Ontario

Ministry of Advanced Education and Skills Development

Fact Sheet #4b

Training Completion Assurance Fund: Premiums

Private Career Colleges Act, 2005

April 13 2017

Table of Contents

1. THE TRAINING COMPLETION ASSURANCE FUND

The Training Completion Assurance Fund (TCAF) is established under the *Private Career Colleges Act, 2005* (PCCA). Participation in the TCAF is mandatory for all registered Ontario private career colleges (PCCs).

The purpose of the TCAF is to ensure that in the event a PCC stops providing a vocational program in which students are enrolled, the students will be given the opportunity:

a) to complete the vocational program as provided by another PCC or other organization, or

b) to receive a refund of the portion of the fees for which they did not receive any instruction or other benefit.

The TCAF is administered by the Superintendent of Private Career Colleges (Superintendent) with the assistance of the TCAF Advisory Board appointed by the Minister of Advanced Education and Skills Development.

In accordance with the PCCA regulations, PCCs are required:

a) to provide the Superintendent with the prescribed amount of financial security, and

b) to pay premiums into the TCAF.

In the event of a PCC closure, the financial security posted by the PCC will be used to provide students with training completions or refunds. Once the financial security has been exhausted, outstanding student claims will be paid out of the TCAF.

This Fact Sheet provides information on PCCs' TCAF premium requirements. Information about PCCs' financial security requirements can be found in *Fact Sheet #4A, Training Completion Assurance Fund: Financial Security*.

2. TCAF PREMIUMS

For each year of registration under the PCCA, PCCs are required to pay TCAF premiums. Calculation of the premiums is done by the Ministry of Advanced Education and Skills development (Ministry).

The Ministry sends each PCC an invoice with the amount and due date of its premiums, and the information on how the premiums were calculated.

A PCC may estimate its premiums by applying TCAF premium calculation formulas. PCCA regulations prescribe the following types of premiums:

a) Initial Annual Premiums;

b) Annual Premiums;

c) Premium Surcharges; and

d) Levies.

2.1 Initial Annual Premiums

PCCs that register under the PCCA for the first time are required to pay initial annual premiums for two years. The initial annual premium is equal to 0.875% of a PCC's annual gross revenue from vocational programs.

New PCCs are required to provide forecasted financial statements in their application to register with the Superintendent. The annual gross vocational revenue forecasted in these statements is used to determine a PCC's initial annual premiums for the first registration period.

For subsequent renewals of registration, PCCs are required to submit audited annual financial statements. The actual gross vocational revenue reported in the annual financial statements is used to calculate initial annual premiums for the second period of registration.

Vocational revenue refers to all fees collected by a PCC from students with respect to the vocational programs, including, but not limited to: tuition fees, book fees, expendable supplies, uniforms and equipment, major equipment, field trips, professional/exam fees, other compulsory fees, international student fees and optional fees.

Example 1

Calculation of Initial Annual Premiums

ABC Hairstyling College (ABC) registered as a PCC on June 10, 2017. In its application for registration, ABC included forecasted financial statements for the year ending June 30, 2018. Tuition revenue from its only vocational program, hairstyling, was forecasted as $200,000. ABC also forecasted that an additional $50,000 of revenue would be earned from sale of hairstyling kits and uniforms to its students.

ABC's registration expires on February 25, 2019, 626 days after its registration start date.

To determine ABC's initial TCAF Premiums:

1. Determine the forecasted annual gross vocational revenue.

   $200,000 + $50,000 = $250,000

2. Multiply forecasted vocational revenue by 0.875%

   $250,000 x 0.875% = $2,187.50

3. Prorate the premium for the registration period.

   $2,187.50 / 365 days x 626 days = $3,751.71

The amount of initial TCAF premiums to be paid by ABC Hairstyling College is $3751.71.

2.2 Annual Premiums

PCCs must pay annual premiums after the first 24 months of registration. The amount of premium equals the greater of:

a) $500, and

b) Highest monthly balance of prepaid unearned revenue x Premium Rate.

In b above, Premium Rate is determined based on PCC's credit rating as indicated in section 2.2.1, and prepaid unearned revenue is calculated as indicated in section 2.2.2 below.

