Task Force on the Affordability of the Tuition Fee Framework

Carleton University

Final Report

March 2015

## Executive Summary

The Task Force on the Affordability of the Tuition-fee Framework was asked to address potential alternatives to tuition fee increases and the affordability of attending Carleton University to assist the Finance Committee of the Carleton University Board of Governors when it considers the 2015-2016 Operating Budget. The members of the Task Force carefully reviewed many topics including university finances, audited financial statements versus operating results, the Ontario provincial funding framework, student aid, tuition fees, student debt and employment and accessibility to post-secondary education to gain a better understanding of each of these areas.

Alternative scenarios to tuition fee increases were presented. The majority of the members of the Task Force agreed there are no feasible alternatives to raising tuition fees. The members who dissented were Russell Burgess and Scott Jarosiewicz. Discussions about the affordability of attending Carleton showed the importance of student aid but also the complexities of our national and provincial financial aid systems. The Task Force concluded that in Ontario we do well in supporting economically vulnerable students who are aware of the programs they can access.

## Background and objectives of the Task Force

The Task Force on the Affordability of the Tuition-fee Framework was created to assist the Finance Committee of the Carleton University Board of Governors when it considers the 2015-2016 Operating Budget. The Terms of Reference indicate the Task Force was asked to prepare a report containing factual background information and options on the affordability of the tuition-fee framework and address the following items:

* The average debt load of Carleton University students and how it has changed over the last ten years
* A retrospective look at tuition and incidental fees at Carleton with comparisons to other institutions and other indicators such as CPI
* A look at the work study program
* A picture of student employment on campus
* A projection on the effects of the budget of freezing or reducing tuition fees
* An exploration of the provincial funding framework for Ontario universities and how it has changed over the last ten years
* Explore options to mitigate the impact of increased tuition fees on economically vulnerable students

## Task Force membership

The cross-functional Task Force includes representation from across the university. The Task Force members are:

1. Duncan Watt, Vice-President (Finance and Administration), Chair
2. Bob Wener, Vice-Chair, Board of Governors Finance Committee
3. Jerry Tomberlin, Dean, Sprott School of Business
4. Catherine Khordoc, Associate Dean (Student Affairs), Faculty of Arts and Social Sciences
5. Metin Yaras, Chair, Department of Mechanical and Aerospace Engineering, Faculty of Engineering and Design
6. Zhiqi Chen, Faculty Member, Faculty of Public Affairs
7. Dwight Deugo, Assistant Dean (Recruitment and Retention), Faculty of Science
8. Carol-Ann Tetrault Sirsly, Assistant Professor, Sprott School of Business
9. Nichole Ekkert-Vine, undergraduate student
10. Folarin Odunayo, President, Carleton University Students Association (CUSA), undergraduate student
11. Tanvir Janmohamed, Carleton Academic Student Government (CASG), undergraduate student
12. Russell Burgess, Councillor, Graduate Student Association (GSA), graduate student
13. Scott Jarosiewicz, Graduate Academic Caucus, graduate student
14. Perry Legakis, Director, Awards and Financial Aid
15. Joanne Bree, Graduate Registrar, Faculty of Graduate and Postdoctoral Affairs

## Presentations and research

The Task Force met weekly from the end of October to the end of November 2014 and during the month of January 2015. In order to gain a better understanding of university finances, Carleton’s financial picture and to address the issue of the affordability of university and the items noted above, a number of presentations were made to the Task Force. The following topics were presented:

* Finance 101: An overview of Carleton University’s finances
* University funding
* Undergraduate student aid
* Graduate student funding
* Debt, work, net tuition and accessibility
  + Tuition fee comparison
  + Ancillary fee comparison
* Audited financial statements vs. operating results

Summaries of all presentations are included as appendices of this report.

The presentations provided the members of the task force with foundational information on the issues of university finances, student funding and financial aid.

## Observations

Through the meetings and presentations, the Task Force made several key observations:

### Ontario universities function in a financial framework that is almost fully determined by provincial government policies.

Tuition fees and government grants/funding account for the majority of Carleton’s 2014-15 operating revenue. The Ontario government regulates maximum and average annual tuition fee increases and determines the allocation of government grants.

The revenues from tuition fees are realized per student and government grants are allocated on the basis of student enrolments. Accordingly, the revenue from tuition fees and government grants depends critically on student enrolments. Enrolment based grants per student have been reduced by approximately one per cent (1%) annually in each of the last two years by the province. The effect of a tuition freeze is cumulative and could not be made up in future years (i.e. no catch up) therefore not only having an impact on the current year’s operating revenue but future year as well.

The following graph shows Carleton’s 2014-15 operating revenue:

2014-15 Operating Revenues

Total: $392 million
Tuition fees, 213
Government grants, 158
Interest, 7
Misc. fees and income, 14
Source Operating and Ancillary Budgest 2014-15
OIRP

### Carleton’s expenses are largely spent on salary, pension and benefits.

Salaries, employer contributions and other benefit contributions account for most of the 2014-15 operating expenditures which are consistent across Canadian universities. Global financial market conditions have led to pension plan financing challenges.

Carleton’s salary costs are currently growing by four per cent (4%) per year, on average despite freezes of top senior administration salaries. Compensation costs over the last five years have grown by 16 per cent, while employee numbers have grown by 2% relative to a 12% increase in student numbers. It is important to know the growth of salaries at Carleton to understand how it impacts the yearly expenditures.

