

EFFICIENCY UPDATE

DRIVING GREATER EFFICIENCIES TO DELIVER ON STUDENT SUCCESS AND ECONOMIC GROWTH



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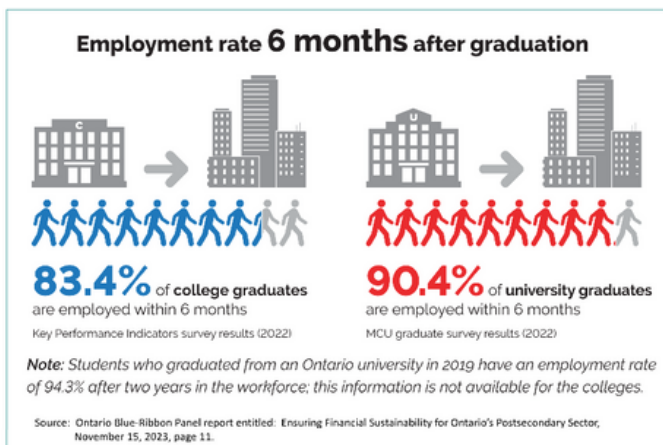
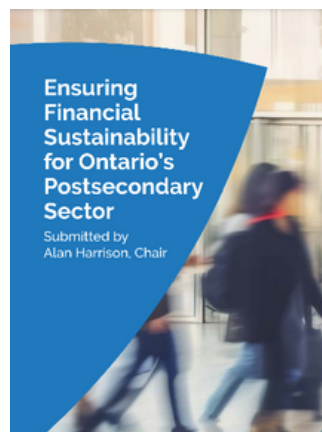
With new and emerging technologies, online learning opportunities, demographic shifts, funding shortfalls and rising operating costs, Ontario's universities are transforming, adapting and evolving to meet the changing needs of our students and the labour market.



Delivering Value for Money

Ontario's universities are responding to labour market demand. Since 2010, universities have increased STEM enrolment by 68% and health by 38%. In 2021 alone, they graduated more than 50,000 students in STEM and health programs.

In fact, data shows university students are graduating job-ready and resilient. According to the recent Blue-Ribbon Panel [report](#), after six months following graduation, more than 90% of graduates were employed (see chart below). These graduates also have higher employment income and life-long earnings.



Universities are leaders in AI, electric vehicles and critical new technologies that are boosting Ontario's productivity, international competitiveness and propelling jobs and growth.

At the same time, Ontario's universities are also finding new and innovative ways to drive greater efficiencies, streamline and automate processes and find cost savings in order to better support students.

As outlined below, universities continue to innovate and are moving forward with the following efficiency framework that is delivering results through:

- **Continuous improvement through ongoing Institutional Efficiency Efforts**
- **Implementing the Ministry of Colleges and Universities' Financial Metrics Framework and Action Plans**
- **Building on the Blue-Ribbon Panel's and Auditor General's Recommendations**
- **Driving Sector-Wide Collaborative Initiatives**

Mounting Financial Sustainability Challenges

Over the past decade, Ontario's universities have faced significant financial pressures in delivering on their mission to support students and train the highly skilled talent fueling Ontario's economy.

- Provincial operating grants for universities have declined by more than 30% in real per student funding since 2006-07 due to, in part, inflation and the funding cap on domestic students. As a result, provincial grant funding now represents less than one third of total university operating revenue and is the lowest in Canada by far.
- Domestic tuition rates were cut by 10% in 2019 and frozen for an additional four years, reducing the value of tuition by 25%, according to the Blue-Ribbon Panel.

