



Building resilient universities: Leading on financial sustainability

REPORT SUMMARY



Universities
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A system under pressure

Canada's universities are foundational institutions within the country's economic and social fabric. They develop highly skilled workers, generate research breakthroughs, support regional economies and provide important community services. Governments at all levels increasingly rely on universities to help advance national objectives related to productivity, innovation and workforce development.

At the same time, universities face sustained pressure from a combination of declining public funding, rising costs and shifting policy environments. Institutions have responded through efficiency measures and innovation, but many are now confronting difficult choices impacting hiring, programming, infrastructure renewal and student services.

Without renewed public investment and coordinated policy action, the sustainability of Canada's academic and research mission is at risk. This report aims to support a shared understanding of these financial realities and to inform discussion of potential federal policy levers that could provide meaningful relief.

With coordinated action from provinces, territories and the federal government, universities can continue to serve as essential drivers of talent development, research and innovation and community resilience, supporting Canada's long-term economic and social priorities.



Financial landscape: Pressures reshaping university finances

Structural decline in government funding

Government funding has historically been the primary revenue source for universities, but its relative contribution has declined steadily. Although enrolment has grown significantly, funding has not kept pace with inflation or the expanding expectations placed on institutions.

Between 2010 and 2023, inflation-adjusted public funding declined by 4.6 percent while enrolment grew by more than 21 percent. On a per-student basis, this represents a decline of over 10 percent per domestic full-time equivalent student. Federal funding remains largely targeted toward specific programs rather than general operating support, limiting its role in supporting core institutional costs.

Governments also control key revenue levers, including operating funding, tuition policy and international student intake, while institutions face rising costs they cannot easily reduce. The result is a system increasingly constrained on both the revenue and expenditure sides.

Tuition constraints and revenue pressures

As government funding declined, universities increasingly relied on tuition revenues to stabilize their finances. However, provincial tuition restrictions have significantly limited this flexibility.

Across Canada, domestic tuition has often been frozen or capped below inflation for extended periods, frequently without mechanisms to reflect program costs or market demand. In some provinces, this has included mandated reductions or multi-year freezes, while in others, annual increases have been tightly capped at levels that do not keep pace with rising costs.

These policies have resulted in declining real domestic tuition revenue. As a result, universities have increasingly relied on alternative revenue sources, particularly international student tuition, to offset structural shortfalls.

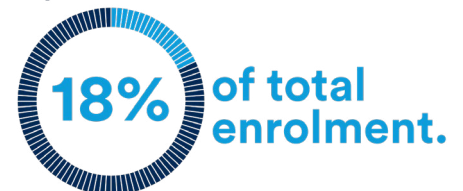
Instability in international student policy

International students contribute significantly to Canada's universities by enriching campus diversity, strengthening global connections and supporting institutional financial sustainability. By 2023-24, they represented approximately 18 percent of total enrolment.

In 2023 and 2024, the Government of Canada introduced a series of rapid and significant policy changes that collectively disrupted international student flows and institutional planning. Over a short period, institutions have had to adapt to study permit caps, new financial requirements, changes to post-graduate work permit eligibility and expanded compliance requirements. These rapid shifts have disrupted enrolment planning and created financial instability across the sector.

Early evidence suggests measurable impacts, with international student numbers declining across multiple provinces in 2024-25, in some cases by double digits. This has resulted in significant revenue losses across the country, affecting

By 2023-24,
international students
represented





institutional budgets, program delivery and student services.

The Government of Canada's 2026–28 Immigration Levels Plan is an important step toward restoring predictability. Continued stability, clear policy direction and efficient processing will be essential to rebuild confidence and ensure Canada remains competitive in attracting global talent.

Rising costs and limited financial flexibility

Universities are facing rising cost pressures alongside increasingly rigid operating budgets. A significant share of expenditures — particularly compensation, which accounts for roughly three-quarters of spending — is fixed in the short term, limiting institutions' ability to adjust. At the same time, costs continue to grow due to salary and benefit increases, expanding regulatory and administrative requirements and rising demand for student services.



