

# BUDGET ADVISORY COMMITTEE

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*Context for the Development of the 2019-20 Operating Budget*

## REPORT LVII

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 Committee employs an open and consultative approach to budget discussions at the University. To date the BAC has issued fifty-six reports related to the University's operating budget.

The current membership of the Committee includes:

Teri Balser (Chair), Provost and Vice-President, Academic  
Ian Nason, Vice-President, Finance & Administration  
Chris Moore, Dean of Science  
Christopher Hartt, Associate Professor, Faculty of Agriculture  
Michael Fournier, Associate Professor, Department of Classics  
Eleanor Crowell, Director of Finance & Administration, Ancillary Services  
Alex Rascanu, Student Member  
Stacey Taylor, Student Member

The Committee's resource persons are: Susan Robertson, Assistant Vice-President, Financial Services – Susan Spence, Vice-Provost, Planning & Analytics - Claudia Rangel Jimenez, Chief Analyst & Director, Dalhousie Analytics – Mary-Ann Rowliston, Director, Budgets and Financial Analysis, Financial Services.

## **INTRODUCTION**

Through its students, faculty and staff, Dalhousie delivers on its mission of teaching and learning, research and innovation, and service to the community. The University also plays an important role, through priorities that align with the Province, in supporting the social, economic and cultural development of our province and region. The purpose of this paper is to provide information and context in order to engage the community in an informed discussion on the development of the annual operating budget.

The Operating Budget funds the day-to-day operations of the university and accounts for 70% of all University financial activity (research and other funds account for the other 30%). Faculties and service units receive allocations from the University's Operating Budget to enable them to deliver on the mission and strategic priorities. The budget includes compensation for faculty/staff, student assistance, teaching supplies and materials, utilities, library acquisitions, infrastructure maintenance and renewal and strategic investment in priorities.

## **THE BUDGET PROCESS**

The BAC makes recommendations to the President on the annual Operating Budget Plan, using an open and consultative approach to engage the University community. The following principles guide the BAC as it develops the Operating Budget Plan:

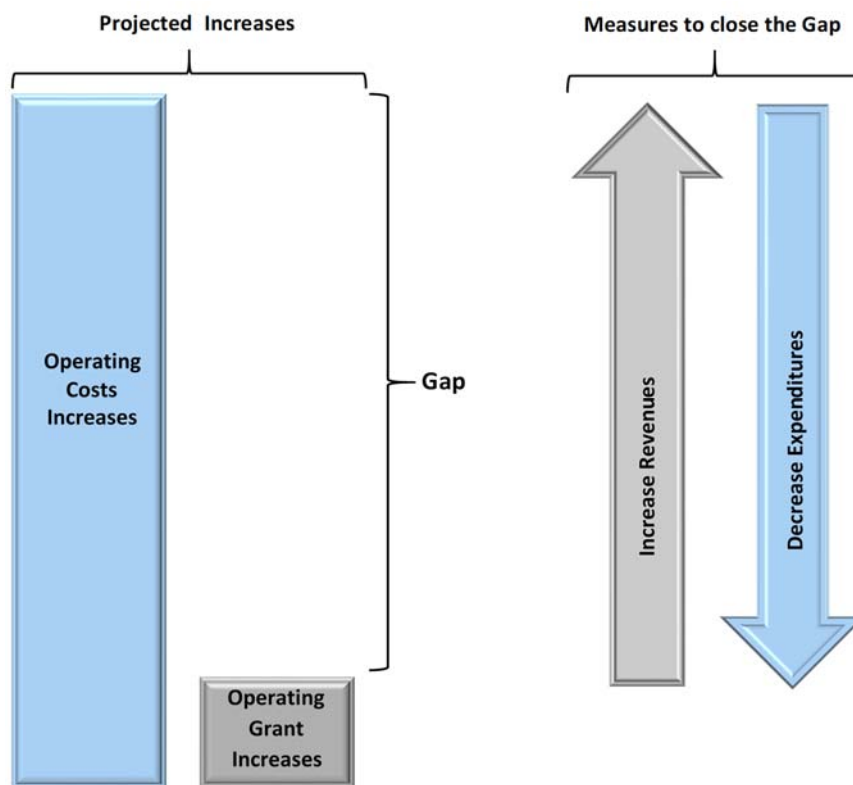
- The operating budget must be balanced
- The operating budget must be financially sustainable
- The operating budget must be driven by Dalhousie's mission and strategic priorities
- Recommendations must be transparent

