



BUDGET ADVISORY COMMITTEE

REPORT XLI

**CONTEXT FOR DEVELOPMENT OF THE
2010-11 UNIVERSITY OPERATING BUDGET**

November 24, 2009

The Budget Advisory Committee (BAC) was established by the President in 1992 to advise on budgetary matters. The current membership of the Committee includes: - Alan Shaver (Chair), Vice-President, Academic & Provost –Tom Gill, Food Science - Tom Vinci, Philosophy - Rita Caldwell, College of Pharmacy – Josh Leon, Dean of Engineering – Katherine Sheehan, Assistant Vice-President, Human Resources - Ken Burt, Vice-President, Finance & Administration and Andrew Sullivan (Student Representative). The Committee's resource persons are: Ian Nason, Assistant Vice-President (Financial Services), Elizabeth Lane, Director of Institutional Analysis and Research, and Susan Robertson, Director, Budgets and Financial Analysis. The Committee employs an open and consultative approach to budget discussion at the University. To date, the BAC has issued forty reports related to the University's operating budget.

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HIGHLIGHTS OF CONTEXT FOR DEVELOPMENT OF THE 2010-11 UNIVERSITY OPERATING BUDGET

The usual practice of the Budget Advisory Committee (BAC) has been to issue a fall discussion paper including a preliminary operating revenue and expenditure model and, to invite comment from the campus community on the development of the University Operating Budget for the upcoming year. This BAC report takes a different approach and seeks to stimulate input from members of the University community at an earlier stage in the budget process by highlighting the background issues that will influence the development of the 2010-11 university budget. The following is a summary of the background issues discussed in this paper:

- Funding Certainty/ Tuition Fees
 - Memoranda of Understanding (2005-06 to 2010-11) with the Province have:
 - ensured a period of stable University funding; and
 - reduced costs for students such that cost to attend Dalhousie now significantly closer to comparator Universities
 - government policy beyond 2010-11 on funding or tuition is not known
- Enrolment Stability
 - unanticipated enrolment increase for fall 2009 of 4.3%
 - many factors influencing future enrolment levels including national demographics, economic climate, internal attrition rates
- Impact of Investment Market Collapse / Low short term interest rates
 - 2009-10 Endowment spending reduced in light of market situation
 - careful monitoring necessary for 2010-11 and future years to ensure long term stability
 - lower operating interest income to support University expenditures
- Pension plan funding
 - next required plan valuation as at June, 2010
 - significant deficit projected a result of:
 - Investment market impact on plan assets
 - Growth in plan liabilities
- Mandatory Retirement
 - Elimination of mandatory retirement as of July 1, 2009
 - will impact Faculties' budget flexibility
- Strategic Investment
 - Strategic Initiatives investment of \$29 million since 2003-04
 - "Dalhousie Strategic Focus 2010-2013: Making Choices" seeks input on strategic questions to inform future budget development

Dalhousie University
Budget Advisory Committee
Context for Development of the 2010-11 University Operating Budget

I INTRODUCTION

This is the forty-first report of the President's Budget Advisory Committee. This report is intended to provide the reader with the context for the development of the 2010-11 operating budget. In 2007 the University's Strategic Focus announced Dalhousie's goal of becoming Canada's best university. Since that time the environment in which the University operates has changed dramatically. The risks and uncertainties that have emerged in the last year present significant challenges particularly in our choices around the allocation of resources to meet strategic objectives.

II BACKGROUND

Prior to the commencement of the 2009-10 budget development process financial conditions were relatively stable for the University. Nova Scotia Universities had signed a Memorandum of Understanding (MOU) with the Province providing for known funding and tuition amounts for the three year period 2008 through 2011. Enrolments were stable despite enrolment declines elsewhere. Interest rates were at historical lows with little capacity to move lower. Collective agreements were in place for the two largest employee groups. All indications were that the budget planning exercise for 2009-10 would be relatively straight forward and indeed allow for multi-year planning.

As the fall progressed the collapse in global investment markets introduced a measure of uncertainty to the budget outlook. The record setting investment market declines experienced in the period July 2008 to March 2009, and the ensuing global recession, will no doubt impact the University for years to come. The following is a summary of the budget uncertainties and questions that emerged during the development of the 2009-10 Operating Budget Plan:

- Enrolment Stability – How would the new economic uncertainty impact enrolment?
- Provincial Government uncertainty – The former government explored revisions to the MOU to reduce funding but the matter was not resolved. Given the troubled financial times, what would be the policy of a new government with respect to university funding and tuition?
- Impact of market collapse on the Endowment – How quickly would markets recover? What would be the long term impact on the health of the endowment?
- Market impact on Pension Plan assets – What pension contribution increases will be required when the next triennial valuation is completed as of June 2010?

- Short term interest rates began to fall sharply – How far would they fall? When will they recover?
- Strategic Initiatives – How would the above uncertainties impact the amount or allocation of funds invested in the foreseeable future?

The synopsis of Operating Revenue and Expenditure below provides a breakdown of the major revenue sources and expenditure components of the operating budget and trends since 2004-05 – the year before the first MOU was signed. This synopsis may assist the reader in understanding the relationships among the major components of the budget.

