of full-time equivalent spaces (FTEs) in BC's colleges and universities increased by 42,700 between 1991/92 and 2003/04, an increase of 38 per cent.¹

The expansion of post-secondary institutions led to a rise in participation rates. Lee and Long (2001) found that participation rates rose from 15.4 per cent in 1992 to 21.4 per cent in 2000. While all provinces had rising participation rates over this period, reflecting the increasing importance of post-secondary education, BC's relative position vis-à-vis other provinces improved. BC lagged most other provinces in 1992, but by 2000, BC had the fourth-highest participation rate.

In addition to expanding capacity, from 1996/97 to 2001/02 the BC government froze tuition fees to make access to post-secondary education more affordable. Hence, provincial policy aimed to address two key barriers to entry in the post-secondary system: financial cost and the availability of seats (related to the minimum grades required for entrance). The BC government ended the tuition freeze as of 2002/03.

We are interested in both the amount of funding for students in the system, and the amount of funding that goes toward increasing capacity, or the number of seats in the system.

In the 2004 BC Budget, the government announced its intention to further expand the number of seats in post-secondary institutions. The budget promised that BC would create 12,000 additional spaces in post-secondary institutions over the next three years, and an additional 13,000 by the year 2010. This includes moves to transform the existing Okanagan University College–Kelowna campus into a University of BC–Okanagan campus, plus an expanded Okanagan College in Kelowna. The University College of the Cariboo in Kamloops is being merged with BC Open College and Open University to become Thompson Rivers University, a free-standing, special purpose university.

This increase in university seats is much needed (arguably, BC needs more seats, sooner), but the lessons of the 1990s suggest some caution.

Provincial policy may reduce one barrier to accessing post-secondary education (by lowering the bar in terms of grades required to get in) while simultaneously increasing another barrier (the financial cost of attending). In the next section, we take a closer look at the relationship between expanding seats, public funding and tuition fees for BC's post-secondary system, and how this has played out over the past decade and a half.

Funding BC's Post-Secondary System

Provincial governments have constitutional responsibility for education in Canada, and are the main source of post-secondary education funding. The federal government contributes to post-secondary systems through transfers to the provinces, although pinning down the true extent of such support can be tricky.² For the purposes of this paper, we focus on provincial funding support (which includes transfers received from Ottawa).

Post-secondary institutions also rely extensively on other sources of funding. The largest source of non-governmental funding is tuition fees paid by students. In addition, institutions receive significant and growing funding support from a variety of private sources including outside organizations, foundations, and individual and corporate donors.

This section considers changes in public funding support to post-secondary institutions over time, beginning with total operating grants provided by the provincial government relative to changes in the number of students enrolled and inflation. We then turn to indicators of post-secondary financing relative to the population as a whole and relative to the size of BC's economy. More detailed data are available in the Appendix.

Per-Student Funding: Universities

Between 1990/91 and 2003/04, funding for the province's universities rose from \$432 million to \$669 million, a gross increase of 55 per cent. During this period annual rates of funding increase varied widely. The overall budget for the Ministry of Advanced Education has been frozen since 2002/03, but a reallocation of Ministry funds to universities and colleges has taken place as a result of program review.³

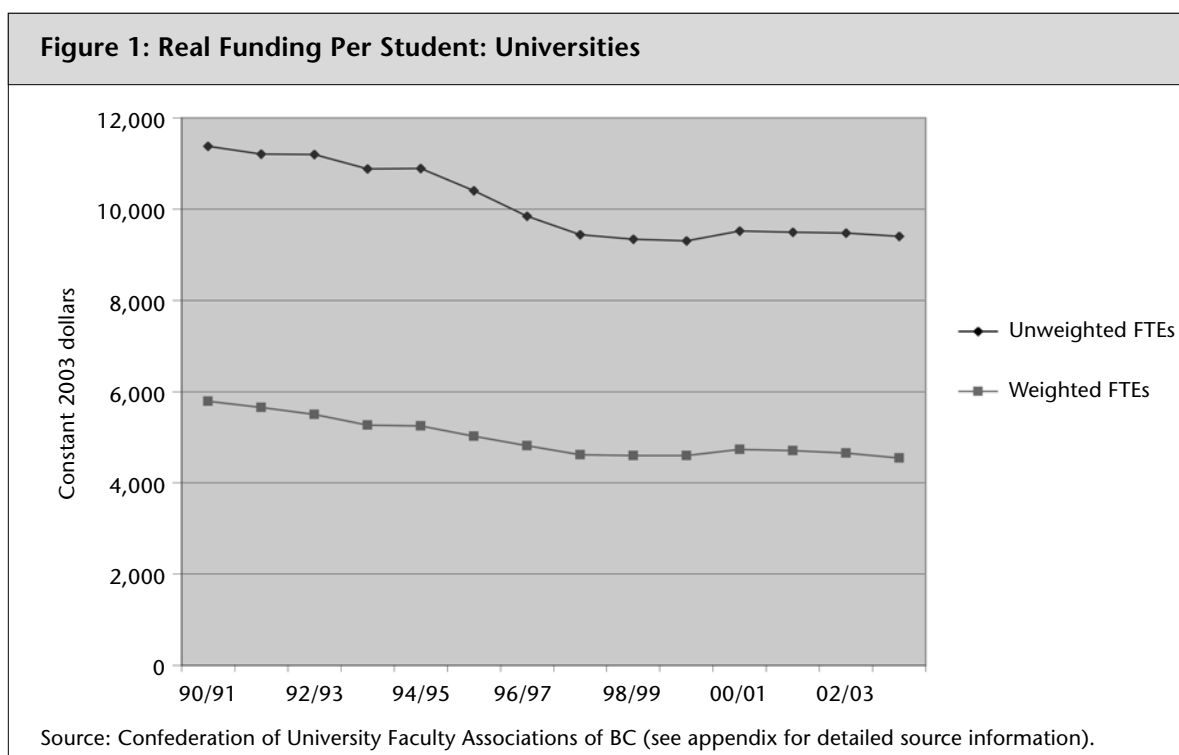
On a full-time equivalent (FTE) basis, the number of university seats rose from 49,482 in 1990/91 to 71,134 in 2003/04, an increase of 43.8 per cent. University administrators also look at "weighted student" enrolments to account for the fact that not all students are of equal "weight" as regards their cost implications for the system (for example, arts versus medicine students).⁴ For this reason, weighted students is technically a more appropriate measure, but we present data for both weighted and unweighted students below in order to be more comprehensive. On a weighted FTE basis, enrolment increased by 51.4 per cent, almost at the same pace as funding increases.⁵

