

University Funding

Principles

Adequate university funding allows institutions to ensure their academic programs, student services, infrastructure and facilities remain accessible and of a high quality.

Adequate university funding lessens universities' reliance upon the (often unpredictable) income from students in the form of tuition and other fees, and allows universities to better anticipate and plan for the long term.

Post-secondary funding formulas that are contingent upon institutional progress and performance ensure institutions remain accountable to taxpayers, students and government.

Given their history of providing direct financial support to Nova Scotia universities in the form of operating grants, the provincial government plays a key role in improving the quality and affordability of post-secondary education.

The Issue

Nova Scotia universities are funded by a number of sources, collectively referred to as the “university system funding envelope” (USFE). This envelope is composed of a combination of federal and provincial grants, student fees and tuition, and funding from other sources. In 1978, government funding provided up to 80% of the revenue of Nova Scotia universities; in 2008, this funding constituted only 46% on average.¹ This evolving contribution ratio has led to significant increases to student costs; in the 2019-20, academic year, the average cost of tuition for Nova Scotian undergraduate students was \$8,368, the highest in the country and significantly higher than the national average of \$6,463². Decreasing government contributions to postsecondary – and the resulting increase in expected student contributions – pose a significant challenge to the affordability and accessibility of a university education in Nova Scotia.

As well, the growing reliance upon tuition fees increases institutional dependence upon student enrolment, which is relatively unpredictable year-over-year. This reliance is most evident in the case of international students: while domestic student tuition is subject to some regulation, international students' educational costs remain high and unregulated, with the average international tuition fees in the province increasing by almost 25% over the past

¹ Nova Scotia Post-Secondary Education Coalition, “Public Support for Public Education: Public Opinion on Post-Secondary Education in Nova Scotia” (2018).

² Statistics Canada. “*Table 37-10-0045-01: Canadian and international tuition fees by level of study*” (Statistics Canada, 2019).

five years.³ Even in Nova Scotia, with some of the lowest international student tuition fees in the country, international students pay over two times as much in tuition as their domestic counterparts.⁴

The Role of the Provincial Government

The long-term benefits of upfront investments in post-secondary education are widely recognized, with postsecondary education serving as a key economic driver in the province and an estimated \$886 million of annual export revenue generated from Nova Scotia's degree-granting institutions as of 2016.⁵ Similarly, Nova Scotia's higher education sector accounted for 74% of research and development within the province in 2011 in contrast with the national average of 38%.⁶ Nova Scotia government's expenditures per full-time student within the province are one of the lowest in Canada, and these expenditures are even lower when fees are disaggregated across institution types, with the provincial government dispensing \$4,000 less per university student than per college student in the province. This heavy skew towards college program funding is one of the largest discrepancies in the country and is rare on a global scale.⁷

Although federal contributions are not within Students Nova Scotia's direct purview, they aid in providing context surrounding the provincial government's role. These federal contributions are made primarily through the block Canada Social Transfer, which was formally introduced in the late 1990s. An amalgamation of a number of social programs, it was initially impossible to determine the amount of federal funding the federal government allocated to PSE, but in 2007 it was determined that 30.7% of the CST (estimated as approximately \$14 in 2018)⁸ was allocated "in respect of" PSE. This lends itself to a near 2:1 ratio for federal to provincial PSE contributions. As the CST is not considered a program, it is not subject to periodic reviews or evaluation; it has been set to increase by an annual 3% escalator since 2011.⁹ However, once this funding is distributed to the provinces, it becomes more difficult to track.

³ Ibid.

⁴ Ibid.

⁵ Gardner Pinfold, "Export Value of Nova Scotia", (2017).

⁶ Nova Scotia Commission on Building our New Economy, "Now or Never: An Urgent Call to Action for Nova Scotians" (2014).

⁷ Alex Usher, "Comparing Provincial Expenditures on Post-Secondary Education", Higher Education Strategy Associates, 2018,

<https://higherstrategy.com/comparing-provincial-expenditures-on-post-secondary-education/>.

⁸ Ibid.

⁹ Office of the Parliamentary Budget Officer, "Federal Spending on Postsecondary Education" (2016).

On both a federal and provincial level, government contributions to Nova Scotia universities increased markedly in the early and mid-2000s, but these contributions leveled off significantly at the end of the decade. So sharp is the discrepancy between the time periods that the overall difference between provincial expenditures in 2005-06 and 2015-16 is an increase of 31%, while the difference between 2010-11 and 2015-16 is a *decrease* of 10%¹⁰.