The schedule highlights the impact that MOUs have had on the share of the revenue budget supported by provincial operating funding and tuition revenue. The proportion supported by the Provincial grant shifted from 49.5% to 58.4% between 2004-05 and 2009-10 and there has been a decrease in the portion of the budget supported by tuition revenue from 39.8% to 32.3%. The schedule also shows a decrease in the percentage of the budget allocated to overall compensation costs whereas strategic investment has increased the percentage of the budget spent on student assistance and facilities renewal.

Budget Revenue and Expenditures for 2004-05 and 2009-10

	2009-10		2004-05	
	\$	%	\$	%
<u>REVENUES</u>				
N.S. Government grants	168,942	58.4%	107,549	49.5%
Tuition	93,224	32.3%	86,431	39.8%
Other	26,884	9.3%	23,237	10.7%
	<u>289,050</u>	<u>100.0%</u>	<u>217,217</u>	<u>100.0%</u>
<u>EXPENDITURES</u>				
Compensation (net of recoveries)	211,644	73.2%	176,241	81.1%
Student Assistance	20,884	7.2%	11,630	5.4%
Energy, Water, Taxes and Insurance	14,629	5.1%	9,024	4.2%
Facilities Renewal	16,302	5.6%	3,502	1.6%
Library Costs	6,511	2.3%	5,402	2.5%
Other Costs (e.g. teaching materials and travel) (net of unit revenue and recoveries)	19,080	6.6%	11,418	5.3%
	<u>289,050</u>	<u>100.0%</u>	<u>217,217</u>	<u>100.0%</u>

III SIGNIFICANT BUDGET ISSUES

A more detailed discussion of the uncertainties for 2010-11 and future years are presented in this section.

1. Provincial Operating Grants

The previous provincial government negotiated a MOU with Nova Scotia universities covering the three years 2008- 2011. The MOU provides that tuition fees be frozen and for specified grant increases to cover annual increases in operating costs during the term of the MOU. Importantly, this second MOU (2008-11) recalibrates grants to universities based on more recent enrolment experience. Consequently, Dalhousie's proportionate share will increase from 48.5% in 2007-08 to 50.5% in 2010-11 over the term of the MOU. Once the redistribution is fully implemented, Dalhousie's share of total funding will reach 51.8%.

Early in 2009 the Province began discussions concerning a reduction in funding levels provided for in the MOU. These discussions were not resolved in the spring of 2009 and therefore the BAC recommendations for 2009-10 assumed that the MOU would be honored. With the change in government, the University has only recently learned that funding for 2009-10 will be reduced by approximately \$750,000. No formal confirmation of this adjustment has been received.

On a positive note the government has budgeted to bring the Province's obligation under the MOU to a conclusion by providing universities with the entire funding committed in the MOU for 2010-11 by providing a lump sum payment before the end of the current fiscal year. The budget address of the government indicates that after 2010-11 the "government can return to clear, accountable annual payments" to universities. At this stage it is uncertain what the new government's intentions and policies will be with respect to university funding and tuition levels beyond 2010-11.

It is important to observe that the Province's practice of prepaying all or a portion of the University's funding has been ongoing for several years. The recent Provincial budget announcement means that on a system-wide basis \$345.4 million in funding plus any increases under a third MOU would need to be identified in the 2011-12 provincial budget.

Multi-year funding commitments provide the University with improved stability and certainty in budget planning over a longer time horizon. The University is able to develop budgets earlier in the planning cycle allowing Faculties and budget units time to develop plans well in advance of the start of the fiscal year. Discussion of a third MOU would need to begin in 2010-11 to meet the requirement to set a 2011-12 budget. It is anticipated that a third MOU would address rising costs, a policy on tuition levels and an update of proportional shares of grant funding based on enrolment.