Spending on student supports has increased not only with enrolment growth, but also due to the expanding scope and complexity of services, including mental health, academic support and housing assistance.

These services are now integral to student success and institutional outcomes, further embedding cost pressures.

With limited flexibility to respond to financial shocks, institutions have increasingly relied on short-term measures such as hiring freezes, deferred maintenance and reductions in course offerings and services. While necessary to balance budgets, these actions can lead to larger class sizes, fewer program options and reduced access to student supports, with implications for educational quality and student outcomes.

Research funding gaps

Research remains a core pillar of the university mission and a key economic contributor; however, federal research funding typically covers only the direct costs of research projects. Universities drive Canada's research and innovation ecosystem from coast to coast to coast, supporting economic growth, trade and global competitiveness. Substantial indirect costs such as administration, compliance, infrastructure and facilities, can represent 50 to 65 percent of direct research expenses.

Any portion not covered through federal support must be absorbed by institutions' general operating budgets, further exacerbating financial pressures.

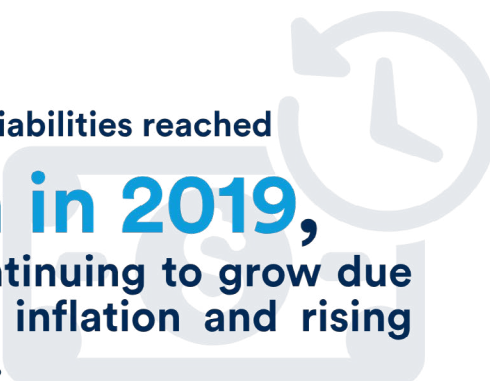
Adequate support for the full cost of research is essential to maintaining Canada's research competitiveness across the country to sustain and scale research activity, train talent and translate discovery into economic and societal impact.



Infrastructure pressures and deferred maintenance

University infrastructure represents a critical component of Canada's research and teaching capacity, as well as an essential part of community infrastructure. Many campuses operate facilities comparable in scale to small municipalities, including energy systems, transit connections, health services and cultural facilities. Nearly 60 percent of campus infrastructure is over 40 years old.

Deferred maintenance liabilities reached
\$17 billion in 2019,
with pressures continuing to grow due
to ongoing aging, inflation and rising
construction costs.



Much of this infrastructure requires urgent renewal to maintain safety, energy efficiency and program capacity.

The implications of underinvestment extend beyond university campuses. Many communities rely on university-owned infrastructure for athletic centres, public libraries, social services, health facilities, legal clinics, childcare and emergency shelters. When buildings are closed due to safety concerns or infrastructure failure, the impacts are felt not only by students and faculty, but by the broader community.

Recent federal investments, including the creation of the Build Communities Strong Fund, represent a significant and welcome step forward, marking the first time post-secondary institutions are included as an eligible category within a long-term federal infrastructure program. As bilateral agreements are finalized and implemented, it is critical to ensure that university infrastructure is explicitly included and able to access these investments.

Governance and autonomy pressures

Financial pressures have been accompanied by increased government oversight of university governance and operations.

As institutions face greater scrutiny, several provinces have introduced legislative and policy changes expanding government authority in areas such as admissions policies, governance structures and institutional planning.

While often intended to strengthen accountability, these measures may reduce institutional flexibility and autonomy.

Universities rely on academic independence and evidence-based decision-making to fulfill their mission, and increased intervention can constrain their ability to respond effectively to changing economic and social needs.

At the federal level, changes to insolvency legislation may further limit institutional flexibility by removing restructuring tools without providing clear alternatives. Together, these developments reflect a shift in governance that both responds to and reinforces financial pressures, highlighting the importance of maintaining appropriate balance between accountability and institutional autonomy.



