

Review of Dalhousie University Finances

It's about ...



April 2018

Introduction

In March 2013, the Dalhousie Faculty Association released its first *Review of Dalhousie University Finances*, a detailed analysis of Dalhousie's financial position and budgeting practices since 2002-2003. The review has been updated to include Dalhousie's 2016-17 budget details, reflecting 15 years' worth of financial information.

Through this review, the DFA has answered two questions:

- Are the budget choices of Dalhousie's Administration and Board of Governors furthering the academic mission of the University?
- Is the University community receiving an accurate picture of the state of Dalhousie's finances so as to be full partners and give informed input into the budgeting process?

The report is based on the Budget Advisory Committee's discussion papers, operating budgets and 15 years of the University's Annual Financial Reports and Audited Financial Statements.

Overview of Dalhousie's Finances

The analysis has been reviewed for mathematical accuracy by an independent forensic accounting firm and reveals the following:

- As of March 31, 2017, Dalhousie University was in good financial health, with assets of more than \$1 billion and healthy cash reserves and cash flows. Healthy surpluses were recorded year after year, despite predicted deficits.
- Operating budgets grew by 94% over the 15-year period. While spending on Administration and "General" grew by 151% over that period, spending on the Academic Responsibility Centre grew by only 87%.

- In 2016-17, the percentage of total operating funds dedicated to the Academic Responsibility Centre is 9.3% lower than in 2012-13, while operating surpluses – Excess Revenue over Expenses – grew by 312%. Spending on Facilities Management and Student Services increased by 175%.
- Spending captured in the category of "Institution" increased fourteen-fold (1495%), with no definition of what that category entails.
- Over the past 15 years, nearly half a billion dollars has been diverted from every funding envelope into the Capital fund, and more than \$215 million flowed from operating budgets to acquire capital assets.

Basically, what this means is that over the 15-year period, Dalhousie University has decreased the proportion of its spending dedicated to the Institution's academic mission – teaching, learning and research – and increased the proportion of its spending dedicated to administration and capital assets, including new buildings. While the trend has begun to reverse in the past two years, the percentage spent on the academic mission remains well below the 2002 levels.

Dalhousie's Financial Picture in Detail

As of March 31, 2017, Dalhousie's total assets stood at just under \$1.8 billion, an increase of approximately \$100 million from 2015-16.

Dalhousie's revenue for 2016-17 totalled \$674.7 million, an increase of \$17.8 million compared to the previous year; and a 94% since 2002-03. Influences on the year over year variance include a \$7.6 million increase in tuition fee revenue, a \$1.5 million increase in Provincial Government Operating Grant revenue, and a \$5 million increase in gifts.

While expenses grew by 1.7% between 2015-16 and 2016-17, Dalhousie's operating surplus (excess of revenue over expenses) for 2016-17 grew by 4% (\$20.5 million) compared to the previous year. As Table 1 indicates, the University has reported healthy operating surpluses every year since 2002-03.

All of these figures show that Dalhousie has been, and continues to be, financially healthy, calling into question repeated comments from senior administrators about the "real fiscal pressures" the University faces.

Budget Trends

The data show a continuation of a number of the trends indicated in the original report.

- Between 2002-03 and 2016-17, Dalhousie's total operating spending has increased by 113%, while spending on the Academic Responsibility Centre – which includes academic salaries, programs and initiatives as well as libraries -- increased by only 87% over the same period. By comparison, spending on "Administration and General" increased by 151% over that time, while spending on "Facilities Management" increased by 175% (See Table 2).
- In 2016-17, the proportion of the total operating budget spent on the Academic Responsibility Centre was approximately 9%

less than in 2002-03. In 2002-03, Dalhousie used just under 74% of operating funds for the Academic category. In concrete terms, this means that Dalhousie would have had an additional \$43.2 million to spend on the University's core mission if the percentage had remained the same in 2016-17 as it was in 2002-03. (See Table 3 and Chart 1).

(NOTE: In the past two years, the Academic Responsibility Centre funding has increased slightly, from just under 62% in 2013-14 to just over 64 % in 2016-17. For the first time since 2002, the percentage of funding used to support the Academic Responsibility Centre increased year over year, and has returned to near 2010-11 levels.)

