College Funding Model Reform Consultation Summary

What We Heard

Ministry of Advanced Education and Skills Development

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Introduction

For Ontario’s workforce to lead in talent and skills, it will be important to ensure that colleges can continue delivering advanced training, education and skills that align with career opportunities in the new economy, and that the college sector’s already strong connection to the economy is further enhanced.

A reformed funding model for Ontario colleges is one of many tools that can support this goal. With changing demographics and patterns of enrolment, there is a need to review the way colleges are funded, in order to ensure long-term financial sustainability and continued student success.

In 2017, Ontario will celebrate the 50th anniversary of its college system. This celebration will mark tremendous achievements that colleges have made in strengthening our communities, supporting our economy, and increasing our postsecondary attainment.

This report summarizes what we heard in consultations with sector stakeholders, and will inform decisions on a renewed design for a college funding model in the coming months.
Talking to the Sector

On June 15th, 2016, the ministry completed a formal consultation to launch discussions on reforming the college funding model, based on the same policy principles that guided the university funding model review:

♦ Enhancing quality and improving the overall student experience
♦ Supporting the existing differentiation process
♦ Increasing transparency and accountability
♦ Addressing financial sustainability

The focus of the exercise was the ministry’s operating grants to colleges, which represented $1.4 billion in 2015-16.

The purpose of the consultation was to provide a platform for important discussions between the government and college sector on potential improvements to the existing model in a way that reflects the changing operational environment, while supporting positive outcomes for students and ensuring the long-term sustainability of the sector.

The consultation generated wide participation across the sector, engaging college administration, students, faculty, and support staff. In addition to meetings with individual stakeholder groups, the ministry also held a formal all-day consultation event on May 18, 2016, bringing together about 100 participants from the college sector to share their views through facilitated discussions. In addition, an open briefing on the current college funding formula was held on June 10, 2016. Overall, the consultation generated seven formal written responses from both stakeholder groups and individual colleges.
What We Heard: Recurring Themes

The following twentyone themes, grouped under the consultation’s four guiding policy principles, summarize the comments, ideas, and suggestions on reforming the existing funding model for colleges received in the course of the all-day consultation event, internal and external meetings, and formal stakeholder submissions.

Feedback summaries from the all-day event were validated by the facilitators, note-takers and stakeholders who took part. In addition, feedback sessions were held to confirm and share the emerging themes with key stakeholders.

The consultation themes do not reflect a consensus view of the sector, but rather key areas of concern that gained significant support and were raised consistently by participants. Conflicting or different views were included in an attempt to capture the breadth and diversity of the participants’ input.

The order in which the principles and themes are presented does not reflect their degree of importance.
Principle One: Enhancing Quality and Improving the Overall Student Experience

**Theme 1.1**

**Shift away from enrolment-based model towards outcomes**

Many consultation participants saw value in increasing focus on incenting outcomes in a new funding model, to help move beyond a system that encourages enrolment growth as the sole driver to increase funding. Many felt that a heavy emphasis on enrolment growth in the existing funding model yields unhealthy competition among colleges, and will undermine the sector’s sustainability in the short and long term. Introducing other determinants of funding such as learning experience, innovation and teaching quality were seen as important steps towards making this shift.

On the other hand, the consultation revealed concerns over drastically separating the funding model from enrolment. Some indicated that there should be a proper balance between linking funding to enrolment and outcomes, to ensure that institutional size and cost structures are captured in a new model.

While there was general agreement that measurement was important to capture student success, debate existed on how best to measure positive student outcomes. Some respondents recommended that a reformed funding model should be flexible in this regard and recognize that success can mean different things for different students. One suggestion was to measure student progress during studies, as well as post-graduate success. For example, graduation rates were not seen to be a conclusive indicator of student success for participants who may take non-linear pathways through their college education, or transfer to a university.

As to how performance should be measured, there was disagreement over the continued utility of the existing Key Performance Indicators (KPIs), which currently focus on measuring graduation,
employer and graduate satisfaction, and student loan default rates. Many said KPIs should be reviewed for opportunities to improve the current set of performance measures and incentivize broader enhancements to quality and overall student experience.