Growth since 2003-04 – Nominal $

Chart comparing:
Index of growth - 2003-04=100
To:
Academic Year Fall/Winter
Showing growth in all areas:
CU Average faculty salary
CU Domestic BA/BSc - 1st year
CU Average staff salary
CPI Ontario
'BIU' $ value

Source: OIRP

In Ontario, special pension plan payments to service the shortfall are regulated by the provincial government and are a legal obligation for Ontario universities. Carleton has its own pension plan and is obligated to ensure it is funded properly. Carleton must make special pension plan payments to cover actuarial deficits. We are required to do an actuarial valuation every three years and should the pension plan continue to be in a deficit position then we will be required to continue to make special payments. A jointly sponsored pension plan model report by the Council of Ontario Universities will be presented in the summer of 2015.

The following graph outlines Carleton’s operating expenditures:

2014-15 Operating Expenditures

Total: $392 million

Salaries, 213
Other benefit contributions, 30
Employer pension contributions, 31
Library acquisitions, 5
Utilities, 9
Facility maintenance and renovations, 43
Student aid, 29
Equipment, 5
Other, 27

Source: OIRP

### The provincial funding framework in which Ontario universities operate provides the lowest funding per student in Canada and is near the bottom even when tuition fees are factored in.

An interprovincial funding comparison shows Ontario to be the lowest province in terms of provincial grants. It is ranked ninth for provincial grants and net tuition revenue:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Provincial Grants Only** | | **Provincial Grants and Net Tuition Revenue** | |
|  | $\* | Rank | $\* | Rank |
| Manitoba (mid rank) | $ 6,801 | 5 | $ 8,889 | 5 |
| Ontario | $ 4,251 | 10 | $ 7,024 | 9 |
| Canadian Average | $ 5,322 |  | $ 7,607 |  |
| Canadian Average Excluding Ontario | $ 6,177 |  | $ 8,073 |  |
| Ontario as a % of the average of the rest of Canada | 69% |  | 87% |  |

\*Per weighted enrolment unit

Source: Council of Ontario Universities Interprovincial Comparison of University Revenue, June 2012

Notes: Based on 2008-09 data comparison.

Provincial policies in regards to university funding have meant that Ontario students have the highest listed tuition fees (‘sticker price’) in Canada. Ontario tuition fees are 27 per cent higher than the national average (<http://www.statcan.gc.ca/daily-quotidien/140911/t140911b001-eng.htm>).

In order to better understand the amount of tuition paid by students in Ontario, the Task Force explored financial aid and net tuition and this is summarized in the following observation.

### Net tuition costs for low income families in Ontario is well below the ‘sticker’ price if those students and their families access all of the financial aid programs available to them. There is good financial support available but government funding policies and procedures are opaque and require extensive knowledge of these financial aid programs.

Presentations on undergraduate student aid and graduate student funding provided information on various financial aid and funding programs available to Ontario students including provincial/federal student-aid programs and institutional merit and need based awards offered by Carleton to our students. Based on the presentation on graduate student funding it appears that “on average” Carleton graduate students receive sufficient funding to cover their educational costs; whereby the funding provided to undergraduate students is supplemental to their tuition fees. It was noted that a student’s scholarship/funding does not go up each year similar to the tuition increase (for example, a PhD student receives a four year funding offer which includes a scholarship and the scholarship amount remains the same each year/Carleton does not factor in a three per cent (3%) increase.) However, tuition is frozen for graduate students who hold a TAship.

The presentation on debt, work, net tuition and accessibility provided examples of how financial aid and funding are applied to students in different academic and financial situations. Net tuition is the amount a student actually pays for tuition after deducting transfers – scholarships, government grants, etc.

The complexities of financial aid in Ontario and its policies and procedures were widely acknowledged by the members of the Task Force as was the necessity of strong financial aid literacy skills on the part of both prospective and current students and their parents to be able to navigate this system. These complexities may lead to a lack of understanding about the net tuition fee (‘sticker shock’).

The good news is that Carleton students are accessing government and Carleton financial aid programs. Two thirds of full-time domestic undergraduate students receive one or multiple awards from the university and/or government; for graduate students the equivalent number is almost nine out of 10. In addition, all Canadian students are eligible for significant tax rebates through tuition and other educational tax deductions as well as the accumulated benefits in RESPs.

A presentation on tuition fees showed the Carleton net tuition (the amount a student actually pays for tuition after deducting transfers – scholarships, government grants, etc.) is significantly less than the ‘sticker price’. An aggregate analysis of a three per cent (3%) increase on the 2014/15 follows and shows that a three per cent (3%) fee increase amounts to a net half per cent (0.5%) increase for domestic students (on average): as follows:

Average Fee (2014/15): $6,386

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Percent ‘Rebated’** | **$ Amount** | **% of Students Covered** | **Effective Average Amount** |
| Average Tuition Increase | 3% | $192 | 100% | $192 |
| Tuition Tax Credit – Federal | 15% | -$29 | 100% | -$29 |
| Tuition Tax Credit – Provincial | 5.05% | -$10 | 100% | -$10 |
| Mandated Student Aid | 10% | -$19 | 100% | -$19 |
| Ontario Tuition Grant (Only) | OTG up ≈ 3% | -$50 | 17% | -$8 |
| Other OSAP Grants | Approx. 100% | -$192 | 49% | -$95 |
| Total | Effective Average Increase: 0.5% | | | $31 |

1. Includes Full-time Undergraduate Ontario Students (89% of full-time undergraduate domestic students).
2. Percentage of funded student rates from 2013/14 Fall/Winter session.
3. Other OSAP grants includes those that receive OSAP grants other than or in conjunction with the OTG.
4. Increase for those receiving OSAP grants is covered by increase in OSAP and ‘student access guarantee’
5. OTG total student uptake (of cohort) was 43.3%.

