
Ontario's Postsecondary Education System

Performance/Outcomes Based Funding – Technical Manual

September 2019

Version 1.2

Ministry of Training, Colleges and Universities

Ontario's Postsecondary Education System Performance/Outcomes-Based Funding - Technical Manual

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Date	Version	Revisions
September 2019	1.2	Version released to sector on 09/24/2019.

1.0 INTRODUCTION AND BACKGROUND

This manual describes the processes underlying implementation of the performance/outcomes-based funding grant in the Differentiation Envelope of Ontario's University and College Funding Models. The performance/outcomes-based funding grant will be tied to performance outcomes starting in 2020-2021 as part of the third round of Strategic Mandate Agreements (SMA3).

Activation of the performance/outcomes-based funding grant is aligned with the planned reforms to the university and college funding models, which previously included implementation of corridor-based enrolment funding and the establishment of the Differentiation Envelope.

The focus of this manual is to provide an overview of the Ministry of Training, Colleges and Universities' (MTCU) approach to the activation of the performance/outcomes-based funding grant portion of the college and university funding models. This manual is intended to work in conjunction with the existing College and University Funding Model Technical Manuals.

Strategic Mandate Agreements and Postsecondary Education Funding

Strategic Mandate Agreements (SMAs) are bilateral agreements between the ministry and the province's 45¹ publicly-assisted colleges and universities. SMAs are a key component of the ministry's accountability framework for the postsecondary education system.

During the first round of Strategic Mandate Agreements in 2014 (SMA1), MTCU committed to engaging the university and college sectors on changes to their respective funding models in order to better support funding predictability and stability, as well as support differentiation and student-focused outcomes.

In 2016, this engagement took place, resulting in a redesign of the college and university funding models, including the following elements:

- Allocating the Core Operating Grant based on enrolment through a corridor mechanism to help support predictable funding during a period of projected demographic change and anticipated enrolment decline for many institutions; while supporting managed enrolment planning for both institutions and the government.
- The establishment of the Differentiation Envelope and creation of the Performance/Outcomes-Based Funding Grant, which links a portion of operating grant funding to performance outcomes and allows a greater focus on performance and outcomes over successive SMA cycles.

¹ The Northern Ontario Medical School (NOSM) will have a customized Strategic Mandate Agreement for 2020-25.

The second round of Strategic Mandate Agreements (SMA2) were executed in 2017, implementing the first phase of the funding model redesign - implementation of the corridor mechanism, with universities entering enrolment corridors in 2017-18 and colleges entering enrolment corridors in 2019-20.

On April 11, 2019 the government announced that performance/outcomes-based funding would be implemented through the next round of Strategic Mandate Agreements (SMA3). Starting in the first year of SMA3 (2020-21), a system-average of 25% of MTCU operating grant funding will be provided on the basis of performance outcomes and ramping up to 60% by 2024-25.

At this same time, the government announced a finalized set of metrics against which institutional performance would be assessed, and the details of the mechanism that would be used to evaluate institutions' performance and resulting funding allocation.

Objectives for performance/outcomes-based funding include:

- Increasing trust and accountability through transparency and improved performance outcomes;
- Reducing red tape by striking an appropriate balance between accountability and reporting;
- Incentivizing colleges and universities to redirect resources and invest in initiatives that result in positive economic outcomes;
- Encouraging alignment of postsecondary education with labour market outcomes; and,
- Incentivizing differentiation and specialization to support increased efficiencies.

In order to best meet these objectives, metrics have been selected and a performance/outcomes-based funding mechanism designed that best supports 'differentiated improvement', recognizing important institutional differences in terms of size, mandates and institutional strengths.

2.0 POSTSECONDARY EDUCATION SYSTEM FUNDING MODEL OVERVIEW

As described further in the university and college funding technical manuals, the university and college funding models include three major components:

1. **Enrolment Envelope:** funding related to enrolment, which includes a **Core Operating Grant (COG)** under which:
 - Colleges and universities are given a portion of operating funding based on a specific level of eligible enrolment (expressed in Weighted Grant Units (WGU) for universities and Weighted Funding Units (WFU) for colleges).

- The grant for each eligible student is calculated using the same amount of funding, weighted by program.
 - COG funding is governed by an enrolment corridor mechanism. This provides equitable, predictable and stable funding for all institutions and provides a greater certainty for institutions and government in enrolment planning.
2. **Differentiation Envelope:** funding related to the **Performance/Outcomes-Based Grant**, under which:
 - A portion of total operating grant funding for colleges and universities is based on performance against outcomes in metrics aligned with government priority areas.
 3. **Special Purpose Grants / Other Institutional Grants:** funding by which the government is able to address system priorities, such as initiatives to improve access for Indigenous learners, francophone students and students with disabilities. Also included are institution-specific grants, such as the Northern Grant; Small, Northern and Rural Grant; French Language/Bilingual grants.

2.1 Differentiation Envelope and Performance/Outcomes-Based Funding Grant

During the SMA3 period, the Differentiation Envelope proportion of overall provincial funding will grow in the manner described in Table 1 below, to a system-average of 60% of provincial operating grants in each sector by the year 2020-25.

2020-25 Strategic Mandate Agreements				
2020-21	2021-22	2022-23	2023-24	2024-25
25%	35%	45%	55%	60%

Table 1. Proportion of Provincial Operating Grants Distributed Based on Performance*

*Values represent a system-average of provincial operating grants to each sector; institutional proportions will vary.

In 2016, as part of the funding model review, the ministry established initial amounts of an institution's Differentiation Envelope, reflecting historical differences in the system, such as program mix.

Expansion of institutional proportions of the Differentiation Envelope to create institutional notional performance/outcomes-based grant allocations has been accomplished as follows:

1. Reprofile existing quality, performance and differentiation funding:

- **Colleges**
 - College Funding Formula Holdback; and,
 - College Performance Funding.

- **Universities**
 - University Performance Funding (Key Performance Indicators);
 - Research Overhead/Infrastructure Envelope (ROIE)
 - General Quality Fund; and,
 - Enrolment funds resulting from the Per-Weighted Grant Unit equalization and adjustment exercise as part of the university funding model reform;
 - Graduate Expansion Performance Grant; and,
 - Differentiation grants for specific institutions (e.g., Trent University, Ontario College of Art and Design, and Nipissing University).

2. Reduction of Weighted Funding Units (WFU)/Weighted Grant Units (WGU) values:

- To create a system-wide Differentiation Envelope proportion of 60% of provincial operating grants to be delivered on the basis of performance outcomes, the funding rate for WFU/WGUs have been reduced on an equal basis.

- As performance/outcomes-based funding will increase incrementally until reaching a steady-state of 60% in 2024-25, the funding rate of per-WGU and WFU will be reduced each year until the desired average proportion is reached (see Table 2 on page 9).

3. Consistently applied methodology:

- Funding has been reprofiled from the Enrolment Envelope into the Performance/Outcomes-based Grant in a way that will be grant neutral for institutions.
 - Special Purpose Grants and grants previously characterized as 'mission-related' grants were used for totalling purposes, but not changed through the reprofiling of funding. These grants will be re-categorized under Special Purpose Grants/Other Institutional Grants. The conditions for the expenditures of these grants are determined through existing processes, such as transfer payments agreements or individual grant structures.

- For the purposes of determining the proportion of overall provincial operating grants reprofiled to create the performance/outcomes-based funding grant allocations, International Student Recovery (ISR) amounts, grants to other organizations, and one-time-only funding will be netted out. The system-wide and institutional proportions will be based on the resulting net grants to the institution.
- The principle of equalized per-student funding rates in the corridor has been maintained, with reductions being applied on a consistent per-WGU and WFU fund rate basis.
- The number of WGU/WFUs used for this purpose will be the corridor midpoint value assigned to an institution in the year for which the 'move over' is complete. For universities in SMA3 the corridor midpoint will include teacher education spaces and graduate spaces (master's and doctoral) achieved up to target in SMA2 as per ministry communication on July 25, 2019. Collaborative nursing and clinical education students will continue to be funded as per the current approach.
- Institutions will be expected to maintain enrolment levels for the purposes of corridor enrolment funding as per the University and College Funding Model Technical Manuals.
- Institutions have differing grant 'mixes' as well as differing proportions of Core Operating Grants delivered on the basis of WGU/WFUs. As such, the notional performance/outcomes-based funding grant allocations for each institution will vary proportionally.
- As performance/outcomes-based funding grows incrementally, each year institutions will be 'capped' at the annual performance/outcomes-based funding proportion (e.g., 60%). Any funds above the cap will not be tied to performance outcomes and will flow through regular payment processes as part of the Differentiation Envelope.

The following is the resulting conceptual postsecondary education system funding model at its mature state in 2024-25.

Enrolment Envelope (33% Universities) (20% Colleges)	Differentiation Envelope (60% Universities) (60% Colleges)	Special Purpose Grants / Other Institutional Grants (7% Universities) (20% Colleges)
<ul style="list-style-type: none"> • Core Operating Grant, allocated based on enrolment through a corridor mechanism 	<ul style="list-style-type: none"> • Performance/Outcomes-Based Funding grant* distributed on the basis of outcomes on targets against metrics, through SMAs <p>*Capped at the annual proportion; any above cap impact funding is flowed to institutions</p>	<ul style="list-style-type: none"> • Includes purpose-specific grants such as mental health, French-language supports, and institutional sustainability / extraordinary grants • In the college system, includes health-related enrolment funding, such as collaborative nursing and clinical education

Figure 1. Conceptual College and University Funding Models: 2024-25

*Proportions are system averages of total provincial operating funding. Special Purpose Grants include institutional differentiation grants. The college system proportion of Special Purpose Grants/Other Institutional Grants includes health-related funding not modified in per-student funding reduction exercise to create the expanded Differentiation Envelope(s).

