



Creating opportunities for all

Ontario colleges'
2011 budget submission

December 2010



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Table of Contents

Introduction	2
Investing in improvements	3
New opportunities through efficiencies	5
Strengthening higher education	6
College system goals for 2014-15	7
The colleges' 2011 budget request	
Core operating funding	8
Enrolment growth	8
Credential and credit recognition	8
Online and distributed learning	9
Applied research	10
Infrastructure renewal (deferred maintenance)	11
Instructional equipment	11
Stimulus funding for labour market programs and services	12
Investing in Ontario's future	12

“The globalization of markets is accelerating the diffusion of technology and the pace of innovation. New occupations are emerging and replacing others. Within each occupation, required skills and competences are evolving ... A major challenge in all G20 countries is to enhance the responsiveness of education and training systems to these changes in skill requirements while improving access to training and skills development ... Ultimately, the prosperity of countries depends on the number of persons in employment and how productive they are at work, which in turn rests on the skills people have and their effective utilisation. Skills are a foundation of decent work.”

A Skilled Workforce for Strong, Sustainable and Balanced Growth:
Proposals to G20 Leaders for a Training Strategy

International Labour Office, June 2010

Introduction

Ontario must implement a strategy to promote new jobs and to ensure everyone in the province has an opportunity to achieve success.

This must start immediately, because innovations are revolutionizing the workplace. Already, many niche jobs are emerging that cannot be filled – despite the fact that almost 600,000 Ontarians are out of work.

For example, the National Post recently reported that a shortage of skilled workers could hamper Canada’s efforts to develop sources of clean energy and that “Ontario, with its lucrative, long-term clean-energy contracts, is most vulnerable. Some 50,000 clean-energy jobs are expected to be created in the province in the next three years. The jobs range from construction workers building wind and solar farms to electrical engineers, factory machinists and information technology specialists” (National Post, July 27, 2010).

A recently released study, *Releasing Constraints: Projecting the Economic Impacts of Increased Accessibility in Ontario*, suggests that “As Ontario’s economy comes out of the [recession], demand for educated and skilled workers will increase. The looming labour shortage from retirements in Ontario is adding additional pressure to ensure that skilled workers will be available to meet this demand. Improving the accessibility of education for individuals with a disability, and improving their skills to meet the demands of the emerging knowledge economy, can help to overcome part of this labour shortage” (Martin Prosperity Insights, June 14, 2010).

As we all know, the transformation of the economy will be even more dramatic in the years ahead. Many existing jobs will require competence and know-how that will exceed current requirements. As well, new careers will emerge in innovative areas that will surpass the impacts of the BlackBerry and the Internet. Ontario will need a highly educated workforce to successfully lead the way in an innovation economy.

It is not clear Ontario is ready to meet this challenge.

In a report released earlier this year, Seneca College president emeritus Dr. Rick Miner predicted more than 700,000 people will be unemployable by 2021 due to insufficient levels of education and training. That is in addition to the traditional levels of unemployment in the province, meaning more than 1.1-million people will be unemployed.

And the report, called *People Without Jobs, Jobs Without People: Ontario’s Labour Market Challenge*, says the large volume of unemployment will be at a time when many employers are struggling to find qualified people. Dr. Miner predicts more than 1.3-million jobs in 2021 will go unfilled because job seekers don’t have the education and skills required.

Ontario can do better. By taking steps now to aggressively promote higher education and training, the province can produce a workforce that is ready for the challenges ahead. Through higher education, Ontario can help greater numbers of people achieve career success, including people who have traditionally been left out.

Ontario can become a province where people from all walks of life can find success.

This requires action now. In this submission, Ontario's colleges provide recommendations to advance a strategy to promote new job growth and opportunities for everyone.

Investing in improvements

Providing higher education and training to greater numbers of people will be a central piece of Ontario's strategy to produce a better-educated workforce for the years ahead. College education will be particularly important, as the workforce of tomorrow will require postsecondary graduates with a stronger combination of academic and applied learning.

Several research studies have demonstrated the very positive return on investment for the public and private financial support of higher education. A previous study of the economic impact of Ontario colleges concluded that Ontario taxpayers received an annual return of 12.9 per cent on the investment of resources into public colleges, and that students enjoyed a nine per cent annual return on their investment.

