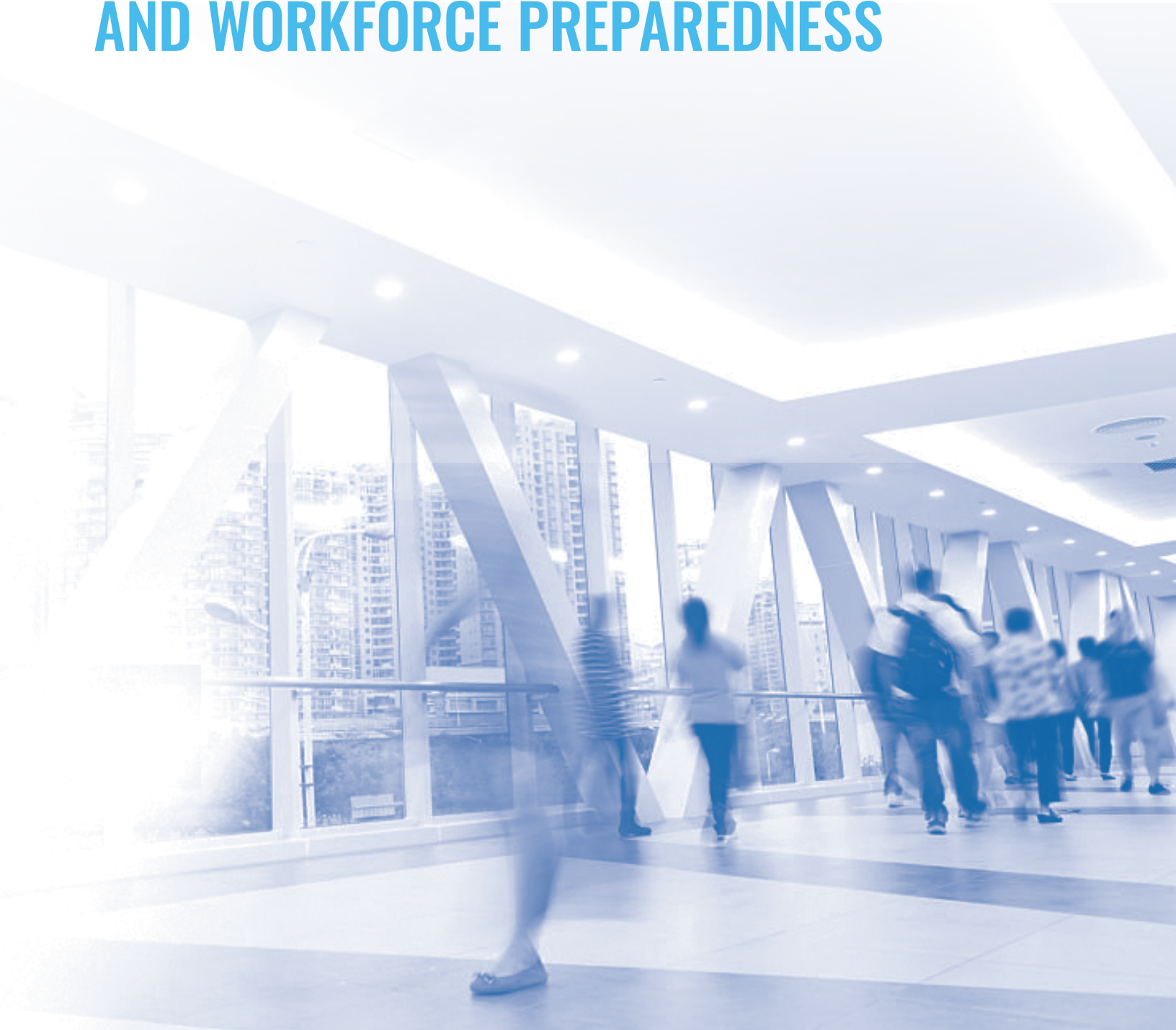




COLLEGES | COLLÈGES
ONTARIO | ONTARIO

COLLEGES ONTARIO'S 2025 PRE-BUDGET SUBMISSION

STRENGTHENING ONTARIO'S RESILIENCE: FOCUSING INVESTMENTS FOR EDUCATION AND WORKFORCE PREPAREDNESS



Introduction

Ontario's economy faces significant challenges from evolving international threats, underscoring the urgent need to prioritize workforce development. Building a resilient labour force is essential to sustaining the province's communities and ensuring long-term economic prosperity.