3.0 NOTIONAL PERFORMANCE/OUTCOMES-BASED FUNDING ALLOCATIONS

As described above, up to 60% of total provincial operating funding will be delivered on the basis of performance outcomes by 2024-25. As such, the Differentiation Envelope will increase incrementally as per Table 1 on page 5.

However, institutions will have differing proportions of their overall provincial operating grants delivered on the basis of performance outcomes, which will be capped at the annual proportion. The ministry will calculate these new Differentiation Envelope funding amounts and provide them to institutions at the beginning of the SMA process.

As described in Section 2.1, funding will be transferred from the Enrolment Envelope, through a reduction in WGU/WFU rates, to each institution's Differentiation Envelope to create an institution-specific notional performance/outcomes-based funding allocation. Differences in proportions are a function of historical factors and program, grant mix and overall revenue derived from enrolment funding.

As the system-wide average grows, institution-specific notional allocations will also grow in accordance with the timeline described in Table 1 on page 5.

The five-year notional allocations will not be impacted by an institution's previous year performance. While there is a risk that an institution may fail to earn all of its notional allocation in a given year, any funding loss will apply to that year only, next year's allocation will be unaffected and will 'reset'.

3.1. Allocation Methodology

To create the system-wide Differentiation Envelope proportion of 60% provincial operating funding for colleges, Weighted Funding Units (WFUs), and for universities, Weighted Grant Units (WGUs) funding rates have been reduced.

	2020-25 Strategic Mandate Agreements (SMA3)					
Year	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
System-wide Proportion: Performance/Outcomes-Based Funding	1.2% (C) 1.4% (U)	25%	35%	45%	55%	60%
Projected WFU Value*	\$4,150	\$2,990	\$2,447	\$1,904	\$1,360	\$1,089
Projected WGU Value*	\$2,903	\$2,343	\$2,000	\$1,657	\$1,314	\$1,143

Table 2. WFU/WGU Modifications

*Modification will be impacted by overall grant levels, as well as proportionality of grant types at the time, therefore the above are estimates based on 2017-18 allocations.

As performance/outcomes-based funding proportions are increased incrementally over a five-year period, per-WGU and WFU values will be modified annually in order to create the desired proportion of overall provincial operating grants delivered on the basis of performance outcomes.

The differences in required modification can be attributed to the higher volume of WGUs in the university system (more than 1 million WGUs to more than 250,000 WFUs). Therefore, the different funding rate changes in the sectors are a result of a number of factors, including relative starting proportions of the funding envelopes, and the number of total funding units in the system overall.

The approach on how corridor midpoints will be established for the duration of the SMA3 2020-25 period has been confirmed through a ministry communication to the sectors on July 25, 2019. Confirmation of each institution's corridor midpoint will be communicated as part of the bilateral discussions.

As described in section 2.1, one-time-only funding, ISR, and grants to other organizations have been netted out of system and institution-level funding prior to moving funding from the per-WGU/WFU value to the Differentiation Envelope.

Therefore, the desired overall proportion of performance/outcomes-based funding, and the associated value, will be calculated against this net provincial operating grant total.

One-time-only funding and grants to other organizations have been included for totalling purposes to determine that year's institution-specific notional allocation but will be reconciled through the usual accounting practices for this funding.

The prior year's ISR will be deducted, at an institution by institution level, from the Core Operating Grant at each institution prior to the calculation of that year's 'move-over' and WGU/WFU funding rate adjustment to create the desired proportion of performance-related funding. Using a net-of-ISR (as well as one-time-only funding and other organization grants) provincial operating total will ultimately reduce the gross amount of funding to be reallocated, avoiding a greater impact than necessary to enrolment funding in order to achieve the desired proportions.

Prior year ISR will be used as a proxy for anticipated ISR in the 'move over' calculation in order to avoid the potentially impactful in-year adjustment to funding proportions that would be required to incorporate current-year ISR figures. Any reconciliation to total funding that normally follows the finalizing of a given year's ISR will continue as currently in place, but it will not require any additional 'move-over' considerations.

It is important to note that initial notional allocations remain grant neutral for institutions.

3.2. Funding Distribution

Funding delivered on the basis of SMA-related outcomes will flow in-year, with an institution's performance/outcomes-based funding grant allocation delivered using the existing semi-monthly disbursement approach. Any residual funding in the Differentiation Envelope resulting from the annual performance/outcomes-based funding cap will also be delivered through this process.

As such, institutions will begin the fiscal year by receiving their Differentiation Envelope, including their notional performance/outcomes-based funding grant allocation disbursed through semi-monthly payments as per the ministry's regular payment schedule. Performance will be assessed through a 3rd Quarter (Q3) Annual Evaluation Report. Should an institution's performance fail to earn it 100% of its notional performance/outcomes-based funding allocation, the remainder of its semi-monthly payments in Q3 and Q4 will be adjusted based on performance results.

4.0 IMPLEMENTATION OF PERFORMANCE/OUTCOMES-BASED FUNDING

As described above, key objectives for performance/outcomes-based funding include supporting an increased institutional focus on postsecondary education alignment with labour market and economic outcomes, while demonstrating accountability and transparency through improved performance outcomes tied to government priorities.

Performance/outcomes-based funding will be operationalized through SMAs, using funding in the Differentiation Envelope (e.g., institution’s notional performance/outcomes-based funding grant allocations), and distributed through the mechanism that is later described in this manual.

4.1 Strategic Mandate Agreements

SMAs are a key accountability tool for the ministry. As SMAs are iterative in nature, each cycle presents an opportunity to focus on targeted government priorities.

As such, the beginning of each SMA cycle will establish the following operational considerations:

- Confirmation of government priority areas, as well as associated system-wide and/or institutional-specific performance metrics and reporting metrics;
- Institution notional funding allocations;
- Confirmation of enrolment corridors;
- Establishment of targets;
- Metric bands of tolerance and other evaluation parameters;
- Metric weighting parameters;
- Annual performance evaluation processes; and,
- Other items as necessary.

Details on the SMA3 cycle can be found in section 6.0.

4.2 Performance/Outcomes-Based Funding Mechanism

A mechanism to implement performance/outcomes-based funding has been designed that best supports differentiated and continuous improvement and aligns with the principles and objectives for performance/outcomes-based funding.

The mechanism’s key design features balance increasing the effectiveness and efficiency of institutions, while supporting institutional strengths in the postsecondary education system. Below is a visual representation of the performance/outcomes-based funding mechanism.

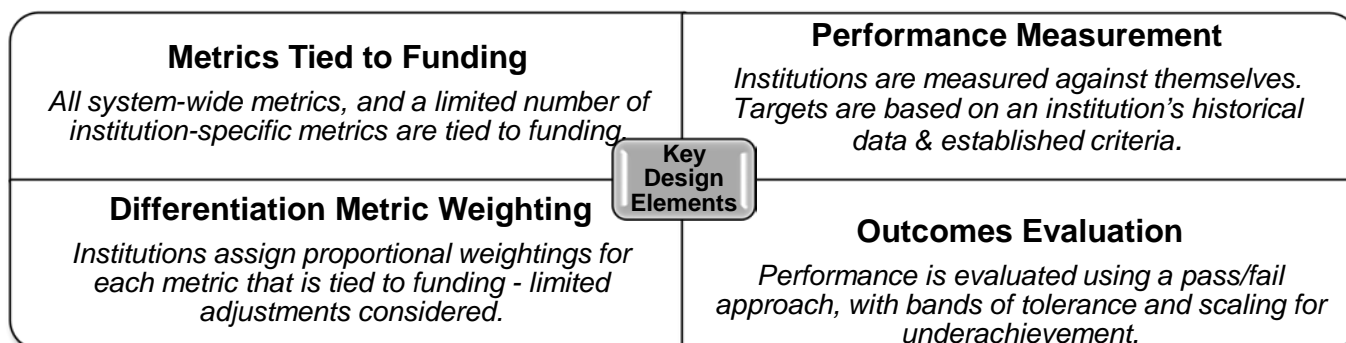


Figure 2. Conceptual Performance/Outcomes-based Funding Mechanism

Metrics Tied to Funding

Performance metrics tied to funding are selected from sources that allow for improvements in data quality and follow predictable and regular reporting schedules that can be validated, replicated and verified. Metrics are balanced and broad enough to recognize the individual strengths and mandates of Ontario's postsecondary institutions in serving local communities and economies.

For more details on SMA3 performance metrics and reporting schedule please see section 6.1.

Differentiation Metric Weighting

To support institutional strengths and recognition of contributions to their communities and postsecondary education system, institutions will assign metric weightings to the performance metrics.

Metric weightings will impact the share of an institution's notional funding that can be received for successful performance related to a particular metric. The ministry will set parameters around metric weightings.

Metric weightings must total 100% and must be established for the duration of the SMA period. Institutions may be eligible to adjust weightings once during the SMA period.

For more details on SMA3 metric weighting parameters please see section 6.2.

