

# Reaching Even Higher: The Next Multi-Year Funding Plan for Postsecondary Education

Submitted by the  
Council of Ontario Universities

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COUNCIL OF  
ONTARIO UNIVERSITIES

CONSEIL DES  
UNIVERSITÉS DE L'ONTARIO



Submission to the Government of Ontario

# Reaching Even Higher: The Next Multi-Year Funding Plan for Postsecondary Education

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Council of Ontario Universities

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## EXECUTIVE SUMMARY

Ontario universities are partners in the future success of our province. We educate students for the challenges of tomorrow and provide the highly skilled workforce and leadership that will support Ontario's future success. Our universities and our graduates foster economic, social and cultural development regionally, provincially and nationally. We also conduct a major portion of the research and development work that helps to advance the province's economic plan.

Our goal is to ensure that our students get what they need to succeed and to make the most of their abilities to increase productivity and lead economic and social development that strengthens regions and the province overall.

In recent years, the Ontario government has advanced higher education through its Reaching Higher plan. This plan set ambitious goals to enhance access, quality and accountability, and it accomplished much for Ontario. Working together, between 2004-05 and last year, institutions added over 25,000 undergraduate spaces and over 10,000 graduate spaces (with more growth in 2009-10), and improved access for first-generation students, Aboriginal students and students with disabilities. This growth has continued the trend of improved access that has seen the addition of approximately 100,000 students since 2002-03.

"Prosperity in the 21<sup>st</sup> century is all about investing in the skills, knowledge and creativity of our people."

Premier Dalton McGuinty,  
March 29, 2007

Since 2005-06, Reaching Higher has brought significant increases in revenue to our institutions. The government's commitments in Reaching Higher, however, did not envision the magnitude of growth over the past five years; as a result, much of the investment intended for quality improvement was diverted to serve the growing numbers of students. While funding on a per-student basis has grown, it has not kept up with universities' actual growth in costs during this period. Our institutions have had to constrain costs that, in turn, have had an impact on the quality of programs that help students reach their potential to contribute to Ontario's success.

The government also has ambitious goals for the next phase of Reaching Higher. To enable Ontario to succeed in the new economy, the Premier wants more students graduating to ensure that 70% of the population has a postsecondary qualification. The government is calling for transformational changes to enhance student experience, improve retention and graduation rates, enhance teaching and increase student mobility between institutions. Ontario universities share these goals. We recognize the importance of their achievement to Ontario's economic recovery and future growth. We look to the next multi-year postsecondary strategy to provide investments to meet these goals.

100,000

Number of additional  
students funded  
since 2002

Ontario universities recognize the challenges faced by the province, and by students and their families, as a result of the recent economic downturn and its ongoing impact on the province's fiscal health. We also recognize that investing in enrolment growth and enhanced student success will build

Ontario's human capital and its competitive advantage. Investments in universities are fundamental to Ontario's future success, and help support regional economic recovery in areas where our universities are located.

Ontario universities are committed to working with the province and are proposing three strategies to meet our shared goals, with the unanimous commitment of the Executive Heads of Ontario universities to the outcomes.

1. Our universities share the province's major objective of expanding access to increase the proportion of Ontarians who have completed a university degree. To meet the projected demand for new spaces, universities need resources to provide programs, facilities and supports for new students, including a significant increase in graduate students to meet the needs of the knowledge economy. At the same time, the costs of universities grow each year with cost inflation and increases in salaries. Universities' revenue must increase to meet the costs of new students and address cost escalation, or the quality of programs and supports for all students will continue to decline. We recognize and accept our obligations to make the necessary structural adjustments to accomplish the goals of the next phase of Reaching Higher with limited resources. But without new resources, our universities will only be able to grow by constraining costs through measures that erode quality (such as letting facilities degrade, increasing class sizes, using more part-time instructors, and reducing program offerings).

### Outcomes for Students with Enhanced PSE Investment

1. **Increased access** for students to accommodate the growing demand, particularly in the GTA.
2. **An enriched student experience** through quality initiatives such as:
  - Expanded academic support services;
  - Enhanced technology and library resources;
  - Increased student-faculty interaction; and
  - Support to improve teaching practices.
3. **More robust accountability** to ensure delivery of access and quality to students through more strategic agreements that clarify and build on each institution's specific strengths, priorities, regional needs and provincial goals.

