

Memorial University Budget Outlook

December 20, 2016



2016/17 Budget Review



Millions

Reductions / Negative Impacts

- **Provincial grant reduction** \$ 8.3
- **Pension contributions increase** 1.1
- **Attrition** 3.0
- 12.4**

Revenue Increases / Expenditure Cuts

- **Provincial Grant in lieu of tuition increase** 4.0
- **Attrition** 3.0
- **Administrative Budget Cuts** 4.1
- **Travel Reduction** 1.3
- \$12.4**

2018 to 2020 Budget Outlook



| | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|---|---------------|---------------|---------------|
| Reductions / Negative Impacts | | | |
| • Provincial grant reduction | \$ 5.4 | \$ 2.6 | \$ 2.6 |
| • Attrition Reduction | 0.0 | 3.0 | 0.0 |
| • Pension contributions increase | 3.4 | ? | ? |
| • Uncontrollable Inflation | <u>3.4</u> | <u>4.0</u> | <u>4.0</u> |
| | <u>12.2</u> | <u>9.6</u> | <u>6.6</u> |
| Revenue Increases / Expenditure Cuts | | | |
| • Grant in lieu of tuition increase | 4.0 | 4.0 | 4.0 |
| • Efficiency savings | 1.3 | ? | ? |
| • Attrition Savings | 0.0 | 3.0 | 0.0 |
| • 2016/17 grad tuition increase | <u>0.7</u> | <u>0.0</u> | <u>0.0</u> |
| | <u>6.0</u> | <u>7.0</u> | <u>4.0</u> |
| Current projected shortfall | <u>6.2</u> | <u>2.6</u> | <u>2.6</u> |
| Cumulative annual shortfall | <u>\$ 6.2</u> | <u>\$ 8.8</u> | <u>\$11.4</u> |

2018 to 2020 Budget Outlook - Tuition



| | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|--|--------------------|--------------------|--------------------|
| Grant In Lieu / Tuition Increase | \$4.0 | \$4.0 | \$4.0 |
| Impact on students would be: | | | |
| • Tuition Increase | 4.0 | 4.0 | 4.0 |
| • Grant in lieu of a tuition increase | <u>4.0</u> | <u>4.0</u> | <u>4.0</u> |
| Net tuition increase | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |

Each \$4.0 million represents approximately 10% of tuition

2018 to 2020 Budget Outlook - Tuition



Canadian Tuition Fee Comparison

| | <u>Canada</u> | <u>NL</u> | <u>NL as %</u> |
|------------------------------------|-----------------|-----------------|----------------|
| Undergraduate Domestic | \$ 6,373 | \$ 2,759 | 43.3 |
| Undergraduate International | \$23,589 | \$ 9,360 | 39.7 |
| Graduate Domestic | \$ 6,703 | \$ 3,218 | 48.0 |
| Graduate International | \$15,009 | \$ 3,653 | 24.3 |

2018 to 2020 Budget Outlook - Tuition



Tuition and Fees / Operating Revenues

Memorial

| | |
|---------|--------|
| 1995/96 | 20.4 % |
| 2005/06 | 20.8 % |
| 2015/16 | 12.5 % |

Canada

| | |
|---------|--------|
| 2015/16 | 40.4 % |
|---------|--------|

UAlberta, MacEwan approve tuition increases for international students

The University of Alberta and MacEwan University have voted to increase tuition fees for international students starting in fall 2017, reports the *Edmonton Journal*. MacEwan University's board of governors agreed this week to a 10% tuition increase to \$18,240 from \$16,590 in the next academic year and a 5% increase to \$19,140 in 2018/19. UAlberta agreed to an across the board 3% increase for international tuition fees, bringing the cost of an arts and science undergraduate degree from \$20,395 to \$21,009 a year and a business degree from \$26,827 to \$27,636 a year. UAlberta has also agreed to introduce a \$4K international graduate tuition fee that will be "cost neutral and revenue neutral" because students will receive \$4K a year in financial support. Both schools have argued that the increases will bring them more in line with what other postsecondary institutions in Canada charge. They add that from an international student's perspective, low tuition fees are linked to perceptions of lower quality education.

