



# ONTARIO'S NEXT TUITION FRAMEWORK

*Creating fair and accessible tuition  
payment processes for students*

**PART II OF II**

**OUS**A

Ontario Undergraduate Student Alliance



**HOW MIGHT WE CREATE  
ACCESSIBLE AND FAIR TUITION  
PAYMENT PROCESSES FOR  
ONTARIO STUDENTS?**

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# INTRODUCTION

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While the cost of tuition and the rate at which it increases are obviously important subjects to students, they often cloud other important tuition-related issues. For instance, there are currently no regulations governing how and when universities may charge students tuition, meaning that each institution has the freedom to set individual payment processes.

Additionally, this has meant that institutions have changed tuition payment rules to suit their own needs, sometimes at the expense of accessibility and affordability for students.

When students talk about tuition payment processes, four major concerns arise; flat-

fee billing, payment deadlines, deferral fees and the differential cost increases across programs. The diversity of tuition payment processes across Ontario has meant that some institutions lead in providing progressive and fair tuition billing practices to students, while others fall behind. Enhancing the regulatory scope of Ontario's tuition framework will ensure that all institutions provide students the most convenient and accessible payment processes.

These changes would save students a great deal of confusion and stress and would cost the government nothing to implement in most cases.

# PER-CREDIT BILLING

**Recommendation:** The tuition framework should require all universities to charge tuition fees in a way that treats each course equally.

*Estimated Cost to Government: \$0*

A longstanding complaint students have had about the tuition framework in Ontario is its allowance for institutions to charge flat-fee tuition. Flat-fee tuition is the practice whereby students who take courses past a certain threshold are charged a flat program rate, regardless of the number of courses they are enrolled in. Other institutions utilize a per-credit system whereby students are charged entirely depending on the number of courses they take up to a normal full course-load.

Currently, nine of Ontario universities charge tuition on a flat-fee basis once a specified threshold of credits has been reached. The threshold at which a flat, full-time rate is charged at these institutions varies between 60 and 80 per cent. There are also a number of per-credit models in which not all credits are treated equally. For example, the first four credits in a term cost the same and then the fifth credit is discounted significantly –

essentially front-loading the cost on the first four credits. Furthermore, there are a number of per-credit institutions that charge certain professional programs on a flat-fee basis.

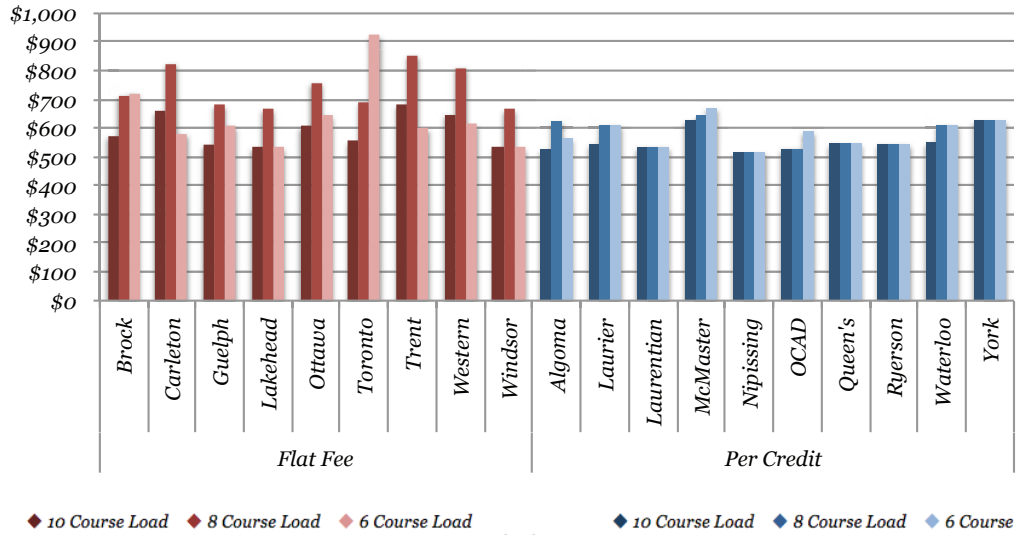
Aside from the additional revenue that universities derive from charging this way, the University of Toronto has also articulated arguments in favour of flat-fee tuition models in a 2009 news release, with one professor explaining that it “guarantees a more predictable revenue stream” and “will encourage [students] to take a full course-load.”<sup>1</sup> Other proponents of flat-fee tuition have argued that it allows students who wish to take extra credits to do so without incurring additional costs.

