BUDGET ADVISORY COMMITTEE

Balancing Dalhousie's Operating Budget

Context for the Development of the 2018-19 Operating Budget

REPORT LV

December 15, 2017

DALHOUSIE UNIVERSITY 1818 2018

The Budget Advisory Committee (BAC) was established by the President in 1992 to advise on budgetary matters. The BAC members do not serve as representatives of particular interests but are chosen for their knowledge and individual expertise. The current membership of the Committee includes: Carolyn Watters (Chair), Provost and Vice-President, Academic – Josh Leon, Dean of Engineering – Ian Nason, Vice-President, Finance & Administration – Christopher Hartt, Associate Professor, Faculty of Agriculture – Michael Fournier, Department of Classics – Eleanor Crowell, Director of Finance & Administration, Ancillary Services – and Jad Sinno (Student Member). The Committee's resource persons are: Susan Robertson, Assistant Vice-President, Financial Services – Susan Spence, Vice-Provost, Planning & Analytics - Don Fiander, Executive Director (Acting), Dalhousie Analytics – and Linda Penny, Director, Budgets and Financial Analysis. The Committee employs an open and consultative approach to budget discussions at the University. To date the BAC has issued fifty-four reports related to the University's operating budget.

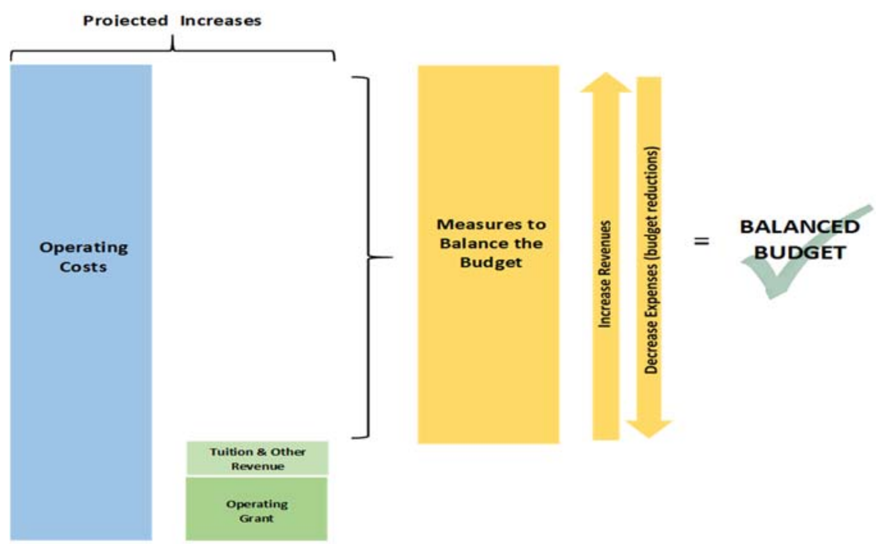
Introduction

Operating budget revenues provide funding for the day-to-day operations of the University. Operating expenditures include salaries for faculty/staff, student assistance, teaching supplies and materials, utilities, library acquisitions, and infrastructure maintenance and renewal. This accounts for the majority (70%) of the University's financial activity. The other 30% captures research, capital and special purpose activity that must be used for the purposes specified by the contributors and cannot be used to support day-to-day operations.

The Budget Advisory Committee (BAC) makes recommendations to the President on an Operating Budget Plan for the next year as well as multi-year recommendations. The BAC uses an open and consultative approach to engage the University community in the development of the budget and is guided by the following principles:

- The operating budget must be balanced
- The operating budget must be financially sustainable
- The operating budget must be driven by Dalhousie's mission and strategic priorities
- Recommendations must be transparent

The challenge faced by the BAC is that projected operating costs increase at a faster rate than anticipated revenue, resulting in the need to identify and recommend measures to achieve a balanced budget.

