

Dalhousie University

2020-21 FISCAL UPDATE

June 23, 2020



INTRODUCTION

The Operating Budget funds the day-to-day operations of the university allowing us to deliver on our institutional academic mission and strategic priorities. The budget accounts for approximately 70% of all University financial activity (research and other funds account for the other 30%)

The normal annual budget process for 2020-21 commenced in October 2019. The Budget Advisory Committee (BAC) issued two reports and engaged with students, faculty, and staff through a survey, various communications, and budget forums. At the end of March, after the release of “A Draft Operating Budget Plan for 2020-21,” a decision was made to halt the process to consider the implications of the COVID-19 pandemic on University operations. It was determined that the impact of a potential enrolment decline on tuition revenue would require a substantially revised approach relative to the draft plan prepared in February.

The COVID-19 pandemic has imposed a high degree of uncertainty on our academic and financial planning. In addition to the uncertainty around enrolment and tuition revenue, Faculties, support units, and ancillary operations face reductions in sales and service revenues and cost recoveries. As a result of this downward pressure on revenues across the University, an expenditure reduction program is imperative. The program will require curtailment of non-critical spending (e.g. travel, contracted service, etc.), and reductions to facilities renewal maintenance, Faculty and support unit expenditures by 2% at a minimum, and compensation adjustments. This report details the range of preliminary measures that must be taken to ensure that the University remains on a solid financial foundation for the years ahead given that there will most certainly be residual financial effects of the pandemic in 2021-22 and beyond.

This 2020-21 Fiscal Update presents a forecast of institutional revenues of \$410.0 million and expenditures of \$440.5 million resulting in an operating shortfall of \$28.5 million. At this stage, the unaudited 2019-20 operating surplus of \$6.4 million and other reserves for a total of \$12.2 million are available to help close this gap to \$18.3 million.

In the meantime, outreach to students is continuing to communicate Dalhousie’s commitment to provide quality academic programs, services, and supports. Increased financial assistance for students is key to ensuring that Dalhousie supports students to the greatest extent possible in light of the financial hardships imposed by the pandemic. This financial support together with the delivery of high-quality academic programming will require investment in technology and other instructional supports. The current fiscal outlook anticipates an investment for these essential investments.

Many University services have continued throughout April and May and a phased plan for re-opening has commenced. The University's decision to go online in the summer and fall will continue to be a significant challenge for the Dal community. Paramount to the plans for reopening is the health and safety of students, faculty, and staff, and those community members who visit campus.

The chart on the next page provides a synopsis of the major revenue sources and expenditure components of the 2020-21 fiscal outlook. (Appendix B provides further detail)

2020-21 Fiscal Update Compared with 2019-20 and 2018-19 Budgets

(000's of dollars)

	2020-21 Fiscal Update		2019-20		2018-19	
	\$	%	\$	%	\$	%
REVENUES						
Provincial Government Grants	221,110	53.9%	219,153	49.0%	217,231	50.7%
Tuition	146,430	35.7%	184,230	41.2%	169,650	39.6%
Other	42,500	10.4%	43,837	9.8%	41,527	9.7%
	410,040	100.0%	447,220	100.0%	428,408	100.0%
EXPENDITURES ⁽¹⁾						
Faculty and Unit Budgets	321,627	73.0%	332,454	74.3%	321,942	75.1%
Student Assistance ⁽²⁾	39,430	9.0%	35,914	8.0%	34,232	8.0%
Campus Renewal	20,458	4.6%	30,758	6.9%	29,501	6.9%
Energy, Water, Taxes and Insurance	21,340	4.8%	23,840	5.3%	22,590	5.3%
Library Acquisitions	8,876	2.0%	8,860	2.0%	7,966	1.9%
IT Network Infrastructure/Classroom Technology	3,938	0.9%	3,088	0.7%	2,424	0.6%
Strategic Initiatives	6,000	1.4%	4,440	1.0%	1,884	0.4%
Equipment, Endowment Management, Contingency	6,766	1.5%	7,866	1.8%	7,869	1.8%
Revenue losses due to COVID ⁽¹⁾ :						
Faculty and Units	6,000	1.4%				
Ancillaries	6,100	1.4%				
	440,535	100.0%	447,220	100.0%	428,408	100.0%
Surplus (Shortfall)	(30,495)		-		-	
Use of 2019-20 and Prior Years Reserves	12,207		-		-	
Surplus (Shortfall) after Use of Prior Years Reserves	(18,288)		-		-	

(1) In addition to budget allocations out of general University revenue, Faculties and Units receive additional revenues that support their operating costs. For 2020-21 estimated revenue losses of \$12.1 million are anticipated as a result of the pandemic and these losses included in the expenditure section.

