

**COLLEGE FUNDING  
MODEL REFORM  
CONSULTATION PAPER**



*May, 2016*

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# 1. About This Paper

The purpose of this consultation paper is to describe the current funding model, set out principles for reform and invite input that will help inform government decisions on how that model should change. Funding colleges in a more outcomes-based, quality-driven, sustainable and student-centred way is part of the government's economic plan for Ontario.

## 2. Introduction

On May 21, 1965, Ontario's Minister of Education, William G. Davis, introduced legislation to create a postsecondary education system different from that of universities – to serve students who were not university-bound, or who were seeking technical or vocational education.

Today, Ontario is home to 24 publicly-funded colleges of applied arts and technology, offering a wide breadth of programs available to students throughout the province. The range of programs varies from diplomas, to apprenticeship training, to four-year degree programs.

Colleges also play a central role in strengthening Ontario's communities. By working closely with local businesses, colleges drive innovation and improve productivity, helping to create new jobs and fueling economic growth.

Colleges are important to ensuring that Ontarians from all socioeconomic and cultural backgrounds have access to a quality postsecondary education that will help them find good jobs and rewarding careers. For Ontario's workforce to lead in talent and skills, it will be important to ensure that even greater numbers of people can attain career-specific qualifications and advanced skills that align with career opportunities in the new economy, and that the College sector's strong connection to the economy is further enhanced.

## 3. Context

### 3.1 Evolving Demographics and Participation Rates

Ontario has seen a significant increase in the number of students attending postsecondary education (PSE). This was driven by demographics and provincial policies that sought to support Ontario's economic and social wellbeing, by giving more people the education and skills needed to participate in the increasingly knowledge-based economy.

Provincial funding to colleges and universities has prioritized enrolment growth over the last several decades and this has enabled Ontario to achieve one of the highest participation rates in the world. Canada outpaces the OECD average in postsecondary attainment for both colleges and universities, with Ontario leading in postsecondary participation rates.

However, demographics have changed in recent years, and the 18-24 year old population has been falling. This decline is more profound in rural and northern areas and is expected to continue in the medium term.

Increased participation rates have somewhat offset these changes, but many institutions are facing declines in enrolment-related funding which will challenge their ability to sustain strong, accessible programs.

At the same time, colleges are recognized as being important to economic growth in their regions and are asked to provide greater opportunities for work-integrated and experiential learning. The current college funding formula does not fully address these challenges and needs to evolve to this changing context.

## 3.2 Postsecondary Transformation

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. To support this goal, the government has determined that differentiation should be the primary policy driver for the PSE sector moving forward.

Ontario's Differentiation Policy Framework for Postsecondary Education, released in 2013, provides a balanced and collaborative approach to better support the government's vision for PSE transformation. The overarching goals of the framework include:

- ◆ Supporting student success and access to a high-quality postsecondary education;
- ◆ Improving the global competitiveness of Ontario's PSE system;
- ◆ Building and helping focus on the well-established strengths of Ontario's colleges and universities; and
- ◆ Maintaining an efficient and financially sustainable postsecondary education system.

Overall, a differentiated postsecondary education system supports greater quality, competitiveness, accountability and sustainability by allowing institutions to spend resources more efficiently, focusing on their areas of strength.

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. SMAs are the tool through which institutions articulate their unique mandates and aspirations. These agreements help guide future growth by encouraging more focus on individual strengths, while avoiding or limiting expansion in academic areas where programs already exist.

The ministry has been working closely and collaboratively with the college 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 [eCampusOntario](#) to support the expansion of high-quality flexible online learning opportunities for Ontario's students. 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.

To support the transformation and differentiation agendas, the government is committed to improving collaboration and partnerships between the sectors and among institutions to ensure that students have access to a full continuum of learning opportunities in a coordinated system. Innovative approaches to collaboration can provide enhanced opportunities for students, and maximize the impact of existing resources and avoid unnecessary duplication.

### 3.3 University Funding Model Review

As part of the differentiation policy framework and SMAs, the ministry committed to engage with both college and university sectors around potential changes to the funding formula, beginning with the university sector. On December 10, 2015 MTCU accepted a report from former Deputy Minister Sue Herbert that summarizes consultation results with the university sector and provides high-level strategic directions on reforming the funding model – *Focus on Outcomes, Centre on Students*.