- Between 2002-03 and 2016-17, more than \$215 million was transferred from the operating fund to other funds, notably to pay for new buildings and other capital expenses. In the past five years alone (2012-13 to 2016-17), almost \$135 million was transferred out of the operating budget. Since 2002, a total of \$122 million was transferred out of the Research fund. Over this 15-year period, a total of \$500 million has been transferred into the capital account. This is an alarming trend. Significant amounts of money earmarked to support operations – notably teaching and research – being directed instead to capital projects. (see Table 4 and Chart 2).

Table 1: Trends in Revenue/Expenses and changes in operating surpluses 2002-03 to 2016-17 (in thousands) Source: Dalhousie University Audited Financial Statements

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 15 yr- change |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| Revenue | | | | | | | | | | | | | | | | |
| Provincial Gov Operating Grants | 100,886 | 105,627 | 107,549 | 114,185 | 123,496 | 133,611 | 148,896 | 168,308 | 190,805 | 184,477 | 197,544 | 207,413 | 213,136 | 211,137 | 212,695 | 111% |
| Other gov grants & contracts | 51,367 | 55,480 | 62,723 | 60,198 | 65,195 | 63,469 | 69,600 | 68,858 | 75,227 | 81,331 | 94,136 | 75,979 | 79,321 | 88,209 | 86,691 | 69% |
| Corporations & foundations | 20,787 | 24,119 | 22,878 | 22,820 | 23,656 | 22,674 | 23,767 | 25,528 | 29,744 | 31,308 | 27,283 | 33,806 | 28,809 | 28,434 | 28,375 | 37% |
| Tuition fees | 67,419 | 77,933 | 85,716 | 88,800 | 91,996 | 89,013 | 92,138 | 96,307 | 112,153 | 123,243 | 137,009 | 144,808 | 152,705 | 159,875 | 167,475 | 148% |
| Non-credit & other fees | 14,796 | 16,266 | 17,890 | 18,853 | 20,194 | 21,171 | 21,877 | 23,206 | 18,302 | 19,179 | 21,654 | 23,299 | 25,030 | 25,762 | 26,742 | 81% |
| General | 5,941 | 5,583 | 5,816 | 6,235 | 11,613 | 8,486 | 8,519 | 19,566 | 6,440 | 7,988 | 11,235 | 13,266 | 9,174 | 9,229 | 10,639 | 79% |
| Gifts | 8,911 | 8,088 | 10,257 | 8,834 | 9,081 | 6,979 | 9,290 | 18,209 | 9,952 | 10,712 | 6,364 | 6,359 | 9,369 | 8,670 | 13,720 | 54% |
| Investment | 15,773 | 16,664 | 16,633 | 16,441 | 19,036 | 20,609 | 19,128 | 19,413 | 20,222 | 19,181 | 22,374 | 26,147 | 26,631 | 25,552 | 29,151 | 85% |
| Ancillary sales & service | 29,114 | 32,563 | 33,864 | 35,201 | 36,244 | 39,162 | 39,551 | 38,502 | 39,213 | 41,381 | 42,715 | 44,193 | 45,155 | 43,873 | 43,954 | 51% |
| External cost recoveries | 28,454 | 29,203 | 28,372 | 28,569 | 29,777 | 30,164 | 34,011 | 36,756 | 38,726 | 40,366 | 45,195 | 48,342 | 48,761 | 41,898 | 41,244 | 45% |
| Amortization of deferred capital contributions | 5,066 | 5,735 | 6,799 | 9,639 | 8,570 | 9,008 | 9,576 | 10,161 | 12,050 | 14,431 | 16,773 | 14,858 | 14,609 | 14,292 | 14,030 | 177% |
| Total Revenue | 348,514 | 377,261 | 398,497 | 409,775 | 438,858 | 444,346 | 476,353 | 524,634 | 552,834 | 573,597 | 622,282 | 638,470 | 652,700 | 656,931 | 674,716 | 94% |

