



Ensuring Financial Sustainability for Ontario's Postsecondary Sector

Submitted by
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Blue-Ribbon Panel on Postsecondary
Education Financial Sustainability

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Acknowledgements


Dear Minister Dunlop,

It is my pleasure to submit to you the final report of the Blue-Ribbon Panel on Financial Sustainability in the Postsecondary Education Sector. Our Terms of Reference asked that we make recommendations with respect to Ontario's colleges and universities. The sector does of course also include Indigenous Institutes (IIs), regarding which we were asked to provide discussion points for bilateral discussions between your ministry and the IIs. Our report fulfils both responsibilities.

Every panel member made important contributions to this report, which is truly a team effort. That we were able to submit our report, as requested, within six months of our first meeting demonstrates the commitment of panel members to the task at hand. This commitment was matched by the panel members' common sense of purpose, which is exemplified by the unanimous support for virtually all the report's recommendations.

This is not to suggest that our task was an easy one: the sector's financial sustainability is currently at serious risk, and it will take a concerted effort to right the ship. Our recommendations, if implemented in their entirety, will, we believe, set the sector on the path to a financially sustainable future. Moreover, the provincial government, colleges and universities, and students all have a significant part to play in ensuring this sustainable future.

I should like to take this opportunity to acknowledge the sterling support we received from Paddy Buckley and the secretariat she led. I know I speak for all panel members when I say that the secretariat made an important contribution to the timely completion of our report.



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Executive Summary

Ontario's Publicly Assisted Postsecondary Education Sector

The panel was established to provide advice and recommendations that would ensure the long-run financial sustainability of Ontario's postsecondary education sector, specifically publicly assisted colleges and universities. Laurentian University's recent financial difficulties served as an impetus for the panel's establishment. More generally, it was reflective of several audits of publicly assisted colleges and universities conducted by the Auditor General, which, in the words of our terms of reference, "highlighted broader sustainability concerns for Ontario's publicly assisted postsecondary system".

The panel quickly realized that success in this endeavour will only come from a comprehensive set of recommendations. Where funding support is concerned, success also demands a shared and coherent approach on the part of government, institutions, and students. Accordingly, a foundational recommendation of the panel, if implemented, would increase direct provincial support for colleges and universities, providing for both more money per student and more

students. Students would be asked to play their part through higher tuition, and colleges and universities, together with the provincial government, would ensure a sufficiency of needs-based financial aid for students, and pursue further efficiencies.

The panel recognized too that accountability is a prerequisite for sustainability, given which several recommendations address the role of boards of colleges and universities, and the importance of board members' financial literacy. Relatedly, the sector's dependence on international students, particularly, but not only, in Ontario's publicly assisted colleges, needs to be recognized explicitly as a financial risk and incorporated into analyses of institutions' sustainability.

Several of the panel's recommendations stress the importance of recognizing that some parts of the postsecondary sector face special challenges, which therefore demand flexibility of support to ensure long-run financial sustainability and support regional economic growth. For example, some recommendations propose different approaches for colleges vis-à-vis universities, while others suggest distinctions for northern institutions. The panel's recommendations also include three options for restructuring French-language universities and colleges.

We acknowledge that, although most of our recommendations address the financial sustainability of the sector, a few are a stretch within our terms of reference. This notwithstanding, we are confident that our recommendations, when applied in concert with one another, will move the sector firmly in the direction of long-term financial sustainability. It is together that our recommendations will solve a large part of the problem, and mitigate the significant risks that triggered the need for our panel. If fully implemented, everyone will have played their part in a shared and balanced approach to the associated investments needed in a financially sustainable postsecondary sector that responds to labour market and student needs.

Lest anyone reading this summary presumes otherwise, the panel recognized that the postsecondary sector in Ontario also includes nine Indigenous Institutes (IIs). Our terms of reference did, however, preclude recommendations pertaining to IIs. Instead, we were asked to work to understand and identify the issues pertinent to IIs preparatory to bilateral discussion between the IIs and the Ministry of Colleges and Universities. A section of our report provides considerable context for five major areas for this dialogue, which will, we understand, begin within the next few months.

Background and Context

Our panel was established to provide the province's Minister of Colleges and Universities with advice and recommendations that would, if implemented, ensure the long-term financial sustainability of Ontario's publicly assisted colleges and universities. Besides the 24 colleges and 23 universities, the province's postsecondary sector also includes nine Indigenous Institutes (IIs),¹ which have a different funding arrangement and governance structure. In recognition of this, the panel's terms of reference asked that we "work to understand and identify issues pertinent to IIs".²

The establishment of the panel was timely: the province's colleges and universities have faced significant challenges to their financial sustainability in recent years. In 2017, as part of that year's Strategic Mandate Agreement³ (SMA) process, direct provincial funding to support domestic enrolment at colleges and universities was

effectively frozen. The number of funded domestic students a college or university could admit was fixed⁴ as was the funding per student.⁵ Two years later, the finances of Ontario's colleges and universities were further challenged by the province's decision to reduce by 10% the tuition rates paid by students at these institutions, subsequent to which tuition rates were frozen. This freeze is still in effect,⁶ and the province has announced it will continue for the 2023-2024 academic year, which began in September.

As time goes on, this situation is ever more likely to pose a significant threat to the financial sustainability of a major part of the province's postsecondary sector. Higher rates of price inflation in the last two or three years exacerbate this threat.

The province's Auditor General has also expressed concerns regarding the sector's financial sustainability. In December 2021, a value-for-money audit of Ontario's

1 The *Indigenous Institutes Act* provides the legislative framework for Indigenous Institutes to offer their own postsecondary credentials.

2 Our Terms of Reference explained that the "identification of issues will be used to support follow-up bilateral discussions between the IIs and the Ministry of Colleges and Universities (MCU), beginning in Fall/Winter 2023".

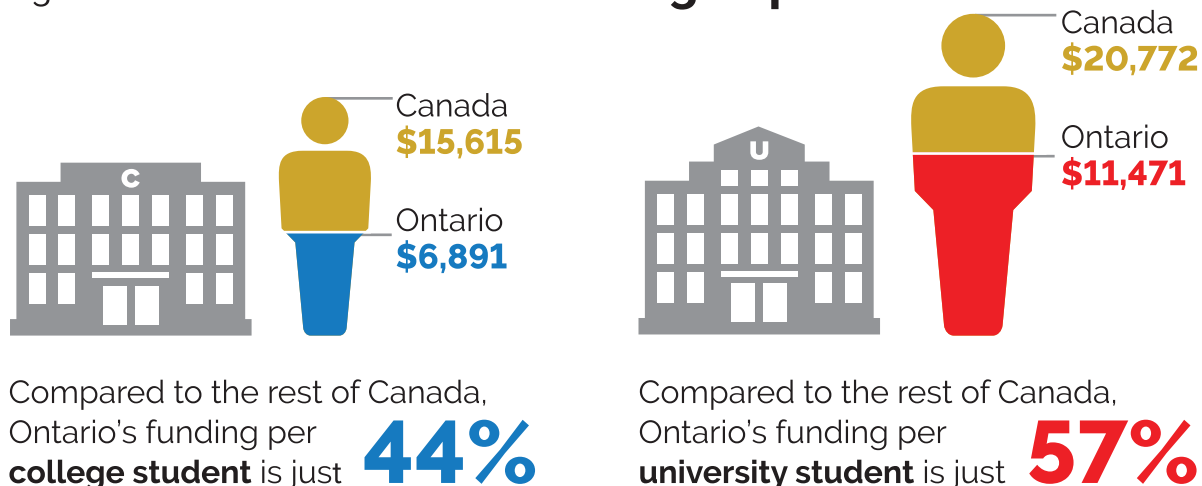
3 Strategic Mandate Agreements are bilateral agreements between MCU and the colleges and universities that receive direct operating funding from the province. The current agreements are in place until 2025.

4 This was justified with reference to demographic data that at the time indicated little if any growth for several years to come in the relevant age group.

5 The freeze on the funding per student was actually a continuation of a freeze that had been in place for a considerable number of years prior to 2017.

6 For completeness, it is important to note that as of 2021, tuition rates paid by domestic students from provinces other than Ontario were not any longer frozen.

Figure 1: **2021-2022 Government Funding Gap**



public colleges included the observation that funding for public colleges' full-time domestic students is lower in Ontario than in any other Canadian province.⁷ In another report, dated November 2022, the Auditor General addressed the financial difficulties that led to Laurentian University's declaration of insolvency early in 2021 and its decision to file for creditor protection.⁸ In the same month, a separate value-for-money audit of four universities (Algoma, Nipissing, Ontario Tech and Windsor) noted that "although the universities we audited were in a positive financial position at the time of our audit, some issues, if left unaddressed, could put the future financial sustainability of the universities at risk".⁹

7 Office of the Auditor General of Ontario, *Value-for-Money Audit: Public Colleges Oversight*, December 2021.

8 Office of the Auditor General of Ontario, *Special Report on Laurentian University*, November 2022.

9 Office of the Auditor General of Ontario, *Financial Management in Ontario Universities*, November 2022.

A recent report broadly substantiated the Auditor General's comments on the paucity of provincial funding for colleges, and indicated that funding for Ontario's universities was also low when compared with support in other provinces. The figure above illustrates the large funding gap between Ontario and the rest of Canada for colleges and universities. In 2021-2022, Ontario's funding per college student was \$6,891, 44% of the figure for the rest of Canada (\$15,615). The universities received \$11,471 per student, which represented 57% of the figure for the rest of Canada (\$20,772).¹⁰

The Auditor General's value-for-money audit of Ontario's public colleges also noted that, as a consequence of the low level of provincial funding, colleges are increasingly

10 See *The State of Postsecondary Education in Canada 2023*, Appendix C, Ontario Provincial Profile, Figure ON6, and also <https://higherstrategy.com/spec-2023/>.

Process

reliant on international students' tuition fees to remain financially sustainable. The audit added that because colleges finances are consolidated on the province's financial statements, the associated risk from a reliance on international students is also borne by the province.

Data shared with the panel confirm that colleges and universities have come to rely more and more on international student tuition fees to the point where the revenue from this source is fundamental to the sector's financial sustainability. This increased reliance raises the postsecondary institutions' risk exposure.

We believe the foregoing strongly supports our assertion that the establishment of the panel was timely.

Our timeline was short. We first met at the end of March 2023 and were asked to submit our report within six months. The panel has stayed focussed on its terms of reference, paying particular attention to the issues that underlie the financial sustainability of institutions, while also considering both the learner experience and the needs of Ontario's economy in the short and medium term. In the time provided for the panel's work, it was not thought possible to do the fundamental analysis that might lead to recommendations of major changes to the sector.

We did benefit from helpful presentations by various officials from the Ministry of Colleges and Universities (MCU), and we also sought wider input by inviting written submissions from within and beyond the

sector. We received a total of 95 written responses and met with a subset of stakeholders.¹¹ Our invitation encouraged due consideration of our Terms of Reference, and the questions posed therein, as well as the provincial government's five key principles:

1. Enhancing student experience and access
2. Rewarding excellence and financial sustainability
3. Improving labour market alignment
4. Promoting economic growth and prosperity
5. Keeping education affordable for lower and middle-income families.

Our advice and recommendations focus primarily on measures that will support financial sustainability in the short term, while helping also to ensure medium and long term sustainability.

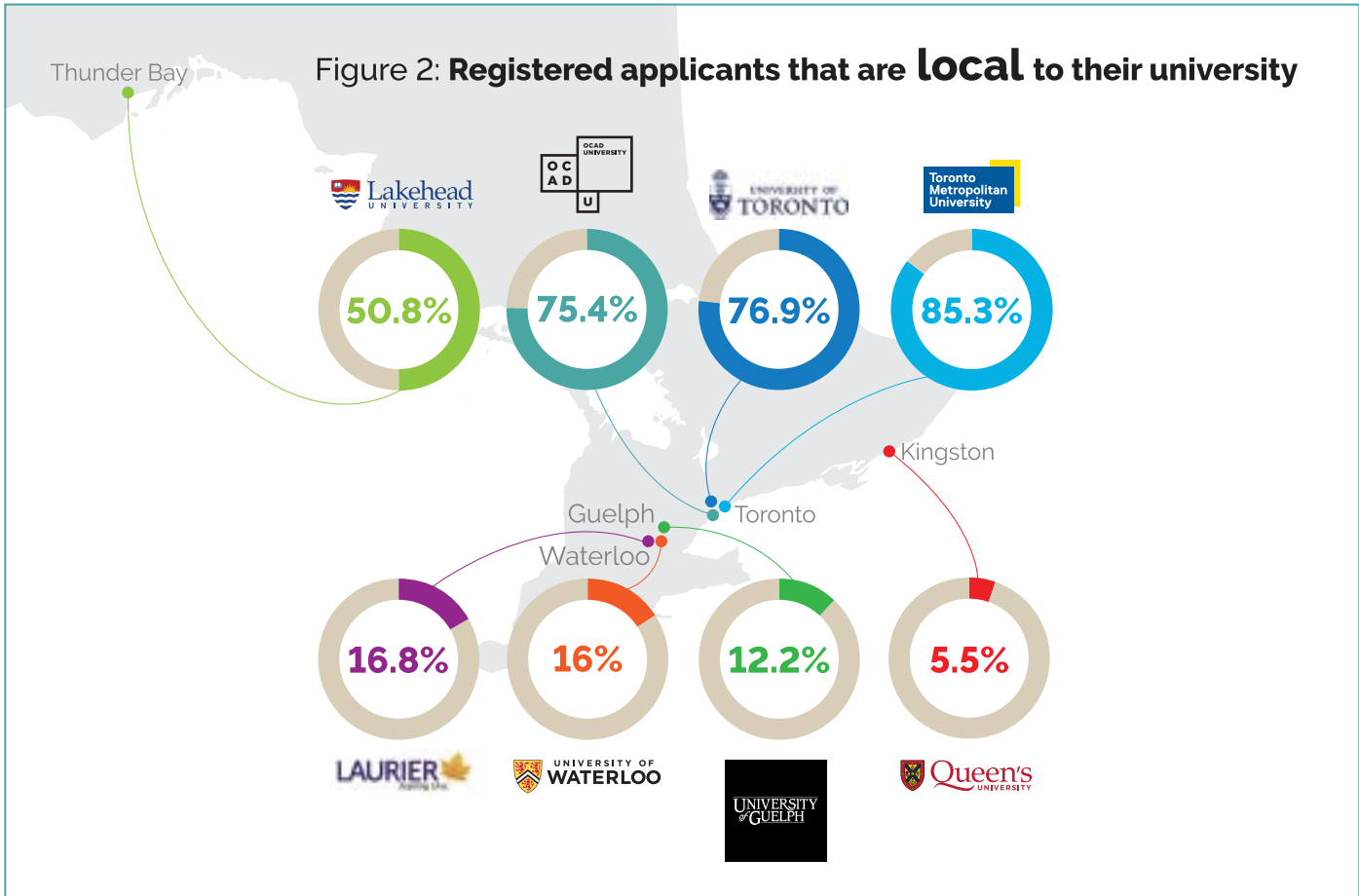
There was broad agreement among panel members that continued differentiation within the sector is highly desirable. Obvious benefits include a focus on institutional strengths, greater choice for students, and the avoidance of duplication. Experience in the sector does though suggest that being too differentiated

can increase risk for institutions when public policy changes leave them more vulnerable. We therefore suggest that the principle of differentiation should apply most fundamentally across the postsecondary sector, maintaining distinctions between colleges and universities where mandates differ.