For instance, if a student wanted to take an extra class or two, they would be able to do so while paying the flat rate. However, some institutions that use flat-fee billing schemes still charge for extra courses, while some per-credit institutions do not charge extra for overload credits. This indicates that flat-fee tuition schemes are not necessary to allow students to take free overload credits.

**TABLE 4: BILLING STRUCTURES AT ONTARIO UNIVERSITIES, 2012-13**

INSTITUTION	TUITION MODEL	FLAT FEE THRESHOLD	INSTITUTION	TUITION MODEL	FLAT FEE THRESHOLD
<i>Algoma</i>	Unequal Per-Credit	-	Queen's	Equal Per-Credit	-
<i>Brock</i>	Flat Fee	80%	Ryerson	Equal Per-Credit	-
<i>Carleton</i>	Flat Fee	80%	Toronto	Flat Fee	60%
<i>Guelph</i>	Flat Fee	80%	Trent	Flat Fee	70%
<i>Lakehead</i>	Flat Fee	70%	UOIT	Equal Per-Credit	-
<i>Laurentian</i>	Equal Per-Credit	-	Waterloo	Unequal Per-Credit	-
<i>McMaster</i>	Equal Per-Credit	-	Western	Flat Fee	70%
<i>Nipissing</i>	Equal Per-Credit	-	Wilfrid Laurier	Unequal Per-Credit	-
<i>OCAD</i>	Unequal Per-Credit	-	Windsor	Flat Fee	80%
<i>Ottawa</i>	Flat Fee	80%	York	Equal Per-Credit	-

**FIGURE 13: PER-CREDIT CHARGES AT ONTARIO UNIVERSITIES, 2011-2012**



The crux of students' issue with flat-fee tuition is simple: students should not be charged for education they do not receive. While flat-fee regimes do provide a more predictable revenue stream for universities, they unjustly charge students who are enrolled in a lesser course-load. Further, this system penalizes students who are required to drop a course for any number of reasons related to academic or personal issues. These students are forced to choose between paying full fees or participating at a lower threshold, prolonging the time they must spend completing degree requirements.

Particularly in a context where the need for student in-study employment is rising and students are working more hours in paid employment during the academic year, taking a full course load may not be feasible for students, particularly the one in five that are working more than 20 hours per week.<sup>2</sup> While very little data is available on the proportion of students who take reduced course-loads, some insight can be gleaned by examining the characteristics of students who tend to study part-time.

Overwhelmingly, part-time students tend to be women, have dependent children under the age of five, are students with disabilities or have necessary employment commitments.<sup>3</sup> These students often face a number of access and persistence barriers not faced by the typical full-time student proceeding directly from high school. As such, students are concerned that flat-fee tuition overcharges students already on the margins of the university community who may already face greater financial barriers to attend post-secondary education.

**FLAT FEE TUITION AND STUDENT ASSISTANCE**

While flat-fee payment regimes are troubling to students across the board, they are particularly worrisome at schools with lower thresholds for payment of full fees. Particularly, the University of Toronto charges full tuition fees to students taking 60 per cent of a full course load, which is also the threshold students must meet in order to receive financial assistance from the Ontario Student Assistance Program (OSAP). This forces students to make the choice between receiving financial assistance and paying full tuition fees, since OSAP is not



extended to students who take less than 60 per cent of a full course-load (with the exception of students with disabilities who can receive OSAP at 40 per cent of a full course-load).

While the OSAP needs assessment does take into account the amount a student is charged in tuition, it tends to underestimate student costs by approximately 30 per cent.<sup>4</sup> The underestimation of costs is considerably more extreme for students with children, exactly the profile of students who tend not to take a full course load. For University of Toronto students, it cannot be said that OSAP truly provides students with a safety net against increased costs stemming from flat-fee tuition when the needs assessment underestimates student costs by the thousands.

