

MSU TUITION REPORT

THE STATE OF TUITION & THE FINANCIAL AID ENVIRONMENT AT McMASTER

To: Spencer Nestico-Semianiw, VP Education
Re: Tuition Report
Mar. 1st, 2016



I. Introduction

Current tuition and financial aid trends at McMaster are at times encouraging and at times discouraging. As a result of current and past provincial tuition frameworks, McMaster has often taken advantage of allowable tuition increases to sustain and increase service and educational quality for students. This has led to rapid and consistent increasing tuition fees, causing all students at McMaster to see higher upfront costs to attending and continuing their education at McMaster. In addition, increasing upfront and living costs have made it difficult for financial aid mechanisms to keep up with current demands from students. Yet, recent positive improvements in the administration and distribution of financial aid from the province and McMaster have led to positive outcomes in financial accessibility. This report was conducted by the MSU's Federal and Provincial Research Assistant, in consultation with the Vice-President (Education), and is a result of extensive research into both the provincial post-secondary landscape and the trends at McMaster University specifically. The purpose of this report is to fulfill one objective of the Tuition Task Force, which is the MSU body specifically designated to improve financial accessibility to students at McMaster. The report will be used to transition incoming MSU executives into the financial landscape facing McMaster students, and as an advocacy document in the MSU's future work with the university, province, and federal government. Any questions regarding its contents and the MSU's advocacy on this topic can be directed to the Vice-President (Education) at vped@msu.admin.mcmaster.ca.

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II. Trends in Tuition

No source of university income has increased as dramatically in the last two decades as student fees. From a student perspective, the cost of post-secondary education can be organized into three main categories:

1. Tuition
2. Ancillary Fees
3. Living Costs

The combination of these two categories produces a holistic picture of the costs of postsecondary education for students at McMaster.

1. The Cost of Tuition

a. Tuition is Increasing at an Unsustainable Rate

The rising cost of tuition at McMaster is discouraging. Tuition fees for undergraduate students have steadily increased over the last three years. Although tuition fees are set by McMaster University, increases are regulated by the provincial government. Currently, tuition for undergraduate programs is limited to 3 percent average institutional increases per year, which is a percentage point above the inflationary rates of the province over the last decade¹. For professional programs such as engineering, the province's tuition framework allows the institutional average yearly increase at 5%, allowing professional programs to increase in cost at a much faster rate than other programs².

Thus, even students who entered university having budgeted appropriately may find it increasingly difficult to budget and afford their tuition when approaching their graduation, especially if they are attending university at a time when the current tuition framework is expiring and a new one is being set.

The unmanageable increases of tuition are felt most strongly by students from low-income households. Tuition increases are associated with lower postsecondary education participation rates and higher dropout rates in these groups.

In addition, it is notable that the 3% and 5% annual tuition increases are only relevant for domestic students attending university. For international students tuition is often three-times higher than its domestic counterpart, with the added detriment of being unregulated. This means that not only are international students paying extremely higher costs to post-secondary education, but are also subjected to unpredictable increases in tuition each year, which make it very difficult for students to budget effectively and plan the duration of their education.

¹ Ministry of Training, Colleges, and Universities., 2013. *Tuition Fee Framework Guidelines For Publicly-Assisted Universities 2013-14 To 2016-17*. <http://www.planningandbudget.utoronto.ca/Assets/Academic+Operations+Digital+Assets/Planning+26+Budget/2013-14+Guidelines+for+Tuition+Fee+Framework+Implementation.pdf>.

² *Ibid.*

b. Tuition is a Growing Part of the University's Budget

Tuition increases are directly related to the increasing pressure for the university to meet the needs of its operating budget. In 2014-15, students contributed 40% to the university's operating budget, while the federal and provincial governments combined to contribute another 40% (the remaining 20% comes from private grants and other non-instructional goods and services)³. These numbers represent an important trend in student contributions to university budgets, as it has only been in the last half-decade where students in Ontario have become the single largest contributor to university finances. Due to McMaster's large research income McMaster students are fortunately still below this 50% threshold, yet if current trends continue McMaster students can expect to be the main financier in the coming years.