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 15 yr- change |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| Expenses | | | | | | | | | | | | | | | | |
| Salaries & empl. benefit | 206,291 | 220,984 | 233,507 | 245,854 | 255,564 | 259,607 | 273,799 | 290,750 | 310,617 | 318,502 | 342,269 | 362,157 | 374,129 | 381,647 | 390,051 | 89% |
| Library acquisitions | 4,146 | 3,926 | 3,970 | 4,199 | 4,035 | 4,895 | 5,297 | 5,386 | 5,562 | 5,405 | 5,771 | 5,713 | 5,847 | 7,438 | 7,584 | 83% |
| Lab & teaching supplies | 8,753 | 8,890 | 9,108 | 9,335 | 9,792 | 9,866 | 10,589 | 10,957 | 10,272 | 10,936 | 12,282 | 12,552 | 13,778 | 13,883 | 14,427 | 65% |
| Equip & service | 10,776 | 11,113 | 9,934 | 5,871 | 9,902 | 10,073 | 10,909 | 10,235 | 16,209 | 16,440 | 14,917 | 13,394 | 14,401 | 17,949 | 18,477 | 71% |
| Finance costs | 1,892 | 2,532 | 3,427 | 3,861 | 4,178 | 4,478 | 4,145 | 3,331 | 3,306 | 4,664 | 6,424 | 7,003 | 6,667 | 5,963 | 5,923 | 213% |
| Utilities & taxes | 10,305 | 9,966 | 10,595 | 12,684 | 13,709 | 15,677 | 15,323 | 15,307 | 14,784 | 13,399 | 16,682 | 20,244 | 21,816 | 21,089 | 19,515 | 89% |
| Externally contracted services | 27,803 | 28,156 | 27,821 | 29,431 | 31,851 | 31,866 | 39,183 | 40,575 | 49,219 | 49,581 | 54,807 | 58,354 | 56,270 | 54,615 | 58,995 | 112% |
| Scholarships, bursarie & prizes | 20,270 | 23,970 | 25,902 | 28,218 | 33,179 | 31,490 | 36,111 | 39,928 | 44,862 | 45,439 | 48,259 | 49,367 | 51,284 | 50,255 | 52,167 | 157% |
| Ancillary cost of sales & service | 8,801 | 9,473 | 9,891 | 10,050 | 9,836 | 10,488 | 9,775 | 10,681 | 10,213 | 10,205 | 11,133 | 9,561 | 7,718 | 8,056 | 7,765 | -12% |
| Travel | 9,134 | 8,738 | 9,847 | 10,760 | 10,601 | 10,238 | 12,043 | 11,284 | 11,725 | 11,764 | 13,094 | 13,935 | 14,409 | 14,512 | 13,813 | 51% |
| Amortization of capital assets | 13,859 | 16,277 | 18,173 | 20,863 | 22,051 | 22,896 | 20,707 | 22,476 | 25,627 | 29,453 | 32,924 | 33,613 | 33,737 | 38,316 | 36,681 | 165% |
| General Operating | 21,506 | 21,657 | 23,324 | 23,364 | 23,829 | 24,236 | 25,727 | 26,151 | 27,678 | 23,991 | 28,944 | 28,738 | 27,933 | 29,387 | 28,786 | 34% |
| Total Expense | 343,536 | 365,682 | 385,499 | 404,490 | 428,527 | 435,810 | 463,608 | 487,061 | 530,074 | 539,779 | 587,506 | 614,631 | 627,989 | 643,110 | 654,184 | 90% |
| SURPLUS | 4,978 | 11,579 | 12,998 | 5,285 | 10,331 | 8,536 | 12,745 | 37,573 | 22,760 | 33,818 | 34,776 | 23,839 | 24,711 | 13,821 | 20,532 | 312% |

Table 2: Spending by responsibility centre: operating budget only (2002-03 to 2016-17)

Source: Audited Financial Statements, Supplementary schedule 2 (in thousands)

| | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 15-year change |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------------|
| Academic | 161,492 | 171,297 | 176,396 | 184,278 | 189,229 | 193,449 | 206,109 | 218,756 | 235,918 | 238,251 | 258,866 | 273,055 | 286,410 | 294,807 | 301,413 | 87% |
| Academic Support | 7,906 | 8,195 | 9,030 | 9,245 | 9,667 | 9,251 | 11,042 | 12,031 | 11,791 | 11,792 | 14,469 | 15,420 | 16,110 | 17,593 | 17,033 | 115% |
| Admin & General | 16,008 | 17,753 | 18,349 | 19,679 | 20,614 | 22,829 | 26,004 | 28,784 | 30,768 | 31,699 | 36,200 | 39,167 | 40,088 | 41,130 | 40,208 | 151% |
| Facilities Mngt | 24,397 | 26,711 | 30,235 | 32,389 | 35,794 | 38,757 | 40,657 | 45,797 | 52,793 | 60,377 | 65,319 | 74,379 | 82,725 | 70,357 | 67,005 | 175% |
| Student Services | 8,679 | 9,488 | 10,955 | 13,226 | 14,976 | 16,413 | 17,220 | 18,735 | 21,407 | 21,711 | 23,099 | 24,096 | 25,560 | 25,673 | 26,386 | 204% |
| Institution | 1,029 | 1,1890 | 1,375 | 1,626 | 4,491 | 4,391 | 6,817 | 8,254 | 13,195 | 11,167 | 12,399 | 11,901 | 11,912 | 14,984 | 16,415 | 1495% |
| | 219,511 | 234,624 | 246,340 | 260,443 | 274,771 | 285,090 | 307,849 | 332,357 | 365,872 | 374,997 | 410,352 | 437,208 | 462,805 | 464,544 | 468,460 | 113% |

Table 3: Percentage of operating fund spending by responsibility centre 2002-03 to 2016-17

| | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Academic | 73.57% | 73.01% | 71.61% | 70.76% | 68.87% | 67.86% | 66.95% | 65.82% | 64.48% | 63.53% | 63.08% | 62.45% | 61.89% | 63.45% | 64.34% |
| Academic Support | 3.60% | 3.49% | 3.67% | 3.55% | 3.52% | 3.24% | 3.59% | 3.62% | 3.22% | 3.14% | 3.53% | 3.53% | 3.48% | 3.91% | 3.64% |
| Admin & General | 7.29% | 7.57% | 7.45% | 7.56% | 7.50% | 8.01% | 8.45% | 8.66% | 8.41% | 8.45% | 8.82% | 8.96% | 8.66% | 8.85% | 8.58% |
| Facilities Mngt | 11.11% | 11.38% | 12.27% | 12.44% | 13.03% | 13.59% | 13.21% | 13.78% | 14.43% | 16.10% | 15.92% | 17.01% | 17.87% | 16.14% | 14.30% |
| Student Services | 3.95% | 4.04% | 4.45% | 5.08% | 5.45% | 5.76% | 5.59% | 5.64% | 5.85% | 5.79% | 5.63% | 5.51% | 5.52% | 5.33% | 6.63% |
| Institution | 0.47% | 0.50% | 0.56% | 0.62% | 1.63% | 1.54% | 2.21% | 2.48% | 3.61% | 2.98% | 3.02% | 2.54% | 2.57% | 2.32% | 3.50% |
| TOTAL | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Notes:

1. The Academic Responsibility Centre includes Faculties and University Libraries, the Colleges of Continuing Education and Sustainability, Centres, Institutes and Special Projects, Technical Co-op Education and Career Services; Faculty-related Costs (sabbatical, travel, etc.), transfer of tuition with King's; and Academic Initiatives.
2. The Academic Support Responsibility Centre includes Information Technology Services; the Art Gallery; the Centre for Learning and Teaching; and the Printing Centre.
3. The Student Services Responsibility Centre includes the office of the Vice-President, Student Services; Counselling; Student Health and various other student services.
4. The Institution Responsibility Centre is undefined.

Chart 1: Share (%) of Total Dalhousie Operating Fund Revenue Spent on Academic Responsibility Centre 2002-03 to 2016-17