While some may argue that flat-fee tuition serves as an incentive for students to take a full-course load and finish their degrees faster, evidence from a 2009 study by Felice Martinello suggests that administrative processes like course withdrawal deadlines and tuition refund dates have a significant and persistent relationship.<sup>5</sup> While flat-fee and per-credit structures were not examined in the report, Martinello observes that more lenient administrative policies allow students to make adjustments to their education rather than dropping out completely. A flat-fee tuition policy effectively limits the amount to which students can customize the level of academic challenge or overall cost of their education, depending on personal circumstances.

Even after taking these inherent fairness and accessibility issues associated with charging

flat-fee tuition into account, the government actually funds universities on a per-credit basis. The basic formula grant provided to institutions is based on a measurement of an institution’s Fiscal Full Time Equivalent (FFTEs), which are calculated based upon the number of credits an enrolled student takes. These are converted into Basic Income Units (BIUs), the measurement of enrolment universities report in order to receive operating funds from the Ontario government.

*“A flat-fee tuition policy effectively limits the amount to which students can adjust the level of academic challenge or overall cost of their education.”*

If the government pays universities on a model based on number of credits enrolled in, students ask for similar treatment for tuition payment, particularly in light of the fact that student and government contributions to university operating costs are roughly the same. As equal stakeholders, students should be receiving equally fair billing procedures.

#### PER CREDIT TUITION AND ELECTIVE COURSES

A similar concern relates to the effect that some per-credit tuition billing structures have on the cost of elective courses. Most university degree programs offer students the opportunity to enrol in courses outside of their discipline. In fact, many programs mandate a certain number of elective courses outside a student’s faculty that must be taken in order to graduate. Consequently, a concern arises when students are charged a different rate for an elective than their fellow peers. This happens most commonly when a first-entry professional student, such as an engineering or commerce students, enrolls in a general arts and science course or vice versa.

For most institutions, students pay tuition for their program, rather than for the credits they take. These rates vary across disciplines. As a result, institutions typically charge students their discipline rate when they enrol in elective courses. This can disadvantage students who pay a higher per-course rate for their discipline than they do for electives. Furthermore, it provides an unfair discount for students who take electives with a higher per-course rate than their discipline. When institutions set per-credit charges, all students enrolled should pay the same value, rather than a disparate amount based on their program of study.

Equal per-credit billing structures are by far the best tuition payment model for students. While eleven institutions utilize a form of per-credit billing, it is the only fair way to come up with tuition totals for students. Per-credit models allow students maximum flexibility to tailor their education to their personal, academic, and financial needs.

Flat-fee tuition policies effectively serve as a barrier to a mobile and flexible post-secondary education system. By forcing students to pay full fees regardless of course load, they effectively serve as a disincentive for students to tailor their university experience to their individual needs.

New regulations within the tuition framework requiring each institution to charge tuition by the credit will help ensure that post-secondary education is more affordable and flexible for students near the flat-fee thresholds. This could be accomplished in much the same way that ancillary fees are controlled: by clawing

back from the operating grant any revenue raised by charging students in a way that is not per-credit. This will help ensure that every student is billed in a fair, transparent and predictable manner.

For institutions already operating on a flat-fee model, the switch to a per-credit system could have real revenue implications. For example, at the University of Toronto, lowering the flat-fee threshold from 80 to 60 percent raised approximately \$10 million in additional revenue for the institution. While this is a fairly minor cost for the institution – less than 1 per cent of their revenue – it can be a substantial cost for the individual student paying \$5,400 for three courses when they should be paying \$3,200.

Moreover, students believe that revenue is being unjustly collected from them and that the elimination of the inequities created by unfair tuition models and the creation of a universally flexible and fair tuition regime in Ontario is worth such a cost.

*“For institutions already operating on a flat-fee model, the switch to a per-credit system could have real revenue implications.”*

# PAYMENT DEADLINES

**Recommendation:** Add regulations to the tuition framework that allow students to pay their tuition and ancillary fees at a reasonable time each term without financial penalty.

Estimated Cost to Government: \$0

If tuition is going to continue to be a reality at Ontario’s post-secondary institutions, it should at the very least be charged in a way that poses as few financial barriers as possible. Unfortunately, many institutions utilize unreasonable payment deadlines that ask students to pay well before the beginning of the school year, when many students do not have the funds.

