

BUDGET PLANNING UPDATE

Presentation to Senate, December 12, 2017

PROVINCIAL BUDGET CHANGES APRIL 2017

Millions of Dollars	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>Cumulative</u>	<u>Next 2 Yrs</u>
• Provincial grant reduction	\$ 11.9	\$ 6.1	\$ 6.1	\$ 24.1	\$ 12.2
• Attrition reduction	\$ 0.0	\$ 3.0	\$ 0.0	\$ 3.0	\$ 3.0
• Grant in Lieu of Tuition	\$ 4.0	\$ 4.0	\$ 4.0	\$ 12.0	\$ 8.0

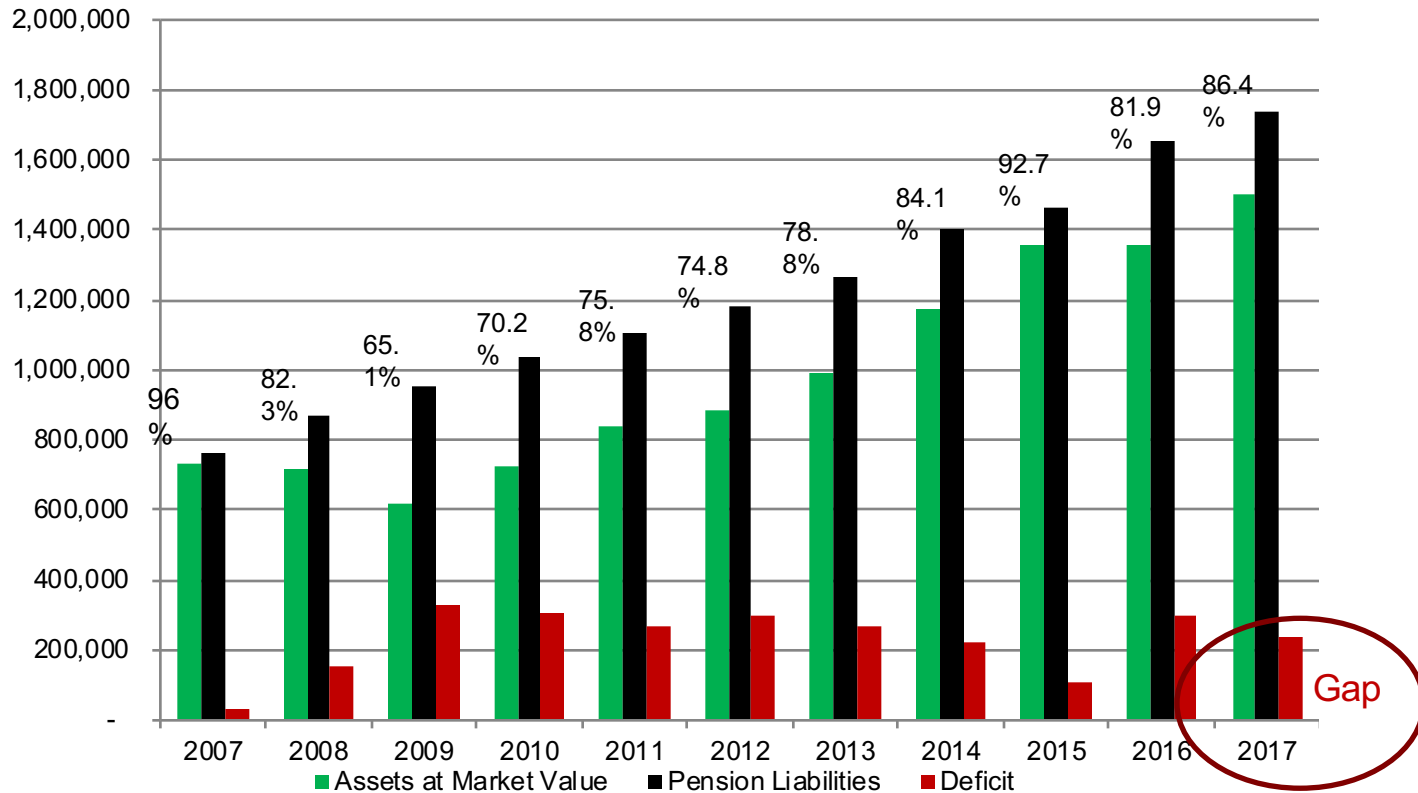
- Net shortfall of \$ 7.2 M for next two years will now be increased by ~\$ 6.0M