The primary document governing the relationship between the Nova Scotia government and Nova Scotia universities is the Memorandum of Understanding (MOU). The first MOU, implemented in 2005, dictated that overall system funding was determined based on projected costs, coupled with inflation rate, projected tuition revenue, and the provincial government's fiscal position.. The following MOU (2008-11) imposed a 3 year tuition freeze, while increasing operating grants by an average of 10.4% per year over its duration (effectively equating to a cut overall).

This shift away from student contributions was reversed in the 2012-15 MOU, in which the tuition freeze was replaced with a growth cap of 3% and operating grants were significantly decreased (by 4, 3 and 3% per year, respectively). The 2015-19 MOU continued this increase maximum, but allowed for one-time "market adjustments" above this cap that largely invalidated such a cap; this was coupled with an anticipated annual operating grant increase of 1%. The most recent MOU, released in 2019, continued the previous yearly increase rate of 1%, coupled with the removal of the one-time market adjustment clause. It also included clearer outcome measures university funding would be contingent upon relating to the quality of academics and the student experience.

In 2015, the provincial government introduced a piece of legislation entitled the University Accountability and Sustainability Act, which attempted to address the numerous institutions who had sought out and received one-time, emergency government funding over the years. This act sought to provide increased institutional accountability and cost control, allowing universities to apply for additional funding in times of serious financial distress only if certain conditions were met, including disclosure of financial statements and projections as well as a concrete revitalization plan.

Even with these increasing contributions from students, most universities across the provinces continue to face severe financial challenges. In the past several years, multiple institutions across the province have received one-time emergency grants in addition to their regular grants in order to ensure they can address a portion of their debts and get back on stable financial ground. Notable examples include St. FX, who received \$3.95 million in 2018,

¹⁰ Alex Usher, "Comparing Provincial Expenditures on Post-Secondary Education", Higher Education Strategy Associates, 2018, <https://higheredstrategy.com/comparing-provincial-expenditures-on-post-secondary-education/>.

as well as Acadia, who received \$10.5 million in 2015 in the form of an operating grant increase as well as loan forgiveness for an earlier \$7 million loan. Although the introduction of the Accountability Act sought to encourage institutions to avoid requiring these additional grants and forgiveness, it remains clear that many institutions continue to face instability that is only confounded by continuously increasing labour costs and decreasing enrolment.

Theme 1 : Adequate Funding

Principles

Adequate university funding lessens universities' reliance upon the (often unpredictable) income from students in the form of tuition and other fees.

Given their history of providing direct financial support to Nova Scotia universities in the form of operating grants, the provincial government plays a key role in improving the quality and affordability of post-secondary education.

Concern

University operating grants are inadequate and increasing at a slower rate than inflation and university expenses, constituting an increasingly small portion of post-secondary institutions' total income and placing more reliance upon student fees and tuition as a source of income.

Resolution

University operating grants should increase annually at the higher of either the real GDP growth rate or the provincial rate of inflation to reflect the economic context in which these universities exist and make financial decisions.

Supporting Evidence

As previously mentioned, numerous universities have required one-time emergency budget allocations above and beyond the operating grant to address accumulated debt and pay off existing loans. Several of the institutions have cited past decreases in operating grants as one of the reasons they required this emergency funding.¹¹ While this emergency funding falls in line with the requirements of the University Sustainability and Accountability Act, it remains a problematic trend in budgeting practices. A “windfall/cutback” approach to funding is not a long-term solution, providing no year-over-year stability or predictability. In comparison, if university grants were increased at a faster rate or at a rate more reflective of the evolving economic context in which these universities exist, institutions would not have to incur additional debt and interest, and would be able to better budget these funds to avoid similar situations in the future.

¹¹Frances Willick, “St. FX, King’s to get millions in extra funding to pay down deficits” (CBC News, 2018), Accessed January 4th, 2021,

<https://www.cbc.ca/news/canada/nova-scotia/st-fx-kings-millions-extra-funding-1.4946199>.

Correspondingly, the funding envelope has been forced to pivot over the years to accommodate shifting contribution patterns, and institutional reliance on student fees is very high. This leads to challenges in ensuring that recruitment measures for international students are fair and transparent; international student enrolment in the country grew by 46% between 11-12 and 15-16, contrasted with a 1.9% increase in domestic student enrolment¹². Although government contributions have consistently stagnated since the early 2010s, overall revenue to universities has continued to rise, not because of heightened enrolment but because of the skyrocketing number of international students choosing to study in the country¹³ which cannot be depended on to increase at the same rate indefinitely.

