DALHOUSIE UNIVERSITY

A path forward for Dalhousie

Budget Advisory Committee context paper

Proposed draft budget for Fiscal 2025-26 and lookahead to 2026-27 and 2027-28

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EXECUTIVE SUMMARY

Across Canada, universities and colleges are grappling with the impacts of reduced international enrolments against the backdrop of rising costs outpacing government funding. Dalhousie is no exception. Faced with lower-than-forecast enrolment revenue in the current budget year (2024-25), the university implemented a hiring freeze and other cost reduction measures midyear to reduce our estimated deficit for the year to approximately $10M.

Going forward, our budget challenge increases. The shortfall in enrolment in 2024-25 impacts multiple budget years as a smaller-than-expected class moves through its studies. While we aim to stabilize and grow enrolment, continued international constraints and strong domestic competition will challenge our capacities to do so in the near term. In addition to tuition, provincial funding support is an essential investment in Dalhousie; however, it has not kept pace with rising costs in many years. Absent significant measures to reduce expenses, Dalhousie is facing a growing shortfall in its operating budget and escalating deficits.

The work of our Dalhousie community remains as important as ever: educating the next generation of leaders, thinkers, and innovators; advancing research that illuminates new possibilities and our understanding of our world; lifting our province, and country, to new heights. In a time of geopolitical uncertainty, as our province looks to enhance its economic resilience and independence, Dalhousie is poised to be a vital partner in navigating change and forging a stronger future. Our challenge, at this moment in time, is determining how to continue to fund these important goals amidst a challenging financial landscape.

Each year, the Budget Advisory Committee (BAC) provides context and recommendations for the upcoming year's operating budget, which funds most of the university's day-to-day operations. This report is no different – but it also looks ahead to 2026-27 and 2027-28, as resolving our financial shortfall will take a multi-year approach. The core tenets of this approach are:

- Reduce operating costs through a mix of across-the-board measures and through transformation in how we deliver services and programs
- Strategically grow university revenue
- Operate temporarily in deficit but with a clear path to financial stability
- Stay focused on the future, guided by university strategy and priorities

We hope this report provides valuable information and context to help shape the conversations and work to come. By creating a shared environment for teaching and research, across disciplines, we can achieve more together than we could as individuals. The same holds true for working through challenging financial circumstances. The best outcome of the next few years is not only a return to solid financial footing, but one that is guided and shaped by our Dal community's ideas, inspiration, and innovation. That is how we will move our academic mission forward together.

2025-26 Operating Budget summary & longer-term forecast

The 2025-26 Operating Budget reflects assumptions and recommendations associated with funding sources and expenditures that support the university's day-to-day operations, including teaching, research, and service to the community. While measures have been taken to reduce expenditures, Dalhousie will not be in a position to submit a balanced budget for 2025-26. Instead, we are looking to leverage multiple initiatives focused on enrolment growth, expansion of other revenue sources, and significant cost reductions to achieve a balanced budget by 2027-28.

As a measure of cautiousness, this budget and forecast assume no enrolment growth. They incorporate a reduction of annual operating expenditures over the next three years (by 2027-28) of $26.7 million, (approximately 5.3%). A 1% across-the-board cut to all Faculty and Unit budgets in 2025-26 forms part of this target ahead of broader efforts to transform university services and programs to achieve efficiencies and cost savings.

In addition to the $26.7 million savings target, our approach to cost containment will require all Faculties and Units -- from senior administration to academic and service support units -- to absorb compensation increases in their budgets. To manage this, Faculties and Units will need to generate revenue or reduce costs to fund any compensation increases outlined in employee agreements. Extrapolating this over three years, this approximates a $50.0 million (~4% annually) impact to Faculty and Unit budgets. Combining these measures (transformative cost-savings and compensation absorption by Faculties and Units) has the effect of reducing overall expenditures by approximately $75 million by 2027-28 or a total of approximately 17.3%. Initiatives across administrative and academic units focused on changing how we operate will be required to achieve these results. Some of these initiatives will require investment in systems and project resources. This is why we have projected increased funding for strategic initiatives over the next three years.

The budget plan recognizes the affordability concerns faced by students. The proposed budget increases our investment in scholarships and bursaries by $700K annually – adding to the more than $98M Dalhousie spends annually on student financial aid and student employment across all university funds. The budget plan also assumes modest tuition increases in line with recent years (2% domestic, 6% to the guaranteed international tuition fee, 7.3% average increase for other international tuition).

In response to student priorities identified through previous consultations, the university has actively integrated this feedback into both short and long-term budget planning. Last year, data revealed that housing was a top concern for students, leading to the development of a comprehensive student housing strategy and the initiation of new residence projects. Additionally, recognizing the critical need for funding and support among graduate students, the university announced enhanced PhD funding. Employment opportunities, consistently highlighted as a priority by both international and domestic students, have been preserved through initiatives such as the Student Employment Program (SEP), Co-op placements, and other student roles, even amidst a hiring freeze. We have implemented new high-quality service hubs to improve access to services and have continued our efforts to ensure students find meaningful work when they graduate. These initiatives, along with ongoing student input, underscore the university's commitment to addressing student needs and priorities in its budgetary decisions.

Summary of Projected Revenue and Expenditures and Recommended Budgets

	Thousands of Dollars						
	2024-25 Adjusted Budget	2024-25 Forecast	2024-25 Variance	2025-26 Recommendations and Estimates	2025-26 Recommended Budget	2026-27 Forecast Budget	2027-28 Forecast Budget
REVENUES							
N.S. Government Grants	231,900	231,900	-	4,073	235,973	240,073	244,273
Gross Tuition Revenues	273,604	255,204	(18,400)	(17,604)	256,000	259,600	262,900
Tuition Revenue Allocated to Faculties	(16,900)	(16,900)	-	(500)	(17,400)	(18,200)	(18,700)
Agent Fees	(1,000)	(1,000)	-	-	(1,000)	(1,000)	(1,000)
Total Net Tuition Revenue	255,704	237,304	(18,400)	(18,104)	237,600	240,400	243,200
Other Revenues	20,537	20,537	-	91	20,628	20,694	20,794
	508,141	489,741	(18,400)	(13,940)	494,201	501,167	508,267
EXPENDITURES							
Faculty and Unit Budget Allocations	395,365	395,365	-	-	395,365	396,652	397,952
Budget Unit Adjustments							
ERBA adjustment (estimate)				(1,000)	(1,000)	(1,000)	(1,000)
Necessary Cost Reductions (Cuts & Savings Initiatives)				(4,700)	(4,700)	(11,700)	(26,700)
Savings		(7,000)	(7,000)				
Adjusted Faculty and Unit Budget Allocations	395,365	388,365	(7,000)	(5,700)	389,665	383,952	370,252
Deferred Maintenance / Long Term Debt / Accessibility / Code Modification	50,884	50,884	-	91	50,975	52,258	53,658
Student Assistance	25,735	25,735	-	700	26,435	27,435	28,935
Energy, Water, Taxes and Insurance	27,214	27,214	-	800	28,014	28,814	29,714
Strategic Initiatives and Essential Priorities	2,272	2,272	-	8,373	10,645	15,745	20,445
Network Technology Infrastructure	4,107	4,107	-	-	4,107	4,200	4,300
Contingency	2,564	1,000	(1,564)	2,400	4,964	5,070	5,140
	508,141	499,577	(8,564)	6,664	514,805	517,474	512,444
SHORTFALL	-	(9,836)	(9,836)	(20,604)	(20,604)	(16,307)	(4,177)
CUMULATIVE SHORTFALL	-	-	(9,836)	-	(30,440)	(46,747)	(50,924)

Opportunities to contribute and learn more

The Budget Advisory Committee welcomes comments on the 2025-26 Operating Budget Plan, as well as the multi-year approach to support a return to fiscal stability, at bac@dal.ca.