The 2015/16 consolidated budget produced by McMaster University also includes notable findings for financial accessibility. While tuition generated revenues of \$224,126,000 in 2014/15, the University has planned to increase revenue from tuition to \$268,138,000 by 2017/18.⁴ The increased revenue from tuition relies not only on the annual enrollment growth, but net increases in tuition. The 2015/16 year saw a net tuition revenue growth of 8%.⁵ What is perhaps most disconcerting is that this increase in tuition revenue is not matched by a plan to increase expenditures through scholarships, bursaries, or work programs. In fact, despite the current 2015/16 expenditures of \$30,739,000 in this area, the university aims to decrease expenditures in scholarships, bursaries, and work programs to \$28,931,000 by 2017/18. This decrease is explained as a result of the phasing out of the Queen Elizabeth/Reaching for the Top MCTU scholarships.⁶ Nevertheless, the consolidated budget highlights that the demand for expenditures in scholarships, bursaries, and work programs increased in 2015/16, making a planned decrease in expenditures counterintuitive to the needs of students.

While the University also aims to increase the growth and diversification of its revenue base, it is evident that growth will rely mainly on increases in tuition. While tuition was 40.7 percent of the university's revenue base in 2014/15, it will make up 44.6 percent of the revenue base by 2017/18.⁷ Meanwhile, provincial grants, research income, and other sources of income are all expected to make up a smaller share of the revenue base than they currently do by 2017/18.

c. Late Fees are Harming the Most Vulnerable Students

Under McMaster's current Financial Deadlines Schedule, the payment deadline for tuition is September 1st, where OSAP recipients have a payment deadline of September 15th. A late fee of 35\$ is then charged to all outstanding balances on September 16th. Beginning September 30th, monthly interest charges start to accrue.⁸ This Financial Deadline Schedule unfairly burdens students who depend on financial aid for two reasons:

1. OSAP recipients are given 24 hours to make their payment after receiving the first OSAP deposit compared to students who do not. In fact, students who are given the September 1st deadline are given a 15-day period of grace. While the September 16th deadline makes logistical sense, it does not take into consideration the behaviour of students or uncertainties that may result in a student who receives assistance from OSAP 24 hours before the deadline (e.g. Incorrect OSAP releases, mistakes in the transaction process, illness etc.). To make the financial deadline

³ McMaster Students Union. 2015. *Tuition And Post-Secondary Education Affordability*.

⁴ McMaster University. 2016. 2015/16 *Consolidated Budget*. http://www.mcmaster.ca/bms/pdf/2015-16_budget.pdf. (p.24 Table 2)

⁵ *Ibid.*

⁶ *Ibid.*

⁷ *Ibid.* (p.25 Table 4)

⁸ "Student Accounts & Cashiers." 2016. Accessed March 9 http://www.mcmaster.ca/bms/student/SAC_dates_deadlines.html

schedule fair to the most vulnerable students, late fees should not be added to the accounts of OSAP recipients until after September 30th, providing to them a similar 15-day grace period.

2. Not all OSAP recipients receive enough assistance to pay for the full cost of tuition by the September 16th deadline. In fact, in the 2014-2015 academic year total unmet OSAP need was pegged at 278 million, a rise of 37 million since the year before.⁹ McMaster students represent a portion of this unmet need, and thus it is clear many students in need are still going without the necessary assistance. As a result, since the second OSAP release date is not until the first month of the Winter term, this guarantees that OSAP recipients will pay the \$35 late fee and the monthly interest charges for the months of October, November, and December.

Without a clear, well-advertized, and consistent appeals process and few options for relief, the current financial deadline schedule at McMaster especially hurts low-income students and those who struggle to pay their finances while benefitting students with fewer financial difficulties.

2. Ancillary Fees

a. 18-Unit Threshold

Additional student fees are separated based on the number of units students are taking. Students taking 1 to 17 units are classified as Part-Time students and so pay an additional \$13.36 to the McMaster Association of Part-Time Students. Students taking 18 or more units are obligated to pay fees for Athletics & Recreation, Student Health Services, a Solar Car, Engineers Without Borders, and the Ontario Public Interest Research Group. These fees total to \$184.35.¹⁰

Students have the option of opting out of the payment for the Ontario Public Interest Research Group; however, this option is not advertised extensively and the percentage of students that opt out is not publically available information. This makes it difficult to determine whether or not students are finding this fee less relevant and an opinion on whether or not it should be switched to an opt-in fee cannot be made at this time.