- According to the Blue-Ribbon Panel report, "...universities have collectively enrolled more than 20,000 domestic students above the combined total of their corridor midpoints. The tuition fees paid by these 20,000 students are the only source of additional revenue institutions receive for these students. If these additional students were grant-funded, they would yield additional revenue of \$175 million. To put it another way, these universities are foregoing grant funding to ensure that 20,000 qualified students will receive a university education."
- Universities are also facing significant unplanned costs as a result of the effective repeal of Bill 124. Based on the reporting of 12 universities to date, the incremental impact of reopeners due to the repeal has resulted in more than \$335 million in additional unbudgeted spending in 2023-24, with ongoing costs of more than \$266 million a year. This is a substantial burden on institutions already under enormous financial pressure, some of which are facing greater risks of insolvency. This has required universities to implement additional program and service reduction measures to absorb these costs.
- Unlike others in the postsecondary sector, universities have carefully managed the growth of international students to ensure a high-quality learning experience and access to student services such as housing.¹ Ontario's universities are also using internally sourced funds to create almost 11,000 new spaces over the next five to six years, in addition to the more than 72,000 spaces currently in operation. However, operating shortfalls and a lack of infrastructure funding are creating significant barriers to investing in more housing.
- Student needs, such as mental health, housing and other supports are growing. Ontario's universities have used internally sourced funds to increase student services by 22% over the last five years to more than \$1.4 billion in 2021-22, of which the province funded \$44.5 million or 3% of total student services. These supports relieve pressures on community services and are critical to student success.
- To support student access, Ontario's universities provide more than \$1.3 billion a year in non-repayable student financial assistance in addition to federal and provincial financial supports. University financial support to students exceeds the entire Ontario Student Assistance Program (OSAP) for universities, colleges and private institutions.
- Universities provide numerous services to support students with little or no government funding, such as student mental health services, housing, work-integrated learning, as well as commercialization and tech transfer offices. At the same time, government reporting continues to increase, which have added significant costs and red tape to the operations of universities.

How Universities are Working Together to Drive Greater Efficiencies

To serve the evolving needs of Ontario's students and our economy, universities have embraced transformation as they continue to modernize and adapt courses by innovating and evolving programming, services and resources to ensure students are equipped for the new realities and complexities of a changing social and economic landscape.



For example, in response to the critical nursing shortage, Ontario's universities expanded innovative programming that allows nursing students to complete their degree in as little as 19 months, as opposed to four years.

¹ Virtually all Ontario universities have a student guarantee to provide or find housing for first-year students. Due to the current housing shortage, universities have had to incur significant costs or slow new enrolment to meet this guarantee.

In addition, universities have a longstanding commitment to efficiency and continue to find new and innovative ways to find efficiencies and cost savings, such as:

Shared Services

- The Ontario Universities' Application Centre (OUAC) removes the need for each institution to process its own applications, eliminates duplication of work and saves students time and costs in accessing programs.
- Through an Ontario university partnership, international students have access to comparable OHIP coverage through the University Health Insurance Plan (UHIP). This sector-wide group insurance plan reduces costs to universities and students.
- Through the Ontario Council of University Libraries (OCUL), Ontario's universities share digital and print library services and benefit from collective purchasing. The Scholars' Portal houses more than 66 million articles from more than 26,000 journals.
- Through the Centre for Innovation in Campus Mental Health (CICMH), universities have partnered with colleges and students to create a centralized resource for frontline service providers that streamlines the sharing of mental health education and resources and reduces duplication of services.
- The Inter-University Transit System (IUTS) is an internal delivery network allowing universities to send library books, related materials and first-class mail to each other's campuses in a fast, effective and low-cost manner through a centrally negotiated pricing agreement.
- Universities work with the Ontario Education Collaborative Marketplace (OECM) to take advantage of savings through joint purchasing agreements. To date, more than \$400 million – and growing – has flowed through this partnership.
- The University Pension Plan (UPP), launched on July 1, 2021, protects the security and sustainability of pensions in the sector through a Jointly Sponsored Pension Plan model. The UPP creates important economies of scale and currently holds \$10.8 billion in pension assets, serving more than 39,000 working and retired members from 16 universities and related organizations – and growing.

