



COLLEGES | COLLÈGES  
ONTARIO | ONTARIO

# INVESTING IN A STRONGER ECONOMY

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The Ontario colleges' submission  
for the 2019 provincial budget

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## INTRODUCTION

The new age of disruption has profound implications for Ontario's economy. Artificial intelligence, robotics and other innovations are transforming every sector of the economy at an accelerated pace - in everything from mining, manufacturing and agriculture to business, health care and education. The nature of work will most certainly be affected, as these advancements will create a heightened demand for a more highly qualified workforce.

This new age will have a major impact on Ontario's businesses and industries. Many traditional businesses will continue to disappear or undergo fundamental changes and new businesses and methods for doing business will emerge.

Indeed, the coming changes may force some industries to close down operations in the province and relocate to other jurisdictions, displacing Ontario workers.

As greater disruption in the economy occurs, it will be essential to ensure that more Ontarians from all across the province and all walks of life acquire the professional and technical expertise that comes from a college education. This is particularly true for people from underrepresented groups - including individuals from low-income families, people with mental health challenges and other disabilities, recent immigrants and displaced workers.

Ontario must ensure the benefits of economic transformation are more broadly shared throughout the province, as the impact of the disruptions in the economy has been more profound outside the large urban centres.

Colleges are key to the Ontario government's "open for business" agenda. College graduates play a pivotal role in Ontario's private sector companies and in export industries.

Colleges also have strong supports to help the province's most vulnerable students, and retraining programs to help unemployed people make the successful transition to new careers.

Unfortunately, the college sector's central role in strengthening the economy is being weakened.

The sector is facing unprecedented fiscal challenges. These challenges must be addressed if Ontario is to leverage the labour-market advantage that its colleges provide compared with the U.S. and much of the world.



## COLLEGES TODAY

### ACCESS TO COLLEGE

Ontario's 24 public colleges are located in all regions of the province and serve more than 200 communities.

Colleges are core institutions in their communities. Their economic contributions include providing employment for local residents, as well as supplying local businesses and industries with a highly skilled workforce. In addition to hosting Employment Services offices and offering specialized contract training for local employers, colleges participate in local employer-support organizations such as chambers of commerce, economic development councils and training boards.

College education in Ontario is affordable and accessible, particularly for people with financial challenges. More than a quarter of college applicants are from households with incomes of less than \$30,000 and almost half are from households with incomes of less than \$60,000.

Each year, Ontario's public colleges serve more than 500,000 students and clients who pursue increasingly complex pathways to gain the skills they need for today's good jobs.

For example, the number of university graduates enrolled in college programs has increased almost 40 per cent over the past five years. Without access to a local college, many of these students would not acquire the college education that leads to rewarding careers.

Colleges are the key providers of education and training for the province's disadvantaged and marginalized populations, enabling them to obtain good jobs and contribute to the economy. Over time, colleges have served more and more students who would otherwise have been at risk of not completing their post-secondary education.

### COLLEGE PROGRAMS

Colleges in Ontario today offer 900 programs that prepare students for today's most in-demand careers. These include careers in health care, business, engineering and technology, the skilled trades, digital animation, game development, biotechnology and much more.

College students can acquire job-ready credentials in programs that range from literacy and basic skills training to apprenticeship, diploma and degree programs.

The career-specific programs at Ontario's colleges are developed in close consultation with business and industry leaders throughout the province. These high-quality programs put Ontario at the forefront of the emerging economy.

Colleges continually renew their programs and develop new programs to keep up with changes in the economy and the evolving needs of employers and students. Some new programs developed in recent years include:

- Remotely piloted aerial systems (UAV/drone) commercial operations.
- Software engineering technology - artificial intelligence.
- Cannabis regulation and quality assurance.
- Applied electrical motion and control management.
- Interprofessional complex and long-term care.

In addition to training students in industry-relevant programs, colleges provide students with opportunities to apply their skills and knowledge in workplace settings so that they can "hit the ground running" when they join the workforce. College programs often include educational activities that provide practical workplace experience through apprenticeships, co-op placements, clinical and field placements, internships and applied research projects.

