

## Stakeholder Summary

### Critical questions need answers before design work begins on new funding model

In the midst of the Ontario government's [review](#) of its university funding model, the Higher Education Quality Council of Ontario (HEQCO) has issued the second of its background reports to help inform the process.

In *Design Questions: Funding Models for Ontario*, report author Martin Hicks says that the measurability of funding model objectives, variations in the model's application and the impact of performance on funding shares need to be identified before detailed design work begins on a model that meets the province's needs.

Currently, the Ministry of Training, Colleges and Universities uses an enrollment-based formula to distribute a \$3.5B annual provincial operating grant to the province's 20 publicly assisted universities. According to the June 2015 [HEQCO report](#), the model is a relatively small component of total university system revenues and must be "managed in a focussed and strategic way if it is to be effective in shaping behaviour towards desired provincial objectives."

The new HEQCO report poses three design questions for consideration by the province:

- What outcomes does Ontario wish to buy with funding model dollars? How will these outcomes be measured and translated into funding shares?
- How differentially will the model apply? Will one universal formula be applied to all universities or will there be a tailored, differentiated approach?
- How dynamic do we want the model to be through time? Will institutional funding shares adjust on the basis of measured performance against objectives and, if yes, how aggressively?

The questions are then applied to four funding models that reflect the range potentially available to Ontario: the current enrollment-based model; a fixed share model that is tied to the annual change in the total allocation for the university sector; a re-earnable portion model where a portion of each institution's notional funding share is held back pending measured performance on agreed-upon outcomes; and a competitive marketplace model where institutional shares adjust on competitive performance within the system on one or more measured outcomes.

When viewed through the lens of the government's stated objectives, the report suggests that both the re-earnable and competitive marketplace models might be more effective, although Hicks notes that the report's goal is solely to kick-start the design of a new funding model.

"Our goal is not to pick a funding model for Ontario," writes Hicks. "That is the purview of the government review and ultimately of the Ontario Cabinet. Our objective is to provide some tools by which different models might be analyzed with respect to their fit to Ontario's requirements... The most important thing is to begin at the beginning: understanding the province's objectives or outcomes for the university sector."

Author of *Design Questions: Funding Models for Ontario* is Martin Hicks, HEQCO's executive director, data and statistics.