

BUDGET ADVISORY COMMITTEE

REPORT XXXVI

**A DISCUSSION PAPER ON THE
OPERATING BUDGET PLAN
FOR 2008-09**

April 15, 2008

The Budget Advisory Committee (BAC) was established by the President in 1992 to advise on budgetary matters. The current membership of the Committee includes: - Alan Shaver (Chair), Vice-President, Academic & Provost –Tom Gill, Food Science - Tom Vinci, Philosophy - Rita Caldwell, College of Pharmacy - Keith Taylor, Dean of Science – Jeff Lamb, Assistant Vice-President, Facilities Management - Ken Burt, Vice-President, Finance & Administration and Alan Dalton (Student Representative). The Committee's resource persons are: Ian Nason, Assistant Vice-President (Financial Services), Elizabeth Lane, Director of Institutional Analysis and Research, and Susan Zinck, Associate Director (Financial Services). The Committee employs an open and consultative approach to budget discussion at the University. To date, the BAC has issued thirty-five reports related to the University's operating budget.

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2008-09 OPERATING BUDGET DISCUSSION PAPER HIGHLIGHTS

This paper seeks to stimulate input from members of the University community on Dalhousie's Operating Budget for 2008-09. It includes the following highlights:

- An update on the new Memorandum of Understanding with the province, covering fiscal years 2008-09, 2009-10 and 2010-11 and including:
 - Increased government funding of \$14.0 Million (10.7%)
 - **ALL** Tuition fees for regular credit programs to be frozen at 2007-08 rates (before \$500 rebate)
 - Nova Scotia students to receive a bursary of up to \$761 (full course load)
- Projected enrolment decline of 155 students for fall 2008. Declining enrolments in recent years have been mitigated somewhat by increased entering classes.
- Although tuition fees are frozen for **ALL** students, the following information on fees has been included for the information of the campus community:
 - Review of University Policy on tuition fees
 - Comparative fee information
 - A review of international student enrolment
- Collective Agreements with two largest employee groups are in place (DFA and NSGEU) (Contract with IUOE will expire during 2008-09.)
- A tentative allocation of \$5.0 million in funding for new investment in Strategic Initiatives (of which \$1.0 million is allocated for Facilities Renewal).
- A review of Facilities Renewal
 - Update on the state of the University's physical infrastructure.
 - Possible approaches for increasing investment in Facilities Renewal.
- Faculty and Unit Budget Reductions:
 - Anticipated level of reductions lower than in recent years
 - A review of possible approaches

Dalhousie University
Budget Advisory Committee
A Discussion Paper on the Operating Budget Plan
For 2008-09

This is the thirty-sixth report of the President's Budget Advisory Committee (BAC). This report is prepared as a discussion paper to inform and invite input from members of the University community on the development of the University's Operating Budget for 2008-09. The preparation of this budget discussion paper has been delayed in anticipation of information on government funding. A subsequent report will be issued and will include recommendations to the President on the Operating Budget Plan for 2008-09.

In developing recommendations the BAC reviews the factors that will impact on the financial outlook for the coming year. Many of these factors are relatively known and certain and where factors are less clear the University will have to rely on informed projections.

Importantly, the University has reached collective agreements with the Dalhousie Faculty Association and the Nova Scotia Government Employees Union representing support staff. The government of Nova Scotia has just announced the signing of a new Memorandum of Understanding (MOU) with the universities on tuition fees and grant increases for fiscal years 2008-09, 2009-10 and 2010-11. In addition, a new multi-year plan for investing in Dalhousie's strategic initiatives must be developed as the first five-year plan came to an end in 2007-08.

The remainder of this report will review these as well as other factors that will shape discussion and development of the University's operating budget recommendations for 2008-09.

I REVENUES

1. Provincial Operating Grants

By way of background, 2007-08 was the last year of a three-year Memorandum of Understanding (MOU) between the Nova Scotia Government and universities that provided for operating grant increases while limiting increases in tuition fees. Under the previous MOU grant increases averaged 5.2% and tuition increases for most programs were held to 3.9%. In the final year of the MOU the province announced its intention to reduce fees to the national average by 2011 and provided universities with sufficient funding to freeze fees at 2006-07 levels for all students and provide a further \$500 fee rebate to Nova Scotia students.

Appendix A includes the new MOU (2008-09, 2009-10 and 2010-11) that provides for grant increases and freezes tuition fees at 2007-08 rates (before \$500 rebate).

The increase in 2008-09 funding of \$14.0 million has been provided to meet operating costs and compensate the University for freezing tuition fees for all students (except full cost recovery programs). The increase also includes \$2.0 million in funding to partially allow for enrolment adjustments since the funding formula was developed using average enrolments from 1994-95 to 1996-97. The use of this \$2 million in funding is discussed under Strategic Initiatives in Section II of this report.

It is important to note that a portion of the total 2008-09 grant to universities has been provided to the universities in advance of the fiscal year. Dalhousie's 2008-09 grant of \$145.1 million includes \$35 million in one-time funding provided on March 31, 2008 with the balance to be provided throughout the fiscal year. The terms of the MOU stipulate that this one-time funding will become part of the base funding for universities in 2009-10.

The preliminary budget model for 2008-09 on page 8 (notes are included as Appendix B) include the operating grant increase of \$14.0 million or 10.7%. It should be noted that the provincial operating grant represents only 52% of Dalhousie's operating budget revenue. A grant increase of this magnitude is necessary to offset tuition fee revenue forgone as a result of the tuition freeze.

2. Tuition Revenues

Tuition revenue projections are based on fee changes and enrolment forecasts.

a) Tuition Fees

The new MOU provides that tuition fees for 2008-09 will continue to be frozen at 2007-08 levels (before \$500 rebate) and the government has announced its intention to "bring the cost of education borne by Nova Scotia students attending a Nova Scotia university to the national tuition average by 2010-11".

The province has established a student bursary trust fund that will provide bursary support to Nova Scotia students for the three-year period of the MOU. This new bursary program will replace the \$500 fee rebate program in 2007-08 with bursary support of \$761 to full-time Nova Scotia students in 2008-09. The exact details of the bursary program and the impact on various operating budget lines is not yet known and therefore no attempt has been made to incorporate it in the preliminary model. In any event, the program will be fully funded and result in no bottom line impact to the University operating budget.

Dalhousie maintains its own policy on setting tuition fees. This policy, which was first established in 1990 and was recently reaffirmed by the Board of Governors' Long Term Financial Planning Committee (LTFPC) in 2006, is attached as Appendix C. The policy calls for a regular review of tuition fees at other universities. Comparative fees for a range of programs at Canadian universities have been included in Appendix D for the information of the campus community.

Tuition fees have also been frozen for International students. The BAC undertook to monitor the impact of a plan to increase international differential fees beginning in 2004-05 and recommend changes as appropriate. The LTFPC has also recommended that the relationship between enrolment and fees be monitored. In this regard Appendix E provides an update on Dalhousie's international enrolment experience. The information indicates

that there is no evidence of a direct link between tuition increases and undergraduate enrolment. Information on graduate enrolment is less clear. A comparison of Dalhousie fees for international students with other Canadian Universities indicates that Dalhousie differential fees charged are significantly lower. (Appendix D - page 4 - International Fees at Selected Canadian Universities)

The BAC will continue to review tuition levels in accordance with the University's tuition fee policy.

b) Enrolment

2007-08 is the third consecutive year of declining enrolments resulting in a cumulative decline over this period of 3.9%. This trend is largely a result of the flow-through of the double cohort of Ontario students who entered university in 2003-04. This negative trend has been somewhat mitigated by increased first year enrolment in 2006-07 and 2007-08. Compared to other Nova Scotia universities Dalhousie has fared reasonably well given that the overall decline for Nova Scotia Universities (excluding Dalhousie) over the same period was 7.0%.

The Enrolment Management Committee has completed an analysis that projects a further decline of approximately 155 students for 2008-09. The projected decline takes into consideration Faculty enrolment targets for all programs. The projected decline in overall enrolment in 2008-09 will result in a reduction in tuition revenue of \$750,000.

3. Federal Indirect Cost of Research Grant

The recent Federal budget included an increase in funding for the indirect costs of research at Canadian universities. The new funding amount will not be confirmed until late in 2008-09. The budget model includes an estimate of Dalhousie's share of this important grant.

