REVIEW OF ONTARIO COLLEGE PARTNERSHIPS WITH PRIVATE PROVIDERS IN CANADA

PREPARED FOR THE ONTARIO MINISTRY OF ADVANCED EDUCATION AND SKILLS DEVELOPMENT

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INTRODUCTION

Mandate

On August 2, 2016, the Deputy Minister of Advanced Education and Skills Development announced that a review of college partnership activities would be undertaken as a first step of a review of the *Minister's Binding Policy Directive on Entrepreneurial Activities*. For purposes of the review, college partnership activities were defined as arrangements where:

- Students are registered with the college
- Students receive an Ontario College Credential upon completion of their program
- Programs are delivered by faculty and/or staff employed by the partner; and
- Programs are delivered at a site owned or leased and/or managed by the partner, whether located in Ontario or another province or territory of Canada. [1]

Partnerships with Aboriginal institutes, publicly-supported universities and other public colleges were excluded from the scope of the review.

On August 5, the Ministry named me as the external advisor to conduct this review, for completion in Fall 2016. The Ministry asked the external advisor to:

- Work with colleges to document partnerships between colleges and third parties in Ontario and in other provinces and territories in Canada.
- Review college risk mitigation strategies and decision-making processes with respect to the evaluation and approval of new partnerships, and the mechanisms in place to ensure ongoing quality and accountability.
- Engage the college sector in a discussion to develop an understanding of the risks and benefits of the partnerships to individual colleges and the sector as a whole, and whether additional guidelines would be helpful to ensure the reputation of individual colleges and the college sector are protected.
- Recommend to the Ministry measures to strengthen and protect the integrity of Ontario's college system and the Ontario College Credential,

[1] Memorandum from Sheldon Levy, Deputy Minister, to Board Chairs and Presidents, Colleges of Applied Arts and Technology, August 2, 2016.

guidelines to support college decision-making and ongoing oversight of partnerships, and how the Ministry can support colleges in this regard.[2]

Methodology

In carrying out this mandate, I have relied on personal interviews, documents provided by the Ministry and some of the colleges, and documents that are on the public record. In particular:

- I interviewed 13 college presidents by telephone or Skype. These included all of the presidents whose colleges are currently engaged in partnership activities, all of the presidents who have served on the Colleges Ontario working group on this topic, and several other presidents to provide a balance by college size and region. Each interview was 30-90 minutes in length and was based on a standard questionnaire. Presidents were provided confidentiality except where they specifically agreed to have information or opinions associated with themselves or their colleges. A list of interviewees appears in the Acknowledgements.

- I interviewed the Executive Director of the Ontario College Quality Assurance Service to gather information on OCQAS's activities as they relate to the subject of this review.

- I met on several occasions, by telephone or in person, with staff of the Ministry's Postsecondary Education Division to gather background, data, and information on Ministry processes as they relate to these partnerships.

Terminology

In this report, "college" or "public college" or "CAAT" refers to a college established under the *Colleges of Applied Arts and Technology Act, 2002*.

"Private provider" refers to a privately-owned institution that is providing postsecondary education. Some (but not all) of these private providers are registered under the *Private Career Colleges Act*, *2005.* Some use the word "college" in their business names.

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[2] Memorandum from David Carter-Whitney, Assistant Deputy Minister, Postsecondary Education Division, to Presidents, Colleges of Applied Arts and Technology, August 5, 2016.

"Partnership" refers to the relationships defined in the Deputy Minister's memorandum establishing this review. The word partnership is used in the colloquial sense. These relationships are not partnerships within the meaning of the *Partnerships Act* or related legislation.

SCOPE OF CURRENT ACTIVITY

Locations and programs

Six colleges currently have partnerships with private providers. Collectively the private providers operate at 10 locations in Ontario, all in the GTA. Each of these locations has been designated by the Ministry as a branch campus of a public college for the purpose of Canada's International Student Program. In addition, the Ministry has approved amendments to colleges' designation agreements to establish some new locations in the GTA, but these new partnerships are on hold pending the outcome of the current review. Two locations are in British Columbia – one operating, one awaiting B.C. government approval. Table 1 provides details on this activity.

Table 1: Current private provider activity

College	Private provider and operating location	Programs
Cambrian	Hanson Canada #102A – 155 Consumers Rd. Toronto, ON M2J 0A3	Business Organization Management International Business Management I.T. Business Analysis Mobile Application Development Mobile Application Development with Work Placement Cloud Computing
Cambrian	Hanson Canada #111 – 44 Peel Centre Dr. Brampton, ON L6T 4B5	Business Hospitality – Hotel & Restaurant Human Resources Management Organization Management International Business Management Mobile Application Development Mobile Application Development with Work Placement Cloud Computing

College	Private provider and operating location	Programs
Cambrian	Hanson Canada #218 – 810 Quayside Dr New Westminster, BC V3M 6B9	Business Tourism and Travel
Canadore	Stanford International College 930 Progress Avenue Scarborough, Ontario M1G 3T5 25 Scarsdale Rd., Units 8 & 9 Toronto, Ontario M3B 2R2 1011 Eglinton Ave., Units 1 & 7 Mississauga, Ontario L4W 1K4 *New location proposed in Brampton*	English as a Second Language. Diploma: • Business; • Business – Accounting; • Civil Engineering; • Mechanical Engineering Technician • Computer Systems Technicians – Networking; • Early Childhood Education; • Public Relations. Post-graduate certificate: • Business Management; • Financial Services; • Mobile Application Development; • Personal Support Worker; • Supply Chain Management.

College	Private provider and operating location	Programs
Lambton	Cestar College 400-265 Yorkland Blvd Toronto, ON M2J 1S5	Advanced Health Care Leadership Advanced Project Management & Strategic Leadership Business - Accounting Business – Finance Business Management Business Chemical Laboratory Analysis Cloud Computing for Big Data Computer Programmer Computer Software & Database Development Construction Management Construction Project Management Embedded Systems Engineering Design English as a Second Language Enterprise Project Management Financial Planning & Wealth Management Health Care Leadership Hotel & Resort Management Marketing Management & Professional Sales Mobile Application Design & Development Mobile Application Development Occupational Health & Safety Management Quality Engineering Management Supply Chain Management

College	Private provider and operating location	Programs
Lambton	Queen's College 121 Brunel Road Mississauga, ON L4Z 3E9	Advanced Cyber & Information Network Security Administration - Dual Program Big Data Applied Science & Cyber Security (Dual Program) Big Data Applied Science Business Management - International Business Computer Programmer Cyber Security & Computer Forensics English as a Second Language Global Business Management Information Security Network Administration International Business Marketing Management --Digital Media Supply Chain Management Web Design & Development Wireless Networking
Northern	Pures College of Technology #300- 55 Town Centre Crt, Toronto, ON M1P 5B5 *New location proposed in Mississauga*	2 Year Diploma Programs Business – Accounting Business Marketing Business General Computer Engineering Technician Early Childhood Education 1 Year Graduate Certificate Programs International Business Management Supply Chain Management Information Systems Business Analysis Mobile Application Development Nursing Management and Leadership Healthcare Management Pre-Health Sciences Addictions Counsellor

College	Private provider and operating location	Programs
St. Clair	ACE Acumen 1440 Don Mills Road, Unit 102 Toronto, Ontario M3B 3M1	Two-year College Diploma, Business Two-year College Diploma, Computer Systems Technician – Networking One Year Post-Graduate College Certificate, International Business Management
St. Lawrence	Alpha International Academy 3405 Kennedy Road ,Floor 2 Toronto, ON, Canada M1V 4Y3	Hospitality & Tourism Management Diploma Computer Programmer Diploma Project Management Graduate Certificate Business - Accounting Diploma Business - Marketing Diploma Two year Computer Networking & Technical Support Diploma One year Health Care Administration Graduate Certificate Two year Business Diploma One year Business Administration - Human Resources Diploma (Fast-Track) Advanced level entry General Arts & Science Diploma One year Logistics and Supply Chain Management Graduate Certificate One year International Business Management Graduate Certificate
St. Lawrence	Canadian College #200-1050 Alberni St. Vancouver, BC, V6E 1A3 *Awaiting approval from the B.C. government*	3 graduate certificates 1 diploma program

Source: Institutional websites.

In addition to the six colleges listed above, Loyalist College has developed a new partnership arrangement to offer programs at Queen's College in Mississauga; this activity is on hold pending the outcome of this review.

Enrolments as share of total enrolments

International enrolments at these six colleges ranged from 3.5 per cent to 39.6 per cent of total enrolments in 2016-17. These figures include international students on the college's own campus(es) as well as international students registered at the college and attending programs delivered at the private provider's campus.

Table 2 shows the international enrolments at these six colleges compared with those at other colleges.[3]

[3] In the case of several colleges with private partners, the 2015 and 2016 international enrolments reported to the Ministry in Table 2 are not easily reconciled with the international enrolments at partner campuses reported to directly to me in Table 3. I did not explore these data anomalies.