This context paper is intended to provide information on factors that influence the University budget so that students, faculty, staff and other stakeholders, can contribute to the dialogue in an informed way before the BAC develops recommendations for the 2019-20 budget.

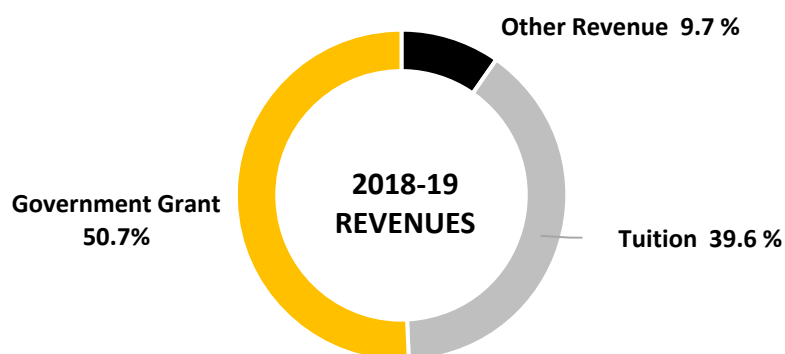
The pages that follow may prompt questions, ideas, or other comments from the community. Opportunities to provide feedback are described in the last section of this report. Following discussion forums and analysis of survey input, the BAC will release an Operating Budget Plan for 2019-20 including recommendations on the budget.

## **THE BUDGET CHALLENGE**

The primary challenge we face as a University, is that projected operating costs increase at a faster rate than anticipated revenues, creating a gap that must be addressed by increasing revenues and reducing expenditures. In addition to resolving the gap, the University must allocate resources to advance the University's mission and strategic priorities, and work collectively with stakeholders. Through the University budget process, the community has an opportunity to contribute to the solution to the challenge and also has a responsibility to be appropriately informed about the issues.



The two main revenue sources to support University operating expenditures are constrained; government grants and tuition make up 90.3% of University revenues. The remaining 9.7% of revenue comes from various sources most notably endowment income. The current Memorandum of Understanding (MOU) with the Provincial Government sets the level of support from the Province and limits on tuition fee increases for Nova Scotia universities.