Performance Measurement

Institutions will be measured against individualised targets based on historical performance. During the target-setting process, the ministry will establish targets using an institution's historical data and ministry established criteria.

The ministry will prepopulate measurable and quantifiable targets which support continuous improvement consistent with the institutional performance history for finalization during the SMA bilateral discussion period. Targets will be established using consistent principles.

For more details on target-setting, please see section 5.0.

Outcomes Evaluation

Institutions will be assessed annually by the ministry on performance against institutional-specific targets on performance metrics.

The ministry will also set reasonable bands of tolerance around targets to help mitigate against small year-to-year variances in performance. Bands of tolerance will be included

in assessing achieved targets and will be informed by typical year-to-year variance experienced by institutions in that metric.

Institutions will receive their funding allocation for each metric by achieving or exceeding their allowable performance target (target - (target*band of tolerance)). Scaling for underachievement of allowable performance targets will be applied in cases where targets (and associated bands of tolerance) were not achieved.

Performance results will be communicated to institutions through the SMA Annual Evaluation Report. Evaluation will apply the following principles:

- Performance will be assessed on a metric-by-metric basis, and all performance will be expressed as a percentage of the target achieved so as to be comparable between metrics.
- An institution will receive 100% of the funding for a metric by meeting or exceeding its allowable performance target (target - (target*band of tolerance)). If the target is not met, partial funding, commensurate with actual performance, will be received. For example, if an institution achieves 90% of its allowable performance target on a metric, it will receive 90% of the notional funding associated with that metric.

5.0 TARGET-SETTING & BANDS OF TOLERANCE

Institutions will be measured against their own targets based on historical performance. Targets will be established using an institution's historical data and include a continuous improvement factor.

The ministry will assign metrics a 'band of tolerance', or an allowable range around a target where institutional achievement will be considered successful for the purposes of earning 100% of the institution's weighted notional allocation for that metric.

The target-setting process and associated bands of tolerance will support continuous improvement and be aligned with institutional performance history. In select cases, and with supporting data or context, targets that reflect the maintenance, or in rare cases, decline of performance in an area will be considered.

Principles informing the approach to target-setting and metric bands of tolerance are as follows:

- Targets and bands of tolerance will be set for each year of the SMA period;
- Targets will be numeric and objectively verifiable;
- Methodology is defensible, and based on a formulaic approach that can be consistently applied;
- Methodology passes standard of being reasonably simple and understandable by non-technical experts;

- Informed by institutional historical performance; institutions will be asked to supply historical data for metrics where they are the ‘keepers’ of the data;
- Includes element of continuous improvement and disincentivizes ‘continuous decline’;
- Recognizes the most recent historic performance in setting annual targets;
- Methodology allows for targets and bands of tolerance to be set on a metric-by-metric and institution-by-institution basis; and,
- Supports institutional strengths, including considerations for ‘best-in-class’ institutions.

5.1 Target-Setting Approach

Targets will be updated annually and set using the smallest percentage point variation over historical average.

The three most recent data points are averaged, and the smaller of the variations between Year 1 & Year 2 and Year 2 & Year 3 is added to the average. The direction of the variations (positive or negative) is not considered – the absolute size of the change from one year to the next will be used to determine the annual variations and to identify the smaller variation over the three-year period.

Example for Illustrative Purposes Only:

Institution A’s Graduation Rate for the three most recent years are 76%, 79%, and 77%.

- The average is 77.3%.
- The smallest annual variation is 2%-points (79% - 77% = 2%-points).
- Resulting in a target of 79.3% (77.3% + 2%-points = 79.3%).

Annualizing Targets & Bands of Tolerance

Consistent with the approach described above, the ministry will refresh performance targets and associated bands of tolerance annually as part of the regular SMA3 Annual Evaluation process.

The methodology will be applied to the most recent year of data which will also be used to inform annual performance outcomes. For specific metrics that use funding amounts², targets and performance outcomes will be calculated using a rolling three-year average.

² Universities: Research Funding & Capacity; Research Revenue Attracted from Private Sector Sources
Colleges: Revenue Attracted from Private Sector Sources

During the SMA cycle, in cases where an institution demonstrates consecutive declines in actual performance for a given metric in the three most recent years, the ministry may choose to recognize only the results from the first two years for the purposes of target-setting.

5.2 Bands of Tolerance Approach

The ministry will establish metric-by-metric and institution-specific bands of tolerance, using a consistently applied formula as described below.

The ministry will assign a band of tolerance, or an allowable range around a target, where institutional achievement will be considered successful for the purposes of evaluation. This recognizes that year-to-year results may fluctuate slightly around a target and will help to mitigate against the funding impact for such small variances.

Bands of tolerance will be set using the average annual percent change (i.e., relative change) from the three most recent years of data. This is to capture relative variance and can be appropriately applied across a variety of measurement units found in the metrics (e.g., percentage and dollar values). The direction of the change (positive or negative) is not considered – only the relative size of the change in percentage terms will be considered.

Example for Illustrative Purposes Only:

Institution A's historical Graduation Rate data shows 74%, 80%, and 78% performance over the last three years.

- The percent change between 74% and 80% is 8.1%.
- The percent change between 80% and 78% is 2.5%.
- The average percent change over the past three years results in a band of tolerance of 5.3% $((8.1\% + 2.5\%)/2 = 5.3\%)$.
- The 5.3% band of tolerance would be applied to the target to create a 'target floor' or 'allowable performance target' $(\text{target} - (\text{target} * \text{band of tolerance}) = \text{allowable performance target})$.

Anomalies

The ministry recognizes that the formulaic approach to bands of tolerance could result in certain anomalies not aligned with the general principles for target-setting and bands of tolerance, therefore the following mitigation strategies have been identified should an institution's calculated band of tolerance result in:

1. A fraction of a percentage under 1% (e.g., 0.5%)
 - Mitigation: a minimum of 1% will be applied.

2. An allowable performance target that is lower than an institution's historical performance
 - Mitigation: this value would be replaced by an allowable performance target equivalent to the lowest annual value in any of the three most recent years of data available.
 - It should be noted that this mitigation would also supersede the 1% minimum, if applicable.

5.3 Target-setting & Band of Tolerance Example

Institution	Most Recent Years of Data			Target*	Band of Tolerance**	Allowable Performance Target
	2015-16 (Year 1)	2016-17 (Year 2)	2017-18 (Year 3)			
A	62.2%	67.4%	76.5%	73.9%	10.9%	65.8%

Table 3. Target-Setting & Band of Tolerance Example

*Average of previous three years, plus smallest year-over-year percentage point variation

**Year-over-year percent change, average over the three most recent years

Target

In the example above, the average of the three most recent years of data is 68.7% $((62.2\% + 67.4\% + 76.5\%) / 3 = 68.7\%)$.

The smallest of the variations between years is 5.2%-points between Year 1 and Year 2 $(67.4\% - 62.2\% = 5.2\text{-points})$. The larger variation is 9.1%-points between Year 2 and Year 3 $(76.5\% - 67.3\% = 9.1\text{-points})$.

The smaller variation is added to the three-year average to establish a target of 73.9% $(68.7\% + 5.2\text{-points} = 73.9\%)$.

Band of Tolerance

In the example above, the institution's historical performance increases from 62.2% in Year 1 to 67.4% in Year 2. This represents 8.4% of the Year 1 value (62.2%).

In Year 2 performance increases from 67.4% to 76.5% in Year 3. This represents 13.5% of the Year 2 value.

The average of the percent changes $((8.4\% + 13.5\%) / 2)$ is 10.9%, which results in the band of tolerance³.

³ Note: The band of tolerance is not impacted whether the variation is positive or negative.

Allowable Performance Target

The resulting target is 73.9%. The band of tolerance is 10.9% of that amount, which is 8.1% ($73.9\% \times 10.9\% = 8.1\%$).

This results in an allowable performance target of 65.8% ($73.9\% - 8.1\% = 65.8\%$).

5.4 Outcomes Evaluation

The ministry will assess each institution on its performance against targets associated with the SMA metrics. Evaluation for the purposes of funding will be conducted on an annual basis and results will be communicated through the SMA Annual Evaluation Report process.

Performance will be assessed on metric-by-metric basis, and all performance will be expressed as a percentage of the target achieved, so as to be comparable between metrics.

Data used for evaluation purposes will be the most currently available data available and verifiable from the sources underlying each metric at the time of the SMA Annual Evaluation Report process.

All performance will be assessed based on a pass/fail approach with scaling for underachievement. Metric-specific bands of tolerance around targets will be a consideration in assessing achieved targets and evaluated performance will result in two potential outcomes:

- The first is a 'pass/fail' assessment, wherein an institution will receive 100% of its weighted notional allocation for the metric with an achievement score that meets or exceeds its target in the metric, or the band of tolerance associated with the metric.

Example for Illustrative Purposes Only:

An institution has a target of 85% in Graduate Employment Rate, with a 2% band of tolerance (83.3% allowable performance target). The institution achieves 84% Graduate Employment Rate, exceeding its allowable performance target. As a result, the institution will receive 100% of its notional funding for this metric.

- The second 'tier' of evaluation occurs when an institution fails to meet its allowable performance target (target – (target*band of tolerance)). In this situation the institution will receive a portion of the metric's notional funding commensurate with its level of achievement on the metric.