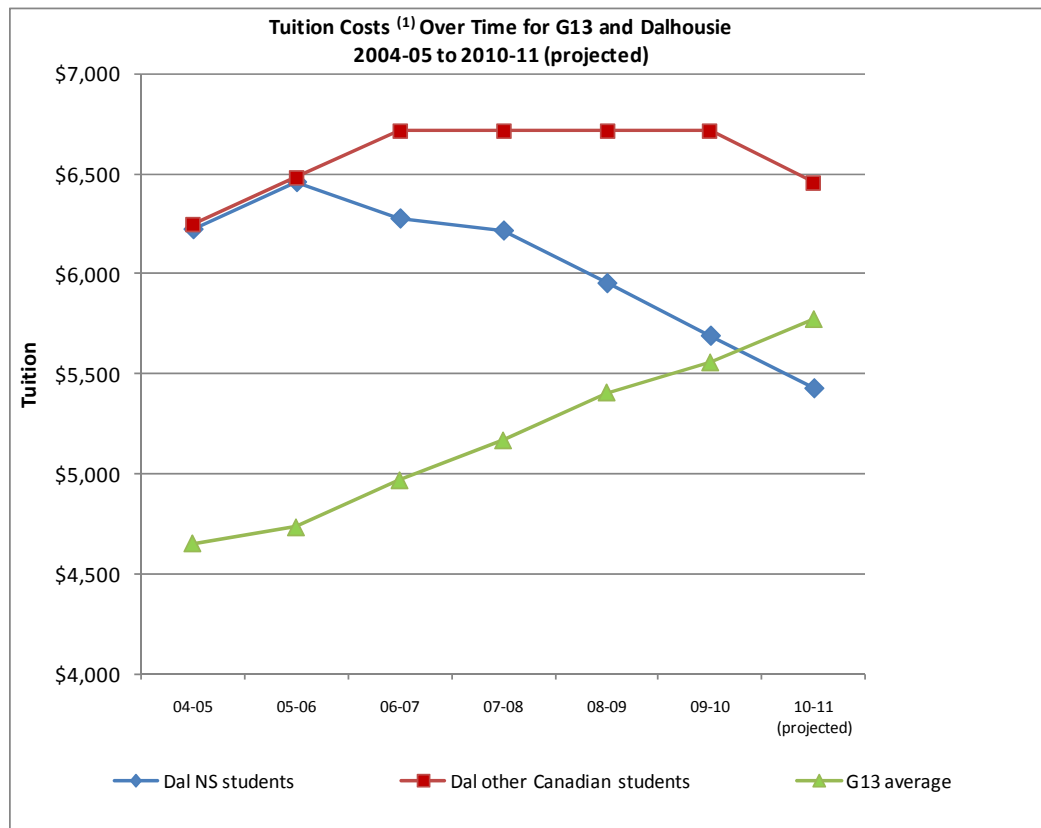
2. Tuition Fee Levels

Students have benefited from government policies in recent years limiting and then eliminating fee increases. These policies have been articulated through the last two memoranda of understanding. Tuition revenue now represents 32.3 % of the operating budget of the University as compared to 39.8% when the first MOU was signed in 2004-05.

In addition the Province has funded tuition relief programs during the last 4 years resulting in lower net fees (tuition less bursary) for Nova Scotia students. The current program provides each full time Nova Scotia student a bursary of \$1,022 in 2009-10. In 2010-11 this bursary is set to increase to \$1,283 and other Canadian students will receive a bursary of \$261.

The bursary program is not funded annually through the base budget of the province but from a trust fund that was established in March 2008 from one time funding of \$65.9 million. The future approach for funding this program has not been communicated and based on current projections, the existing fund will be depleted in 2010-11.

Frozen tuition, as provided for in the Memorandum of Understanding, as well as the Nova Scotia Bursary Program have significantly reduced net tuition fees paid by Nova Scotia students attending Dalhousie compared with tuition fees they would pay at other G13 universities (i.e. the G13 is a consortium of thirteen leading research intensive universities in Canada). The following graph compares Dalhousie's average fees for Undergraduate programs in Arts, Computer Science, Engineering, Nursing and Science to other G13 universities. While average fees for G13 universities have continued to increase, fees at Dalhousie for Nova Scotia students have declined and fees for other Canadian students have remained flat (and will decline in 2010-11).



(1) Tuition less Nova Scotia Bursary

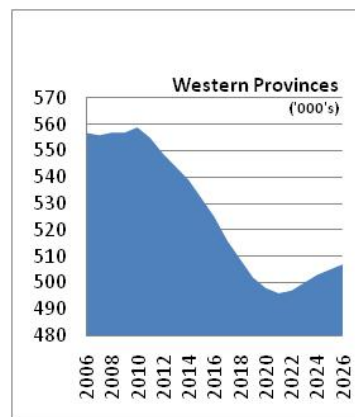
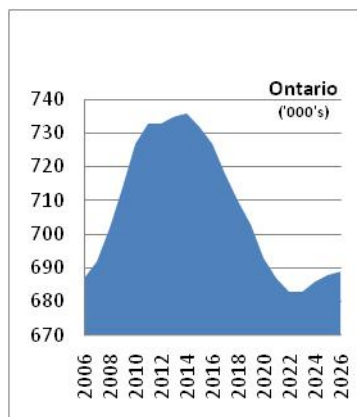
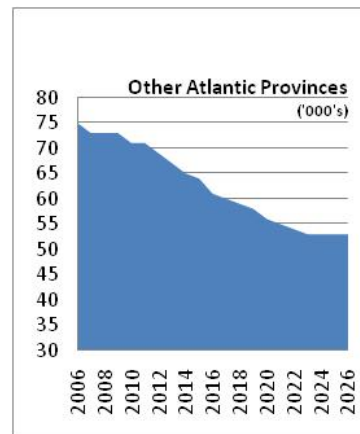
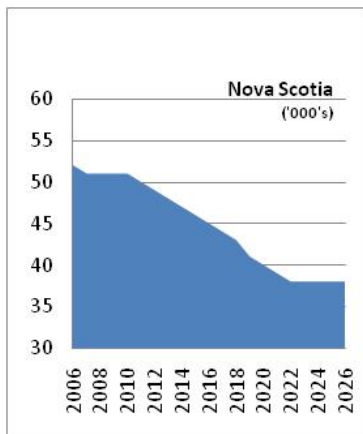
3. Enrolment

Last year's budget model assumed no change in enrolment. However, the Registrar's Office reports that Dalhousie's preliminary fall 2009 enrolments have increased year-over-year by 655 students or 4.3%. Based on these early figures tuition revenue is projected to exceed budget by \$3.6 million as a result of increased enrolment. The increase is due to a number of factors including increases in both new enrolments from high school and transfer students, improved retention and increased numbers of international students.

The President's draft strategic focus document "Dalhousie Strategic Focus 2010-2013: Making Choices" reminds us that although enrolment growth has been positive compared to some other universities we cannot take this success for granted. The following are some of the factors that will influence our future enrolments:

- Demographics (see table below of projected population of 18 to 24 year olds in various Canadian regions below) :
 - Nova Scotia's high school enrolment will decline by 30% over the next decade.
 - Similar declines are predicted in the rest of the Atlantic region.
 - Declines are also predicted in other areas of the country although not as immediate.