**To provide more spaces for students without eroding quality, Ontario universities recommend a multi-year commitment to operating revenue that provides full funding<sup>1</sup> for all students, and increases base funding by a reasonable factor to address ongoing growth in costs.** This annual adjustment would allow universities to prevent further degradation of quality, provide a strong signal to use in driving down other institutional costs, and help sustain institutions whose strategic goals do not include major growth.

**Ontario universities, therefore, recommend annual increases to the base operating grants of approximately \$200M (on average in each of the next five years), assuming the tuition framework remains the same.<sup>2</sup>** This would accommodate the growth in enrolment without eroding the quality of programs. Further investments would be needed to improve quality.

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1 Full funding means that funding is provided for every continuing and newly enrolled student at the full program funding weight (Basic Income Unit) of his or her program.

2 This calculation assumes that enrolment will grow to meet the province's projected demand.

2. Ontario universities share the government's goal of improving postsecondary education – greater access for under-represented groups, improving retention and graduation rates, student experience and engagement, pathways for transfer of credits, and teaching and learning. Significant improvements require new resources. These resources must be added to base funding (rather than in initiative-specific grants) to allow the necessary flexibility for quality measures to be implemented and not eroded by cost constraints; to support differentiation<sup>3</sup> by reflecting specific institutions' missions, priorities, goals and regional needs; to allow better planning and accountability for investments; and to ensure that quality initiatives are sustainable and not lost to accommodating growth.

**To allow institutions to make sustainable improvements to the student experience and learning outcomes, Ontario universities recommend a multi-year commitment to increases to base operating funding for investments in quality over and above funding for growth.**

3. Ontario universities are proposing that multi-year accountability agreements be transformed into strategic agreements between each institution and the province. These more robust and strategic agreements would be the implementation plans for the next postsecondary strategy.

"The recession has not changed the imperative for developing our human assets – if anything it has heightened the need."  
*Navigating Through Recovery*, a report by the Task Force on Competitiveness, Productivity and Economic Progress

They would address the government's priorities and institutions' goals and strategies for expanding access; improving graduation rates; expanding credit transfer pathways; as well as improving teaching, learning, and student engagement and experience. Agreements negotiated with the province will direct the growth of access and the use of resources for new investments in quality. Strategic multi-year agreements will result in programs more aligned to the needs of the new economy and thus will also encourage differentiation that reflects our institutions' individual missions, regional needs and provincial opportunities.

**Ontario universities recommend that the province and each institution negotiate a strategic multi-year accountability agreement that would be an implementation plan for the following: growth, research and innovation that are aligned with both provincial objectives and the institution's strengths; agreed-upon directions for program changes; and initiatives to improve student experience and outcomes.**

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<sup>3</sup> "Differentiation" in this document means evolving differences in mission, goals and priorities among institutions that reflect their unique strengths, and that are developed in negotiation with the province. It does not mean a system design comprising different categories of universities.

## ONTARIO UNIVERSITIES' PROPOSALS

### TRANSFORMING ACCOUNTABILITY

Ontario universities share the province's goals to transform postsecondary education through improved student success and the ongoing development of each institution's mission and goals.

#### **Transformational Multi-Year Agreements:**

Ontario universities recommend that multi-year accountability agreements be transformed into strategic agreements between each institution and the province that clarify and build on each institution's specific strengths and priorities.

Agreements should be negotiated between Executive Heads and the Minister or Deputy Minister.

Agreements would address each institution's:

- Specific strengths and priorities, and plans for development of teaching programs and research;
- Plans for growth in both undergraduate and graduate enrolment;
- Plans for improving access for under-represented groups, including ways to expand access to learning outside of traditional classroom models;
- Expansion of pathways for transfer of credits between colleges and universities;
- Expansion and simplification of pathways for students between programs within and between universities; and
- Use of resources added for improvements in quality of students' programs and experience.