- Health Science Placement Network (HSPnet) is a web-enabled tool to facilitate and streamline clinical placements for health science and other students at universities and colleges. HSPnet reduces the workload of coordinating placements as it facilitates the sharing of prerequisites and training modules to meet workplace requirements and evaluations.
- The University Life Insurance Plan (ULIP) is a joint initiative among 11 Ontario universities to achieve economies of scale through bulk purchasing of various group life insurance and accidental death and dismemberment benefits. ULIP offers competitive premiums over the long-term and establishes rate stability. It also provides the opportunity to participate in a refund accounting arrangement, which would otherwise not likely be available.
- In 2022, CAUBO launched the [National Benefits Consortium](#) to bring together twenty institutions from across the country, close to 100,000 plan members and more than 135 benefits plans, to form two benefits programs with Green Shield Canada (GSC) and Manulife. This has resulted in economies of scale that institutions could not have achieved independently.
- In August 2023, a group of small and Northern universities (Lakehead, Laurentian, Nipissing and Trent) signed a [Memorandum of Understanding](#) to form an Innovation Cluster to boost the commercialization of critical minerals, cleantech and battery electric technologies. They are sharing resources to advance innovation with industry partners across their institutions.



Joint Purchasing

- Leveraging the purchasing power of a Canada-wide competitive process, postsecondary institutions across Canada have procured [MyCreds](#), which is a 24/7 digital credential wallet that allows for secure issuing and verification of official digital documents, including transcripts, degrees, diplomas, micro-credentials and badges through a shared service model. MyCreds currently supports more than 2 million learners at 135 institutions across 100 countries across the globe. More than 65 Canadian institutions and organizations participate, including 10 Ontario universities, and growing.
- Universities joined forces in 2016 to implement a sector-wide Campus Licensing Agreement with Microsoft. The universities previously had individual licenses, but with the sector-wide collective agreement, significant savings continue to be achieved.
- Universities have achieved significant savings by jointly procuring a common software solution for facility space management. Each university had previously licensed its own software, many of which were coming to end of life. Joint procurement allows for a consistent approach to facility space management across the sector. This joint agreement was renewed in 2019 to continue to achieve savings of 40% below market rates.
- Universities also joined together to contract a province-wide facility auditing firm. This contract resulted in savings of more than 15% to all universities in Ontario.
- Ontario's universities also participate in the Ontario University Professional Procurement Management Association (OUPPMA) purchasing card collaboration, which has resulted in approximately \$14 million in rebate savings over the last six years. OUPPMA continues to collaborate across the sector to identify new opportunities for joint procurements.
- Canadian Association of University Business Officers (CAUBO) has secured numerous agreements on commodities to support members across Canada, including competitive rates for hotels and car rentals.

Cost-Saving Measures

In addition to greater efficiencies, Ontario's universities have also taken extensive steps to find cost savings through a variety of means, such as hiring freezes, cuts to operating budgets, jointly offered academic programs, AI-powered student advising tools, as well as program and course rationalization. This has been highlighted by a recent report by an independent rating agency:

“Universities have exercised spending controls, scaled back on capital plans, and implemented cost efficiency initiatives to reduce expenses....However, as operating performance is weighed down by limited revenue flexibility, now compounded by the substantial inflationary challenges and arising from difficult labour negotiations across the public sector, universities are now faced with tough decisions in managing cost pressures, potentially affecting the quality of education and the overall student experience.” [Canadian Universities Grappling with Diverse Post-Pandemic Challenges](#) – Morningstar-DBRS, November 13, 2023

As a result of these and other measures, Ontario's universities are managing costs while delivering on student success. According to the Blue-Ribbon Panel's report:

“...salary and benefit costs in Ontario's universities per full-time equivalent student are lower than in almost every other province. We believe past accomplishments at Ontario's universities should be acknowledged while we encourage them to investigate how they might become even more cost efficient.” [Ensuring Financial Sustainability for Ontario's Postsecondary Sector](#) – Blue-Ribbon Panel Report, November 15, 2023, page 35

Leading Practices to Enhance Results and Performance

Ontario's universities are committed to continuous quality improvement to enhance performance and cost-effectiveness. Each university conducts external audits of their financial statements, which are posted on [COU's website](#).