Forward-looking risks

Access and demographic pressures

Canada's university system faces growing demand.



By 2040, projections suggest hundreds of thousands of additional students may seek university education. Without sufficient funding, institutions may struggle to expand capacity to meet this demand.

This could result in more competitive admissions processes, larger class sizes and reduced program availability, limiting opportunities for Canadian students and weakening long-term economic productivity.

Workforce needs and population aging

Canada's population is aging rapidly. For the first time, there are more people over 65 than under 14, placing increasing pressure on health care systems and reducing labour force growth.



Over the coming decade, millions of job openings are expected, many driven by retirements. A significant proportion will require post-secondary education. Without sufficient university capacity, Canada may struggle to produce the skilled workforce needed to sustain economic growth and public services.

At the same time, the economy is being reshaped by artificial intelligence and other advanced technologies. This is increasing demand not only for technical expertise, but also for the research, policy and ethical frameworks needed to guide their responsible use. Universities are therefore a critical component of Canada's workforce strategy, particularly in fields such as health care, education, engineering and technology.

Community and economic impacts

Universities are major contributors to local and regional economies, employing hundreds of thousands of Canadians and generating billions in economic activity through wages, procurement, construction and research.



As universities are increasingly pushed to make difficult budgetary choices, these community benefits are at risk. Job losses, reduced research capacity and shrinking industries built around university expertise and talent could all weaken local economies, especially in smaller towns and rural areas. Ensuring their financial sustainability is therefore not only an education issue, but also a key economic development priority.



What universities need from government

While primary responsibility for university funding rests with provinces, the federal government also has important policy levers that can influence sector stability and long-term sustainability.

Recommendation 1: Provide immediate financial relief through tax fairness

The federal government should increase the GST/HST rebate for universities to 100 percent, aligning it with other public interest organizations.

Universities currently receive a 67 percent rebate on the federal portion of the GST/HST, compared with the 100 percent rebate available to municipalities. Aligning the university rebate with that standard would generate an estimated \$240 million in annual sector-wide savings. Those funds could be reinvested directly in teaching, research and student support.

Recommendation 2: Strengthen workforce and research capacity through coordinated talent policy

Government departments should adopt a more coordinated national approach to talent, skills and immigration policy that aligns economic and workforce priorities and removes barriers preventing top talent from coming to Canada.

Recent changes affecting international students have shown the costs of fragmented decision-making across immigration, skills and research policy. A more coordinated approach would better connect talent attraction, workforce development and research objectives, while giving universities the stability needed to plan, compete globally and support Canada's long-term economic needs.

Recommendation 3: Protect sector stability with a viable restructuring framework

Advocate for federal safeguards in the final implementation of Bill C-59, including:

- Clarifying the definition of "prescribed post-secondary institutions"
- Establishing a viable, sector-specific restructuring alternative that protects students, research and communities
- Creating a transparent, court-supervised process that balances public accountability and institutional autonomy

Bill C-59 would remove access to the CCAA for public post-secondary institutions without establishing a clear alternative. Without an appropriate restructuring mechanism, institutions facing severe financial distress could be left with only two options: closure or costly provincial intervention. Additional safeguards are needed to preserve institutional stability while protecting the public interest.

A call for coordinated action

Canada's universities remain essential to the country's economic and social future. They educate the workforce, drive innovation, support communities and help position Canada competitively in a rapidly changing global economy.

The financial pressures outlined in this report are already forcing difficult trade-offs that affect access, quality and long-term sustainability. Institutions are scaling back programs, reducing course offerings and limiting student access, with further impacts likely as pressures intensify and demand continues to grow.

With coordinated policy action, targeted investment and institutional adaptation, Canada can ensure its universities remain strong, resilient, and capable of supporting national priorities for decades to come. This report is intended to serve as a foundation for that discussion and a starting point for coordinated action across governments and the sector.

Sustaining universities is a national economic imperative.



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