Table 2: International students as a share of total enrolments, Fall 2015 and Fall 2016 (Full-time headcounts)

	Fall 2015				Fall 2016					
	Dom-estic	**Interna tional***	**Total**	**Interna tional as % of total**	**Dom-estic**	**Interna tional***	**Total**	**Interna tional as % of total**	**College region**	**College has a private provid-er in GTA?**
Centennial	8,644	5,374	14,018	38.3%	8,738	6,022	14,760	40.8%	GTA	
Canadore	2,312	377	2,689	14.0%	2,284	1,498	3,782	39.6%	North	yes
Cambrian	3,213	1,722	4,935	34.9%	3,319	2,039	5,358	38.1%	North	yes
Sheridan	14,095	4,043	18,138	22.3%	13,914	4,565	18,479	24.7%	GTA	
Seneca	16,229	4,622	20,851	22.2%	15,298	4,779	20,077	23.8%	GTA	
Niagara	7,029	1,755	8,784	20.0%	6,787	1,787	8,574	20.8%	Central	
St. Lawrence	4,975	734	5,709	12.9%	4,856	1,277	6,133	20.8%	East	yes
Lambton	2,349	779	3,128	24.9%	2,287	542	2,829	19.2%	South-west	yes
Geo Brown	16,570	3,096	19,666	15.7%	16,063	3,408	19,471	17.5%	GTA	
St. Clair	7,341	683	8,024	8.5%	7,250	1,490	8,740	17.0%	South-west	yes
Humber	20,448	3,193	23,641	13.5%	20,203	3,843	24,046	16.0%	GTA	
Mohawk	10,582	1,442	12,024	12.0%	10,342	1,854	12,196	15.2%	Central	
Fanshawe	12,166	1,652	13,818	12.0%	12,407	2,174	14,581	14.9%	South-west	
Conestoga	9,202	1,026	10,228	10.0%	8,952	1,276	10,228	12.5%	Central	
Georgian	7,769	993	8,762	11.3%	7,669	1,048	8,717	12.0%	Central	
Confeder-ation	2,940	362	3,302	11.0%	2,855	387	3,242	11.9%	North	
Algonquin	15,793	1,302	17,095	7.6%	15,660	1,564	17,224	9.1%	East	
SS Fleming	5,173	436	5,609	7.8%	5,070	505	5,575	9.1%	Central	
La Cité	4,064	201	4,265	4.7%	3,945	275	4,220	6.5%	East	
Durham	9,398	497	9,895	5.0%	9,392	601	9,993	6.0%	GTA	
Sault	1,946	63	2,009	3.1%	1,785	101	1,886	5.4%	North	
Loyalist	2,517	70	2,587	2.7%	2,369	123	2,492	4.9%	East	
Northern	956	24	980	2.4%	845	31	876	3.5%	North	yes
Boréal	1,352	28	1,380	2.0%	1,238	32	1,270	2.5%	North	
	187,063	**34,474**	**221,537**	**15.6%**	**183,528**	**41,221**	**224,749**	**18.3%**		

*Includes students on the college's own campus(es) and those attending programs delivered at the private provider's campus (if any).
Source: Ministry of Advanced Education and Skills Development, and author's calculations.

Enrolments and revenue

Presidents provided me with initial enrolment and revenue data during my interviews in August and a further update in late October. Table 3 shows the most recent data, incorporating actual Fall 2016 enrolments.

Gross revenue and net revenue, as reported in Table 3, are defined in this way:

- *Total revenue:* This is the tuition and any mandatory fees paid by the student.

- *Minus: Cost of provision.* The public college remits an amount to the private provider to cover the cost of serving the students, as agreed under the contract between the two institutions. This amount presumably includes the private provider's profit.

- *Equals: Gross revenue to the public college*

- *Minus: International Student Recovery fee.* The Ministry reduces the college's operating grant by the amount of the International Student Recovery fee ($375 per term per student).

- *Equals: Net revenue to the public college.*[4]

[4] These data could be further refined by adjusting for contract management costs. One or more college employees may devote a portion of their time to managing the contract, including site visits and similar activities.

Table 3: Enrolments and revenue from private partner agreements, 2015-16 and 2016-17

Year	Fall Enrolment	Gross Revenue	International Student Recovery fee	Net Revenue
2015-16 actual	3,874	$19,192,426	$3,431,325	$15,146,851
2016-17 projected	8,481	$38,181,170	$7,699,900	$30,481,270

SOURCE: Survey of six colleges with private partners, October 31-November 3, 2016.

The survey shows that the net revenue to the six colleges totaled $15.1 million in 2015-16 and is projected by the colleges to grow to $30.5 million in 2016-17.

The enrolment at the private partners totaled 3,874 students in Fall 2015 and 8,481 students in Fall 2016. In other words, the six colleges with private partners collectively have more international students in the GTA than any of the GTA colleges do. The aggregate enrolments of the private partners are equivalent to adding a medium-sized college to the Ontario system.

The net revenue projected by each college for 2016-17 is in the range of $2 million per college at the low end, and in the range of $7-10 million per college at the high end.

At the high end, colleges project that their net revenues from the partnership in 2016-17 will account for 9 - 13 per cent of their total operating revenues from all sources.

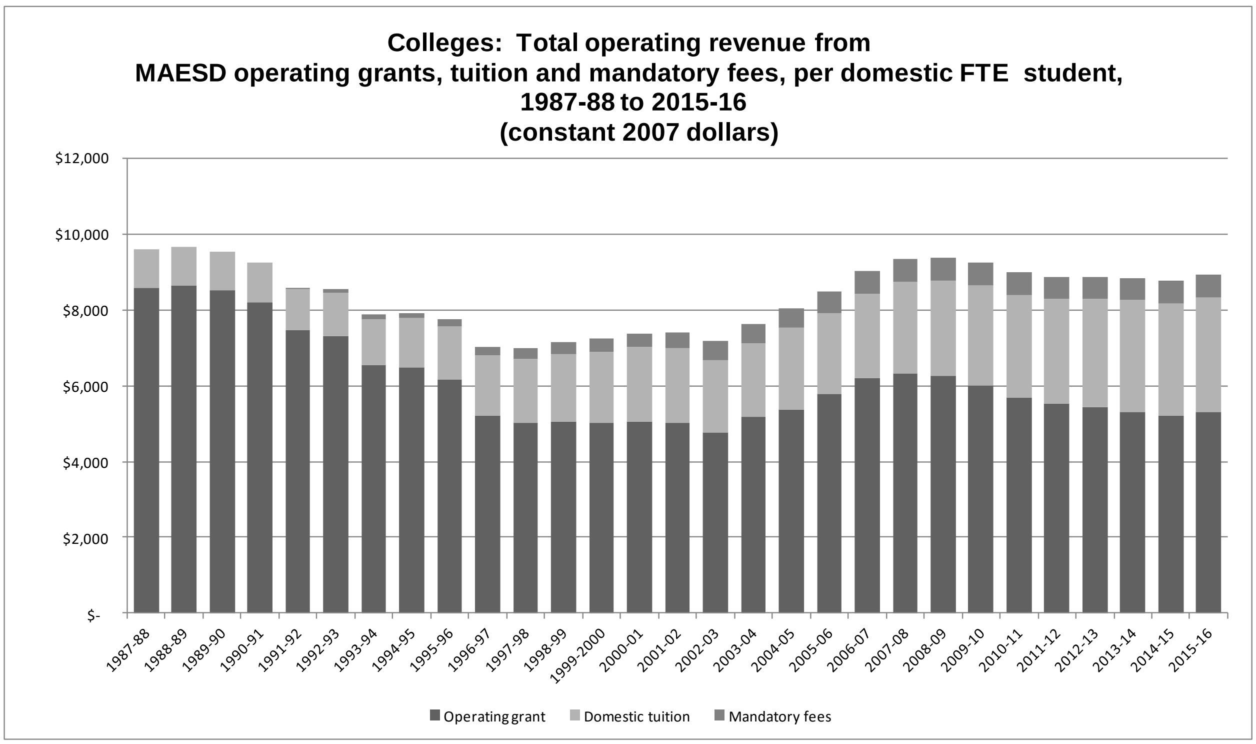
Five of the six colleges provided a projection for enrolments and net revenues in 2017-18. Collectively these five colleges project continued growth, although the year-over-year growth rate is not as high as in 2016-17.

In interviews, presidents at colleges that have received unsolicited partnership offers cited figures that are consistent with these data. In one case, the private provider offered to create five campuses in the GTA, with a total of 1,000 – 1,500 students. The college's net revenue would be up to $5 million annually. In another case, the arrangement offered was to have up to 1,000 students, paying tuition of $12-14,000, with 10-15% of revenue going to the public college.

WHY THIS ACTIVITY EXISTS

Deterioration in real revenue per domestic student

After growing significantly from 2002-03 to 2008-09, colleges' total operating revenue per domestic FTE student has been lower than its 2008-09 peak for the past eight years, adjusted for CPI inflation. (By total operating revenue, I mean revenue from MAESD operating grants, tuition, and mandatory student fees.) As a service industry, colleges' actual cost inflation is probably at least 1 per cent higher than CPI inflation, adding to the financial challenge.



Source: MAESD, CFIS, and author's calculations.[5]

[5] An earlier version of this chart appeared in Ian D. Clark, Greg Moran, Michael Skolnik, and David Trick, *Academic Transformation: The Forces Reshaping Higher Education in Ontario* (Montreal and Kingston: McGill-Queen's University Press, 2009), 84. A similar analysis appears in Snowdon and Associates, *Revisiting Ontario College and University Revenue Data* (Toronto: Higher Education Quality Council of Ontario, 2009), 46.

All colleges have been affected. Some have responded by finding other revenue sources, notably international students, although attracting international students has been more difficult outside the GTA.

Increased reliance on part-time instructors and larger class sizes have also been common responses. Small and medium-sized colleges have found it more difficult to increase class sizes and make more intensive use of physical plant, since they have fewer students. Closing campuses and reducing program offerings are seen as being at odds with the colleges' access mandate.

In interviews, presidents at colleges with partner campuses expressed the financial issue in a number of ways:

- One president said the partnership with a private provider allowed the college to avoid the serious financial troubles that have faced some small colleges without partnerships.

- One said that the partnership had allowed the college to renew its campus, where the buildings almost all date from the early 1970s. A recent government capital grant was welcome but required partial funding from the college. The partnership revenue made this funding possible.

- One said that even with a partnership, closing the college's budget gap last year required eliminating 30 unfilled positions.

- One president said that the net revenue from the college's partnership in its start-up year was greater than the college had earned in seven years of operations in China, where the college licenses its curriculum to 9 partners with a total of 500 students.