As the cornerstone of Ontario's economy, college graduates provide the advanced skills and expertise required to build critical infrastructure, including homes, highways and transit systems, while supporting the development of thriving communities. Public colleges in Ontario are pivotal drivers of economic growth, particularly in trades, technology and applied sciences—sectors urgently requiring workforce development and investment.

However, Ontario's public colleges are facing a looming financial crisis that threatens their ability to support these industries and contribute to the province's prosperity. Colleges in Ontario receive the lowest level of government funding and have the second-lowest tuition fees in Canada.

Given the high costs of program delivery, colleges currently lose money on every domestic student they enrol. To meet Ontario's labour market demands, strategic investments are needed to expand enrolment in trades, technology and applied science programs, and to maintain equitable access to education and training for diverse learners across the province.

As Ontario navigates global uncertainties and related economic challenges, the province's post-secondary sector offers practical solutions. In this pre-budget submission, Colleges Ontario calls on the government to take decisive action and:

- 1. Regularize the Postsecondary Education Sustainability Fund** into ongoing base funding.
- 2. Boost operating grants** to offset the ongoing structural deficits for our domestic students and grow future-ready graduates in key sectors such as trades, technology and applied science that meet labour demands including those required to address the global threat of tariffs.
- 3. Continue the expanded funding** for the Small, Northern and Rural Grant to support colleges serving northern and rural communities.
- 4. Modernize funding models** to incentivize part-time enrolment so that more students can learn and earn and to upskill our workforce.

If implemented, these key recommendations will expand the pool of career-ready, labour-market-aligned graduates that will make Ontario more resilient and enhance the province's competitiveness. This is needed at a time when Ontario is facing global economic threats.

Only with a strong workforce development strategy can Ontario weather the storm of geopolitical and economic uncertainties.

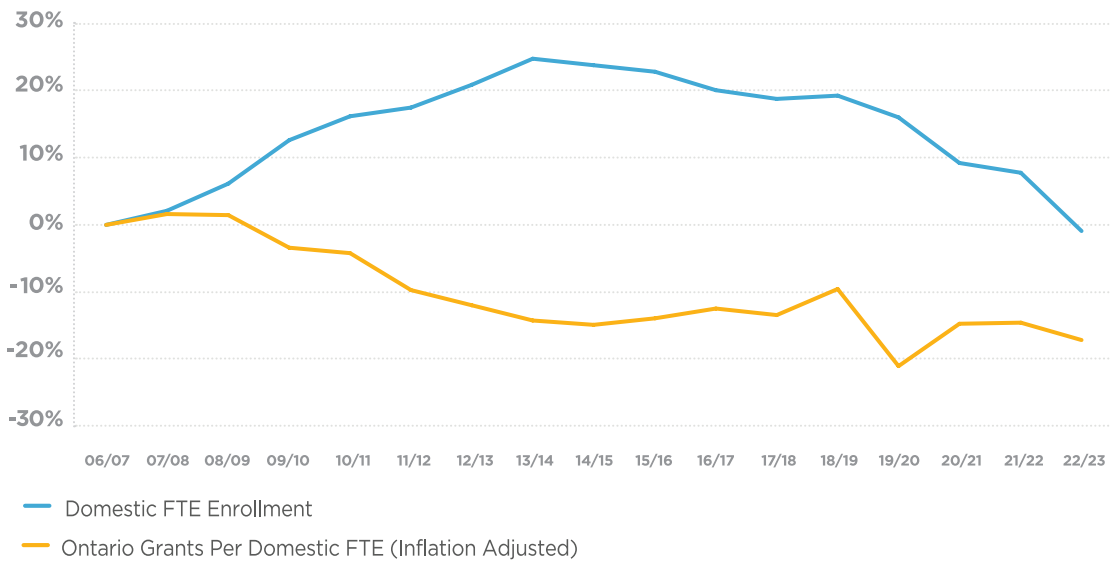
Recommendation #1: Regularize the Postsecondary Education Sustainability Fund into ongoing base funding.