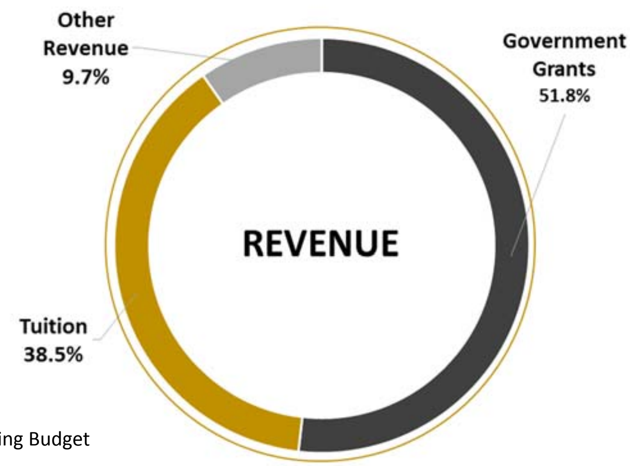


The budget recommendations for 2018-19 must consider the impact of, and relationship between, the following key background issues/factors discussed in this report:

- Level of Provincial Operating Grant Support
- Tuition Revenue: Enrolment levels and Tuition Fee Rates (and assessment of Student Assistance)
- Increasing Operating Costs (Salary and Benefit Costs are the major factor)
- Impact of Faculty and Unit Budget Reductions

This paper is intended to inform and encourage input from students, faculty, staff and other stakeholders, before budget recommendations for 2018-19 are developed. The pages that follow may prompt questions, ideas, or other comments from the community; opportunities to provide feedback are described in the last section of this report.

What are the revenue sources that support the operating budget?

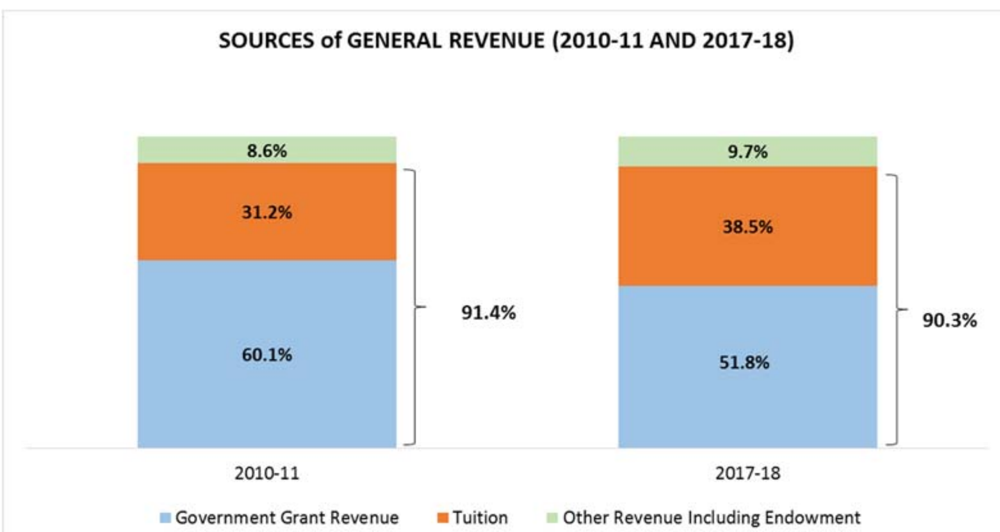


Source: 2017-18 Operating Budget

Nearly all of Dalhousie's general revenue (90.3%) comes from just two sources – government grants and tuition. A Memorandum of Understanding (MOU) with the Provincial Government through the Department of Labour and Advanced Education (DLAE) sets the level of support from the province, limits on tuition fee increases and describes other commitments for the government and Nova Scotia universities. The remaining 9.7% of revenue comes from various sources most notably Endowment income.

Level of Provincial Operating Grant Support

Between 2011-12 and 2013-14 the province decreased funding by 10% (a $17.6 million decrease for Dalhousie). Since 2014-15 the MOU has limited increases to 1% annually. As a result, the percentage of Dalhousie's operating budget that is supported by the provincial operating grant has decreased from 60.1% in 2010-11 to 51.8% in 2017-18.