II EXPENDITURES

1. Faculty and Staff Compensation

New Collective Agreements have recently been reached with the Dalhousie Faculty Association and the Nova Scotia Government Employees Union. The International Union of Operating Engineers agreements will expire this summer. The budget model includes a provision for known increases as well as estimates for the collective agreements that will expire, the annualization cost of 2007-08 increases, as well as a provision for benefit changes and employer pension contributions. The total provision for increased compensation costs including benefits is \$9,100,000 for 2008-09.

It should be noted that legislative changes to mandatory retirement will come into effect no earlier than July 1, 2009 so there will be no impact for the 2008-09 budget year. The BAC will be monitoring the budgetary impact at Dalhousie of legislative changes pertaining to the elimination of mandatory retirement. The new MOU provides for the possibility of government support should the legislative change have a material financial impact (Appendix A, Article 11).

2. Energy, Water, Taxes and Insurance

2007-08 Bunker C fuel oil prices have exceeded budget by 15% owing to current pricing that is at an all time high. Nova Scotia Power is currently seeking approval for automatic increases tied to fuel prices and if approved, fuel-related adjustments would first apply in January 2009. Increases in water rates (including waste water management) have not yet been announced. The preliminary model includes an increase of \$1,175,000 or 10% as an estimate of the potential overall cost increase in these areas.

3. Other Non-Salary Budget Lines

Budgets for Student Assistance, Library Acquisitions, Unit Non-Salary and Facilities Renewal expenditures have been increased by 2% to provide for general inflation pressures. The Non Space Equipment budget has been increased by the grant increase related to this expenditure budget line.

4. Contingency

The University budget provides for contingencies representing unforeseen revenue decreases and/or expenditure increases. The 2008-09 model includes a Contingency line item of \$1,300,000 (about 0.4% of budget) to reflect continued uncertainties in enrolment levels and energy costs as well as the added uncertainty relating to interest rates and the possible negative impact on operating interest revenue.

5. Enrolment Related Budget Adjustments (ERBA)

The University's ERBA Policy requires that approximately one-half of the tuition revenue shortfall in 2007-08 be passed through to the Faculties in 2008-09. Final ERBA calculations will be completed in April. It is estimated that approximately \$650,000 will be returned from Faculty budgets as a result of year-over-year enrolment declines in 2007-08.

The BAC will be conducting a review of the ERBA policy following the release of the 2008-09 Operating Budget Plan. Recommendations for any changes to the ERBA mechanism would be effective for fiscal years 2009-10 and beyond.

6. Strategic Initiatives

In 2002-03 the BAC issued two reports (BAC XXIV and BAC XXV) that identified 'expenditure deficits' for Dalhousie when compared to other Canadian Universities. (*Readers requiring further context can access these reports via the Financial Services website.*) In 2007-08 the University completed a five-year plan that saw investments totaling \$15,630,000 in a program of Strategic Initiatives. These investments were designed to begin to address the areas where percentage spending varies significantly from the comparator group.

Appendix F summarizes the expenditure targets in the 2003-2008 plan and the actual level of funding provided over the five years. There were strategic areas that did not reach the funding levels identified in the original plan in order that allocations be made to emerging priorities (i.e. in the areas of student recruitment and fundraising.) The Committee's view is that there will always be a need to allocate resources to strategic areas and these areas will change over time.

Appendix G shows that relative to a comparator group Dalhousie spends a lower percentage on areas such as Library, Administration, Computing and Facilities and a comparatively higher percentage on Academic programming. This data (updated for 2005-06 using G13 comparators) was first presented in the BAC XXV report to highlight expenditure deficits at Dalhousie and was the basis for the original strategic initiatives plan. The updated schedule includes data on student faculty ratios for each university and highlights the relationship between Dalhousie's percentage spending on academic programming and its lower student faculty ratio.

The report of the Board's Long Term Financial Planning Committee (2006) recommended that strategic initiatives continue to be funded and that the University's budget system "recognize existing and new priorities and the needs of all areas of the University". This report also gave the specific recommendation that the University continue to increase spending on facilities renewal by at least \$1,000,000 per year. Facilities renewal continues to be an important area of need and is discussed in greater detail in section III.

The President has recently released "Making an Impact: The President's Strategic Focus, 2007-2010" which renews the need for investment in strategic areas. Appendix H is a summary of the seven strategic areas highlighted in the report. The BAC views this summary as providing a guide for investment in strategic initiatives through the budget process.

The Preliminary Model on page 8 has provided for \$5.0 million in funding for strategic initiatives in 2008-09. This represents the average annual allocation for strategic initiatives over the last five-year plan plus \$2 million of the increased funding from the province.

Since 1997-98 funding has been distributed to universities based on a formula that used average enrolments from 1994-95 to 1996-97. Of the \$14 million increase in the grant, \$2 million partially allows for Dalhousie's relative enrolment growth since that time. The BAC believes it is important for the University to use these funds (and enrolment adjustments that will be received in years two and three of the MOU) to strengthen areas within priorities established in the context of the strategic focus.

At this stage in budget planning for 2008-09 no recommendations are made on the allocation of strategic initiatives funding to the various areas except for the required \$1,000,000 allocation to the facilities renewal expenditure line. The next report will include recommendations on targeted allocations for specific areas.

III FACILITIES RENEWAL

It has been eight years since the release of the Board's Facilities Renewal Strategy Committee Report. This issue has been highlighted many times in BAC reports and since that time the University has increased funding for Facilities Renewal from \$2.2 million in 2000-01 to \$9.3 million in 2007-08.

There are two fundamental facets of the facilities renewal challenge at Dalhousie. Both components are required to upgrade and maintain University physical infrastructure.

Annual Maintenance

Universities have an annual requirement to perform major maintenance projects in order to repair or replace building systems that have reached the end of their useful lives. Using the standard of a 2% annual investment in facilities maintenance, based on an estimated asset base of \$1.36 billion (including student residence facilities valued at \$206 million), the required annual funding to maintain Dalhousie University's assets would be approximately \$27 million. In 2007-08, the Facilities Renewal Budget was \$9.3 million for non-residence facilities and \$1.5 million for residences, leaving a shortfall of \$16.2 million in annual maintenance funding.

The Board of Governors has reaffirmed the need to address this shortfall and has recommended adding an additional \$1.0 million each year to the facilities renewal budget until the University reaches the target.

Deferred Maintenance Backlog

The deficit in annual maintenance funding described above leads to the year over year accumulation of unfunded projects collectively known as the deferred maintenance backlog. The current estimate of Dalhousie's deferred maintenance backlog is \$235 million.

An accumulation of deferred maintenance leads to deterioration in the condition of the campus facilities and an increased incidence of system failures and resultant negative impacts on the accomplishment of the institutional mission. Appendix I provides further background on the current state of backlog deferred maintenance at Dalhousie, projections of the future backlog under various scenarios and one possible plan to improve the state of the University's physical infrastructure.

As indicated in the MOU (Appendix A, article 17) the province has committed to "identify funding mechanisms" to provide \$25 million over the three year MOU to assist universities with the deferred maintenance backlog. Dalhousie's share of this one-time funding is \$12.1 million. This funding is welcome but significantly more must be done to address the \$235 million backlog of deferred maintenance.

The Long Term Financial Planning Committee recommended consideration of the use of long term debt to address critical facilities renewal needs. There are several options for identifying funds for long-term investment in facilities. The BAC is interested in feedback on these and any further possible solutions:

- a) Raise funding through Capital Campaign
- b) Apply an additional across-the-board budget reduction to budget units
- c) Increase student fee for facilities renewal (where not precluded by MOU)

Measures outlined in b) and c) could provide an annual stream of funding to service long-term debt related to backlog maintenance projects.

IV BALANCING THE 2008-09 BUDGET

The budget model in this discussion paper includes no recommendations about unit budget reductions that would be necessary to balance the 2008-09 budget. Without budget unit reductions the 2008-09 preliminary model would result in a shortfall of \$2.9 million.

The University's approach to annual budget reductions has evolved over time. For a period of years budget reductions were applied on an across-the-board basis (i.e. every unit reduced by the same percentage). This approach has also been used in particularly difficult years (e.g. in 2006 - 07 to address unforeseen midyear budget pressures). Last year, and in some other years since 2001, Faculties and support units have been treated differently. There are strong arguments in favour of differential reductions. Turnover savings due to the difference between the salary of retiring individuals and those newly hired largely accumulate in the Faculties. Faculties also have the capacity to generate additional revenues (for example via increasing enrolments) but service units have few if any opportunities to accomplish this. The data in Appendix G also support a lower level of budget reductions for non-Faculty units.