Furthermore, the multi-year investments into college education that have already been made through the Ontario government's Reaching Higher plan (announced in 2005) have produced results. The multi-year funding commitments ensured that colleges had a predictable grant revenue base and enabled colleges to plan and fund access and quality improvements. Greater numbers of people are enrolled in Ontario's colleges and graduating from the colleges, while a high quality of postsecondary education continues to be delivered.

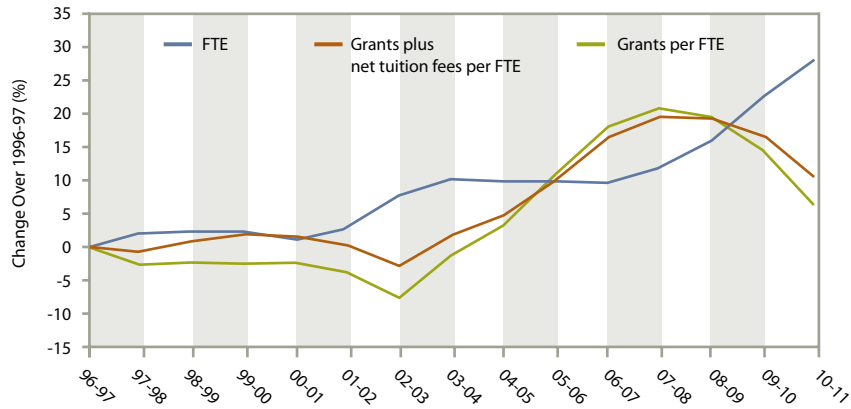
Since 2004-05, full-time equivalent enrolment has increased by about 33,000 students. The graduation rate at colleges has increased from 58.5 per cent in 2004-05 to 65.1 per cent this past year. More than 500 new programs have been established at Ontario's colleges to meet new demands in the workplace, including programs targeted at the emerging green economy.

Even in this difficult economy, 85 per cent of the colleges' most recent graduates found work within six months of graduation. And the province's independently gathered Key Performance Indicators (KPIs) confirm that students, graduates and employers give high ratings to the quality of education and training provided. The most recent KPIs found:

- 94 per cent of employers were satisfied or very satisfied with the quality of work from the graduates they hired.
- 93 per cent of employers were satisfied with the quality of the educational preparation of college graduates.
- 95 per cent of college graduates said they would recommend their college to others.

While investments into college education and training have produced improvements in access and quality, it is not clear the improvements can be sustained, particularly as enrolment growth has surpassed the province's investments. In 2010-11, real operating grants per full-time equivalent student are expected to be almost 13 per cent lower than in 2007-08.

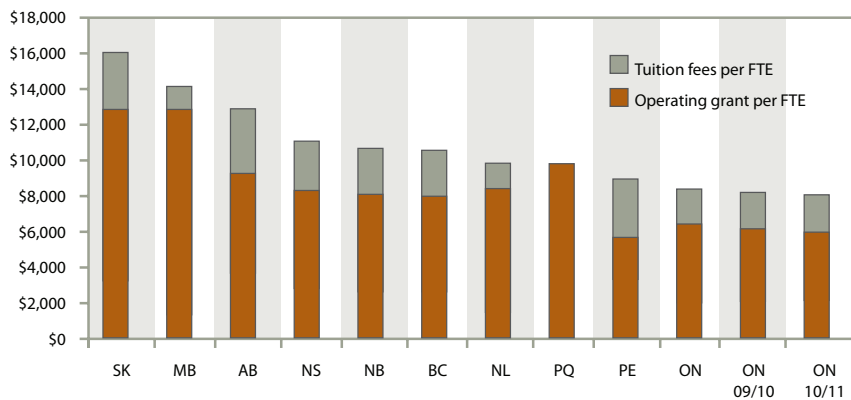
Enrolment and revenue changes, 1996-97 to 2010-11 (Indexed to 1996-97)



Source: Ontario Ministries of Training, Colleges and Universities and Finance, Statistics Canada and Colleges Ontario.
Note: Revenue figures are in constant 2002 dollars. Figures exclude tuition set aside, collaborative and second entry nursing and clinical education funding for collaborative nursing. Regulated tuition fees.

Indeed, Ontario's colleges continue to operate with less per student revenue from operating grants and tuition fees than colleges in other provinces.

Estimated grant and tuition fee revenue per college student All provinces 2008-09 and Ontario 2009-10 and 2010-11



Sources: Colleges Ontario, Ontario Ministry of Training, Colleges and Universities, relevant provincial ministries.
Notes: Ontario figures exclude the tuition set aside, collaborative and second entry nursing and clinical education funding for collaborative nursing. Operating grants and enrolments are for provincially funded activity and exclude apprenticeship. Enrolment and funding data for Quebec are for full-time students.

