2024
Pre-Budget Submission

OUSA
Ontario Undergraduate Student Alliance
About OUSA

OUSA represents the interests of 160,000 professional and undergraduate, full-time and part-time university students at nine student associations across Ontario. Our vision is for an accessible, affordable, accountable, and high quality post-secondary education in Ontario. To achieve this vision we’ve come together to develop solutions to challenges facing higher education, build broad consensus for our policy options, and lobby government to implement them.
January 31, 2024

The Honourable Peter Bethlenfalvy
Minister of Finance
c/o Budget Secretariat
Frost Building North, 3rd Floor
95 Grosvenor Street
Toronto, Ontario
M7A 1Z1

CC:
Deputy Minister David Wai
Minister Jill Dunlop

RE: OUSA’s Written Submission for the 2024 Budget Consultations

Dear Minister Bethlenfalvy:

Please accept the Ontario Undergraduate Student Alliance’s (OUSA) 2024 budget consultation submission. OUSA is an organization that advocates for the interests of over 160,000 full- and part-time undergraduate and professional students across nine member schools, and strives for an affordable, accessible, accountable, high-quality post-secondary education system.

Over the past several years, Ontario’s post-secondary sector has become vastly underfunded. Our universities receive 57% of the national average for per-student funding.¹ The stagnation of provincial operating grants that began in the mid-2000s and a 10% tuition cut and subsequent freezes in 2019 have culminated in institutions reporting significant deficits and financial pressures. Ultimately, these limited funds impact the supports and services students use, with some universities having to find efficiencies and cost-saving measures to avoid insolvency.

In early 2023, the Ministry of Colleges and Universities put together the Blue Ribbon Panel which released its final report with recommendations to ensure the financial sustainability of the sector while still driving student success. The following recommendations from OUSA relate to the Panel’s report and call for changes that increase operating funding from the province and reshape student financial aid to better support post-secondary affordability.

First Recommendation

The provincial government should increase operating grants until students are contributing at a maximum of one-third of universities’ total operating budget, in order to reduce the burden placed on universities to generate revenue through high international tuition fees.

Contributions to institutional revenue are largely reliant on student tuition and fees, particularly those of international students. As of 2021-22, student dollars comprise 65% of operating revenue while provincial grants make up 32%.²

The tuition cut in 2019 with ensuing freezes significantly affected the capacities of universities, putting them in a particularly dire state given the rising operating costs of various services. As such, several institutions are warning their students and communities about the impending decisions being considered to lower their expenses. The Faculty of Arts and Sciences at Queen’s University will be imposing large budget reductions and is considering cutting courses and hiring freezes.³ The University of Waterloo is planning to draw from internal operating reserves to meet inflationary pressures, acknowledging that this takes away from the original intent of these reserves for infrastructure and maintenance projects as well as programming investments.⁴ Ultimately, these moves are affecting the quality of students’ education and experience on their campuses. The province needs to craft the budget such that there is an increase to operating grants so that students are not carrying the largest share of contributions to operating budgets. To help meet the funding shortfall, the Blue Ribbon Panel reported that tuition would need to increase by 25% to restore rates to pre-2019 levels.⁵ Knowing the severe impact this would have on student affordability, the Panel did not recommend this degree of a hike making it critically important for the Government of Ontario to step up and better fund post-secondary institutions. Without this, universities will continue to immensely struggle with providing a well-rounded educational experience that does not fall mostly on student dollars.

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Second Recommendation

To ensure tuition rates are predictable for international students, the Ministry of Colleges and Universities should regulate international tuition for incoming students at a maximum of 5% per year, and in-cohort increases at a maximum of 3% per year.

To mitigate the effects of limited domestic tuition revenue, post-secondary institutions are relying on unregulated international tuition in order to fill in funding gaps. Over the past 10 years, international tuition has risen almost as much as 9% which equates to thousands of dollars in fee increases. Notably, in the same year domestic tuition was cut by 10%, international tuition was increased by 8%.