The Ontario government's initial investment in 2024 of nearly \$1.3 billion over three years for all 24 public colleges and 23 universities, was a welcome first step in addressing systemic funding shortfalls. However, the college sector faces a projected structural deficit that could exceed \$1 billion by 2026—a shortfall that must be addressed to maintain Ontario's workforce pipelines.

Over the last 17 years, Ontario colleges have enrolled more domestic students with less financial support. Operating grants have declined by 17 per cent in real terms over the last 17 years, leaving Ontario with **the lowest per-student funding in Canada**. Domestic tuition and provincial grants have not kept pace with inflation, limiting the colleges' ability to fully generate the workforce that Ontario will need.

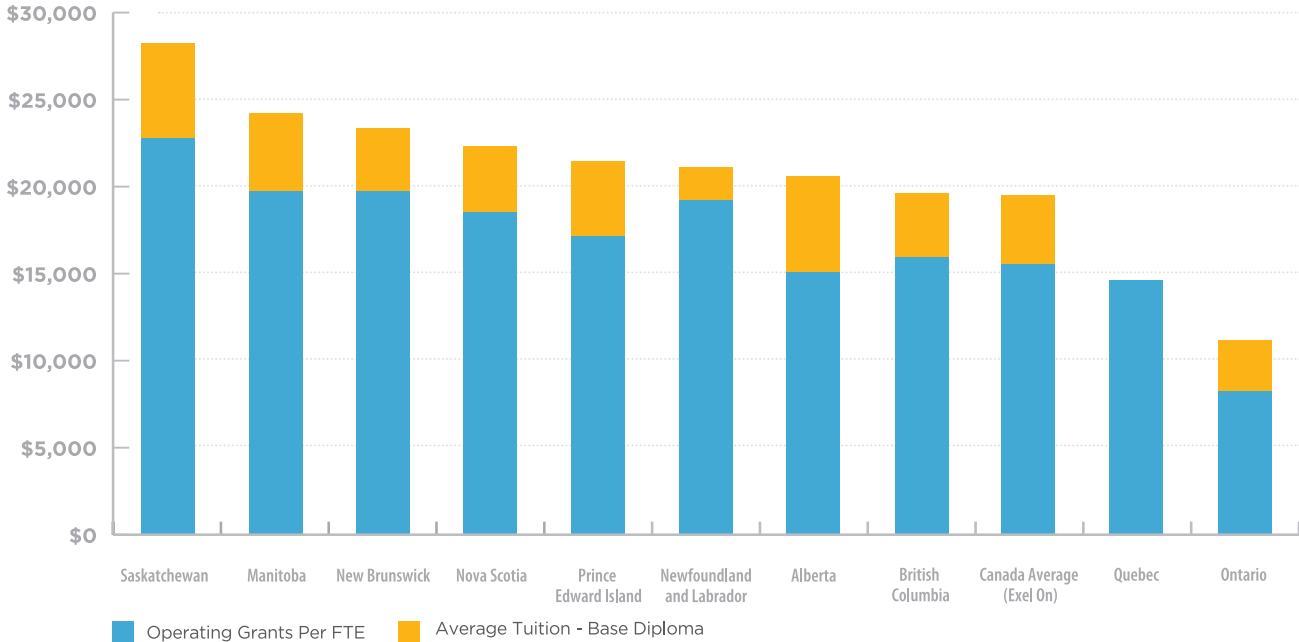
Ontario's Investment in Colleges - Impact of Inflation

Inflation has eroded the value of Ontario's colleges. Funding for public colleges is down nearly 20 per cent over the last 17 years, even as domestic enrolment increased.



The college sector's financial crisis has been exacerbated by recent federal policy changes affecting international students, which has had immediate, material adverse impacts on college revenues, regional economies and local workforces. By 2026, most of Ontario's 24 colleges are projected to face deficits, forcing difficult decisions about campus and program closures. In the interim, colleges are striving to find efficiencies, preserve vital programs and support local labour force needs. But, the measures available are no longer sufficient to offset the looming crisis.