In some years BAC has recommended that non-Faculty units receiving significant Strategic Initiatives funding should be exempt from budget reductions. This approach recognizes that it is counterproductive to invest in strategic areas and continue to apply cuts. In other years a lower reduction has been applied recognizing that all units should be required to seek efficiencies in their operations.

Some areas such as energy and insurance have been exempted from budget reduction because the cost is determined largely by external factors. Student Assistance and Library collection budgets have also been protected by policy.

A 1.5% reduction to all units where a reduction could be made would be necessary to close the \$2.9 million budget gap. If a differential approach to budget reductions is used to balance the budget in 2008-09 (i.e. similar to the differential approach used in recent years), Faculties would be cut 1.8%, other units 1.0% and strategic areas 0.5%.

The Preliminary Budget Model (page 8) incorporates the significant financial drivers outlined above, but makes no assumption on unit budget reductions and therefore shows a preliminary shortfall for the year of \$2.9 million. The next BAC report will include an Operating Budget Plan for 2008-09 that will contain recommendations to eliminate the short fall and balance the budget for 2008-09.

Dalhousie University

Preliminary Operating Budget Revenue and Expenditure Model for 2008-09

(Notes to the Budget Model are included in Appendix B)

Assumptions	
Government Grant	\$14,037,000
Tuition Revenue	
Fee Increase	0%
Enrolment Change 2008-09	155 student decline
ERBA distribution to Faculties	50%
Compensation Provision/estimates for all employee groups	included
Non Salary Inflationary Increase (included in lines 8a,9,10 and 16)	2%
Energy, Water, Taxes and Insurance	10%
Strategic Initiatives	
Facilities Renewal - Board prescribed (included in line 16)	\$1,000,000
Other Categories (line 14a)	<u>\$4,000,000</u>
Total Strategic Initiatives	\$5,000,000

	('000's of dollars)		
	Column 1	Column 2	Column 3
	Approved Budget 2007-08	Preliminary Assumptions and Estimates	2008-09 Model (Total of Column 1 and 2)
REVENUES - INCREASE(DECREASE)			
1. Government Funding			
a. Operating Grant	131,106	14,037	145,143
b. Facilities Grant	1,000		1,000
c. Other Government Grants	1,855		1,855
2. Tuition revenues	89,939		88,489
a. 2007-08 Enrolment Change		(700)	
b. 2008-09 Enrolment Change		(750)	
c. Fee Increases		-	
3. Endowment Income	17,349		17,349
4. Operating Interest Income	2,700	300	3,000
5. Facilities Renewal Fee	1,270		1,270
6. Indirect Costs of Research Funding	6,742	200	6,942
TOTAL REVENUES - INCREASE (DECREASE)	251,961	13,087	265,048
EXPENDITURES - INCREASE (DECREASE)			
7. Compensation (net of recoveries)	187,069	9,100	196,169
8. Student Assistance			
a. Operating Support	9,341	187	9,528
b. Endowment Support	5,301		5,301
9. Library Acquisitions	6,270	121	6,391
10. Non-Salary (net of recoveries)	34,848	564	35,412
11. Energy, Water, Taxes and Insurance	11,769	1,175	12,944
12. Facilities /Space	1,000		1,000
13. Non Space Equipment	2,309	125	2,434
14. Budget Unit Adjustments			
a. Strategic Initiatives		4,000	4,000
b. ERBA adjustment (preliminary estimate)		(650)	(650)
c. Base budget reduction			
15. Faculty/Unit Revenue	(16,500)		(16,500)
16. Facilities Renewal	9,254	1,355	10,609
17. Contingency	1,300		1,300
TOTAL EXPENDITURES - INCREASE (DECREASE)	251,961	15,977	267,938
SHORTFALL	-	(2,890)	(2,890)

each 1 % budget reduction to ALL budget units generates \$1.9 million (Faculties= \$1.3 million, Other units= \$600,000)
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V INVITATION FOR COMMENTS

The BAC invites comments and suggestions from all members of the University on these specific questions as well as other areas.

- What approach should be taken for reductions Faculties/units?
- What approach should be taken for investment in strategic initiatives in 2008-09 and in the future? What areas should be included? (see Appendices F and G)
- What approach should be taken to increase funding available to address backlog deferred maintenance?

Please send your comments and advice on the contents of this report by April 30, 2008 to Susan Zinck at susan.zinck@dal.ca.



MEMORANDUM OF UNDERSTANDING
BETWEEN
THE PROVINCE OF NOVA SCOTIA
AND
THE NOVA SCOTIA UNIVERSITIES
2008-2009, 2009-2010, 2010-2011

CONSUP
COUNCIL OF
NOVA SCOTIA
UNIVERSITY PRESIDENTS

- 1) Whereas the Province of Nova Scotia recognizes that as a result of its eleven universities it places highest among the provinces in undergraduate participation rates and has one of Canada's most educated workforces,
 - 2) And whereas the Province of Nova Scotia recognizes that its universities produce a well educated citizenry that is essential for the success and maintenance of a modern, civil society, that the civic engagement resulting from an effective post-secondary education system leads to high social cohesion, that an educated population tends to be healthier and more productive, that universities are a key requirement for economic sustainability and growth, and that investing in young minds, and providing the resources necessary for university education, is the foundation upon which to build a stronger, more competitive Nova Scotia,
 - 3) And whereas the Higher Education sector in Nova Scotia represents 60% of the research and development conducted in the province, a contribution which is twice the national average,
 - 4) And whereas the Province of Nova Scotia wishes to maintain the outstanding quality of its university system and ensure that all qualified students are able to access a university education, if they so desire,
 - 5) And whereas excellence in education and training leads to personal fulfillment and a productive, prosperous society,
 - 6) Therefore, the Parties agree to enter into this Memorandum of Understanding for the fiscal years 2008-09, 2009-10, and 2010-11 as outlined below.
 - 7) [a] The Province agrees to provide the Nova Scotia universities with the following funding:
 - additional funding in 2007-08 of \$72,451,000 on or before March 31, 2008
 - funding for the 2008-09 fiscal year of \$216,294,347
 - funding for the 2009-10 fiscal year of \$318,745,347
 - funding for the 2010-11 fiscal year of \$348,745,347
- [b] Special funding for deferred maintenance has been included in the operating grant amounts given in Clause 7[a] above. In 2008-09, the deferred maintenance allocation will equal \$353,614. In 2009-10, deferred maintenance funding will increase by \$461,765 to total \$815,379. In 2010-11 deferred maintenance funding will decrease by \$428,220, to \$387,159.
- [c] Collège de l'Acadie funding in 2008-09 will be \$3,762,799, \$4,165,589 in 2009-10, and \$4,580,515 in 2010-11. These amounts are included in the funding referenced in Clause 7[a] but will not be distributed by the allocation formula; rather they will be provided as targeted funding to Université Sainte-Anne.

- [d] In 2008-09, 2009-10, and 2010-11 university tuition for all students studying in Nova Scotia universities, including students studying medicine, law, and dentistry, and international students, will remain at 2007-08 MOU levels subject to any additional funding provided by the government for tuition reduction in each of these fiscal years or previous fiscal years.
- 8) The Province agrees to allocate this funding according to the Transition Funding Allocation Formula. Details of the formula are set out in Appendix 1.
 - 9) The Transition Funding Allocation Formula utilizes an enrolment average for the years 2003-04, 2004-05, and 2005-06. However, in each year of the MOU, for information purposes, each university will be provided with a notional allocation based on updated enrolment. In 2008-09, the notional allocation would be based on 2003-04, 2004-05 and 2005-06 enrolments. In 2009-10, the notional allocation would be based on 2004-05, 2005-06, and 2006-07 enrolments. In 2010-11, the notional allocation would be based on 2005-06, 2006-07, and 2007-08 enrolments.
 - 10) The Province agrees to enter into discussions with the universities during the third year of this agreement to discuss the methodology for future funding.
 - 11) The Parties agree to examine the impact on universities of legislative changes to mandatory retirement, which will come into effect on July 1, 2009, once data becomes available, and provide additional funding if it is shown that a material impact has occurred.
 - 12) The Province agrees that where a legislative, regulatory, or administrative action taken by the Government of the Province would decrease the revenue of the universities in Nova Scotia by a material amount, or increase the expenditures of the universities in Nova Scotia by a material amount, the Province will make adjustments to ensure that the funding arrangements in this agreement are not violated. This provision does not apply with respect to any legislation, regulation, or administrative action applying to the province generally, and not mainly to universities.
 - 13) Each university agrees that over the three year period from 2008-09 to 2010-11 there will be no tuition fee increases for any university credit programs with the exception of full-cost recovery programs. Full-cost recovery programs are programs where students pay the full cost of their education. Institutions will consult with the Department of Education prior to converting a regular program to a full-cost recovery program to ensure that the proposed change does not violate the provisions of the MOU.
 - 14) The universities agree that tuition fees for new programs will be set at rates comparable to existing programs as per Clause 13 above.
 - 15) [a] The universities agree that they will not increase auxiliary fees or ancillary fees within their control to compensate for an inability to raise tuition fees.

