

Intelligence MEMOS



From: Charles M. Beach and Frank Milne
To: Ross Romano, Ontario Minister of Training, Colleges and Universities
Date: November 14, 2019
Re: **MAKING ONTARIO'S COLLEGES AND UNIVERSITIES DECIDE ON THEIR MISSION**

One of the strengths of the US post-secondary education (PSE) system is the great variation across different schools and the great range of opportunities available to students and researchers. For several years, Ontario has been trying to better differentiate its own universities and colleges. The province's recent plan to tie 60 percent of its institutional funding to performance could help enhance differentiation within the Ontario PSE sector, though it should be done in a sensible fashion.

Provincial funding rules have traditionally been tied to counting domestic students as "basic income units" (BIUs) across the system, which has supported uniformity of product rather than differentiation and specialization of schools. Schools also face tuition caps on domestic students, which inhibits differentiation of focus, so institutions could not readily compete on the basis of price and product delivery.

This is now starting to change. Through a series of multi-year Strategic Mandate Agreements (SMAs) between each publicly funded university and college and the Ministry, each school is required to decide how it is going to be assessed on its particular strengths and focus; and whether it will be assessed as research-intensive or teaching-intensive. Then, in follow-up SMAs, the Ministry and schools will agree on a set of performance metrics (e.g., total tri-council funding per faculty member). Future provincial funding will be dependent on student numbers, but also on how well the university or college performs on its metrics.

The proportion of operating grant funding based on performance outcomes, currently less than 2 percent, will rise to 25 percent starting in the 2020\21 fiscal year, going up in each subsequent year to 60 percent by 2024\25.

Which specific [metrics](#) will be used is not clear, but apparently skill outcomes, graduates' job outcomes, and economic and community impact will be included. The number of metrics will be reduced from the current 28 to 10 for universities and from 38 to 10 for colleges.

Greater differentiation within the Ontario PSE sector has much to recommend it. If different schools can concentrate on what they are particularly good at, this can provide the basis for greater resource allocation efficiency, wider consumer/student choice, and the opportunity to encourage innovation and creativity. It can also potentially provide cost savings, depending on exactly how these changes are implemented.

Reform must be done in a sensible fashion, however. Students typically prefer schools that are relatively close to home and a heavy reliance on differentiating schools could impose distance costs on top of tuition and other costs. Since foreign students tend to select schools on the basis of research reputation, such differentiation could substantially widen the resource gap between schools focusing more on research than undergraduate teaching. One of the stated objectives of the new policy as well is to "[help drive system-wide objectives and government priorities.](#)" To many academics, this sounds ominously like a shift towards a more top-down politically driven system like those in the U.K. and Australia.

Tuition may also be in play. Encouraging greater specialization could be combined with some differentiation in student tuition rates across programs and schools to better reflect costs of program delivery, student preferences among programs and schools, improved school accountability to students, and investment in quality and innovative programs. But no move toward market pricing should be unrestricted, since there is a need to restrain prestigious schools' instinct to charge extremely high tuition, which would raise clear concerns about access and equity.

At the same time, tying a portion of government funding to market-based indicators of performance could help enhance competition among schools and programs and hence program quality and performance.

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