



**Submission to the Blue-Ribbon Panel  
on Financial Sustainability in the Postsecondary Education Sector  
May 12, 2023**

**INTRODUCTION**

**The University of Toronto is Canada’s largest and most highly ranked university.** It hosts over 97,000 students and employs more than 24,000 faculty, staff, and researchers. With an operating budget of \$3.36B annually and over \$1.4B in research revenue, the University is unique in its combination of scale, excellence, and accessibility to domestic students.

**The University is recognized globally for its quality programs.** UofT is ranked eighteenth in the world in the Times Higher Education World University Rankings, and second only to UC Berkeley in North America amongst public universities. It is one of only seven universities to rank among the top 30 institutions worldwide in all 11 subjects in the Times Higher Education (THE) ranking, demonstrating the depth and breadth of the university’s excellence. Proudly, U of T ranks first in Canada and 11th in the world for graduate employability according to THE.<sup>1</sup>

**The University is increasingly market driven in response to Ontario’s changing needs.** 68% of UofT’s 2023 revenue comes from tuition and fees, 20% from provincial operating grants, and 12% from other sources. This growing reliance on student fees has promoted a culture of student-centric and responsive programming that goes beyond academics. Diverse student services including expanded mental health supports, accessibility and outreach programs, funding to renew classroom spaces to integrate innovative technology, work-integrated learning opportunities, and expanded student success centers are examples of how we have responded to changing demographic and demands in our student population.

**The University is not immune to challenges.** While UofT continues to maintain its rankings, its accessibility, and the quality of its academic and research programs, government policy decisions have had an impact. The 2019 tuition cut and subsequent freeze has meant a \$195M reduction in revenue versus plan in the current year. Concern and confusion related to Bill 124 makes for difficult and uncertain negotiations with our 27 bargaining units. Arbitrary funding formulas and insufficient funding levels are contributing to significant deferred maintenance deficits. Lack of government funding for capital projects leads to delays and places a heavy reliance on tuition and philanthropy to ensure quality facilities. Weak provincial support for research puts Ontario universities at a disadvantage to institutions in other provinces as they compete for project funding. Unfunded mandates put additional pressure on tuition to support student services. Despite these challenges, the University continues to “defy gravity” to maintain its reputation, rankings, and research in support of Ontario’s continued economic and social prosperity.

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<sup>1</sup> <https://www.timeshighereducation.com/world-university-rankings/university-toronto>;  
<https://www.utoronto.ca/news/u-t-grads-among-world-s-most-employable-11th-times-higher-education-ranking>

## **OPPORTUNITY FOR CHANGE - BEYOND A SYSTEM THAT NECESSITATES “DEFYING GRAVITY”**

Ten years ago, President Meric Gertler remarked in his installation address that the University of Toronto, with its comparatively low level of public per-student funding, was "defying gravity" in achieving extraordinary results despite the resource deficit it suffers from relative to global peers.

It has been nearly 20 years since the government undertook a comprehensive review of the sector. This review is an opportunity to look beyond current challenges and programs to develop a principle-based approach to supporting universities and colleges in meeting the needs of an Ontario population that is rapidly changing demographically, socially, and economically.

As has been established through submissions by the Council of Ontario Universities (COU), and the complementary submission from Ontario's six leading research institutions, the policy environment for Ontario universities has been financially challenging for over a decade, with flat nominal operating grants that have declined in real value, a tuition cut and four years of freeze, and limited avenues to generate new revenues to support growth and impact.

## **A PRINCIPLE-BASED APPROACH TO POLICY REFORM**

In helping ameliorate these impacts, and to move forward in a way that enables one of the world's leading universities to amplify its contribution to Ontario's future prosperity, the University endorses a principle-based approach that recognizes the autonomy of publicly assisted universities and provides a more defined role for government.

### ***Differentiating to improve efficiency***

As noted by The Higher Education Quality Council of Ontario (HEQCO), universities categorically differ across Ontario. They range from mostly-undergraduate universities that serve as important regional anchor institutions to larger comprehensive institutions that help meet the needs of Ontario's existing labour market, and research-intensive universities that drive economic relevance and growth. HEQCO notes that even among this latter group, the University of Toronto is in a category of its own.<sup>2</sup>

Despite recognizing differentiation in the system, the Province's one-size-fits-all approach to policy issues such as operating funding, tuition regulation, student aid, and student services hinders innovation and responsiveness to student, industry, and community demand. Asymmetrical approaches should be explored through the Strategic Mandate Agreements (SMAs) and other policy tools to promote greater differentiation and stronger performance within the system.

### ***Deregulating to recognize autonomy and reduce red tape***

It is well established that publicly assisted universities are autonomous institutions with robust governance structures, many of which include appointed representatives from the Government of Ontario.

The University of Toronto's governance structure, with a unique unicameral model in place since 1971, provides a streamlined and efficient mechanism for robust oversight, accountability, and good governance to support the stewardship and public accountability of the University of Toronto.