The Task Force noted that although there are several programs to offset costs through grants, loan remission and tax credits, these programs are not well communicated, and often not well understood by students. To add to their complexity, the delivery of some of these programs does not always occur upfront at the time of registration when tuition fees are due. Furthermore, the benefits derived from loan remission and tax credits are often not realized until the end of studies and rely on accurate income tax reporting.

Government financial aid programs, such as OSAP, do offer upfront non-repayable grants and repayable student loans. Students have access to a mix of different aid programs depending on their individual circumstances. In Ontario, OSAP and other need-based assistance programs have evolved over the past five years. Along with considerable enhancement to program delivery and reducing administrative barriers, other changes have reduced expected parental contributions and the treatment of student resources and assets, all of which has made funding easier for students/families to access.

Provincial policy changes regarding tuition billing and associated late fees were introduced for the 2014-15 academic year. The highlight of these changes included providing all students with the option of per term billing without being charged a fee. In addition, at Carleton students who have an OSAP entitlement on or before the tuition fee payment due dates are automatically granted a deferral (grace period) until after the start of each term so that payments align with the OSAP funding disbursement dates. Universities may not charge a fee to OSAP students for the later payment date or for providing this service. Additionally, universities may only set a payment deadline up to one month before the start of the study period (i.e. early August for classes that start in early September, November 15th for the January semester).

### What a Carleton student pays in tuition fees and how it compares to averages of tuition fees at other Ontario universities.

The Task Force explored tuition fees at Carleton in comparison to other Ontario Universities. The Task Force noted that Carleton’s fees are in the middle compared to other Ontario universities. The following chart outlines Carleton compared to its peers for domestic tuition fees for 2014-15:

Comparision of tution fees for:
BA/BSc
BMus
BSW
BArch
BCom
BCS
BEng
BJ
MA/MSc
MSW
MCS
MEng
MASc
PhD
against other Ontario universities and provincial averages
Source: COU and institutional websites, Statistics Canada


Comparing tution fees for
BA/BSc
BCom
BEng
MA/MSc
MEng
MASc
PhD
To other Ontario universities and to provincial averages.
Source: OIRP, institutional websites, Statistics Canada

It was noted by the Task Force that although Ontario has the highest tuition fees it also has the highest participation rate in university. There is no evidence to demonstrate a simple or direct relationship between levels of tuition, participation rates and demand for particular programs. In addition, the best evidence (see Frenette, Statistics Canada) indicates that the impediment for low income students, to participate in university education, has to do with socio-economic factors that influence students’ decision or ability to attend well before they reach university age.

### Reported levels of student debt at Carleton.

The Task Force was shown data on Carleton students: debt at graduation as well as reported levels of debt for students with debt. This data is self-reported by Carleton students from the Canadian University Survey Consortium (CUSC) survey.

Carleton Students – Debt at Graduation

Compares:
Porportion of students with dept
2003, 2006, 2009, 2012

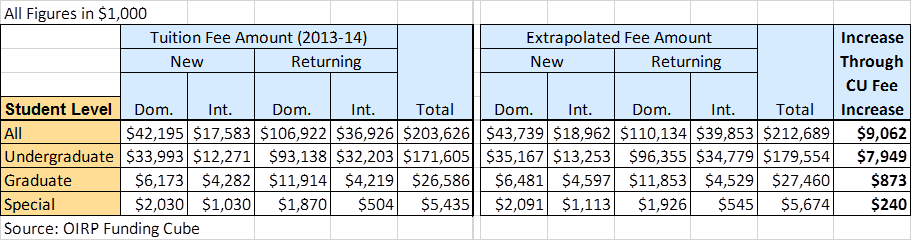
Median amount of debt
2003, 2006, 2009, 2012

Source: self-reported from CUSC survey
OIRP

Reported Debt Levels for Students with Debt – 2012 Debt levels of final-year undergraduates
Carleton University versus comparable institutions
Graph shows debt levels of:
Under 10,000
10,000-20,000
30,000-40,000
40,000-50,000
50,000-60,000
60,000-70,000
Over 70,000


### The impact of a tuition freeze for one year (compared to the allowed three per cent (3%)) is equal to approximately $9 million in revenue per year in the short term and more than $9 million per year in the long-term.