2.2.1 Equifax Credit Ratings

To determine PCCs' annual premiums, the Ministry obtains their credit ratings from Equifax on a quarterly basis. Based on their credit ratings, PCCs are assigned high, medium and low credit risk levels (see the table below). If no credit rating is available, PCC is assigned high risk level.

PCC Credit Rating	PCC Risk Level	Premium Rate, %
101-375 or unavailable	High	1.25
376 - 451	Medium	1
452 or higher	Low	0.75

PCCs should consider obtaining their credit rating from Equifax annually to ensure that the rating is accurate. PCC's credit rating-related issues should be addressed directly with Equifax. See Appendix A for a schedule of PCC fiscal year ends and the corresponding timelines of Ministry's obtaining PCC credit ratings.

PCCs may obtain credit rating by ordering Enhanced Commercial Credit Report from the Equifax at https://www.equifax.ca/CommercialInfo/Home.asp or by contacting Equifax customer service at 1-877-227-8800.

2.2.2 Prepaid Unearned Revenue

PCCs are required to apply for renewal of their registration annually. The application must include audited annual financial statements, audited monthly schedule of prepaid unearned revenue (PUR) and an audited schedule of revenue by funding source.

The monthly PUR schedule must be provided in a management schedule, separate from the annual financial statements. After the first period of registration, data from this schedule is used to determine both the financial security and the TCAF premium requirements.

For each month-end in its fiscal year, a PCC must calculate the amount of unearned fees collected with respect to vocational programs. Fees are considered "earned" to the extent that the goods or services have been delivered. If goods or services have been partially delivered, a corresponding portion of the fees may be considered earned.

To determine when the revenue is earned, a PCC must follow its revenue recognition policy developed in accordance with generally accepted accounting principles. If the PCC does not have such a policy, it should recognize revenues from a vocational program on a prorated basis over the duration of the program.

Other PUR-related considerations:

a) PUR schedule should not include fees collected from third-party funded students (see Superintendent's Policy Directive #1: Exemption of Vocational Programs Funded by a Third Party).

b) Only collected fees should be recorded as part of PUR account balance. Payments which have not been received should not be included in the prepaid, unearned revenue balance.

c) Fees are not considered earned simply because they are non-refundable. They are earned to the extent that the goods or services have been delivered.

d) Unearned fees from international students are to be included in the monthly PUR schedule, whether or not they are held in a trust account.

e) PCCs shall not offset their PUR account balance with their accounts receivable, unless it is related to the same student.

f) PCCs can maintain low PUR balance and minimize its TCAF premiums by collecting fees:

   - on a regular basis (i.e., monthly as opposed to annually), and/or
   - after services have been delivered.

Example 2

Calculation of Prepaid Unearned Revenue

ABC Esthetics College (ABC) delivers a three month vocational program to one student. The $6,000 tuition fee is collected from the student on January 30, 2017. The program starts on February 1, 2017 and ends on April 30, 2017.

The student pays an additional $1,000 for books and a tool kit on the first day of class. As the books and tool kit are provided to the student immediately, there is no PUR with respect to these items.

ABC had no other students for this year.

To calculate the highest balance of ABC's monthly PUR:

1. Prepare monthly PUR schedule for the fiscal year.

ABC Esthetics College Monthly PUR for FY 2017	
End of the Month	**Prepaid Unearned Revenue (PUR) Balance, $**
January 30, 2017	6,000
February 28, 2017	4,000
March 31, 2017	2,000
April 30, 2017	0
May 31, 2017	0
June 30, 2017	0
July 31, 2017	0
August 31, 2017	0
September 30, 2017	0
October 31, 2017	0
November 30, 2017	0
December 31, 2017	0

2. Determine the highest monthly PUR balance

   The highest PUR balance = $6,000 (see the line for January, 2017)

2.2.3 Calculating Annual Premiums: Examples

Examples of calculation of PCC annual premiums are presented below.

Example 3

ABC Hairstyling College (ABC) has a medium risk level based on the information provided to the Ministry by Equifax. The highest monthly PUR balance is $10,000.

To determine the PCC's annual premium:

1. Determine the Premium Rate based on PCC's risk level.

   ABC has a medium risk level; therefore, the Premium Rate = 1%

2. Multiply the highest monthly PUR by the Premium Rate.

   $10,000 x 1% = $100

3. Annual premium is the greater of $500 and the amount calculated in 2 above.

   $500 > $100; therefore, ABC's annual premium = $500

Example 4

ABC Esthetics College (ABC) has a low risk level based on the information provided to the Ministry by Equifax. The highest monthly PUR account balance is $500,000.

