COLLEGES ONTARIO'S 2026 PRE-BUDGET SUBMISSION

WORKFORCE-READY ONTARIO: PROTECTING THE PROVINCE BY MODERNIZING COLLEGE FUNDING

Executive summary

Ontario's public colleges are central to the Protect Ontario plan, supplying more than half of the workers in sectors facing acute labour shortages. By 2035, the province will require one million new college graduates in the skilled trades, health care, energy, mining and advanced manufacturing.

Colleges drive local economies, with a single small or mid-sized rural campus generating about $500 million annually, supporting 5,000 jobs and graduating 1,000 learners each year.

Despite this impact, the college system faces severe financial strain. Operating grants are $7,700 per student below the national average, while domestic tuition is $1,100 lower. Due to federal policy changes, international enrolment is expected to drop by 70 per cent from 2023-24, removing up to $4.2 billion in international revenue by 2027-28. Colleges project a sector-wide deficit of up to $1.5 billion by 2027–28, driven by a structural funding gap of more than $5,200 per student.

Colleges have already cut $1.4 billion in costs, suspended more than 600 programs and eliminated over 8,000 positions. Without immediate support, program closures will accelerate, access for domestic students will shrink and Ontario will lose workforce capacity needed for economic growth.

Ontario's colleges remain efficient and accountable, generating more than $250 million in savings since 2020 through shared services and system-wide initiatives. With strategic investment, colleges can continue to train job-ready graduates, support employers and strengthen communities across every region of the province. A stable and well-funded college sector is essential to Ontario's economic competitiveness and long-term growth.

Colleges Ontario recommends four actions:

1. **Address the structural deficit** by providing $1.1 billion through increased operating grants and updated tuition policy to close the per-student funding gap.
2. **Support high-priority programs** with a $200 million investment to expand seats in the trades, technology, health care and advanced manufacturing - creating up to 20,000 new training opportunities.
3. **Maintain regional access** with an additional $200 million annually for small, northern, rural and French-language colleges and campuses, indexed to inflation.
4. **Launch a new era of innovation** with a $100 million, three-year collaboration fund to expand shared services, strengthen cybersecurity and improve sector-wide systems.

Introduction

Ontario's public colleges are central to the Protect Ontario plan, training workers for sectors facing acute labour shortages. By 2035, the province will need one million college graduates in skilled trades, health care, energy, mining and advanced manufacturing. Colleges supply more than half the workforce in these sectors, supporting Ontario's economy and communities. A single small- or medium-sized rural campus contributes roughly $500 million to the local economy, supports over 5,000 jobs and graduates 1,000 workers annually.

Yet despite this role, public colleges face mounting financial pressures. A projected deficit of up to $1.5 billion by 2027-28, combined with frozen tuition and declining international enrolment, threatens their stability. Operating grants are $7,700 per student below the national average, while domestic tuition sits $1,100 per student lower due to freezes and cuts since 2019.

Federal policy changes in the 2025 budget underscore the precarious state of college funding. Declining international enrolment could cost Ontario's public colleges up to $4.2 billion by 2027-28. Provincial grants no longer cover the full cost of domestic programs, leaving a structural deficit exceeding $5,200 per student - a gap that could widen if federal policies continue to shift.

Colleges have acted responsibly and rigorously by cutting $1.4 billion in costs, suspending more than 600 programs and eliminating over 8,000 staff positions in the past year. These measures, while significant, cannot ensure long-term sustainability. Without action, program closures will continue, opportunities for domestic students will shrink and Ontario will lose workforce capacity critical to economic growth.

Colleges remain efficient and accountable, saving more than $250 million since 2020 through shared services, open education resources and centralized systems.

Recommendations to sustain Ontario colleges:

1. **Address the structural deficit** – Provide $1.1 billion through operating grants and adjusted college tuition to close the per-student funding gap. This includes $1 billion in incremental grants and $110 million in revised student fees to maintain affordability and financial aid.
2. **Support high-priority programs** – Invest $200 million to expand enrolment for upskilling and retraining programs in priority sectors such as the trades, technology, health care and advanced manufacturing. The investment would create up to 20,000 additional seats in these high priority areas.
3. **Maintain access across regions** – Commit an additional $200 million annually to colleges with small, northern, rural campuses and French-language colleges, indexed to inflation, to reflect the true cost of operating campuses and delivering programs.
4. **Kick-start a new era in innovation** – Establish a $100 million over three years collaboration and innovation fund to support shared services, cybersecurity, finance, HR systems and other sector-wide partnerships.