[b] Auxiliary fees are fees for supplies, equipment, labs, field trips, or other items that students must pay in order to enroll in or complete a program or course.

[c] Ancillary fees are fees for non-academic services such as residence accommodation, food services, health services, and student association.

[d] Auxiliary and ancillary fees will be transparent with regard to the goods and services they are designed to be applied against.

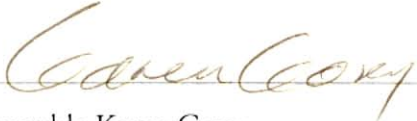
[e] Increases in auxiliary and ancillary fees will not exceed increases in the costs of providing the services or goods provided.

[f] Universities will notify the Department of Education of proposed increases to auxiliary or ancillary fees.

[g] Any increases that appear to be inconsistent with these principles will be subject to review by the Department of Education.

[h] In circumstances where students are to be faced with compulsory fee increases relating to ancillary operations, students on each campus will be consulted beforehand.

- 16) The universities agree to submit to the Higher Education Branch of the Department of Education, by July 31st of each year, tuition fee schedules for all programs.
- 17) [a] The Parties further acknowledge that universities need to spend beyond the amounts committed in this Agreement in order to address deferred maintenance and capital needs in the University sector and to achieve the objectives and principles outlined in Clauses 1 through 5 above.
- [b] To this end, the Parties commit to annual meetings during the life of this Agreement that facilitate identifying a combination of funding mechanisms that will provide \$25 million of infrastructure funds over the 3 year period of this MOU.
- 18) The Parties to this Memorandum of Understanding and student representatives agree to meet as required during the period of the agreement to discuss opportunities, issues or concerns regarding any of the items covered by the MOU.



Honourable Karen Casey
Minister of Education

On Behalf of the Province of Nova Scotia

March 31/08
Date



Thomas Traves, Ph.D.
Chair, Council of Nova Scotia University Presidents

On Behalf of the Universities of Nova Scotia

March 31 2008
Date

Appendix 1
Funding Allocation According to the Transition Formula

Institution	2007-08 Available Funding	2008-09 Available Funding			2009-10 Available Funding			2010-11 Available Funding		
		Transition Formula Funding	Increase over Previous Year	%	Transition Formula Funding	Increase over Previous Year	%	Transition Formula Funding	Increase over Previous Year	%
AU	27,183,188	27,862,919	679,731	(2.50%)	28,853,900	990,981	(3.56%)	29,682,989	829,088	(2.87%)
AST	957,109	995,445	38,336	(4.01%)	1,112,371	116,926	(11.75%)	1,216,847	104,476	(9.39%)
DU	125,564,960	139,436,253	13,871,293	(11.05%)	156,649,634	17,213,381	(12.34%)	175,762,052	19,112,418	(12.20%)
MSVU	16,277,279	18,440,998	2,163,719	(13.29%)	20,139,136	1,698,139	(9.21%)	21,870,749	1,731,612	(8.60%)
NSAC	5,315,353	6,195,404	880,051	(16.56%)	6,814,816	619,413	(10.00%)	7,099,244	284,428	(4.17%)
NSCAD	5,837,395	7,198,489	1,361,094	(23.32%)	8,210,814	1,012,325	(14.06%)	8,951,111	740,298	(9.02%)
SMU	26,278,400	31,676,335	5,397,935	(20.54%)	34,551,511	2,875,176	(9.08%)	37,336,099	2,784,588	(8.06%)
SFXU	22,461,637	26,002,225	3,540,588	(15.76%)	28,818,209	2,815,984	(10.83%)	31,401,112	2,582,904	(8.96%)
CBU	17,759,449	18,738,390	978,941	(5.51%)	19,421,458	683,068	(3.65%)	20,175,294	753,836	(3.88%)
UKC	3,912,149	4,806,784	894,635	(22.87%)	5,581,528	774,744	(16.12%)	6,325,762	744,234	(13.33%)
USA ³	3,839,891	3,275,690	-564,201	-(14.69%)	3,610,999	335,309	(10.24%)	3,956,411	345,412	(9.57%)
	255,386,812	284,628,934	29,242,122	(11.45%)	313,764,379	29,135,445	(10.24%)	343,777,673	30,013,294	(9.57%)
College de l'Acadie	3,358,535	3,762,799	404,264	(12.04%)	4,165,589	402,790	(10.70%)	4,580,515	414,926	(9.96%)
A&R Top Up		353,614	353,614	(0.00%)	815,379	461,765	(130.58%)	387,159	-428,220	-(52.52%)
Grand Total	258,745,347	288,745,347	30,000,000	(11.59%)	318,745,347	30,000,000	(10.39%)	348,745,347	30,000,000	(9.41%)

Notes:

- The full annual increases as specified by the Chart of Accounts (university actual costs for 2008-09, 2009-10, and 2010-11) have been applied to the system for each of the three years covered by the proposed MOU: \$29.2, \$29.1 and \$30.0 million for 2008-09, 2009-10 and 2010-11 respectively.
- Variance was calculated as updated formula funding (original formula updated with the most current available enrolments [three year average of 2003-04, 2004-05 and 2005-06]) minus Chart of Accounts funding.
- Universities with a negative variance had their funding adjusted as follows:
 2008-09: 75% Chart of Accounts and 25% Updated formula
 2009-10: 50% Chart of Accounts and 50% Updated formula
 2010-11: 25% Chart of Accounts and 75% Updated formula

BUDGET MODEL - LINE-BY-LINE DESCRIPTION

The Revenue and Expenditure Model for 2008-09 on page 8 incorporates known changes and estimates for the University's operating revenue and expenditure lines. The following briefly explains how the table functions. Column 1 is the base operating revenue and expenditure budget for 2007-08. The figures in Column 2 include estimates and preliminary assumptions for revenues and expenditures for 2008-09. Column 3 is the preliminary budget model for 2008-09. For example, line 9 of the model shows the 2007-08 budget for Library Acquisitions of \$6,270,000; the projected increase for this budget line is a non salary adjustment of 2% or \$121,000(column 2) for a total of \$6,391,000 as shown in Column 3.

1. **Government Funding (Line 1)**

Line 1(a) of the model includes increased government funding of \$14,037,000. This increase includes sufficient funding to cover operating costs, eliminate tuition increases for all students and provide funding to partially allow for a relative enrolment adjustment.

Line 1(b) is a facilities grant that is committed to facilities upgrade projects. The offsetting expenditure appears in line 12 of the model.

Line 1(c) reflects provincial grant funding for the expansion of Dalhousie's MD program and other minor grant amounts.

2. **Tuition Fees (Line 2)**

The approved budget for 2007-08 was based on a projected decline of 125 students from the previous year. Projected experience for 2007-08 is for a decline of 250 students representing an expected variance of 125 students or \$700,000 in tuition revenue. Therefore, the model for 2008-09 includes in line 2(a) decreased revenue of \$700,000 from lower than budgeted enrolment in 2007-08.

Line 2(b) is a reduction in tuition revenue of \$750,000 resulting from a projected further decline in enrolment of 155 students in 2008-09. This projection is based on advice from the Enrolment Management Committee.