Some participants favoured increasing the current share of performance funding to encourage continual improvement, recommending that the current share of performance-based funding be increased and institutions be required to develop and publicly share annual work plans to improve KPI results. However, others cautioned that any new KPIs should be tested before linking to the funding model to prevent unintended impacts, or increasing the role of performance-based funding. Further, some participants argued that any increase in outcomes-based funding must be approached prudently because of the risk of unintended consequences, and only expanded if there are additional resources.

**Theme 1.2**

**Support greater experiential learning and entrepreneurship opportunities and associated high delivery costs**

While many college programs already provide experiential learning opportunities, many sector stakeholders agreed that having more college students exposed to some kind of experiential learning during their studies enriches their educational experience. From co-ops to simulated classroom learning and entrepreneurial basics, many forms of work-integrated learning help prepare students for future jobs. With globalization and new technologies, many felt that these tools could be used to help colleges better prepare to respond to shifting economy and employer needs.

Other participants suggested a new funding model should recognize higher costs to colleges of delivering such opportunities, as well as the need to reduce downloading such costs to students. Industry partnerships were seen to be important to ensure availability and success of such opportunities, as finding placements for students can be challenging for college administrators.
At the same time, there was a sentiment that colleges already deliver many experiential learning opportunities for their students, as colleges have traditionally offered more work-integrated environments than universities. The perception was that dedicated funding should be provided to recognize and strengthen such opportunities for college students. Some stakeholders recommended not only that work-integrated learning initiatives should be funded, but that reporting mechanisms to track the availability of these initiatives should also be enhanced.

**THEME 1.3**

Support flexible learning and a variety of study options

Improved credit transfer, online and distance learning opportunities were seen as useful tools to promote flexible learning options and styles for students looking to balance their studies with other life commitments. Many participants said the new funding model should recognize institutional efforts in this direction.

While some participants called for more technology-enabled and online learning opportunities, others cautioned about overemphasizing the role of online learning in program delivery, as all students learn differently, with some preferring in-class experience. Students were seen by these participants to benefit more from face to face interaction with instructors and faculty. To address this, some participants suggested that effective design of e-learning programs could help compensate for a lack of in-person experience.
**THEME 1.4**

**Support ‘whole’ student experience on college campuses including comprehensive services and quality infrastructure**

Many consultation participants made it clear that comprehensive student support services on college campuses contribute to student success and enhance the overall educational experience. This included counselling, mental health, child care and wellness-related services. Some suggested that the funding model should place a greater focus on student supports to ensure the success of specific college populations such as mature students, international learners and students with special needs. One suggestion was to have a portion of funding earmarked for student services. Others recommended engaging students in the governance of student services and special purpose grants, in order to ensure they meet student needs.

Quality, well-maintained facilities were seen to be equally important to creating positive learning environments, given that classrooms and campuses are where students spend the majority of their time. Some participants saw the need to address deferred maintenance costs in a new funding model.

**THEME 1.5**

**Foster innovation and quality learning**

Many said that college efforts to drive innovation at both institutional and community levels should be recognized and supported. With new developments in teaching and learning, colleges were seen to be enriching student experiences by using innovative approaches such as experiential, case-based learning or technology-enabled learning. Some participants saw value in fostering further innovation culture at colleges, recommending that innovation initiatives should be made a priority in the college funding model. One idea was that funding should be made available to be used for community hub projects as a way to keep institutions sustainable.
Quality of teaching and learning was also seen to be enhanced by a strong faculty complement. Many expressed concerns about the sector’s over-reliance on part-time contract faculty to teach students, citing a negative impact from this on the quality of education. Some said there is a value of having contract professors on campuses, given the industry experiences they bring. Others argued that the pay and working conditions of this group should be improved to enable full commitment to their roles.