Combined, these investments of $1.5 billion will help stabilize and support Ontario colleges as they meet labour market demands and deliver the Protect Ontario plan.

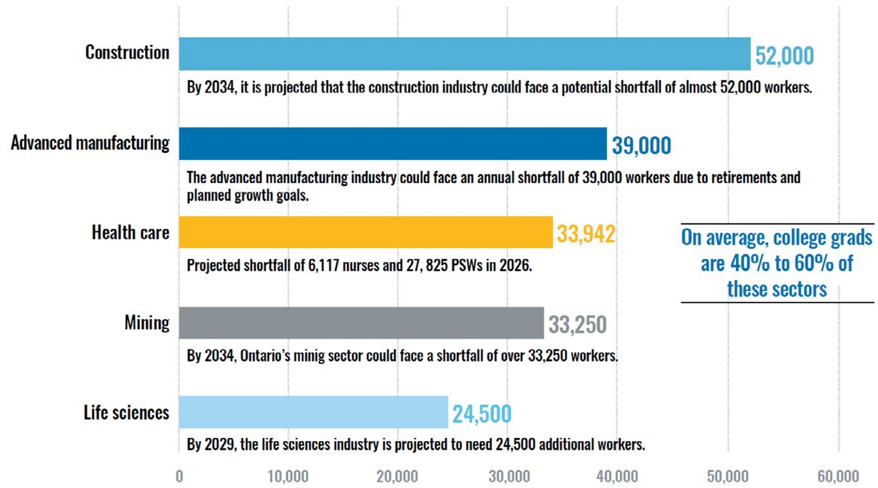
Colleges are training Ontario's future workforce

The province's Protect Ontario plan depends on a skilled workforce that public colleges are already preparing. The province's plan focuses on health care, trades and technology, infrastructure and advanced manufacturing.

Colleges supply the workers who build homes, staff hospitals and power key industries. Programs in the trades, technology, health care, energy, life sciences and logistics produce graduates who can enter the workforce immediately.

But labour shortages threaten to derail the province's plans. A recent study conducted by Stokes Economics on behalf of Colleges Ontario found that Ontario needs more than one million college graduates in the skilled trades, health care, energy, mining and advanced manufacturing over the next 10 years.

Projected labour shortages in industries key to the Protect Ontario plan



Ontario's public colleges play a key role in domestic workforce generation. They graduate more than 13,000 trades students each year and deliver over 75 per cent of in-class apprenticeship training. Last year, nearly 70,000 students were enrolled in trades and technology programs in Ontario's colleges.

Health care faces similar pressures and colleges are helping to fill gaps. The Financial Accountability Office projects that Ontario could face a combined shortfall of 33,000 nurses and personal support workers by 2027. Meanwhile, colleges are expanding nursing and paramedic programs, supported by the Ontario Learn and Stay Grant, which encourages students to train and stay in rural and northern communities.

REGION	PROGRAMS SUSPENDED
Eastern	-37
Western	-24
Central West	-15
Central East	-8
Northern	-8

Despite these critical contributions, Ontario's colleges face severe financial strain. Operating grants are $7,700 per student below the national average. Domestic tuition is $1,100 lower. Declining international enrolment could cut revenue by $4.2 billion by 2027-28. Provincial grants no longer cover the full cost of programs, leaving a gap of more than $5,200 per student.

Colleges have cut $1.4 billion in costs, suspended more than 600 programs and eliminated over 8,000 staff positions. In 2025 alone, these cost saving measures will result in up to 6,000 fewer graduates in construction, advanced manufacturing, health care, life sciences and mining and energy programs.

