

## **POST-SECONDARY FUNDING FORMULA REVIEW**

### **BC COLLEGES INITIAL SUBMISSION**

**- June 2022 -**

BC Colleges welcomes the review of post-secondary funding in BC and the opportunity to provide initial input. As a publicly funded sector, post secondary education and training remains a critical economic investment in supporting a strong social fabric and in enabling learners of all ages and backgrounds to contribute to society and participate in BCs' changing economy. BCs' colleges look forward to collaborating in creating an updated, equitable, and learner focused funding model that will serve the best interests of all current and future British Columbians.

The 2021 British Columbia Labour Market Outlook (LMO) forecasts over one million job openings in the next decade and almost 80 percent of these opportunities will require post-secondary education. The forecast highlights that five industries will account for about half of the total job openings projected over the next 10 years:

- **Health Care & Social Assistance** (142,900 job openings; 14% of total)
- **Professional, Scientific & Technical Services** (140,700 job openings; 14% of total)
- **Retail Trade** (103,700 job openings; 10% of total)
- **Construction** (75,900 job openings; 8% of total)
- **Accommodation & Food Services** (65,000 job openings; 7% of total)

Further, the LMO identifies the education and training needs to fill job openings as follows:

- High School and/or **Occupation Specific Training** (20%)
- **Apprenticeship Certificate** (12%)
- **Diploma/Certificate** - Excluding Apprenticeship (29%)
- Bachelor's, Graduate or First Professional **Degree** (36%)

As Government reviews its investment in post secondary education and training it is worth noting that colleges, by design, provide the most accessible, affordable, and applied learning centers for British Columbians seeking credentials that employers need. The majority of grade 12 graduates enrol in post-secondary institutions in the same region where they graduated from high school. BC colleges provide options in all regions of the province, helping learners obtain credentials needed for the job market, especially in industries expected to grow. In addition, new degree opportunities in BC colleges and institutes have reduced the need for students to switch institutions to complete a Bachelor's degree in BC. Among all 55,700 mobile students who switched institutions in 2019/2020, the vast majority, or about 44,000 students switched from one institution type to another. The two most popular routes are: (1) from colleges to research-intensive universities (6,200 students), and (2) from colleges to institutes (5,500 students). After obtaining degrees, a high number of learners return to colleges for applied and post-degree credentials aligned to the job market.

BC Colleges have a larger share of females, Indigenous students and age 30+ learners, relative to their share of total enrolment in the BC post-secondary system. Colleges are structured to support diverse learner needs, often welcoming learners that other institutions will not admit. With over 50 community learning hubs across the province, colleges are adept at responding to local employers needs, ensuring graduates enter the regional labour market with applied learning and skills and the confidence to be productive immediately. The growing ability to design and deploy courses and programs at the speed of business is a significant college advantage. BC's colleges will continue to grow our agility to meet employer workforce needs through multiple steps – including the expanded use of modular education/training to acquire credentials via relatively short “laddered” programs that build on and augment one another, and by working collaboratively with employers (public, private, & non-profit) to provide our learners with increased work-integrated learning opportunities.

From our inception, BC's colleges have delivered vocational and credential opportunities for the most diverse array of learners among post-secondary education institutions. For example, adult and developmental programs are core to our mandate and are critical for learner success, particularly for those in traditionally underrepresented groups: providing the knowledge, skills, and confidence necessary to participate in the emerging and shifting economy. Delivering increased access and support to learners means that colleges by necessity face higher incremental costs for some learner populations and for some programs compared to other post-secondary institutions. Yet colleges, particularly rural colleges, generally have fewer alternative sources of revenue hence have reduced opportunities to offset typical incremental costs.

Rural colleges have multiple campuses with facilities throughout large regions. The regional nature of these institutions results in relatively low student demand because of low population density and a high degree of dispersion. So long as tuition is regulated as it currently is, and grant funding is not increased to cover increased costs, the small rural colleges are hit the hardest financially - through economic cycles and external events. This issue and a funding solution was identified in the 2006 Perrin and Thorau Phase II report. Of note, Ontario, Quebec, and New Brunswick all provide targeted funding to small campuses to account for their higher costs due to their geographic remoteness and smaller size.