<table>
<thead>
<tr>
<th>Year</th>
<th>Ontario Undergraduate Tuition (5 CAD)</th>
<th>Percentage Change from Previous Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Domestic</td>
<td>International</td>
</tr>
<tr>
<td>2013-14</td>
<td>7,257</td>
<td>23,688</td>
</tr>
<tr>
<td>2014-15</td>
<td>7,562</td>
<td>25,392</td>
</tr>
<tr>
<td>2015-16</td>
<td>7,865</td>
<td>27,627</td>
</tr>
<tr>
<td>2016-17</td>
<td>8,154</td>
<td>29,921</td>
</tr>
<tr>
<td>2017-18</td>
<td>8,519</td>
<td>32,380</td>
</tr>
<tr>
<td>2018-19</td>
<td>8,793</td>
<td>35,029</td>
</tr>
<tr>
<td>2019-20</td>
<td>7,931</td>
<td>38,106</td>
</tr>
<tr>
<td>2020-21</td>
<td>7,938</td>
<td>40,525</td>
</tr>
<tr>
<td>2021-22</td>
<td>7,850</td>
<td>41,744</td>
</tr>
<tr>
<td>2022-23</td>
<td>7,996</td>
<td>44,036</td>
</tr>
<tr>
<td>2023-24</td>
<td>8,190</td>
<td>46,433</td>
</tr>
</tbody>
</table>

With exceptions for some programs, domestic tuition is regulated in the province and provides students with a level of predictability for their fees. International students deserve the same level of transparency with respect to their tuition especially given their extremely high value. Despite the recent federal intervention of income verification for international students, which aims to ensure international students can attain a reasonable quality of life while studying abroad, this measure fails to mitigate the financial strain caused by fluctuating tuition. Without tuition regulations, a student who meets the criteria of their student visa is still susceptible to financial issues in the event that their tuition increases significantly the following year. As community members who bring an array of skills and talent and enrich our societal fabric, international students should be well-supported which includes adequate communication about their tuition fees. Their contributions are more than the dollar value they bring to universities, which is why OUSA is recommending that the budget be developed so that the Ministry of Colleges and Universities can mandate international tuition fee regulation without it being a detriment to institutional operating budgets.

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6 Statistics Canada, “Table: 37-10-0045-01 Canadian and international tuition fees by level of study (current dollars),” Government of Canada, September 6, 2023, https://www150.statcan.gc.ca/t1/lbd/tv.action?pid=3710004501
As the cost-of-living crisis continues to make everyday expenses more unaffordable for Ontarians, students face unique challenges with this issue. Tuition is an additional cost for students not faced by the general population, and as such, any measures that reduce the burden of this will greatly benefit student affordability. According to OUSA’s 2022 Ontario Undergraduate Student Survey (OUSS), out of those who responded, 38.2% of the students said that they anticipated their student debt to be “very burdensome” after they graduate.⁷ The Blue Ribbon Panel has recommended a 5% tuition increase which will pose financial barriers for students and is the reason OUSA is calling for greater financial aid in order to circumvent the impacts of higher tuition. This can be achieved by distributing OSAP as grants for low- and middle-income students and a mix of grants and loans for high-income students. A model similar to this, which was in effect in the 2017-18 academic year, significantly increased accessibility for students from low-income backgrounds due to the fact that it made post-secondary education more affordable. In fact, there were 81,000 more OSAP recipients in 2017-18 compared to the previous year, and 60% of those recipients were low-income students.⁸ However, changes to OSAP in 2019 resulted in a reduction of recipients; data from the Ministry of Colleges and Universities suggests that between 2018-19 to 2021-22, there has been an approximate 17% decrease in the number of OSAP recipients.⁹ In line with this, 52% of the respondents from the OUSS 2020 survey reported receiving government loans and grants, which was a significant decrease from previous years.¹⁰ Further, 38% of respondents received less OSAP funding in 2019-2020 than they did in the previous year.¹¹ Evidently, if the provincial budget allowed for grant distribution entirely for low- and middle-income students, this would encourage and retain more students in post-secondary education and support a prosperous Ontario for all.