In addition, in order to claim a full refund, students must come in person during OPIRG's working hours with their student ID. Although the process could be made easier for students by making the opt-out option available online, it is reasonable to assume that the current process exists as a result of OPIRG's increasing economic dependence on student fees.¹¹

b. McMaster Student Union Fees

Full-time students are also members of the McMaster Student Union and pay \$517.29 in fees per year to the student union. The Health and Dental Plan Premiums, which make up \$109.05 and \$118.90 of the student union fee respectively, have an opt-out option for students and students can do so online at a webpage that contains a chat function should they need any assistance during the process.¹²

⁹ Spencer fill this one in I don't know where you got it from.

¹⁰ McMaster University,. 2015. *Tuition And Supplementary Fee Breakdown*. http://www.mcmaster.ca/bms/student/pdf/fees_included.pdf.

¹¹ *Ontario Public Interest Research Group Financial Statements For The Year Ended August 31, 2014*. 2014. <http://www.opirg.ca/sites/opirg.ca/files/OPIRG%20Audited%20Financial%20Statement%20for%20Year%20Ended%20Aug.%2031%202014%20.pdf>.

¹² "Opt-Out | MSU McMaster Students Union." 2016. Accessed March 9. <https://www.msumcmaster.ca/services-directory/36-health-and-dental-insurance/opt-out>.

c. Faculty Specific Society Fees

Students enrolled in faculties with societies are subject to fees ranging from \$28.11 to \$195.19.¹³

d. Additional Fees

Students are charged additional fees on a per-unit basis:

1. Administrative Services Fee (\$1.21 per unit) to a maximum of \$36.30
2. Athletics & Recreation Building Fee (\$4.66 per unit) to a maximum of \$139.80
3. McMaster Student Union’s University Student Centre Building Fee (\$0.63 per unit) to a maximum of \$18.90
4. Student Services Fee (\$4.53 per unit) to a maximum of \$135.90.¹⁴

As a result, students at McMaster University can, in some cases, expect to pay an additional \$1,227 on top of tuition. Without even considering the rising costs of textbooks or living (food, transportation, shelter), ancillary fees are another cost in post-secondary education that can make it financially difficult – or even completely inaccessible – to many students.

III. Trends in Financial Aid

Although tuition and ancillary fees are increasing, financial aid is available for McMaster students to lessen the burden of the costs of postsecondary education. This aid is available through a myriad of options, mainly provided federally, provincially, and through McMaster-specific options. While the structure of aid at McMaster is robust, trends in scholarships, bursaries, and work/study programs are both encouraging and discouraging.

1. Bursaries

McMaster grants bursaries on the basis of financial aid and makes them available to all registered McMaster students. The only eligibility requirement for a bursary is that the student must have applied to OSAP prior to applying for bursary funds.¹⁵

2. Scholarships

McMaster provides entrance scholarships for incoming students (McMaster Entrance Awards). The entrance scholarships are tiered to reflect academic achievement and categorized thus:¹⁶

Final Admission Average to Program	Value
95%+ ¹	\$2,500
90-94.99%	\$1,000
85-89.99%	\$750
80-84.99%	\$500

¹³ McMaster University,. 2015. *Tuition And Supplementary Fee Breakdown*. http://www.mcmaster.ca/bms/student/pdf/fees_included.pdf.

¹⁴ McMaster University,. 2015. *Tuition And Supplementary Fee Breakdown*. http://www.mcmaster.ca/bms/student/pdf/fees_included.pdf.

¹⁵ “McMaster University > Student Financial Aid & Scholarships > External Scholarships.” 2016. Accessed March 9. <http://sfas.mcmaster.ca/bursary/macbur.html>.

¹⁶ “McMaster University > Student Financial Aid & Scholarships > McMaster Scholarship Programs.” 2016. Accessed March 9. <http://sfas.mcmaster.ca/scholarshipinfo.html>.

McMaster supplies these awards to many students, however research shows that merit-based scholarships are often inequitable in their distribution, with students from higher-income families much more likely to receive them than their lower-income counterparts. The reason for this is that students from higher-income families often receive parental support during high school, and are less likely to work part-time jobs to support themselves and their families. This allows more privileged students to focus more on their education and perform at a level that allows them receive more merit-based scholarships. With McMaster University providing over \$2 million in entrance level merit-based scholarships, significant work can be done to ensure this funding is better purposed for students in need.