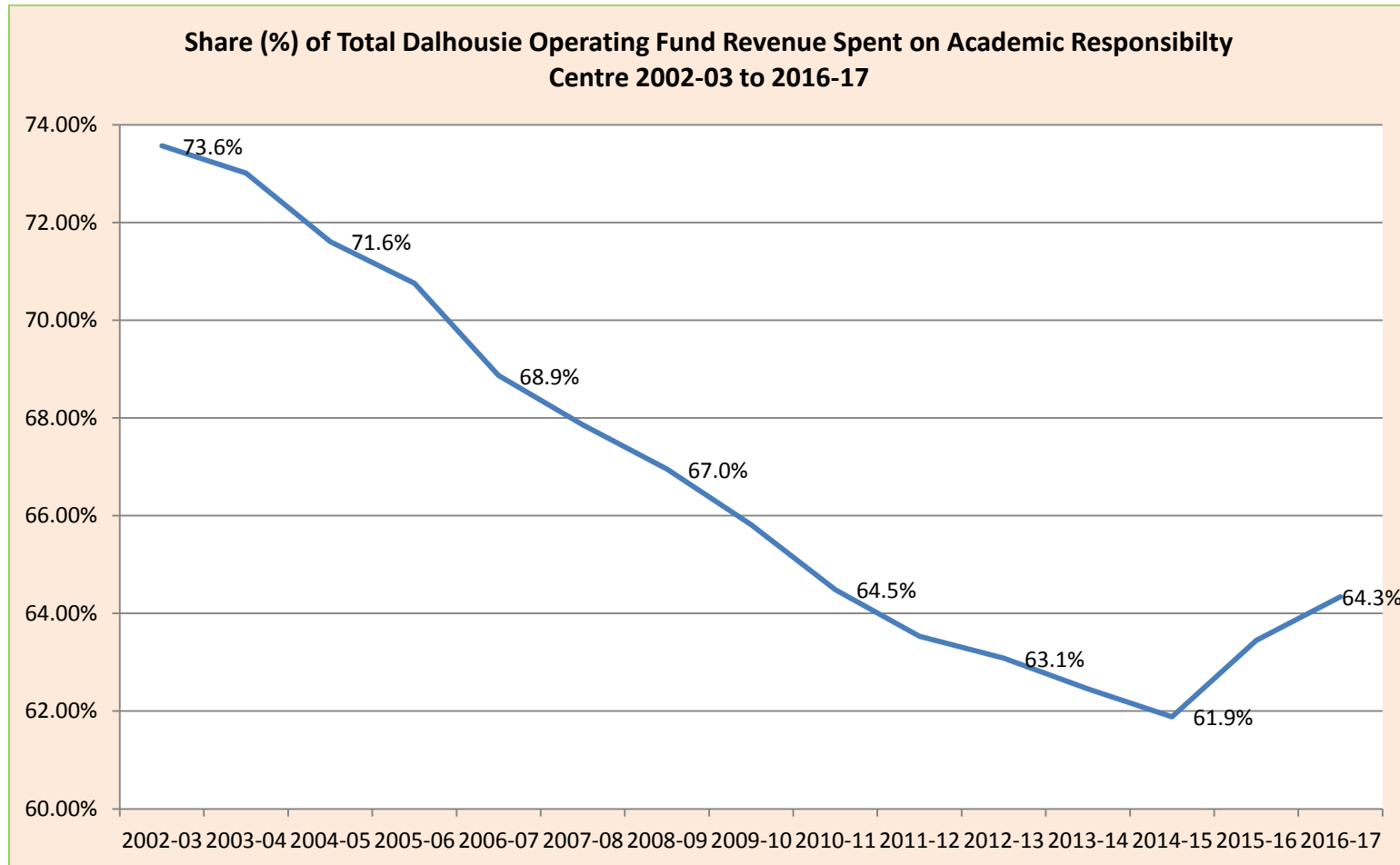
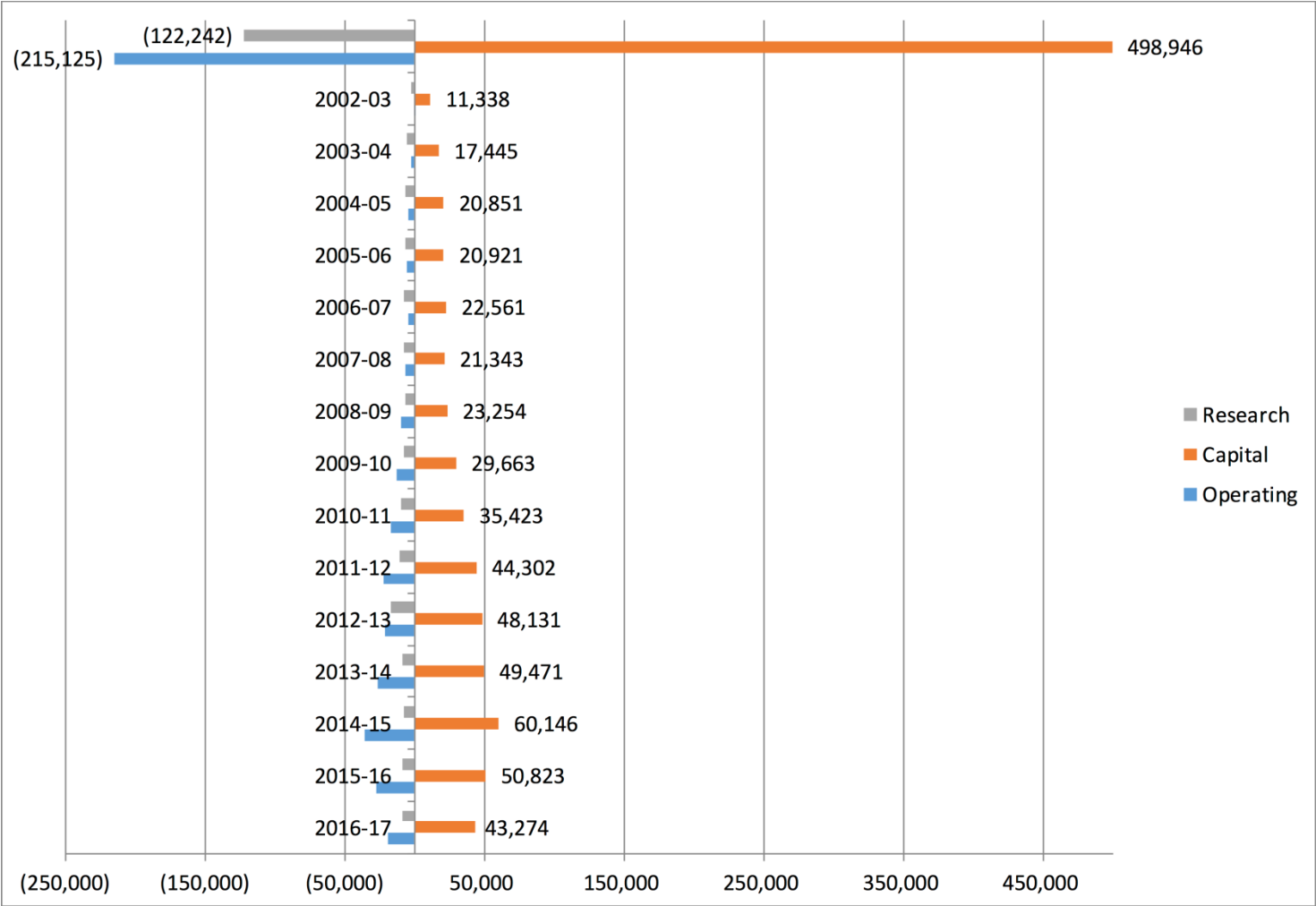