Agreements would also include measures of performance – measures that address both common provincial priorities and each institution's specific priorities and key points of distinction – developed in agreement with the province.

The multi-year agreements will result in programs that are responsive to economic opportunities – regional, provincial, national and international opportunities that contribute to Ontario's new economy.

94.1%

Percentage of  
university graduates  
employed six months  
after graduation

### ACCESS

The Ministry of Training, Colleges and Universities (MTCU) projects that student demand for undergraduate spaces will increase by between 42,000 and 58,000 (full-time head counts) between 2008-09 and 2015-16.

We believe that we can accommodate this growth, through expansion on existing campuses, creation of multi-site delivery by a number of institutions, and partnerships among institutions – both among universities and with colleges. Greater access will also be achieved through the

expansion of e-learning that builds on the strengths of resources already in place, to increase access to learning outside of traditional classroom models.

Clearly, the projected growth is so large that investment in new buildings will be required. To meet capital needs, each institution will look (in sequence of priority) to more efficient use of existing buildings, renewal of existing buildings to expand utilization and, where necessary, new construction to achieve growth targets.

Our universities acknowledge the capital investments made by the province in new construction and deferred maintenance and the provincial-federal investments in knowledge infrastructure. These investments have helped our institutions renew their infrastructure and address the considerable backlog of deferred maintenance, though there is still some way to go to address the shortfall in funding required for deferred maintenance.<sup>4</sup>

Detailed implementation plans for growth, including future capital requirements, will be negotiated between each institution and Ontario through more robust multi-year accountability agreements.

## QUALITY

Ontario universities and the province want to improve quality. By improving the student experience and the frequency of student-faculty interactions – and ultimately the learning outcomes of our students – universities can better equip graduates to lead economic and social development in the province.

Reaching Higher has brought significant increases in revenue to institutions. Annual grants from MTCU have grown from \$2.46B in 2004-05 (before Reaching Higher began) to \$3.1B in 2008-09; grants were about \$700M higher in 2008-09 than in 2004-05. The increases in operating grants, added cumulatively over the five years of Reaching Higher, have been \$2.7B.

**“Increase investment in post-secondary education.** Per capita investment for Ontario students should reach or surpass the national average. Investment in post-secondary research will ensure Toronto remains competitive in a knowledge-based economy.”

*From World-Class to World Leader: An Action Plan for the Toronto Region, by the Toronto Board of Trade*

At the same time, institutions added over 25,000 undergraduate students (FTE) and over 10,000 graduate students (FTE) between 2004-05 and 2008-09, continuing a trend of major growth that has seen approximately 100,000 additional students since 2002-03.

Student enrolments expanded much more quickly than was anticipated at the time the Reaching Higher plan was developed. Because the government’s commitments in Reaching Higher did not envision the magnitude of growth over the past five years, much of the investment intended for quality improvement was diverted to serve the growing numbers of students.

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<sup>4</sup> Current annual funding for deferred maintenance is about 10% of the annual investment needed to maintain existing buildings at an acceptable standard.

The growth in revenue, mapped against the growth in student numbers and in universities' costs, meant that the learning experience of students declined. On a per student basis, in real dollars adjusted for the general rate of inflation, revenue per FTE student grew 6.6% over the four years since the beginning of Reaching Higher – between 2004-05 and 2008-09. While funding on a per-student basis has grown, it has not kept up with universities' actual growth in costs during the same period. As a result, our institutions have not been able to use increased revenue to substantially improve quality and in reality have had to constrain costs with a detriment to quality.

### **Maintaining Quality While Growing:**

Adding more students without adding funding to keep up with costs would further erode quality. Ontario universities would have to make changes to reduce costs that would have an adverse impact on students – including not replacing equipment, not maintaining learning environments (adding to the problem of deferred maintenance of buildings), hiring more part-time instructors, reducing course offerings, and increasing class sizes further.

Simply to maintain current quality, institutions need predictable and ongoing base funding that grows annually to reflect, to a reasonable degree, changes in costs. To maintain quality while increasing enrolment, annual increments to current base funding must be added in a way that adjusts the base to reflect new enrolment.