In February and March, President Brooks, Provost Costen, and Vice-President Finance and Administration Kulczycki will be visiting Faculties and Units, together with Faculty/Unit leaders, for community conversations about our financial situation. These offer further opportunities for discussion and feedback on the longer-term plan.

The 2025-26 Operating Budget will be presented to the Board of Governors for its approval at its March meeting.

BACKGROUND: UNDERSTANDING HOW WE GOT HERE

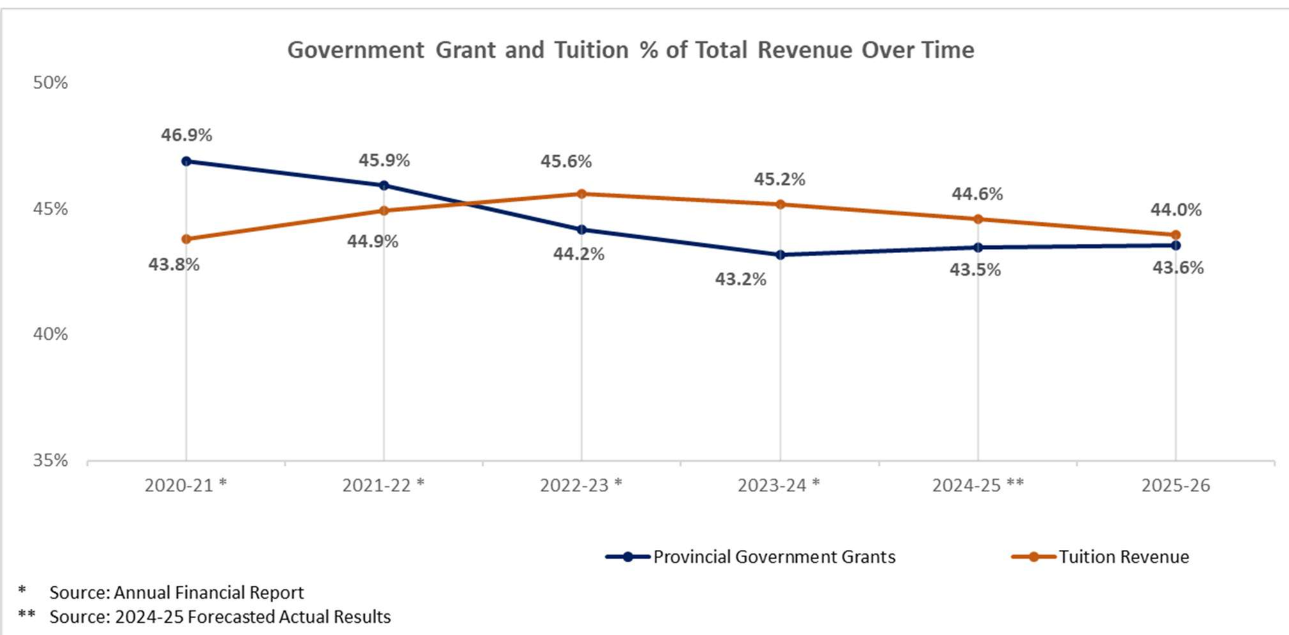
We are entering a new era in Canadian higher education, particularly when it comes to how university operating costs are funded. Dalhousie's mission, and our ambition, has not changed. But our financial reality has shifted.

This is a sector-wide challenge, and we are seeing peer universities across Canada and globally in similar budget situations. That said, it is up to Dalhousie to chart a path forward that meets our fiscal requirements, supports our students, and achieves our shared goals as an academic community.

Government funding has not kept pace with universities' rising costs

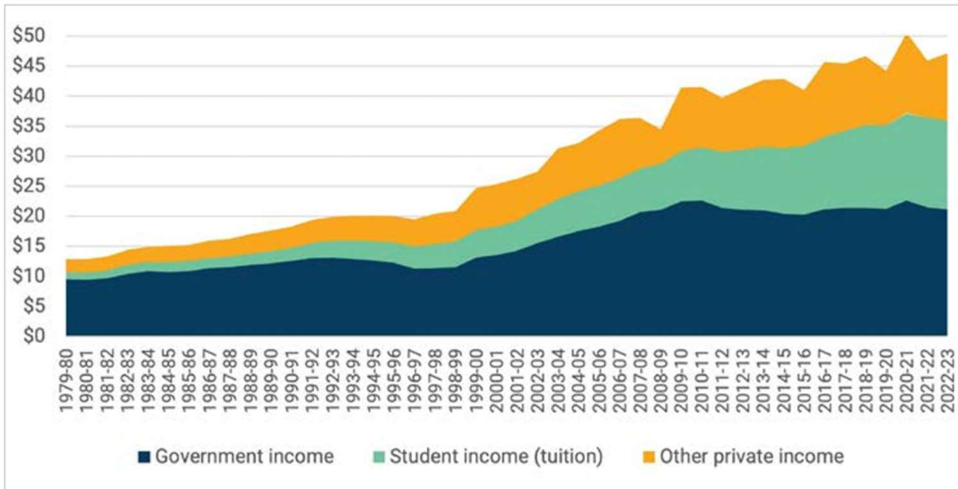
Universities receive funding from provincial governments to cover a portion of their operating costs. Each province allocates this funding somewhat differently, but the national trend is that universities have been increasingly relying more and more on other sources of income — most notably, tuition revenue — to address rising costs.

Between 2020-21 and 2024-25, Dal's provincial grants increased by $9.3 million but the university's overall expenditures grew by $78.2 million. This means more of Dalhousie's costs are now covered by other revenue sources, particularly tuition revenue.



Across Canada, government funding has essentially flattened over the past decade and a half, while total university revenues and expenses continuing to grow, varying by type of university and jurisdiction.

Figure 3.4: Total Income by Source for Universities, Canada, in Billions ($2022), 1979-90 to 2022-23



Source: *The State of Postsecondary Education in Canada 2024,* Higher Ed Strategy Associates.