Furthermore, many of these institutions charge students who are forced to defer due to lack of funds a fee in order to do so. This practice very clearly asks students who have the highest

financial need, and those who are the most reliant on government assistance, to pay more for their education.

In Ontario, 10 of 20 universities require total fees for the entire year to be paid before the beginning of the term, though all allow students to defer payment for a fee. Five of 20 universities require total fees for the entire year to be paid during the first term (from September to November), three of which require a deposit prior to the start of the first term.

The remaining five universities charge fees at the beginning of each term, one of which requires a deposit prior to the start of the first term. In total, fifteen universities in Ontario charge some portion of tuition before the beginning of the school year.

**TABLE 5: TUITION PAYMENT DEADLINES AT ONTARIO UNIVERSITIES, 2012-13<sup>6</sup>**

F = Fall Semester, W = Winter Semester

<i>Institution</i>	<i>Full Tuition Payment Deadline</i>	<i>Institution</i>	<i>Full Tuition Payment Deadline</i>
<i>Algoma</i>	August 17th	Queen’s	September 1st
<i>Brock</i>	August 23rd	Ryerson	September 7th
<i>Carleton</i>	August 31st	Toronto	Varies by Program (Arts & Science – August 21st)
<i>Guelph</i>	September 14th (F) / January 13th (W)	Trent	August 15th (F) / January 15th (W)
<i>Lakehead</i>	August 15th (F) / January 7th (W)	UOIT	August 15th (F) / December 17th (W)
<i>Laurentian</i>	August 24th	Waterloo	August 27th (F) / December 17th (W)
<i>McMaster</i>	September 1st	Western	August 3rd
<i>Nipissing</i>	August 24th (F) / January 11th (W)	Wilfrid Laurier	August 30th (F) / December 17th (W)
<i>OCAD</i>	August 31st (F) / February 1st (W)	Windsor	August 15th (F) / December 17th (W)
<i>Ottawa</i>	August 29th (F) / December 12th (W)	York	September 10th (F) / January 10th (W) Students who enroll in a full-year of courses must pay full fees by September 10th.

Students are particularly concerned about the institutions that charge large portions of tuition up-front. In addition to the ample evidence that large, up-front payments are problematic for low-income families and under-represented groups, many students simply do not have enough money saved by the end of summer to pay up-front tuition.

A 2009 survey found that students made an average of \$3,000 in employment earnings over the course of a summer, but typically spent half on living expenses, leaving only \$1,500 to devote towards school-related expenses.<sup>7</sup> Making matters worse, the last student summer unemployment was at an all-time high of 17.2 per cent nationally, and 18.2 per cent in Ontario.

Between 2010 and 2011, Ontario lost over 9,400 student jobs.<sup>8</sup> With average tuition in Ontario sitting at \$6,640, rent for the academic year ranging anywhere from \$3,000 to \$7,000, average textbook costs ranging from \$450 to \$1,000, it is certain that there are a large number of students who do not earn enough over the summer to cover the up-front costs of education.<sup>9</sup>

With so many students and families facing difficult financial circumstances, it is becoming increasingly unreasonable to expect students to have saved over \$6,000 by the end of the pre-study period, let alone by tuition deadlines as early as August 3rd.

Moreover, the half of students dependent on OSAP are usually unable to access funds prior to the September release of OSAP, leaving these students unable to meet early

fee deadlines. Even after the September OSAP release date, students have to verify their enrolment, after which funds may take up to 10 days to be deposited in students' account.

By this point, the tuition payment deadlines of ten for Ontario's twenty universities would have passed, often forcing these students to pay deferral fees averaging \$50 plus interest on outstanding fees.

*“...it is certain that there are a large number of students who do not earn enough over the summer to cover the up-front costs of education.”*

Students that rely heavily on OSAP also tend to be students who can least afford to pay extra costs: those who already face considerable financial barriers in attending post-secondary institutions. Students who are more likely to rely on OSAP to meet fee payments include:

**Low-Income Students:** The incidence of borrowing from government student assistance programs increases considerably as one descends the income quintiles. Incidence is highest (52.9%) for students from households earning less than \$25,000 per year and lowest for students from households earning more than \$100,000 (7.9%).<sup>11</sup> Low-income families are far less able to make large family contributions to in-study costs and are less likely to utilize savings mechanisms like Registered Education Savings Plans.