Today's changing, dynamic nature of BC's open economy means there must be a move away from educating and training British Columbians for one, long-term career - and instead a culture of life-long learning must be embraced that instills skills and competencies that are adaptable over a range of jobs and sectors. In addition, many existing jobs are being transformed by technology, including clean technology driven by climate change, and workers will need to continually retrain and learn new skills. This will be especially important as our economy transitions to a low-carbon, digitally driven future, creating new and unforeseen jobs across all employment sectors. Fortunately,

colleges are proven public education and training delivery partners as BC moves to a culture of continuous learning, with colleges increasingly offering local “just-in-time” upskilling and retraining to people at every stage of their careers. This is especially relevant at a time when job growth and opportunities may be diverting potential learners, thus contributing to declining post-secondary enrolment.

BC’s post-secondary funding formula needs renewal to better align with new learning approaches suited to a diverse learner population and rapidly changing economic and labour market conditions. Colleges are at the forefront of helping employers by delivering the talent needed to grow prosperity in all regions of BC. Future public funding investments need to sustainably support colleges achieve this by:

1. aligning with the mandates/priorities of post-secondary sectors and their respective institutions;
2. allocating resources in a fair, transparent, and equitable manner;
3. supporting increased access and retention among vulnerable and under-represented learners, including Indigenous learners;
4. compensating the additional costs for rural colleges due remoteness and lack of scale;
5. enhancing innovation to address new delivery models such as hybrid courses (which require minor capital, technology and bandwidth investments, learning resources, etc.);
6. supporting increased collaboration and shared services, including curriculum development;
7. providing increased autonomy and financial flexibility to post-secondary institutions;
8. providing stable and predictable funding (i.e., eliminate one-time funding and aim for multi-year funding windows) that reflect the costs of delivery and keep pace with inflation; and
9. balancing tuition rates across the province and across institutions (i.e., some colleges are capped at lower tuition than others).

# BCC Initial Submission to PS Funding Formula Review

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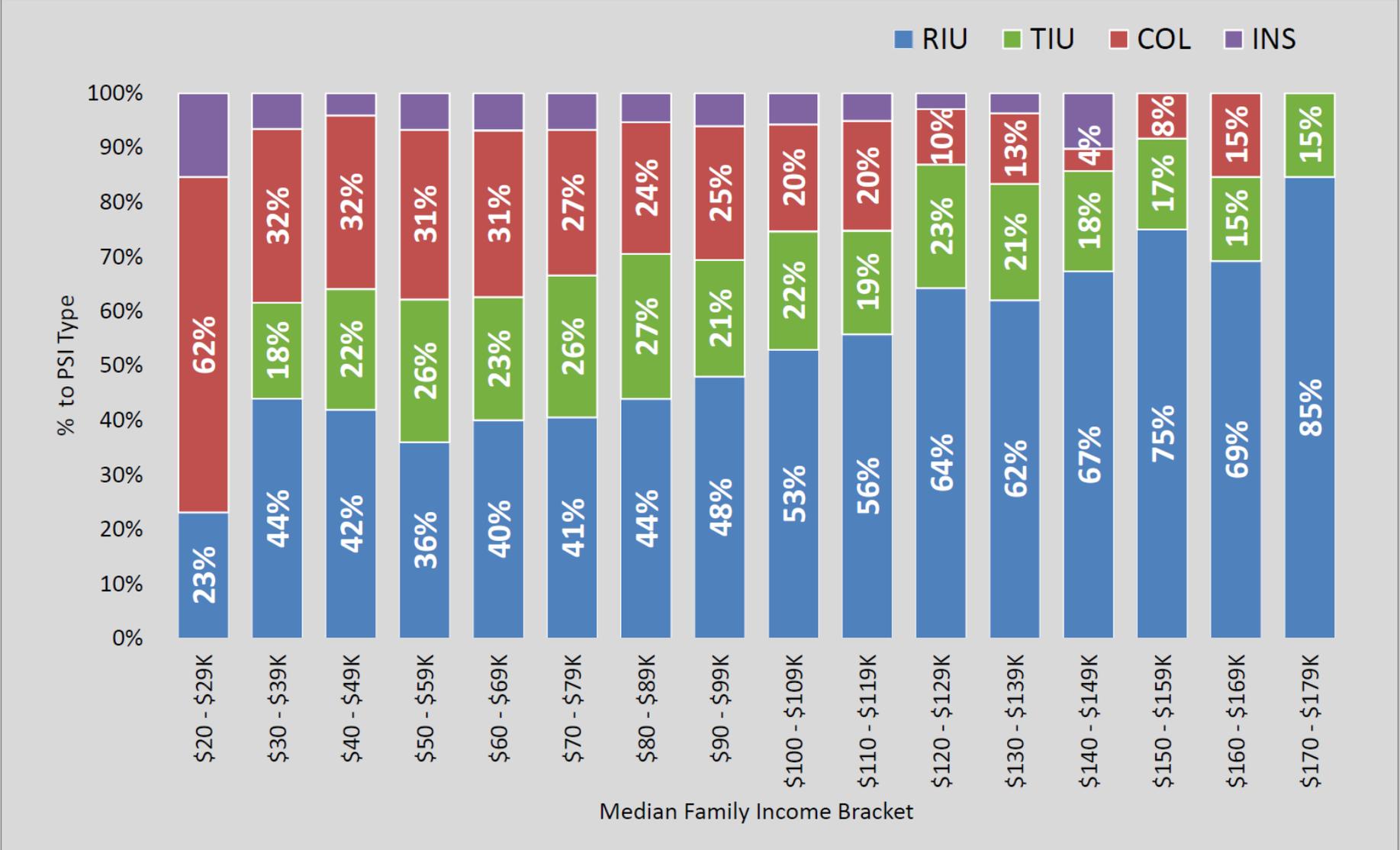
Follow-up to Don Wright Meeting