Line 2(d) includes no change related to tuition fee increases. As tuition fees will be held at 2007-08 rates (before \$500 rebate) under the new Memorandum of Understanding. The University will be compensated by the province in lieu of such increases through government funding (see line 1)

This budget model assumes no change in tuition revenue as a result of the government plan to lower the cost of education for Nova Scotia students. In the next BAC report, the budget model will include adjustments to reflect the detailed government plan. These adjustments are not expected to have any bottom line impact on the University budget. The Province's new plan to provide fee relief to Nova Scotia students will provide \$761 in bursary support for full-time students in 2008-09.

3. **Endowment Income (Line 3) and Endowment Expenditures**

Once finalized, the model will include increases in both endowment income and expenditure in 2008-09 for established endowments based on the University's approved spending policy. Under the policy, the 2008-09 spending allocations will increase by the September 2007 year-over-year change in CPI. In addition there will be increases resulting from spending allocations from newer endowments. For information the 2007-08 endowment expenditures are distributed in the budget lines as follows:

	\$
Compensation - Line 7	5,169,000
Student Assistance - Line 8	5,301,000
Library Acquisitions – Line 9	217,000
Non-Salary - Line 10	<u>*6,662,000</u>
	<u>17,349,000</u>

*Approximately \$2.1 million of this amount is student assistance awarded through Faculty budgets.

4. **Operating Interest Income (Line 4)**

Operating interest income is projected to increase by \$300,000 in 2008-09 based on improved cash flow and current interest rate projections.

5. **Facilities Renewal Fee (Line 5)**

At this stage, the model for 2008-09 includes no increase in fee revenue resulting from an increase in the student fee for facilities renewal.

6. **Indirect Costs of Research Funding (Line 6)**

The model includes an increase of \$200,000 in the 2008-09 Federal Indirect Cost of Research Grant. This increase has been estimated on the basis of information provided in the recent Federal Budget.

7. **Compensation (Line 7)**

The budget model includes provision for progression increases (CDIs, steps, etc.) and scale increases based on collective agreements currently in place, as well as provision for collective agreements that will expire in 2008-09 (i.e. IUOE). Increases for non-unionized employees have been estimated and are also included on this line. The projected total increase for compensation costs including pension and other benefits is \$9.1 million.

8. **Student Assistance (Line 8)**

The budget model assumes the operating component of the student assistance budget is increased by an inflationary factor of 2%.

9. **Library Acquisitions (Line 9)**

The model includes a 2% inflationary increase on this line.

10. **Non-Salary Expenditures (Line 10)**

The budget model includes an inflationary increase of 2% for the operating component of non-salary budgets.

11. **Energy, Water, Taxes and Insurance (Line 11)**

Fuel prices have continued to escalate in 2007-08 with the current price of Bunker C fuel now 33% higher than it was a year ago. Provision has been made for potential increases in electricity rates in the third quarter of 2008-09. At this stage of planning a \$1,175,000 increase (approximately 10% overall) has been provided for these increases as well as nominal adjustments for water, taxes and insurance.

12. **Facilities (Line 12)**

There is no change in the expenditure line for facilities. Please refer to note 1(b) above.

13. **Non Space Equipment (grant supported) (Line 13)**

This line includes an adjustment equivalent to the increased provincial grant for non-space equipment.

14. **Budget Unit Adjustments (Line 14)**

The budget model assumes funding for strategic expenditures of \$ 5,000,000 No recommendations have yet been made on the allocation of funding to the various strategic areas except that \$1,000,000 has been allocated for Facilities Renewal on line 16. The balance, \$4,000,000 is shown on line 14(a) in the budget model.

Exact calculations of adjustments to Faculty budgets through the ERBA calculation have not yet been finalized. The total reduction in fee revenue during 2007-08 from the enrolment decline of 250 students is \$1.3 million. As indicated in note 14, half of this decline (or \$650,000) will be returned from Faculties in 2008-09 via ERBA.

The Operating Budget plan for 2008-09 will ultimately include base budget reductions (line 14(c)) required to achieve a balance of operating revenues and expenditures. Section IV of this report describes the possible budget adjustments necessary.

15. **Faculty/Unit Revenue (Line 15)**

Significant cost recoveries for salary and non-salary items are netted directly in lines 7 and 10 above. Line 15 includes other base revenue generated by Faculties and budget units (e.g. tuition revenue from ERBA exempt programs that is retained by Faculties). While no change is assumed on this budget line, these sources of revenue provide an important means by which Faculties deal with annual budget reductions.

16. **Facilities Renewal (Line 16)**

This budget line includes an allocation of \$1,000,000 from Strategic Initiatives funding and a 2% inflationary factor of \$185,000 as well as an increase of \$170,000 in funding for deferred maintenance under the new MOU with the province.

17. **Contingency (Line 17)**

This budget represents an annual provision for unforeseen revenue decreases and/or expenditure increases throughout the year.

**An Excerpt from Page 12 of the
Report of the Long Term Financial Planning Committee
15 November 2006**

Recommendations – Tuition Policy:

- 1. That the Board of Governors reaffirm the following Tuition Fee Policy:**

Tuition fees will be set based on the following factors:

- the relative costs of offering a program;
- the economic prospects/earnings potential of program graduates;
- fees charged for similar programs at other Canadian universities;
- demand for the program and the impact of existing fees on enrolment; and,
- the availability of student assistance support.

- 2. That the University monitor carefully the relationship between student fees and student enrolment to ensure that fee levels are not an impediment to the recruitment and retention of the desired number of students in the desired program areas, with a view to achieving an appropriate balance between revenues and costs, and that in this context, the situation of international students continue to be examined.**
3. That the Budget Advisory Committee continue to consult broadly on any proposed fee increases prior to Board consideration.
4. That the cross-subsidization of Faculty budgets be taken into account when tuition fees are adjusted; in the alternative consideration should be given to some reduction in budget allocations to such Faculties.

2007/2008 Undergraduate Arts Tuition Fees - Atlantic Universities

University	Tuition Fee	Tuition and Auxiliary Fees ⁽²⁾
1 Acadia ⁽¹⁾	6,652	7,743
2 Mt. Allison	6,720	6,977
3 St. Francis Xavier ⁽¹⁾	6,205	6,933
4 Dalhousie ⁽¹⁾	6,030	6,805
5 Kings ⁽¹⁾	6,030	6,814
6 Cape Breton ⁽¹⁾	5,660	5,956
7 Saint Mary's ⁽¹⁾	5,580	6,344
8 Mount Saint Vincent ⁽¹⁾	5,550	6,292
9 UNB	5,482	5,983
10 Moncton	4,920	5,364
11 St. Thomas	4,570	5,025
12 UPEI	4,440	5,177
13 Memorial	2,550	3,019

⁽¹⁾ Tuition fees are for out of province students (i.e. before the \$500 rebate is applied)

⁽²⁾ includes compulsory auxiliary fees

**Survey of Tuition fees for Entering Students at Selected Canadian Universities
2007-2008 Academic Year**

	Dalhousie	Victoria	UBC ⁽¹⁾	Alberta ⁽²⁾	Calgary ⁽²⁾	U Sask ⁽³⁾	Manitoba ⁽⁴⁾⁽⁵⁾	McMaster ⁽⁶⁾⁽⁷⁾	Western ⁽⁶⁾⁽⁸⁾	Windsor ⁽⁶⁾⁽⁹⁾	Toronto ⁽⁶⁾⁽¹⁰⁾	York ⁽⁶⁾	Queen's ⁽⁶⁾	Waterloo ⁽⁶⁾	Ottawa ⁽⁶⁾⁽¹¹⁾	McGill ⁽¹²⁾	UNB	Memorial ⁽¹³⁾	Dalhousie Ranking	
UNDERGRADUATE																				
Arts	6,030	4,491	4,257	4,686	4,740	4,380	3,000	4,514	4,521	4,460	4,570	4,568	4,579	4,582	4,546	5,141	5,482	2,550	1	
Dental Hygiene	7,530	--	4,683	6,170	--	--	5,995	--	--	--	--	--	--	--	--	--	--	--	1	
Engineering	6,840	5,096	5,109	4,998	4,740	4,950	3,120	6,265	6,940	5,370	8,014	4,568	7,311	8,138	5,679	5,141	6,925	2,550	6	
Management	6,060	4,491	4,399	4,686	4,740	6,000	4,020	5,280	0	4,940	4,570	4,879	9,623	--	4,546	5,141	5,482	2,550	2	
Nursing	7,020	4,491	3,406	6,248	4,740	4,950	3,660	4,514	4,521	4,460	6,133	4,568	4,579	--	4,546	5,141	5,482	2,550	1	
Pharmacy	8,676	--	7,950	4,686	--	6,180	3,990	--	--	--	10,797	--	--	12,000	--	--	--	2,550	3	
Science	6,840	4,491	4,683	4,686	4,740	4,560	3,540	4,514	4,521	4,460	4,570	4,568	4,579	4,582	4,546	5,141	5,482	2,550	1	
Social Work	6,660	4,491	4,257	--	4,740	--	3,780	4,514	--	--	--	4,568	--	4,582	4,546	5,141	--	2,550	1	
GRADUATE																				
Occupational Therapy	8,678	--	5,837	5,496	--	--	5,000	7,500	5,602	--	5,886	--	8,048	--	5,871	5,141	--	--	1	
Masters in Arts	6,381	4,665	3,939	3,298	4,922	3,000	4,177	5,154	5,406	5,760	5,886	4,785	5,159	6,012	5,601	5,141	5,562	3,030	1	

Note:All fees included in this schedule are for Out-of -Province students. Nova Scotia students attending Dalhousie would pay \$500 less than the rates shown.