In addition, the Auditor General (AG) of Ontario has made a number of recommendations to enhance financial governance oversight, financial management and reporting, as part of the AG's 2022 audit of four universities.



To this end, Ontario's universities have developed the following leading practices to enhance governance, financial management and service delivery, including:

- Leading practices in [university board governance](#) to ensure strong financial oversight and open and transparent decision-making. In carrying out their fiduciary responsibilities, university boards play a critical role in leading strategic priorities and oversight, including overall strategy, fiscal integrity, risk management and financial sustainability of the university.
- A [Financial Health and Transparency Framework Plan](#) that ensures effective, transparent and responsible governance and financial accountability to demonstrate a sector-wide commitment to financial health. The framework outlines how universities will enhance existing accountability measures to ensure their financial health through the ongoing monitoring of the financial position of universities, and that they are taking action as necessary. COU welcomes the Ministry of Colleges and Universities' Financial Metric Framework, which builds on COU's framework.
- [Supporting international students](#) through leading practices that ensure they work with qualified agents and have the necessary supports international students need to be successful.

Charting a Comprehensive Path for Additional Efficiencies

While universities have achieved much in driving greater efficiencies, they are fully committed to finding new and innovative ways that result in even more savings while delivering on their mission to support students.

In response to the Blue-Ribbon Panel report on November 15, the Ontario government [stated](#): "Before agreeing to any tuition increases however, we need to ensure that colleges and universities are taking the necessary steps to ensure that they are operating as efficiently as possible. I look forward to working with postsecondary institutions in the weeks ahead to determine how best to achieve these shared objectives."

Ontario's universities have a shared commitment with government to be as efficient as possible and embrace the recommendations by the Blue-Ribbon Panel and the Auditor General of Ontario in taking the necessary steps to enhance efficiencies as well as financial oversight and management.

With a long history of implementing measures to enhance efficiency and reduce costs, Ontario's universities are moving forward with the following efficiency framework to continue to demonstrate our collective commitment to finding additional efficiencies.

This framework clearly demonstrates that universities have and continue to take the necessary steps to be as efficient as possible, building on university best practices as well as the recommendations of the Blue-Ribbon Panel and the Auditor General of Ontario.



Driving Greater Efficiencies Framework

- **Continuous Improvement Through Ongoing Institutional Efficiency and Cost-Saving Efforts:** Universities have been implementing extensive measures to find cost savings and greater efficiencies. Across-the-board and central budget savings are currently being implemented, as universities continue to struggle to cope with years of funding and tuition cuts, as well as absorbing the impacts related to the effective repeal of Bill 124.
- **Implementing the Ministry of Colleges and Universities' Financial Accountability Framework:** Building on COU's proposed [Financial Metrics Framework](#), universities are committed to implementing MCU's Financial Accountability Framework, which provides a structure for universities experiencing greater financial risks to implement action plans based on the outcome of their financial health metrics, including internal recovery plans and third-party reviews.
- **Building on the Blue-Ribbon Panel's and Auditor General's Recommendations:** COU will work with its members to continue to enhance financial governance oversight, financial and performance management and reporting, as well as the establishment of an expert peer review panel to help support institutions in developing financial recovery plans.

- **Driving Sector-Wide Collaborative Initiatives:** Building on the extensive efforts that individual institutions are taking in driving greater efficiencies and cost savings, earlier this year Ontario's universities developed the following sector-wide collaborative initiatives:
 - **Space Optimization** to modernize space standards, building on the transformation that has been spurred by the pandemic to repurpose and shrink physical space. The development of new guidelines that reflect a shift in the use of physical space (e.g., towards greater online and HyFlex learning), as well as the needs of today's students (e.g., collaboration and innovation spaces), will result in more efficient use of space. The implementation of a common building asset condition software and audit firm will improve deferred maintenance planning and comparability among universities that will provide better data for decision-making on the most efficient ways to use space;
 - **Operational Efficiencies, Digitization and Automation of Processes** by identifying more opportunities for digitizing, automating and streamlining operational processes; undertaking comprehensive effectiveness and efficiency administration/operational reviews; and centralizing and reducing internal functions and resources where feasible;
 - **Expanded Joint Purchasing** builds on a long history of joint procurement through a number of mechanisms, such as the OECM, Supply Ontario, cross-sector regional purchasing collaboratives, as well as new joint procurements on common products, to further lower costs and modernize procurement efficiency;
 - **Student Housing Collaborative** to pool best practices to accelerate the development of student housing opportunities in collaboration with government, municipalities and community partners; and
 - **Curriculum Streamlining and Course Rationalization** to build on existing efforts to offer joint courses/programs to reduce costs while meeting student and regional needs.

