

**Ministry of Training,
Colleges and Universities**

Deputy Minister

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**Ministère de la Formation
et des Collèges et Universités**

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Memorandum To: Executive Heads of Provincially Assisted Universities and
Hearst College
Presidents of Colleges of Applied Arts and Technology
President and CEO of Colleges Ontario
President and CEO of Council of Ontario Universities

From: Deborah Newman
Deputy Minister

Date: November 29, 2013

Subject: Ontario's Differentiation Policy Framework for Postsecondary
Education and Strategic Mandate Agreement Process

The purpose of this memorandum is to provide to institutions *Ontario's Differentiation Policy Framework for Postsecondary Education*, communicate its relationship to the Strategic Mandate Agreements (SMA) process, as well as outline next steps on enrolment planning and program approvals.

Differentiation Policy Framework

The Ministry of Training, Colleges and Universities has adopted a policy of differentiation to better advance the government's vision and priorities for postsecondary education, while ensuring institutions can reinforce their distinctive strengths. The overarching goals for differentiation in Ontario are to:

- Support student success and access to a high quality Ontario postsecondary education;
- Increase the global competitiveness of Ontario's postsecondary education;
- Build on and help focus the well-established strengths of Ontario colleges and universities while avoiding unnecessary duplication; and
- Maintain an efficient and financially sustainable postsecondary education system.

The attached document, *Ontario's Differentiation Policy Framework for Postsecondary Education*, is the foundation for the Ministry's decision-making and ongoing dialogue with institutions, students and all stakeholders going forward.

I would like to thank you for your comments on the draft version of the Framework that was shared with you in September. Over 300 suggestions for metrics were provided by the sector. As you know, metrics provide the evidence-base on which to have informed discussions, and it is important to strike a balance between system-wide and institution-specific metrics. In many cases only proxy measures are currently available. Following the release of the Differentiation Policy Framework, the Ministry will be engaging the sector on refining and developing more robust metrics.

Over time, the Ministry will align its policy, processes and funding levers with both the Framework and the SMAs to ensure coherent decision-making. To support the first cycle of SMAs, the Ministry will begin to focus on graduate space allocations and program approvals.

One of the most influential levers available to the Ministry to drive differentiation is funding. The Ministry does not anticipate immediate changes but intends to engage with the sector on this topic, including how to move towards an approach that can be more effective in supporting outcomes. The Ministry is committed to ensuring that decisions regarding any changes to the funding frameworks are made in consultation with universities and colleges.

Strategic Mandate Agreements

The Differentiation Policy Framework will inform discussions with the Special Advisors on the implementation of the SMAs.

SMA discussions with the Special Advisors are expected to begin in January 2014. Additional details on this process will be provided from the offices of Dr. Paul Genest (Special Advisor: Universities) and Sue Herbert (Special Advisor: Colleges) in the coming weeks.

SMAs with all publicly funded colleges and universities in Ontario will be in place by March 31, 2014. The duration of the first cycle of SMAs will be three years (2014-15 to 2016-17).

Updating 2012 Strategic Mandate Agreement Proposals

Institutions will have the opportunity to update their 2012 SMA proposals. Institutions choosing to update their submissions are requested to provide the following:

- Institutional mandate, mission, and vision statements;
- Identification of activities that profile institutional strengths in each component of differentiation; and
- A maximum of 3 institution-specific metrics within each component. If institution-specific metrics are not yet available, institutions will also have an opportunity to submit institution-specific metrics during the SMA discussion process

Institutions are asked to limit a resubmission to 8 – 10 pages, including appendices.

In order to support the SMA discussions process, all institutions are further requested to provide the following:

- Institutional Enrolment Projections (see below)
- Program Areas of Strength and Strategic Growth Focus (see below)

Request for Institutional Enrolment Projections

Since 2002-03, full-time enrolment in Ontario's colleges and universities funded through PSE operating grants increased by 160,000 (over 40%), more than in any decade in the Province's history, with enrolment increases varying significantly across sectors, regions and individual institutions in accordance with demand and demographic trends.