Some participants felt that the quality principle could be enhanced with a more sustainable mix among college faculty. Balancing the ratio of full-time to contract faculty at colleges was seen by some as a way to improve equity in the system as well as ensure quality of student learning. Ensuring decent wages and job conditions for college support workers was suggested being equally important to creating quality learning environments for students.
Principle Two: Supporting the Existing Differentiation Process

Theme 2.1

Enhance Strategic Mandate Agreements

Consultation participants widely agreed that Strategic Mandate Agreements (SMAs) could be enhanced. In particular, ensuring alignment between the funding model and the approach to SMAs was seen as important. Overall, SMAs were still seen as the best ministry tools to promote differentiation in the sector, with some debate over increasing the scope of current agreements and introducing links to funding.

While some participants said the funding model should be aligned with SMAs, with SMAs potentially transitioning from aspirational to contractual documents, others were concerned about financial risks this could hold for institutions, especially if the changes were to trigger funding redistribution or reallocation.

Some contributors suggested improving SMAs by requiring more public reporting without necessarily linking funding to this feature. One suggestion was to require that SMAs provide detailed information relating to activities aimed at improving performance metrics, including program and project purpose, design, delivery, expected/actual outputs and outcomes, and costs.

Another area for improvement suggested by participants was to engage students and student leaders in planning, implementing and assessing SMAs to ensure that they promote programs and services that align with the needs of students they are intended to support.
THREE 2.2

Recognize institutional strengths and individual contexts

Nearly all participants agreed that a new funding model should move away from a one-size-fits-all approach to recognize institutional strengths and individual contexts, such as French language programming or specific circumstances of small, rural and northern colleges.

While some supported the need for greater differentiation and specialization, others said that further differentiation on program offerings needs to consider the unique and important role colleges play in serving local communities and economies. As some participants suggested, measures to support specialization should be balanced with the need to ensure that colleges can deliver on their core mission to produce highly skilled and job ready graduates.

THREE 2.3

Ensure access for all qualified learners

Consultation participants agreed that colleges’ leadership in educating students from underrepresented groups must be recognized and supported by a new funding formula. It was widely understood that college students come from all backgrounds, including students with disabilities, recent immigrants, students from the lowest income quartile, or those whose first language is neither English nor French.

Many felt that there should be special recognition of the costs of successfully servicing at-risk students; in particular, if the ministry seeks to increase its focus on outcomes. There was a perception that without such recognition, outcomes-based funding could unintentionally penalize colleges for serving at-risk students. To support this, some recommended that the new college funding model should allocate funding towards creative recruitment and retention strategies that demonstrate measurable results for this part of the college student population.
Particular consideration was also given to students with special needs. The consultation revealed a desire in the sector for greater supports for students with disabilities. Given that more learners with disabilities are participating in postsecondary studies, some participants argued that the costs of this trend must be recognized. Some suggestions included increasing special purpose funding for this growing segment of college population, and ensuring that funding for students with special needs “follows the student” from secondary to postsecondary education.

**Theme 2.4**

**Improve supports for part-time and non-traditional students**

There was strong consensus that funding and supports for part-time and non-traditional students should be strengthened to meet the diverse needs of these groups. Many recommended that services such as child care and housing should be recognized in the reformed funding model.

Overall, there was a sentiment that part-time students are disadvantaged under the current funding model, leaving few incentives for colleges to focus on the quality of part-time education.

Some recommended that a new funding model should also facilitate more flexible learning for part-time students and allow institutions to be compensated for intakes at different points of the year.

**Theme 2.5**

**Ensure flexibility in program delivery**

Many participants said that a new formula should incent delivery of accelerated programs similar to those offered by private sector providers, to better align with the needs of college students. These more flexible program delivery options were seen as crucial to making the college sector more competitive by giving options to students who want to reduce the opportunity cost of school and enter the labour market more quickly.
However, some were concerned about the arrangements between public and private colleges to offer public credentials to international students, which provide a different revenue source. The concerns related to a range of issues, including sector reputation, student experience, competition and other risks. Some were of the view that government should provide greater guidance on these activities.