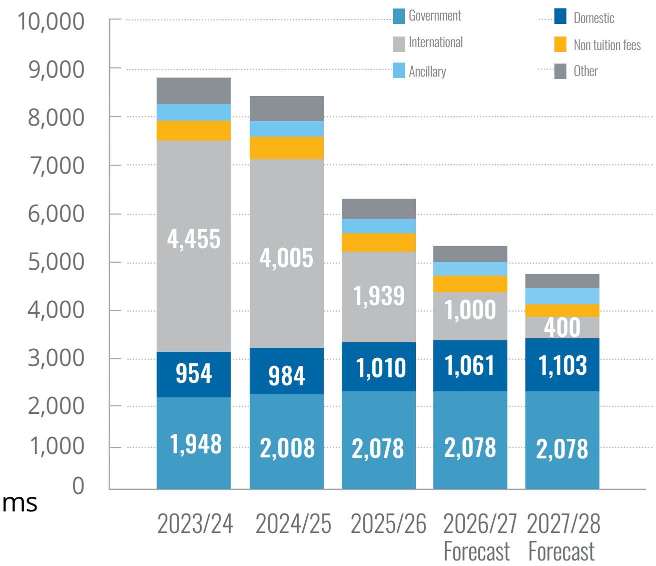
Funding pressures threaten sustainability

Federal changes in the 2025 budget highlight the fragile state of college funding. International revenue can no longer be relied on to subsidize domestic programs. Funding for Ontario students is meant to come from the provincial government, but support has steadily declined after adjusting for inflation.

Operating grants are $7,700 per student below the national average. Transfer payments fell more than $500 million in real terms between 2018-19 and 2024-25 due to inflation adjustments. Additionally, global inflation is adding $600 per student annually to program delivery costs, widening the funding gap.

Colleges remain committed to access, directing tuition revenue to financial aid and student support. Ontario's public colleges are among the most accessible in Canada, with non-degree tuition averaging $2,700, the third lowest nationally. Nonetheless, domestic tuition still sits $1,100 below the national average, limiting colleges' ability to expand programs or increase financial aid.

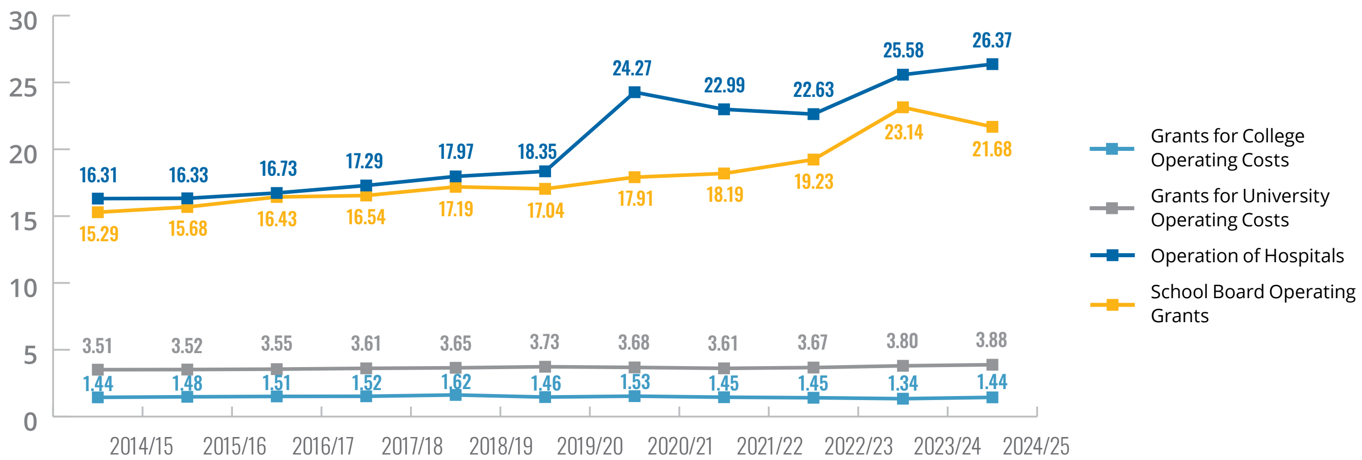
Revenue Breakdown ($ millions, CFIS)



While domestic enrolment is increasing marginally, just shy of 10 per cent increase over the past two years, declining international enrolment adds further pressure. Over the next two years, international enrolment is expected to decline by over 70 per cent from 2023-24. Colleges forecast a revenue decline of up to $4.2 billion by 2027–28. Deficits are expected to outpace cost reductions and cannot be fully offset by efficiency measures, many of which require upfront investment.