For example, the [Ontario Visiting Graduate Student \(OVGS\)](#) Program allows a graduate student enrolled at an Ontario university (home university) to complete a graduate course at another Ontario university (host university) while remaining registered at his/her own institution. This innovative joint course delivery allows the student to bypass the usual application for admission procedures and resulting transfer of credit processes.

Benchmarking Performance

The Blue-Ribbon Panel recommends the use of benchmarks to measure progress and referenced two important benchmarks for measuring university efficiency management:

- According to the Blue-Ribbon Panel, “salary and benefit costs in Ontario’s universities per full-time equivalent student are lower than in almost every other province.”
- In addition, the Panel benchmarked Ontario university performance relative to the amount of provincial funding they received compared to other provinces. According to the Panel’s report, compared to other provinces, Ontario universities receive only 57% of per student funding, which only represents about 30% of total university operating revenue. This significant level of provincial underfunding clearly shows that universities are doing more with less.

Ontario's universities will continue to benchmark their performance to these and other measures to continue to deliver value for money to students and their communities.

Further, universities are collaborating with the province on two other benchmarks – performance funding and financial metrics.



The Bottom Line

While universities are committed to building on their extensive efforts taken to date, it by no means addresses the significant revenue shortfalls. Without an end to the tuition freeze and additional government funding, the programs and services Ontario's students rely on and deserve are at risk.

"The sector's financial sustainability is currently at serious risk, and it will take a concerted effort to right the ship. Our recommendations, if implemented in their entirety, will, we believe, set the sector on the path to a financially sustainable future." – [Ensuring Financial Sustainability for Ontario's Postsecondary Sector](#) – Blue-Ribbon Panel Report, November 15, 2023, pg. 3

Therefore, Ontario's universities are calling for the immediate implementation of the Panel's recommendations to:

- Increase tuition by 5% for general programs starting in the fall of 2024 and indexing tuition rates by 2% a year or the rate of inflation, whichever is greater, for at least the following two years;
- Allow an additional tuition rate increase of 3% a year for professional and graduate programs on an ongoing basis;
- Implement an immediate 10% base funding increase for WGUs and indexing base funding by the consumer price index, or a minimum of 2% per annum, thereafter; and
- Increase the Northern and Bilingual Grants to address financial sustainability and to help support students in those universities.

Both the [Panel's report](#) and [Morningstar-DBRS](#) have noted that the financial health of the sector is highly dependent on the government's decision to increase domestic tuition and operating grants.

"Failure to act will threaten the province's reputation, with significantly negative effects for international student recruitment, the advancement of regional economies, the preparedness of our future workforce, and the attraction of foreign investment." – [Ensuring Financial Sustainability for Ontario's Postsecondary Sector](#) – Blue-Ribbon Panel Report, November 15, 2023

Partnering for a Stronger Ontario

A vibrant and healthy university sector is critical to meeting the needs of students, fostering community economic growth, driving research and innovation, and fueling the talent pipeline that is critical to Ontario's economy.

It is why, in order to fully unleash their potential, Ontario's universities are asking for support – to allow greater flexibility to increase their revenue sources. Universities will do their part to find greater efficiencies and cost savings.

The time for government action and investment in Ontario's universities – and Ontario's future – is now.

It is more important than ever for government and universities to continue to work together to allow Ontario's universities to build the better and brighter future for our province.