We recommend that universities' total operating revenue increase annually by a reasonable factor for cost escalation in each year over the span of the new multi-year postsecondary strategy, after taking into account growth in enrolment.

We recognize our responsibility to contain costs. Ontario universities are not asking the province to reflect current actual cost inflation in the university sector; rather we are asking to share those costs in a fair and equitable way, comparable to its funding in other sectors such as the school system. In return, our institutions will not only continue to constrain expenditures working within the funding provided by the province through grants and tuition policy, but also undertake the necessary structural adjustments and partner to accomplish the goals of the next phase of Reaching Higher.

### **Improving Quality:**

Growth and improvements in quality are both desired goals.

Ontario universities share the government's goal of improving outcomes for students in postsecondary education – improving retention and graduation rates, student experience and engagement, and teaching and learning.



"Between 1990 and 2007, the number of jobs requiring PSE graduates almost doubled. Only half as many jobs were available for those who had not completed high school."

*Post-secondary Education in Canada: Meeting our Needs?*  
by the Canadian Council on Learning

Our institutions are continually evaluating and innovating for improvement (for example, innovations in environmental sustainability) and by more effectively using current resources, some further improvements are possible.

As enrolment continues to grow, major gains in student experience and engagement will require new resources, and Ontario universities recommend that the province makes new investments to improve quality.

To have wide and sustained impact, these investments must be added to base funding. It is critically important that investments to quality be added to the base (rather than in initiative-specific grants) for four reasons:

- The province wants our institutions to constrain costs and improve quality. Base funding provides flexibility to make adjustments in how total funding is used to implement cost constraints while meeting quality commitments.
- The province wants our institutions to be responsive to regional economic needs. Base funding, in the context of strategic multi-year accountability agreements, allows institutions and the province to make investments in quality that reflect institutions' circumstances and support our differentiated missions, priorities and goals as negotiated in accountability agreements.
- The province wants our institutions to plan and deliver improvements that make effective use of investments in quality. Base funding allows institutions to plan and implement investments in a multi-year context and in effective partnerships.
- The province and students need sustainable improvements in quality. Base funding that is adjusted for growth will not dilute resources made available for increased quality as access is expanded.

"Postsecondary graduates pay the lion's share of taxes in Canada and receive a relatively small portion of government transfers. In 2006, university degree holders, who made up 22% of the population, paid 41% of income taxes collected, but received only 14% of the income transfers paid out by government."

*The Price of Knowledge*, a report by the Canadian Millennium Scholarship Foundation

We recognize our responsibility to be accountable to our students, our communities and the province. Ontario universities are proposing that, while enhancements for quality are added to base funding, the use of this increased base funding be addressed in each institution's multi-year accountability agreement. These agreements will address quality initiatives with measurable results.

Possible uses of funding enhancements to improve quality for students include:

- Increased numbers of faculty;
- Expanded student services and interactions with faculty and other teaching staff to increase student engagement and, consequently, increase graduation rates;
- Expanded multilateral credit transfer agreements for college graduates that result, for example, in block transfer of credits;
- Enhancements to library collections;
- Collaborations among instructors to develop curriculum and learning objects to improve teaching and learning;

- Expanded support for universities' teaching and learning centres – resources and processes to help instructors improve teaching, including enhancements to technology; and
- Additional staff to develop and coordinate opportunities for experiential learning.

Investments in base funding for quality would support collaboration among institutions in the development of transformative initiatives to improve teaching practice and develop resources that will improve the student experience and learning outcomes. If adequate resources are added to base funding, Ontario universities could commit to collaborative initiatives that include:

- Development of core introductory courses, to be available across the university sector, delivered through a combination of web-based and local face-to-face instruction, to improve teaching and learning and to facilitate transfer of credits – starting with an introductory math course;
- Expansion and development of distance education courses, e-learning objects and e-learning goals for the sector; and
- Development of exemplary curriculum and discipline-specific teaching methods (including alternative approaches to pedagogy such as experiential learning), through discipline-based collaborations of faculty.

These kinds of investments will make tangible progress in improving outcomes for our students.