It is equally important to consider that the allowances under OSAP, which support non-academic costs of education like shelter and food, should be enhanced so that students are able to pay for these essentials under inflationary pressures. Food inflation over the past year in Ontario has reached 5.1% which contributes to the ways students become food insecure and consequently experience post-secondary.¹² Therefore, prioritizing grants over loans should also account for annual adjustments in the allowances to better reflect changes in the Consumer Price Index.

⁷ Unpublished data from OUSA’s 2022 Ontario Undergraduate Student Alliance.
⁹ Based on data requested by OUSA to the Ministry of Colleges and Universities.
¹¹ Ibid.
¹² Statistics Canada, “Table: 18-10-0004-13 Consumer Price Index by product group, monthly, percentage change, not seasonally adjusted, Canada, provinces, Whitehorse, Yellowknife and Iqaluit,” December 19, 2023, https://www150.statcan.gc.ca/t1/01t/01t.action?ID=H1100000413&pkMembers%5B0%5D=1.14&cubetimeFrame.startYear=2023&referencePeriods=20231101%2C20231101
The provincial government should remove interest on all student loans, including past students who still owe provincial student loans.

Removing interest on loans is essential for making post-secondary education more accessible and affordable. With a heavier focus on loans after the 2019 OSAP changes, students are facing slightly higher debt levels for repayment which is made even more burdensome by interest levels. Students pay thousands of dollars in interest, as indicated by a sample calculation below.¹³

<table>
<thead>
<tr>
<th>Average OSAP Debt (2020-21)</th>
<th>Average Repayment Period</th>
<th>Interest Rate</th>
<th>Total Monthly Payment</th>
<th>Total Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>$21,322</td>
<td>114 months</td>
<td>8.2%</td>
<td>$278</td>
<td>$10,370</td>
</tr>
</tbody>
</table>

The money students pay in interest could be allocated towards other expenses they have that would contribute to the economy elsewhere, as well as support their transition out of post-secondary and into the workforce. In March 2023, the federal government announced the removal of interest on their portion of financial aid loans, marking one step towards affordability for students in Ontario. Through integrating this recommendation in budget planning, the province has an opportunity to follow suit and make retention in post-secondary more enticing and affordable.

¹³ Average OSAP debt based on data requested by OUSA to the Ministry of Colleges and Universities. Average repayment period and total monthly payment gathered from the Government of Ontario repayment calculator here. At the time of writing, the interest rate for OSAP is the prime rate (7.2%) plus 1%. Total interest calculated by multiplying the monthly payment by the repayment period, and subtracting the average OSAP debt from this product.
Fifth Recommendation

The provincial government should extend its grace period for the provincial portion of OSAP to a minimum of two years to ensure that students are in the financial position to cover the cost of repayments.

Currently, graduates have 6 months to begin repaying their loans once they finish their studies. This grace period is not long enough for students to secure stable employment that will help them pay off their loans. OUSA believes that 2 years provides a reasonable amount of time for graduates to attain sustainable income that will support their loan repayment. In fact, data from the 2021-22 Ontario University Graduate Survey indicates a 90% employment rate for individuals 6 months after graduation versus a 94% employment rate 2 years after graduation.¹⁴ Furthermore, income levels increase between 6 months and 2 years post-graduation which gives individuals more financial capacity to repay their loans. At 6 months, the highest proportion of respondents reported a before-tax income between $41,000-45,000, while the highest proportion at 2 years reported $61,000-65,000.¹⁵ This bump to income can be influential in shaping post-secondary affordability and a graduate’s ability to take on debt. This is why OUSA is recommending that the budget be developed such that delayed revenue from OSAP loan repayments is forecasted accordingly and adjustments are made to consider this.

¹⁵ Ibid.