While some growth is still anticipated, the Ministry is forecasting slower increases through 2015-16 at the undergraduate and college levels. This has the potential for translating into limited net growth province-wide for undergraduate and college enrolment for several years after 2015-16.

Two primary factors underpin the anticipated slow-down in enrolment growth. First the 18-24 year old population is expected to hit a peak in 2013-14. Second, secondary school enrolment in Ontario has declined by 4% since 2010-11. Because demographic patterns vary considerably across regions, some institutions may experience difficulty maintaining enrolment levels in the medium term.

In the 2011 Budget, the Province announced a commitment to support an enrolment increase across the sector of 60,000 by 2015-16 above the level reported for 2010-11, consistent with MTCU's projections at that time. The forecast has been updated periodically to incorporate more recent information. The outlook through 2015-16 was revised downward, based primarily on lower than expected enrolment in 2011-12. Incremental full-time eligible for funding enrolment between 2010-11 and 2015-16 is now projected at approximately 52,500 as noted in the table below.

MTCU Five-Year Enrolment Projection (2010-11 to 2015-16, Eligible Full-Time Headcounts)

Sector	2010-11 a	2011-12 a	2012-13 pa	Actual Growth 2010-11 to 2012-13	Remaining Forecasted Growth (2013-14 to 2015-16)	Total Growth (2010-11 to 2015-16)
College (Including Nursing)	178,500	179,500	186,000	7,500	9,000	16,500
Undergraduate	319,500	327,000	332,500	13,000	20,000	33,000
Graduate	36,000	36,000	36,500	500	2,500	3,000
PSE Total	534,000	542,500	555,000	21,000	31,500	52,500

a – actual, pa – preliminary actual

Source: Internal MTCU estimate

Assuming no changes in the normal “flow-through” and year-to-year retention rates at an aggregate level by sector, the enrolment projected by 2015-16 would be realized with annual net increases in the respective entering year cohorts of 1,800 across the entire university sector for undergraduates and 1,100 across the college sector in 2013-14, 2014-15 and 2015-16.

As part of the SMA process and as noted initially in the draft Differentiation Framework shared last September, all institutions are requested to provide a medium-term forecast of planned enrolment through 2018-19 using the attached tables (see Appendix 1 for universities and Appendix 2 for colleges), which should be consistent with the most recent enrolment information shared with the Ministry (i.e., November enrolment submissions for 2013-14). While not included in the MTCU projections provided above, anticipated enrolment of students not funded through postsecondary education operating grants (including international enrolment) is also requested.

Decisions regarding future enrolment levels will be part of the SMA discussion process and will be guided by system level Ministry enrolment projections, demographic trends, and recent provincial growth planning information.

An important element of this strategic enrolment management process for the university sector will be the allocation of spaces on a multi-year basis for future growth at the graduate level. The metrics identified in the Research and Graduate Education component, along with institution-specific metrics, will inform the allocation of spaces as part of the SMA discussions.

Program Approvals

While the SMA process is underway, the Ministry has decided to implement a temporary suspension of college and university program approvals to ensure that new and expanded programs are consistent with institutional mandates and strengths while avoiding unnecessary duplication.

During this time period, the Ministry will not approve some existing program approval requests and any new requests in the following areas:

- New Ontario college credentials;
- New college degree programs in applied areas of study; and
- New non-core university undergraduate and graduate programs.

College degree consent renewal applications will continue to be received and processed. The suspension is effective the date of this memo. More details relating to the temporary suspension of college and university program approvals will be communicated shortly.

This communication will outline a small number of exemptions, where applicable. For example, programs that the ministry has made a previous commitment to, or that have been outlined in approved Teacher Education Program Change Agreements, can be submitted for review, where required. At the end of March 2014, the Ministry will review the suspension of program approvals based on the status of Strategic Mandate Agreement discussions.

Additionally, starting in 2014-15, and in support of the new SMAs, college and university funding approval and ministerial consent processes will be revised. The revised program approvals process will include consideration of institutional strengths agreed upon in the final SMA. The sector will be consulted on these changes.