Example for Illustrative Purposes Only:

An institution has a target of 85% in Graduate Employment Rate, with a 2% band of tolerance. The institution achieves 77% or 92.4% of its allowable performance target. This is below the 2% band of tolerance for this metric, and so excludes the institution from receiving 100% of the notional allocation associated with this metric. Instead, it will receive a scaled amount of 92.4% of its notional funding for this metric.

6.0 2020-25 STRATEGIC MANDATE AGREEMENTS (SMA3)

SMA3 will be a five-year cycle and will be significantly streamlined to support reporting burden reduction, while implementing performance/outcomes-based funding. SMA3 will deliver bilateral agreements from April 1, 2020 – March 31, 2025, executed between the ministry and Ontario's publicly-assisted colleges and universities, with the following key focuses:

- **Performance Funding:** the ministry will calculate and provide each institution with its annual notional performance/outcomes-based funding allocation.
- **Metric Weighting:** Institutions will assign weightings to each metric in accordance with the ministry established parameters and graduated implementation plan for weighting.
- **Performance Targets:** the ministry will operationalize the target-setting process described in section 5.0, through the prepopulation of institution-specific historical data sets (where applicable) and finalized through discussions.
- **Bands of Tolerance:** the ministry will calculate metric and institution-specific bands of tolerance.
- **Enrolment Funding:** the ministry will confirm the enrolment corridor midpoints for the 2020-25 period. Institutions will provide five-year enrolment projections for domestic and international students.

Broad policy and system design issues will not be considered as part of SMA3 bilateral discussions and will be referred as appropriate within the ministry.

6.1 SMA3 Priority Areas and Metrics

SMA3 will link 10 metrics (nine system-wide and one institution-specific (universities) and eight system-wide and two institution-specific (colleges)) to performance/outcomes-based funding through two priority areas identified to best support the priorities of government, related to:

- Skills & Job Outcomes
- Economic & Community Impact

A third priority area has been identified related to Productivity, Accountability & Transparency, and will include two reporting metrics related to faculty compensation and faculty workload; however, these metrics will not be tied to performance funding.

Metrics will be phased in over a three-year period from 2020-21 to 2022-23, enabling data refinement and/or in some cases data development to support their use in a performance system, as well as to coincide with a phased-in approach to the system-level proportion of funding.

Priority Area	Colleges	Universities
Skills & Job Outcomes	Graduate Employment Earnings	
	Experiential Learning	
	Skills & Competencies	
	Graduate Employment	
	Institutional Strength / Focus	
	Graduation Rate	
Economic & Community Impact	Institution-specific (Apprenticeship-related)	Research Funding & Capacity: Tri-Agency Funding
	Innovation: Funding from Private Sector Sources	Innovation: Research Funding from Private Sector Sources
	Community / Local Impact	
	Institution-Specific (Economic Impact)	
Productivity, Accountability & Transparency	Faculty Compensation	
	Faculty Workload	

Table 3. SMA3 Priority Areas and Metrics

See section 9.0 (Appendices, 9.1) for detailed metric operational definitions and activation for metrics phase-in.

6.2 Metric Weighting Parameters

As described in section 4.2, the performance/outcomes-based funding mechanism has been designed to enable institutions to assign funding weights to the SMA metrics. Metric weightings will impact the share of an institution's notional funding that can be received for successful performance related to a particular metric.

Ministry parameters around metric weightings will be set, which for SMA3 will be a minimum of 5% and a maximum of 25% at steady-state in 2024-25.

As metrics will be phased in over a three-year period from 2020-21 to 2022-23, and associated funding over the full five-year period, the metric weightings and ministry parameters will also be phased-in using the following minima and maxima parameters:

- 2020-21: Maximum 35%, minimum 10%
- 2021-22: Maximum 30%, minimum 5%
- 2022-23: Maximum 25%, minimum 5%

Institutions will be required to set metric weightings for each metric, consistent with the weighting parameters, for each year of the SMA3 period. Metrics must total 100% in any given year and weightings will be quantified by the ministry and confirmed through the SMA3 bilateral discussions.

For all institutions, the Skills & Competencies metric will be weighted at 5% starting in year 2022-23 for participation and posting of results online.

At the government's discretion, institutions will have an opportunity to adjust metric weightings once during the SMA3 cycle.

See section 9.0 (Appendices, 9.2) for metric weighting examples.

6.3 SMA3 Instrument & Institutional Data Workbooks

To begin SMA3 bilateral discussions with institutions, the ministry will prepopulate and issue an institution-specific SMA3 instrument/agreement and data workbook to each institution, which will include metric definitions and sources, historical data, targets for finalization, and the associated bands of tolerance.

For metrics where institutions will provide the data (e.g., Institutional Strength / Focus, Institution-Specific Economic Impact and Institution-Specific Apprenticeship-related (colleges)) institutions will complete the relevant sections of the data workbook for validation / analysis by the ministry for alignment with ministry criteria and data quality.

6.4 SMA3 Annual Evaluation Process

An SMA Annual Evaluation Report will be produced annually. For the 2020-25 SMA period this report will be called the 'SMA3 Annual Evaluation Report'.

In the Fall of each fiscal year for which performance is being evaluated to determine performance/outcomes-based funding, this report will be produced, prepopulated and coordinated by the ministry and distributed to institutions for review and validation, as well as completion of data inputs, where necessary.

7.0 Reallocation of Unallocated Funding

The performance/outcomes-based funding mechanism has been designed to enable the reallocation of unallocated funding, in any given year. When this happens, reallocation would only impact that year, and would not impact future notional allocations.

7.1 Metric-by-Metric Reallocation

Unallocated funding will be reallocated on a metric-by-metric basis, with redistribution proportional to notional allocations by metric.

Therefore, each year, during the SMA3 Annual Evaluation process, any funding made available through underachievement by institutions in a particular metric will be redistributed to all institutions who have earned 100% of their notional allocation in that metric (e.g., have met or exceeded its allowable performance target).

The reallocation of available funding will be based on the relative proportion of institutional notional funding impacted by an institution's performance/outcomes-based grant size and chosen weightings by metric in that year. This process will be repeated for each metric using any funds available in that metric.

The amount of funding available to a successful institution is determined by an institution's share of the total notional funding of all institutions receiving reallocated funds for the individual metric and the relative notional allocations recognizes both the level of risk an institution has in a metric through the assigned metric weighting, as well as the size of the institution.

Example for Illustrative Purposes Only

	Weighting (Min-10%, Max-35%)	Allowable Performance Target	Actual	% of Allowable Performance Target <i>(Actual ÷ Allowable Performance Target)</i>	Notional Allocation	Actual Allocation <i>(% of Allowable Performance Target Achieved x Notional Allocation, max 100%)</i>	Difference (funds available for redistribution) <i>(Notional Allocation – Actual Allocation)</i>	Share of Notional Allocation for Institutions Achieving Targets <i>(Notional Allocation ÷ Σ Notional Allocations for Successful Institutions)</i>	Reallocation <i>(Share of Notional Allocation for Institutions Achieving Targets x Σ Funds available for redistribution)</i>
1	20%	64%	65%	101.6%	\$4,501,974	\$4,501,974	\$0	11.0%	\$156,691
2	15%	74%	76%	102.7%	\$3,195,364	\$3,195,364	\$0	7.8%	\$111,214
3	15%	73%	73%	100.0%	\$4,805,068	\$4,805,068	\$0	11.8%	\$167,240
4	15%	72%	70%	97.2%	\$2,456,396	\$2,388,162	\$68,233	0.0%	\$0
5	20%	72%	73%	101.4%	\$1,383,363	\$1,383,363	\$0	3.4%	\$48,148
6	15%	70%	68%	97.1%	\$5,409,453	\$5,254,897	\$154,556	0.0%	\$0
7	20%	74%	63%	85.1%	\$4,475,317	\$3,810,067	\$665,250	0.0%	\$0
8	15%	77%	78%	101.3%	\$2,088,275	\$2,088,275	\$0	5.1%	\$72,682
9	15%	68%	65%	95.6%	\$3,225,564	\$3,083,260	\$142,304	0.0%	\$0
10	15%	73%	75%	102.7%	\$5,105,304	\$5,105,304	\$0	12.5%	\$177,690
11	10%	66%	67%	101.5%	\$806,897	\$806,897	\$0	2.0%	\$28,084
12	15%	74%	71%	95.9%	\$1,889,656	\$1,813,049	\$76,608	0.0%	\$0
13	10%	65%	66%	101.5%	\$879,627	\$879,627	\$0	2.2%	\$30,615
14	10%	73%	75%	102.7%	\$2,938,114	\$2,938,114	\$0	7.2%	\$102,261
15	15%	65%	70%	107.7%	\$1,260,163	\$1,260,163	\$0	3.1%	\$43,860
16	20%	77%	81%	105.2%	\$4,246,733	\$4,246,733	\$0	10.4%	\$147,807
17	30%	73%	69%	94.5%	\$2,438,436	\$2,304,823	\$133,613	0.0%	\$0
18	20%	71%	71%	100.0%	\$6,993,045	\$6,993,045	\$0	17.1%	\$243,393
19	10%	75%	76%	101.3%	\$788,202	\$788,202	\$0	1.9%	\$27,433
20	20%	72%	69%	95.8%	\$3,111,684	\$2,982,031	\$129,654	0.0%	\$0
21	10%	70%	70%	100.0%	\$276,749	\$276,749	\$0	0.7%	\$9,632
22	20%	73%	68%	93.2%	\$731,300	\$681,211	\$50,089	0.0%	\$0
23	15%	65%	66%	101.5%	\$1,097,227	\$1,097,227	\$0	2.7%	\$38,189
24	10%	66%	68%	103.0%	\$441,499	\$441,499	\$0	1.1%	\$15,366
Total					\$64,545,408	\$63,125,102	\$1,420,306	100.0%	\$1,420,306
Total Notional Allocation of Institutions Achieving Targets									\$40,807,602

Table 4. Metric-by-metric reallocation example

8.0 Adjustments & Continuous Improvement

As described, the SMA cycle will allow for a limited opportunity to make changes to institutional metric weightings once during the cycle. Any requested changes would need to be supported with context on why a weighting may no longer be appropriate, such as a demonstrated change in direction or demonstrated risk arising from current weightings. The ministry maintains the ability to establish principles or limits for these changes.