Colleges and universities both offer degree programs. This notwithstanding, the value of differentiation includes the focus of colleges on skills, trades and applied diploma training, all of which need particular attention in today's economy. For universities, the delivery of high-quality graduate programs that fuel the province's competitiveness in innovation needs similar attention. Additionally, the distinction between IIs and colleges and universities should continue, while also encouraging colleges and universities to continue and, where possible, increase collaborations with the IIs and their delivery of programs and support for Indigenous learners.

Colleges and universities that serve northern, rural and remote communities should be encouraged to meet evolving regional labour market needs as a priority. Distinctions will exist based on size, differentiated mandates, and the extent to which each institution relies on recruiting students from outside its region to meet

11 See Appendix II for a list of respondents. The list also identifies those respondents with whom we met.



domestic enrolment objectives. There is significant variability in the proportion of applicants these institutions attract from their region. This variability supports a recurring theme in the panel's thinking – one size does not fit all for financial sustainability, and the panel's report makes recommendations that are pertinent in this context.

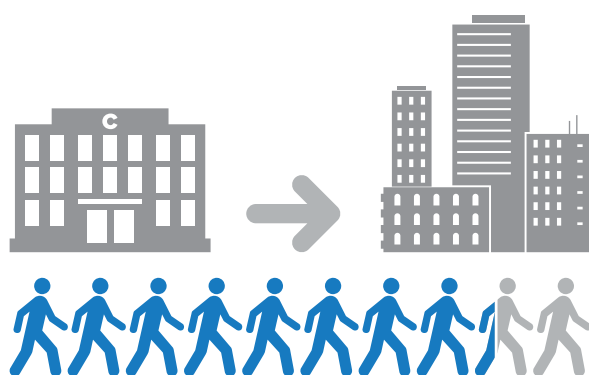
To illustrate the variability, we offer the following. In 2020, 85.3% of registered applicants to Toronto Metropolitan University were from its local zone (Metro Toronto, Peel and Simcoe). The percentage was slightly lower for the University of Toronto (76.9%) and the Ontario College of Art & Design University (OCADU) (75.4%).

These numbers are in stark contrast to those for Queen's (5.5%), Guelph (12.2%), Waterloo (16.0%) and Wilfrid Laurier (16.8%).¹²

Data for colleges paint a similar, but less stark, picture. Across the sector, on average, 59% of a college's domestic enrolments comes from the local catchment area, and 17 of the 24 colleges are at 50% or higher. The figures for individual colleges range from a low of 16% (George Brown and Humber) to 80% or more for College Boréal. Clearly, universities and colleges support the labour market needs in their

¹² These data were collected by the Ontario Universities' Application Centre and provided to us by the Council of Ontario Universities (COU).

Figure 3: **Employment rate 6 months after graduation**



83.4% of **college graduates** are employed within 6 months

Key Performance Indicators survey results (2022)



90.4% of **university graduates** are employed within 6 months

MCU graduate survey results (2022)

***Note:** Students who graduated from an Ontario university in 2019 have an employment rate of 94.3% after two years in the workforce; this information is not available for the colleges.*

local regions and more broadly across the province.¹³

Many submissions we received had different points of view, but all, including those from employer groups, emphasized the value of postsecondary education in creating and maintaining a highly qualified and relevant talent pipeline in Ontario, and one that responds to a changing economy. Several submissions suggested a focus on forecasting future workforce needs. Such an approach could support current and future students by providing information about career prospects across

programs of study, or inspiring students to take advanced degrees or certifications in burgeoning areas of the economy such as artificial intelligence or data sciences.

Submissions from both employers and the postsecondary institutions stressed the value of the sector's role in equipping a workforce that is resilient and committed to continuous learning and developing enhanced skills – priorities if Ontario is to remain competitive in its future. This positive commentary extended to the importance of work-integrated learning (WIL), and the broader purpose of postsecondary education to generate new knowledge and develop engaged and active citizens.

¹³ These data were provided to us by Colleges Ontario.

Student success is at the core of college and university missions, and investments in it have delivered impressive results for the workforce. The most recent Key Performance Indicators survey results for colleges indicated that 83.4% of 2020-2021 college graduates were employed within six months of graduation.¹⁴ The most recent MCU graduate survey results (2022) indicated that students who graduated from universities in 2019 had employment rates of 90.4% six months after graduating and 94.3% after two years in the workforce.¹⁵ These results affirm the value employers place on Ontario college and university graduates.

Institutions continue to transform their methods of delivering courses and their programs to respond to labour market demands. Submissions to the panel identified numerous examples – increases in science, technology, engineering and math (STEM) programs, business and health programs, and in response to specific industry needs such as aerospace, and information and communications technology (ICT).

We examined changes in college programs and credentials that were reflective of

labour market needs. Between 2012-2013 and 2021-2022, and across all colleges, business and business-related programs increased by 47%, health-related programs rose by 20%, and there was an increase of 25% in technology-related programming. From a credentials perspective, the greatest increase occurred in the number of one-year College Graduate Certificates that were offered (an increase of 222% since 2012-2013) followed by two-year College Diploma programs (an increase of 16% since 2012-2013). International students were a large part of these increases. While relatively few in number, the large colleges have increased their four-year undergraduate degree programming in applied areas of study by 75% since 2012-2013. The panel noted that the colleges designated as Institutes of Technology and Advanced Learning¹⁶ (ITALs) have not surpassed the 20% maximum in the number of degree programs these colleges are permitted to offer by policy (the highest is 14.9%). Non-ITAL colleges, which have a lower threshold of 10% for degree granting, are also below their maximum threshold allowed. As a result, no recommendations are made for change in this respect.

14 Retrieved at https://cdn.agilitycms.com/colleges-ontario/documents-library/document-files/CO_KPI_2022_EN_20230119142540_O.pdf.

15 Retrieved at <https://www.iaccess.gov.on.ca/OsapRatesWeb/enterapp/overview.xhtml>.

16 In 2003, five colleges were thus designated and permitted to offer up to 15% of their programs at the baccalaureate degree level. In 2022, this cap was raised to 20%.

We looked at developments in university degree programming and learned that in 2021-2022, 63 new programs were approved through the Ontario Universities Council on Quality Assurance.¹⁷ Nearly 75% of these (47 of 63) were in health and STEM fields, an area of high labour market demand. Areas other than health sciences, public health and health policy with new programming included engineering, data analytics, business, AI, financial technologies and biomedical innovation. All these programs identified career pathways and strong ties to business and industry, including WIL, at both the undergraduate and the graduate levels.

In short, institutions are responding to changing needs in the workplace with new and modified programming that responds to both labour market demands and student interests.

Based on the considerable input the panel read and heard – and after extensive discussions among panel members – a consensus emerged on the areas our report should address. We agreed to focus on what brought institutions to their current financially fragile situation, and also

pay attention to considerations that will shape the future context for institutions in the sector. The panel is convinced that circumstances have changed quite dramatically from the situation that prevailed when government implemented its last funding model. Three examples illustrate this point.

First, **demographic projections**, notably the number in Ontario aged 18 to 20, are very different over the next five years from those in 2017 when the decision was made to hold constant the number of domestic students eligible for direct provincial funding at each institution. Within the next two or three years, the 18 to 20 age group in the Greater Toronto Area (GTA), Southwest Ontario and Central Ontario will be larger than at any time between 2013 and 2023. Among the remaining areas (Northern Ontario, Eastern Ontario and Toronto), only in Northern Ontario will the 18 to 20 age group continue to stay below the 2013 figure for the next 20 years.¹⁸

Projections of increased numbers in the 18-20 age group are not the only consideration. For colleges, this age group represents a smaller share of their students than it does

17 This information, and much more besides, comes from the *2021-22 Annual Report of the Ontario Universities Council on Quality Assurance*. See <https://oucqa.ca/resources-publications/quality-council-annual-reports/> for several years of Quality Council annual reports.

18 These projections were provided to us by COU, and were developed by the Committee on Enrolment Statistics, Projections and Analysis (CESPA) using Ministry of Finance data for 2022.

for those entering universities because the age profile of college students is typically older. Ontario's high employment rates in recent years have also led to reductions in the number of domestic students in college diploma programs. When jobs are plentiful, interest in, and applications for, college diploma programs decline, indicating that this interest and the associated applications vary counter-cyclically.

A second important consideration is **immigration**. The number of people settling in Canada each year from other countries almost doubled between 2000-2001 and 2020-2021, with half a million individuals now arriving each year.¹⁹ A large proportion of these immigrants settle in Ontario, and the postsecondary sector plays an

important role helping many individuals improve their language abilities and upgrade their skills to meet the economy's future needs.

Third, the recent pandemic had a disruptive and then useful effect of institutions becoming more adept at providing and supporting **online learning**. Online learning supports the development of micro-credentials, a fast-growing component of the postsecondary sector. Today, Ontario's public colleges, universities and Indigenous Institutes offer more than 2,500 courses in almost 400 programs that are identified as micro-credentials. These programs provide highly valued reskilling and upskilling opportunities that represent a cost-efficient and rapid response to the needs of the labour market.

¹⁹ See <https://www.statista.com/statistics/443063/number-of-immigrants-in-canada/>.

Financial Sustainability

Our Terms of Reference sought advice and recommendations from the panel to ensure the long-term financial sustainability of Ontario's publicly assisted postsecondary sector, given which we must be clear about what it means for the sector to be "financially sustainable".

For Ontario's postsecondary sector and the panel's purposes, a useful definition of public sector financial sustainability is "the financial capacity of the public sector to meet its current obligations, to withstand shocks, and to maintain service, debt, and commitment...at reasonable levels relative to both national expectations and likely future income, while maintaining public confidence".²⁰

This definition begs the bigger question of how to measure financial sustainability. A critical distinction between Ontario's colleges and universities, as already noted, is that colleges' finances are consolidated within the province's financial statements. In consequence, Ontario's publicly assisted colleges provide detailed financial information to MCU several times each year. This information allows MCU to generate seven financial performance indicators and

an associated financial sustainability score for each college, thereby enabling MCU to monitor each college's financial health and when necessary to work with the college to initiate corrective action.

The finances of Ontario's universities are not consolidated. The universities have for the past 10 years assumed the responsibility of assessing their financial health, based on a set of indicators that are, in the words of the Council of Ontario Universities (COU), reflective of "cash levels/liquidity, revenue and expense management, financial strength and flexibility, and debt management and affordability".²¹ Each university has been able to see its own results and those of other universities by institutional category of small, medium and large. These results have also been routinely shared with MCU.

More recently, MCU has been working with the COU to formalize a process for a financial accountability framework for universities. The framework has two primary components: financial health indicators (previously noted) that will be reported publicly each year, and the outcomes of third-party credit rating

²⁰ This definition comes from *Public Sector Financial Sustainability*, a 10-year-old publication from New Zealand's Office of the Auditor General, retrieved at <https://oag.parliament.nz/2013/financial-sustainability/docs/public-sector-financial-sustainability.pdf>.

²¹ See <https://ontariosuniversities.ca/wp-content/uploads/2022/11/Financial-Health-and-Transparency-Framework-Plan-COU.pdf>.

reviews.²² The framework will also trigger action plans and, in extreme circumstances, an independent advisor to help develop a recovery plan.

Measures of financial sustainability also demonstrate another consideration worth mentioning. With few if any exceptions, smaller universities (measured by enrolment numbers) tend to have lower financial health scores and, if they even have a credit rating (several currently do not), lower ratings.

There are benefits to determining the prospective long-term financial sustainability of both colleges and universities, while annually flagging areas of vulnerability in overall financial health. Given that MCU is a key stakeholder in the ongoing viability of all publicly assisted postsecondary institutions in Ontario, these exercises provide the transparency and opportunity for MCU to monitor the financial

condition of institutions and identify areas of concern for possible communication and discussion with relevant institutions. MCU's responsiveness in working with the sector on financial sustainability – and treating the financial health metrics with a seriousness not seen before Laurentian University's need for creditor protection is a good idea in all respects.

With that background, we turn to our recommendations. Our Terms of Reference indicated that anything we recommended “should be considered through the lens of fiscally responsible and affordable actions”. We believe our recommendations are fiscally responsible and suggest actions the government must take if financial sustainability is the goal. Our overarching goal was to make recommendations that will place accountabilities and responsibilities where they need to be to ensure continued excellence in a publicly assisted sector, while also contributing to financial sustainability. For these recommendations, we have tried to explain what led to each recommendation, and the expected outcomes, if adopted.

²² In the past, some publicly assisted universities have elected not to seek an external credit rating. Our understanding is that all universities are now committed to doing so on an annual basis.

Recommendations

1. Implement an Integrated Funding Framework

Ontario has a comprehensive funding framework with three related components: the corridor model, funding envelopes, and tuition with accompanying student aid. Together, these have critical implications for an institution's financial sustainability. We address them separately for clarity but note the importance of their interdependence.

The Corridor Funding Model

Corridors provide upper and lower enrolment limits for an institution. Each institution has a corridor midpoint, which determines funding-eligible enrolment. Funding remains stable so long as enrolment stays within the corridor. When the corridor funding model was originally introduced, the intention was that it would adjust over time. Every institution, as part of each SMA cycle, would be able to negotiate a modified corridor midpoint and compete for additional student spaces or adjust downwards. When used effectively, the corridor model would be able to respond appropriately to demographic changes.