After accounting for higher enrolment, per student levels of funding grew by 7.8 per cent on an unweighted basis and 2.4 per cent on a weighted basis over the 1990/91 to 2003/04 period.

However, this is not the end of the story. We must also account for inflation, or the rising cost of providing the same level of education services over time (for instance, increases in salaries paid to faculty and administrators, and increases in the cost of operations and maintenance). In the absence of a price index geared specifically to tracking post-secondary education price changes, we deflate levels of per student funding using the Consumer Price Index (CPI) for BC.

Figure 1 shows real funding support per student (weighted and unweighted) for the 1990/91 to 2003/04 period. Real per student levels of funding support for BC universities fell significantly in inflation-adjusted terms, by a total of 17.3 per cent on an unweighted basis and 21.4 per cent when weighted.

On an unweighted basis, funding in constant 2003 dollars dropped from \$11,374 per student in 1990/91 to \$9,407 in 2003/04, a fall of almost \$2,000 per student. Real funding declines occurred over most of the 1990s. In 2000/01, real per student funding increased somewhat only to resume its decline in recent



years. On a weighted basis, real funding support declined from \$5,790 per student in 1990/91 to \$4,548 in 2003/04.

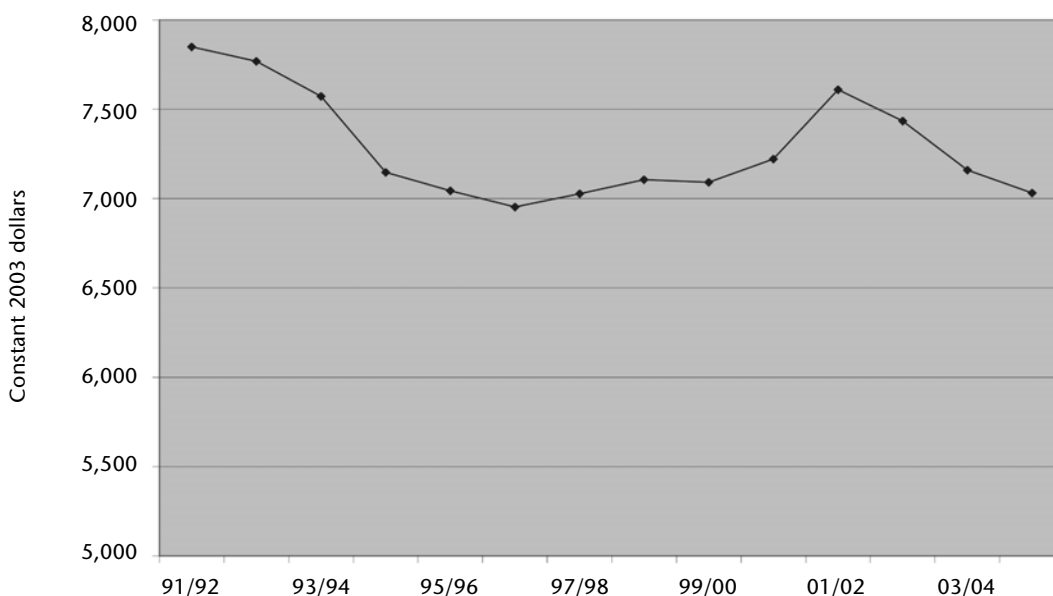
The drop in financial support was not created in recent years, but is rather an ongoing trend that has affected the province's universities since the early 1990s. The post-secondary system was greatly expanded in the 1990s in terms of capacity, but at the expense of per-student funding. In other words, new seats were created, but were not fully funded by the government. However, it is worth noting that by the time the tuition freeze came into effect, per student funding had already experienced the bulk of its decline. During the period of the tuition freeze, per student funding fell slightly on an unweighted basis, and was flat on a weighted basis.

Per-Student Funding: Colleges

Provincial funding allocations to colleges have followed a similar trajectory, one marked by increases in spending that vanish once the impact of rising enrolment and inflation are factored in. BC provided \$389 million in funding to the province's colleges in 1991/92 (earliest data year available). This grew to \$616 million in 2004/05, an overall increase of 58.4 per cent. As with the universities, however, student enrolment within the college system increased significantly during this period, rising a total of 40.7 per cent between 1991/92 and 2004/05.

Figure 2 looks at the trend in per-student funding for the college sector after accounting for inflation.⁶ Real funding support fell from \$7,848 (in 2003 dollars) per student in 1991/92 to \$7,030 in 2004/05, a total reduction 10.4 per cent. There are some fluctuations over this period. Per-student funding hit a low point of \$6,951 in 1996/97, then increased (during the period of the tuition freeze) to \$7,608 by 2001/02. Since 2001/02, it has been declining, and as of 2004/05 is approaching the 1996/97 low. Throughout the entire period, real funding per student never regains its 1991/92 level.

Figure 2: Real Funding Per Student: Colleges



Note: Beginning in 1999-00, neither funding nor FTE information includes Entry Level Trades Training.