Dalhousie's 2010-11 provincial funding was based on enrolments up to 2005-06. Enrolment has grown by 15% since 2005-06 but this growth is not factored into current government funding. As a result, government funding per student has declined by $1,500 since 2010-11. This equates to a shortfall of roughly $26 million in funding ($30 million after adjusting for inflation).

The 1% increase in government funding expected in 2018-19 is approximately $2.0 million which is insufficient to cover rising costs (largely compensation). Advocacy for improved grant support is critical to fund University operations. University administration and students pursue such support in a variety of forums throughout the year.

Tuition Revenue Impacted by Enrolment levels and Fee Rates

Tuition revenue is the second most significant source of revenue at 38.5% and is critical to the operating budget. Government grants have decreased since 2010-11 and as a result, tuition revenues as a percentage of the overall operating budget revenues have increased from 31.2% to 38.5% over this period.

Enrolment Levels

After many years of increasing enrolment, student numbers have levelled off during the past three years. There has been overall growth in Engineering, Science, Computer Science and Health programs. However, enrolment in Arts and Social Sciences degree programs has been declining over the last five years.

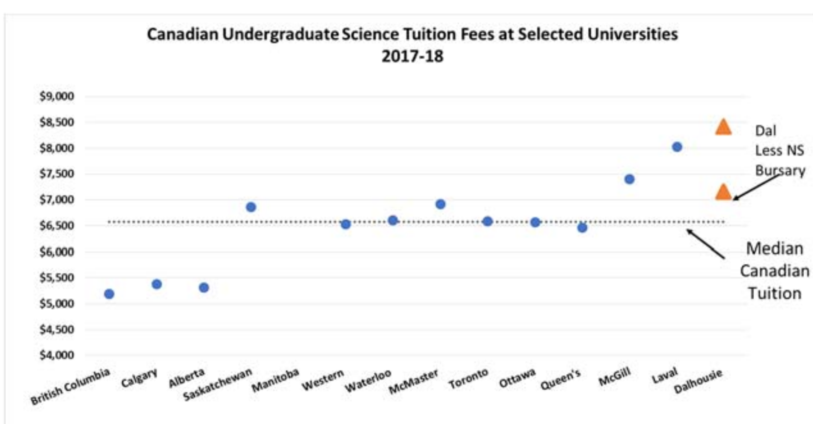
There has also been a change in the proportion of enrolment between domestic and international students. International students now represent 20% of the student population, an increase of 1,900 students since 2010-11.

Enrolment growth allows the University to generate additional tuition revenue to support operations. Growth in international enrolment will continue to be an important means by which the University achieves enrolment targets. This is particularly important as demographic changes suggest a smaller pool of prospective domestic students especially in Atlantic Canada.

Tuition Fee Rates

Tuition rate increases for most programs are capped at a maximum of 3% by the MOU. Annually, the BAC recommends tuition fees rates which are considered for approval by the Board of Governors. Since provincial funding does not keep pace with rising costs, tuition revenues, along with adjustments to Faculty/service unit budgets, have been key to balancing the overall operating budget.

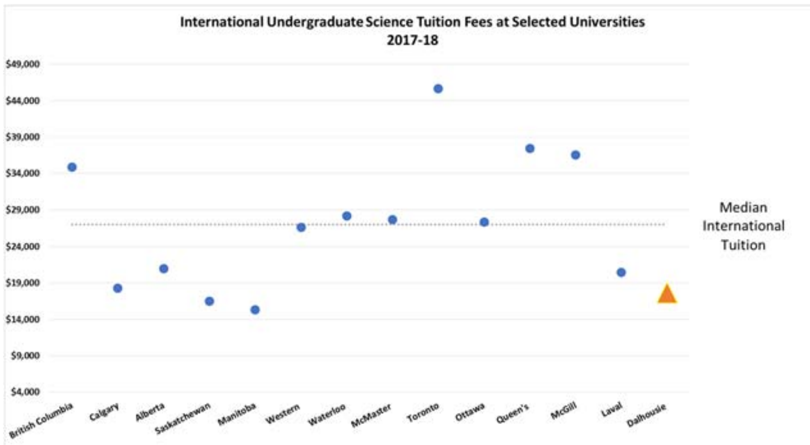
Annually, the BAC compares Dalhousie fee levels with other institutions nationally and locally. Dalhousie's fees are higher for most programs when compared nationally. The following chart shows comparative fees for Undergraduate Science:



As indicated in the chart, the burden of tuition fees for NS students is closer to the average fees for comparative universities as these students receive an automatic provincial bursary of $1,283.