What is driving rising costs? Compensation, facilities, and more

Over the past five years, the operating budgets of Dalhousie's Faculties and units have grown by 21%. Some of the increase in expenses reflects Dalhousie's growth, both in enrolment and in our faculty/staff complement (though this growth has not been even across the university). But costs have also increased in several respects. The key cost drivers include:

> **Compensation for faculty and staff:** Higher education is a labour-intensive sector, and, like similar sectors (health care, for example), the costs of salaries, benefits, and pension for employees rise annually. Nearly three-quarters of Dal's operating expenses are in its people, and not only has Dalhousie grown its faculty and staff complement over the years, but the costs to attract and retain high-quality teachers, researchers, and administrators have increased as well.
>
> **Facilities construction, maintenance and renewal:** Universities build and maintain a wide range of campus spaces to support teaching, research, and student life. Dalhousie operates 162 buildings and utility facilities across four campuses. These all require upkeep, maintenance, renewal, and eventually, at the end of their lifespan, replacement. There are also added layers of technology infrastructure requirements, changes to building code, and emerging accessibility initiatives. When universities put off facilities work due to limited funding, it is called "deferred maintenance." Dalhousie's deferred maintenance backlog is estimated at more than $700 million. Dalhousie does allocate a portion of the operating budget towards facilities renewal but this allocation, together with a dedicated student fee, is still insufficient to keep up with university needs. When it comes to replacing facilities, this is incredibly difficult to fund. In Nova Scotia, universities can occasionally receive one-time funding but there is no source of ongoing capital funding. It has become more difficult to find donors interested in funding buildings. Dalhousie has invested some monies

towards capital for academic buildings from our operating budget over the years, but this is challenging given the operating expense pressures.

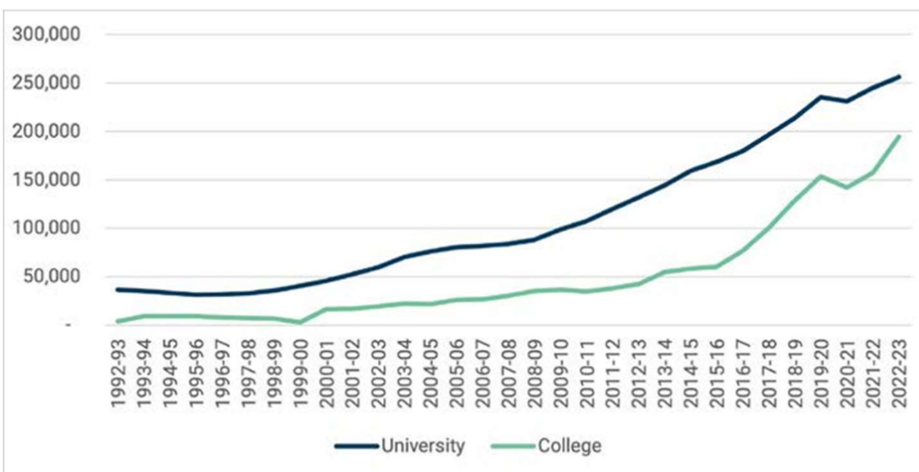
We also experience increased costs for items such as taxes, water, insurance, utilities, library costs, the need to support higher standards for research funding requirements and increased technology costs.

Universities have relied more on tuition revenue — in particular, international tuition — to cover cost increases.

Facing the gap between rising costs and limited government funding, Canadian universities have focused on balancing budgets and enhancing their impact by growing enrolment and, as a result, tuition revenue. Today, at most Canadian universities (including Dalhousie), student fees pay for more of overall university operating costs than governments do.

Provincial governments in Canada have generally placed limits on tuition increases for domestic undergraduate students but have allowed — and often encouraged — larger fee increases for international students. This model, in which international students pay a larger portion of the costs of their education, has become the standard across Canada and in many other international markets. This era of growing international fees did not hinder international enrolment at Canadian universities, which more than doubled between 2010 and 2023.

Figure 1.22: International Enrolments by Sector, Canada, 1992-93 to 2022-23



Source: *The State of Postsecondary Education in Canada 2024,* Higher Ed Strategy Associates.

At Dalhousie, while Faculties and Units have been tasked with finding some cost savings each year to help offset rising costs, most of the university's cost increases have been managed by growing the size of the student body, along with modest tuition increases in line with provincial regulations. And international enrolment was key to this: between 2010 and 2019, international enrolment more than doubled (+2,936 students) while domestic enrolment at Dalhousie decreased slightly in that same timeframe (-85 students).

<u>What's changed now? For the time being, Canadian universities cannot count on sustaining and growing international enrolment</u>

Increasing global competition, post-pandemic realities (inflation, housing, travel restrictions, etc.), recent shifts in immigration policies, and geopolitical conflicts involving key recruitment markets such as China and India have all been factors slowing or hindering international student recruitment, particularly at the undergraduate level. Dalhousie's first-year intake of international undergraduates peaked in 2021 and has been in decline since.

In 2024, these trends were dramatically accelerated by changes to the federal study permit process. Not only were study permits capped, but the ripple effect on student interest in Canada as a destination meant few universities even recruited enough students to reach their allocation limit. The result for Dalhousie was our first-year international undergraduate class shrunk by 41%, or 107 students, and overall international enrolment was down 18% — representing a 2024-25 budget impact of approximately $18.4 million in tuition.

Dalhousie aims to stabilize and regain some of the international enrolment we have lost over the past few years through concerted efforts in marketing, recruitment, and program development. But the damage that has been done to Canada as an international destination for undergraduate study is significant and is unlikely to be repaired quickly. Furthermore, nearly every Canadian university is in the same situation, and the competition for international students is only going to increase. For at least the foreseeable future, the era of schools relying on international enrolment growth to help offset rising costs is over.

WORKING TOGETHER ON A PATH FORWARD: PRIORITIES AND THEMES

Dalhousie's priorities continue to be clear: to ensure an excellent academic experience, including all facets of student life; to hire, retain, and support outstanding faculty and staff; to deliver research impact that improves our community, our province, and our world; and to ensure we have the facilities and infrastructure necessary to make all this possible. However, **we will need to figure out how to achieve our goals with fewer financial resources.**

With respect to provincial funding, we remain positive about our opportunities to work closely with the Province through our Strategic Alignment Proposal, and we believe that, as Nova Scotia's largest research-intensive university, there is still more we can contribute through stronger partnerships with communities across the province. We do not yet know (as of this publication) what our provincial funding or tuition regulations will be for 2025-26. We have incorporated a 2% increase in our government grant for 2025-26 and the following two years and tuition fee increases as outlined earlier in this document. And yet, we can anticipate costs will accelerate beyond revenue increases especially considering the decline in enrolment revenue that we expect for the next few years.