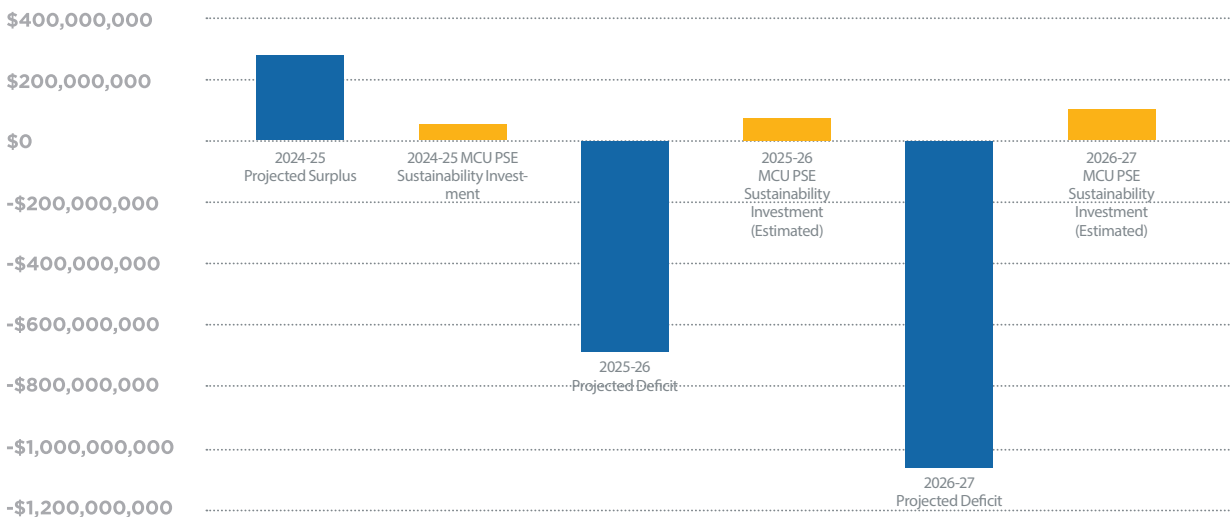
Operating Grants and Average Tuition



The Ontario government’s Postsecondary Sustainability Fund, which was introduced in spring 2024, surpassed investments made by previous administrations. While necessary, this funding remains insufficient to address the financial crisis faced by the college sector. Under most projected scenarios, college sector deficits are expected to significantly exceed the portion of the Ministry of Colleges and Universities’ Postsecondary Education Sustainability Fund allocated to colleges.

The fund is expected to provide about \$55 million annually, increasing to an estimated \$100 million per year through a mix of across-the-board and top-up funding. With a projected funding shortfall that could **exceed \$1 billion by 2026**, the Ontario government will need to increase its support for the province’s world-class public college system. Funding is needed to offset the structural deficits of the sector and grow the economy.

Stability Funding

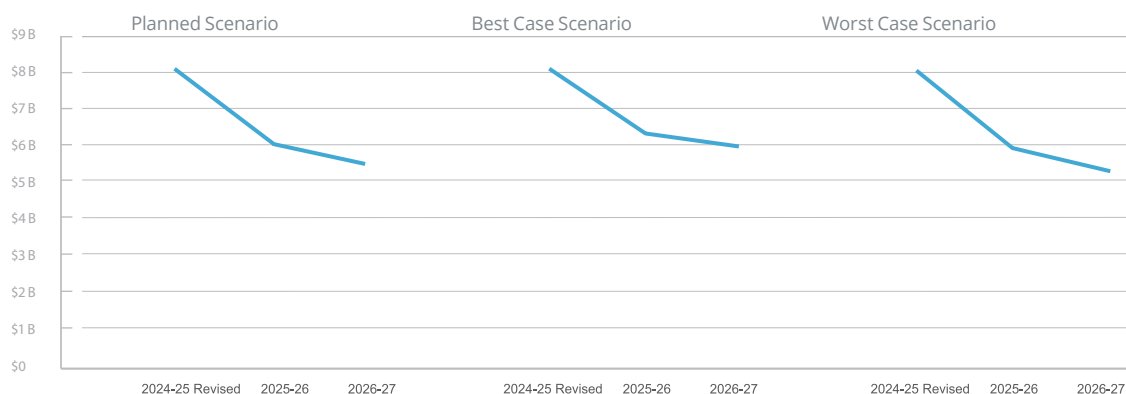


Recommendation #2: Boost operating grants to offset the ongoing structural deficits for our domestic students and grow future-ready graduates in key sectors such as trades, technology and applied science that meet labour demands including those required to address the global threat of tariffs.

