

Report to Board of Trustees – Dec. 13, 2012

As I write this report, faculty, staff and students are entering the home stretch of the Fall semester. It is a time of intense work for all of them, and I wish them the strength and fortitude that leads to success. Moreover, I wish all members of the extended Brock community a happy holiday season and my very best wishes for the New Year.

My report will focus almost entirely on the Ontario government and how its current state of affairs impacts us.

(Trustees, please find attached my report to the November meeting of Senate, with two appendices.)

Of course, the New Year will quickly bring change at Queen's Park. A new leader of the Ontario Liberal Party, and therefore a new Premier of the Province, will be chosen toward the end of January. Among the half dozen or so candidates for that position is our now former Minister of Training, Colleges and Universities, Glen Murray. (Premier McGuinty has demanded that all cabinet members who intend to be candidates for his position first resign their ministerial posts.)

SMAs

While the notion of concluding Strategic Mandate Agreements (SMAs) with each of Ontario's Universities did not originate with Mr. Murray – in fact, the notion was first suggested to government by the Council of Ontario Universities (COU) – there is no question that Mr. Murray placed his own very distinctive stamp on the process. It is not known how his replacement, our new (and former) Minister of Training, Colleges and Universities, John Milloy, will place his imprint upon the SMA vetting process. Indeed, the cabinet may well be shuffled again after the new Liberal leader is chosen. Moreover, many pundits believe that a general election will follow not too long after the legislature is recalled by the new premier.

In the meantime, the Higher Education Quality Council of Ontario (HEQCO) and senior officials in the Ministry of Training Colleges and Universities (MTCU) will continue their analyses of the SMAs, each through their own lens. HEQCO's lens focuses on the issues of differentiation within the system and the identification of initiatives that, while piloted at one or more institutions (based on their SMAs), hold promise for being extended to the whole in order to gain efficiency and increase productivity.

The MTCU's senior officials also see the SMA process as a vehicle for containing costs. But their expectation was that through the SMAs they would gain clarity on individual institutions' plans for enrolment growth at the undergraduate and graduate levels, as these are the main cost drivers for MTCU, along with financial aid to students. Since the Ontario

government traditionally has had no policy to subvent any portion of inflationary costs at universities, *our* cost escalation year over year has no impact on *their* cost drivers.

Bracketing for the moment what might happen after the naming of a new Liberal leader in Ontario, in February Minister Milloy (if he is still our minister after the new leader names his or her cabinet) will receive HEQCO's commentary on the SMAs. No doubt, by that time he will also have in hand the analyses of MTCU senior officials. At the moment we have no idea how Minister Milloy views the purpose of this exercise.

All that being said, I should like to give you my view of what I think the majority of Ontario university presidents believed, and still believe, to be the rightful *primary* purpose of this SMA process. Simply put, it is, or ought to be, to gain clarity about each institution's strategic vision and direction over the short-to-medium term, and to attain a degree of understanding by, and assent from, the Ontario government about the same. I think we saw this as a two-step process:

Step 1: a clear articulation by each institution in its SMA submission; and

Step 2: bilateral discussions between each institution and the Ministry/Minister leading to mutual understanding about what makes sense as a path forward for any institution, and why.

This would allow the government to hold each institution accountable for realizing its SMA, and would further allow the government to judge whether requests to approve new programs or resources fall within the scope of the agreed-upon strategies and goals. The aggregate result of these bilateral discussions involving all institutions would amount to the differentiation, current and foreseen, in the college and university sectors. To state *ab initio* that a very limited number of institutions should be supported to become world-renowned research universities, that the rest should be mandated to be primarily undergraduate teaching universities with limited mandates to conduct research and deliver graduate education, and that this is the only meaningful definition of differentiation, amounts to defining the outcome in advance. We would not have needed an SMA process to get there.

There is no doubt that Ontario currently faces serious, even acute, financial challenges. There is no question that all elements of the public and broader public sectors will be involved in one fashion or another in Ontario's actions to address its financial challenges. We will not escape doing our share. It cannot be otherwise. But I do not think that the SMAs should be seen as the vehicle to deal with the current financial challenges. Again, what they ought to be about is gaining clarity concerning what each institution contributes to the sector, and why that makes sense in each case. Brock has no aspirations to be like the University of Toronto. We do not have its history, we do not share its context. We have our own on both counts. If there are a number of things that we both do (or wish to do), it is because we are both universities. Motorized vehicles share many traits (and for good reason), but they are not all the same.