- (1) The tuition rate for Management increases to \$6,518 for years 2 to 4 of the program. The tuition rate for Engineering increases to \$5,453 for years 2 to 5 of the program.
- (2) In 2006-07, as a result of Government of Alberta funding, 2006-2007 tuition has been set at 2004-2005 rates. The Government of Alberta Tuition Fee Policy limits any 2007-08 tuition increase to a maximum of the percentage annual change in the Alberta CPI.
- (3) Saskatchewan implemented a new tuition model effective May 1/05 for graduate programs resulting in a decrease in tuition rates for graduate students. - no increase in any tuition for 2007-08.
- (4) The Manitoba government mandated a 10% fee reduction which will be applied to tuition fees when they are assessed. 2007-08 fees remain frozen.
- (5) The tuition rate for Dental Hygiene decreases to \$5,320 for year 2 of the program.
- (6) Fees in Ontario were frozen at 2003-04 levels, for 2006-07 the provincial government has lifted the freeze and permitted new students a maximum increase of 4.5% or 8% depending on the type of program. Increases vary by program for 2007-08
- (7) Level 2, 3, 4 courses are at a reduced rate for all undergrad programs.
- (8) Upper Level courses are at a reduced rate for all undergrad programs.
- (9) Second Year or higher courses are at a reduced rate for all undergrad and grad programs.
- (10) Second Year and higher students generally are assessed lower rates than students entering in 2007.
- (11) Social Work and Physiotherapy are offered only in French.
- (12) The tuition rates shown are for out-of-province students.
- (13) No increase in fees over 2006-07

Comparison Law, Medicine and Dentistry Fees 2007-08

	Law 2007-08	Medicine 2007-08	Dentistry 2007-08
Dalhousie ⁽¹⁾	11,666	13,818	14,074
Victoria	7,860	n/a	n/a
UBC	9,551	14,566	14,566
Alberta ^{(2),(3)}	8,998	10,598	17,762
Calgary ^{(2),(4)}	10,836	13,210	n/a
Saskatchewan ⁽⁵⁾	6,840	11,036	32,000
Manitoba ⁽⁶⁾	8,475	7,595	13,595
McMaster ^{(7),(8)}	n/a	12,179	n/a
Western ⁽⁷⁾	11,372	15,755	19,945
Windsor ⁽⁷⁾	9,894	n/a	n/a
Toronto ^{(7),(9)}	18,662	16,862	20,937
York ⁽⁷⁾	13,996	n/a	n/a
Queens ⁽⁷⁾	10,452	14,884	n/a
Ottawa ⁽⁷⁾	9,914	15,288	n/a
McGill ⁽¹⁰⁾	5,141	10,967	10,967
UNB	9,032	n/a	n/a
Memorial	n/a	6,250	n/a
Average (except Dal)	10,073	12,433	18,539
Dal Rank 2007-08	3 rd of 15	6 rd of 13	6 th of 8
Dal Rank 2006-07	3 rd of 15	6 rd of 13	6 th of 8
Dal Rank 2005-06	4 th of 15	7 th of 13	7 th of 8

The BAC has endeavored to gather information on tuition fees for professional programs at comparator universities. Internal policies and budgeting practices will vary by university and it is not possible to provide a comprehensive enumeration of all such policies and practices.

(1) Fees shown are for out of province students. Nova Scotia students are eligible for a \$500 rebate on fees in 2007-08. Law fee includes auxiliary fee of \$2500. These fees are retained by the Faculty.

(2) In March 2006, the Government of Alberta announced a grant to increase base funding for universities to rebate approved tuition increases in 2005-06 and 2006-07 so that students pay at 2004-05 fee rates. The Government of Alberta Tuition Fee Policy limits any 2007-08 tuition increase to a maximum of the percentage annual change in the Alberta CPI.

(3) There are program differential fees included for Law (\$4000) and Medicine (\$4000). Dentistry fee includes a Clinical fee and a Clinical Operations fee.

(4) Includes program differential fees.

(5) The top 15 Saskatchewan Dentistry students pay \$14,000. All other students pay the Dentistry fee indicated.

(6) The Manitoba Government mandated 10% fee reduction will be applied to tuition fees when they are assessed. The Law tuition rate includes a \$4000 surcharge for all students admitted to the program for September 2003 or later.

(7) Fees in Ontario were frozen at 2003-04 levels, for 2006-07 and 2007-08 the provincial government has lifted the freeze and permitted a maximum increase of 4.5% for new students and up to 8% for professional programs, provided average increase in tuition across the institution is no more than 5%.

(8) Medicine is a three year program, fee shown is total fee for three years divided by four.

(9) Tuition includes library and laboratory supplies and services.

(10) Fees shown are for out of province students.

International Tuition Fees at Selected Universities (2007-08)

(fee shown is for entering student in an Arts Program)

	Total Fees		2007-08 Differential
	Canadian Students	International Students	
Dalhousie University ⁽¹⁾			
Undergrad	6,030	\$13,290	\$7,260
Graduate - Masters	6,381	\$11,571	\$5,190
Graduate - PhD	6,699	\$11,889	\$5,190
University of British Columbia ⁽²⁾			
Undergrad	4,257	\$18,698	\$14,441
Graduate - Masters	3,939	\$7,200	\$3,261
Graduate - PhD	3,939	\$7,200	\$3,261
University of Alberta			
Undergrad	4,686	\$16,286	\$11,600
Graduate - Masters	3,298	\$6,890	\$3,592
Graduate - PhD	3,298	\$6,890	\$3,592
University of Calgary			
Undergrad	4,740	\$16,140	\$11,400
Graduate - Masters	4,922	\$16,094	\$11,172
Graduate - PhD	4,922	\$16,094	\$11,172
University of Manitoba ⁽³⁾			
Undergrad	3,000	\$8,400	\$5,400
Graduate - Masters	4,177	\$8,354	\$4,177
Graduate - PhD	4,177	\$8,354	\$4,177
McMaster University			
Undergrad	4,515	\$12,948	\$8,433
Graduate - Masters	5,154	\$12,525	\$7,371
Graduate - PhD	5,154	\$12,525	\$7,371
University of Western Ontario			
Undergrad	4,521	\$13,550	\$9,029
Graduate - Masters	5,406	\$12,050	\$6,644
Graduate - PhD	5,406	\$12,050	\$6,644
University of Toronto			
Undergrad	4,570	\$17,640	\$13,070
Graduate - Masters	5,886	\$13,230	\$7,344
Graduate - PhD	5,886	\$13,230	\$7,344
Queen's University			
Undergrad	4,579	\$15,086	\$10,507
Graduate - Masters	5,159	\$10,600	\$5,441
Graduate - PhD	5,159	\$10,600	\$5,441
Waterloo University			
Undergrad	4,582	\$16,414	\$11,832
Graduate - Masters	6,012	\$14,688	\$8,676
Graduate - PhD	6,012	\$14,688	\$8,676
University of Ottawa			
Undergrad	4,546	\$13,858	\$9,312
Graduate - Masters	5,601	\$13,423	\$7,822
Graduate - PhD	5,601	\$13,423	\$7,822
McGill University ⁽³⁾			
Undergrad	5,141	\$15,000	\$9,859
Graduate - Masters	5,141	\$9,341	\$4,200
Graduate - PhD	5,141	\$5,141	\$0
Memorial University			
Undergrad	2,550	\$8,800	\$6,250
Graduate - Masters	3,030	\$3,936	\$906
Graduate - PhD	2,049	\$2,661	\$612

⁽¹⁾ The Canadian fee shown is for out of province students. Nova Scotia students are entitled to a \$500 fee rebate in 2007-08.