Projected Population of 18 to 24 year olds Nova Scotia and Various Canadian Regions



Source: Association of Universities and Colleges of Canada

- International enrolment growth possible (additional support services may be required).
- Dalhousie's attrition rates have exceeded the norm when compared to many other universities.
- Impact of current economic climate on enrolment seems to favour enrolment especially in graduate programs.
- There is demand for Graduate/advanced degrees across Canada.
- Residence capacity is at maximum and this will play a role in our ability to attract students.

Appendix A includes some tables which provide information on the makeup of the Dalhousie student body.

4. Investment Income

Operating

The University invests operating cash balances in the short term to generate investment income in support of the operating budget. The 2009-10 operating interest income budget was reduced by \$2.5 million to reflect the precipitous decline in short term interest rates. Short term interest rates as reflected by the 90 day T-bill rate have declined from 2.45 % in April 2008 to just 0.22% in November 2009.

The Bank of Canada last lowered rates in June 2009 and has commented that rates are likely to remain stable over the next year. There has been little speculation beyond that horizon and there has been no change in the bank rate since that date.

Endowment

The University's Endowment spending policy seeks to provide stable and sustainable annual spending allocations over time to support student assistance, academic chairs and salaries, research, and library acquisitions. As a result of the market declines that began in 2008 it became apparent that in order to ensure the long term sustainability of Dalhousie's endowment spending allocations needed to be reassessed to respond appropriately to the abnormal investment market events.

Modeling was done based on up-to-date returns and assumptions about market rebounds. Based on this modeling by University staff the BAC recommended that a 5 % decrease in Endowment Spending allocations be applied in 2009-10. For some newer endowments spending was suspended to allow a recovery in the real market value of these endowments. These reductions were managed on a one time basis from Faculty and other resources in the 2009-10 year. Particular attention was devoted to ensuring that funding sources were identified to maintain student assistance levels on a one-time basis for 2009-10 and as such consideration will be given to whether permanent adjustment is feasible for 2010-11 and future years in the context of other budget priorities.

The situation still requires careful monitoring as markets stabilize. Further analysis is underway to determine what adjustments are necessary for 2010-11 and future years.

Although the reduction was accommodated on a one time basis in 2009-10, consideration will be given to supplementing the reduced support available from individual endowments on a go forward basis.

5. Pension

The recent decline in investment markets has also had a negative impact on the financial position of the University's Pension Plan. It is important to note however that individual's pensions are not in jeopardy.

At least every three years the University must have an actuarial consultant prepare a valuation which determines the financial position of the Plan and hence the amount of required contributions paid by the University through the operating budget for the subsequent three year period. The last valuation was filed as of June 30, 2007 and the next mandatory valuation will be as of June 30, 2010.

A recent update on the Pension Plan shows that there is a deficit as at June 30, 2009. These interim calculations signal a significant financial issue for Dalhousie in the years ahead. If the University was required to set pension contributions based on the June 30, 2009 financial position of the plan there would be an increase in contributions of \$ 17 million from the current level of \$ 19.5 million annually. The provincial government has announced changes in the term over which pension plan deficits must be funded and these changes (reflected in the contribution figures noted above) would ease the funding burden on the University.

It is important to put this in context of the University's operating budget. If the University alone had to make up the shortfall based on the estimated financial position of the plan at June 30th 2009, the increase in annual contributions required would be equivalent to a reduction of 8.5% in the base expenditures of all budget units.

Aside from investment performance the growth in liabilities has and will continue to be a key influence on the financial position of the Pension Plan. A review of the Plan structure is currently underway with the various stakeholder groups.

6. Mandatory Retirement

Mandatory retirement has been eliminated as of July 1, 2009. It is anticipated that in the early years following an end to mandatory retirement Faculties will experience lower turnover. Such turnover savings have been used as tool by many Faculties as a means of reducing expenditures. Without this level of flexibility Faculty budgets will face additional pressures in the early years following the end of mandatory retirement resulting in the need to review budget allocation methodologies.

Work is underway through the President's Office to determine human resource planning implications and financial consequences resulting from an end to mandatory retirement. Results of this analysis will inform future reports of the BAC.

7. Strategic Initiatives

Since 2003-04 the University has reallocated funds for reinvestment in Strategic priority areas. Originally the investments were allocated to address areas where there appeared to be “expenditure deficits” between Dalhousie and a group of comparator universities. These deficits were first described in BAC XXV. Appendix B is an excerpt from the BAC XXV report which describes the deficit areas. Appendix C includes CAUBO data comparing expenditure areas in 2003-04 and the most recent data from 2007-08. A number of non academic areas continue to report a significantly lower proportion of total operating expenditures than the comparator group.

For the past three years investment has been guided to specific Strategic Focus areas based on various reports issued by the President’s office. The importance of such investment was affirmed by the Board’s Long Term Financial Planning Committee (2006). For those readers requiring further context BAC reports XXIV and XXV and the various reports from the President’s office can be accessed through the Financial Services and the President’s Office websites respectively.