With expenses rising—salaries alone are projected to increase 4.5 per cent annually—the sector faces a structural deficit approaching $1.5 billion by 2027-28, not including capital and deferred maintenance. Without additional government investment, colleges cannot maintain programs, expand capacity or meet Ontario's workforce needs. This puts domestic students' access to training at risk and threatens the pipeline of job-ready graduates that local industry and new investment need.

Transfer Payment Operating Grants, select Sectors ($ billions, Ontario Public Accounts)



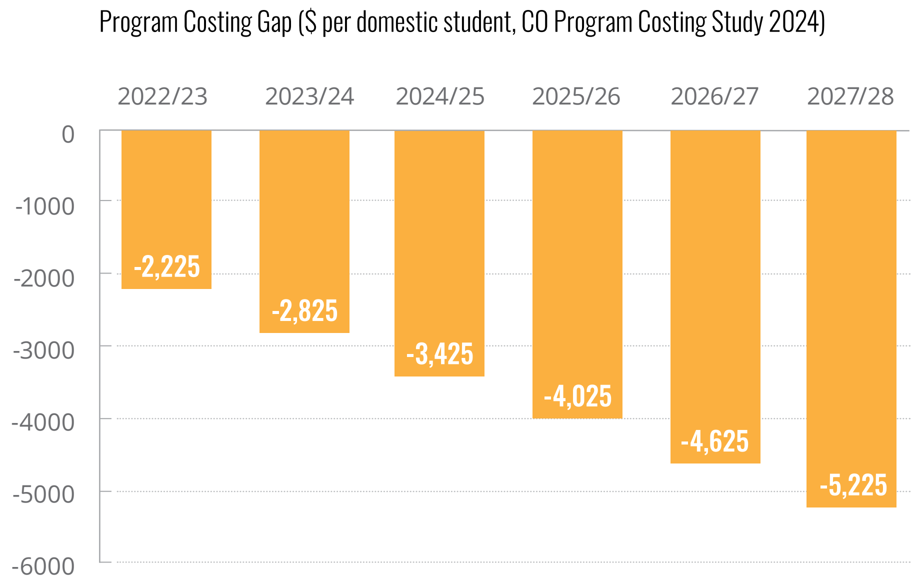
Recommendation #1: Address the structural deficit by providing $1.1 billion through operating grants to base funding and adjusted college tuition to close the per-student funding gap.

Colleges face a growing structural deficit. Operating grants and domestic tuition are insufficient to sustain programs. Rising costs including inflation, collective bargaining and program delivery mean the deficit could exceed $5,200 per student by 2027-28.

Colleges Ontario recommends new investments to close the gap:

- **Operating grant increases** to base funding should include $1 billion in incremental funding through government, averaging $5,000 per student.
- **Fee adjustments** should provide $110 million or more from adjusted college tuition that keeps pace with inflation, including a one-time catch-up of $500 or phased over two years, followed by annual increases of $150 to maintain affordability and support financial aid.
- **Inflationary adjustments** should also be included as part of these investments, with increases of $150 million per year to address collective agreements, impact of tariffs and general inflation.

This combination would close the projected $5,200 per-student funding gap and ensure colleges can continue delivering accessible, high-quality programs. The recommendation aligns with proposals from the Funding Formula Review and reflects adjustments under the Strategic Mandate Agreement framework.



Recommendation #2: Support high-priority programs by investing $200 million to expand enrolment for upskilling and retraining programs in priority sectors such as the trades, technology, health care and advanced manufacturing.

Ontario's colleges are central to delivering the workforce needed for the Protect Ontario plan. They train more than 300,000 learners each year in programs for health care, skilled trades, technology, advanced manufacturing and more.

The programs most vital to Ontario's economy are also the most expensive. The 2024 Colleges Ontario Program Costing Study found per-student funding gaps of $4,000 to $6,300 in programs such as Electromechanical Engineering, Welding and Renovation Carpentry. Some programs, particularly in small, northern and rural regions, cost more than $20,000 per student per year to run.

In addition to addressing the operating costs of high-priority, labour-market aligned programs, these programs have substantial capital equipment requirements that will need new investment to run and modernize facilities. Overall, as colleges grow programs aligned with high-priority sectors, capital investments will be required.

With provincial funding $7,700 per student below the national average and tuition $1,100 lower, colleges cannot expand or sustain these high-cost programs, especially with declining international revenue. Without targeted investment, more programs and campuses may face suspension or closure.

