

**UNIVERSITY FUNDING
MODEL REFORM
CONSULTATION PAPER**



April, 2015

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Une publication équivalente est disponible en français sous le titre suivant : *Réforme du modèle de financement des universités : document de consultation, 2015*

This publication is also available on the Ministry of Training, Colleges and Universities website, at www.ontario.ca/tcu.

15-001 • ISBN 978-1-4606-5761-4 (PDF) • © Queen's Printer for Ontario, 2015

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1. Introduction

1.1 Purpose of the Consultation

On March 12, 2015, the government announced that Ontario would be moving forward with the transformation of its postsecondary education sector by launching consultations on modernizing the university funding model. The purpose of this consultation paper is to outline an engagement process and position the review within the context of the government's overall plan for postsecondary education. Funding universities in a more quality-driven, sustainable and transparent way is part of the government's economic plan for Ontario.

1.2 Postsecondary Education in Ontario

Ontarians, like many people around the world, know the importance of postsecondary education and training. With more than seven out of every ten new jobs created in Ontario requiring some form of postsecondary education or training, a high school diploma is no longer sufficient. The Ontario government, like many governments around the world, knows that Ontario's prosperity is tied to people who are employed and productive.

Ontario's overall goal for the postsecondary education sector is to ensure a system that achieves and supports accessibility, high-quality and student-centred learning experiences, social and economic development, financial sustainability, and accountability.

For more than a decade, the Government of Ontario has increased investments in postsecondary education significantly, including increasing operating grants to institutions by over 83 per cent since 2002-03. These investments have helped to support an unprecedented expansion in access to postsecondary education. Ontario's university sector now supports over 408,000 students, an increase of about 124,000 since 2002-03. Meeting this demand has been made possible through the commitment of Ontario's postsecondary institutions

to increasing access, and their willingness to respond to the increase in enrolment demand.

Enrolment growth, the main driver of university operating revenue, will slow in the medium-term due to demographic factors. This could result in increased pressure on budgets at some universities if costs outpace revenue growth. Substantial new investments in postsecondary education by the government at levels comparable to the recent past is not feasible. Government and institutions need to work together to find another way.

The government policy of differentiation sets the foundation for broader postsecondary change by publicly articulating government expectations and aligning the mandates of Ontario's colleges and universities with government priorities.

Ontario's Differentiation Policy Framework for Postsecondary Education, released in 2013, lays out this vision with a clear direction for transformation. Objectives of the framework include:

- ◆ Shifting the focus of institutions away from enrolment growth;
- ◆ Reducing unnecessary duplication;
- ◆ Ensuring that institutions' mandates align with government priorities (including financial sustainability at the institutional and system levels through a diversity of program strengths); and
- ◆ Reinforcing the ministry's role as a steward of the system.

Following the release of this framework, the government negotiated and signed Strategic Mandate Agreements (SMAs) with each of the province's 45 publicly assisted colleges and universities.

The ministry has been working closely and collaboratively with the sector on a number of key priority areas that support postsecondary education transformation. These include investing in credit transfer and the Ontario Council on Articulation and Transfer (ONCAT) to give students more flexibility on how, when and where they learn. Additionally, the ministry has worked with the sector to establish Ontario Online, a collaborative Centre of Excellence in technology-enabled learning. The ministry has also released a policy framework aimed at improving the alignment of future capital capacity with long-term demand growth, ensuring

more students have access to quality postsecondary education closer to home and that we build the right spaces in the right places.

A key next step in the government's transformation plan is funding model reform, as committed to in the Strategic Agreement Mandate negotiations. It is anticipated that funding model reform will help support the goals of greater differentiation and transformation. Central to this pursuit will be the need to preserve and enhance educational quality and institutional excellence within a financially sustainable cost structure. This will require a careful balancing act between government stewardship and institutional leadership, and a strengthening of transparency and accountability between the government, institutions, the public, and students.

