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**From:** Don Drummond  
**To:** Ontario Economics and Education Policy Watchers  
**Re:** ONTARIO STOPS DEEPENING ITS UNIVERSITIES' FINANCIAL PIT

In February 2026, the Ontario Government announced it was “investing \$6.4 billion to support (the) postsecondary sector’s long-term success and sustainability” to produce “one of the most competitive workforces in the G7” and “world-class research.” The federal government’s plan to invigorate the Canadian economy also relies greatly on universities to “create excellence” in the workforce and to turn Canada into an “innovation powerhouse.”

The post-secondary sector accounts for more than one-third of all research in Canada, double the average share of countries in the Organization of Economic Co-operation and Development (OECD). This new provincial funding – coupled with allowing tuition increases of up to 2 percent after a lengthy freeze – still leaves Ontario universities in a financial hole, compromising the role they could play in driving economic growth.

Prior to the government’s announcement, the Council of Ontario Universities projected a \$265 million deficit across universities for 2025-26, growing to \$1.3 billion by 2028-29. The shortfall results from: a cut and then freeze to tuition in place since 2019; failure of Ontario’s operating grants to keep pace with enrolment and inflation; a \$2 billion hit over three years from the federal government’s steep reduction in foreign student visas and decreases in purchasing power of both Ontario and federal research grants.

By 2025, the initial cut and then freeze had brought real (after-inflation) tuition in Ontario 26.6 percent below the 2018 level. The freeze is being lifted but that loss in real value is locked in for the foreseeable future. The February announcement raises grants about \$1 billion per year but by 2027-28, they will still be more than 10 percent below 2015-16 in real terms per eligible student.

The depth of the financial pit for Ontario universities is revealed by their position of having the lowest provincial spending per full-time-equivalent student of all provinces; less than half the per student funding provided in seven of the other provinces. Yet among provinces, Ontario has the highest percentage of its population with a bachelor’s degree or higher, revealing its high stake in education.

Ontario is a minor player in funding university research. At \$350 million in 2024-25, research grants in total constituted a 9 percent decline in real terms since 2018-19. Relative to a 2011-12 benchmark, grants have fallen more than one-third in real terms. The federal government increased research funds in 2019-20 and 2020-21 but has held them relatively flat since in nominal terms.

The Council of Ontario Universities estimates that the federal reduction in the number of foreign student visas will cost Ontario universities \$700 million in 2025-26 and \$1.1 billion in 2026-27. Rampant abuses of the program required a response, but it should have been targeted at the source of the problem, which was not universities. From 2014-15 to 2023-24, there was a five-fold increase in foreign students at Canadian colleges compared to a doubling at universities, bringing the total college count above that of universities for the first time.

Statistics Canada reports that fewer than 10 percent of foreign students attend private career colleges and that attendance is highly concentrated with nearly 80 percent in only 20 institutions. Yet private career colleges accounted for 7 of the 10 institutions with the largest number of students in non-compliance, meaning they were not registered in an education program or not attending and some had a non-compliance rate as high as 95 percent.

Ontario universities have filled in part of the financial pit. Over the past three years nearly \$1.28 billion in cuts and expenditure deferrals have been made; 2,500 jobs eliminated and 2,700 courses and programs suspended or closed. While some of the savings reflect efficiency gains, the quality and availability of programs is being challenged. In its Growth Project, RBC Thought Leadership describes how post-secondary education institutions are making decisions “with their financial viability in mind, rather than the country’s prosperity.”

The first rule when in a hole is to stop digging; rule two? – get out! Ontario’s February announcement begins a process of stabilizing its universities’ finances. But more changes are needed so the institutions can play a leading role in Canada’s economic prospects.

The following are potential solutions:

- A recent Alberta report recommended a more flexible funding model accounting for enrolment demands, cost of programs, market demand, and government priorities. Ontario should pay heed.
- The after-inflation value of Ontario and federal grants for research should be restored and be better aligned with the economic transformation the province and Canada must accomplish. Incentives should be provided to commercialize university-based research.
- Universities should be allowed to enroll more foreign students with proper accountability and objectives in place. The recent increase in the amount of income foreign students require is a good first step to curtail abuse, which never was widespread in universities, and should be complemented by ending the ability of foreign students to work off campus.

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