The most direct way to show the revenue impact of a tuition fee increase on the net revenues of the university, is to calculate the increase for 2014-15 on the base of students in 2013-14. This will show the revenue increase to the university, all other factors held constant, and is consistent with the method used by the province to manage the existing tuition framework. The table below shows the revenue increase for the past year attributable to the tuition increase alone:



The impact of a zero per cent tuition increase is equal to approximately $9 million in the first year, assuming the enrolment composition by program remains the same. Under the current tuition framework, once an increase is foregone it cannot be recovered (for example, a zero per cent (0%) increase in one year cannot be matched by a six per cent (6%) increase in the subsequent year) – so the impact of a tuition freeze is compounded across subsequent years. The provincial tuition framework limits increases to an average of three per cent (3%) per year, calculated according to a provincially mandated formula, but allows for some variation by program type and level (it allows for a five per cent (5%) maximum increase in graduate and professional programs), while new program initial tuition is assessed independently by the government. International student fees are not regulated by the province, but are however market driven.

### A university degree remains an excellent long term financial investment on top of the many personal and social benefits of higher education.

The presentation on Debt, Work, Net Tuition and Accessibility covered research on earnings based on level of education. The major findings from the research by Ross Finnie et. al. completed at the University of Ottawa show the earnings in the first year after graduation for all graduates taken together varied between $41,000 and $47,000 over the entire 1998-2011 period.

Earnings of university graduates generally increased substantially in the years following graduation for each of the cohorts examined. Graduates from different faculties had substantially different starting earning levels, but increases over time also varied and some disciplines experienced more volatile earning patterns than others. Data from Statistics Canada (2011) shows individuals with higher the education levels earn higher salaries.

Income Differences by Education Level

Full-time, full year work 2010
Graph shows income levels for:
High school certificate or equivalent
Trades certificate or diploma
Registered apprenticeship certificate
Total college or CEGEP
Bachelor's degree
Master's degree
Source: Statistics Canada, 2011 National Household Survey, degree earned in Canada

Source: Statistics Canada, 2011 National Household Survey, degree earned in Canada

### Audited financial statements do not provide appropriate information for institutional planning.

Audited financial statements present a snapshot of Carleton’s financial status at that point in time. The budget planning process takes a number of different variables under consideration and therefore audited financial statements are not an appropriate tool or a recommended tool for institutional planning. Pension reserves totaling $78m had been set aside as at April 30, 2014, however the potential annual pension payments could increase from $18.2m in the current year to $36m in 2017-18.

### Carleton allocates grants and operating funds to scholarships, bursaries and financial aid.

The total financial support provided to Carleton students in 2013-14 was $88.25 million. An additional $68 million was provided in student loans. The following charts and figures provide more details information about financial aid.

Student levels:
All
Undergraduate
Graduate
Special
Source: OIRP

Undergraduate Awards 2013-14:

|  |  |
| --- | --- |
| **Undergraduate Awards** | **($M)** |
| bursary: entrance students | 0.90 |
| scholarship: entrance | 6.60 |
| bursary: current students | 3.22 |
| scholarship: in-course | 4.46 |
| scholarship: faculty/departmental | 0.97 |
| externally administered | 0.39 |
| provincial scholarship | 0.30 |
| Other | 0.04 |

Graduate Student Funding ($M) 2014/2015 Fiscal Year:

|  |  |  |
| --- | --- | --- |
| **FGPA - Core Support** |  |  |
| TAships | $16.9 |  |
| Scholarships | $10.6 |  |
| **Subtotal Core Support** |  | **$27.5** |
| Ont Grad Scholar - Univ. Funded | $0.9 |  |
| Ont Grad Scholar - MTCU Funded | $2.1 |  |
| Other major external scholarships (QEII/Trillium) | $0.3 |  |
| Other Misc Bursaries and Student Support | $0.3 |  |
| **Subtotal - Other Student Support** |  | **$3.5** |
| **Total FGPA Student Support Operating Budget** |  | **$31.0** |
| Endowment & External Scholarships (Tri-Council) | $5.6 |  |
| Research Assistantships (Faculty Grants) | $7.8 |  |
|  |  | **$13.4** |
| **Grand Total - Student Funding** |  | **$44.4** |

|  |  |
| --- | --- |
| **Loans** |  |
| Undergraduate | $63m |
| Graduate | $5m |

Additionally, the Task Force looked at student employment on campus. Partial information is available for students working on campus – earnings for a set of students paid through the central system, by category, for calendar year 2013 are:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Type** | **$0.5-2K** | **$2-5K** | **$5-10K** | **10K+** | **All** |
| **“Casual”** | 830 | 618 | 1385 | 1062 | 3995 |
| **Graduate TA** |  | 13 | 387 | 1311 | 1711 |
| **Graduate RA** | 127 | 335 | 308 | 287 | 1057 |

Excludes employment by contractors e.g. Aramark, Bookstore; and others not paid through the central system  
Excludes < $500/year

Undergraduate TAs included in “Casual” employment

First year Carleton students from the Ottawa area are more likely to work while attending Carleton compared to those from “away”. The majority of students employed work less than 15 hours per week though some do work over 16 hours per week.

## Discussion and Recommendations

The Task Force was asked to examine two main areas: alternatives to tuition fee increases and the affordability of attending university. It is within these parameters that the Task Force discussed options at Carleton.

### Alternatives to tuition fee increases:

Carleton’s Board of Governors has asked Carleton to table a balanced budget. It has also approved the Strategic Integrated Plan (SIP), Sustainable Communities - Global Prosperity, which sets the direction for Carleton and brings together our teaching and research mission. The goals, strategic actions and key performance measures in the SIP outline Carleton’s priorities for 2013-18. These indicators include teaching excellence, research excellence, student-centred and organizational excellence.