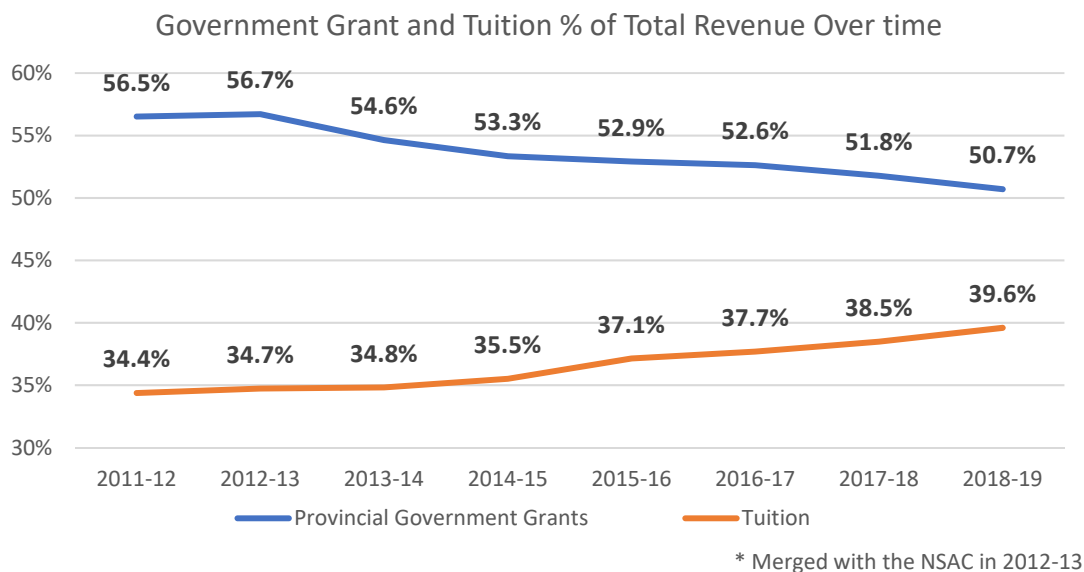
Dalhousie currently receives \$206 million per annum in operating grants which accounts for 50.7% of annual operating revenues to support the budget. Annual government grant increases are limited and are not adequate to cover Dalhousie's annual costs increases.

The following summarizes recent Provincial Government funding history:

- Since 2010-11 there has been a net decline in government funding of \$10 million due to a 10% cut imposed by the former government during the period 2011-12 to 2013-14, and over the next five years annual increases have been limited to 1%.
- Since 2004-05 Dalhousie's enrolment has increased by 21%; this enrolment growth is not reflected in the government funding allocation. This represents a shortfall of roughly \$20 million in annual funding (not accounting for inflation).

As a result of these issues, average government funding on a per student basis has decreased by \$1,500 (before inflation) between 2010-11 and 2017-18. Proportionally, as the government grant has decreased, the University relies more on tuition revenue to cover costs.

As indicated in the graph below, over the period 2011-12 to 2018-19 the percentage of Dalhousie's operating budget that is supported by the provincial operating grant has decreased from 56.5% to 50.7%, while tuition revenues have increased from 34.4% to 39.6% over the same time period.



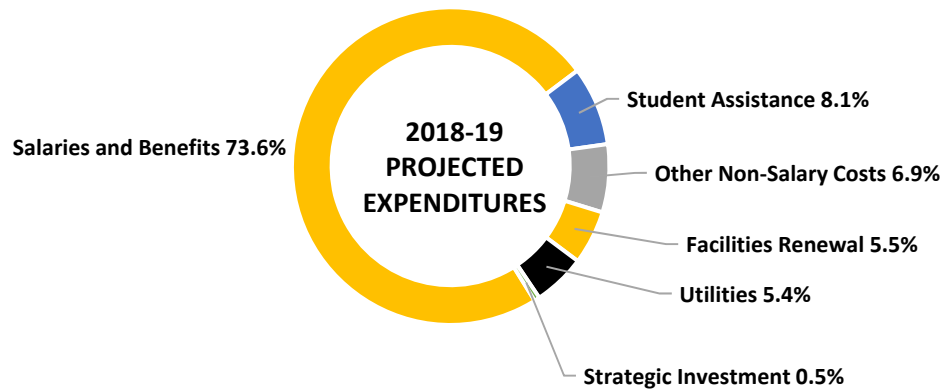
Tuition revenue is the second most significant source of revenue at 39.6% and therefore is critical to support operating budget costs. The current Memorandum of Understanding (MOU) with the Province of Nova Scotia limits annual tuition fee increases to 3% for Nova Scotia students in all programs except Medicine, Dentistry, Law and Graduate Programs.

Key factors that have resulted in increased tuition revenue are as follows:

- Continued enrolment growth has generated an additional \$26 million of tuition revenue since 2010-11. This has been an important contributor to balancing the University's budget.
- Annual increases of 3% have been applied to both domestic and international tuition.