In 2017, the provincial government, in its SMA negotiations with institutions, precluded any possibility of changes to corridor midpoints, indicating that such changes were “not in scope”. Instead, the province focused on performance-based

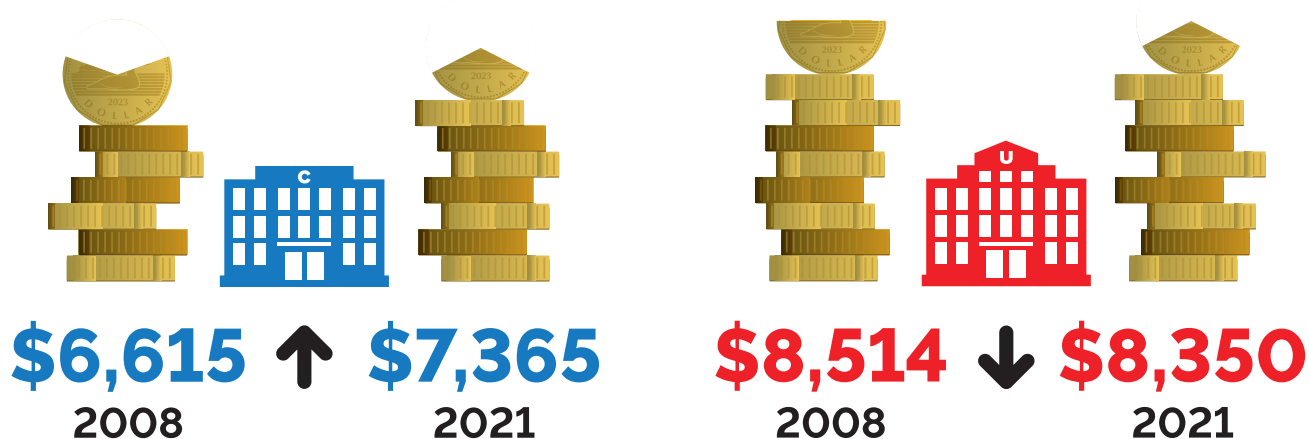
funding, and additionally cited demographic projections that indicated an absence of growth in the 18 to 20 age group. Relatedly, the freeze reflected a desire to offer some level of protection to northern institutions that might otherwise be adversely affected financially by unfettered growth in institutions in the GTA and Southern Ontario.

The funding in the corridor model is expressed in weighted grant units (WGUs) for universities and weighted funding units (WFUs) for colleges. WGU and WFU values vary across programs of study to reflect relative cost of program delivery: when more resources are required to deliver a program, the WGU/WFU value is appropriately higher.²³

The WGU and WFU values had been frozen for some time prior to 2017. There was a formula redesign in 2016-2017, but that was revenue-neutral by design. The last increase to what were then called Basic Income Units (BIUs) was through General Quality funding, which was linked to the Multi-Year Accountability Agreements (MYAA) under the government's Reaching Higher investments from 2006-2007

²³ A laudable attempt to cast some light on this system is to be found on page 32 of Ken Snowdon's HEQCO publication entitled *College and University Baccalaureate Degrees: Another Look at Costs, 2022* (see https://heqco.ca/wp-content/uploads/2022/04/Costing-Report-College-and-University-Baccalaureate-Degrees_FINAL.pdf).

Figure 4: **Nominal Operating Grants**
per college student and per university student



Note: The real value of these grants was further reduced by inflation over the same period of time. According to the Bank of Canada's inflation calculator, a basket of goods that cost \$100 in 2008 would have cost \$122.88 in 2021.

through 2008-2009. No justification was ever provided for the freeze over many years of the funding weights.

Without corridor midpoint adjustments, institutions were facing inflationary cost increases but no commensurate increase in revenue. Government expenditures were contained, and institutions were required to seek additional efficiencies and alternative sources of revenue every year as their only solution to the increasing costs of program delivery.

MCU data indicate that the effect of this lengthy freeze has been significant. Universities' nominal operating grant per full-time student declined from \$8,514

in 2008 to \$8,350 by 2021. For colleges, nominal operating grants did rise, but only modestly, from \$6,615 in 2008 to \$7,365 in 2021. According to the Bank of Canada's inflation calculator,²⁴ a basket of goods that cost \$100 in 2008 would have cost \$122.88 in 2021, which meant universities, and to a lesser extent colleges, were experiencing considerable reductions in the real value of their revenue.

Inflation can be combatted to some extent by increased efficiency and cost containment, many examples of which were

²⁴ See <https://www.bankofcanada.ca/rates/related/inflation-calculator/>,

noted in submissions to the panel from stakeholders in the sector.²⁵ We have more to say on these topics later in the report.

Institutions have also been entrepreneurial in their search for additional revenues, but the benefits only last so long and can take attention away from delivering the best learning experience for students. This is why K-12 education and the health care sector receive annual increases in their operating funding.

A similar approach is warranted for the postsecondary sector, and is most easily achieved by using the corridor model more effectively, based on the most current demographic projections. Currently, 14 universities have collectively enrolled more than 20,000 domestic students above the combined total of their corridor midpoints. The tuition fees paid by these 20,000 students are the only source of additional revenue institutions receive for these students. If these additional students were grant-funded, they would yield additional revenue of \$175 million. To put it another

way, these universities are foregoing grant funding to ensure that 20,000 qualified students will receive a university education.

Five public colleges are in a similar situation, but the numbers are much smaller. Just over 2,500 students above the combined midpoints of the corridor for these colleges were admitted, yielding only tuition revenue of slightly more than \$3 million.

We have noted earlier that demographic projections indicate the need to admit more students in the future. The demographic low point for all six Ontario regions²⁶ except one (Toronto) was 2021; for Toronto it is 2023. The projections indicate growth until at least 2028, with modest differences in projected growth rates across the six regions. The longer run demographic projections suggest that by 2047, spaces will be needed in Ontario's universities and colleges for an additional 119,000 domestic students, and 168,000 international students.

Allowing upward adjustments to midpoints in cyclical SMA corridor negotiations is critical. We believe this is fully justified by both past experience and the latest demographic projections. Such adjustments are precisely why the corridor model was originally instituted by government. Allowing unchanged corridor

²⁵ The submission from Ontario's universities demonstrated that their expenditures on salaries and benefits per Full-time Equivalent (FTE) are among the lowest in the country. Ontario's colleges pointed to the important role played by their College Employer Council, which represents Ontario's 24 public colleges in negotiating collective agreements, managing and administering group benefits, and constraining costs of arbitrations.

²⁶ The regions are Toronto, the GTA, Southwest, Central, East, and North.

midpoints for institutions that believe they cannot or should not grow is also possible in this process. If institutions were to fall below their corridor floor, a reduction in midpoints would be negotiated. The corridor model can effectively respond to and manage each of these scenarios. The notion of changes from one SMA cycle to the next – after negotiations with, and the approval of, the provincial government – makes eminent sense.

An additional and significant benefit of adjustments at each SMA cycle is that they contribute to institutions' financial sustainability, especially if these adjustments are accompanied by modifications to per student funding through an adjustment upwards to the value of WGUs/WFUs used in enrolment funding. It bears mentioning that failure to act will also exacerbate what is already a heavy reliance on revenue from international students.

With these considerations in mind, we recommend:

- A one-time significant adjustment in per student funding for colleges and universities to recognize unusually high inflationary cost increases over the past several years.
- A commitment to more modest annual adjustments over the next three to five years.

Specifically, we recommend a one-time increase of 10%, which represents partial recognition of inflation since 2017,²⁷ and adjustments in line with increases in the consumer price index, or a minimum of 2% per annum, thereafter. Taken together, these two measures will greatly enhance institutions' financial sustainability.

The panel has suggestions for how the government might implement this change. The panel favours increasing the value of the WGUs and WFUs as a way to recognize two important factors. WGUs and WFUs assign different amounts of grant funding to different programs based on the relative cost of delivery of a program. The more resources required, the higher the WGU/WFU weight whether based on a greater number of teaching hours, a lower student/faculty ratio because of the nature of the program, or a need for specialized equipment. Applying the increase to these units would reflect the enrolment distribution as it exists today and recognize that costs to deliver programs have increased since 2009.

²⁷ According to the Bank of Canada's inflation calculator, a basket of goods that cost \$100 in 2017 would today cost \$120, which means that the recommended adjustment would account for about half the actual inflation over the past six years. Our proposal therefore represents an equal sharing of the cost of inflation between government (through funding) and institutions (through efficiencies, cost savings and revenue generation).

At a more granular level, we recommend consideration of two immediate actions. First, northern institutions, as part of SMA negotiations, should be offered the possibility to reduce their corridors' lower boundaries. This will privilege these institutions, but that is precisely the reason for the recommendation. These institutions are more precariously situated because of differences in both costs and the competition for students. Here is an example of these differences.

Northern institutions are typically smaller than southern counterparts, and scale is an important factor in cost efficiency (though not the only one). Access to markets can pose even greater challenges – institutions seeking to employ highly qualified personnel will typically be searching in thinner labour markets.

Student recruitment can also be challenging. In the north, postsecondary participation in the relevant age group has typically been proportionately lower, lagging behind larger urban centres in the south. This is compounded by demographic projections for the north that indicate declines in absolute numbers. As a result, northern institutions find themselves competing in the north and south to recruit and retain students, with implications for their ability to maintain enrolments. Our recommendation for downward

adjustments to the lower boundaries of northern institutions' corridors, from -7% to -10% for colleges and -3% to -6% for universities, represents an opportunity for the government to acknowledge these challenges explicitly. We believe this is preferable to a more piecemeal approach.

Second, the panel was made aware that, based on corridor assessments, a number of colleges and universities may fall below their corridor floors in 2023-2024. If this occurs, it will trigger an in-year reduction in core operating grant funding (calculated as dollars per WGU/WFU below the corridor floor). Such reductions are subject to ministerial approval within an annual process. We recommend that funds normally clawed back for what is called in-year "assessed enrolment" be retained by that institution as a transition support to provide time for restructuring, with the goal of sustainability in 2024-2025 at a lower enrolment level.

Funding Envelopes

There are actually three funding envelopes. The enrolment envelope, which we have already discussed, is the largest. The other two are the differentiation envelope, which is allocated according to metric performance, data collection, evaluation and the public posting of results, and the special purpose envelope, which is based on unique accountabilities through what are

called transfer payment agreements. We reviewed the approach currently taken to determine the allocation of funding across the three envelopes.

The enrolment and differentiation envelopes together account for more than 90% of the total funding, and in 2020-2021 the enrolment envelope was almost three times the size of the differentiation envelope. The government's stated intention was that over three years, funds would move from the enrolment envelope to the differentiation envelope to the point where the differentiation envelope would be slightly larger than the enrolment envelope. For various reasons, notably the pandemic, this movement of funds was delayed for three years.

The same three-year delay was also applied to the intention to make the differentiation envelope more explicitly based on performance – activating a system-wide proportion for performance-based funding of 10% in 2023-2024. Increases in this proportion were envisaged for 2024-2025 but any changes have now been deferred pending the recommendations from our panel.²⁸

²⁸ For completeness, we should perhaps explain that moving funds from the enrolment envelope to the differentiation envelope does not in and of itself necessarily imply a greater proportion of performance-based funding. The ministry refers to "activation" when indicating the percentage of performance-based funding.

The panel supports the continued distinction and stated purposes of the three envelopes. We do not though view the envisaged shift of funding from enrolment-based to performance-based as being in the best interests of either postsecondary institutions or their students. Instead, we recommend that the shift should occur more slowly. We also believe it would be appropriate, as the changes occur, to give due consideration to the effects on the postsecondary system of these changes.

Our recommendation reflects several interrelated considerations. First, demographic projections indicate considerable growth in the numbers of individuals seeking a postsecondary education. Second, significant changes are occurring in the labour market and the outcomes are still uncertain. Third, the economy is experiencing an elongated recovery from the pandemic. This is particularly true for postsecondary institutions where any decline in the number of students enrolled during the pandemic will be reflected in lower student numbers for at least as long as the students' programs – two to five years – depending on the program.

More generally, the uncertain times in which we live underscore the benefit of certainty of stable funding. Financial health indicators in the sector give cause for concern regarding the financial

sustainability of some postsecondary institutions. Major changes could exacerbate the appropriateness of this concern.

The original plan for performance-based funding was for significant increases from the initially proposed figure of 10% in 2023-2024, specifically 25% the following year, rising to 60% after four years. The slower and more modest progression we recommend would start at 10%, add five percentage points in each of the following three years, and stop at 25%.

Regardless of the degree of emphasis on performance-based funding in the future, the associated indicators in performance-based funding should be within the power of postsecondary institutions to influence, and should reflect the needs of students and the labour markets they will eventually join.

The corridor funding model was designed to be flexible enough to allow colleges and universities to request permission for some degree of fungibility (that is, flexibility of use) of their WFUs and WGU. The panel believes it is time to allow institutions to take advantage of this fungibility to strengthen their differentiation. For example, a more research-intensive university with strong graduate programs may wish to move some WGUs from undergraduate programs to graduate programs. A college that offers a high proportion of degree

programming, might consider a move of some WFUs from diploma to degree programming. We are not suggesting an open season but encourage consideration of fungibility to a limited degree.

Colleges have a 15% cap on programs that are deemed “high-demand programs”. In the university sector, the equivalent ministry policy refers to “professional programs” and no cap is applied. We recommend the removal of this cap for colleges, and offer two justifications for such action. First, the ministry controls funded spaces in a limited number of programs. Second, one of the government's key guiding principles is to improve labour market alignment where there is demand in the market for talent.

We also noted another distinction between universities and colleges with regard to WGU and WFU values assigned to part-time students. In general, a part-time student at a college is funded at the lowest WFU value regardless of the student's actual program of study. This is not the case for the WGU value assigned to a part-time student at a university.

The effect varies from program to program. At Georgian College's two-year business diploma program, full-time students take six courses each semester or 12 courses each year. The grant funding for a full-time student in this program is \$4,150 per year

or \$345.83 per course. By contrast, a part-time student in the same program yields grant funding of \$178.50. The incentive for colleges is clear: fill spaces in programs with full-time students and offer space to part-time students only as a fall-back position.

This practice, which is not applied to WGU values for part-time students at universities, would appear to be a historical artifact. It represents a disincentive for the colleges to accept part-time students. It is also at odds with the stated importance of continuous learning for workforce preparation and reskilling. An adjustment to the treatment of part-time enrolments in the college sector should be made as soon as possible. We note there was a commitment by MCU several years ago, at the time of the second cycle of SMAs, that would have seen the government working collaboratively with colleges to review this issue, but nothing was resolved.

There is another difference between universities and colleges that warrants description, if not analysis. There is, as noted earlier, a tendency for college enrolments to be counter-cyclical. This may be a consequence of college programs being of shorter duration than university programs and highly responsive to evolving skills in the workplace. Whatever the reason, prospective college students appear to be more interested in a college

credential when the labour market has less to offer, which makes retraining and upskilling more attractive options.

The government's decision to fund targeted enrolment expansion through the special purpose envelope seems to be working well. A case could be made for moving targeted enrolments into the corridor calculations at the beginning of a new SMA cycle, so long as the targets have been consistently met, and are projected to be both needed and in demand in the future.

Several commitments made during the second cycle of SMAs have yet to be fulfilled. Specifically, the province was to work collaboratively with colleges to review the eligibility criteria and allocation methods for the Small, Northern and Rural Grants with the goal of targeting the funding so that it might best meet sustainability challenges. A commitment was made at the same time – in collaboration with relevant universities – to examine whether the criteria for access and allocations of the Northern Grant represent an equitable approach. Neither commitment was fulfilled and work on both should resume as soon as possible.

Targeted funding for French-language and bilingual postsecondary institutions is a further component of special purpose grants. These funds, just over half of which

were provided by the federal government in 2022-2023, are not allocated for specific programs. They are mostly intended to compensate for the shortfalls faced by institutions that provide French-language and bilingual programs and services, with a smaller amount being allocated on a project basis.