To date \$29 million in funding has been allocated to the University’s various Strategic Focus Areas. Appendix D is a summary of the funding allocations to 2009-10 by Strategic Focus Area and Operating Budget category. The President’s Office is developing a report on the initiatives that have been funded to date. Once finalized, this report will provide the campus community with a detailed description of the strategic investments to date and the outcomes resulting from the investments. A summary of strategic investments is as follows:

Research and Academic Strengths

- establish pool of funding for one time projects in academic areas
- academic IT initiatives in ITS and Centre for Learning and Teaching
 - class room equipment
 - technical support
 - online courseware support
 - tablet PC program for new faculty.
- Research Services
 - new Associate Vice President
 - support positions to expand service
 - other Research Initiatives
- President’s Office
 - New Associate Vice President positions and support for:
 - Academic Programs
 - Outreach and International Programs
- Faculty of Management to support program changes
- launch College of Sustainability

Enrich Student Experience

- Student Services initiatives including:
 - establish Wellness Office and initiatives
 - expand capacity in :
 - Academic Advising
 - Counseling
 - International Student Services
 - Career Planning
 - enhance accessibility services
 - support in writing centre and for study skills

Strengthen Enrolment

- advance Graduate and Undergraduate student assistance initiatives
- enhanced budget for recruiting and marketing initiatives

Sustain Campus Renewal

- Facilities Management operations to improve routine maintenance
- annual increases in budget for Facilities Renewal

Develop Excellent Human Resources

- improve capacity and fund initiatives across 12 administrative units, including:
 - Government Relations
 - Human Resources
 - Human Rights, Equity and Harassment
 - Financial Services
 - Legal Counsel office
 - University Secretariat
 - Institutional Research
 - Internal Audit and Health and Safety Offices

Increase Philanthropic Support

- External Relations for staffing and associated costs to:
 - support capital campaign
 - long term fundraising plans

Ensure Financial Sustainability

- \$29 million of strategic investments described above have been made and the operating budget has been balanced each year

The President's newest report on strategic initiatives, "Dalhousie Strategic Focus 2010-2013: Making Choices" highlights the challenges facing the university as we move forward in our ambition "to become Canada's best university". The report seeks community members to focus on a number several strategic questions. The BAC assumes that the answers to these questions will inform a new round of strategic investment.

Providing for resources to invest in strategic areas will continue to be an important as the university plans for the future. This will be more challenging as we face the various budget uncertainties and pressures discussed in this report. Indeed emphasis was given to allocating Strategic Initiatives to non-permanent allocations for 2009-10 to allow flexibility in address future uncertainties within the budget.

The next round of investment beginning in 2010-11 will need to reflect on the progress between 2003-04 and 2009-10 and make choices based on the uncertainties and demands competing for resources.

IV INVITATION FOR COMMENTS

The BAC invites comments and suggestions from all members of the University on the background issues discussed in this report as well as other budget matters of concern to the campus community.

Please send your comments and advice on the contents of this report by December 14th, 2009 to Susan Robertson at susan.robertson@dal.ca.

DALHOUSIE UNIVERSITY
2009/2010 Registration Statistics - Summary by Faculty
PRELIMINARY

Faculty	Undergraduate		Graduate		Total	
	15-Oct-08 2008/2009	15-Oct-09 2009/2010	15-Oct-08 2008/2009	15-Oct-09 2009/2010	15-Oct-08 2008/2009	15-Oct-09 2009/2010
Architecture and Planning	251	250	147	146	398	396
Arts and Social Sciences	2,702	2,827	221	219	2,923	3,046
Computer Science	245	251	184	196	429	447
Engineering	1,282	1,425	316	336	1,598	1,761
Health Professions	1,997	2,032	736	763	2,733	2,795
Management	1,333	1,407	660	635	1,993	2,042
Science	2,715	2,865	452	455	3,167	3,320
Dentistry	247	254			247	254
Law	457	454	28	33	485	487
Medicine	390	407	184	195	574	602
Post Graduate Medicine			478	505	478	505
*Other Graduate Programs			223	269	223	269
Combined Programs/Multi-Faculty	61	64	73	54	134	118
TOTAL Dalhousie	11,680	12,236	3,702	3,806	15,382	16,042

* Other Graduate Programs includes Agriculture, Interdisciplinary Studies, Post Doctoral Fellows, Research Students and Centre for Learning & Teaching

Selected Registrar's Preliminary Data (October 15)