- One president said the college needs the partnership revenue to maintain adequate quality for domestic students, such as updating 20-year-old science laboratories. Without the revenue, the alternatives would be layoffs and probably a campus closure. The local economy does not have business partners who could be a revenue source.

Some presidents that have resisted partnerships said they would give them strong consideration depending on the outcome of this review. One said the college was out of options, as the three largest local private employers have gone bankrupt or out of business, and international students do not want to live in a small community distant from Toronto.

Weak demographic outlook for domestic enrolments in some regions

Outside the Greater Toronto Area and Ottawa, the demographic outlook for the college-age population will not be strong over the coming decade. College revenue from tuition and MAESD operating grants depends heavily on domestic enrolments, so this demographic outlook suggests a weakening financial position for many colleges.

The outlook is especially poor for Northern colleges and smaller southern colleges – including most of the colleges that currently have partnerships with private providers. These colleges face declines in their local college-age population of 8-15% between 2015 and 2025. There is no precedent in the college system for managing enrolment declines of this magnitude. For many, the demographic decline is projected to continue past 2030.

Table 4 shows the college-age population outlook for 2025 for each of Ontario's 49 regions. The data are shown as an index, with 2015 = 1.00.

Table 4: Projected change in college-age population, by region, 2025 (index, 2015 = 1.00)

Region	Population age 18-21	Population age 22-34	Population age 18-34*	College**
Halton	1.20	1.25	1.23	Sheridan
York	1.04	1.16	1.11	
Peel	1.01	1.14	1.09	
Ottawa	0.97	1.07	1.03	Algonquin, La Cité
Durham	0.92	1.09	1.02	Durham
Simcoe	0.89	1.10	1.02	Georgian
Wellington	0.96	1.04	1.01	
Dufferin	0.85	1.11	1.00	
Toronto	0.94	1.04	1.00	Centennial, George Brown, Humber, Seneca
Brant	0.91	1.05	1.00	
Waterloo	0.95	1.02	0.99	Conestoga
Essex	0.89	1.07	0.99	St. Clair
Kenora	0.90	1.04	0.98	
Hamilton	0.89	1.03	0.97	Mohawk
Elgin	0.91	1.02	0.97	
Manitoulin	0.83	1.07	0.97	
Middlesex	0.91	1.00	0.97	Fanshawe
Oxford	0.90	1.00	0.96	
Prescott and Russell	0.85	1.02	0.96	
Muskoka	0.86	1.01	0.95	
Niagara	0.85	1.01	0.95	Niagara
Perth	0.90	0.97	0.94	
Haliburton	0.83	1.00	0.93	
Leeds and Grenville	0.81	1.01	0.93	
Rainy River	0.84	0.99	0.93	
Northumberland	0.81	1.00	0.93	
Grey	0.83	0.99	0.92	
Frontenac	0.87	0.96	0.92	St. Lawrence
Lanark	0.80	0.99	0.92	
Lennox and Addington	0.86	0.94	0.91	
Prince Edward	0.78	0.99	0.90	
Parry Sound	0.82	0.95	0.90	
Chatham-Kent	0.85	0.93	0.89	
Renfrew	0.83	0.93	0.89	
Bruce	0.88	0.90	0.89	
Nipissing	0.83	0.93	0.89	Canadore
Hastings	0.80	0.94	0.89	Loyalist

Kawartha Lakes	0.76	0.96	0.88	
Thunder Bay	0.81	0.93	0.88	Confederation
Haldimand-Norfolk	0.77	0.95	0.88	
Greater Sudbury	0.80	0.93	0.88	Cambrian, Boréal
Peterborough	0.82	0.92	0.88	Fleming
Stormont, Dundas and Glengarry	0.77	0.95	0.88	
Lambton	0.81	0.91	0.87	Lambton
Cochrane	0.82	0.90	0.87	Northern
Timiskaming	0.74	0.95	0.86	
Huron	0.79	0.90	0.86	
Algoma	0.79	0.90	0.85	Sault
Sudbury	0.68	0.87	0.79	

*Weighted average. Age 18-21 is weighted at 40% and age 22-34 is weighted at 60%. This weighting approximates the age distribution of a typical college's domestic enrolments.
**Based on each college's largest campus.
Source: Ontario Ministry of Finance spring 2016 projections, and author's calculations.

Government of Canada policy on post-graduation work permits

Private providers are motivated to form a partnership with a public college because, through this partnership, graduates can become eligible for a Post-Graduation Work Permit (PGWP). If private providers could confer this eligibility through their own credentials, they would have little or no incentive to partner with a public institution.

Eligibility for a PGWP depends on the student graduating from a public postsecondary institution.[6] Graduates from private postsecondary institutions are not eligible for PGWPs.[7] The possibility of gaining Canadian work experience,

[6] Eligibility rules are available at http://www.cic.gc.ca/english/study/work-postgrad-who.asp .
[7] The federal government rules make an exception for private institutions authorized by provincial statute to confer degrees. In Ontario this exception applies only to the RCC Institute of Technology. As a result, graduates of RCC's degree program are eligible for post-graduate work permits. Students enrolled in RCC's vocational programs are not eligible for post-graduate work permits.

and potentially becoming a permanent resident of Canada, is important to many international students.

A PGWP may be issued for the length of the student’s academic program, up to a maximum of three years. The study program must be a minimum of eight months in length. The PGWP is temporary, but Canadian work experience is an important factor in gaining permanent residency.

A large proportion of incoming international students pursuing Ontario college credentials already hold a degree from their home country. In interviews with presidents, this figure was estimated at 65% at one college and 97% at another. Typically these students take a one-year Ontario graduate certificate, making them eligible to apply for a PGWP.

HOW THIS ACTIVITY IS REGULATED TODAY

MAESD's binding policy directives for colleges do not directly contemplate that a college might award an Ontario College Credential for programs that are delivered by a private provider. Insofar as the credential is to be awarded to international students studying in Ontario, however, the partnership activity is governed by the terms and conditions that must be met for the Ministry to designate a college as a Designated Learning Institution (DLI) under the Government of Canada's International Student Program (ISP).

Minister's binding policy directive on entrepreneurial activities

The MAESD document that relates to public colleges' activities in this area is the *Minister's Binding Policy Directive on Entrepreneurial Activities* (2003). The directive sets out three principles for entrepreneurial activities by public colleges:

> Colleges are expected to be flexible, entrepreneurial, responsive, and market driven to better meet the needs of students, employers, and communities.
>
> Partnership activities with business, industry, and professional associations will promote college programming more closely aligned to the needs of the workplace and more relevant for students.
>
> In engaging in commercial activities, colleges must not, either by virtue of their access to public funds or by virtue of their not-for-profit status, compete unfairly with the private sector.[8]

This directive does not directly contemplate the relationships with private providers that are the subject of this review. However, several sections are relevant:

> Colleges undertaking entrepreneurial activities are to do so in a manner consistent with their education and training mandate. [section A]

[8] Ministry of Training, Colleges and Universities, *Minister's Binding Policy Directive on Entrepreneurial Activities*, April 1, 2003, 1.

> In pursuing entrepreneurial activities, the core businesses, as defined by the college, and assets of the college are to be protected. [section B]
>
> Funds earned from entrepreneurial activities are to be returned to the college to support its core businesses within the education and training mandate. [section G]
>
> Entrepreneurial activities, such as partnerships, subsidiaries, activities outside the province of Ontario, and ownership of other businesses, are to be included in the college's business plan and annual report. [section K]
>
> Colleges do not require ministerial approval to engage in education and training activities through partnerships, strategic alliances, and contractual agreements with a wide variety of partners. These arrangements may be either a formal legal relationship between two or more partners contractually associated as joint principals or a less formal relationship involving close cooperation between parties having specified joint rights and responsibilities. [section M]
>
> Colleges may operate outside the province of Ontario consistent with the education and training mandate of the Ontario college system. [section N][9]

Designation as a Designated Learning Institution

Regulations under the *Immigration and Refugee Protection Act* (Canada) provide that for an international student to be eligible for a study permit to engage in educational studies in Canada, the student must be enrolled as a full-time student in a designated learning institution (DLI). Ontario has entered into an agreement with the Minister of Citizenship and Immigration for the designation of postsecondary institutions for these purposes. The designation authority is assigned to the Minister of Advanced Education and Skills Development.

The terms and conditions for becoming a DLI in Ontario are set out by MAESD in the *2015 Requirements for Designation of Postsecondary Institutions for the purposes of the International Student Program* ("ISP Requirements, 2015"), issued

[9] *Minister's Binding Policy Directive,* 2-5.

on December 4, 2015. This document is a revised version of the original designation framework issued by the Ministry on July 4, 2013.

Three separate steps are required before international students may be enrolled in programs delivered by a private provider in a partnership with a public college:

- The public college (CAAT) must enter into a designation agreement with the Ministry. In 2014, CAATs were permitted to apply for ISP designation using a simplified application process. At that time, all CAATs entered into designation agreements and were granted designation for an initial period of five years. Only campuses specifically identified in the designation agreement are included in the college designation.

- The private provider must meet the terms and conditions for private postsecondary institution designation. Institutions meeting such conditions must then enter into a designation agreement with the Ministry. The term of designation of private postsecondary institutions is for a period of one year, after which the institution may submit an application for re-designation.

- The CAAT must apply to the Ministry to amend its designation agreement to include the designated private postsecondary institution as a branch location. They may only do this with respect to private institutions that have been designated in their own right. In these cases, the students are enrolled in the public college.

The Private Career Colleges Branch (PCCB) is the lead on providing the required administrative support to process applications for the designation of private postsecondary institutions for the purposes of the ISP. The Postsecondary Accountability Branch provides administrative support relating to the designation of public institutions. The authority to grant designation and enter into the designation agreements has been delegated to the Assistant Deputy Minister, Postsecondary Education Division.