In order to complement the institutional enrolment projections request, and within the context of potential limited growth, institutions are asked to provide up to 10 program areas of strength, and 3-5 program areas that will be a strategic focus, growing institutional strength in the next three years. The Ministry asks that all institutions complete the program areas of strength and strategic focus tables provided in Appendix 3 of this memo.

Financial Sustainability

As part of SMA and Differentiation Framework discussions over the last few months, both the Ministry and the institutions have identified a number of possible metrics. Once the SMAs negotiations are completed, the Ministry will engage with the sector to refine and finalize the following:

University Sector	College Sector
<p>Possible Metrics:</p> <ul style="list-style-type: none"> • Surplus / Deficit position • Accumulated Surplus / Deficit • Primary Reserve Ratio / Net Assets to Expenses • Interest Burden Percentage / Debt Servicing • Debt Burden (Debt to Revenue or Expenses) • Viability Ratio / Total Debt to Asset Ratio • Net Income to Revenue Ratio 	<p>Possible Metrics:</p> <ul style="list-style-type: none"> • Surplus / Deficit position • Accumulated Surplus / Deficit • Net Assets to Expenses Ratio • Debt Servicing Ratio • Debt Burden (Debt to Revenue or Expenses) • Total Debt to Asset Ratio • Net Income to Revenue Ratio

University Sector	College Sector
<ul style="list-style-type: none"> • Pension Plan Funded Status (Surplus/Deficit, Projected Growth in Funding Obligations) • Compliance with BPS Accountability Act • Proportion of Spending on Non-Instruction/Research Activities (optional) 	<ul style="list-style-type: none"> • System-wide metric for Pension Plan Funded Status (and the projected changes in funding obligations) • Compliance with BPS Accountability Act

Reporting

Institutions will be expected to report annually on metrics identified in their SMAs. In 2013-2014, the Multi-Year Accountability Agreement (MYAA) report-back will be adjusted and serve as the interim reporting mechanism for the SMAs. The Ministry will review elements in the report-back template to reduce duplication and reporting burden. Institutions will start submitting the revised reporting template in 2015, reporting on progress made in 2014-2015.

Meaningful reporting by colleges and universities continues to be an integral part of the government's relationship with institutions. The Ministry will work with the sector to phase in consolidated and streamlined reports. It is anticipated that the first phase of streamlined reports will be available for institutional use beginning in early 2014.

Next Steps and Timelines

The successful implementation of SMAs requires the active collaboration between the Ministry and the sector. In anticipation of the work ahead of us, please see outlined below the next steps and timelines.

Activity	Timeline
Release of Ontario's Differentiation Policy Framework	November 29, 2013
2012 SMA submissions updated to reflect Ontario's Differentiation Policy Framework	Submissions due December 20, 2013 (Optional)
Institutional Enrolment Projections Program Areas of Strength and Strategic Focus tables	Submissions due December 20, 2013
Special Advisors commence discussions on SMAs with institutions	January, 2014
Strategic Mandate Agreements are finalized and signed	March 31, 2014

Please send all questions to Ivonne Mellozzi, Senior Policy Advisor, Deputy Minister's Office, at Ivonne.Mellozzi@ontario.ca.

All documents (re-submissions, enrolment projections, and program strengths) should be sent to PSEsubmissions@ontario.ca by December 20, 2013.

Thank you for your ongoing commitment and continued collaboration as we work together to transform Ontario's postsecondary education system.

Sincerely,



Deborah Newman
Deputy Minister

Enclosures:

Ontario's Differentiation Policy Framework for Postsecondary Education

Technical Addendum to Framework

- c: Marie-Lison Fougère, Assistant Deputy Minister
Strategic Policy and Programs Division
- Nancy Naylor, Assistant Deputy Minister
Postsecondary Education Division
- Dr. Paul Genest, Special Advisor: Strategic Mandate Agreements (Universities)
- Sue Herbert, Special Advisor: Strategic Mandate Agreements (Colleges)
- Paddy Buckley, Director
Strategic Policy Transformation Branch
- Chris Monahan, Director
Research and Planning Branch
- Linda Hawke, Director
Postsecondary Accountability Branch
- Didem Proulx, Director
Postsecondary Finance and Information Management Branch