Table 4: Interfund transfers 2002-03 to 2016-17 (in thousands)

| | Operating | Endowment | Ancillary | Capital | Special Purpose | Research |
|--------------|------------------|------------------|------------------|----------------|------------------------|------------------|
| 2002-03 | 174 | (1,330) | (6,878) | 11,338 | (1,273) | (2,031) |
| 2003-04 | (2,287) | (1,556) | (6,972) | 17,445 | (660) | (5,970) |
| 2004-05 | (4,127) | (1,521) | (7,302) | 20,851 | (1,288) | (6,613) |
| 2005-06 | (5,578) | (1,088) | (6,877) | 20,921 | (949) | (6,429) |
| 2006-07 | (4,589) | (1,475) | (6,152) | 22,561 | (3,199) | (7,146) |
| 2007-08 | (6,731) | (1,722) | (7,280) | 21,343 | 2,177 | (7,787) |
| 2008-09 | (9,518) | (1,739) | (7,219) | 23,254 | 1,888 | (6,666) |
| 2009-10 | (13,020) | (1,536) | (7,730) | 29,663 | 388 | (7,765) |
| 2010-11 | (17,003) | (1,524) | (7,745) | 35,423 | 974 | (10,125) |
| 2011-12 | (22,551) | (1,419) | (8,446) | 44,302 | (1,230) | (10,656) |
| 2012-13 | (20,855) | (829) | (8,475) | 48,131 | (1,389) | (16,583) |
| 2013-14 | (26,577) | (1,573) | (11,028) | 49,471 | (1,348) | (8,945) |
| 2014-15 | (35,914) | (2,244) | (11,244) | 60,146 | (2,620) | (8,124) |
| 2015-16 | (27,226) | (2,002) | (12,884) | 50,823 | (174) | (8,537) |
| 2016-17 | (19,323) | (2,792) | (11,748) | 43,274 | (546) | (8,865) |
| Total | (215,125) | (24,350) | (127,980) | 498,946 | (9,249) | (122,242) |