While the new investments in recent years have been critically important, Ontario's colleges are facing pressures to increase enrolment, serve greater numbers of students from groups traditionally underrepresented in postsecondary education, implement new programs to meet shifting labour market needs and continually improve the quality of education and training.

Ontario cannot be complacent. To meet the challenges of the new knowledge economy, the province must invest in a stronger college education system – one that provides higher education and training to greater numbers of people, including people who need academic upgrading and retraining to fulfil their potential. Ontario's colleges provide local solutions to local and regional labour force needs.

New opportunities through efficiencies

The colleges believe savings can be achieved through realignments in postsecondary education and training, which would offset the need for new resources for colleges in 2011-12. These proposed reforms will improve the quality of education and training delivered to students.

Some of the areas that should be reformed include:

- The recognition of completed postsecondary credentials and credits for students transferring between postsecondary institutions.
- The roles and responsibilities of the Ministry of Training, Colleges and Universities and the colleges in the management and delivery of apprenticeship training.
- The accountability framework, particularly the excessive reporting requirements and red tape between the colleges and the Ministry of Training, Colleges and Universities.

1. Credential and credit recognition

Establishing a more efficient and effective credit-transfer system will reduce education costs and reduce the amount of time that students spend in school, thus producing net benefits for students, families, government and the economy. Successful implementation of a new provincial credit-transfer and credential-recognition strategy would provide direct benefits ranging from \$26,000 to \$50,000 for students/families.

Within the first 10 years, it is estimated the Ontario government's net fiscal position would improve, on average, by \$50 million annually. GDP would increase more than \$100 million annually in the first 10 years, increasing to more than \$500 million annually in the subsequent 15-year period.

2. Modernizing the college accountability framework

Ontario's colleges are burdened with unnecessary red tape and excessive reporting requirements to the ministry. Colleges have extensive accountability measures for students, employers, the community and taxpayers. Development of a more modern system that focuses on college outcomes would provide a more meaningful and cost-effective accountability framework for the public.

3. Reforming apprenticeship

As the colleges pointed out in last year's budget submission, the apprenticeship system in Ontario can be made more effective and savings can be realized by realigning the roles and responsibilities between the ministry and colleges. In fact, the provincial auditor said in 2008 that the ministry is not properly collecting the information it needs to improve the effectiveness of apprenticeship delivery in Ontario and to address the low completion rates.

The colleges should assume greater responsibility for such activities as marketing, recruiting, assessment, testing and scheduling, and outreach to employers for apprentices in college programs.

All of the proposed areas for savings described above will help ensure government has resources available to support improvements in college education and training.

Strengthening higher education

In this submission, the colleges propose a number of recommendations to:

- Grow college enrolments and support achievement of the province's goal of a 70 per cent postsecondary attainment rate.
- Improve access to colleges for underrepresented groups, expand online and distributed learning opportunities, and develop a new system for recognizing the previous credits earned by students.
- Build upon the quality gains from Reaching Higher and continue to improve the quality of education and graduation rates.
- Ensure that colleges can respond to the retraining needs of displaced workers.
- Strengthen the province's productivity and enhance job creation by building college capacity to undertake applied research with businesses.

Much of the focus must be on attracting greater numbers of people to Ontario's colleges. The colleges have campuses throughout the province, and offer career-focused higher education that is affordable and effective.

To help ensure Ontario attracts more people to colleges and produces greater numbers of college graduates, it is recommended the province increase investments in following areas:

- Core operating funding.
- Enrolment growth.
- Credential and credit recognition.
- Online and distributed learning.
- Applied research.
- Infrastructure renewal (deferred maintenance).
- New instructional equipment.

It is also recommended that government provide a multi-year funding commitment to the colleges. Multi-year funding provides the colleges with an improved basis for planning and better planning results in a more effective use of resources. Government's funding of the colleges should be guided by the following principles:

- Over the long term, the per student revenue (grant and fee) should be at the national average.

- Operating grant allocations need to recognize the unavoidable cost pressures arising from items such as collective agreement settlements and increases in the costs of goods and services.
- Enrolment growth needs to be fully funded.
- The expenditure pressures imposed on colleges by new government policy or regulations, such as the Accessibility for Ontarians with Disabilities Act, need to be offset by additional funding.