In our discussions, the Task Force noted that viable alternatives to tuition fee increases are very difficult to envisage given this direction and the financial framework in which the university operates – there is no silver bullet.

The following alternatives were considered however; the majority of the Task Force members agreed there are no viable alternatives to tuition fee increases.

#### Seek same income through higher undergraduate enrolment and maximize graduate domestic enrolment

Considerations:

* Increasing the annual intake by 18 per cent would be required (+868 new, full-time domestic students – assuming same mix of first year students by program)

Feasibility and consequences:

* Much lower entry standards (Following evidence from previous years, Carleton could attract approximately 100 extra students for each drop of one per cent (1%) in the high school cut-off – this would  largely be in specific parts of the BA program where there some capacity to accommodate the students. A simple per student calculation would call for an additional 1,000 extra students to make up for the revenue shortfall but, due to the lower entry average and the resultant fall in the retention rate, we would likely need to increase the intake by approximately 1,500 students. Therefore, we would need to drop the current entry cut-off for the BA to a level close to a 60% high school average - i.e. Carleton would need to return to the admissions policies of the early 1990s).
* Much larger classes and crowding of other facilities and services could lead to lower student success
* Changing demographics make this scenario extremely unlikely
* Does not line up with objectives of Carleton’s SIP (lower entry averages; larger class sizes)
* Assumes full government funding at same level as today (funding formula may change)

#### Cut costs

Considerations:

* Reduce payroll by 74 faculty or 133 professional services staff or a combination
* No salary increases

Feasibility and consequences:

* Serious impact on all aspects of the campus experience
* Collective bargaining implications (attrition/hiring freezes/salaries)
* Does not line up with objectives of Carleton’s SIP (impacts on campus experience)
* Higher risks to students, employees and institution

#### Reduce special pension plan payments

Considerations:

* Reduce extraordinary pension plan payments

Feasibility and consequences:

* Not feasible – payments are legislated by the provincial government and Carleton is legally obligated to make these payments

#### Reduce amount allocated to deferred maintenance

Considerations:

* Is an area of expenditures that Carleton has some control over

Feasibility and consequences:

* Necessary to maintain campus infrastructure to support our teaching and learning environment for students, faculty and staff
* Reducing the amount to deferred maintenance would only help control tuition fees increases for a short amount of time (one or two years) and would result in larger maintenance costs in future years

#### Increase retention

Considerations:

* Carleton’s two-year undergraduate retention rate is approximately two per cent (2%) below the provincial average
* Students who are retained bring in revenue through their tuition fee payments as well as through government grants allocated on a per student basis

Feasibility and consequences:

* Carleton has been working on improving its retention rates for a number of years and continues to do so
* There are a number of committees at Carleton that address retention
* Not all students can realistically be retained
* An increase of undergraduate retention by one per cent (1%) across the board would result in a revenue increase of approximately $2.7M per year – it is not clear, however, that this increase in retention could be achieved without other offsetting costs.

#### Increase unrestricted endowments

Considerations:

* Unrestricted endowments can offer some flexibility of use

Feasibility and consequences:

* Advancement has set goals for unrestricted endowments in its fundraising targets
* Individual donors work with Advancement to set terms and conditions for their donations

#### Reduce allocation of student aid in the operating budget

Considerations:

* Carleton’s operating budget allocated to student aid is one of the highest in the province
* Is an area of expenditures that Carleton has control over

Feasibility and consequences:

* Goes against Carleton’s values as an institution
* Does not line up with the objectives of Carleton’s SIP
* Would affect recruitment, and the resulting decrease in enrolment would reduce the revenues from tuition fees and provincial grants

#### The value of the land at the north end of campus

Considerations:

* Selling or leasing buildings on the land at the north end of campus

Feasibility and consequences:

* Neither selling nor leasing this land would provide enough of a return to balance out the loss of this land to future Carleton development.

### The affordability of attending university:

The Task Force spent a considerable amount of time learning about and considering the affordability of attending university and accessibility of universities.

In our discussions, two main points emerged: 1) The evidence shows that the main impediments to accessibility of university education for economically vulnerable students does not have to do with the cost of education but with other socio-economic factors (e.g. primary/secondary performance) which impact these students well before they are at the normal age for university admission and; 2) The complexities of external provincial and national student aid (grants and loans) programs were repeatedly noted.

The following opportunities arose and were discussed as suggestions to further help prospective and current students and their parents assess the affordability of attending university.

#### Financial literacy:

The Task Force noted that the need for financial literacy among prospective and current undergraduate and graduate students and their parents cannot be overstated. There are many programs that domestic students can access and benefit from however their application systems are not always clear and the impact on how these affect the ‘sticker price’ a student pays for their tuition is even less so. Many of these programs are intended to make university accessible to economically vulnerable students (and they do), however, they are so complex that their benefits seem unknown. The Task Force explored ways to help prospective students and their parents understand the true costs of education.