**While revenues are constrained University operating costs increase each year.**

By the nature of university work (teaching students and conducting research), compensation is the most significant cost driver at 74% of total expenditures. The other 26% of University costs include utilities, student assistance, facilities renewal, strategic initiatives and other non-salary costs such as information technology, equipment and furniture, library acquisitions, teaching and research supplies and materials.



Annual pressures related to costs include:

- The budget must provide for annual salary, wage and benefit increases in Faculty and unit budgets to compensate faculty and staff.
  - In many Faculties, compensation makes up more than 90% of the total budget
  - Dalhousie seeks to offer competitive salaries and benefits to attract and retain quality faculty and staff in a national and international market.
  - Academic renewal (programs and faculty) is also important and has been challenging with the end of mandatory retirement in 2009.
- Some expenditures are difficult to influence such as utilities which are impacted by external pricing and library acquisitions which are influenced by inflation and exchange rates.
- University facilities require investment and there is added pressure to invest in technology.
- The need to support students through scholarships and bursaries to recruit and retain, reward success and reduce barriers to education.

**The basic challenge faced 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 while advancing the University's strategic priorities.**

## EXPLORING CHOICES

Solutions to close the gap require increased revenue and decreased expenses. The choices have consequences and trade-offs. Through discussions following the release of this report, other ideas might be identified by the community.

## REVENUES

The University has two main revenue sources outlined below.

### 1. Provincial Operating Grant Support

The MOU expires March 31, 2019, and a new MOU is under discussion which will inform the level of funding for the 2019-20 budget year. Dalhousie has established itself as a strong partner with the Province and contributes significantly to the Nova Scotia economy, aligning itself with public policy and provincial priorities. Continued advocacy for improved grant support is critical to fund University operations; university administration and students should continue to vigorously pursue such support. Through ongoing dialogue funding may be influenced but it is not under the direct control of the University.

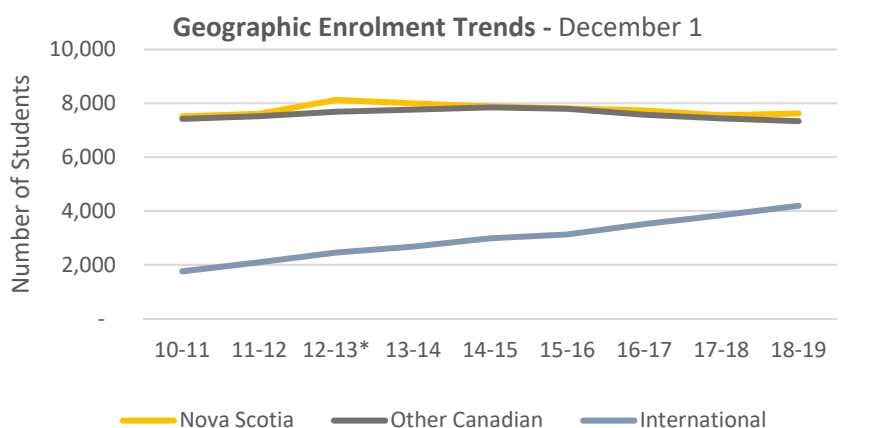
### 2. Tuition Revenue

Tuition revenue is impacted by enrolment levels and changes in tuition fee rates.