Private postsecondary institutions are designated for a period of one year. This provides the Ministry with a regular interval to ensure a designated institution has complied with the terms and conditions of its designation agreement and remains eligible for designation.

When considering an institution's application for designation, the Ministry has the discretion to include additional institution-specific terms and conditions in a designation agreement. Such additional conditions may include additional financial reporting requirements if the financial review indicates the institution's financial position may pose a risk to international students.

Prior to approval of a designation of a private postsecondary institution, the Ministry conducts a site assessment of the campus to ensure that the supporting documentation provided with the application for designation is factual. For example, Ministry site assessors may verify if the applicant's fee refund policies submitted with the application are the same as the policies posted at the campus location, or may review the copy of the applicant's student contract to ensure that the student contracts on file at the private institution contain the same terms and conditions.

The site assessment is also an opportunity to examine the campus location to ensure that fire inspection reports, classroom photos, and other material related to the physical campus location are accurate.

Although site assessments are typically conducted once, as part of the initial private institution designation consideration, the Ministry may conduct further site assessments or request further information at any time during the designation period.

Registration as Private Career Colleges

Some of the private providers that have entered into partnerships with CAATs are registered under the *Private Career Colleges Act, 2005* (PCCA). Under this statute, the Superintendent of Private Career Colleges, a Ministry official, can impose obligations on a PCC's registration that are separate from, and in addition to, those that may be applied as part of the designation process. Where the private provider is registered under the *PCCA*, the Superintendent monitors any compliance issues that may arise as they may affect the institution's registration status under the PCCA.

The *PCCA* gives the Superintendent significant enforcement powers, including the right to enter the premises without a warrant and to impose administrative monetary penalties. Offenders may be subject to a fine of up to $250,000.

Some private providers may not be registered PCCs because they do not offer vocational training programs defined under the PCCA, or may be considered exempt from the Act.

The registration status of each private provider is shown in Table 5.

Table 5: Registration status of private providers under the *Private Career Colleges Act*

CAAT	Partner Institution	Registered as a PCC?
Cambrian	Hanson (Toronto, Brampton)	Toronto location: Yes Brampton location: No
Canadore	Stanford International College (Toronto, Mississauga, Scarborough)	Yes
Lambton	Cestar College of Business, Health and Technology (Toronto)	Yes
	Queens College of Business, Technology and Public Safety (Mississauga)	Yes
Northern	Pures College of Technology (Toronto)	Yes
St. Clair	ACE Acumen (Toronto)	No
St. Lawrence	Alpha International Academy (Toronto)	No

Source: Ministry of Advanced Education and Skills Development

Priority of relationship with public colleges

As noted above, the Ministry has a designation agreement with each private provider that is the subject of this review. Private providers that are registered under the *Private Career Colleges Act, 2005* are regulated by the Superintendent of Private Career Colleges with respect to their obligations under the Act.

However, the *Minister's Framework for Programs of Instruction Binding Policy Directive*, which applies to all CAATs, provides that "Students enrolled in programs offered through these partnerships or arrangements are students of the college and are entitled to all the rights and privileges accorded to other students of the college, regardless of the location of the program delivery."[10] The Ministry's position is that the delivery of programs and services to students who are registered at public colleges is only governed by the legislative and regulatory framework that applies to public colleges. As well, the Ministry's position is that the Superintendent's authority under the *Private Career Colleges Act* to inspect the premises and impose administrative penalties does not apply to these students, because they are public college students rather than private career college students.

Authority to offer Ontario college credentials

The Ministry has defined a standard set of credentials that can be awarded by Ontario's public colleges. The existing regulations and directives do not address whether a college can award a credential based on instruction carried out by a private provider. A regulation under the *Ontario Colleges of Applied Arts and Technology Act, 2002,* says:

> The categories of diplomas, certificates or other documents awarded by a board of governors attesting to the attendance or completion of a course or program of instruction are subject to the approval of the Minister.
> (O. Reg. 34/03, s. 12)

The *Minister's Binding Policy Directive: Framework for Programs of Instruction* says:

> A college is to award credentials at the successful completion of programs of instruction consistent with the Credentials Framework [provided in the Directive].[11]

Partner campuses in other provinces and territories

One public college is offering programs leading to an Ontario College Credential in B.C., and another has applied to do so.

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[10] *Minister's Binding Policy Directive: Framework for Programs of Instruction,* revised July 31, 2009, 6.

[11] *Minister's Binding Policy Directive: Framework for Programs of Instruction*, 3.

In British Columbia, approval is required from the Private Training Institutions Branch (PTIB) of the B.C. Ministry of Advanced Education.

The *Minister's Binding Policy Directive on Entrepreneurial Activities* (2003) says:

> Colleges may operate outside the province of Ontario consistent with the education and training mandate of the Ontario college system. [section N]

Apart from this sentence, the Ministry's current regulations and directives for colleges do not specifically contemplate programs delivered in other provinces or territories.

Potential application to domestic students

At present all partnerships that are the subject of this review target international students.

There is no reason in principle why similar partnerships could not arise in future with respect to domestic students. An Ontario college could form a partnership to address an underserved student market in Ontario or another province or territory, with graduates receiving an Ontario College Credential. The economic incentive to do so would be different, because the regulated tuition framework would apply, but the incentive might nevertheless be attractive in some circumstances.

If such a partnership were to develop, any conditions imposed via the DLI process would of course not be applicable. The college would be governed only by Ontario statutes, Minister's Binding Policy Directives or similar measures.

EVIDENCE OF PERFORMANCE AT CAMPUSES OPERATED BY PRIVATE PROVIDERS

Key Performance Indicators

College international students are surveyed in the two Key Performance Indicator surveys required by the Ministry: the Graduate Outcomes and the Student Satisfaction surveys. Colleges are required to include students whose programming is delivered by private partner institutions in these surveys. The Ministry also collects graduation rates for both domestic and international students, based on administrative data calculated by each college.

The Ministry provided me with a special tabulation of the data for international students across the college system and at each of the colleges with partner institutions.

Unfortunately these data are of limited value for this review, because the Ministry does not use standardized coding for the campus information. This means that the data do not distinguish between international students at a partner campus and those on the college's own campus.

Survey data on international students is subject to greater statistical error than data for domestic students, because the universe of potential respondents is smaller. (This is not true for the graduation rate, which is based on administrative data.) Also, certain data on international students are missing for some colleges each year.

Subject to these important caveats, these are my observations on the available data:

- The graduation rate for international students at colleges with partner campuses is similar to, or in some cases lower than, the graduation rate for international students across the college system.

- The employment rate for international graduates at the colleges with partner campuses is similar to, or in some cases lower than, the employment rate for international students across the college system. (The employment rate is defined as the number of graduates who were working at any job six months after graduation, as a percentage of the graduates who were either employed or seeking employment.)

- The graduate satisfaction rate for international graduates at the colleges with partner campuses is similar to the satisfaction rate for international students across the college system, with some variances. (The graduate satisfaction rate measures the share of graduates who say they were "satisfied" or "very satisfied" with the usefulness of their college education in achieving their goals after graduation.)

- The student satisfaction rate for international students at colleges with partner campuses is similar to the rate for international students across the college system for metrics that assess the *knowledge and skills* provided by their program, the *overall quality* of their learning experience, and the *quality of the college's facilities*. Some colleges that have rapidly expanded enrolments on partner campuses show a marked deterioration on satisfaction with *college services* over the period 2011-12 to 2015-16, but not on other satisfaction metrics.

Results of Ministry inspections

According to the Ministry, there have been no de-designations of private providers associated with a college, and no suspensions.

Results of Ontario College Quality Assessment Service institutional audits

For each of the six colleges with private providers, I reviewed the executive summaries of the institutional audits conducted by the Ontario College Quality Assessment Service for the most recent year.[12] (This audit process is described more fully under "Risk and Risk Management," below.)

Five of the six reports make no reference, either positive or negative, to the private providers and the college programs delivered through a partnership arrangement. This may be because the relationship with the private provider is too recent to have been covered by the audit; or because the audit process,

[12] Available at http://www.ocqas.org/quality-assurance/colleges-executive-summary-audit-reports/

which is necessarily selective, did not specifically look at the programs delivered by the private provider; or because comments about the programs delivered by the private provider appear in the full report but not the publicly-available executive summary.

For one college (Lambton, 2015), the audit executive summary affirms that the college is taking steps to improve quality assurance at offsite locations, and the auditors make no further recommendations beyond what the college was already planning:

> The College has been in the business of offsite delivery for some time and has developed many exemplary quality assurance policies and practices for offsite programs. However, the college has identified further recommended quality assurance improvements for specific offsite programs and the college needs to be diligent about monitoring those recommendations to make sure they are followed through on and implemented. This is important for the college in order to maintain its reputation as a leader in offsite delivery and the integrity of the credentials awarded to program graduates.[13]

[13] Ontario College Quality Assessment Service, Program Quality Assurance Process Audit (PQAPA), *Audit Report Executive Summary: Lambton College*, May 30, 2015, pages 7-8.

RISKS AND RISK MANAGEMENT

This section describes the major risks associated with partnerships with private providers, as well as the major activities undertaken by the Ministry and the colleges to manage the risks.

Suitability of the private provider

Description of risk: Colleges face a risk that the private provider may prove unsuitable. For example, the provider may prove to be uninterested in the quality of what is provided and do the minimum required; or may be uncommunicative; or may have frequent turnover of senior management or faculty.

Ministry role: The Ministry assesses and, if appropriate, approves applications from each private provider to be a Designated Learning Institution. In doing so, the Ministry assesses the available information on the provider, including any prior history with the Ministry or the Superintendent. The Ministry also reviews and, if appropriate, approves requests from CAATs to amend their designation agreements to include the "branch location" where the private provider will deliver programs leading to the Ontario College Credential. The Ministry does not specifically approve the partnership itself. In other words, the Ministry is not in a position to assess the private provider's suitability as a day-to-day business partner.

