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President and Vice-Chancellor

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Dr. Alan Harrison, Chair and Members
Blue-Ribbon Panel on Financial Sustainability
in the Post-Secondary Education Sector
315 Front Street, 17th Floor
Toronto, ON M5V 3A4

Via email to: BlueRibbonSecretariat@ontario.ca

Dear Dr. Harrison and Members of the Blue-Ribbon Panel:

Thank you for the opportunity for Toronto Metropolitan University (TMU) to provide a written submission to help inform the advice and recommendations that the panel will provide to the Ministry of Colleges and Universities on matters related to financial sustainability in the publicly-assisted post-secondary sector.

We are providing responses below to four of the six questions listed in the April 18, 2023 invitation memorandum from Dr. Alan Harrison. The two remaining questions focus on northern institutions and on the French language education system respectively, and we would at this stage defer to those institutions most directly affected to address these two topics. In addition, we are also supportive of the Council of Ontario Universities submission to the Blue-Ribbon Panel.

Driving Institutional Excellence (Question 1)

General context

Toronto Metropolitan University's 2030 Strategic Vision is dedicated to excellence in everything we do. We are a student focused university that looks to build relevant skills, with over two

thirds of our programming being professionally accredited. We enrich and broaden the career-focused education, skills development and learning experiences we provide. We ensure they continue to reflect the demands of these fast-moving times and contribute to the economic and social wellbeing of all. Experiential learning is a hallmark of TMU's model of education that emphasizes the relevance and integration of theory and practice.

We will continue to empower our students to take control of their education, whether in a classroom or in the field, and to develop the competencies, mindsets and resilience they will need to forge their own unique paths. By being nimble, embracing technology and taking calculated risks, we will attract, educate and work with the changemakers, big thinkers and creators who will help advance prosperity and understanding of local, provincial, national and global economies.

We are community builders whose distinctly urban character and location in the heart of Canada's greatest city, along with our commitment to engage respectfully and meaningfully with partners near and far, puts TMU in a unique position to expand and enable connections across communities and around the world. By advancing conversations on culture, technology, social innovation, health, justice, democracy and the environment, we will help to create safe, diverse, resilient, inclusive and sustainable communities one neighbourhood, one city, one region at a time. We are unapologetically bold, we work differently, we think differently and look to find new paths.

Ontario's universities can be a key support to meet the government's economic objectives as noted in the 2023 Ontario Budget: Building a Strong Ontario. TMU, other universities and colleges can be a key support in maintaining Ontario's competitiveness, building its global manufacturing role and strengthening the economy. TMU is helping to create a more skilled workforce to address the province's labour shortages, including in addressing nursing shortages, expanding medical education and supporting rapid retraining.

However, over the past several years, the combined effect of constraints on operating grants and domestic tuition fees have necessitated significant budget reductions and greater efforts for cost-savings and efficiencies. We acknowledge and are grateful for new investments by the government in priority areas such as medical education and the recent progress on addressing tuition anomalies, but these are not sufficient to offset the larger effects of continued per student reductions in operating and tuition revenues on the sector.

At TMU, we have become even more efficient by virtue of having absorbed revenue declines associated with the 2019-20 10% tuition fee reduction and the subsequent ongoing tuition fee freeze. With a base operating budget of about \$660 million, for 2023-24, this amounts to a loss of \$73 million that has resulted in significant base revenue declines. While efficiencies such as increased class sizes, rationalization of staff positions and leased space, forgoing of some equipment renewal, and constraints on compensation have been realized, this has not occurred

without challenges. Further, where particular categories of expenditure are “uncuttable” (e.g., security, student financial assistance), there is a disproportionate impact elsewhere in the institution. If this situation persists, it is clear that this will progressively begin to compromise successful delivery of our core mission.

Our advice

Even in an era of pressing financial constraints on government, there are approaches to reconfiguring the ministry’s funding approach and associated levers that can place Ontario universities on a sounder, more sustainable financial footing that is suitable for driving institutional excellence.

This can take the form of targeted funding for enrolment growth in specific innovative program areas that support economic development and are aligned with employer and local community needs. For TMU, these priority programs would include: medicine and allied health professions, psychology and other programs supporting mental health, engineering, cybersecurity, and computer science. It is important that the growth funding mechanism adopted is straightforward, so that it does not lead to additional red tape and complex, lengthy reconciliation processes at the ministry and universities. This can be facilitated by lifting a university’s corridor cap or alternatively by separate FTE growth funding outside the corridor for these priority programs.

It can also include leveraging and expanding the government’s current support for major capacity expansion into underserved regional areas, such as Brampton, by providing funding to enable a wider range of courses to be delivered at additional local sites and to build on recent innovations and partnerships such as the Brampton Venture Zone and Rogers Cybersecure Catalyst and the leading-edge programs they provide in the community. Initiatives such as these have the advantage not only of providing enhanced access to learning opportunities for individuals, but in drawing talent and business development to the community more generally.