Chart 2: Interfund Transfers at Dalhousie University 2002-03 to 2016-17 (in thousands)



Dalhousie's Budget Forecasts Unreliable

Another continuing trend identified in the DFA's original 2013 Review of Dalhousie University Finances is the unreliability of budget forecasts, as expressed in the annual Budget Advisory Committee (BAC) reports. Here's an overview of the past four fiscal years:

- 2013-14: the BAC Operating Plan estimated a shortfall of \$17.6 million and recommended a 3% tuition increase and a 3.5% cut to Faculties and service units in order to balance the budget. The plan based its estimates in part on an expected 3% reduction in the provincial operating grant and "a likely stall in enrolment growth". Instead, the provincial grant actually increased and enrolment went up by 135 students. Once again there was an operating surplus at the end of the year, amounting to \$23.8 million.
- 2014-15: the BAC Operating Plan predicted a \$10.1 million operating shortfall for that year, and recommended a 3% tuition increase, a 3% increase in fees for facilities rental, a 2.5% cut to all Faculties and a 1.5% cut to all service units in order to balance the budget. That fiscal year, there was a \$24.7 million operating surplus.
- 2015-16: the BAC again recommended a 2.5% budget cut for Faculties, 2.0% cut for service units, a 3% tuition increase and the use of \$1.8 million from reserves to balance the budget. Yet, Dalhousie ended the year with a \$13.8 million operating surplus
- 2016-17: the BAC recommended the following to achieve a balanced budget: a tuition increase of 3%, a 2.5% budget cut for all Faculties and service units, and the use of \$1.5 million of reserve funds. The audited financial statements for 2016-17

showed an operating surplus of \$20.5 million – a much stronger financial picture than predicted.

Year after year, the Administration cuts the budget for Faculties, and students are faced with tuition increases based on predictions of budget "shortfalls" that have little basis in reality.

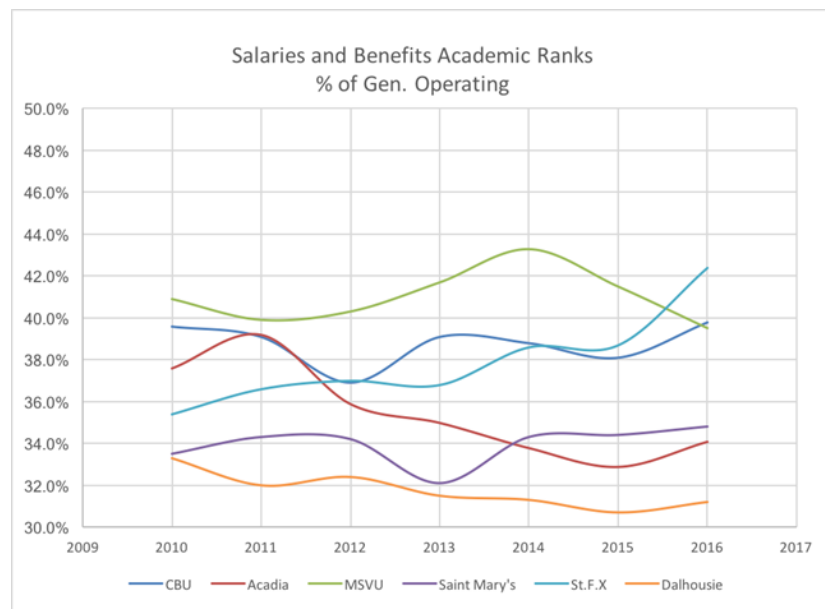
Conclusion

Our analysis of the 2016-17 financial reports for Dalhousie shows that little has changed since the Review of Dalhousie University Finances was published in March 2013. Although Dalhousie continues to be in good financial health, the proportion of spending on its core mission is more than 9% lower than it was in 2002, money continues to be transferred out of the operating fund to be used for capital expenditures and the budget process continues to predict deficits – resulting in program cuts and tuition increases – even though operating surpluses are recorded every year.