When comparing Undergraduate Arts tuition fees at Dalhousie with other Nova Scotia universities in 2017-18, Dalhousie's fees are just under the average for the group.

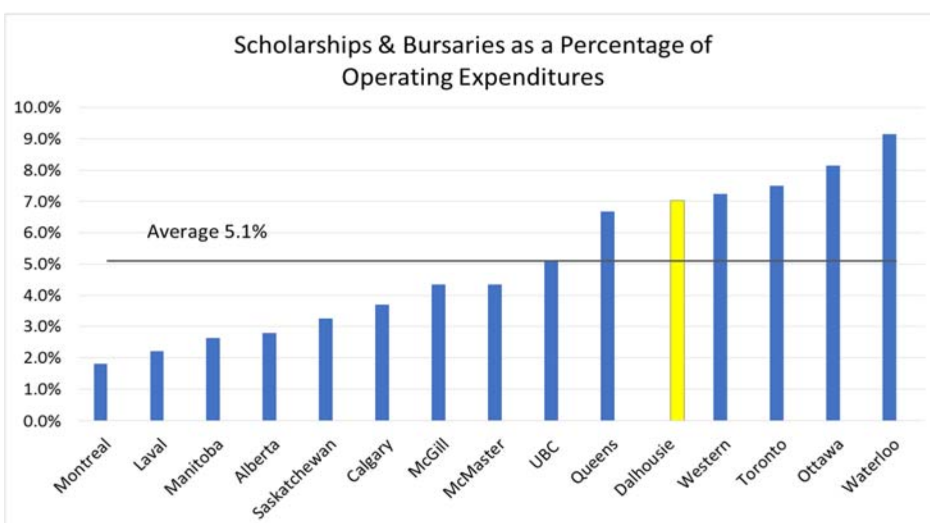
At universities across Canada international students pay an international differential fee in addition to their tuition fee. Dalhousie's international fees are among the lowest of the university comparators. It should be noted that tuition fees for International students are not capped by the MOU.



Student Assistance

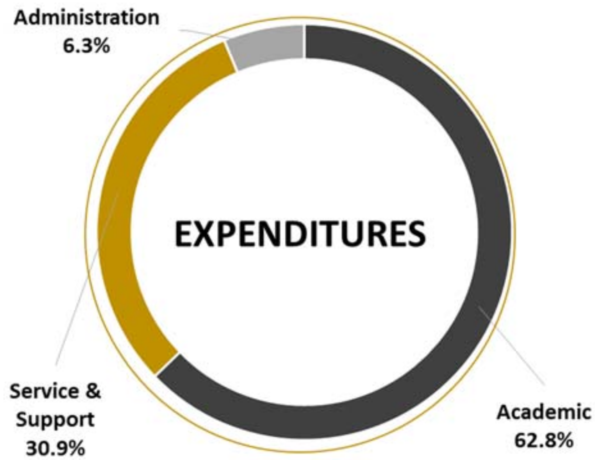
The BAC has met with members of the DSU Executive who have expressed the long term perspective that all barriers to post-secondary education should be eliminated. It is generally acknowledged that this cannot be achieved in the near term without a change in government support. Student Assistance helps students overcome financial barriers to access and allows the University to recruit, retain and reward student excellence. Therefore, student assistance support needs to be considered along with tuition fee increases.

When comparing the portion of University expenditures spent on scholarships and bursaries with other universities, Dalhousie is above the average as shown below:



Source: Canadian Association of University Business Officers (CAUBO) Financial Information of Universities and Colleges 2015-16, Statistics Canada.