* First-in-family programs: Carleton offers programs for students who are the first in their family to attend university. This audience may benefit from better financial literacy skills therefore the Task Force recommends the VP (Students and Enrolment) investigate ways to present this information to this group of students.
* Communication to parents: Carleton offers ways for parents of current students to learn more about our programs and services. The Task Force recommends the VP (Students and Enrolment) to investigate ways to enhance communication about financial literacy to parents.
* Pathways to Education programs: Carleton works with organizations like Pathways to Education to reach students that may not be considering attending university. The Task Force recommends the Awards and Financial Aid Office continue to foster these relationships and present information on financial literacy to students accessing these programs in the city.
* Financial Literacy Month: November is Financial Literacy Month at Carleton. The Task Force recommends the Awards and Financial Aid Office continue with this program and consider ways to expand its delivery.
* Applying for financial aid: Carleton encourages students to apply for financial aid over the summer months to ensure it is received in time for the start of the Fall term. The Task Force recommends the Awards and Financial Aid Office continue awareness campaigns to “apply on time”.
* Understanding of net tuition: The Task Force recommends the Awards and Financial Aid Office continue to lobby the Ontario government to create a “net tuition fee calculator”. Financial aid officers have been pushing for this tool to help students better understand the costs of a university education.
* Income tax clinics for students: Students from the Sprott School of Business offer popular tax clinics for their fellow students. The Task Force recommends the ongoing promotion of this resource for students so that they can benefit from programs that are automatically assessed via income taxes.

#### Student success and retention

As noted above, Carleton has been working on improving its retention rates for a number of years and is continuing to do so. This is also important from an affordability standpoint. Students who meet their program requirements and graduate within the normal time of completion for their degrees or degree options (i.e. general/honours/combined honours bachelor degree, co-op option, masters and PhD program allotments) can accumulate less debt and, at the masters and PhD levels, can access funding programs within their eligibility periods. The Task Force acknowledges the ongoing work of Carleton faculty and staff who participate in multiple committees and working groups to addressing student success and retention and recommends that Carleton remain committed to improving the retention rate and to continue the implementation of student support, increased socialization, academic rule and pedagogical changes that are likely to improve the retention rate.

#### Open access/e-textbooks

The Task Force discussed another direct educational cost, textbooks. Other universities and colleges are exploring the expanded use of open access textbooks and e-textbooks as a savings to students on their direct educational costs. The Task Force recommends the Vice-President (Academic and Provost) consider forming a working group to explore this option at Carleton.

## Conclusion

Over the course of the past few months, the Task Force on the Affordability of the Tuition-fee Framework carefully reviewed many areas to gain a better understanding of alternatives to tuition fee increases and the affordability of attending Carleton University. The Task Force learned about Carleton’s financial aid programs offered to undergraduate and graduate students. Universities in Ontario face difficult financial situations – there is no panacea. The Task Force has reviewed alternative scenarios to tuition fee increases however; the majority of the members of the Task Force agreed there are no feasible alternatives. The members who dissented were Russell Burgess and Scott Jarosiewicz. Discussions about the affordability of attending Carleton showed the importance of student aid but also the complexities of our national and provincial financial aid systems. In Ontario we do well in supporting economically vulnerable students who are aware of the programs they can access.

## Appendix: Summaries of Presentations

The following are summaries of presentations to the Task Force.

### Finance 101, presented by Duncan Watt, Vice-President (Finance and Administration)

This presentation offered members of the Task Force with a primer on university finances and the financial picture at Carleton University. This was a foundational presentation given the topics the Task Force would explore at future meetings.

Watt provided Carleton’s financial overview explaining the differences between operating activity, investments and capital debt and further provided information on Carleton’s 2014-15 operating revenues and expenditures. The majority of Carleton’s 2014-15 operating revenue comes from tuition fees and government grants (both are on a per student basis). The Ontario government regulates tuition fees and decides government grants and the university manages the number of students attending to generate this revenue. The 2014-15 operating expenditures show the university spends most of its money on people (salaries, benefits, pension), which is consistent across Canadian universities. Salaries grow at a rate of four percent per year at Carleton. To date, in order to manage this increase in expenditures Carleton has grown our revenue by attracting more undergraduate students. Watt presented the impact of a zero per cent tuition increase by offering two scenarios:

1. Seeking the same income through higher undergraduate enrolment (increased intake by lowering entry standards and resulting in larger classes and crowding of facilities)
2. Cutting costs (laying off faculty and professional services staff impacting collective bargaining and all aspects of the university experience)

These scenarios offer additional challenges. Watt presented the projected change in the 18-year-old population in Ontario (decrease in high school aged population with the exception of the Greater Toronto Area) and its impact on Carleton’s undergraduate enrolment. Additionally there is concern of the pension valuation process. Both challenges are also impacted they Ontario government policies around post-secondary education tuition fees, government grants and mandate agreements/metrics as well as pension policies and public sector compensation restraint. Watt also provided an interprovincial funding comparison showing Ontario as the lowest for provincial grants and ranted ninth for provincial grants and net tuition revenue. Ontario universities function in a financial framework that is almost fully determined by government policies and this funding framework provides the lowers funding per student in Canada and near bottom even when tuition fees are factored in.

Carleton’s 2014-2021 planning assumptions were summarized by Watt for revenue and expenditures as well as future uncertainties of demographics, special payments to the pension plan and operating grant reductions.

### Provincial Funding Framework, presented by Bruce Winer, Assistant Vice-President (Institutional Research and Planning)

The University Funding presentation provided context for the Task Force on the provincial funding framework that Ontario universities work in currently.