To determine the PCC's annual premium:

1. Determine the Premium Rate based on PCC's risk level.

   ABC has a low risk level; therefore, the Premium Rate = 0.75%

2. Multiply the highest monthly PUR by the Premium Rate.

   $500,000 x 0.75% = $3,750

3. Annual premium is the greater of $500 and the amount calculated in 2 above.

   $500 < $3,750; therefore, ABC's annual premium is $3.750.

2.3 Levies

Levies are introduced only if the TCAF needs to be replenished immediately. The Superintendent may impose a levy on all PCCs if:

a) the value of the TCAF falls below 50% of the target balance, and

b) the Superintendent is of the opinion that the money in the TCAF will not be sufficient to meet projected payments out of the TCAF.

Before a levy is imposed, the Superintendent must consult with the TCAF Advisory Board on any levy and consider the impact of the levy on the PCC sector. Levies may be charged at any time, independent from other TCAF premiums or surcharges due for that year. To minimize impact on PCCs, levies cannot exceed 0.875% of a PCC's total gross vocational revenue.

2.4 Rebates

The Superintendent may decide to pay out of the TCAF a rebate on any premium, surcharge or levy if:

a) the value of the TCAF is higher than 110% of the target balance; and

b) the Superintendent is of the opinion that the money in the TCAF will be sufficient to meet the other projected payments.

The Superintendent may give notice of a rebate at any time. Rebates will be paid to all eligible PCCs.

3. ACCOUNTING PRACTICES of PCCs

PCCs must apply for renewal of their registration annually. The deadline for renewal is 6 months after the end of a PCC's fiscal year.

At the end of a PCC's fiscal year, the Ministry will send the PCC a *Notice of Renewal* as well as *Guidelines for Renewal of Registration*. These documents serve as a reminder about the upcoming renewal and inform the PCC of the reporting requirements for renewal application.

Once a PCC's registration has been renewed, the PCC will be invoiced for the TCAF premiums. Refer to Appendix A for a schedule of PCC fiscal year-ends and the corresponding timelines.

For further information regarding the renewal application, refer to the *Guidelines for Renewal of Registration*.

Appendix A

PCC Fiscal Year Ends and the Corresponding Timelines

End of PCC's Fiscal Year	PCC Renewal Application Due Date	Start of PCC's Next Registration Period	The Ministry is to Obtain PCC's Credit Rating by
January 31, 2017	July 30, 2017	September 29, 2017	September 10, 2017
February 28, 2017	August 27, 2017	October 27, 2017	September 10, 2017
March 31, 2017	September 27, 2017	November 27, 2017	December 10, 2017
April 30, 2017	October 27, 2017	December 27, 2017	December 10, 2017
May 31, 2017	November 27, 2017	January 27, 2018	December 10, 2017
June 30, 2017	December 27, 2017	February 26, 2018	March 10, 2018
July 31, 2017	January 27, 2018	March 29, 2018	March 10, 2018
August 31, 2017	February 27, 2018	April 29, 2018	March 10, 2018
September 30, 2017	March 29, 2018	May 29, 2018	June 10, 2018
October 31, 2017	April 29, 2018	June 29, 2018	June 10, 2018
November 30, 2017	May 29, 2018	July 29, 2018	June 10, 2018
December 31, 2017	June 29, 2018	August 29, 2018	September 10, 2018

Note

This document is provided as guidance only. For further information and the exact wording of a legislative provision please refer to the Private Career Colleges Act, 2005 and regulations.

Need More Information?

If you have questions about the *Private Career Colleges Act,* 2005 contact the Ministry of Advanced Education and Skills Development at:

Private Career Colleges Branch
Ministry of Advanced Education and Skills Development
77 Wellesley Street, P.O. Box 977
Toronto, ON M7A 1N3

Telephone: 416-314-0500 or 1-866-330-3395

Fax: 416-314-0499

Email: pcc@ontario.ca

Website: http://www.tcu.gov.on.ca/pepg/audiences/pcc/

The full text of the Act and regulations can also be downloaded from the Ontario government E-Laws website: www.e-laws.gov.on.ca