⁽²⁾ International fees represent "full cost of education" increased annually by the cost of living. 2007-08 is the first year of a three year increase to cover "capital cost of education". Most graduate students are eligible for a \$3,260 scholarship.

⁽³⁾ Figures shown for Canadian students are not shown net of the Government of Manitoba's 10% fee reduction. This fee reduction does not apply to international students.

⁽⁴⁾ The Canadian fee shown is for out of province students. Quebec students pay a lower fee.

Update on International Enrolment 2007-08

In 2004-05 the BAC issued a discussion paper on International Fees (BAC XXX). As a result of this review the BAC recommended an annual increase in international fees of \$810 for each of the five years commencing in 2005-06. This increase was intended to increase the total tuition charged to international students to meet the “full cost of education”.

A key consideration of the BAC when recommending this plan was the potential impact on international student enrolment. The table below is a summary of international enrolment data over the five-year period 2003-04 to 2007-08. There has been a 6.7 % decline in the number of international students studying at Dalhousie since 2003-04. The most significant component of the decrease in enrolment is in thesis based Graduate programs. It is interesting to note that this category of students has not been subject to the additional increase of \$810 per annum. Enrolment of international students in undergraduate programs has grown by 4.5% since 2003-04 despite international differential increases for these students from \$4,500 to \$7,260. The growth in undergraduate international enrolment compares with a 2.8% decline in overall undergraduate enrolment at Dalhousie.

A variety of factors influence the absolute number of international students that enroll each year. For example, specific cohorts of students are recruited for discrete programs and/or periods of time, program language requirements have changed and geopolitical factors impact on where international students pursue their studies.

Registered International Students as of December 1 (Headcounts) By Nation of Permanent Residence										
	Undergraduate					Graduate				
	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007
China	54	82	91	93	111	153	151	125	91	65
USA	147	162	153	135	128	32	35	33	34	37
India	14	17	17	7	10	98	107	86	74	85
Bermuda	67	70	56	62	47	2	1	1	0	2
Saudi Arabia	44	46	40	43	42	8	12	7	10	11
Bahamas	38	48	49	56	57	3	3	3	3	1
United Arab Emirates	32	28	27	24	20	3	1	2	1	4
Pakistan	11	9	5	5	7	12	11	7	5	3
Botswana	16	17	17	11	5	6	4	1	6	10
Germany	13	14	15	18	9	8	7	13	17	15
Japan	14	12	14	12	11	7	7	4	4	5
Malaysia	19	17	16	21	19	0	1	1	1	1
Bahrain	0	0	0	1	1	18	0	0	0	1
Thailand	5	7	6	5	1	11	10	9	7	5
Nigeria	6	9	6	8	7	9	10	10	11	11
Hong Kong	14	12	11	10	9	0	0	0	0	0
Iran	4	19	25	29	22	10	14	16	13	13
Mexico	3	1	2	4	7	11	9	9	7	6
Sweden	13	13	10	12	6	1	2	3	0	0
Cuba	0	0	0	0	0	13	11	7	2	1
Denmark	4	2	0	3	3	9	7	7	5	10
Norway	11	9	8	12	7	1	1	1	1	1
South Korea	9	12	7	13	16	3	1	1	0	1
Ghana	6	5	5	6	2	5	6	5	4	1
Barbados	0	1	1	2	3	10	5	1	0	1
France	8	5	12	8	6	2	6	5	6	10
Turkey	5	9	4	3	5	5	4	5	4	3
Kuwait	6	13	20	25	31	2	2	2	3	2
Libyan Arab Jamahiriya	2	1	3	3	3	4	4	10	23	25
Bangladesh	5	4	5	4	4	0	15	14	10	9
Yemen	4	6	5	7	8	0	0	1	1	2
Other countries < 10 students	124	133	139	118	123	101	93	86	79	90
Total	698	783	769	760	730	547	540	475	422	431

Dalhousie University
Funding Allocations for Strategic Initiatives 2003-04 to 2007-08
('000's of dollars)

	Planned Allocations (1)	Base Level Adjustments					Total	Difference from Plan
		2003-04	2004-05	2005-06	2006-07	2007-08		
Student Assistance	2,480	1,350	200	780	150	-	2,480	-
Student Services	500	200	50	100	-	305	655	155
Library	1,350	600	200	220	125	175	1,320	(30)
Academic IT	750	200	100	200	-	250	750	-
Facilities Renewal	5,050	1,550	675	870	500	1,000	4,595	(455)
Classrooms	500	500			-	-	500	-
Academic Initiatives	1,000	300	50	100	-	185	635	(365)
Faculty Salaries	1,500	-	400	600	500	-	1,500	-
Administrative Services	1,000	200	155	130	-	525	1,010	10
Facilities Operations	1,500	300	170	300	-	520	1,290	(210)
	<u>15,630</u>	<u>5,200</u>	<u>2,000</u>	<u>3,300</u>	<u>1,275</u>	<u>2,960</u>	<u>14,735</u>	<u>(895)</u>
New Initiatives								
Enrolment Management						395	395	395
Fundraising Plan						500	500	500
						<u>3,855</u>	<u>15,630</u>	<u>-</u>

(1) The original planned allocation for Student Assistance as described in BAC XXIV was revised by \$30,000 as a result of an over allocation to Student Assistance, the total allocated under the Strategic Initiatives Plan was increased from \$15.6 M to \$15.63 M

Comparison of Operating Expenditures by area, for selected Canadian Universities, 2005-2006¹
 ('000's)

Comparator Universities	Total Operating Expenditures		Academic		Library		Computing		Administration and General		Student Services		Physical Plant		External Relations		Total Non Academic		Student Faculty Ratio ²
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	
Laval	421,674		286,379	67.9%	23,302	5.5%	8,823	2.1%	38,162	9.1%	20,300	4.8%	43,512	10.3%	1,196	0.3%	135,295	32.1%	22.4
McGill	464,191		269,795	58.1%	27,492	5.9%	21,004	4.5%	59,145	12.7%	18,857	4.1%	52,027	11.2%	15,871	3.4%	194,396	41.9%	19.8
McMaster	371,440		217,731	58.6%	15,372	4.1%	15,736	4.2%	29,637	8.0%	37,048	10.0%	50,523	13.6%	5,393	1.5%	153,709	41.4%	20.6
Ottawa	383,341		222,005	57.9%	20,106	5.2%	11,918	3.1%	40,059	10.4%	43,078	11.2%	38,474	10.0%	7,701	2.0%	161,336	42.1%	28.3
Queens	382,048		248,121	64.9%	19,313	5.1%	8,825	2.3%	15,936	4.2%	36,496	9.6%	40,722	10.7%	12,635	3.3%	133,927	35.1%	26.6
Waterloo	312,303		174,263	55.8%	17,398	5.6%	13,191	4.2%	28,557	9.1%	36,296	11.6%	35,036	11.2%	7,562	2.4%	138,040	44.2%	29.5
Western	436,968		283,974	65.0%	21,370	4.9%	7,639	1.7%	28,606	6.5%	48,154	11.0%	36,457	8.3%	10,768	2.5%	152,994	35.0%	25.0
Calgary	454,767		261,117	57.4%	27,641	6.1%	34,134	7.5%	37,955	8.3%	14,810	3.3%	71,101	15.6%	8,009	1.8%	193,650	42.6%	18.9
	3,226,732		1,963,385	60.8%	171,994	5.3%	121,270	3.8%	278,057	8.6%	255,039	7.9%	367,852	11.4%	69,135	2.1%	1,263,347	39.2%	23.9
Larger Universities																			
UBC	694,356		395,002	56.9%	31,806	4.6%	24,353	3.5%	110,176	15.9%	43,778	6.3%	83,072	12.0%	6,169	0.9%	299,354	43.1%	17.5
Toronto	1,087,621		648,017	59.6%	71,709	6.6%	18,732	1.7%	89,667	8.2%	116,014	10.7%	122,827	11.3%	20,655	1.9%	439,604	40.4%	25.7
Montreal	526,172		328,797	62.5%	31,445	6.0%	22,383	4.3%	59,386	11.3%	27,644	5.3%	51,491	9.8%	5,026	1.0%	197,375	37.5%	26.4
Alberta	617,320		373,127	60.4%	37,935	6.1%	22,987	3.7%	71,292	11.5%	32,439	5.3%	68,695	11.1%	10,845	1.8%	244,193	39.6%	23.3
	2,925,469		1,744,943	59.6%	172,895	5.9%	88,455	3.0%	330,521	11.3%	219,875	7.5%	326,085	11.1%	42,695	1.5%	1,180,526	40.4%	23.2
Total Comparators	6,152,201		3,708,328	60.3%	344,889	5.6%	209,725	3.4%	608,578	9.9%	474,914	7.7%	693,937	11.3%	111,830	1.8%	2,443,873	39.7%	23.7
Dalhousie	265,652		176,072	66.3%	12,338	4.6%	9,158	3.4%	17,086	6.4%	20,119	7.6%	26,456	10.0%	4,423	1.5%	89,580	33.7%	15.4
Dalhousie Rank (out of 13)			2		11		8		12		7		10		8		12		1