We do not believe we can count on near-term enrolment growth as part of our budget, and as such we have incorporated flat enrolment for the next three years. In the event we are able to grow enrolment, our financial scenario improves – though the financial picture of domestic enrolment growth and international enrolment growth are very different (given the difference in tuition fees).

Finding a path forward in this reality will require change. It will require us to collaborate in new ways to support our academic mission, enhance our research impact, and above all else the ensure the success of our students. Guiding this work, we must keep in mind:

a. We need and have excellent faculty and staff.
b. We need facilities that support our academic mission now and in the future.
c. We need to offer an excellent academic experience including all facets of student life.
d. We need research and innovation to support economic development and health discoveries to grow and sustain Nova Scotia into the future. We have to address the importance of research to Dalhousie, to our community and to our province.
e. We have an obligation to the place we call home – Nova Scotia – and the people who live here.

The scale and scope of our budget challenge cannot be solved in a single year. In consultation with the Board of Governors, we are proposing a multi-year approach to bring revenues and expenditures back in alignment, the beginning steps of which are reflected in the draft 2025-26 Operating Budget Plan.

The core tenets of this multi-year approach are:

1. **Reduce operating costs through a mix of across-the-board measures and through transformation in how we deliver services and programs.**

   Dalhousie cannot allow its cost structure to continue to grow as it has. The plan proposes tackling this in two ways:

   a) **Across-the-board measures applying to all Faculties and Units:** For 2025-26, a 1% general budget reduction is proposed for all Faculty and Unit budgets. Also, beginning in 2025-26, all Faculties and Units will be asked to absorb compensation increases for their faculty and staff according to respective employee agreements, This amounts to a total budget reduction for each Faculty and unit of approximately 5% in 2025-26.

   b) **Service and program transformation:** We will need to find new ways to deliver programs and services that further reduce overall spending. It is expected, based on discussions with senior leaders, that the first priority for this work will be administrative services, exploring ways to deliver services and supports more efficiently and effectively across the university. Academic costs will also be addressed as part of this work.

   The budget plan sets a target of reducing annual operating expenditures by $26.7 million over the next three years (approximately 5.3%). The impact of the change in how compensation adjustments are applied will approximate a $50 million (~4% annually) impact to Faculty and Unit budgets. Combining these measures has the effect of reducing overall expenditures by approximately $75 million by 2027-28; or a total of approximately 17.3%.

2. **Strategically grow university revenues**

   Given the current situation with international student recruitment, and government funding limitations, Dalhousie needs to diversify the ways it generates revenue.

Domestic enrolment growth, cost-recovery opportunities, research partnerships, and fundraising are all important avenues to be explored to form a stronger revenue foundation for Dalhousie.

3. **Operate temporarily in deficit but with a clear path to balance**

   To avoid deeper cuts that would jeopardize our academic mission, Dalhousie expects to run deficit budgets in both 2025-26 and 2026-27, with targets in place to balance the budget by 2027-28.

   The budget plan forecasts an accumulated shortfall in that time of approximately $51M that will need to be repaid over time following the return to a balanced budget.

4. **Stay focused on the future, guided by university strategy and priorities**

   While Dalhousie clearly must reduce costs, we can't cut our way to success. We need to make smart, focused investments in our academic mission. And some cost-saving changes to our operations may require investment in the short term.

   The President, together with the office of Planning and Institutional Effectiveness, is leading the development of a new strategic framework for Dalhousie, expected to be in place later in 2025. This will be a critical resource to guide Dalhousie in focusing our limited resources on the areas of greatest impact and priority for our mission and our academic community.

2025-26 OPERATING BUDGET HIGHLIGHTS

The budget projects a $20.6M deficit. It estimates a revenue decline of $13.9M and aims to keep cost increases limited to $6.6M. Other assumptions and core features of the budget include:

- **A 2% increase to provincial funding.** This is what Dalhousie requested in its Provincial Strategic Alignment Plan submitted last year.
- **Flat enrolment,** given the competitive state of both domestic and international recruitment markets.
- **A 2% increase to domestic tuition.** The guaranteed tuition price for new international students starting in programs with a tuition guarantee will increase 6% with other international tuition fees increasing by an average of 7.3%.
- Starting in 2025-26 **Faculties and Units will no longer receive the annual budget increase for increased compensation costs.** Instead, they will be required to absorb the increase in compensation costs for their faculty and staff, an approximate reduction of 4% annually.
- **An additional 1% budget reduction will be applied to Faculty and Unit budgets.**
- **A $700K increase to student assistance funding, in particular to support our PhD students.** This funding recognizes the continued priority and importance of student financial aid at a time when affordability is a concern**.**
- We are targeting an investment of **$8.3M for strategic initiatives,** prioritizing critical work during this time of change.
- Contingency funds of $4.9 million, which is 1% of operating revenues.

OPERATING BUDGET MODEL 2025-26, 2026-27, 2027-28

Dalhousie University

Operating Budget Revenue and Expenditure Model

Excluding Endowment

Assumptions	**2025-26**	**2026-27**	**2027-28**
Government Grant Change	2.0%	2.0%	2.0%
Tuition Revenue			
General Fee Increase	2.0%	2.0%	2.0%
Tuition Increase for Non-Cohort Ongoing International Students	7.3% on average	7.3% on average	7.3% on average
Tuition Increase for New Cohort International Students	6.0%	6.0%	6.0%
Enrolment Change	none	none	none
Facilities Renewal fee Increase	2.0%	2.0%	2.0%
Budget Gap Addressed by Faculties and Units	1.0%	TBD	TBD
Implicit cost reductions related to compensation increases	4% on average	4% on average	4% on average
Nova Scotia Bursary	no change	no change	no change
Library Acquisitions	0.0%	2.0%	2.0%
Non-Salary Inflationary Increase	0.0%	various	various