#### Enrolment Levels

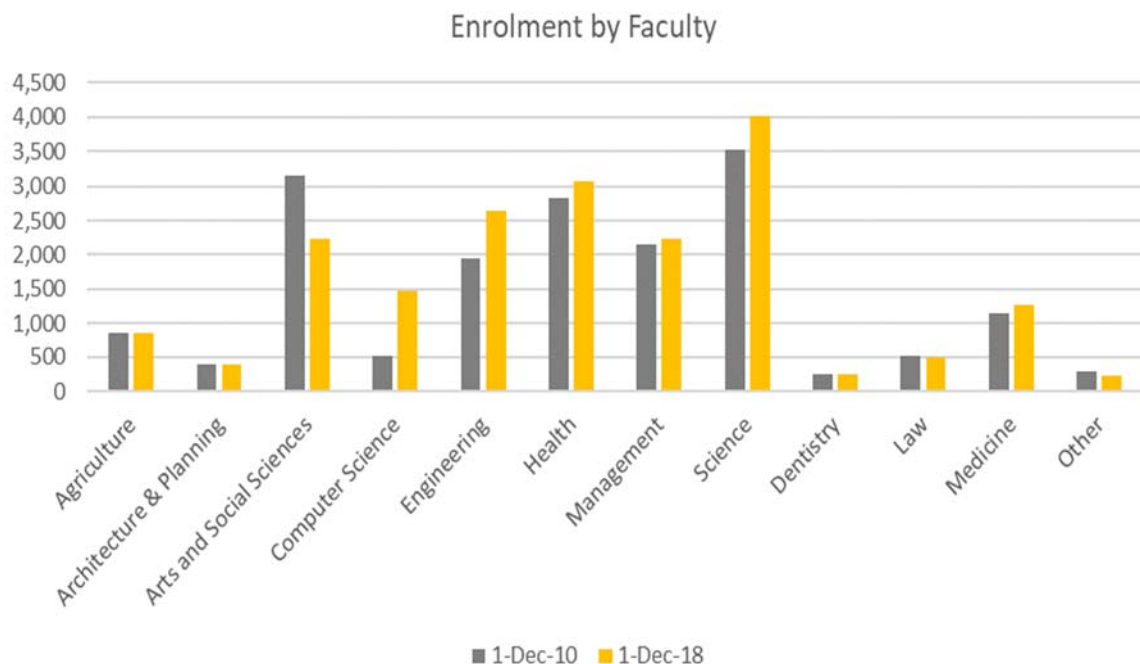
The following graph shows geographic enrolment trends. Nova Scotian and Canadian population demographics are changing, and it is expected that it will be challenging to maintain domestic enrolment levels. The University remains committed to regional access, however changing demographics may require the University to recruit more international students if it is to maintain or grow enrolment.

International students now represent 22% of the student population compared with 11% in 2010-11, an increase of 2,433 students. Meanwhile, the number of students from domestic markets has been maintained at 2010-11 levels, now representing 78% of the student body compared with 89% in 2010-11.



Through enrolment growth the University generates additional tuition revenue to support operations. Growth in international enrolment will continue to be an important means by which the University achieves enrolment targets. International students contribute to campus by bringing diversity of perspectives, experiences and languages, enhancing experience for all students. They are also an important contributor to the Province's immigration and economic objectives. International enrolment growth does not come without challenges and may require additional investment, for example, the cost of providing appropriate services and supports to students.

Shifting enrolment driven by student interest across Faculties presents opportunities and challenges to the University and impacts Faculties differently. The following graph shows that the focus of enrolment growth has been in the Faculties of Engineering, Computer Science and Science while enrolment has declined in the Faculty of Arts and Social Sciences. Continued enrolment growth may be possible in some Faculties, but others may not have capacity to grow without substantial investment.