The province could identify some priority areas of interest or “signature” investments, and institutions would in turn align our priorities for the use of new base funding in new multi-year accountability agreements to these areas as applicable.

To assess the effectiveness of resources added to improve quality, each of our institutions will demonstrate progress annually through agreed-upon measures within its multi-year accountability agreement.



Our institutions will collaborate with the province to ensure that the benefits of the province's investments in quality are well communicated to students, parents and communities.

**Credit Transfer:**

Ontario universities are committed to expanding pathways for students to transfer credits from other institutions, to improve outcomes for students, and to improve the effective and efficient use of resources. We will continue to participate in MTCU's credit transfer initiative, and look forward to further development of the postsecondary education sector's framework for funding, coordination, and accountability for credit transfers between colleges and universities.

Ontario universities recommend that the province support the expansion of credit transfer agreements by investing specific resources to help develop multilateral agreements among colleges, and universities for block transfer of credits.

Ontario universities will also analyze impediments to the transfer of credits across university programs and develop proposals to improve student pathways between our universities.

## IMPLEMENTATION OF INVESTMENTS

As previously described, Ontario universities will need significant increases in operating revenue over the next five years if we are to meet the demand for new spaces without further erosion in the quality of our programs. Universities will also need increases in base operating revenue to make improvements in quality – to improve retention and graduation rates, student experience and engagement, and teaching and learning.

Over the past five years, the province has made significant investments in universities' operating revenues in order to expand students' access to university education, and tuition revenues have continued to grow with increased enrolment. To continue to provide improved access for students through growth in enrolment without eroding the quality of their programs, and to provide moderate improvements in quality, **Ontario universities require annual increases to the base operating grants of approximately \$200M (on average in each of the next five years)<sup>5</sup> to address substantively more growth than was accommodated during Reaching Higher. Further investments to base operating funding are needed to allow our institutions to make sustainable and significant improvements to the student experience and learning outcomes.**

### Grants and Tuition:

Increases in revenue can come from both increases in the province's operating grants and from changes to the tuition policy framework.

Ontario universities recognize that the province faces major fiscal challenges in the short term due to revenue shortfalls and in the long term due to the need to address budget deficits. We recognize that students and families have been adversely affected by the recent economic downturn and its ongoing fiscal impact.

"Higher education has been described variously as the 'silver bullet', 'keystone' or a 'gateway', but more than anything else, it is simply the only way to ensure a bright future for the people of Ontario.

*The Economic Impact of Post-Secondary Education*, a report by the Ontario Undergraduate Student Alliance

We recognize that investing in enrolment growth and enhanced student success will provide significant personal gain and, at the same, build Ontario's human competitive advantage. Investments in our universities are fundamental to Ontario's future success.

Our overriding concern is to ensure that there is a sufficient level of base revenue to maintain quality during growth, and sufficient revenue to improve quality over

time. As a result, we urge the province to make coordinated decisions about both operating grants and the tuition framework that provide appropriate operating revenue to support excellent outcomes for students.

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<sup>5</sup> This calculation assumes (1) that the province will maintain the current tuition framework and (2) that enrolment will grow to meet the province's projected demand.

Anticipating that fiscal pressures on the province will constrain its ability to increase operating grants to the national average in the short term, Ontario universities recognize the need to continue to look to tuition revenue to maintain quality. We have had previous discussions with the government that addressed the need for increased revenue, including increased tuition revenue, and increased flexibility within the tuition framework that the province establishes. Ontario universities acknowledge the concerns of students and families about tuition costs; at the same time, we recognize that revenue from tuition is critical to maintain the current quality of students' programs and that the investments of students and families in tuition bring them a high future return. In the absence of the current tuition framework and significant investments by the province as a minimum going forward, Ontario universities will not be able to meet the need for student growth nor be able to deliver quality programs.

**\$745,800**

Premium of lifetime earnings of a bachelor's degree holder over a high school graduate

To provide financial assistance to students who need help to meet tuition costs, Ontario universities will continue to meet our commitments under the Student Access Guarantee and our many bursary programs. We recommend that the province continue to adjust assistance levels in its student support programs to reflect costs for students as a result of changes in its tuition policy framework.