How do operating budget funds get used?



Source: Canadian University of Business Officers (CAUBO) 2015-16

University expenditures include items such as compensation for faculty/staff, utilities, Faculty and service unit operating budgets and facilities maintenance. Overall, expenses typically increase by 3-4% annually prior to any budget reductions being applied.

Due to the nature of university work (teaching students and conducting research), compensation is the most significant cost driver at 74% of total expenditures. In many Faculties, compensation makes up more than 90% of the total budget.

The budget must provide for salary/wage and benefit increases that go into the Faculty and unit budgets annually to compensate faculty and staff. In a constrained revenue environment, Dalhousie seeks to offer competitive salaries to attract and retain quality faculty and staff. Continuing academic renewal (programs and faculty) is also important, and has been challenging with the end of mandatory retirement in 2009.

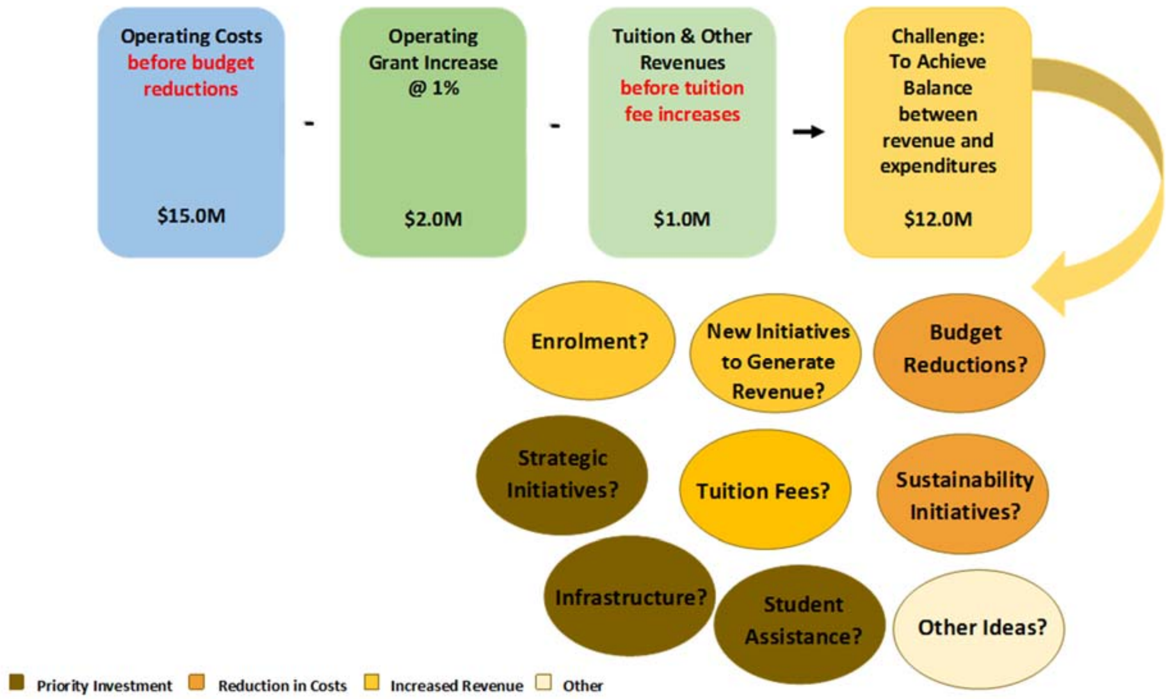
Other costs in the budget include items such as teaching supplies and materials, utilities, library acquisitions, student assistance, facilities maintenance, strategic initiatives, information technology, equipment and furniture. Some expenditures are difficult to influence (e.g. utilities) and others have been identified as priorities by the University community. The priority items identified last year are included in Appendix A.