College role: Each college is responsible for determining the suitability of their partners. The Minister's Binding Policy Directive on Entrepreneurial Activities provides that it is the responsibility of a college to seek appropriate professional advice (e.g., tax, accounting, and legal advice) in structuring their partnership activities. In interviews, presidents of partners mentioned several methods of managing risk, including:

- Knowing the partner from prior business dealings on international projects
- Knowing the partner because another college is dealing with the same partner
- Regular communications, e.g. contact every two weeks between presidents and every week between the vice presidents responsible
- Checking the partner's record with EDU and MAESD, in a case where the partner had lengthy experience operating educational institutions.

One president interviewed inherited a relationship with a partner that had proved unsuitable (e.g. poor student experience, high faculty turnover). Instituting monthly reporting did not provide satisfactory results. This partnership was terminated. The partner has recently started offering programs through another Ontario college, with results that the college considers to be suitable to date.

Ethical recruitment

Description of risk: Colleges face a risk that recruitment practices may be overly aggressive or unethical. Many of those engaged in international recruitment are not directly employed by a college and may be unknown to the college. If questionable practices come to light, colleges may be seen to be taking advantage of vulnerable newcomers to Canada who have limited knowledge of Canada or of either English or French. This poses a reputational risk to the colleges involved and perhaps to all colleges and the Province.

In interviews, presidents cited many anecdotes about aggressive practices, although it is not possible to say how widespread each of these practices is. Examples include:

- Agents who intercept incoming students at Pearson Airport and persuade them to change their plans and register at a different college. In some cases agents may offer cash incentives.
- Agents who approach international students at an Ontario college and recruit them to transfer to a different college.

In interviews, some presidents noted that all colleges recruit international students and so may be inadvertently associated with aggressive recruiting practices by agents or subcontractors. However, the risk is heightened with private partners because a for-profit provider is involved.

Ministry role: The Ministry imposes requirements on all Designated Learning Institutions with respect to recruitment, with a view to "an honest and ethical approach." (*2015 Requirements*, section 11) The Ministry reviews samples of the institution's advertising materials and recruitment policies / activities during the initial review of an application for designation. The designation agreement also contains terms and conditions related to advertising and recruiting, including a requirement to conform to the Canadian Code of Advertising Standards. The Ministry may conduct ad hoc reviews of advertising material and recruiting practices at any time, and may also conduct a review based on a complaint or information from students or stakeholders. There is no set schedule to conduct reviews. In practice, the Ministry has little capacity to monitor or control the actions of individual recruitment agents.

College role: All presidents interviewed expressed a commitment to eliminating unethical recruitment practices. Actions that individual colleges have taken include:

- Requiring all agents to work directly for the college (rather than the private partner)
- Requiring that the partner do no recruiting on other campuses
- Requiring everyone associated with the college to abide by an ethics agreement
- Reviewing the list of new international students and where they have come from; following up if there are a number of students transferring from another Ontario college.

Presidents with private partners have noted the difficulty of controlling aggressive recruitment. A college that imposes tough restrictions may find that its partner terminates the agreement and chooses to do business with another college; or recruitment agents (who are usually freelancers) may choose to start taking students to other colleges.

In October 2016, the presidents of the six colleges with private partners each signed a document affirming as follows:

> [Name of public college] and [name of private partner] have jointly agreed not to recruit nor accept/admit first semester transfers from other Ontario public colleges starting from the January 2017 intake and continuing until the completion of the September 2018 intake.
>
> We will inform all of our educational agents of this new recruitment policy before November 30, 2016 to ensure that they do not engage in the recruitment of any students from public colleges in the winter semester.

Quality of the student learning experience

Description of risk: Students in college programs delivered by the private provider are registered at an Ontario college and receive an Ontario College Credential. Colleges face a risk that the private provider may not offer a learning experience comparable to that offered by colleges, and students may not achieve the learning outcomes associated with the credential. This poses a legal risk to the colleges involved if students perceive that the college is not delivering the program that has been promised. It poses a reputational risk to the colleges involved and perhaps to all colleges and the Province. It also poses a financial risk if prospective students become aware of quality issues and choose not to come to the college, or to any Ontario college.

Ministry role: The Minister has authority to determine the system of Ontario College Credentials and the qualifications associated with each. The *Framework for Programs of Instruction Minister's Binding Policy Directive* requires that colleges establish mechanisms for the review of their programs of instruction to ensure ongoing quality, relevancy, and currency. A college's policy on quality assurance for programs of instruction is to be publicly available.

The Ministry does not directly assess the quality of each college's programs and instead relies on colleges to do so – individually through their internal quality assurance processes, and collectively through the Ontario College Quality Assessment Service. (OCQAS)

College role: The Ontario College Quality Assessment Service performs two roles: it validates proposed new programs, and it conducts an institutional audit of each college every five years.

- The validation of new programs assesses whether each program's curriculum meets the Ministry's requirement for the Ontario College Credential that will be awarded. Validation takes place through a document review conducted before the program begins operation. It is conducted without regard to the location where the program will be offered and does not involve a site visit or interviews with those offering the program.

- The institutional audit primarily aims to determine whether a college has processes in place to assure quality. As part of the audit, six academic programs are reviewed in detail (four chosen by the college and two by

OCQAS; a typical college has about one hundred programs). The six programs must represent a variety of credentials and locations (most colleges have several campuses, in addition to any partner campuses they may have). The process begins with a self-study by the college. Among other things, the self-study must disclose any third-party partnerships. OCQAS appoints a panel of three auditors to review the self-study. The audit includes a two-day visit to the college. The audit panel interviews people responsible for quality assurance across the college, as well as people involved in each of the six programs (including staff, faculty, the program chair, and members of the external program advisory committee). If any of the six programs is at a separate location, the auditors may conduct interviews by teleconference.

Each college is responsible for quality assurance at the college, including for programs delivered by a private provider. In interviews, presidents of colleges with partnerships mentioned several methods of managing risk, including:

- Having a regular cycle of third-party reviews of every postsecondary program, including those delivered at partner sites
- Requiring each partner site to implement the colleges quality assurance process, to ensure that the approved curriculum is being delivered and learning outcomes are being achieved
- Ensuring that each program’s Program Advisory Committee (which is mandated by the Ministry) has credible members from industry and the community who will actively monitor quality
- Setting minimum standards for faculty (such as a master’s degree, except in fields where another qualification would be more appropriate)
- Requiring proof of faculty credentials
- Holding a veto over proposed faculty hires
- Having college staff whose responsibilities specifically include monitoring quality at the partner site, such as academic processes and the quality of co-op placements
- Providing specific direction for key events such as orientation, and involving college staff directly in such events
- Approving class schedules to ensure students are on campus four days a week (some providers would otherwise offer a two-day schedule so students can work full-time)
- Documenting every phone call and visit with the private provider, to create a record of emerging issues

- Scheduled site visits by the VP Academic and deans each semester, as well as random visits by college staff, including interviews with faculty, staff and students.

Student services

Description of risk: Students in programs delivered by the private provider generally do not have access to services available at a college's main campus, due to the distances involved. Colleges face a risk that they may not offer a student experience to students enrolled in programs delivered by the private provider at a branch location comparable to those delivered by colleges directly. This poses a legal risk to the colleges involved if students perceive that the college is not delivering the program that has been promised. It poses a reputational risk to the colleges involved and perhaps to all colleges and the Province. It also poses a financial risk if prospective students become aware of quality issues and choose not to come to the college, or to any Ontario college.

Ministry role: The Ministry does not directly assess student services at colleges or their partner sites. The Framework for Programs of Instruction Minister's Binding Policy Directive provides that students enrolled in programs offered in partnership or through other arrangements with other postsecondary education institutions, including private career colleges, are students of the college and are entitled to all the rights and privileges accorded to other students of the college, regardless of the location of the program delivery. The *2015 Requirements* say students at a branch location should have "the same services as students studying at the institution's campuses, including but not limited to academic support and advisory services." (Section 9.3(c)) The Ministry relies on the public college to ensure compliance with this requirement at branch campuses operated by private partners. (Section 17.4)

College role: Colleges are responsible for ensuring compliance with all relevant legislation and the binding policy directives. Each college is responsible for students at the college, including those at private provider sites.

In interviews, several presidents with private provider sites said that the services at those sites are not as comprehensive as those at the college's main campus. They noted that this is true for the college system as a whole: most colleges operate satellite campuses with fewer student services than on their main campus. Some presidents argued that the services at their private-provider sites surpass those available at many college-owned satellite campuses.

In interviews, presidents of partners mentioned several methods of managing risk, including:

- Providing certain services offsite, such as a membership in an athletic facility
- Adjusting mandatory student fees where students do not have access to a service funded by the fee
- Access to study materials online rather than at a physical library
- Using a third-party provider for specialized health services such as mental health for all students, including those on the private provider site.

Students with disabilities

Description of risk: Students in programs delivered by the private provider generally do not have access to services for students with disabilities available at a college's main campus, due to the distances involved. Colleges are subject to the Canadian Charter of Rights and Freedoms and to the Ontario Human Rights Code. They are responsible for ensuring that they are meeting their legal obligations to all of their students, including those enrolled in programs delivered through partnerships or arrangements with private providers. A college faces a risk of legal action if the college does not ensure that its meets its legal obligations to students with disabilities, regardless of whether they are studying at the private provider location. Failure to ensure this obligation is met could also result in reputation risk to both the colleges and the Province.

Ministry role: The Ministry advises colleges of their responsibility to adhere to all relevant legislation and/or guidelines with respect to all their students with disability, regardless of whether the student is enrolled with the college through a private provider partnership. The Ministry provides some funding support to assist colleges in meeting their student accommodation requirements. This funding is not intended to reimburse colleges for their actual costs, nor is it based on the campus or site at which the students are studying.