Source: Federation of Post-Secondary Educators of BC (see appendix for detailed source information).

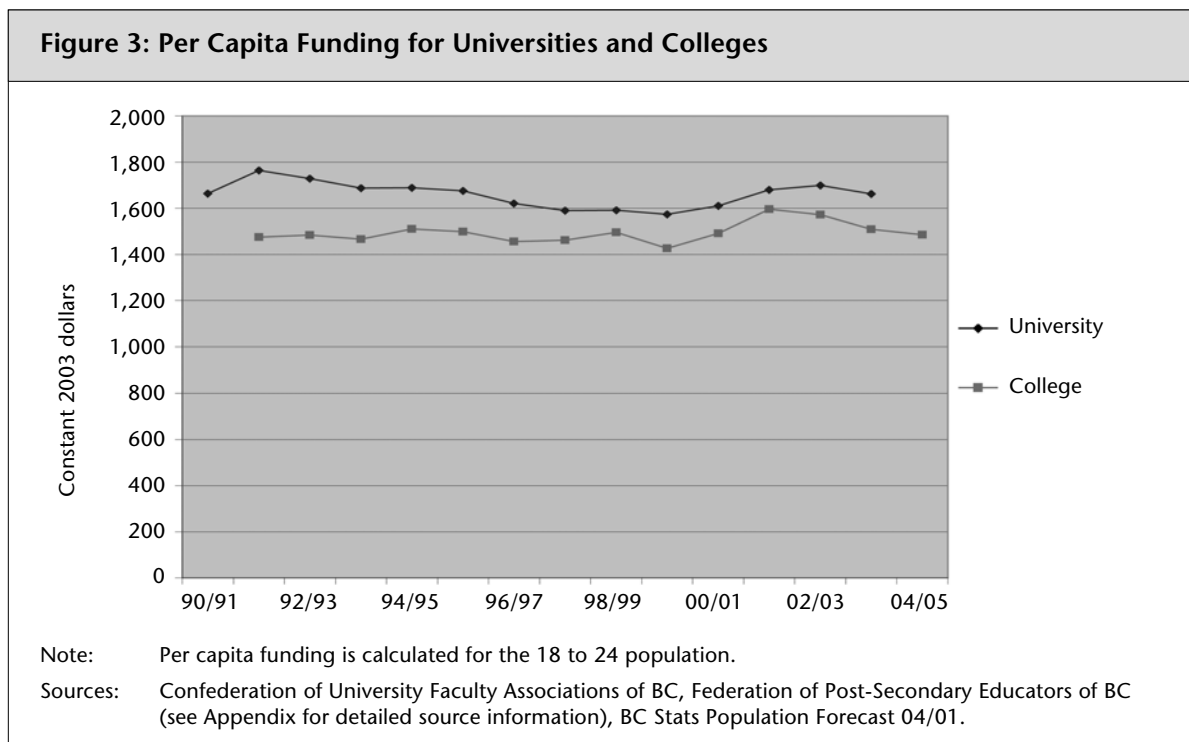
Post-Secondary Spending Per Capita

While funding levels per student are an important indicator of the adequacy of post-secondary funding, this tells only part of the story. Unlike K-12 education, there are a limited number of post-secondary education seats; therefore, funding support relative to the size of the population must be considered. Higher levels of funding can be used to increase service quality for existing students (through smaller class sizes, more teaching assistants and so on) and/or to increase the number of post-secondary seats.

Figure 3 looks at grants to universities (top line) and colleges (bottom line) on a per capita basis in constant 2003 dollars. Given that people aged 18–24 are the largest “users” of post-secondary educational services, we consider funding support in relation to the size of this population sub-group.

For universities, the figure shows a declining trend through most of the 1990s, with recovery in the early 2000s so that in 2003/04, funding per capita is exactly the same as it was in 1990/91. For colleges, funding has been relatively stable on a real per capita basis (with the exception of a surge in 2001/02). College funding per capita is only slightly higher in 2004/05 than it was in 1991/92.⁷

In other words, the amount of public funding relative to the 18–24 age group is essentially unchanged today from levels at the start of the 1990s—a time when BC trailed the rest of Canada. The picture painted by Figure 3 is consistent with the finding that per-student funding has declined in real terms because participation rates have increased in response to the increase in seats. While significant capital expenditures have expanded the number of seats, operating funding for new seats has come at the expense of overall per-student funding.



Post-Secondary Spending Relative to BC's Economy

It is also useful to look at funding levels in relation to the size of the provincial economy. This tells us how much of our annual income we are investing in post-secondary education—a matter of increasing importance in an economy characterized by changing patterns of trade and technology.

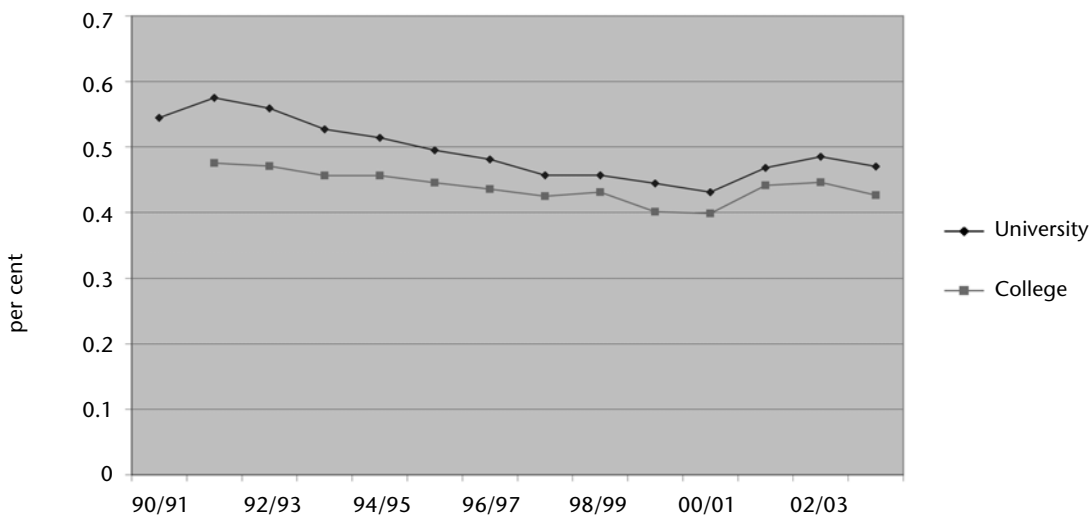
Figure 4 looks at provincial operating grants as a percentage of GDP over the 1990/91 to 2003/04 period. After a jump to 0.58 per cent in 1991/92, the pattern is downward over the 1990s for universities to 0.43 per cent in 2000/01, a decline of 0.14 percentage points of GDP. University operating grants-to-GDP rose over the next two years to 0.49 per cent in 2002/03, before falling again to 0.47 per cent in 2003/04.

