



**Ontario colleges'  
2010 funding submission**

**December 2009**



**COLLEGES | COLLÈGES  
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## Introduction

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*"We have the fundamentals in place: a highly skilled workforce, a strong education system and a passion for innovation."*

– Finance Minister Dwight Duncan  
Ontario Economic and Fiscal Review, Oct. 22, 2009

Education is at the core of Ontario's strategy to improve the life chances of the greatest number of people in this province. This is particularly true at this time, as many people look to Ontario's leaders to promote economic recovery and provide new hope for finding meaningful employment.

Since last year's market crash, Ontario has lost more than 160,000 private sector jobs and more than 67,000 public sector positions. The unemployment rate in Ontario is expected to stay higher than nine per cent for at least the next three years.

Ontario's economy is now the same size it was in 2005, and gross domestic product (GDP) is not expected to return to its pre-recession level until the second quarter of 2011.

Throughout Canada, a combination of post-recession adjustments, an aging population and low productivity will limit the country's growth, the TD Bank says. Key areas that will require government attention must include "a renewed emphasis on building a highly skilled workforce," economists Derek Burleton and Grant Bishop wrote last month.

This is particularly true for Ontario, which continues to be hurt by the province's dependence on trade with the struggling United States. Some major industries in Ontario faced serious problems before the recession hit and many of those industries will not fully recover. The North American auto sector, for example, will never be as strong as it once was. The impact on families is quite real.

In many cases, middle-aged and older people who had high-paying jobs have found themselves unexpectedly out of work, often with levels of skills and education that make it extremely difficult for them to find new careers. People are struggling to pay their bills, pay their mortgages and look after their children.

*"Even the manufacturing industry, struggling to hire people back, is experiencing a mismatch. Most manufacturers want at least a Grade 12 education, and many want skills gained at colleges. Yet 36 per cent of pure labourers and 27 per cent of the more than 20,000 people employed in processing and manufacturing in the area had not finished high school, according to Statistics Canada 2006 census data."*

– "Jobs disconnect in RIM's hometown"  
The Canadian Press, Nov. 12, 2009

Meanwhile, rapidly changing technology and new innovations are creating heightened demands for expertise and skills for everyone entering, re-entering or in the workforce. As well, the demographics in Ontario are shifting and there will soon be greater numbers of people leaving the workforce than entering it. Even with strong immigration levels, the Conference Board of Canada estimates Ontario will face a shortage of more than 360,000 skilled employees by 2025.

The demand for a better-educated and more highly skilled workforce will affect people of all ages and in all sectors of the economy. It is estimated more than 70 per cent of all new jobs – even entry-level positions – will soon require applicants to have some postsecondary education or skills training.

The good news is Ontario can effectively address these challenges and emerge from the recession stronger than ever.

The key is for Ontario to build on its achievements in education and skills training. Ontario must aim to ensure that every person in the province is fulfilling his/her potential and making an effective contribution to the province's economic growth and well-being.

In the face of unprecedented international focus and investment in this area, our province must strive to enhance its position as a world leader in higher education. This is the only route to greater economic prosperity married to brighter futures for all Ontarians.

## International challenges

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"The hard truth is, is that some of the jobs that have been lost in the auto industry and elsewhere won't be coming back. They're the casualties of a changing economy. In some cases, just increased productivity in the plants themselves means that some jobs aren't going to return. And that only underscores the importance of generating new businesses and new industries to replace the ones that we've lost, and of preparing our workers to fill the jobs they create. For even before this recession hit, we were faced with an economy that was simply not creating or sustaining enough new, well-paying jobs... Time and again, when we have placed our bet for the future on education, we have prospered as a result – by tapping the incredible innovative and generative potential of a skilled American workforce".

– U.S. President Barack Obama  
July 14, 2009

Many of Ontario's competitors throughout the world are making major investments into stronger postsecondary education systems, recognizing that a well-educated workforce is central to economic growth.

In July, U.S. President Barack Obama announced the American Graduation Initiative, a proposal to invest \$12 billion over 10 years into that country's college system. The plan is to help an additional five million Americans earn degrees and certificates in the next decade through investments into expanded course offerings, remedial programs, measures to increase graduation rates, online courses, capital expansion, and more.