### INNOVATION AND ENTREPRENEURSHIP

Ontario's future prosperity and well-being will increasingly depend on the ability of its businesses and industries to be creative and innovative. The future workforce must be entrepreneurial and nimble.

Colleges help many small and medium-sized businesses to innovate and to be competitive. Each year, Ontario colleges work with more than 1,250 such companies to pursue market-driven applied research activities. Many of these businesses report improved products and production, higher sales, and new jobs created through their collaborations with colleges.

Colleges also engage students in applied research activities. This allows students to develop an innovative mindset that strengthens their abilities to address challenges when they enter the work world.

As the pace of technological advancements accelerates and transforms products and production processes, the colleges' applied research projects and their support for entrepreneurial activities will enhance the viability of the province's businesses and industries.

## FISCAL OVERVIEW OF ONTARIO'S COLLEGES

After falling for many years, college revenues from provincial operating grants and domestic tuition fees – per student and adjusted for inflation – hit a peak in 2007-08. In every year since then, college revenues have been lower than they were in 2007-08.

By 2016-17, real per student revenue from operating grants and tuition fees was six per cent lower than the peak in 2007-08.

This annual decline has resulted in a cumulative shortfall from operating grants and domestic tuition fees of more than \$900 million. A shortfall of this magnitude puts at risk the colleges' ability to fulfil their mandate to meet the workforce needs of the economy.

Ontario colleges charge lower tuition fees for their regular fee programs than most provinces in Canada and their per student operating grants are the lowest in Canada.

This means the total per student revenues for Ontario colleges are the lowest in Canada. Ontario's colleges also receive less revenue per student (from grants and tuition) than the amounts provided to universities and to high schools.

Demographics, government policy directions, funding constraints and mounting cost pressures have contributed to the colleges' current fiscal challenges.

## POLICY CHANGES

While the constraint measures for the post-secondary sector announced in the 2012 provincial budget affected both the college and university sectors, colleges had to absorb a disproportionately larger share of the cuts.

Among the measures affecting the college sector were the discontinuation of the enrolment bridging grant and the transition-funding component of the small, northern and rural grant; the introduction of the international student recovery fee (ISR); and the policy lever savings target.

The implementation of the ISR has had a much larger impact on the financial situation of colleges than universities, since the same recovery fee is applied regardless of whether the international student is enrolled at a college or a university and regardless of tuition levels.

The policy lever savings target was implemented through a cut to the value of the weighted funding unit (WFU) used in the calculation of the colleges' core operating grant. The WFU value will decline further when the new college funding formula comes into full effect in 2019-20, and will be more than \$200 lower than it was in 2012-13.

The recent announcement of a 10 per cent reduction in regulated tuition fees will further exacerbate the colleges' fiscal challenges.

The tuition cut is expected to reduce colleges' revenues by about \$80 million. As well, the announcement that some ancillary fees will be voluntary may also have a negative impact on colleges.

## OTHER SOURCES OF PRESSURES

At the same time that colleges' resources have been constrained, the demand on those resources from a number of areas has been escalating.



## STUDENTS AT RISK

A recent study by Deloitte (*Enabling Student Success*, 2017) notes that because of their role as the primary providers of career training and certification, colleges serve a variety of underrepresented and student-at-risk populations, including people from low-income backgrounds, students with disabilities, recent immigrants, mature learners and Indigenous students.

The Deloitte report estimates that colleges are spending about \$160 million per year more than the targeted funding provided by government on programs and services for students at risk by diverting operating funds.

The supports that colleges provide to enrol and retain such students include recruitment and outreach programs, orientation programs, learning supports, and retention and other services. These programs help produce more highly qualified graduates who will earn higher incomes. Along with helping more people find rewarding careers, the benefits to the province include higher tax revenues and reduced social assistance costs.

As greater disruption in the economy occurs, it will be imperative that Ontario's most vulnerable students are provided with supports to help them complete their college programs and become successfully employed.

## DEFERRED MAINTENANCE

Most colleges were established in the mid-1960s and have aging infrastructure. College facilities need to be safe, reliable and accessible for students, staff and others who visit the campuses. They also need to comply with improved building code standards across the province, to meet today's efficiency and environmental sustainability norms and to ensure equitable access for students with disabilities.