College role: Each college is responsible for ensuring that its students are provided with services and accommodations that meet the college's legal obligations to students with disabilities.

Student complaints

Description of risk: Students in programs delivered by the private provider should have an appropriate student complaint procedure. Colleges face a risk that complaints from students may not be addressed appropriately, or that valuable feedback from these complaints may not come to the attention of the college.

Ministry role: *The Framework for Programs of Instruction Minister's Binding Policy Directive* requires colleges to have clearly articulated protocols in place for students regarding grading, advancement, and dispute resolution. Students who are registered at a public college should have access to these processes, regardless of the campus or site at which the students are studying. The Ministry would generally only become aware of specific student complaints on an ad hoc basis.

College role: In interviews, presidents of partners mentioned several methods of managing risk, including:

- Requiring that all written complaints from students be provided to the college, and ensuring that students are aware that this will be the case
- Addressing complaints at regular meetings of senior administrators, as required.

Facilities

Description of risk: Programs are delivered by the private provider at a location owned or leased by the provider. Colleges face a risk that the facilities may be inadequate or may reflect poorly on the college.

Ministry role: When a private postsecondary institution applies for designation, the Ministry confirms that each proposed location is "appropriate for the safe and effective delivery of PSE [postsecondary education] programs." (2015 Requirements, section 9(1)(d)) The Ministry says that "safe and effective" delivery of PSE programs refers mainly to the safety of the student while attending the institution. Private postsecondary institutions must provide evidence that the location was inspected by a local fire department and deemed safe for the delivery of educational programs, the numbers of students occupying the space, and that the institution has obtained general liability insurance for the campus location. The submission of supporting documentation and the onsite assessment would highlight any irregularities with the campus location.

College role: Colleges are aware of the facilities in which their partners operate and are responsible for ensuring that the sites are safe and appropriate for the delivery of the programs to be offered. Typically private sites are leased spaces in suburban office buildings or in single-storey buildings with multiple leasehold occupants.

Some presidents of colleges without private provider partnerships have expressed concerns about Ontario colleges being associated with sites that could be located in shopping centres or strip malls. Such sites are not specifically prohibited by current regulations.

Board of Governors involvement

Description of risk: The decision to enter into a contract with a private provider may or may not be approved by a college's Board of Governors prior to being signed. Colleges face a risk if a contract is completed without the advice and approval of the board.

Ministry role: The Board of Governors of each college is responsible for the governance of the college and, as such, is accountable for ensuring that it is effectively and appropriately managed to achieve its established mandate. However, the Ministry does not specifically require Board of Governors approval of college partnerships.

College role: In interviews, some presidents with private providers said that their Board approved the contract before signing. Some said their Board did not approve the initial contract, but they said that leaving the Board out was a mistake that has been corrected. Some said that their Board typically does not review the wording of any contract but was fully briefed and approved the arrangement before a contract was signed.

Financial risk

Description of risk: Partnerships with private providers pose several types of financial risk. The private provider could go out of business due to lack of funds. Enrolments could decline suddenly, for reasons that relate to the events at the provider's campus or at other Ontario colleges, or international events that are beyond any college's control. The risk is that a college's net revenue from the partnership could be reduced or eliminated. The college may also incur costs to complete the programs of students affected by a sudden closure.

Ministry role: The Minister's Binding Policy Directive on Entrepreneurial Activities requires that the core businesses of the college, as defined by the college, and the assets of the college are to be protected in pursuing entrepreneurial activities (of which these partnerships are an example).
The Ministry requires that colleges seeking to amend designation agreements to include branch campuses must satisfy themselves that their partner has sufficient financial capacity to do so. (section 7.1) Private providers that are registered as Private Career Colleges are subject to additional requirements.

More generally, the Ministry has a responsibility to monitor the financial position of every college. Each college is an agency of the Crown. College's finances are consolidated in the Province's financial statements.

College role: In interviews, presidents of partners mentioned several methods of managing risk, including:

- Requiring students to pay their tuition and fees directly to the college, which then makes disbursements to the private provider
- Requiring a security deposit from the provider, to be used if the provider ceases operation (one president said the amount was $100,000 cash and a $100,000 letter of credit)
- Requiring that the net revenue from the partnership, above a level determined by the BOG, should only be used for one-time activities such as capital, professional development and program upgrading.

Presidents of colleges with well-established partnerships said that, while the college takes risk management measures, the net revenues could not be replaced by any revenue source other than government. The revenue is larger than could be provided by any new entrepreneurial activities that are in sight.

Accountability risk

Description of risk: The Ministry's information systems do not separately account for activities of colleges through their private partners. For example, revenue associated with private partners is not reported separately on the

College Financial Information System or in college's annual financial statements; college enrolments at private provider locations are not separately reported in the enrolment information system; and students at these campuses are not reported separately in the surveys of student satisfaction and graduate outcomes.

The risk is that the Minister may not be able to fulfill her accountability role. Colleges are Crown agencies, and ministers are accountable to the Legislature for all organizations within their portfolio.[14]

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[14] A recent statement of ministerial accountability in Canada can be found in: Privy Council Office, *Open and accountable government* (Ottawa, November 2015), page 3:

> It is critical to the principle of responsible government that all organizations within the executive be the responsibility of a Minister who is accountable to Parliament for the organization. A Minister is accountable to Parliament for the proper functioning of his or her department and all other organizations within his or her portfolio.
>
> Ministers fulfill their accountability with respect to organizations by demonstrating appropriate diligence and competence in the discharge of their responsibilities. What constitutes appropriate ministerial oversight will depend on the nature of the organization and the Minister's role. In some cases, where arm's-length bodies are concerned and most powers, duties and functions are vested in a deputy head or governing body, the Minister's engagement will be at a systemic level—for example, making or recommending appropriate appointments, approving corporate plans, or examining the need for changes to the framework legislation.
>
> Ministerial accountability to Parliament does not mean that a Minister is presumed to have knowledge of every matter that occurs within his or her department or portfolio, nor that the Minister is necessarily required to accept personal responsibility for every matter. It does require that the Minister attend to all matters in Parliament that concern any organizations for which he or she is responsible, including responding to questions. It further requires that the Minister take appropriate corrective action to address any problems that may have arisen, consistent with the Minister's role with respect to the organization in question. It is important that Ministers know and respect the parameters of their responsibilities with respect to arm's-length organizations.

Ministry role: The Ministry establishes reporting requirements and information systems for colleges.

College role: Colleges are responsible for complying with the Ministry's information reporting requirements. In interviews, presidents with private partners were fully cooperative in responding to questions. Data were provided, although oral interviews are not the best way to gather quantitative data in a standard format. One president said the college could not provide certain information because of a confidentiality clause in the contract with the private provider.

Policy risk: Government of Canada

Description of risk: Private providers approach public colleges to form partnerships because of federal government immigration regulations: specifically, the requirement that an international student must graduate from a public or publicly-funded institution in order to be eligible for a Post-Graduation Work Permit. It appears that the federal government was concerned that, without this requirement, some private providers might abuse their role as educational institutions for reasons of financial gain.

The risk to colleges is that the federal government could amend the eligibility rules in a way that would bar students from attending sites where programs are delivered by a private partner. If so, it is likely that college enrolments flowing from college partnerships with private providers would decline substantially.

The federal government's response to public concern about Temporary Foreign Workers is an example of how quickly rules can be changed when deficiencies become publicly known, regardless of any negative impact on major stakeholders.

In a 2016 study, staff of Citizenship and Immigration Canada expressed concern about the Post-Graduation Work Permit program, finding that the majority of those employed through a Post-Graduation Work Permit are in low-skilled jobs in the service sector.[15]

[15]Immigration, Refugees and Citizenship Canada, "The Post-graduation Work Permit Program: Proposed Options for Program Re-design: Secret Advice to

Ministry role: The Ministry has no direct role in setting federal immigration rules.

College role: In interviews, presidents of colleges with private partners who commented on this issue said they believe a rule change is unlikely. Risk management activities are the same as those listed under "Financial risk," above.

Minister" (redacted, released under the *Access to Information Act*), May 2016, 10. See also Simona Chiose, "International student work program creating low-wage work force: report", *The Globe and Mail*, March 31, 2016.

POTENTIAL IMPACTS ON OTHER COLLEGES

Presidents who were interviewed from colleges that do not have private provider partners expressed concerns about how private provider partnerships could hurt their college and the college system.

Inefficiency in providing revenue to small and Northern colleges

A president argued that the private sites serve no public purpose and are an inefficient way of providing revenue to small and Northern colleges. The same international students could be served by the GTA colleges (on campus or in leased space). The risk to quality would be reduced. Revenue that now provides profit for private providers would instead be kept in the college system. The revenue needs of the small and Northern colleges could be addressed directly by the government.

Risks in operating at a distance from main campuses

Some presidents argued that it is inherently risky for a college to provide programs at a long distance from their main campuses, and there is no need to do so if other colleges are nearby. At distant operations, they argued, it is harder to instill the professional commitment to quality that colleges encourage among their faculty and staff. The challenge is even greater at campuses that are based on a profit motive, and where there may be frequent turnover of faculty.

A college can terminate a contract with a private provider due to non-compliance, they argued, but it has few tools to encourage the development of a cultural commitment to quality at a distant campus. Likewise the Ministry can revoke the inclusion of a campus in a college's ISP designation for the college's non-compliance with the conditions of the designation agreement, but the Ministry has no way to foster gradual improvement at a campus where quality is below acceptable levels.

Satellite campuses

Some presidents noted that, pending the development of a satellite campus policy, the Ministry has barred colleges and universities from opening new locations without Ministry approval. These presidents perceive that private provider sites side-step this policy: in effect, a college can open a GTA campus through a private provider, but the Ministry would probably stop any non-GTA college from doing such a thing on its own.