"I'm announcing the most significant down payment yet on reaching the goal of having the highest college graduation rate of any nation in the world," Obama said. "It will reform and strengthen community colleges ... from coast to coast so they get the resources that students and schools need – and the results workers and businesses demand."

Other countries are also making major investments in higher education. For example, Bloomberg News reported in 2007 that India was planning to set up 30 universities and 6,000 model schools, and was considering ways to establish a college in each of its 340 districts.

Meanwhile, the number of graduates of higher education in China has approximately quadrupled in the last six years. The skilled labour supply in China now equals about 40 per cent of all of the OECD countries.

The result is that emerging economies are now competitive in areas such as innovation. For example, the U.S. National Science Board ranks Canada 12th behind China and Korea in 'technological competitiveness.'

Ontario cannot be complacent. While Ontario can be proud of its success rates in postsecondary education, other jurisdictions present a serious challenge to surpass Ontario's reputation as a leader in higher education. Ontario must not only strengthen the higher education provided to its top students but ensure that all Ontarians have a stronger education.

## The opportunity for Ontario

Fortunately, the province has made great strides over the last six years.

The government's commitment to quality improvements in elementary and secondary education has produced tangible results. Class sizes in the elementary schools are smaller, provincewide test scores are up, and greater numbers of students are successfully graduating from high school.

Record numbers of students are pursuing postsecondary education in Ontario, due in part to the improved high school graduation rates and other achievements in the education system. In fact, enrolment in full-time first-year programs at Ontario's colleges has increased seven per cent in 2009, building on a 5.5 per cent increase in 2008 and a 5.6 per cent increase the previous year.

The quality of education delivered at Ontario's colleges and universities has also improved. The Ontario government's Reaching Higher plan, which was introduced in 2005, has allowed colleges to provide more programs to greater numbers of students, and deliver improvements in the quality of education and training delivered to students.

**Table 1. Improvements in Key Performance Indicators**

Key Performance Indicator	Reporting Year	
	2004-05	2008-09
Graduation rate (%)	58.5	64.6
Graduate employment rate (%)	88.0	88.9
Graduate satisfaction rate (%)*	80.5	82.7
Employer satisfaction rate (%)*	92.7	93.3
Student satisfaction rate (%)*	76.3	78.4

As well, Ontario has responded effectively to the challenge of retraining people who have lost their jobs. The Second Career program has been a tremendous success, already surpassing its target to help 20,000 people find retraining. Much of the program's success can be attributed to the work that colleges and the province have done together to create new program options to help prepare people for long-term career success.

It is now time for Ontario to build on its successes.

To promote prosperity and growth, and to ensure that everyone in the workforce can succeed in the new knowledge economy, it is essential that Ontario continues to promote quality improvements and greater accessibility in higher education.

## Investing in results

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Ontario's colleges are committed to achieving these goals.

Currently, the quality of education and training delivered at Ontario's 24 colleges already receives high approval ratings from students, graduates and employers. For example, the satisfaction levels reported by graduates and employers are already more than 80 per cent.

Furthermore, a survey conducted by the Canadian Federation of Independent Business found that businesses facing labour shortages will need six times as many college graduates as university graduates.

In the years ahead, the real opportunity to produce measureable results will be found in enrolment levels and in increases in the number of postsecondary graduates. This would include helping greater numbers of people from groups that are currently under-represented in the postsecondary system to attain a college education.

In particular, the colleges can ensure that higher education is delivered to greater numbers of aboriginals, immigrants and people with special needs. As seen in the chart below, Ontario's colleges can achieve significant increases in first-year enrolment by 2014-15, along with increases in the number of graduates, the graduation rate and the graduate employment rate.

Table 2: College system goals for 2014-15

	2008-09	2014-15
First Year Students*	107,000	132,000
Immigrants	16,000	22,500
Students with Special Needs	7,000	10,000
Aboriginal Students	4,900	7,000
Number of Graduates**	59,000	77,500
Graduation Rate (%)	64.6	70.0
Graduate Employment Rate (%)	88.9	91.0

\* Intake data for population subgroups are estimates based on the average per cent representation of each subgroup in the 2006, 2007 and 2008 College Applicant Surveys. Figures for population subgroups are not mutually exclusive.