(2) Includes central student assistance programs in Registrar's office, Graduate Studies as well as NS Bursary and Grad Scholarship programs and Endowments managed by Faculties totalling \$5.9 million in 2020-21.

KEY COMPONENTS OF THE 2020-21 FISCAL UPDATE

This section reviews the key revenues and expenditures comprising the 2020-21 fiscal outlook.

REVENUES

Tuition and government grants are the two major revenue sources that support the operating budget; together they contribute 90% of general revenues.

1. Government Grants

- a) **Operating Grants** - The confirmed government grant for 2020-21 has increased by 1% (\$2.0 million), an approximate increase in funds available to support the total budget of 0.5%. The following is a breakdown of government grants that support the operating budget.

	(thousands of dollars)		
	2020-21	2019-20	2018-19
	Fiscal Update	Budget	Budget
Operating	197,622	195,665	193,728
Scholarship and Bursary Program Grants	11,190	11,190	11,205
Program Specific Grants	11,298	11,298	11,298
Facilities/Space	1,000	1,000	1,000
	221,110	219,153	217,231

2. Tuition Revenues

It will be some time before enrolment for the fall term is known. The Provost's Office has developed enrolment scenarios based on information compiled from the following:

- COVID-19 enrolment impact assessments ¹ for the following categories of students:
 - New and Returning
 - International, Domestic, and Nova Scotia
 - Graduate and Undergraduate
 - Faculty/Program

¹ The criteria used to make the assessment included affinity to Dal (i.e. those already attending Dal would have an established relationship), travel restrictions, personal financial means (impact of the pandemic on affordability to attend university from the perspectives of families and individuals who must pay their own way), student health and safety, parent and partner concerns, perceived quality of on-line delivery, greater student options due to prevalence of on-line options from many universities, Public Health directives, individual country travel policies, number of international students, origin of domestic and international students, highly competitive programs where enrolment decrease risk is negligible, external data, surveys and expert commentary, information sharing from other Universities

- External and internal surveys of both new and returning students.
- Information from Dalhousie's current international students on their intentions, location (remained in Canada or home) and impact on student visas.
- Faculty plans to develop robust online programming for the fall in addition to essential practical or hands-on components of learning for students (labs etc.)
- Potential economic impacts on students (job loss, lack of student resources generally etc.)
- Weekly assessments of enrolment trends, applications, conversion rates, and registrations for new and returning students.

It cannot be emphasised enough the degree of uncertainty *all* universities are facing at present. The major driver of the enrolment scenario plan is the assumption on the percentage of returning and new students from outside Canada that will be impacted by international travel restrictions and other significant health and financial impediments. Tuition Revenue has been projected based on better and worse case scenarios resulting in potential revenue losses of \$31.8 million or \$51.3 million respectively (based on 19-20 fee rates.)

A summary of factors driving the tuition revenue outlook for 20-21 are as follows:

- The fiscal update has been developed based the more conservative enrolment scenario (\$51.3 million in reduced tuition revenue at 2019-20 tuition rates) highlighting that estimates of international enrolments continue to be very uncertain despite good early indications of confirmed offers and registrations of returning students. Students can withdraw until the middle of September without incurring any further cost. The enrolment situation will be monitored on an ongoing basis as more information becomes available on the status of travel restrictions in Canada and internationally, continued registration experience and the impact of outreach to students.
- The tuition revenue outlook for 2020-21 also includes a general increase of 3% applied to program fees for all students, with adjustments to international fees according to the approved tuition fee schedule for 2020-21.
- The University ended the 2019-20 year with a \$4.3 million increase in tuition revenue compared to budget because of enrolment increases (an annualized increase of \$5.4 million.) The undergraduate enrolment for the Spring and Summer terms has increased yielding estimated higher tuition revenue of \$3.7 million for these terms. These increases have been factored into the 2020-21 budget.
- The operating budget synopsis reports a net decline in tuition revenue of \$37.8 million over the 2019-20 approved budget. This is the net impact of the estimated enrolment changes (\$42.2 million) net of the tuition fee increases (\$4.4 million).

3. Other Revenue

Overall, other revenues are expected to be relatively consistent year over year. Increased allocations from the endowment are planned while the forecasts for facilities renewal fee revenue

is expected to be less (based on the enrolment forecast) and return on operating investments are expected to be lower (given the decline in interest rates and cash flow).

