



Without a Roadmap: Government Funding and Regulation of Canada's Universities and Colleges

by

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Executive Summary

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Executive Summary

This report focuses on government *funding mechanisms* and the post-secondary *regulatory environment* and their impact on the ability of post-secondary institutions to meet access demands and provide a quality learning experience. The main contention of this report is straightforward: the story of higher education in Canada since the early 1990s is heavily influenced by three key factors: federal funding, changing demographics, and the adoption of what has been described as “a climate of neo-liberal market-based philosophy.” Throw in a little Y2K hysteria, the implosion of the dot.com revolution and the fall-out from 9/11 and you have an environment characterized by major upheavals, significant change and constant fiscal pressures.

Each province dealt with the preceding factors differently depending on its own particular circumstances, and provincial circumstances differ in many ways – from the structure of the post-secondary system to the realities of the post-secondary demographic, and from the philosophy about ‘who should pay’ to the stance on expanding degree-granting privileges. Funding and regulatory developments at the provincial and federal levels combined to create a period of unprecedented change (and uncertainty) in the post-secondary landscape. That, in turn, created an environment where colleges and universities were constantly reacting to government actions which, too often, were ill-considered, suffered from less than stellar implementation, and placed undue stresses on the post-secondary sector.

Key findings from this report:

- From a funding perspective the period is marked by two distinct periods – retrenchment from the early 1990s to the latter 1990s – and reinvestment from that point onwards;
- total funding to colleges and universities, from all sources and for all purposes, reached an all-time high of an estimated \$27.7 billion in 2004-05, an increase of over \$11 billion since the early 1990s;
- once inflation and reporting changes are taken into account, the “real” increase falls to about \$6 billion or approximately 30percent;
- once increased enrolment is taken into account, per student funding for colleges and universities in 6 of 10 provinces is below 1992-93 levels;
- an expanded research mandate has resulted in additional cost pressures that further erode the per student level of funding;
- because of restrictions on the use of some of the monies, the actual increase for *core operating* requirements is lessened further;
- there have been significant shifts in funding sources over time with considerably greater emphasis on tuition, more emphasis on private funding (i.e., donations, private contracts) and considerably less emphasis on provincial grants;
- federal research funding, and research funding in general, increased markedly since the latter part of the 1990s; and
- revenue diversification resulted in some unexpected consequences for institutions and governments.

Against that funding background:

- allocation mechanisms at both the provincial and federal levels have generally become more complicated and are being used to ‘steer’ results;
- the regulatory environment has become increasingly complicated, especially in areas where government has attempted to introduce more competition and market principles;
- heightened interest in accountability led to increased audit requirements and additional reporting with an emphasis on compliance rather than outcomes
- in some cases federal and provincial funding is, in fact, ‘working at cross-purposes’;
- access increased – though there is room for improvement and much of the increase is the direct result of more recent government funding initiatives that recognize the importance of increasing capacity;
- concerns about ‘quality’ are beginning to resonate with provincial governments even though there are many different views of ‘quality’; and
- provincial differences in the demography of the post-secondary age cohort have had, and will continue to have, a major impact on provincial funding commitments.

Key considerations in improving access and quality.

What are you trying to do? (goals, objectives)

- In consultation and partnership with the institutions that have the responsibility for making it happen, government must articulate the access and quality goals. Those goals will be, and should be, defined differently by province and by institution.
- Steps must be taken to improve the climate of trust among all of the partners with an interest in delivering high quality post-secondary education: federal government, provincial governments, colleges and universities.

What do you need to get there? (strategies, tools, resources)

- Adequate resources must be available – from somewhere. It is government’s responsibility to be clear about its funding commitment and clear about the expectations for the funding commitment.
- Recognize that improving access for under-represented groups will require higher than average levels of resources for support services.
- Adopt a multi-year perspective. For much of the past fifteen years colleges and universities have been operating on a year-to-year basis in an environment where funding announcements are late, where changes in funding mechanisms have been made with little consultation, and where the lack of predictability has negatively affected institutional planning; an environment that is far from optimal to address access and quality concerns.
- Keep the funding mechanism(s) few and simple. It is imperative that governments and the post-secondary institutions fully understand the consequences of funding changes and changes in funding mechanisms. The more complicated the funding mechanisms and the more mechanisms there are, the more likely the full consequences will not be appreciated, nor understood.
- Create a climate where private giving and institutional entrepreneurial activity is clearly seen as providing the ‘margin of excellence’ and a funding source for differentiation and

diversification, rather than as a substitute for government funds or as a source of funds for the province or federal government to leverage.

How would you know that you are making progress? (Indicators, public reporting, accountability)

- Adopt an accountability framework that recognizes the complexities of post-secondary institutions and the multiplicity of goals associated with a college or university.
- Emphasize performance reporting with each institution defining access and quality in terms of its own circumstances, mission and particular strengths.
- Rely on the involvement of post-secondary governance bodies to monitor and report on progress towards goals.

Other Considerations:

- The federal/provincial ‘overlap’ in the post-secondary sector is not conducive to optimizing investments in access and quality. Steps must be taken to delineate the respective roles.
- Good, consistent, reliable, up-to-date information is a prerequisite to making informed decisions. Efforts must be made to improve the timeliness, quality and breadth of post-secondary information (e.g., enrolment, staffing, financial information) published by provincial and federal governments.
- Further research in the following areas would improve understanding of the many factors that influence access and quality:
 - the need for better comparative financial and enrolment information with other countries;
 - the need for more comparative information about funding *mechanisms* in other countries;
 - the need to catalogue, chronicle and assess the evolving approaches to accountability;
 - the link between quality assurance and quality improvement;
 - the development of output and outcome quality measures;
 - the ‘opening up’ of the post-secondary system and the impact on competition;
 - an evaluation of rankings and licensure requirements, program reviews and various indicators of satisfaction; and
 - an examination of the impact of the major increase in research funding on research quality and graduate education.

This paper provides a glimpse of how funding mechanisms and the regulatory environment can affect the ability of post-secondary institutions to address access and quality concerns. There has been a marked change in government attitudes towards post-secondary education over the past few years, in particular, and improving access and quality are now twin goals that seem to be found in report after report across the country. Moreover, it is now apparent that governments are prepared to ‘re-invest’ in post-secondary education and improve capacity. In that regard, the lessons of the past offer a guide for the future.