\*\* KPI data are based on the 2008-09 reporting year (i.e., graduate data represent graduates of the previous academic year).

Note: Achievement of targets dependent upon adequate operating and capital funding.

These targets are achievable and Ontario must strive to meet these targets in order to be competitive in the knowledge economy.

## A new vision for higher education

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Ontario's college presidents recently submitted to the province a report, called A New Vision for Higher Education in Ontario, which provides important recommendations to support the targets outlined in this submission. The goals to achieve transformational change that are described in detail in the new vision are:

- Improve student mobility and expand student choice.
- Increase participation and attainment rates in postsecondary education.
- Align postsecondary education with the needs of the transforming economy.
- Fund critical priorities to achieve sustainable outcomes.

Copies of the submission are available from Colleges Ontario. The report is also available at the Colleges Ontario website, at [www.collegesontario.org](http://www.collegesontario.org).

## E-learning

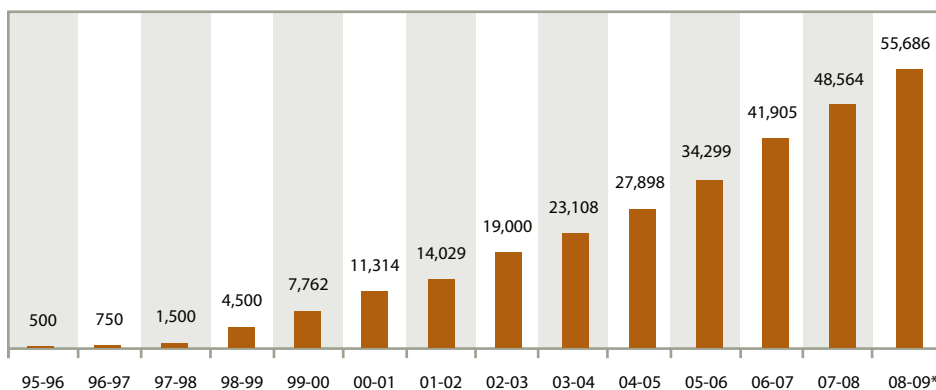
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An improved higher education system in Ontario must also continue to embrace new innovations and new opportunities to reach people whose circumstances prevent them from physically attending classroom studies.

E-learning allows students to learn at their own pace and at a time and place of their own choosing. It is particularly useful in supporting Ontario's desire to provide higher education to greater numbers of people in remote, rural and underserved communities.

Since 1996, Ontario's colleges have been actively providing e-learning through a range of programs, including OntarioLearn, a consortium of 22 colleges designed to develop and deliver online courses. OntarioLearn offers more than 1,000 courses online and has seen tremendous enrolment growth, currently serving about 60,000 students across the province.

**OntarioLearn Enrolment Trends**



There is a tremendous potential to reach even greater numbers of students in the years ahead. It is recommended Ontario specifically invest in the expansion of e-learning in the colleges.



## Reinvesting savings through efficiencies

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To help Ontario improve the enrolment and attainment levels in higher education, colleges are committed to working with government to explore opportunities to achieve savings that can be reinvested.

Ontario's colleges have already taken steps to manage cost pressures by finding more efficient ways of delivering programs and services to students. These efficiencies include flexible staffing models, e-learning, and the coordinating of efforts to reduce costs.

In fact, the Ontario college system was the first public sector system in the province to launch an energy secretariat to co-ordinate energy conservation efforts at the colleges. The secretariat has implemented the Real-time Operating System (RTOS), an online tool that allows colleges to monitor energy consumption in real-time. The information is used to reduce energy usage.

The colleges believe there are greater savings that can be found, primarily through realignments in postsecondary education and training that can produce cost savings while at the same time improving the quality of higher learning delivered to students.

