

# 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
<b>Revenue</b>																
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%
<b>Total Revenue</b>	<b>348,514</b>	<b>377,261</b>	<b>398,497</b>	<b>409,775</b>	<b>438,858</b>	<b>444,346</b>	<b>476,353</b>	<b>524,634</b>	<b>552,834</b>	<b>573,597</b>	<b>622,282</b>	<b>638,470</b>	<b>652,700</b>	<b>656,931</b>	<b>674,716</b>	<b>94%</b>

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	15 yr- change
<b>Expenses</b>																
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%
<b>Total Expense</b>	<b>343,536</b>	<b>365,682</b>	<b>385,499</b>	<b>404,490</b>	<b>428,527</b>	<b>435,810</b>	<b>463,608</b>	<b>487,061</b>	<b>530,074</b>	<b>539,779</b>	<b>587,506</b>	<b>614,631</b>	<b>627,989</b>	<b>643,110</b>	<b>654,184</b>	<b>90%</b>
<b>SURPLUS</b>	<b>4,978</b>	<b>11,579</b>	<b>12,998</b>	<b>5,285</b>	<b>10,331</b>	<b>8,536</b>	<b>12,745</b>	<b>37,573</b>	<b>22,760</b>	<b>33,818</b>	<b>34,776</b>	<b>23,839</b>	<b>24,711</b>	<b>13,821</b>	<b>20,532</b>	<b>312%</b>

**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%

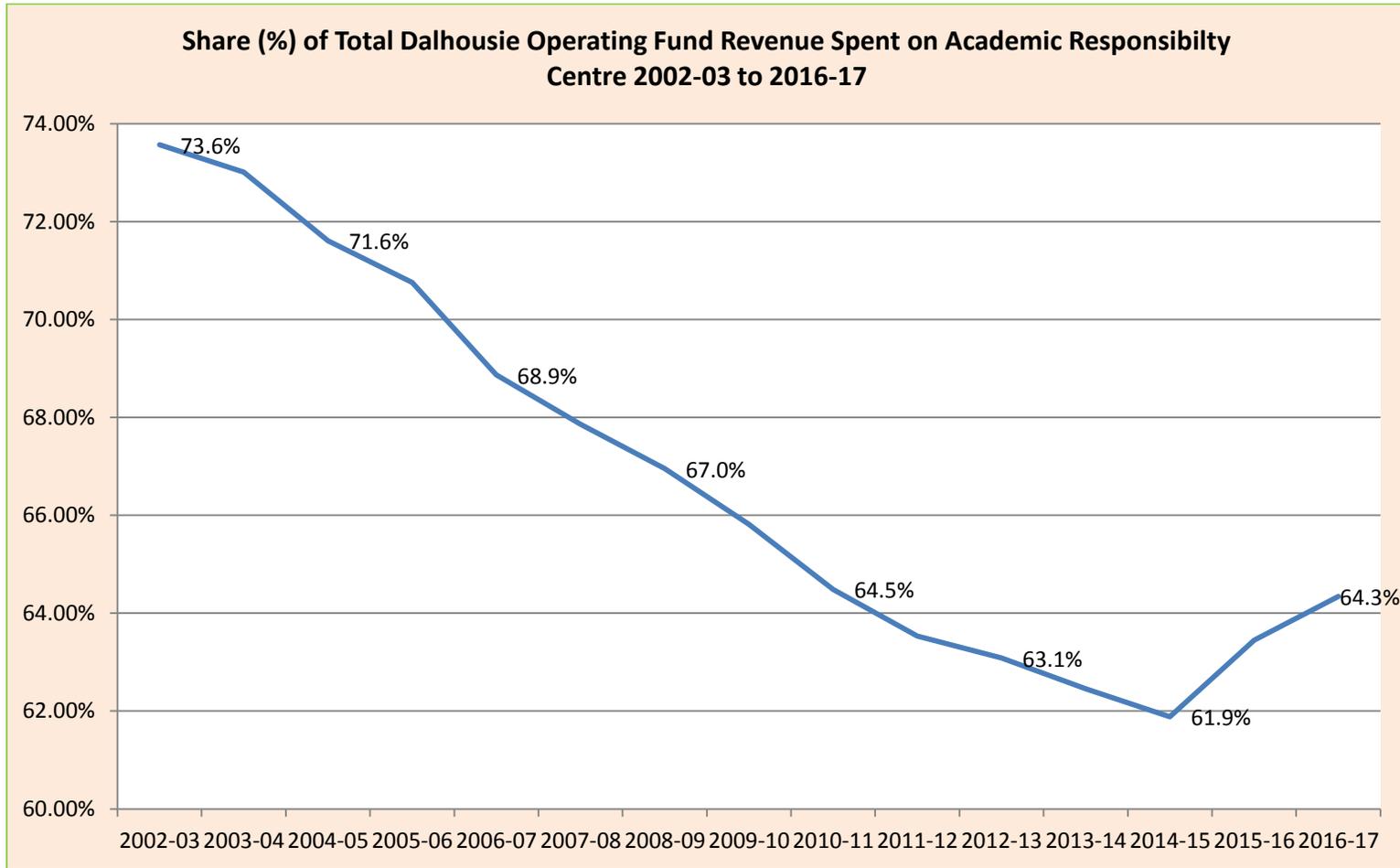
**Table 3: Percentage of operating fund spending by responsibility centre 2002-03 to 2016-17**