Dalhousie University (Excluding King's) Enrolment by Permanent Residence - Summary (Headcounts)												
PERMANENT RESIDENCE	15-Oct-08 2008						15-Oct-09 2009					
	New from Highschool	% of Total	New to Dalhousie	% of Total	All Students	% of Total	New from Highschool	% of Total	New to Dalhousie	% of Total	All Students	% of Total
Metro Area	567	26.9%	997	23.2%	4,479	29.1%	569	26.4%	1,100	24.0%	4,592	28.6%
Other Nova Scotia	358	17.0%	711	16.6%	2,852	18.5%	390	18.1%	780	17.1%	2,958	18.4%
Total Nova Scotia:	925	43.8%	1,708	39.8%	7,331	47.7%	959	44.5%	1,880	41.1%	7,550	47.1%
Prince Edward Island	51	2.4%	125	2.9%	378	2.5%	28	1.3%	89	1.9%	361	2.3%
New Brunswick	112	5.3%	297	6.9%	1,118	7.3%	121	5.6%	292	6.4%	1,124	7.0%
Total Maritime:	1,088	51.6%	2,130	49.7%	8,827	57.4%	1,108	51.4%	2,261	49.4%	9,035	56.3%
Newfoundland & Labrador	14	0.7%	78	1.8%	312	2.0%	12	0.6%	85	1.9%	285	1.8%
Quebec	9	0.4%	54	1.3%	186	1.2%	11	0.5%	69	1.5%	196	1.2%
Ontario	637	30.2%	1,039	24.2%	3,360	21.8%	630	29.2%	1,033	22.6%	3,498	21.8%
Manitoba	17	0.8%	35	0.8%	104	0.7%	8	0.4%	34	0.7%	107	0.7%
Saskatchewan	10	0.5%	26	0.6%	80	0.5%	12	0.6%	29	0.6%	96	0.6%
Alberta	74	3.5%	194	4.5%	526	3.4%	58	2.7%	160	3.5%	553	3.4%
British Columbia	61	2.9%	186	4.3%	524	3.4%	69	3.2%	196	4.3%	606	3.8%
NWT, Nunavut & Yukon	5	0.2%	20	0.5%	50	0.3%	4	0.2%	10	0.2%	40	0.2%
Canadian living abroad	53	2.5%	84	2.0%	245	1.6%	48	2.2%	69	1.5%	200	1.2%
Canadian - Not Reported	-	0.0%	-	0.0%	-	0.0%	-	0.0%	2	0.0%	6	0.0%
Total Canadian/P Res	1,968	93.3%	3,846	89.7%	14,214	92.4%	1,960	91.0%	3,948	86.3%	14,622	91.1%
International Students	142	6.7%	443	10.3%	1,168	7.6%	195	9.0%	626	13.7%	1,420	8.9%
GRAND TOTAL:	2,110	100.0%	4,289	100.0%	15,382	100.0%	2,155	100.0%	4,574	100.0%	16,042	100.0%

Notes:

The "Canadian" breakdown includes Canadian Citizens and Permanent Residents

International students are those whose immigration status is International.

Immigrat'n Status 'Not Rep' (not reported) includes Refugee status

New to Dalhousie includes students who have not attended Dal, but may have previous university experience

Dalhousie University (Excluding King's)
Registered International Students as of October 15 (Headcounts)
By Nation of Permanent Residence

NATION	2007/2008	2008/2009	2009/2010
CHINA	175	185	272
USA	160	157	146
SAUDI ARABIA	53	78	136
INDIA	92	85	129
BAHAMAS	56	57	54
IRAN	35	33	43
BERMUDA	49	46	37
MALAYSIA	20	15	31
PAKISTAN	11	18	28
GERMANY	23	27	24
UNITED ARAB EMIRATES	24	21	24
KUWAIT	32	24	23
SOUTH KOREA	18	19	23
LIBYAN ARAB JAMAHIRIYA	28	21	22
NIGERIA	20	21	21
BANGLADESH	13	18	17
JAPAN	14	12	16
YEMEN	11	10	15
DENMARK	13	16	14
EGYPT	6	10	13
SWEDEN	6	12	13
ECUADOR	5	7	12
UNITED KINGDOM	4	8	12
BOTSWANA	15	11	11
JORDAN	7	10	11
MEXICO	13	11	11
FRANCE	15	14	9
NORWAY	8	10	8
Other Countries (<10 students)	220	212	245
	<u>1,146</u>	<u>1,168</u>	<u>1,420</u>

Excerpt from BAC XXV Report on “Expenditure Deficits” - November 2002**II QUANTIFYING THE EXPENDITURE DEFICITS**

The BAC has argued that Dalhousie’s current expenditure levels are sufficiently inadequate that the university’s ambition and mandate of being a comprehensive research university of national standing is not sustainable. This analysis prompts the question: what spending levels would be required? In this section of the report, the BAC will offer its analysis.

Our views are based upon the Committee’s knowledge of the university and its several parts, gained over the past decade since the committee was established in 1992. This knowledge stems from the direct input of vice-presidents, deans and Faculties, academic and administrative service units, Senate and Board committees, and student organizations, as well as from the many analyses carried out by the Committee over the period. Our answer is informed also by consideration of external norms, including expenditure patterns at comparator universities, as reported in CAUBO statistical reports prepared by Statistics Canada and in the Maclean’s magazine survey of Canadian universities.

Other members of the Dalhousie community may have alternate views on requirements for increased spending. The BAC looks forward to receiving advice and opinion along with the supporting rationale.

The BAC’s estimates of additional expenditure requirements are summarized in the following table:

Budget Expenditures Model (\$’000's)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Comparator Universities 1999-2000 %	Expenditure Categories	Dalhousie 1999-2000		Dalhousie Pro Forma		
		\$	%	Additional \$	Model Spending	%
62.1	Academic	128,163	67.0	5,000	133,163	62.0
6.1	Library	10,381	5.4	2,500	12,881	6.0
4.0	Computing/ Communications	7,035	3.7	1,500	8,535	4.0
9.5	Administration/ General	15,704	8.2	2,000	17,704	8.2
6.3	Student Services	9,456*	4.9	4,500	13,956	6.5
12.0	Plant	20,567	10.8	3,000	23,567	11.0
	Deferred Maintenance			5,000	5,000	2.3
100.0	TOTAL	191,306	100.0	23,500	214,806	100.0

Notes:

Column 1: The percentage of spending by category at comparator universities for 1999-2000. (Please note that the 2000-01 CAUBO data have just been published, but for the sake of consistency with BAC XXIV the 1999-2000 data are being used. 2000-01 percentages are consistent with 1999-2000)

Column 2: Description of Expenditure Categories

Column 3: Dalhousie’s actual dollar expenditures by category for 1999-2000

Column 4: Dalhousie’s actual percentage expenditures by category for 1999-2000

Column 5: Additional spending requirements for Dalhousie by category proposed by the BAC.