With improved funding, colleges will be able to achieve the enrolment and performance goals highlighted in the table below. Attainment of these goals is contingent upon adequate operating and capital funding over a multi-year period. Without appropriate funding, colleges will be severely challenged to raise college participation rates and provide the quality of education that students and employers demand.

College system goals for 2014-15

	2009–10	2014–15
Postsecondary enrolment	180,500	225,000
Immigrants	27,000	36,000
Students with special needs	21,500	29,000
Aboriginal students	7,200	10,000
International students	13,700	21,000
Number of graduates*	62,800	77,000
Graduation rate (%)	65%	70%
Graduate employment rate (%)	85%	91%

Source: OCAS (FTE's across the three semesters total full-time, funded postsecondary and international student enrolment). Other population subgroup data are estimates based on the average per cent representation of each subgroup in the recent College Applicant Surveys (immigrants and aboriginal students) and the KPI Student Satisfaction Survey (students with special needs). Figures for population subgroups are not mutually exclusive.

* KPI data are based on the 2009-10 reporting year (i.e. graduate data represent graduates of the previous academic year).

The colleges' 2011 budget request

Core operating funding

Putting aside enrolment growth and other pressures, the fact is Ontario's colleges face growing operating costs for goods and services, utilities, maintenance and taxes, and for compensation agreements that have already been negotiated.

In 2011-12, the operating cost pressures for colleges will increase by \$120 million. While anticipated increases in tuition fee revenues will help address some of this challenge, it is still anticipated that colleges face a cost pressure of about \$88 million in 2011-12.

The colleges responded in 2010 to the economic challenges facing the province by internally managing the operating cost pressures that they were facing. Without funding to offset these pressures, colleges will be forced to make cuts to the delivery of programs and services.

Enrolment growth

Ontario's colleges are expected to experience robust enrolment growth in 2011-12. Enrolment has increased by an estimated 33,000 students since 2004-05, including a five per cent increase this year. Estimates of enrolment growth in 2011-12 are still being finalized and range between three per cent and five per cent. For the purpose of this submission, it is assumed that college enrolment will grow a further three per cent.

The colleges appreciate that the 2010 Ontario Budget provided additional funding for enrolment growth. However, even with that additional funding, the funding per student has already started to fall behind.

The province's 2010 budget increased operating grants to universities by \$250 million, to ensure enrolment growth from the previous years was fully funded. It is equally important to ensure that enrolment growth at the colleges is fully funded.

Under the province's college funding formula, the base funding rate has been set at \$4,358 per weighted funding unit. Applying the base rate to the estimated weighted funding units of 259,373 for 2010-11, colleges should be receiving a total of \$1,130,300,000 to fully fund enrolment, representing an additional \$74 million in funding over the preliminary allocations through the College Funding Framework and Extraordinary Growth grants.

Ontario colleges are assuming the \$44 million in the Extraordinary Growth Grant will be rolled into base operating funding in 2011-12 and the colleges' funding proposal is based upon that assumption. In 2011-12, colleges should receive \$1,164,300,000 to fully fund enrolment, an increase of \$34 million over the revised estimate for 2010-11.

Thus, for 2011-12, the funding request for enrolment growth totals \$108 million.

Credential and credit recognition

Ontario requires a system-wide credit transfer strategy to ensure that college and university students who transfer to another postsecondary institution in Ontario receive proper credit for their completed work. A system-wide strategy will create a more cost-effective and efficient postsecondary sector, strengthen accessibility for underrepresented groups, and better meet emerging labour market needs.

An effective system would reduce costs to taxpayers and frustrations (and costs) for students by eliminating requirements to study courses the student has already completed.

Well-qualified college graduates are wasting time repeating what they have already learned;

or worse, are being discouraged from pursuing further education. With an effective strategy, Ontario can increase the number of graduates who have the benefits of both a college and university education, producing greater numbers of graduates who are ready for the challenges of the new knowledge economy.

Developing a robust credit-transfer system requires provincial leadership, strengthened accountability requirements and new funding to support the changes.

New funding would be directed towards supporting both college-to-college transfer and transfer between colleges and universities, and should be allocated to support the following purposes:

First, funding would contribute to the costs incurred by institutions in helping to build the credit-transfer system. Examples of eligible institutional expenditures would include: transfer advisers, faculty release time to develop and refine transfer agreements, IT infrastructure, and systems for data/accountability and student information/services.