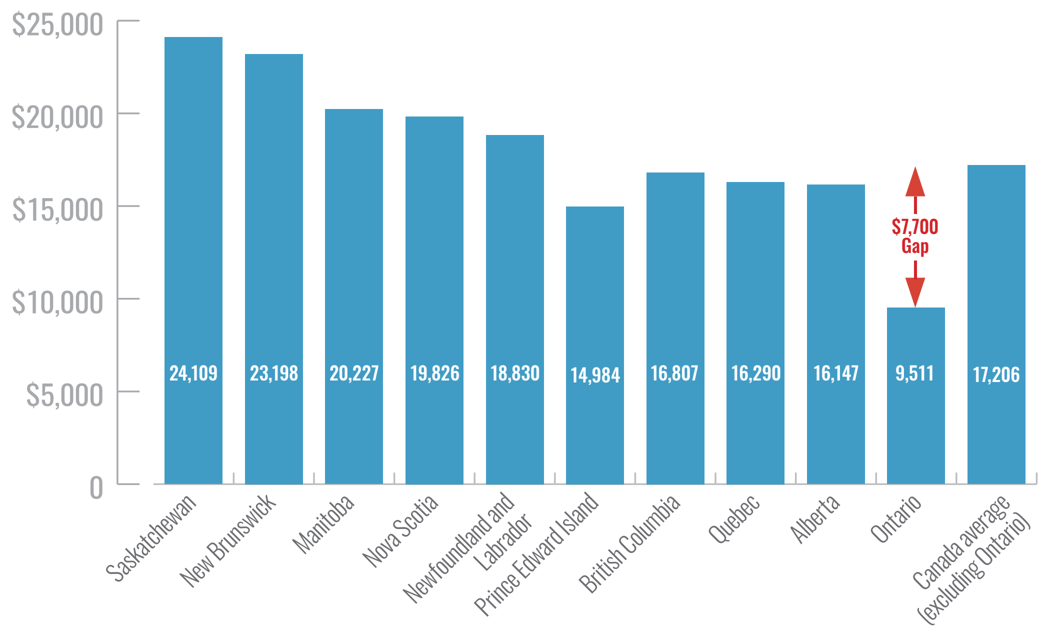
To meet Ontario's workforce needs, Colleges Ontario recommends:

- **Targeted growth investment** of $200 million in operating funding to expand enrolment in high-priority programs that support upskilling and retraining in sectors aligned with Ontario's economic priorities.

At $10,000 per seat, including $5,200 to address the structural deficit, this investment would create up to 20,000 additional seats.

These investments do not include capital funding, which will be needed to address the deferred-maintenance backlog and support strategic investments in high-priority, labour-market programs. To grow, colleges will require both operating and capital dollars. Targeted enrolment growth, paired with strategic capital funding for priority programs, will strengthen the programs Ontario's economy and communities rely on most.

Provincial Operating Grants by Province (Stats Canada FINCOL 2023/24)



Recommendation #3: Maintain regional access to training options by committing an additional $200 million to small, northern, rural and French-language colleges and campuses to reflect full costs of operating those campuses and delivering programs and services.

Ontario's colleges serve learners and employers in every region, including communities where smaller enrolment and higher operating costs make programs harder to sustain. Small, northern and rural colleges are part of the Ontario Regional Economic and Workforce Innovation Network (OREWIN), which develops local solutions to keep Ontario competitive. Many of these colleges are the sole training providers in their communities, preparing workers for changing labour needs, supporting strategic industries and driving economic growth.

The Ministry should continue to support these colleges through the Small, Northern and Rural Grant. Funding should be simplified, expanded to all colleges with campuses in small, northern or rural communities and indexed to inflation. Of the government's $10-million increase in 2024 and 2025, colleges received only $3.3 million. Permanent, increased funding is needed to maintain stable access to trades, technology and applied sciences programs.

French-language colleges also play a critical role in serving learners and employers across Ontario. The Ministry should modernize and increase French-language college grants and introduce an inflationary mechanism to reflect rising costs. Current funding has not been updated in years, leaving these colleges underfunded and unable to meet growing demand.