We need to recover what the SMA process was meant to be about. And we need to separate that from what Ontario needs to do to deal with in the *immediate* term to put its financial house in order. We need to counter argue those who say that the configuration of the

Ontario university “system” has in part created this financial crisis. It has not! We need to dispel the notion that the system is inherently unsustainable specifically because we are not differentiated (according to one notion of differentiation). It is not true! How can it be, when we are the cheapest university “system” in Canada on a cost-per-student basis, and collectively we are very productive in research publications to boot? Our position is unsustainable because of the funding regime, not because we are more costly. After Ontario emerges from the current financial crisis, Ontario needs to deal with that funding regime in a principled and rational way.

All this begs the question: Amid this uncertainty, what should we do with our SMA? To my mind the answer is simple. We implement it! It is, after all, our strategy for our self-defined mandate. We should proceed expeditiously along our chosen tack, and we should measure our progress so as to be collectively accountable for achieving what we have set out to do.

Tuition

Late in 2011-12 the Ontario government rolled over the existing tuition policy for another year, because university budgets for 2012-13 by default were predicated on the existing policy. The government stated at the time that early in 2012-13 it would discuss and settle a tuition policy framework for 2013-14. The government is currently in no position to do that, although MTCU officials have called for input on a tuition policy framework. COU has made a submission. Given the political uncertainty – a state of affairs that will not abate with the naming of a new premier in late January – it is hard to see how a matter of such political import as a substantially new tuition framework can be decided upon this year. We are likely to have the current model, or some variation of the current model, for 2013-14.

Expansion of Graduate and Undergraduate Enrolment

Earlier I stated that funding enrolment growth is the provincial government’s primary cost driver in the college and university sectors. The government has already curtailed that cost escalation by assuming that previously announced enrolment increases at undergraduate and graduate levels are expected to occur over a longer period than the four years that was originally announced more than a year ago. They have grounded this assertion on their demographic models. Needless to say, it also saves the government significant money.

Funding for additional graduate students is done by allotment to each individual institution, based on mission and capacity. There is no formula for doing this, and universities as of yet do not know what their allotments will be for 2013-14.

Efficiency Targets

The last provincial budget and associated speeches by government officials have asserted that base budgets for universities would not be cut. Moreover, the provincial budget announced increases of about 2.5% per year for the post-secondary sector. That 2.5% figure is driven almost entirely by projections to fund enrolment growth and associated increases in financial aid to students. Virtually none of it is dedicated to increasing the base budgets of universities for the number of students we already teach. Indeed, the provincial budget announced that efficiencies gained in the post-secondary sector would save the government \$40 million recurring in 2013-14 and another \$80 million recurring in 2014-15. These in

effect are cuts to the base subsidies to colleges and universities. To date, the government has not “allotted” these efficiency targets. We had best assume that we will be assigned our *pro rata* share as a cut to base government funding. This would amount to about \$800,000 in 2013-14 and an additional \$1.6 million the following year, for a cumulative cut of about \$2.4 million (roughly 3% of our base government grant).

Pensions

For the same reason that the government has serious financial challenges, universities face serious challenges with respect to their pension obligations. For almost two years, the universities and provincial government have been discussing a regime that would result in the government absolving universities of solvency tests with respect to their pensions. This has been granted in a number of other provinces without catastrophic results, but not yet in Ontario.

At this point in time, the government’s interest in pensions in the public and broader public sectors goes far beyond questions of solvency relief, as one might well expect. It would like the amalgamation of funds for the purposes of investment management, in the expectation that this would lower service costs and increase returns. It would also like to see employers and employees contribute to pensions on a 50-50 basis, a matter that would require negotiations with unionized workers. Again, with the government in its current hiatus and the possibility of an election on the horizon, it is hard to see how progress will be made on such matters.

Brock has a going-concern shortfall, and not a solvency problem. It requires us to make additional payments to our pension in the realm of \$5.7 million a year. The negative impact of going-concern payments on universities seems not to be appreciated by government officials. We may be left to our own devices consequently. And it is apparent that significant increases in rates of return from expected interest rate hikes that keep receding will not save us.

Enrolment

Let me conclude on more positive notes. We have not only met but exceeded the enrolment targets built into the approved budget for 2012-13. Enrolment at Brock now stands in excess of 18,500 students. On the graduate student side, we have also exceeded our targets. Indeed, we have exceeded the number of graduate enrolments for which the government has allotted us funded spaces. This is not bad news, but good news. Why? It is the strongest argument we can muster for requiring further allotments of funded graduate spaces.

In all, exceeding our enrolment projections will provide us with additional revenue in this academic year of about \$1.7 million (plus or minus \$100,000). This enhanced revenue base provides the new, higher revenue platform on which we will build the budget for 2013-14.

The Faculties, the Recruitment Office and the Registrar’s Office have all played key roles in making this happen. We owe them a debt of thanks.

Jack Lightstone
President and Vice-Chancellor