The Province imposes numerous policy mandates on institutions that could be better addressed through universities' governance processes. These mandates range from workforce compensation, tuition

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<sup>2</sup> <https://heqco.ca/pub/the-differentiation-of-the-ontario-university-system-where-are-we-now-and-where-should-we-go/>

pricing, procurement, intellectual property, commercialization, and more. We accept it is reasonable for publicly assisted institutions to have transparent, publicly accessible policies relating to its operations, mission, and topics of provincial priority.

More specifically, allowing universities to set their own fees in a way that recognizes their unique market circumstances and cost pressures should be a priority. For the past decade, successive government tuition frameworks have diminished universities' ability to engage in long-term planning and hindered a more responsive and market driven approach to tuition pricing.

### ***De-risking by re-investing***

The current funding model in which domestic fees have been cut and frozen, with no offsetting increases in provincial grants, is neither balanced nor sustainable. Instead, it has required publicly assisted institutions to rely heavily on international enrollment revenue to fuel growth and address cost pressures.

Recognizing that provincial operating funding has declined in real value over time and relative to peers, the government should begin reinvesting in and increasing overall operating grant funding per student to levels in comparable provinces, and predictably increase these grants over time.

## **RESPONDING TO QUESTIONS FROM THE PANEL**

### ***Q1: How can MCU's funding approach and associated levers drive institutional excellence?***

**Prioritize differentiation.** We propose several connected measures to advance institutional excellence through existing levers that will also enhance responsiveness to labour market needs and student demands.

**Allow universities to differentiate programming and increase system capacity.** The number of spaces at Ontario universities and funding per student are below the levels required to secure tomorrow's workforce. Future labour force needs and population growth point to a need to increase capacity.

**Increase the value of operating grants per student and invest in expansion.** This capacity increase should occur while redressing Ontario's regrettable distinction of having the lowest per-student funding in Canada, thereby ensuring quality increases alongside capacity growth. As such, per-student funding in Ontario should be calibrated to funding levels in comparable provinces. Operating grant increases must be further anchored in real-world increases in costs.

**Support student choice.** Ontario families and students are aware of the value of a university credential. As is the case at other research-intensive Ontario universities, applications to UofT vastly exceed available spaces. While the system may effectively support existing market demand, the current SMA model rations the seats available to each institution by establishing a tightly controlled range for government funded spaces, and in doing so essentially restricts students' choice. For example, in Fall 2022, UofT was the first-choice university of over 16,500 Ontario high-school students and almost 24,000 non-Ontario high school applicants, representing 1 in 4 applicants to an Ontario university. In total, the University received nearly 110,000 applications (+3% YOY) for its direct-entry undergraduate programs through the Ontario Universities' Application Centre (OUAC). Responding to student choice by providing options for targeted growth in domestic spaces should be considered.

**Focus on HQP to support economic growth by providing full fungibility for WGUs.** Despite leading levels of tertiary education attainment relative to peers, Canada ranks near the bottom of the OECD

(Organisation for Economic Co-operation and Development) in its proportion of workforce with Masters and PhD degrees. Increased flexibility to distribute Weighted Grant Units (WGUs) between undergraduate and graduate programs for research-intensive institutions would enhance our ability to meet Ontario's need for more highly qualified labour force participants.

**Significantly increase Ontario's support for research.** While it is not a specific focus of the BRP review, provincial support for research needs to be a priority for future investment as it is foundational to the future economic and labour force development of the province. The University of Toronto continues to lead the country in technological, social, and bio-medical research. It attracts more than \$1.4B annually in research revenue, and the scale of its research enterprise is comparable to those of McGill and UBC (University of British Columbia) combined. With its 600 industry partners over the past decade, it is also a major contributor to private sector growth. It has spun off more than 600 start-ups during the past decade, which have attracted more than \$2.5B in investment. The University is second only to MIT (Massachusetts Institute of Technology) in the creation of new start-up companies among North American universities. Its research and commercialization programs generate about 180 invention disclosures a year and more than 870 patents over the past decade.

### ***Q2: Ensuring sustainability through sound financial practices***

**The University of Toronto is a model of sound financial management.** With its Aa1 credit rating from Moody's and its AA+ rating from Standard & Poor's, UofT is sector-leading in its approach to financial accountability. The University supports the Council of Ontario Universities' submission to the Panel in outlining the detailed work of the sector to find efficiencies across all aspects of operations, infrastructure and salaries and pensions.

**Efficiency and revenue diversification are a key focus.** In addition to its overall financial management practices, the University regularly undertakes measures to responsibly manage costs and generate revenues from non-traditional sources. The decentralized budget model of the University provides incentives for divisions to maximize efficiency. Additionally, with performance as the key basis for faculty and non-unionized staff wage increases, the administration is better able to balance growth in its core cost structures with revenue availability.

**Additional incentives to drive efficiency have been a basis for innovation and outside funding.** The University's strategy is to leverage its real estate holdings and employ its significant financial capital to further support its academic and research missions. As an example, its Four Corners Strategy sets an ambitious goal of generating \$50M in new annual operating funding by 2033 through the development of roughly 3.5 million square feet of new space devoted to campus services, amenities, office, and retail spaces. The funding will be invested directly into the University's research and teaching mission.