	2024-25 Approved Budget	**2024-25 Adjusted Budget**	**2024-25 Forecast**	**Variance**	**2025-26 Recommendations and Estimates**	**2025-26 Recommended Budget For Consultation**	**2026-27 Recommended Budget For Consultation**	**2027-28 Recommended Budget For Consultation**
REVENUES - INCREASE (DECREASE)								
1. Government Funding	231,900	231,900	231,900	-	4,073	235,973	240,073	244,273
2. Gross Tuition Revenues	273,604	273,604	255,204	(18,400)	(17,604)	256,000	259,600	262,900
Allocated to Faculties	(16,900)	(16,900)	(16,900)		(500)	(17,400)	(18,200)	(18,700)
Net Tuition Revenue	256,704	256,704	238,304	(18,400)	(18,104)	238,600	241,400	244,200
Agent Fees	(1,000)	(1,000)	(1,000)	-	-	(1,000)	(1,000)	(1,000)
Total Net Tuition Revenue	255,704	255,704	237,304	(18,400)	(18,104)	237,600	240,400	243,200
3. Investment Income								
a) Endowment Revenue	0	-	-	-	-	-	-	-
b) Operating Interest Income	7,600	7,600	7,600	-	-	7,600	7,600	7,600
Total Investment Income	7,600	7,600	7,600	-	-	7,600	7,600	7,600
4. Facilities Renewal Student Fee	4,543	4,543	4,543	-	91	4,634	4,700	4,800
5. Federal Research Support Fund Grant	8,394	8,394	8,394	-	-	8,394	8,394	8,394
TOTAL REVENUES - INCREASE (DECREASE)	**508,141**	**508,141**	**489,741**	(18,400)	**(13,940)**	**494,201**	**501,167**	**508,267**
EXPENDITURES - INCREASE (DECREASE)								
6. Faculty and Unit Budget Allocations								
a) Salary, Pension and Benefits (net of recoveries)	391,313	391,473	391,473	-	-	391,473	391,473	391,473
b) Non-Salary (net of recoveries)	52,876	53,108	53,108	-	-	53,108	54,200	55,300
c) Library Acquisitions	8,696	8,705	8,705	-	-	8,705	8,900	9,100
d) Faculty/Unit Revenue	(57,921)	(57,921)	(57,921)	-	-	(57,921)	(57,921)	(57,921)
e) Budget Unit Adjustments								
i) ERBA adjustment (estimate)	-	-	-	-	(1,000)	(1,000)	(1,000)	(1,000)
ii) Necessary Cost Reductions (Cuts & Savings Initiatives)	-	-	-	-	(4,700)	(4,700)	(11,700)	(26,700)
Savings			(7,000)	(7,000)			-	-
Total Faculty and Unit Budget Allocations	**394,964**	**395,365**	**388,365**	(7,000)	**(5,700)**	**389,665**	**383,952**	**370,252**
7. Student Financial Assistance and Employment:								
a) Operating Budget	14,508	14,545	14,545		700	15,245	16,245	17,745
b) Endowments	0	-	-		-	-	-	-
c) Nova Scotia Scholarship and Bursary Programs	11,190	11,190	11,190		-	11,190	11,190	11,190
Total Student Assistance	25,698	25,735	25,735	-	700	26,435	27,435	28,935
8. Energy, Water, Taxes and Insurance	27,214	27,214	27,214	-	800	28,014	28,814	29,714
9. Facilities Renewal	43,826	43,826	43,826	-	91	43,917	45,200	46,600
10. Campus Renewal - Long term debt/rent	6,058	6,058	6,058	-	-	6,058	6,058	6,058
11. Accessibility and Code Modifications	1,000	1,000	1,000	-	-	1,000	1,000	1,000
12. Strategic Initiatives and Essential Priorities	2,710	2,272	2,272		8,373	10,645	15,745	20,445
13. Network Technology Infrastructure	4,107	4,107	4,107	-	-	4,107	4,200	4,300
14. Contingency	2,564	2,564	1,000	(1,564)	2,400	4,964	5,070	5,140
15. Capital Investment	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES - INCREASE (DECREASE)	508,141	508,141	499,577	(8,564)	6,664	514,805	517,474	512,444
SHORTFALL	-	-	(9,836)	(9,836)	(20,604)	(20,604)	(16,307)	(4,177)
Current year deficit as a % of operating revenues			**-2.0%**			**-4.2%**	**-3.3%**	**-0.8%**
CUMULATIVE SHORTFALL	-	-	(9,836)	(9,836)		(30,440)	(46,747)	(50,924)

OPERATING BUDGET MODEL NOTES

These notes have been prepared to provide further background on the nature of the revenues and expenditures included in the model and any estimates or assumptions for the 2025-26 budget and modelled 2026-27 and 2027-28 budgets. Note this Budget Model does not include Endowments which will be incorporated into the final budget and report.

REVENUES

Government Funding (Line 1): This budget line includes grants from the Province of Nova Scotia. The budget plan assumes that the operating grant will increase by 2% in 2025-26, which is what Dalhousie requested in the provincial Strategic Alignment Plan submitted to the province last year.

Government Funding	2024-25 Budget	2025-26 Budget
Operating Grant	203,612	207,685
Scholarship and Bursary Program Grants	11,190	11,190
Program Specific Grants	16,098	16,098
Facilities / Space Grants	1,000	1,000
Total Government Funding	231,900	235,973

In addition to the Operating Grant, this line also includes:

a) Scholarship and Bursary Program Grants include provincial grants which provide direct bursary and scholarship support to students. For further details see the scholarship section below. These revenues directly offset scholarship and bursary expenditures (for further information see Student Financial Assistance and Employment line 7).
b) Program Specific Grants include other targeted funding and direct program funding for enrolment expansions (Medicine and Health).
c) $1.0 million grant that supports space costs.

There is no expected change in funding for these programs in 2025-26 through to 2027-28.

Gross Tuition Revenues (Line 2): This line includes student tuition revenues that support the operating budget. Changes in tuition revenues are generated by enrolment changes and fee rate changes:

Enrolment: The budget and forecast figures reflect flat New-to-Dalhousie enrolments based on December 15, 2024 enrolment statistics.

Tuition Fee Increases: The budget plan for 2025-26 assumes annual increases in tuition fees as follows:

- An increase of 2% ($3.3 million) on domestic tuition fees
- An increase of 6% for International Student Cohort Tuition for students entering Fall 2025 ($0.3 million).
- An increase of 7.3% on average ($3.2 million) for all international undergraduate and non-thesis master's students.

Investment Income (Line 3):

(a) Endowment Revenue: Endowment revenues and corresponding expenditures are not included for the purposes of the modelled budget and will be added into the final report.

(b) Operating Interest Income: The University invests short-term cash flows which provide interest income to support the University's operating budget. There is no change in Operating interest income projected for 2025-26 based on projected cash flows and interest rates earned through investments managed under the University's Expendable Funds Policy. There is no change modelled for 2026-27 and 2027-28.

Facilities Renewal Student Fee (Line 4): The University collects a student fee that supports Facilities Renewal expenditures (line 9). The fee is recommended to increase by 2% to support increased facilities renewal expenditures.

Federal Research Support Fund Grant (Line 5): This line includes the grant received from the Federal Government to support the indirect costs of research. It is estimated that the 2024-25 operating budget included $60.5 million in costs such as lighting, heating and maintenance for research space, salaries for staff that provide technical or administrative research support, cost of regulatory requirements such as training costs for workplace health and safety, and the costs associated with intellectual property. Further information on the program and detail on the types of expenditures can be found on the Research and Innovation website.

Funding for the program in 2025-26 has not been confirmed but is expected to be maintained at the 2024-25 level.

EXPENDITURES

Faculty and Unit Budget Allocations (Line 6): This section includes the details of the budget allocations to Faculties and Units.

This budget line is shown net of direct salary and benefit and other recoveries. Faculty and unit allocations are also supported by endowment allocations which will be included in the final budget report.