For colleges, we see the same pattern. In 1991/92, operating grants to colleges amounted to 0.48 per cent of GDP. This fell to 0.40 per cent in 1999/00, rose to 0.45 per cent in 2002/03, then dropped to 0.43 per cent in 2003/04. Based on estimates for 2004/05 (not shown), this indicator will drop further to 0.41 per cent.

Some degree of caution should be taken in interpreting these figures, since the economy expands and contracts over the course of a business cycle.⁸ What matters is the trend over time. On this account, it is notable that despite the expansion of the post-secondary system during this period, government funding for post-secondary education has declined relative to GDP. We are collectively investing less of our annual income in post-secondary education at a time when such investments are more needed than ever.

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Figure 4: Post-Secondary Education Funding as a Share of GDP



Source: Confederation of University Faculty Associations of BC, Federation of Post-Secondary Educators of BC (see Appendix for detailed source information), BC Stats, BC Economic Accounts, BC Budget 2004.

Shifting Costs

Rising Tuition Fees

Reduced levels of funding support have induced post-secondary institutions to raise tuition fees as a means of covering funding shortfalls. This has been the experience of virtually all provinces in Canada. Over the six-year period from 1996/97 to 2001/02, however, tuition fees were frozen by the BC government. For this reason, BC fared relatively favourably when compared against the record of other Canadian jurisdictions through this period. Indeed, by 2001/02, BC had the second lowest average university tuition fees for arts and science undergraduates in the country, with only Quebec charging students less.

Since that time it has been a different story. Figure 5 summarizes data on average undergraduate tuition fees (converted to constant 2003 dollars) from Statistics Canada's Centre for Education Statistics for the 1990/91 to 2004/05 period. It shows slowly rising tuition fees up to the mid-1990s, which then flatten out over the 1996/97 to 2001/02 period of the tuition freeze (in constant dollars, tuition fees actually declined 9.5 per cent). Then, starting in 2002/03, with the elimination of the freeze, tuition fees increase by more than \$2,000 per person by 2004/05, a dramatic increase of 76 per cent.

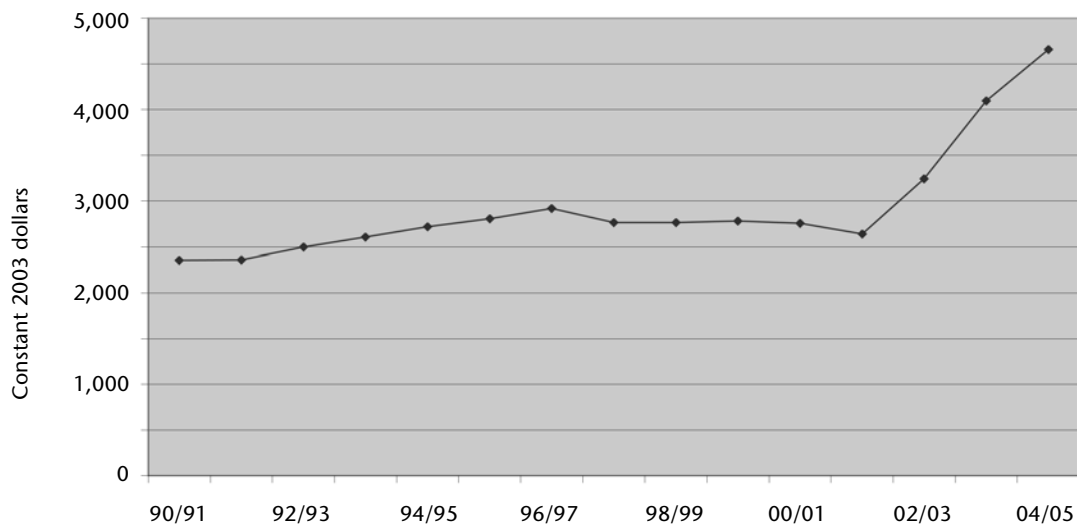
If anything, the degree of increase evidenced in these figures will see BC move back towards having among the highest university tuition fees in the country, as was the case in the early 1990s.

To put these tuition fee increases into perspective, according to the 2004 BC Budget, post-secondary fees (tuition plus other fees) amounted to \$452 million in 2001/02. The Ministry of Finance's First Quarterly Report 2004/05 estimates these fees for 2004/05 at \$808 million, an increase of \$356 million over 2001/02.⁹ Seen another way, this is the amount of public funding increase that would have been necessary to provide the same level of post-secondary services in 2004/05, while keeping tuition fees at 2001/02 levels.

Apart from tuition fees, students also pay additional compulsory fees that cover recreation, athletics, student health and other services. BC's fees are the highest in Canada and have more than doubled since 2001/02 to \$748 in 2004/05. Part of this recent increase pertains to the inclusion of transportation fees via the SFU/UBC U-Pass program.