**Cost containment and reduction is a core focus.** UofT is investing directly in facility renewals that reduce energy costs over time while concurrently addressing a \$1B maintenance backlog. UofT's energy-saving measures will also address \$30M in deferred maintenance, while other demolitions and renewals will indirectly address a backlog of \$57M in maintenance. Taken in context, Ontario's universities contributed three times more own-source funding (\$247M in 2020-21) toward facility renewal than came from government through the \$81M Facilities Renewal Program.

### ***Q3: Long-term tuition fee framework***

**There is a need to recognize autonomy and differentiation.** As outlined above, providing institutions with broad tuition flexibility is consistent with principles that promote differentiation, deregulation, and

de-risking. The University supports greater autonomy for setting tuition to better recognize market forces and support student choice, while recognizing the need to further enhance institutional student aid to ensure access and affordability for low and middle-income students.

**Caps and cuts have worked against policy objectives.** Neither the current nor previous government’s approach to tuition fee regulation has been conducive to promoting accountability, differentiation, or performance. The previous government’s policy of annual capped increases was disconnected from actual cost considerations or community accountability. The current cut-and-freeze model has deprived UofT of \$195M in 2023-24 alone when accounting for variance from the previously planned increase; with a cumulative impact of more than \$700M over the time of the policy, without any corresponding increases in government funding to mitigate impact. Current across-the-board tuition cuts have not only threatened program sustainability in the system, but also undermined the institution’s ability to provide more robust needs-based student financial aid.

**Student aid is more than OSAP. UofT spends \$320M on student financial support.** As President Meric Gertler has said, the “University of Toronto is a world leader because we welcome the best and brightest from all backgrounds and every postal code. Indeed, at UofT, access is in our DNA.” While 54% of UofT students are OSAP eligible and receive needs-based funding, the University itself contributed approximately \$320M toward student financial assistance in 2022-23, supported by operating revenues and targeted support from the University’s endowment funds.<sup>3</sup> Currently, the University of Toronto’s student financial assistance program exceeds the levels of assistance required by the Province. Beyond provincial regulation, student financial support at UofT is driven by the University’s own Policy on Student Financial Support, adopted through its governance process in 1998. The policy states, “No student offered admission to a program at the University of Toronto should be unable to enter or complete the program due to lack of financial means.”<sup>4</sup> This policy articulates a “guarantee” that the financial support programs of the University of Toronto are to be designed such that each student has access to the resources necessary to meet their needs.

**Sticker price is not the net price of tuition.** Federal, provincial, and institutional student aid from the University is helping ensure that students with demonstrated need pay net tuition fees that are approximately half of the posted rate. As the COU submission details, Ontario universities invested more in financial aid than total OSAP funding in 2021–22.

**Policy should move from tuition-pricing to affordability as focus.** Accordingly, UofT endorses the recommendation presented by the research-intensive universities for a new “Affordability Framework” that links future tuition fee increases to increased allocations to student financial aid through a new Institutional Student Assistance Program (ISAP) that would require institutions to direct substantial portions of new tuition revenue to financial assistance.

#### ***Q4: The role of international students within a sustainable and thriving postsecondary sector***

**International students are important for Ontario’s success.** The University of Toronto’s International Strategic Plan outlines actions to enhance its role as a leading global institution by expanding its global reach, global learning, and global impact.

**Financial aid to international students promotes equity and diversification.** In pursuing its strategic vision, the University is expanding the geographic and socio-economic diversity of its international student population. 2022 saw the most diverse incoming undergraduate class ever, with students

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<sup>3</sup> Pending finalized financial statements for 2022-23

<sup>4</sup> <https://governingcouncil.utoronto.ca/secretariat/policies/student-financial-support-policy-april-30-1998>

arriving from 135 countries and less than half from any single source. Diversification necessitates and is supported by increased aid and scholarship support to international students. In 2021-22, the University provided \$65M in combined merit and need-based funding to support over 5,700 international students. Six per cent of international undergraduate tuition is set aside for scholarship funds.

**Market maturation, competition, and diversification will moderate growth.** By 2027–28, UofT’s share of international students is anticipated to hold steady across undergraduate and graduate enrolment. International student tuition fees will rise, on average, by only 2.1 per cent in 2023-24.

**Changing student populations require new strategies for support.** The panel should consider ways that Ontario institutions can be supported to take maximum advantage of the benefits of international student enrollment to Ontario — including through expanded geographical and socioeconomic diversity of the international student population — while reducing risks due to geopolitical and global economic circumstances. Options for purposefully targeting the Ontario International Student Recovery Fee toward campus-based supports for international students, such as international student service centres, should be considered.

**New tools needed to remain competitive.** Ontario must also work more closely with Ottawa to ensure visa processing and post-graduate work permits meet evolving global standards and student expectations to maintain Canada’s reputation and competitive advantages.

**Institutions must work to protect integrity and reputation.** Rapid growth by new sector entrants and those institutions desperate for operating funding at the expense of a robust student experience risk undermining Ontario’s reputation as a quality service provider, while simultaneously risking the ability of communities to absorb and benefit from international students.