

Highlights

- Canadian universities serve more than 1.5 million full- and part-time students in various degree and continuing education programs and employ more than 150,000 full-time faculty and full- and part-time professional, technical and support staff.
- Nationally, universities are a \$26 billion enterprise – larger than the pulp and paper industry, the oil and gas extraction industry, the utilities sector, the combined arts, entertainment and recreation industries and such prominent manufacturing industries as aerospace, motor vehicle, metal fabricating, furniture and plastic products.

Comparing Canada to the U.S., U.K. and Australia

- On a per student basis, U.S. four-year public universities and colleges have significantly more resources to fund research and teaching activities than their counterparts in Canada, the U.K. and Australia. Compared to their Canadian counterparts, universities in the U.S. have \$8,000 CAD more revenues per student and the gap has grown over the last 30 years. At the beginning of the 1980s, Canadian universities had a \$2,000 per student funding advantage compared to their U.S. public peers, but that advantage eroded quickly over the first half of the 1980s, and since the beginning of the 1990s, the funding advantage of public U.S. universities has grown significantly to more than \$8,000 CAD per student (All monetary amounts in this document appear in constant 2006-07 dollars, unless otherwise indicated).
- The per-student funding gap between Canada and the U.S. – or resource advantage means greater investments in the learning environment in the U.S. than in Canadian universities, including investments in faculty. Between 1987 and 2006, full-time equivalent enrolment in Canada grew by 56 percent while growth in full-time faculty increased by only 18 percent. During the same period, full-time equivalent enrolment in U.S. four-year public universities and colleges grew by an estimated 33

percent, matching the 33 percent increase in full-time faculty.

- In the U.K., per student funding grew from \$17,000 CAD to \$20,600 CAD between 1994-95 and 2006-07. That compares to just less than \$21,000 CAD in Canada and \$29,000 CAD in the U.S. Based on recent policy changes, it is likely that U.K. universities will continue to close some of the funding gap with their U.S. public peers and move ahead of Canadian universities over the next few years.
- In the U.K. between 1995-96 and 2006-07, full-time equivalent enrolment grew by 25 percent compared to a 20 percent increase in full-time faculty. As investments increased more rapidly in the latter half of that period, increases in full-time faculty numbers have more closely matched enrolment increases.
- In Australia, per student funding fell between 1996 and 2002, before it began to recover in 2003. By 2006, per student funding was just under \$20,000 CAD – almost the same as their Canadian counterparts.
- Since 1995, full-time equivalent enrolment in Australia has grown by 41 percent, much faster than the 10 percent increase in fulltime faculty. Recently, student faculty ratios have stabilized – but at historically high levels.

Funding of teaching and research in Canada

- Canadian universities have three core missions: teaching, research and community service (the latter is not explored in this report). Funding for university activities comes from a variety of sources, the larger of which are federal and provincial government funds and programs, and student tuition fees.
- In Canada, there has been strong growth in capital spending since 1999. The major increase in capital

spending was financed by a combination of government grants, private fundraising and, in some provinces, increasing reliance on borrowing. In some cases, the annual cost of servicing the debt comes out of university operating budgets, reducing the amount of money available to cover teaching and related expenditures.

- All sources of externally sponsored research funding have grown significantly in the last decade. Notably, federal investments doubled from \$1.2 billion in 1996-97 to \$2.4 billion in 2006-07 (over and above the large federal investments in research infrastructure through the Canada Foundation for Innovation).
- As externally sponsored research has grown over the last decade, so too have the institutional costs associated with funding the costs of those projects. External sponsors rarely fund the full range of these costs, leaving universities to cover unfunded institutional costs. As research investments grow, the resulting draw on general university revenues has continued to grow. Unfunded institutional costs associated with research, undertaken for all external sponsors, grew from an estimated \$1.1 billion in 1996-97 to almost \$1.7 billion in 2006-07. With enrolment also increasing, internal competition for general university revenues continues to escalate. Universities support an array of institutional costs to cultivate an environment where top-flight research, research training and knowledge transfer are conducted. In addition, universities cover most of the costs of faculty time devoted to research, including externally sponsored research. The cost of faculty time spent on sponsored and unsponsored research was estimated at close to \$1.7 billion in 2006-07.
- Provincial government support and tuition fee income combined have long provided 90 percent or more of university operating and special purpose revenues. In 1980, governments contributed 84 percent of the funds available for teaching and unsponsored research costs. Student fees for credit courses covered about 10 percent and investments and donations covered the remaining four to five percent. By 2006, these shares were 66 percent, 24 percent and 10 percent respectively, with the

proportions varying significantly by province and by institution.

- Since 2000-01, provincial governments have also significantly increased their overall operating and special purpose funding of universities but a substantial portion of these increases was explicitly intended to offset some of the revenue losses that the universities would confront as a result of either new tuition regulations in some provinces or agreements with the universities to limit tuition increases.
- Recent increases in operating and special purpose and trust revenues from all sources, when adjusted for inflation and enrolment growth, have begun to reverse the long-term decline in per student funding for teaching and research costs not covered by external sponsors. In 2006-07, per student funding amounted to \$15,000, which is \$500 **higher** per student than in 2001-02, but also \$6,000 per student **less** than at the beginning of the 1980s, and \$2,000 per student **less** than at the beginning of the 1990s. Government funding (primarily provincial) on a per student basis fell from \$17,900 in 1980-81 to \$13,600 in 1990-91 and to just \$9,900 in 2006-07. Student fee revenue (from credit course enrolments), net of financial aid given back to students from the universities, was \$2,000 per student during most of the 1980s then rose to \$3,700 in 1999 and has remained at that level since.

The decade ahead

- In the years to come, the principal drivers of change in university finances will include growing demands from governments, the private sector, communities and individual Canadians for the education, research and community services provided by universities, and increasing cost pressures resulting from global competition for faculty, the changing mix of students, the need to reach out to non-traditional students, and campus maintenance and renewal challenges.