Institutional excellence can also be supported by providing additional flexibility to rapidly respond to labour market needs. An aspect of the current corridor system, that does not allow spaces to be shifted between undergraduate, masters and doctoral enrolment, represents significant red tape and stifles innovation at the local level. It is important that universities have the flexibility to be nimble in addressing changes that may include, for example, a demand for students with graduate education in important niche areas that build directly on existing undergraduate degrees at the institution, allowing students to move seamlessly into more advanced levels of skills development. Introducing fungibility of enrolment such that universities can cross-convert across these categories would be an important and material improvement in the implementation of operating grant funding.

Ensuring Sustainability through Sound Financial Health Practices, Continuous Improvement and Healthy Competition (Question 2)

General context

Toronto Metropolitan University continues to maintain a solid financial position, including during the disruptions stemming from the COVID-19 pandemic, and is well situated for the future. At TMU, we have adopted an enterprise risk management approach to monitor and assess risks and alternative mitigation strategies, and have comprehensive processes to monitor financial health, including quarterly reports to our Board of Governors, rigorous planning and budgeting processes, and board policies which require sound, balanced budgets every year. In addition, TMU has a credit rating and is reviewed annually by a credit rating agency.

TMU, like all Ontario universities, has worked collaboratively with the ministry to develop sophisticated and extensive processes and systems to monitor financial health. These financial health metrics and mechanisms have been considerably refined in recent years to address previous short-comings and have resulted in the four-point mechanism of escalating levels of review and intervention based on set thresholds. In addition, TMU works with our communities, industry partners and with the government to ensure the processes for program development are periodically reviewed to maintain currency and to continue to make them the most suitable for current and future labour market needs.

In addition, we have been reviewing the concerns raised by the Auditor General of Ontario in recent audits of Ontario universities. In response to the Auditor General's recommendations, we have created a report for our Board of Governors that responds to each recommendation in the TMU context. The findings indicate that we have already implemented policies and procedures that positively respond to the majority of the recommendations, and we have further strengthened some of our existing processes as a result of this effort.

Our advice

TMU is committed to supporting the government to ensure that oversight will identify institutions which are facing challenges and ensure that corrective actions can be taken in advance of harms to students, communities and institutions. The current accountability structures in place between institutions and governments are sufficient to ensure the financial sustainability of universities.

We are supportive of an efficiency fund that will help to reduce costs by providing one-time funding, spanning several years as necessary, to facilitate transitioning specific operations in innovative ways to achieve greater efficiencies. This bold and innovative new funding envelope can build on the lessons learned from previous initiatives (i.e., the Productivity and Innovation Fund (PIF)) and can focus on supporting innovation, improving the quality of learning outcomes and affordability for students, enabling strategic collaborations, and supporting system

differentiation. This initiative could allocate funds in three priority areas: program prioritization, course redesign, and administrative and service delivery transformation. Such a new efficiency program along similar lines to the PIF would be helpful in the current era.

The financial situation faced by Ontario universities varies on an institution-by-institution basis, and some are in a better position than others to offer a supportive, anchoring function to other institutions when needed, particularly when the institutions are geographically proximate. This can be of assistance for maximizing the sustainability of the sector as a whole. Toronto Metropolitan University continues to be in a strong financial position and can be one of the institutions to fulfill such a supportive role. Further, TMU has a particularly strong track record of working successfully with other universities and colleges in its region, including the longstanding Collaborative Nursing Degree Program with Centennial College and George Brown College in place since 2001, the sharing of resources with George Brown College to offer programming in Early Childhood Studies, and in providing back-office and other logistical support to the Université de l'Ontario français to support its launch and the initial years of ramp up as it further develops additional in-house capacity.

The Government's existing Facilities Renewal Program and Training Equipment and Renewal Fund programs are examples of critically needed financial support to ensure our classrooms and teaching equipment are up-to-date. A multi-year expansion of this funding would help universities to keep pace with the demands of maintaining aging infrastructure and ensuring that students have access to up-to-date equipment that reflects current industry standards. An increase to deferred maintenance funding would help to decrease the call on institutional operating budgets, which have been used to offset shortfalls in funding for infrastructure needs. A longer term planning horizon would allow all institutions to plan prudently into the future and assist in leveraging private sector contributions to enhance government funding in these critical areas.