It will be important to ensure that colleges and universities continue to be funded in a fair manner, recognizing the evolving role of each sector to the province's economic and social wellbeing.

The college funding model consultation is the next step in the ministry's commitment to support the goals of greater differentiation and transformation. Central to this 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.

## 4. College Funding

### 4.1 Current Model Structure

The purpose of the current Ontario college funding model is to provide a reasonable method to determining an allocation sharing of available provincial operating grant to each institution. However, the funding model does not determine the overall level of operating funding required in the system.

The model balances the allocation of funding between colleges which are experiencing enrolment growth in order to ensure access to college programs, while supporting predictable funding for colleges with declining enrolments. The model provides funding to meet the special circumstances of institutions in the north and French-language colleges. It also provides support for health programming as well as special support for students such as Indigenous learners and students with disabilities.

The current model was established in 2009 and replaced a previous three-year Interim Funding Framework introduced under the government's Reaching Higher program. The key principles in the most recent changes to the college funding framework were to create a degree of funding stability for colleges as institutions experiencing different levels of growth and to create more equal funding for students in similar programs across colleges.

In 2015-16, an estimated \$1.4 billion in operating grants was allocated to 24 colleges to support postsecondary activity in three broad categories:

1. **Enrolment Based Funding** provides grants based on historical enrolments. It is intended to provide a level of stability and predictability that allows colleges to engage in multi-year planning.

The College Funding Formula (CFF) allocates operating funding distributed through two envelopes:

- *Base Funding*, designed to deliver a minimum, stable level of funding; and
- *Growth Funding*, intended to provide additional funding for enrolment growth.

Targeted Grants support nursing- and health-related program delivery. The majority of this funding supports degree nursing programs that are delivered collaboratively between universities and colleges. Colleges share this funding with their university partners in accordance with their individual agreements.

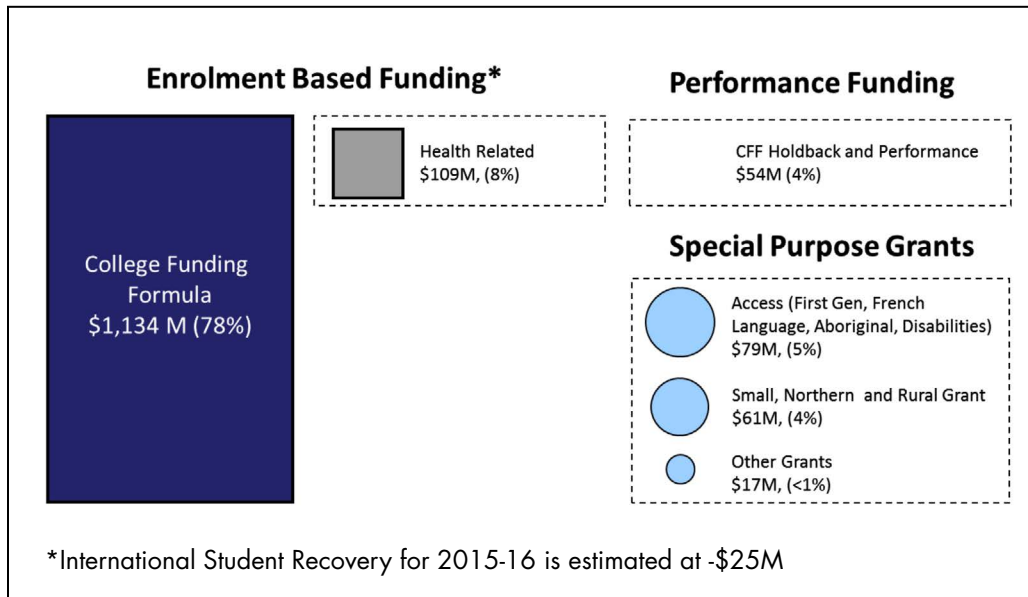
2. **Performance Funding** is allocated to colleges based on performance and accounts for four per cent of the total funding available. Currently, two grants are intended to support accountability and incent focus on performance and outcomes.