Some of the areas that should be realigned include:

- The provincial system for recognizing and transferring completed postsecondary credentials between postsecondary institutions.
- The division of roles and responsibilities between the Ministry of Training, Colleges and Universities and colleges for employment training programs.

Once fully implemented, these reforms could produce about \$35 million in annualized savings to the province.

### *Credit transfer/credential recognition – potential annualized savings of \$25 million*

The Ministry of Training, Colleges and Universities is currently working to develop a provincial credit transfer and credential recognition strategy that is transparent and would provide greater certainty to students looking to transfer completed credits from one institution to another.

The reason for developing a provincewide strategy is clear: a transparent and coherent system for transferring completed credits will allow greater numbers of students to pursue the higher education that best prepares them for today's workforce. In many cases, students will wish to pursue a combination of theoretical and applied learning through both university and college education.

The development of a coherent provincewide strategy would require start-up costs, such as the cost to establish a coordinating body to oversee the credit-transfer system, investments in curriculum development, and the creation of an information portal to provide centralized communications to students. Colleges and universities would also require some funding to offset the institutional costs associated with building and improving the credit-transfer system.

Nonetheless, the establishment of a coherent system for the transfer of completed postsecondary credits would also achieve efficiencies and deliver net savings to the province.

In the current structure, many students who transfer from one postsecondary institution to another are forced to repeat courses they already completed at their previous institution. This creates unnecessary costs for the students, unnecessary costs for government (which funds a large portion of their education) and delays the time it takes for those students to complete their education and enter the workforce.

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 of between \$26,000 and \$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.

### *Employment training programs – potential annualized savings of \$10 million*

The colleges believe it is possible to find savings through the following changes to the employment training programs:

- A) Realigning the ministry and college roles in the management of the in-school portion of apprenticeship.
- B) Reforming the ministry's funding relationship with the colleges for discrete training programs and improving the alignment of training programs between different provincial ministries and agencies.

#### *A) Realigning apprenticeship*

The apprenticeship system in Ontario can be made more effective and efficient by realigning the roles and responsibilities between the ministry and colleges. As the provincial auditor said in his 2008 report, 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.

#### *B) Reforming the ministry's funding relationship with colleges*

Currently, the ministry operates discrete funding programs for activities such as academic upgrading, Job Connect, apprenticeship, and retraining programs such as Second Career. The total annual funding for these programs in the colleges is more than \$150 million per year.

Ontario's colleges recommend the province move away from discreet funding envelopes to general transfer payments to each college. This change would reduce the ministry's administrative costs and provide colleges with greater flexibility to respond efficiently and effectively to specific labour market challenges in their communities.

Efficiencies can also be achieved through an improved alignment of the funding responsibility for adult training between the Ministry of Training, Colleges and Universities and other provincial ministries and agencies, such as the Workplace Safety and Insurance Board's Labour Market Re-entry Program. There are opportunities to reduce unnecessary duplication of services and ensure the appropriate funding sources are covering the costs for their clients.

## Operating-cost pressures at colleges

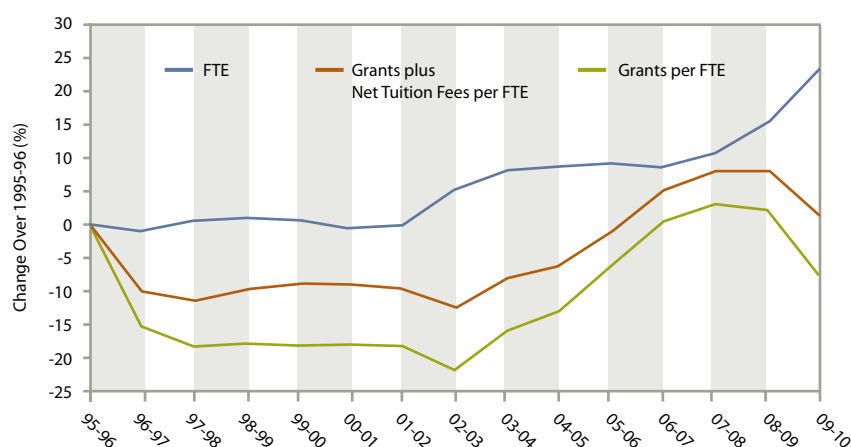
Reinvesting savings achieved through efficiencies will play an important part in funding postsecondary education in the years ahead.