Further details related to the breakdown of Faculty and Unit allocations are as follows:

(a) Compensation (Salary Pension, and Benefits): Compensation is the most significant component of Dalhousie's expenditures. Historically, the budget has included a provision for estimated compensation increases that is distributed to Faculties and Units as part of their annual budgets. Starting April 1, 2025, there will no longer be a distribution of additional funds to Faculties and Units to fund compensation increases. Each Faculty and Unit will be expected to cover the cost of these increases within their existing budgets. For 2025-26, this represents an implicit cut of approximately 4.0%.

(b) Non-Salary Expenditures: This line includes University expenditures for all costs that are not related to compensation within Faculty and Unit budgets. Costs include program supplies, materials, and contracted services. There is no change to this line for 2025-26. 2026-27 and 2027-28 have been modelled with a 2% increase.

(c) Library Acquisitions: This line includes the costs of library acquisitions including electronic media. The budget model assumes no increase in 2025-26. 2026-27 and 2027-28 have been modelled with a 2% increase.

(d) Faculty/Unit Revenue: This line includes other revenue sources that are managed by Faculties and Units. In Faculties, examples include revenue from auxiliary fees, full cost recovery programs, and extended learning and farm revenue in Truro. Other revenues included in this category are the student services fee, application fees, Kings transfer for teaching services, and revenue from services provided to external parties. No increases have been modelled for 2025-26 through to 2027-28.

(e) Budget Unit Adjustments:

(i) Enrolment Based Budget Adjustment (ERBA) (estimate)**:** ERBA is the mechanism by which Dalhousie links program enrolments and class registrations to the annual budget allocations of the Faculties. Annually, there is an adjustment to Faculty budgets based on year-over-year changes in enrolments. The adjustment approximates 60% of the change in tuition revenue generated by the change in enrolments. The overall change across all Faculties has been estimated to be $1.0 million for 2025-26. Final calculations will be completed after March 1, 2025, once enrolment statistics are finalized.

(ii) Necessary Cost Reductions (Cuts & Savings Initiatives):

The 2025-26 budget includes cost reductions required to attain a balanced budget in 3 years as outlined in the chart below:

Necessary Cost Reductions (Cuts & Savings Initiatives)
in thousands of dollars

	2025-26	**2026-27**	**2027-28**
Budget Reduction (Cut)	$3,700	TBD	TBD
Savings Initiatives	$1,000	$11,700	$26,700
Total as % of Revenue	1.0%	2.3%	5.3%
Budget Reduction - No Provision	~ 4.0%	~ 4.0%	~ 4.0%

Student Financial Assistance and Employment (Line 7): The budget plan for 2025-26 includes student assistance totaling $26.4 million (not including endowment supported student assistance). Student Assistance supported by the operating budget is increasing by $0.7 million for PhD scholarships in 2025-26 and by an additional $1.0 million in 2026-27 and $1.5 million in 2027-28.

Grants from the Province also provide students with $11.2 million in direct support. A total of $8.2 million is provided to support the Nova Scotia Bursary Program which provides full-time Nova Scotia Students with an automatic bursary of $1,283 applied against tuition. The Nova Scotia Graduate Scholarship program provides $3.0 million in student support. The model assumes the programs will continue at the same level of support in 2025-26.

Energy, Water, Taxes, and Insurance (Line 8): This line reflects a modest annual increase to account for changes in utility rates outside of Dalhousie's control.

Facilities Renewal (Line 9): The 2025-26 budget provides for $43.9 million in funding to support the annual maintenance of facilities. The funds are used on an annual basis for building envelopes such as exterior facade and brickwork, roof and window replacements; building systems such as heating, ventilation, electrical and mechanical upgrades; underground tunnels for electrical and heating distribution. For 2025-26 this line includes an increase of $91,000 related to the 2% increase in the student fee for Facilities Renewal. For 2026-27 and 2027-28, the Facilities Renewal line has been modelled with an increase of 3%.

Campus Renewal – Long term (Line 10): This line includes the costs of debt service and rental requirements for University space. There is no inflationary increase in 2025-26 and no inflationary increases within the three-year model.

Accessibility and Code Modifications (Line 11): This line includes the costs to implement the physical infrastructure component of the Accessibility Act and to fund investments required related to fire and safety code modifications to University buildings. There is no inflationary increase in 2025-26 and no inflationary increases within the three-year model.

Strategic Initiatives / Essential Priorities (Line 12): This line includes an increase of $8.4 million in 2025-26 to invest in priorities to support transformation work and impact proposal initiatives. The model assumes an increase of $5.1 million for 2026-27 and $4.7 million for 2027-28.

Network and Technology Infrastructure (Line 13): Network and technology infrastructure includes network equipment, and wireless networks and capacity. This line includes no inflationary increase for 2025-26 and is modelled with a 3% increase for 2026-27 and 2027-28.

Contingency (Line 14): This line is the annual allocation for contingency items. The budget is set at 1.0% of operating revenues.

Capital Investment (Line 15): No budget has been allocated to this line within this three-year model.

APPENDIX A – CLARIFYING MISCONCEPTIONS

Universities are large, complex organizations, with multiple budget funds and a wide range of financial needs across its Faculties and Units. The following addresses some questions that arise from Dalhousie's budget:

Spending money on capital projects (such as the event centre): Construction is underway on the Oulton-Stanish Centre on Studley Campus, which will serve as a university arena and event centre. This project is continuing despite Dal's financial challenges. There are several reasons for this. Firstly, the funding for construction is coming from a wide range of sources, including from alumni and supporters as well as substantially from revenue generation. This will support the debt payments required over time to pay for the project. The same logic applies to student housing where residence fees will, over time, pay off construction loans. Dalhousie will continue to have a range of space needs in the coming years to support teaching, learning, research, and the student experience more broadly. Providing an attractive student experience is not only important in its own right but critical to solidifying and eventually growing tuition revenue — and the Oulton-Stanish Centre will enhance our student experience and culture and elevate Dalhousie to a standard for campus recreation that most other universities offer. It also supports our important role as a community hub, helping make our campus a vibrant part of our city and province. We may not always agree as a university community on which capital projects are highest priority, and there will be choices that need to be made. But Dalhousie must continue to pursue smart, strategic capital renewal even in a time of financial constraint.