The University of Ottawa plays an important role in French-language and bilingual programming – hosting 85% of all French-language and bilingual learners in Ontario's universities, and 63% in Ontario's postsecondary sector.²⁹ This contribution to French-language and bilingual learning in Ontario is not matched by a commensurate share of the funding available from the special purpose grant. The University of Ottawa receives 42% of the grant allocated to universities, and 29% of the grant allocated to universities and colleges – roughly half the share it would receive if the allocation were based on student numbers.

Distribution of these funds is based on an allocation formula that was established in 2010. In its submission to the panel, the University of Ottawa argued that its share of the special purpose grant for French-language programs is about \$50 million

²⁹ If Hearst and Université de l'Ontario français were included in this calculation, the University of Ottawa's percentage of university students would fall by only one percentage point.

short of providing fully for the programs' delivery costs. Although panel members are not able to verify this calculation independently, our foregoing observations strongly suggest a prima facie case for a major reconsideration of both the total amount of the grant and the allocation formula. Given its intended purpose, this grant should be considered as a prime candidate for a built-in inflationary factor. Such a reconsideration should not be directed only at the University of Ottawa's share of the available funds. Two French-language colleges, Collège Boréal and Collège La Cité, which together account for just over 25% of Ontario's French-language and bilingual learners, also play an important role.

Finally, building on the achievements in digital learning through the \$70 million invested by Ontario over three years to support content, capacity, delivery and fluency in digital learning for online and hybrid learning environments, we recommend the province consider defined funding within the special purpose envelope to sustain its Virtual Learning Strategy. Keeping Ontario's postsecondary sector globally competitive and able to meet the digital-first needs of today's learners is surely a laudable motive. Such a grant would focus on ensuring new developments in virtual learning

are innovative and collaborative, and encourage partnerships with Ontario's world-class technology developers. Cost savings have been realized through shared content development of materials and programs, educational resources use and pooled services. Past investments in this area of modernization brought an impressive return. Normalizing these activities within the funding envelope will continue along this strategic path and ensure the technology can be evergreen going forward.

Ontario leads Canada in virtual learning in higher education and was well prepared when the pandemic required institutions to move quickly in this direction. With more than 30,000 online courses and 2,300 certificates, diplomas and degree programs available, Ontario's Virtual Learning Strategy already increases access and helps ensure success in postsecondary education, especially for those in rural, remote communities, and for others in the sector who may feel they are otherwise under-represented. The strategy also serves those seeking opportunities to upgrade or reskill. Institutions have invested in infrastructure and professional development to support the rapid growth and development of hybrid and online learning. They now need the capacity to ensure their technology-

based learning systems are well maintained and Ontario continues to be a leader in providing digital options for all learners.

Two other initiatives established by the ministry illustrate the breadth of programming supported by government to address reskilling and upskilling in support of displaced members of the workforce. In 2020, three years of funding enabled the development of micro-credentials in the province through rapid training programs offered by colleges, universities, IIs and other private players in Ontario. The programs, whether completed online or on-the-job, represented a direct response in the province for the type of training to help employees keep their jobs in times of change and upgrade their skills to secure new employment opportunities.

Funding for this initiative flowed through the Ontario Micro-Credentials Challenge Fund. Successful applications resulted in 65 projects to create approximately 250 new micro-credentials in response to regional labour market needs. Various pilot programs were funded along with an online portal to access micro-credential training opportunities. Additionally, changes were made to the Ontario Student Assistance Program (OSAP) to support students with financial need to pay for micro-credential education geared to in-demand jobs.

In 2022, the province's *Second Career Ontario* program became *Better Jobs Ontario*. The associated changes to the programs on offer – whether through public colleges or private career colleges – promised better support to gig workers,³⁰ young adults, those on social assistance who face challenges finding stable jobs, and those unemployed for six months or longer and part of lower-income households.

The panel recognizes that not all initiatives are classified exclusively as public postsecondary education; those that are not thus classified would not qualify for support from the third funding envelope, special purpose funding. We mention them because of their importance in supporting an evolving workforce, and because we view them as integral parts of a modern learning system in Ontario.

Tuition and Student Assistance

The province reduced college and university tuition rates for domestic students by 10% in 2019, since when these rates have been frozen, and remained frozen in September 2023. The effects

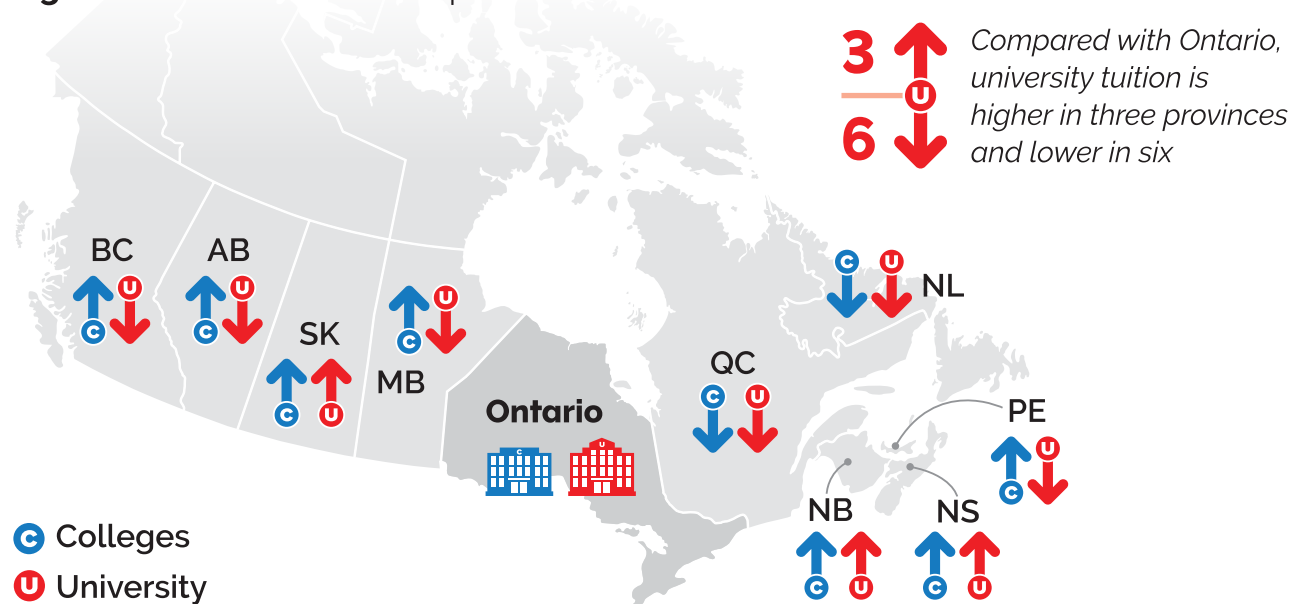
of the reduction and the freeze have challenged postsecondary institutions because consumer price inflation since 2019 has been of the order of about 15%. It would be easy to begin our recommendations by proposing a one-time adjustment of 25%, which would restore the real value of tuition to its level before the 2019 reduction. Any such change would require an equally generous investment by institutions and government in student financial aid to ensure access was not impeded. The panel favours a more nuanced approach.

Public postsecondary education is both a private and a public good. We support a shared and balanced commitment on the part of government, students and institutions to cover the costs of education. It is an investment by all parties – private individuals and government public funds. The Ontario government should increase per student funding, as recommended earlier in this report, and establish a multi-year tuition framework as a primary policy objective. Students and their families should be asked to increase their contribution through higher tuition that is predictable as the students progress through their programs. Institutions should continue a focus on finding efficiencies while providing substantive institutional student assistance to support access.

³⁰ A gig worker is defined by the Government of Canada as someone who enters more casual work arrangements such as short term contracts with firms or individuals to complete specific and often one-off tasks. See <https://www.canada.ca/en/employment-social-development/corporate-portfolio/labour/programs/labour-standards/reports/gig-workers-what-we-heard.html>.

Figure 5: Average Tuition

Are average tuition rates for domestic students in Ontario's colleges and universities **higher or lower** than in other provinces?



The multi-year tuition framework the panel recommends will allow a one-time upward adjustment to college and university tuition of 5%, effective September 2024, as some acknowledgement of the price inflation over the past several years,³¹ and a commitment to allow further increases in tuition in subsequent years of either 2% or the annual percentage increase in the consumer price index, whichever is greater. This multi-year framework will provide some measure of predictability for students as they move through each year of study.

Additionally, the panel suggests the government allow universities and colleges

the flexibility to increase tuition by an additional 3% in September 2024 in a small number of programs – specifically professional programs in universities and high-demand programs in colleges where graduate earnings are demonstrably higher.

In preparation for making recommendations on tuition, the panel reviewed tuition levels in other provinces. This review revealed significant differences in relative standing between colleges and universities. Average tuition for domestic students in Ontario's colleges is lower than in seven of the other nine provinces. Only Newfoundland and Quebec have lower tuition. By contrast, average tuition for undergraduate domestic students in Ontario's universities is higher than in six of the other nine provinces – only New Brunswick, Nova Scotia and

³¹ It is pertinent to mention that, by September 2024, the consumer price index will inevitably have risen further.

Saskatchewan have higher tuition.³² A simple across-the-board increase in college and university tuition for domestic students serves only to leave the colleges at a competitive disadvantage compared to peers across the country.

A recommendation can be made to treat college and university tuition levels differently, allowing additional upward flexibility for colleges. There are several ways this could occur. College tuition rates could be allowed to evolve over time to the Canadian average. College tuition could be adjusted over time until the revenue it generates reaches a predetermined proportion of total funding per student. Or colleges could make larger percentage increases to tuition initially, for example 5% each year for a limited number of years, and then apply the same increases proposed above for colleges and universities.

Failure to do anything that makes an exception for colleges will undoubtedly have repercussions for program quality. It will also increase the level of risk colleges assume through increased reliance on international student recruitment as a revenue stream, with obvious implications for colleges' long term financial sustainability.

If the province is disinclined to such an approach, a change that would more modestly address sustainability issues for colleges – at least for some number of years – would be to reduce or eliminate the student recovery fee for international students paid by colleges and leave the fee paid by universities unchanged. Both universities and colleges pay a fee of \$375 per semester for each international student, with disproportionately greater consequences for finances of colleges than universities. The panel recommends at least halving the fee for colleges to \$375 per year for each full-time international student and leaving the fee for universities unchanged at \$750 per year.

In conjunction with the proposed tuition adjustments, there would be a continued expectation that universities and colleges make their contribution to access through both increases in institutional student assistance and more efficient operations. There is no denying the government's desire to keep postsecondary education affordable for lower and middle-income families. A one-time increase with annual adjustments to tuition levels must be offset by equally generous commitments to increased investment in needs-based student assistance by universities and colleges, as well as by government.

³² Statistics Canada, Average undergraduate tuition fees for Canadian full-time students, by province or territory, 2022/2023 (statcan.gc.ca).

The fundamental goal of OSAP should be to ensure that, in conjunction with institutional assistance, no qualified student in Ontario who wishes to pursue postsecondary credentials is denied access because of their economic circumstances. Equally important is early awareness of what is available through OSAP so that high-school students can prepare financially and scholastically to achieve their ambitions. Recognizing that access to higher education is a fundamental driver of Ontario's future economic growth, the panel recommends a greater effort be made by government through a communications program to ensure that high-school students are aware of available financial assistance.

These recommendations would signal a commitment by government to provide for students and families least able to fund postsecondary education on their own. This approach requires transparent practices for issues such as debt forgiveness that are aligned between federal and provincial governments. The federal government contributes substantially to student support that benefits Ontario students, distributing \$3.1 billion across Ontario in 2021-2022 in Canada Student Grants and Loans. In the same timeframe, Ontario provided around \$1 billion in student aid to approximately 385,000 students through Ontario Student Grants and Loans. Ontario commits 80% of its aid to students as a grant while the

federal government provided only 54% of its aid as a grant in 2021-2022. We suggest the province propose to the federal government that it match Ontario's 80% commitment.

As part of its review of the 2019 changes to OSAP, the panel noted that predictability of support based on the previous year's experience with OSAP disappeared for some students already at college or university. To avoid this situation for students, the panel suggests that changes with negative effects should apply only to new students and not those already receiving student aid.

Two of the guiding principles set by government for the panel's consideration are "enhancing student experience and access" and "keeping education affordable for lower and middle-income families". With these in mind, the panel acknowledges a number of suggestions regarding OSAP that were included in the submissions it received:

- Reduce the fixed student contribution of \$3,600 used as part of the OSAP needs assessment³³
- Eliminate the minimum 10% loan requirement for low-income students, which would allow grants to cover the full cost of tuition for these students

33 A reduction of \$600 was suggested.

- Eliminate the interest charged on the Ontario portion of student debt
- Provide equitable support for students enrolled in flexible programs (currently, these students are funded as if they were part-time)
- Provide enhanced OSAP support for students studying in the north, and especially those from northern and rural areas of the province
- Remove assets from the determination of the Student Financial Contribution and the Spousal Financial Contribution
- Consider grants for those wishing to study in high-demand programs.

Among these suggestions, the panel is inclined to favour an increase in grants for low-income students through OSAP assessment changes.

Finally, the panel noted that some of the submissions received argued for an unfettered approach to setting tuition fees that would be reflective of market demand and competition for high quality students. This approach would have to be mitigated by a far greater investment in institutional student assistance. For the most part, the panel elected to err on the side of caution.

2. Implement a Financial Accountability Framework

We have discussed already the assessment of the colleges' and universities' financial sustainability. This assessment provides the transparency and opportunity for MCU to monitor the financial condition of institutions and flag areas of concern for possible communication and discussion with the relevant institution. It is the responsibility of the board of each postsecondary institution, through its governance and oversight functions, including the selection and performance monitoring of the president, to ensure the ongoing viability of the institution. Ongoing viability means an organization can maintain its existence, fulfill its mission, achieve its objectives and adapt to changing circumstances, all while remaining financially sustainable and relevant to students.

Given the critical importance of the role of college and university boards with respect to postsecondary institutions' financial sustainability, the panel strongly urges all institutions to follow best practices, which would include ensuring all board members are financially literate and appropriately cognisant of the board's role. The culture of the board should encourage transparency and open dissent. A robust risk management program should be in place to identify

potential threats to ongoing financial sustainability, and boards should engage in an annual self-assessment process to identify areas for continuous improvement.

We believe it would be beneficial for boards to review the performance of their institution on the financial health indicators for universities and financial performance indicators for colleges – relative to other institutions in their sector – and also to trends in the indicators over time. It would also be good governance and risk management for boards to set threshold levels for the financial indicators that would trigger a board discussion of whether action is required to stabilize or reverse the trend in any financial indicator. Boards of colleges should be able to see the financial sustainability scores assigned by MCU for all colleges, and the same level of transparency should be accorded to boards of universities with respect to other universities' financial health.