The trends identified in our 2013 report and in this update appear to be continuing into the future. On one hand, Dalhousie's BAC predicts a deficit of more than \$10 million for 2017-18, to be offset by yet another 3% tuition increase (generating \$5.3 million), and a 1.9% cut (saving \$5.3 million) to all Faculties and service units. On the other hand, the same budget calls for a \$2.2 million increase in funding for facilities renewal, strategic initiatives and network infrastructure.

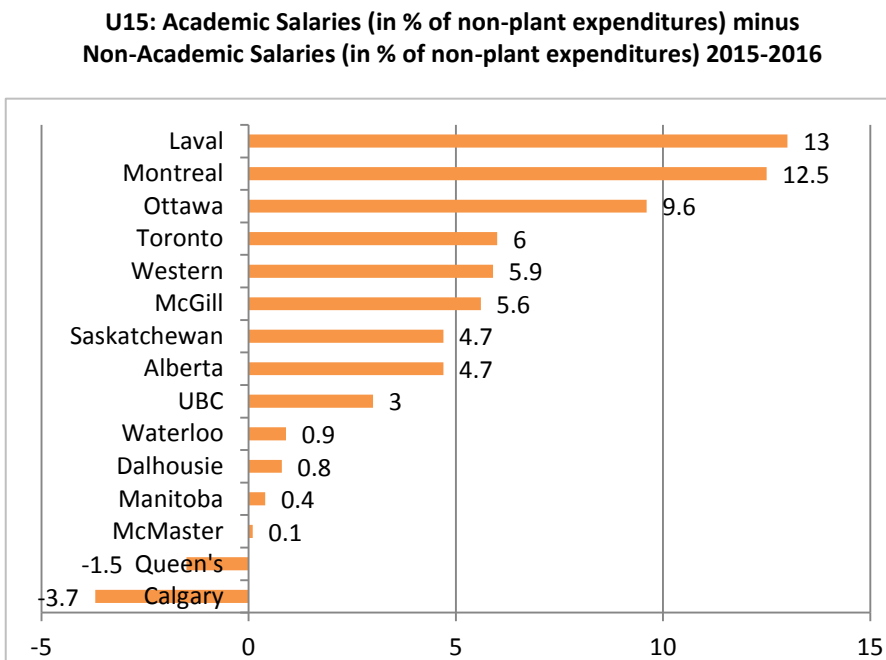
It is not surprising, therefore, that Dalhousie has experienced an overall reduction in the number of tenure-track faculty and has increased its dependence on limited-term and sessional academics, especially in the Faculty of Arts and Social Sciences and the Faculty of Health.

It is also not surprising that Dalhousie has fallen out of the world's top 200 universities in the world, as ranked by the Times Higher Education World University Rankings. While one cannot prove a direct causal relationship between Dalhousie's ranking and its budgeting practices, the fact that the most recent ranking put Dalhousie in the bottom 30% in teaching and the bottom 29% in research can be attributed at least in part to the financial choices that have been made. There is good evidence thought that the people who carry out the academic mission are a decreasing priority in budget practice.



Source: Association of Nova Scotia University Teachers, 2017

If Dalhousie is to restore its reputation as a world-renowned educational institution, it needs to increase – not reduce – its investment in teaching and research. Diverting operating funds away from academics and research into capital projects and increasing administration costs does not bode well for the University's ability to deliver on its core academic mission. New buildings and new non-academic staff alone will not attract top students and scholars to Dalhousie: a commitment to the highest possible quality of education will.



Source: Financial Statistics of Universities and Colleges prepared by the Canadian Association of University Teachers (CAUT) from data provided by the Centre for Education Statistics (Statistics Canada)