	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%
<b>TOTAL</b>	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.

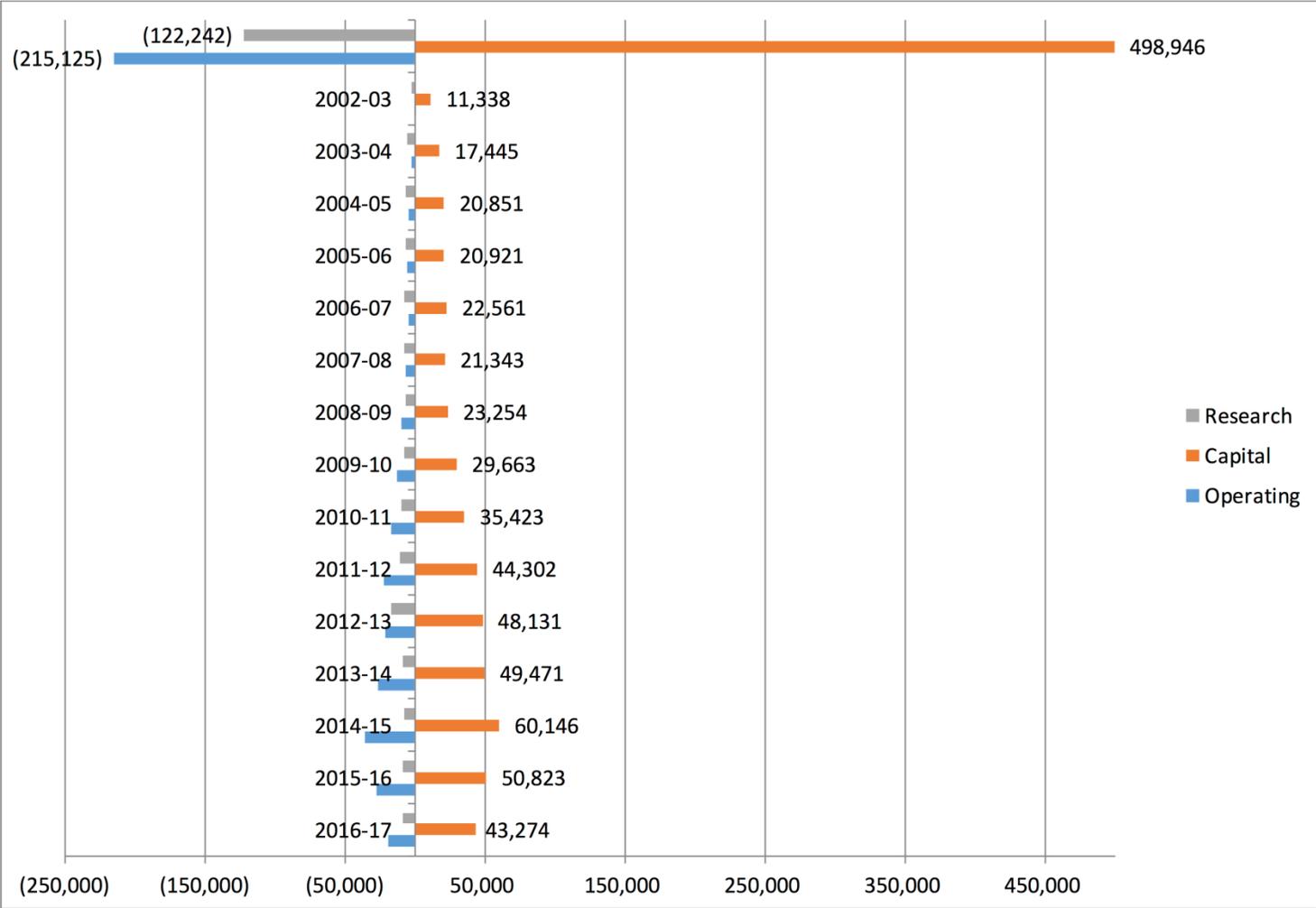
**Chart 1: Share (%) of Total Dalhousie Operating Fund Revenue Spent on Academic Responsibility Centre 2002-03 to 2016-17**