2025 presents a crucial opportunity for the college sector to collaborate on system-wide and regional efficiencies while addressing the structural financial support required to sustain Ontario's post-secondary system and enhance Ontario's economic resilience. Emerging trade challenges highlight the need for Ontario to strengthen its competitiveness in key industries, particularly in trades, technology and applied science. Meanwhile, Ontario's colleges are at a tipping point, shifting from financial flexibility to financial uncertainty. Budget scenarios show revenue declines outpacing cost-cutting or efficiency efforts.

Projected Revenue Declines

- As a result of federal policy, total revenue at colleges is projected to decline by over \$2 billion in the next several years
- Deficits can be expected from this declining revenue, which will occur faster than expense reductions and efficiencies can be implemented. Many expense reductions require up-front resources



To address this, Ontario must fund the chronic structural deficit for domestic programs and increase the graduates needed in key labour-market areas that create prosperity in our province.

This will start to address the critical revenue gap caused by many years of underfunding and the federal policy changes affecting international students. Without provincial intervention, colleges face mounting deficits and may cut high-demand, costly programs.



Targeted investments into trades, technology and applied science are desperately needed to prevent program closures that could derail Ontario's construction and infrastructure plans. Labour market data shows strong demand for these industries to support economic growth and community needs.

Trades, technology and applied science programs, which primarily serve domestic students, face structural challenges: high delivery costs, significant capital and labour needs and insufficient funding that is no longer being offset by international student revenue. To address this, Colleges Ontario proposes a dedicated trades and technology training fund to support the hundreds of trades, technology and applied science programs offered by colleges. This targeted funding would further help colleges graduate career-ready workers at all levels and across all critical industries to meet workforce needs.

Annually, Ontario's public colleges produce 13,000 skilled trades graduates, directly addressing gaps in high-demand fields. However, the need for career-ready workers continues to grow and bottlenecks in program capacity are creating barriers. In 2023-24 alone, 30 programs directly related to registered trades were oversubscribed and still operating at a financial loss – these are no longer viable. Without immediate intervention, program closures and capacity bottlenecks will hinder Ontario's workforce goals.

In the face of global uncertainty, Ontarians need access to upskilling and choice in second career opportunities, now more than ever.

Recommendation #3: Continue the expanded funding for the Small, Northern and Rural Grant to support colleges serving northern and rural communities.

Strengthening Ontario's economic resilience requires a province wide approach, necessarily with a focus on rural and northern regions. Ontario's blue-ribbon panel highlighted the need for targeted investments to northern, rural and remote institutions in recognition of the higher operating costs in these regions.

Colleges play a critical role in supporting regional labour markets in smaller rural and northern communities, where operational costs are higher, domestic enrolment is smaller and local cost pressures are more pronounced. These institutions have relied heavily on revenue from international students to maintain programming, including trades, technology and applied science training.

As these institutions -- including francophone colleges -- face emerging financial precarity, colleges in these regions are required to make tough decisions in programming. In 2024, recognizing the need to support access to training and education in these communities, the Ontario government invested an additional \$10 million in one-time funding through the Small, Northern and Rural Grant. This was evenly split between colleges and universities. The blue-ribbon panel's initial analysis noted that increasing special purpose grants for northern, rural and remote colleges should be indexed to inflation or 2 per cent-- whichever is higher.

As the government continues to review structural investments, the government should make the \$10 million increase to the Small, Northern and Rural Grant a permanent annual investment. This would ensure continued access to trades, technology and applied science programs and would further support regional workforce development and economic growth.