Theme 2: Funding Formulas

Principles

Given their history of providing direct financial support to Nova Scotia universities in the form of operating grants, the provincial government plays a key role in improving the quality and affordability of post-secondary education.

Concern

The provincial government's funding formulas lead to contributions that lack transparency and may overemphasize enrollment numbers, a metric not reflective of the diversity of our institutions.

Resolution

The provincial government should ensure that the funding formulas utilized to determine their contributions to universities are made publicly accessible.

The provincial government should clearly operationalize the outcome measures for the Key Performance Indicators highlighted within the Memorandum of Understanding, and place increased emphasis on student satisfaction and inclusion of underrepresented groups within these indicators. Additionally, funding is contingent upon universities creating a publicly available report outlining their work towards achievement of these outcomes during the preceding academic year.

Supporting Evidence

Historically in Nova Scotia, a predominately enrolment-based funding formula was utilized wherein larger institutions and programs received a greater amount of funding. However, this has shifted in recent years with the acknowledgement that stable and predictable funding formulas are largely preferable, particularly as operating costs consistently increase

¹²Alex Usher, "The State of Post-Secondary Education in Canada" (2018).

¹³Ibid.

regardless of enrollment numbers. As a result, the 2019-2024 MOU provided fixed cost funding, guaranteeing a consistent year-over-year increase of 1% for each institutions' operating grant. Although percentage increases are mandated, this does nothing to address the upfront division of funding across institutions.

The government did commit to provide annual funding of strategic priorities - namely, sexualized violence prevention, e-mental health, and innovation funding in the MOU. However, outside of this funding, a fixed funding formula provides universities little incentive to increase the quality of their academic experiences. Although the key performance indicators associated with the MOU provide some level of institutional accountability measures, and continued funding is contingent upon that performance, much of what is included within these metrics and regular reports are not publicly available, eliminating university accountability to the public taxpayers. Viewing funding through a strategic lens using measures such as student satisfaction and engagement of underrepresented groups would encourage institutions to take further steps in innovating and diversifying their campuses.

Theme 3 : Deferred Maintenance and Accessibility

Principle

Adequate university funding allows institutions to ensure their academic programs, student services, infrastructure and facilities remain accessible and of a high quality.

Concern

As university infrastructure becomes increasingly outdated, many post-secondary institutions are increasingly unable to cover the costs of renovation or innovation, leading to significant accumulation of deferred maintenance costs.

Resolution

To address the continued accumulation of deferred maintenance costs and the need for universities to further innovate, the provincial government should create a sizable deferred maintenance fund that institutions can apply to on an annual basis, or alternatively add an additional restricted operating grant to each institutions' annual funding earmarked for the purposes of addressed deferred maintenance.

Supporting Evidence

The majority of universities across the province have been in existence for well over a century, and as such their infrastructure and buildings become more outdated with each passing year. The Nova Scotia Accessibility Act (2017) set the legislated goal of an accessible Nova Scotia by 2030, which would require all public sector bodies to develop and implement plans to ensure their buildings and public spaces adhere to provincially developed

accessibility standards. As post-secondary education institutions are public sector bodies under this act, they are also required to comply with the regulations put forth by the Education Sector Standards Council. This act will require significant investments in on-campus infrastructure to ensure they are in line with this legislation.

Given the slow rate at which operating grants have been increasing, many institutions have accumulated significant costs in deferred maintenance. A recent estimate placed the total costs of deferred maintenance at Nova Scotia universities in excess of \$500 million dollars, with an immediate level of need between \$50 million and \$80 million. As infrastructure continues to age, it is certain that this cost will continue to exponentially grow.

Summary of Resolutions

University operating grants should increase annually at the higher of either the real GDP growth rate or the provincial rate of inflation to reflect the economic context in which these universities exist and make financial decisions.

The provincial government should ensure that the funding formulas utilized to determine their contributions to universities are made publicly accessible.

The provincial government should clearly operationalize the outcome measures for the Key Performance Indicators highlighted within the Memorandum of Understanding, and place increased emphasis on student satisfaction and inclusion of underrepresented groups within these indicators. Additionally, funding is contingent upon universities creating a publicly available report outlining their work towards achievement of these outcomes during the preceding academic year.

The provincial government should create a deferred maintenance fund that institutions can apply to on an annual basis. Alternatively, this can be achieved through the addition of a restricted operating grant within each institutions' annual funding earmarked for the purposes of addressing deferred maintenance.

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