	(thousands of dollars)		
	2020-21	2019-20	2018-19
	Fiscal Update	Budget	Budget
Federal Research Support Fund Grant	6,733	6,958	7,339
Investment:			
Endowment	30,367	29,533	27,605
Operating (net of bank and finance charges)	2,750	3,750	3,150
Facilities Renewal Fee	2,650	3,596	3,433
	42,500	43,837	41,527

EXPENDITURES

1. Faculty and Service Unit Budgets

Faculty and other service unit budgets include the following adjustments:

- **Compensation adjustments:** Compensation comprises 72% of University operating expenditures. Compensation adjustments line for 2020-21 includes the annualization of July 2019 salary and benefits increases, one-time savings related to benefits holidays, and adjustments to 2020-21 salary, wages, and pensions.
- **Non-Salary Increase:** The budget normally provides for an inflationary increase in the portion of Faculty and unit budgets that is used for costs other than salary related items such as teaching supplies and equipment. The fiscal outlook assumes no inflationary adjustment is provided in 2020-21.
- **Budget Reduction:** Faculties and Units will be required to reduce their base budgets by a minimum of 2.0% over 2019-20. This reduction is significantly higher than in recent years but is necessary as one measure to address the budget shortfall.
- **ERBA:** The ERBA formula allocates approximately 60% of the tuition revenue to Faculty budgets based on changes in enrolment. Under the circumstances, some adjustments (e.g., phasing in of positive and negative ERBA impact) have been made to the standard distributions calculated in the ERBA formula. These adjustments are designed, in part, to address specific anomalies affecting some Faculties.
- **Endowment:** Increased endowment allocations totalling \$262,000.

2. Scholarships, Bursaries and Student Assistance

The fiscal update provides for \$3.5 million in additional student assistance for a total of \$39.4 million or 7.6% of the estimated expenditures for 2020-21. The following additional financial resources will be available for students in 20-21:

- Centrally managed student bursaries supported by the operating budget will double from \$3 million to \$6 million in 2020-21. The pandemic will require that Dalhousie increase both the number of bursaries and the size of the bursaries to students.
- As originally envisaged in the BAC draft budget plan, this funding will support both domestic and international students. Further funding of \$60,000 has been provided to support of students in the Indigenous, Black and Mi'kmaq (IB&M) program in the Faculty of Law. Additional funds will be allocated to support Caribbean students as indicated in the BAC plan.
- University endowments will provide a further \$456,000 in student support in 2020-21 and the Provincial programs providing direct support for Nova Scotia students is not expected to change.
- Importantly, the University will also waive Athletics/Fitness Centre fees for the fall term to provide further relief to students of \$3.1 million. This will result in net lost revenue of \$1.2 million to athletics and recreation services after expenditure savings.
- Emergency bursaries of \$500,000 have also been awarded so far this year.

3. Campus Renewal

The annual facilities maintenance allocation has been decreased on a temporary basis by \$10 million in 2020-21. In order to mitigate the impact of the reduction in spending in this area, the University will access \$5 million from a Province of Nova Scotia Facilities Renewal grant. Facilities Management is developing a plan to address the most critical infrastructure needs. In addition, the budget for rental of off campus space has been reduced by \$300,000 for lower anticipated rental costs in 2020-21.

4. Energy, Water, Taxes and Insurance

The forecasted cost for Energy, Water, Taxes and Insurance for 2020-21 is \$21.3 million. This projection is based on normal annual consumption less estimated savings because of reduced occupancy as students study remotely and faculty and staff work from home where possible. The energy forecast also reflects savings in projected pricing. The University will continue to pursue sustainability projects.

5. Library Acquisitions

There is a small increase in the endowment allocation for library acquisitions, the operating budget allocation will be frozen at the 2019-20 level.

6. Information Technology and Infrastructure

The planned increase of \$850,000 to improve classroom technology and support investment in network capacity and infrastructure as part of the multi year plan reviewed by the Capital Projects and Facilities Committee have been maintained.

7. Strategic Initiatives

\$6 million has been allocated to support University Strategic Priorities in 2020-21.

- a) An allocation for immediate/required high impact needs and initiatives related to the current situation including investments in digital capability and international outreach.
- b) Specific Initiatives already approved for:
 - i. Enrolment/Recruitment
 - ii. Equity, Diversity, and Inclusion
 - iii. Legislative requirements
 - iv. Process Improvement

8. Other Expenditures:

- a) **Endowment Management** – expected to increase by \$100,000
- b) **Equipment and Furniture** – funding to Faculties and service units for teaching and other equipment purchases and will be reduced by 50% for 2020-21 to \$1.2 million as an additional measure to address the budget shortfall.
- c) **Contingency** – The annual allocation for contingency items is held at \$1.9 million (less than 0.5% of budget) in 2020-21.