Past budget "cuts" and what they have meant: You may have heard Dal faculty and staff speak of something called the "BAC Adjustment" or the "BAC cut" over the years – but this aspect of Dal's budget process has never meant a true cut to Faculty and Unit operating budgets. In reality, Faculty and Unit operating budgets have grown 36%, on average, over the past 10 years. This is because funding provided to Faculty and Units' budgets to cover compensation costs has usually offset the amount of any cut. As compensation costs have increased (faculty and staff salaries, benefits, and pensions), Dalhousie's method of managing these increases has historically been to provide Faculties and Units with funding to cover their compensation costs (as outlined in collective agreements). Then, because this increase is typically larger than revenues can support, Faculties and Units have been asked to absorb a small-percentage reduction to their budget each year, either by reducing costs or growing revenue. This reduction, which ranged from 0.5% to 3% over the last 10 years, was often colloquially called the "BAC cut" -- but, in total dollars, Faculty and Unit budgets have continued to increase. We are now looking at a scenario where real cuts to Faculty and Unit budgets are necessary to help move us towards financial stability and continuing this practice of funding compensation increases in the same way is no longer feasible. As outlined in this document effective with the start of the new fiscal year in April, Faculties and units will be asked to absorb the costs of compensation increases.

Financial statement surplus (as outlined in the Dalhousie Annual Report 2023-24): For fiscal year 2023-24, Dalhousie drew on an existing reserve account to offset the operating deficit of $3 million. On a consolidated basis, Dalhousie's 2023-24 Statement of Revenue, Expenses and Changes in Operating Surplus, which includes the operation of all funds, indicates a surplus of $55.7 million. It is important to note that not all funds are available to management to support general operations. This surplus has the following restrictions that exist on future spending:

- $40.2 million of the surplus is restricted for investments in Capital Assets. This represents the cumulative contributions by the University to acquire long-term capital assets and fund large-scale capital upgrades or replacements.

- $15.5 million of the surplus is internally restricted according to university policy. Approximately $3.1 million of this operating surplus is associated with facility renewal and ongoing capital projects.
- $5.0 million of the surplus relates to research and special purpose externally restricted balances with stipulations from external funding agencies and others regarding the use of funds.
- These amounts are offset by $5.0 million for the pension expense adjustment, representing the total cost of the defined benefit plan for the year less the amount of employer contributions. Pension expense adjustments or recoveries are restricted for future pension benefits for employees enrolled in the defined benefit pension plan.
- The remaining balance of $3.0 million represents the 2023-24 unrestricted operating budget deficit.

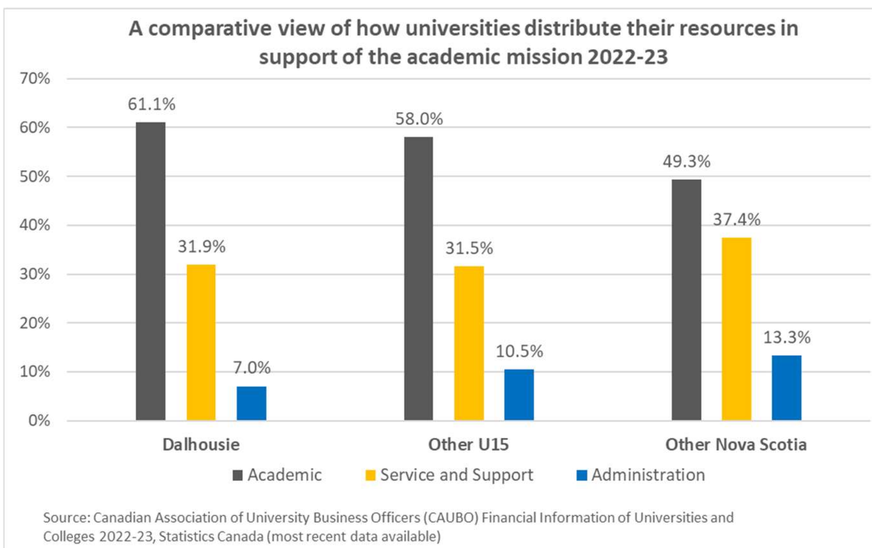
Investing in housing
Dalhousie runs its student housing to break even, meaning the fees that students pay are meant to cover the costs of running and maintaining the residences. This includes things like programming, repairs, and facility upgrades. The goal is that the university does not use its main operating budget to fund student housing. Instead, the fees paid by students living in the residence system help pay off loans taken to build the residences and all the other operating expenses. Dalhousie prioritizes affordability for students, so fee rates are set to cover costs without making a profit.

Provincial funding: There is often a suggestion that we should doing more to lobby the Province for additional operating funds. Dalhousie is in close communication with our provincial partners on a regular basis, through both our government relations colleagues and the President's Office. Last year, we completed and submitted a new Strategic Alignment Plan to the Province showcasing not only our current contributions to Nova Scotia but also outlining new opportunities where we can become stronger partners in lifting our province. (Discussions with the Province about our plan are underway.) Provincial funding is an essential and vital investment in Dalhousie, and we believe we can do more to deliver on that investment and hopefully showcase what more we can accomplish together with continued provincial support. That said, we also recognize that the Province has many competing financial priorities and that we have a responsibility to ensure our costs are effectively and efficiently managed. There is no realistic scenario in which provincial operating funding would keep up with our current cost scenario, let alone offset the decline in enrolment revenue that we expect for the next few years. Changes are needed to bring our costs more in line with our revenues.

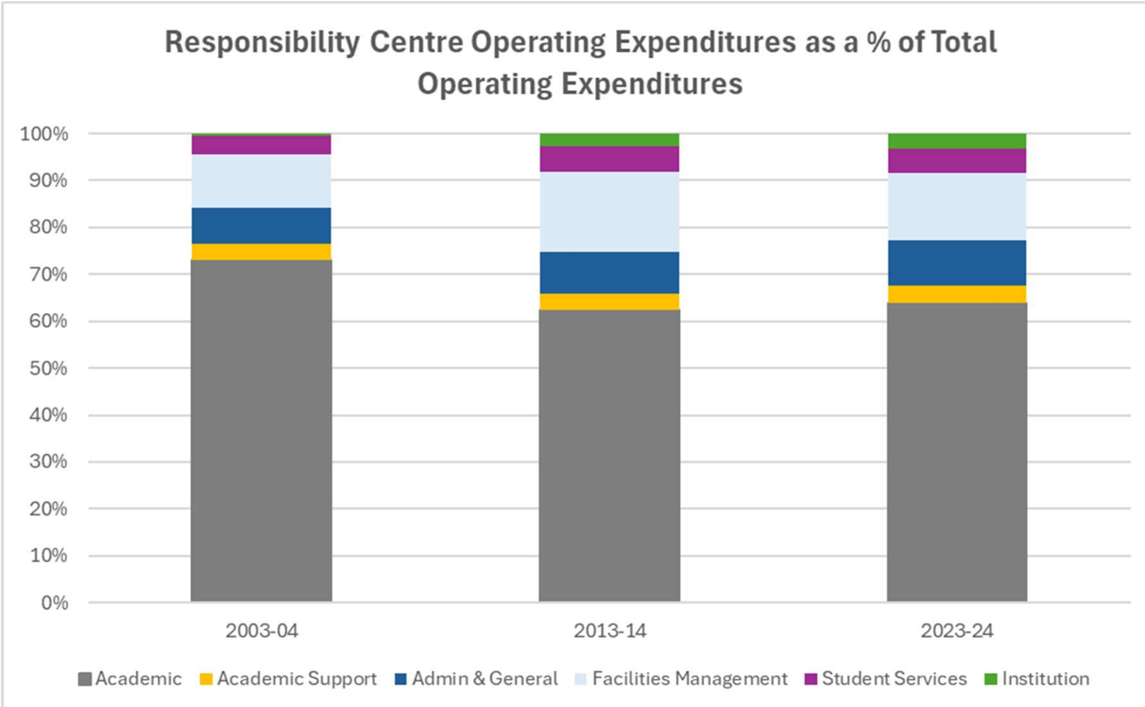
Fund accounting: Dalhousie uses fund accounting to organize its financial matters. Fund accounting allows for budgetary controls, accountability and reporting based on the type of activity. The University maintains six Fund categories: Operating, Ancillary, Endowment, Capital, Research and Special Purpose. The financial statements are prepared in accordance with accounting standards for not-for-profit organizations as prescribed by the Chartered Professional Accountants of Canada. All funds are consolidated on the Statement of Revenue, Expense and Changes in Operating Surplus. More about fund accounting can be found in Appendix B.