June 29, 2022

# BC colleges Context

- BC colleges guided by four core values: accessible, affordable, inclusive and applied
- BC colleges enroll:
  - learners from lower income families (see next slide)
  - more 'delayed entry' and older learners
  - a higher percentage of indigenous learners and other under-represented learners
  - learners with lower GPAs
- 92% of the population in BC is within 50 km of a BC college – retention rates are 82.4% for those who remain in their home region vs. 64.9% for those who move to a different region from where they graduated from high school
- More than 90% of learners remain in their home region following their college experience
- In 2020/21, the BC college programs with the highest number of graduates were Health at 23.0 percent of all college graduates, Business and Management at 19.2 percent and Trades at 16.5 percent – this strongly aligns with the high demand occupations identified in the 2021-2031 Labour Market Outlook

# Does median family income affect the destinations of immediate entry students? (By institution type first entered: 2019/2020 Gr12 Graduates)



Source: BCCAT May 2022

# Five Funding Review Questions

1. What are the **most important contributions** the PSE system makes to the economic, social, and environmental health of BC?
2. What could the system **be doing differently** to enhance its contributions to the economic, social, and environmental health of BC?
3. What do you see as the key economic, demographic, social and technological **trends that will impact post-secondary** education in BC over the next 30 years?
4. How do you think the **PSE system needs to evolve** in response to those trends?
5. What **modifications to the funding formula** would you recommend considering the above?

# Question 1: Contributions to PSE System

## BC colleges:

- provide open access to post-secondary education and training for anyone who wants it (i.e., universal)
- provide accessible programs and supports to:
  - All people, all ages
  - Under-represented learners
  - Learners needing re-skilling and upskilling
  - International & new immigrants
- Increased access = increased diversity of learners
- require considerable amounts of support

# Question 1: cont'd

## **BC colleges:**

- Colleges focus on employer and industry demands through:
  - short-term programming / shorter amount of time in school / part-time
  - meaningful connections to employers and community
  - more flexible options (why just 3 credit courses and why Monday to Friday – 8:00 to 4:00 pm)
  - individualized learner needs, with additional support when needed
  - SME and community needs in their region i.e., applied research

# Question 2: What could be done differently?

College future impact must intentionally be built on growing a number of important elements including:

1. Flexible/faster/shorter programs
2. Dual Credit
3. Micro-credentials
4. Work Integrated Learning
5. Higher transition rate of international students to labour market

# Question 3: Key Trends

1. Demographic Shifts
2. Social Inequities
3. Economic Pressures
4. Labour Market Shifts
5. Geographic Shifts
6. Technology Driven Change (all sectors of the economy)
7. Climate Change
8. Reconciliation
9. Data and Data Analytics
10. Private Post Secondary Competition

# Question 4: How should the PSE system evolve?

Investments in enhanced TLP to respond to key trends:

1. Learning post Covid
2. Just-In-Time programs
3. Hybrid learning
4. Hybrid supports
5. Personalized learning
6. Self-directed learning
7. Technology and learning
8. Delivery flexibility
9. Indigenization

# Question 5: Modifications to Formula

## Changes to funding formula should:

1. aligning with the mandates/priorities of post-secondary sectors and their respective institutions;
2. allocating resources in a fair, transparent, and equitable manner;
3. supporting increased access and retention among vulnerable and under-represented learners, including Indigenous learners;
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# BC colleges - Common Funding Issues

1. Targeted, one-time funding
2. Tuition
3. Cost escalation
4. Regional pressures / differentiation
5. Complex and vulnerable learners
6. Lack of flexibility
7. Lack of alignment between funding formula and government direction

# 1. Targeted, One-Time Funding

- One-time funding, while appreciated, creates challenges for long-term planning and sustainability
- It also creates challenges for small colleges with limited internal resources to develop proposals, create curriculum, recruit learners & faculty, obtain equipment, and create/re-purpose physical space for program delivery
- One-time funding for Health Programs are typically underfunded but given they are a priority program, colleges typically run program deficits
- One-time funding for Indigenization plans is inadequate resulting in internal subsidization

## 2. Tuition

- Tuition Limit Policy (TLP) does not provide flexibility or ability to make tuition level decisions based on market position, competition, nor address increased costs of program delivery
- The TLP results in further pressure and risk as core functions are subsidized via international student recruitment
- Colleges have minimal revenue levers. The cap on domestic tuition compounds the inability to generate new revenue sources to address operating cost increases or support program expansion

# Tuition cont'd

- The tuition cap was implemented at a point in time resulting in tuition fee inequities for like programs across the sector and the inequities are significant
- Tuition (and fees) represent a much greater proportion of core revenue in other sectors than it does for colleges
- Adult Basic Education tuition reimbursement process caused inequities across the sector with many colleges, tuition replacement levels are significantly less than what would be the case if they were tuition based

# 3. Cost Escalation

- Cost escalation includes:
  - benefit costs for dental and extended health; contracted service increases (janitorial, food services); increased maintenance costs on aging assets (deferred maintenance); incremental utility costs, and progression through the position ranks (i.e., salary costs not funded through the negotiating framework)
- College inability to manage and absorb unfunded costs through organizational efficiencies and utilization of limited revenue levers has diminished significantly, as a result their long-term fiscal sustainability is at risk
- Many college cost drivers are uncontrolled i.e., inflation; regional economic activity; employment rates; etc.

## 4. Regional Pressures / Differentiation

- BC colleges have multiple campuses serving large and diverse geographic regions with widely dispersed population
- The regional nature of (rural) colleges results in relatively low student demand due to low population density and high degree of dispersion
- Economies of scale factors and relative program delivery costs - in large, economically diverse geographic regions - are important funding model considerations

# 5. Complex and Vulnerable Learners

- Learning Support costs continue to increase significantly due to higher demand from learners (i.e., support for access and preparedness for programs) as well as mental health and other supports required to complete programs
- Part-time learners need just as much support as full-time learners, consequently headcount is a better metric to assess learning support
- The operating grant does not include Learning Support wrap around costs

## 6. Lack of Flexibility

- There needs to be greater flexibility and revision to the requirement to achieve an annual balanced or surplus position
- In particular, flexibility and ability to access net reserves to support planning beyond the 12-month annual cycle, enabling colleges to be competitive, maintain our market position, and create a more financially sustainable situation to better serve our learners

# Flexibility cont'd

- Government has stipulated that institutions are expected to cost-share on capital projects
- This capital cost-sharing requirement results in unfunded amortization costs which in turn leads to trapped cash
- In 2010 the OAG issued a report on management of working capital and suggested it was not being effectively managed and utilized
- The sector submitted a “Financial Flexibility” request/proposal to government to help address the above noted issues

## 7. Lack of alignment between funding formula and government direction

- Economic Plan sets 10-year provincial vision
- Labour market forecast highlights 10-year job/economic opportunity
- Colleges positioned as significant part of solution, yet limited by funding and policy
- Conditions for success include meeting college funding formula needs; employer partnerships; new labour relations; investment in data, technology and innovation; and shared services