Column 6: Pro Forma University Operating Budget for 1999-2000 incorporating the BAC’s proposals

Column 7: Percentage of spending by category based on the BAC’s proposals

* Including student assistance of \$4,405

The BAC's rationale for these increased spending requirements is not based on exhaustive examination of individual expenditure lines. Rather, it is founded on the Committee's best judgment, and to some extent sets expenditure targets on the basis of actual spending patterns at the comparator universities.

Instruction: This category is essentially synonymous with the combined budgets of the Faculties plus non-credit teaching activities. Based on student/faculty ratios (Attachment A), the BAC believes there is no persuasive argument for an increase in the overall number of faculty. However, the BAC believes that the ongoing academic health of the university - in terms both of attracting and retaining well-qualified faculty and of improved labour relations - would be best served by addressing the salary lag with comparable universities (see BAC XXIV, p.8 and Appendix I). The estimated cost of a 5% increase in average faculty salaries is \$3.0 million. The BAC estimates that an additional \$2.0 million would be required to address other expenditure gaps in the Faculties.

Library: In January 2002 the University Librarian provided the BAC with an urgent request for an immediate base budget increase of \$ 600,000, plus \$200,000 per year thereafter for acquisitions just to offset price inflation on the current inventory of journals. The BAC has estimated an increased allocation of \$2.5 million (\$2.0 million for acquisitions and \$0.5 million for staffing and other costs) would be required in this area. This increase should produce a level of spending more in keeping with comparator universities, and would increase the acquisitions-to-total-Library-budget percentage from 48% (ranked 6th in the Maclean's survey among Medical/Doctoral institutions) to 55%, achieving a first-place in Maclean's for this category. Dalhousie's current Total Holdings and Holdings Per Student rank poorly (14th and 13th respectively out of 15), and must be addressed if the university is to fulfil its ambitions.

Computing/Communications: In November 1998 the BAC received a study from the Senate Computing and Information Technology Planning Committee arguing for a base budget increase of \$3,250,000 for academic IT. In response, the BAC was able to recommend an increase of \$300,000 commencing April 1999 plus a further \$27,000 in 2002-03. The BAC has also recommended funding increases of \$90,000 (1999-2000) and \$50,000 (2002-03) for administrative computing support. Informed by those previous analyses, and by the situation at comparator institutions, a \$1.5 million budget increase would be allocated to this category.

Administration/General: As is the case with other non-Instructional spending categories, Administrative Services spending is well below levels at comparator universities. The BAC has received numerous submissions over the years from administrative units, detailing serious service shortfalls. The Committee has estimated an increase of \$2.0 million in this category, which even then will leave the percentage of total Operating Budget devoted to this area well behind the norm for the comparator group. The administration and general area has not been increased to the average for the comparator group because there are areas of more pressing need such as student assistance and deferred maintenance.

Student Services: The BAC has estimated a total increase in spending of \$4.5 million for student services and student financial support (scholarships and bursaries) based on current enrolment levels. The Committee supports a \$3.5 million increase for student assistance, based on current concerns for the competitiveness of our graduate scholarships and for the impact of debt loads on accessibility. The Committee has proposed also a \$1 million infusion for student services activities required to ensure that students coming to Dalhousie are offered adequate and comparable support as they would obtain elsewhere.

Plant and Deferred Maintenance: The severe and urgent "expenditure deficits" in plant operations and maintenance, and in respect to the enormous backlog of deferred maintenance, have

been well-documented in previous BAC reports (see, for example, BAC XXIV, pp.10&11) and in the 2001 report of the Board of Governors Facilities Renewal Strategy Committee (see www.dal.ca/oia). There is little need to restate the case for increased spending in this category. The BAC has proposed a total expenditure increase of \$8.0 million, \$5.0 million for deferred maintenance and \$3.0 million for current services and increased levels of preventative maintenance.

While these increases to Plant and Deferred Maintenance would in total produce a percentage of spending on plant that is greater than that at the comparator universities, it is well documented that Canadian universities have been underspending on deferred maintenance.

Total Expenditure Shortfall: \$23.5 million.

Comparison of Percentage Operating Expenditures by area, for selected Canadian Universities¹