The ministry will continue to monitor the implementation of performance/outcomes-based funding on an ongoing basis.

For further information on the performance/outcomes-based funding portion of the postsecondary education funding models, contact:

Strategic Mandate Agreement Secretariat, Ministry of Training, Colleges and Universities

Email: StrategicMandateAgreements@Ontario.ca

9.0 APPENDICES

9.1 SMA3 Metric Operational Definitions and Activation Schedule

University Performance Metrics			
Skills & Jobs Outcomes			
Metric Name	Operational Definition	Data Source	Activation
Graduate Employment Rate in a related field	Proportion of graduates of bachelor or first professional degree programs employed full-time who consider their jobs either “closely” or “somewhat” related to the skills they developed in their university program, two years after graduation	MTCU Ontario University Graduate Survey (OUGS)	Year 1 (2020-21)
Institutional Strength/Focus	Proportion of enrolment (FFTEs, domestic and international, all terms for undergraduate and Summer and Fall terms for graduate students) in an institution’s program area(s) of strength	University Statistical Enrolment Report (USER)	Year 1 (2020-21)
Graduation Rate	Proportion of all new, full-time, year one undergraduate university students (domestic and international) of bachelors (first-entry), or first professional (second entry) degree programs who commenced their study in a given fall term and graduated from the same institution within 7 years	University Statistical Enrolment Report (USER) - Enrolment and Degrees Awarded data collections	Year 1 (2020-21)
Graduate Employment Earnings	Median employment earnings of university graduates, two years after graduation	Education and Labour Market Longitudinal Platform (ELMLP), Statistics Canada	Year 2 (2021-22)
Experiential Learning	Number and proportion of graduates in undergraduate programs, who participated in at least one course with required Experiential Learning (EL) component(s)	Institutions	Year 2 (2021-22)
Skills & Competencies	Random sample of undergraduate students (domestic and international)	Education and Skills Online Tool, Organisation for Economic Co-operation and Development (OECD)	Year 3 (2022-23)
Economic & Community Impact			
Metric Name	Operational Definition	Data Source	Activation
Community/Local Impact	Institutional enrolment share in the population of the city (cities)/town(s) in which the institution is located	University Statistical Enrolment Report (USER), Enrolment data collection; Census Data (Statistics Canada)	Year 1 (2020-21)
Institution-Specific (Economic Impact)	Definition to be provided/confirmed with institutions during SMA3 bilateral	Institutions	Year 1 (2020-21)

	discussions, dependent on metric proposals		
Research Funding & Capacity: Federal Tri-Agency Funding Secured	Amount and proportion of funding received by institution from federal research granting agencies (SSHRC, NSERC, CIHR) in total Tri-Agency funding received by Ontario universities	Research Support Program, The Tri-Agency Institutional Programs Secretariat (TIPS)	Year 1 (2020-21)
Innovation: Research Revenue Attracted from Private Sector Sources	Research revenue attracted from private sector sources	Canadian Association of University Business Officers (CAUBO)	Year 2 (2021-22)

University Reporting Metrics

Productivity, Accountability & Transparency			
Metric Name	Operational Definition	Data Source	Posting
Faculty Compensation	TBD	Institutions	Year 1 (2020-21)
Faculty Workload	TBD	Institutions	Year 1 (2020-21)

College Performance Metrics

Skills & Jobs Outcomes			
Metric Name	Operational Definition	Data Source	Activation
Graduate Employment Rate in a related field	Proportion of graduates employed full-time in a field related or partially related to their program six months after graduation	College Graduate Outcomes Survey (CGOS) and Employer Satisfaction Survey	Year 1 (2020-21)
Institutional Strength/Focus	Proportion of enrolment (full-time headcount, domestic and international) in an institution's program area(s) of strength	College System Enrolment Report (CSER), Enrolment data collection	Year 1 (2021-22)
Graduation Rate	Percentage of full-time students (domestic and international), who entered a program of instruction in a particular enrolment reporting period and graduated within a specific period of time (200% program completion timeframe for diploma and certificate programs and 175% for degrees)	Graduation Rate Submission Process, College Graduation Rate Tool (CGRT)	Year 1 (2020-21)
Graduate Employment Earnings	Median employment earnings of college graduates in a given calendar year, two years after graduation	Education and Labour Market Longitudinal Platform (ELMLP), Statistics Canada	Year 2 (2021-22)
Experiential Learning	Number and proportion of graduates in programs, who participated in at least one course with required Experiential Learning component(s)	MTCU Graduate Record File Data; File attached to College Graduate Outcomes Survey (CGOS) and Employer Satisfaction Survey	Year 2 (2021-22)
Skills & Competencies	Random sample of diploma students (domestic and international)	Education and Skills Online Tool, Organisation for Economic Co-	Year 3 (2022-23)

		operation and Development (OECD)	
Economic & Community Impact			
Metric Name	Operational Definition	Data Source	Activation
Community/Local Impact	Institutional enrolment share in the population of the city (cities)/town(s) in which the institution is located	College Statistical Enrolment Report (CSER), Enrolment data collection; Census Data (Statistics Canada)	Year 1 (2020-21)
Institution-Specific (Economic Impact)	Definition to be provided/confirmed with institutions during SMA3 bilateral discussions, dependent on metric proposals	Institutions	Year 1 (2020-21)
Innovation: Revenue Attracted from Private Sector Sources	Total revenues generated from providing instructional and non-instructional services to non-Government Ontario-based, Canadian and foreign firms, agencies, or associations, where the activity is paid for by the firm, agency, or association and not by students through student tuition or fees	College Financial Information System (CFIS)	Year 2 (2021-22)
Institution-Specific (Apprenticeship-related)	Definition to be provided/confirmed with institutions during SMA3 bilateral discussions, dependent on metric proposals	Data provided by institutions	Year 3 (2022-23)
College Reporting Metrics			
Productivity, Accountability & Transparency			
Metric Name	Operational Definition	Data Source	Posting
Faculty Compensation	TBD	Institutions	Year 1 (2020-21)
Faculty Workload	TBD	Institutions	Year 1 (2020-21)

9.2 Metric Weightings Example

University example for illustrative purposes only - a research-focused university with a high local impact may weight its notional allocation against the metrics as follows:

Metric	2020-21 (Year 1 – 25%)		2021-22 (Year 2 – 35%)		2022-23 (Year 3 – 45%)		2023-24 (Year 4 – 55%)		2024-25 (Year 5 – 60%)	
	Weighting (min: 10%; max: 35%)	Notional Allocation	Weighting (min: 5%; max: 30%)	Notional Allocation	Weighting (min: 5%; max: 25%)	Notional Allocation	Weighting (min: 5%; max: 25%)	Notional Allocation	Weighting (min: 5%; max: 25%)	Notional Allocation
1. Graduate Employment in a related field	10%	\$5.41M	5%	\$3.71M	5%	\$4.81M	5%	\$5.86M	5%	\$6.38M
2. Institutional Strength/Focus	15%	\$8.12M	10%	\$7.51M	10%	\$9.61M	10%	\$11.72M	10%	\$12.76M
3. Graduation Rate	10%	\$5.41M	10%	\$7.51M	10%	\$9.61M	10%	\$11.72M	10%	\$12.76M
4. Community/Local Impact	15%	\$8.12M	10%	\$7.51M	10%	\$9.61M	10%	\$11.72M	10%	\$12.76M
5. Institution-Specific (Economic Impact)	15%	\$8.12M	10%	\$7.51M	10%	\$9.61M	10%	\$11.72M	10%	\$12.76M
6. Research Funding & Capacity: Federal Tri-Agency Funding Secured	35%	\$18.94M	30%	\$22.53M	25%	\$24.03M	25%	\$29.30M	25%	\$31.9M
7. Experiential Learning			5%	\$3.71M	5%	\$4.81M	5%	\$5.86M	5%	\$6.38M
8. Innovation: Research Revenue Attracted from Private Sector Sources			15%	\$11.27M	15%	\$14.42M	15%	\$17.58M	15%	\$19.14M
9. Graduate Employment Earnings			5%	\$3.71M	5%	\$4.81M	5%	\$5.86M	5%	\$6.38M
10. Skills & Competencies					5%	\$4.81M	5%	\$5.86M	5%	\$6.38M
Total	100%	\$54.1M	100%	\$75.1M	100%	\$96.1M	100%	\$117.2M	100%	\$127.6M

College example for illustrative purposes only – a college whose priorities include shifts in program mix and community / local impact may weight its notional allocation against the metrics as follows:

Metric	2020-21 (Year 1 – 25%)		2021-22 (Year 2 – 35%)		2022-23 (Year 3 – 45%)		2023-24 (Year 4 – 55%)		2024-25 (Year 5 – 60%)	
	Weighting (min: 10%; max: 35%)	Notional Allocation	Weighting (min: 5%; max: 30%)	Notional Allocation	Weighting (min: 5%; max: 25%)	Notional Allocation	Weighting (min: 5%; max: 25%)	Notional Allocation	Weighting (min: 5%; max: 25%)	Notional Allocation
1. Graduate Employment Rate in a related field	15%	\$3.96M	5%	\$1.85M	5%	\$2.38M	5%	\$2.92M	5%	\$3.18M
2. Institutional Strength/Focus	30%	\$7.91M	25%	\$9.25M	20%	\$9.53M	20%	\$11.66M	20%	\$12.73M
3. Graduation Rate	20%	\$5.27M	15%	\$5.55M	15%	\$7.15M	15%	\$8.75M	15%	\$9.55M
4. Community / Local Impact	20%	\$5.27M	15%	\$5.55M	10%	\$4.77M	10%	\$5.83M	10%	\$6.36M
5. Institution-Specific (Economic Impact)	15%	\$3.96M	10%	\$3.70M	10%	\$4.77M	10%	\$5.83M	10%	\$6.36M
6. Graduate Employment Earnings			5%	\$1.85M	5%	\$2.38M	5%	\$2.92M	5%	\$3.18M
7. Experiential Learning			20%	\$7.40M	15%	\$7.15M	15%	\$8.75M	15%	\$9.55M
8. Innovation			5%	\$1.85M	5%	\$2.38M	5%	\$2.92M	5%	\$3.18M
9. Institution-Specific (Apprenticeship-related)					10%	\$4.77M	10%	\$5.83M	10%	\$6.36M
10. Skills & Competencies					5%	\$2.38M	5%	\$2.92M	5%	\$3.18M
Total	100%	\$26.37M	100%	\$37.00M	100%	\$47.66M	100%	\$58.31M	100%	\$63.63M

9.3 Glossary of Key Terms

Strategic Mandate Agreements (SMAs)	Bilateral agreements established between the Ministry of Training, Colleges and Universities and the Province's 45 publicly-assisted colleges and universities.
Performance/outcomes-based funding metrics	Ten system-wide and institution-specific metrics under two priority areas of Skills and Job Outcomes, and Economic and Community Impact, tied to performance outcomes.
Reporting metrics	Two metrics on faculty workload and faculty compensation as part of the Productivity, Accountability and Transparency priority area, for reporting and data collection purposes only and not linked to performance/outcomes-based funding.
System-wide metrics	Metrics with standardized definitions applicable to all colleges or universities. These include nine metrics for universities and eight metrics for colleges.
Institution-specific metrics	Metrics identified by individual colleges and universities; includes an institution-specific metric that measures the unique economic impact of colleges and universities, and an apprenticeship-related metric for colleges only.
Metric Weightings	Assigned by each institution to each metric for the duration of the SMA3 cycle to reflect institutional strengths. The chosen weighting will impact the share of an institution's notional funding that is associated with performance related to a particular metric. Parameters for weightings are set by the ministry at a minimum of 5% and a maximum of 25% at steady-state in 2022-23.
Target	The performance value an institution aims to achieve on a given metric in a given year. Targets are calculated by using the average of three most recent years of the respective performance metric values plus the smallest annual percentage point variation over this period.
Band of Tolerance (BoT)	An allowable range around a target, where institutional achievement will be considered successful for the purposes of annual evaluation. Bands of Tolerance will be calculated using the average annual percent change from the three most recent years of data.
Allowable performance target	The minimum performance required for an institution to receive its full notional funding allocation on a given metric and be eligible for reallocated funding. The allowable performance target is calculated by combining the band of tolerance with the target.
Scaling	Calculation to provide partial funding to an institution that fails to achieve its allowable performance target. An

	institution's percentage of its allowable performance target determines the amount of the institution's funding allocation it receives for each metric on an annual basis.
Rolling Average	A rolling average of the last three available years of data in a metric in any given year (combined values divided by three). A one-year slip after a rolling average is used when data is not available for the most recent year or requires updates changes/updates.
SMA Evaluation Reports	Annual reporting tools used to evaluate institutional performance on targets and determine actual allocations of performance/outcomes-based funding.

9.4 SMA3 Resource Sheets

9.4.1 Performance/Outcomes-Based Funding Target-Setting

Introduction

This document provides specific examples and Excel formulae to illustrate key steps for target-setting as outlined in the Performance/Outcomes-Based Funding Technical Manual.

- For additional information on the target-setting methodology, annual evaluation process and notional funding allocations, please review the manual.

Target-setting: Key Steps

The SMA3 Metric and Data Workbook will be used to calculate targets, bands of tolerance, and allowable performance targets. The example below demonstrates how this process will work, including the formulae used to establish each element.

A	B	C	D	E	F	G
Institution	Historical Data			Target	Band of Tolerance	Allowable Performance Target
	Year 1	Year 2	Year 3			
X	62.2%	67.4%	76.5%	73.9%	10.9%	65.8%
Y	66.8%	67.6%	67.9%	67.7%	1.0%	67.1%
Z	73.2%	65.4%	64.6%	68.5%	5.9%	64.6%

Step 1. Calculate the Target

Target = Average of previous three years, plus the smaller of the variations between Year 1 & Year 2 and Year 2 & Year 3 is added to the average.

Example: Institution X

- The average of the three most recent years $68.7\% = (62.2\% + 67.4\% + 76.5\%)/3$.
- The smallest of the variations between years is between Year 1 and Year 2: 5.2%-points (67.4% - 62.2%). The larger variation is between Year 2 and Year 3: 9.1%-points (76.5% - 67.3%).
- The smaller variation is added to the three-year average to establish a target of 73.9% (68.7% + 5.2%-points).
- Note that the calculation is not impacted by whether the variation is positive (Institutions X and Y) or negative (Institution Z); the absolute value is applied. This feature of the formula supports the principle of continuous improvement.

The Excel formula for column E (Target): = MIN(ABS(D-C),ABS(C-B))+AVERAGE(B:D)

Step 2. Calculate Band of Tolerance (BoT)

Band of Tolerance = Year-over-year percent change, average over the three most recent years

Example: Institution X

- The institution's historical performance increases from 62.2% in Year 1 to 67.4% in Year 2. This represents 8.4% of the Year 1 value $((5.2\% \div 62.2\%)*100)$.
- In Year 2 performance increases from 67.4% to 76.5% in Year 3. This represents 13.5% of the Year 2 value.
- The average of the changes $((8.4\% + 13.5\%) \div 2 = 10.9\%)$ is the Band of Tolerance.
- Note that the calculation is not impacted by whether the variation is positive (Institutions X and Y) or negative (Institution Z); the absolute value is applied.

The Excel formula for column F (Band of Tolerance): =AVG(ABS(1-D/C),ABS(1-C/B))

- If the Band of Tolerance is under 1.0% then a minimum of 1.0% is applied:
 - If $F < 1.0\%$, Then $F = 1.0\%$
- This rule was applied for Institution Y in the example above when the Band of Tolerance of 0.8% was replaced by 1.0%.

Step 3. Calculate Allowable Performance Target

Allowable Performance Target = Band of Tolerance applied to the Target:

Target – (Target*Band of Tolerance)

Example: Institution X

- The target is 73.9% and the band of tolerance is 10.9% of that amount, which is 8.1% $(73.9\% \times 10.9\%) = 8.1\%$.
- This results in an allowable performance target of 65.8% $(73.9\% - 8.1\% = 65.8\%)$.

The Excel formula for column G (Allowable Performance Target): =(E-(E*F))

- If an allowable performance target is lower than an institution's historical performance, this value would be replaced by an allowable performance target equivalent to the lowest annual value in any of the three most recent years of data available:
 - If $G < B$, $G < C$, and $G < D$, Then $G =$ the lowest of B, C, and D.
- This rule was applied to Institution Z in the example above when the calculated Allowable Target of 64.5% was replaced with the lowest historical value 64.6%.
- Note that this mitigation would also supersede the 1.0% minimum, if applicable as explained in Step 2.

9.4.2 Institutional Strength/Focus Metric

Introduction

This document supplements the information provided in the SMA3 Metric Dictionary regarding the implementation of the SMA3 metric on Institutional Strength/Focus, one of the performance metrics for SMA3 to be activated in Year 1 of SMA3 (2020-21).

This metric is defined as the proportion of enrolment in an institution's chosen program area(s) of strength and planned shift/growth⁴. This metric will be calculated by dividing the enrolment in a program area(s) by the total enrolment at the institution.

The ministry recognizes that institutions will have a range of discipline areas that exhibit strength and focus in terms of positive student/graduate outcomes and enrolment concentration. This metric is intended to capture the discipline area(s) where an institution plans to shift/grow its enrolment in particular area(s).