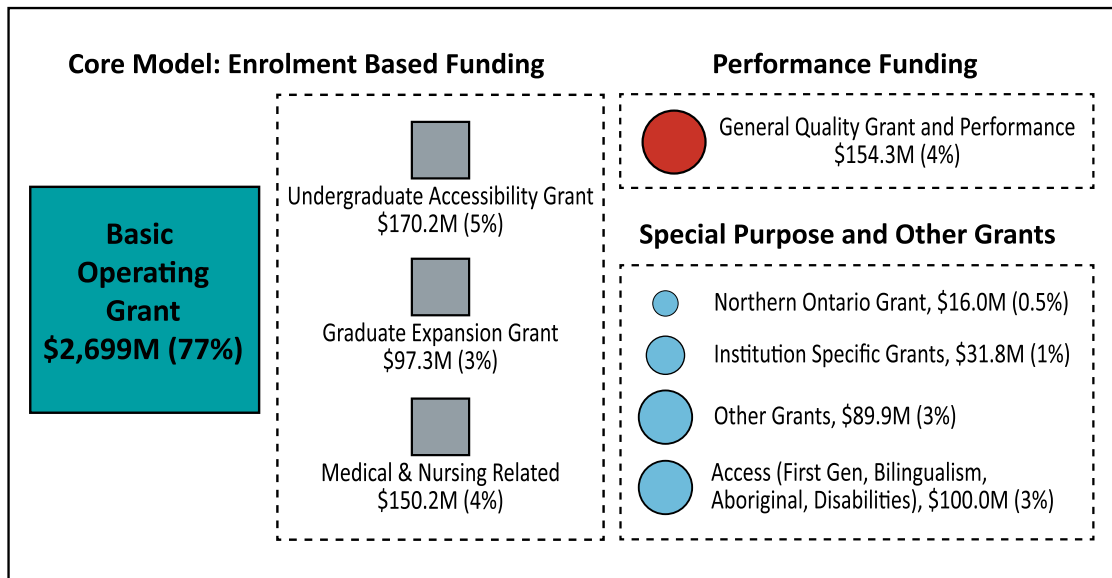
2. Ontario's Current Funding Model

2.1 Current Structure

The scope of this consultation will be the annual operating grants to universities provided through the university funding model. This represents about \$3.5 billion of government investment. Overall, funding will remain stable.

The purpose of the funding model is to provide a fair and balanced method for determining the share of the provincial operating grant to be allocated to each institution. The Ontario university funding model aims to ensure a reasonable degree of equity in the distribution of available government support, but does not determine the overall level of funding in the system.

The current funding model distributed grants for 2014-15 in the following manner:



The funding model consists of three main components:

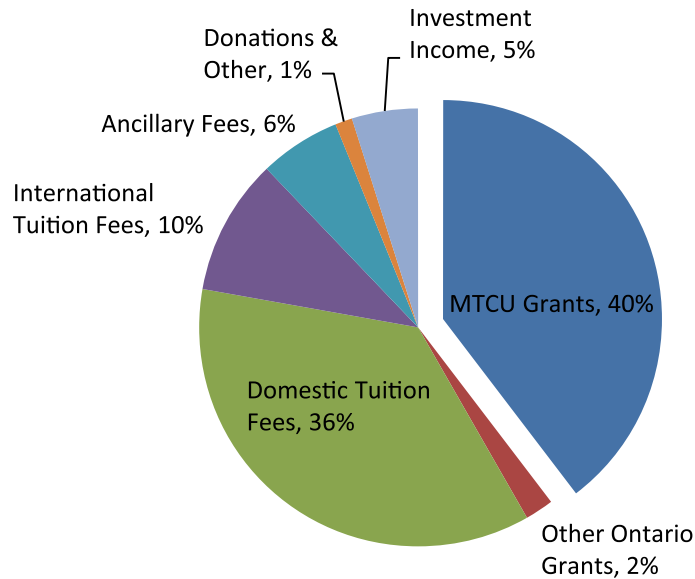
1. The Core Model, which is enrolment-based. The Basic Operating Grant provides grants based on historical enrolments. It is intended to provide a level of stability and predictability that allows universities to do multi-year planning.

The Undergraduate Accessibility Grant, Graduate Expansion Grants, Medical and Nursing Related Grants support new enrolments and growth. When combined with the basic operating grant, the core model grants support live, current-year enrolment. Funded enrolments for graduate, medical, and teacher's education are capped by the ministry.

2. Performance funding is based on Key Performance Indicators (KPIs) and the submission of Multi-Year Accountability Agreement (MYAA) Annual Reportbacks. Current KPIs include graduation rate, and employment rate six months and two years after graduation. Once MYAAs are successfully completed and submitted, an institution's allocation is determined based on its share of system enrolment.
3. Special Purpose Grants, which support specific policy objectives, as well as providing incremental funding to meet the needs of students and institutions.

It should be noted that with few exceptions, universities have full fiduciary responsibility for how operating grants are spent within the university. For grants other than the Basic Operating Grant, universities are required to submit reports that outline how funds were used, but decisions about expenditures are at the discretion of the university.

Operating Revenue of Ontario Universities, By Source for 2013-14



Ontario grants account for approximately an average of 42 per cent of operating revenues in the university sector, with other significant sources of operating revenue including student tuition and miscellaneous fees. The ministry also invests in specific capital projects and student financial assistance, while the Ministry of Research and Innovation invests in sponsored research. Operating revenue does not include funds from sponsored research, endowments, trust funds, or capital grants.