PENSION FUNDING

Review

- Province has moved to joint sponsorship model for Public Service pension plans so that responsibility for future financial health of the plans is shared with employee groups
- Memorial was asked to do the same and in 2015 the Province ceased funding special payments required under the *Pension Benefits Act* and provided a deferral at the request of Memorial
- Special payments would have been \$23.5 M in 2015/16, \$27.0 M in 2016/17
- Memorial is responsible for the existing deficit, which was \$156 M at Dec. 31, 2016
- Financing the deficit is a prerequisite to employee groups accepting joint sponsorship

PENSION PLAN FUNDED RATIOS: 2007 - 2017



PENSION FUNDING

- The Pension Plan funding assumptions provide for a 3.2% return on the fixed income portion of the plan assets
- \$ 6M would offset the return on a fixed income vehicle such as a promissory note of \$ 187.5 M
- During the 2017/18 Budget process the Province indicated that it would provide \$6M per year to finance the deficit on conversion to joint sponsorship*
- In late November, Memorial received a letter from the Province indicating that Memorial must fund the cost of financing the deficit

** Multi-year planning for budget deficit was completed under the assumption that the pension payment of ~ 6M would be handled by the Province*

OPERATING GRANT RECONCILIATION 2011/12 TO 2017/18

	MUN
2011/12 Operating Grant	\$ 303.1 M
Gov. salary template increases	26.7M
Grant in lieu of tuition increases	25.3M
Program expansions (Engr., MI, etc.)	12.8M
Base budget reductions	(33.6M)
Pension special payment reduction	(19.2M)
2017/18 Operating Grant	\$ 315.1 M
Transfer to Capital (Deferred maintenance, Core Science Building and Animal Resource Centre)	(9.6M)
2019 Reductions (Assumes \$4M Grant in Lieu)	(5.1)
2020 Reductions (Assumes \$4M Grant in Lieu)	(2.1)
Pension Funding	(6.0)
2019/20 Operating Budget – Current Guidance	\$ 292.3 M

GRANT RECONCILIATION 2011/12 TO 2017/18 CAPITAL

	2011/12	2017/18
Deferred maintenance	\$ 10.0 M	\$ 0.0
Teaching equipment	1.0 M	0.0
Lab Safety project	0.3 M	0.0
Major Capital	44.1 M	0.0
White Paper Matching funds	2.4 M*	2.4 M*
Total Grant	\$ 57.8 M	\$ 2.4 M
* Payment for Core Science Facility (CSF)		

Total Operating/Deferred Maintenance/
Classroom upgrades/CSF = **\$316.5 M** **\$317.5 M**

SOURCE: MUN BUDGET

REVENUE COMPARISON – GRANT VS. TUITION

2017/18	MUN	PEI	NS	NB	Canada
Provincial Grant	\$315 M	\$57 M	\$383 M	\$224 M	\$11.2 B
Credit Course Tuition	43 M	30 M	352 M	128 M	8.0 B
Combined	\$358 M	\$87 M	\$735 M	\$352 M	\$19.2 B
Tuition as % of Prov. Grant	14%	53%	92%	57%	71%
<i>2011/12</i>	<i>13%</i>	<i>48%</i>	<i>74%</i>	<i>61%</i>	<i>56%</i>

SOURCE: MUN BUDGET / CAUBO (2015-16)