Relationship to Small, Northern and Rural grant

Some presidents noted that the colleges with private providers in the GTA are also receiving their full allocation under the Small, Northern and Rural grant. It was noted that the purpose of the SNR grant is to compensate colleges that do not have access to a large urban market and the associated economies of scale. These presidents argued that that for a college to receive a full SNR grant while having a significant share of its students in a large urban centre is a form of double-dipping.

Collective bargaining risk

Colleges have province-wide collective bargaining. Some presidents believe that private provider sites will create bargaining table issues that will affect all colleges. Faculty at private sites are not unionized and are not subject to the workload provisions of the colleges' collective agreement.

Risk to colleges' control of the college credential

Some presidents believe that, as a matter of principle, the Ontario College Credentials should be closely held by public colleges, just as Ontario universities have closely protected the right to use the word "university" and the right to grant a degree.

From this perspective, there is a risk that private providers that successfully offer the instruction for Ontario College Credentials may someday lobby the government for the right to confer the credentials themselves. Some presidents believe that, over time, this may dilute government support for public colleges.

Risk to all nearby colleges in the event of a campus closure

Some presidents argued that, in the event a private site shuts down, all nearby colleges would face pressure to take in the students so they can complete their programs. The college whose partner shut down might offer to assist the students, but realistically it could not move hundreds of students from the GTA to its own community, and it could not readily arrange an alternative in the GTA that does not involve the GTA colleges.

Risk to the colleges' reputation for student services

Some presidents believe that the Ontario college brand rests heavily on services that improve students' academic success. Services for students with weak academic preparation and services for students with disabilities (including learning disabilities) were cited as being important to colleges' reputation. Many colleges take pride in providing service that are well above legal requirements.

Lack of public acceptance of for-profit education

Some presidents argued that Ontarians show very little acceptance of for-profit education. No application to operate a for-profit university has been approved in Ontario. For-profit career colleges have been the subject of reports by the Auditor General and Ombudsman.[16]

If problems arise at a site operated by a private provider, these presidents said, Ontarians will blame the Ministry for allowing for-profit education in the first place. The likely government response, they said, would be a crackdown on all college entrepreneurial activities that would extend well beyond the issue of private providers. These presidents do not think the revenue from these partnerships justifies the risk to the public college system.

[16] Ontario Ombudsman, *Private Career Colleges: Too cool for school*, 2009; Ontario Auditor General, *2011 Annual Report*, section 3.12.

OPTIONS

Option 1: Do nothing

Description

The government would affirm the current policy and permit other colleges to enter into partnerships with for-profit providers. MAESD would continue to have the existing tools to deal with any non-compliant institutions, e.g. by terminating the Designated Learning Institution status as it relates to specific sites.

Considerations

This option can be seen as treating colleges as institutions that can manage their own partnerships and ensure appropriate levels of quality and service.

This option creates new revenues that can be used to support educational quality at the public colleges that participate.

Under this option, activity with for-profit providers would grow. Colleges that now have such arrangements would enter into additional agreements with private providers to deliver programs at more locations. Some colleges that have not had such arrangements would choose to do so. Private providers would most likely form arrangements with colleges with significant financial need, where they can strike the best deal.

This option does not address the potential risks to colleges that do not have such partnerships.

This option could include some minor amendments to binding policy directives, such as requirements for colleges to report to MAESD on the finances and enrolments associated with these partnerships.

Option 2: Work with colleges to develop guidelines based on best practices

Description

The government would work with colleges to review their current risk mitigation strategies and develop a detailed set of best practices. All colleges with partnerships would undertake to implement these guidelines. Colleges forming new partnerships would be asked to adopt the guidelines.

Key areas to address would include: financial risk; ethical recruiting; quality assurance for learning and instruction; standards for student services, especially learning support services; and improving accountability.

Considerations

This option can be seen as recognizing that risk management practices can be improved. Colleges can learn from one another about how to manage the distinctive risks associated with partnerships.

As in Option 1, this option creates new revenues that can be used to support educational quality at the public colleges that participate. Activity with for-profit providers would grow.

Creating guidelines would present some challenges. The Ministry would need to be involved to ensure that the government's needs are met and to avoid the creation of lowest-common-denominator guidelines. Colleges that do not currently have partnerships would want to be involved (since the guidelines could eventually apply to them); however, the involvement of colleges that oppose partnerships in principle might lead to stalemate.

Guidelines typically do not have an enforcement mechanism. A college may agree in good faith to adopt the guidelines, but it may subsequently face pressure from a private partner to modify or dilute the guideline in practice. If a college resists this pressure, the private partner may choose to do business with another college instead.

Guidelines can reduce the risk to government, but they will not eliminate it.

This option does not address the concerns of colleges that oppose partnerships in principle and believe they are detrimental to the college system.

Option 3: Introduce mandatory requirements to minimize risk

Description

The government would work with colleges to review their current risk mitigation strategies and develop new mandatory requirements, either through Minister's binding policy directives, or regulations under the *OCAAT Act*, 2002. All colleges are required to comply with relevant legislation and Minister's binding policy directives.

Key areas to address would be the same as in Option 2: financial risk; ethical recruiting; quality assurance for learning and instruction; minimum standards for student services, especially learning support services; and improving accountability.

Considerations

This option has as its premise that the risks associated with partnerships are so large that risk management processes must be mandatory. Colleges would participate in devising the requirements, but the final decision will belong to the government. Each college would be responsible for ensuring that its partnership activities are compliant with the requirements.

As in Option 1, this option creates new revenues that can be used to support educational quality at the public colleges that participate. Activity with for-profit providers would grow, but probably more slowly than in Options 1 and 2, depending on the nature of the directives or regulations.

Establishing directives or giving instructions for regulations would present some challenges. Many college leaders do not believe Ministry staff have adequate knowledge of college operations and private entrepreneurship to advise on the appropriate content of directives or regulations in this area. They are concerned about unintended consequences of regulations that are not well conceived. They are also concerned about overly-stringent regulations that may appear to permit this activity but in practice eliminate it.

Regulation may be a blunt or ineffective instrument. The Ministry already requires public colleges to have quality assurance processes that apply to all college locations, including sites operated by private partners. The Ministry's experience in regulating the postsecondary education sector suggests that regulation is only one element of quality assurance.

Regulations can reduce the risk to government, but they will not eliminate it.

This option does not address the concerns of colleges that oppose partnerships in principle and believe they are detrimental to the college system.

Option 4: Terminate this activity, and manage an orderly wind-down

Description

The government would require all colleges to terminate these activities by a specified date. The government might choose to offer financial compensation as part of this option. Colleges could continue to operate satellite campuses where the college has the primary role in delivering academic programs.

Considerations

This option has as its premise that, even though colleges entered these arrangements in good faith, the risks associated with partnerships are too large to be justified by the financial benefit.

Under this option, the government would prohibit new entrants to these programs as of a specified date. Students in their programs would continue to graduation.

Both the college and its private partner may experience one-time costs to terminate these programs.

The government would need to be prepared to step in if a private provider were to close suddenly. Doing so would require the cooperation of the college associated with that private provider, and probably the GTA colleges as well.

The scope of this option needs to be carefully defined. The intention would be to eliminate arrangements where a provider other than a CAAT delivers all of the instruction for an Ontario College Credential. There are many other programs where the CAAT has the primary role in delivering a program and a private provider delivers a portion of the instruction (e.g. aviation programs where the CAAT delivers in-class instruction and contracts out flight training to a flight school).

This option presents the challenge of what to do about the revenue loss and – a closely related issue – how colleges facing enrolment declines are supposed to maintain their financial viability over the coming decade. These are some options for addressing financial issues.

Option 4A: No financial compensation.

This option is fair in the sense that it puts colleges that have lost their partnerships on the same financial footing as colleges that have resisted having partnerships in the first place. It would create an immediate revenue loss at the affected colleges (up to 13 per cent of total operating revenues). Colleges are barred from having an operating deficit without the Minister's permission. Colleges have behaved prudently and have not built the full amount of the 2016-17 net revenues into their base budgets; nevertheless, layoffs, program closures, campus closures or similar actions could be expected.

Option 4B: Temporary financial compensation

Under this option, the government would provide compensation to the affected colleges equal to their loss, phased out over (say) 5 years. The affected colleges will have more time to plan than in Option 4A, but layoffs, program closures, and campus closures are still likely. At the end of the phase-out period, colleges that have lost their partnerships will be on the same financial footing as colleges that have resisted having partnerships. Colleges have behaved prudently and have not built the full amount of the 2016-17 net revenues into their base budgets; nevertheless, the cost in the first year of implementation would be a significant portion of their $30.5 million in net revenue. The cost will be larger if a decision is delayed to future years, because the level of activity is expected to increase.

Option 4C: Permanent financial compensation

Under this option, the government would provide compensation to the affected colleges equal to their loss, permanently. The cost is estimated at a significant portion of their $30.5 million in net revenue. This option keeps whole the affected colleges, but will be seen as unfair to colleges that have resisted having partnerships. This option may therefore prove unstable: colleges that have resisted having partnerships would almost certainly seek similar funding so they can offer equivalent programs and services to their students.

Option 4D: Improved funding for all small and medium-sized colleges

This option re-defines the problem. Rather than focus on compensation for losses, this option addresses the problem of how to maintain financial sustainability, especially for small and medium-sized colleges that are projected to lose domestic enrolments and cannot attract large numbers of international students.

Under this option, the government would expand the current Small, Northern and Rural (SNR) grant for current recipients and extend eligibility up to enrolment levels of approximately 10,000 students. Both domestic and international students should be counted, to recognize more accurately the weaker economies of scale associated with having a small number of students. Such a grant could provide some level of compensation to all colleges that now have private partners. It would provide a foundation for addressing the needs of colleges most likely to experience domestic enrolment losses over the coming decade.