Second, incentive funding should be provided to institutions to assist in the costs of serving students who transfer. The incentive funding should be approximately 10 per cent of the normal per student funding level and should only be provided for the first year. Funding would cover costs related to the assessment of prior credits, advising and the provision of “bridge” courses, if necessary, to support a smooth student transition. Finally, resources should be allocated for a new college-university transfer organization that would replace the College University Consortium Council.

The colleges are proposing Ontario invest \$10 million in the credit-transfer system in the coming fiscal year.

Online and distributed learning

This past spring, the Ontario government committed to creating an Ontario Online Institute to provide students with access to a range of online courses and programs. This is important, as online and distributed learning increases access to education and training. It enables students to learn at their own pace and at the time and place of their choosing.

It is particularly beneficial for students from remote, rural and underserved areas, adults seeking training or retraining opportunities and working parents who are often trying to juggle multiple responsibilities. An added benefit of online learning is that it assists colleges to better manage their space capacity issues.

In addition, the demand for online learning is generally increasing as more and more students incorporate social media and other digital resources into all aspects of their lives; and as employers seek workers who are able to use the technology present in most workplaces.

To best meet the needs of students and employers, online learning needs to be viewed as an integral part of college education. The focus of online learning must shift towards “progressive credentialing” – a system that would go beyond a narrow perspective on primarily offering courses and focus instead on pathways that provide students with greater flexibility to access the full range of options available in higher education. This includes examining the definitions of full-time and part-time students.

This would enhance access to postsecondary education. It could also attract students who wish to build upon their previous credentials, along with students who are currently at-risk of failing or dropping out, thereby increasing the retention and graduation rates in the province.

This means that colleges will need to redesign or adapt traditional programs/courses to fit this new model, as well as to enhance and develop new online programs and courses. Faculty and

staff time will need to be dedicated towards making these curriculum changes, and more faculty members will need to be trained to deliver online and distributed instruction. Appropriate access to adequate technologies and a platform of virtual library resources and services to support students and faculty will also be required.

To assist colleges to enhance online and distributed learning offerings, \$15 million in funding is requested for 2011-12. The resources being requested are intended to support the research and upfront work needed to identify the current gaps in online offerings and how to best address those gaps, enhancing and developing new online courses/programs, faculty training and development and improvements in online student services. Colleges require these investments to expand the quantity of high-quality online learning opportunities, regardless of whether the Online Institute proceeds to implementation.

It should be noted that the funding being requested in this submission does not include any direct costs that would be associated with establishing and operating the Ontario Online Institute.

Applied Research

Ontario and the country continue to lag in productivity because of insufficient investment into applied research that can help develop products for commercialization. This represents lost opportunities to support the growth of small- and medium-sized businesses, and lost job opportunities.

Ontario can do more to support applied research and economic growth, and the province's public colleges should be at the forefront of that activity.

In a recently released report, the Conference Board of Canada called for enhanced investments into applied research activities delivered by colleges in support of specific business objectives.

The Conference Board's report said that of the 29 business-college collaborations studied, nearly all had led to the development of a new or improved good, service or process. Furthermore, businesses said that collaborating with colleges reduced delays in their projects, lowered costs, increased quality and provided ideas and opportunities for further collaborations.

"As long as Canadian businesses lag on innovation, our standard of living will be at risk, and the funds to afford health, education and other services will be stretched," said Glen Hodgson, senior vice-president and chief economist with the Conference Board. "Stimulating innovation – especially among Ontario small- and medium-sized enterprises – will be critical to future success, and Ontario's colleges are providing a boost through their applied research services."

Much of the colleges' successes in these collaborations with businesses can be attributed to provincial funding for applied research, which has been coordinated through the Colleges Ontario Network for Industry Innovation (CONII). The opportunity now is to build on these successes.

The colleges are proposing a three-year, \$20-million program for industry innovation and productivity. The funding would be used to support colleges in helping small- and medium-size enterprises (SMEs) solve practical, immediate technical and commercialization problems. This would include adapting to new technologies; developing new or improving existing products and processes through knowledge and technology transfer; product or process development; and prototype building.

The funding would also support the establishment of applied research leaders in colleges. These people, selected competitively, would devote a major share of their time over a three-year period to work with SMEs. The applied research leaders would build applied research capacity in their areas of expertise and mentor other college researchers who are working with businesses.

To finance year one of the three-year program, the colleges are requesting \$5 million in 2011-12.