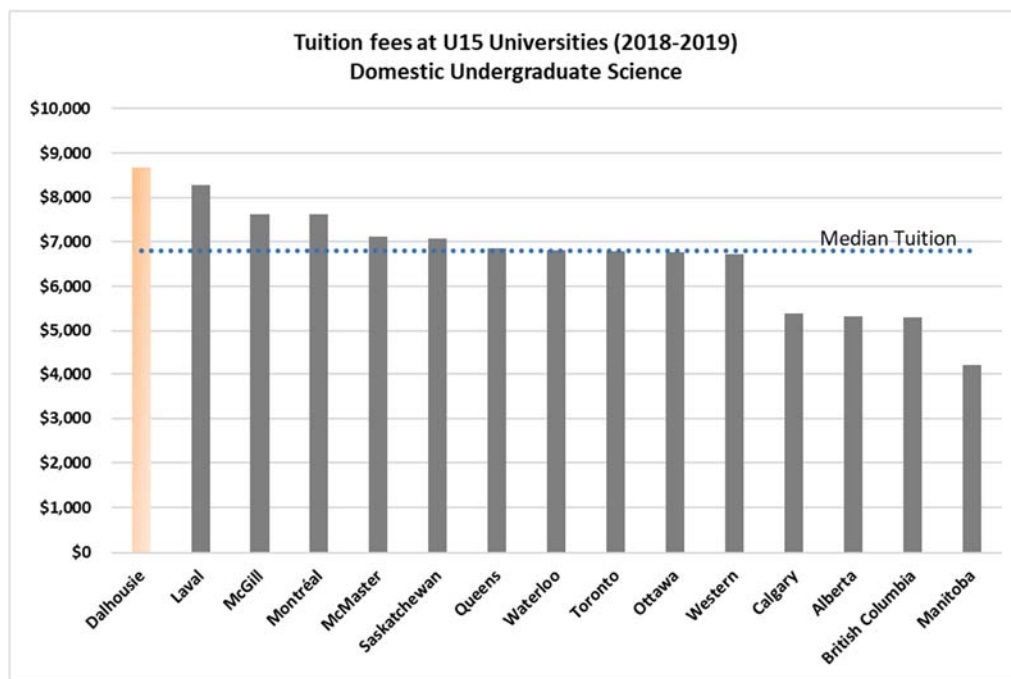
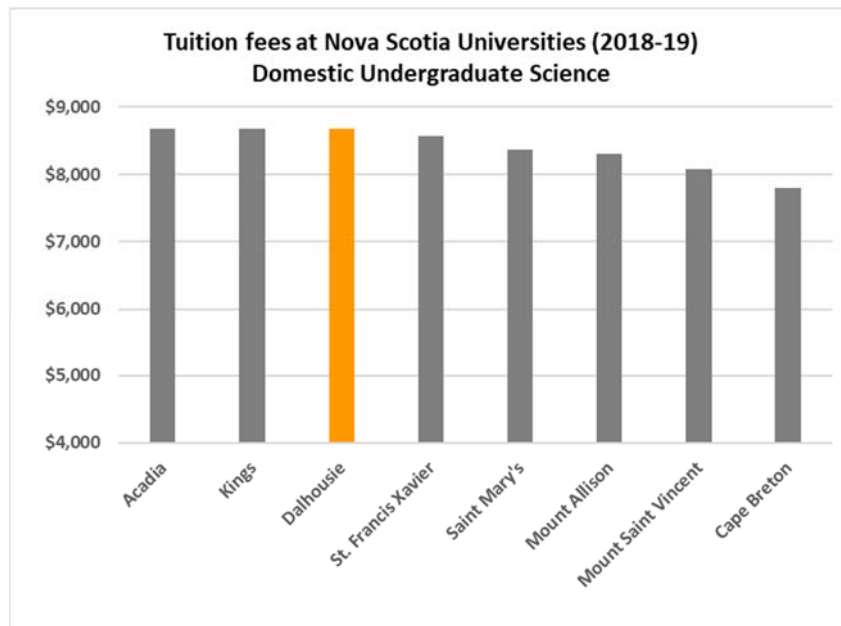


### ***Tuition Fees***

Annually, the BAC recommends tuition fees rates which are considered for approval by the Board of Governors. When determining fee recommendations, the BAC compares Dalhousie fee levels with other institutions nationally and locally.