2018 to 2020 Budget Outlook – Campus Renewal



Historical Provincial Funding

| | |
|-------------|-----------------------|
| 2012 | \$10.0 million |
| 2013 | \$10.0 million |
| 2014 | \$10.0 million |
| 2015 | \$ 8.4 million |
| 2016 | \$ 0.0 million |
| 2017 | \$ 0.0 million |

Memorial Operating Funds

| | |
|-------------|-----------------------|
| 2016 | \$ 7.0 million |
| 2017 | \$ 8.0 million |

VFA Asset Management reports that we need to spend \$22.6 million per year to maintain current 28.5 % Facility Condition Index. A FCI of 10% to 20% is considered poor.

2018 to 2020 Budget Outlook – Campus Renewal Fee



| | |
|--|---------------------|
| Atlantic Canadian University Fees | \$356 U/Grad |
| | \$392 Grad |

For Modeling purposes

| | |
|--|--------------|
| \$10 per credit hour – per 10 courses | \$300 |
| Graduate students \$100/ semester | \$300 |
| MI Technical Certificate \$150 / semester | \$300 |

We have inflated the fee to \$400 by 2020

2018 to 2020 Budget Outlook – Campus Renewal



Deferred Maintenance

| | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|--------------------------------------|---------------|---------------|---------------|
| Current transfer from operations | \$ 8.0 | \$ 8.0 | \$ 8.0 |
| Proposed transfer from operations | <u>3.7</u> | <u>3.0</u> | <u>2.3</u> |
| Net Campus Renewal amount / fee | 4.3 | 5.0 | 5.7 |
| Unknown allocation from the Province | (?) | (?) | (?) |
| | | | |
| Net Impact on Students | <u>?</u> | <u>?</u> | <u>?</u> |
| | | | |
| Total | <u>\$ 8.0</u> | <u>\$ 8.0</u> | <u>\$ 8.0</u> |

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2018 to 2020 Budget Outlook – Campus Renewal



The financial impact of the Campus Renewal Amount on the projected annual deficits would be as follows:

| | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|--------------------------------------|-----------------------|-----------------------|-----------------------|
| Cumulative Annual Deficit before fee | \$(6.2) | \$(8.8) | \$(11.4) |
| Campus Renewal Amount / fee | <u>4.3</u> | <u>5.0</u> | <u>5.7</u> |
| Remaining Deficit | <u>\$(1.9)</u> | <u>\$(3.8)</u> | <u>\$(5.7)</u> |

These numbers assume a resolution to the Pension Plan Special Payments issue otherwise add approximately \$30 million to the deficits.

Pension Plan Issues



Government has negotiated (with its unions) changes to the Public Service Pension Plan and the Teachers Pension Plan. A letter to the President from the Minister of Advanced Education, Skills and Labour indicates that “Prior to the changes, the taxpayers of the province carried a disproportionate share of the financial burden for the plans.”

“ The pension reform changes were premised on the following criteria:

- Benefits under the plans would no longer be guaranteed by the Government;
- Current retirees’ pensions would not be impacted;
- A defined benefit pension plan would be maintained;
- Accrued benefits were protected;
- Joint plan management; and,
- Implementation of a Funding Policy.”

The key plan changes included contribution rate increases, changes to early retirement eligibility, changes to the pension benefit formula and suspension of indexing for future service”

Pension Plan Issues



The University Pensions Committee is advising the Board of Regents on this matter and has formed a Sub-committee of all stakeholder groups that were to commence meetings with the Province on Wednesday, October 12th.

List of questions to enhance the usefulness of the meeting were submitted on October 6, 2016.

The October 12 meeting was cancelled by Government and on November 29th we received a letter from the Minister of Finance asking that we meet with Government Officials discuss the questions.

The Sub-Committee continues to meet to consider Joint Sponsorship Governance structures.

Two Actuarial Firms has been contracted (one by MUN and another by MUNFA) to calculate impact of Plan changes. This work is on hold pending meeting with Government to provide guidance.