Another instance of red-tape concerns the fragmented structure of special-purpose grants. In terms of structure, review of the inventory of special-purpose grants would show that many of these can be consolidated into broader envelopes within which the specific constituent grants and their accountabilities could still be maintained under transfer payment agreements. This would allow them to be more easily administered and require fewer approval decision points as there would be fewer distinct special-purpose grants. The reporting, mandated audits and, in some cases, separate insurance certificates associated with each transfer payment and special-purpose grant impose higher costs and inefficiencies that consolidation into multi-year master transfer payment agreements would alleviate. In the case of any remaining smaller transfers less than \$100,000 for example, reporting requirements could be maintained but the separate audit requirement could be removed as the multiplicity of small audits imposes a disproportionate cost relative to the funds allocated. In addition, working to further refine approvals processes within the ministry with a view to confirming as early in a fiscal year as possible that specific amounts will be flowed within the year, especially for recurring grants, will enable better planning and more efficient expenditure of the funds.

Affordability of student housing is another pressing concern and an innovative approach for the Ontario government to consider would be re-categorization of student housing into the affordable housing category which would open opportunities to leverage multi-use complexes and new development partnerships.

Towards a Long-term Tuition Fee Framework and Other Measures Addressing Costs, Affordability and Student Access (Question 3)

General context

The multi-year tuition freeze in Ontario since 2019 has required annual budget reductions and further work to find efficiencies or reduce services in the university system. However, the tuition freeze is now working at cross purposes to driving institutional excellence and to supporting a high quality student experience for an increasingly diverse student body, with differing needs for support, such as Indigenous students. The cumulative effect of foregone tuition fee revenue is putting significant strain on TMU's finances. It is of particular note that current tuition levels are approximately equal to those in place as far back as 2015-16 even without adjusting for inflation.

Continued constraint on tuition fee increases will place many Ontario universities in a difficult situation where the quality of the student experience and our pursuit of excellence will be difficult to maintain. Excellence is unlikely to be the result when per student funding continues to decline in real terms. As indicated above, there are categories of expenditure that cannot be reduced significantly, such as security, which means that other areas of the operation are affected disproportionately.

TMU understands that supporting the costs of postsecondary education is a responsibility shared among students, institutions and governments, and that Ontario has extensive programs and services to support and maintain accessibility for all students. There is extensive research which demonstrates that increases in tuition fees are not inconsistent with accessibility. The current tuition set-aside framework ensures that as fees increase, so does the amount of funding earmarked for student assistance. TMU is committed to protecting access through many programs and services to our diverse student body.

Our advice

A tuition fee increase of no more than 5% annually within a multi-year tuition framework would be of considerable assistance to all universities given the proportion of our funding from domestic tuition fees. The parameters within the tuition fee increase framework should be suitably flexible so as to be responsive to the different markets and regions that each Ontario university, and its unique mix of programs, serve. Of note is that a credit rating agency that reviews Toronto Metropolitan University's credit rating has indicated that a factor that would

improve the credit ratings of Ontario universities would be enhanced support from the province, including a more supportive tuition fee policy.

There are various approaches that would work to protect students and families from outsized and unexpected tuition increases with restoration of a more balanced tuition fee policy. These can take the form of enabling a different rate of tuition increase for first year and upper years, and potentially having a cap for the overall level of increase while still enabling some programs to increase at a higher rate and others at a lower rate.

To be most effective, it is important that tuition fee frameworks are multi-year and announced with considerable lead time ahead of the first academic year in which they take effect, preferably by the end of the preceding calendar year at the latest. This allows students and families to plan. One approach to consider would be for the long-term tuition fee framework to coincide with the term of the Strategic Mandate Agreement and to return to regularized annual tuition increases which are ultimately more equitable, as they do not systemically disadvantage future students relative to the current students who are fortuitously benefiting from a temporary tuition freeze.

A review of the Tuition Fee Set-Aside Expenditure Guidelines should be undertaken with a view to identification and removal of red-tape provisions within the guidelines that make it challenging to actually disburse these funds to students. The guidelines should also be consistent with the principle that tuition fee set-aside funds can be directed to students in equity seeking groups in the form that most closely matches the diverse needs of each individual student.

The ministry has periodically reviewed the Ontario Student Assistance Plan and, as the effects of COVID-19 disruptions continue to manifest, it would be opportune to revisit the extent of retrenchment in this program due to its impact on students. At the same time, as the ministry needs to be concerned about the inbuilt upward cost pressure on OSAP from factors such as additional domestic enrolment growth, there may be utility for the ministry to consider moderating automatic OSAP increases by transferring some of this burden onto additional tuition fee set-aside at universities.

A tuition increase to support the functioning of the university combined with strengthened access programs and initiatives, such as the tuition set-aside policy, will ensure the accessibility of high quality postsecondary education for all students.

Role of International Students in a Sustainable and Thriving Postsecondary Sector (Question 6)

General context

International students help post-secondary education institutions create a more diverse student population, promote inclusivity and a global outlook, and stimulate diversity in

perspectives, research, and innovation. They are also of crucial importance in enabling universities to deliver on their annual research outputs which support the Ontario economy and its future prospects.