Best practices for board governance require the oversight of a robust risk management program that identifies potential threats to ongoing viability. We would be remiss if we did not raise the Auditor General's identification of the risk to the financial sustainability of the college sector resulting from the considerable expansion in recent

years of international student recruitment, and particularly the high reliance on India, which accounts for about 60% of all international students in Ontario's colleges. The Auditor General's recommendation was quite specific: "do not further increase dependency on international enrolments without a longer-term strategy in place to address the risks of this approach for financial sustainability".³⁴

This recommendation is almost two years old and as far as we know still awaits a comprehensive response. We have noted that, because of consolidation, this risk is shared with the provincial government. The panel believes MCU should give serious consideration to explicitly incorporating this material risk into the existing financial sustainability monitoring system for colleges.

Finally, we suggest that COU and Colleges Ontario (CO) each create a process to populate an expert panel from their subsector (universities or colleges). When challenges to a particular institution's financial sustainability are identified, the expert panel would be available to the institution to provide analysis, feedback, benchmarking, and support to the institution.

34 Office of the Auditor General of Ontario, *Value-for-Money Audit: Public Colleges Oversight*, December 2021, pages 44-45.

3. Enhance Cost Efficiency and Effectiveness

The panel spent time in discussion with representatives of the Nous Group – an international management consultancy with prominent Canadian universities, including several in Ontario, among its clients. Nous uses data from other countries, notably Australia and the United Kingdom, as a standard to benchmark its Canadian university clients. Our discussions with Nous suggest there is considerable room for improvement in these universities' cost efficiency that could reduce administrative costs by as much as 10%. For what it is worth, the panel agrees with Nous. These projected savings presume the university is able to reduce costs without major disruptions. Variations in policies across jurisdictions may skew these types of comparisons, but projected savings can still be informative.

Areas identified by Nous with the potential to reduce costs without having negative effects on institutions' efficacy include administrative services, space utilization, IT services and other non-labour costs. Some of these benefits could be realized through increased levels of automation and advancements in digital service delivery, and through redesigning processes to reduce complexity and duplication. Nous also encourages an

investigation of ways to outsource some university-managed services.

Benchmarking is potentially a powerful tool when the opportunity arises to use the experience of larger universities that are working with Nous to provide guidance to other Ontario universities. The panel encourages institutions to benchmark themselves against those institutions that have successfully achieved higher levels of cost efficiency and effectiveness. Such an approach could be facilitated by COU or CO.

Small- and medium-sized universities could also engage in higher levels of collaboration for greater cost effectiveness including shared service provision and shared course delivery. These collaborative approaches work successfully with consortia models such as Claremont Colleges Services, the Big Ten Academic Alliance and Five Colleges, Incorporated.

There are to be sure potential obstacles in the path of collaborative approaches. Such obstacles would include unwillingness to give up control and differences in the capacity to participate. In this regard, we should acknowledge that Ontario's universities and colleges are already models for other jurisdictions in some areas. Examples include collaborative purchasing, shared library resources, and centralized application centres.

The examples of consortia from other jurisdictions serve as proof of the value of taking the approach to collaboration we are advocating. Best practices elsewhere suggest key factors that need to be kept in mind: leverage existing relationships, establish a neutral entity upfront together with a governance oversight structure that meets frequently, especially in the early days. Last, but certainly not least, there is value in starting with a "coalition of the willing", and looking for possible partnerships among similar kinds of institutions.

In the longer term, leaving collaboration in the hands of the willing may not drive sufficient change for financial sustainability, particularly for small and regional institutions in both the college and the university sector. Smaller to mid-sized universities tend to have lower financial health scores and lower credit ratings. We have all publicly observed the financial challenges and restructuring required of one such university when indications of poor financial health remained unaddressed for a considerable length of time. Financial difficulties in other northern institutions have led the panel to recommend specific recommendations that could position these institutions for stronger sustainability.

Data provided by MCU indicate that enrolment in small colleges³⁵ at all levels of credential, except graduate certificates, has declined between 2012-2013 and 2021-2022:

- 39% reduction in one-year certificates
- 20% reduction in two-year diplomas
- 31% reduction in three-year advanced diplomas
- 100% reduction in four-year applied degrees.

This pattern was only partly replicated in medium-sized colleges:

- 18% reduction in one-year certificates
- 14% reduction in three-year advanced diplomas
- 3% modest growth in four-year degrees
- 35% solid growth in two-year diplomas.

The panel suspects that the growth in four-year degrees and two-year diplomas is a result of the increase in international enrolments.

For medium to longer term financial sustainability, the panel recommends a more formal review of small, remote and

³⁵ Using MCU definitions, a small college has an enrolment below 3,000 and a medium-sized college has an enrolment of 3,000 or more but below 15,000.

rural colleges. The review would give serious consideration to program and operational consolidation and could be extended to medium-sized colleges that have experienced reductions in enrolment of sufficient magnitude to take them below their corridor floors. Adopting the panel's other pertinent recommendations would be required so that sufficient time is available for the review without any institution becoming financially unsustainable.

We are not suggesting a review that would lead to programming in those locations disappearing. A review could yield significant efficiencies through shared course delivery and consolidation of back-office operations and systems. The example of the Nova Scotia Community College – which delivers certificate and diploma programs at campuses situated throughout the province – could be instructive to this review process. Such a fundamental review could be extended to all institutions in the north, bearing in mind the types of options discussed elsewhere in this report for French-language institutions.

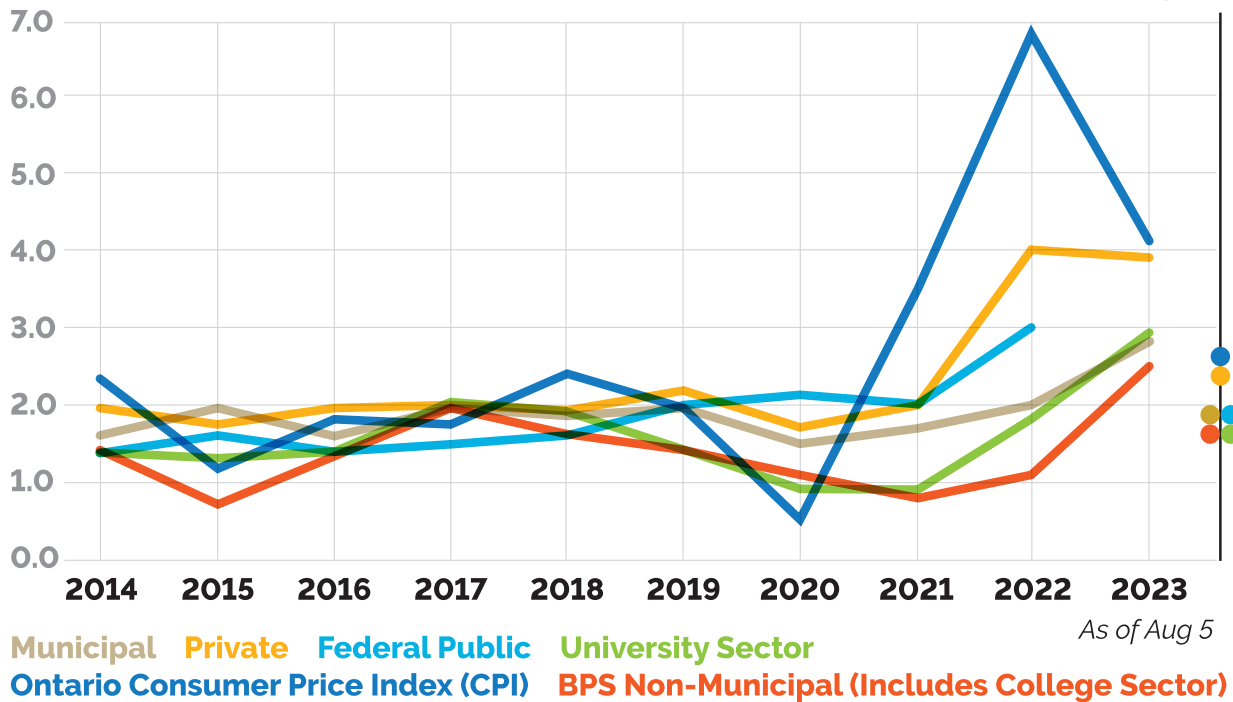
Ontario's colleges have worked together over several decades to create OntarioLearn, a collection of shared online college courses. These mainly serve the continuing education market, but some courses are available to full-time students. OntarioLearn could be a lifelong learning platform if

colleges were to pursue a collaborative recruitment strategy specifically for the working age (25+) market – although we are told the operational and financial framework would also need to change to make this possible. Individual colleges are too often inclined to pursue their own online learning platform. It is appropriate to cite the OntarioLearn initiative that offers valuable competency upgrade courses, funded by government, for internationally educated nurses who wish to qualify as Registered Practical Nurses and Registered Nurses in Ontario.

Before we leave this section on enhancing cost efficiency and effectiveness, we want to address the frequent criticism of the postsecondary sector regarding how much is spent on people, notably faculty members. A fuller analysis tells a different story. For example, salary and benefit costs in Ontario's universities per full-time equivalent student are lower than in almost every other province. We believe past accomplishments at Ontario's universities should be acknowledged while we encourage them to investigate how they might become even more cost efficient. The College Employer Council has yielded a number of notable efficiencies for colleges, demonstrating the value of a collaborative approach. Examples of these efficiencies are cited in the Council's submission to the panel. A comparison

Figure 6: **Average Negotiated Wage Outcomes in Ontario [%]**

Average for
2014-2023



of salary increases with changes in the consumer price index over the past 10 years confirms that both colleges and universities have managed these costs well.³⁶

³⁶ Sources: Ontario Ministry of Labour, Immigration, Training and Skills Development; 2022 data includes results of agreements up to December, 2022.

2022 Federal Public: Employment and Social Development Canada (Major Wage Settlements > Ontario > Public, All Industries).

CPI: 2023 and 2024 projections by Focus Economics, as at January 30, 2023.

Private: various 2023 compensation surveys including Eckler (4.1% for Ontario); and Normandin Beaudry (4.0% private sector in Canada) See: <https://www.eckler.ca/canadian-employers-are-projecting-the-highest-salary-increase-in-two-decades-eckler-survey-finds/> and <https://www.normandin-beaudry.ca/en/salary-forecast/record-high-salary-increases-for-2023/>.

4. What Proposed Changes Mean Specifically for the North

We have mentioned that demographic projections to 2028 and beyond vary across different parts of Ontario, with the north not seeing the same percentage increases in population expansion. This does not align with the need to provide a highly educated workforce in all areas of the province, but the panel nevertheless believes there is a need to propose measures focused explicitly on Northern Ontario.

One suggestion would be to set a lower floor for the corridor models of universities and colleges in the north for the next SMA cycle. This adjustment would allow reductions in enrolment of up to 10% for colleges, instead of the current 7%. For universities, the maximum reduction could

be 6%, instead of 3% below their midpoints before funding is negatively affected.

Another possibility would be to increase the special purpose grants for northern, rural and remote colleges, and the Northern Grant for northern universities, in recognition of the higher costs of operating these institutions. The panel did not have sufficient time to do a comprehensive analysis of the appropriate level, but ensuring grants are indexed to inflation or 2%, whichever is higher, would seem appropriate and reasoned.

A third approach would be to allow a renegotiation of corridor midpoints downward during an SMA cycle if the institution were to fall below its new floor in the first two years of the cycle (i.e., after the new reduction is implemented). Funds associated with the reduction could serve as transition support for actions related to restructuring for improved financial sustainability prior to the next SMA cycle of negotiations.

For all institutions, ensuring the corridor is part of negotiations at the end of each SMA cycle is important for several reasons — for example, mitigating the effect of students from the north being recruited by institutions in the south, especially in light of the demographic differences identified for northern institutions. Such negotiations could also provide an opportunity to reward an institution that has proven its ability to exceed expectations for its corridor midpoint.

5. International Students

International students are a source of needed talent and desired population growth as well as a significant contributor to GDP growth. They also bring a number of benefits to the on-campus experience for all students and play a critical role for institutions in their international education strategies. Regional, provincial and national availability of highly qualified personnel ensures a workforce that is competitive and of sufficient size. Such a statement represents a compelling vindication of the strategies being pursued by institutions.

The same can be said for the support international students provide to the financial sustainability of institutions, whether for the newest universities created or for long-standing players in both the college and university sectors. These observations notwithstanding, the risk associated with unbridled or unmanaged growth is also very real. As the Auditor General pointed out, colleges' high dependence on international students is a risk for the institutions and the province. The international reputations of both Ontario and its institutions are critically dependent on appropriate levels of support for international students.

Ontario's colleges and universities each enrol more than 100,000 international students and most institutions have

Figure 7:
2020-2021
average
College
Revenue
Sources



aspirations for continued growth. In 2020-2021, tuition from international students generated 31% of colleges' total revenue, with a roughly equal amount coming from the government grant revenue provided to colleges. In the same year, tuition paid by domestic students yielded 17.5%. For universities, revenue from international students as a proportion of total revenue is substantially lower, accounting for less than 20% of total revenue, but still representing a considerable proportion.

These proportions vary from university to university and from college to college. Many colleges and universities have passed the point where they could survive financially with only domestic students. They are financially sustainable only because of international students. Many might question the appropriateness of the word "sustainable" considering potential threats from global factors such as pandemics, geo-political events, and

immigration and foreign policy shifts in Canada or other countries. Panel members acknowledge the risks associated with a strong dependence on international students, but at least some of these risks can be mitigated.

Ontario's colleges and universities have made recent commitments that could make a positive difference. Universities have recently published and committed to Leading Practices in International Student Experience, which cover areas such as recruitment and admissions, tuition and other costs and wrap-around student supports. The colleges (with one exception) have agreed to new sector-wide standards to strengthen programs and supports for international students that cover, for example, marketing of programs, targeted assistance to support students, and agent training.

On the other side of the ledger, significant risk arises when the student experience

suffers because of a lack of suitable housing or student services that do not ensure student success and integration into Canadian society. Such risk is more apparent when campuses cater almost exclusively to international students. These campuses are often associated with public-private college partnerships. The associated risk is that students' experience and integration can be seriously compromised. We have mentioned that colleges are addressing this risk with a quality assurance process that will conduct regular audits of their public college-private partnerships. The importance of this process cannot be overstated.

Ontario's public universities have not engaged in public-private partnerships in the same way as colleges, and have not established new campuses aimed exclusively at recruiting international students. Universities have increased international recruitment, sometimes through the establishment of extension/satellite campuses, but usually with a mix of domestic and international students. One in Brampton has plans that would see a 60:40 mix of international to domestic students. The university has also issued a request for proposals to ensure increased student housing to support enrolment growth. They are signatories to the Brampton Charter for Improving the International Student Experience, which emerged from an International Student Summit in July 2022, led by Sheridan College.

Another university is expanding its satellite campus footprint in Oshawa with an additional building in the downtown. Its target is an additional 600 international students in graduate programming, which would represent approximately 30% of the university's current enrolment associated with its Durham campus. In total, international students currently represent 15% of the university's total enrolment and over time could increase to 20%. This campus caters to domestic and international students, but the new building will predominantly serve international students seeking graduate certificates and graduate degrees, and be run by the university itself. Other universities have established public-private partnerships integrated into their existing campuses. They offer pathway programs to support increasing international student numbers and have governance structures to address program quality, academic standards and employee recruitment. The university provides direct oversight of operations.