4. Work/Study Programs

McMaster provides work/study opportunities for students; however, students who earn more than \$103 per week will have their OSAP re-assessed and are at risk of being entitled to less grants and/or loans.¹⁷ This is a disincentive for students who may need to work during the school year to supplement financial assistance.

IV. Looking Forward

Moving forward, the following considerations must be made.

1. The Role of the Provincial Government

a. Tuition Increases

Tuition increases are increasingly a part of McMaster's operating budget, but this is connected to the decreasing role of transfers from the provincial government in the university's budget. The university must look towards diversifying their revenue base.

b. Late Fees

Under McMaster's current Financial Deadlines Schedule, monthly interest charges begin accruing after September 30th. These rates are unfair and harm students from low-income backgrounds. It is recommended that, at least, monthly interest charges are eliminated for students who receive OSAP loans and grants.

2. The State of Information & Data on Tuition and Financial Aid at McMaster

Perhaps one of the most problematic aspects about tuition and, in particular, financial aid, at McMaster is the lack of aggregated and easily accessible data and information on these topics. McMaster has attempted to make the costs of post-secondary education predictable for students through online initiatives, but they do not prove to be holistic.

a. Cost Estimator

McMaster provides a cost estimator on their website for future students to determine what expenditures they will have to consider while at university. These expenditures include tuition, textbooks, residence, and transportation. It also has an 'Other' section so that students can add expenditures they deem personally significant.¹⁸

¹⁷ Government of Ontario, Ministry of Training. 2016. "Welcome to the Ontario Student Assistance Program: Paying For Your Education." Accessed March 9. <https://stage.osap.gov.on.ca/OSAPPortal/en/PostsecondaryEducation/OSAP/FinancialPlanning/PayingForYourEducation/index.htm>.

¹⁸ "Cost Estimator | McMaster University - Future Students." 2016. Accessed March 9. <http://future.mcmaster.ca/money-matters/cost-estimator/>.

The Cost Estimator also allows students to anticipate the costs of education, but it does lack a communicated purpose and could benefit from one. The information that is currently considered for the calculation is valuable and is presented in an accessible form, but could be more integrative in its depiction of the costs of postsecondary education. For example, allowing students the option to include information on their eligibility for grants and loans would provide a more accurate and purposeful calculation.

b. Statistics on Financial Aid

McMaster currently does not release information on how many students receive OSAP assistance, receive bursaries, or how many students are enrolled in work/study programs. Without increased transparency in these areas, it is difficult for student groups to meaningfully advocate for students who are most vulnerable to the rising costs of postsecondary education.

V. Recent Developments

As a result of the MSU's advocacy, both individually and through the Ontario Undergraduate Student Alliance, several notable improvements have been made to financial aid and affordability for students at McMaster. These steps represent significant improvements to the accessibility of the post-secondary system in Ontario, especially for McMaster students.

a. 2016 Provincial Budget

In the 2016 provincial budget, OUSA saw several of its long-term advocacy recommendations adopted by government. Chief amongst these was the government's introduction of the new Ontario Student Grant, which involved the streamlining of previous financial aid mechanisms and the elimination of tuition and education tax credits to fund the program. This grant would be provided on a much more equitable basis than previous financial aid, by being both upfront to students and provided more to lower and middle-income families. In addition, financial aid eligibility is now available to students regardless of the years between high school graduation and university, as well as if a student takes a break in their degree, they will still have financial aid access upon return. Also, both parental and spousal contributions have decreased, and net tuition billing has been introduced to combat perceived costs of education. OUSA has seen this as a significant success in post-secondary accessibility, as well as a huge success for the organization's advocacy.

b. McMaster-Specific Improvements

As a result of the MSU's advocacy during the 2015-2016 year, McMaster University has also agreed to transition 500 thousand of its funds currently used for in-course merit-based scholarships to its needs-based bursary program. This funding transition would eliminate the money associated with the Hooker and Senate scholarships for first and second year students, and will be phased in over two years, with the funding for merit-based scholarships removed for first years in 2016-2017, and removed for second years in 2017-2018. The MSU considers this a significant step in the right direction for effective use of financial aid at McMaster University.