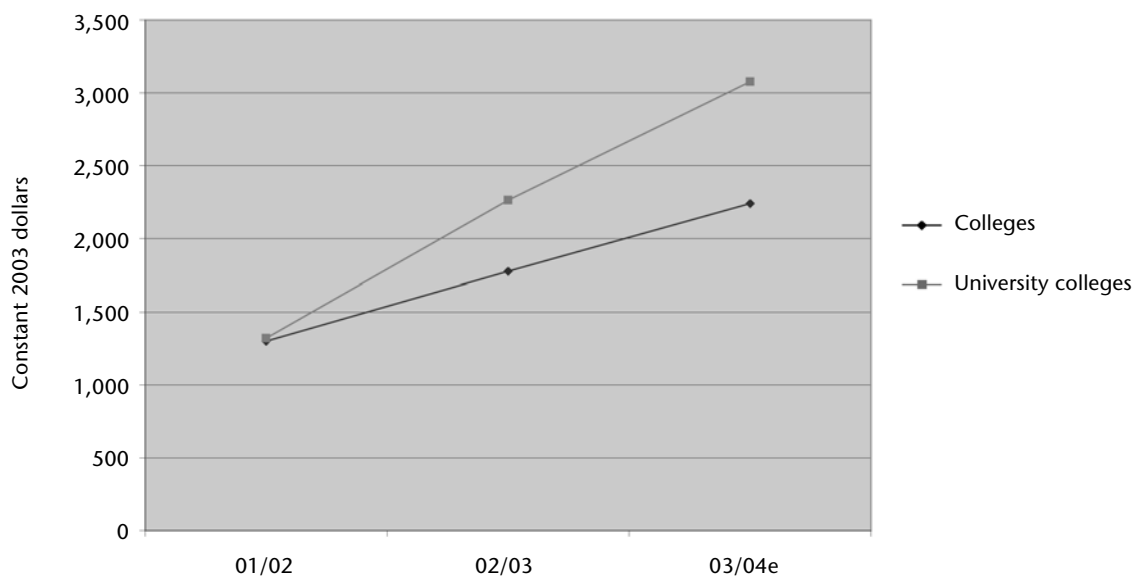
Similar time series information for college sector tuition fees is difficult to come by. Like universities, tuition fees for colleges were frozen by provincial government policy from 1996/97 to 2001/02. Since that time, they have risen dramatically. Average fees in constant 2003 dollars for Canadian students in BC colleges rose from \$1,301 in 2001/02 to \$2,240 in 2003/04, an increase of 72 per cent. Fees charged at the province's university colleges more than doubled from \$1,322 in 2001/02 to \$3,078 in 2003/04. Figure 6 shows the rise in average fees for "career-technical" students at these institutions.

Figure 5: BC Universities Average Undergraduate Tuition Fees



Source: Converted to constant dollars by authors, based on Statistics Canada, Centre for Education Statistics.

Figure 6: Average Career-Technical Tuition Fees at BC Colleges and University Colleges



Source: Data from Canadian Federation of Students, BC Office, compiled from post-secondary websites, minutes of meetings and government funding letters to institutions.

Tuition Fees and Access to Post-Secondary Education

Rising tuition fees have produced a situation where students are graduating from post-secondary institutions carrying significantly increased levels of debt. A survey of recent BC graduates conducted in 2003 found that 43 per cent borrowed to finance their education, with one-third of those who borrowed owing more than \$10,000. The median amount owing was \$8,000, but this includes students in shorter programs; the median amount owing rose to \$15,200 for those completing three- or four-year programs.¹⁰

Some research points to rising post-secondary participation rates in Canada coexisting with rising tuition fees as proof that tuition fee increases have not increased barriers to access. But others note that higher tuition fees do affect behaviour—via higher levels of debt, shifts to community college enrolment instead of university, and an increased likelihood to take fewer courses and work while attending school.¹¹

Tuition fees are one factor in determining access, along with real and perceived returns to education, distance to school, parental income, and parental education. Some recent studies, while confirming the overall increase in participation, give pause for thought. Families with more educated parents saw larger increases in participation rates of their children, whereas families with less educated parents saw smaller increases or even declines over the 1990s.¹² And families with high-income parents saw increases in participation rates while middle income parents saw declining participation of their children from the peak levels in the early 1990s.¹³

The access issue is more acute with regard to professional programs. Statistics Canada data on tuition fee increases finds that for professional faculties, such as dentistry, medicine or education, average tuition hikes in BC ranged from 107 to 125 per cent in recent years (on top of being more costly to begin with). In addition, most professional programs require a three- or four-year degree as a prerequisite to admission. Students may be faced with several years of debt accumulation prior to entering a professional program in addition to higher levels of debt over the course of the program.¹⁴ A study published in the *Canadian Medical Association Journal* found that tuition fee increases in Ontario medical schools led to fewer students from low income families attending and more students expecting to graduate with large debts.¹⁵

For low-income students in BC, the situation gets worse. The 2004 Budget announced intentions to eliminate student grants in favour of an expanded loans program. Some \$18.5 million in new funding for 2004/05 plus another \$10.3 million required for new buildings will be provided directly from cuts to student grants.

This will reinforce the access problems posed by rising tuition fees. While it was announced that 25,000 more post-secondary spaces will be created by 2010, the personal cost of accessing them will be higher. This may be good news for upper- and middle-income families with children who do not have high enough grades to enter the current post-secondary education system.¹⁶ But it is certainly bad news for students from low-income families that may have the grades, but not the financial means, to access a post-secondary education.

Private Revenue Sources

Post-secondary institutions increasingly rely upon funding from private sources to supplement their revenue base. Declining real funding from the province has therefore gone hand in hand with an increase in non-governmental and private sources of financial support. This tendency is particularly pronounced within the university sector and reflects a national trend.