Whether through recent commitments to leading practices, standards, directives or charters, the leaders of colleges and universities are pursuing actions to address deficiencies based on important principles that support the student experience and encompass actions and mechanisms for their accountability. The new initiatives are driving towards a positive outcome. As we

have noted already, a considerable degree of accountability in this regard also rests with board members who must exercise appropriate oversight and ensure, within enterprise risk management systems, that there is due consideration given to the mitigation of risk factors. Examples would include setting goals for geographical diversity of international students and requiring predictability of tuition fees for these students.

We suggest that appropriate measures by the province could also include collaboration with the federal government regarding a “trusted institutions” framework for visa issuances, based on, among other things, high student completion rates. The framework could offer expedited visa processing to reinforce the importance of international competitiveness. Studying and adopting appropriate practices that work successfully in the United Kingdom and Australia would be helpful and reward good performance.

The ministry's vigilance in its regulation of new campuses in the GTA that exist to educate international students is important. We strongly recommend that colleges be held accountable to fulfill the ministry's recent (Spring 2023) binding policy directive on public college-private partnerships. This document puts the responsibility firmly on the public colleges to uphold the same academic quality and standards that students experience at their other campuses, and to

integrate current students and graduates into Ontario communities. Government and colleges should collaborate to uphold this new accountability framework.

Within the binding directive, the arbitrary enrolment cap of 7,500 has been questioned by some colleges as not reflective of college size, financial realities or aspirations. The colleges also argue that the cap does not align with the talent needs of various regional economies. The context for these concerns is the absence of any inflationary adjustment to either provincial grants or domestic tuition rates, which serves to encourage individual institutions to go where the money is. The panel strongly urges a review of this part of the policy over the next 12 to 18 months.

We also encourage discussions between the ministry and postsecondary institutions that include a comprehensive review of institutional plans for any further international enrolment expansion. This would ensure the ministry has a future-oriented understanding of international student numbers, and provide an assurance that institutions have the support they need in their communities. Discussions with the college and university sectors should pay close attention to making sure institutions and communities are ready, willing and able to welcome and accommodate international students – and that their regional economy has the talent needed to support these endeavours.

6. French-Language Education System for FSL and Francophone Students

The challenges of delivering breadth in programming for Francophone and Francophile students, including the cost and funding of such delivery, has been a long-standing issue in Ontario. Various reports in 2016 and 2017 led to proposals for the establishment of the Université de l'Ontario français (UOF), which began offering programs in 2021. At the time, the ministry consulted with institutions that had formal mandates for bilingual or French-language education to hear what they had to say about the appropriateness of an additional French-language institution and opportunities for collaboration. Varying views were expressed about the necessity of such an institution.

Around the same time, the University of Ottawa was designated under Ontario's *French Language Services Act* for the delivery of undergraduate programs and associated services, such as libraries, food services and student support systems, in French. This has allowed an expansion of the University of Ottawa's programs and courses delivered entirely in French. Additionally, a considerable expansion of available elective courses has made it possible for students to complete their entire programs in the French language. As a result, the University of Ottawa is now

by far the largest bilingual postsecondary institution in Ontario, with 365 programs entirely in French at the undergraduate, master's and doctoral levels and more than 14,700 French learners.

This leaves unresolved the issue of the financial viability for the province's other French-language postsecondary institutions, especially the two smallest, Université de Hearst and UOF. With respect specifically to these two institutions, MCU informed us that Hearst has 261 enrolled students, of whom 70% are international students; UOF has 29 enrolled students, a substantial majority of whom are international students. Meanwhile, Hearst has indicated that the transition funding provided by the ministry for its newly acquired independent university status is insufficient.

In light of the foregoing, the panel has severe doubts about UOF and Hearst being able to continue as successful and financially sustainable independent institutions. Scale plays a very important factor in financial sustainability, and these two institutions would need to be much larger to reach the scale necessary for long-term viability. Furthermore, the panel has learned of preliminary data that suggest two French-language colleges are in danger of falling below their corridor floors. The panel offers three alternative options that could address this difficult situation.

Option 1

As well as being the largest deliverer of French programs at the bachelor's, master's and doctoral levels, the University of Ottawa also has the largest French-speaking international student body in Ontario directly supporting the province's Francophone immigration strategy. Furthermore, the university has the greatest capacity for planning, developing analyses of resources and financial needs, researching employment markets for the French and bilingual workforce, and conducting risk analyses of certain programming directions. If Hearst and UOF were to become federated universities of the University of Ottawa, this could secure a future planning capacity relevant to provincial French labour market needs, with complementary institutions working closely together. The model provided by the Université Saint-Paul – which has its own board responsible for overall governance and management – could be replicated. The investments slated for UOF and Hearst could then support the expansion of the University of Ottawa's federated structure, subject to discussions and negotiations with the leaders at UOF and Hearst under a Federated Agreement. This option would allow substantial efficiencies and more significant planning to meet French learners' needs and the needs of employers.

Option 2

The partnership between the University of Guelph and Humber College provides another model for replication. This option would bring UOF and Hearst together with the two long-standing French colleges, Boréal and LaCité. Outside Ontario, Thompson Rivers University (TRU) in British Columbia or British Columbia Institute of Technology (BCIT) represent possible models for such a partnership. They are not French institutions, but offer programs that range from apprenticeships and certificates to bachelor's and master's degrees in a deliberately ladder system for student progress. TRU also incorporates a significant open learning enterprise that could be a model to capture more Francophone members of northern communities. The panel is keenly aware of the difficulties of such an endeavour, including the implications of collective bargaining, but the option may at least be worth exploring. This option could offer an opportunity to invent a university-college option in Ontario with a special mission to offer career-oriented programs. This would create opportunities for college graduates to complete a university degree, serve Francophonie, promote the French language and cultural and linguistic diversity, and be innovative and responsive to market-driven needs of employers.

Option 3

A third possibility is the establishment of an integrated network or consortium for collaboration across Francophone and bilingual postsecondary institutions, linking development to the labour market priorities of Francophones across Ontario. This consortium could be broader than the two small French universities, two French colleges and other bilingual institutions that declare a commitment to French learners in their missions. This type of formal consortium could also have a mandate to serve other communities in Ontario where a large Francophone presence exists. For example, a need has been identified for educated graduates fluent in French in the Windsor area, particularly in support of social services and healthcare. The mandate of the consortium could embrace college transfer for degree programming, much as the legislation that established Ontario Tech University formally included a commitment for pathways for students from college to university. The logical lead institution for such a development would be the University of Ottawa given the differentiated scope and scale it already displays.

The mandate from government could include participation in cross registration and consortium delivery of courses where low enrolments exist, with an overall goal of achieving economies of scale. La Cité, the largest college serving French learners, could play a leading role in defining needed French-language pathways and provide a unique French pathway model for the sector. With supporting financial commitments from government, the consortium could expand academic offerings to include technology, trades and health care areas, contributing to Ontario's skills agenda.

Whichever option is pursued, securing a continuing and appropriate fair share of financial support from the federal government through Canada's French-language funding envelope needs to be a key goal of the province.³⁷

³⁷ Starting in 2024-2025, the federal envelope for postsecondary education in a minority language will be \$128 million over four years. From 2021 to 2023, Ontario received 38% of this funding, and the province could justifiably ask for 40% going forward.

Indigenous Learners and Indigenous Institutes

As we noted already, the terms of reference for the panel indicated that our focus regarding Indigenous Institutes (IIs) should be on the “identification of issues” that “will be used to support follow-up bilateral discussions between the ministry and the IIs beginning in Fall/Winter 2023”.

In 2017, the *Indigenous Institutes Act, 2017* was passed, providing a legislative framework for this part of the sector and a pathway for IIs to offer their own postsecondary credentials. The panel heard from recognized IIs during the stakeholder consultations, and also from the Indigenous Advanced Education and Skills Council (IAESC), which was recognized by the province in 2018 as “an independent, Indigenous-controlled body to provide quality assurance and student protection for the sector”. Our deliberations also provided the panel with an understanding of the funding history of IIs and higher education for Indigenous learners in Ontario from its beginnings in 1994-1995 through to today.

Before moving to identification of specific issues to be explored in bilateral discussions, we offer a few general comments.

IIs value the relationships they have formed historically with other players in the postsecondary education sector, most

notably the partnerships formed with colleges and universities, and see these as important parts of the future for their students. Several submissions received from partnering institutions committed to the advancement of Indigenous learners and spoke to the important collaborative initiatives and student support systems for Indigenous learners in their future goals. The differences from region to region are quite striking. Continuing to support colleges and universities in their partnerships with IIs, and encouraging opportunities for co-developing and shared resources where appropriate, could serve the province well. Previous funding models in the early 1990s leveraged investments from these sector partners to advance support for Indigenous people pursuing postsecondary education.

Distinct from these partnerships, we were struck by the important role that IIs play in their local communities in fostering language revitalization and cultural learning to support individuals and employers as fundamental outcomes within the sector. The need to include in their mission supports for learners to build confidence to restart their education, in many cases with the goal of completing high school, was poignant and certainly different

from what could ever be accomplished through postsecondary institutional partnerships. Unique costs associated with operationalizing their missions for Indigenous learners include involvement of elders in pedagogical development and program delivery, land-based learning and trauma-informed wrap-around student supports. The importance of the work of IIs is fundamental to an Indigenous population that is growing faster than non-Indigenous populations and where postsecondary attainment is lower than in other areas' populations. An expert in this area serving on the panel stated, "there is much work to be done" and "for many Indigenous people, postsecondary education and training would not be accessible if IIs did not exist".³⁸ Indigenous Institutes emphasized that 70 of the 94 recommendations of the Report of the Truth and Reconciliation Commission related to education.

The panel was impressed with the direct labour market focus that the IIs have in their evolving programming for those who study with them, and in the range of support they provide to their local communities and regions. From the submissions made to the panel, we learned of the significant differentiation across

the IIs, which is in part a reflection of the regions and communities they serve and of the differences across their student populations. This differentiation will have implications for the model of funding that is ultimately developed to support a longer-term funding framework. We also noted a sincere desire and aspiration for many IIs to create rewarding skilled-trades careers, an activity many are already engaged in. While the panel's report is directed to MCU, we note the importance for IIs to be able to engage appropriately with the Ministry of Labour, Immigration, Training and Skills Development (MLITSD) in support of their goal to develop pathways to skilled trades for Indigenous learners.

In the pursuit of financial sustainability across all pillars in Ontario's postsecondary sector, we also recognized that opportunities for revenue generation through recruitment of international students – a sustainability strategy for many other postsecondary institutions – is not possible or practical for IIs.

Finally, the important role of the Indigenous-controlled quality assurance system that was established in 2020-2021 under IAESC was not lost on the panel. Our discussion with the council was beneficial in understanding some of the safeguards in place to ensure Ontario can be proud of the

³⁸ Building on 30 years of progress toward a recognized Indigenous Institutes sector in Ontario, by Ogimaabines, Brent Tookenay, CEO, Seven Generations Education Institute.

Figure 8:

Indigenous Institutes emphasized that **education** is a primary focus of the Report of the Truth and Reconciliation Commission, wherein

70 of the **94**
recommendations
relate to education.



quality and evolution of IIs since the act was passed. We heard concerns about the lack of long-term funding for this organization, which in our collective view is fundamental to the evolving standards, strategic growth and development of the sector, and for the mitigation of risk related to the autonomy recognized under the Act.

We turn now to five specific issues that could be the focus of bilateral discussions between the ministry and the IIs beginning later in 2023.

1. In our learning associated with II funding, we were struck by the consistent reference to resource constraints limiting progress, and the issues associated with specific annual workplans and annual allocations in

the absence of any ongoing framework for operational sustainability of IIs. The move to multi-year transfer payment agreements, structured for the first time around three-year timeframes in 2022, was seen as a positive step forward. The exploration of a mechanism that shifts funding from a Transfer Payment Agreement (TPA) and project-based funding to one that is more predictable with core funding will enable the establishment of commitments to enrolment targets, relevant metrics to measure progress and eventually to growth with expanded funding to allow for proper longer-term planning. This exploration could also reduce red tape for mature IIs by reducing the administrative burden of TPA reporting.

2. As IIs mature in their development, with a positive track record in quality assurance, student outcomes and autonomous program delivery, it could be fruitful to include in bilateral discussions best practices from elsewhere in the sector, given that there are unlikely to be near-term scale possibilities for IIs. One example is provided by Algoma University, which has a special mission grant to recognize scale, support predictability, and provide incentives for a focus on advancing its special mission.
3. Topics for discussion could include a need for transition funding that acknowledges both the role of IIs in developing training and course offerings as a precursor to postsecondary study and the importance of holistic services to support student success. Examples might include work with other ministries to identify financial support for childcare and temporary housing for Indigenous learners, and for travel stipends where students must move from a remote location to a larger community where an II is located.
4. The role of tuition is an area both broad and diverse and one that is of central importance for determining a path forward. We would only stress that we are talking not about tuition charged by partner institutions but rather tuition as a revenue source for IIs themselves. Both tuition and the associated financial support for Indigenous learners are important areas for forthcoming bilateral discussions.
5. Finally, it would serve the sector well to discuss how to support capacity building at each II, paying due attention to differences in development from one II to another. Examples might include technician support for laboratories and other highly qualified personnel for analysis and planning.

Research

With less than six months between the panel's first meeting and its report in final draft form, we were only able to consider research in Ontario's postsecondary institutions at a superficial level. Its strength and importance are indisputable. The sector's research enterprise contributes in a significant and meaningful way to the development of high-quality talent needed in the workforce to advance innovation and leading-edge knowledge, and is a valuable attraction for investment in Ontario. The research is also crucial to the development of intellectual property (IP) and the creation of new products and services that benefit Ontario, Canada and sometimes the world. With this as context, we would also emphasize that the sector's research endeavours, whether basic or applied, require financial investment and have implications for financial sustainability.

Elsewhere in the report, we have already mentioned our recommendation for limited fungibility of WGUs across undergraduate and graduate programming in universities and of WFUs across diploma and degree programming in colleges. Accepting this recommendation would contribute to the research enterprise and talent development in Ontario. Engaging with more learners in various aspects of the research enterprise will foster and enhance innovation literacy and support downstream economic productivity in the economy.

We support further differentiation and collaboration between all public research institutions to ensure the full spectrum of research – basic, applied and experimental development – is fully mobilized to promote intellectual property (IP) from the germ of an idea to its full effect. The province needs to ensure that ideas emerging from our world-leading basic research institutions can find ready partners in the public research sector. The resulting IP will enhance innovation in Ontario and provide a return on public investment, and also support Ontario's Intellectual Property Action Plan Research and the work of Intellectual Property Ontario.