9. Revenue Losses due to COVID:

- a) **Faculty and Unit Revenues:** In addition to the general revenues (tuition and government grant) that support the operating budget, Faculties and units generate revenue directly that supplements operations. Several Faculties and Units will experience revenue losses as a result of the pandemic, and these are estimated at \$6.0 million. These include specialized programs and student cohorts, and auxiliary fees for the athletics that the University has agreed to waive.
- b) **Ancillary Revenue Losses:** The ancillary budget includes the Bookstore, University Housing and Conference Services, Residence Life, Food Services, Dalplex and Arts Centre facilities. Together, these units are expected to cover their costs including maintenance from the revenues generated. The fiscal update for 2020-21 recognizes the loss of revenue generation opportunities (net of cost savings) that will be experienced in all ancillary operations and this loss is projected to total \$6.1 million.

CONCLUSION

This fiscal outlook reflects a degree of uncertainty around enrolment that is unprecedented. This reality, along with other elements of the outlook will be reviewed at regular intervals to consider new and updated information.

This fiscal update counts on the use of \$12.2 million in prior years' reserves to reduce the revenue shortfall from \$30.5 million to \$18.3 million. Budget planning for future years will require retirement of any shortfall in addition to addressing any lingering pressures in 2021 and beyond. As a university community, we must continue to focus on delivering quality programming for our students and address the financial challenges.

Dalhousie University
Operating Budget Revenue and Expenditure Model
Fiscal Update For 2020-21

Appendix A

	2019-20 Final Budget	Change	2020-21 Fiscal Update
REVENUES - INCREASE (DECREASE)			
1. a) Government Grants	207,963	1,957	209,920
b) Scholarship and Bursary Program Grants	11,190		11,190
2. Tuition revenues	184,230		146,430
a) 2019-20 Enrolment increase (annualized amount)		5,400	
b) Estimated Spring/Summer enrolment increase		3,700	
c) Fall/Winter COVID impact		(51,300)	
d) Fee increases		4,400	
3. Operating Interest Income	3,750	(1,000)	2,750
4. Endowment Income	29,533	834	30,367
5. Facilities Renewal Fee	3,596	(946)	2,650
6. Federal Research Support Fund Grant	6,958	(225)	6,733
TOTAL REVENUES - INCREASE (DECREASE)	447,220	(37,180)	410,040
EXPENDITURES - INCREASE (DECREASE)			
7. Allocations to Faculty and Units:			
a) Compensation ⁽¹⁾	322,316	(5,890)	316,426
b) Non-Salary : General ⁽¹⁾	46,012	152	46,164
c) Faculty/Unit Revenue ⁽²⁾	(35,874)	250	(35,624)
d) Budget Unit Adjustments			
i) ERBA adjustment		737	737
ii) Budget Reduction (2%)		(6,076)	(6,076)
Total Allocations to Faculty and Units:	332,454	(10,827)	321,627
8. Student Assistance			
a) Student Assistance ⁽²⁾	12,125	3,060	15,185
b) Student Assistance supported by Endowment	12,599	456	13,055
c) Nova Scotia Scholarship and Bursary Programs	11,190	-	11,190
9. Campus Renewal- Annual	23,963	(10,000)	13,963
10. Campus Renewal - Long term	6,795	(300)	6,495
11. Energy, Water, Taxes and Insurance	23,840	(2,500)	21,340
12. Library Acquisitions	8,860	16	8,876
13. Information Technology - Network Infrastructure/Classroom technology	3,088	850	3,938
14. Strategic Allocations	4,440	1,560	6,000
15. Equipment and Furniture Allocation	2,466	(1,200)	1,266
16. Endowment Management	3,500	100	3,600
17. Contingency	1,900	-	1,900
18. Revenue losses due to COVID ⁽³⁾			
a) Faculties and Units		6,000	6,000
b) Ancillary Units		6,100	6,100
TOTAL EXPENDITURES - INCREASE (DECREASE)	447,220	(6,685)	440,535
BUDGET SHORTFALL	-	(30,495)	(30,495)
Use of 19-20 and Prior Years Reserves	-	12,207	12,207
BUDGET SURPLUS (SHORTFALL) after Use of Reserves	-	(18,288)	(18,288)

⁽¹⁾ net of recoveries

⁽²⁾ In addition to additional bursary support fees waived for students are estimated at a further \$3.1 million and are included in the revenue losses on line 18.

⁽³⁾ Adjustments relate to estimated revenue losses net of associated cost savings.