**Underemployed Students:** Two-thirds of underemployed students (those working 20 hours or less per week during the summer) attend school in Ontario.<sup>12</sup> Most of these students wanted to work more, and were unable to save any of their earnings to cover educational costs. These students are forced to rely on financial assistance, personal savings, or family contributions to pay tuition.

**TABLE 6: TUITION DEFERRAL OPTIONS AT ONTARIO UNIVERSITIES, 2013-14<sup>10</sup>**

<i>Institution</i>	<i>Deferral Fee</i>	<i>Fees Deferrable</i>	<i>Deferred Payment Deadline</i>	<i>Institution</i>	<i>Deferral Fee</i>	<i>Fees Deferrable</i>	<i>Deferred Payment Deadline</i>
<i>Algoma</i>	\$50 or \$100	30% or 50%	December 7th	<i>Queen's</i>	\$0	100%	September 30th
<i>Brock</i>	\$75	30%	November 15th	<i>Ryerson</i>	\$70	50%	January 9th
<i>Carleton</i>	\$47	50%	December 30th	<i>Toronto</i>	\$0 (OSAP Only)	35% of fall fees, 100% of winter fees	November 15th (Fall), April 30th (Winter)
<i>Guelph</i>	\$60.00	75%	Variable	<i>Trent</i>	\$35 or \$60	100%	January 14th
<i>Lakehead</i>	\$82	33%	January 7th	<i>UOIT</i>	\$0		September 19th (Fall), January 18th, (Winter)
<i>Laurentian</i>	\$41.60	N/A	January 18th	<i>Waterloo</i>	\$0 (OSAP Only)	-	Variable: OSAP Release
<i>McMaster</i>	\$35 per term plus 1.2% monthly interest on outstanding balance	50% or 75%	January 1st, January 15th for OSAP Students	<i>Western</i>	\$56	30%	January 7th
<i>Nipissing</i>	\$40	30%	January 11th	<i>Wilfrid Laurier</i>	\$0 (OSAP Only)	100%	Variable: OSAP Release
<i>OCAD</i>	\$50	45%	February 1st	<i>Windsor</i>	\$0 (OSAP Only)	100%	Variable: OSAP Release
<i>Ottawa</i>	\$20	50%	December 12th	<i>York</i>	\$0 (OSAP Only)	100%	October 10th (Fall), February 10th (Winter)

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**Students with Dependants:** Student parents rely on financial assistance substantially more than student non-parents, with loan take-up rates of 73 per cent and 53 per cent respectively.<sup>13</sup> Student parents have additional immediate costs in addition to tuition, rent, textbooks and food. OSAP only provides a maximum of \$86 dollars per week per dependant, for a single parent of less than three children with no financial resources. This allowance does not even begin to cover the cost of childcare, which averages over \$250 per week at a university campus. Consequently, student parents may have difficulty making large, up-front tuition payments as required by a number of universities.

**Aboriginal Students:** Analysis of Canada University Survey Consortium and Ontario Post-Secondary Student Survey data has shown that financial assistance is used slightly more by Aboriginal students than non-Aboriginal students.<sup>14</sup> This is likely an under-estimate of actual need, since Aboriginal students are less likely to apply for government financial assistance than their non-Aboriginal peers, and far more likely to be low-income. Aboriginal students are more likely to come from low-income backgrounds, and are far less likely to utilize personal savings or family income to cover the up-front costs of education.

Students are concerned that through deferral

fees, some institutions have created a system wherein students who rely on OSAP or in-study employment, particularly the previously mentioned under-represented groups, are forced to pay extra fees. Even at institutions with cost-free OSAP deferral processes, many students must make special arrangements to defer payment. OSAP recipients must go to their registrar's office and request a deferral on the grounds that OSAP has not been released yet, a time-consuming and unnecessary process.

Students who are not reliant on OSAP may also have difficulty paying an entire year's tuition before September. The majority of Canadian students work during the academic year at an average of eighteen hours a week.<sup>15</sup> Such a high in-study employment load suggests that students are struggling to make ends meet.

To alleviate the growing financial pressure that unrealistic payment deadlines can have on students, the government should include regulations in the next tuition framework concerning payment deadlines.