2003-2004									
	Academic	Library	Computing	Administration and General	Student Services	Physical Plant	External Relations	Total Non Academic	Student Faculty Ratio ²
	%	%	%	%	%	%	%	%	
Comparator Universities									
Laval	67.3%	5.5%	2.3%	9.4%	4.7%	10.3%	0.6%	32.7%	21.2
McGill	58.5%	6.2%	6.7%	12.6%	4.0%	12.0%	0.0%	41.5%	19.7
McMaster	55.1%	5.0%	2.6%	13.0%	11.5%	11.0%	1.8%	44.9%	20.7
Ottawa	57.4%	5.1%	3.5%	10.8%	11.6%	9.3%	2.2%	42.6%	27.3
Queens	66.4%	5.4%	2.1%	4.0%	14.3%	7.7%	0.1%	33.6%	26.1
Waterloo	55.2%	6.6%	4.7%	12.0%	7.8%	11.2%	2.4%	44.8%	29.3
Western	66.2%	4.4%	1.9%	3.7%	12.8%	7.9%	3.0%	33.8%	23.6
Calgary	63.7%	5.3%	4.1%	8.4%	4.9%	12.5%	1.1%	36.3%	18.1
	61.7%	5.4%	3.5%	9.1%	8.7%	10.3%	1.3%	38.3%	23.3
Larger Universities									
UBC	63.1%	6.2%	2.2%	10.3%	6.8%	10.3%	1.1%	36.9%	18.5
Toronto	59.6%	6.5%	2.1%	7.7%	12.4%	9.4%	2.3%	40.4%	24.4
Montreal	63.1%	6.1%	4.4%	10.1%	5.4%	10.2%	0.9%	36.9%	25.1
Alberta	58.0%	6.8%	5.0%	10.2%	6.2%	11.9%	1.1%	42.0%	22.1
	60.7%	6.4%	3.2%	9.3%	8.5%	10.3%	1.7%	39.3%	22.5
Total Comparators	61.2%	5.9%	3.4%	9.2%	8.6%	10.3%	1.5%	38.8%	23.0
Dalhousie	67.5%	4.8%	3.4%	6.0%	6.8%	9.8%	1.6%	32.5%	14.8
	1	12	7	11	7	9	7	13	1
					(tied for)				
2007-2008									2006-07
	Academic	Library	Computing	Administration and General	Student Services	Physical Plant	External Relations	Total Non Academic	Student Faculty Ratio ²
	%	%	%	%	%	%	%	%	
Comparator Universities									
Laval	67.5%	5.4%	2.2%	9.3%	5.2%	10.1%	0.2%	32.5%	22.5
McGill	58.5%	5.7%	4.7%	12.1%	5.1%	10.3%	3.6%	41.5%	n/a
McMaster	63.4%	4.0%	3.1%	7.5%	9.4%	11.1%	1.6%	36.6%	18.9
Ottawa	57.0%	4.5%	2.7%	10.6%	12.9%	10.4%	1.8%	43.0%	28.8
Queens	71.4%	4.6%	2.3%	5.5%	9.2%	6.9%	0.1%	28.6%	23.3
Waterloo	58.5%	4.3%	4.9%	9.0%	11.6%	9.4%	2.4%	41.5%	26.4
Western	66.7%	4.2%	2.0%	6.6%	10.8%	7.5%	2.1%	33.3%	23.1
Calgary	52.3%	5.0%	5.3%	5.5%	12.7%	17.2%	2.1%	47.7%	16.1
	61.7%	4.7%	3.5%	8.2%	9.6%	10.5%	1.8%	38.3%	22.7
Larger Universities									
UBC	65.2%	3.4%	3.0%	8.4%	7.4%	10.8%	1.7%	34.8%	14.7
Toronto	60.1%	6.1%	1.6%	8.1%	10.9%	11.4%	1.8%	39.9%	25.7
Montreal	62.2%	5.2%	4.3%	13.4%	4.8%	9.2%	1.0%	37.8%	21.3
Alberta	57.8%	5.4%	5.0%	11.6%	6.6%	11.5%	2.2%	42.2%	23.1
	61.1%	5.2%	3.2%	9.9%	8.1%	10.9%	1.7%	38.9%	21.2
Total Comparators	61.4%	4.9%	3.3%	9.0%	8.9%	10.7%	1.7%	38.6%	22.2
Dalhousie	63.3%	4.5%	4.0%	6.8%	9.1%	10.2%	2.1%	36.7%	13.8
Dalhousie Rank (out of 13)	6	8	6	10	8	8	4	8	1
		(tied for)					(tied for)		

1 Source: CAUBO/ACPAU Financial Information of Universities and Colleges, 2003-2004, Statistics Canada, June 2005, and 2007-08, Statistics Canada, April 2009.

2 Source: CAUT Almanac of Post Secondary Education 2005-06: "University FTE Enrolment - Full time Faculty Ratios, 2003-04" CAUT Almanac of Post Secondary Education 2009-10: "University FTE Enrolment - Full time Faculty Ratios, 2006-07"

Funding Allocations by Strategic Focus Areas - 2009-10

(and cumulative allocations for seven years from 2003-04)

(000's of dollars)

	<u>Research & Academic Strengths</u>	<u>Enrich Student Experience</u>	<u>Strengthen Enrolment</u>	<u>Campus Renewal</u>	<u>Renew Human Resources</u>	<u>Philanthropic Support</u>	<u>Total 2009-10</u>	<u>Cumulative 2003-04 to 2009-10</u>
Academic	859						859	5,050
Academic Support		540					540	1,546
Administrative & General	150	59	100		177	500	986	5,659
Facilities Management				200			200	1,780
Student Services		250					250	1,105
Facilities Renewal				4,720			4,720	11,265
Student Assistance			150				150	2,730 ⁽²⁾
Total 2009-10	1,009	849	250	4,920	177	500	7,705	
Cumulative to 2009-10	5,075	3,278	4,725⁽¹⁾	13,045	1,512	1,500		29,135

Notes:

(1) Includes \$1.3 million in special funding in 2006-07 for improved recruitment initiatives. This funding was separate from the Strategic Initiatives funding program.

(2) In addition to the amounts shown, the Student Assistance budget has increased by \$8.6 million dollars over this period. This includes \$5.7 million or the provincially funded Nova Scotia Bursary program, increases related to the endowment portion of the budget, general inflationary increases and base funding for other student assistance requirements and initiatives.