Ontario's public colleges have the expertise and infrastructure to meet the province's workforce needs. Sustained, targeted investment in rural and northern training will help secure Ontario's economic future by ensuring vital infrastructure projects are delivered on time.

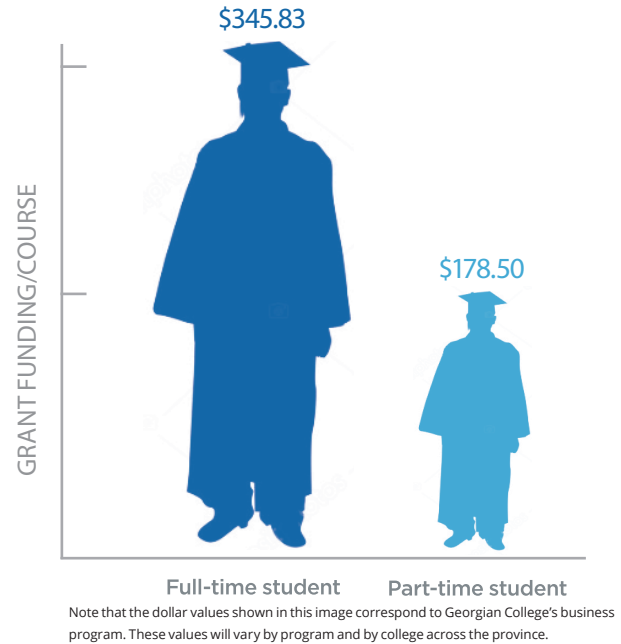
Recommendation #4: Modernize funding models to incentivize part-time enrolment so that more students can learn and earn and to upskill our workforce.

The blue-ribbon panel report said Ontario colleges are disincentivized from enrolling part-time students, a challenge that will affect that labour market and the college's ability to train a competitive workforce.

Part-time learners, who are almost exclusively domestic students, account for an average of 31 per cent of college head-count enrolments. Many students choose part-time study to balance education with full-time employment, allowing them to earn an income while contributing to the provincial and local economy.

However, Ontario's funding model for part-time learners at colleges is fundamentally different from that of universities. It does not account for program-specific costs and is based on outdated assumptions, such as lower instructional costs for part-time delivery and uniform standards for course delivery across the province. This funding approach has not evolved to reflect the current realities of program delivery, leading to adverse impacts on both students and institutions.

The existing funding model has discouraged the development of programs and options for part-time learners, negatively affecting student experience and success. The blue-ribbon panel underscored this issue, noting that part-time students are the lowest-funded cohort in Ontario's post-secondary education system. Addressing the existing disincentives to enrolling part-time students will help ensure access to training for the workforce needed to meet Ontario's labour market demands.



Conclusion

Ontario's colleges are essential to building a skilled, resilient workforce that can stand up to the challenges of today and tomorrow. Investments in education and workforce development are vital to sustaining Ontario's communities and economy. College graduates build roads, hospitals, energy infrastructure and more for Ontarians.

The threat of tariffs on key exports challenges Ontario's economic stability and highlights the need for a consistent supply of qualified, career-ready graduates who can drive innovation and adaptability in critical sectors. Colleges—as engines of growth in industries like housing, health care, engineering and transportation—are essential to mitigating the impact of such disruptions and supporting businesses in maintaining their global competitiveness.

Ontario's ability to weather geopolitical and economic uncertainties hinges on a strong workforce development strategy, yet public colleges face a financial crisis that jeopardizes their capacity to fulfil this mandate. Reliance on international student revenue and the structural imbalance in funding for domestic students have placed colleges in a precarious position, limiting access to labour-market-aligned programs that are vital for Ontario's economic future.

To ensure long-term prosperity, the government must:

- Strengthen base funding for colleges and address the structural funding gap for our domestic students.
- Increase operating grants for colleges to develop the workforce needed to grow Ontario and fight global economic threats.
- Support small, northern and rural institutions.
- Enhance funding for part time learners.

By addressing these priorities, Ontario can reinforce its post-secondary education system as a cornerstone of economic resilience and innovation. As part of Ontario's investments, colleges are key to countering the challenges presented by international trade uncertainty.