Specifically, the provincial government should require institutions to provide students the option to defer half of their tuition and fees to the winter term. If institutions do not comply, then the government could claw back from the operating grant revenue raised that was not in compliance with the expectations. It should also be required that universities institute an automatic deferral of payment for those students receiving OSAP or other forms of provincial financial assistance.

Currently, OSAP recipients at most universities

must apply for deferment. Institutional financial aid offices have the capacity to identify students receiving OSAP funds, meaning that the ability to grant automatic deferral for OSAP students exists. With a few institutions currently offering such a program, the time is right for other universities to adopt this best practice. Such a measure could save students from paying inadvertent late fees. It is also important for this automatic deferral process to adhere to dates where a majority of students have received their OSAP funds.

*“The provincial government should require institutions to provide students the option to defer half of their tuition and fees to the winter term”*

It should be noted that these regulations may require some changes to the way that the provincial government provides their funding to institutions, to ensure that institutions do not have cash flow constraints as a result of waiting for students' tuition to come in. However, this should be a minor and minimal-cost change for the government who currently releases most of their funding in equal bi-weekly payments.

Even if this measure were to be an opt-in process for non-OSAP recipients, allowing the institution to collect full fees in the summer or fall from students fortunate enough to have the funds, it would provide an important alternative option for students who do not.

# DIFFERENTIAL FEE INCREASE

**Recommendation:** To lessen disparities that exist among programs and provide clarity on year-to-year increases to students and government regulators, all tuition increases should be consistent across program and year. *Estimated Cost to Government: \$0*

The convoluted nature of the current tuition framework has made the predictability of future costs impossible for students. As outlined earlier, the framework allows tuition to increase by 4.5 per cent annually in first year undergraduate arts & science courses and 8.0 per cent annually in professional and graduate programs. Overall, the average tuition increase across an institution may not exceed 5.0 per cent. While this framework has some advantages, it has a number of disadvantages from a predictability and fairness perspective.

## **Differential Program Classification**

The first and most important of these disadvantages is that the tuition framework places little clarification on what qualifies as a professional program. The distinction between professional and non-professional programs is an important one. Professional programs not only have higher tuition to begin with, but also faster tuition increases.

This has led to institutions classifying their programs differently, and a cross-institutional comparison shows that students at different universities, in similar fields of study, are charged varying rates of tuition increases. For instance, a computer science student at Western pays a 4.5 per cent tuition increase annually, though their colleagues at Brock may pay up to 8 per cent. Commerce students at Lakehead paid an increase of four per cent between 2006/07 and 2007/08, followed by an eight per cent increase the year after, increasing tuition from \$4,500 to \$4,860.

<b>Sample: Commerce</b>			
University	2007/08	2008/09	2009/10
Western	3.0%	3.0%	3.0%
Lakehead	4.0%	8.0%	4.5%
York	8.0%	8.0%	8.0%

<b>Sample: Computer Science</b>			
University	2007/08	2008/09	2009/10
Brock	8.0%	8.0%	8.0%
Carleton	4.5%	4.5%	8.0%
Western	4.5%	4.5%	4.5%

These differential fee increases create an inability for students in first-entry professional programs to know exactly what tuition increases to expect. Students at schools whose computer science, commerce and engineering programs adhere to the 4.5 per cent cap have tuition that increases at a slower rate, whereas students in the same programs at other institutions cope with a raised cap of 8 per cent annually. It also typically prevents institutions from posting the tuition costs of each program, since the actual tuition paid by a student depends on what year they entered and how long they have been in the program. This has real implications for transparency, accountability and clarity for students.