According to BC data collected by the Canadian Association of University Teachers, government grants and contracts in BC declined from 67.3 per cent of university revenues in 1990/91 to 56.1 per cent in 2002/03.¹⁷ While government funding as a share of revenue has fallen, the share of revenues from students and other private sources has increased. Tuition and other fees paid by students increased from 12.4 per cent of revenues in 1990/91 to 17.4 per cent in 2002/03.

Funding from private sources also increased substantially. Bequests, donations and non-government grants grew to 9.2 per cent of revenues in 2002/03 from 5.8 per cent in 1990/91. Of this private funding, in 2002/03 40 per cent came from corporations, up from 33 per cent in 1990/91. In addition, sales of services and products by universities accounted for 13.5 per cent of revenues in 2003/04, up from 10.1 per cent in 1990/91.

These data suggest that creeping privatization goes beyond the higher tuition fees paid by students. Private sector sources of funding and increased commercial activities have become increasingly important sources of revenue for universities. BC's post-secondary institutions are looking in these directions to fill gaps left by declining revenue support from government.

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Conclusion

To Freeze or Not to Freeze

Finding the appropriate mix of public funding and tuition fees is at the heart of public policy when it comes to the financing of BC's post-secondary institutions. The overall context for this debate is, and has been, a much-needed expansion of the post-secondary system. In our review of data on universities and colleges, we found that:

- Per-student funding, after accounting for inflation, has declined significantly for both colleges and universities since the early 1990s, and most of the decline can be attributed to the period before the introduction of the tuition freeze;
- During the tuition freeze, real per-student funding was essentially flat for universities and increased for colleges;
- Since the tuition freeze was lifted, tuition fees have skyrocketed, and are now the primary means by which post-secondary institutions are meeting their cost pressures;
- Funding relative to the 18-24 population has changed little from the early 1990s, a period when it was widely recognized that BC lagged most other provinces; and,
- Funding relative to GDP has declined, and, while not large in magnitude, has occurred at a time when post-secondary education is increasingly important to the provincial economy.

These findings raise some important questions about the future direction of post-secondary education policy in BC, at a time when the provincial government has promised to create 12,000 additional spaces within post-secondary institutions over the next three years, and a further 13,000 by 2010. There is a danger that expanding the system, without putting in place sufficient operating funds, will place even greater pressure on tuition fees in the medium-term.

The provincial government announced in the 2004 BC Budget new funding of \$20 million in 2005/06, and a further \$85 million in 2006/07. This is good news, but is not much relative to the government's ambitious expansion plans.

Based on the figures presented in this paper, simply returning the university and college sectors to levels of real per-student funding found in 1991/92 would have required about \$220 million in additional annual funding in 2003/04.¹⁸ This will be higher in 2004/05 due to increased enrolment and further declines in per-student funding (this is the case for colleges; data for universities are not yet available).

In addition, to fully fund 25,000 seats would cost an additional \$200 million in annual operating funds by 2010 (a conservative estimate).¹⁹ The Confederation of University Faculty Associations of BC estimates that for the 2004/05 year, there is a \$10 million shortfall in funding for the new seats that have been announced, rising to \$24 million by 2005/06.²⁰ Additional capital expenditures will also be needed to put in place the infrastructure for new seats.

The amount of future public funding will also have an impact on the trajectory of tuition fees. For low-income students, the rise in tuition fees has already increased the financial barrier to attaining a post-secondary education. Under the status quo scenario, there is no reason to expect a slowdown in tuition fee increases over the medium-term.

This approach to financing post-secondary education—increasing the number of seats while letting tuition fees rise—is a contradictory one. It reduces one barrier (number of seats) while simultaneously increasing another barrier (financial cost of attending).

Greater reliance on tuition fees not only increases student debt loads; it also fosters the view that post-secondary education is more of a private as opposed to social good, and that the benefits flowing from this education are to be measured primarily at the level of individuals. From this viewpoint, it is a short step to endorsing further retrenchment of government's role and further movement of the post-secondary system into the private sector marketplace.

Higher tuition fees also distort choices about which programs, and what career paths, will be taken. Knowing that they will have to pay back a potentially mortgage-sized student loan, more students will make career choices based on the future need to pay back their loans. Students may find that careers that help people (i.e. that have high social value but limited market value) do not pay enough to justify their loans.

Good public policy should aim to reduce the barriers to acquiring a post-secondary education, not increase them. There are large social benefits to education above and beyond the private benefits to the individuals receiving education—a strong justification for public funding. Funding increases should aim to both increase the number of seats and restore per-student funding. This is particularly important in creating a level playing field for low-income students and their families.

To this end, the provincial government should re-introduce a tuition freeze in the short term (albeit at a much higher level than the last tuition freeze), with an aim of reducing tuition fees over the medium term. It was not the tuition freeze *per se* that constrained post-secondary institutions between 1996/97 and 2001/02, but the fact that real per-student funding had already declined a great deal, and created cost pressures for colleges and universities, in the years leading up to the tuition freeze.

The flipside of a tuition freeze is that post-secondary institutions must be provided with adequate resources. Had the provincial government provided greater operating funding to post-secondary institutions (universities, in particular) before and during the time of the tuition freeze, the financial pressures facing post-secondary institutions could have been averted. It is worth noting that this period was one of fiscal restraint, as the federal government shrunk the size of transfer payments that help finance provincial post-secondary systems.

Ultimately, good public policy should aim to reduce the barriers to acquiring a post-secondary education, not increase them. There are large social benefits to education above and beyond the private benefits to the individuals receiving education—a strong justification for public funding.