TUITION MODELING

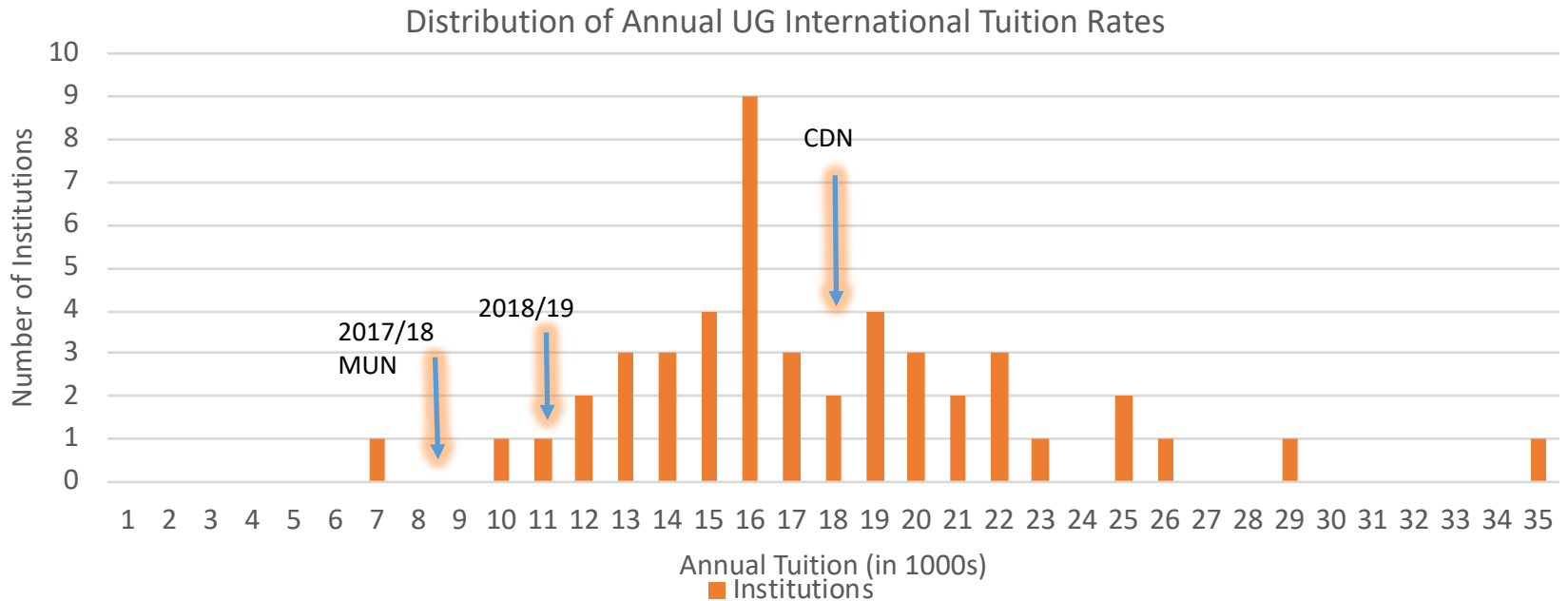
- Given the additional \$ 6M per year pension payment now required by Memorial, the Province has asked that we model the impact on revenue and enrolment of the following:
 - No change in tuition fees for students who are NL residents
 - Tuition fees up to the Canadian average for Canadians who are not NL residents
 - Tuition fees up to and above the Canadian average for international students

TUITION CHANGES – 2017/18 BUDGET

- NL students' tuition rates frozen at current level
- All current non-NL students' tuition rates frozen until fall 2021
- New non-NL students starting September 2018 will have a 30% increase in tuition fees. Applies to undergraduate, graduate, diploma and certificate programs.
- Projected revenue assuming static enrolment: \$1.5M in 2018-19, increasing to \$5.8M annually in 2021-22.