Funding from the province to address deferred maintenance has been insufficient and colleges have had to divert operating funding just to address their most critical deferred maintenance issues. As a result, the deferred maintenance backlog has continued to grow.

Recently, the Ministry of Training, Colleges and Universities worked with all colleges to develop a common facility condition assessment database. It currently estimates the deferred maintenance backlog

at \$1.4 billion. In the absence of significant new investments, the backlog will continue to grow rapidly and the condition of many college buildings will continue to deteriorate.

## APPRENTICESHIP

Many industries are concerned about the looming shortages in the skilled trades.

Ontario colleges, with their highly specialized laboratories and well-qualified professors, are central to addressing this shortfall. Colleges provide the overwhelming majority of the industry-required in-school apprenticeship training in the province.

*“Employers will be specifically looking for applicants who have the strongest skills possible – and these skills can only be developed through a greatly modernized apprenticeship system in Ontario.”*

Dave Fraser

Education Program Manager

Trillium Automobile Dealers Association

Colleges can help boost the number of qualified tradespersons in Ontario. For example, colleges educate many students from underrepresented groups, which are a key source of new apprentices and tradespersons. Colleges can also help raise the completion rate by focusing on essential skills and upgrading.

However, the funding for apprenticeship programs in 2017-18 was \$65.7 million, far below the reported cost to colleges of \$82.9 million. Twenty colleges operated apprenticeship programs at a loss, and another three barely broke even.

## COLLEGE SECTOR EFFICIENCIES

Colleges have proactively implemented a number of efficiencies and collaborated on a number of fronts to mitigate the impact of the funding challenges they face. These include a provincewide approach to collective bargaining, provincewide pension and group-insured benefit plans, a centralized student application service and shared support services for libraries and resource centres.

Colleges also engage in collaborative purchasing through partnerships with other colleges and with others in their local communities and participate in the Ontario Education Collaborative Marketplace (OECM). Colleges such as Humber, Seneca and Algonquin also use consortia and other mechanisms to cut procurement costs.

In addition to sharing administrative costs, colleges share academic programs and services.

They collaborate in the development and delivery of online education, both through OntarioLearn and more recently through eCampusOntario.

The six northern colleges (Boréal, Cambrian, Canadore, Confederation, Northern and Sault) are engaged in the Northern Colleges Collaborative Programming Project, which aims to increase student access and flexibility through common program curriculums and course outlines.

Colleges have also used other approaches to help address the fiscal pressures on their budgets, such as enrolling more international students and providing education services abroad. The significant revenues that colleges currently receive from international activity have helped them avoid the large deficits that they otherwise would have faced due to declining domestic enrolment. However, if this unpredictable revenue stream were eliminated, colleges would face a much different fiscal reality.

In addition, there are limited opportunities for some colleges to increase international enrolments. For these colleges, revenues from international activity have had little impact on the fiscal pressures that they confront.

Because of these mitigation strategies, colleges have so far been able to avoid any disastrous impact on programs and services for students. However, it is unlikely these efficiency measures will continue to yield enough savings for colleges to offset the revenue constraints that have been in place for many years.

Maintaining the status quo – let alone making programming or service improvements to prepare for the new economy – will be extremely difficult.

There is little capacity left in the sector to absorb further cuts, or to pursue opportunities that will result in large-scale savings to offset additional funding reductions.

## NEW INVESTMENTS FOR COLLEGES

As with other organizations, colleges incur expenses on an ongoing basis to educate and train their students and to ensure that students have access to a range of programs and services. Over time, these costs have continued to rise, particularly as student needs have become more complex and with the rapid changes in the workplace and the economy.

Colleges are fully aware of the government's own fiscal situation and its intent to bring provincial spending under control. Therefore, the college sector has limited its proposals for new investments to three key areas: mental health, apprenticeship and instructional equipment.

### MENTAL HEALTH

For more than two decades, the mental health and well-being of college students has been a prominent issue as the students' challenges have become increasingly complex and the demand for services has grown.