Ultimately, we need to take a long-term view of public funding. Post-secondary funding policy links to tax policy through a progressive income tax system. Rather than making everyone pay at the front door, which poses barriers to students, a progressive tax system ensures that successful beneficiaries of the education system pay a higher share of their income in taxes. This is a more efficient and more equitable way of financing post-secondary education.

The fact that higher taxes are paid on the higher incomes received from a post-secondary education is usually ignored by those who argue for higher tuition fees because students are allegedly “heavily subsidized” by the government. A study by economist Robert Allen (1999) found that BC students already pay the full cost of their education, by a substantial margin, when tuition fees and the present value of extra taxes are considered (Allen was writing in the middle of the period of tuition freeze in BC).

BC’s post-secondary education system can be returned to balance only with the injection of additional funding. This would enhance the contribution that post-secondary education makes to the quality of provincial life and the health of BC’s economy. If coupled with relief on the tuition front, it would decrease the disincentives that rising fees and burgeoning debt now place in the path of those seeking to benefit from BC’s post-secondary system. ■

Notes

¹ See Appendix for data (we have data for both colleges and universities for the 1991/92 to 2003/04 period). This figure does not include industry training and apprenticeship. Alternatively, CIEA (2001) estimates that 45,000 full-time equivalent spaces were created between 1990/91 and 2001/02, including industry training and apprenticeship.

² While provinces retain constitutional authority for education, funding support for the post-secondary system has historically been a shared responsibility involving the federal government. In the period running from the late 1970s to the mid-1990s, federal funding support was governed by Established Programs Financing (EPF) arrangements, which had the general effect of indexing levels of federal cash and taxation support for post-secondary education to rates of economic and population growth. The current federal transfer to provinces, the Canada Health and Social Transfer, is a block transfer that includes contributions to provincial health care systems and social services. As of 2005/06, this will be split into a Canada Health Transfer and a Canada Social Transfer, a development that should somewhat improve transparency of federal contributions to post-secondary education. Most provinces also receive additional federal funds to support programs through equalization transfers. In addition, the federal government contributes to post-secondary institutions (primarily universities) directly through funds for research programs and initiatives.

³ Funds were reallocated from programs such as the Open Learning Agency, the Kootenay School of the Arts, the theological colleges at UBC, the BC Centre for International Education and the Contract Training Marketing Agency. See Clift 2002.

⁴ A weighted full-time equivalent student (WFTE) is a measure designed to recognize the varying costs for different types of programs. The base unit of measure for the WFTE is the cost of educating a first year Arts undergraduate, which is defined as 1.0 WFTE. Other types of students—in science, the various professions and elsewhere—are expressed as multiples of this index figure to reflect higher average fixed and other educational costs associated with those programs.

⁵ Growth of 51.4 per cent on a weighted basis compared to growth of 43.8 per cent on an unweighted basis means universities were providing proportionately more resources to higher cost programs over this time period.

⁶ College figures are not weighted and reflect funded FTE enrolments.

⁷ Changes in demographics can affect the interpretation of data on a per capita basis. If we consider the 18–29 age group instead of the 18–24 group, real per capita spending has trended upwards since 1997/98. This is because the 24–29 group has shrunk over this time period. Interestingly, in BC Budget 2004 (p. 21), the government uses the 18–29 demographic when speaking to the implications of its planned seat increases.

⁸ For example, it is possible that a large increase in spending would appear as a decrease in spending-to-GDP from one year to the next if GDP growth was particularly rapid.

⁹ These figures include industry training and apprenticeship, and account for all student fees, not just tuition fees. An alternative calculation can be arrived at by multiplying the additional \$2,017 per student times an estimated 155,915 FTE students in 2003/04 (excluding training and apprenticeship). This amounts to \$314.5 million in additional tuition fees (not including other compulsory fees) that students will pay to post-secondary institutions in 2004/05 than they would have had the tuition freeze stayed in place.

¹⁰ Thib 2004.

¹¹ Rounce 2004.

¹² Finnie et al 2004.

¹³ Corak et al 2003.

¹⁴ NPACT 2002.

¹⁵ Kwong et al 2002.

¹⁶ Premier Campbell recently mused that he might not have been admitted to university in today's competitive climate with the marks he had (June 3, 2004 address to the BC Liberal Party Annual Leader's Dinner).

¹⁷ These data are unpublished breakdowns for BC collected as part of the CAUT's annual *University Finances* publication.

¹⁸ This figure estimates the hypothetical cash injection required to return per-student funding to where it was in 1991/92, the first year for which we have data for both colleges and universities, at FTE enrolment levels in 2003/04. For the colleges, a real funding lag of \$690 per student multiplied by 84,781 FTE students is \$58.5 million. Similarly, for the universities, funding would have to increase by \$162.8 million, based on a real per student funding shortfall of \$1,106 per weighted student multiplied by 147,128 weighted FTE students. Adding these figures together yields a total of \$221.3 million.

¹⁹ This assumes a per-student operating cost of \$8,000, a conservative figure that assumes some economies of scale in the provision of education. Unweighted FTE university per-student costs were \$11,203 and FTE college per-student costs were \$7,848 in 1991/92.

²⁰ Personal communication.