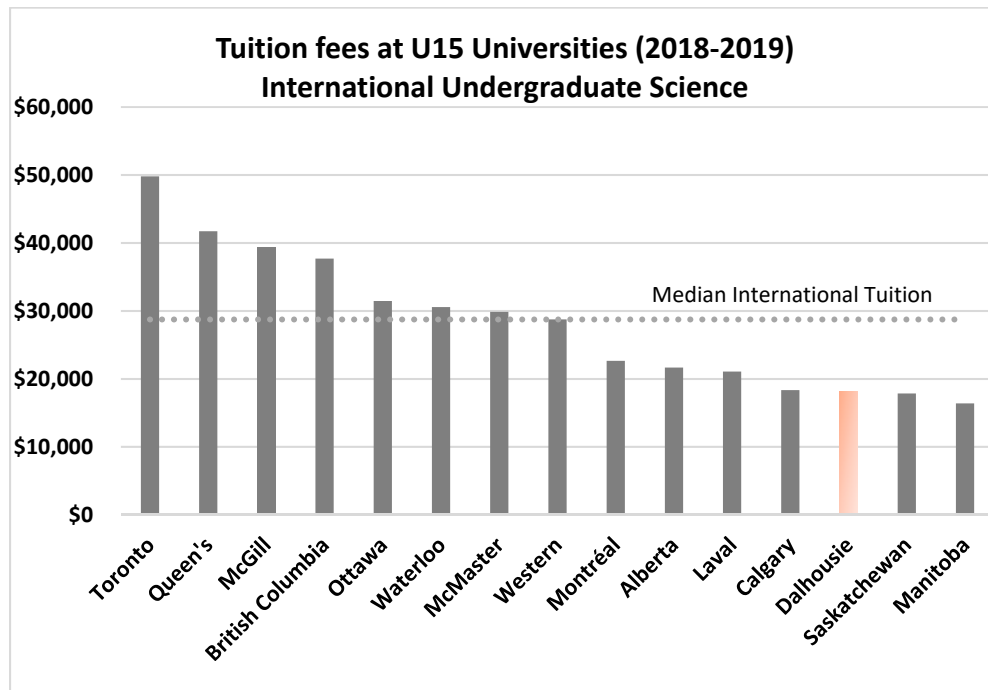


As the following graphs show, Dalhousie's tuition fees are similar to other local universities but are higher for most programs when compared nationally.



Canadian students who choose to study at Dalhousie pay significantly higher fees than the median tuition at other U15 schools (Canada's top research universities). The burden of tuition fees for NS students is closer to the median tuition (\$6,810) for comparative universities as these students receive an automatic provincial bursary of \$1,283.

As the following graph shows Dalhousie's international undergraduate tuition is among the lowest of the university comparators.



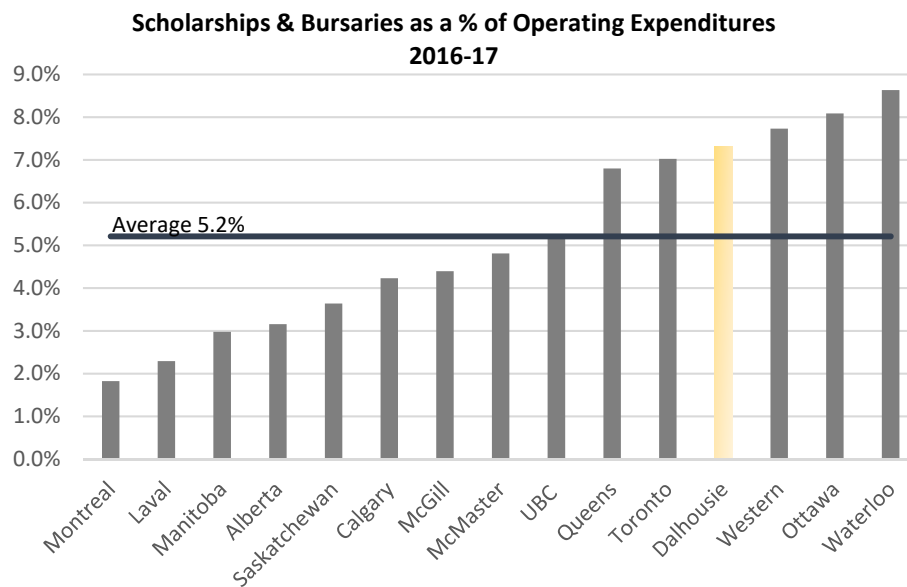
In the 2018-19 Operating Budget Plan, the BAC indicated support for an increase in international tuition fees for undergraduate students. To mitigate the impact of an international tuition fee increase, Dalhousie would phase in the increase to decrease the financial burden on current Dalhousie students.