Administrative salaries: Dalhousie has more than 6,000 faculty and staff, making the university one of Nova Scotia's largest employers. It's vital that we continue to attract and keep dedicated and talented people. This means providing competitive salaries that reflect employees' contributions to the university and are competitive with other universities and relevant employers. This applies across faculty and staff. The university is required to publicly report on all employees who receive more than $100,000 in compensation annually. Of the 1,425 Dalhousie faculty and administrative staff who reached this benchmark in 2023-24, 82% (1,169) were faculty, and 18% (256) were administrators (this would include the university's president, vice-presidents, deans, senior leaders etc.). As Dalhousie's compensation levels rise in line with collective and other agreements, and the $100,000 threshold does not, the number of individuals on this list increase. Overall, Dalhousie's administrative expenses remain among the lowest of its U15 peers. Dalhousie spends 7% of its operating budget on administration, as compared to an average of 10.5% at other U15 schools.

Dalhousie's investment in the academic mission: What occurs in the classroom, or in the lab, is at the heart of our academic mission. That work is supported by administrative services, by comprehensive student supports, by access to technology, by facilities improvements, and by so many other aspects of what we do as a university. As Dalhousie grows and changes, expectations and requirements change as well (whether in technology, accessibility, student experience, etc.). Dalhousie is a different university than it was 20 or 30 years ago, and no doubt will be a different university 20 or 30 years from now. As such, the allocations within its operating budget change as well. But as these changes occur, Dalhousie continues to prioritize academic expenditures. Based on data from the Canadian Association of University Business Officers (CAUBO), Dalhousie spends 61.1% of its operating funds on academic expenditures – a percentage that is higher than our peers in the U15 group of leading Canadian research universities and significantly more than other Nova Scotian universities.



Another way of looking at this is Dalhousie's spending on different "responsibility centres." The university categorizes spending into six centres. The largest of these, the "Academic" responsibility centre, includes Faculties and the University Libraries, the College of Sustainability, Institutes and Special Projects, Work-Integrated Learning, Faculty Related Costs (sabbatical, travel, PDA), and Academic Initiatives.



Over the past 20 years, significant investments have been required to support the academic mission of the university: upgrades to teaching working and learning spaces supported by increased investment in Facilities, increase in supports for our students both via services delivered through Student Services, and with increased investment in student assistance in our "Institution" responsibility centre. This has changed the percentage breakdown within the university budget. But because these changes have happened in a time of budget growth, total spending in *every* responsibility centre has increased.

Had Dalhousie not made necessary investments in support of the academic mission, it simply would not have been able to meet the expectations of a modern research-intensive university (whether that's in student experience, in research regulations, in accessibility and technology, etc.)

APPENDIX B – FUND ACCOUNTING

Operating Fund

The Operating Fund encompasses the day-to-day revenue and expenditures required to carry out the Academic mission and operate the University. Government grants, tuition revenue, and other general revenues support operating expenditures. Budget allocations to Faculties and Units are based on Budget Advisory Committee recommendations. The Operating Budget report includes the activities of the budget for Operating, Ancillary and Endowment Fund.

Ancillary Fund

Ancillary units provide important services to the University community and are segregated from the core functions of teaching and research. Ancillary operations include Housing and Conference Services (including Residence life), Food Services, the Bookstore, the Dalhousie Arts Centre, Dalplex, Printing Services and Parking.

Endowment Fund

The University has more than 1,600 endowments that supplement University operations. Endowments support student bursaries and scholarships, research, library materials and services, and academic chairs and salaries. The funds must be spent according to the terms of the individual endowments established by the donors.

Capital Fund

The Capital Fund accounts for funds received and expended on property, plant, and equipment. Revenues and transfers to the Capital Fund support capital assets, and payments on long-term debt. Capital reserves are funds set aside by the University to support future costs of large-scale capital upgrades or replacements and are included in the Capital Fund.

Research Funds

Research Fund expenditures are supported by revenues that are restricted for the purposes designated by the funders and sponsors. These funds cannot be used to support operations. Researchers managed approximately 3,500 segregated research grants and contract accounts in 2023-24.

Special Purpose Funds

Special Purpose Fund expenditures are supported by revenues that are restricted for the purposes established by contributors. In 2023-24, there were approximately 1,200 special purpose accounts used for a variety of purposes including annual giving, conferences, service and lab accounts, and joint projects with contributions from external parties.

APPENDIX C – BUDGET ADVISORY COMMITTEE MEMBERS

The President established the Budget Advisory Committee (BAC) in 1992 to advise on budgetary matters. The BAC members do not represent particular interests but are chosen for their knowledge and expertise. The Committee employs an open and consultative approach to budget discussions at the University.

The current membership of the Committee includes:
Wanda Costen (Chair), Provost and Vice-President, Academic
Gitta Kulczycki, Vice-President, Finance and Administration
Christopher Hartt, Professor, Faculty of Agriculture
Michael Fournier, Associate Professor, Faculty of Arts and Social Sciences
Graham Gagnon, Dean of Architecture and Planning
Rick Ezekiel, Vice-Provost, Student Affairs
Jody Couch, Chief Information Officer and Assistant Vice-President ITS
Patricia Porto de Barros Ayaz, Student Member
Rowan Acton, Student Member

The Committee's resource members are Cheryl Earle, Chief Financial Officer & Assistant Vice-President Finance – Sonia Beattie, Assistant Vice-President Planning and Institutional Effectiveness and Chief Data and Analytics Officer – Mary-Ann Rowlston, Senior Director, Budgets & Financial Analysis – Jennifer Murray, Chief of Staff and Executive Director, Provost Office – Joanna Shipley, Manager, Budgets – Ryan McNutt, Director, Integrated Communication and Publications.