### Ontario universities receiving funding from the Ontario government based on the enrolment “counts” of students and the category of program in which they are enrolled (the provincial funding ‘unit’ is called the Basic Income Units (BIUs)) that are submitted by universities to the province as at November 1, February 1 and June 30. University programs have different BIU weighting meaning that the funding amount is different by program. Winer provided the funding formula that is used in order to generate the funding that is allocated to each university, explained the eligibility period for undergraduate and graduate students that is factored into this formula and the Full-time Equivalent (FTE) definitions that are used.

### Winer discussed the provincial funding framework by explaining that it currently comes from separate “pots” including basic grants, enrolment-related grants (graduate enrolment is capped), accessibility grants, etc. and provided a comparison of provincial operating grants. It was noted that much time at Carleton is spent on optimizing our grants. Universities have recently experienced a reduction of approximately one per cent (1%) per year in grants from the Ontario government as part of a provincial cost saving exercise.

### Winer noted the large provincial deficit and how that could potentially lead to post-secondary funding formula reviews, more management of programs, additional regulations (like the current Strategic Mandate Agreements each Ontario university has with the provincial government).

### Other future uncertainties outside of university funding, but that can impact the amount of enrolment funding Carleton receives include: changing demographics (less university-aged students entering university, a flattening of the growth in the participation rate of high school students in post-secondary education), special payments to pension plan, and the possibility of three new undergraduate campus locations in the GTA.

### Tuition, Winer also noted, is regulated by the province with tuition increases capped for domestic students.

### Undergraduate Student Aid, presented by Perry Legakis, Director, Awards and Financial Aid

The Awards and Financial Aid Office at Carleton administers institutional financial assistance to students including undergraduate merit and need-based scholarships, bursaries, the work study program and the university’s emergency loan fund. It is also responsible for the administration of government student financial aid programs for undergraduate and graduate students.

Legakis presented information about the variety of undergraduate awards available to students through entrance scholarships, in-course scholarships, departmental scholarships, bursaries, prizes and emergency student loans and the total amounts awarded for the 2013-14 academic year. Carleton applies scholarships automatically and students apply for bursaries using one form (the Awards and Financial Aid Offices matches the student to the most appropriate bursary). These scholarships and bursaries come from Carleton’s operating budget and endowments. Carleton’s work study program is also covered by our operating budget. This program is intended to supplement the resources of undergraduate students who are in financial need and have limited financial resources by offering them on-campus jobs during the fall/winter session.

Comprehensive information was presented about student aid in Ontario available through the Ontario Student Assistance Program, Ontario Tuition Grant, Student Access Guarantee and Ontario Student Opportunity Grant. These programs are administered by the Ontario government and require students to submit separate applications than those for Carleton’s internal scholarships and bursaries and, in come case, other Ontario student aid programs.

Government financial aid programs, such as OSAP offer non-repayable grants and repayable student loans. Students have access to a mix of different aid programs depending on individual circumstances. The amount varies based on each student’s individual circumstances. The basic formula involves taking into consideration full/part time course load, educational expenses (tuition, books, personal living expenses) and expected student and/or parental contribution). Graduate students are considered independent in terms of OSAP applications and parental income is not assessed as part of the application. There is both a Provincial and Federal assessment component for OSAP, each having different parameters. Policies are very complex and financial aid administrators play a very important role to advise students on possible reviews or circumstances for appeals. The Ontario Tuition Grant (30%off Ontario Tuition) is a non-repayable rebate to help full-time Ontario students offset tuition costs for up to 4 years. The Student Access Guarantee (SAG) is intended to address a student’s remaining financial need that is due to tuition, compulsory fees, books and supplies after receipt of available OSAP. SAG encourages additional focus on the coordination of government student aid and institutional aid and its purpose is to ensure that students are getting sufficient funds to address direct educational costs. The Ontario Student Opportunity Grant (OSOG) is also a significant aid program which helps students reduce their student loan debt. OSOG limits a student’s repayable debt to $7,300 for a two term academic year and assessed automatically once a student’s income has been verified with the Canada Revenue Agency. Through the presentation, the complexity of student aid in Ontario was noted as well as the need for enhanced communication to educate students/families on financial support systems and to make online resources more readily available. Through the presentation, the complexity of student aid in Ontario was noted.

Legakis also discussed financial literacy initiatives the Awards and Financial Aid Office offers to support students’ understanding of financial literacy. The Awards and Financial Aid Office also does outreach to prospective Carleton students to provide information on financial literacy, Carleton scholarships and bursaries and financial aid options available to current post-secondary students.

### Graduate Student Funding, presented by Joanne Bree, Graduate Registrar, Faculty of Graduate and Postdoctoral Affairs

Bree started with a comprehensive overview of graduate student funding for the 2014-15 fiscal year comprising of core support (Carleton TAships and scholarships), other student support (internal and external), endowments/external scholarships and research assistantships. This was further broken down by qualifying masters, diploma, masters and PhD students and compared to funding offered since the 2007-08 academic year (the number of masters and PhD students has increased at Carleton since 2008).

Internally Carleton administers graduate student support that includes scholarships, bursaries and Teaching Assistantships (through the FGPA), endowed awards, Research Assistants, and other bursaries such as travel research bursaries and emergency bursaries. How and the amounts of internal graduate students support is controlled by Carleton.