Appendix

UNIVERSITIES										
Year	Total general purpose and designated grants (\$)	FTE students (unweighted)	FTE students (weighted)	Spending per student (unweighted) (2003\$)	Spending per student (weighted) (2003\$)	Spending per capita (18-24 year olds) (2003\$)	Spending as % of GDP	Average undergrad tuition fees (\$)	Average undergrad tuition fees (2003\$)	
1990/91	431,920,276	49,482	97,202	11,374	5,790	1,663	0.54%	1,808	2,356	
1991/92	470,661,085	51,934	102,887	11,203	5,655	1,763	0.58%	1,911	2,362	
1992/93	487,772,244	52,454	106,754	11,196	5,501	1,728	0.56%	2,075	2,498	
1993/94	495,635,849	52,988	109,467	10,881	5,267	1,687	0.53%	2,240	2,606	
1994/95	516,646,809	54,139	112,387	10,891	5,246	1,688	0.51%	2,381	2,717	
1995/96	522,994,168	56,098	116,127	10,403	5,025	1,675	0.49%	2,513	2,804	
1996/97	523,744,168	58,791	120,367	9,849	4,811	1,620	0.48%	2,638	2,917	
1997/98	522,170,154	60,709	124,127	9,440	4,617	1,590	0.46%	2,518	2,764	
1998/99	528,304,572	61,905	125,748	9,341	4,599	1,592	0.46%	2,525	2,764	
1999/00	537,190,350	62,491	126,415	9,307	4,601	1,574	0.44%	2,568	2,780	
2000/01	564,904,038	63,033	126,856	9,524	4,732	1,610	0.43%	2,592	2,754	
2001/02	617,728,707	67,999	137,209	9,494	4,705	1,679	0.47%	2,527	2,641	
2002/03	657,655,664	70,845	144,484	9,480	4,648	1,699	0.49%	3,176	3,243	
2003/04	669,178,864	71,134	147,128	9,407	4,548	1,663	0.47%	4,098	4,098	
2004/05								4,735	4,658	

Notes on data sources:
 University financial data: grants information was provided by Confederation of University Faculty Associations of BC, and originates as follows: Data for 2003/04 derived from institutional enrolment estimates and institutional budget letters; Data for 2001/02 through 2002/03 derived from Tables 4.1, 4.2, and 8.1 from The University President's Council website and institutional budget letters; Data for 1990/91 through 1999/00 derived from Table 8 and Table 12 in the "Annual Report of University President's Council".
 Price data: Annual BC CPI figures from BC Stats. 2004 CPI estimate from BC Budget 2004.
 Population data: BC Stats. British Columbia Population Forecast 04/01.
 BC GDP data: BC Stats, BC Economic Accounts, based on Statistics Canada, Catalogue no. 13-213-PIB. 2004 estimate based on BC Budget 2004.
 Tuition data: University data from Statistics Canada, Centre for Education Statistics.

COLLEGES									
Year	Grants to colleges (\$)	FTE students	Spending per student (2003\$)	Spending per capita (18-24 year olds) (2003\$)	Spending as a % of GDP	Average tuition fees (college) (2003\$)	Average tuition fees (university college) (2003\$)		
1991/92	389,085,394	61,281	7,848	1,474	0.48%				
1992/93	410,533,033	63,629	7,768	1,483	0.47%				
1993/94	429,100,220	65,925	7,572	1,466	0.46%				
1994/95	458,386,622	73,198	7,147	1,509	0.46%				
1995/96	470,461,362	74,529	7,044	1,498	0.45%				
1996/97	474,061,227	75,405	6,951	1,455	0.44%				
1997/98	485,883,294	75,898	7,026	1,462	0.42%				
1998/99	498,343,140	76,772	7,105	1,495	0.43%				
1999/00	484,869,990	74,035	7,091	1,426	0.40%				
2000/01	522,218,923	76,849	7,221	1,491	0.40%				
2001/02	582,295,328	79,989	7,608	1,596	0.44%	1,301	1,322		
2002/03	604,498,066	83,048	7,433	1,572	0.45%	1,777	2,265		
2003/04	606,923,406	84,781	7,159	1,508	0.43%	2,240	3,078		
2004/05	616,198,565	86,215	7,030	1,484	0.41%				

Notes on data sources:
Tuition data refer to career-technical students.
College financial data was provided by the Federation of Post-Secondary Educators of BC (formerly the College Institute Educators' Association). Beginning in 1999-00 neither funding nor FTE information includes Entry Level Trades Training. Funding and FTE figures for all years exclude the Open Learning Agency and the Institute for Indigenous Government.
Specific sources: 1991 to 1998 Funding from Ministry of Advanced Education, Comparative College & Institute Operating Grant Allocations; 1991 to 1998 Funded FTE information from Ministry of Advanced Education, FTE Utilization from 1991-92 to 2000-01; 1999-00 to 2004-05 FTE information from Ministry of Advanced Education, History of FTEs, and allocation letters to institutions; 1999-00 to 2004-05 funding information from MAVED annual revised comparisons of operating grants and budget letters to institutions for selected years.
Price data: Annual BC CPI figures from BC Stats. 2004 CPI estimate from BC Budget 2004.
Population data: BC Stats. British Columbia Population Forecast 04/01.
BC GDP data: BC Stats, BC Economic Accounts, based on Statistics Canada, Catalogue no. 13-213-PIB. 2004 estimate based on BC Budget 2004.
Tuition data: College data from Canadian Federation of Students, BC Office, compiled from post-secondary websites, minutes of meetings and government funding letters to institutions.

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National Office

410-75 Albert St.
Ottawa, ON K1P 5E7
Tel: 613-563-1341
Fax: 613-233-1458
ccpa@policyalternatives.ca

Manitoba Office

309-323 Portage Ave.
Winnipeg, MB R3B 2C1
Tel: 204-927-3200
Fax: 204-927-3201
ccpamb@policyalternatives.ca

BC Office

1400-207 W. Hastings St.
Vancouver, BC V6B 1H7
Tel: 604-801-5121
Fax: 604-801-5122
info@bcpolicyalternatives.org

Nova Scotia Office

P.O. Box 8355, 6175 Almon St.
Halifax, NS B3K 5M1
Tel: 902-477-1252
Fax: 902-484-6344
ccpans@policyalternatives.ca

Saskatchewan Office

2717 Wentz Avenue
Saskatoon, SK S7K 4B6
Tel: 306-978-5308
Fax: 306-922-9162
ccpasask@sasktel.net