Faculty and Unit Budget Adjustments

Under the current funding scenario there is a difference between projected revenues and expenses each year. Every year reductions to Faculty/support unit budgets and choices on identified priorities must be made to balance the overall operating budget. Over the last seven years the level of reduction has dropped from 3.5% to 1.8%. Over this period Faculties and service units were required to identify cost savings totalling $45.2 million to balance their budgets. In 2017-18 the BAC recommended continuing to set the cut at a more sustainable level (lower than 1.8%) subject to the ability to secure sufficient revenue to meet expenditures.

Achieving a Balance Between Revenue and Expenditures

The following model – based on averages from the past two years – demonstrates the typical gap between rising costs and expected revenues, prior to applying increases in tuition fees or cuts to faculties and units. *In the next report the BAC will include the detailed budget model for 2018-19 and recommendations to balance the budget.*



In summary, the 1% funding increase from the provincial government does not cover the rising costs of expenditures. It is the BAC's responsibility to develop recommendations to balance the budget by increasing revenue and/or reducing expenditures and making strategic choices. Appendix A outlines the recommendations made to achieve a balance between revenue and expenditures in the 2017-18 budget.

Opportunities for input

The BAC invites comments and suggestions from the campus community on options to balance the University operating budget, in light of the constraints outlined in this context report. To facilitate input and to understand priorities for the campus community, there are several opportunities for feedback:

1) A survey for Faculty, students and staff was released in early December which will allow students, faculty and staff to provide input into areas where resources should be allocated.
2) Two discussion forums are scheduled in January to provide an opportunity for feedback.
3) In addition, written comments are always welcome at BAC@Dal.ca.

In early February, the BAC will issue a preliminary report that will include a budget model and recommendations to the President on the Operating Budget Plan for 2018-19. Following release of that report, additional information sessions will be held.

2017-18 Budget Synopsis/Feedback Received/Summary of Recommendations

2017-18 Budget Synopsis:

	2017-18 $	2017-18 %
REVENUES		
Provincial Government Grants	215,096	51.8%
Tuition	159,900	38.5%
Other	40,363	9.7%
	415,359	100.0%
EXPENDITURES		
Compensation	307,661	74.1%
Student Assistance	33,397	8.0%
Energy, Water, Taxes and Insurance	22,250	5.4%
Campus Renewal	27,979	6.7%
Library Costs	7,747	1.9%
Information Technology Network Infrastructure	1,788	0.4%
Strategic Initiatives	3,150	0.8%
Other Costs (net of unit revenues)	16,586	4.0%
Less:		
Budget Reductions to Faculties & Service Units	(5,199)	-1.3%
	415,359	100.0%

Feedback Received:

The BAC held both town halls and surveys during the 2017-18 budget development cycle. Feedback was consolidated in to the top five themes identified in the table below (alphabetical order). There were three common areas*: improved facilities, technology infrastructure and student financial assistance.*

Students	Faculty and Staff
Facilities (improvements to student space)	Faculty Renewal/Teaching Support
Services for students (particularly Physical and Mental Health)	Improve Facilities
Student Financial Assistance	Research Support
Technology Infrastructure, Experiential Learning, Program Innovation	Student Financial Assistance
Tuition (Limit Increases/Lower)	Technology Infrastructure

Summary of Recommendations:

- 3% tuition fee increase for all programs, international differential fee and auxiliary fee for facilities renewal.
- Undertake a review of fee assessment for international students (in progress).
- Distribution of operating expenditures between Academic and service units will continue to be monitored and reported in the coming years.
- $400,000 additional funding allocated for student assistance.
- Continued support of the Faculty of Arts and Social Sciences.
- An additional $1 million be provided for facilities renewal in each of the next three years.
- Investment of $600,000 per year for the next 3 years targeted for network capacity and infrastructure requirements.
- $3.2 million allocated for Strategic Initiatives (emphasized multi-year initiatives that align with strategic priorities). (1)
- 1.8% budget reduction be applied to all Faculties and service units. (1)

(1) As a result of updated revenue forecasts the final budget was adjusted to include an additional $450,000 in Strategic Initiatives with $250,000 earmarked for student mental health initiatives and support for Indigenous and African Nova Scotia students. In addition the Faculties and service units budget cut was reduced from 1.9%.