However, the cost of achieving the government's goals for higher learning cannot be covered solely through efficiencies. New funding will also be required, and it will be important to ensure that any new allocations of dollars are clearly directed to priority areas.

It is important to stress that colleges are currently operating under fiscal restraint. While the financial situation of the colleges has improved due to the funding increases under the Reaching Higher plan, the increases in the last two years have not kept pace with the added cost pressures created by increased enrolment, which significantly surpassed government estimates.

In fact, in 2008-09, real operating grants per full-time equivalent student were only two per cent higher than the grant level in 1995-96. In 2009-10, the real operating grants are expected to be eight per cent lower than the 1995-96 level.

**Enrolment and Revenue Changes, 1995-96 to 2009-10  
(Indexed to 1995-96)**



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 the tuition set aside and Collaborative and Second Entry Nursing

To further complicate matters, Ontario's colleges face a \$136-million increase in operating costs in 2010-11, simply to maintain programs at current levels. This is due to increases in staff compensation, goods and services, utilities, maintenance and taxes.

Meanwhile, tuition revenues are only projected to increase by \$28 million in 2010-11 (based on the assumption of a new tuition-fee framework), leaving colleges with a shortfall of \$108 million if colleges simply maintain current levels of enrolment and services.

**Table 3. Anticipated increases in costs and revenues for Ontario colleges in 2010-11**

Projected increases in system-wide costs	\$136M
Projected increase in tuition revenue	\$28M
Funding gap	\$108M

If enrolment growth is added, the funding pressure facing colleges in 2010-11 increases by another \$163 million.

In 2009-10, Ontario's colleges experienced a seven per cent growth in enrolment, which represents about 13,500 full-time equivalent students. In 2010-11, enrolment is expected to grow by at least another seven per cent, which will translate into an additional 14,500 full-time equivalent students.

The enrolment growth in 2009-10 created a funding requirement of \$79 million. In 2010-11, the enrolment growth will add another \$84 million to the cost pressures, for a combined total of \$163 million.

The province has not explicitly provided growth funding to address these cost pressures. The enrolment growth envelope included in the 2009-10 funding to colleges (\$24 million) was intended to only compensate colleges for growth that occurred prior to 2009-10.

Colleges were pleased to see a commitment in the fall Ontario Economic and Fiscal Review to provide an additional \$95 million for OSAP pressures and enrolment growth in 2009-10. The colleges are awaiting details on how the funding will be allocated between OSAP and enrolment growth, and how the enrolment-growth funding will be divided between colleges and universities.

**If the government does not provide any new operating funding for enrolment growth, the funding rate for any additional students that colleges take in beyond those provided for by the base envelope will deteriorate rapidly. Thus, in 2010-11, colleges would receive about \$2,600 for each additional student, and in 2011-12 they would receive about \$1,100 for each additional student. These amounts are significantly lower than the current funding rate of \$4,358 per student (weighted funding unit) provided by both the base and growth envelopes.**

**It is essential going forward that the Ontario government provides full average funding for all college enrolment growth.**

It is also important to recognize the additional cost pressures created when the province is retraining adults who return to school through programs such as Second Career.

In this current economy, more adults are seeking retraining. In 2008, 36 per cent of adults in Canada aged 25 to 64 underwent job-related education or training, up from 30 per cent in 2002, Statistics Canada reported recently. The largest increase was among middle-aged adults, aged 35 to 44.

Quite often, these adults need significant support to get them ready for college-level education. More time and resources must go into services such as academic counselling, tutoring, and support in helping those adults make the transition back to a school environment.

Colleges have responded to these challenges by creating designated sections of tutoring to help adult learners succeed in their classes, and by hiring additional staff to help the students deal with the challenge of managing their academic programs while balancing their personal and financial responsibilities.

While these extra supports are effective, they are also costly. The per-student cost for retraining adults who have returned to school is often significantly higher than the average cost to educate a traditional student.