3. University Funding Model Reform

3.1 Purpose

To support positive outcomes for students and ensure the long-term sustainability of the postsecondary education sector.

3.2 Main Principles

Consultations will focus on how a reformed funding model may promote the following principles:

- ◆ Enhancing quality and improving the overall student experience;
- ◆ Supporting the existing differentiation process, which is expressed in each university's Strategic Mandate Agreement;
- ◆ Addressing financial sustainability and ensuring the long-term sustainability of the postsecondary education sector; and
- ◆ Increasing transparency and accountability.

3.2.1 Enhancing quality and improving the overall student experience

The government's shared goal with all Ontario colleges and universities is to ensure quality in the postsecondary sector and provide students with the most accessible, affordable and innovative postsecondary education possible, so that they have the skills they need to actively participate in the 21st-century global economy.

3.2.2 Supporting the existing differentiation process

Ontario's universities offer a diversity of strengths in both academic programming and cutting-edge research. The government is committed to helping institutions support and build upon well-established strengths. Ontario's university sector should have the flexibility to offer the full continuum of

educational opportunities required for students and communities to compete and prosper in a globally competitive environment.

3.2.3 Addressing financial sustainability

The government is committed to working with institutions to build a financially sustainable, high-quality postsecondary education sector in both the short and long term. This priority will help ensure that Ontarians have access to a full range of affordable, high-quality postsecondary education options, now and in the future.

3.2.4 Increasing transparency and accountability

As stewards of the postsecondary system, the government has a responsibility to ensure that university funding is distributed in a transparent manner, and to strengthen accountability relationships between government, institutions and the public.

4. Engagement Process

4.1 General Approach

The ministry commits to openness and transparency throughout this consultation. While we welcome all feedback on issues related to the university funding model, participants in the consultation should keep in mind the principles of the review and the discussion questions noted below.

4.2 Discussion Questions

General questions

1. Within the next 15 years, what will be the greatest opportunities and/or challenges facing the university sector in Ontario?
2. In your view, how could the funding model best achieve the main principles identified in this consultation?

Enhancing quality and improving the overall student experience

3. What factors in the student experience are essential to facilitating positive student outcomes, such as equity, resilience, and success?
4. How could the funding model better promote the improvement of undergraduate teaching quality in programs, and support innovative programming (e.g. experiential or entrepreneurial learning)?

Supporting the existing differentiation process

5. How could the funding model be better aligned with Strategic Mandate Agreements and the Differentiation Policy Framework, in particular, in supporting differentiation among institutions?
6. How could the funding model better recognize regional geographic diversity and community partnerships?
7. What is the appropriate role for outcomes measurement in supporting differentiation?

Addressing financial sustainability

8. What type of conditions or environment would be required for universities to best support financial sustainability?
9. What incentives or measures could be prioritized through the funding model to help universities promote a sustainable cost curve?

Increasing transparency and accountability?

10. How could accountability and reporting relationships between universities and the government be improved and structured to best demonstrate the achievement of key outcomes?
11. How could the funding model be redesigned to reflect greater transparency?

Closing questions

12. Are there any concerns or recommendations that you would like to add that were not previously covered?

4.3 Key Components of the Engagement

The government has appointed former Deputy Minister Sue Herbert as Executive Lead for the process. It is the ministry's intent to engage a wide range of stakeholders throughout this process. In addition to university senior administration, students and faculty, the ministry will also reach out to related sectors, such as colleges, employers, professional associations, and the elementary and secondary education sector. The ministry will also engage sector experts throughout the consultation process.

4.3.1 Engagement Process

In addition to individual meetings, the ministry will be hosting open meetings on issues and perspectives related to funding model reform, alongside other stakeholders and the Executive Lead.

The ministry acknowledges the leadership of the Council of Ontario Universities in establishing a task force and technical working group on this issue, and looks forward to their sound advice and expertise.

The ministry welcomes responses to the discussion questions at ontario.ca/fundinguniversities, by September 1st, 2015. Written submissions will also be accepted at FundingModel@ontario.ca by September 1st. Submissions should be related to the topic of reforming the university funding model allocation mechanism, and should address the discussion questions proposed. The Freedom of Information and Protection of Privacy Act (FIPPA) applies to information in the custody or under the control of the ministry. Submissions should identify whether any information is submitted in confidence within the meaning of sections 17 (Third Party Information) or 21 (Personal Privacy) of FIPPA.

Throughout the consultation, the ministry will maintain a website for the purpose of continuing dialogue and providing periodic updates regarding ongoing consultations.

ontario.ca/fundinguniversities

4.3.2 Consultation Summary

In keeping with the open and transparent nature of the consultation process, the ministry will report back publicly with a summary of the consultations at the conclusion of the process.