Bree further explained external awards graduate students are eligible for including Ontario Graduate Scholarship (OSG), QEII-Graduate Scholarship in Science and Technology, Ontario Trillium Scholarships, and Tri-Council funding (including Natural Sciences and Engineering Research Council, Social Sciences and Humanities Research Council and Canadian Institute of Health Research). The terms and conditions of these external awards are outside of universities control. For example, universities are allocated a number of Tri-Council funding opportunities they can access and the FGPA works hard to meet Carleton’s quota. External awards have signed agreements with students with the specific criteria they must follow.

Carleton Graduate students receive a funding package upon their offer of admission with a summary of their funding however some external awards are not included in this package and is in a separate package students receive. To be eligible for funding, graduate students must be studying full-time (though funding options are available for part-time students but they are limited). Graduate students are eligible for financial aid through the Ontario Student Assistance Program (OSAP) and the Student Access Guarantee (SAG) as well as other provincial loan programs. Bree noted a shift towards funding being awarded as scholarships.

As noted above, the complexities of graduate student funding packages was noted. The FGPA provides advice and guidance for graduate students regarding their funding options.

### Audited Financial Statements versus Operating Results, presented by Tim Sullivan, Assistant Vice-President (Financial Services)

Sullivan opened by indicating his presentation would answer the question, “how does a $69.3m excess of revenue over expenses [as presented in the audited financial statement from DATE] relate to a break-even general operating budget?” In order to answer this question, Sullivan provided the Task Force with a history of accounting guidelines established for universities by CPA Canada (previously called CICA), noting a series of mandated changes. These changes did not have any impact on our annual funding but were meant to provide better financial information for the user. As a result, Sullivan noted that financial statements no longer represent an accounting for the budgets and are no longer a part of strategic financial management.

* Vacation pay accrual (1989): the CICA guideline required the monetary value of all vacation pay earned at the end of a fiscal year be accrued and expensed thereby increasing all universities expenses and liabilities. This was purely an accounting change, not a cash item.
* Capital assets (1997): all capital assets “capitalized” and “amortized” (even those funded by specific grants or donations)
* Appropriations (1997): change in appropriations no longer shown as a charge to operations
* Unrestricted balances (1997): activities funded by unrestricted funds to be included in operating results
* Ancillary and plant (1997):
* Unrestricted endowments (1998): realized gains/losses on unrestricted investments must be shown on the statement of operations for the year. Our endowment distribution policy seeks to distribute revenue to maintain the purchasing power of the funds. Any gains in excess of CPI is retained.
* Future benefits (2001): an accounting guideline that requires entities to accrue and expense the actuarially determined cost of providing benefits to all current staff once they retire from the university.

Sullivan presented how all of these items add up to show the $69.3m surplus as follows:

Capital assets $30.8m

Appropriations $33.6m

Unrestricted balances $2.7m

Future benefits ($0.8m)

Unrestricted endowments $0.6m

Ancillary surplus $3.0m

Plant deficit ($0.6m)

Total $69.3m

### Debt, Work, Net Tuition and Accessibility, presented by Bruce Winer, Assistant Vice-President (Institutional Research and Planning)

Debt

Winer presented the graphs (included in the report above) outlining debt at graduation for Carleton students as well as reported debt levels for students with debt. Additionally Winer presented information that showed the percentage of graduates with no debt is roughly the same from 2000-2012 and the average amount of debt in 2012 dollars has also been roughly the same but with a slight decline over the years. This information is self-reported by Carleton students though the CUSC graduating student survey conducted every three years.

Work

Two areas regarding employment were explored. Winer showed that first year Carleton students from the Ottawa area are more likely to work compared to those from “away”. The majority of those that work less than 15 hours per week but some do work over 16 hours per week. Data was also presented about student employment on campus – showing data on those who work in “casual” jobs, as graduate TAs and as graduate RAs but not including those employed by ancillary services, student governments, etc.

Additionally, Winer presented 2011 Statistics Canada data outlining income differences by education level showing higher starting salaries for those with higher education levels as well as increased salary growth over the course of a career. Ross Finnie et. Al. research on earnings was presented.

Net tuition

Tables comparing domestic and international tuition fees across Ontario universities to Carleton’s tuition fees were presented. They are also included in the report above. A comparison of domestic tuition fees plus ancillary fees was also provided.

‘Net’ tuition was defined as the amount a student actually pays for tuition after deducting transfers – scholarships, government grants, etc. Winer presented examples of full net tuition examples adapted from “The Many Prices of Knowledge”, A. Usher et al, HESA, 2014. Examples included “from Ontario, independent status, third-year Sociology”, “from Ontario, third-year Anthropology”, “from Ontario, low-income, first-year Political Science”, and “from Ontario, first year Engineering” showing individual scenarios.

Accessibility

Winer presented the findings of the Marc Frenette “Why are youth from lower-income families less likely to attend university?” study that stated in the conclusion:

“…96% of the total gap in university attendance between youth from the top and bottom income quartiles can be accounted for by differences in observable characteristics. Differences in long-term factors such as standardized test scores in reading obtained at age 15, school marks reported at age 15, parental influences, and high-school quality account for 84% of the gap. In contrast, only 12% of the gap is related to financial constraints.” (2007).