We also want to stress the importance for the province of leveraging federal funds available to universities and colleges in Ontario so we are competitive with other Canadian jurisdictions, especially with regard to funding for research infrastructure. For example, Quebec matches funding of up to 40% of project costs for Canada Foundation for Innovation (CFI) awards, and similar support is provided by British Columbia through its Knowledge Development Fund. Given the competitive landscape for research talent, the mobility of Ontario researchers to other jurisdictions, and the desire of the private sector to partner with postsecondary institutions to invest in research, the panel sees research funding as a critically important concern.

Data

Data shared with the panel demonstrate a shrinking Ontario Research Fund over the last number of years, representing a competitive disadvantage for Ontario's postsecondary institutions, the private sector and ultimately for Ontario.

In our interactions with various stakeholders – including the provincial government's Higher Education Quality Council of Ontario – and as a panel seeking data on the postsecondary sector, it was evident there are challenges with obtaining such data, given the absence of an enterprise-wide data management system within the ministry. The issue is not that data are not collected, but rather that obstacles are placed in the path of those wishing to engage in detailed analysis of, and collaborative discussion with, the postsecondary sector. Simply stated, there is a siloed approach within the ministry that undermines attempts to collaborate within the postsecondary sector. We also learned, when seeking data on population projections, that an agreement between Statistics Canada and Ontario's Ministry of Finance will henceforth preclude the ministry from sharing data with COU, and hence prevent the Committee on Enrolment Statistics, Projections and Analysis (CESPA), a COU committee, from providing its calculated population and participation rates. We strongly advocate for a more open approach to data sharing.

Capital Infrastructure

While not an area identified in the panel's Terms of Reference, capital infrastructure will certainly affect financial sustainability if not addressed. We did not have time to consider all the issues associated with much-needed capital investments and infrastructure renewal, but we do have several preliminary observations.

Ontario's colleges and universities are suffering from aging infrastructure with the consequence of high levels of deferred maintenance. Several of the submissions to the panel from colleges and universities emphasized the extent of the challenge posed by the deferred maintenance of facilities and capital. The eventual implication could be that programs and courses are unavailable because of unsafe facilities and a lack of required equipment. Much of Ontario's colleges' infrastructure dates to the mid-1960s, and the average age of facilities is 33 years. The situation is similarly challenging for most of Ontario's universities, aside from a small number that are much older and have even more significant challenges with aging facilities.

Taken overall, the rating of the condition of college and university facilities is fair to poor with the estimated costs to repair, upgrade or renew facilities approaching 16% of their replacement cost. In 2019, total deferred maintenance for colleges and

universities was estimated at \$6.4 billion, of which colleges accounted for \$1.7 billion. Four years on, the numbers are surely higher.

By contrast, provincial funding in 2022-2023 for facilities renewal was \$178.9 million with a further \$30 million for equipment renewal. This is a minimal amount when compared with what is required to refresh existing infrastructure for postsecondary institutions, not to mention investments needed for new technology and facilities to provide a high-quality education in a world of ever faster knowledge expansion. The problem becomes more acute with every passing year. The panel urges the government to consider substantial increases to funding levels for facilities and equipment that will ensure their safety and compliance with new requirements. At the same time, postsecondary institutions will need financial support to catch up on years of unaddressed deferred maintenance and renewal. If the institutions are expected to contribute more to this gap from existing revenue, the absence of any recognition of cost increases through the grant for the delivery of programs will quickly become a major impediment. Providing a current education is paramount, particularly in high-demand and high-impact disciplines where knowledge and practices are evolving at an accelerated rate and where the introduction of technology and hybrid learning cuts across all areas of the curriculum.

Longer term estimates for Ontario suggest that an additional 287,000 students will need to be absorbed into the postsecondary sector by 2047. For colleges, the projected increase is 147,000 students, of which 82,000 will be domestic students. For universities, the projected increase is 140,000, of which 37,000 will be domestic students. Accommodating additional students will require support for expanding campuses, virtual learning systems, and a significant investment in student support services and instruction.

MCU could use the next SMA process to identify the absorption capacity of each institution and the institution's potential growth in advance of when the demand is forecast to increase. Some institutions may not be able to absorb a significant number of new students for a variety of factors including a lack of affordable housing, or an inability to attract new faculty and support staff to their locations. Others potentially could. The panel recommends that future enrolment growth be accommodated primarily by expanding existing institutions rather than creating new institutions, given the importance of scale to achieving financial sustainability in the sector.

As a starting point, MCU should undertake some preliminary analysis of the potential impact of this level of growth on the system, focusing on costs, revenues, people and supports. The government could then make appropriate judgements on the necessity and scope of a new capital program.

In discussions with the Council of Presidents of Colleges Ontario, and in a number of submissions from colleges, Section 28 was raised. We have noted that Ontario's colleges are consolidated on the province's financial statements and any contingent liabilities of the colleges are reflected on the government's books. Even relatively small capital expenditures require MCU approval after the college's board has approved the expenditure. This hampers colleges' ability to respond to emerging opportunities and threats in a timely manner. We believe there may be room to increase the level of capital expenditures that could be approved unconditionally by college boards to enable greater agility in the sector. Faster processes associated with Section 28 approvals would also be helpful to address significant capital issues such as student housing.

Student Wellbeing and Supports

Submissions from students, as well as from colleges, universities and Indigenous Institutes, made it clear that student support services are as important to student success as teaching and assessment. These services include financial support, health and wellbeing supports, easier access to information about labour markets, and housing and support for learning. The ability of some institutions to expand may be constrained by non-postsecondary education factors, such as housing and financing ability.

Recent developments around mental and physical health of students supported by the government must be acknowledged for improving the services provided for students on campuses. Closer co-operation across the system for these kinds of supports should be encouraged by the province, and by institutions providing, where feasible, integrated shared services that include access to round-the-clock mental health support. We say this recognizing that the medical and institutional needs of students in this respect are usually very local.

Commentary on Recommendations

The panel's report contains a significant number of recommendations for the consideration of government. We believe our recommendations are fiscally responsible and affordable – other provinces can do it, with appropriate support students and families can do it, and institutions can play their part in it too. Indeed, the panel is of the view that the costs to the province of failed postsecondary institutions are too high not to do it. Failure to act will threaten the province's reputation, with significantly negative effects for international student recruitment, the advancement of regional economies, the preparedness of our future workforce, and the attraction of foreign investment.

The panel also believes that demographics and economics necessitate a different approach to public funding from what has been in place for quite some number of years and thereby represent an added impetus to our recommendations. Our terms of reference began by noting that "recent experiences ... have highlighted broader sustainability concerns for Ontario's publicly assisted postsecondary system". These concerns serve to magnify the need to act now. Failure to do so will mean it will be more and more difficult for students to find spaces in the programs of their choice. In consequence, the system will

fall considerably short of meeting the needs and expectations for access of a growing Ontario population. At the same time, the postsecondary institutions will find it increasingly difficult to ensure their programs evolve so that they continue to be relevant to the needs of the labour market as it evolves.

While most of our recommendations address the financial sustainability of the sector, a few are, we acknowledge, a stretch within our terms of reference. We are however confident that when these recommendations are applied in concert with one another, they will move the sector firmly in the direction of long-term financial sustainability and stability, thereby strongly mitigating the significant risks that triggered the need for a blue-ribbon panel. They will also ensure that everyone plays their part in a shared and balanced approach to the associated investments.

Finally, the panel also made a number of specific recommendations in support of the belief that one size does not fit all. Some address historical factors that have left parts of the sector uncompetitive nationally or internationally. Viewed in this context, they undoubtedly reinforce the five key guiding principles the government asked us to consider.

View from the Chair

Our goal was to deliver a report that every panel member could support in its entirety. We were close to this goal, which is a testament to considerable debate, discussion, review of data, and the sharing of considerable and diverse experience and expertise that each panel member brought to their role. Where there was an alternative view on a recommendation, this is indicated in an appendix to our report.

The panel spent the majority of its time focussing on the most pressing issues of financial sustainability, which meant that it was difficult for our report to align with the provincial guiding principle of “rewarding excellence and financial sustainability” with institutional pre-eminence.

Every panel member believes in the importance of differentiation across the sector, and accepts the notion of pre-eminence in principle, but some differing perspectives emerged among panel members. It is for this reason that, as the Chair of the panel, I offer some further commentary on this issue. This having been said, the reader should not for a moment presume there is no support among other panel members for my comments on pre-eminence.

Many institutions can justifiably claim pre-eminence in specific areas of excellence. This is clear from many strategic plans, metrics used by institutions to demonstrate progress

in those plans, and in the branding efforts and the strengths the institutions bring to the regions they serve. There is however only one publicly assisted postsecondary institution in Ontario, the University of Toronto, that could be described as covering all the bases in its pre-eminence.

The University of Toronto, which is by far the largest university in Ontario with close to 100,000 students enrolled, plays a pre-eminent role in Ontario and in Canada. For example, Toronto's student population accounts for 20% of all the doctoral students in Canada's U15 universities and 44% within the six U15 universities in Ontario. Among the U15 universities, Toronto's share of doctoral students is as large as the combined total for two other large Canadian universities – the University of British Columbia and the Université de Montréal – each with a 10% share.

The University of Toronto is also very highly ranked internationally – 18th in the world in the Times Higher Education (THE) World University Rankings, and second only to the University of California, Berkeley among North America's public universities. The University of Toronto is also one of only seven universities to rank among the top 30 institutions worldwide in all 11 subject areas in the THE rankings, and ranks first in Canada. It also places eleventh in the world in the THE's graduate employability ranking.

The University of Toronto's rankings are reflective of the institution's research strength across the board, as befits a university with so many doctoral students. We note too that in June 2023, Nature ranked the University of Toronto third in the world for health sciences research output, behind only Harvard and the National Institutes of Health.

Its pre-eminence across the board comes with higher costs and levels of investment if the excellence is to be maintained, given which I encourage the province to consider treating the University of Toronto differently from other Ontario universities. This different treatment would also serve as a recognition of the university's pre-eminence in other respects. For example, one quarter of all applicants to an Ontario university include an application to the University of Toronto. Should the university opt to open its doors with or without a lowering of its admissions requirements, a catastrophic financial sustainability issue would emerge for the entire system. The university, wisely in my view, is not among those in Ontario that have begun admitting unfunded domestic students above the midpoint in their corridors.

The different treatment I have in mind is to allow the University of Toronto the freedom to set its own tuition fees. This would be accompanied by a very strong commitment to the institutional provision of student aid, but there is little doubt that this would occur: for more than 20 years, it has been a policy of the University's Governing Council that "no student offered admission to a program at the University of Toronto should be unable to enter or complete the program due to lack of financial means". As a consequence of this policy, Toronto already provides student aid of almost \$3,481 per full-time equivalent student, which is \$1,300 more than the figure for all Ontario's universities other than Toronto.

The panel members represent a diversity of perspectives and backgrounds, and some could not endorse my suggestion. Others could, but rather than encourage a rift, albeit probably a modest one, among panel members who have contributed so much to this exercise, I elected after considerable discussion to write this view from the Chair.

Appendices



Appendix I – Blue-Ribbon Panel Terms Of Reference

Context

Ontario looks to its 47 publicly assisted postsecondary institutions (24 colleges and 23 universities) to support Ontario's economy in a number of ways, including preparing people for the labour market, engaging in research and supporting the prosperity of local communities.

Recent experiences with Laurentian University, as well as audits of publicly assisted colleges and universities conducted by the Auditor General, have highlighted broader sustainability concerns for Ontario's publicly assisted postsecondary system.

The blue-ribbon panel is being established to review and provide advice and recommendations in key areas to ensure Ontario's postsecondary sector is financially sustainable over the long run.

Mandate and Guiding Principles

Building on recent successes and recognizing the excellence of Ontario's postsecondary education, the government is focused on advancing the following principles:

- **Enhancing student experience and access**
- **Rewarding excellence and financial sustainability**
- **Improving labour market alignment**
- **Promoting economic growth and prosperity**
- **Keeping education affordable for lower and middle-income families**

The publicly assisted postsecondary system in Ontario consists of 3 pillars: publicly assisted universities, publicly assisted colleges, and Indigenous Institutes (IIs). The mandate of the Blue-Ribbon Panel on Financial Sustainability in the Postsecondary Education Sector ("the blue-ribbon panel") is to provide advice to the Ministry of Colleges and Universities on keeping the postsecondary education sector financially strong and providing the best student experience possible. This includes considering the following questions.

In recognition that IIs have a different funding arrangement and governance structure, the panel should work to understand and identify the issues pertinent to IIs as part of its report. The identification of issues will be used to support follow-up bilateral discussions between the ministry and the IIs beginning in Fall/Winter 2023.

1. How could the Ministry of Colleges and Universities' ("the ministry's") funding approach and associated levers (including operating and special purpose grants, student financial assistance, performance-based funding and Strategic Mandate Agreements) best drive institutional excellence? Consideration should be given to:
 - Increasing program offerings that are labour market relevant and align with employer and local community needs.
 - Providing sufficient labour market information to help students make informed choices and transition into the labour market.
 - Responding to students needs/choice and demonstrating value for money.
2. Recognizing the local, provincial, national, and global context in which institutions operate and the recommendations of the Office of the Auditor General of Ontario (OAGO), how do we ensure sustainability through sound institutional financial health practices, continuous improvement and healthy competition in the postsecondary education sector? Consideration could be given to, among others:
 - Measures that generate revenue
 - Measures that reduce costs
 - The governance and accountability framework of institutions to ensure ongoing financial viability
 - Compensation, talent attraction and incentivizing productivity gains
 - Credential qualification structures and program architectures
3. What are the criteria and objectives for a long-term tuition fee framework (TFF)? How can a TFF balance student and institutional needs? What other measures, outside of tuition, could be used to address costs, affordability and access for students?

4. What changes to the funding approach could support greater sustainability for northern institutions and students, as well as support specialized institutional excellence amongst northern institutions? In addition to funding considerations, are there innovative delivery/institutional models that should be considered?
5. How do we ensure a financially sustainable French language education system for FSL and Francophone students so that they have access to a range of quality programs and are prepared for a successful career? Are there innovative delivery/institutional models that should be considered? Could the ministry's funding levers be better/differently employed?
6. What is the role of international students within a sustainable and thriving postsecondary sector? Consideration should be given to the overall quality of the student experience including housing, as well as an assessment of the benefits, risks and opportunities for institutions and the province.

Answers should be considered through the lens of fiscally responsible and affordable actions.

Appendix II – Consultations

The panel received input from the following organizations/institutions, almost all of which provided written submissions. **Bold font** indicates an organization/institution that met with the panel.