## **Differential Caps and Cost Escalation**

The current tuition framework also exacerbates cost discrepancies between programs, creating unfair cross-subsidization of programs. Under the current allowable increases, average tuition in the humanities will only increase by \$1,300 by 2016, whereas the average engineering tuition rate will increase by \$4,000 over the same time frame.<sup>16</sup> While it is understandable that costs are likely different in providing engineering education, the heavier Basic

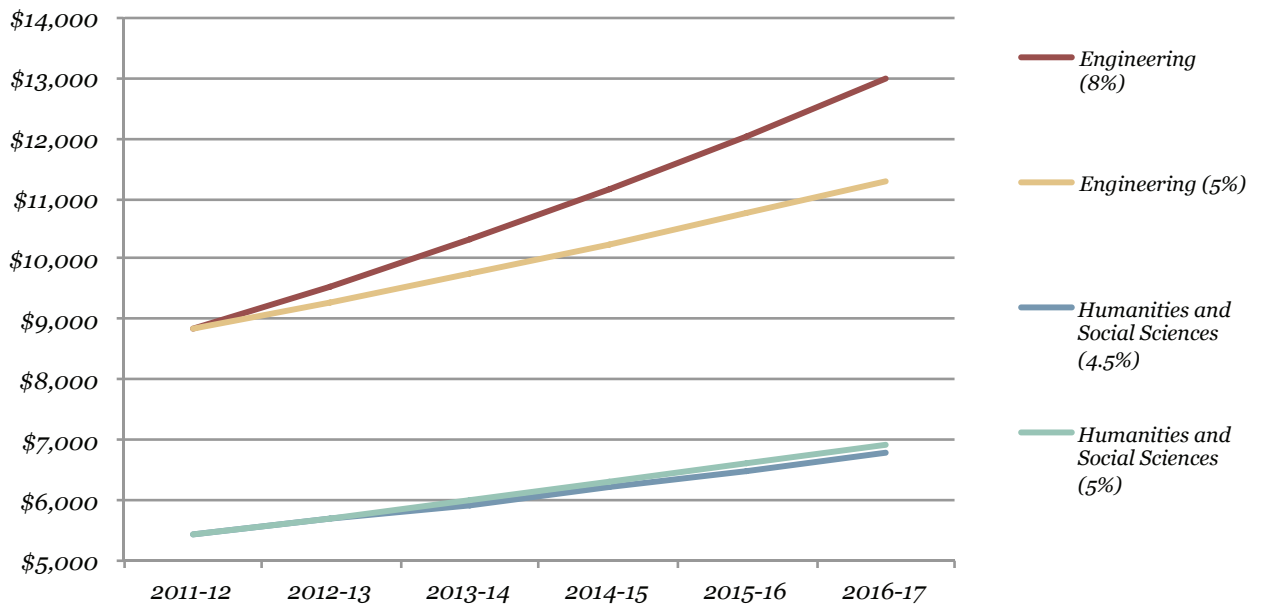
Income Unit weight in the provincial funding formula, the higher average base tuition rates and the lack of evidence suggesting that costs in all professional programs are increasing faster than general undergraduate programs leaves the justification for this massive increase in per-student revenue in dubious territory.

There are very real access implications for ever-higher professional tuition fees. Low- and middle-income students are already less likely to enroll in professional programs than higher-income students.<sup>17</sup> While little research has been done on the most recent

period of increases, several studies cited earlier found that the large-scale increases to professional tuition fees that occurred during the deregulated period of the 1990s resulted in a decline of applications from lower-income students.

The price sensitivity, debt aversion and liquidity constraints that many low-income students face are even greater for higher-cost programs. The current system of higher caps on professional programs further exacerbates this challenge.

**FIGURE 14: PROJECTION OF TUITION FEE INCREASES ACROSS PROGRAMS OF STUDY**





### ***Compliance and Accountability***

Finally, if tuition growth rates are not tied to inflation, a predictable framework must exist. The current tuition framework's emphasis on differential caps for different programs adding up to an institutional average has created an overwhelmingly complex tuition landscape in Ontario. Every program of every year at every institution has a slightly different fee increase. From a student perspective, this is an unnecessary hindrance to predictability and transparency. From a university administrative perspective, time and effort must be spent to make sure that program-level increases do not raise the institution's average tuition beyond the government's regulated tuition. From a government perspective, monitoring hundreds of different tuition increases impedes the ability to ensure that every institution is following government-mandated guidelines.

A single, uniform increase across all programs and levels will allow students to know exactly how much tuition will increase annually, which will in turn allow better financial planning. It will allow institutions to know exactly how much new operating revenue to expect on a yearly basis from students and provide clarity as to how much each program's fees may increase. Additionally, a uniform tuition increase will halt the growing price gap between professional degree programs and arts and science; whether a program is classified as professional or not should cease to matter.

# ENDNOTES

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