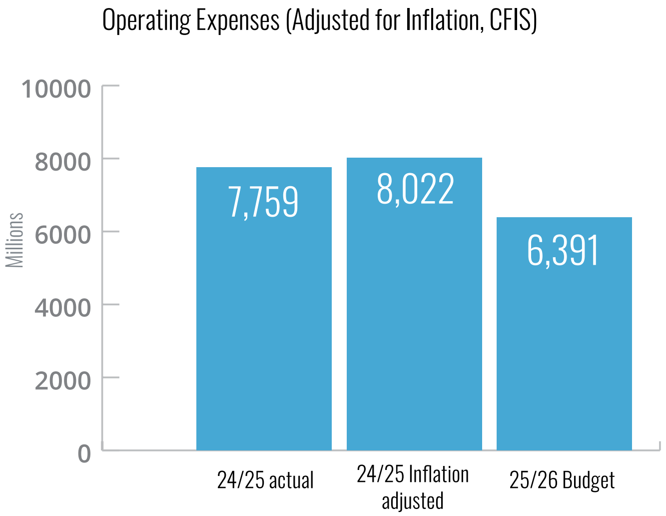
To ensure equitable access to training across the province, Colleges Ontario recommends:

- **Expanded Small, Northern and Rural Grant and French-language college investments:** Additional $200 million annually *for colleges* with small, northern, rural and/or French-language campuses indexed to inflation, as a permanent base investment and a revised, inflation-indexed funding model that reflects operational realities and supports growth.

Sustained investment in rural and northern campuses and French-language colleges will strengthen Ontario's workforce and ensure every region benefits from economic growth.

Recommendation #4: **Kick-start a new era of innovation by committing $100 million over three years to a dedicated collaboration and innovation fund.**

Colleges have reduced costs through staff restructuring, program suspensions, service cuts and campus closures. Expenditures fell from $7.8 billion in 2024-25 to $6.4 billion in 2025-26. Normally, costs rise each year with inflation and collective agreements, so further cuts could compromise program quality and the ability to meet community labour market needs.



Colleges have demonstrated strong financial accountability, achieving $1.4 billion in savings and eliminating over 8,000 positions. Existing accountability measures include the Governance and Accountability Binding Policy Directive, Business Plan and Annual Report Operating Procedures, the Financial Health Framework, Strategic Mandate Agreements, Performance Metrics and directives covering entrepreneurial activities, program funding, part-time activity, and tuition and ancillary fees.

As leaders in accountability, colleges can and want to do more to improve efficiency while working with the government to reduce red tape and reporting burdens. Colleges used provincial efficiency reviews to find savings and identify more opportunities to streamline operations. Many of these gains can only be achieved with new funding to support ongoing sector-wide collaboration. Funding would support collaborative efficiencies, including shared programs and content, student services, cybersecurity, finance and HR systems. These joint initiatives will likely require ministry support to achieve long-term impact. To achieve further efficiencies, Colleges Ontario recommends:

- **Kick-starting a new era of innovation through a collaboration and innovation fund:** $100 million over three years designed to incentivize and support investments in arrangements or sector-wide partnerships for shared services, cybersecurity, finance and HR systems and other projects identified in collaborative efficiency reviews.

These initiatives will require upfront funding to generate long-term savings, while supporting colleges' mandate to provide access, deliver high-quality programs and prepare people for the labour market.

Conclusion

Ontario's public colleges are vital to the province's economic growth, workforce development and community strength. With the right investment, colleges can equip people with the skills needed to power every part of the economy, from health care and housing to advanced manufacturing and clean energy.

Colleges employ LEAN practices across the sector through existing collaborations with a continuous goal of improvement. Through shared services, open education resources and a centralized library system alone, colleges have saved more than $250 million since 2020. The many regulatory frameworks and reporting structures continue to support strong provincial oversight and colleges are proud of their high standards of delivery and compliance.

However, the challenges are real. Structural deficits and funding pressures threaten training capacity at a time when Ontario needs more skilled workers. Immediate action to stabilize college operations, expand high-demand programs and support campuses in small, rural, northern and French-language communities will ensure no region or sector is left behind.

Investing in colleges is one of the most effective ways to grow and protect Ontario's economy. Every dollar delivers strong returns through job creation, community renewal and a workforce ready to meet the province's most urgent needs.

With sustained partnership and strategic funding, Ontario's colleges will continue to deliver practical, innovative education that changes lives, supports families and strengthens communities. A strong and stable college sector means a stronger Ontario that can compete globally, grow sustainably and create opportunities for every region.