CFF Holdback allocates a portion of the CFF Base Funding to colleges that successfully report on their Strategic Mandate Agreements (SMAs), which includes performance indicators related to access, quality and accountability. This funding is released upon approval by the Minister of a college's annual SMA report back.

Performance Funding allocates \$16.4 million to colleges where key performance indicators (KPIs) exceed the system benchmark. KPIs used to determine funding are graduate satisfaction, employer satisfaction, and employment rate six months after graduation.

3. **Special Purpose Grants** provide funding for key government priorities. The majority of funding is dedicated to supporting access, targeting Indigenous, French language and First Generation learners, as well as students with disabilities. The Small, Northern and Rural Grant (SNR) is the single largest special purpose grant allocating \$61 million to 11 colleges. SNR is intended to deliver additional operating funding to smaller colleges and colleges in Ontario's North which experience higher per student costs due to lack of

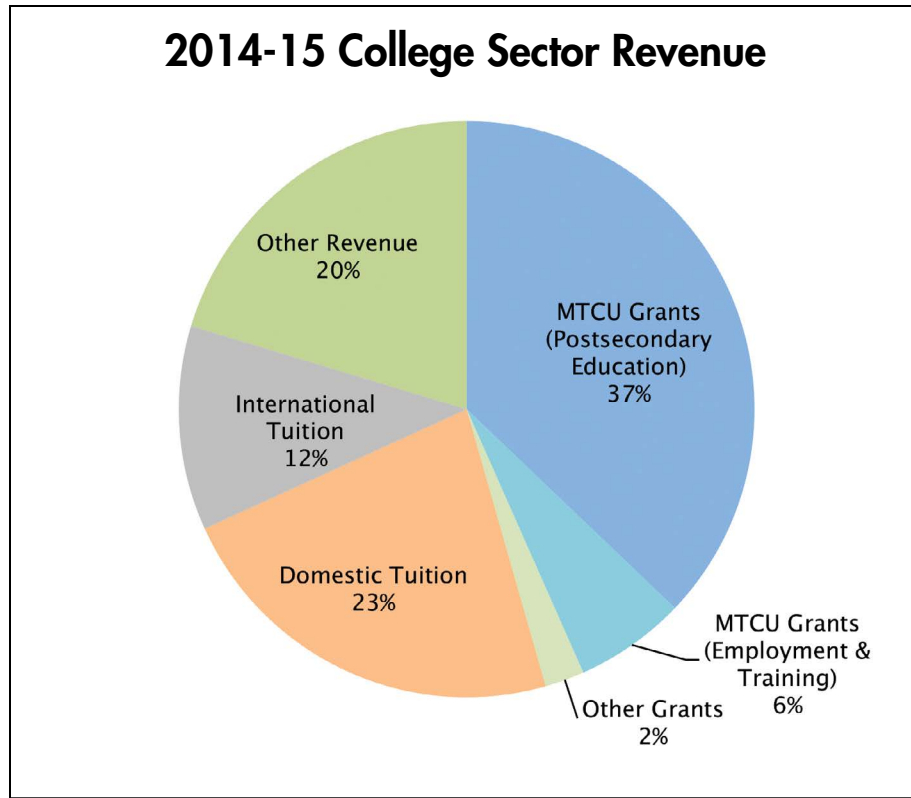
economies of scale that would lower per student costs of educational delivery.



In addition to the \$1.4 billion in operating grants from Postsecondary Education Division in MTCU, colleges also receive approximately \$250 million in funding from MTCU to support the delivery of non-postsecondary employment and training programs such as Apprenticeship funding, Second Career and Literacy and Basic Skills.

## 4.2 College Sector Revenue

The total revenue reported for the college sector in 2014-15 was \$3.9 billion. Grants from MTCU account for approximately 37 per cent of operating revenues in the college sector, with other significant sources of operating revenue including student tuition that accounts for another 35 per cent.



## 5. Consultation Overview

### 5.1 Purpose

The purpose of this consultation is to support positive outcomes for students and ensure the long-term sustainability of the postsecondary education sector.

### 5.2 Scope

The scope of this consultation will be the annual operating grants to colleges provided through the college funding model. This represents about \$1.4 billion of government investment.