**THEME 2.6**

**Improve collaboration**

Consultation participants agreed that a reformed funding model should provide opportunities for improving collaboration and partnerships between the university and college sectors, as well as among colleges themselves. Many saw benefits of increased co-operation in the sector, in particular, to reduce unhealthy competition, generate efficiencies, and improve student outcomes.

As some pointed out, to build on established programming strengths, colleges need to collaborate and share expertise. However, for colleges to get out of competition and into partnerships – there should be incentives built in the model. With a high level of competition among institutions, many were concerned over a waste of resources, including costs spent on marketing campaigns based on attracting enrolment.

Particular consideration was given to incenting collaboration between colleges and universities for opportunities to save money and improve student experience.
Principle Three: Increasing Transparency and Accountability

THEME 3.1
Simplify the model to make it understandable and accessible to stakeholders and general public

Consultation participants broadly agreed that a rational and simplified funding model, with clear metrics and a widely understood methodology, contributes to greater transparency. Many were of the opinion that the ministry should put more effort into explaining the funding model simply, so that all stakeholders can understand the mechanics of how funding works.

Some respondents suggested that documents related to special purpose funding should be publicly reported. Despite the ministry requiring many report backs from colleges receiving special purpose grants, the perception amongst some stakeholders was that these report backs are not transparent to the sector and the public. Others saw the value in making the history of college funding model available on ministry’s website.

THEME 3.2
Strike a balance between government stewardship and institutional leadership

According to many participants, ensuring a careful balancing act between government stewardship and institutional leadership will be required to strengthen transparency and accountability in the system and to build trust. Some respondents said the government should continue to monitor college activities to ensure that policy priorities and student populations are being served. For example, government stewardship was seen as important to ensuring that at-risk students can access postsecondary education.
Others favouring increased stewardship called for greater transparency on how institutions manage their finances in order to ensure accountable spending practices. For example, some said colleges should be transparent in the international and entrepreneurial activities they engage in to deliver postsecondary education and training. There was perception that there should be more accountability to sector stakeholders for the financial, reputational and human rights risks such activities can involve.

On the other hand, some favouring greater institutional trust suggested that colleges are already excellent stewards of the public and student investments. To support this point, some noted that colleges are currently collaborating on many fronts to achieve administrative efficiencies and improve productivity, including a province-wide approach to collective bargaining and a single benefit pension plan for the college sector.

Some participants believed that accountability relationships between the government and colleges should be built on partnerships and cooperation. In contrast, others argued that funding model should be flexible enough to allow colleges to shift resources internally in order to respond to various cost pressures.

**THEME 3.3**

**Review special purpose funding**

Many respondents saw the value in exploring opportunities to consolidate current special purpose grants to simplify the overall model structure. At the same time, there was agreement about the need to consider the importance of each grant and its specific purpose during the process. Others cautioned that there may be reduced visibility if these grants were rolled into the general purpose grant. For example, some felt that the Small, Northern and Rural Grant should exist independently, in recognition of the unique geographic and demographic circumstances of more isolated colleges.

There was perception, however, that some special purpose grants should be reviewed, to reduce complexity and simplify administrative requirements for colleges without diminishing
the supports provided to students. In addition, consistency and continuation of special purpose funding was seen to be important to allowing colleges to engage in long-term planning.

**THEME 3.4**

**Revisit current program funding parameters**

To promote transparency and accountability, some participants said priority should be given to a simplified system of program funding parameters. The current methodology behind assigning program funding was seen as outdated and failing to recognize new educational settings and innovative delivery modes, such as experiential and project-based learning. Some suggestions to address this included reducing the number of funding units used in the funding model and providing a predictable and timely process for assigning funding units.

While many viewed the review of funding parameters as important, caution was expressed over how the ministry should approach this exercise, as well as over its potential for funding redistribution among institutions. Others debated the cost and time associated with such a technical review and whether the timing is right for it.