For these reasons, TMU has been working to expand its activities in the international space and in particular in the recruitment of international students to our programs. We have been cognizant of the experiences of other postsecondary institutions in Ontario, in particular in the college sector as well as the observations of the Provincial Auditor on the issues that expanded international enrolments can create. At TMU, we have engaged the respected Navitas group as a principal global marketing and recruitment agent in the additional pathways to TMU programs created via our joint venture known as Toronto Metropolitan University International College, and work actively with them to provide oversight and ensure they meet the highest standards for our potential student recruits.

The number of international students in Canada has steadily increased over the last decade and, according to a 2020 Global Affairs Canada update, contributes approximately \$5.1 billion in annual revenues to Canadian universities. The Government of Canada's International Education Strategy (2019-2024) underscores the importance of international students as a key resource to address our national demographic imbalance and skilled labour shortage. Through pathways for international students, universities facilitate the recruitment and training of highly-qualified new Canadians to the province in a manner that can address labour shortages and long-term economic growth in Ontario.

Toronto Metropolitan University considers its international students as essential for building a culture of diversity and global engagement and is committed to dedicate resources for a robust international student recruitment strategy and holistic international student support services. Several factors impact the overall quality of international student experience including pre-arrival support, in-class learning experience, safety and well-being on campus, and career opportunities.

TMU has one of the lowest proportions of international students as a share of total undergraduate enrolment among Ontario universities. We have committed to increasing this proportion to the system average level through the addition of additional pathway programs and innovations such as Toronto Metropolitan University International College and through additional student recruitment in our existing international pathways. This is being done in a careful manner to diversify the number of countries of origin of our international students, and to mitigate risk while providing the additional supports needed by international students to make a successful transition to life and study in Ontario. TMU's approach to international enrolment over the long-term has been measured and particularly mindful of the geopolitical risks associated with an overreliance on this category of enrolment to university and college budgets.

Our advice

The important ways in which the International Student Recovery (ISR) supports the ministry's budget and overall transfers to universities is not widely well understood. Changes to the ISR could be made to cap it at current revenue levels within the ministry's fiscal plan. This would create an important source of cost savings for institutions to support international students and defray some inflationary costs while preserving the ministry's ability to continue to deploy that portion of ISR funds collected to current levels.

Affordability and availability of student housing is one of the key issues for sustaining international enrolment. As noted above, re-categorization of student housing into the affordable housing category will enable some material progress to be made on this issue.

The ongoing housing crisis has proven to be particularly detrimental for international students who face discrimination and exploitation when looking for affordable housing. Delays with visa processing further complicate the matter, as international students often have limited time to secure housing once they receive their student visas and arrive in Canada. As an institution that has historically served domestic students, TMU currently has a limited supply of purpose-built student housing on campus. Initial review of international students' housing needs at TMU indicates that affordability of housing is an important concern and students are willing to rent smaller spaces in favour of lower monthly rents. Ideally, housing options for international students should be affordable, accessible, and culturally sensitive, offering not just well-designed living spaces but access to community areas to promote social interaction, and proximity to campuses and public transportation.

Post-secondary education institutions that are unable to address the distinct needs of incoming international students will likely see a decline in international enrolment and associated tuition revenue as students seek alternative study destinations. Ultimately, lack of planning and adequate resources would negatively impact the province as it relies on this demographic as a pipeline of skilled labour to meet its economic and regional developmental goals.

We believe that Ontario universities can continue to work collaboratively with the ministry on policies and strategies which can address issues such as overreliance on a few countries as sources of students, the need to maintain proper standards of admission, to ensure protections of international students such as truth in marketing. If there is interest in further policy guidelines for the postsecondary sector, TMU would be pleased to support this work.

Thank you for taking the time to consider our responses which are intended to convey an approach that will keep the postsecondary education sector in Ontario financially strong and provide the best possible student experience. Central to achieving this are: (1) driving excellence through targeted programs and selective enrolment expansion, and some fungibility across funded enrolment categories at each university, (2) a long-term tuition framework that

incorporates an annual increase of no more than 5% to help offset cost pressures and their negative effects on quality and the student experience, (3) identifying and employing anchor

institutions that are well situated to provide system sustainability support as needed, and (4) streamlining through removal of specific red-tape that persists despite various improvements the ministry has made. I would be happy to meet with you to discuss our written submission and should you have any questions or require further information please contact me or Glenn Craney (glenn.craney@torontomu.ca), Chief Strategy Officer at Toronto Metropolitan University.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Mohamed Lachemi', is positioned above the printed name.

Mohamed Lachemi
President and Vice-Chancellor
Toronto Metropolitan University