Infrastructure renewal (deferred maintenance)

To provide quality education, college infrastructure needs to be reliable, safe, efficient, and in compliance with Ontario's building codes.

In total, the colleges occupy and manage a physical space of almost 25-million square feet. According to industry standards, the annual renewal need for this space would be from 1.5 per cent to 2.5 per cent of the current replacement value (CRV), which is estimated at \$7.4 billion for the colleges.

Using the lower part of the industry standard range (1.5 per cent), colleges require \$110 million annually for infrastructure renewal (deferred maintenance).

The Ministry of Training, Colleges and Universities' Facilities Renewal Program was designed to supplement the institutions' own programs to address infrastructure renewal. This year, the total allocation for both colleges and universities was reduced to \$26 million from \$40 million. The colleges' portion dropped to \$8.7 million from \$13.3 million.

Assuming the ministry is allocating \$8.7 million in funding in 2011-12, colleges will still need an additional \$100 million to address the infrastructure renewal and deferred maintenance cost pressures. This does not include the investments required to address the deferred maintenance backlog, which is estimated to be in the \$550 million to \$750 million range.

As the provincial auditor concluded in his report earlier this month, "college facilities continue to deteriorate and the backlog of deferred maintenance is increasing," despite the periodic and one-time investments by the ministry. The auditor's report recommended the province should "develop strategies, targets and timelines to address the deferred maintenance backlog."

In the upcoming provincial budget, the colleges are seeking an additional \$100 million.

Instructional equipment

To ensure that college graduates have the skills that they need to succeed in the workplace, it is critical for colleges to use instructional equipment that meets industry standards. Many college programs are technologically intensive, make extensive use of lab facilities and require specialized equipment. Without instructional equipment that meets industry standards, the effectiveness of college programs in supplying employers with job-ready graduates is undermined.

And, to maintain the currency and relevance of college programs, the instructional equipment used to teach students needs to be refreshed on a continual basis. Otherwise, it quickly falls out of sync with industry standards.

The 2008 Ontario Budget provided \$60 million over three years for the College Equipment and Renewal Fund, to ensure colleges have up-to-date equipment. While colleges have appreciated this investment, this funding commitment ends this fiscal year. It is crucial that funding for instructional equipment be provided on a predictable, sustained basis so that colleges can count on funding being available when they need to upgrade or replace instructional equipment.

Ontario colleges are recommending that \$20 million be allocated for 2011-12 for instructional equipment.

"Education is our economic plan. We're headed in the right direction and now it's time to build on our results."

Premier Dalton McGuinty, Sept. 13, 2010

Colleges' Funding Request for 2011-12	
Area of investment	Amount
Operating	
Core operating funding	\$88 M
Enrolment growth	\$108 M
Credential & credit recognition	\$10 M
Online & distributed learning	\$15 M
Applied research	\$5 M
Capital	
Infrastructure renewal (deferred maintenance)	\$100 M
Instructional equipment	\$20 M

Stimulus funding for labour market programs and services

The funding from the federal government's 2009 stimulus package, which topped up financial resources in the federal-provincial labour market agreements, expires at the end of this fiscal year.

For Ontario, the stimulus package has meant an additional \$212 million through the Labour Market Development Agreement, and \$104 million through the Labour Market Agreement. The province has used some of this money to support several critical college programs and services such as: Literacy and Basic Skills (LBS), summer jobs programs and bridging programs for internationally trained individuals. The elimination of the federal funding could weaken the capacity of the colleges to respond to labour market needs in their communities.

However, the federal government has said there is no plan to extend stimulus funding past March 31, 2011. Ontario's colleges believe that this funding is crucial to assisting individuals and families in their communities to find employment, re-employment and support local economic recovery.

Therefore, the provincial government must successfully lobby the federal government to reinvest in these vital initiatives or commit resources to support training and employment in the province. Ontario's colleges are prepared to support the lobby for this funding, and will also work with the colleges' national body, the Association of Canadian Community Colleges, in making the case for federal dollars for training and employment programs.

Investing in Ontario's future

Ontario has made strides in higher education, but there is much more to do. A strategy to produce the workforce of tomorrow will only succeed if the province begins implementing it now.

Higher education and training will be central to our province's success. Through higher education, Ontario can strengthen its economy, create more prosperity, and create a province where every person has an opportunity to achieve success.

Ontario's colleges urge the government to act on the recommendations in this submission and make the necessary investments into the province's long-term success.



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