**THEME 3.5**

**Streamline current reporting**

Consultation participants shared the view that some of the existing reporting processes at colleges could be consolidated to reduce time spent preparing multiple reports and eliminate duplication. To increase transparency and accountability, many felt it was necessary to determine which reporting requirements are still relevant to allow the colleges to fulfill their mandate and only require reporting on those elements. Some participants felt that reporting requirements were time-consuming, and required repeated explanations of merits of current programming.
Principle Four: Addressing Financial Sustainability

**Theme 4.1**

**Prioritize stability and predictability of funding**

Predictable and stable funding allocations were seen as an overarching priority for a reformed funding model design by virtually all participants. Like universities, colleges are expected to be affected by changing demographics in the province, which could challenge their ability to provide quality programming and ensure positive student outcomes if the model is not changed. With this in mind, many felt it was paramount for government and institutions to work on solutions to ensure sustainable and stable funding, especially during the period of enrolment slowdown.

Despite concerns over how incentives for growth in the current model may play out in communities where demand may slow, many participants felt that enrolment-based funding is still the most predictable and stable funding model available to colleges in the province. One recommendation was that a new college funding formula should continue to utilize enrolment-based funding as part of its foundation.

**Theme 4.2**

**Support small, rural and northern institutions**

Keeping small institutions, particularly in rural and northern communities, economically viable was perceived to be crucial to promoting financial sustainability. Many participants agreed that a new funding model should recognize regional diversity and economies of scale. As some noted, not only are colleges in rural, northern and remote areas the primary local gateway to postsecondary studies, they are also large community
partners and employers. Therefore, participants argued that the model needs to recognize and support the specific financial circumstances and cost structures they face.

Equal consideration should be paid to medium-sized colleges, according to participants. Some felt that the funding model should recognize that medium-sized colleges do not have the same advantages in delivering programs and services as the large urban institutions due to smaller economies of scale. Others brought up that cost structures of small southern colleges are not significantly different from those in the northern colleges of similar size, and the funding model should reflect this.

**THEME 4.3**

**Ensure stability through enrolment planning**

Many agreed that funding model should provide protection from enrolment volatility to ensure stability and support long-term planning, especially in the period of changing demographics and potential declines in enrolment. There was consensus that for colleges to provide high-quality learning that meets the needs of students, employers and communities, it is crucial to create an environment where every college can be financially sustainable.

Consultation participants saw the need for developing an enrolment planning strategy that would provide a coordinated way to ensure stability for colleges facing sharp declines in enrolment. At the same time, many emphasized the importance of having a mechanism to support growing institutions in areas where enrolment is expected to remain strong.

To support such a planning process and promote stable enrolment, some suggested that each institution should determine its long-term optimum enrolment level and make a transition to that level. In such a scenario, colleges should also have the opportunity to receive funding for one-time restructuring costs associated with reaching their planned future size.
THEME 4.4

Explore options for an enrolment corridor

Many felt the funding model should include some form of stabilization mechanism, or ‘corridor’ to help colleges meet their financial obligations in a rapidly changing operating environment.

As some said, this could be accomplished in different ways, such as negotiating more flexible funding corridors for each college, or allowing institutions to keep the funding allotted to their corridor when enrolments decline, but requiring that those funds be invested directly in student experience.

In general, moving to a corridor funding approach was widely seen by participants as a way to ensure stability in the sector in both the short and long term. Some of the potential benefits mentioned included a more predictable financial planning environment for colleges and the ministry, protection from declines in enrolment for institutions, and greater transparency for all stakeholders. Others argued that a corridor model should have a low ceiling and a low floor in order to respond to the differences among colleges and address the needs of declining and growing institutions.

THEME 4.5

Consider the role of funding adequacy and inflation

According to many stakeholders, providing adequate funding is central to addressing many fiscal challenges currently facing the sector. This includes investing in aging infrastructure, new capital for colleges with growing enrolments and protections for those experiencing declines.

Factoring inflation into the model, or other government funding sources, was also seen as crucial to helping colleges manage rising cost pressures and preserve quality programs and services for their students. Suggestions included a government commitment that funding per student should increase annually by the rate of inflation.
Themes Out of Scope for the Funding Model Review

The consultation generated many thoughtful ideas about how to improve and build upon the strengths of the current model. At the same time, the discussions went beyond the scope of this review, to include consideration of other important issues facing Ontario colleges.