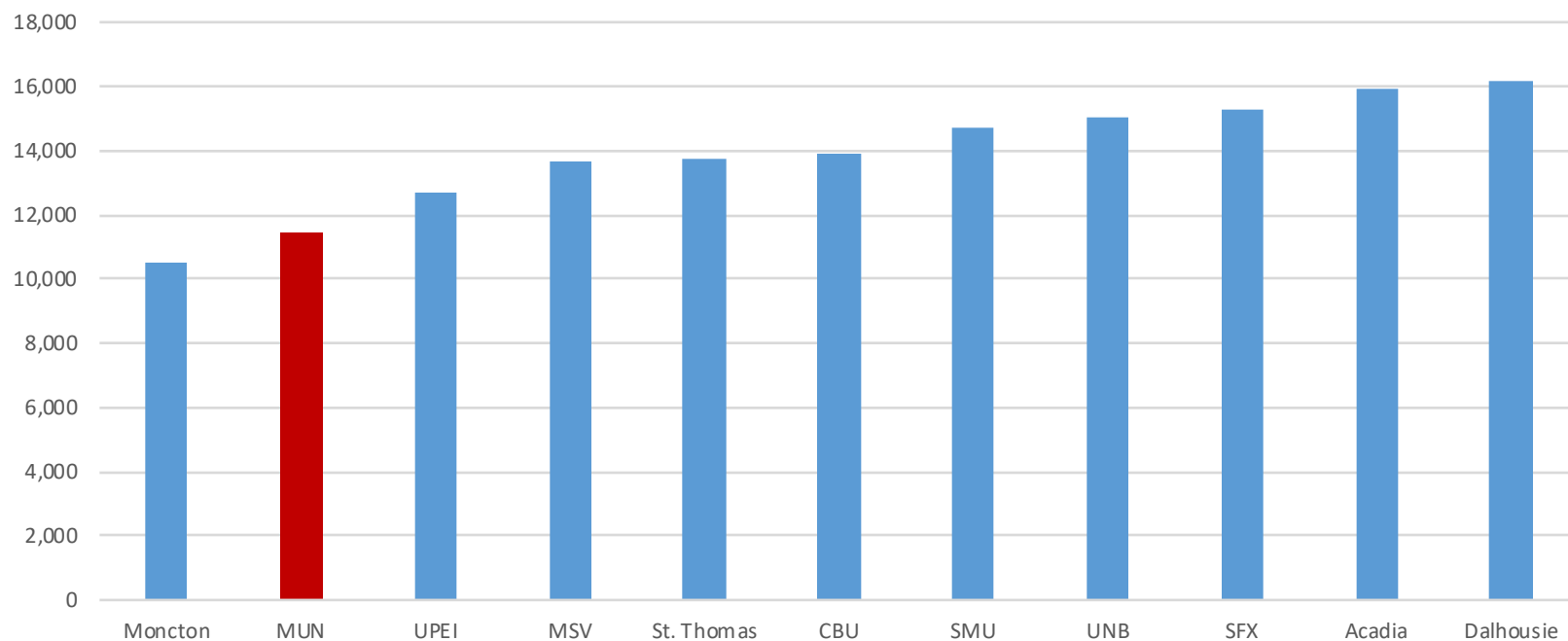
Level	NL and all Existing	New CDN Sept 2018	New INT'L Sept 2018
Undergraduate	\$2,550	\$3,315	\$11,440 (was \$8,800)
Masters (B)	\$1,896	\$2,465	\$3,206 (was \$2,466)
PhD	\$2,664	\$3,463	\$4,497 (was \$3,459)

INTERNATIONAL FEES COMPARISON -- CANADIAN UNIVERSITIES (2016-17)



Source: Stats-Canada TLAC - Humanities

INTERNATIONAL TUITION RATES – ATLANTIC CANADIAN UNIVERSITIES



Source: Stats-Canada TLAC - Humanities

INTEGRATED PLANNING COMMITTEE

Mandate is to ensure that:

- The university has a set of institution-wide strategic priorities in place that guides the future direction of the university and serves as a foundation for strategic planning initiatives at Memorial
- Existing and ongoing planning exercises and the strategic priorities are aligned
- Resource allocation at Memorial is driven by strategic priorities and is integrated with the budget process
- Its activities and any recommendations it makes are transparent

The IPC will also advise the President on operating budget matters, consulting widely with the Memorial University community to develop and finalize its recommendations to the President.

IPC BUDGET REPORT PROCESS

- Committee orientation (October/November)
- Assessment of preliminary budget information (November/December)
- Initial consultations (December/January)
- Development of draft report (January/February)
- University consultation (March/April)
- Completion of final report (May)