

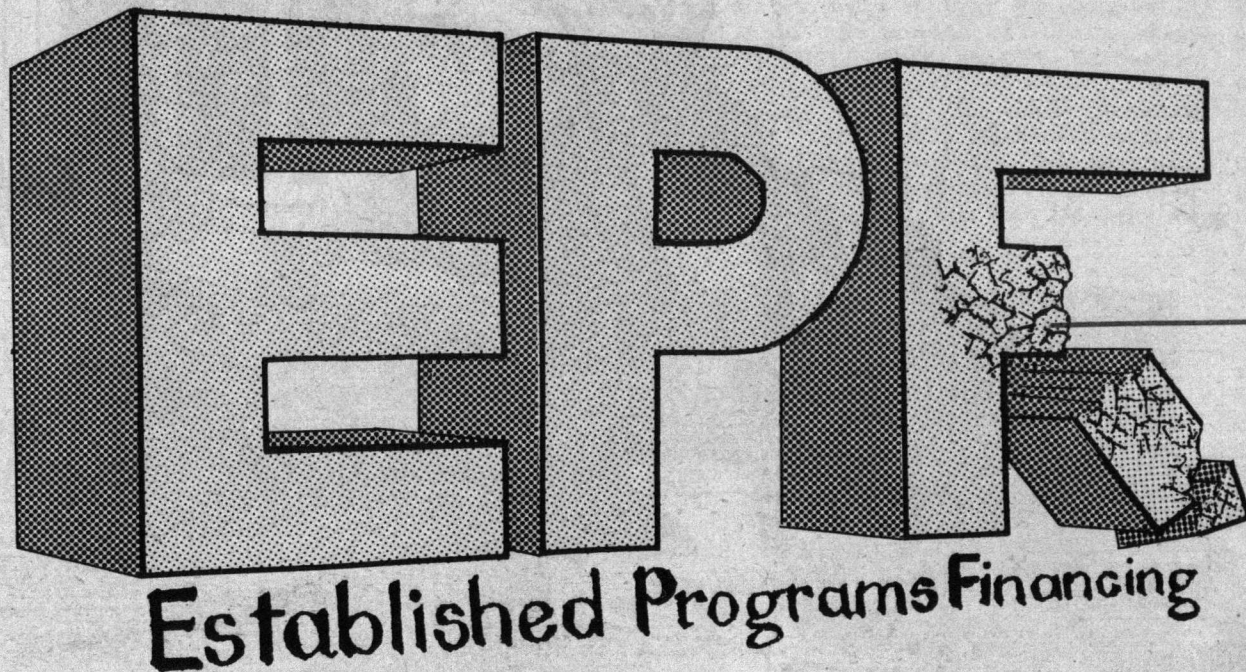
How can you have a cutback...

the Gateway

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...when you have an increase?

Peter Loughheed



University funding: Survival in the 80's

by Greg Harris

The day to day machinations of the federal and provincial governments are not always newsworthy nor even understandable unless they are placed in the broader context of policy.

The recent Task Force Report on Federal-Provincial Fiscal Arrangements is only one small event in the ongoing issue of university funding. In order to understand the ramifications and implications facing students, it is necessary first to absorb some background information.

The current body of legislation responsible for determining federal funding of universities, The Established Programs Financing (EPF) Act, evolved over Canada's entire history.

Up until the second world war, funding for education remained stable. The federal government respected the provinces' exclusive responsibility in the area of education, but nonetheless contributed various ad hoc grants to unobjecting provinces.

The second world war forced a temporary restructuring of the Canadian economic framework. To finance the war effort, the provinces surrendered their rights to impose both corporate and personal income taxes.

Constitutional problems arose at the end of the war because the federal government had evolved into a much more expensive operation, and the revenues culled from the provincial tax

jurisdictions were badly needed. A settlement was thus reached whereby both Ottawa and the provinces attained shared benefits through shared tax jurisdictions.

At the end of the war the universities were rundown. Tuition fees had risen sharply, students were financing almost half of the costs of their education, buildings were in poor repair, and new equipment was needed to maintain an air of respectability in Canada's intellectual community.

The Rowell-Sirois Royal Commission had studied the deterioration of the universities and recommended that the federal government should assist the

provinces. This first program of federal involvement consisted of \$150 per capita grants for each discharged man or woman at a Canadian university. Grants were made available to all universities, whether they were technical, public, or private. At its peak in 1946-47, the federal government was spending \$37 million on post-secondary education.

The year 1950 marked the end of the federal government's veterans grant program. Universities still depended on the grants, however, to provide the varied and sophisticated forms of education that were increasingly in demand.

The 1951 Royal Commission

Premier Duplessis of Quebec rejected the scheme, saying it was an invasion of the constitutional jurisdictions of the provinces. Within the first year of the program he forbade Quebec's universities to accept the federal grants.

The difference was resolved in 1960 when Prime Minister John Diefenbaker introduced a corporate tax-sharing option that in essence sidestepped the tricky constitutional question while keeping the federal government involved at least financially in post-secondary education.

By 1966-67 federal grants were up to \$99 million. Lester Pearson further altered the system by introducing a plan that

Federal expenditures grew uncontrollably from 1968 onward. Alberta and Ontario compounded the problem by adopting the same view that Quebec had in the fifties. They wished to keep taxes at home and determine their own spending priorities.

In 1976 the federal government instituted the present system of federal provincial fiscal funding, the Established Programs Financing Act.

The system thus once again was further modified; cost sharing was abandoned. The federal government instead devised a formula which included a set percentage of the Gross National Product, an equalization factor, cash entitlements, and tax point transfers. The tax scheme allowed the federal government to hand over tax points to the provinces who then collected directly from provincial citizens.

The most important change in the system was that the funds were no longer tied, meaning the provinces could use them for building roads if they so desired. Thus, federal grants in the fifties changed from specific allocations of funds for the universities, to a general transfer of tax wealth that was intended for both the universities and social services.

EPF is scheduled for renegotiation by April 1, 1982, and several factors have combined to make its continued existence tenuous at best.

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provinces in the area of post-secondary education.

No action was taken until the veterans returned from the war. Universities were unable to meet adequately the needs of the veterans, and the federal government was pressured ultimately into lending financial aid to the

on the Arts, Letters, and Sciences, argued for federal involvement in university funding. Liberal Prime Minister Louis St. Laurent, and the federal government supported the recommendations, and a grant of fifty cents per provincial citizen was provided for higher education.

called for cash transfers, and the transfer of tax points to the provinces. Parliament proposed to meet half of the universities' operating costs through a system of matching grants.

A similar program was developed for the area of health and welfare.