## EXPENDITURES

Since projected operating costs increase at a faster rate than anticipated revenues, expenditures must be decreased to help resolve the gap. Choices may also be made to invest strategically, resulting in increased expenditures in some areas. The following areas are highlighted for to inform discussion.

### 3. *Student Assistance*

Student Assistance helps students overcome financial barriers to access and allows the University to recruit, retain and reward student success. Therefore, student assistance needs to be considered in conjunction with tuition fee increases. Dalhousie does well when comparing the portion of University expenditures spent on scholarships and bursaries with other universities.



Source: Canadian Association of University Business Offices (CAUBO) Financial Information of Universities and Colleges 2016-17, Statistics Canada

As government funding is increasing at a slower rate than costs increase, the University has chosen to increase tuition fees as one measure to address the gap. For some students, this creates a monetary barrier to post-secondary education. There are other barriers that prevent qualified students from gaining access to a university education. Dalhousie sees the importance breaking down such barriers

#### 4. Strategic Investment

In addition to general increases in costs, in order to advance on its mission, the University must invest in key areas. Some such areas might include student services, new programming and pedagogy, faculty renewal, research and innovation priorities and infrastructure (Facilities and IT).

Further work is required to develop specific investments in relation to these priorities. As this discussion unfolds, other priorities may be identified, but the level of investment will ultimately depend on the funding available. The survey to the campus community this fall is one means of gathering input on these as well as other priorities for students, faculty and staff.

#### 5. Faculty and Unit Budget Adjustments

Faculty and service units receive an annual budget allocation for which they are accountable, to deliver on their plans and identified priorities in line with the University Strategic Direction. Government funding for 2019-20 has not been confirmed but historical increases have not kept pace with cost increases, choices must be made to balance the overall operating budget. Historically, one of these choices has been to reduce Faculty and support unit budgets.

Overall Faculty and service unit budgets have grown significantly over the years, but the increase in “purchasing power” is limited by the ongoing budget reductions, as compensation increases must be paid to staff according to negotiated agreements.

The following are the major annual adjustments impacting Faculty and service unit base budgets each year:

- increased for adjustments to compensation for faculty and staff members.
- Faculty budgets are adjusted for enrolment related budget adjustments based on changing enrolments.
- A budget “reduction” is applied as one measure to balance the overall University budget.
- Since 2010-11, the net impact of the above changes on Faculty and Service unit budgets results in an average budget increase of 2.7% per year.

## **ACHIEVING BALANCE**

The University needs to design the budget to maintain fiscal responsibility and continue to move forward with its’ strategic goals and priorities; allowing Dalhousie to have positive impact for students, research and service to the community and province. Since provincial funding does not keep pace with rising costs, choices need to be made to balance the operating budget. These choices involve trade-offs.

The BAC invites comments and suggestions from the campus community on options to balance the University operating budget, considering 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 November allowing for input into areas where resources should be allocated.
2. Two discussion forums are scheduled in January to provide an opportunity for feedback.
3. Written comments are always welcome at [BAC@Dal.ca](mailto:BAC@Dal.ca).

In February, the BAC will issue a preliminary report that will include a detailed budget model and recommendations to the President on the Operating Budget Plan for 2019-20. Following the release of that report, additional information sessions will be held.