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

	<b>Operating</b>	<b>Endowment</b>	<b>Ancillary</b>	<b>Capital</b>	<b>Special Purpose</b>	<b>Research</b>
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)
<b>Total</b>	<b>(215,125)</b>	<b>(24,350)</b>	<b>(127,980)</b>	<b>498,946</b>	<b>(9,249)</b>	<b>(122,242)</b>

**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.

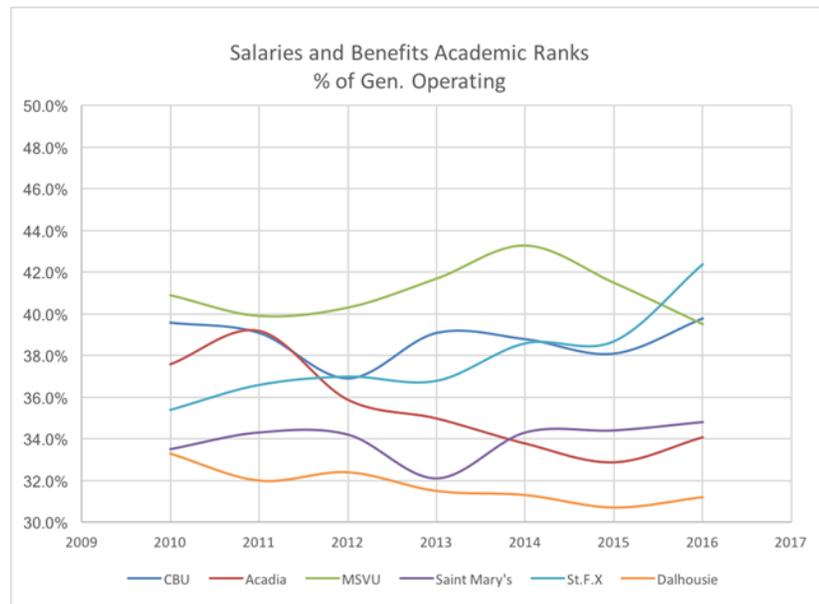
## Conclusion

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.

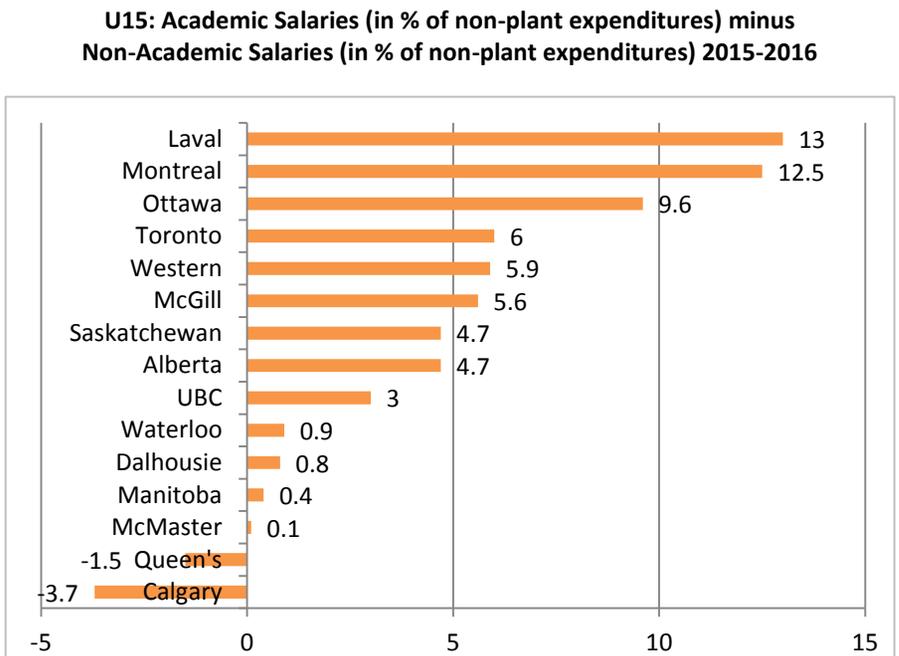
It is not surprising, therefore, that Dalhousie has experienced an overall reduction in the number of tenure-track faculty and has increased its dependence on limited-term and sessional academics, especially in the Faculty of Arts and Social Sciences and the Faculty of Health.

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)