This metric uses the following sources, enrolment units and program classification system for colleges and universities:

	Colleges	Universities
Source	College Statistical Enrolment Reporting (CSER)	University Statistical Enrolment Reporting (USER)
Enrolment Unit	Full-time headcount (FT HC, domestic and international), based on the Fall term.	Fiscal full-time equivalent (FFTE, domestic and international), based on all terms for undergraduate students and Fall/Summer terms for graduate students.
Other Inclusions/ Exclusions	Pending the chosen metric and to be finalized through bilateral discussions.	
Program Classification System	MTCU-APS System	Classification of Instructional Programs (CIP)

Institutions will select program areas of strength/focus for this metric for ministry consideration as part of the SMA3 bilateral discussion process. Institutions can select a single program area or bundle multiple program areas together if these are linked through the narrative provided by the institution.

⁴ 'Growth' in this context is to recognize that an institution's student population is made up of both domestic and international students. Funded enrolment corridors will be confirmed as described in the July 25, 2019 ministry memorandum.

Metric Guidelines

Proposed institutional metrics should align with the guidelines below:

- ✓ Be discipline-based, representing a program or group of programs. Identified programs should be clearly identifiable disciplines, not based on courses (or other program elements) included in the program.
- ✓ Enable measurement of enrolment using established enrolment units (FT HC for colleges and FTE for universities) and trackable program classifications:
 - CIP codes for universities (SPEMAJ classification would be acceptable in certain circumstances), and
 - MTCU-APS coding system for colleges (APS, MTCU, Occupational Cluster levels).
- ✓ Include at least three years of historical enrolment data for verification by the ministry to support target-setting;
- ✓ Be in an area of strength for the institution in terms of student/graduate outcomes and in an area of focus in terms of enrolment concentration;
- ✓ Be in a planned area of enrolment shift/growth.

*Institutional proposals **should not**:*

- ✗ Be focused on program delivery method (e.g. experiential learning, eLearning, French language);
- ✗ Be focused on a particular student population group (e.g. based on funding eligibility, immigration status, length of program, etc.);
- ✗ Include enrolment in continuing education/general interest programs or be exclusively focused on programs with capped enrolment.

As part of SMA3 bilateral discussions, the ministry will review institutional proposals and work with institutions to refine selections as necessary. In some cases, the ministry may ask for specific information to provide evidence that supports an institution's claim that a program area represents an institutional strength.

Upon confirmation of an institution's selected program area(s), targets and band of tolerance will be discussed as part of the bilateral discussion process.

9.4.3 Institution-Specific Economic Impact Metric

Introduction

This document supplements the information provided in the SMA3 Metric Dictionary regarding the implementation of the Institution-Specific Economic Impact metric, one of the performance metrics for SMA3 to be activated in Year 1 of SMA3 (2020-21).

The intent of this institution-specific metric is to demonstrate the economic impact an institution has on its community as aligned with its differentiated mission and strengths.

Institutions should submit proposals for their measures of economic impact, and include historical metric data, definitions and calculation methodologies.

Guidelines for Institutional Proposals

The proposed institutional metric should align with the ministry established guidelines below:

- ✓ Metric is a measure of economic impact;
- ✓ Metric is simple, clear and easy to measure;
- ✓ Metric data is derived from high-quality, objective data;
- ✓ Metric data is verifiable, auditable and available annually; and
- ✓ Metric data includes at least three years of historical data for verification by the ministry to support target-setting calculations.

Examples of metrics of economic impact include but are not limited to:

- Number of annual invention disclosures
- Number of annual licenses/option agreements
- Number of annual patents issued
- Number of new licenses
- Licensing revenue
- Number of start-up companies
- Number of start-up companies supported
- Number of students/graduates involved in start-up companies
- Number of new ventures accelerated through entrepreneurship programs

As part of SMA3 bilateral discussions, the ministry will review institutional proposals and work with institutions to refine selections as necessary. In some cases, the ministry may ask for specific information to support an institution's proposal.

Upon confirmation of an institution's selected metric, historical data will be used to establish a target and band of tolerance for 2020-21 using the target-setting and band of tolerance formula as outlined in the Performance/Outcomes-Based Funding Technical Manual.

9.4.4 Experiential Learning Metric (Universities)

Introduction

This document supplements the information provided in the SMA3 Metric Dictionary regarding the implementation of the university sector SMA3 Experiential Learning metric, one of the performance metrics for SMA3 to be activated in Year 2 of SMA3 (2021-22).

This metric is defined as the number and proportion of graduates of undergraduate programs, who participated in at least one course with required Experiential Learning (EL) component(s).

This metric uses the following sources, counts and calculation methodologies.

Source	Institutional data
Count	Graduates of undergraduate programs who participated in at least one course with required experiential learning component(s).
Proportion Calculation Formula	$\frac{\text{Number of graduates in undergraduate programs, who participated in at least one course with required EL component(s)}}{\text{Total number of graduates in undergraduate programs}}$
Inclusions / Exclusions	Inclusions: Domestic, International, Full-Time, Part-Time, Undergraduate, Collaborative Nursing. Exclusions: Graduate, Online

Metric Guidelines

For SMA3 purposes, universities will report both counts and proportions. However, for performance/outcomes-based funding calculation, only proportions will be used.

For the purposes of SMA3 reporting, universities should follow the following guidelines:

- ✓ EL activity is a component of a for credit course in an undergraduate program.
- ✓ EL activity is tracked at the individual-level (i.e., an institution must be able to determine if a graduate participated in EL).
- ✓ EL activity is structured and meaningful (i.e., verified or evaluated and count towards course credit or credential completion).

Examples of EL course activity that aligns with the guidelines for this SMA3 metric include:

- Co-op placements
- Interactive simulations (e.g. health care settings)
- Capstone projects
- Service learning

- Practicums
- Field/clinical placements

Examples of non-course activity that does not align with the guidelines for the SMA3 metric include:

- Co-curricular activities
- Laboratory work (either included or not included as part of a course)
- Bootcamps/hackathons
- Mentorship/career exploration

While these activities may align with a more expansive definition of EL used by institutions for other purposes, they are not within the scoped definition used for SMA3 and for performance funding.

9.4.5 Experiential Learning Metric (Colleges)

Introduction

This document supplements the information provided in the SMA3 Metric Dictionary regarding the implementation of the college sector SMA3 Experiential Learning metric, one of the performance metrics for SMA3 to be activated in Year 2 of SMA3 (2021-22).

This metric is defined as the number and proportion of graduates in programs, who participated in at least one course with required Experiential Learning (EL) component(s).

This metric uses the following sources, counts and calculation methodologies.

Source	MTCU Graduate Record File Data; File attached to College Graduate Outcomes Survey (CGOS) and Employer Satisfaction Survey
Count	Total number of graduates (including international) in programs with at least one course with required Experiential Learning component(s) such as Co-op Diploma Apprenticeship (CODA), co-op work placement (mandatory and non-mandatory), clinical placements, fieldwork, field placement/work placement, and mandatory degree work placement.
Proportion Calculation Formula	$\frac{\text{Number of graduates in programs, who participated in at least one course with required EL component(s)}}{\text{Total number of graduates}}$
Inclusions / Exclusions	Inclusions: Domestic, International, Full-Time, Part-Time ⁵ , Apprentices (only if CODA students), Preparatory Programs ⁶ , Online (if graduate reported through Graduate Record Files). Exclusions: Collaborative Nursing (included in University reporting)

Metric Guidelines

For SMA3 purposes, colleges will report both counts and proportions. However, for performance/outcomes-based funding calculation, only proportions will be used.

For the purposes of SMA3 reporting, colleges should follow the following guidelines:

- ✓ EL activity is a component of courses in programs.

⁵ Includes students who were enrolled on a part-time basis in full-time funding eligible programs.

⁶ By default, includes students who graduated from preparatory programs with an Ontario College Credential.

- ✓ EL activity is tracked at the individual-level (i.e., an institution must be able to determine if a graduate participated in EL).
- ✓ EL activity should be available to all students enrolled in the program.
- ✓ EL activity is structured and meaningful (i.e., verified or evaluated and count towards course credit or credential completion).

Examples of EL activity that aligns with the guidelines for this SMA3 metric include:

- Co-op placements
- Interactive simulations (e.g. health care settings)
- Capstone projects
- Service learning
- Practicums
- Field/clinical placements
- Fieldwork (not including laboratory/workshop activity)⁷

Examples of activities that do not align with the guidelines for the SMA3 metric include:

- Co-curricular activities
- Laboratory work
- Bootcamps/hackathons
- Mentorship/career exploration

While these activities may align with a more expansive definition of EL used by institutions for other purposes, they are not within the scoped definition used for SMA3 and for performance funding.

The ministry will work with colleges to implement enhancements on the Graduate Record File to align the SMA3 definition with the guidelines for EL. This engagement will take place in parallel with the bilateral discussions through the existing channels such as the Key Performance Indicator Policy Committee and Operations Subcommittee (KPI Steering Committee). The ministry expects to finalize the implementation of the EL-related changes to the Graduate Record File by December 2019.

⁷ Some colleges may have erroneously included laboratory/workshop activities in previous Graduate Record File submissions. This has likely occurred because laboratory/workshop activities are grouped together with 'fieldwork' as instructional settings in the Program Delivery Information (PDI) form included as part of college submissions for program funding approvals. Laboratory/workshop activities were not intended to be included as eligible EL-activities in SMA2 or in SMA3.

9.4.6. Institution-Specific Apprenticeship-Related Metric (Colleges)

Introduction

This document supplements the information provided in the SMA3 Metric Dictionary regarding the implementation of the Institution-Specific Apprenticeship-related metric, one of the performance metrics for SMA3 to be activated in Year 3 of SMA3 (2022-23).