Collective Bargaining and Labour Costs

Increasing labour costs related to collective bargaining were seen to be one of the greatest challenges facing colleges. There was a sentiment that government should step in to ensure financial sustainability in the sector in the shorter and longer term.

Participants felt that the renewed funding model should recognize colleges’ existing cost structures. Increasing compensation levels were seen as one of the most significant pressures on colleges’ ability to maintain quality programs and services for students. Pension shortfalls, combined with salary and benefit increases were seen to create challenges for some institutions trying to balance revenues with expenditures.

Tuition

Some participants said that tuition policy needs to be considered when designing a funding model to ensure that colleges remain financially sustainable as well as affordable and accessible for students. Rising tuition fees were seen by some to be resulting in higher levels of debt among students. Others maintained that a new Tuition Fee Framework needs to be designed in a way that considers inflation.

Employment and Training Funding

The need for alignment between the funding model and funding for employment and training programs such as apprenticeship, Second Career, and Literacy and Basic Skills was a point of debate among sector stakeholders. Those favouring integration said that funding for these programs should be part of the operating grants under the same funding mechanism to simplify
the process and avoid duplication in costs. Others argued for maintaining the status quo, warning that pooling both funding streams together could reduce the effectiveness of employment and training support.

**Apprenticeship**

Many consultation participants agreed that there should be a greater focus on building a stronger and more effective apprenticeship system, with increased government funding to support this. Measures should be taken to ensure that more learners can enter apprenticeship training and more can successfully graduate as apprentices. Fostering a culture of pride in the trades was seen to be equally important by sector stakeholders.

**International Students**

Consultation generated significant discussion around the role of international students in sector sustainability. Many expressed concern over the increasing reliance of colleges on international tuition fees as a source of revenue to maintain institutional sustainability.

At the same time, many felt that international students should be better supported on college campuses as they help foster important social, economic and scientific linkages with other countries. Downloading costs onto international students was perceived to be unfair, with some recommending that international students should be reflected in the official enrolment numbers used by the formula to determine financial support. Multiple participants argued that the International Student Recovery program should be eliminated.

**Alignment with Government Policies**

On a general note, participants agreed on the importance of having a coordinated government approach to funding colleges that considers impacts of related policies and initiatives, such as tuition, student financial aid, and differentiation. Many said the government should continue building on existing progress to maximize the overall impact of its funding mechanism.
Sector Governance

Labour representatives advocated for a co-governance model in colleges as a way of ensuring that academic quality is maintained. Under such model, institutional administration would be shared via a bi-cameral system, with boards of governors overseeing business and operational matters and academic councils, or senates, overseeing academic matters. It was felt that co-governance could also enhance faculty academic freedom and intellectual property protection.
Appendix: Participating Organizations

• Algonquin College
• Centennial College
• Ontario Cabinet Office
• Cambrian College
• Cambrian College Students’ Administrative Council
• Canadian Federation of Students – Ontario
• Canadore College
• Collège Boréal
• College Employer Council
• College Student Alliance
• Colleges Ontario
• Conestoga College
• Conestoga Students Inc.
• Confederation College
• David Trick and Associates Inc.
• Durham College
• eCampusOntario
• Fanshawe College
• Fleming College
• George Brown College
• Georganian College
• Higher Education Quality Council of Ontario
• Humber College
• La Cité collégiale
• Lambton College
• Loyalist College
• Ministry of Advanced Education and Skills Development
• Mohawk College
• Niagara College
• Niagara College Student Administrative Council
• Northern College
• Ontario Council on Articulation and Transfer
• Ontario Public Service Employees Union CAAT Academic Division
• Ontario Public Service Employees Union CAAT Support Division
• Regroupement étudiant franco-ontarien
• Sault College
• Seneca College
• Sheridan College
• St. Clair College
• St. Clair College Student Representative Council
• St. Lawrence College
• Student Association of George Brown College
• York Federation of Students