Without sufficient funding, colleges will face the decision to either significantly reduce the quality of their programs and services to students, or to limit the number of students that could be accepted into colleges. Neither decision would support the Ontario government's desire to promote economic recovery and greater prosperity in the years ahead.

**Table 4 Impact on per student funding of no new base funding increase in 2010-11**

Year	Operating funding	Enrolment (Weighted funding units)	Grant per student
2007-08	\$965,520,373	223,612	\$4,318
2008-09			
Including one-time funding*	\$1,037,017,796	233,172	\$4,447
Excluding one-time funding	\$968,717,796	233,172	\$4,155
2009-10	\$998,517,796	249,494	\$4,002
2010-11	\$998,517,796	266,959	\$3,740

Source: Ministry of Training, Colleges and Universities.

\*Includes one-time funding of \$68.3 million provided for 2008-09.

Notes: Operating funding only includes the eight envelopes reflected in the new College Funding Framework allocation. Figures for 2009-10 are preliminary allocations. Enrolments for 2009-10 and 2010-11 are estimates prepared by Colleges Ontario, based on seven per cent growth.

## The colleges' funding request for 2010-11

It is essential that Ontario colleges continue to attract greater numbers of students and produce more graduates who have received a high-quality education that prepares them to take full advantage of the job opportunities in the future. As described earlier in this document, these goals are achievable and colleges can produce measureable results.

These objectives must be balanced against the Ontario government's pressure to manage provincial deficits, and all public sector partners must work with the government to manage cost pressures.

Ontario's colleges are prepared to help the province achieve savings. In addition to the opportunities to find efficiencies that were described earlier, the colleges are prepared to internally manage the significant \$108-million cost pressures created by cost of living increases.

New funding would be used to help colleges address enrolment growth and produce greater numbers of highly trained college graduates.

Thus, Ontario's colleges are requesting \$175 million in new funding for 2010-11.

Of that amount, \$163 million would be used to address the costs created by the enrolment growth in 2009-10 and the projected enrolment growth for 2010-11. The other \$12 million would be used to expand e-learning programs.

Table 5. Colleges' operating funding request for 2010-11

Area of investment	Amount
Enrolment growth	\$163M
E-learning	\$12M
Total	\$175M

## Conclusion

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"Education is our top priority because it's the key to helping individuals and families move forward. The more opportunities we seize to strengthen our skills and talents, the brighter our prospects will be – and the stronger our province will be."

– Ontario Liberal Party platform, 2007

The decisions that have to be made in the crafting of the 2010 Ontario Budget will be difficult ones. The province faces a projected deficit of \$24.7 billion in 2009-10 and similar deficit pressures in 2010-11, due to a significant decrease in corporate revenues as a result of the recession.

Meanwhile, the need to promote economic recovery is more urgent than ever. The province must continue to respond to the layoffs occurring throughout the province. Ontario must also address the demographic changes that will require the province to produce a better-educated and more highly skilled workforce in the years ahead – particularly if Ontario is to avoid being overtaken by its international competitors.

"The huge federal and provincial deficits will necessitate fiscal belt tightening. The Task Force is concerned that we will cut back more severely on our investment in education - which happened the last time Ottawa and Queen's Park attacked their deficits. We need to avoid repeating that mistake."

– Task Force on Competitiveness, Productivity and Economic Progress,  
Rotman School of Business  
Nov. 23, 2009

The 2010 Ontario Budget must be fiscally prudent and demonstrate a commitment to controlling expenditures while also continuing to drive economic growth and promoting a stronger workforce.

The Ontario colleges' funding request supports this balanced approach. It identifies new areas to find efficiencies and help the government achieve savings that can be reinvested. It also provides an important commitment from colleges to address inflationary pressures within the institutions, a challenge that will be significant given the cost pressures already facing colleges.

At the same time, the colleges' funding request promotes economic recovery and growth, by producing a clear strategy to promote a better-educated and more highly skilled workforce.

Ontario's colleges urge the provincial government to deliver a 2010 budget that has a focused commitment to economic growth and promotes new jobs and new opportunities.





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