In my opinion, it is almost inevitable that the government will need to provide additional funding to these colleges in the near future to maintain a broad range of programming at a large number of locations at acceptable levels of quality. The cost of this option to government would be significantly more option 4C, because this option addresses a financial problem affecting a larger number of colleges.

Changes to the college funding model to provide a larger financial buffer from enrolment declines would also be introduced to strengthen financial viability.

FINDINGS AND RECOMMENDATIONS

Colleges that have formed partnerships with private providers have acted rationally given the circumstances and incentives they face.

The *Minister's Binding Policy Directive on Entrepreneurial Activities* gives colleges broad encouragement to find new revenue sources that will support their core education and training mission. This review is not an investigation, but I can say that none of the activities that have come to my attention during this review are inconsistent with the Minister's binding policy directive.

Colleges that have entered into partnership agreements are gaining net revenues that they use on their own campuses. They have been able to maintain programs and services that would otherwise have been reduced. Several presidents from smaller colleges that have chosen not to enter these partnerships told me of the financial hardships their college has experienced as a result of this self-denial.

The partnerships do not serve an important public purpose and are an inefficient way to provide needed revenue to colleges.

The standard rationale for welcoming international students is that their presence on campus brings diverse perspectives into the classroom and enriches the educational experience of all students. This rationale does not apply to partnership arrangements, because the students are taught on a separate campus.

Nor is there a clear immigration rationale for the partnership arrangements. Some of the graduates from these arrangements may indeed become permanent residents of Canada and make a valued contribution, but the same immigration objective could be achieved in other ways. For example, the students could attend programs delivered directly by public colleges, without the partnership structure; or the Government of Canada could choose to admit other applicants who seek to become Economic Class immigrants.

The primary benefit of these partner campuses to the public colleges is that they bring revenues from international students to colleges whose main campuses are in regions where the students, rightly or wrongly, would prefer not to attend.

Keeping the revenue within the public college system, rather than sharing it with private for-profit providers, would require increasing the enrolment of international students in public colleges in regions where international students want to attend. This solution would need to include a plan for providing adequate revenues to all colleges, regardless of location – a question I address below.

The partnerships pose risks that are inherently difficult to manage.

I have enumerated above the risks associated with partnership arrangements. The most significant of these relate to academic quality, legal liability, reputation, quality of student services (including services for students with disabilities), financial loss, federal government policy change, and accountability to the Legislature.

There is no way to prove if or when any of these risks will materialize. All of the colleges with private partners are taking steps to manage risks. Even with these good efforts in place, the facts cause concern:

- The structure of these partnerships makes risk management inherently challenging.
    - The participating colleges and their private partners have a financial interest in maintaining their relationship.
    - The long distance to the partner campus, and the absence of college employees on the partner campus on a full-time basis, mean that the relationship is more difficult to manage than a college-owned satellite campus.
    - The students are not well-positioned to complain if the quality of their experience is sub-standard. In addition to the vulnerabilities they face as newcomers to Canada, the students have an interest in completing their credentials so as to qualify for work permits. They may therefore be reluctant to file complaints that could interfere with that goal.

- Current regulation of this activity is inadequate.
    - The Ontario College Quality Assurance Service process does not, and was never intended to, provide timely assessments of the quality of individual college programs. OCQAS oversees independent audits of academic quality at colleges, but the audits

take place every five years, and only six programs at each college are singled out for examination.
- The Ministry deems the students to be attending a branch campus of the public college, so it has no special risk management measures in place apart from those applying to all public colleges.
- The Ministry's data-gathering processes do not provide separate enrolments counts for privately-operated campuses. The Key Performance Indicator data do not provide specific data about the performance of the privately-operated campuses.
- The current rules give colleges contradictory directions about what geographic area they should serve. The *Colleges of Applied Arts and Technology Act,* 2002, appears to direct colleges to serve "their local and diverse communities"[17], but the designation of branch campuses far from a college's main campus appears to open the door for each college to operate anywhere in Ontario.

- There is good reason to believe that regulating this activity would be extremely challenging.
  - Colleges have been attempting since at least 2012 to devise a workable code of ethical conduct to restrain aggressive recruiting of international students. The six colleges with private partners agreed on a common approach to managing one aspect of this issue in October 2016. Despite many good-faith efforts, recruiting has proved extremely difficult to regulate, due to the large number of participants, including freelance recruiting agents, whose livelihood depends on it. Many presidents, including some with private partners, expressed to me frustration with the challenges of devising and implementing an adequate code of conduct.
  - Several presidents expressed doubts to me about the Ministry's capacity to devise and implement regulations governing private partnership arrangements. With few exceptions, Ministry staff have not had the training or experience necessary to regulate private for-profit businesses, nor has this been a core expectation of staff

[17] "The objects of the colleges are to offer a comprehensive program of career-oriented, post-secondary education and training to assist individuals in finding and keeping employment, to meet the needs of employers and the changing work environment and to support the economic and social development of their local and diverse communities. " (*Colleges of Applied Arts and Technology Act*, 2002, s. 2(2).)

involved in postsecondary education. The main exceptions to this rule are staff in the Private Career Colleges Branch; however, the Ministry's position that students in programs delivered by private partners are attending a branch campus of a public college means that the Private Career Colleges Branch is essentially not involved in regulating or overseeing this activity.

The risks potentially affect all colleges, not just those with private partners.

The college system has worked for decades to achieve a reputation that matches the quality of education that college students typically experience. It has done so in a society whose most influential members have little direct experience of colleges. It has done so both individually and collectively, because the public tends to perceive the colleges as a collective (unlike the universities, where the actions of one university have little effect on the reputations of the others).

In this environment, it is perfectly understandable that many colleges are deeply concerned that the inadvertence of one or a few colleges could set back the entire college system.

In addition to this reputational risk to other colleges, there are practical risks. If a private partner campus were to close abruptly, the public college involved would face the challenge of how to complete the students' programs. The public college does not own or lease the branch campus so would probably have no access to it. It is extremely unlikely that large numbers of students could be moved several hundred kilometers to the public college's main campus. Instead, the most likely scenario is that nearby public colleges would be asked to take in the students.

The risks potentially affect the government.

The potential risks should be a deep concern for government. In our system of government, Cabinet ministers bear a heavy burden of accountability for the actions of their Ministry and the agencies in their portfolio. This accountability responsibility is generally well-understood within government, but perhaps less so outside.

The accountability of ministers to the Legislature is the defining feature of responsible government. If a Ministry or government agency engages in actions that do not align with public values, a Minister will be required to answer to the Legislature for what happened and why. He or she will also face media scrutiny. In extreme cases, a Minister may be expected to resign his or her Cabinet position.

In practice, this means that the accountability standard for ministers is much higher than for executives in private businesses. A risk that is acceptable in a private business may not be acceptable in government. The government's tolerance for risk needs to take into account the very high expectations that Ontarians have for public sector behavior that aligns with their values.

Without timely action, the risks will become larger.

The risks associated with these partnerships are growing every year. Some colleges with private partners have ambitious enrolment plans and are building additional revenues into their medium-term financial plans. Other colleges told me that they will enter this field, subject to the outcome of this review.

The government needs to find better solutions to the problems that colleges actually face.

The government has ambitious goals for higher education. These can be stated in various ways, but we can summarize them as: to provide a high-quality education that prepares students for their future goals; to make higher education accessible to all qualified students; to offer higher education in a large number of communities across the province; and to do this in a way that is affordable to students and the public at large.

The advent of college partnerships with private providers is an early sign of the strains colleges face in doing their part to meet these goals. Rising unit costs, population decline in some regions, the expectation that colleges will fund a large portion of new capital costs, and the scarcity of large donors are causing all colleges to look for new sources of revenue to maintain the quality of students' education. Some colleges have earned significant revenue from teaching international students on their own campuses (although this has its own costs, particularly in terms of funding new buildings). Medium-sized and smaller colleges that cannot attract international students to their own campuses are turning to other, potentially higher-risk, revenue sources.

Every reasonable solution to these problems will require government action. The demographic issues in many regions of Ontario are long-term. The geographic preferences of international students are unlikely to change. The challenge of providing public services in an affordable way is perennial.

Recommendations

In Option 4D above I have outlined a solution that I believe will best address the immediate need. In my view:

- Colleges should not offer programs in Canada leading to an Ontario college credential unless the college itself is directly involved in delivering most or all of the program.

- No new college programs that are delivered primarily by private providers in Canada should be launched. Subject to a reasonable notice period, no new students should be admitted to the programs that now exist. Programs for students already registered should continue so those students can graduate.

- The government should provide new funding to all small and medium-sized colleges. In my opinion, this funding is essential if the government wishes to maintain a system where every college can offer a broad range of programming at acceptable levels of quality, sometimes in multiple locations. The cost of this option to government will be significantly more than the cost of direct compensation, because more colleges will receive funding.

- Changes to the college funding model to provide a larger financial buffer from enrolment declines should also be introduced to strengthen financial viability.

Over the medium term, the government needs to consider how to align its relationships with colleges with the issues that colleges actually face. The Ministry's differentiation framework may provide a useful perspective.

- Colleges with stable local populations and an ability to attract international students will generally have some capacity to manage their financial issues, but will need continued government support to meet the cost of inflation, serving students from underrepresented groups, renewal of physical plant, and capital expansion where enrolments are growing.

- Colleges facing local population declines, or that are located away from the urban centers that attract large numbers of international students, are likely to experience financial challenges. Government policies to encourage college entrepreneurship and internal efficiencies will need to incorporate a reality check about what is actually possible in individual communities.

Shaping a differentiated policy framework that monitors the quality of student learning in college programs and provides support to maintain acceptable quality levels at all colleges will be essential to ensuring that all colleges have the capacity to fulfill their mission over the coming decade.

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