Given that the onset of mental health issues typically coincides with the age of entry to post-secondary education, colleges are often the first point of contact for students in crisis. From 2010-11 to 2015-16, the number of college students who self-identified as having a psychiatric disorder increased by 85 per cent.

Responding effectively to students by connecting them to the right care at the right time is a top priority for Ontario colleges.

In recent years, colleges have worked to better integrate campus supports with those available in the community and to provide students with resources to help them manage their mental health and wellness. Together with their community partners and the Centre for Innovation in Campus Mental Health, colleges have enhanced mental health education on campuses to reduce stigma and build students' resiliency in preparation for life after graduation.

Such early interventions on campus not only save lives but alleviate pressures on Ontario's health-care system. It has been estimated that every \$1 spent on mental health and addictions treatment saves \$7 in health costs and \$30 in lost productivity.

Furthermore, failing to adequately address mental health issues at the college level could put students at risk of not completing their studies, which would ultimately diminish their chances of success in the labour market.

Unfortunately, the sustainability of college mental health initiatives is at peril as the increasing demand for campus support services has been greater than the funding provided for the services.

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Colleges are pleased that governments recognize the importance of supporting mental health services and have committed \$3.8 billion for mental health and addictions. Colleges are requesting the province allocate a portion of this funding to colleges.

Specifically, colleges are requesting the government invest \$25 million in each of the next three years to strengthen the mental health services and supports available on college campuses.

This investment will help ensure that colleges are better positioned to focus on early intervention and proactive wellness approaches that help lessen the severity and duration of a student's illness. Colleges will also be able to focus on preventative mental health measures to reduce the number of student mental health crises.

## APPRENTICESHIP

After years of neglect, Ontario's apprenticeship system cannot provide the private sector with the skilled tradespersons employers need.

Ontario graduates tradespersons at only half the rate of western Canadian provinces because red tape has ballooned and funding has lagged.

Only one in six employers sponsor apprentices and some employers are considering relocating to jurisdictions that have more skilled people. Furthermore, half of Ontario's apprentices drop out before completing their programs.

Apprenticeship tuition fees have not increased since they were first introduced in 2002-03 and the funding for apprenticeship programs is now so low that it is one-third less than the expected costs in 2019-20.

Construction, manufacturing, hospitality, subway expansion and nuclear power refurbishment need the advanced skills of more tradespersons to grow Ontario's economy. If high-cost trades programs were forced to close because of inadequate funding, this would represent a significant blow to companies and industries of all sizes.

The Ontario government has announced its plan to modernize apprenticeship training, including taking action on ratios.

Ontario's colleges are the natural champions to help drive the apprenticeship reforms. They provide industry-required in-school training for over 30,000 apprentices, or 85 per cent of the total trained.

However, colleges face high costs due to small class sizes and the expensive specialized equipment that is necessary to replicate the equipment that apprentices will be required to install, maintain and repair in leading-edge companies.

Colleges are recommending the 2019 Ontario Budget announce a four-year plan to expand the number of apprentices by 40 per cent by positioning colleges as the champions for a modernized apprenticeship system. The 2019 Ontario Budget should:

- Increase the number of seats purchased by 40 per cent over the next four years.

- Increase tuition for apprentices by \$2.50 a day in 2019-20, and a further \$2.50 a day in each of the following three years. Over four years, it would still fall short of the tuition levels of the western provinces at \$800 per in-school session, but it would be more comparable to tuition paid by Ontario college students.
- Increase the government-paid apprentice per diem by \$2.50 a day in 2019-20, and a further \$2.50 a day in each of the following three years, to reach \$73.09.
- Establish a minimum payment threshold of 20 per diems paid by government for each class to ensure desperately needed apprenticeship programs are maintained in small, northern and rural communities.
- Increase the apprenticeship enhancement fund by an additional \$10 million in each of the next four years. This would allow colleges to train the next generation of skilled tradespersons on state-of-the-art equipment that businesses need to build their competitive advantages.
- Allow the Ontario College Application Service [OCAS] to add an apprenticeship resource hub, a personalized digital registration and logbook and a job-matching service to its current college application service.

OCAS is the go-to site for hundreds of thousands of Ontarians considering post-secondary options. Expanding its mandate will encourage many employers to hire apprentices. It will also encourage more students to register as apprentices - especially women and those from underrepresented groups.