- Algoma University
- Algonquin College
- **Anishinabek Educational Institute**
- Assemblée de la francophonie de l'Ontario (AFO)
- Automotive Parts Manufacturers' Association (APMA)
- Brock University
- Business Arts
- C.D. Howe Institute
- Cambrian College
- Canadian Council of Innovators (CCI)
- Canadian Federation of Independent Businesses (CFIB)
- **Canadian Federation of Students-Ontario (CFS-O)**
- Canadian Manufacturers and Exporters (CME)
- Canadore College
- **Career Colleges Ontario (CCO)**
- Carleton University
- Centennial College
- Collège Boréal
- College Employer Council
- **College Student Alliance (CSA)**
- **Colleges Ontario (CO)**
- Conestoga College
- Confederation College
- Constant Change Media Group
- **Council of Ontario Universities (COU)**
- Dark Slope
- Durham College
- Eduvation
- Fanshawe College
- **First Nations Technical Institute (FNTI)**
- FutureFit AI
- George Brown College
- Georgian College
- **Higher Education Quality Council of Ontario (HEQCO)**
- **Higher Education Strategy Associates (HESA)**
- Hullmark

- Humber College
- **Indigenous Advanced Education and Skills Council (IAESC)**
- **Indigenous Institutes Consortium (IIC)**
- Information and Communications Technology Council (ICTC)
- Interactive Ontario
- **Iohahi:io Akwesasne Education and Training Institute**
- **Kenjgewin Teg**
- La Cité collégiale
- Lakehead University
- Lambton College
- Laurentian University
- Law Society of Ontario (LSO)
- Loyalist College
- McMaster University
- Métis Nation of Ontario
- Mitacs
- Mohawk College
- Niagara College
- Nipissing University
- Northern College
- Northern Ontario School of Medicine (NOSM)
- **NOUS Group**
- OCAD University
- **Ogwehoweh Skills and Trades Training Centre**
- Ontario Arts Council
- Ontario Bioscience Innovation Organization (OBIO)
- Ontario Chambers of Commerce (OCC)
- **Ontario Confederation of University Faculty Associations (OCUFA)**
- Ontario Council on Articulation and Transfer (ONCAT)
- Ontario Federation of Indigenous Friendship Centres (OFIFC)
- Ontario Hospital Association (OHA)
- Ontario Medical Association (OMA)
- **Ontario Public Service Employees' Union (OPSEU)**
- Ontario Tech Talent Inc
- Ontario Tech University
- **Ontario Undergraduate Student Alliance (OUSA)**
- **Oshki-Pimache-O-Win: The Wenjack Education Institute**

- Ottawa Board of Trade
- Queen's University
- **Regroupement étudiant franco-ontarien (RÉFO)**
- Rescon
- Sault College
- Seneca College
- **Seven Generations Educational Institute (SGEI)**
- Sheridan College
- **Shingwauk Kinoomaage Gamig**
- Sir Sandford Fleming College
- **Six Nations Polytechnic**
- St Clair College
- St Lawrence College
- The Dias-Toronto Metropolitan University
- Toronto International Film Festival (TIFF)
- Toronto Metropolitan University (TMU)
- Toronto Metropolitan University Faculty Association (TMUFA)
- Toronto Region Board of Trade (TRBOT)
- Trent University
- Université de Hearst
- Université de Sudbury
- Université de l'Ontario français
- University of Guelph
- University of Guelph-Humber
- University of Ottawa
- University of Toronto
- University of Waterloo
- University of Western Ontario
- University of Windsor
- University Pension Plan
- Unlimited Media
- Vector Institute
- Virtual and Augmented Reality Toronto
- Wilfrid Laurier University
- World Education Services
- York University

Appendix III – Summary of Recommendations

Note: For each recommendation, the page reference indicates where in the panel's report that recommendation is discussed.

1. Use a shared approach with government, students and institutions to fund postsecondary education institutions and to ensure financial sustainability:

- **Government actions:** a one-time increase of 10% in per student funding applied in 2024-2025 to the value of the Weighted Grant Unit (WGU)/ Weighted Funding Unit (WFU), with subsequent increases each year equal to the increase in the consumer price index or 2%, whichever is greater; and review the Ontario Student Assistance Program (OSAP) assessment processes and policies to increase grants for low-income students. *(See page 20)*
- **Student actions:** government to confirm a multi-year tuition framework starting in 2024-2025 that allows a one-time increase in tuition of 5% and subsequent increases each year of the framework equal to the increase in the consumer price index or 2%, whichever is greater; an additional increase in tuition in 2024-2025 of 3% for professional programs in universities and high-demand programs in colleges. *(See page 28)*

- **Institution actions:** offset increased costs of tuition by increasing needs-based institutional student aid, and pursue greater efficiencies and collaboration in operations and program offerings. *(See page 29)*

2. Adapt government policy for the current corridor and envelope funding model to support strategies that impact financial sustainability and labour market responsiveness in a time of demographic growth:

- Commit to an adjustment (up, down or confirmation of no change) of the corridor midpoints in each Strategic Mandate Agreement (SMA) cycle as the outcome of negotiations between the Ministry of Colleges and Universities ("the ministry") and individual institutions. In the event of a negotiated downward adjustment of a corridor midpoint, the institution should retain its original funding level for the first year after the adjustment as a transition support for sustainability during restructuring. *(See pages 19 and 20)*
- Introduce a slower and more modest progression in the shift of funding from the enrolment envelope to the performance-based differentiation envelope, starting at 10% (already determined for 2023-2024) and an

additional 5% in each subsequent year to a maximum of 25% in 2026-2027. Ensure that the performance-based funding is determined by indicators that are within the power of postsecondary institutions to influence. *(See page 23)*

- Allow universities to modify the allocation of WGU between undergraduate and graduate programs, and colleges to modify the allocation of WGU between diploma and degree credentials, while ensuring that the programs thus favoured are justified by labour market demand. *(See page 23)*
- To meet learner expectations, consider defined funding within the special purpose envelope to support both the province's Virtual Learning Strategy and a lengthening of the lifespan of technology-based learning systems across the sector. *(See pages 25 and 26)*

3. Recognize that “one-size fits all” government policies need flexible elements to address financial sustainability in parts of the sector with special challenges, and to meet government’s key guiding principles and implementation practices:

- Extend the floor of the enrolment corridor for northern institutions from -7% to -10% for colleges and from -3% to -6% for universities. *(See page 21)*
- Allow flexibility for increased college tuition fees for a defined period of time to reduce the competitive disadvantage of current fee levels by comparison with the rest of Canada. *(See page 29)*
- Eliminate the 15% cap on enrolment in high-demand programs in colleges wherever the programs are of high quality and aligned with the needs of the labour market, and thereby ensure strong employment outcomes for the programs' graduates. *(See page 23)*
- Change the funding model for part-time college enrolments with effect from the fall of 2024 to eliminate the disincentive for colleges to enrol part-time students. *(See page 24)*

- Explore the three options for restructuring French-language institutions and implement the preferred option; fulfil a commitment made by the provincial government during SMA2 to reconsider the allocation formula for, and the total amount of, French-language/bilingual grants, and increase these grants each year by the rise in the consumer price index, or 2%, whichever is higher. *(See page 25, and pages 42 and 43)*
- Fulfil a commitment made by the provincial government during SMA2 to review eligibility criteria for, and the allocation method applied to, the Small, Northern and Rural Grant for colleges, and the allocation of the Northern Ontario Grant for universities; to ensure an equitable approach; and increase these grants each year by the rise in the consumer price index, or 2%, whichever is higher. *(See pages 24 and 36)*

4. Put stronger accountability measures in place by all parties to ensure a more financially sustainable postsecondary education sector:

- Take whatever steps are required to ensure that the ministry, working in conjunction with the Ministry of Education (EDU) and the Ministry of Labour, Immigration, Training and Skills Development (MLITSD), communicates comprehensively with high-school students early in their studies regarding opportunities through OSAP and the Canada Student Financial Assistance Program funding to provide support for these students' pursuit of postsecondary education. *(See page 30)*
- When changes to OSAP are made in such a way that they have detrimental effects on students receiving this form of student assistance, apply the changes only to new applicants, thereby ensuring an unchanged level of benefit for existing OSAP-eligible students. *(See page 30)*
- Instruct the ministry to share every college's financial sustainability scores with each of the college boards and leadership teams, to support and encourage transparent practices on how appropriate interpretation of, and reaction to, these indicators will promote financial sustainability. *(See pages 31 and 32)*

- For both colleges and universities, instruct the board of each institution to review its own financial sustainability scores relative to every other institution in its sub-sector (i.e., colleges or universities) and establish threshold levels for achievement. *(See pages 31 and 32)*
- Ensure each institution's board members follow best practices in governance, including a requirement for financial literacy training for any newly appointed board member. *(See pages 31 and 32)*
- Incorporate the material risk associated with colleges' dependency on international enrolments into the assessment of financial sustainability, with appropriate government monitoring through consultations between the ministry and the colleges. *(See pages 31 and 32)*
- Require that colleges expedite the development of a quality assurance process for, and conduct regular audits of, public college-private partnerships for international students. *(See page 39)*
- Require that the ministry be appropriately vigilant in overseeing new campuses for educating international students, and in the implementation of the new *Public College-Private Partnerships: Minister's Binding Policy Directive* for international enrolments. *(See page 40)*
- Review within 12-18 months the enrolment cap of 7,500 on a college's total international enrolments through public college-private partnerships while undertaking a comprehensive review of institutional international student enrolment plans for the future. *(See page 40)*
- Advocate with the federal government to establish a "trusted institution" framework, based on performance, for the approval of international student visas. *(See page 40)*
- Advocate with the federal government to secure a fair share of, and continued financial support for Ontario from, Canada's French-language funding. *(See page 43)*
- Advocate with the federal government to secure full matching support for Ontario's 80% commitment to student aid through grant support. *(See page 30)*

5. Consider the panel's directional suggestions through the policy and capital divisions within the ministry:

- Instruct the Council of Ontario Universities (COU) and Colleges Ontario (CO) to establish expert peer panels for the purpose of determining, and providing in a collaborative and supportive manner, the advice and responses the panel deems appropriate for an institution when the panel has concerns regarding that institution's financial sustainability indicators. *(See page 32)*
- Continue to encourage differentiation within the postsecondary sector, and maintain the differences between colleges and universities wherever and whenever mandates are distinctive. *(See page 9)*
- Encourage colleges and universities to continue – and where possible increase – collaborations with the Indigenous Institutes and their delivery of programs and support for Indigenous learners. *(See page 9)*
- Encourage colleges and universities serving northern, rural, and remote communities to address evolving regional labour market needs as a priority. *(See page 9)*
- Conduct a formal review of opportunities for consolidating the programs and administrative operations of small, remote, and rural institutions serving the north in ways that would support long-term financial sustainability, and examine expanding the applicability of this approach to mid-sized colleges falling below their corridor floors. *(See pages 34 and 35)*
- Ensure that information about career prospects and other aspects of the labour market is readily available in support of prospective students' decision making. *(See page 11)*
- Leverage federal research funds by providing competitive matching funds for Ontario postsecondary education institutions that successfully secure federal funding, including consideration for strategic choices identified as most relevant to Ontario's economy. *(See page 48)*
- Consider increasing funding levels for deferred maintenance to ensure the safety of facilities and compliance with new legislative accessibility requirements, and to begin catching up on years of unaddressed deferred maintenance and renewal. *(See page 50)*
- Evaluate needs for capital expansion based on demographic projections for the next decade starting with an analysis of existing physical and virtual "absorption" capacity already in the sector. *(See page 51)*

Appendix IV – Dissenting Opinions

One panel member, Maxim Jean-Louis, could not support two recommendations, specifically:

1. Conduct a formal review of opportunities for consolidating the programs and administrative operations of small, remote, and rural institutions serving the north in ways that would support long-term financial sustainability, and examine expanding the applicability of this approach to mid-sized colleges falling below their corridor floors.
2. Explore the three options for restructuring French-language institutions and implement the preferred option; fulfil a commitment made by the provincial government during SMA2 to reconsider the allocation formula for, and the total amount of, French-language/bilingual grants, and increase these grants each year by the rise in the consumer price index, or 2%, whichever is higher.

Appendix V – Glossary of Terms

- **Board of Governors/Trustees:** The body responsible for the governance of a postsecondary institution, including control of its property and revenues, and the conduct of its business and affairs. Governors/Trustees typically include community members, administrators, staff, faculty, students and alumni, along with some members appointed by the province.
- **Corridor Model:** The primary mechanism to determine enrolment-based funding allocations for institutions in Ontario. The mechanism determines the corridor's minimum and maximum enrolment targets within which the institution receives predictable funding, based on the pre-determined corridor midpoint. An institution's enrolment-based funding only changes if its enrolment falls below the minimum target.
- **Deferred Maintenance:** The postponement of maintenance activities such as property repairs to save money.
- **Differentiation Envelope / Performance-Based Funding:** One of three elements of the model used by the Ministry of Colleges and Universities (MCU) to determine the government's provision of funding to institutions, the differentiation envelope ties a portion of funding to performance on a set of metrics that measure student and economic outcomes, such as graduate earnings and graduate employment rates.
- **Micro-credentials:** A range of short programs offered by postsecondary education institutions that typically take less time to complete than other credentials offered by institutions, and may often be completed online. Such credentials sometimes include on-the-job training, and it is not uncommon for program development to be preceded by consultation with employers and thereby improve the likelihood of labour market alignment.
- **Ontario Research Fund (ORF):** An Ontario Government program that provides research institutions with funding to support the operational costs of major projects of strategic value to the province.
- **Ontario Student Assistance Program (OSAP):** OSAP provides financial assistance to support students and their families with the cost of postsecondary studies. It includes grant, loan, bursary, scholarship, and other aid programs. Ontario and Canada have integrated their student financial assistance programs under OSAP. Funding is provided by both governments, and Ontario administers the program, including the federal portion on behalf of Canada.

- **Professional programs:** A university program of advanced learning that leads to a credential often governed by a mandatory regulatory body including, but not limited to, law, medicine, teacher education, dentistry, pharmacy and nursing.
- **Special Purpose Grants:** An element of the Ontario Government's funding model that supports mission-specific and institution-specific projects.
- **Student Financial Contribution:** The expected contribution from a student towards the costs of postsecondary education. It is used in the calculation of the student's financial assistance disbursements.
- **Transfer Payment Agreements (TPAs):** The Ontario Government provides transfer payments to recipients external to government to fund activities that benefit the public and are designed to achieve public policy objectives. The agreement sets out the terms of such a transfer.
- **Tuition Fee Framework (TFF):** Tuition for eligible students in programs approved for funding at publicly assisted universities and colleges is regulated by the Ministry of Colleges and Universities (MCU) under the TFF.
- **Weighted Grant Unit (WGU) / Weighted Funding Unit (WFU):** The basic units of measurement for per student funding in the Ontario postsecondary system's corridor model. Weighted Grant Units are applied to universities, while Weighted Funding Units are applied to colleges. WGU and WFU values vary from program to program of study to reflect the relative cost of program delivery. (See also the earlier entry in the glossary that briefly describes the corridor model.)
- **Work-Integrated Learning (WIL):** An umbrella term for learning experiences, such as co-ops and internships, in which the workplace is the central site of education. WIL offers a structured work experience that familiarizes the student with the world of work within a postsecondary program. WIL often involves a partnership between a college or university and an employer.