### **Timing of Investments:**

To maintain quality and allow growth, we recommend that increases in base funding that respond to growth begin in 2010-11 and continue annually.

Increases to improve quality could be phased in, recognizing the province's current fiscal constraints and its overall fiscal plan. An increase for improving quality could begin with a modest investment and grow over a number of years as provincial revenues permit greater investments. To enable effective planning and implementation, our institutions should know anticipated investments over the span of the next phase of Reaching Higher.

## **PENSIONS AND ENDOWMENTS**

The recent economic downturn has had a major impact on the financial health of universities' pension plans. The downturn has also had adverse impacts on the flexibility of our universities to support students and their learning environment through investment returns from endowments.

Under current pension regulations, some universities will face major costs to meet funding requirements. Without regulatory relief, meeting pension obligations will have catastrophic impacts on programs for students, requiring diversion of approximately 18% of operating funding to meet pension funding requirements based on June 30/July 1, 2009 estimates.

Ontario universities have established a Working Group on University Pension Plans with the support of the provincial government that will explore alternatives and arrive at a solution to enhance the long-term sustainability of university pension plans. It is expected to report by December 2009.

## RECOMMENDATIONS

The goals of Ontario universities are very much aligned with the government's goals for the next multi-year plan to build the foundation for the province's success in the knowledge economy. In order to meet these goals, COU presents the following recommendations:

### RECOMMENDATION #1 – TRANSFORMING ACCOUNTABILITY

COU recommends that the province and universities transform multi-year accountability agreements into strategic agreements that build on each institution's mission and strengths, regional needs and provincial goals.

- These strategic agreements between each institution and the province would be the implementation plans for the next multi-year postsecondary strategy.
- They would reflect each institution's specific commitments to expanding access, enhancing the student experience through a variety of quality improvements, advancing student outcomes, and improving pathways between colleges and universities and among universities.
- Our institutions will collaborate with the province to ensure that the benefits of the province's investments are well communicated to students, parents and the communities in which we operate.

### RECOMMENDATION #2 - ACCESS

COU recommends that the province increase universities' total base operating revenue in each year over the span of the new multi-year plan. This increase should respond to growth in enrolment and include an annual increase reflecting a reasonable factor for cost escalation.

- This measure to maintain the current quality of programs and to support greater access to universities amounts to annual increases to the base operating grants of approximately \$200M (on average in each of the next five years), assuming the current tuition framework remains the same.
- To support greater access to universities, it is also noted that the province will need to invest significant amounts in new capital to accommodate the desired growth in enrolment.
- The adjustment for costs would allow universities to prevent further degradation of quality, continue to meet mounting demands for engagement in regional economic renewal through innovation, send a signal to drive down other institutional costs to more affordable levels, and help sustain institutions whose strategic goals do not include major growth, reflecting institutional differences.

### RECOMMENDATION #3 - QUALITY

COU recommends that the province further increase universities' base funding to allow new investments in quality in order to improve retention and graduation rates, student experience and engagement, and teaching and learning outcomes.

- To better prepare students to lead Ontario's knowledge economy, it is recommended that the province further increase universities' base funding to allow new investments for quality. These investments could be phased in as provincial revenues and priorities allow. The province should announce a plan to increase this amount annually over the span of the next phase of Reaching Higher.

## CONCLUSION

If these recommendations are implemented, Ontario universities will be able to make meaningful, tangible and sustainable progress in meeting all of the province's goals for the new postsecondary strategy for Reaching Higher. Our universities will be able to help build the foundation for Ontario's economic and social success by:

- Allowing more qualified students to graduate, and advancing the Premier's goal of ensuring that 70% of the population earns a postsecondary qualification;
- Delivering a consistently high standard of quality in all programs to prepare students to reach their full potential to lead growth in Ontario's economy;
- Improving student outcomes such as graduation rates;
- Delivering world-class research and innovation to advance the government's five-point plan to grow the Ontario economy; and
- Increasing collaboration with government, business and communities to contribute to economic and social development.