- Cut apprenticeship red tape so that colleges have the resources to engage more employers and to help more apprentices succeed by providing similar supports to those available to other college students.

## INSTRUCTIONAL EQUIPMENT

Ontario's colleges offer a wide range of the practical, industry-savvy, STEM graduates that Ontario's private sector needs to strengthen its competitive advantage and create good jobs.

All college programs are designed to meet the requirements of their industry advisory committees. College STEM programs are technologically intensive and make extensive use of laboratory facilities that require industry-standard specialized equipment and software.

As artificial intelligence and other innovations transform the requirements for industry competitiveness, colleges must keep up. When colleges cannot replace outmoded equipment and software, small and medium-sized enterprise competitiveness suffers and job creation is at risk.

The current \$8-million annual allocation for the college equipment renewal fund is simply insufficient for colleges to update instructional equipment and software. For example, one consultant estimated that on a per student basis, colleges invest less than two per cent of the industry investment per employee on leading-edge equipment and technology.

Ontario colleges are proposing the province establish a new program that provides \$20 million in grants annually for five years (matched by industry) for specialized instructional equipment and software. It would fund those college-industry proposals from across the province with the greatest expected impact on the industry's competitive position, investment attraction and job potential. The required level of match and the cash/in-kind ratio might vary by size of community and size of business.

This fund would be a modern version of the highly successful \$130-million strategic skills initiative (SSI) announced in the 1998 Ontario Budget and later expanded. This multi-year grant program enabled colleges to gain matching funds from industry to modernize equipment for programs supplying the advanced skills that were most needed for private sector job creation. The SSI program was positively evaluated by KPMG.

## POLICY MEASURES TO STRENGTHEN COLLEGES

Colleges have previously proposed a number of policy measures that the government can implement that would cost the government little or no money but would help to stabilize and strengthen the colleges. Two key priorities for the system are identified below.

### REDUCE RED TAPE

The colleges share the government's desire to reduce red tape and improve efficiency. The colleges have provided government officials with a list of proposals for reducing red tape in the sector by eliminating or streamlining reporting requirements and streamlining or simplifying other processes. These include proposals to streamline program approvals and simplify the strategic mandate agreements.

In addition, colleges are proposing the province amend the nursing act to permit colleges to offer stand-alone baccalaureate nursing degrees.

The current model that requires colleges to collaborate with universities is costly and burdensome for both students and colleges. In some situations, students have to transfer to a university outside of their community to complete their program. This is an unnecessary expense in cases where the college is already delivering most of the curriculum.

### REMOVE THE ENROLMENT CAP ON BASIC POST-SECONDARY HIGH-DEMAND PROGRAMS

Colleges are allowed to charge high-demand fees for basic post-secondary programs where:

- There is a high demand for instructional space.
- Graduates have above-average prospects for employment.
- Graduates have the potential to earn an above-average income.

However, the aggregate enrolment in all basic post-secondary programs that are designated as high demand can only comprise up to 15 per cent of basic full-time funded enrolment at the college.

Having a 15 per cent cap on enrolment for such programs restricts the ability of colleges to differentiate themselves in the marketplace and to meet local labour market needs.

Additionally, the cap is difficult to achieve in any given year because it depends on the relationship between enrolment in such programs and regular basic programs. The cap acts as a barrier to colleges being able to manage their program delivery and their operations in a reasonable way and must be eliminated.

## CONCLUSION

As the pace of technological change accelerates, colleges will be central to the province's economic success.

Students throughout the province - including displaced workers and Ontario's most disadvantaged students - must have access to a robust range of high-quality college programs so they are not left out of the opportunities the new economic structure will bring.

Colleges need sustainable increases in both operating funding and capital funding to address the rising costs they face on an annual basis.

However, in recognition of the province's current fiscal situation, the college sector is limiting its request for new investments to just three areas: mental health, apprenticeship and instructional equipment.

All three of these areas are woefully underfunded. An infusion of new funding will equip Ontario to provide its workforce with the advanced skills that are pivotal to the province's economic success and to ensuring more people find meaningful employment.