Out-of-scope issues for this consultation will include tuition, adequacy of funding, collective bargaining, mergers, closures and operating grant reductions.

### 5.3 Key Principles

Consistent with the university funding model review process, consultations will focus on how a reformed funding model for colleges may promote the following principles:

- ◆ Enhancing quality and improving the overall student experience;
- ◆ Supporting the existing differentiation process;
- ◆ Increasing transparency and accountability; and
- ◆ Addressing financial sustainability.

#### 5.3.1 Enhancing Quality and Improving the Overall Student Experience

The government's shared goal with all Ontario colleges 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.

### 5.3.2 Supporting the Existing Differentiation Process

The government is committed to helping colleges support and build upon well-established strengths. Through the applied research, career-focused education and training they provide, colleges help to build the talent and skills of Ontario's future workforce. Colleges have successfully supported the access agenda, strengthening the economic and social development of their local and diverse communities. The government has a responsibility to support the unique role the college sector plays in Ontario's postsecondary education system.

### 5.3.3 Increasing Transparency and Accountability

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

### 5.3.4 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.

## 5.4 Engagement Process

Colleges have asked for an expedited review of the college funding model, consistent with universities to ensure fair treatment. This will allow for a timely process in order to align the current model with the next round of Strategic Mandate Agreements. The consultations also help mark the upcoming 50th anniversary of college education in Ontario and offer an opportunity for improving the current model to ensure a sustainable, accessible and quality-driven system for the next 50 years and beyond.

While many issues are common to both postsecondary sectors, the goal of this exercise is to identify concerns specific for the college sector. The key objective of this approach is building a culture of trust and collaboration between the government and college sector stakeholders.

To support this next phase of work, the province has appointed Glenn Craney as Expert Lead, Postsecondary Funding Renewal Project, and Eugene Harrigan as Expert Sector Advisor on College Funding Model Reform to lead college funding model reform consultations. As Expert Sector Advisor, Eugene will support the Expert Lead and ministry throughout the consultation process, and lead engagement with college administration, students, and faculty.

In addition to individual meetings, the ministry will be hosting an all-day consultation event alongside the Expert Lead and Expert Sector Advisor. The event will include broader stakeholder representation to facilitate discussions and invite feedback on issues and perspectives related to funding model reform.

The ministry welcomes written submissions at [FundingModel@ontario.ca](mailto:FundingModel@ontario.ca) by June 15, 2016. Submissions should be related to the topic of reforming the college funding model allocation mechanism, and should address the discussion questions proposed below. 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.

In keeping with the open and transparent nature of the consultation process, the ministry will report back with a high-level summary of consultation results at the conclusion of the process.



## 5.5 Discussion Questions

To facilitate the discussion on potential changes to college funding model design, the ministry is proposing the following framework with key discussion questions. While all feedback on issues related to the college funding model is welcome, participants in this consultation should be guided by the principles of the review and the discussion questions noted below.

### **General Questions**

- ◆ In your opinion, how could the funding model be improved to better achieve the policy principles identified for this consultation?

### **Key Questions**

- ◆ How could the funding model better promote positive student outcomes and quality educational experience? What is the appropriate role of data and outcomes measurement in achieving these goals? What are opportunities for alignment?
- ◆ How should the funding model be better aligned with Strategic Mandate Agreements and the Differentiation Policy Framework, to help colleges build on established programming strengths?
- ◆ How could the funding model be redesigned to reflect greater transparency and accountability in the system, particularly to objectives and performance measures other than enrolment?
- ◆ What policy measures could be prioritized through the funding model to help colleges achieve financial sustainability in the absence of certain minimum enrolment levels?

### **Additional Questions**

- ◆ How could the funding model be better aligned with funding provided for employment and training programs such as Apprenticeship funding, Second Career and Literacy and Basics Skills?
- ◆ What are the opportunities for aligning current program parameters with changes in program delivery design and settings such as experiential and entrepreneurial learning?
- ◆ Are there opportunities to simplify the model through consolidation of grants or simplification of technical components of the model?
- ◆ What changes are needed to ensure that colleges can respond to part-time and other non-traditional learners?