The intent of this institution-specific metric is to recognize colleges' role in delivering apprenticeship and trade-related programming by measuring colleges' success in training Ontario's apprentices and preparing them for careers in trades.

Institutions should submit proposals for their measures of apprenticeship activity, and include historical metric data, definitions and calculation methodologies.

GUIDELINES FOR INSTITUTIONAL PROPOSALS

Proposed institutional metric should align with the ministry established guidelines below:

- ✓ Metric is aligned with key government priorities on apprenticeship, which include increasing access to apprenticeship, promoting better outcomes of apprentices and employers, and improving client services;
- ✓ Metric is a measure of apprenticeship or trade-related programming;
- ✓ Metric is simple, clear and easy to measure;
- ✓ Metric data is derived from high-quality, objective data;
- ✓ Metric data is verifiable, auditable and available annually; and
- ✓ Metric data includes at least three years of historical data for verification by the ministry to support target-setting calculations.

Examples of apprenticeship-related metrics include but are not limited to:

- Graduation rates in trade-related programs with clearly identified pathways to apprenticeship;
- Proportion of total actual apprenticeship seats as a total of planned seats;
- In-class training module completion rates; and,
- Graduate employment earnings of apprentices.

As part of SMA3 bilateral discussions, the ministry will review institutional proposals and work with institutions to refine selections as necessary. In some cases, the ministry may ask for specific information to support an institution's proposal.

Upon confirmation of an institution's institution-specific apprenticeship-related metric, historical data will be used to establish a target and band of tolerance for 2022-23 using the target-setting and band of tolerance formula as outlined in the Performance/Outcomes-Based Funding Technical Manual.

9.5 July 25, 2019, Memos on SMA3 Bilateral Discussions and Corridor Confirmations

9.5.1 Memorandum to Colleges

DATE: July 25, 2019

MEMORANDUM TO: Presidents, Ontario Publicly-Assisted Colleges of Applied Arts and Technology
Linda Franklin, President and CEO, Colleges Ontario

FROM: George Zegarac
Deputy Minister

SUBJECT: Update on 2020-25 Strategic Mandate Agreements (SMA3) Bilateral Discussions and Corridor Confirmations

I am writing to provide you with a few updates on the Ministry of Training, Colleges and Universities' plans for the 2020-25 Strategic Mandate Agreements (SMA3).

While bilateral discussions to implement the next round of agreements will begin between institutions and the ministry in Fall 2019, the ministry has begun engagement with the college and university sectors over the spring and summer of 2019 to provide additional details on the process and approach to the bilateral discussions.

Core Operating Grant:

As you are aware, through the most recent Strategic Mandate Agreement cycle (SMA2, 2017-20), the ministry established the process for setting corridor midpoints and ranges for the colleges' Core Operating Grant. As further described in the 2017-18 College Funding Technical Manual, college midpoints were implemented beginning in 2019-20, based on the average of funding-eligible enrolment from 2015-16, 2016-17, and 2017-18.

SMA3 bilateral discussions will focus on the implementation of Performance/Outcomes-based Funding and establishing targets and bands of tolerance against metrics in the key priority areas for the government.

As part of bilateral discussions and institutional SMAs, the ministry will confirm each institution's funding, including notional Performance/Outcomes-based Funding allocations and corridor midpoints expressed in Weighted Funding Units for the five-year period of SMA3.

Funded corridors confirmed through SMA3 bilateral discussions will continue as established in the current Strategic Mandate Agreement (2017-20) and activated in 2019-20 for colleges.

Enrolment Growth:

The next round of SMAs will implement the new 'made-in-Ontario' performance-based funding model by linking a growing portion of provincial postsecondary operating funding to outcomes.

Given the Province's broader fiscal situation, and focus on performance outcomes in SMA3, broad policy and system design issues including growth funding requests will not be in scope for SMA3 bilateral discussions.

The ministry may consider broader enrolment issues with the sector following the finalization of SMA3 signed agreements.

SMA3 Bilateral Discussions:

More information will be provided on the process for SMA3 bilateral discussions as part of the official launch planned for late August 2019.

We are looking forward to working with all postsecondary institutions on the next round of SMAs.

If you have any questions in the interim, please do not hesitate to contact the SMA Secretariat at: StrategicMandateAgreements@ontario.ca.

Thank you for your continued collaboration,

Original Signed By

George Zegarac
Deputy Minister
Ministry of Training, Colleges and Universities

c: David Fulford, Vice-President, Research and Policy, Colleges Ontario
Katie Locke, Chief of Staff to the Minister of Training, Colleges and Universities
Marny Scully, Executive Lead – Strategic Mandate Agreements
Nancy Mudrinic, Assistant Deputy Minister, Postsecondary Education Division

9.5.2 Memorandum to Universities

DATE: July 25, 2019

MEMORANDUM TO: Executive Heads, Ontario Publicly-Assisted Universities
David Lindsay, President and CEO, Council of Ontario Universities

FROM: George Zegarac
Deputy Minister

SUBJECT: Update on 2020-25 Strategic Mandate Agreements (SMA3) Bilateral Discussions and Corridor Confirmations

I am writing to provide you with a few updates on the Ministry of Training, Colleges and Universities' plans for the 2020-25 Strategic Mandate Agreements (SMA3).

While bilateral discussions to implement the next round of agreements will begin between institutions and the ministry in Fall 2019, the ministry has begun engagement with the college and university sectors over the spring and summer of 2019 to provide additional details on the process and approach to the bilateral discussions.

Core Operating Grant:

As you are aware, through the most recent Strategic Mandate Agreement cycle (SMA2, 2017-20), the ministry established corridor midpoints and ranges for the university Core Operating Grant, based on 2016-17 funding-eligible enrolment and other considerations agreed to through the bilateral SMA2 discussions.

SMA3 bilateral discussions will focus on the implementation of Performance/Outcomes-based Funding and establishing targets and bands of tolerance against metrics in the key priority areas for the government.

As part of bilateral discussions and institutional SMAs, the ministry will confirm each institution's funding, including notional Performance/Outcomes-based Funding allocations and corridor midpoints expressed in Weighted Grant Units for the five-year period of SMA3.

Funded corridors confirmed through SMA3 will account for midpoints as established in the current SMA (2017-20), and planned adjustments for targets achieved in graduate and teacher's education as described below.

Enrolment Growth:

The next round of SMAs will implement the new 'made-in-Ontario' performance-based funding model by linking a growing portion of provincial postsecondary operating funding to outcomes.

Given the Province's broader fiscal situation, and focus on performance outcomes in SMA3, broad policy and system design issues including growth funding requests will not be in scope for SMA3 bilateral discussions.

Treatment of Funded Graduate Allocations:

Through SMA2, universities were provided with funded graduate space allocations and the opportunity to grow funded enrolment above the baseline levels included in midpoints up to individual separate Weighted Grant Unit caps for both masters and PhD programs during the three years of SMA2.

As committed during SMA2 discussions, in 2020, an institution's achieved incremental enrolment (actual graduate enrolment growth up to the institutional caps on a Weighted Grant Unit basis), which has been funded annually under new enrolment and performance grants that are outside the existing corridor, will be rolled into universities' corridor midpoints and performance grants in SMA3.

Also consistent with the SMA2 bilateral discussions, any unmet targets in funded graduate allocations will not carry forward into SMA3.

The ministry will consider broader enrolment issues, including the treatment of graduate caps and "partitions", following the finalization of SMA3 signed agreements.

Treatment of Teacher Education Stabilization Grant:

The ministry has provided time-limited support to institutions with an Initial Teacher Education Program to assist with the financial impact of changes to program length and funding implemented in 2015. Funding based on 2016-17 eligible enrolment up to individual caps is included in these universities' funded midpoints.

The ministry continued to provide additional funding, up to individual caps, for the current SMA2 cycle through a separate "stabilization" grant. This grant covered the difference between the Teacher Education enrolment included the institution's midpoints and their funded caps for Teacher Education.

As committed during SMA2 discussions, achieved enrolment growth up to individual caps has been rolled into corridor midpoints and performance grants on an annual basis, with a corresponding reduction in the "stabilization" grant. This occurred at the end of 2017-18 and 2018-19. An adjustment is planned for the end of 2019-20 to incorporate any remaining SMA2 achievement. The stabilization grant will end as planned in 2019-20.

I would like to take this opportunity to note that the Ministry of Training, Colleges and Universities and the Ministry of Education will continue to work closely with the postsecondary education sector in support of teacher education and the government's priorities – in particular in areas where there may be teacher supply and demand shortages.

SMA3 Bilateral Discussions:

More information will be provided on the process for SMA3 bilateral discussions as part of the official launch planned for late August 2019.

We are looking forward to working with all postsecondary institutions on the next round of SMAs.

If you have any questions in the interim, please do not hesitate to contact the SMA Secretariat at: StrategicMandateAgreements@ontario.ca

Thank you for your continued collaboration,

Original Signed By

George Zegarac
Deputy Minister
Ministry of Training, Colleges and Universities

c: Eva Busza, Vice-President, Policy and Sector Collaboration, Council of Ontario Universities
Katie Locke, Chief of Staff to the Minister of Training, Colleges and Universities
Marny Scully, Executive Lead – Strategic Mandate Agreements
Nancy Mudrinic, Assistant Deputy Minister, Postsecondary Education Division