1 Source: CAUBO/ACPAU Financial Information of Universities and Colleges, 2005-2006, Statistics Canada, May 2007

2 Source: CAUT Almanac 2007: "University Student-Full-time Faculty Ratios by Institution, 2004-05"

Summary- Seven Strategic Focus Areas (2007-2010)

Enhance academic and research excellence

- Support interdisciplinary research and curriculum initiatives
- Develop recruitment, student services, curricular and research initiatives to support internationalization goals
- Sustain strong graduate and professional education and student support Programs
- Enhance academic infrastructure to support learning and teaching
- Utilize appropriate analytic tools to identify strengths and weaknesses of curriculum design, pedagogy and learning outcomes
- Assess our academic program review methods and outcomes to improve continuous learning objectives.
- Explore innovative academic program models to support both curriculum and co-curricular learning objectives
- Improve undergraduate student retention rates
- Enhance the capacity to develop large research proposals
- Strengthen Dalhousie's ability to support commercialization of research, industrial liaison, and incubation of university-based companies

Enrich student experience

- Develop campus support for our Student Engagement for Success model
- Reorganize Student Services to implement Student Engagement for Success
- Review fund raising opportunities to build Student Engagement for Success model
- Explore options for student space renewal projects
- Develop initiatives to build and celebrate campus spirit

Strengthen enrolment

- Confirm long term enrolment targets
- Establish enrolment targets by academic program area
- Enhance marketing and recruitment capacity
- Enhance graduate student recruitment efforts
- Develop international student recruitment plan
- Continuously improve Dalhousie's web site
- Align student financial support with recruitment goals

Sustain campus renewal

- Develop a campus master plan
- Increase operating budget investments in facilities renewal
- Develop a sustainable capital debt plan
- Secure reasonable Provincial Government capital funding
- Introduce space utilization and scheduling reviews
- Introduce an environmental "sustainable footprint" program
- Complete scheduled capital projects

Develop excellent human resources

- Develop effective professional development education opportunities for employees
- Establish a comprehensive Career Development Initiative
- Develop a comprehensive orientation and support program for new employees
- Maintain positive relationships with employee representative organizations
- Develop and share the results of an ongoing employee survey program
- Improve internal communications media for employees

Increase philanthropic support

- Complete the reorganization of the External Relations Department
- Develop long-term investment and fundraising plans to achieve a \$1billion endowment
- Develop programs to connect and involve alumni with the university
- Develop better reporting to alumni on the “state of the university”
- Develop appropriate reputation measures and a reputation management plan in concert with ongoing marketing and recruitment actions

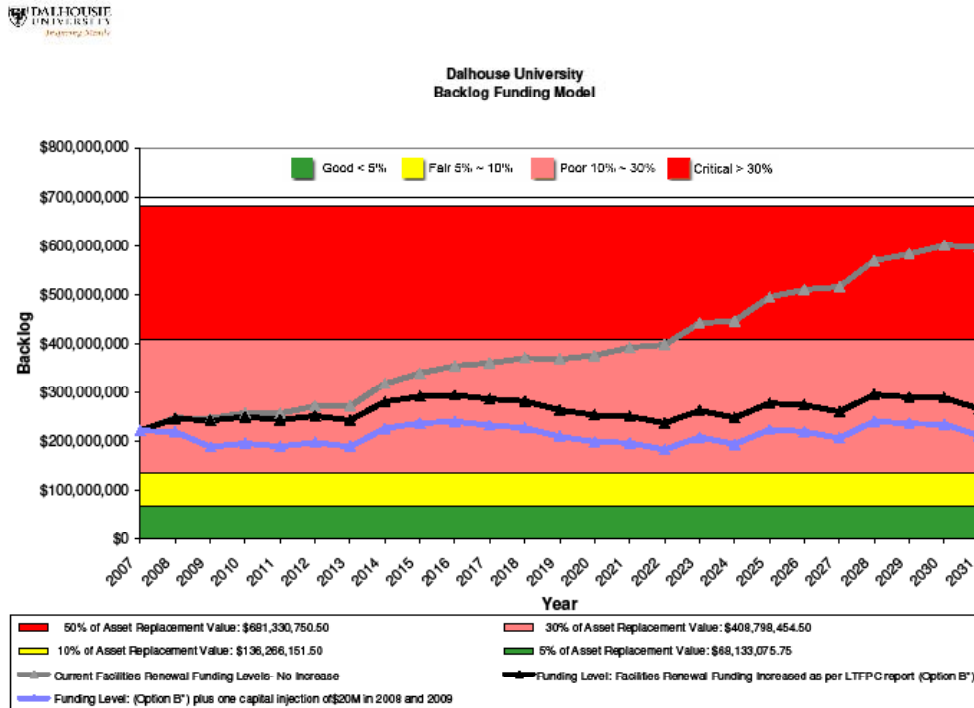
Ensure financial sustainability

- Create an Inspiring Excellence Fund to support Strategic Directions priorities
- Pursue increased provincial operating grant support
- Secure support for the unfunded indirect costs of research projects
- Review our Enrolment Based Budgeting Adjustments program
- Investigate a balanced scorecard approach to integrated administrative services
- Establish effective information management platforms for decision making
- Develop a sustainable capital debt plan

Backlog Deferred Maintenance

In North America, universities assess the condition of their infrastructure by applying a facilities condition index, or FCI. The index is a function of Backlog deferred maintenance as a percentage of current replacement values. Dalhousie University uses an asset assessment software application to calculate our FCI. A rating of more than 10% is considered poor condition and unacceptable, with fair ranging from 5% - 10% and good at less than 5%. Many of Nova Scotia's universities including Dalhousie have facilities with an index well in excess of 10%, with some in the critical category of more than 30% and individual buildings in excess of 50%. Based on the data collected in our faculties Dalhousie's overall FCI is calculated to be 17.26%.

The following graph predicts the level of the deferred maintenance backlog in future years based upon different levels of maintenance funding. These measures would have an impact on our increasing backlog maintenance deficit. However, even at an assumed debt-based funding of \$40M (the lowest line on the graph), Dalhousie would only be able to maintain the current FCI and would not actually improve the condition of the campus. Hence, a more significant investment is required in order to bring the campus FCI into a "fair" category.



11/6/2007

The following table provides one possible approach to reduce the FCI to a fair rating (FCI between 5% - 10%) It includes a combination of building disposal or demolition that would remove the assets with the highest FCIs from our portfolio followed by an investment of \$75M debt serviced over 20 years (approximately \$6M/year). This is projected to result in an FCI of 9.9%.

<u>One Scenario for Improvement of Back Log Deferred Maintenance/ FCI</u>			
	Deferred Maintenance Backlog	Total Asset Replacement Value	Facilities Condition Index
Current	235,257,189	1,362,661,515	17.3%
Building Disposals	(31,066,686)	(62,507,700)	49.7%
Funding for Backlog Catch up	<u>(75,000,000)</u>	<u>_____</u>	
Projected	129,190,503	1,300,153,815	9.9%